



# Adherium Q1 FY18 Quarterly Results Investor Update

October 2017

Hello!

This is Arik Anderson, and I welcome you to Adherium's Quarter 1 Investor Conference call for the Fiscal year 2018. During our call today, we will be discussing our progress against the goals we presented in August, as well as walking you through our 4C Quarterly Cash Flow disclosure.

Our conference call in August, was the start of our journey together, I described plans for strong Sales growth, an Expanded business model with additional channels to get our Adherence solution to patients more rapidly, demonstrating prudent cost management, and significantly improving our investor engagement. We have made progress on all four areas as you will hear during our discussion today.

And to assist me in the financial discussions, I'm very pleased to introduce Adherium's new Chief Financial Officer, Tim Marcotte. You will be hearing from Tim in a little bit to discuss the 4C.

# Corporate Highlights

A few of Our Quarterly Highlights:

- **Revenue met plan**
- **Expenses** managed **\$500K under plan**
- **SmartTouch™** for **Symbicort® 510(k)** clearance by US FDA
- **SmartTurbo Model 4**, for AstraZeneca's Turbuhaler released
- **OBN Award** for Best Implementation of Digital Healthcare
- **Hired CFO** and **VP of Marketing** based in US



Beginning with Slide 2, it has been a busy and successful quarter for us.

Adherium provides digital health solutions that address the sub-optimal medication use and improves health outcomes in chronic diseases while reducing the costs associated with managing those chronic diseases. Non-adherence costs in the US healthcare system alone are estimated to be \$290B per year. And at Adherium, we maintain the broadest range of “smart” device sensors for respiratory medications and our Vision is to become THE adherence company globally, thus reducing healthcare costs, enhancing patient care, and improving patients’ lives.

First quarter results support the progress we are making. Revenues for the quarter were \$600 thousand and our cash balance at the end of September 2017 was \$18.6 million.

We are on track to reach our previously stated full year fiscal 2018 guidance of revenue in the range of \$5.7M to \$7M and a closing cash balance greater than \$10M

We also had a successful quarter operationally. We were very pleased to receive FDA clearance of our SmartTouch sensor for Symbicort. This paves the way for AstraZeneca’s planning in the US market. This is a significant milestone, and we hope to share more details with you about this in future conference calls.

We were also excited to release the SmartTurbo Model 4 for AstraZeneca's Turbuhaler – demonstrating our continued innovation based on the real-world feedback received from our patients. Our objective is to continue to innovate in ways that ensure proper use of medications, by making our devices easier for patients to use, as well as providing for advanced interactions between patients and our devices, helping to ensure proper use of the drug.

In this Quarter, we were privileged to receive the award for Best Implementation of Digital Healthcare at the 2017 OBN Awards. OBN recognizes outstanding achievement in innovation across the UK Life Sciences industry. This prestigious event was held at the Town Hall in Oxford, UK, and we were honored to have been selected for the award among a group of several other very worthy finalists.

Finally, Adherium is making great progress on our HR commitments. We've added exceptional talent to our executive team in the first quarter. Tim Marcotte joins Adherium as our new Chief Financial Officer. He brings more than 35 years of experience holding a variety of C-level positions, including CEO, COO and CFO. Tim has immediately stepped into his new role at Adherium, and you will hear from him in a few moments.

And Vikash Panda joins our executive team as Vice President of Marketing. Vik has been an innovator in the Direct-to-Consumer marketing space where he successfully built communities of millions of active users. Adding Vik to our commercial team is a huge advance for Adherium, and Vik has already jumped in to begin driving our New Zealand Direct-to-Consumer Pilot as well as planning our Direct-to-Consumer launch in the US.

Tim and Vik are both based with me in our Headquarters located in California's Silicon Valley.

We've been busy, and we are making important progress toward our FY 18 goals. But before I go into more detail about how we are proceeding against those goals, it is my sincere pleasure to introduce our Chief Financial Officer, Tim Marcotte!

Tim – would you please take us through the quarterly cash flow disclosure.

# Results Review



## Quarter 1 Cash Flows

	3 months to September 30, 2017	3 months to September 30, 2016	Change %
Receipts from customers	\$0.6m	\$0.3m	92% increase
Staff costs	\$2.3m	\$1.3m	68% increase
Other operating cash outflows (net)	\$2.3m	\$1.8m	34% increase
Total operating cash outflows	\$4.0m	\$2.8m	44% increase
	As at September 30, 2017	As at June 30, 2017	Change %
Cash at balance date	\$18.6m	\$22.8m	\$4.2m net use of funds

Thank you, Arik.

Receipts from customers were almost double the corresponding period as global rollouts of the our technology by AstraZeneca continued to grow.

2017 staff costs in this quarter included achieved incentive payments for fiscal 2017, whereas these were paid in quarter 2 in the previous year. Taking this into account as well as the costs associated with a reorganization completed in the quarter to align resources to our US commercial focus, staff costs rose 18% year on year reflecting our recent US based hires.

Other operating costs in the quarter included R&D, sales and marketing as well as administration and were higher than in FY2017 primarily due to one-off recruitment costs associated with the new US hires and initial travel as these staff get up to speed.

We have implemented an ongoing critical review of activities and costs to ensure we minimize our spending, which is focused on the growth of our marketing channels for Adherium technology

As discussed earlier, we are committed to a net spend of cash equal or less than FY17. We will monitor spending constantly and make the necessary adjustments to make sure we achieve this goal.

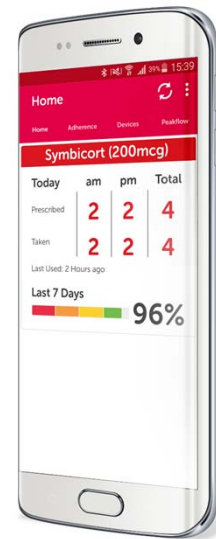
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# Execution and Guidance



## Quarterly Execution Review

- Shipped over 6,200 devices to AstraZeneca in Q1
- Launched our Direct-to-Consumer (DTC) pilot in New Zealand in Q1 with the marketing campaign going live in September
- We've hired our new Chief Financial Officer and Vice President of Marketing and we've begun recruiting for our Vice President of Sales.
- Revenue in Q1 FY18 achieved plan
- Expenses managed within plan



Thank you Tim.

On Slide 6, we are very pleased with our progress against our FY18 objectives so far this year.

During our last investor conference call, we offered several metrics to track our progress. I'd like to take the next few minutes to highlight the notable progress we made in the quarter.

Starting with our relationship with AstraZeneca, in the first quarter, we've shipped almost 7500 devices globally with over 6200 of these going to AstraZeneca. This provides further support for the growing momentum of AstraZeneca's commercial roll-out of our adherence technology.

Next, our e-Commerce website went online in Q1, and we kicked off our first direct digital marketing campaign in September. It is early in the process, so we don't have metrics to share on our progress, yet, but we look forward to discussing this in more detail on future conference calls. We are very excited to have it up and running with Vik Panda, our new VP of Marketing, already driving the activities based on his past successes in building large active user bases.

And financially, our revenue is on track with our guidance for the year, and the Adherium team managed our cash balance very well.

# Sales Strategies

Aggressive commercialization strategy focuses on building from the OEM channel, leveraging Direct to Consumer channel to grow active user number, creating a market pull to Payer while developing undeniable healthcare economic data.

The FY18 sales strategy priorities are listed below and are to (i) Continue to build the AZ business, (ii) Create the DTC channel, and (iii) do the preparation work for payer / provider growth in FY19.

OEM Pharma Partners	Direct to Consumer	Pay for Performance
<ol style="list-style-type: none"><li>1. Transition to AZ funded engineering projects and software support. FY18 revenues to exceed \$1M.</li><li>2. Drive ongoing commercial roll-out and new countries. FY18 minimum of 25K devices.</li></ol> <ul style="list-style-type: none"><li>✓ First commercial agreement in the market (AZ)</li><li>✓ Validated technology, add users &amp; revenue</li></ul>	<ol style="list-style-type: none"><li>✓ Launch New Zealand (NZ) e-Commerce offering in Q1.</li><li>4. Using SaaS model and metrics, add minimum 1,300 new users from NZ by end of Q4.</li><li>5. Based on NZ experience, launch in US in second-half FY18.</li></ol>	<ol style="list-style-type: none"><li>6. Based on clinical outcome data and US patient results, target payers / providers for revenue growth in FY19.</li></ol> <ul style="list-style-type: none"><li>✓ Best clinical outcome data, key USP for payers &amp; providers</li><li>✓ est. \$1500 (40%) savings per US asthma patient</li><li>✓ SaaS/risk-share disease management model</li></ul>

Turning to Slide 7, our sales strategy and objectives, we think about this in 3 categories: OEM business with AstraZeneca, Direct-to-Consumer opportunity, and our Payer-Provider channel. Let me update you on our progress in each of the segments.

1. First, our OEM business with AstraZeneca
  - We are continuing to partner with AZ on key engineering projects with more projects planned to begin in Q3 of this year. As communicated at the last call, AZ is directly funding the engineering projects and software support we provide them.
  - And commercially, the delivery of 6,200 devices to AstraZeneca in Q1 is on track to achieve delivery of at least 25,000 devices this fiscal year.
2. Second, in the building of our Direct-to-Consumer channel
  - We made meaningful progress here. Our New Zealand e-Commerce website is running, we've initiated our marketing campaign, and we are beginning to track our Software as a Service metrics.
  - And, as previously mentioned, our new VP of Marketing has already taken control of our New Zealand Direct to Consumer program and has begun planning for the US launch.
3. Finally, turning to our preparation for the Payer / Provider channel
  - We've commenced an executive search for a Vice President of Sales with a goal of having the role hired by the end of Q2.



I am delighted with our progress and confident that achievement of our sales strategies is on track. We are adding exceptional talent to our team, and we are intently focused on achieving our goals.

## FY18 Guidance – guidance affirmed

- ✓ AZ
  - Ship a minimum of 25,000 devices
  - ✓ Obtain FDA 501(k) clearance to market SmartTouch for Symbicort pMDI in the USA
  - Expand Adherium's offering beyond AZ's Symbicort medication
- ✓ Launch medication adherence service solution
  - NZ: Go live Q1, obtain 1,300 active users in FY18
  - USA: 1,000 users in first 3 months from launch in second-half of FY18
- ✓ Revenue
  - Increase revenue to between \$5.7m and \$7m based on:
    - Support of AZ's continued global adherence roll-out along with regulatory and software services
    - Beginning Direct-to-Consumer medication adherence service in NZ and USA
- ✓ Cash Utilization
  - Hold net cash burn at no more than \$12m, with FY18 closing cash of >\$10m

And on slide 8, we are confirming our guidance for the full fiscal year 2018 in line with what was previously provided on August 29. That guidance includes:

- Continuing to build our commercial momentum with AstraZeneca, expecting to ship a minimum of 25,000 devices this fiscal year. We are also continuing to develop new devices for them which we expect will expand our adherence business beyond Symbicort;
- The launch of our Direct-to-Consumer offerings in New Zealand, with a goal of adding 1,300 active users in New Zealand by June 30, 2018, and an anticipated Direct-to-Consumer launch in the US in the 2<sup>nd</sup> half of FY18;
- Significantly growing our revenue to a range of \$5.7M and \$7M, and
- Managing our cash carefully, while we are continuing to invest. We are building out our commercial teams in the US, and we will maintain a net cash burn at ... or below \$12M, closing FY18 with a cash balance greater than \$10M.

# Summary

- The **AstraZeneca** commercial **business** is **tracking** to Adherium's projections.
- The **management** team is demonstrating our ability to **execute to plan**.
- Adherium is able to attract and **hire world class** talent to ensure we realize Adherium's potential.
- The company is **growing** top line **revenues**, **managing** the **cash spend**, and strategically **investing in** the future to realize our **strategy**.
- We have much more work to do, but **we are on track**.

On Slide 9, I'd like to conclude our prepared remarks with the following highlights I hope you take away from today.

1. Our commercial business with AstraZeneca is continuing to build, and we are seeing strong demand.
2. I'm proud of the hard work our team has done in planning for Fiscal Year 18. Our first quarter results reflect strong execution towards meeting our goals for the year.
3. Hiring talented and experienced people can be a real challenge. We are demonstrating that the industry's best talent want to be part of the Adherium team. The qualifications of our new Chief Financial Officer and Vice President of Marketing reflect the caliber of talent that we attract.
4. We are on track with our revenue guidance for the year and are closely managing our cash to ensure we meet our financial objectives, but we are also making the necessary investments so we are successful across our sales channels and positioned to meet our long-term goals.
5. I recognize that we are only one quarter into our fiscal year, but successful years are built one quarter at a time and I am confident that we are on track to meet our objectives for the year.

We are on our way to becoming The Adherence Company. And that opportunity goes well beyond respiratory chronic diseases to includes diabetes, cardiovascular diseases and many others. The potential is tremendous, one of the best in healthcare right now. My excitement about our position in this space continues to grow.

And given our substantial opportunities together with the progress we are making in delivering this year, the Board is actively considering future funding strategies to accelerate our progress.

Thank you again to our loyal shareholders. We appreciate your continued support and confidence. We continued to be very excited about Adherium's future.

Thanks and I look forward to having more opportunities to speak with you in the near future.

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