



ASX ANNOUNCEMENT

16 October 2018

CardieX Accelerates its Digital and Consumer Health Strategy with Agreement to Acquire Majority Interest in inHealth Medical Services, Inc.

Companies To Jointly Pursue Significant Opportunities in Telehealth, Digital and Online Patient Care and Health Coaching – a US\$25 billion Industry

Highlights

- **Major step forward in CardieX's digital and consumer health strategy as outlined to shareholders earlier this year.**
- **Investment structured to acquire up to 50.5% of inHealth in 3 tranches with tranche 1 US\$0.25m for 7.7% already funded from existing cash reserves.**
- **Validates and significantly enhances CardieX's healthcare technology ecosystem.**
- **Provides CardieX's core technology with direct channels to both the consumer, health insurance, and practitioner markets.**
- **Positions CardieX (via inHealth) with leading US health insurance companies and healthcare providers with multi-year contracts including American Well, the largest Telemedicine operator in the USA, and Anthem, the #2 American health insurer.**
- **inHealth's technology provides a platform for the development and sale of insurance backed technology solutions covering multiple health disorders.**
- **inHealth business model based on immediate multi-tier revenue structures in one of the fastest growing health technology sectors.**
- **Significant business pipeline with leading pharmaceutical and telecommunication companies, global electronic manufacturers, and consumer goods companies.**
- **Financially accretive to CardieX in a short timeframe, with inHealth growing revenues strongly and forecast to become profitable in 2019.**

CardieX today announced that it had signed an agreement with US based inHealth Medical Services, Inc. ("inHealth"), which, on the completion of due diligence and at CardieX's option would result in inHealth becoming a majority owned subsidiary of CardieX.



CardieX's Strategic Rationale for the Agreement

The agreement with inHealth represents a significant and financially material opportunity for CardieX.

Management had previously signalled to the market and shareholders that the Company was pursuing opportunities in digital and consumer health and other technologies that solved large-scale population health disorders. At the same time, any new opportunity had to provide a strategic rationale for CardieX when viewed together with the ecosystem of healthcare businesses and assets that the Company was developing within the group (both in medical devices (AtCor), wearables (Blumio), and other new diagnostic technologies).

To that end, over the last 6 months, management had identified a number of companies in this sector and has undertaken select due diligence on the most promising opportunities. Management strongly believes that the agreement with inHealth provides CardieX with a number of direct and synergistic benefits that add significant and material value to the CardieX group including:

- An established direct-to-patient online health platform with leading insurance groups, health professionals, and corporate/employer payer groups as existing customers.
- A seasoned team of healthcare executives with a proven track record in developing reimbursement based healthcare products and services.
- An "in-house" clinical trial group that can cost effectively run and manage clinical trials for CardieX group products. These trials can be used for furthering FDA approvals (where relevant) and also to support the validity and efficacy of inHealth's programs to new clients and partners.
- Direct relationships with Fortune 500 companies and major health insurance groups that can potentially be leveraged across CardieX products and services.
- Existing published clinical studies on inHealth's coaching protocols providing inHealth with a significant competitive advantage over new entrants to this market segment.
- Trademarked and proprietary clinical trial processes that can be deployed across other healthcare sectors: T.E.A.M[®] ("Telemedicine Enabled Approach to Multidisciplinary Care").
- Key executive relationships across the chain of the US healthcare system.
- An existing suite of proprietary healthcare products and services that can be rapidly deployed into the corporate wellness sector as well as across multiple global markets including, and as an immediate priority, China.
- A direct and online channel for sale of CardieX group products (Blumio wearable technology and CardieX's XCEL device).
- An immediate opportunity to build a suite of new Telehealth programs based on existing CardieX products. To that end, hypertension and heart-health programs are already in development jointly by inHealth and CardieX that will be sold through inHealth's existing insurance and partner network. The companies are also jointly working on other



opportunities in large-scale health markets that have been identified by inHealth's healthcare partners.

- Partnership opportunities to provide turnkey health management programs to the next generation of healthcare providers that need patient care services including Alibaba, SoftBank, Amazon, and Google Health.
- A business model that is based on multiple revenue streams (both reimbursable and direct) that is financially positively accretive to CardieX in a short time frame.

Transaction Summary

The investment into inHealth has been negotiated as a series of transactions to provide CardieX with financial flexibility and a level of optionality:

Tranche	Instrument	Date of Investment	Maturity Date	Investment (\$)	Equity % in inHealth	Cumulative Equity % in inHealth
1	Convertible Note	15 October 2018	31 January 2019	US\$250,000	7.7%	7.7%
2	Convertible Note	31 January 2019	1 July 2020	US\$3,000,000	33.33%	41.33%
3.A	Convertible Note	Between: 30 June 2020 to 30 June 2021	30 June 2021	US\$ amount of 12 times the revenue for the 3 calendar months preceding the exercise; or as at 31 December 2020 if the exercise date is earlier. (~3x annual revenue run-rate)	9.467%	50.5%
OR						
3.B	An option to acquire shares from the inHealth founders	Anytime	Anytime	US\$ amount of 12 times the revenue for the 3 calendar months preceding the exercise; or as at 31 December 2020 if the exercise date is earlier. (~3x annual revenue run-rate)	9.47%	50.5%



Investment Timing and Valuation

The initial tranche 1 investment has been made as a US\$250,000 convertible note that will convert into an equivalent of 7.7% of the post conversion common stock in inHealth on a fully diluted basis. Maturity date for the note is 31 January 2019.

The second tranche of investment is a further convertible note investment of \$US3,000,000 converting into a one third (33.33%) interest in the post conversion common stock on 31 January 2019. This note will mature on 1 July 2020.

The third tranche enables CardieX to take a further 9.467% and increase its total ownership in inHealth to 50.5% by either investing in a further convertible note or acquiring shares directly from the inHealth founders, pro-rata to their existing shareholdings

The third tranche investment may be made during the period 30 June 2020 and 30 June 2021. Exercise price for the option is based on a pre money valuation of inHealth equal to twelve (12) times the Company's GAAP revenues during the immediately preceding three (3) calendar months.

Regardless of when the third investment is made the third convertible note tranche, if made, will mature on 30 June 2021.

Other Material Terms of the Convertible Notes

Each convertible note bears interest at a rate of 6% per annum and will either accrue or be capitalized into the investment made by CardieX.

CardieX retains the right to voluntarily convert the notes at any time prior to the maturity date. If CardieX has not elected to convert prior to the maturity date then the convertible note and any accrued interest are repayable.

There is no right of redemption of inHealth over any of the convertible notes and CardieX has the right to invest in each Tranche at its discretion.

Automatic conversion of a note will occur if on or before a maturity date of any unconverted note inHealth consummates an equity financing for an aggregate total in excess of \$US2,000,000. In the case of an automatic conversion the conversion price per share shall equal 80% of the cash price per share paid in the new equity financing.

inHealth Board Support and Input

Immediately following the execution of the inHealth agreement CardieX is entitled to nominate two (2) members to the inHealth Board with the total inHealth Board being initially limited to four (4) seats. The involvement of CardieX at a Board level will assist in progressing the initiatives of inHealth and the integration of the two businesses.



Following the third and final tranche of investment under the agreement (at the point at which CardieX's total investment exceeds 50.5%) CardieX has the right to elect a further nominee to the inHealth Board bringing the total number of Directors on the Board to five (5).

Importantly, as and from 11 October 2018, CardieX maintains full "Consent Rights" over all material business and operating decisions of inHealth giving CardieX effective control as a result of the financing from day one.

Should CardieX not proceed past the first tranche of investment then CardieX will lose its right to nominate two Directors and instead there will be a right to appoint an Advisory Board member who shall receive notices and attend Board meetings on CardieX's behalf.

Commitment of the inHealth Founders and Right of First Refusal

Each inHealth founder has covenanted to CardieX that for five (5) years following the date of agreement that they will not take any action in relation to their inHealth shares as a commitment to the overall investment and series of transactions contemplated with CardieX.

In the unlikely event that a founder proposed to dispose of any interest in inHealth, CardieX would have a first right of refusal to purchase that ownership interest.

Financial Benefits and Enhancement to CardieX

The initial investment in inHealth will be shown as a financial asset of CardieX at 31 December 2018.

Assuming the Company continues to invest in all investment tranches up to 50.5% then inHealth will become an accounting subsidiary of CardieX, where CardieX would have effective ongoing financial and operational control over the operations of inHealth.

This would mean that the accounting revenues, financial performance and position of inHealth would be consolidated into the financial results of CardieX thereby fully integrating the operations and business.

The material revenue contracts on hand at inHealth mean that at the time of each investment tranche CardieX will receive by proxy an exposure to those key financial metrics.

Funding the inHealth Opportunity

As announced earlier the year the Company is embarking on a major growth strategy in order to build significant shareholder value. While we continue to fund our existing business operations out of cash reserves we are also continuing to look for new opportunities that provide a strong platform for financial and operational growth.

A key precondition of any future capital raising is that it be directed towards increasing the overall value of CardieX's healthcare asset ecosystem and that it enhances the value of the Company's individual assets. inHealth is such an opportunity.



To this end, C2 Ventures Pty Ltd (CardieX's largest shareholder and a related entity of Director Niall Cairns and CEO Craig Cooper) has indicated to the Company its intention to invest at a pro rata level and act as an underwriter in any future capital raising that may be required to support this growth (subject to any requisite shareholder approvals).

In relation to the transaction **Craig Cooper, CardieX's CEO, stated:** "This is a transformational deal for CardieX and strongly positions the Company in one of the fastest growing segments in patient healthcare services. Our vision is very clear here: to create the leading Telehealth company servicing both the insurance, corporate, practitioner, and consumer markets globally. The transaction is perfectly aligned with the strategic vision management and the Board has for the Company as we transform from a medical device business to a global technology company focused on large-scale population health disorders. I'm personally extremely excited about the strategic and financial contribution inHealth can make to the CardieX group and I look forward to supporting inHealth management on our shared journey".

About InHealth

inHealth is a leading provider of health coaching and Telehealth services, providing digital, eCommerce, and mobile tools for patients to connect online with health coaches as part of a patient care management program. The inHealth coaching programs are based on multi-year published studies that show clinically based health outcomes through the use of inHealth's proprietary health coaching tools.

Telehealth is a \$US25B industry in the USA and is growing at a compound rate of 18% per annum. The provision of on-demand patient care management and coaching systems (such as inHealth) is seen as a critical part of the Telehealth ecosystem in the US and is being integrated Nationwide by hospitals (over 50% of US hospitals are currently deploying Telehealth), insurance payers, employers, and through direct-to-patient platforms.

Telehealth and direct patient coaching is also rapidly being integrated across devices that provide Patient Generated Health Data ("PGHD") (such as the current fitness and health wearable devices (Fitbit/Apple Watch)). Research shows that the combination of PGHD and personal health coaching significantly improves patient health outcomes and it is mainly for these reasons that the market for Telehealth is expanding at the current rate.

inHealth is at the leading edge of this healthcare trend having already secured a three (3) year contract directly with Anthem (NASDAQ:ANTM:US\$70B), the second largest health insurance company in the USA. The agreement with Anthem provides for inHealth to provide Telehealth services to Anthem's corporate and employer insurance clients through Anthem's online patient care portal LiveHealthOnline.com.

In addition, inHealth has secured an automatically renewable annual contract with American Well (subject to termination rights by both parties), the largest Telemedicine provider in the USA, whereby inHealth [initially] provides diabetes and obesity management services via American Well's



online Telemedicine platform. Importantly, this agreement also provides inHealth with access to over 2,000 hospitals, thousands of self-insured employers, and the biggest brands in consumer electronics, medical devices, and pharmaceutical companies – all of which use American Well’s platform for their internal health care programs. inHealth also is positioned as a key part of American Well’s population health initiative and their global strategic plan.

A number of other significant and financially material contracts are also under negotiation at present that would, on completion, position inHealth as one of the fastest growing companies in this significant healthcare segment.

Audio Presentation

CardieX CEO Craig Cooper will address shareholders via an audio presentation on the transaction in the immediate future.

Details of this event will be released to the market shortly.

For more information please contact:

Chief Executive Officer
Craig Cooper
Ph: +61 429 993 399
ccooper@cardiex.com

Investor Relations
Peter Taylor
Ph: +61 412 036 231
peter@nwrcommunications.com.au

About CardieX

CardieX is a Sydney based global health technology company focused on developing solutions for large-scale population health disorders. The Company’s “AtCor Medical” division develops and markets products for the early detection of target organ damage and the management of cardiovascular and renal disease.