

# SHL Telemedicine

9M/Q3 2014 results

19 November 2014





# Agenda

- SHL at a glance
- Market drivers
- Business review
- Introducing the smartheart to the U.S.
- Q3/9M 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.

This presentation contains trade names, trademarks and service marks of other companies. We do not intend our use or display of other parties' trade names, trademarks and service marks to imply a relationship with, or endorsement or sponsorship of, these other parties.

# 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



1. Aggregated Telehealth and mHealth 2014 projected market size, as presented in page 8 of this presentation.

# SHL's Unique Combination of Assets

## Technology driven solutions

- World's only personal use hospital grade ECG
- Mobile health device capable of transforming any smartphone or tablet into a hospital grade ECG
- Dynamic S/W & H/W platform supporting full range of monitoring devices (MI, CHF, COPD, other)
  - Strong data management and analytics
    - Personal health records

## Global Telemedicine platform

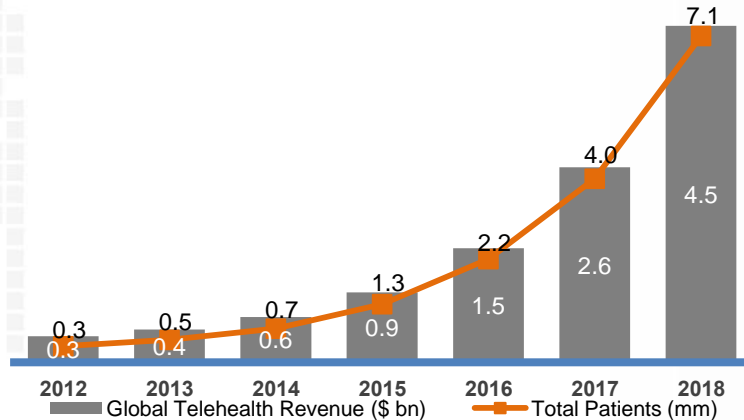
- Specialized medical staff performing medical evaluations/diagnostics 24/7
- Telemedicine centers providing services to any location/user across the globe
- 26 years of accumulated clinical and behavioral patient data
- Excellence in operations handling 100,000 monthly interactions
- Evolving from cardiac to chronic to new conditions (e.g. wearables)

# Telehealth & Mobile Health Market Trends

## Global Telehealth Forecast<sup>(1)</sup>

*“Amid rising expenses, an aging population and the increasing prevalence of chronic diseases, the healthcare industry must change the way it operates. Telehealth represents an attractive solution to these challenges, increasing the quality of care while reducing overall healthcare expenditures.”*

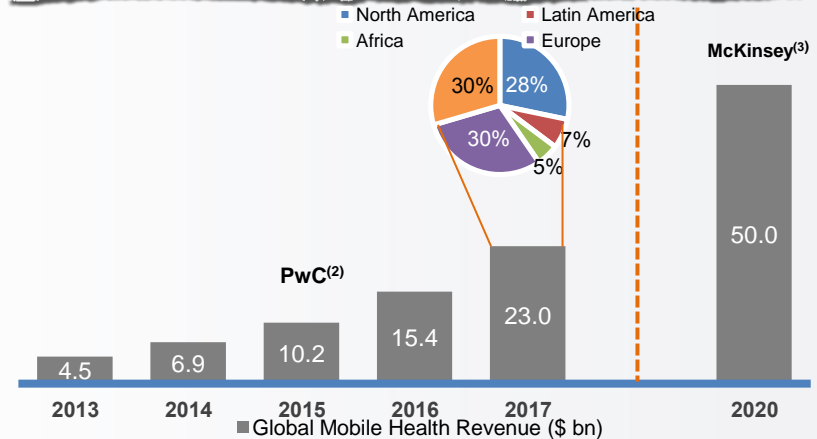
**IHS, January 2014**



## Global Mobile Health Forecast

*“In contrast to healthcare access, mobile access is becoming almost ubiquitous worldwide... thus, the feasibility of mobile devices supporting healthcare is greater than ever before. Mobile health - the use of mobile communication and devices for providing healthcare services or achieving health outcomes - stands at a significant inflection point.”*

**PwC, February 2012**



1. "World Market for Telehealth", IHS Technology, January 2014.  
 2. "Touching lives through mobile health", PwC, February 2012.  
 3. McKinsey study for Vodafone, November 2011.



# 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)

---

## 9M 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

---

## 9M 14 Highlights

- Revenues up to USD 12.7M up from USD 4.5M, 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

---

## 2014 Goals

- **Continued growth**

# Asia Pacific

---

## 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

---

## 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

---

## China

- Looking into various opportunities
-



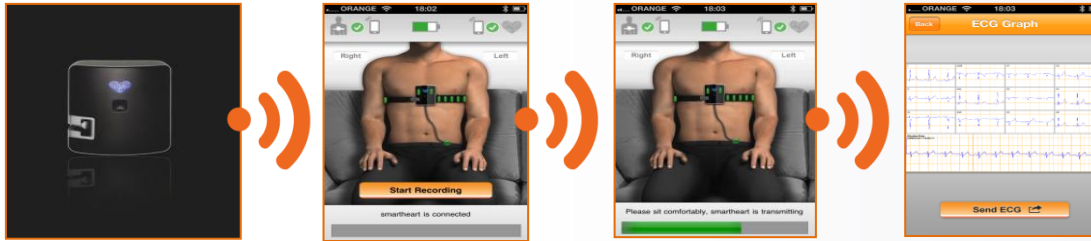
smarth<sup>heart</sup>

a global telemedicine  
platform



**SHL**  
Telemedicine

# smartheart the world's smallest hospital grade ECG



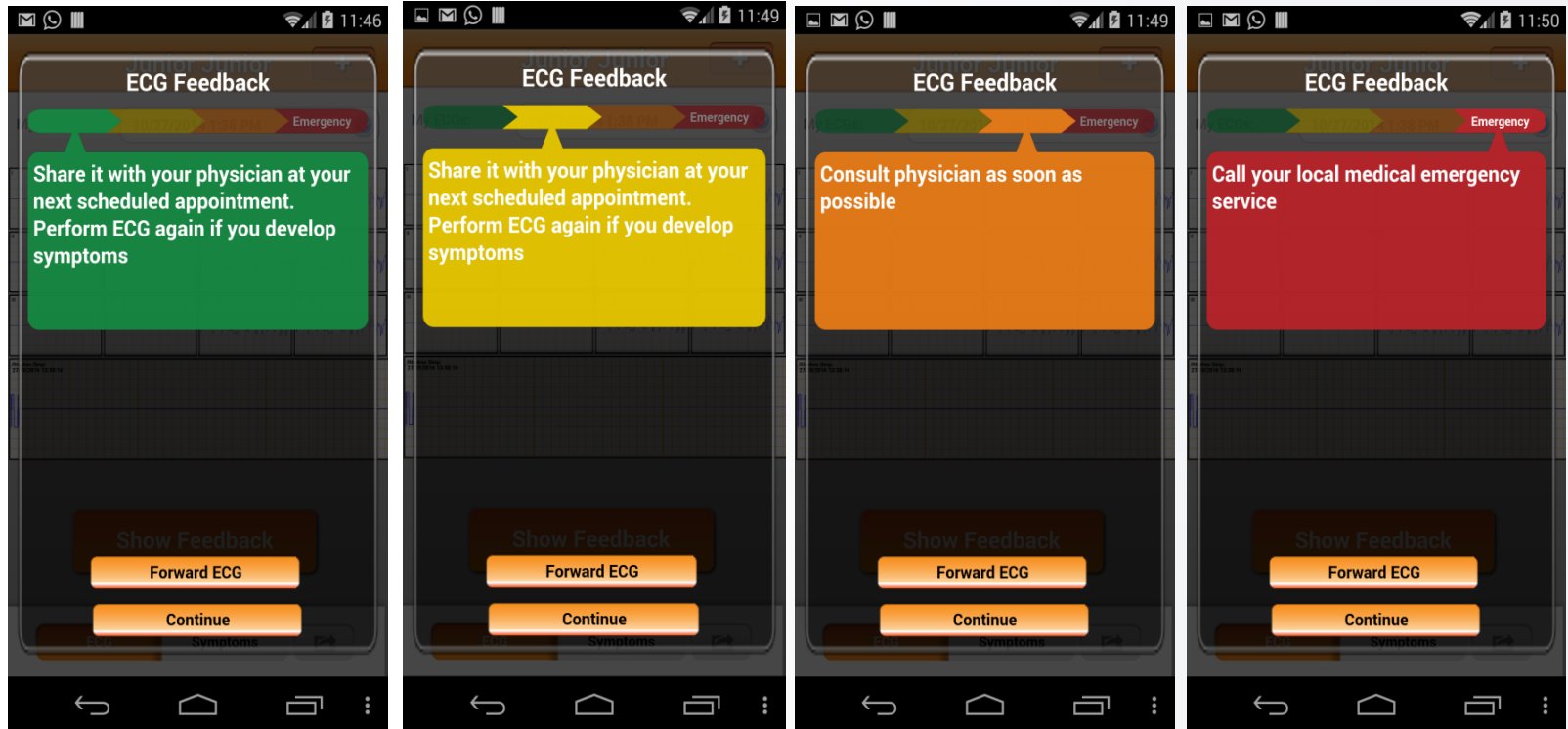
- **smartheart** turns any Smartphone or Tablet into a full ECG for personal use
- Within 30 seconds, any user can record an ECG, send it to his personal physician or cardiologist, upload it to his personal medical record or send it to the SHL global telemedicine centers
- The information is stored in 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



# The smartheart platform



# The smartheart feedback



# Significant Market Opportunity in the U.S.

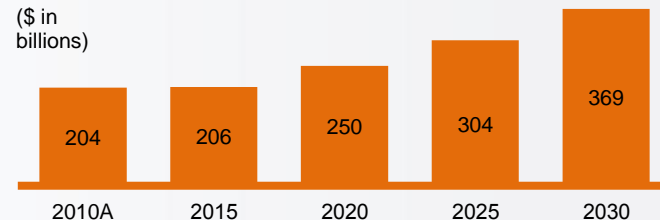
## America's Heart Disease Burden

- Over 15 million American adults are diagnosed with CHD and 5 million American adults are diagnosed with CHF
- About 600k Americans die of heart disease every year (one in every 4 deaths)
- Coronary heart disease is the most common type of heart disease, killing nearly ~380k people annually
- Every year about 720k Americans have a heart attack
  - Of these, ~515k are a first heart attack and ~205k happen in people who have already had a heart attack

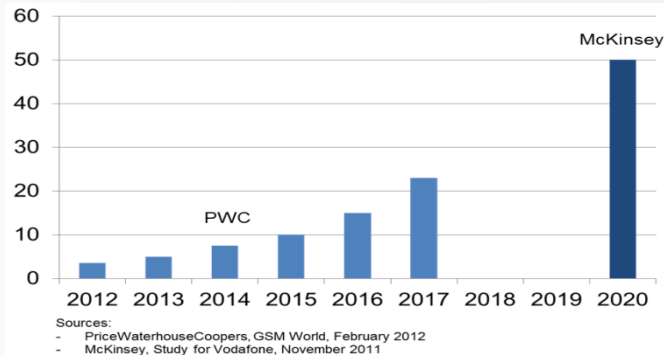
## Americans at Risk

- About half of Americans (49%) have at least one of the following risk factors:
  - High blood pressure
  - High LDL cholesterol
  - Smoking
- Other medical conditions and lifestyle choices can also put people at a higher risk for heart disease, including:
  - Diabetes
  - Overweight and obesity
  - Poor diet
  - Physical inactivity
  - Excessive alcohol use

## Projected U.S. Cost of CHD /HF



## Worldwide m-health revenues





# Introducing the smartheart to the U.S.

## Personal

## Professional

<b>Focus</b>	Consumers : <ul style="list-style-type: none"> <li>• CVD</li> <li>• At risk</li> <li>• Worried well</li> </ul>	Medical professionals : <ul style="list-style-type: none"> <li>• Primary care physicians</li> <li>• Cardiologists</li> </ul>
<b>Service</b>	ECG feedback : digital response through smartheart app.	ECG interpretation and analysis : ECG reading and interpretation received through the smartheart app.
<b>Value proposition</b>	<ul style="list-style-type: none"> <li>• Peace of mind</li> <li>• Reduction in response time:               <ul style="list-style-type: none"> <li>◦ Improved chance of survival</li> <li>◦ Reduces likelihood of an irreversible damage to the heart muscle = improved quality of life</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Most primary care physicians do not typically interpret ECGs</li> <li>• Enabling performance of reimbursable ECG tests - revenue generating solution for the physician together with improved medicine</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>• smartheart : up to \$1,000</li> <li>• Monthly service: up to \$60</li> </ul>	

# Introducing the smartheart to the U.S.

## Personal

## Professional

<b>Revenue model</b>	Sale of devices Monthly service fees or pay per feedback/interpretation	
<b>Services provided through</b>	SHL Global Telemedicine centers in Tel Aviv/Dusseldorf	
<b>Marketing Channels</b>	Direct to Consumer: <ul style="list-style-type: none"> <li>• Digital/web based</li> <li>• Direct TV</li> <li>• Pharmacy chains</li> <li>• Etc..</li> </ul>	Distribution Partners: <ul style="list-style-type: none"> <li>• Medical device distributors</li> <li>• Pharmacy chains (walk in clinics)</li> <li>• At home tests for insurance underwritings</li> <li>• Etc..</li> </ul>
<b>Next Steps</b>	U.S. market entry to commence beginning of 2015	

smartheart Product Overview Support & FAQs Our Story Get smartheart Account

## Get smartheart

Get heart health back into your hands.

Whether you're looking for peace of mind for yourself or a loved one, smartheart gives you the control to know sooner whether or not you need to take action. And when it comes to heart health, there's nothing more important than time.

Need help?

I'm shopping for myself I'm shopping for someone else

smartheart Product Overview Support & FAQs Our Story Get smartheart Account

Overview Why Smartheart? How it Works Feedback Service Technical Specifications

smartheart Product Overview Support & FAQs Our Story Get smartheart Account

Overview Why smartheart? How it Works Feedback Service Technical Specifications

## Introducing smartheart

The world's first mobile 12-lead ECG is here.

Take control of your heart health. Take back peace of mind. It's time to stop worrying about what's wrong, and figure out if your heart health is all right.

smartheart Product Overview Support & FAQs Our Story Get smartheart Account

Overview Why Smartheart? How it Works Feedback Service Technical Specifications

Practically transform your phone into an ECG.

Smart heart is the only FDA-cleared device you can buy that replicates the same 12 lead ECG that you get when you go to your doctor's office so that you and your doctor can get the full picture—one that you can trust.

:30

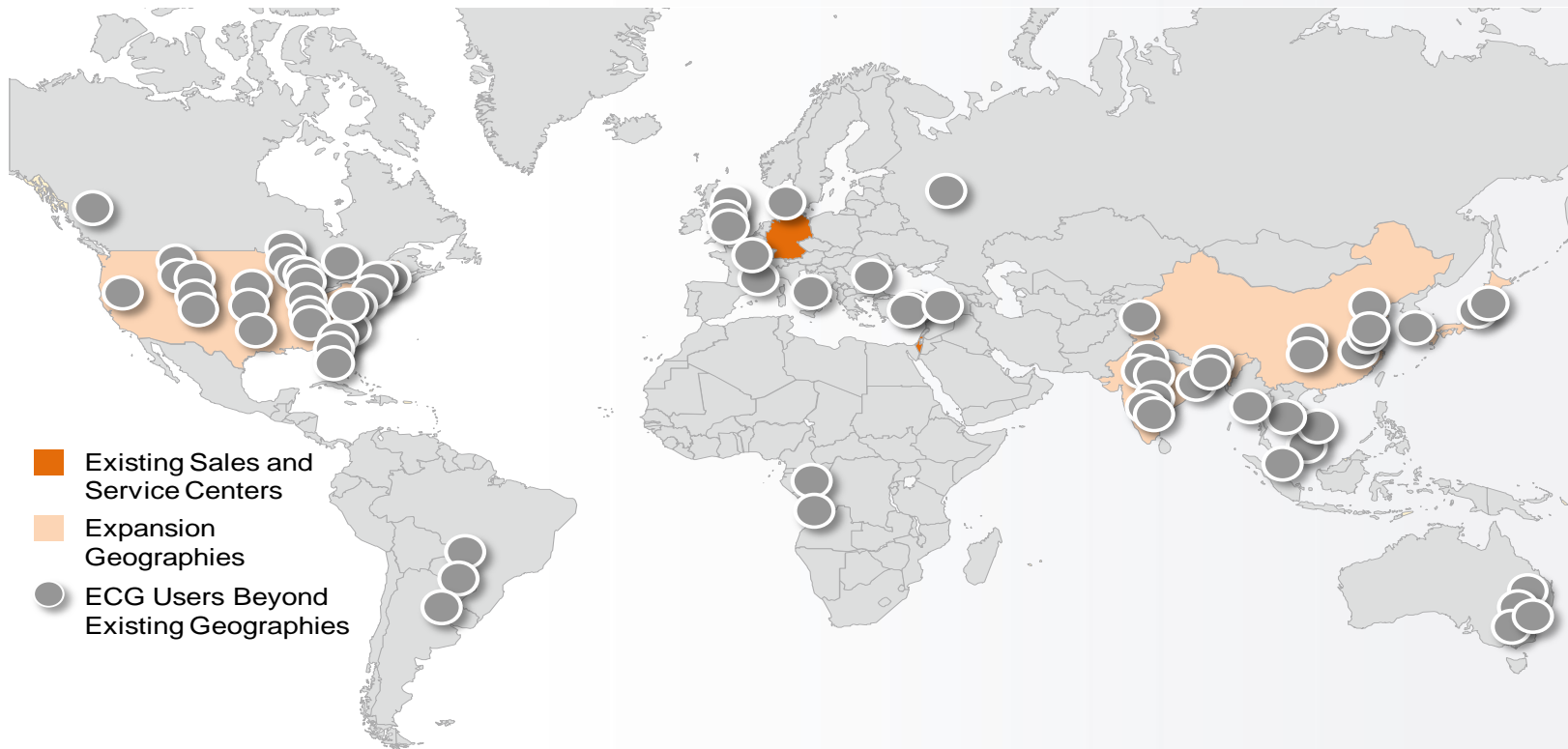
If you're worried about how you could possibly do what your doctor's do, it's ok, smartheart is designed in such a way that anyone can easily use it to transmit an ECG.

Smartheart connects with your smartphone or tablet through an easy-to-use app, which you need to download to your Bluetooth™ enabled device while connected to the internet.

smartheart

Smartheart is designed to transmit a 12 lead ECG. An ECG does not always detect heart abnormality, even when one is actually present. Smartheart is FDA cleared available only by prescription. The use of Smartheart is not a substitute for medical care. If you think you have a medical emergency please call 911.

# smartheart users around the world





# Q3/9M 2014 Financial Results

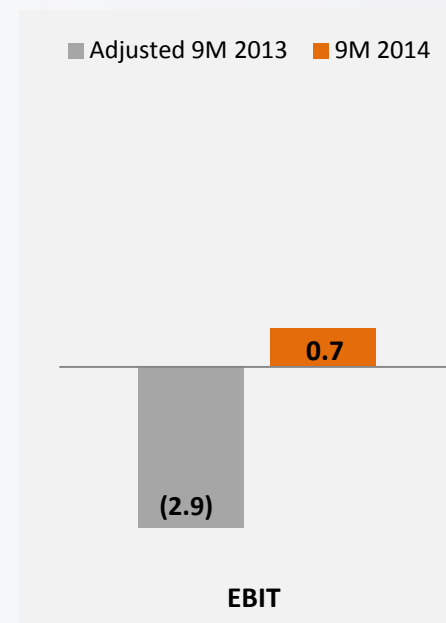
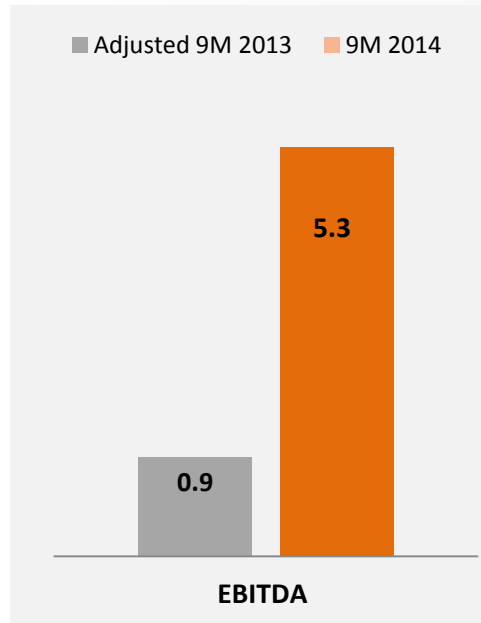
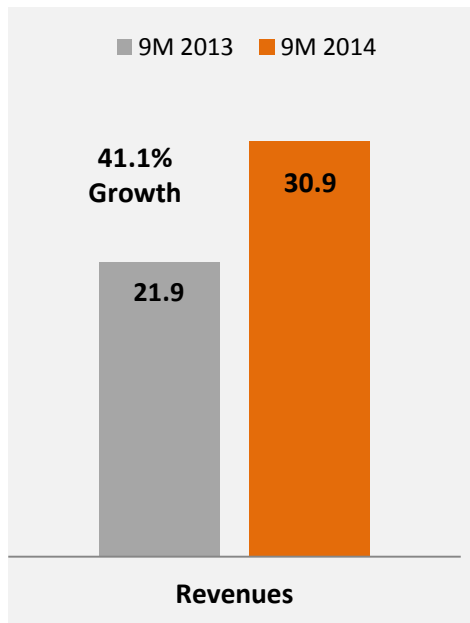
# Q3/9M Financial highlights



- Accelerated revenue growth
  - Q3 revenue up 35% year over year
  - 9M revenue up 41% year over year
- Improved gross profit margins
  - Q3 margins 56% vs 54% in Q3 2013
  - 9M margins 56% vs 53% in Q3 2013
- Improved overall financial performance in Germany
  - Q3 German revenues USD 4.0 M vs USD 1.4 M in Q3 2013
  - 9M German Revenues USD 12.7 M vs USD 4.4 M in 9M 2013
- Continued investment in expansion plans
- Strong cash position with USD 19.5 million in cash and marketable securities

# 9M 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.

# Q3 2014 Results

USD millions	Q3 2014	Q3 2013 adjusted (*)	% change	Q3 2014 (constant currency)	% change	Q3 2013	% change
<b>Revenues</b>	<b>10.0</b>	<b>7.4</b>	<b>35.1%</b>	<b>9.9</b>	<b>33.8%</b>	<b>7.4</b>	<b>35.1%</b>
COGS	4.4	3.4	29.4%	4.4	29.4%	3.4	29.4%
<b>Gross Profit</b>	<b>5.6</b>	<b>4.0</b>	<b>40.0%</b>	<b>5.5</b>	<b>37.5%</b>	<b>4.0</b>	<b>40.0%</b>
% of revenues	56.0%	54.1%		55.6%		54.1%	
Operating expenses	5.4	5.0	8.0%	5.4	8.0%	4.6	17.4%
<b>EBIT (LBIT)</b>	<b>0.2</b>	<b>(1.0)</b>	<b>n.a.</b>	<b>0.1</b>	<b>n.a.</b>	<b>(0.6)</b>	<b>n.a.</b>
% of revenues	2.0%	n.a.		1.0%		n.a.	
<b>EBITDA</b>	<b>1.7</b>	<b>0.3</b>	<b>466.7%</b>	<b>1.6</b>	<b>433.3%</b>	<b>0.7</b>	<b>142.9%</b>
% of revenues	17.0%	4.1%		16.2%		9.5%	
Financial income (expenses)	0.4	(0.6)	n.a.	0.5	n.a.	(0.6)	n.a.
Taxes on income	0.3	0.0	n.a.	0.3	n.a.	0.0	n.a.
<b>Net income (loss)</b>	<b>0.3</b>	<b>(1.6)</b>	<b>n.a.</b>	<b>0.3</b>	<b>n.a.</b>	<b>(1.2)</b>	<b>n.a.</b>
EPS / (LPS)	0.02	(0.14)	n.a.	0.02	n.a.	(0.11)	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.



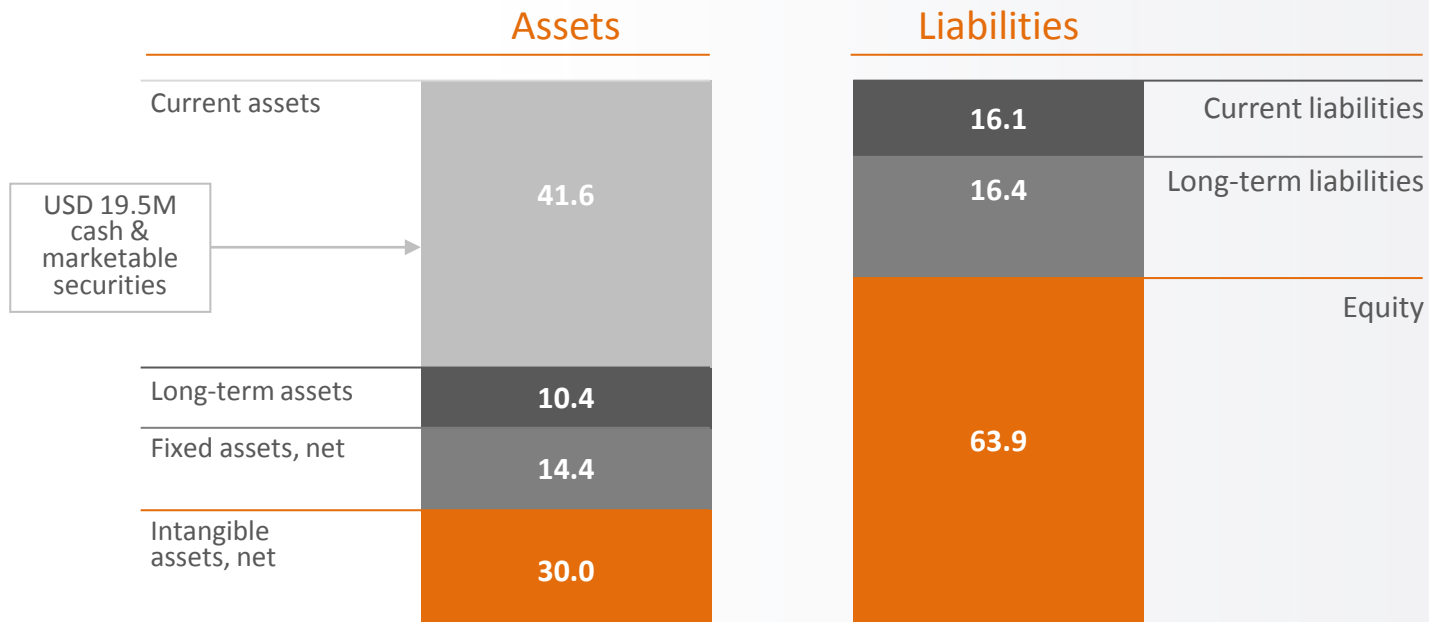
# 9M 2014 Results

USD millions	9M 2014	9M 2013 adjusted (*)	% change	9M 2014 (constant currency)	% change	9M 2013	% change
<b>Revenues</b>	<b>30.9</b>	<b>21.9</b>	<b>41.1%</b>	<b>29.8</b>	<b>36.1%</b>	<b>21.9</b>	<b>41.1%</b>
COGS	13.6	10.4	30.8%	13.1	26.0%	10.4	30.8%
<b>Gross Profit</b>	<b>17.3</b>	<b>11.5</b>	<b>50.4%</b>	<b>16.7</b>	<b>45.2%</b>	<b>11.5</b>	<b>50.4%</b>
% of revenues	56.0%	52.5%		56.0%		52.5%	
Operating expenses	16.6	14.4	15.3%	16.0	11.1%	11.5	44.3%
<b>EBIT (LBIT)</b>	<b>0.7</b>	<b>(2.9)</b>	<b>n.a.</b>	<b>0.7</b>	<b>n.a.</b>	<b>0.0</b>	<b>n.a.</b>
% of revenues	2.3%	n.a.		2.3%		n.a.	
<b>EBITDA</b>	<b>5.3</b>	<b>0.9</b>	<b>488.9%</b>	<b>5.1</b>	<b>466.7%</b>	<b>3.8</b>	<b>39.5%</b>
% of revenues	17.2%	4.1%		17.1%		17.4%	
Financial income (expenses)	0.5	(1.1)	n.a.	0.4	n.a.	(1.2)	n.a.
Taxes on income	0.9	0.3	200.0%	0.9	200.0%	0.3	200.0%
<b>Net income (loss)</b>	<b>0.3</b>	<b>(4.3)</b>	<b>n.a.</b>	<b>0.2</b>	<b>n.a.</b>	<b>(1.5)</b>	<b>n.a.</b>
EPS / (LPS)	0.03	(0.39)	n.a.	0.02	n.a.	(0.14)	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.

# 30.9.2014 Balance Sheet



In USD million per 30 September 2014

# Q3 2014 Cash Flow Statements

USD millions	Q3 2014	Q3 2013	Diff	2013 (*)
Cash provided by (used in) Operating activities	0.1	(0.4)	0.5	2.6
Cash used in Investing activities (ex. marketable securities)	(0.2)	(0.9)	0.7	(1.1)
Cash used in financing activities	(1.4)	-	(1.4)	(1.8)
Effect of exchange rate changes	(0.8)	0.7	(1.5)	1.9
<b>Increase (decrease) in cash, cash equivalents &amp; marketable securities</b>	<b>(2.3)</b>	<b>(0.6)</b>	<b>(1.7)</b>	<b>1.6</b>
Cash, cash equivalents & marketable securities at beginning of period	21.8	27.5	(5.7)	26.8
<b>Cash, cash equivalents &amp; marketable securities at end of period</b>	<b>19.5</b>	<b>26.9</b>	<b>(7.4)</b>	<b>28.4</b>

(\*) Including one time payment of USD 5.2 million received in 2013

# 9M 2014 Cash Flow Statements

USD millions	9M 2014	9M 2013(*)	Diff	2013 (*)
Cash provided by (used in) Operating activities	(3.2)	2.7	(5.9)	2.6
Cash used in Investing activities (ex. marketable securities)	(1.8)	(2.8)	1.0	(1.1)
Cash used in financing activities	(3.1)	(1.2)	(1.9)	(1.8)
Effect of exchange rate changes	(0.8)	1.4	(2.2)	1.9
<b>Increase (decrease) in cash, cash equivalents &amp; marketable securities</b>	<b>(8.9)</b>	<b>0.1</b>	<b>(9.0)</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>19.5</b>	<b>26.9</b>	<b>(7.4)</b>	<b>28.4</b>

(\*) Including one time payment of USD 5.2 million received in 2013

# Outlook

- Revenues for the year to grow at over 35% year-over-year
- U.S. market entry to commence beginning of 2015
- Continued investment in expansion - expecting revenues from international markets to reach 60% by 2016

# 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 Asia Pacific...

Promising start in 2013  
Execution 2014

5

## ... and in the US

Commencing market entry beginning  
of 2015

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 30.9.14 (CHF m)                      87.0
- 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.