

Pro Medicus Limited – Interim results

Tuesday 24th February 2009

- First-half net profit \$2.4 million – a decrease of 33.9%
- Revenue \$5.2 million – a decrease of 28.3%
- Interim dividend 1.5 cents fully franked
- Cash reserves \$11.5 million, company remains debt-free
- Purchase of Visage Imaging for A\$4.5M in January 2009 gives company global footprint

Australia's leading medical IT and e-health provider Pro Medicus Limited today announced a 33.9% fall in interim net profit, to \$2.4 million for the six months to the end of December 2008. Revenue for the period was \$5.2 million, 28.3% lower than for the same period last year.

In view of the current environment and the acquisition steps taken, the company has declared an interim dividend of 1.5c per share fully franked. Pro Medicus continued its 26-year history of a strong balance sheet with cash reserves maintained at \$11.5 million at the end of December.

David Chambers, Pro Medicus Chief Executive Officer, said that while the result was disappointing it was largely due to one-off items.

He said: "As we stated in our market update a few weeks ago we were impacted in the first half by a client-led delay in the implementation timetable of a major project which we believed would be completed by December 2008. We also foreshadowed that we were unlikely to see a repeat of the significant growth levels in digital imaging we had in Australia in the June 2008 year. We were further impacted by a shift to a new direct selling model in the USA from our previous heavy reliance on Agfa."

Regular payments from Agfa stopped in September 2008. These represented more than A\$2 million a year in revenue for Pro Medicus. "Our team is in place in the USA now and it is already sourcing new clients. We have stated it will take 12 to 18 months to build momentum in the USA under our new business model."

Mr Chambers said he expected to book the full revenue from the delayed project in the second half of the financial year. "Whilst this is a good start to the second half, it is difficult to forecast what will happen given the current economic environment. The healthcare industry is shielded to a degree from the economic ups and downs, so we feel we will be able to weather the environment better than most."

Pro Medicus' e-health offering, promedicus.net, remains the delivery system of choice for diagnostic imaging results in Australia, now used by over 27,000 doctors throughout the country.

In late January 2009, Pro Medicus announced the \$4.5 million purchase of Visage Imaging, a leader in advanced 3D visualization technology based in Carlsbad, California. The company, formerly a subsidiary of Mercury Computer Systems, Inc, has a strong position in the USA and Europe with some 1,200 clients using its health-related visualization technology.

Mr Chambers said: “We believe 3D visualization technology represents the future of medical imaging, so Visage Imaging has high strategic significance for us. We expect significant upside from the new advanced visualisation (3D) products which Pro Medicus now owns following the acquisition. These new products will take some time to ramp up but the response even at this early stage has been extremely positive.

“The timing of the acquisition was opportune for us. The challenging economic conditions of the last 12 months has seen a significant decline in asset values to the extent that the replacement cost of the technology is now often a multiple of the sale price. We paid for Visage Imaging out of our cash reserves. The operational costs incurred (acquisition and integration costs) will also be funded from our cash reserves. Earnings from the acquisition are expected to be accretive from the 2010 financial year.”

The purchase of Visage Imaging allows Pro Medicus to expand its product portfolio with a PACS product complementary to its existing RIS, and gives the company a leadership position in advanced visualisation systems. Advanced visualisation allows 3D and 4D post-processing of CT and MR images, which more and more radiologists are demanding.

“We believe we are the only company around that can go all the way from scheduling through PACS to 3D visualization, which makes us a truly global player,” said Mr Chambers. “Visage gives us an excellent footprint and a platform for growth in the large North American and European markets and with cross-selling opportunities into Australia. We are confident we can drive sales growth.”

Mr Chambers said integration of Visage Imaging will take time and Pro Medicus has already taken steps to address the profitability of the company by reducing Visage Imaging’s employee numbers from 68 to 48 at the time of purchase. “As we have previously said, we expect Visage to be earnings accretive from the 2010 financial year, its first full year after acquisition. Longer term, we expect Visage Imaging’s 3D advanced visualisation, PACS, OEM and Amira product lines to provide a considerable earnings boost.”

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About Pro Medicus Limited

Pro Medicus Limited [ASX: PME] is Australia's leading medical IT and e-health provider. Founded in 1983, the company provides a full range of integrated software products and services to individual, corporate and public health providers. More than 26,000 doctors are now connected to the company's e-health service, promedicus.net, with the number of transactions across the network between general practitioners and specialists growing accordingly. A key growth area for the company is the adoption of its digital technology by radiology providers as they move away from analogue systems. An increasing number of Australian practices are taking up Pro Medicus' digital technology and the company is now also making substantial inroads into the North American market. In late 2004, the company signed a watershed three-year \$10 million deal with Agfa North America to exclusively license the Pro Medicus Practice Management and digital radiology software products for the large and rapidly growing private imaging centre market in the US and Canada. It subsequently announced a \$2.6 million contract with a large Canadian radiology group which was completed in 2005. In 2007 and 2008 Pro Medicus achieved the predicted growth in the take up of its digital integration in the Australian private market, steady growth in its e-health offering, as well as recording ongoing growth in its export sales. In late January 2009 the company announced the purchase of Visage Imaging, a leader in advanced 3D visualization technology based in Carlsbad, California.

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