

MLA delivers record revenue and NPAT for first half of FY2015

- Record net profit after tax of \$281,687 and EBITDA of \$363,502
- Record revenue of \$7.6 million – up 19% on a like-for-like basis on PCP
- Strong turnaround driven by organic growth in Human Healthcare and tighter cost management
- Restructured Animal Healthcare division now focused on regenerative medicine sector
- Sound balance sheet with \$3.1 million of cash on hand and no debt supports growth
- Well defined growth strategy and focused operations underpins MLA's growth for FY2015 and beyond

Sydney, 27 February 2015: Human and animal healthcare company Medical Australia Limited (MLA.AX) ("MLA" the "Company") is pleased to report a strong turnaround in financial and operational performance for the six months to 31 December 2014.

Net profit after tax (NPAT) was a record performance for MLA at \$281,687, (\$419,976 after minorities), compared to a net loss of \$137,482 for the previous corresponding period – a \$419,169 improvement in profit performance. Earnings before interest, tax, depreciation and amortisation (EBITDA) were also strong at \$363,502.

Revenue for the half of \$7.6 million reflects solid top line growth and was up 43.6% from \$5.3 million in the previous corresponding period. The increased revenue was due in part to a first-time revenue contribution of \$1.56 million from the animal healthcare business, but more significantly, from organic sales growth in the human healthcare business. The revenue contribution from the human healthcare division alone in the half was \$6.035 million. On a like-for-like basis, revenue increased a healthy 19% due to a more strategic and customer-focused sales approach.

Cash flow was impacted due to one-off costs associated with the rationalisation and restructure of the Animal Health division and some further overhead reduction initiatives at a corporate level. Across the business, the management team has significantly streamlined the cost base with savings of over \$750,000 on an annualised basis now identified and in part, removed from MLA's overhead.

MLA Chief Executive Officer, Mr Darryl Ellis, commented: "This is a very pleasing result for MLA and the strong turnaround in the financial performance is a direct reflection of the growth strategies we have successfully implemented, solid organic sales growth in our Human Healthcare division, a streamlined and better focused Animal Healthcare division, and a continuing focus on managing our cost base much more conservatively.

"The Human Healthcare division has achieved pleasing sales growth in Australia with a more strategic and customer-centric approach to sales, and we have secured a number of new contracts and product opportunities here. Our geographic expansion into the Queensland market is also showing some positive early signs".

"By acting swiftly and decisively to rationalise operations and realign the focus of our Animal Healthcare division towards veterinary regenerative medicine, MLA believes it is now exposed to an area of the animal healthcare sector that has significant growth potential and unlocked value."

Operational Overview

Human Healthcare

MLA is encouraged by the steady growth in sales achieved by the Human Healthcare division in the first half which is a direct reflection of the investment made in sales and marketing, and the strategic approach now taken to identifying and fulfilling product needs as a result of a more consultative customer approach.



An example of this is the TUTA T-site Needle free injection port, a product that went from inception to market in under four months after MLA's team consulted directly with clinical staff in some healthcare facilities to determine their specific needs. This customer-focused approach to product development has been a key driver of organic sales growth and greatly enhanced the visibility and trust inherent in the TUTA brand. The TUTA team is now focusing on the development of other innovative products around the growth area of infection prevention in healthcare facilities globally.

The Company continues to raise the visibility of the TUTA and Clements brands in the healthcare sector, and has worked hard during the half to strengthen the profile of both brands in the industry, where it has a reputation for delivering high quality and competitively priced medical devices.

MLA has also built on its success in area of Original Manufacturer Agreements (OEM), most notably with partnerships now in place with leading healthcare companies CareFusion and Smith & Nephew. Growth prospects in the OEM market are also being considered.

As previously reported, the Human Healthcare division has strengthened its Australian sales team which now numbers seven people, and has also expanded geographically into the competitive Queensland market where some initial sales have been generated. As previously communicated, the Company has recently secured a supply agreement with a leading private healthcare provider in Australia, and is currently negotiating to build on this partnership in international markets.

Animal Healthcare

Recently the management team took the decision to significantly streamline the range of products and services in the Company's Animal Healthcare division, in particular with the decision to focus on regenerative medicine for animals through its US based subsidiary MediVet LLC (recently rebranded as MediVet Biologics).

As a part of this restructure, the Company has taken the decision to exit from its suite of equine performance products as it rationalises its product range to reflect its core focus, as above.

In October and November of 2014, MediVet made significant investment in sales and marketing, with the appointment of several new personnel to promote to and educate veterinarians in the large US market, the Company's unique range of adipose derived stem cell treatments.

MediVet has also developed an iPad application (App) that will allow veterinarians to visually demonstrate its treatments and their benefits to consumers, which is intended to promote greater acceptance and uptake of them in over 300 clinics where they are offered in the US, Australia and in the United Kingdom.

These initiatives have been implemented to allow MediVet to realign its model to direct sales in the US market specifically, rather than relying on third party distribution channels. The Company is confident that with this strategy it will attain better growth and increased profile for its brand here, and expects to benefit from improved revenue streams in the second half.

A further achievement for MediVet in the US during the half was its increased collaboration with researchers in the field of veterinary regenerative medicine. Of particular note was MediVet's partnership with leading researchers from the University of Kentucky to help develop a revolutionary canine cancer treatment.

MediVet believes that through research and development collaborations such as this and others it is engaged in, its treatments will not only be further validated by credible third party endorsements, but that these partnerships will also lead to a greater range of uses and applications for them. This strategy will also enable MediVet to retain its leadership in the field of veterinary regenerative medicine.

Outlook

"We are confident that MLA can now deliver sustainable revenue and profit growth for shareholders. This will be achieved by focusing on the delivery of products and services in both divisions which are now much more aligned to the needs of our customers," Darryl Ellis added.

"Our decision to exit the equine performance products markets will still have some impact on our cost base and cash flow in the current half due to the exit of some legacy contracts. We expect the impact will be quarantined to this half. Notwithstanding, we are confident that MLA's profitable trading will continue in the second half."

"We expect that the results of the investments we have made in the Animal Healthcare division being realised in the current half. The opportunities for the regenerative animal healthcare market are indeed compelling and we are intent on capitalising on them."

"The Human Healthcare division continues to perform well and we will certainly build on the solid platform we have created by pursuing further contracts in the private healthcare space, as well as identifying product and OEM opportunities across the sector."

"MLA is in excellent shape with a strong cash balance of \$3.1 million, no debt, and a well-defined growth strategy that is starting to deliver meaningful revenue and profit performance. We look forward to updating shareholders on our progress throughout the current half."

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ABOUT MEDICAL AUSTRALIA LIMITED

Medical Australia Limited (ASX: MLA) is a human and animal healthcare company engaged in the manufacture, distribution and sale of a broad range of medical and veterinary devices used by healthcare facilities, critical care services and veterinarians in global markets. The Company is a leader in Intravenous (IV) Medication Delivery Systems, Surgical Irrigation, Suction and Oxygen Therapy, Safety Sharps Collection and Reuse Prevention and specialised Diagnostic and Laboratory Equipment. Our products are used in three broad areas of healthcare, Human Health; Biological Collection, Processing and Laboratory; and Animal Health. Through the acquisition of MediVet Pty Ltd Medical Australia now has proprietary ownership of technology for regenerative medicine including stem cell therapy for domestic animals and the equine industry. Medical Australia's animal health business is now represented in major countries and regions such as Canada, USA, Great Britain, Continental Europe, Australia and the Asia Pacific Region, including a 60.5% interest in MediVet America LLC.