



**PACIFIC EDGE**  
Cancer Diagnostic Company

FY19 INTERIM RESULT AND CAPITAL RAISE  
PRESENTATION

29 November 2018

# **CXBLADDER BETTER SOLUTIONS BETTER CARE**

Our goals are to enable better patient care, better clinical decision making and better use of healthcare resources by providing faster, more accurate and less invasive diagnosis and management of bladder cancer



# HAEMATURIA AND BLADDER CANCER

The US opportunity dominates our commercial focus

Approx. 7 million people present with haematuria annually in the USA

70% recurrence rate leads to many clinical procedures

16 years of R&D and validation

79,000+ new bladder cancer cases in USA every year

Highest medical cost of any cancer; up to US\$240k per patient lifetime

Primary focus is the USA; the world's largest healthcare market

9<sup>th</sup> most common cancer in the world; 4<sup>th</sup> most common in men

Pacific Edge; Suite of four Cxbladder tests

Commercial partnerships in USA, NZ, Australia and Singapore

Pacific Edge's addressable market in the USA alone has been calculated to be worth up to US\$1.2 billion per annum.

Validated by EY-Parthenon review\*

\*EY Parthenon, a leading international consulting firm, has endorsed Pacific Edge's USA market strategy and confirmed the addressable market for Cxbladder in the USA to be more than US\$1.2 billion per annum

# CXBLADDER

Validated by world leading physicians

The first new diagnostic tests for bladder cancer to be made commercially available in the US market in 16 years, disrupting clinical pathways and standards of care.

Four high performance Cxbladder products in use by clinicians and now being integrated into standards of care and guidelines.

- Non-invasive
- Simple to use
- Ability to transport samples across international borders
- Fast laboratory turnaround
- Increase in clinical resolution
- Can reduce healthcare spend

Ongoing clinical validation continues to demonstrate the outperformance of Cxbladder compared to other commonly used diagnostics. Third party clinical outcomes now being published support the transition into commercial reality.





# CAPITAL RAISING

- Pacific Edge intends to undertake a placement of new shares at \$0.35 to raise up to \$7m
- The placement bookbuild will occur on the 29<sup>th</sup> of November with participants including a range of institutional investors
- Following completion of the placement, a Share Purchase Plan (SPP) of up to \$5m will allow each New Zealand resident shareholder to subscribe for additional shares at a price not more than the placement price
- The full terms and conditions of the SPP will be contained in an offer document which will be distributed to all eligible shareholders after the proposed record date

Placement Timetable	
Pacific Edge in trading halt	29 November
Placement undertaken	29 November
Pacific Edge expected to resume trading	30 November
Allotment and Settlement of placement shares	5 December

Share Purchase Plan Timetable	
Record Date of SPP	7 December
Opening Date for SPP	10 December
Closing Date for SPP	25 January 2019
Allotment and Settlement of SPP shares	31 January 2019

All dates and times are indicative only and subject to change

# 1H19 HIGHLIGHTS AND MILESTONES

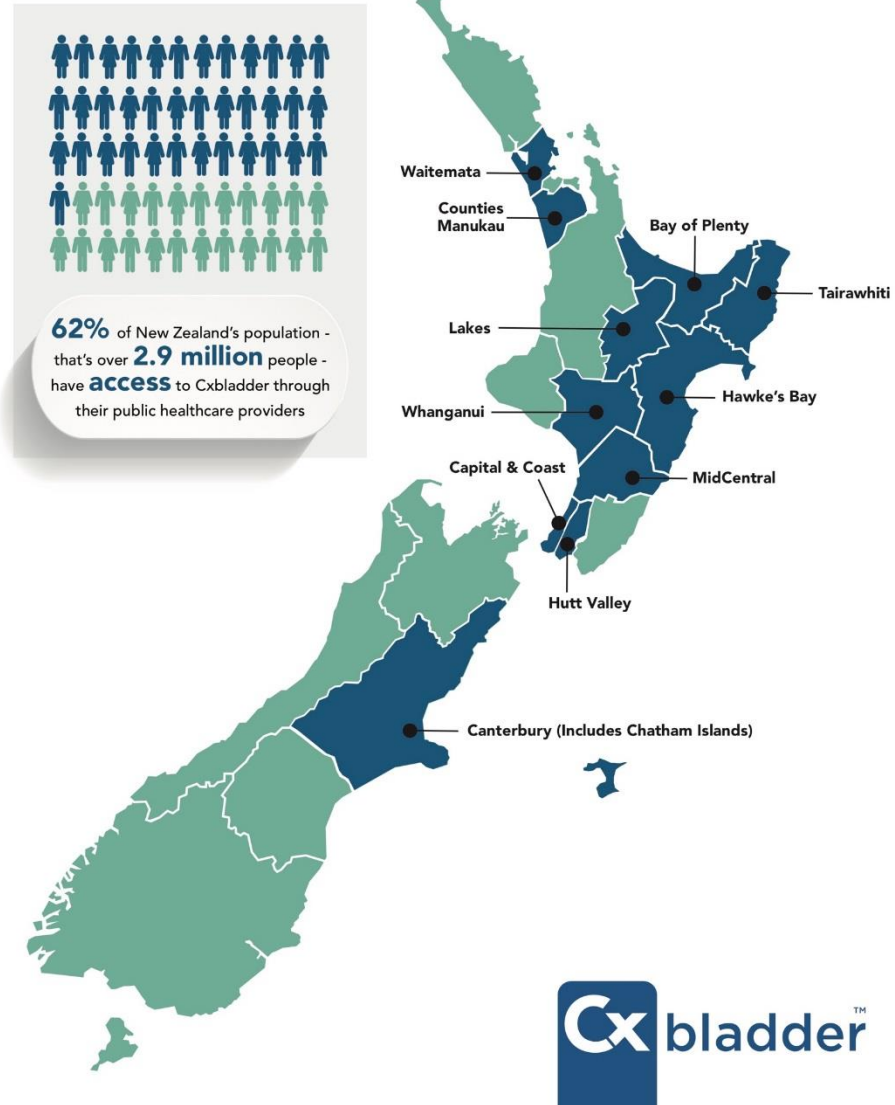
- **INCREASED TEST SALES** Up 43% on prior comparative first half year period (pcp).
- **INCREASE IN BILLABLE TESTS** Up 12%, relative to a strong pcp. Currently account for 82% of total laboratory throughput and continues to increase.
- **IMPROVEMENT IN NET OPERATING CASH OUTFLOW AND NET LOSS** Net operating cash outflow reduced to (\$8.6m) for the period, a 15% reduction on pcp. Net loss reduced by 13% on pcp
- **INCREASING VALIDATION FOR CXBLADDER** 62% coverage by national healthcare providers in New Zealand, up from 36% this time last year.
- **US REIMBURSEMENT MILESTONES** Completion of two of the three components for national reimbursement in the USA. Cxbladder Detect and Monitor have been granted product specific codes (CPT codes) and Cxbladder has been issued with its national price of US\$760 per test. The third and remaining component is the inclusion into the Local Coverage Determination (LCD) that will enable reimbursement of tests for patients covered by the Centers for Medicare and Medicaid Services (CMS)
- **INCREASED FOCUS ON LARGE HEALTHCARE ORGANISATIONS** Resulting in commercial evaluation with Johns Hopkins Medicine, an US\$8 billion integrated global health enterprise and one of the leading health care systems in the USA
- **GROWING PRESENCE IN SOUTHEAST ASIA** Commercial engagement with Raffles Medical Group and User Programmes with the five largest hospitals in Singapore is driving strong engagement with other potential strategic partners across South East Asia.

New Zealand's public healthcare providers are leading the global adoption of Cxbladder

62% (1H19) coverage up from 36% (1H18)

## Contract Coverage of New Zealand's Population Using Cxbladder

November 2018



# 1H19 RESULTS SNAPSHOT

## HIGHLIGHTS:

- 43% increase in test sales
- 6% decrease in operating expenses
- Operating cash outflow reduced 15%
- Reported net loss of \$8.7m
- November 2018 placement and SPP will assist the company to progress its commercial objectives and become cash flow positive as soon as possible

(NZ\$'000)	1H19 (unaudited)	1H18 (unaudited)	1H18: 1H19 (% change)
<b>Operating Revenue<sup>1</sup> (test sales)</b>	2,033	1,425	43%
<b>Other Revenue</b>	606	627	(3%)
<b>Total Revenue</b>	2,639	2,052	29%
<b>Operating Expenses</b>	11,358	12,091	(6%)
<b>Net Loss</b>	8,719	10,039	(13%)
<b>Net operating cash outflow</b>	(8,612)	(10,185)	(15%)
<b>Cash on hand as at 30 Sept 2018</b> (cash, cash equivalents and short term deposits)	10,060	3,997	152%

<sup>1</sup> Revenue excludes tests sold in the US for which cash payment has yet to be received, as well as tests completed for patients covered by the CMS. CMS tests account for approximately 47% of annual US laboratory throughput and Pacific Edge will seek reimbursement for these when it is included in the CMS's Local Coverage Determination (LCD).

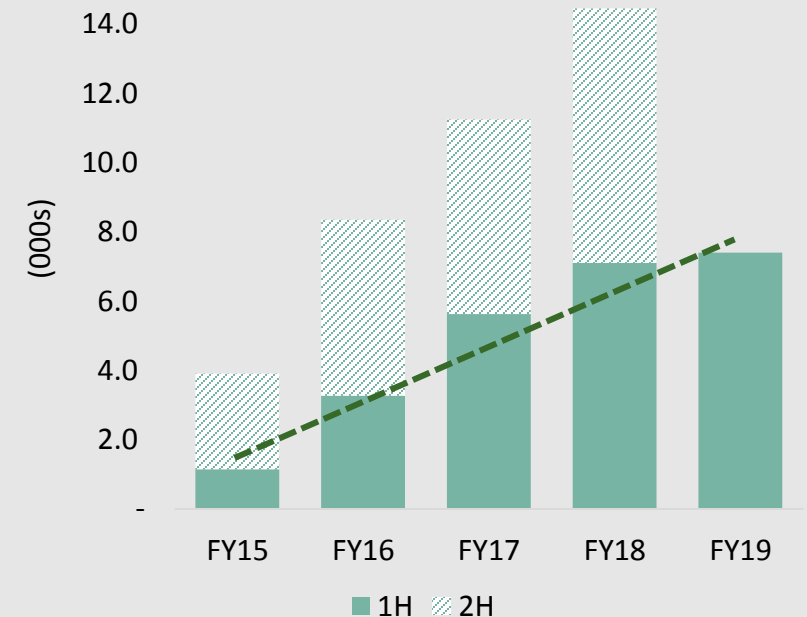


# KEY METRICS: LABORATORY THROUGHPUT

- 12% increase in billable test volumes, consolidating and growing on the strong numbers in 1H18
- Billable tests account for 82% of total volume (1H18 76%)
- CMS tests account for approximately 47% of annual US laboratory throughput and cumulatively totalled in excess of 14,000 tests at 30 September 2018
- Implied average price of NZ\$923 per test in 1H19, up 19% from the pcp average of NZ\$778 per test
- Total laboratory throughput expected to be stronger in the second half of FY19

LABORATORY THROUGHPUT  
(Commercial tests and User Programmes)

82% of 1H19 tests are billable



# KEY METRICS: OPERATING CASHFLOW

- Net operating cash outflow reduced to (\$8.6m), a 15% decrease on 1H18: (\$10.2m)
- Monthly cash outflow for 1H19 reduced to average \$1.4m (1H18: \$1.7m). The first half of the financial year traditionally has higher cash outflows due to annual costs being incurred in the first half (e.g. insurance payments)
- Cash receipts from customers reflect the long reimbursement processes, particularly in the US, with a large portion being for tests sold in prior years
- Payment terms currently average 7 to 12 months lag between completion of test and payment by relevant US payer (insurer). Improvement expected now that national product codes and a national CMS reimbursement price have been received
- The growth in billable test volumes in 2H18 and 1H19 will therefore progressively convert to cash in 2H19 and beyond

Operating cash outflow reduced 16%

(NZ\$'000)	1H19 (unaudited)	1H18 (unaudited)	1H18: 1H19 (% change)
<b>Receipts from customers</b>	2,026	1,655	22%
<b>Receipts from grants</b>	663	225	194%
<b>Interest</b>	250	82	205%
<b>Payments</b>	(11,610)	(12,101)	(4%)
<b>Net GST change</b>	(59)	46	(228%)
<b>Net operating cash outflow</b>	(8,612)	(10,185)	(15%)

# FOCUS FOR 2H19

- Commercial growth in USA remains a focus for the Board and Management
- Focus on growing the number of large institutional healthcare accounts including Kaiser Permanente and the remaining public healthcare providers in NZ
- Attain inclusion in LCD for CMS patients, which make up approximately 47% of current annual US laboratory throughput. This will ensure cash uplift and timely reimbursement from CMS
- Continuing uplift in commercial sales expected from existing and new customers
- Build on initial sales from targeted VA centres and expand number of centres being targeted
- Replicate successful NZ sales and marketing model in Australia to drive sales
- Transition customers completing User Programmes in Singapore into commercial customers
- Open discussions with potential strategic partners in South East Asia
- Continue to build on the library of papers in peer reviewed clinical journals, that demonstrate the clinical utility and validity of our products

# COMPARATIVE COMMERCIAL LABORATORY TEST THROUGHPUT

## Half Year comparison FY17-FY19

(Number of Tests)	1H17	2H17	FY17	1H18	2H18	FY18	1H19	2H19e	FY19e
Total Laboratory Throughput <sup>1</sup>	5,622	5,624	11,246	7,119	7,329	14,448	7,397	9,103	16,500 <sup>1</sup>
Billable Tests	4,112	4,185	8,297	5,439	6,427	11,866	6,078	7,464	13,542
% of total	73%	75%	74%	76%	88%	82%	82%	82%	82%
Non-billable Tests	1,510	1,439	2,949	1,680	902	2,582	1,319	1,639	2,958
% of total	27%	25%	26%	24%	12%	18%	18%	18%	18%

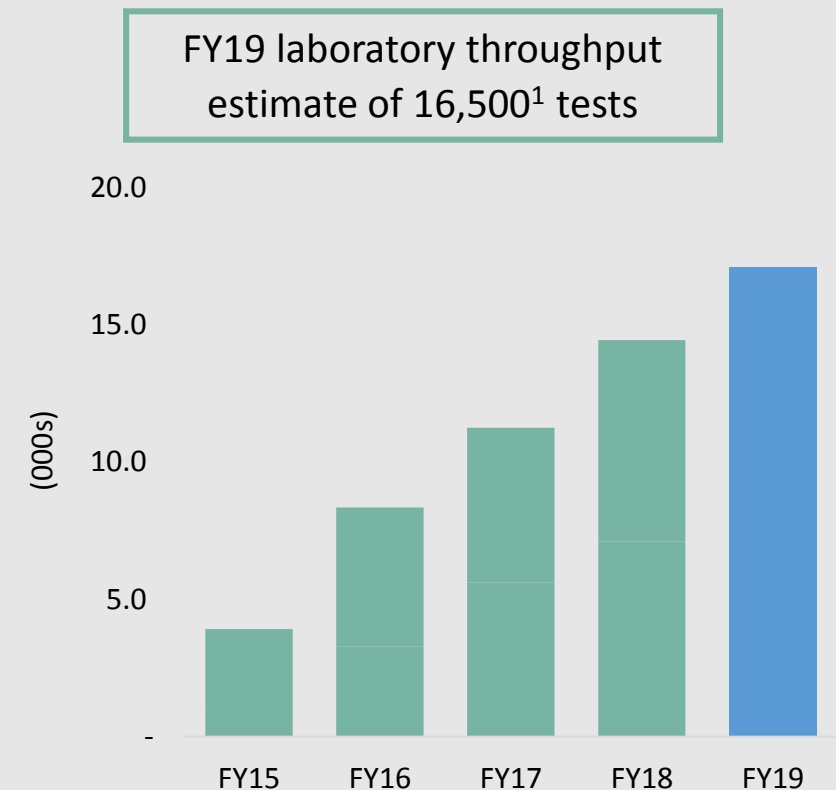
<sup>1</sup> The laboratory throughput in FY19 is expected to fall within a range of 16,000 and 17,000 tests with a mid point of 16,500 tests. This is exclusive of any test volumes from any new commercial agreements which have yet to be signed and any benefit yet to be achieved from step changes in new customers (Kaiser Permanente and CMS LCD inclusion).

# OUTLOOK

- **COMMERCIAL PERFORMANCE:** Stronger second half expected in line with annual trends, with uplift in year on year revenue
- **CASHFLOW:** Continued improvement in operating cashflow expected going forward, and improvement in timing of receipt of cash
- **LABORATORY THROUGHPUT:** FY19 laboratory throughput expected to increase to 16,500<sup>1</sup> tests (FY18: 14,448 tests). Approx. 82% are expected to be billable – equal to 23% increase in 2H19 versus 1H19 and an 14% increase year on year.
- **FUNDING FOR GROWTH:** Cash balance materially improved once announced placement and SPP completed

<sup>1</sup> The laboratory throughput in FY19 is expected to fall within a range of 16,000 and 17,000 tests. This is exclusive of any test volumes from any new commercial agreements which have yet to be signed and any benefit yet to be achieved from step changes in new customers (Kaiser Permanente and CMS LCD inclusion).

LABORATORY THROUGHPUT  
(Commercial tests and User Programmes)







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