

PKS Holdings

IPO Presentation

April 2019



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Agenda

1. Introduction and Investment Highlights
2. Business Overview
3. Growth Strategy
4. Financial Overview
5. Senior Management Team and Board
6. Indicative Capital Structure and Timetable
7. Selected Key Risks

Introduction and Investment Highlights

Introduction to PKS

Overview

- PKS Holdings Ltd (**PKS**) is a healthcare technology company which provides a proprietary subscription based Clinical Decision Support (**CDS**) system called “**RippleDown**” that automates the human decision-making process in health care organisations
- **RippleDown** has two components that address a number of the key issues faced by healthcare organisations:
 - **RippleDown Auditor:** that enables operational efficiencies through a reduction in data entry errors; and
 - **RippleDown Expert:** that allows faster patient throughput, better patient outcomes and mitigates succession risk.
- RippleDown has been successfully implemented at a range of healthcare organisations globally and has three partnerships with international channel partners
- PKS is raising \$19.5m from the IPO (Offer) and expects to commence trading on or around 6 June 2019 under the ticker “PKS”

Indicative Metrics

Equity raising	\$19.5m
Shares issued under equity raise	97.5m
Issue Price	\$0.20 per share
Market capitalisation at listing (undiluted)	\$22.8m
Pro forma net cash	\$3.1m
EV at listing (undiluted)	\$19.7m
EV / underlying FY18 EBITDA ⁽¹⁾	9.4x

PKS Key Operating Highlights

Underlying EBITDA CAGR (FY16-FY18) ⁽¹⁾	c.100%
Revenue CAGR (FY16-FY18)	c. 13%
EBITDA Margin FY18	c. 54%
Offshore revenue as % of FY18 revenue	c.60%
Number of direct clients and channel partners	18
Number of installed sites	112

Source: PKS Management

Note: 1. Does not include costs of being a listed entity

Key Investment Highlights

PKS represents an opportunity to participate in the large and fast growing global Healthcare IT solutions market

- | | |
|---|---|
| 1 World-class proprietary health technology | <ul style="list-style-type: none">▪ Clinical Decision Support (CDS) software▪ Demonstrated cost savings for institutions▪ Originated in the UNSW School of Computer Science and Engineering▪ Intuitive, easy to use operational platform |
| 2 Highly scalable, subscription-based technology offering | <ul style="list-style-type: none">▪ Minimal sales / support resource required once installed▪ Limited incremental costs required to add new customers |
| 3 Established global channel partnerships | <ul style="list-style-type: none">▪ Blue-chip multinational healthcare organisations which have validated the technology and commenced roll-out of the solution globally |
| 4 Large global market with favorable growth dynamics | <ul style="list-style-type: none">▪ Opportunity to grow the business in the increasingly sophisticated health informatics market▪ Proven success and application in the laboratory and hospital market |
| 5 Strong financial profile | <ul style="list-style-type: none">▪ Annuity style revenue streams with FY18 EBITDA margin of 54% ⁽¹⁾▪ FY16 to FY18 revenue CAGR of approximately 13% with little sales resources▪ Sticky revenues - maintaining all contracted customers since 2011▪ Strong operational leverage delivered in FY18 and expected in the future |
| 6 Experienced management team and industry Board with extensive healthcare and technology experience | <ul style="list-style-type: none">▪ Management has guided significant business growth and positioned PKS for future success▪ New Board consisting of highly experienced healthcare operators and investment professionals |

(1) Excludes costs of being a public company

Business Overview

Pressures on Healthcare Organisations

RippleDown addresses the following major issues within healthcare organisations

Financial Pressures



- Public and private health systems have been facing revenue pressures and declining margins
- Healthcare budgets are under pressure, labour costs are rising and organisations are being asked to do more with less
- **Drives the need for greater efficiencies**

Patient Volumes



- Aging and growing populations, growing geriatric population base
- Australian Medicare services have increased at a rate of over 4% per annum since 2013, from 15.1 services per capita in 2013 to 16.8 in 2018
- Australian GP's average 15 minutes per consultation
- **Increasing the workload of clinical staff**

Patient Outcomes



- Increasing patient awareness regarding early disease diagnosis
- Higher patient expectations
- **Requires innovative and personalised care**

Succession Risk



- Care professionals are moving roles and jobs more frequently
- Difficult for health organisations to rely upon the experience and expertise of any individual care professional
- **Increases organisational risk**

PKS provides the RippleDown Software solution

RippleDown has two components that address the pressures faced by healthcare organisations: Auditor and Expert

Ripple Down Auditor

- RippleDown Auditor is a knowledge based system that allows multiple departments (including data entry, billing and specimen reception) to audit data entered into healthcare information systems in real-time
- Errors in submitting data is a common occurrence in health organisations:
 - impacts patient diagnosis and treatment
 - costs significant money in lost revenue, leads to incorrect tests being ordered and customer dissatisfaction

Addresses
Financial Pressures

Assists in
processing volumes

Ripple Down Expert

- RippleDown Expert is an advanced clinical decision support system
- Automatically applies a clinician's expertise to each case and ensures the best possible interpretations of results are automatically delivered to referring clinicians
- Allows healthcare organisations to replicate a domain expert's unique decision making process at scale, enabling a higher volume of decisions to be made at a rapid pace, with accuracy
- Retains a knowledge base, protecting organisation from knowledge loss as experts change jobs

Assists in
processing volumes

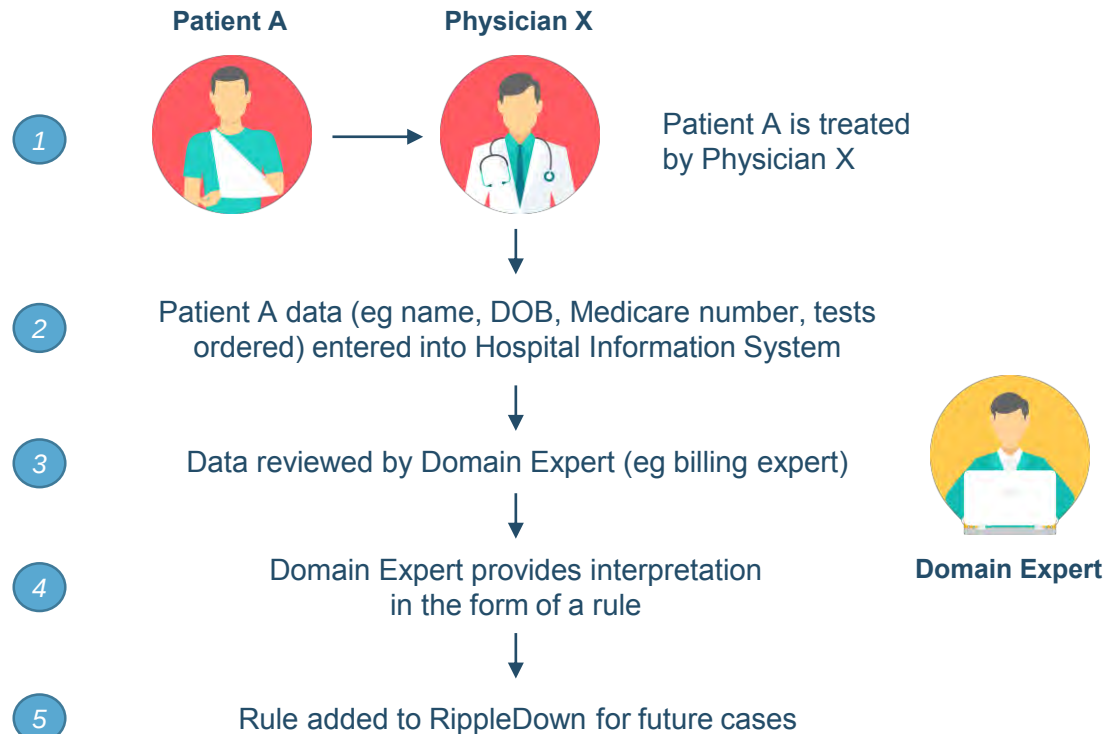
Provides better
patient outcomes

Mitigates
succession risk

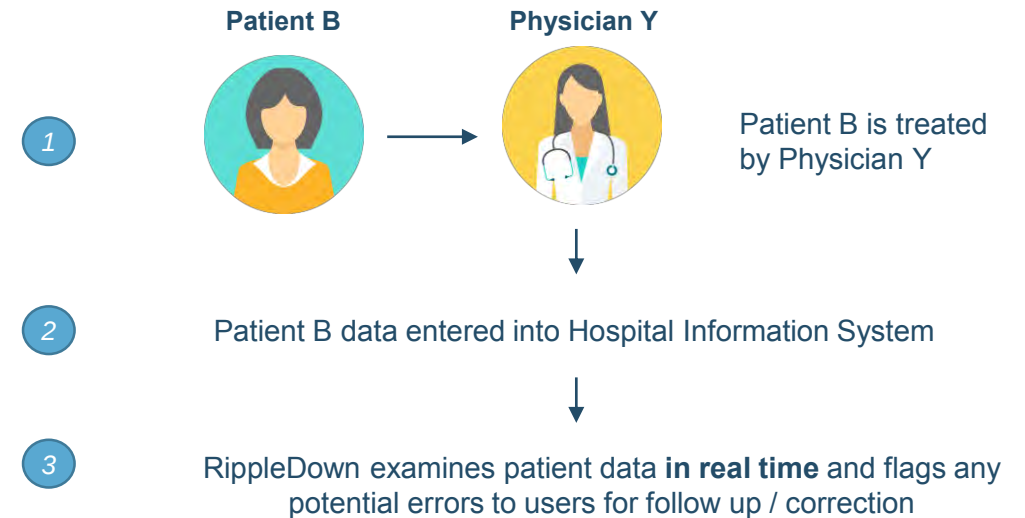
RippleDown Auditor – How it works

RippleDown Auditor verifies information in real time

Stage 1 – Implementation to maturity



Stage 2 – After maturity



RippleDown Auditor – How it works

RippleDown Auditor flags potential errors and allows errors to be corrected before they cost the organisation money

Example of RippleDown Auditor

88323461

	Range	2	16 Feb 14 07:40	27 Mar 18 09:00	17 May 18 09:30
CaseName			88323461	88323461	88323461
Episode_Date_Time		08:...	2014-02-16 07:...	2018-03-27 09:...	2018-05-17 09:30
LabNum		0	3742752038	3755533846	3768315654
ReqNum		4	2362636442	2370717250	2378798058
PatientDemographics					
Title			MRS	MRS	MRS
DOB			31/07/1960	31/07/1960	31/07/1960
AgeinYears			53	57	57
AgeinDays			19558	20857	21109
Preg			N	N	N
Sex			F	F	F
Address1		RE...	5 LEMAR STRE...	5 LEMAR STRE...	5 LEMAR STREET
Suburb			CARLTON	CARLTON	CARLTON
Postcode			2424	2424	2424
Medicare_Number		17	12398988917	12398988917	9876543210
Telephone		4	0255566644	0255566644	0255566644
TestRequested		GLU...	FBC, TSH, GLU...	FBC, VITD, TSH...	FBC, VITD, TROPI, CK, CKMB, TSH, LIPIDS,HDL,CRP
OverorderedVITD				True	

Preview

Demographics
Medicare number 9876543210 on current episode does not match the previous Medicare number for this patient. Please review.

Collections
Over ordered Vitamin D from monitored site.
Last Vitamin D performed 27/Mar/18
Alert collections supervisor.

Incorrect Medicare number – Medicare would not pay

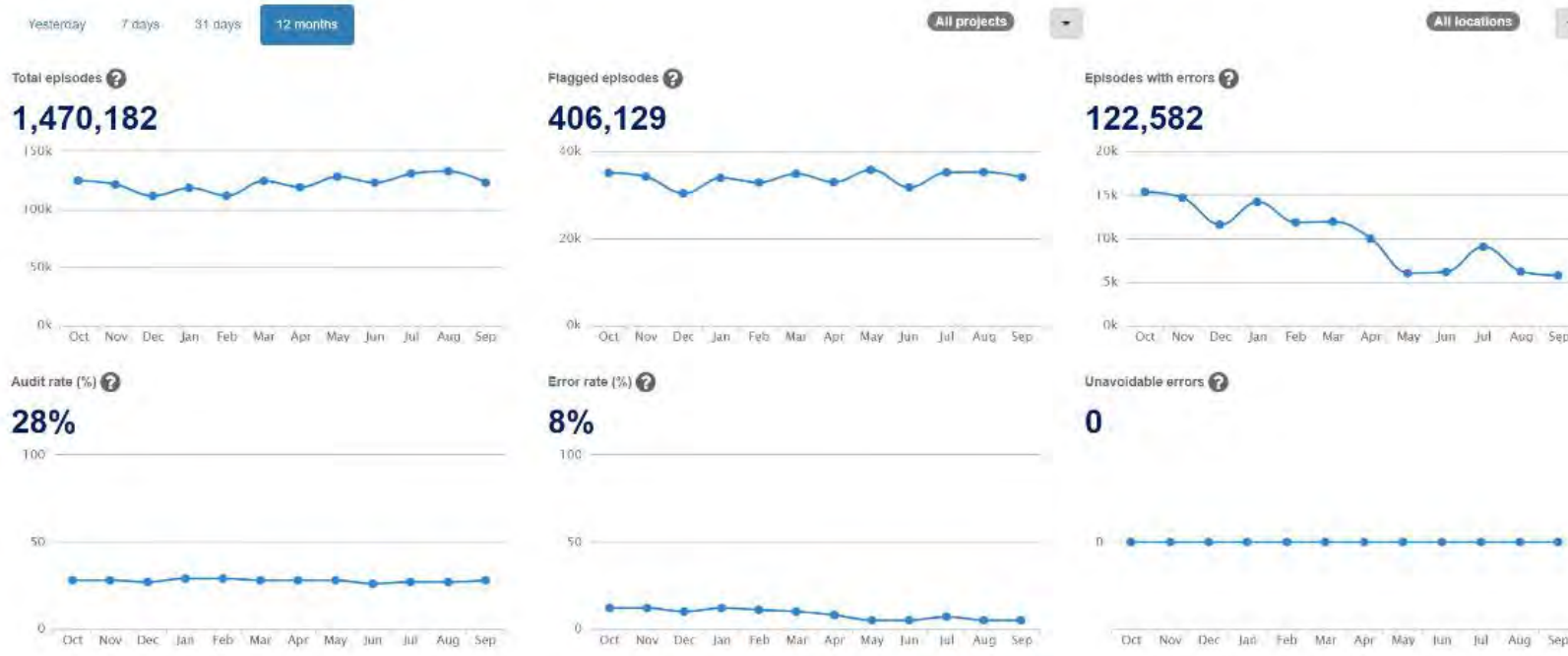
Incorrect test ordered – Vitamin D test not required again

Auditor enables these errors to be corrected before the error costs money

RippleDown Auditor – How it works

RippleDown Auditor enables errors to be corrected in real time

Example of RippleDown Auditor dashboard



Impact of RippleDown

- Nearly 1.5m episodes processed by this organisation in the last 12 months
- ~400k were flagged for review (eg change in patient address, incorrect tests ordered, insufficient digits on Medicare number etc)
- over 120k episodes were identified as having errors and could be corrected (around 330 / day)
- If not identified, these errors could have resulted in:
 - incorrect tests being ordered;
 - difficulty in collecting revenue;
 - patient expectations not being met

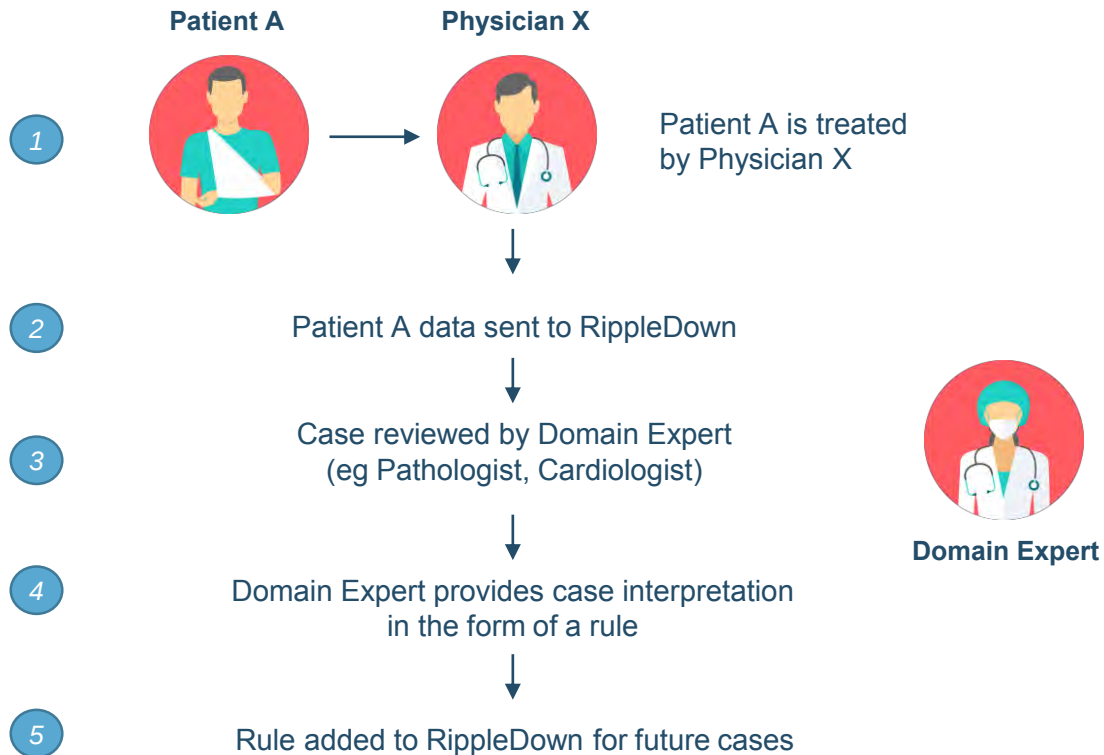
Errors in the health care sector are a serious issue - three major Australian listed healthcare operators had combined allowances for bad debts of over \$200m in FY18 ⁽¹⁾

(1) Source: Annual reports, errors can result in bad debts should there be disputes with Medicare, insurance companies or patients

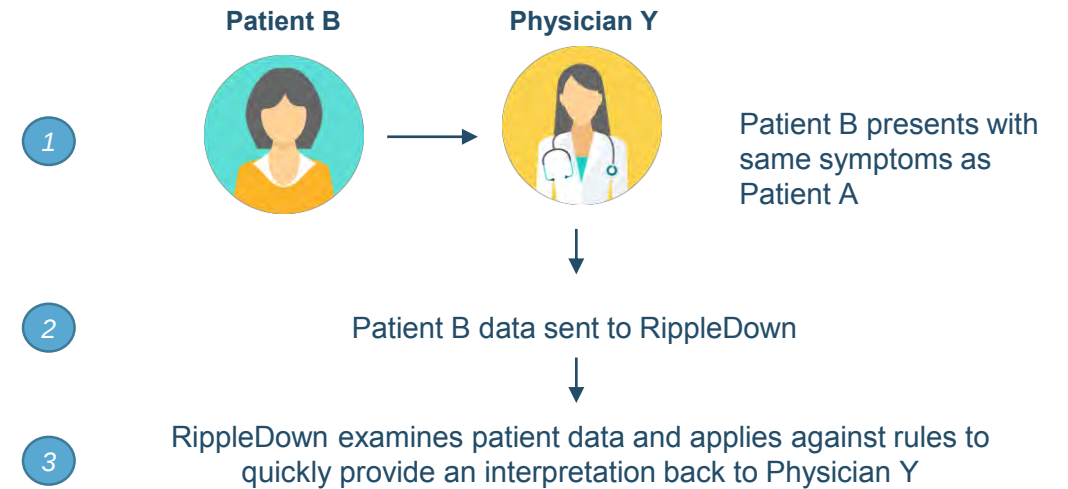
RippleDown Expert – How it works

The RippleDown product evolves over time as rules are incorporated

Stage 1 – Implementation to maturity



Stage 2 – After maturity



RippleDown Expert – How it works

The provision of interpretations based on a rich history of patient cases is the key differentiator that makes RippleDown different from other CDS

Example of RippleDown Expert

Example5 - Cholesterol Trend Comment MRN: 159107 Given: DZTSCA Sex: M Yrs: 76 DOB: 09 Dec 36

	Range	2	02 Jul 12 11:15	15 Oct 12 08:10	14 Feb 13 09:20
LabNumber		104	10760787	10763355	10763355
Cholesterol	< 5.5		6.4*	6.9*	7.1*
Triglyceride	< 1.5		1.7*	1.3	1.4
HDL	> 1.0		1.4	0.8*	0.7*
LDL	< 3.5		4.2*	5.5*	5.8*
FastingGlucose				4.8	
HbA1c					
TSH	0.40-...			1.35	0.20*
CollectedDate			02 Jul 12	15 Oct 12	14 Feb 13
Notes			N T... ABNORMAL LF...	ON THYROXIN...	IHD/ON STATIN/ HYPERTHYROID
Ordered			T, L... LFT, UE	GLUC, LIPP, TF...	FBC, LFT, UE, LIPP, CK, TFT, IS, VITD
Secondary Tests					
Doctor Details					
User Defined Fields					
Chol_Increasing					true
Lipid_Tx_High_C...					true
SPECIALISTS			false	false	false
HX_IHD			false	false	true

Examines patient history

Applies rules developed by the organisation

Preview

History of ischaemic heart disease. On statin therapy. HDL remains low. LDL cholesterol remains ABOVE the 2012 Heart Foundation target (< 1.8 mmol/L) for secondary prevention in patients with established ischaemic heart disease. NHF guidelines indicate this patient has increased absolute risk for CVD (>15% risk of CVD within 5 yrs). For info see www.cvdcheck.org.au.

Please note that the last three Cholesterol results have continued to rise despite the patient receiving lipid medication. Suggest confirming compliance of use of medication with the patient.

MEDICARE GUIDELINES
FROM 1ST NOVEMBER 2014, HbA1c is eligible for Medicare rebates when used in the DIAGNOSIS OF DIABETES. A maximum of 1

Provides a detailed interpretation of current case incorporating all this information

Significant value-add

Typical report

LDL = 5.8mmol/L

or

LDL is above target for high risk individuals (<2.0mmol/L)

RippleDown example report

History of ischaemic heart disease. On statin therapy. HDL remains low. LDL cholesterol remains above the 2012 Heart Foundation target for secondary prevention in patients with established ischaemic heart disease....

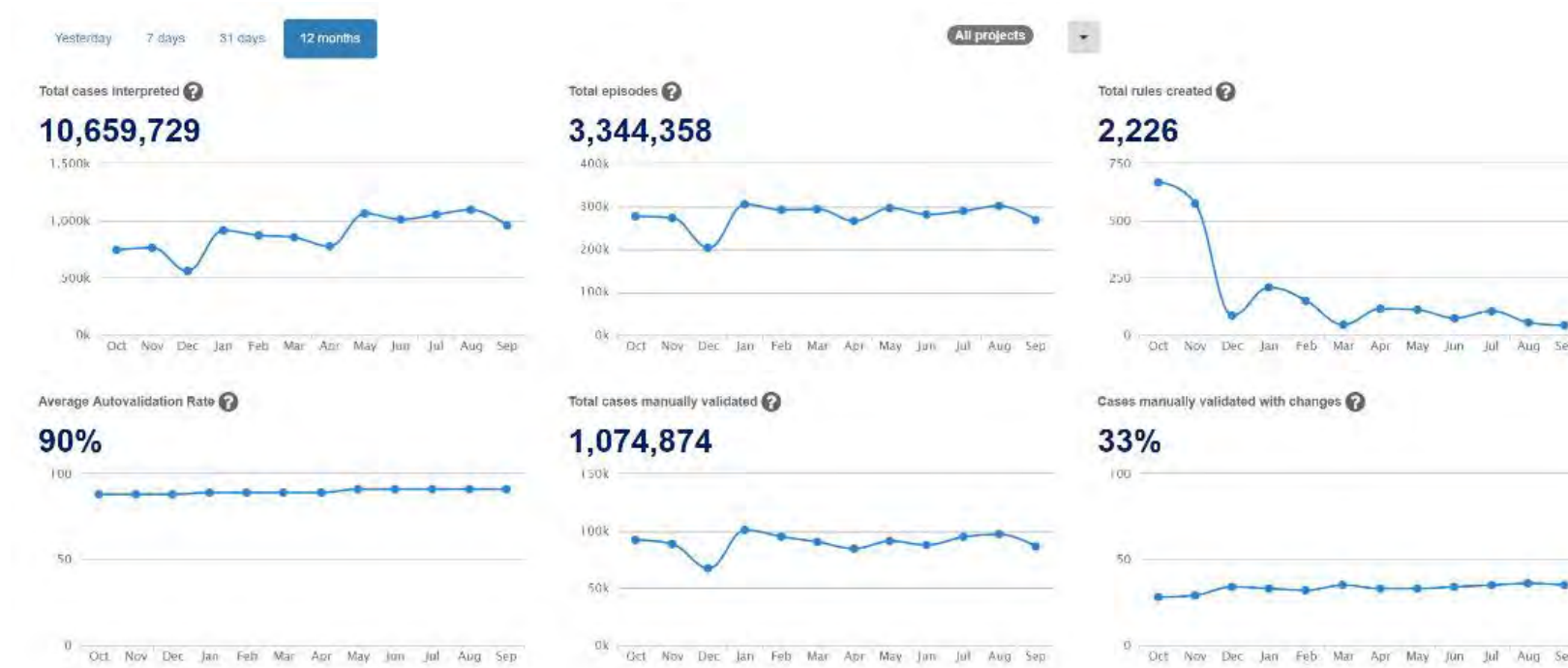
Recommendations: Please note that the last three Cholesterol results have continued to rise despite the patient receiving lipid medication. Suggest confirming compliance of use of medication with patient.



RippleDown Expert – How it works

RippleDown improves the clinical experience through auto validation, use of multiple patient data sources and the capture of a rich history of cases

Example of a RippleDown Expert dashboard



Impact of RippleDown

- Over 10.6 million interpretations processed by this organisation in the previous 12 months
- ~90% of these were interpreted automatically with no human interaction
- The average time for an approved report to be returned to a physician was 80 seconds
- Over 2,200 new rules were created by domain experts, not IT staff. Conventional CDS would require significant work from IT Departments to build and test this number of rules

Expert is providing healthcare organisations with fast, accurate, interpretations

RippleDown – Competitive Position

RippleDown has a number of key advantages against competitors that enables it to continue to win new business

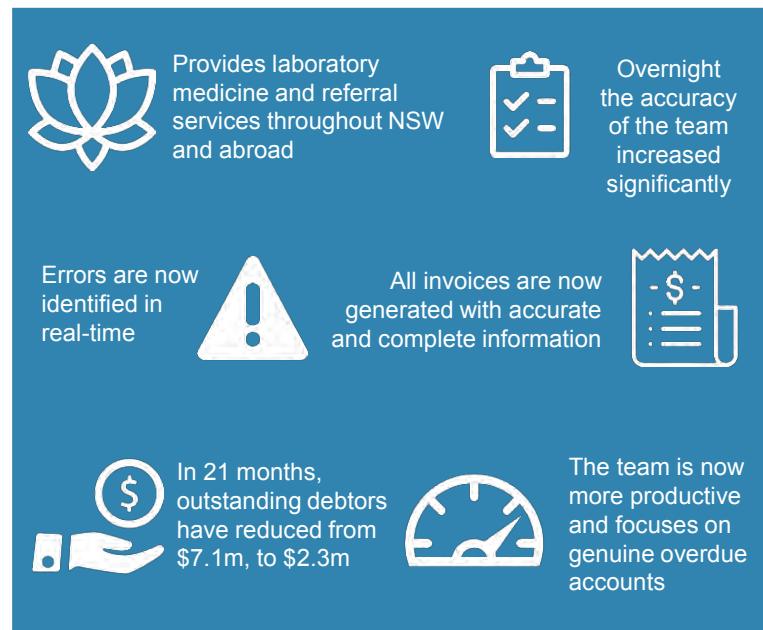
	RippleDown	Typical Competitors
Who builds the rules?	The client's experts (e.g. Pathologists, Cardiologist) without any IT involvement	A team of IT professionals
How long is the training?	3 days to confidently use the natural language syntax	Requires rule builders to learn a proprietary programming language
How many rules can be written?	Infinite	Practical limits exist
Who tests the rules?	RippleDown will manage any conflicts with existing rules in real-time as new rules are built	Manual regression testing where effort exponentially increases with the number of rules
How are rules built?	Knowledge Bases makes clinical decisions based on real patient data, built up over time	Built on theoretical data

RippleDown – Customer Case Studies

RippleDown provides significant benefits for healthcare organisations

Australian Public Health Organisation

This pathology organisation, delivers laboratory medicine services to all public hospitals across a large area of NSW



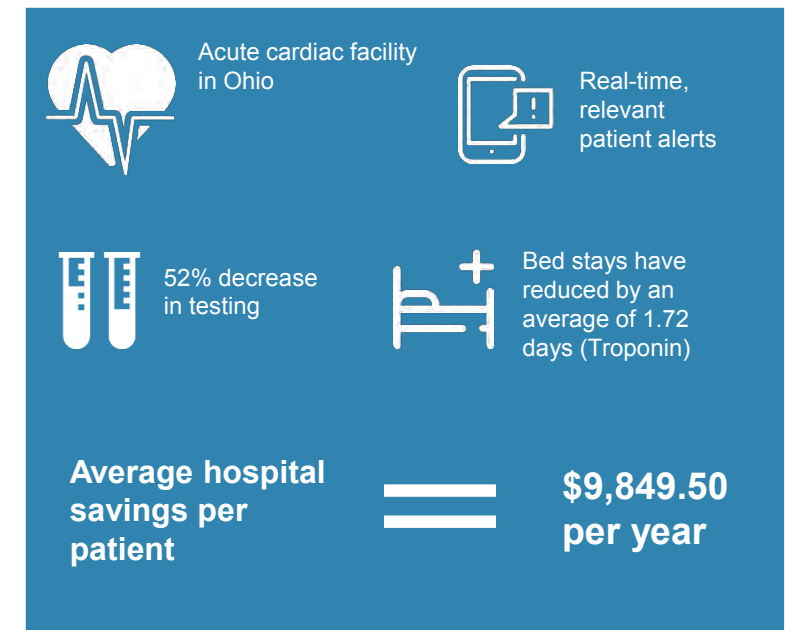
African Laboratory Business

This business is one of the leading pathology laboratories operating throughout Africa



US Hospital

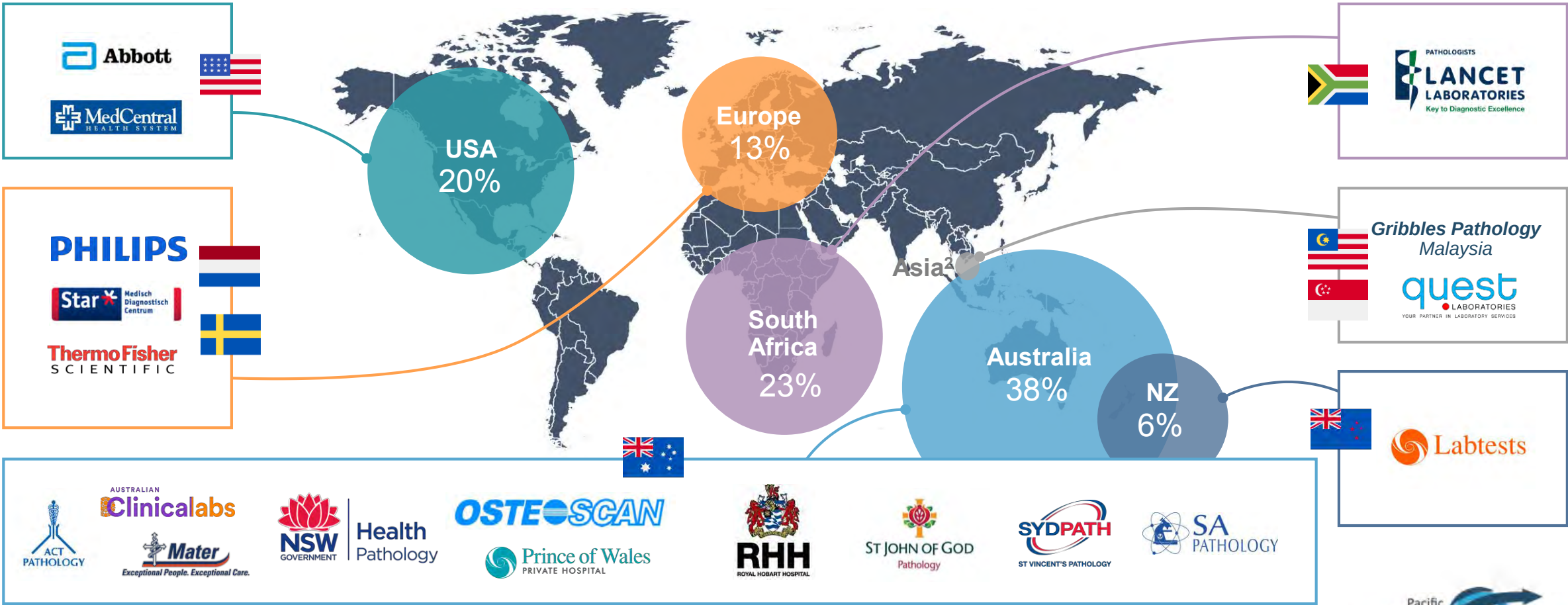
This hospital is an acute cardiac facility and one of the largest medical providers in Ohio



Customers: Global Business

PKS has already gained a global footprint with significant opportunity to grow through partnerships and direct sales in target geographies

FY18¹ Customer Revenue, by Region

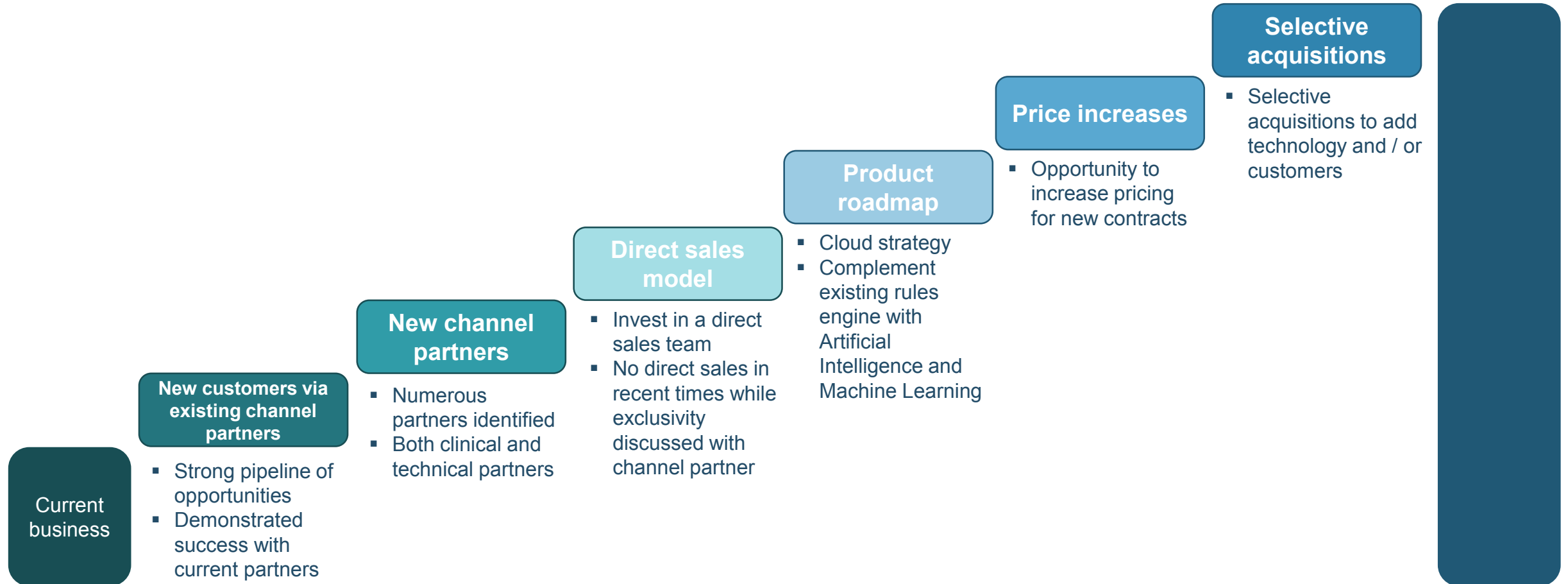


¹ PKS has a fiscal year end of June 30;
² Based on FY18 revenues and location of customer / channel partner head offices. Asia represents less than 1% of FY18 total revenue

Growth Strategy

Key Growth Strategies

PKS has a range of growth strategies



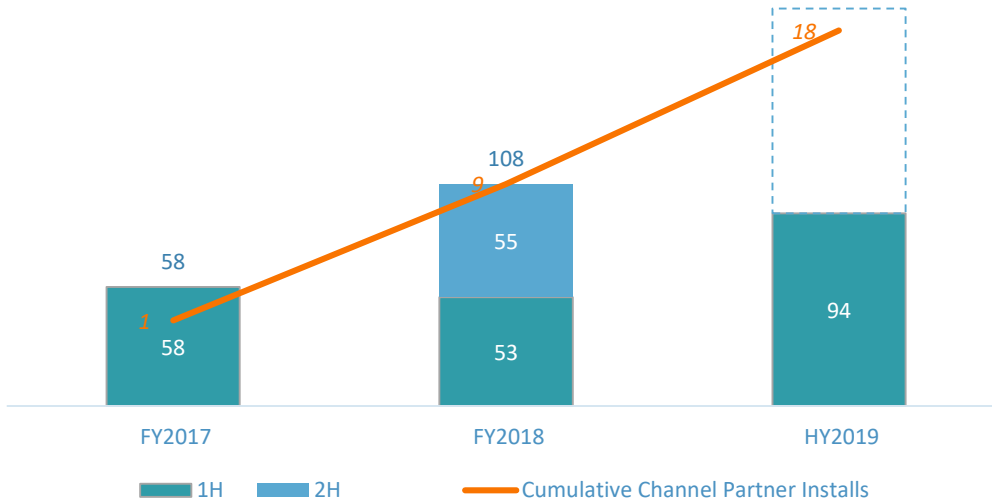
Growth through channel partners

Channel partners are an important route to market, providing a range of advantages

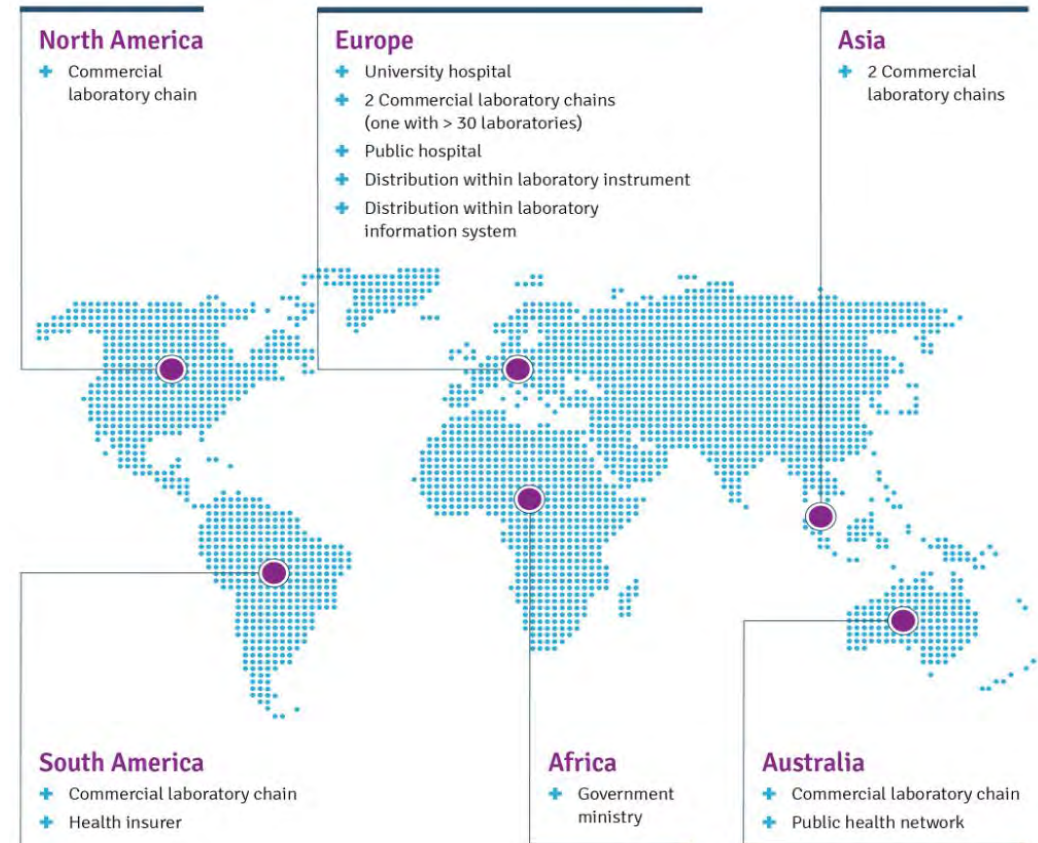
Channel partner summary

- PKS has 3 channel partners
 - Abbott Laboratories
 - Philips
 - Thermo Fisher

Strong growth trajectory



Strong pipeline of projects



Growth through direct sales

Direct sales will be an increasing focus going forward

Direct Sales – Summary

- PKS has had limited direct sales in last two years while an exclusivity arrangement with a partner was in effect
- Direct sales opportunity to further enhance growth:
 - higher sales value per customer than via channel partners
 - highly scalable products means ability to manage hundreds of installations with 2-3 person customer support
- Funds raised will be partly directed towards establishing a new sales team, including in the US

Direct Sales - Installations

Expert and Auditor	Auditor	Expert	Total
8	2	5	15

Direct Sales – Existing customers



Growth Opportunities

PKS has a clear growth path, with plans to grow through existing partners, new partners and direct sales

	Existing Partners	New Partners	Direct Sales
Revenue model	Example: ~A\$22,000 in first year, approximately one third being an up-front fee ⁽¹⁾ + training and consulting (~A\$600k in FY18)	Pricing to be determined	Average ~A\$160,000 revenue per annum per customer in FY18
Cost to serve	Low	Low	Low
Size of opportunity	~250 leads and opportunities identified to date by existing partners which represents a A\$3.7m ⁽¹⁾ ⁽²⁾ licence fee opportunity	A number of potential new Clinical (healthcare suppliers) and Technical (health technology vendors) partners have been identified	Aust: >300 labs US: >30,000 labs 100x more labs in US v Australia
Near term focus	Conversion of leads and opportunities including piloting a large laboratory client in Europe with > 30 labs	Large, global laboratory instrument business	Targeting large, US based laboratory networks

¹ Based on an exchange rate of approximately A\$1 = US\$0.72

² Based on two thirds of the assumed A\$22,000 set out above multiplied by 250 leads and opportunities. Please note that this is not an indication of future revenue or a forecast of any such revenue.

PKS has historically not invested for growth

Since 2016, PKS has focused on regulatory approvals and a single channel partner

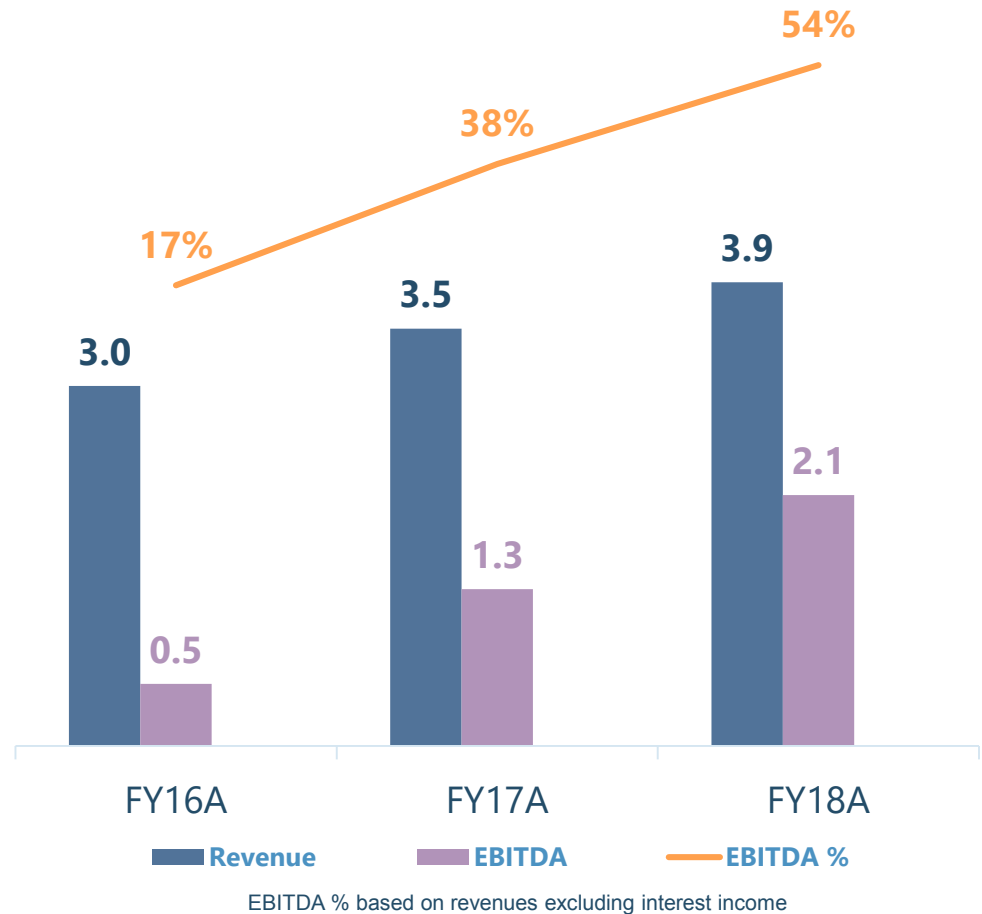


Financial Overview

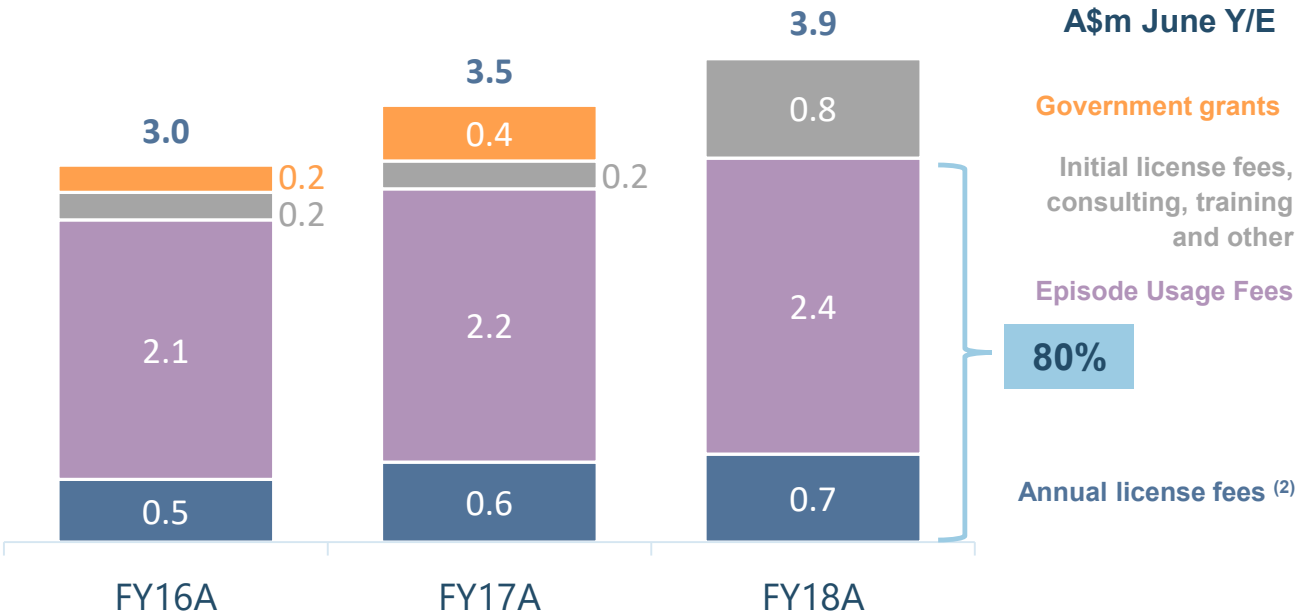
PKS is a high margin business with a high % of recurring revenues

Revenues and EBITDA margin has grown over the last three years

High margin business



80% of revenue from recurring license fees ⁽¹⁾



¹ Some figures in this diagram are rounded

² Annual licence fees from direct sales (excluding unearned income component)

Financial performance

Recurring revenue growth is inherent in business model as customer knowledge bases increase in size and usage increases naturally. As sales resources are added and the customer base increases, this naturally occurring growth is expected to accelerate.

Summarised Financial Performance

A\$000	FY2017	FY2018	HY2018	HY2019
Operating revenue				
Annual licence fees	642	704	352	350
Episode usage fees	2,188	2,373	1,133	1,248
Initial licence fees, consulting, training and other	224	797	494	359
Government grants	446	15	3	12
Total operating revenue	3,500	3,889	1,982	1,969
Operating expenses				
Staff costs	(1,517)	(1,053)	(461)	(591)
Sales and marketing costs ⁽³⁾	(359)	(393)	(263)	(103)
Occupancy costs	(121)	(111)	(57)	(52)
Other expenses	(188)	(227)	(100)	(64)
Total operating expenses⁽¹⁾	(2,185)	(1,784)	(881)	(810)
EBITDA	1,315	2,105	1,101	1,159
Operating revenue growth				
Operating revenue growth	15.9%	11.1%	16.5%	(0.7%)
Recurring revenue % of total operating revenue ⁽²⁾	80.9%	79.1%	74.9%	81.2%
Recurring revenue growth ⁽²⁾	9.6%	8.8%	4.9%	7.6%
Sales and marketing costs % of total operating revenue				
Sales and marketing costs % of total operating revenue	10.3%	10.1%	13.3%	5.2%
Staff costs % of revenue				
Staff costs % of revenue	43.4%	27.1%	23.3%	30.0%
Pro Forma EBITDA margin				
Pro Forma EBITDA margin	37.6%	54.1%	55.5%	58.9%

- Does not include costs of being a listed entity
- Recurring revenues are annual licence fees and Episode Usage Fees
- Excludes one-off \$2m management fee charged by related party in HY19

Commentary

Revenues

- Operating revenue CAGR of approximately 13% over the last two financial years
- High proportion of recurring revenue – approximately 80%
- Organic revenue growth from existing customers inherent in business model – Episode Usage Fees growing as customer knowledge bases increase in size (even during periods of no new direct customers due to exclusive channel partnership agreement)
- FY18 significant consulting/training fees from channel partner (including increased training of channel partner sales/implementation team) expected to flow through to increased recurring revenue over the next 12 months.

Operating expenses

- Total costs have reduced over the last two financial years
- FY18 staff cost declines primarily due to the initial capitalisation of software development salaries and reduced software development costs as certain R&D projects were brought to conclusion in FY17
- Higher sales and marketing costs in FY16 due to costs associated with marketing to channel partners in Europe and the USA

HY19 performance (v HY18)

- Recurring revenue has increased as RippleDown has been rolled out to additional channel partner sites – channel partner license fee included in Episode Usage Fees line
- Non-recurring revenue has declined mainly due to larger upfront consulting projects for a channel partner being conducted in HY18



Financial position

PKS will be debt free post IPO

Pro Forma Consolidated Statement of Financial Position

A\$000	31-Dec-18
Current Assets	
Cash and cash equivalents	2,778
Investments	0
Trade and other receivables	957
Total Current Assets	3,735
Non-Current Assets	
Property, plant and equipment	77
Investments	9
Intangible assets	14,482
Deferred tax assets	1,144
Total Non-Current Assets	15,712
TOTAL ASSETS	19,448
Current Liabilities	
Unearned income	614
Trade and other payables	135
Current tax liabilities	282
Employee entitlements	129
Total Current Liabilities	1,160
TOTAL LIABILITIES	1,160
NET ASSETS	18,288

Commentary

- The table at left presents the Pro Forma Statement of Financial Position of PKS as at 31 December 2018 allowing for adjustments occurring prior to the IPO and as a result of the IPO.
- **Intangible assets** consist of 2 components being:
 - capitalised software development costs (~\$550k at 31 Dec 18 - no software development costs capitalised prior to FY18. Capitalised costs are amortised over a 10 year period with impairment tests conducted annually); and
 - goodwill of ~\$14.5m - a Purchase Price Allocation has not been completed for the acquisition of PKS. PKS will undertake a full evaluation of the identifiable intangible assets acquired post IPO.
- **Deferred tax assets** - primarily consist of timing differences between tax and accounting treatment of software development costs and other accrued expenditure
- **Unearned income** - represents revenue for which payment has been received but for which the service has not been provided to the customer as at balance date. The revenue is recognised over the term of the customer contract or invoice period
- **Current tax liabilities** - represent company income tax payable to the ATO.

Cash flow

Cash conversion is strong

Cash flow statement

A\$000	FY2017	FY2018	HY2018	HY2019
EBITDA	1,315	2,105	1,101	1,159
Management fees				(2,000)
Non-cash items in EBITDA	(15)	-	-	-
Changes in working capital	(454)	(220)	(619)	(762)
Operating cash flow	845	1,885	482	(1,603)
Capitalised development costs	-	(379)	(205)	(175)
Payments for plant and equipment	(75)	(7)	(11)	-
Free cashflow before investing, financing and tax	770	1,499	266	(1,778)
Interest received	76	128	53	74
Investment in/ payments for term deposits	-	(9)	(9)	55
Amounts advanced to related parties	(1,271)	(2,566)	(1,340)	-
Amounts repaid by related parties	-	-	-	4,795
Return of capital to shareholders	-	-	-	(2,750)
Proceeds from shares issued	-	3	3	18
Income tax paid	-	(19)	-	(51)
Statutory Net cash flow	(425)	(964)	(1,027)	363
Cash, beginning of year	1,674	1,249	1,249	285
Cash, end of year	1,249	285	222	648
Adjustments to statutory net cash flow:				
Interest received	(76)	(128)	(53)	(74)
Amounts advanced to related parties	1,271	2,566	1,340	-
Amounts repaid by related parties	-	-	-	(4,795)
Return of capital to shareholders	-	-	-	2,750
Proceeds from share issue	-	(3)	(3)	(18)
Repayment of related party loan	-	-	-	-
Management fee paid to related party	-	-	-	2,000
Pro forma Net increase in cash	770	1,471	257	226

Commentary

Cash flows

- PKS's statutory cashflow statement is shown in the table on the left.
- Operating cashflows have increased significantly in recent years, primarily as a result of strong growth in customer receipts. For HY19, operating cash flow includes a \$2m management fee paid to a related party. After adjusting for this, \$397k in operating cash flow was generated.
- Majority of revenue is received on a monthly basis (Episode Usage Fees)
- Annual licence fees fall throughout the year
- Working capital investment has increased as the amount of unearned income has reduced over the last 3 years and trade receivables have increased
- Little capex is required in the business. The amount spent in FY17 relates to office fit out costs
- In HY19:
 - loans to related parties were repaid to amounting to \$4,795k
 - Shareholders approved and were paid a return of capital totalling \$2.750k
 - A related party charged a management fee of \$2,000k to PKS

Senior Management Team and Board

Senior Management Team

PKS is led by a highly experienced management team

Ron van der Pluijm MD and CEO

- Ron van der Pluijm has been with PKS since February 2019
- Ron has been CEO of multinational healthcare companies as well as ASX listed companies.
- Ron has extensive skills in developing and implementing commercialisation strategies, including successful management of partnerships.

Michael Reakes General Manager

- Michael Reakes has been with PKS since May 2015
- Previously he was a director at NSI Technology and Project Manager at IBM. Michael has experience in software development, IT strategy, integration and project delivery. His skill-set encompasses enterprise architecture, people management and market and customer engagement

Lindsay Peters CTO

- Lindsay Peters has been with PKS since September 1999
- Prior to PKS, he was a Director of Pacific Rim Systems, Software Manager at Global Tracking Systems and Software Manager at Siemens Plessey Defence Systems
- Lindsay has high-level skills in software development, artificial intelligence and system architecture

Andrew Bursill CFO and Company Secretary

- Andrew has 20 years' experience in Company Secretarial and CFO activities with ASX Listed entities in a range of industries covering technology, medical devices and venture capital.
- Andrew is an Executive Director of the Automic Group.
- Andrew holds a Bachelor of Agricultural Economics from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia and New Zealand.

Evan Simmons Product Manager

- Evan Simmons has been with PKS since May 2013
- Prior to PKS, he held a number of roles at Roche Diagnostics Australia including Lab IT Support Supervisor, Product Specialist Clinical Chemistry and Applications Specialist
- Evan has high-level skills across hardware diagnostics, laboratory information systems and laboratory automation

Proposed Board

Subject to a successful capital raising, the Board will consist of...

Mike Hill

Non-Executive
Chairman

- Former partner of Ernst & Young
- Former Investment Director with the Ironbridge (2004-14)
- Former Chair of rhipe Ltd
- Served on boards across industries including technology, software services and healthcare (involved with Affinity Hospitals and Monash IVF)
- Founder and MD of the Bombora Special Investment Growth Fund
- Currently the Non-Executive Chair of AHAlife Holdings and Janison Education Group, and Non-Executive Director of Acrow

Ron van der Pluijm

MD and CEO

- See previous page

Paul Williams

Non-Executive Director

- Over 40 years' experience in information technology roles in healthcare and other industries
- Most recent executive experience was as Chief Information Officer at Healthscope Limited (2011 to 2016)
- Prior experience included IT roles at the National E-Health Transition Authority and various pathology businesses as well as being General Manager of IT for Mayne Nickless' Transport Services Group
- Bachelor of Business degree and senior member of the Australian Computer Society

Andrew Gray

Non-Executive Director

- Managing Director of Potentia, a technology-focused investment firm
- Prior to founding Potentia, Andrew was a Managing Director at Archer Capital,
- While at Archer Capital, Andrew led the firm's successful investment into software business MYOB
- Prior to joining Archer Capital, Andrew was a partner with Francisco Partners, a technology-focused global PE firm with over US\$6 billion in capital under management

Neil Broekhuizen

Non-Executive Director

- Joint Chief Executive Officer of Ironbridge Capital
- Neil has 25 years of private equity experience with Investcorp and Bridgepoint in Europe, and with Ironbridge in Asia
- Extensive healthcare and technology investing experience and currently sits on the ASX listed Boards of Bravura Solutions Ltd (BVS) and Monash IVF (MVF)
- Neil has a BSC (Eng) Honours degree from Imperial College, University of London and is an ACA

Chris Smith

Advisor

- Over 30 years' experience in the health care sector
- CEO of Cochlear Ltd from 2015 to 2018, prior to which he held several roles at Cochlear, including President of Cochlear Americas, over the period 2004 to 2015.
- Prior to joining Cochlear, he was Global Group President of Gyrus Group, a designer, developer, manufacturer, and marketer of medical devices.
- Has held Board positions with Cochlear Limited, Universal Biosensors Inc and Gyrus Group Plc
- Resides in Colorado, USA

Indicative Capital Structure and Timetable

Capital Structure and Sources and Uses of Funds

Funds being raised to acquire the PKS business, provide working capital for growth and pay costs of the Offer

- The acquisition vehicle currently has approximately 70 shareholders with approximately \$0.75 million raised to fund acquisition due diligence, legal and listing costs
- The Bombora Special Investments Growth Fund (BSIGF) is the majority shareholder of PKS and is the lead investor for the acquisition of the PKS business
- BSIGF will enter into a voluntary escrow, and remain a cornerstone investor in PKS as part of the ASX listing

Indicative Capital Structure and Market Capitalisation (@ \$0.20 per share)

	Shares (m)	% of mkt cap	Value (\$m)
Existing Shares in PKS	16.4	14.5%	\$3.3
New Capital Raised	97.5	85.5%	\$19.5
Total Undiluted Market Capitalisation	113.9	100.0%	\$22.8
Performance rights ⁽¹⁾	6.0		
Options ⁽²⁾	11.5		
Total fully diluted shares	131.4		
Net cash			-\$3.1
Enterprise value (undiluted)			\$19.7

Source and Uses of Funds (\$19.5m raising)

Sources	\$m
New equity	19.5
Total Sources	19.5
Uses	\$m
Purchase consideration	15.5
Working capital	2.2
Offer expenses	1.8
Total Uses	19.5

(1) Issued to Board and Management, subject to vesting condition being 2 years service and \$0.40 share price within 5 years

(2) 7m existing options with 10c exercise price. 4.5m options issued to Board and management with an exercise price of 20c, subject to vesting condition being 2 years service and \$0.40 share price within 5 years

Timetable

PKS is planning to list on the ASX in May 2019

Key Events and Indicative Timetable

Event	Date
Management Roadshow	8-12 April 2019
Bookbuild	15 April 2019
Allocations advised	15 April 2019
Prospectus lodged with ASIC	16 April 2019
Opening Date of the Offer	3 May 2019
Closing Date of the Offer	27 May 2019
Commencement of trading on ASX	6 June 2019

Selected Key Risks

Selected Key Risks

Channel Partner Risk	PKS distributes its products via two key channels, being direct sales using its own sales resources and through three global channel partners. Given the significant portion the channel partner sales represents, if channel partners failed to deliver in the future or if the relationships with channel partners were adversely affected for any reason, this may lead to a decrease in the Company's sales, which would have a materially adverse effect on the Company's overall financial performance.
Key Customers Risk	If the Company was to lose any of its key customers or channel partners, this would have a significant impact on the Company's revenue and sales, which may be materially adverse to the Company's overall financial performance in future years.
Revenue Growth Risk	PKS has identified a number of strategies and initiatives to drive growth in revenue and earnings in future years. However, there is no guarantee that any of these strategies or initiatives will be successful in driving growth in the Company's revenue and earnings in the future.
Reliance on Key and Skilled Personnel	The loss of the services of senior management personnel without suitable replacements or the inability to attract and retain qualified personnel can adversely affect performance.
Regulatory and Overseas Operations Risk	Government regulations may change in any or all of the existing and target territories, which could make the Company's current business model ineffective or pricing unfeasible in the future.
New Technology and Competitor Risk	Competition to PKS products could emerge in the form of new and emerging technologies, improvement of existing product offerings and price reductions from existing comparative technologies.
Data Management and Security Risk	Whilst PKS relies on a variety of security measures implemented by both the business and its customers, advances in computer capabilities, increasingly sophisticated tools and methods used by hackers and cyber terrorists, new discoveries in the field of cryptography and other developments may result in the Company's software failing to or being unable to adequately protect its sensitive information.
Intellectual Property	There is a risk that the Company may be unable to detect the unauthorised use of its intellectual property rights in all instances.

Selected Key Risks

Intellectual Property	There is a risk that the Company may be unable to detect the unauthorised use of its intellectual property rights in all instances.
Customer Service Risk	The Company's business model is based on recurring revenue arising from the provision of software. Whilst this historically has not been an issue for PKS, poor experiences in the future may result in the loss of customers, adverse publicity, litigation, regulatory enquiries and customers reducing the use of the Company's products or services.
Reliability and Operational Risk	Any failure or unscheduled down-time of either the software or the technology that underpins the Company's service could result in the Company being unable to meet contractual and service level obligations, unauthorised system use, data integrity issues or data loss, integration issues with other systems or third parties and increased costs.
Foreign Exchange Risk	As the Company receives some revenue in foreign currency, currency fluctuations will affect the value of those transactions when converted to Australian dollars, which could adversely impact the Company's financial performance.
Contractual and Acquisition Risk – Share Purchase Agreement	- Pursuant to the SPA, the key terms of which are summarised in Section 9.4 of the Pathfinder Prospectus, the Company has agreed to acquire 100% of the issued capital of DPP subject to the fulfilment of certain conditions. There is a risk that the SPA conditions cannot be fulfilled and, in turn, the Acquisition is not completed. - If the Acquisition is not completed, the Offer and listing of the Company will not proceed, and funds will be returned in accordance with the Corporations Act. - There are execution, due diligence and liability risks associated with the Acquisition. The SPA contains obligations on the parties and conditions which, if not complied with or satisfied, could delay or prevent the Acquisition from completing. - The Company has performed due diligence in respect of the Acquisition and sought certain warranty and indemnity protections under the SPA. However, the Company may also suffer loss or damage flowing from historical events and operations of the business acquired, which the Company may be unable to recover from the vendors under the terms of the SPA.
DPP Vendors Sell-Down Risk	Given the nature and structure of the sell-down, Potential Applicants may view this as a risk of investing in the Company (which will own 100% of DPP at completion of the Acquisition) as the interests of the DPP Vendors (existing shareholders of DPP) will not be aligned with Shareholders of the Company following completion of the Acquisition and admission to ASX.

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