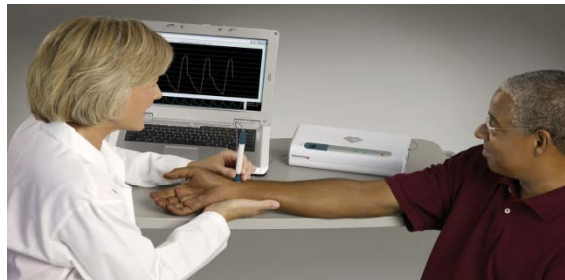


# AtCor Medical - ASX:ACG



**Entitlement Offer and Share Placement**  
**October 2010**

**Duncan Ross – CEO**  
**Peter Manley - CFO**

# Investment Summary

- ASX Code: **ACG**
- Ordinary Shares on Issue: **100.4m**
- Market Capitalisation @ \$0.12: **\$12.04m**
- Options on Issue: **14,415,000**
- Fully Diluted Market Capitalisation: **\$13.8m**
- Enterprise Value (30 June 2010): **\$9.0m**
- NTA Per Share: **\$0.036**
- FY10 Product Revenues: **\$9.2m**
- FY06-FY10 Sales CAGR: **23%**
- Cash 30 September **\$0.38m \***

\* large pharma receivable US\$0.5m due 18 October

## Company Highlights

- FDA cleared 2001
- IPO November 2005 (ASX)- Funded Significant US expansion
- Over 2,100 systems installed globally
- 3 new systems in development
- Repeat contracting with 8 Pharma
- >400 peer reviewed publications, >1,100 citations
- 32 employees, 14 in US including Group CEO
- Senior management schooled in major multi-national device companies

# Value Proposition & Positioning

- Low cost, information rich, non-invasive cardiovascular devices - ahead of trend
  - Global gold standard in measures of arterial stiffness (central blood pressure, pulse wave analysis, pulse wave velocity)
  - Undisputed market share and brand leader-developing \$US 2.2B global market
  - Well positioned and respected - organic growth, alliance opportunities

# FY10 Milestones & Highlights

## ■ FY10 Milestones – Major News Items

- Central Pressure Threshold for Cardiovascular Events Identified in Major Clinical Study: Oct 09
- Central Pressure a Superior Determinant of Left Ventricular Hypertrophy: Feb 10
- SphygmoCor Positive Drug Effects in Pre-Eclampsia: Feb 10
- Launch of SphygmoCor V9 for Clinician Market: Mar 10
- Novartis SphygmoCor Study in African Americans: Mar 10
- US\$0.95m Pharmaceutical Contract: Mar 10
- US\$0.3m Pharmaceutical Contract: Apr 10
- Mayo Clinic Provides Clinician Recommendations for SphygmoCor: May 10
- Positive US Medicare Coverage Decision for Michigan Region : May 10
- US\$1.8m Pharmaceutical Contract: Jun 10

## FY10 – Milestones & Highlights

### ■ Tough Operating Conditions Improved in 2H

- GFC – Europe, US
- Healthcare Reform uncertainty delayed clinical practice and pharma decisions
- FX effects – tailwind in FY09, major headwind in FY10
- Growth returned 2H –rebound in Clinical & Pharma confidence when US healthcare reform settled

### ■ Fiscal Highlights

- NPAT loss of **\$1.2m** all in 1H; 2H Breakeven
- Product Sales of **\$9.2m**, down 4% on pcp constant currency basis
- Gross Margins + 560 bps to **90.1%** on lower production costs, FY run rate on EM3 clinician device
- Operating Expenses down **14%** on pcp constant currency basis
- Net Cash Burn of **\$1.8m**, up on pcp \$(0.1)m
- Closing cash of **\$1.6m** (+ \$3.4m trade receivables): 2H cash burn \$0.4m
- Net Assets **\$3.7m**, Negligible Intangibles, No Debt

## Objective – to raise \$1.5m - \$2.4m

### Overview

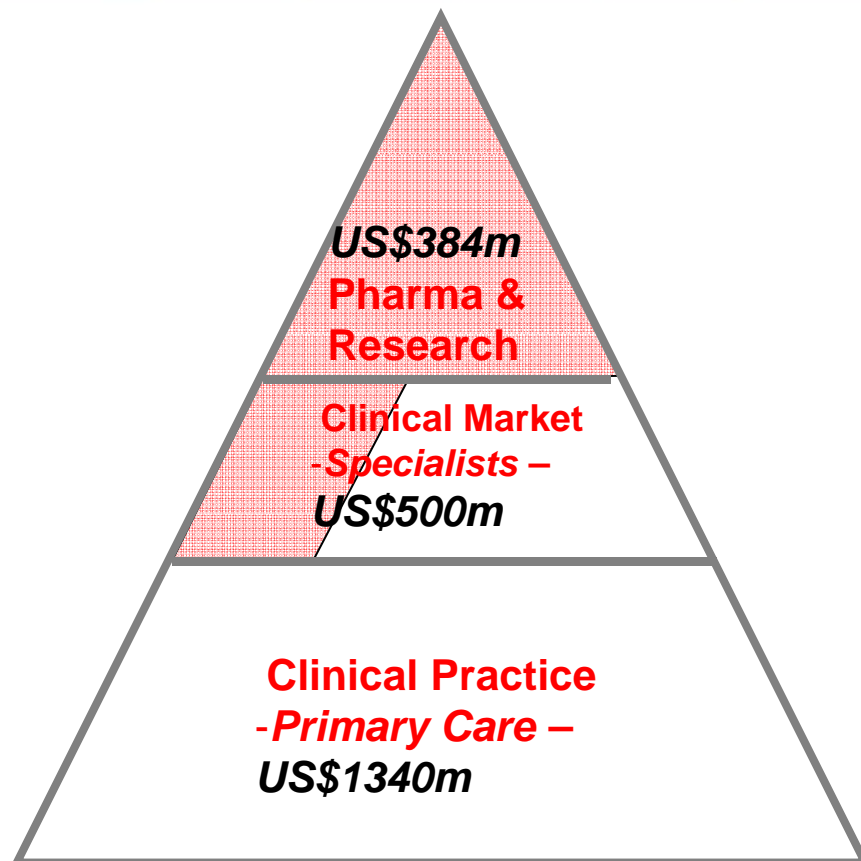
- Opportunity
- Accelerated technology adoption
- Use of funds
- FY11 Outlook
- Offer Structure & Timetable

# Opportunity

- AtCor on cusp of profitability and sustained positive cash flow
  - Sales forecast to return to double digit growth levels FY11
  - Relatively stable expense base - beyond accelerated investment in product development
  - Reduced burn for FY11, Forecast cash flow positive FY12 onwards
  - \$14.5m sales opportunities under management
  
- First Capital Raise the Company has undertaken since IPO in November 2005
  - Directors, Senior Management intend to participate
  
- Capital sought expedites product development, funds pharma leases and drives further reimbursement development
  - Removes doubt on ability to fund the business through to sustained profitability

# Global Market Opportunity- US\$2.2b

**US market estimated at \$1.1b**



## Research Market

- Pharma >US\$275m & expanding
- Academic Research, Hosp. Affiliated - US\$109m
- Global > US\$384m potential

## Specialist Clinical

- Cardiologists, Hypertension, Nephrologists (kidneys), Endocrinologists (diabetes)
- Academic-based specialists
- **Global US\$500m potential**

## Specialist Clinical – Government

- All Cardiologists, Hypertension, Nephrologists
- Veterans hospitals and Dept of Defense

**Market currently addressed: US\$568m or 26% of total available market**

# Opportunity

## ■ Pharmaceutical Clinical Trials

- Over the past 5 years, AtCor has developed best in class product and service offering, capturing both hardware and service revenue streams in this lucrative and growing segment
- First contract for active study management signed in June 2005
  - >25 actively managed trials complete or in progress as of 1 Oct 2010
  - Total patients enrolled: >4,000
  - Total site-months under active management: >11,500

# Opportunity

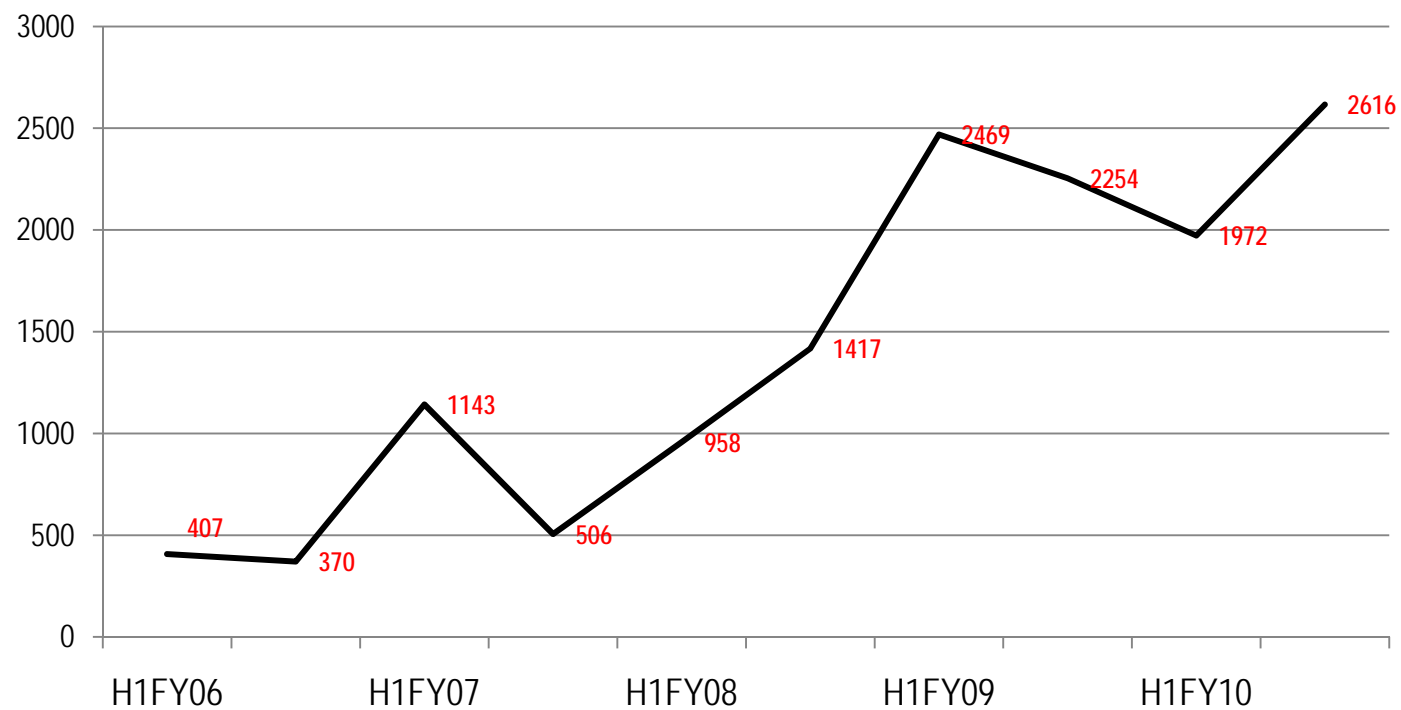
## ■ Pharmaceutical Clinical Trials

- >US \$14M cumulative revenue; ~US \$6.6m opportunities under management at present
- Revenue hardware plus service (~70/30) with captured revenue stream throughout study duration
- Growing client base with repeat business from eight companies
- WISDOM automated data transmission to our Global Data Management Centre-Real time patient-study management
- Central pressure measures critical marker for cardiovascular safety – AtCor preferred vendor, only fully validated proven device
- FDA supportive to Pharma to include central pressure safety data in drug applications

# Pharma Revenue Trend

2006-2010 **CAGR 43%**

Pharma Revenue By Half (US\$k)



# Opportunity

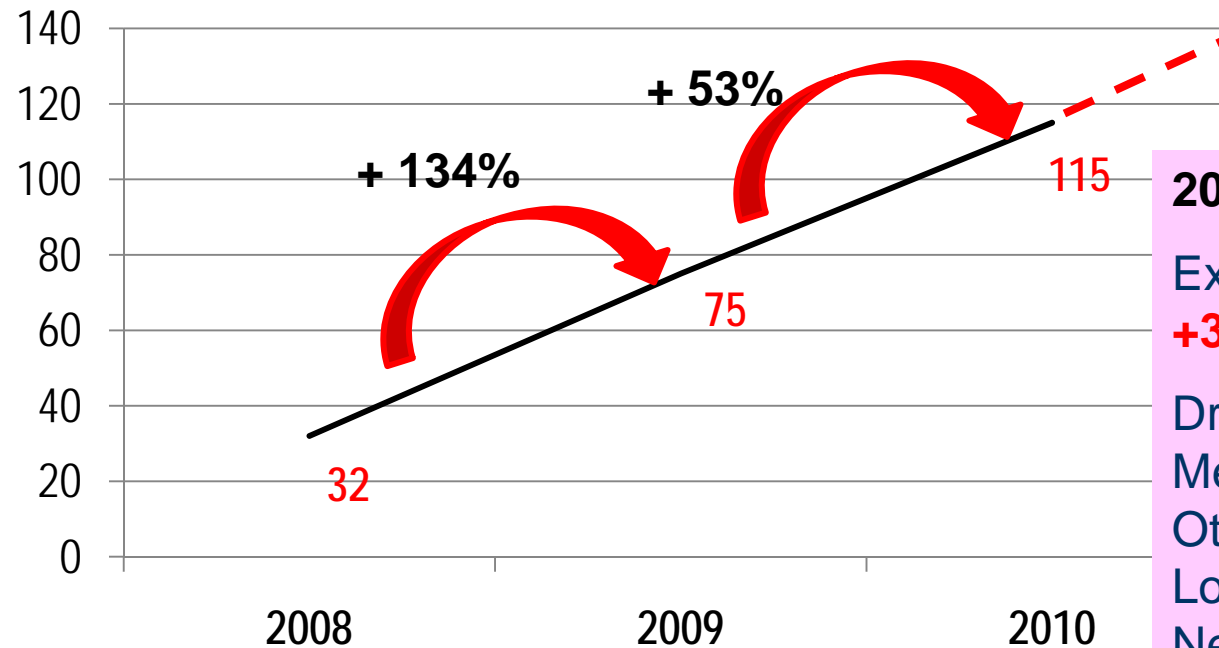
## ■ Specialist Clinicians

- Initially targeting top US clinicians focused on complex Hypertension from among thousands of nephrologists (kidney) and cardiovascular disease specialists
- AtCor utilized in 24 of top 25 nephrology hospitals in US
- Focus on KOL's within regionally dominant healthcare delivery systems
- Currently using unlisted cardiovascular 93799 at direction of AMA, pending CPT code application
- 115 clinical sites using SphygmoCor in clinical practice <1% penetrated
- Sales grew 43% on pcp in FY10.
- Medicare coverage – success in Michigan Region (5m covered lives)

# Opportunity

## Clinical Installed Base Growth

US Clinical Installed Base at Fiscal Year-end



**2011**  
 Expect further sig. growth.  
**+30%** targeted  
 Driven by -:  
 Medicare (Michigan Region)  
 Other Medicare Regions  
 Local payer decisions  
 New major publications

# Opportunity – Clinical System Economic Payback

		<i>Reimbursement per test</i>			
		<i>\$25</i>	<i>\$40</i>	<i>\$55</i>	<i>\$70</i>
Tests per week	<i>5</i>	28 months	17 months	13 months	10 months
	<i>10</i>	14	9	6	5
	<i>15</i>	9	6	4	3

- US\$15,000 purchase price for base clinical system
- Payback period in months, depending on throughput and reimbursement
- **Current clinical Accounts receiving on average US \$71 per test in reimbursement (= < 10 mths p/back)**
- **WISDOM** system allows flexibility to provide market cost per test rental as demand expands in clinical sector
  - Drives “annuity” style revenues w/out the capital cost for smaller centres/private practice

# Opportunity-

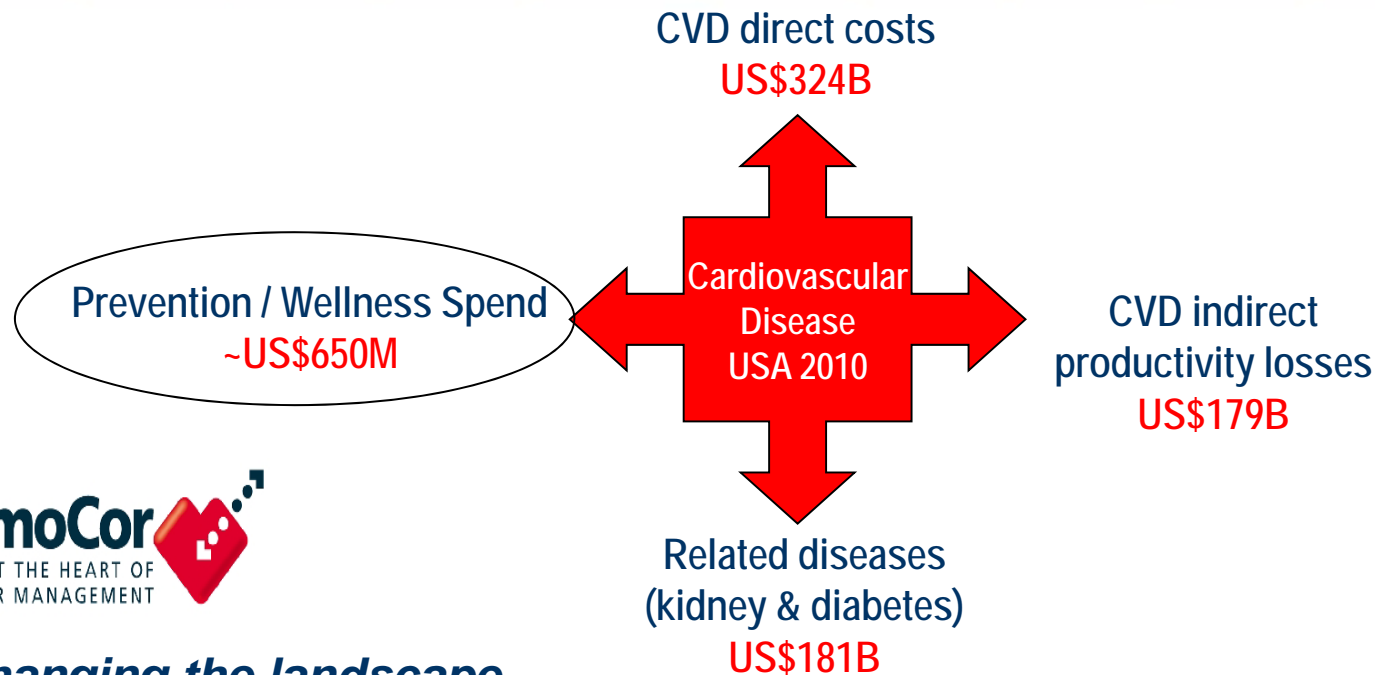
## Foundation for sustainable clinical growth

### ■ Research

- Research sales are driven by increasing awareness of the clinical importance of central blood pressure and arterial stiffness in driving cardiovascular risk
- Drives future disease specific clinical applications
  - Hypertension
  - Heart Failure
  - Atrial Fibrillation
  - Nephrology (Kidney)
  - Stroke
  - COPD (chronic obstructive pulmonary disease)
  - Diabetes
  - Pre-eclampsia
  - Inflammatory diseases
- This segment has yielded >400 peer-reviewed publications, over 1,100 literature citations, and established SphygmoCor as the gold standard/best validated technology in this field

# Changing Healthcare Landscape - Supportive Environment

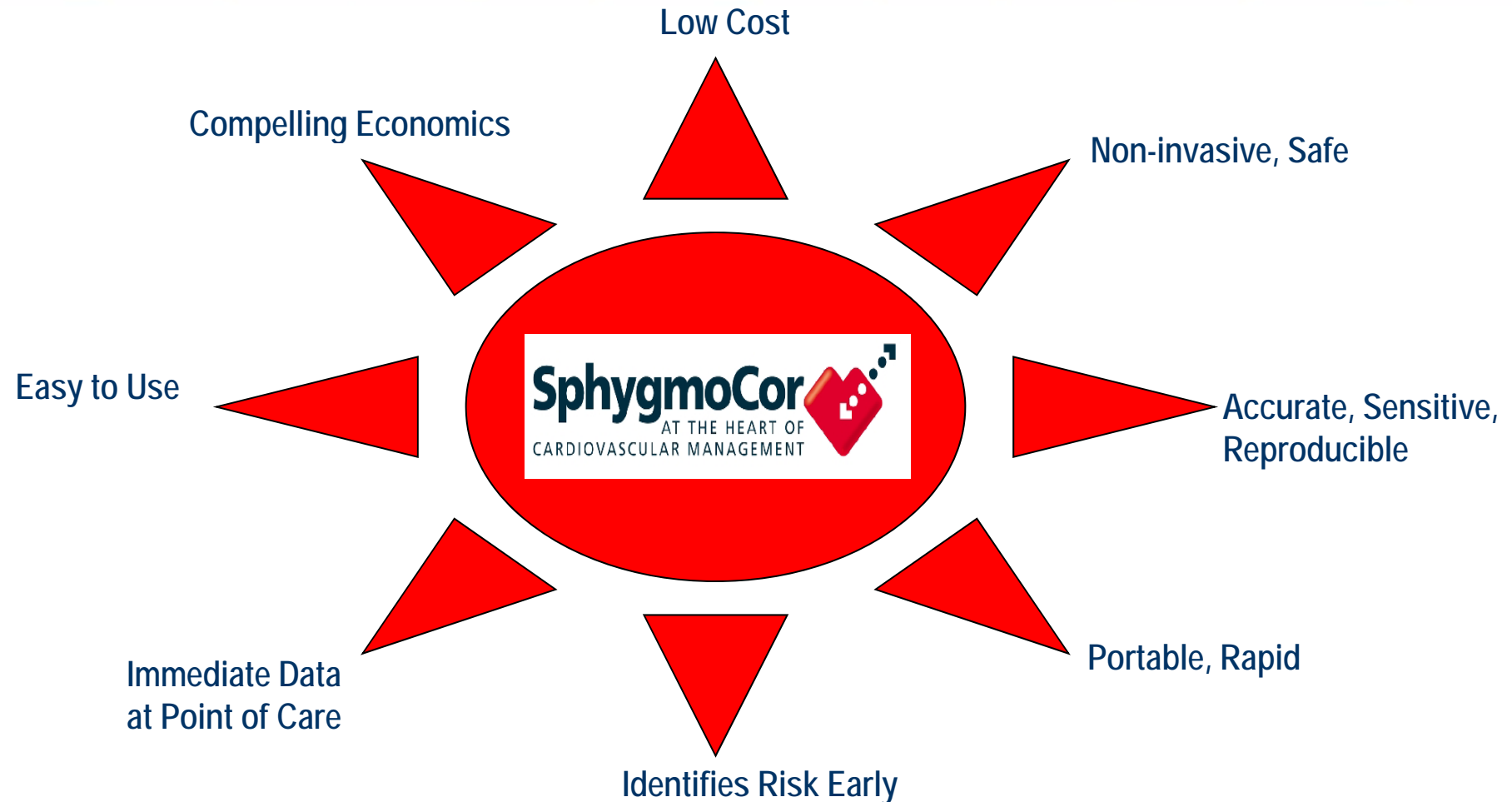
## Prevention, Reduce Patient/Hospital Loads



.....*changing the landscape*

- \* CP >50% superior in predicting CVD events and outcomes v cuff pressure = ↓ events, ↓ hosp. admissions, ↓ costs
- \* CP is **superior** and **independently predictive** in risk models v cuff, cholesterol, smoking, diabetes + others
- \* CP Identifies central cardiovascular drug effects = product differentiation by pharma, ↑ drug safety (FDA, EMEA)

# Key Factors for Technology Adoption



## Use of Funds – \$1.5m to \$2.4m

Use of Funds	\$1.5m	\$2.4m
Funding pharmaceutical trials leases	\$1.3m	\$1.3m
Acceleration of product development program	\$0.1m	\$0.5m
Consulting/legal to accelerate US reimbursement	-	\$0.2m
Additional working capital	-	\$0.3m
Broker fees	\$0.1m	\$0.1m

## Pharma Funding

- In FY09 100% of new pharma contracts (equipment component) was paid up front
- In FY10 this fell to 72% with the remainder being paid over the life of the trial
- FY11 forecast is 50%, then stabilises
  - Forecast deals by customer and preferred method of funding
- W/C impact - \$1.3m lag in collections by YE FY11
  - Necessitates additional funds to provide comfort to cash position
  - Note: these will be collected in future periods

# Accelerate Product Development

- Outsource non-sensitive functions
  
- New products to meet emerging clinical market needs
  - Simplified functionality, new applications & ease of use
  
- Target for release date – FY12

# Reimbursement

## Local foundation drives national success

- Build marketing program to take advantage of positive local CMS (Medicare) rulings (in USA)
  - Accelerate placements in MI region (MI, IL, WI, MN)
  - Two other regions (FL & CA/NV under development = 8.3m additional covered lives)
  - Legal and consulting fees
  
- Additional funds to pursue coding and coverage opportunities
  - Sustaining group of nephrology KOL's to help guide local & national coding and reimbursement approach with medical society
  - Sustaining group of cardiology and nephrology KOL's advising & guiding application of central pressures toward health disparities & coverage under payer diversity programs

## FY11 Milestones

- Total Business returns to double digit growth (constant curr)
- Pharma business returns to double digit growth
  - Currently ~ US\$6.6m opportunities under management
  - Minimum two significant deals in 1H
- Leverage drug safety support from CSRC-FDA
  - Has increased pharma market opportunity by minimum of US\$75m
  - Continued regulatory focus on cardiovascular risk in drug trials
- Local coverage decisions-drive national coverage & reimbursement
  - Grow US clinical account base to minimum 150 sites
  - Accelerate sales in MI Medicare Region -Target FL & CA/NV Regions

## FY11 Milestones (cont)

- Target - two diversity coverage decisions with payers
  - Estimated minimum 2.0m covered lives
- Enter clinical market in major Asian country
  - Local government support
- Additional Clinical studies to Report
  - In support of clinical up-take
  - CP meta analysis to report:
    - taking data from 9 major cardiovascular studies representing >9,000 patients
    - confirms superiority of central pressures
    - supports further clinical up take

# Offer Summary

<p>Share Placement</p>	<ul style="list-style-type: none"> <li>• To raise up to \$1.02m</li> <li>• Issue up to 14,550,000 new shares ("15%" rule)</li> <li>• Issue Price of \$0.07</li> <li>• Placement participants eligible for entitlement offer</li> </ul>
<p>1 for 6 Non-Renounceable Entitlement Offer</p>	<ul style="list-style-type: none"> <li>• To raise up to \$1.34m</li> <li>• Issue Price of \$0.07 (same as placement)</li> <li>• Issue up to 19,156,944 new shares</li> </ul>
<p>Capital Structure Effects</p>	<ul style="list-style-type: none"> <li>• Current issued capital: 100,391,667 (74.86%)</li> <li>• Placement: 14,550,000 (10.85%)</li> <li>• Entitlement Issue: 19,156,944 (14.29%)</li> <li>• Indicative issued capital: (up to) 134,098,611 (100%)</li> <li>• Indicative market capitalisation at 12c: \$16.1m</li> </ul>
<p>Discount Offered</p>	<ul style="list-style-type: none"> <li>• 39% to 30 day VWAP of \$0.114</li> <li>• 38% to 10 day VWAP of \$0.113</li> <li>• 30% to 5 day VWAP of \$0.099</li> <li>• 42% to last trade of \$0.120</li> </ul>

# Offer Timetable

Placement	Date
Trading Halt	Monday, Oct 18th
Placement Acceptances	Oct 18th - Oct 20th
Announcement of Placement and Entitlement Offer	Wednesday, Oct 20th
Allotment of Placement Shares	Tuesday, Oct 26th
1:6 Entitlement Offer	Date
Ex-Entitlement Date	Friday, Oct 29th
Record Date	Thursday, Nov 4th
Entitlement Offer Opens	Wednesday, Nov 10th
Entitlement Offer Closes (5pm AEST)	Friday, Nov 26th
Allotment of New Shares	Thursday, Dec 2nd
New Shares Commence Trading on the ASX	Friday, Dec 3rd



# **AtCor**

M E D I C A L