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EANS-Adhoc: LifeWatch reports on results for the First Quarter 2010

11.05.2010 - 06:46 Uhr, LifeWatch AG

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report/LifeWatch AG Q1 2010 3-month

11.05.2010

• Ongoing positive cash flow • ACT patient enrollments up 37% to 21,099 patients • The first 300 patient enrollments for the NiteWatch service • Additions of managers with proven track record to LifeWatch team

Neuhausen am Rheinfall / Switzerland - LifeWatch AG (SIX Swiss Exchange: LIFE), the leading wireless remote cardiac and medical patient monitoring service provider in the U.S., today announces results for the First Quarter 2010.

The following link will take you to the complete press release and to the Letter to Shareholders Q1 2010:

<http://production.investis.com/lifewatch/>

First Quarter 2010 highlights are as follows:

- Positive operating cash flow of USD 6.24 million, compared to USD 4.52 million generated from operations in Q1 2009
 - Increase from December 2009 of USD 4.44 million in cash, cash equivalents and marketable securities to reach USD 43.55 million • Revenues of USD 22.39 million, compared to USD 28.04 in Q1 2009
- LBIT of USD 3.99 million, compared to EBIT of USD 5.60 million in Q1 2009
 - LBITDA of USD 2.35 million compared to EBITDA of USD 6.93 million in Q1 2009
 - Net loss of USD 1.09 million, compared to a net profit of USD 11.02 million in Q1 2009
 - A one-time inventory mark-down of approximately USD 1.5 million • ACT enrollments up 37% to 21,099 patients
- NiteWatch Home Sleep Test services enrolls first 300 patients on service

During Q1 2010, LifeWatch once again experienced significant growth of its ACT service with enrollments increasing 37% compared to Q1 2009. Moreover, the Company generated strong cash flows from operating activities of USD 6.24 million, 38% more than the USD 4.52 million generated in Q1 2009. However, despite these positive operational developments, our first quarter results were significantly affected by certain insurers' decision not to reimburse the Company's ACT services after the gradual switch to a new dedicated billing code. This reimbursement denial issue was not expected and was a main driver behind our disappointing Q1 results. We generated revenues of approximately USD 22 million for Q1 2010, a 20% decline from Q1 2009. This reduction in revenues, along with a one-off write down of inventories amounting to some USD 1.5 million, results in a negative EBIT (LBIT) of approximately (USD 4) million in Q1 2010.

LifeWatch is currently working through the formal appeals process with the insurers in question to ensure overall patient coverage for ACT services as quickly as possible. Given the general acceptance of the importance and value of the service, we are hopeful for a favorable resolution in the near future.

U.S. Monitoring Services Market Remains Promising

In the first quarter of 2010, LifeWatch's consolidated revenues for all its markets are reported below:

- In the U.S., USD 22.08 million revenues were achieved compared with USD 27.45 million in Q1 2009. This decline is principally attributable to the non-payment of reimbursement claims for ACT services by a small number of payors responsible for a significant number of patients, partly to the general reduction in reimbursement levels predicted in 2009 and to the decline in sales of systems. Enrollments were higher quarter over quarter.
- International revenues, which were only device related, fell to USD 0.31 million compared with USD 0.59 million in Q1 2009. Focus on Monitoring Services Drives Growth

ACT wireless cardiac monitoring services enrolled 21,099 patients in Q1 2010, an increase of 5,672 enrollments compared with Q1 2009. Revenues from sales of systems fell to USD 0.64 million in Q1 2010, compared with USD 1.79 million in the corresponding period of 2009. This development was expected, as the move from a focus on device sales to a focus on monitoring services continued.

Strategic Update: Growth Strategy

Over the years, LifeWatch has developed a service management platform that positions the Company to capitalize on the substantial opportunity in remote healthcare monitoring. LifeWatch's infrastructure, technology, clinical capabilities and insurance company relationships enable the efficient expansion into multiple, new monitoring services. Cardiac monitoring and sleep testing are only the first two services to utilize the Company's platform; additional services will be launched in the future. LifeWatch has developed a growth plan to take advantage of the opportunity in remote healthcare monitoring. The Company's target growth areas include:

- Current Services - with the aim of expanding and growing the cardiac monitoring and sleep test businesses
 - New Services - with the aim of identifying and expanding into new areas of healthcare remote monitoring
 - New Geographies - with the aim of identifying and expanding into attractive international markets

The Company aims to generate USD 500 million of revenues by 2015, at a 20 - 25% EBIT margin, and forecasts significant contributions from all its target growth areas.

Additions to LifeWatch team

LifeWatch has further strengthened its team with several new hires with extensive experience in business development, marketing, IT, finance, operations, and mergers and acquisitions. The LifeWatch team is tasked with implementing and executing the Company's corporate and growth strategy that will capitalize on the substantial opportunities in remote medical monitoring while constantly seeking efficiencies to increase operating leverage, reduce costs and improve profitability.

2010 Outlook

LifeWatch expects that the reimbursement environment will remain challenging in the near term and has thus revised its outlook for the full year 2010 with a USD 100-105 million revenue target and a USD 1-3 million EBIT target. The Company believes that its ACT service will continue to grow substantially throughout the year and that NiteWatch will accelerate its expansion in the marketplace. As a part of its long-term growth strategy, LifeWatch will prudently invest in new services and new geographies. Through the efforts of both the familiar and new members of the LifeWatch team, the Company is poised to return to profitability in the near term while laying the foundation for expansion into other lucrative markets in the future.

About LifeWatch AG:

LifeWatch AG, headquartered in Neuhausen am Rheinfall and listed on SIX Swiss Exchange (LIFE), Switzerland, is the leading healthcare technology and solution company, specializing in advanced telehealth systems and wireless remote patient monitoring services. LifeWatch services cater to individuals, ranging from high-risk and chronically ill patients, to consumers of health and wellness products. LifeWatch has subsidiaries in the United States, the Netherlands, Japan, the United Kingdom, Switzerland and Israel. LifeWatch AG is the parent company of LifeWatch Services Inc., a leading US-based cardiac monitoring service provider, and manufacturer of telecardiology products. LifeWatch is also introducing a new program for Home Sleep Testing of Obstructive Sleep Apnea (OSA) patients under the brand name NiteWatch. For additional information, please visit www.lifewatch.com and www.nitewatchservices.com

This press release includes forward-looking statements. All statements other than statements of historical facts contained in this press release, including statements regarding future results of operations and financial position, business strategy and plans and objectives for future operations, are forward- looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. LifeWatch AG has based these forward-looking statements largely on current expectations and projections about future events and financial trends that it believes may affect the financial condition, results of operations, business strategy, short term and long term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances described may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward- looking statements. All forward-looking statements are based only on data available to LifeWatch AG at the time of the issue of this press release. LifeWatch AG does not undertake any obligation to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

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inquiry note:

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