cyclopharm

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technegas
ultralute

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CYC REPORTS SOLID FY2017 RESULTS – MAINTAINS DIVIDEND

Radiopharmaceutical company, Cyclopharm Limited (ASX:CYC) today reported sales of $13.19 million for the year ended December 31, 2017, eight per cent below the previous corresponding period (PCP); however, underlying sales modestly increased by 1.4% when the positive impact of the prior year's initial seeding sales to China ($1.38 million) is excluded.

Cyclopharm generated Underlying EBITDA[1] for the year of $2.64 million, in line with the prior year's result, after excluding the positive impact of the previous year's seeding sales to China in Q4 2016.

Taking into account pre-tax costs of $2.58 million associated with the USFDA Phase 3 clinical trial, the company recorded a net loss of $1.52 million.

Key features of the 2018 financial results include:

- **Sales revenue of $13.19 million – down eight per cent on the prior year but 1.4% higher when 2016 seeding China sales are excluded**
- **Underlying EBITDA[1] for the Technegas Division of $2.64 million**
- **Strong net cash position of $8.69 million, following successful capital raising**
- **Approved R&D tax incentive resulting in Other Income of $2.39 million, of which $1.94 million to be received in H1 2018**
- **Significant progress in advancing the USFDA Phase 3 clinical trial for Technegas with 33 patients imaged to date**
- **Final dividend of 0.5cps, giving a full year unfranked dividend of 1.0cps**

Other important developments in the year under review:

- Validation of the first commercial batch of Cyclopharm's new, patented Ultralute™ technology with sales expected in the first half of 2018
- An Australian clinical trial initiated into the use of Technegas to evaluate and manage severe asthma suffers with 30 patients enrolled to date
- Acquisition of Inter Commerce Medical bvba ("IC Medical") for a consideration of up to €400,000, to be paid over three years plus net cash balance of €470,000 at time of acquisition
- Restructuring of German operations

[1] Underlying Results represent results from the Technegas Division excluding R&D tax incentive, costs/lease termination and double rent period costs, FDA Expenses, Pilot Clinical Trial expenses and provisions for Almedis Germany.

Cyclopharm's Underlying Results[1]:

YEAR ENDED 31 DECEMBER	2017 $'000	2016 $'000	INC/(DEC) $'000	CHANGE %
SALES REVENUE	**13,189**	**14,386**	**(1,197)**	**(8%)**
SALES REVENUE EXCLUDING CHINA SEEDING SALES	**13,189**	**13,008**	**181**	1.4%
GROSS MARGIN	**10,740**	**11,182**	**(442)**	**(4%)**
GROSS MARGIN % SALES	81.4%	77.7%	3.7%	
CONSOLIDATED EBITDA	**1,043**	**2,041**	**(998)**	**(49%)**
ADD BACK:				
CPET / ULTRALUTE™ DIVISION	457	366	91	25%
R&D TAX INCENTIVE	(2,391)	(495)	(1,896)	(383%)
RELOCATION EXPENSES*	-	428	(428)	(100%)
FDA EXPENSES	2,585	1,098	1,487	135%
PILOT CLINICAL TRIAL EXPENSES	270	-	270	100%
PROVISIONS FOR ALMEDIS GERMANY	677	-	677	100%
UNDERLYING EBITDA	**2,641**	**3,438**	**(797)**	**(23%)**
GROSS MARGIN – CHINA SEEDING SALES	-	(767)	767	(100%)
UNDERLYING EBITDA EXCLUDING CHINA SEEDING SALES	**2,641**	**2,671**	**(30)**	**(1%)**

Summary of Operations

Cyclopharm delivered a solid performance in FY17. Sales of TechnegasPlus generators and Patient Administration Sets (PAS) were 56 units (2016: 119 units) and 4,238 units (2016: 4,284 units) respectively.

The change in sales from the prior year reflected:

- A restocking initiative in Germany
- Flat sales in France ahead of renegotiated supply contract
- Continued strong growth in Canada and other European markets
- No China sales following seeding in Q4 2016. Sales to China expected to resume in H2 2018.

Cyclopharm Managing Director and CEO, Mr. James McBrayer said "The strong sales in Europe is pleasing despite flat sales in France. In the second half of 2018 we expect to see an uplift in France in the second half of 2018 as we renegotiate our sales agreements there. Particularly pleasing is the fourteenth consecutive year of growth in Canada. We see Canada as a lead indicator for our plans for the United States."

Cyclopharm's results include $2.39 million of R&D tax incentives, compared to $495,083 in 2016, following an AusIndustry decision, in late 2017. The Company expects to receive R&D tax benefits of an amount similar to that received in FY2017 through to at least FY2020.

Cyclopharm made significant progress towards obtaining USFDA approval to sell Technegas in the US with 33 patients imaged to date in its USFDA Phase 3 clinical trial. Expenditure to drive the FDA process rose from $1.1 million in 2016 to $2.58 million in 2017. The company

expects to spend approximately $US5.4 million in FY18 bringing the total expenditure on USFDA approval to the forecast US$7.5 million.

Mr McBrayer said the potential for Technegas in the US market remains a huge opportunity for Cyclopharm. "Our strong balance sheet enables us to fully fund the USFDA trial and we are on track to enroll our first 40 patients in the first quarter of 2018 and ultimately enter the US market in 2019. It is a market valued at $US90 million per annum for diagnosing Pulmonary Embolism alone. Based on acceptance of Technegas elsewhere, we are targeting 80% of that market within five to seven years of approval."

Mr McBrayer said the Group made good progress against other strategic priorities.

"We are expanding Technegas sales in existing markets while exploring new applications such as Chronic Obstructive Pulmonary Disease (COPD) and Asthma, two significantly larger markets than the Pulmonary Embolism Market where we traditionally operate. We are also excited to be in the position to commence sales of Ultralute™ in the first half of 2018."

Following the acquisition of IC Medical, Cyclopharm is restructuring European operations. Ireland will become the distribution hub for Europe and the new distribution model is expected to result in higher sales and margins in 2018.

The restructure of European operations includes a provision of $0.68 million for terminating a German commercial agreement with Almedis GmbH.

The IC medical acquisition will support sales and marketing efforts for Technegas and Ultralute^{tm} in the Benelux markets and provide an improved ability to promote Technegas to clinicians for use in the diagnosis and treatment of indications beyond Pulmonary Embolism.

OUTLOOK

Mr McBrayer said he believed Cyclopharm was poised in 2018 to start its next phase of growth with:

- The first commercial sales of Ultralute™
- Continued growth in demand for generators and PAS units in all markets
- New agreement for Technegas sales into France resulting in an uplift in sales
- Higher margins in Germany as sales efficiencies gain traction
- Progress in new trials to support the increased indications for the use of Technegas
- Renewed sales in China in the second half
- Significant progress toward conclusion of the Phase 3 USFDA clinical trial of Technegas with approval for sales in 2019.

"Overall, I expect Cyclopharm to deliver solid sales and earnings growth in 2018 supported by the commercial launch of Ultralute™. With Technegas I anticipate continued success with in Canada along with an uplift in sales in both China and in Europe over 2017", Mr McBrayer added.

The solid underlying results and cash flows for the year supported the Board's decision to declare a final unfranked divided of 0.5 cents per share, to be paid on 16 April 2018 to shareholders on the register on 9 April 2018. This final dividend brings total dividends for the year to 1.0cps, in line with the prior year.

For more information, please contact:
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Cyclopharm Limited
Cyclopharm is an ASX Listed radiopharmaceutical company servicing the global medical community. The Company's mission is to provide nuclear medicine and other clinicians with the ability to improve patient care outcomes. Cyclopharm achieves this objective primarily through the provision of its core radiopharmaceutical product, Technegas used in functional lung ventilation imaging.

Technegas
The Technegas technology is a structured ultra-fine dispersion of radioactive labelled carbon, produced by using dried Technetium-99m in a carbon crucible, micro furnaced for a few seconds at around 2,700^{o} C. The resultant gas like substance is inhaled by the patient (lung ventilation) via a breathing apparatus, which then allows multiple views and tomography imaging under a gamma or single photon emission computed tomography (SPECT) camera for evaluating functional ventilation imaging. Historically used in the diagnosis of pulmonary embolism, Technegas, together with advancements in complementary technology to multimodality imaging and analytical software, is being used in other disease states to include COPD, asthma, pulmonary hypertension and certain interventional applications to include lobectomies in lung cancer and lung volume reduction surgery.

Ultralute^{TM}
Cyclopharm's patented nuclear medicine technology Ultralute^{TM} extends the useful life of Molybdenum-99 (Mo-99) generators by up to 50%. This technology potentially gives nuclear medicine departments the ability to dramatically improve operating efficiencies and health outcomes for patients. Mo-99 generators are used in diagnostic imaging to harvest Technetium-99m, or Tc-99m, which is the primary isotope used in diagnostic imaging throughout the world. This isotope accounts for approximately 80% of all nuclear medicine diagnostic imaging procedures.