

# SHL Telemedicine

FY 2103 results

Zurich, 20 March 2013





# Agenda

- SHL at a glance
- Business review
- 2012 financial results
- Outlook
- Investor information

# Forward looking statements

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# SHL at a glance

Leading provider of technologically advanced telemedicine services and solutions

The 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)

smarth<sup>heart</sup>

Over  
70,000  
subscribers

B2C & B2B

25 years of  
service

CHF

Telemedicine  
Innovator

COPD

1.5 million  
transmissions p.a.

ECG Monitoring



Medical Staff

Cardio  
Sen'C

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



# Business review

# Germany – successful implementation of new strategy



## AOK Bayern (May 2012)

- One of the largest health insurers in Germany with **over 4.3 million** insured
- Telemedicine services to COPD patients (Chronic Lung Disease)
- Recruitment of patients proceeding with hundreds of patients in service



## IKK Sudwest (March 2012)

- Insures ~ 700 thousand people and active in the regions of Hessen, Rheinland-Pfalz and Saarland
- Telemedicine services to CHF patients (Chronic Heart Disease)
- ~ 1% of the population is eligible for the service
- Remuneration based on economic success
- Expect to save 30% to 50% of costs – SHL share anticipated at €1,500 to €2,500 p/patient p/year
- Recruitment of patients on track

# Israel – strong consistent financial performance



- Market leader - generating over USD 20 M in revenues with EBITDA of over USD 5 M
- Year on year revenue growth of 3% with improved operating margins
- Serves as an important knowledge base for the Company
- Highly loyal subscriber base, average time in service of ~ 8 years leading to long term recurring revenue
- Successful implementation of CHF programs with Clalit and Leumit (Israeli health insurers)
- Expect launching COPD and other programs with Israeli health insurers



# Technology and Business Development



## Technology:

- Received FDA clearance for the **smarth**heart, world's smallest personal, mobile, hospital grade 12-lead ECG
- Received SFDA for the CardioSen'C
- Continued development of new devices and solutions for the telemedicine market and mHealth space



## Business development:

- Investing significant efforts in assessing entry and expansion into new territories – **First result:** launch of SHL's services in **India** in 2013
- Further geographic expansion anticipated – US and other
- Expect these efforts will have a major effect on SHL's business and financial performance in future years

# Launch of SHL's telemedicine services in India

1

## 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

2

## 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

3

## A first agreement

- Agreement signed with Belle Vue Clinic, Kolkata, in March 2013
- SHL to provide advanced telemedicine technologies incl. new smartheart device
- Anticipates a series of additional, similar in nature, long term agreements with hospitals
- SHL expects to generate USD 1 to 5 million from each such collaboration over the course of three years





# 2012 financial results

# Financial highlights



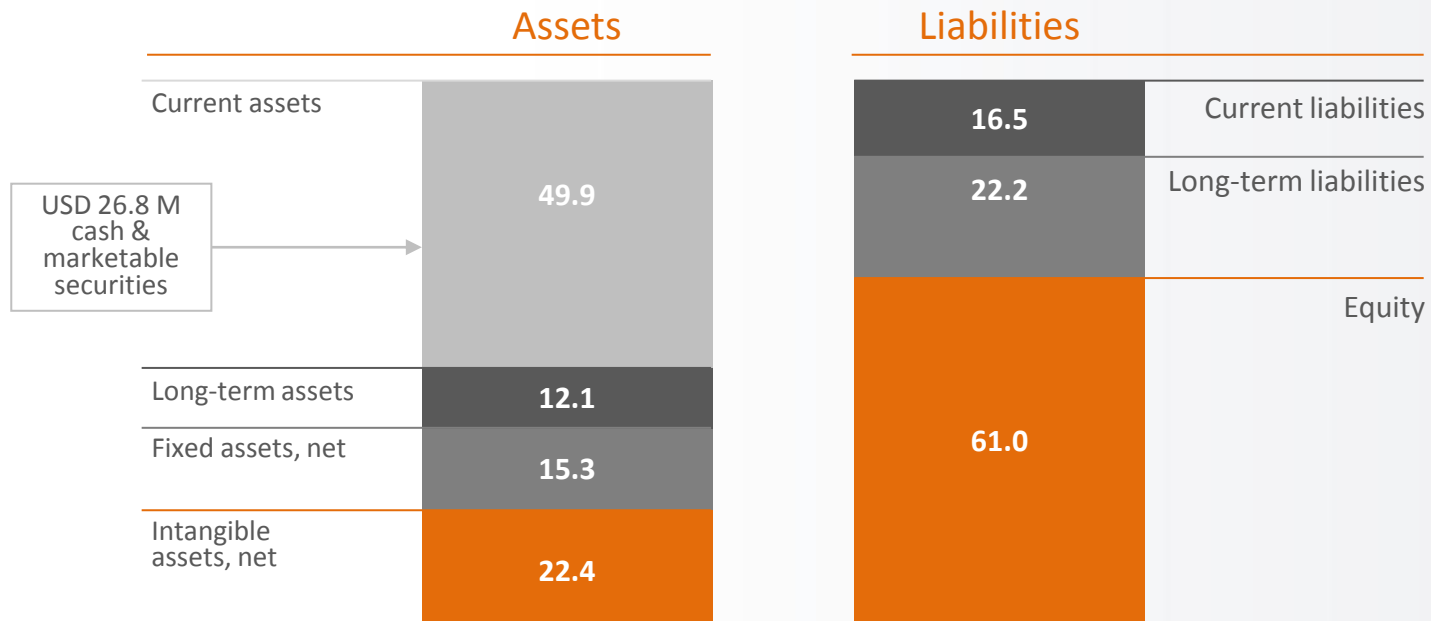
- Decline in revenues and financial performance reflecting transition in Germany concurrently with cessation of revenues from Philips US
- Successful adjustment of expense base - leading to a return to positive operating cash flow for 2012 of USD 1.6 million compared to cash used in operations of USD 3.5 million in 2011
- In Q4 recorded an allowance for doubtful accounts in the amount of USD 2.6 M, related to the German operation
- Expect revenues and financial performance to pick up gradually with execution of contracts in Germany
- Strong cash position with USD 26.8 million in cash and marketable securities
  - Means to support expansion plans and large scale contracts in Germany

# 2012 Results

USD millions	2012	2011	% change	2012 (constant currency excluding accrual for doubtful accounts)	% change
<b>Revenues</b>	<b>26.9</b>	<b>42.4</b>	<b>(36.6%)</b>	<b>29.1</b>	<b>(31.4%)</b>
COGS	12.6	15.4	(18.2%)	13.7	(11.0%)
<b>Gross Profit</b>	<b>14.3</b>	<b>27.0</b>	<b>(47.0%)</b>	<b>15.4</b>	<b>(43.0%)</b>
<i>% of revenues</i>	53.2%	63.7%		52.9%	
Operating expenses	20.0	22.8	(12.3%)	19.0	(16.7%)
<b>EBIT / (LBIT)</b>	<b>(5.7)</b>	<b>4.2</b>	<b>n.a.</b>	<b>(3.6)</b>	<b>n.a.</b>
<i>% of revenues</i>	n.a.	9.9%		n.a.	
<b>EBITDA / (LBITDA)</b>	<b>(1.3)</b>	<b>9.1</b>	<b>n.a.</b>	<b>1.1</b>	<b>n.a.</b>
<i>% of revenues</i>	n.a.	21.5%		3.8%	
Financial & other expenses (income)	1.0	(0.6)	n.a.	1.1	n.a.
Taxes on income	0.6	0.8	(25.0%)	0.7	(12.5%)
<b>Net income (loss)</b>	<b>(7.3)</b>	<b>4.0</b>	<b>n.a.</b>	<b>(5.4)</b>	<b>n.a.</b>
EPS / (LPS)	(0.69)	0.38	n.a.	(0.52)	n.a.

\* **Constant currency exchange rates** - In order to enable meaningful comparison between the 2012 and 2011 results, 2012 results are also presented at constant currency exchange rates. These are calculated by translating the 2012 results using the average exchange rates used for calculating the 2011 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.

# 31.12.2012 Balance Sheet



In USD million per 31 December 2012

# 2012 Cash Flow Statements

USD millions	2012	2011	Diff
Cash provided by (used in) Operating activities	1.6	(3.5)	5.1
Cash used in Investing activities (ex. marketable securities)	(4.4)	(4.9)	0.5
Cash provided by (used in) financing activities	(4.8)	25.1	(29.9)
Effect of exchange rate changes	1.1	(3.6)	4.7
<b>Increase (decrease) in cash, cash equivalents &amp; marketable securities</b>	<b>(6.5)</b>	<b>13.1</b>	<b>(19.6)</b>
Cash, cash equivalents & marketable securities at beginning of year	33.3	20.2	13.1
<b>Cash, cash equivalents &amp; marketable securities at end of year</b>	<b>26.8</b>	<b>33.3</b>	<b>(6.5)</b>



# Outlook



# Outlook

- SHL expects to return to revenue growth with significantly improved financial performance in 2013
- The rate of growth is mainly dependent on the pace of recruitment to the new programs in Germany

Mid-term target **over USD 100M**  
in revenues with double digit EBIT

Time  
line

- Execute new large scale agreements with health insurers in Germany

- Additional large scale agreements with German health insurers
- Market entry India – additional agreements

- Launch personal telemedicine in Germany
- Market entry in additional territories
- Further geographic expansion anticipated – US and other



Return to  
growth and  
profitability

Thank you



# SHL today and tomorrow



## Today

**Operations - Israel:** market leader, strong financial performance

**Germany:** successful implementation of new strategy, 2 significant long-term B2B contracts signed

**Offering** - Sales/marketing direct to consumer (B2C) and to health insurers (B2B)

**Geographies** - Israel and Germany

**Indications** - Mainly cardiac events and congestive heart failure (CHF)



## Tomorrow

**Operations** - Execution of new B2B contracts in Germany, leveraging operations, leading to significant growth. Additional significant contracts expected

**Offering** - New product initiatives – smartheart (announced FDA approval in June)

**Geographies** - Additional territories with strategic alliances, next step India

**Indications** - Chronic obstructive pulmonary disease (COPD). Cardiac events (i.e. with smartheart)

# Q4 2012 Results

USD millions	Q4 2012	Q4 2011	% change	Q4 2012	
				(constant currency excluding accrual for doubtful accounts)	% change
<b>Revenues</b>	<b>6.9</b>	<b>9.1</b>	<b>(24.2%)</b>	<b>7.1</b>	<b>(22.0%)</b>
COGS	3.5	3.6	(2.8%)	3.6	-
<b>Gross Profit</b>	<b>3.4</b>	<b>5.5</b>	<b>(36.4%)</b>	<b>3.5</b>	<b>(36.4%)</b>
<i>% of revenues</i>	49.3%	60.4%		49.3%	
Operating expenses	7.0	5.3	(15.1%)	4.9	(7.5%)
<b>EBIT / (LBIT)</b>	<b>(3.6)</b>	<b>0.2</b>	<b>n.a.</b>	<b>(1.4)</b>	<b>n.a.</b>
<i>% of revenues</i>	n.a.	2.2%		n.a.	
<b>EBITDA / (LBITDA)</b>	<b>(2.5)</b>	<b>1.5</b>	<b>n.a.</b>	<b>(0.2)</b>	<b>n.a.</b>
<i>% of revenues</i>	n.a.	16.5%		n.a.	
Financial & other expenses (income)	0.2	(0.2)	n.a.	0.2	n.a.
Taxes on income	0.2	0.1	100%	0.2	100.0%
<b>Net income (loss)</b>	<b>(4.0)</b>	<b>0.3</b>	<b>n.a.</b>	<b>(1.8)</b>	<b>n.a.</b>
EPS / (LPS)	(0.38)	0.03	n.a.	(0.18)	n.a.

\* **Constant currency exchange rates** - In order to enable meaningful comparison between the 2012 and 2011 results, 2012 results are also presented at constant currency exchange rates. These are calculated by translating the 2012 results using the average exchange rates used for calculating the 2011 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.

# Q4 2012 Cash Flow Statements

USD millions	Q4 2012	Q4 2011	Diff
Cash provided by (used in) Operating activities	(0.9)	0.9	(1.8)
Cash used in Investing activities (ex. marketable securities)	(1.2)	(0.7)	(0.5)
Cash provided by (used in) financing activities	1.8	(2.5)	4.3
Effect of exchange rate changes	1.5	(0.2)	1.7
<b>Increase (decrease) in cash, cash equivalents &amp; marketable securities</b>	<b>1.2</b>	<b>(2.5)</b>	<b>3.7</b>
Cash, cash equivalents & marketable securities at beginning of period	25.6	35.8	(10.2)
<b>Cash, cash equivalents &amp; marketable securities at end of period</b>	<b>26.8</b>	<b>33.3</b>	<b>(6.5)</b>

# Investor Information

- IR Agenda 2013
 

21 May	Q1 results
9 July	AGM
21 August	Q2 results
20 November	Q3 results
  
- 10,810,560 registered shares with a par value of NIS 0.01 each
  
- Listed at SIX Swiss Exchange in CHF; Symbol: SHLTN, No. 1128957
  
- Price high/low (CHF), 2012 9.0/5.28
  
- Market cap high/low (CHF m), 2012 93.1/54.6
  
- Market cap 31.12.12 (CHF m) 74.7
  
- 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**  
erana@shl-telemedicine.com

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.