



Press release

## **SHL Telemedicine Reports First Quarter 2015 Financial Results**

- *Revenues of USD 9.5 million in the first quarter 2015, up 4.7% at constant exchange rates*
- *EBIT of USD 1.3 million (13.7% of revenues)*
- *EBITDA of USD 2.6 million (27.4% of revenues)*
- *Net profit of USD 1.4 million*

**Tel Aviv/Zurich, 28 May 2015** - SHL Telemedicine Ltd. (SIX Swiss Exchange: SHLTN, OTCPK: SMDCY), a leading provider and developer of advanced personal telemedicine solutions, today announced results for the first quarter 2015.

### **Business Review**

#### **Germany**

In Germany, SHL continued to strengthen its position as the leading provider of telehealth services. In March, SHL announced the acquisition of GPH (Gesellschaft für Patientenhilfe), based in Munich, for a cash purchase price of € 7.6 million. GPH's nationwide German telemedicine program Cordiva currently cares for about 10,000 chronic heart failure patients in daily regular care. GPH has AOK Bayern and AOK North East amongst its major clients. GPH is expected to contribute annual revenues of USD 9.0 to 10.0 million and be accretive, already in 2015. GPH's assets and liabilities are consolidated as of March 31, 2015 with its results of operation consolidated from April 1, 2015.

In March, the Company initiated the unification of its telemedicine monitoring centers so that the Dusseldorf monitoring center will be absorbed in Munich. As such, a provision in the amount of USD 0.4 million was recognized and is presented as restructuring expenses. The unification is expected to deliver savings starting 2016.

#### **Israel**

SHL's Israeli business showed a 5% revenue increase quarter over quarter driven by enhanced sales. SHL's loyal subscriber base continues to show high satisfaction rates from the personal consumer services and health insurers continue to increase adoption of SHL's service offerings among chronically ill patients.

## **U.S and APAC**

The international expansion of SHL is progressing. In March, SHL signed a distribution agreement for the smartheart™ device with USCI Holdings, Inc., of Japan with a target of buying at least 1,000 smarthearts™ until the end of 2016. USCI's focus will be on the physicians and the professional market, goal is to build credibility for the smartheart in the Japanese healthcare community.

In May, SHL signed an international distribution agreement for smartheart™ with FUJIFILM SonoSite, Inc. FUJIFILM SonoSite will distribute the smartheart™ to its professional healthcare customers in the US, Japan and Germany, using its point-of-care ultrasound solutions.

### **Financial Highlights**

Exchange rates had again a significant impact on SHL's presented financial results. Compared to the first quarter 2014, the USD significantly appreciated against the Israeli Shekel (NIS) and the EUR. Thus, SHL's revenues, which are presented in USD, are lower than in the previous quarters, with a corresponding decline in expenses – a purely translational effect.

SHL reached an agreement with a past customer in Germany for a payment of Euro 4.2 million with respect to a debt for services it has rendered and were not paid for. As a result the Company reversed an accrual for doubtful debt in the amount of USD 1.1 million, lowering G&A expenses and recorded additional revenues in the amount of USD 0.7 million. The payment of EUR 4.2 million was received in Q2.

**Revenues** for the first quarter amounted to USD 9.5 million compared with USD 10.6 million in the first quarter of 2014, a decrease of 10.4%. At constant exchange rates\* revenues were USD 11.1 million, up 4.7%.

**Gross profit** for the quarter amounted to USD 5.6 million (58.9% of revenues) compared with USD 6.0 million (56.6% of revenues) in the first quarter of 2014.

**EBITDA** for the quarter amounted to USD 2.6 million (27.4% of revenues) with **EBIT** for the quarter amounting to USD 1.3 million (13.7% of revenues) compared with EBITDA of USD 2.0 million (18.9% of revenues) and EBIT of USD 0.4 million (3.8% of revenues) in the first quarter of 2014.

**Net income** for the quarter amounted to USD 1.4 million (USD 0.14 per share) compared with USD 0.0 million in Q1 2014.

**Cash** used in operations in the quarter was USD 0.6 million compared to cash used in operations of USD 2.4 million in Q1 2014. During the quarter SHL acquired GPH for a cash consideration of Euro 7.6 million. The consideration paid less cash at hand in GPH amounted to USD 6.1 million. As a result SHL's cash, cash equivalents and marketable securities decreased and amounted to USD 9.1 million at 31 March 2015.

**Balance Sheet.** SHL's assets at 31 March 2015 totalled USD 91.4 million with shareholders' equity amounting to USD 59.3 million (65% of balance sheet) compared to assets of USD 92.1 million with shareholders' equity amounting to USD 61.4 million at 31 December 2014. The decrease in the reported shareholders' equity and total assets is mainly attributable to the appreciation of the USD against the NIS and the Euro resulting in a corresponding decrease of the foreign currency translation reserve in the equity section in the amount of USD 3.6 million.

#### SHL Telemedicine – consolidated key figures – Q1 15

in USD million (except per share amounts)	Q1 2015 Unaudited	Q1 2014 Unaudited	% change	Q1 2015 in constant currency	% change
Revenues	9.5	10.6	(10.4%)	11.1	4.7%
Gross profit	5.6	6.0	(6.7%)	6.6	10.0%
%	58.9%	56.6%		59.5%	
EBIT	1.3	0.4	225.0%	1.8	350.0%
%	13.7%	3.8%		16.2%	
EBITDA	2.6	2.0	30.0%	3.1	55.0%
%	27.4%	18.9%		27.9%	
Net income	1.4	0.0	n.a.	1.9	n.a.
	14.7%	0.0%		17.1%	
Basic EPS	0.14	0.00	n.a.	0.19	n.a.

\* Constant currency - In order to enable meaningful comparison between the 2015 and 2014 results, 2015 results are also presented at constant currency exchange rates. These are calculated by translating the 2015 results using the average 2014 exchange rates instead of the current period exchange rates.

#### Revenues by geographic distribution – Q1 15

	Israel		Germany		USA & ROW	
	USD m	% of total	USD m	% of total	USD m	% of total
Q1 2015	5.6	58.9%	3.9	41.1%	0.0	0.0%
Q1 2014	6.0	56.6%	4.6	43.4%	0.0	0.0%
Q1 2015 (constant currency)	6.3	56.8%	4.8	43.2%	0.0	0.0%
% change in constant currency	5.0%		4.3%		n.a.	

### **Conference Call, today, 28 May, 4.00 pm CET**

SHL will hold a conference call to discuss the Q1 results today at 4.00 pm CET. Erez Alroy, Co-CEO, and Eran Antebi, CFO, will host the call. Dial-in numbers are as follows:

From Europe	+41 58 310 50 00
From UK	+44 203 059 58 62
From US	+1 866 291 41 66
From Israel	Toll free: 1 80 921 44 27/Local: +972 3763 1173

Slides are available at

<http://www.shl-telemedicine.com/investors-relations/financial-reports/>

### **Financial calendar 2015**

August 19, 2015      Q2 Results

November 18, 2015    Q3 Results

### **About SHL Telemedicine**

SHL Telemedicine is engaged in developing and marketing personal telemedicine systems and the provision of medical call center services, with a focus on cardiovascular and related diseases, to end users and to the healthcare community. SHL Telemedicine offers its services and personal telemedicine devices to subscribers utilizing telephonic and Internet communication technology. The Company operates in Israel, Germany, the United States and APAC in one business segment, Telemedicine services. SHL is listed on the SIX Swiss Exchange (SHLTN, ISIN: IL0010855885, Security No.: 1128957) and has an ADR program listed over-the counter; Symbol: OTCPK: SMDCY. For more information please visit our web site at <http://www.shl-telemedicine.com>.

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Some of the information contained in this press release contains forward-looking statements. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. SHL Telemedicine undertakes no obligation to publicly update or revise any forward-looking statements.

<b>Balance-Sheets</b> (USD thousands)	<b>31.3.2015</b>	<b>31.3.2014</b>	<b>31.12.2014</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Cash and cash equivalents	4,657	5,939	3,351
Short term investments	4,485	19,116	14,316
Trade receivables	17,499	14,134	15,263
Inventory	2,253	1,213	2,483
Other current assets	4,608	8,081	4,726
<b>Current Assets</b>	<b>33,502</b>	<b>48,483</b>	<b>40,139</b>
<b>Non-Current Assets</b>	<b>10,277</b>	<b>11,372</b>	<b>10,618</b>
<b>Property and equipment, net</b>	<b>13,851</b>	<b>15,600</b>	<b>12,653</b>
<b>Goodwill</b>	<b>15,148</b>	<b>13,995</b>	<b>12,487</b>
<b>Intangible assets, net</b>	<b>18,647</b>	<b>18,744</b>	<b>16,230</b>
<b>Total Assets</b>	<b>91,425</b>	<b>108,194</b>	<b>92,127</b>
Credit from banks and current maturities	9,989	11,156	10,244
Deferred revenues	1,899	590	66
Trade payables	738	1,925	983
Other accounts payable	5,420	4,472	4,701
Other liabilities	-	2,007	375
<b>Current liabilities</b>	<b>18,046</b>	<b>20,150</b>	<b>16,369</b>
Long-term loans	11,621	17,095	12,931
Deffered revenues	600	1,244	673
Employee benefit liabilities	751	834	758
Deferred taxes	1,120	-	-
<b>Non-current liabilities</b>	<b>14,092</b>	<b>19,173</b>	<b>14,362</b>
<b>Total liabilities</b>	<b>32,138</b>	<b>39,323</b>	<b>30,731</b>
<b>Equity:</b>			
Issued capital	31	31	31
Additional paid-in capital	95,295	95,069	95,189
Treasury shares	(2,617)	(2,753)	(2,619)
Foreign currency translation reserve	(5,090)	6,130	(1,532)
Capital reserve for available-for-sale investments and cummulative gains on defined benefit plans	553	1,533	640
Accumulated deficit	(28,885)	(31,139)	(30,313)
<b>Total equity</b>	<b>59,287</b>	<b>68,871</b>	<b>61,396</b>
<b>Total liabilities and equity</b>	<b>91,425</b>	<b>108,194</b>	<b>92,127</b>

<b>Statements of Income</b>			
(USD thousands, except per share data)	<b>Q1 15</b>	<b>Q1 14</b>	<b>2014</b>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Revenues	9,516	10,643	39,976
Depreciation and amortization	485	604	2,344
Cost of revenues	3,411	4,060	15,368
<b>Gross Profit</b>	<b>5,620</b>	<b>5,979</b>	<b>22,264</b>
Research and development costs	605	597	2,492
Selling and marketing expenses	2,582	2,732	11,430
General and administrative expenses	669	2,284	7,193
Gain from almeda acquisition	-	-	(137)
Restructuring costs	438	-	-
<b>Operating income</b>	<b>1,326</b>	<b>366</b>	<b>1,286</b>
Financial income	644	193	2,376
Financial expenses	(167)	(244)	(1,809)
<b>Income before taxes on income</b>	<b>1,803</b>	<b>315</b>	<b>1,853</b>
Taxes on income	375	312	1,024
<b>Net income</b>	<b>1,428</b>	<b>3</b>	<b>829</b>
<b>Other Comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>			
Remeasurement gains on defined benefit plans	-	-	33
	-	-	<b>33</b>
<b>Other Comprehensive income to be reclassified to profit or loss in subsequent periods</b>			
Transfer to profit or loss in respect of available-for-sale investments	(109)	(56)	(1,075)
Gain on available-for-sale investments	22	174	49
Foreign currency translation reserve	(3,558)	(236)	(7,680)
	<b>(3,645)</b>	<b>(118)</b>	<b>(8,706)</b>
<b>Total comprehensive loss</b>	<b>(2,217)</b>	<b>(115)</b>	<b>(7,844)</b>
<b>Basic and diluted earnings per share</b>	<b>0.14</b>	<b>-</b>	<b>0.08</b>

<b>Statements of Cash Flows (USD thousands)</b>	<b>Q1 2015</b>	<b>Q1 2014</b>	<b>2014</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Net income	1,428	3	829
Adjustment required to reconcile net income to net cash used in operating activities	(2,047)	(2,376)	(3,946)
<b>Net Cash used in Operating Activities</b>	<b>(619)</b>	<b>(2,373)</b>	<b>(3,117)</b>
Purchase of property and equipment	(299)	(383)	(2,268)
Investment in intangible assets	(392)	(398)	(2,011)
Acquisition of almeda	-	-	1,149
Acquisition of GPH	(6,140)	-	-
Proceeds from sale of property and equipment	-	-	65
Purchase of short-term investments	(849)	(1,926)	(13,943)
Proceeds from sale of short-term investments	10,506	2,444	17,731
<b>Net Cash provided by (used in) Investing Activities</b>	<b>2,826</b>	<b>(263)</b>	<b>723</b>
Proceeds from exercise of options	-	5	8
Short-term bank credit, net	-	714	840
Payment of long-term loans	(797)	(869)	(3,451)
<b>Net Cash used in Financing Activities</b>	<b>(797)</b>	<b>(150)</b>	<b>(2,603)</b>
Effect of exchange rate changes on cash and cash equivalents	(104)	(7)	(384)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,306</b>	<b>(2,793)</b>	<b>(5,381)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,351</b>	<b>8,732</b>	<b>8,732</b>
<b>Cash and Cash equivalents at the end of the period</b>	<b>4,657</b>	<b>5,939</b>	<b>3,351</b>