



# Investora 2015

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*1. October 2015*



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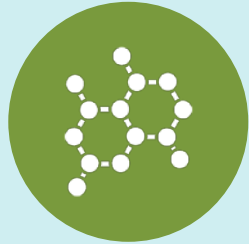
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# LifeWatch at a glance

- Leading cardiac monitoring service provider with business currently focused on the US market
- US market share gains in 2015 - first half year 2015 cardiac monitoring revenues up 12.1%
- Revenue growth in first half of 2015 of 9.1% versus the first half of 2014
- H1 2015 had the best EBIT and EBITDA numbers since 2009; EBIT of USD 3.8 million and EBITDA of USD 7.2 million
- Net Profit of USD 1.9 million in the first half of 2015 compared to a Net Loss of USD 4.7 million in the first half of 2014
- Turnaround which commenced in the second half of 2014 has continued in the first half of 2015

# Healthcare Megatrends



## Demographic Changes

- Aging population
- Increasing disease prevalence
- More disease detection
- Chronic disease management
- Prevalence of co-morbidities



## Cardiovascular Facts

- Heart disease is the main cause of death for both men and women (US: 1 in 4 deaths)
- Approx. 5% of population have cardiac arrhythmia
- Syncope causes 6% of US hospital admissions
- 15m people p.a. suffer stroke worldwide



## Pressure on Costs


- Hospital re-admission penalties
- Home monitoring mandates
- Hospital-based to ambulatory-based healthcare model
- Increased efficiency and transparency
- Poor post-discharge patient compliance



## Digital Health Revolution

- Pervasive connectivity
- Patient empowerment and open access to information
- Virtual medical visits
- Instant analysis and advice
- Interconnectivity/ Interoperability

# LifeWatch's Digital Health Capabilities

- **Services** (Call centers, trained staff, value added chain of services customized reports, EMR integration)
- **Products** (remote diagnostic capabilities, remote  wearable, reliable technology, patch technology platform)
- **R&D** (miniaturize, embed, integrate, test)
- **Data** storage, access to data

# LifeWatch's Current Remote Diagnostic Cardiac Monitoring Solutions



## Ambulatory Cardiac Telemetry

- 3-channel ECG for more qualitative information
- Records and transmits events wirelessly in near real-time based on programmable triggers
- Typical use: **occasionally symptomatic patients**



## Cardiac Event Monitor (CEM) Auto-Detect

- 1-lead ECG with automated heart arrhythmia detection
- Automatically saves a pre-event ECG portion and records a post-event ECG portion.
- Typical use: **Symptomatic patients**
- Auto-detect



## Cardiac Event Monitor (CEM) Looping

- Patient-activated 1-lead event monitor
- 90 second recording
- Worn on belt clip or directly on chest
- Typical use: **Symptomatic patients**

Looping: recording is overwritten every 90 seconds unless activated which then saves the recording



## Holter Recorders

- 3-lead ECG **continuous recording**
- Stores up to 48hrs of ECG for analysis
- Typical Use: **Patients with persistent symptoms**



# LifeWatch's Group Strategy

1. Update / facelift current technology and develop a universal gateway to support continued growth in ECG testing in the US and selected other markets
2. Facelift existing systems' architecture to develop a customizable backend solution
3. Introduce and further develop a new biosensor patch technology platform
4. Develop and market our Biomedical Informatics platform by capitalizing on our 20+ year legacy of disease-specific medical data
5. New Geographies: expansion into attractive international markets
6. Strategic business development initiatives:
  - Explore potential commercial partnerships
  - In-license innovative off-the-shelf solutions (technology platforms and/ or products)

# LifeWatch's Development Projects (1)



Product	Description	Key Features	Approx. Launch
Vital Signs Monitoring System	Shift from arrhythmia monitoring to vital signs monitoring ("game changing")	Focus: 1. Hospitals (US & International) 2. Ambulatory	Q4/2015 * US limited market release
Cardiac Monitoring patch	Ultralight patch	Discreet, ease of use, disposable	Q4/2015 *
Universal Gateway	One customized gateway for all LifeWatch products	4-5 years shelf-life higher efficiency in maintenance & repair	Q4/2015 *
ACT	Facelift (Android Version)	Faster enrollment, Ease of use	October 2015

\* Subject to FDA clearance



# LifeWatch's Development Projects (2)



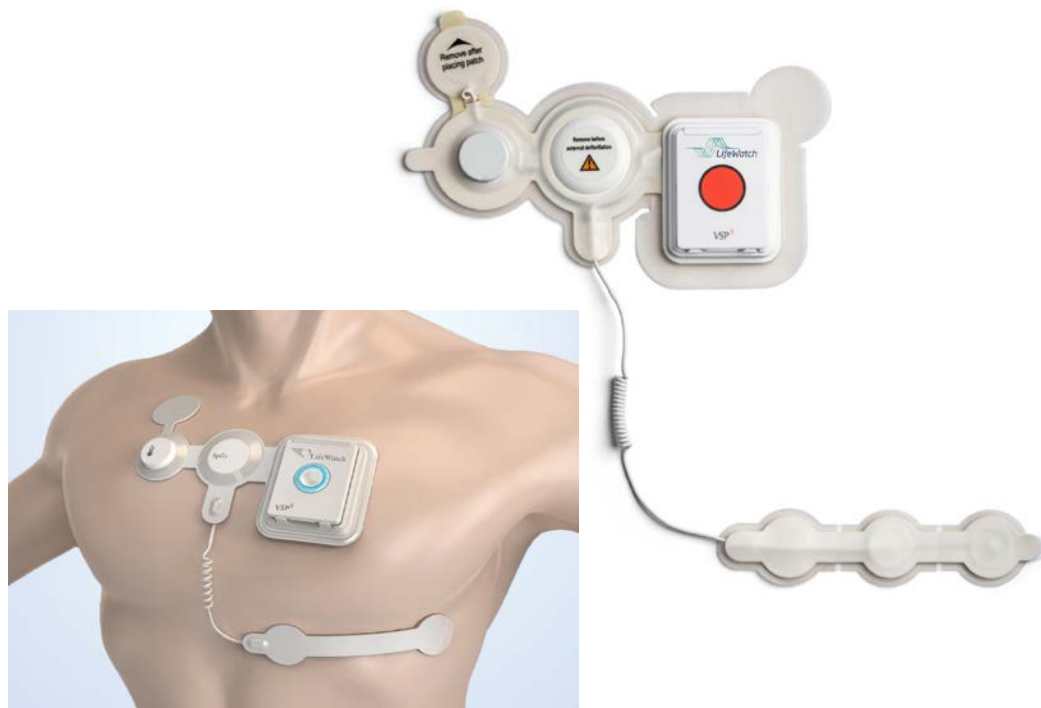
## On-going and future projects

- OTC products / applications
- Extend current product offering (other comorbidities, e.g. stroke)
- Update product technology (sleep apnea and cardiac devices)
- Systems updates:
  - Overhaul customer web portal
  - Replace back-end systems
  - Update algorithm
  - New flexible reporting system

# Vital Signs Monitoring System – Key Features

## Automation of key vital signs:

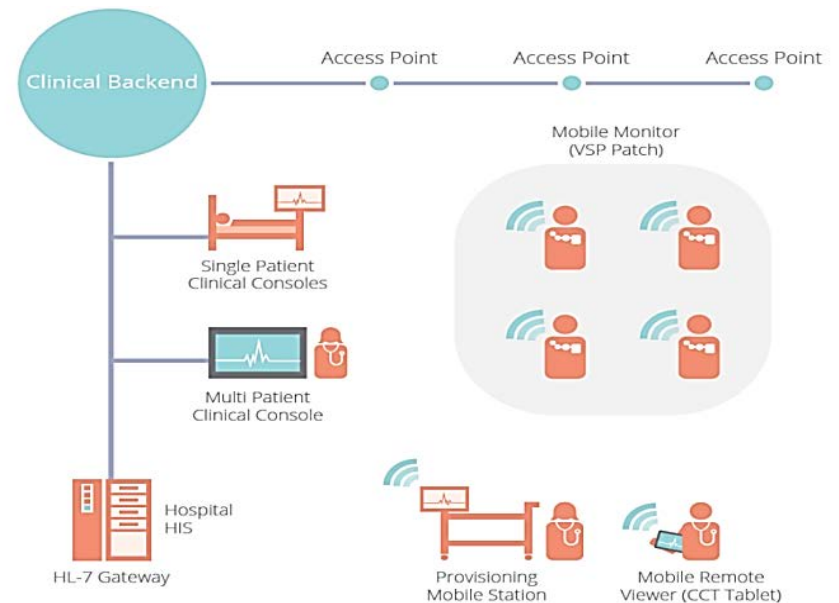
- 3 or 1 Lead EKG
- SPO2
- Temperature
- Respiratory Rate
- Body Position
- Blood Pressure (future)



- Shift service platform from the ICU to the general ward and ultimately to the ambulatory sector

# Vital Signs Monitoring System – Workflows and Processes

- Continuous Wireless Monitoring
- Interoperability with Electronic Medical Records (“EMR”)
  - The patch is attached to the upper chest and is single patient use only
  - The brain and gateway are re-usable
- Every hospital has its own workflows/ processes



# Vital Signs Monitoring System – Sales Cycle

Hospital sales process will typically take between 3 and 12 months (average: 6 months):



Variable	1-3 months	2-3 months	1-3 weeks	1-2 weeks
Since this is a shift of paradigm for every hospital and LifeWatch being a new player, this is a time-consuming process	Timing of New Product Committee meetings vary - generally monthly or quarterly	Evaluation criteria are likely to be hospital-specific	Capital expense processes are hospital specific. IT hardware may already be available in some hospitals. If a separate process is required, this may take more time.	

Sales cycle depends on the size of the hospital system, location of implementation, hospital's needs etc.

# Vital Signs Monitoring System – Action Plan



## Following FDA Clearance (expected in Q4, 2015)

### Limited market release to:

1. Understand and confirm clinical feasibility & usability
2. Identify hospital workflows: clinical, IT, equipment processing, maintenance, inventory, logistics, acquisition, storage
3. Gather feedback
4. Confirm definition of target market and validate the business model

Launch sites will also require time for their clinical and commercial evaluation

Co-operation with strong distribution partners being evaluated to fully exploit the potential

# ECG Patch

The LifeWatch Mobile Cardiac Telemetry patch combines an ultra-light ECG sensor, pre-programmed, according to physician orders, to relay diagnostic data back to a monitoring center for review and appropriate action by clinical staff

## Regulatory Affairs

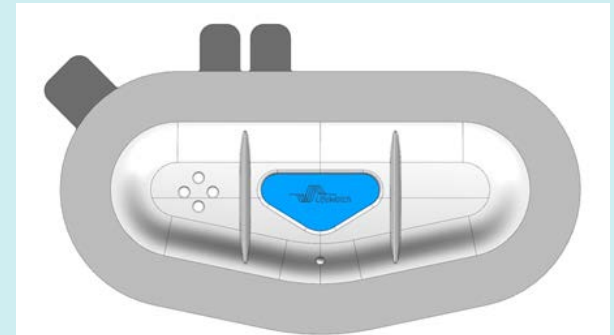
- FDA recently requested additional information
- We expect to get clearance within Q4, 2015

## Production

- Production of patches has started and will be delivered to the US in Q4, 2015

## Marketing & Sales

- Go-to-market plan defined with target to launch immediately following FDA clearance
- Strategic accounts to receive first ECG mini patches already selected



### Patch advantages

- Better results through patient compliance
- Ease of use
- Discreet

# ACT Android<sup>®</sup> (ACTroid)

ACTroid is software for our core monitoring services system (ACT) which runs on the Android operating system. The software was cleared by the FDA in September 2015. The benefits of this system are:

- The Android operating system is the most widely used operating system for mobile devices
- Android devices are cheaper than the devices currently being used resulting in cost savings
- The Universal Gateway, which we expect to launch later this year, runs on the Android OS thereby making ACTroid a pre-condition for using the Universal Gateway



# Capitalize On Biomedical Informatics ("Big Data")

## Utilize data from remote cardiac diagnostic monitoring

- Capitalize on 20 years of patient data - one of the world's largest ECG databases
- Develop clinical evidence for detection of arrhythmia patterns
- Further improve our state-of-the-art cardiovascular algorithms

## Integrate our products with our customers' Electronic Medical Records

- Strengthen the bond between our customers and LifeWatch
- Enrich our database to develop **pattern recognition algorithms**
- Embed **predictive analytics** in Vital Signs Patch solution



**Develop intelligent decision support for patients and caregivers**

# Operational Efficiency: Accomplishments To Date

- Global integration (versus silo's)
- Global Project Management
- R&D focus: Engineer driven  Market driven
- US sales force efficiency
- Key hires (Human Resources, QA/QC, Sales & Marketing, etc.)
- Operations, IT and R&D streamlined and under one leader
- Open issues to be addressed:
  - Implementation of state-of-the-art Finance reporting / planning system
  - Supply chain management
  - Internal medical affairs expertise
  - Further streamlining of global operations & improvement of systems

# HY 2015 Summary

- 2015 H1 revenues up 9.1% to USD 52.5 million thanks to strong organic growth in core business; cardiac monitoring revenue growth was in excess of 12%
- Gross margin for H1 2015 slightly up at 52.8%; cost and efficiency improvements should lead to an improved gross margin in the second half of 2015 and beyond
- EBIT for H1 2015 amounted to USD 3.81 million (1H 2014; loss of USD 4.13 million), equivalent to an EBIT margin of 7.3%
- EBITDA for H1 2015 of USD 7.23 million (1H 2014; loss of USD 1.52 million), equivalent to an EBITDA margin of 13.8%
- Highest EBIT and EBITDA numbers for the first half year since 2009
- Net Income for H1 2015 of USD 1.94 million versus a loss of USD 4.13 million in the first half of 2014

# Summary and Outlook (1)

## Financial targets

- Revenue growth of 10% to 15% expected for the full year 2015 (depending on timing of FDA clearance)
- Positive reimbursement news; price increase in 2016 of 8% for Medicare Telemetry business; additional estimated USD 3.4 million in revenues in 2016
- Significant continuing investment in new and existing products will have an impact on profitability, however EBIT and EBITDA margins at the levels reported in the second half of 2014 are targeted for the full year
- Once new products and systems are launched, gross profit, EBITDA and EBIT margins are expected to improve further (2016 and beyond)
- Above market growth expected to continue

# Summary and Outlook (2)

## Organizational & Operational objectives

- Facelift existing systems to fully exploit the potential of our existing technology
- Successful launch of our new break-through products
- Build-up of organization and infrastructure for launch of cardiac monitoring business in Turkey currently underway; launch of service expected in Q1 2016
- Replicate our business model in other international markets
- Leverage the expertise in our world class research and development facility
- Utilize and proactively generate meaningful medical data
- Further streamline operations and keep costs under control

**Thank you for your interest!**

