

MGC Diagnostics Corporation

NASDAQ: MGCD



PROVIDE
UNMATCHED SERVICE
AND SUPPORT



RELENTLESSLY
MAKE
IMPROVEMENTS



ANTICIPATE
AND SOLVE
UNMET NEEDS

Corporate Presentation

March 2016

www.mgcdiagnostics.com

[SAFE HARBOR STATEMENT]

From time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, MGC Diagnostics Corporation may make forward-looking statements concerning possible or anticipated future financial performance, business activities or plans that include the words “believes,” “expects,” “anticipates,” “intends” or similar expressions. For these forward-looking statements, the Company claims the protection of the safe harbor for forward-looking statements contained in federal securities laws. These forward-looking statements are subject to a number of factors, risks and uncertainties, including those disclosed in our periodic filings with the SEC, that could cause actual performance, activities or plans after the date the statements are made to differ significantly from those indicated in the forward-looking statements. For a list of these factors, see the sections entitled “Risk Factors” and “Cautionary Note Regarding Forward Looking Statements,” in the Company’s Form 10-K for the year ended October 31, 2015, and any updates in subsequent filings on Form 10-Q or Form 8-K under the Securities Exchange Act of 1934.

[OUR IDENTITY]

MGC Diagnostics Corporation is a global medical technology company dedicated to **CardioRespiratory health solutions**.

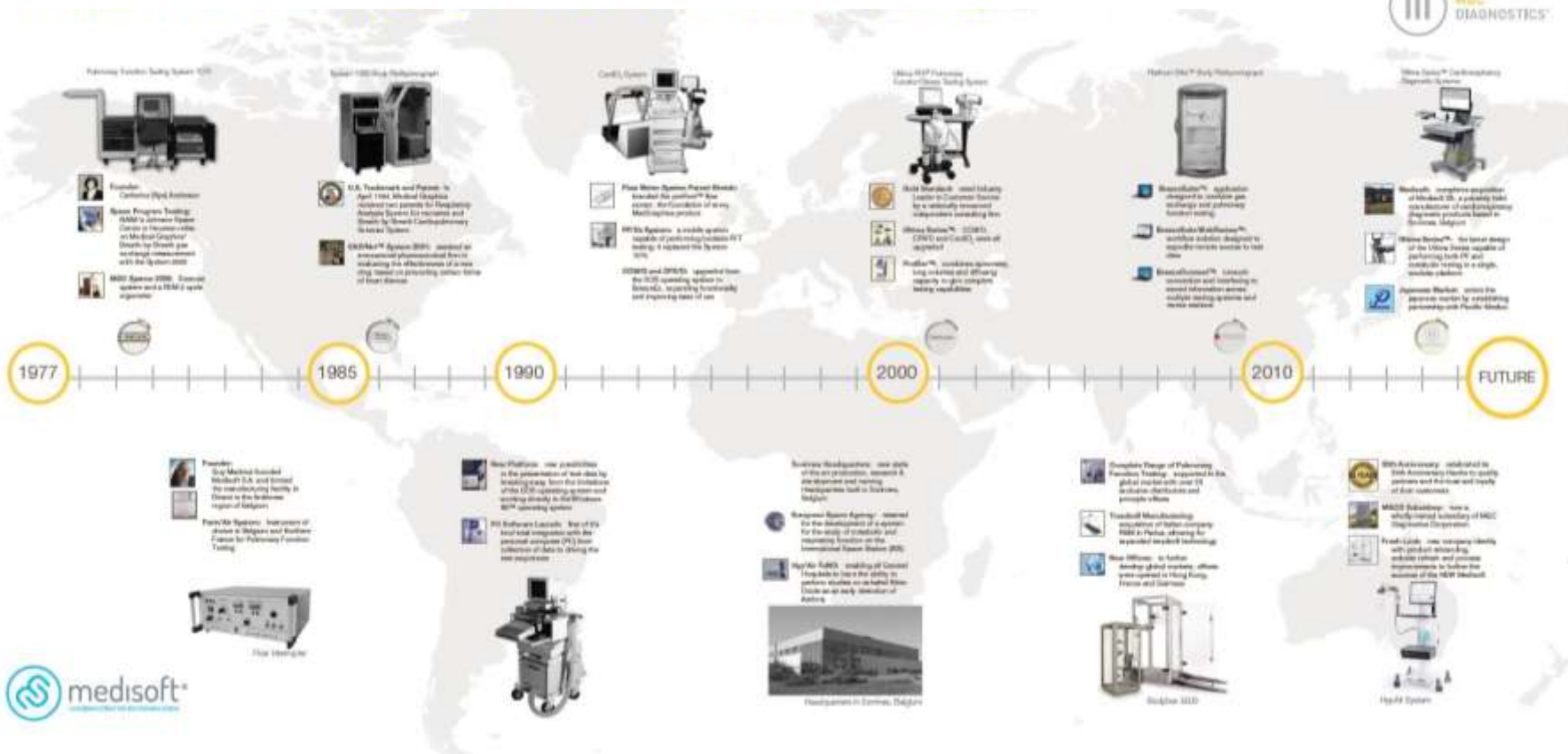


Conducting business through its wholly owned subsidiaries **Medical Graphics Corporation** (St. Paul, MN) and **Medisoft SA** (Sorinnes, Belgium)

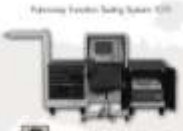


Direct Management in Asia-Pacific, Latin America and Western Europe

[OUR HISTORY]



1977 1985 1990 2000 2010 FUTURE



Founding
Catherine (Joy) Anderson
Open Program Testing
MDC is the first to offer an open program testing service to its customers. This service allows for a wide range of testing options and is a key differentiator for MDC.



U.S. Trademark and Patent
In April 1984, Medical Diagnostics received two patents for Diagnostic Analysis System (DAS) systems and System for Blood Chemistry Analysis (SBCA) system.



First Major System Patent Granted
In 1985, the patent for the first major system, the Diagnostic Analysis System (DAS), was granted. This system is a key differentiator for MDC.



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Medical
Medical is a leading provider of medical diagnostic services. It is a key differentiator for MDC.



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Founding
Joy Medical founded MedSoft USA and formed the manufacturing facility in Dallas in the Dallas region of Belgium.



First MedSoft

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Headquarters in Eindhoven, Belgium

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Belgium 1000

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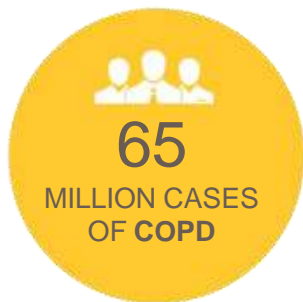
Hydri System



[WHAT WE DO AND WHY]

MGC Diagnostics designs, markets and sells non-invasive CardioRespiratory diagnostic capital equipment, accessories, supplies and services to healthcare providers specializing in COPD, asthma, and CardioRespiratory disease management.

According to the World Health Organization and the American Journal of Respiratory Care:



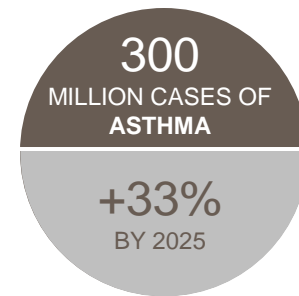
65 million people have COPD, accounting for 5% of all deaths globally increasing by >30% in the next 10 years to become the 3rd leading cause of death worldwide*



21%
OF PATIENTS
WITH COPD
ARE
READMITTED
TO THE HOSPITAL



The prevalence of COPD varies for a low of 3.9% of the population of MN to a high of 9.3% of the population of KY. COPD is the only major cause of death whose incidence is increasing.

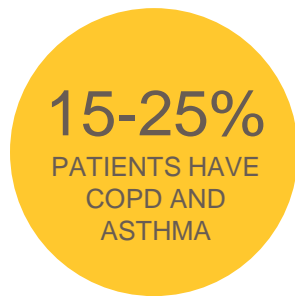


300 million people have asthma, projected to increase to 400 million by 2025 - asthma is the most common disease in children*

*WHO Burden of Chronic Respiratory Diseases 2015

[WHAT WE DO AND WHY]

- **ASTHMA-COPD OVERLAP SYNDROME (ACOS):**
is characterized by persistent airflow limitation with several features usually associated with asthma and several features usually associated with COPD.



15-25% of patients with COPD and asthma will have overlapping disease**



Patients with severe asthma are **32 times more likely to develop COPD** than those with mild asthma*



Prevalence of ACOS is between 15 and 25% in an adult population with severe COPD or uncontrolled asthma

Lung function testing is essential for the assessment of patients with suspected chronic disease of the airways. It must be performed at either the initial or a subsequent visit, if possible before and after a trial of treatment.

** American Journal of Respiratory Critical Care

*WHO Burden of Chronic Respiratory Diseases 2015

CARDIORESPIRATORY DIAGNOSTIC MARKET

EXECUTIVE SUMMARY



Current diagnostic technologies are adequate to diagnose major diseases, however, existing products are underutilized*

The market is mature with a long product replacement lifecycle of 7-10 years.

Developments expected to stimulate future growth*

- Large and growing patient population with undiagnosed chronic disease
- Technology developments in diagnostic procedures that will optimize usage
 - Simplified technology
 - Centralized data
 - Patient-friendly
- Emerging device-based therapeutic options which will require discrete patient selection, hence, more discrete diagnosis
- The result may be increased annual growth and turnover rates in cardio-respiratory diagnostic products
 - Including Pulmonary Function, Gas Exchange and Spirometry and Respiratory-Pharma Clinical Trials

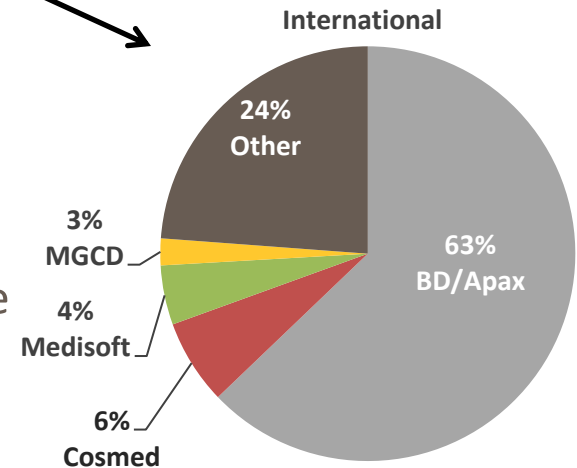
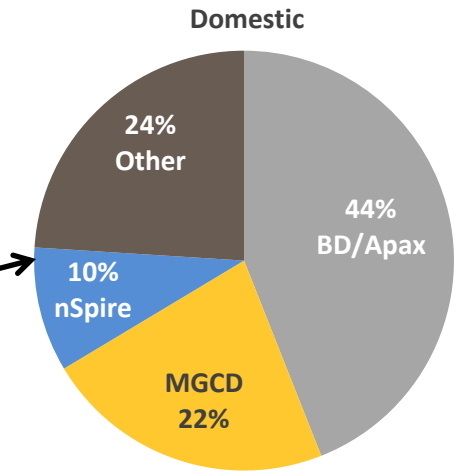
[WHY MEDISOFT]

ESTABLISH DIRECT GLOBAL OPERATIONS



Increased Global Footprint

Diagnostic Equipment Sales	2015	2016	2017	2018	2019	CAGR
Domestic	\$148	\$154	\$160	\$166	\$173	
International	\$178	\$185	\$192	\$200	\$208	
Total Available Market	\$326	\$339	\$352	\$366	\$381	4%



- MGC Diagnostic products are price and feature restrained in many international markets
- Medisoft provides the Company a diverse product platform to achieve synergies and growth worldwide

[WHY MEDISOFT]

ENHANCED PRODUCT AND INTELLECTUAL PROPERTY PORTFOLIO

MGC DIAGNOSTICS

○ **5 Product Categories**

- PFT, BodyBox, Spirometry, Gas Exchange, Metabolic

○ **10 Products**

- PFT (2), Bodybox (2), Spirometry (1), Gas Exchange (3), Metabolic (2)

COMPETITOR

○ **6 Product Categories**

- PFT, BodyBox, Spirometry, Gas Exchange, Metabolic, Sleep Dx

○ **20 Products**

- PFT (3), BodyBox (4), Spirometry (5), Gas Exchange (4), Metabolic (2), Sleep Dx (2)

MEDISOFT

○ **9 Product Categories**

- PFT, BodyBox, Spirometry, Mechanics, Gas Exchange, Metabolic, eNO, ECG, Treadmill

○ **27 Products**

- PFT (4), BodyBox (3), Spirometry (5), Mechanics (3), Gas Exchange (3), Metabolic (3), eNO (2), ECG (1), Treadmill (3)

PERFORMANCE

FISCAL YEAR 2015 RESULTS



+24.9%

RECORD REVENUE

Full year revenue increased 24.9% to \$37.5 million in fiscal 2015 compared to \$30.0 million in fiscal 2014.



+11.6%

DOMESTIC GROWTH

Our Medical Graphics subsidiary led the way with revenue growth in the U.S. of 11.6% to 32.0 million - the best since fiscal year 2007



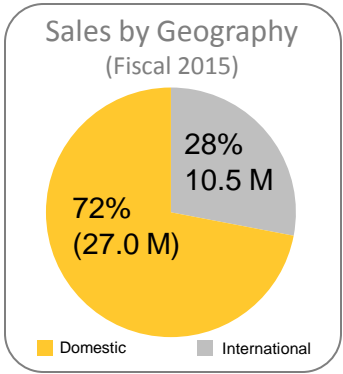
+13.2%

INTERNATIONAL GROWTH

international revenue grew 13.2% to \$5.7 million, driven by stronger sales in Europe and the Asia/Pacific region.

OTHER HIGHLIGHTS

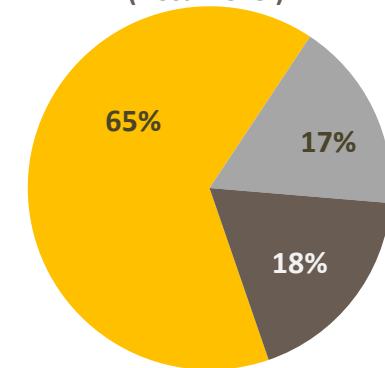
- Operating Income \$1.6M vs. (\$811,000)
- Net Income \$4.0M , or \$0.94 per diluted share vs. (\$1.2M), or (\$0.28) per diluted share
- EBITDA \$2.6M vs. (\$209,000)
- Backlog \$2.6M vs. \$1.9M
- Deferred Revenue \$6.8M (current & long-term)
- 32% Attachment Rate for MGC domestic units sold
- 28% of equipment revenue came from new products
- Renewed Global Visibility
 - International revenue increased 68% (full year of Medisoft)
 - Contributes 28% of total Revenue
 - Pacific-Medico Partnership – Japanese Market
- 66 Competitive Conversions
- 35% Recurring Revenue
- EU and Emerging Market Expansion, Adjacent Market, Differentiating Technology and Services



COMPANY OVERVIEW

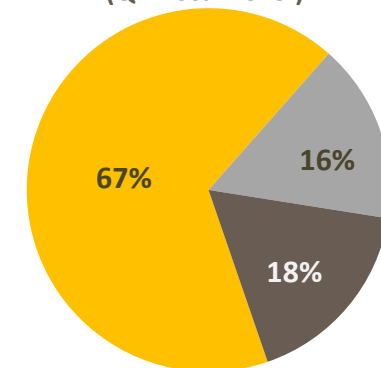
- MGC Diagnostics Corporation (NASDAQ: MGCD) is a global medical technology company dedicated to CardioRespiratory Health Solution
- Operating in a capital equipment and recurring revenue model
- Significant recurring revenue model

Revenue Breakdown
(Fiscal 2015)



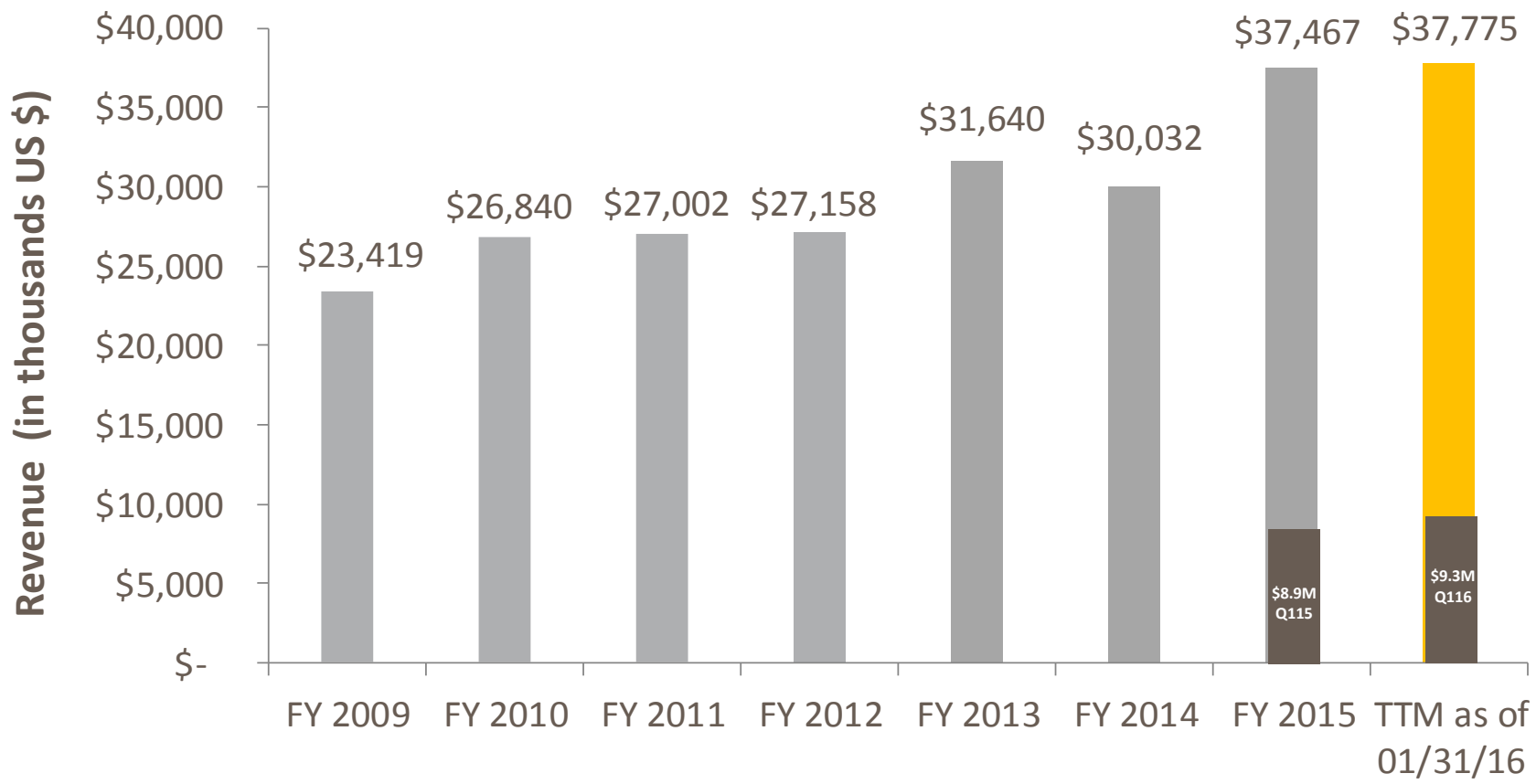
■ Equipment and Accessories ■ Supplies ■ Service

Revenue Breakdown
(Q4 Fiscal 2015)

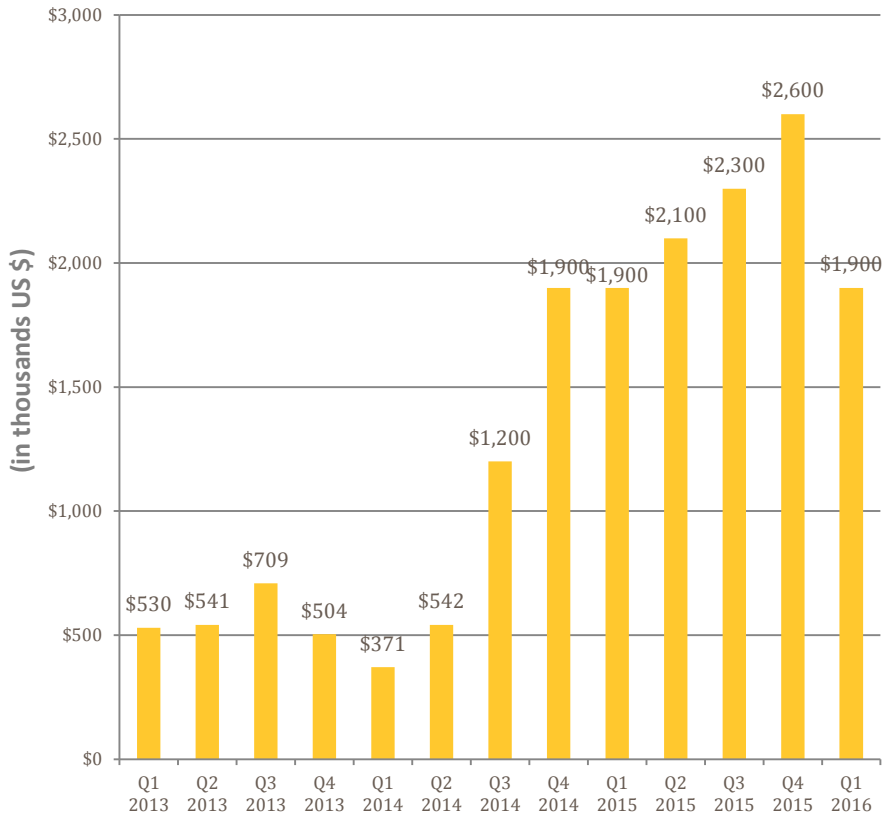


■ Equipment and Accessories ■ Supplies ■ Service

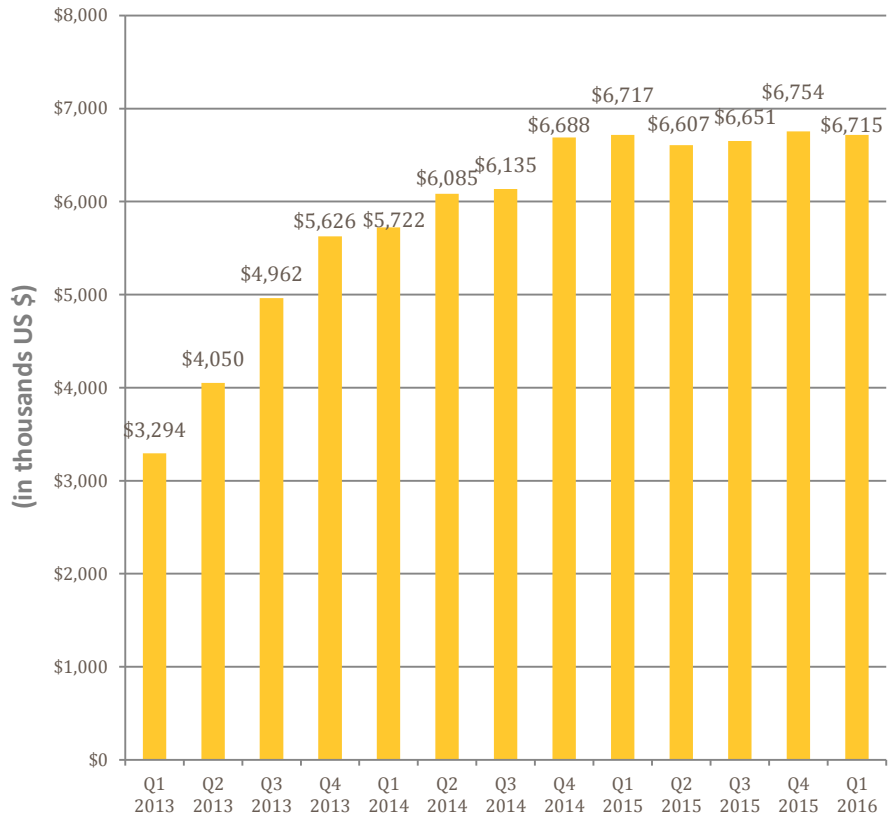
[REVENUE]



[BACKLOG]



[DEFERRED REVENUE]



EQUIPMENT AND ACCESSORIES REVENUE

Equipment and Accessories Revenue



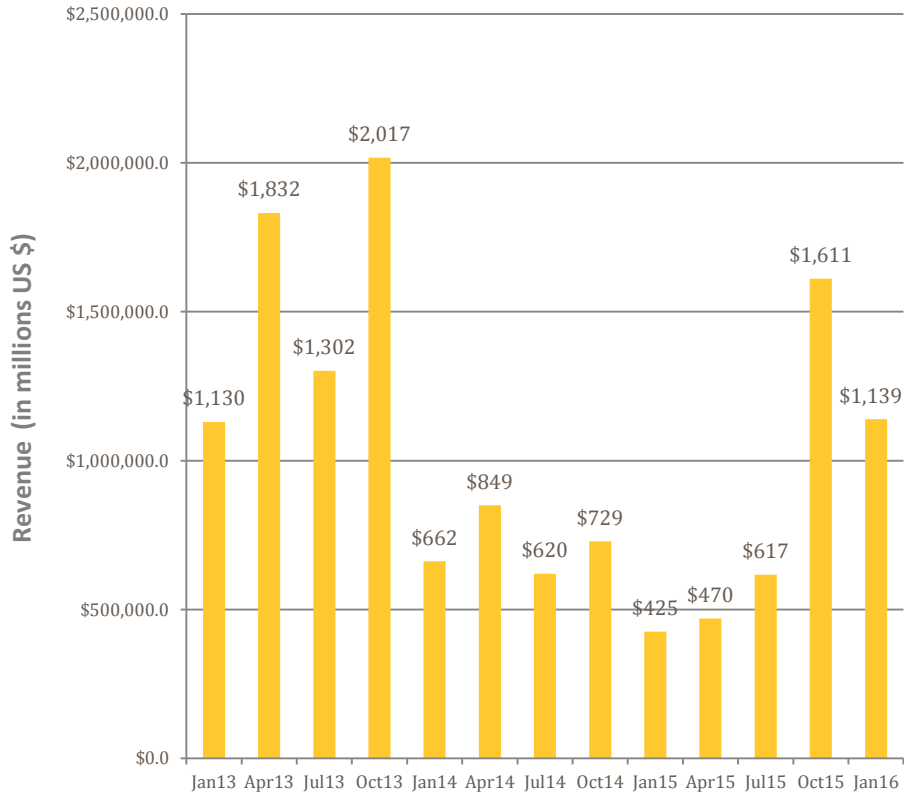
MANAGEMENT INITIATIVES:

DRIVE NEW DEVICE REVENUE

- Accelerate replacement of legacy MGC systems
- Drive sales through Group Purchasing Organizations (GPO)
- Take market share from competition
- Refresh existing products and add new, innovative products
- Focus on opportunistic international markets

COMPETITIVE CONVERSIONS

Competitive Conversions Revenue



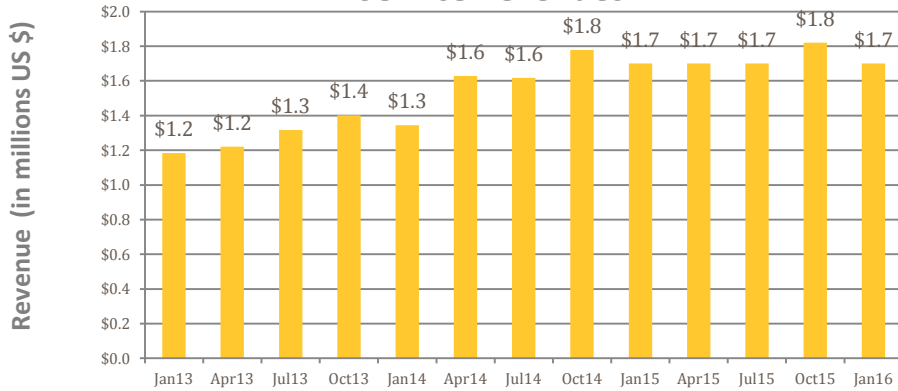
MANAGEMENT INITIATIVES:

MARKET SHARE BY CONVERSIONS

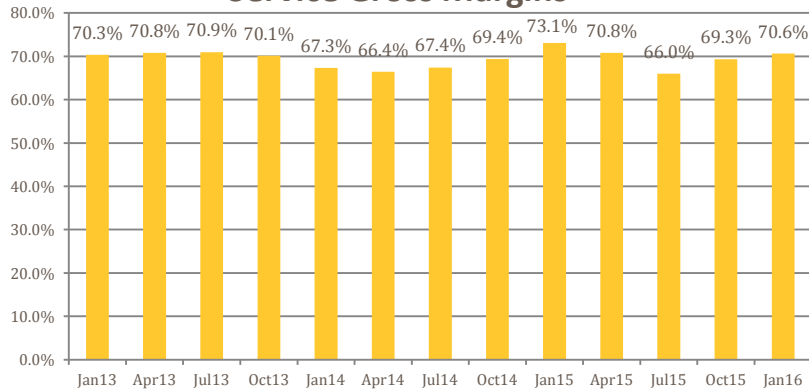
- Expand market share by converting competitive accounts by leveraging
 - Ultima Series Redesign
 - Information Technology Offerings
 - Best in Class Support

SERVICE AND REVENUE MARGINS

Service Revenues



Service Gross Margins



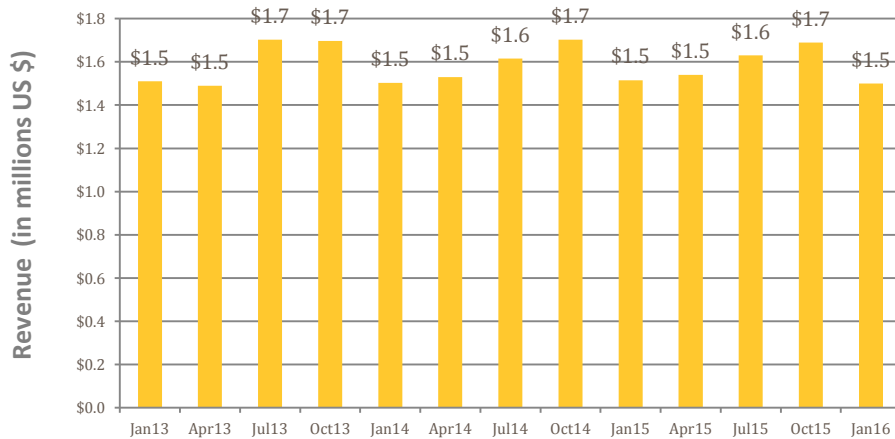
MANAGEMENT INITIATIVES:

INCREASE SERVICE CONTRACTS

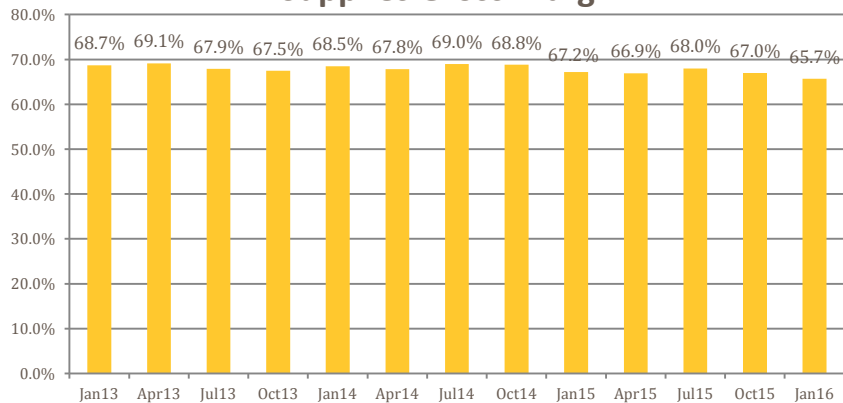
- Pre-paid service agreement margins significantly outperform time and material agreements and provide greater margin consistency
- Service contract Attachment Rate has grown from 6% in FY12 to 32% in FY15

SUPPLIES REVENUE AND MARGINS

Supplies Revenue



Supplies Gross Margin



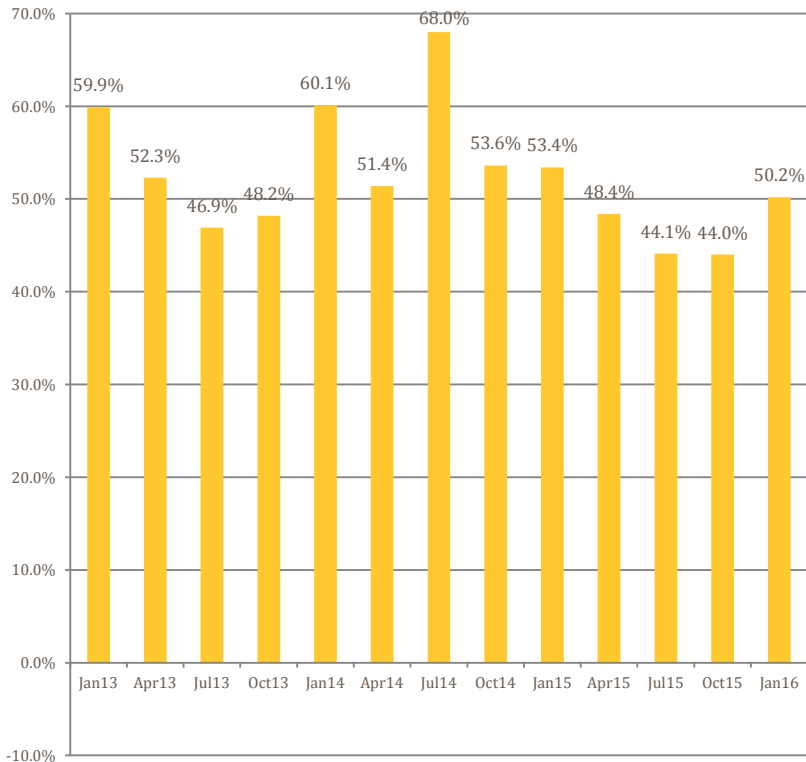
MANAGEMENT INITIATIVES:

INCREASE SUPPLY USAGE: RECURRING REVENUE

- Leverage new and existing distribution partners world-wide
- Internal sales focus on customers that have historically purchased few supplies from us

OPERATING EXPENSE INITIATIVES

**Operating Expenses
(as a % of Revenue)**

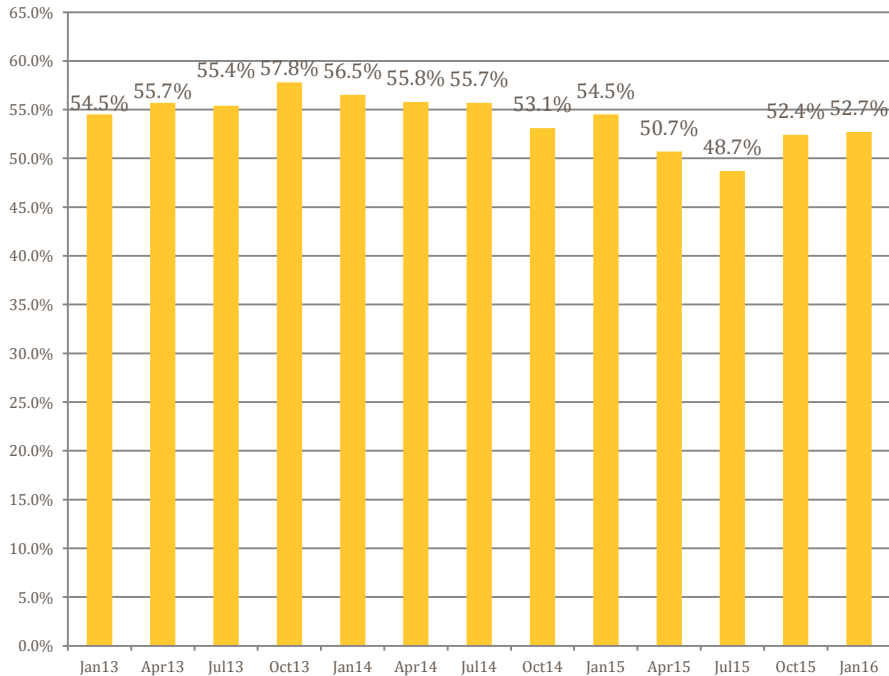


MANAGEMENT INITIATIVES:

- Operating expenses are in alignment with our current growth plan
- Operating expense leverage will occur as we grow future revenues

GROSS MARGINS

Gross Margins

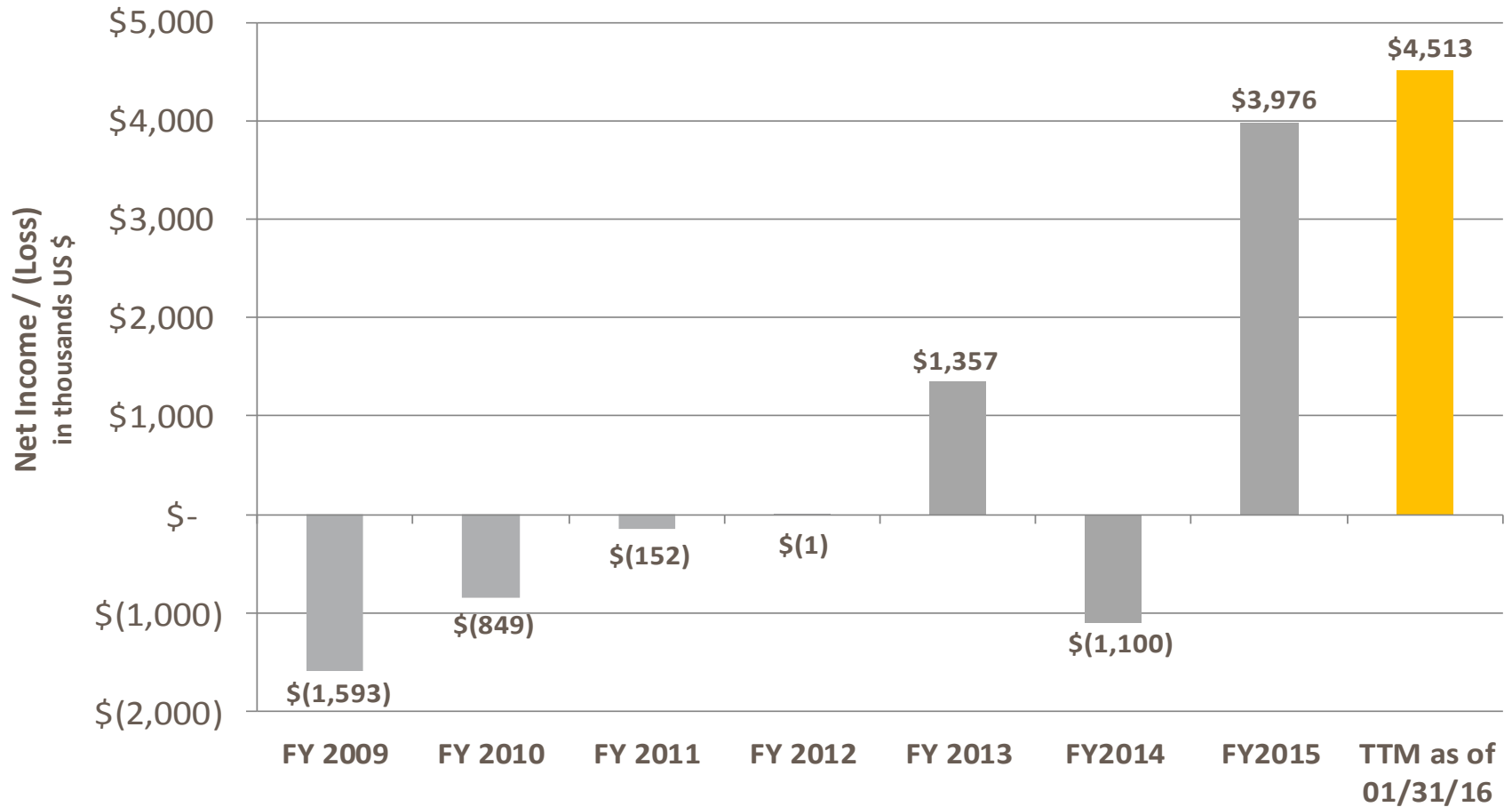


MANAGEMENT INITIATIVES:

INCREASE GROSS MARGINS

- Grow equipment revenue to leverage our fixed production costs
- Grow higher margin recurring revenues (supplies and service)
- Streamline manufacturing processes to lower production costs
- Value engineer our products to lower costs and maintain quality

NET INCOME/LOSS



BALANCE SHEET HIGHLIGHTS

	1/31/14	10/31/14*	10/31/15	1/31/16
Cash and equivalents	\$11.1M	\$5.7M	\$6.6M	\$6.6M
Total assets	\$24.9M	\$32.3M	\$35.6M	\$35.4M
Total liabilities	\$9.2M	\$16.8M	\$15.7M	\$15.3M
Net working capital	\$15.1M	\$9.8M	\$11.4M	\$11.5M
Bank debt	--	\$3.8M	\$3.0M	\$2.8M
Shareholders equity	\$15.7M	\$15.5M	\$19.9M	\$20.1M
Shares outstanding	4.1M	4.2M	4.3M	4.3M

[INVESTMENT HIGHLIGHTS]

- Record Fiscal 2015 Financial Results
- Increased Global Opportunity – Acquired Medisoft August 2014
- Recurring services/supplies revenues allow for greater predictability of revenue streams
- Key Growth Drivers
 - Aging Population
 - Global Market Opportunities
 - Conversion of Legacy Equipment
 - Conversion of Competitive Accounts
- Best-in-class customer base, products and service
- Strong product offerings in significant addressable markets
- Strong balance sheet with \$6.6 million in cash
- Success to date in gaining market share from competitors

LONG RANGE PLAN

In recent months the Board of Directors and the Company's management team have initiated a new Long-Term Strategic Plan focusing on process improvements throughout the enterprise to generate consistent growth and profitability in the coming years. We have a strong transformational vision of how we want MGC Diagnostics to develop and operate in the coming years. Our plan is built around six key initiatives:



PLAN: Identify target hospitals for our products and services



PLAN: Transform MGCD into a company that can grow on a consistent basis year over year



PLAN: Control the average selling prices of our products by lowering the cost of a number of our current products by reconfiguring the feature sets



PLAN: Identify and utilize external partnerships to assess, design, and develop new products while maintaining MGCD's proprietary technology expertise



PLAN: Align all employees with the goals and objectives of the Company and where people are empowered to contribute to the success of the company



PLAN: Increase the number of shareholders by aggressively communicating its long-range vision to the broader Wall Street investment community

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