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TRUSCREEN PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2017

Cervical cancer technology company, TruScreen Limited (NZAX: TRU) has released its results for the year ended 31 March 2017.

Sales revenue increased 24% on the prior year to $585,388 (FY16: $472,104). This was a result of the CE mark certification and the move to volume production of the TruScreen2 device in April 2016, as well as initial sales into global markets including Mexico, Hong Kong, Vietnam, Turkey, Ukraine, Jordan, Kazakhstan and Poland.

Interest in the TruScreen2 device is growing and sales are expected to increase as regulatory, import and public sector usage approvals are received and early adopters transition to commercial users across broader private and public sectors.

Other revenue, which is primarily from grants for R&D, was lower than the previous year which included the development of the TruScreen2 device. This resulted in an overall decrease in total revenue to $1.4m (FY16: $1.8m).

Inventory costs increased as volume production of TruScreen2 commenced, with a corresponding uplift in inventory to $467,527.

Research and development costs increased to $1.2m (FY16: $171,959) primarily due to a change in the accounting treatment of development costs for the new TruScreen2 device which are no longer capitalised as the product is now commercially available. In addition, further work was done on the development and testing of the Algorithm and further improvements to both the TruScreen2 device and software following beta testing.

Net operating cashflow for the period was $(2.6)m reflecting the increased production volumes and related payments to suppliers compared to FY16. Operating cashflow is expected to improve as sales increase.

Pleasingly, the level of debtors reduced with more consistent collection of debts from long term customers as TruScreen moves to tighter payment terms. This is part of TruScreen's commercial strategy where longer lead times are often initially negotiated to encourage adoption.

TruScreen reported a Net Loss of $3.5m for the full year (FY16: $1.3m). Investment into growth will continue in FY18 in line with TruScreen's expanded global footprint and the rollout of the TruScreen2 device and the improved algorithm, however, revenue is expected to grow significantly faster than expenses in FY18.

As at 31 March 2017, TruScreen had cash and cash equivalents of $3.7m (FY16: $2.3m) including new funds raised as a result of a successful $4.09m private placement completed in March 2017. An additional $897,500 has been raised through a Share Purchase Plan since year end, delivering a total of $4.99m of funds raised.

The new capital is being used to fund sales and marketing initiatives, expand manufacturing capabilities and invest in continuing improvement of the technology.

Operational Review

Following CE mark certification of the TruScreen2 device, the focus for the FY17 year was on the rollout of this device, encouraging early adoption and expanding TruScreen's international footprint.

Good progress has been made, with a number of new distribution agreements signed, alongside a programme of government lobbying, clinical trials, key opinion leader (KOL) engagement and major in-market conferences and regulatory applications.

Early adoption was reflected in the 24% increase in sales in FY17 and the focus now is to build on the platform of government and KOL engagement, to increase sales of the new TruScreen2 device in FY18.

TruScreen's international footprint has grown significantly with the signing of a number of new distribution agreements in FY17 including the European Union, the Middle East, Central Asia and Latin America. These distribution partners are working in-country to encourage adoption by both private health organisations and large Government screening programmes and initial sales are expected to commence in FY18.

China remains an important commercial market for TruScreen, with more than 100 hospitals, including large military hospitals, now in commercial use or trialling the TruScreen technology. The company is involved in three large screening programmes in China, with over 40,000 women screened so far and screening expected to accelerate once TruScreen2 is introduced. Strong interest has been expressed for this second generation device and a full launch will commence once the CFDA upgrade approval is granted (expected Q3 of Calendar year 2017).

In addition to China, TruScreen is currently engaging with health officials in several other Governments for use in public screening, including Mexico and India. While these evaluations can take many months and involve multiple 'in-field' trials, each could produce significant revenue in the future.

In Mexico, the Government evaluation has commenced and a decision is expected in Q3 of calendar year 2017.

After China, India is the world's largest screening market (over 300 million women of screening age) and TruScreen has recently appointed an Indian distribution partner. In addition to sales to the private sector which are expected to commence this year, TruScreen is also engaging with the Indian Government in regards to a longer term, large scale government screening opportunity.

The Algorithm Improvement Programme was a major focus for TruScreen during the FY17 year. External clinical evaluation is planned for 2017, prior to its release to market.

Outlook

With a number of new distribution partnerships signed in FY17, TruScreen is looking to leverage these to increase sales and adoption of its technology to the private sector, as well as selection for large scale government screening programmes.

As previously advised, sales are expected to pick up from mid-2017 as regulatory, import and public sector usage approvals are received for TruScreen2 and new markets come online.

TruScreen remains the world's only CE certified, real time primary screening device for cervical cancer. There is strong interest in the TruScreen2 device, and the improved algorithm, which is expected to be launched in Q2 of FY18, will further strengthen TruScreen's offer.

FY17 Key Events:

- Gained certification of TruScreen2 in Europe, Australia, New Zealand and United Kingdom
- Entered into distribution agreements in Europe, Central Asia and Middle East and established a European business base
- Completed clinical trial in Mexico with excellent results
- Mexican National Cancer Institute completed Stage 1 of TruScreen2 evaluation
- Signed agreement with India distributor, Khandelwal Laboratories
- Engaged with Mexican and Indian Government with regards to adoption of TruScreen technology for government screening programmes
- Commenced commercial sale of TruScreen2
- Commenced testing of improved TruScreen algorithm
- Successfully completed $4.1m capital raising via private placement ($897,500 raised post balance date via a share purchase plan, lifting the total capital raised to $5.0m).

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About TruScreen:

TruScreen's real time cervical cancer technology utilises a digital wand which is placed on the surface of the cervix to measure electrical and optical signals from the surrounding tissue. A sophisticated proprietary algorithm framework distinguishes between normal and abnormal (cancerous and precancerous) tissue to identify precancerous change, or cervical intraepithelial neoplasia (CIN). A Single Use Sensor (SUS) is used for each patient to protect against cross-infection.