

# SHL Telemedicine

H1/Q2 2014 results

20 August 2014





# Agenda

- SHL at a glance
- Market drivers
- Business review - Israel and Germany
- smartheart a global telemedicine platform
- Q2/H1 2014 Financial Results
- Investor information

# Forward looking statements

This presentation contains forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We caution you not to place undue reliance on forward-looking statements, which reflect our analysis only and speak only as of the date of this presentation. We undertake no obligation to publicly update the forward-looking statements to reflect subsequent events or circumstances.

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# 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 (OTCPK: SMDCY)

smarth<sup>heart</sup>

25 years of service

COPD



Medical Staff

Over  
70,000  
subscribers

CHF

1.5 million  
transmissions p.a.



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

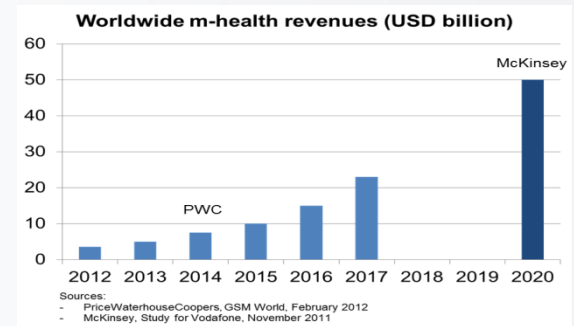
- Become more involved in your own health
- Growing consumer expenditure

## Rising Economic Power

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

# mHealth – 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

# SHL's unique combination of assets

## Technology driven solutions

- Developer of the world's only personal use hospital grade ECG (~70,000 user base)
- Dynamic S/W & H/W platform supporting full range of monitoring devices (MI, CHF, COPD, other) and easily integrating with any new device
  - Strong data management and analytics
    - Personal health records

## Global Telemedicine platform

- Specialized medical staff performing medical evaluation/ diagnostic 24x7
- 3 telemedicine centers providing services to any location/user across the globe
- 26 years of accumulated clinical and behavioral patient data
- Excellence in operations handling 100,000 monthly interactions
- Evolving from cardiac to chronic to new conditions (e.g. wearables)



# Business review - Israel and Germany



# Israel – market leader

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## 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

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## Service range

- Consumer (B2C) and Institutional (B2B)

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## H1 14 Highlights

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

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## 2014 Goals

- **Steady growth while preserving strong margins**
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# Germany – growth

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## Profile

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

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## Service range

- Institutional – CHF, COPD and additional chronic diseases

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## H1 14 Highlights

- Revenues up to USD 8.7M up from USD 3.1M, mainly as a result of the almeda acquisition
- Contributing over 40% of total revenues, up from 21%
- 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

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## 2014 Goals

- **Continued growth**

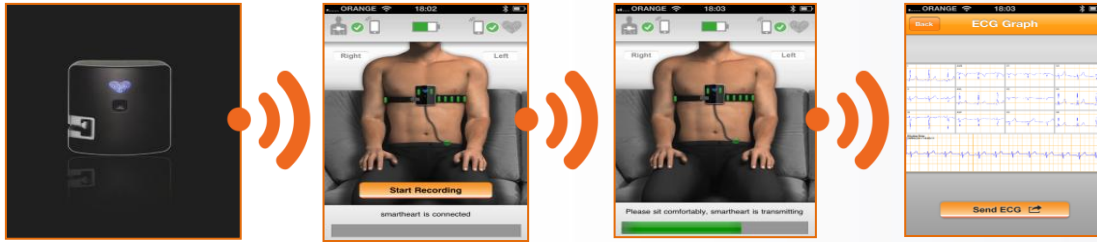


smarthear

a global telemedicine  
platform

**SHL**  
Telemedicine

# smartheart the world's smallest hospital grade ECG



- **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 cardiologist, upload it to his personal medical record or send it SHL global telemedicine centers
- 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



# Global telemedicine centers



24/7

Medical monitoring centers operate 24/7 with trained medical staff providing counseling, guidance and diagnosis of the customers' medical condition



With its data management capabilities and global telemedicine centers, the SHL platform is well positioned to service the growing market of personal mobile medical devices and applications currently generating non-actionable data



When a call is received, the subscriber's computerized personal medical records are immediately displayed on-screen



Medical center staff follow protocols to evaluate the situation based on subscriber's symptoms, real-time medical data transmission, and individual medical history



Based on their analysis the medical staff will advise the subscriber on an appropriate course of action, or simply provide re-assurance

# smartheart - creating new market opportunities



## Cloud based platform enabling services to health professionals and consumers around the world:

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



## Positioning SHL at the forefront of the mHealth market, opening up access to global audiences, in new markets:

- Received CE and US FDA in 2013
- Received Japanese PMDA Pre-Market Certification in March 2014
- Received Chinese FDA (CFDA) approval for the marketing of the smartheart™ in China in May 2014

# Global initiatives

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## US

- smarthear for consumers and medical professionals
- Pre-launch efforts with clinics
- Progressing with plans for launch

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## India

- Focusing on tier I cities with population >60 m
- Hospitals to leverage marketing and distribution capabilities
- SHL to offer telemedicine solution to hospital patients, as part of their routine out of hospital patient care programs
- Signed already 10 agreements with leading hospitals in Delhi, Mumbai, Bangalore and Kolkata

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## Japan

- Platform accepted by over 20 leading Japanese clinics
- ECG in real time sent to SHL's global telemedicine call center in Tel Aviv for data analysis and feedback

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## China

- Looking into various opportunities
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# smartheart users around the world







# Q2/H1 2014 Financial Results

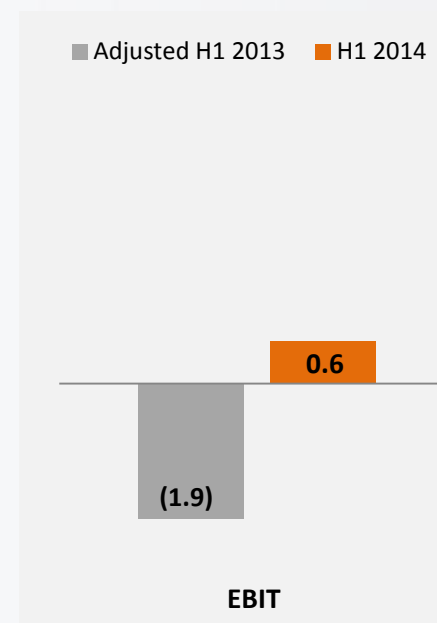
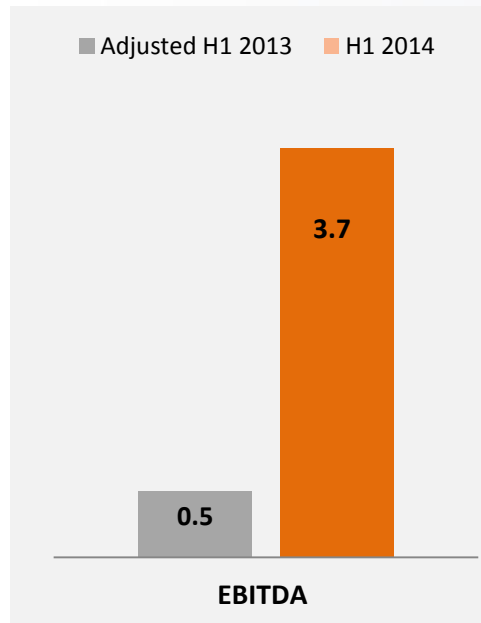
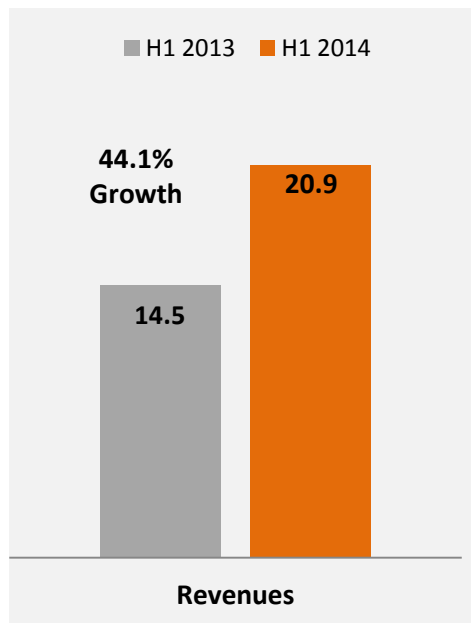
# Q2/H1 Financial highlights



- Accelerated revenue growth - up by 44% year over year
- German revenues reaching USD 8.7 M, up from USD 3.1 M, with improved overall financial performance
- Improved gross margins - at 56 % from 52%
- Continued investment in expansion plans
- Strong cash position with USD 21.8 million in cash and marketable securities

# H1 2014 Results (in USD M)

Considerable improvement in financial performance



(\*) Adjusted 2013 EBITDA and EBIT numbers excluding one-time item which lowered the general and administrative expenses.

# Q2 2014 Results

USD millions	Q2 2014	Q2 2013 adjusted (*)	% change	Q2 2014 (constant currency)	% change	Q2 2013	% change
<b>Revenues</b>	<b>10.3</b>	<b>7.4</b>	<b>39.2%</b>	<b>9.8</b>	<b>32.4%</b>	<b>7.4</b>	<b>39.2%</b>
COGS	4.5	3.5	28.6%	4.3	22.9%	3.5	28.6%
<b>Gross Profit</b>	<b>5.8</b>	<b>3.9</b>	<b>48.7%</b>	<b>5.5</b>	<b>41.0%</b>	<b>3.9</b>	<b>48.7%</b>
% of revenues	56.3%	52.7%		56.1%		52.7%	
Operating expenses	5.6	4.6	21.7%	5.3	15.2%	3.5	60.0%
<b>EBIT (LBIT)</b>	<b>0.2</b>	<b>(0.7)</b>	<b>n.a</b>	<b>0.2</b>	<b>n.a</b>	<b>0.4</b>	<b>(50.0%)</b>
% of revenues	1.9%	n.a		2.0%		5.4%	
<b>EBITDA</b>	<b>1.7</b>	<b>0.6</b>	<b>183.3%</b>	<b>1.6</b>	<b>166.6%</b>	<b>1.7</b>	<b>0.0%</b>
% of revenues	16.5%	8.1%		16.3%		23.0%	
Financial income (expenses)	0.2	(0.3)	n.a	0.2	n.a	(0.3)	n.a
Taxes on income	0.3	0.1	200.0%	0.3	200.0%	0.1	200.0%
<b>Net income (loss)</b>	<b>0.1</b>	<b>(1.1)</b>	<b>n.a</b>	<b>0.1</b>	<b>n.a</b>	<b>0.1</b>	<b>n.a</b>
EPS / (LPS)	0.01	(0.1)	n.a	0.01	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.

(\*) Adjusted 2013 numbers excluding one-time item which lowered the general and administrative expenses.

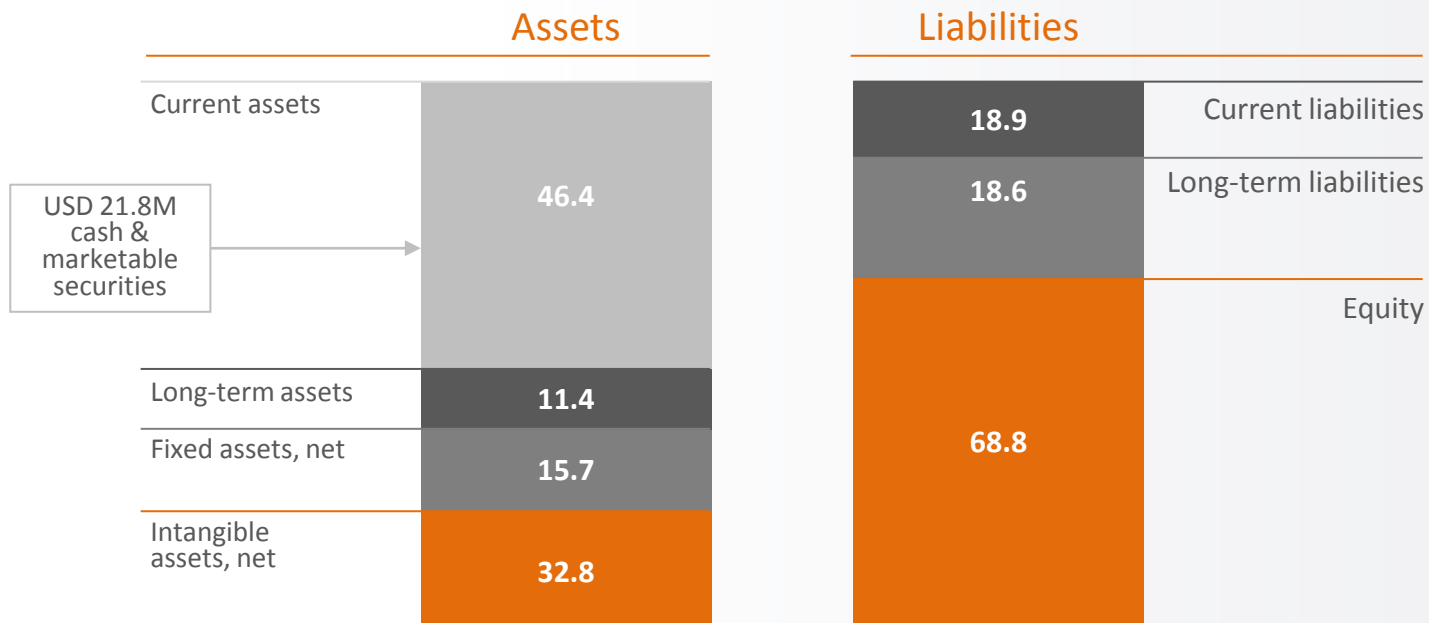
# H1 2014 Results

USD millions	H1 2014	H1 2013 adjusted (*)	% change	H1 2014 (constant currency)	% change	H1 2013	% change
<b>Revenues</b>	<b>20.9</b>	<b>14.5</b>	<b>44.1%</b>	<b>19.9</b>	<b>37.2%</b>	<b>14.5</b>	<b>44.1%</b>
COGS	9.2	6.9	33.3%	8.7	26.1%	6.9	33.3%
<b>Gross Profit</b>	<b>11.7</b>	<b>7.6</b>	<b>53.9%</b>	<b>11.2</b>	<b>47.4%</b>	<b>7.6</b>	<b>53.9%</b>
% of revenues	56.0%	52.4%		56.3%		52.4%	
Operating expenses	11.1	9.5	16.8%	10.7	12.6%	7.0	58.6%
<b>EBIT (LBIT)</b>	<b>0.6</b>	<b>(1.9)</b>	<b>n.a</b>	<b>0.5</b>	<b>n.a</b>	<b>0.6</b>	<b>0.0%</b>
% of revenues	2.9%	n.a		2.5%		4.1%	
<b>EBITDA</b>	<b>3.7</b>	<b>0.5</b>	<b>640.0%</b>	<b>3.5</b>	<b>600.0%</b>	<b>3.1</b>	<b>19.4%</b>
% of revenues	17.7%	3.4%		17.5%		21.4%	
Financial income (expenses)	0.1	(0.6)	n.a	0.2	n.a	(0.6)	n.a
Taxes on income	0.6	0.3	100.0%	0.6	100%	0.3	100.0%
<b>Net income (loss)</b>	<b>0.1</b>	<b>(2.8)</b>	<b>n.a</b>	<b>0.1</b>	<b>n.a</b>	<b>(0.3)</b>	<b>n.a</b>
EPS / (LPS)	0.01	(0.25)	n.a	0.01	n.a	(0.03)	n.a

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(\*) Adjusted 2013 numbers excluding one-time item which lowered the general and administrative expenses.

# 30.6.2014 Balance Sheet



In USD million per 30 June 2014

# Q2 2014 Cash Flow Statements

USD millions	Q2 2014	Q2 2013	Diff	2013
Cash provided by (used in) Operating activities	(0.9)	(0.8)	(0.1)	2.6
Cash used in Investing activities (ex. marketable securities)	(0.9)	(0.8)	(0.1)	(1.1)
Cash used in financing activities	(1.7)	(0.2)	(1.5)	(1.8)
Effect of exchange rate changes	0.2	0.2	-	1.9
<b>Increase (decrease) in cash, cash equivalents &amp; marketable securities</b>	<b>(3.3)</b>	<b>(1.6)</b>	<b>(1.7)</b>	<b>1.6</b>
Cash, cash equivalents & marketable securities at beginning of period	25.1	29.1	(4.0)	26.8
<b>Cash, cash equivalents &amp; marketable securities at end of period</b>	<b>21.8</b>	<b>27.5</b>	<b>(5.7)</b>	<b>28.4</b>

# H1 2014 Cash Flow Statements

USD millions	H1 2014	H1 2013(*)	Diff	2013 (*)
Cash provided by (used in) Operating activities	(3.3)	3.2	(6.5)	2.6
Cash used in Investing activities (ex. marketable securities)	(1.6)	(1.9)	0.3	(1.1)
Cash used in financing activities	(1.8)	(1.3)	(0.5)	(1.8)
Effect of exchange rate changes	0.1	0.7	(0.6)	1.9
<b>Increase (decrease) in cash, cash equivalents &amp; marketable securities</b>	<b>(6.6)</b>	<b>0.7</b>	<b>(7.3)</b>	<b>1.6</b>
Cash, cash equivalents & marketable securities at beginning of year	28.4	26.8	1.6	26.8
<b>Cash, cash equivalents &amp; marketable securities at end of year</b>	<b>21.8</b>	<b>27.5</b>	<b>(5.7)</b>	<b>28.4</b>

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



# Outlook

- Confirming revenue outlook of over 30% growth in 2014
- Continued investment in expansion

# 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  
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                      9.78/6.97
- Market cap high/low (CHF m), 2014 106.4/75.8
- Market cap 30.6.14 (CHF m)                      91.4
- No voting restrictions



**Erez Alroy, Co-CEO**  
ereza@shl-telemedicine.com

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.