

8 February 2022

Company Announcements Office
Australian Securities Exchange

Nanosonics and GE to revise current North American sales model and in discussions for new reseller agreement from 1 July 2022

Highlights

- **Current GE Healthcare sales model will be revised from 8 February 2022 until the expiry of the current agreement in June 2022.**
- **Discussions with GE underway for a new capital reseller agreement to come into effect from July 2022.**
- **The revised sales model will see:**
 - **GE consume inventory and transition to a pass-through OEM sales model where GE continue to sell trophon;**
 - **Nanosonics manage all inventory, ship, install and train the new customers who then become Nanosonics customers for ongoing provision of consumables under new pass-through model;**
 - **the parties commence a transition of all existing GE trophon customers to Nanosonics for the ongoing provision of consumables; and**
 - **GE transition their ongoing sales of trophon to be made exclusively through the GE ultrasound sales force which has significant trophon sales experience.**
- **No negative impact on sales of consumables to customers expected as a result of the revised sales model. It is important to note that in FY21 consumables and service revenue:**
 - **represented approximately 76% of total revenue in North America; and**
 - **approximately 80% of total sales to GE in North America were consumables and service, with the remainder being capital sales.**
- **One-off impact on North American revenue expected in H2 FY22 primarily associated with GE transitioning to a pass-through model where GE no longer holds inventory.**
- **Nanosonics to further expand its direct operations and sales team by end Q4 FY22.**
- **Beyond FY22, an increase in the proportion of capital sales (new installed base and upgrades) expected to be made through Nanosonics' direct channel and all existing trophon customers becoming Nanosonics customers resulting in a corresponding improvement in gross margin.**

Nanosonics (ASX: NAN), a leader in infection prevention solutions, announces a revision to the current sales model with GE Healthcare in North America to come into effect from February 2022 until the expiry of the current agreement in June 2022. Discussions with GE are also underway for a new OEM capital reseller agreement to come into effect from July 1, 2022. Nanosonics also announces a further expansion of its direct operations and sales team in North America with the aim of continuing growth momentum.

Under the revised North American sales model, GE will consume inventory and transition to a pass-through sales model for its ongoing sales of trophon to be made exclusively through its ultrasound sales team. The new model will see Nanosonics manage all inventory, ship, install and train the new GE trophon customers which will become Nanosonics' customers for the ongoing provision of consumables.

GE will also commence the transition of all existing GE trophon customers to Nanosonics for the ongoing provision of all consumables. During this transition, both companies will have a focus on ensuring a positive customer experience with no disruption in continuity of customer supply. Nanosonics has a well-established logistics operation based in Indianapolis and with the planned expansion of these resources will be well positioned to manage the transition and ensure the ongoing continuity of supply to customers.

No impact on sales of consumables to customers is expected as a result of the revised sales model. It is important to note that in FY21 consumables and service revenue represented approximately 76% of total revenue in North America and approximately 80% of total sales to GE in North America were consumables and service, with the remainder being capital sales.

A one-off impact on North American revenue is expected in H2 FY22 which is primarily associated with GE transitioning from a stocking distributor where a quantity of inventory of consumables and capital is normally held. Under the new sales model, inventory will no longer be held by GE.

In addition, while H1 FY22 upgrade sales in North America have grown significantly compared with the prior corresponding period and H2 FY21, a proportion of the anticipated growth in H2 FY22 is expected to be deferred to FY23 as the transition to the new sales model is implemented.

The overall one-off impact on revenue in FY22 is expected to be in the range of \$13.0 million to \$16.0 million.

Nanosonics plans to expand its direct sales operations by the end of Q4 FY22 with the aim of continuing market growth momentum where a significant opportunity remains for the trophon franchise across new installed base, upgrades and consumables. The increase in operating expenses associated with the expansion of the North American teams is expected to be approximately \$1.0 million in H2. Through this expansion, an increase in the proportion of new installed base and upgrades is expected to be made through the direct channel from FY23 as well as all consumables. Over time this is expected to result in a corresponding increase in revenue and margin for the Company.

The Company expects to report revenue of \$60.6 million in H1 FY22 which is up 41% compared with the prior corresponding period. Full details of FY22 first half sales and performance will be released on 22 February 2022.

"The revision to the North American sales model represents another significant milestone in the ongoing growth of the organisation and is consistent with our evolution to an increasingly direct sales model and OEM capital reseller channel strategy over time", said Michael Kavanagh, Nanosonics' Chief Executive Officer & President.

"Through this new sales model and expansion of our direct operations, Nanosonics will now manage all trophon customers with the expectation that the majority of future capital sales will come through the direct channel as well as 100% of consumables. Following our direct operations expansion, the Nanosonics North American team will be approximately 100 strong across sales, clinical, marketing, service and logistics supported by local and global corporate resources. This sets up the organisation for ongoing success as we continue to grow our trophon franchise and plan to introduce new products to market.

“Discussions are underway with GE Healthcare to commence a new capital reseller agreement at the expiry of the current agreement in June 2022 and we look forward to the opportunity to continue the successful relationship that we have had with GE over the last 10 years.”

Michael Kavanagh
CEO / President

This announcement has been authorised by the Board of Directors of Nanosonics.

Investor conference call

Investors are invited to join a conference call on Tuesday 8 February 2022 at 11:00am (AEDT) hosted by Nanosonics CEO & President, Michael Kavanagh.

To join the conference, simply dial the number and passcode followed by your PIN, and you will join the conference instantly.

You can obtain your dial-in number, passcode, and PIN by registering through this link:
<https://s1.c-conf.com/diamondpass/10019068-wjd76v.html>

For more information, please contact:

Michael Kavanagh, CEO / President or McGregor Grant, CFO, on (02) 8063 1600