

# Press Release



March 31, 2015

Rundbuckstrasse 6  
CH – 8212 Neuhausen am Rheinfall / Switzerland  
[www.lifewatch.com](http://www.lifewatch.com)

## LifeWatch publishes Annual Report 2014 – well poised for future growth

- Market share gains - volume growth of above 13%
- Adjusted EBITDA in 2014 of USD 11 million equivalent to a margin of 11.2%
- Outlook: revenue growth of 10% to 15% in 2015 with improved EBIT and EBITDA

Neuhausen am Rheinfall, Switzerland, March 31, 2015 – LifeWatch AG (SIX Swiss Exchange: LIFE), a market leader in the development and sale of digital health solutions, primarily for remote cardiac monitoring and sleep apnea diagnostics, today published its audited 2014 Annual Report. As already announced LifeWatch realized a turnover of USD 98.47 million for the business year 2014, 8.1% more than in the previous year (2013: USD 91.06 million). Monitoring services contributed USD 96.13 million, up 7.4% on the previous year.

The second half year saw a significant reduction in costs, which offsets the operative losses from the first half year. The positive business development in the second half resulted in an EBITDA of USD 7.47 million for this period, which more than offset the negative numbers for the first half of the year. Total EBITDA for 2014 amounted to USD 5.95 million with a margin of 6.0% in comparison to an EBITDA of USD 1.56 million or a margin of 1.7% in 2013. After taking into account one-off adjustments of USD 5.05 million for legal cases (USD 1.93 million), LifeWatch V inventory write-off (USD 1.19 million), and Others (USD 1.93 million) in 2014, LifeWatch achieved an adjusted EBITDA of USD 11 million equivalent to a margin of 11.2%. EBIT for the second half amounted to USD 4.43 million following the negative result in the first six months of USD 4.13 million. In total EBIT for the business year 2014 amounted to USD 0.30 million (2013: -2.089 million).

The net loss of USD 2.73 million (2013: net profit USD 2.92 million) resulted primarily from a tax charge of USD 2.54 million, in comparison to a tax credit of over USD 5 million which was recorded in the previous year. The fully-diluted loss per share in 2014 amounted to USD 0.20 in 2014, compared with earnings per share of USD 0.22 in 2013.

### **Volume growth of more than 13%**

LifeWatch made significant progress during the reporting period. U.S.-based LifeWatch Services, Inc. was able to achieve volume growth of above 13%, which is significantly above the growth of the market as a whole. Volume growth did not fully flow through to the revenue line as a result of the 8% Medicare price cut implemented at the beginning of 2014. As a consequence, gross profit reached USD 53.18 million with a margin of 54.0% in comparison to a gross profit of USD 53.61 million and a margin of 58.9% in the previous year.

### ***Cost savings and improvements in operational efficiency***

The restructuring of the Research and Development (R&D) activities in Israel and the realignment of the sales force in the US implemented in early summer started to bear fruit in the second half of the year. Sales and marketing costs as a percentage of revenues came down from 26.0% in the first half year to 20.2% in the second half, whilst at the same time sales in the second half of the year increased by more than USD 2 million in comparison to the first half year. In total, Sales and Marketing (S&M) expenses stood at USD 22.68 million or 23.0% of revenues, compared with S&M expenses of USD 19.55 million or 21.5% of revenues in 2013.

Similarly, R&D costs as a percentage of revenues reduced from 6.8% in the first half year to 4.5% in the second half year, whilst at the same time R&D operations remained on track with our on-going development projects. The main reason for the lower R&D costs compared to 2013 is the partial capitalization of software development costs, mainly related to investment in the Vital Signs Patch and a light-weight cardiac monitoring patch. General Administration (G&A) expenses were USD 25.14 million or 25.5% of revenues, compared with G&A expenses of USD 26.39 million or 29.0% of revenues in the previous year.

### ***Positive Operating Cash Flow***

LifeWatch' operations provided cash in the amount of USD 4.09 million, compared with USD 8.26 million provided from operations in business year 2013. The balance of cash, cash equivalents and marketable securities amounted to USD 7.14 million at the end of the reporting year, compared with USD 10.18 million at the end of 2013.

### ***LifeWatch well positioned to exploit market opportunities***

Many factors are serving to increase the interest in digital health. The aging population and pressure on costs are causing health systems to look for more efficiency through embracing technical innovation. The desire of patients to become more involved in their health monitoring and treatment can only be met with the aid of new technology. The company, via its innovative patch technology platform, is addressing these needs. Furthermore, the use of such technology is dependent upon a robust, reliable and proven service platform for the interpretation and delivery of the results and this is already a core competence of the company.

### ***Outlook 2015***

The company is well positioned to deliver growth in its core business and, with the introduction of new and updated products, is ready to tackle both related markets in the US as well as expand internationally. We expect that the turnaround seen in the second half of 2014, fueled by the results of the restructuring measures, will continue in 2015. We therefore expect that sales will continue to grow at above market growth rates and that EBIT, EBITDA and Net Income continue to improve. In particular, we expect revenue growth of 10% to 15% in 2015 (assuming a stable reimbursement environment). Although significant continuing investment in new and existing products will have an impact on profitability, we are targeting EBIT and EBITDA margins at the levels seen in the second half of 2014, with non-adjusted net income being positive.

## Key Figures for Fiscal Year 2014 (audited, in USD millions)

	FFY 2014	FFY 2013
Revenues	98.47	91.06
Gross profit	53.18	53.61
As % of revenues	54.0%	58.9%
EBITDA / (LBITDA)	5.95	1.56
As % of revenues	6.0%	1.7%
EBIT / (LBIT)	0.3	-2.09
As % of revenues	0.3%	-2.3%
Net income / (loss)	-2.73	2.92
As % of revenues	-2.8%	3.2%
Total fixed assets, net	14.92	12.05
Total equity	36.88	38.45
Employees at the end of period	580	544

### **Detailed reporting**

The 2014 Annual Report can be obtained from the LifeWatch website via the following link: <http://www.equitystory.com/download/companies/lifewatch/Annual%20Reports/annual-report-2014.pdf>. Printed copies of the Annual Report can be ordered at [investor-relations@lifewatch.com](mailto:investor-relations@lifewatch.com).

### **Calendar:**

April 29, 2015                      Ordinary General Meeting in Zurich  
August 20, 2015                    Analyst Conference Results HY 2015

### **For Questions:**

LifeWatch AG  
c/o Dynamics Group, Philippe Blangey / Doris Rudischhauser  
Telephone: +41 43 268 32 35  
E-Mail: [investor-relations@lifewatch.com](mailto:investor-relations@lifewatch.com)

### **About LifeWatch AG:**

LifeWatch AG, headquartered in Neuhausen am Rheinfall and listed on SIX Swiss Exchange (LIFE) in Switzerland, is a leading provider of digital health systems and wireless telemetry monitoring services. The LifeWatch services deliver important information to doctors for appropriate treatment of their patients and better treatment results. LifeWatch has operative subsidiaries in the USA, Switzerland, Macedonia and Israel and is the parent concern for LifeWatch Services, Inc. and LifeWatch Technologies, Ltd. LifeWatch Services, Inc. is a leading US provider of cardiac monitoring services as well as sleep analysis for the diagnosis of obstructive sleep apnoea syndromes (OSAS). LifeWatch Technologies, Ltd. in Israel is a leading developer and producer of digital health products. For further information, see [www.lifewatch.com](http://www.lifewatch.com).

**E-Mail Alert:** In order to receive regular information and updates on LifeWatch, please register at: <http://www.irlifewatch.com/alert-service.aspx>.

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