

ASX Announcement : 01 Aug 2012

CEO on Amira Sale

Open Briefing interview with CEO Sam Hupert

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In this Open Briefing®, Sam discusses:

- Rationale for sale of Amira®
- Considerations regarding use of sale proceeds
- Opportunities for Visage post Amira® sale

Record of interview:

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Pro Medicus Limited today announced the completion of the sale of Amira®, a software platform used widely by universities and research institutes, to Visualization Sciences Group (VSG) for €12.1million, approximately US\$15 million. You acquired Amira® in 2009 as part of your acquisition of Visage Imaging, for which you paid US\$3 million (i.e. for the entire Visage business including Amira®). What is the rationale for selling Amira and what was the basis of the valuation?

CEO Sam Hupert

While Amira® is a valuable product, it was a non-core asset of our combined group as it has an entirely different market and pricing model. We see our future growth in the diagnostic imaging/radiology market rather than the scientific research/academic market, hence we agreed to sell for an appropriate price.

The price reflects Amira's continued growth since 2009 as well as its strategic importance for VSG.

Amira® and VSG were under the same roof when they were acquired by Mercury Computer Systems, the group we bought Visage from back in 2009. It was only when Mercury sold Amira to us as part of the Visage acquisition that it was separated from VSG. Amira® is very complementary to VSG's product – but while Amira is targeted at the life and biosciences markets, the VSG product is focused on the geoscience and material science markets. So VSG, more than any other company, knows the Amira business and places a high strategic value on it.

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How will the Visage business be impacted by the sale of Amira® in terms of product development capability and cost, and in terms of overall revenue and profitability?

CEO Sam Hupert

The reason we bought Visage Imaging was for its thin client 3D diagnostic imaging (radiology) technology platform which we have subsequently developed into Visage 7®, a world-class range of 2-D/3-D PACS (digital imaging) products. None of this technology is affected by the sale – it's still all ours.

There has been some cross-development between the two products, reflecting their shared pool of developers, however this was minimal. So we don't think our product development capability will be negatively impacted. In fact, we think it's the opposite: the sale will give us the funds to reinvest more heavily in the R&D of our radiology products.

Amira® provided us with good revenue and obviously in the short term there may be a small drop in our overall revenue. However, we believe our core radiology products have greater growth prospects than Amira®, so over time we're confident we'll make up this difference and ultimately surpass it.

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What are your plans for the proceeds from the sale of Amira®? What will be your key considerations in deciding if, and how much of, the proceeds will be returned to shareholders and how much retained?

CEO Sam Hupert

At this stage it's difficult to give definitive answers but we'd aim to strike a balance between three requirements: the need to reinvest in the business, the need to return cash to shareholders and the need to retain funds for potential opportunities. We're confident in the growth prospects of our Visage and Pro Medicus radiology products and believe reinvesting more in R&D will pay off in the longer term.

While we also feel some of the proceeds should go back to our loyal shareholders, we believe that having a larger cash buffer over the next 12 to 18 months could be advantageous. Asset values seem to be tracking down, and a solid cash position would allow us to make opportunistic acquisitions if and when they materialise. We were in a position to make such an opportunistic acquisition when Visage became available during the GFC and it's not inconceivable that similarly attractive opportunities may arise in future.

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Pro Medicus had no debt and cash in hand of \$4.03 million as at the end of December. With the business having returned to positive cash generation in the first half, what level of cash do you feel is optimum for the business?

CEO Sam Hupert

We don't have a fixed target for cash, but given we've returned to accruing cash, albeit at a slower rate than in the past, we think the sale proceeds will give us a healthy buffer and as I mentioned earlier, also allow us to look at potential opportunities if and when they arise.

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What areas will be the key focus of any reinvestment in the business?

CEO Sam Hupert

We see the most potential for growth in the UK-Europe market and the US market. In Europe we'd look to invest in R&D and possibly in more direct sales channels. In the US, we've turned the business around over the past 12 to 18 months and we feel we have the right management team and structure in place, but it's a huge market and putting more resources into that market could have benefits if done in a prudent manner.

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What are the prospects for the Visage radiology product now that you no longer have Amira®?

CEO Sam Hupert

We believe there are significant opportunities for the Visage product as well as our radiology information system (RIS) product in the two major markets of UK-Europe and the US. We've had some wins for Visage in the US over the last 12 months, which has given us a good base. Importantly, after the development work we've done on the product, it now addresses

a broader section of the radiology market. We're seeing interest not only from the small to medium end of the market but also from some of the larger players.

We believe Visage has market leading technology and we're hopeful it will gain momentum in Europe, and particularly the US, in the next six to 18 months.

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What are the prospects for the new Pro Medicus RIS? How does it fit strategically with the Visage product?

CEO Sam Hupert

We have always seen the strong synergies between our practice management/RIS and our clinical products, namely Visage 7®. They are totally complementary and highly integrated. Again whilst I can't pre-empt exactly what our plans are for the proceeds from the Amira sale, what I can say is that we will be reinvesting in our R&D and market penetration which includes investment in our practice management/RIS platform. We believe it has a big future.

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Thank you Sam.

For more information about Pro Medicus Limited, visit www.promedicus.com or call Sam Hupert on (+61 3) 9429 8800

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