Initiating Coverage Report

Simavita Limited

From the cradle to the grave

Simavita
gracing life

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Name:	**Simavita Limited**
Country:	**Australia**
Price:	**AUD 0.455**
ISIN Code:	**AU000000SVA1**
Reuters Code:	**ASX: SVA, TSX-V: SV**
Market Cap (AUD m):	**42.0**
EV (AUD m):	**35.0**
Cash & cash eq. (AUD m):	**7.0**
Shares outstanding (m):	**92.25**
Volume:	**74.075**
Free float:	**60%**
52-week Range (AUD):	**0.40-0.64**

AUD million (ending 30/6)	2014A	2015A	2016E
Total Income	0.350	0.779	4.000
Net (Loss)/Profit	(10.514)	(9.450)	(6.000)
Net loss per share (cents)	(0.34)	(0.12)	(0.07)
R&D costs	2.021	2.454	3.000
Cash increase/(decrease)	6.118	2.882	4.000*)
***) we expect a capital increase of minimum AUD 10m**			
Cash and marketable sec.	6.844	9.027	13.000

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Executive Summary

- Simavita Limited (ASX: SVA; TSX-V: SV) is an Australian based medical device company in digital healthcare that has developed an innovative and unique solution for the management of urinary incontinence, with a focus on the elderly. Simavita's proprietary Smart Incontinence Management (SIM™) platform provides a clear answer to the rising costs associated with urinary incontinence (UI) in elderly care, which is by far the largest cost factor for nursing homes in every country. The company is the first to introduce wearable technology into the incontinence market that also showed clear benefits for patients with a much-improved quality of care. In addition to its existing SIM product, Simavita's platform technology also provides other potential applications in falls management, hydration monitoring, every day monitoring, and toddler training.

- In the past 12 months, the company has made important steps to increase revenues from the SIM™ platform substantially in the next few years by executing strategic distribution agreements in Australia, North America and Europe. Via these partnerships, Simavita is able to introduce and sell SIM™ to a growing number of aged care facilities. In addition to its distribution agreements in the US, at the beginning of this year the company signed its first distribution agreement in Europe with Abena A/S to distribute the SIM™ system in Denmark.

- With its proprietary SIM™ platform in aged care, the company is a frontrunner in the growing global digital health sector. Digital healthcare is an upcoming discipline that involves the use of information and communication technologies to help address the health problems and challenges faced by patients. The global digital health market was valued at USD 60.8 billion in 2013 and is expected to increase to USD 233.3 billion by 2020. Simavita has an excellent position to become an important player in this sector.

- There are a number of key milestones to focus on in the next 6-12 months which include: announcement of new strategic agreements with one or more large aged facility care chains in the US, an agreement with a major European distributor and the further roll out of Simavita's technology in potentially six more European countries. We also expect the completion of major clinical research programs before the end of this year.

- Including the IPO on the ASX in February 2014 and a follow on raising, the company successfully raised AUD 20.3 million. Additionally, the company managed to raise a further AUD 8.3 million in a private placement in April this year. The current cash level should be sufficient to continue the development of its technology platform to target additional markets. Next to that we expect a fivefold increase in revenues in the next 1-2 years that will propel the company towards profitability, especially if Simavita is able to sign up one of the large aged care groups in the US.

- Based on NPV based valuation, we believe that Simavita is clearly undervalued at the current share price of AUD 0.45. Using our valuation model, the Company's current total value is AUD 150-180 million, or AUD 1.60-2.00 per share. This is based on the current value of SIM™ in aged care and the further roll out of its current products in both North America and Europe. This valuation represents a substantial upside from the current share price.

Company Profile

Simavita Limited (ASX: SVA; TSX-V: SV) is an Australia based medical device company in digital healthcare that has developed an innovative and unique solution for the management of urinary incontinence, with a focus on the elderly. Incontinence is one of the largest costs associated with aged care (25%).

Simavita's initial product is the Smart Incontinence Management (SIM™) platform technology. SIM™ is a software-enabled technology that collects and interprets information as part of a mandated 72-hour assessment process that creates a care plan for an elderly person. SIM is currently being sold in Australia (approved by TGA), Europe (CE-Mark) and the US (approved by FDA). There are currently no known commercially-available competitors to SIM™.

Business Strategy: Increasing revenues directly and with partnerships

The company has rolled out its Software as a Service (SaaS) model under which customers contract with Simavita on an annual basis to use SIM™. The model provides its customers the benefits of a regular and all-encompassing fee for SIM™ that enables them to include the associated costs into their budgets with more certainty. For Simavita it provides a contracted and therefore predictable revenue stream in the form of an annuity that will increase ass more customers sign up for the use of SIM™. The SaaS model has now been rolled out and the first contracts have been executed with US and Canadian clients and negotiations are underway with more potential customers.

Simavita's commercial strategy is to be first to market SIM™ in as many countries as possible with the first SIM application. To rapidly develop further applications and products for other market segments, the company intends to either set up its own sales force or to making partnerships and explore possibilities to license out new applications of SIM™. Currently the company is rolling out SIM in Australia, the US and Europe.

In the US, Simavita has a distribution partnership with Medline, the largest distributor to the aged care sector in the US. Via Medline, Simavita has already signed SIM™ contracts, e.g. with Lorien Health Systems. To facilitate a more rapid deployment of SIM™ in the US, both parties have agreed to transition the partnership into a non-exclusive agreement. Importantly, the company executed an agreement with the leading US Electronic Health Record (EHR) provider MatrixCare. MatrixCare's EHR solution is currently deployed in more than 7,000 aged care facilities in the US. Simavita is currently working to develop an integrated solution to effect interoperability with MatrixCare's EHR solution.

In Australia, Simavita has signed several distribution agreements with companies like Hartmann and Bunzl to sell and market SIM™ throughout Australia. Hartmann is an Australian market leader in the sale of continence aids and an active driver of policy to improve health conditions of the elderly. They are market leaders in the supply of incontinence products to the residential and hospital aged care sectors. Bunzl is a major distributor of continence products in the Australian market through the sales and distribution of its range of Abena products.

In Europe, a first step was set with the distribution agreement with Abena to distribute the SIM system in Denmark. Advanced negotiations are underway with a major European distributor, to roll out SIM™ in six more EU countries expected in the next few months.

SIM™: Managing the increasing costs of elderly care

The original concept for the SIM™ technology resulted from observations of the inadequacy of existing incontinence management. Preliminary research confirmed significant efficiencies and improvements in quality of care as a result of the use of early stage SIM™ technology. SIM™ technology has since been further refined and now in its fourth generation. The sales of SIM™ are now occurring in Australia, North America and Europe.

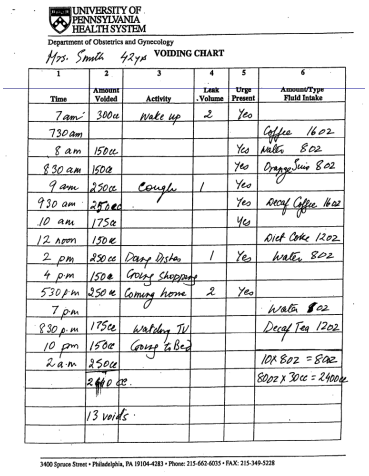
SIM™ is Simavita's first product that delivers instrumented urinary incontinence assessments and the collection of relevant additional digital data during the incontinence assessment process. This process delivers a set of reports for evidence-based care planning. SIM™ replaces this subjective and often inaccurate process of manual assessments that is very labour intensive and disruptive for the elderly residents.

Currently, around 15 million manual assessments are performed globally, which are often inaccurate and highly labor intensive for the staff and disruptive to residents of nursing homes. Conducting incontinence assessments is an accepted practice in practically all countries in North America, Europe and Australia and is an important element of the care of each individual resident/patient.

A SIM™ assessment provides digital information that objectively supports the creation of a validated care plan for the individual resident. The assessment provides an evidence-based UI report that creates an individualized toileting program. This also provides support for the allocation of the appropriate number of UI products (diapers). It also gives a protocol to validate the newly created toileting program and usage of diapers.

Key benefits of Simavita's SIM™ consists of a clear cost reduction in both labor and products and considerable improvements in the working environment. Important is that the SIM™ system is objective and accurate compared to the traditional manual method. In Australia, aged care facilities need to submit data to the Aged Care Funding Instrument (ACFI) in order to receive reimbursement. In the US, the Centers for Medicare and Medicaid Services require nursing homes to meet guidelines that identify and assess each resident with urinary incontinence (UI) and provide appropriate treatment. In the US, failure to comply with these guidelines is used as a basis for claims.

Manual, paper based practice


UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM
Department of Obstetrics and Gynecology
Mrs. Smith 42yo
VOIDING CHART

1 Time	2 Amount Voided	3 Activity	4 Leak Volume	5 Urge Present	6 Amount/Type Fluid Intake
7am	300cc	Wake up	2	Yes	
730am					Coffee 16oz
8 am	150cc			Yes	water 8oz
830 am	150cc			Yes	Orange Juice 8oz
9 am	250cc	Cough	1	Yes	
930 am	250cc			Yes	Decaf Coffee 16oz
10 am	175cc			Yes	
12 noon	150cc				Diet Coke 12oz
2 pm	250cc	Dairy Queen	1	Yes	water 8oz
4 pm	150cc	Going shopping			
530 pm	250cc	Coming home	2	Yes	
7 pm					water 8oz
830 pm	175cc	Watching TV			Decaf Tea 12oz
10 pm	150cc	Going to Bed			
2 am	250cc				10X 8oz = 80oz
	2400 cc				80oz x 30cc = 2400cc
	13 voids				

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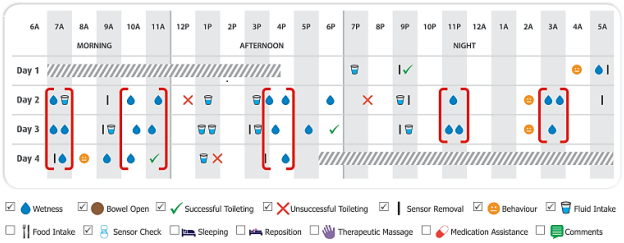
VS

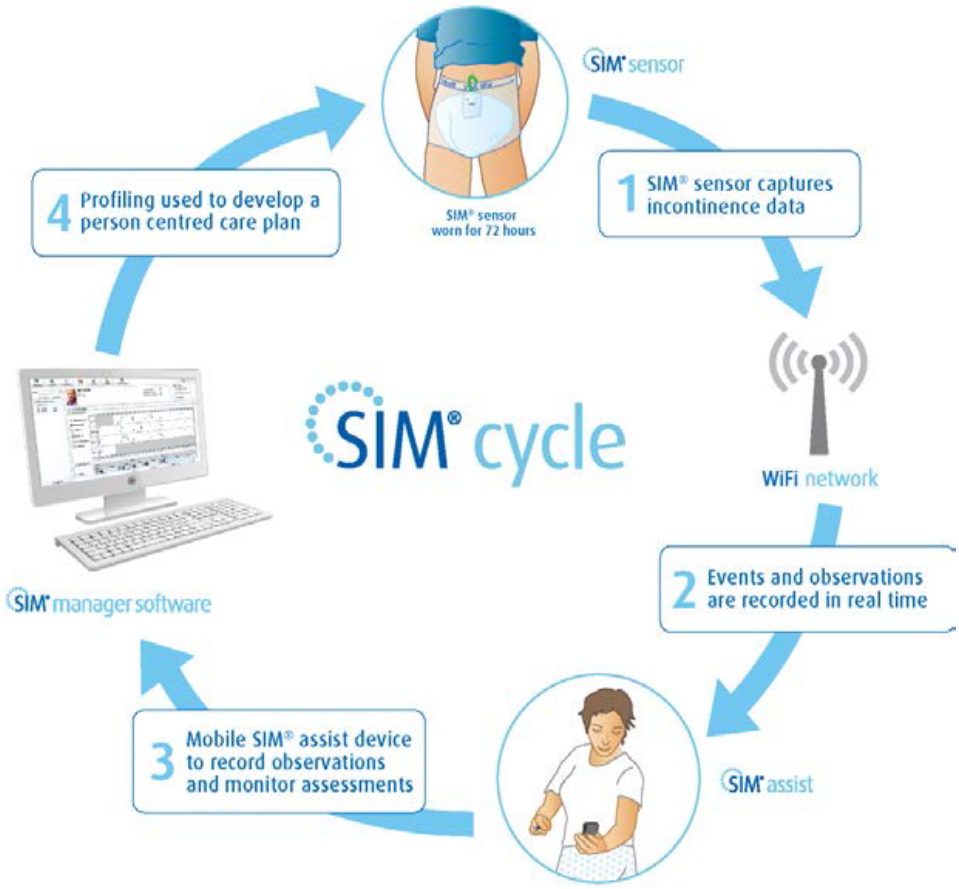
SIM continence management practise



Subjective, inaccurate and labor intensive

Digitized, accurate and cost effective

The assessment process via Simavita's SIM is illustrated below.

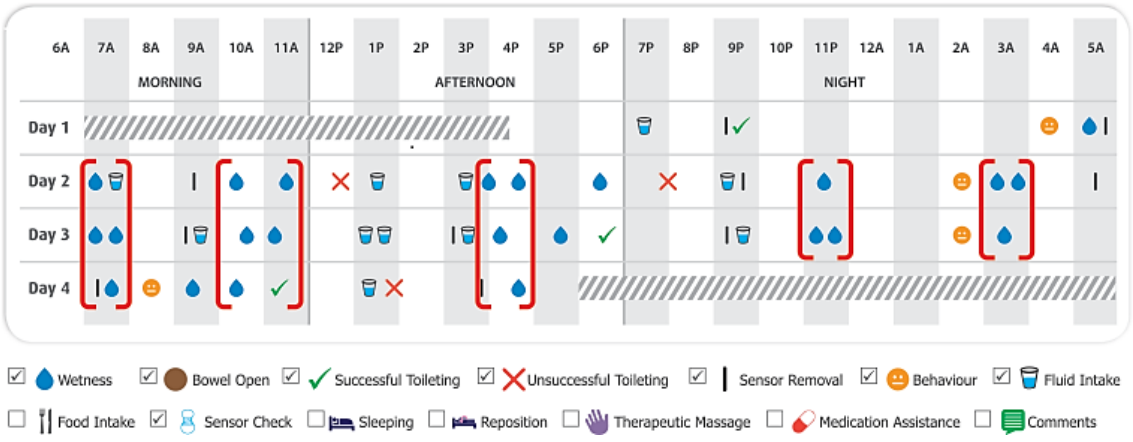


Source: Simavita

SIM comprises an electronic sensor that connects into a pod that transmits data. The Pod is inserted into a specially designed disposable continence aid (diaper) which is worn by the resident that collects information which is then transmitted via WiFi by the SIM Pod to a centralized computer system that analyzes and interprets the data and prepares the care plan.

(see diagram above). The telemonitoring system provides the care staff with an alert when a resident wearing the device passes urine and transmits and electronically records urinary output. This data is then used to develop an individualised UC care plan as described above. The SIM pod has been designed to operate continuously over the entire assessment period and utilizes Wi-Fi capabilities to send data back to a server based software application (SIM manager) for processing into useful data for clinicians to review.

SIM™ assist operates on smart phone devices such as Android phones or tablets. The portability of a device containing SIM™ assist allows the caretaker to record relevant data about the resident under assessment at the time of each event. The data includes food and fluid intake, successful and unsuccessful toileting, sensor changes, behaviours and other therapy activity related to UI care.



The company estimates that its proprietary SIM™ platform reduces the labor costs of conducting assessment by more than 35% with a comparable saving in pad costs and cleaning. In the longer term, these costs can be reduced even more with a strong improvement in effective toileting. The developments Simavita are progressing can be summarized as follows:

- Community Care Assessments, essentially the current SIM™ product but adapted slightly to perform assessments of urinary continence for the elderly in the home or community setting.

- Everyday SIM™, a next generation low-cost sensor that could be embedded into an incontinence product designed for routine use within the nursing and residential care settings.

- Everyday SIM™ for community care, the same low-cost sensor in a pad/diaper with the software/hardware adapted for use in the home and community settings.

- Baby Monitoring and Toddler Training.

- Falls application.

Community care is an important and increasing market segment. Incontinence issues are often the trigger that initiates the admission of an elderly person into residential care, yet with the right care many elderly people can stay in their own homes longer, which are not only better for their health and happiness, but better for healthcare budgets struggling to take the strain of an ever-growing elderly population. An optimized care-at-home service (which identifies those at risk and treats them holistically) helps minimize the impact of incontinence on the lives of patients, care-giving relatives and staff, enabling them to retain their independence in their own homes for longer.

Potential Markets SIM Platform

Target Product	Industry Positioning	Global Market Size	Potential R&D investment
Every Day Sensor	Aged Care Incontinence	USD 9 billion +	AUD 3.0 million
Community Care Sensor	Home Care Incontinence	USD 20 billion +	AUD 1.0 million
GPS Application	Home Care/LTC	USD 5 billion	AUD 0.5 million
Falls Application	Home Care/LTC	USD 4 billion	AUD 0.5 million
Baby Monitoring	Consumable RET/ Acute Care	USD 35 billion	AUD 1.0 million
Toddler Training	Consumable RET	USD 7 billion	AUD 1.0 million
Total		USD 80 billion	AUD 7.0 million

Source: Simavita

Everyday SIM™ is designed to be worn every day rather than just during the 72 hours of an assessment. Much depends on getting the costs down sufficiently to make this economically compelling in a residential setting. The need is clear since with the right products and care routines the 'consequence costs' (such as unnecessary product consumption and extra work, laundry and skin treatments) of using these on properly targeted residents can be significant. It is estimated that just halving the incidence of leakage can result in a reduction of total costs by up to 20%. The data and instant feedback can be used to improve patient wellbeing, as well as to

select the appropriate products and deploy care staff more effectively.

A very interesting and increasingly important potential application of SIM™ is falls prevention. The association between incontinence and falls in people over the age of 70 has been widely established in the scientific literature. Results from a large retrospective study confirmed the correlation between incontinence and falls for people over the age of 70 and demonstrated that a higher degree of incontinence is associated with a higher risk of falls. Research also indicates that up to 50 percent of all falls in long term care facilities are incontinence-related. Simavita has engaged in a range of clinical research that has been presented at various conferences.

Recently, Simavita released its first US pilot study[1] on fall prevention. The pilot study, conducted at Lorien Health Systems' Lorien Bel Air, a skilled nursing and assisted living provider near Baltimore, tested the technology on three challenging residents, all of whom have been diagnosed with some level of dementia and a history of falls during attempted trips to the bathroom. Lorien Bel Air's pilot study began in 2014 with three residents, all of whom had been diagnosed with some level of dementia, had trouble expressing themselves, and exhibited anxiety over incontinence. Each resident wore the sensor eight hours a day for three days, to establish the baseline data. Over a few weeks, nurses realized that each resident had different times of incontinence, and that if the toileting schedules were tweaked to serve each resident right before his or her peak incontinence times, incontinence and falls could be reduced. Prior to its use of the technology, Lorien Bel Air had 10-17 resident falls per year, many of them during the night. During the year-long pilot, the number of falls dropped to eight. So far in 2015, there has only been one. Savings are huge if falls can be decreased from five in a month to zero. One x-ray costs USD 120. Then there is the cost of skin tear and skin wound products. At a minimum,

[1] Lorien – White Paper: A review of the SIM Platform Following Lorien's Pilot Study

the cost of a single fall is USD 320, and this does not include sutures, if needed, or hospital admission in the case of a fracture.

In 2013, the total direct medical costs of fall injuries for people 65 and older, adjusted for inflation, were USD 34 billion. Among community-dwelling older adults, fall-related injury is one of the 20 most expensive medical conditions. In 2002, about 22% of community-dwelling seniors reported having fallen in the previous year. Medicare costs per fall averaged between USD 14,306 and USD 21,270. Among community-dwelling seniors treated for fall injuries, 65% of direct medical costs were for inpatient hospitalizations; 10% each for medical office visits and home health care, 8% for hospital outpatient visits, 7% for emergency room visits, and 1% each for prescription drugs and dental visits. About 78% of these costs were reimbursed by Medicare.

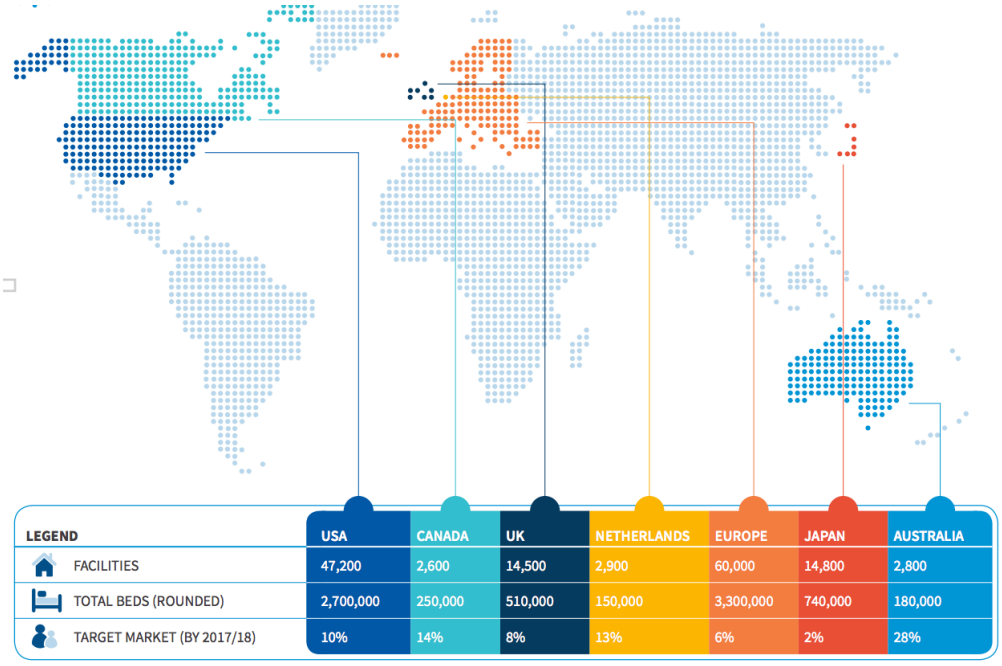
Urinary Incontinence in the Elderly

Urinary incontinence (UI), the involuntary loss of urine so severe as to have social and/or hygienic consequences for individuals and/or their caregivers, is a major clinical problem and a significant cause of disability and dependency. Urinary incontinence affects all age groups and is particularly common in the elderly.

Over the past decade, a considerable amount of research has increased our understanding of the pathophysiology and optimal treatment for this common geriatric condition. However, there is a persistent myth that UI is a normal consequence of aging. While normal aging is not a cause of UI, age-related changes in lower urinary tract function predispose the older person to UI. Anatomical changes to the lower urinary tract and disturbances, such as chronic illnesses common in the elderly, contribute to this condition.

Frail nursing home residents often have UI that can be improved or cured or better managed. Despite the increased knowledge about clinical forms, diagnostic tests, and treatments, opinions differ widely concerning the best approach to the specific forms of the disorder because of the lack of well-defined guidelines. Because only about half of the people with incontinence in the community have consulted a physician about the problem, the true clinical extent and public health impact of UI are underestimated. The financial costs of UI for aged care services is considerable (Deloitte Access Economics 2011). It is estimated that UI care accounts for 60 percent of all residential accommodation nursing care time (Bremner 2004) and the cost of caring for individuals who experience UI in residential accommodation in Australia is about AUD 1.3 billion per annum (Australian Institute of Health and Welfare (AIHW) 2006). Over two-thirds of older people living in residential accommodation need assistance to use the toilet and half of them experience UI (Pearson 2003). The costs of incontinence have been estimated to be more than USD 10 billion annually in the United States. In nursing homes alone, the costs of labor, laundry, and supplies necessary to manage incontinence and its complications are more than

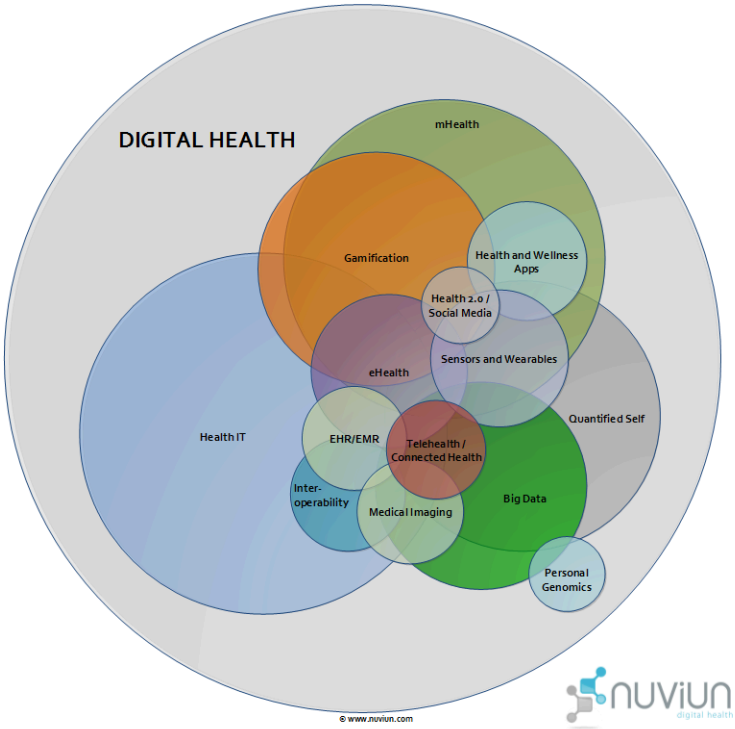
USD 3 billion. There are also associated morbidity-related costs such as urinary tract infection, impaired skin hygiene (leading to pressure ulcers), depression and anxiety, increased falls in the more elderly, and greater use of other healthcare resources. A high percentage of residents in residential aged care facilities (or long term care facilities as they are called in the US) suffer from some degree of incontinence. In Australia there are 2,800 accredited residential aged care facilities housing 180,000 beds. In the US there are 16,100 skilled nursing facilities and a further 43,000 residential care facilities housing 2,700,000 beds.



LEGEND	USA	CANADA	UK	NETHERLANDS	EUROPE	JAPAN	AUSTRALIA
FACILITIES	47,200	2,600	14,500	2,900	60,000	14,800	2,800
TOTAL BEDS (ROUNDED)	2,700,000	250,000	510,000	150,000	3,300,000	740,000	180,000
TARGET MARKET (BY 2017/18)	10%	14%	8%	13%	6%	2%	28%

Simavita: Pioneer in fast growing Digital Healthcare

Digital healthcare is an upcoming discipline that involves the use of information and communication technologies to help address the health problems and challenges faced by patients. These technologies include both hardware and software solutions and services. Generally, digital healthcare is concerned about the development of interconnected health systems so as to improve the use of computational technologies, smart devices, computational analysis techniques and communication media to aid healthcare professionals and patients manage illnesses and health risks, as well as promote health and wellbeing.



The global digital health market was valued at USD 60.8 billion in 2013 and is expected to increase to USD 233.3 billion by 2020. During this time, the mobile health segment of the industry is expected to generate the second largest revenue share, reaching USD 55.9 billion in 2020. Mobile health is experiencing a growth trend as consumers demand more accessibility to their medical health professionals and transparency in health care becomes more important. However, some hesitation still exists among consumers in regards to the privacy of personal information and the security of data systems. Approximately 33 percent of females reported that they were not at all comfortable sharing self-collected digital information, while about 12 percent of male consumers claimed to be very comfortable. More efficient healthcare expenditures are also important to many consumers, where 43 percent of consumers state that the ability to reduce one's own health care costs is driving their adoption of mHealth applications and services as of 2012. China's market is expected to generate large growths in the overall global market, reaching 125.3 million RMB in 2017. The emergence of the digital health market is expected to increase the potential of big data and analytics and transform the consumer healthcare market.

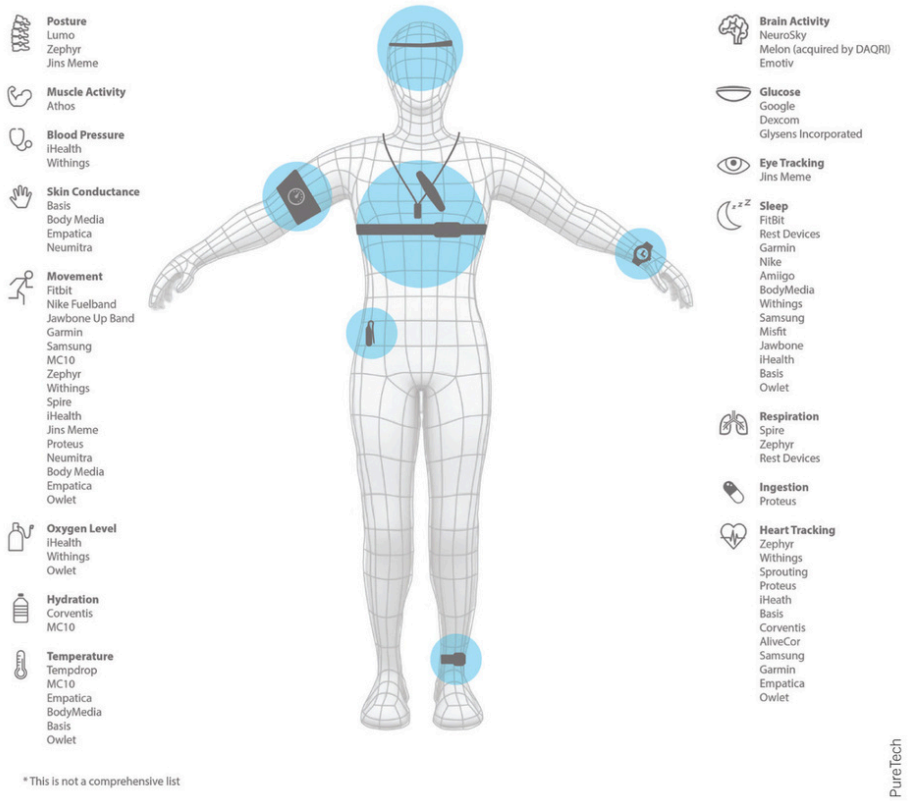
Wearable technology (sensor based devices worn by consumers) is increasing in importance providing convenient mobile monitoring for health and fitness purposes. By helping people lead healthier lives, manage chronic conditions and improve access to care, wearable technology can play a key role in reducing the primary care bill. As the primary care system costs the taxpayer up tens of billions of dollars each year, any technology that engages patients and helps them manage their own symptoms can make a significant difference. According to a report by the IHS, the global market for wearable tech will rise to USD 30 billion by 2018 from USD 8.5 billion in revenues during 2012. Note that this report includes infotainment, military and industrial markets, as well as health and fitness. Another research firm, On World, predicts that in 2017, 515 million sensors for wearable, implantable or mobile health and fitness devices will be shipped globally—up from 107 million in 2012. Between 2012 and 2017, wearable health and fitness device

shipments will increase by 552% and make up over 80% of the mobile sensing health and fitness device market at this time. The same firm also estimates that by 2017, 18.2 million health and wellness WSN systems—excluding sports/fitness devices-- will be shipped worldwide and annual revenues enabled by these systems will reach USD 16.3 billion. Cloud connected services will make up 53% of the revenues in five years.

Important factors driving the sensors and wearables market include:

- Decreasing costs of sensors
- Miniaturization of physiological sensors
- Integration of sensors into consumer-end devices and accessories
- Rising share of ageing population
- Increasing incidences of chronic and lifestyle diseases
- Rise in home and remote patient monitoring
- Reduced digital health costs
- Accountable care organizations and reimbursements
- Increasing mobile and smartphone penetration
- Increasing patient/physician acceptance
- Entry of big players such as Apple, Google, Microsoft and Amazon

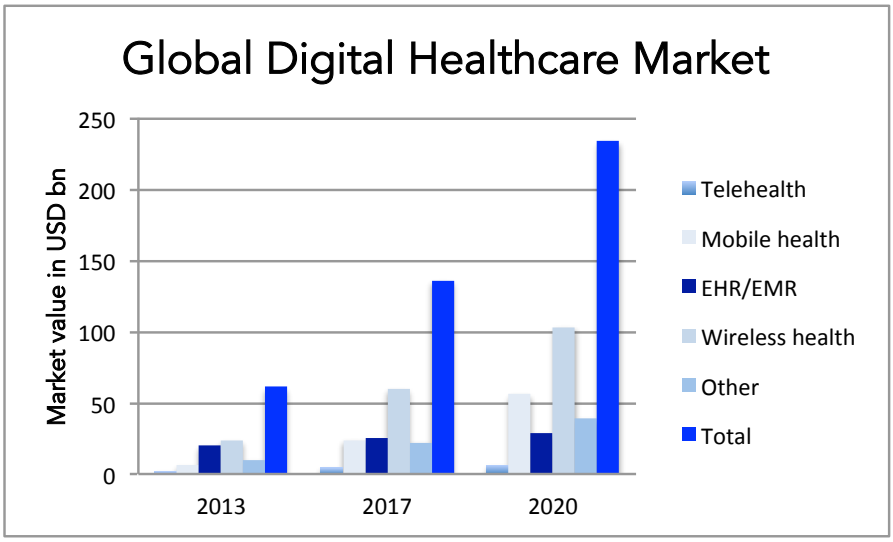
The future of healthcare seems to be cupped in the massive potential of the world's most tiny sensors and wearables – where technology shrinks to expand, and a generation raised on gadgets turns gray.



Source: Defining digital medicine, Nature.com

In addition to residential aged care facilities there is a large and growing number of elderly people being cared for at home. In Australia there are 255,000 elderly people receiving home care services. In the US, there are 2,810,000. Incontinence management is an important issue for these people under care in the community as it is often a trigger point for the loss of independence, and as such a prominent reason to move into an institutionalized care setting.

The increase in the use of digital healthcare is illustrated in the diagram below.



Simavita is well positioned to actively participate in the wearables space given its:

- Real world, in-market experience of a medical device worn by patients (SIM™)
- Real world, in-market experience embedding sensors in incontinence products (SIM™)
- Extensive partner network in global centres of excellence for sensor design
- Extensive IP and in-house expertise in algorithms
- Acquisition of applied communication IP
- A natural market fit with convenient, unobtrusive assessment and monitoring for independent living.

The predicted increase in the size of the digital healthcare market has resulted in an increase in investment in this expanding sector. US investment in the sector has already exceeded USD 3 billion in 2014 with further transactions in the pipeline.

Globally, the number of people aged 60 or over is expected to more than triple by 2100, increasing from 841 million in 2013 to 2 billion in 2050 and close to 3 billion in 2100. In ageing populations, it is the older persons segments that grow faster with the higher age ranges becoming the largest. As the number of people aged 60 or over is expected to more than triple by 2100, that of people aged 80 or over is projected to increase almost seven-fold by 2100, increasing from 120 million in 2013 to 392 million in 2050, and 830 million in 2100. However, despite affecting a growing number of the older population, urinary incontinence should not simply be accepted as an inevitable part of ageing. An ageing population will have a strong upward impact on public spending for long-term care. This is because frailty and disability rise sharply at older ages, especially amongst the very old (aged 80+), which will be the fastest growing segment of the population in the decades to come. For instance, in the EU public spending on long-term care is projected to double, increasing from 1.8% of GDP in 2010 to 3.4% of GDP in 2060 in the EU as a whole.

SWOT Analysis

Strengths

Strong management with extensive relevant commercial expertise

Strong IP position

First to market with de-risked product (first sales have commenced)

Direct product cost savings and work place cost efficiencies

Weaknesses

Operating losses cumulating year-on-year

Delay in roll out in major markets like the US

Opportunities

Additional products to leverage off current platform technology, additional markets

High unmet medical need

Large growing markets

Threats

Delay in roll out in major markets

Failure to sign large partnerships in key markets

High level of expenditure

Patent Position

Simavita's patent portfolio comprises 13 patent families, with numerous independent claims. 22 patents are granted: 7 in Australia, 5 in the US, 5 in the EU, 1 in Canada, 1 in China, 1 in Japan and 2 in New Zealand. Simavita has an additional patent granted by the European Patent Office (EPO) that can be applied in any of the 38 member states. Additional patents are currently pending, and additional patent families are planned to be filed. Simavita also has the global exclusive license to two CSIRO patent portfolios.

Furthermore, Simavita has strengthened its patent position in 2014 by securing patents over an RFID technology, developed by Dutch company, Salusion B.V., for the detection of saturation conditions in adult incontinence pads and diapers. Salusion B.V. experienced commercial difficulties, which lead to insolvency, allowing Simavita to move quickly and secure the patents at modest cost from the receiver.

Financials

For the year ended 30 June 2015, Simavita reported a net loss after tax of AUD 9.5 million representing a decrease of AUD 1.0 million, or 10%, over the loss for the previous year. This decrease in the current year loss is principally attributable to: Revenues increased by 122% to AUD 0.8 million from the sale of Simavita's Smart Incontinence Management (SIM) platform, together with falls in transaction-related costs from 2014.

Total cash at the end of June 2015 amounted to AUD 9 million.

The majority of the growth in revenue was due to the initial sales of SIM™ in the US market following the receipt of Simavita's first significant order from its US distributor Medline and from early sales of the company's products in Europe and from the initial sales to one its newly appointed Australian distributors, Bunzl Outsourcing Services and Hartmann. Simavita anticipates that sales of SIM in Australia will continue to grow. For 2016FY we expect revenues to increase fivefold AUD 4.0 million due to a combination of direct sales in Australia and increasing revenues from the US via its partnerships there. For 2017FY we expect the continued roll out across Australia, Europe and the US, coupled with sales from the initial launches in Canada and one European market, to result in revenues climbing to AUD 20 million. Negotiations with potential distributors of SIM in other European countries (apart from Denmark). In Canada a pilot site has now been established to demonstrate SIM with further sales to be expected in the next few months.

Financial Summary (AUD mln)

Profit & Loss Statement For full year ended 30 June	June 30 2015A (12 months)	June 30 2014A (12 months)
Revenues	0.779	0.350
Expenses		
R&D Costs	(2.454)	(2.021)
General & administrative expenses	(4.410)	(4.472)
Sales & Marketing	(3.697)	(1.716)
Income (loss) before income taxes	(10.959)	(11.706)
Tax Credits	1.496	1.214
Net Loss (Income)	(9.450)	(10.515)

Consolidated statement of cash flows

	June 30th 2015A (12 months)	June30th 2014A (12 months)
Cashflow from operating activities	**(9.017)**	**(8.288)**
Cash flow from investing activities	**(0.207)**	**0.047**
Cash flow from financing activities	**11.395**	**14.358**
Cash and cash equivalents at beginning of the period	6.844	0.738
Net change in cash and cash equivalents	2.171	6.118

Management Capabilities

Seasoned innovators in healthcare and specifically in elderly care are building Simavita. The company is led by an experienced Board and management team, which has been responsible for the rapid development of the business and has a successful track record of developing, protecting and commercializing innovative scientific products and processes. In the past several years, Simavita has been investing in developing a team of experts that have a focus on patient outcomes and can deliver results. Its board and senior management team are highly experienced in the development and commercialization of therapeutics in elderly care.

Management Team

Michael Brown, Chairman of the Board

Michael was appointment Chairman of the Company in January 2015. Mr. Brown is the founder and Executive Chairman of Integrated Equity Pty. Ltd., a Melbourne-based investor and corporate advisory firm. He has had a long and successful career in funds management and has operated at the Chief Investment Officer and Managing Director levels in both the listed and private equity markets. He also has extensive international investment experience.

Philippa Lewis, Chief Executive Officer

Philippa was appointed Director of the Company in 2007. She is the Chief Executive Officer and Executive Director of the Company. Philippa has had over 30 years of local and international business experience across multiple industry sectors including retail, healthcare, construction, international technology transfer, franchising, patent management, import, distribution and manufacturing. In 2002 Philippa was recognized as one of the Zurich Business Leaders of the Year. Philippa was the Chief Executive Officer and founder of Sanicare, an Australasian import and distribution business for textile based and non-woven adult incontinence products. Under

her guidance, Sanicare grew to be a market leader with over $20M in turnover. In 2005 she sold the business to a FTSE-listed entity staying on as Chief Executive Officer and Director. Philippa's academic qualifications span Business and Law. She is a member of the Institute of Company Directors and the Institute of Arbitration and Mediation.

Thomas Howitt, Chief Financial Officer

Thomas was appointed Chief Financial Officer and Company Secretary of the Company in 2014. During a career spanning more than 20 years, Thomas has served as CFO (and Company Secretary) for a number of public companies, on both the ASX and foreign stock exchanges. His experience covers all facets of financial management and control across a variety of industries, including resources and technology both domestic and international; having most recently played an important part in the successful development, patenting and commercialisation of an innovative suite of technologies. Thomas is a Chartered Accountant, member of the Taxation Institute of Australia and Institute of Chartered Secretaries**.**

Mr Craig Holland, Director

Craig Holland is a former senior partner of international accounting firm Deloitte, having practiced with Deloitte from 2004 to 2012 where he ran the Melbourne Tax Group within Deloitte Private. In addition to providing accounting and taxation advice to a range of Deloitte clients, Craig Holland also served on both the Melbourne and National Executive teams within Deloitte Private, and was also Deloitte Private's Chief Operating Officer prior to his retirement from Deloitte in October 2012. In 2012, Craig Holland retired as a partner in order to pursue private business interests in the aged care sector. Craig Holland currently holds three non-executive and one executive board positions. He is an Executive Director and owner of the Menarock Aged Care Services Group, a private company based in Australia, which owns and operates 480 beds

through nine residential aged care facilities in Victoria and Southern New South Wales. Craig Holland also serves as a non-executive director of a large privately-owned retail company and is a non executive director of two not for profit charities. Craig Holland holds a Bachelor of Economics (Monash), a Masters in Taxation (UNSW), is a Certified Practicing Accountant with CPA Australia, a member of the Taxation Institute of Australia and is a Graduate of the Australian Institute of Company Directors.

Mr Warren Bingham, Director

Warren was appointed a Director of the Company in 2015. Warren has worked extensively in the field of medical devices and technologies, with expertise in domestic and international markets, health economics, regulatory and clinical affairs and business development. Warren serves as Chair for the AusMedtech National Advisory Group and Health Economics Expert Panel as well as the MedTech/Lifesciences Subcommittee of the Australia/Israel Chamber of Commerce and Israel Trade Commission. In addition to these roles, Warren is also a strategic advisor to the Board of the Gastroenterological Nurse College of Australia (GENCA), a Mentor at the NSW Enterprise Workshop, an Ambassador and strategic advisor to a NFP Organisation Noble Endeavours, and a past Ambassador for the Vinnies CEO Sleepout. During his time at Given Imaging, Mr. Bingham served on the global management team which drove the company's progression from a small, privately held, research-stage company with no revenue to a multinational, publicly traded company with revenues exceeding USD 200 million. In February 2014, Covidien plc acquired Given Imaging Ltd. for approximately USD 1 billion. Warren currently provides consulting and advisory services to the life science, medtech and biotech sectors and has qualifications in Business Administration and post graduate qualifications in Management. He is also a graduate member of the Australian Institute of Company Directors.

Ari Bergman, Director

Ari was appointed Director of the Company and Company Secretary in 2002. He is currently a Non-Executive Director and Company Secretary. Ari worked with his late father, Dr Fred Bergman, in the early stages of development of the SIM™ technology. Ari worked as a commercial lawyer in private practice at one of Australia's most prestigious law firms; co-founded Nutech Health, a medical technology distribution business; and has until recently acted as General Counsel and Company Secretary of the Spotlight Group of companies, one of Australia's largest and most diverse private groups which includes the Spotlight and Anaconda retail chains, and a large property portfolio, in addition to a variety of other businesses. Ari is completing a doctorate in law at Monash University. He is a member of the Institute of Company Directors.

Damien Haakman, Director

Damien was appointed Director of the Company in 2012. Damien is the Managing Director of a private family office. He manages and invests in a portfolio including commercial property, property development joint ventures, and mezzanine finance and bridging loans as well as investments in start-up and pre listed companies.

Valuation

We value Simavita at AUD 150-180 million using a risk-adjusted NPV valuation. This is valuing the potential of the SIM platform, both with its current application as well as the future target markets (see table page 12).

The experience following SIM implementation in 44 Australian sites (2,367 beds) showed a 25% reduction in incontinence product costs, a 23% reduction in waste handling costs and a 21% improvement in effective toileting, which suggests a 100-bed nursing home in the US can achieve net savings of around USD 1,580 per bed per year. There are around 47,200 nursing homes and other residential and long-term care facilities in the US, providing around 2.7 million beds.

Simavita and Medline believe the combination of improved patient care, better staffing utilisation, and reduction in product costs with full adoption of the SIM platform means they hope to achieve c 10% penetration of this target population by 2018. The estimated average annual revenue per site is around AUD 20,000 dependent on the size, occupancy, frequency of assessment and consumable used per assessment. Simavita has developed a comprehensive package of clinical and econometric studies with robust evidence to support the SIM platform and Medline is well positioned to exploit this, with a broad and relevant product portfolio and an established sales and distribution infrastructure.

In September 2014 Lorien Health Systems, an existing Medline customer, agreed to perform a minimum of 700 SIM assessments across its nine skilled nursing facilities (approximately 800 beds) over the next year. The value of the contract is around USD 0.25 million; however, the more important aspect is the generation of real-life experience of the clinical and financial benefits of adopting the SIM continence platform in the US nursing care setting.

We expect revenues to increase fivefold for 2016FY followed by the same growth percentage in 2017FY. We assume that Simavita can reach break even that year as well.

Our model suggests Simavita is currently worth AUD 150-180 million, which compares to the market capitalisation of AUD 42 million. On a per share basis, using the basic number of shares in issue of 92.3 million we derive a value of AUD 1.60-2.00 per share. This is based on the current value of SIM™ in aged care and the further roll out of its current products in both North America and Europe. This valuation represents a substantial upside from the current share price.

Analyst: Marcel Wijma MSc

Marcel Wijma, Chief Research Officer and managing partner, has a longstanding history in financial biotech research. After selling Van Leeuwenhoeck Research (VLR) to SNS Securities in 2006, he established an award winning analyst team in biotech/life sciences at SNS Securities. In 2009, Marcel was awarded by Financial Times/Starmine as being one of the Top-3 biotech analysts in Europe. Later that year, Marcel purchased VLR from SNS Securities after which the company was reconstituted. At VLR, he leads the professional VLR research organisation, which is augmented by selected external financial researchers with a specialisation in Life Sciences. Mr. Wijma has a Masters degree in Financial Economics from Erasmus University in Rotterdam.