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Interviews & News!

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CardioDynamics' BioZ Systems Provide A Noninvasive Way To Measure The Blood Flow Properties In Patients With Heart Failure, Shortness Of Breath, And High Blood Pressure

CardioDynamics
THE ICG COMPANY

Healthcare
Medical Technology
(CDIC-NASDAQ)

CardioDynamics International
Corporation

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Michael K. Perry
Chief Executive Officer

BIO:

Mr. Perry has been the Chief Executive Officer and Director of CardioDynamics since April 1998. In 2003, Mr. Perry was named San Diego Entrepreneur of the Year for Medical Products and Technology. From 1994 to 1997, Mr. Perry was Vice President of Operations at Pyxis Corporation, and in 1995 assumed additional responsibility for Research and Development. Pyxis Corporation was a pioneer of healthcare automation and information management services, in addition to pharmacy management ser-

vices to hospitals and outpatient facilities. Mr. Perry was part of the executive team that successfully acquired and integrated three businesses into Pyxis, and in 1996, sold the company to Cardinal Health, Inc. for \$980 million. Prior to joining Pyxis, Mr. Perry served in several increasingly responsible management assignments with Hewlett-Packard Company's Medical Products Group in manufacturing and finance. Additionally, he was Director of Quality for a division of Hewlett-Packard's DeskJet Printer Group. Mr. Perry holds a Master's degree in Business Administration from Harvard University and a Bachelor's degree in Mechanical Engineering from General Motors Institute. Mr. Perry serves on the Advisory Board of the University of California San Diego Cardiovascular Center and the Board of Directors for Junior Achievement of San Diego.

Company Profile:

CardioDynamics (Nasdaq: CDIC), the ICG Company, is the innovator and market leader of an important medical technology known as impedance cardiography (ICG). The company develops, manufactures and markets proprietary noninvasive ICG products and medical device electrodes. Its products enable physicians to assess, diagnose, and treat patients with heart failure, hypertension, and shortness of breath. The company offers its products to physician markets, including cardiologists, internal medicine physicians, and family practitioners and hospital markets through its U.S. direct sales force and internationally through local medical distributors. Partners include GE Healthcare, Philips Medical Systems, and Mindray. The company was founded in 1980 and is headquartered in San Diego, California.

Interview by: Walter Banks, Publisher

CEOCFO: Mr. Perry, please give us a brief overview of CardioDynamics?

Mr. Perry: "CardioDynamics is a medical technology company and an industry pioneer in the field of impedance cardiography technology or ICG. We are committed to fundamentally changing the way cardiovascular drug management is performed in healthcare. Our BioZ systems noninvasively measure the blood flow properties of the heart in less than five minutes and are most often used for patients with heart failure, shortness of breath and hypertension (or high blood pressure). To date we have sold over 8,000 of our devices including nearly 2,000 modules that are placed inside General Electric's and other patient monitoring systems. We have penetrated almost 6% of physician's offices across the U.S including internal medicine and family practice offices and are present in roughly one out of six cardiology offices. There have been nearly 7 million ICG tests conducted with our BioZ monitors and during the most recent fiscal year, over 1 million tests were performed. Still, even with that level of success, we have a very large market to penetrate with opportunities to sell roughly 100,000 stand-alone systems and another 100,000 modules. We are really only in the first or second inning of this game."

CEOCFO: Please tell us about your technology and how it is used by the healthcare community?

Mr. Perry: "We place two sensors on the neck area and two on the chest and pass a small electrical current through the chest cavity. With a great deal of sophisticated software and signal processing, we are able to display 12 measurements of your heart and circulatory system's blood flow

performance. Our total test time is less than five minutes and the medical community principally uses our products to help select the right medications and adjust the dosage for the medications that their cardiovascular diseased patients are taking.”

CEO CFO: What are some of the major trends that you see affecting your business?

Mr. Perry: “From a disease point of view there are two major trends. First, demand is being driven by the growth in hypertension as the most prevalent cardiovascular disease in the world and its runaway position as the number one cause of physician office visits in the United States. Second, is the growth in congestive heart failure as the number one cause of hospitalizations in the elderly. We are all aware of the extreme pressures the healthcare system will face with the aging of the population, the rising incidence of obesity and the extension of life through life saving medical therapies. All of these forces are driving increased demand for our noninvasive, easy to use, low cost technology, which is what we offer in our BioZ systems.”

CEO CFO: How do you believe your company can capitalize on these trends?

Mr. Perry: “CardioDynamics is uniquely positioned to capitalize on these extreme pressures with what we believe will be ICG’s critical role in the management of both hypertension and heart failure. ICG allows clinicians to treat both conditions more efficiently both from a clinical and a cost effectiveness perspective. Previous clinical trials that we have conducted have confirmed our strong belief and more are in progress or planned that could elevate ICG into the treatment guidelines one day for both of these conditions. Within the next five years or so, our technology could become a standard of care in the management of hypertension and heart failure. As this occurs the market impact for our company would be enormous both in the growth of the instrument business and also, in the growth of annual recurring sensor revenues.”

CEO CFO: You recently reported your second quarter results; would you please provide us some of the highlights?

Mr. Perry: “We were very pleased with the results achieving 15% top line growth in the second quarter and 18% for the first half of 2008. This marks our sixth consecutive quarter of year-over-year revenue growth and was the best first half that we have experienced in the past four years. We were pleased with the continued progress we are making in reducing the operating loss, down 68% in the quarter and 53% in the first half. Our EBITDA loss was just \$229,000, an 82% improvement over the second quarter of 2007 and down 65% from the first half of 2007. We are tracking very nicely to our goal of generating positive EBITDA and operating cash flow in the fourth quarter of this year.”

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CEO CFO: What is the outlook for the remainder of 2008?

Mr. Perry: “We are conservatively planning to grow around 15% in 2008 and hopefully we will have the opportunity to over achieve that plan. We have made substantial efforts to accelerate our return to profitability and are on track to improve the operating loss from continuing operations in 2008 by nearly 60% and the EBITDA loss by over 70% for the year. Our team is focused intensely on achieving positive operating cash flow in the fourth quarter of this year and in fact, executive base salaries were reduced 10% in October 2007 and will remain at that level until we achieve positive operating cash flow on a quarterly basis.”

CEO CFO: Where do you see the growth opportunities over the next several years?

Mr. Perry: “Our opportunities are primarily execution focused over the next several years. We will continue to penetrate our core U.S physician office mar-

ket, which today is only 6% penetrated. This is going to require hiring additional talented sales people, getting them trained and productive as quickly as possible. We are going to continue to drive utilization of the equipment within the installed base through the focus of our Clinical Application Specialist team. Today, customers are using our devices about 250 times per year or roughly once per day. We see clear opportunity to increase that to at least two to three usages per day on average, which would dramatically increase the recurring sensor revenue. We will continue to place additional emphasis on growth outside of the United States. Our international business has grown very nicely over the last 12 months and today is about 15% of total revenue whereas it was roughly one-half that level just twelve months ago. Finally, we will continue to advance the body of

clinical evidence that will one day position our technology for inclusion in the treatment guidelines for both heart failure and hypertension.”

CEO CFO: In closing, why should potential investors consider investing in CardioDynamics?

Mr. Perry: “There is a significant investment opportunity at the current valuation levels for the company. We estimate a cumulative market potential for our technology of about \$2 billion and an annual recurring sensor revenue potential of about \$850 million and we are at the very early stages of penetrating that market. The company is also gaining traction following the difficulties associated with a restricted reimbursement environment that occurred about 3 years ago and caused our sales to decline versus their peak levels back in 2004. We have now seen six consecutive quarters of sales growth and are planning to continue that trend throughout 2008. In summary, the company has achieved excellent results in the past and historically been valued at a much higher level, more than 20 times the level that we are at today. Today’s stock price represents an excellent entry point for new investors now that the company has scaled back its expense structure and is headed on an upward growth path.”