

SHL Telemedicine

Q1 2014 results

21 May 2014





Agenda

- SHL at a glance
- Market drivers
- smartheart
- Business review
- 2013/Q4 Financial Results
- Investor information

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Fundamental shift in healthcare markets

“The ability to digitize an individual’s biology, anatomy, and physiology will undoubtedly reshape medicine.”

Eric Topol, Technology Review, 2012

“There is a shift towards the medicalization of consumer devices or consumerization of medical devices.”

Eric Dishman, Intel’s Global Director for Health Innovation, 2012

“McKinsey estimates that the mobile health industry will be worth USD 50 billion by 2020.”

McKinsey, December 2011

SHL at a glance

Leading provider of technologically advanced telemedicine services and solutions

Services and solutions improve quality of life for SHL's subscribers and enable cost savings for the health services community

Technological innovation; ongoing development of IT based services and solutions

Listed on the Swiss Stock Exchange (SIX:SHLTN)

American DR program listed over-the counter (OTCBB: SMDCY)

smartheart

25 years of service

COPD



Medical Staff

Over
70,000
subscribers

CHF

1.5 million
transmissions p.a.

Cardio
Sen'C

B2C & B2B

Telemedicine
Innovator

ECG Monitoring

Diabetes

Market drivers

Demographic Trends

- Aging population in developed countries
- Increased prevalence of chronic conditions

Growing Healthcare Costs

- Financial crisis – leading to structural change

Health Consumerism

- Become more involved in your own health
- Growing consumer expenditure

Rising Economic Power

- Rising economic power of developing countries
- Closing gaps by adopting innovative healthcare solutions

mHealth - technology innovation poised to enable healthcare transformation

“Smart mobile devices and applications, working in concert with cloud computing, social networking and big data analytics, will be at the core of global health care transformation. These transformative technologies will continue to lead with ways to help rein in cost, broaden access, change behaviors and improve outcomes.”

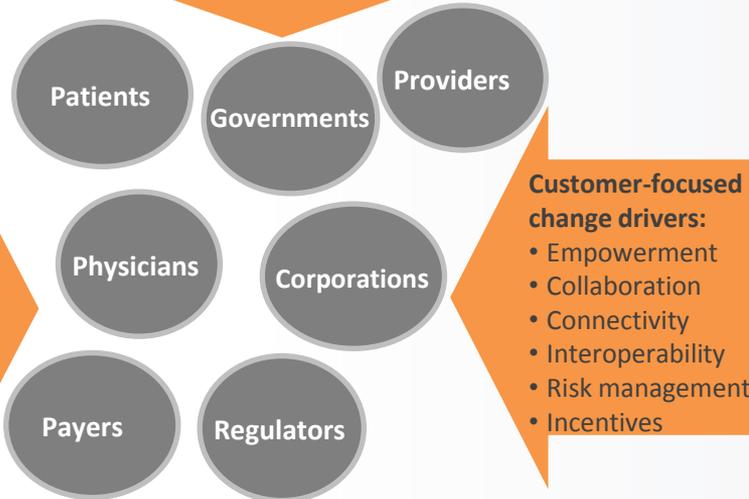
Pat Hyek, Global Technology Industry Leader, Ernst & Young

Change drivers — the need for:

- Cost containment
- Increased access
- Better outcomes

Transformative technologies emerge:

- Smart mobility
- Social networking
- Cloud computing
- Big data analytics



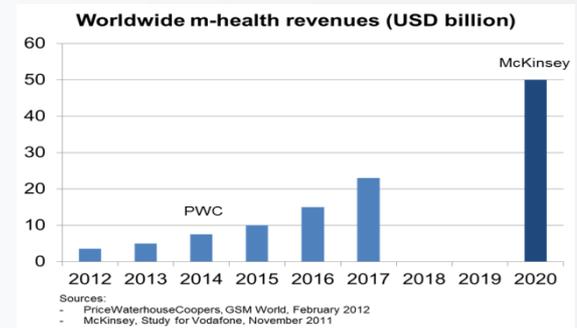
Customer-focused change drivers:

- Empowerment
- Collaboration
- Connectivity
- Interoperability
- Risk management
- Incentives

- “The whole sensor field is going to explode.” -**Apple CEO Tim Cook**
- Tim Cook has also indicated that wearables are an area of intense interest for **Apple**, labeling it as a “key branch of the tree”
- The recent acquisition of **Cardiocomm**, a US telehealth company, by **Medtronic** (\$200m, 10x sales), has highlighted the strategic importance of direct vendor-patient relationships

mHealth – transforming health care

- Healthcare sector thought to be **the most promising** new mobile growth channel
- **Facilitates** a new way of interacting and providing health care
- **Capabilities offered by mobile technologies are fast being appreciated by the health care industry** - devices, sensors, apps and other programs target chronic conditions, telemedicine and remote monitoring, patient data capture, electronic records, e-prescribing and the parallel industries of fitness and wellness.
- **mHealth holds promise for improvement along the value chain**
 - Maximizing professionals' time and productivity
 - Improving quality
 - Stimulating greater consumer involvement
 - Decreasing costs
- According to **PWC** the m-health market will reach **USD 23 billion** in revenues worldwide by 2017
- **McKinsey** estimates it will be worth **over USD 50 billion** by 2020
- McKinsey estimates that **significant savings** could be achieved in the USA alone by pushing “**the digital healthcare agenda**”

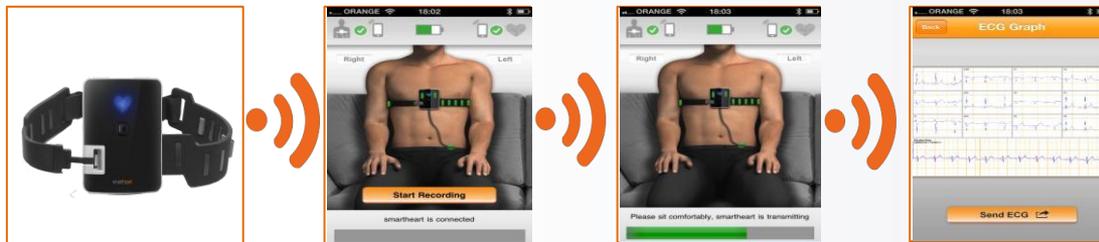


Source: Deloitte Center for health solutions



smarth^{heart}

smartheart



- **smartheart** turns any Smartphone or Tablet into a full ECG for personal use
- Within 30 seconds, any user can record an ECG, send it to his personal physician or SHL telemedicine center for review
- The information is stored in a secured way centrally and can be accessed over the internet or the application from anywhere
- **The device and system are FDA and CE cleared and HIPPA compliant**
- **smartheart pro** is the multi-user version of the smartheart
- It is aimed at the healthcare professional market with a focus on primary care
- SHL provides real time ECG interpretation services through the **smartheart pro** platform to users of the **smartheart pro** from its global telemedicine center

SHL global medical call center

- SHL operates a state of the art global medical call center

- The center provides services to:

- Individuals** as a remote cardiac telehealth service whether telephonically or through an app

- Healthcare professionals** as a remote ECG interpretation service using the smartheart platform



smartheart - creating new market opportunities



Positioning SHL at the forefront of the mHealth market, opening up access to **new target audiences**, both in existing and new markets



Studies claim that mHealth technologies will revolutionize the health services market. **Market is expected to grow at significant rates**, from US\$0.5 billion in 2010 to over US\$8 billion in 2018



Cloud based platform enabling delivery of ECG to health professionals and consumers around the world:

- Enables delivery of ECG
- Addressing global consumer demand for cardiac condition management
- Breakthrough technology improving care and reducing hospital re-admissions



Business review

Israel – market leader

Profile

- Market leader in the provision of telemedicine services
- Well known and reputable brand
- High subscriber loyalty/recurring service revenues
- Serves as an important knowledge base for the Company
- Global monitor centre in Tel Aviv

Service range

- Consumer (B2C) and Institutional (B2B)

Q1 14 Highlights

- Steady growth
- Continued improved margins and financial performance
- Highly profitable – over 15% EBIT and 25% EBITDA

2014 Goals

- **Steady growth while preserving strong margins**
-

Germany – growth

Profile

- Leader in the provision of telemedicine services
- Payers – health insurers
- Monitor centers in Dusseldorf and Munich

Service range

- Institutional – CHF, COPD and additional chronic diseases

Q1 14 Highlights

- Revenues more than tripled from USD 1.5M in Q1 2013 to USD 4.6M this quarter, mainly as a result of the Alameda acquisition
- Contributing 43.4% of total revenues, up from 21.1% in Q1 2013
- Strengthened its position as a leading provider of telehealth services
- Broadened its institutional services portfolio and customer base
- Mr. Martin Lehner joins as new CEO. Served as CEO and President of Amoena, a leading medical products company and as Executive Vice President at Elan Group

2014 Goals

- **Continued growth**

India – launch of services

Favorable trends

- CVD to become India’s largest cause of death by 2020
- Remarkable growth of private healthcare spending, fast growing urban middle class
- 80% of healthcare costs in India are paid out of pocket

Clear strategy

- Hospitals to leverage marketing and distribution capabilities
- SHL to offer telemedicine solution to their patients, as part of their routine out of hospital patient care programs.
- SHL focusing on tier I cities with population >60 m

Service range

- Consumer (B2C) – including smartheart

Q1 14 Highlights

- Signs agreement with Narayana Health Hospitals in Bangalore, one of the leading hospital chains in India
- Progressing in commercial rollout

2014 Goals

- **Start providing telemedicine services to private pay consumers and generate revenues**
-

US – market opportunities

Well positioned to capitalize on the growing telehealth and mhealth markets

- Evaluating various opportunities to leverage the smartheart platform:
- **Smartheart Pro for Medical professionals**
 - Over **200,000** Primary Care Physicians. Most do not interpret ECGs and rely on cardiology to perform these tests
 - *Value proposition:* Smartheart could provide a cost effective, revenue generating solution using the smartheart pro and SHL global telemedicine ECG interpretation skills
- **Smartheart for consumers**
 - **50%** of Americans have at least 1 CVD risk factor and **715,000** Americans have a heart attack each year. About **47%** of sudden cardiac deaths occur outside a hospital. Suggests many people with heart disease don't act on early warning sign
 - *Value proposition:* smartheart could provide consumers and their physicians an effective tool to diagnose a heart attack anywhere, any place and at any time
- **Telehealth**
 - Telehealth adoption is growing in view of the increase in prevalence of chronic diseases. The move to risk based contracts (e.g. ACOs), is likely to accelerate the pace of change
 - *Value proposition:* SHL has gained tremendous experience in operating telehealth programs in Europe and Israel with strong outcome data



smartheart



Q1 2014 Financial Results

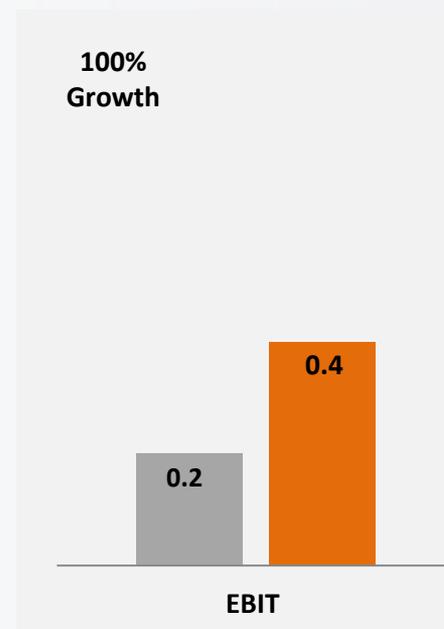
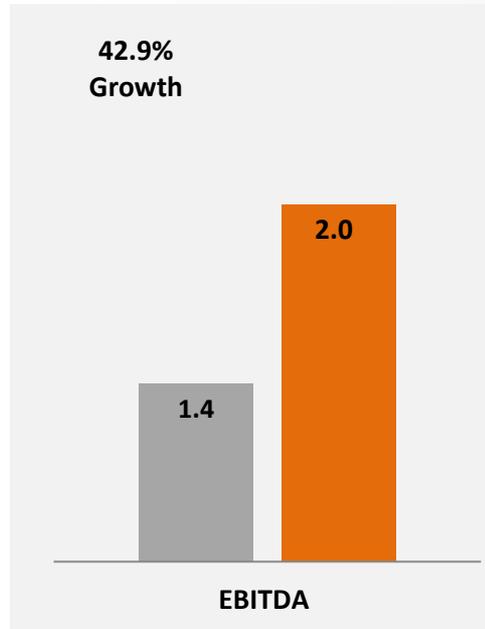
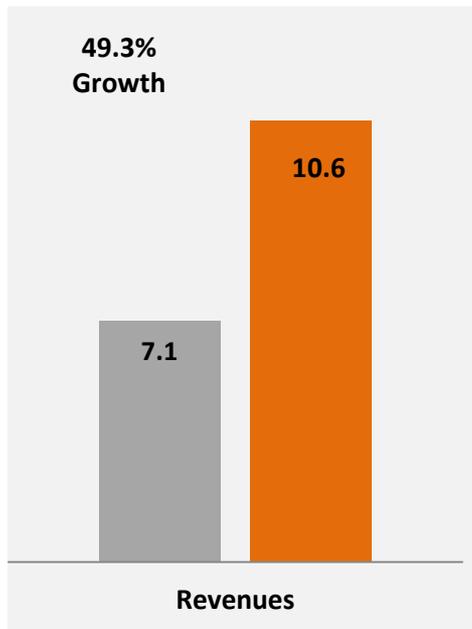
Financial highlights



- Accelerated revenue growth - up by 49.3 % year over year
- German revenues more than tripled and now account for 43.4% of total revenues, mainly as a result of the almeda acquisition
- Improved gross margins - at 56.6% from 52.1% in Q1 2013
- Continued investment in expansion plans
- Strong cash position with USD 25.1 million in cash and marketable securities

Q1 2014 Results (in USD M)

Considerable improvement in financial performance

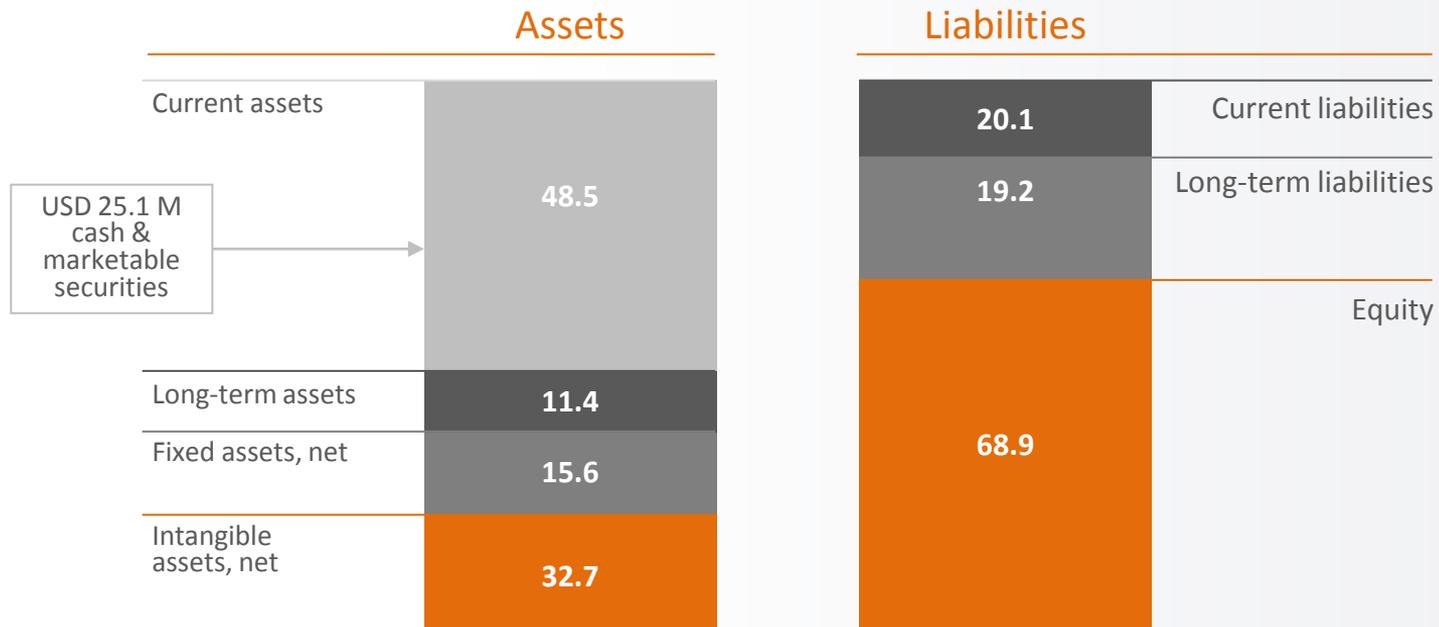


Q1 2014 Results

USD millions	Q1 2014	Q1 2013	% change	Q1 2014 (constant currency)	% change
Revenues	10.6	7.1	49.3%	10.1	42.3%
COGS	4.6	3.4	35.3%	4.4	29.4%
Gross Profit	6.0	3.7	62.2%	5.7	54.1%
% of revenues	56.6%	52.1%		56.4%	
Operating expenses	5.6	3.5	60.0%	5.3	51.4%
EBIT	0.4	0.2	100.0%	0.4	100.0%
% of revenues	3.8%	2.8%		4.0%	
EBITDA	2.0	1.4	42.9%	1.9	35.7%
% of revenues	18.9%	19.7%		18.8%	
Financial & other expenses	0.1	0.3	(66.7%)	0.1	(66.7%)
Taxes on income	0.3	0.2	50.0%	0.3	50.0%
Net income (loss)	0.0	(0.3)	n.a.	0.0	n.a.
EPS / (LPS)	0.00	(0.03)	n.a.	0.00	n.a.

* **Constant currency exchange rates** - In order to enable meaningful comparison between the 2014 and 2013 results, 2014 results are also presented at constant currency exchange rates. These are calculated by translating the 2014 results using the average exchange rates used for calculating the 2013 results instead of the current period exchange rates. Management believes that this presentation enables a more meaningful comparison between the periods due to the significant fluctuations in NIS/USD/Euro exchange rates.

31.3.2014 Balance Sheet



In USD million per 31 March 2014

Q1 2014 Cash Flow Statements

USD millions	Q1 2014	Q1 2013	Diff	2013
Cash provided by (used in) Operating activities	(2.4)	3.9 (*)	(6.3)	2.6
Cash used in Investing activities (ex. marketable securities)	(0.8)	(1.1)	0.3	(1.1)
Cash used in financing activities	(0.1)	(1.0)	0.9	(1.8)
Effect of exchange rate changes	0.0	0.5	(0.5)	1.9
Increase (decrease) in cash, cash equivalents & marketable securities	(3.3)	2.3	(5.6)	1.6
Cash, cash equivalents & marketable securities at beginning of year	28.4	26.8	1.6	26.8
Cash, cash equivalents & marketable securities at end of year	25.1	29.1	(4.0)	28.4

* Including USD 5.2 million received from Philips related to the sale of Raytel

Outlook

- Increasing revenue outlook to over 30% growth in 2014
- Continued investment in expansion into India and US

The building blocks of a compelling equity story

1

Market momentum – now it's time

eHealth gaining traction
Friendly demographics

2

SHL on solid footing

Strong Israeli business
Healthy balance sheet

3

Secured growth in Germany

Recruiting into COPD/CHF programs
Acquisition of almeda

4

Potential in India...

Promising start in 2013
Execution 2014

5

... and in the US

smartheart opening many doors

6

Promising financial outlook

Growth in recent quarters
Clear set of objectives

Thank you



Investor Information

- IR Agenda 2014

20 August	Q2 results
19 November	Q3 results
- 10,877,888 registered shares with a par value of NIS 0.01 each
- Listed at SIX Swiss Exchange in CHF; Symbol: SHLTN, No. 1128957
- American DR program listed over-the counter; Symbol: SMDCY
- Price high/low (CHF), 2014 9.3/6.97
- Market cap high/low (CHF m), 2014 101.2/75.8
- Market cap 31.3.14 (CHF m) 96.8
- No voting restrictions



Erez Alroy, Co-CEO
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Erez Alroy has been an executive manager of SHL since its inception. Prior to his current position as Co-CEO he served as SHL Israel's managing director and as SHL Israel's sales manager and vice-president of marketing. Erez Alroy holds an MBA from the Hebrew University, Jerusalem.



Eran Antebi, CFO
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Eran Antebi joined SHL in May 2004 as CFO of Shahal Israel and was appointed CFO of SHL in May 2008. Prior to joining SHL, he was a manager with Ernst & Young in Israel. Eran Antebi is a certified public accountant (CFA) in Israel and has a B.A. in accounting and economics from the University of Tel Aviv.