



# 2016 Financial Year Annual Results Presentation

**Universal Biosensors**

March 2017



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# UBI : FY2016 highlights



**12% total revenue growth** (FY2016 vs FY2015) underpinned by continued growth in Quarterly Service Fees

**Disciplined R&D spend** and operating leverage delivers transition to profitability (net profit of \$1.3 in FY2016)

**High cash conversion** (positive cash flow of \$6.1m in FY2016 vs net cash used of \$2.0m in FY2015)

**Exciting outlook for Xprecia Stride™** in 2017 following FDA clearance and acquisition of Hemostasis Reference Laboratory (HRL)

**Strong growth momentum** continues supported by focused development pipeline

# FY2016 : Profitable & cash flow positive



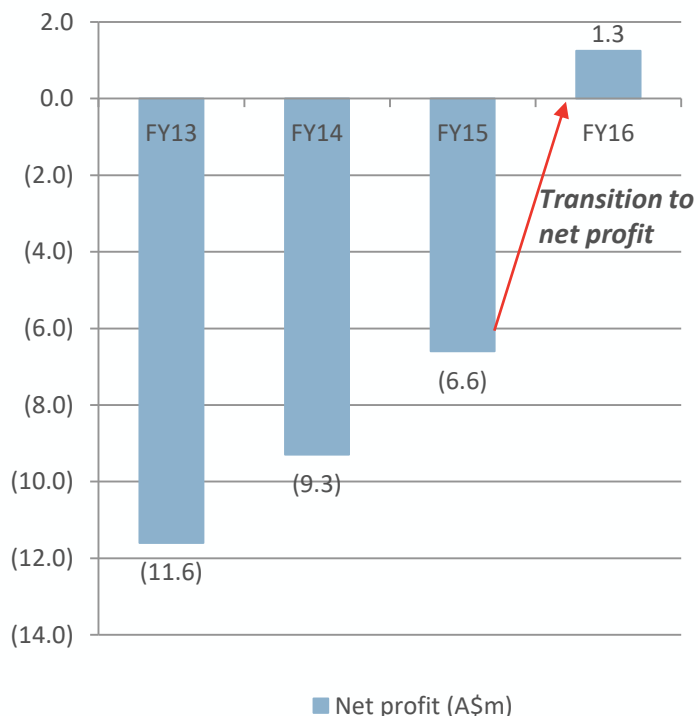
	12 Months Ended 31 Dec			Comments
	2016 (A\$'M)	2015 (A\$'M)	Change	
Quarterly Service Fees	17.9	12.8	Up 39%	Strong OneTouch® Verio performance delivering growth in QSF
<b>Total Revenue</b>	<b>18.8</b>	<b>16.8</b>	<b>Up 12%</b>	Includes strip sales to Siemens
<b>Contribution from Products and Services</b>	<b>17.7</b>	<b>15.4</b>	<b>Up 15%</b>	QSF gross margins of ~ 100%
R&D Expenses	15.0	19.1	Down 22%	Refocused and efficient R&D spend
G&A Expenses	6.4	6.7	Down 4%	Continued operating cost focus
<b>Profit/(Loss) from Operations</b>	<b>(3.7)</b>	<b>(10.4)</b>	<b>Improved \$6.7m</b>	Revenue growth dropping through to bottom line
Other Income/(Expense)	5.0	3.8	Up 30%	R&D tax rebate offset by financing costs
<b>Net Profit/(Loss)</b>	<b>1.3</b>	<b>(6.6)</b>	<b>Improved \$7.9m</b>	Net profit from continued operations
Operating Cash Flow	7.0	(0.5)	Improved \$7.5m	Operating leverage driving strong cash inflows
<b>Period End Cash Balance</b>	<b>20.4</b>	<b>14.4</b>	<b>Up 42%</b>	Well placed to fund opportunities

# Operating leverage delivers transition to profitability

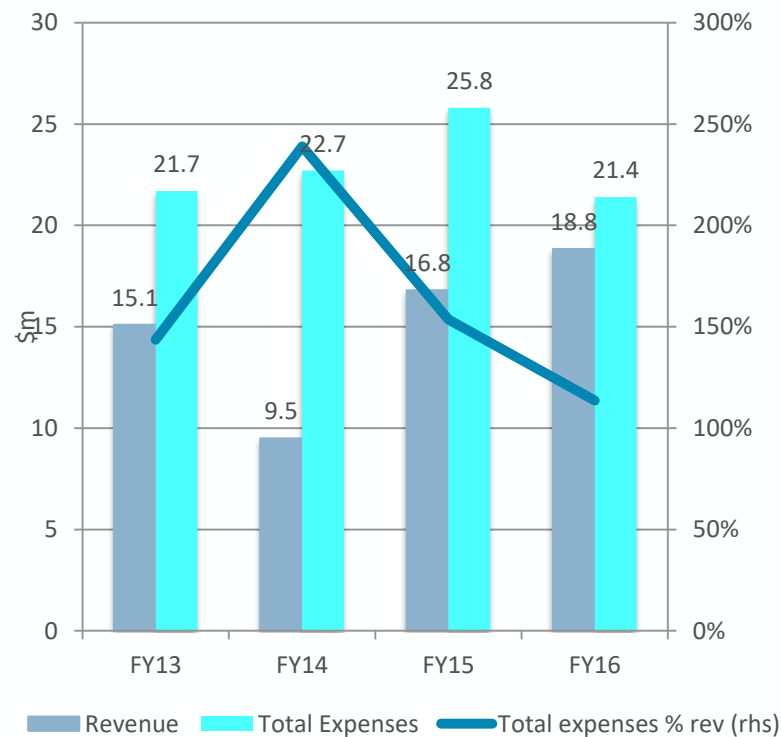


Revenue growth in combination with a disciplined cost focus has delivered net profit

Net profit (A\$m)



Revenue vs total expenses (A\$m)



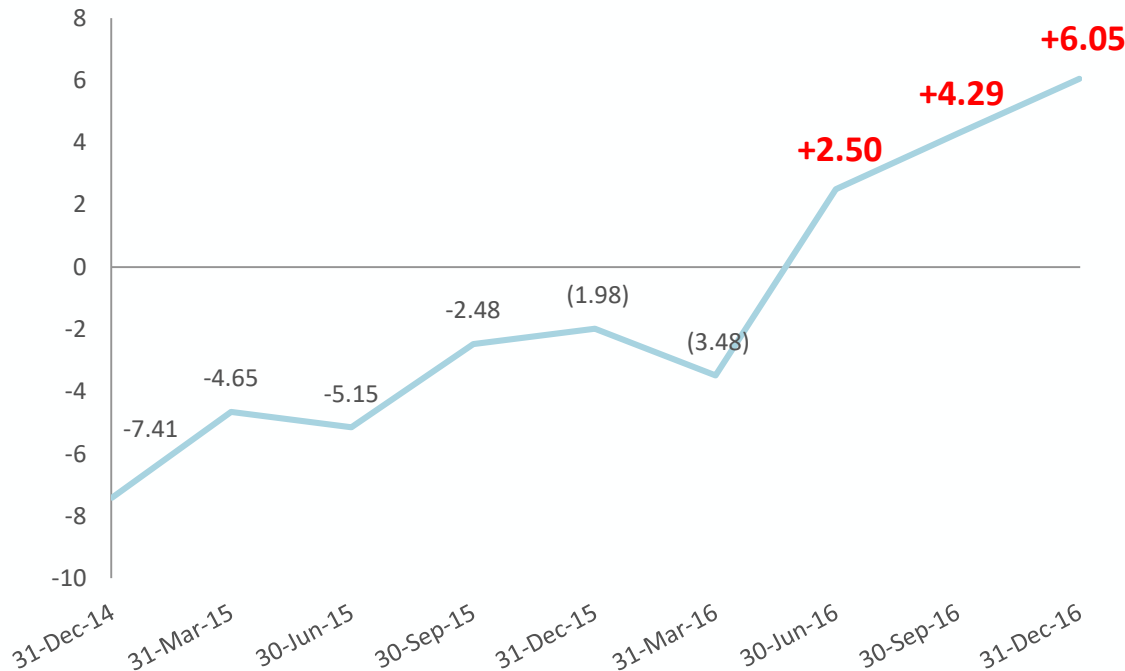
Note: Total expenses = R&D expense + G&A expenses

# Strong cash flow generation



## Operating and net cash flow positive in FY2016

**Rolling Net Cash Flow (annual average)**  
(A\$ Millions)



- Strong FY2016 cash flow given:
  - revenue growth + reduction in expenses
  - R&D tax incentive of \$9.3m received in Sep 2016
  - Siemens milestone prepayments of US\$3.75 received
- UBI eligible for the R&D Tax Incentive in FY2016 (cash inflow of \$7.4m in FY2017)
- Operating cash flow outlook expected to remain strong in FY2017

*Note: calculated based on average net cash flow (operating + investing + financing + exchange rate effects) over past 4 quarters*

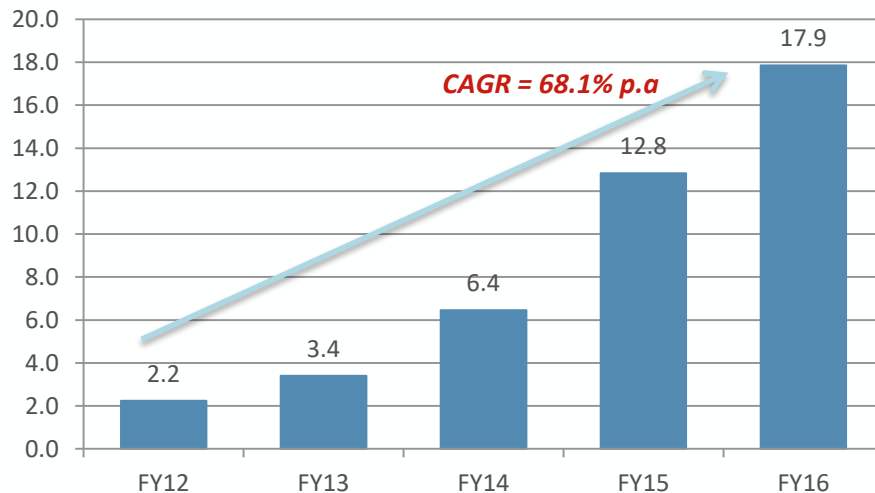
# OneTouch® Verio revenues increased 39% in FY2016



Market share gains continue to drive strong sales growth in blood glucose market

	QSF revenues (\$m)		% change
Q4 16 vs Q4 15	4.2	2.9	+ 44%
Q4 16 vs Q3 16	4.2	3.3	+ 29%
FY2016 vs FY2015	17.9	12.8	+ 39%

QSF revenues (\$m)



## Quarterly Service Fees – Key terms of agreement with LifeScan\*

- UBI receives a service fee for each OneTouch Verio® strip sold by LifeScan
  - The first 0.5B strips per year: US\$1.25c per strip
  - Each strip >0.5B per year: US 0.75c per strip
- After the end of the quarter following receipt by UBI of cumulative QSF of US\$45M, LifeScan has the option to pay a lump sum fee in lieu of future QSF, calculated as 2-2.2x the QSF earned for the full year in which notice is given

## Quarterly Service Fees update

- Strip sales >0.5B in Q2 FY2016 VS Q3 in FY2015
- Cumulative QSF received as at 31 Dec 16 - US\$31.6m\*
  - \* Does not include QSF for Q4'2016 of US\$3.1 which was receipted in February 2017

# OneTouch® Verio – Cumulative QSF LifeScan agreement example



Assuming the growth trend in QSF continues, one scenario is the receipt of US\$45m cumulative QSF by UBI in Q4'2017

## Key Assumptions\*

- LifeScan sells 2 billion strips in FY2017 and FY2018
- Cumulative QSF received by UBI exceeds US\$45m in Q4'2017
- Earliest LifeScan can deliver notice of conversion is Q1'2018
- LifeScan delivers notice of conversion in Q1'2018



## LifeScan payments to UBI\*

- UBI would be entitled to receive US\$70m under the Master Services and Supply Agreement with a payment structure as follows:
  - US\$17.5m QSF for FY2017

**Plus**

  - US\$17.5m QSF for FY2018

**Plus**

  - US\$35.0m as one-time lump sum fee based on 2.0x FY2018 QSF of US\$17.5m

# OneTouch® Verio is a key medical device product for J&J (LifeScan)



## J&J's strategic review

- J&J conducted a business review of its consumer and medical devices in May 2016
- OneTouch® Verio identified as one of J&J's most competitive product platforms



## J&J's product rationalisation

- Reduced strip platforms from 5 to 2
- Simplified meters from 14 to 3
- Moving from Ultra to Verio



## One Touch® Verio delivering results

- Verio was fastest growing blood glucose monitoring (BGM) product in 2015 (by volume)
- J&J's BGM products gained volume market share globally and beat volume market growth 2x

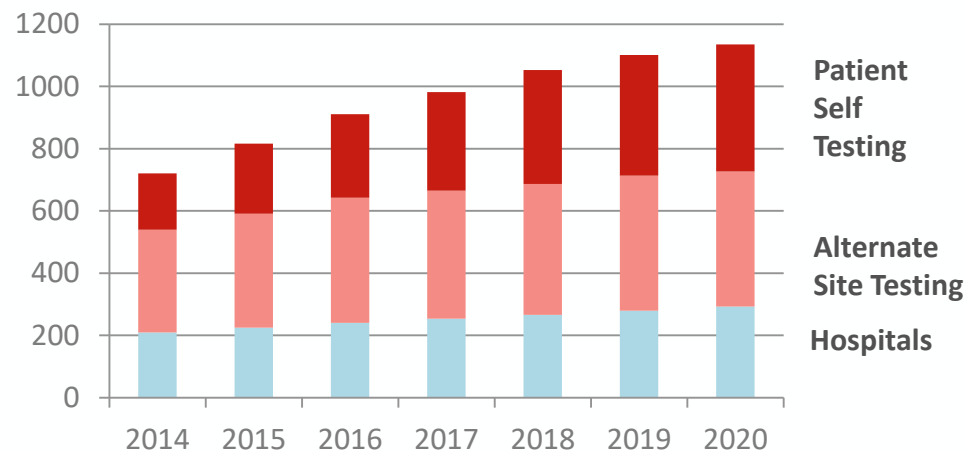


# Exciting outlook for Xprecia Stride™ – FDA approval received

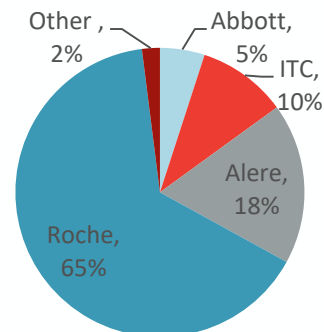


- Product revenues were not significant in FY2016 with 300,000 strips sold in FY2016.
- FY2016 revenues affected by:
  - Siemens pipeline build in FY2015
  - Limited marketing release by Siemens
- Growth in FY2017 is expected to ramp-up with confirmed purchase orders to supply ~1.5 million test strips to Siemens in H1'FY17
- Siemens received FDA approval (510k clearance) to sell the Xprecia Stride Coagulation Analyser in the US in October 2016.

**Global POC PT-INR Testing Market Projection (US\$M)**



**POC PT-INR Testing Market Share Estimates (2014)**



**Market development:**

Alere initiated a recall of its PT-INR device during 2014 and 2015

# Acquisition of HRL to support growth in Xprecia Stride™



- UBI announced the acquisition of Hemostasis Reference Laboratory business (HRL) from LifeLabs LP in December 2016 via its wholly owned Canadian subsidiary
- HRL provides high quality coagulation testing and calibration services to a range of international customers
- A calibration service provider to UBI for past 5 years
- Accuracy and safety have become paramount within the PT/INR testing market
- Acquisition of HRL gives UBI more control, certainty and reduces risk in meeting increased Siemens production demand in FY017 and beyond
- HRL purchase funded from existing cash reserves
  - cash consideration CAD\$50,000
  - not expected to have a material impact on UBI's financial results



# Other progress during FY2016



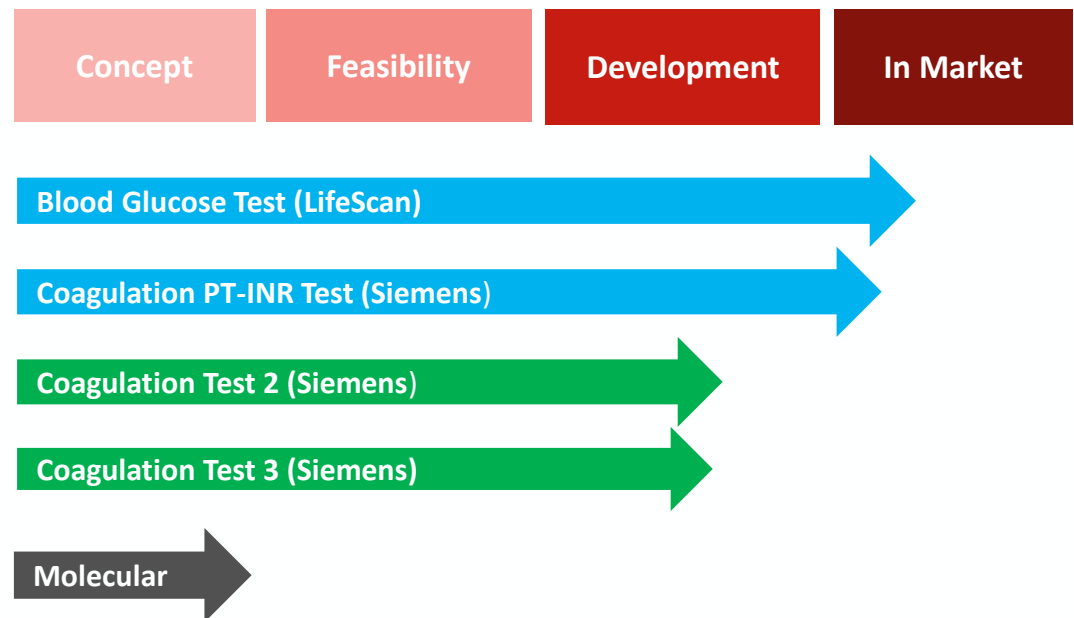
- **Focused development pipeline to drive growth (April 2016)**
  - Implemented rigorous product development criteria focussed on shareholder ROI
  - Put on-hold in-house patient self-testing device for warfarin monitoring following indications from FDA of increased regulatory requirements for future submissions
  - Used learnings from Siemens product to advance our own patient self-test product
- **Modifications to Siemens collaboration agreement (March 2016)**
  - Shift in focus of joint product development activities to focus resources on an alternative product that offers the potential for greater ROI
  - Improved Xprecia Stride™ strip pricing to support Siemens' entry into the point-of-care PT-INR testing market
  - Prepayment of milestones to UBI totalling US\$3.75m in FY2016
- **Board renewal**
  - Mr. David Hoey appointed as a US based Non Executive Director in March 2016
  - Mr. Craig Coleman appointed as Non Executive Director in June 2016

# Focussed development pipeline to drive growth



## Strong track record of innovation & partnerships in the Point-of-Care diagnostics space

- Rigorous product development criteria:
  - Deliver ROI for shareholders
  - Ability to sustain positive cash flow
  - April 2016 announcement to put on hold some product development work
- Exciting new products are in the development pipeline with Siemens
- Clinical trials targeted to commence in 2017. Regulatory approval will be sought after completion of these trials
- Proven track record of collaboration with two of the world's leading healthcare companies to bring products to market



# Anticipated news flow: next 12 months



- Quarterly Service Fees from OneTouch® Verio announced every quarter
- Geographic expansion and growth in Xprecia Stride strip sales
- Feasibility demonstrated for Molecular platform
- Announcement of commencement of clinical trials



## Upcoming market communications:

- 2016 Annual Report : March 2017
- Appendix 4C Q1 FY2017 : April 2017
- Annual General Meeting : June 2017