LEDMD
LED MEDICAL DIAGNOSTICS INC.

Chief Executive Officer Letter

Dear Fellow Shareholders,

I'm pleased to report our turn into positive EBITDA one year following our acquisition of Apteryx, Inc. marking the first time that LED has had a profitable first quarter since 2011. Growth in recurring revenue from XVWeb® software as a service (SaaS) subscriptions, sales of Tuxedo and VELscope® imaging devices and operating expense reductions contributed to our overall improved financial results.

New customer wins this quarter were significant, especially in relation to the adoption of our XVWeb® cloud imaging service with the addition of 146 new unique locations added during the period predominantly from our Dental Service Organization (DSO) customers. DSOs are independent business support centers that contract with dental practices to provide business management and support to dental practices. DSOs now own or control approximately 16 percent of total practices in the United States and are expected to grow at approximately 15 percent annually over the next five years. In addition to our DSO wins, the April 2018 launch of a large North American customer's cloud based practice management software service which includes our XVWeb® service in its base package is anticipated to facilitate XVWeb® continued and significant customer acquisition growth.

We believe that we are at the leading edge of new adoption driven by market trends, such as the expanding market presence of DSOs and an increasing number of cloud practice management customers in the market to facilitate more subscription-based recurring revenue for our business.

In the period gross profit margins continued to improve which is a direct result of our focus on our software business as well as our proprietary product imaging device portfolio.

Highlights from Q1 2018 include:

- Revenue for the three months ended March 31, 2018 was US$3.3 million, an increase of 59% from the three months ended March 31, 2017.

- Gross margin was 65% for the three months ended March 31, 2018, as compared to 53% for the three months ended December 31, 2017 and 49% for the three months ended March 31, 2017.

- EBITDA[1] for the three months ended March 31, 2018 was $26,296 representing an increase from (US$805,600) in the prior quarter, inclusive of US$365,000 Apteryx transaction costs, and (US$686,291) from the three months ended March 31, 2017.

- Net profit was US$75,366 for the three months ended March 31, 2018 compared to a net loss of US$1.1 million for the three months ended March 31, 2017.

- Total operating expenses for the three months ended March 31, 2018 were US$2.44 million as compared to US$1.79 million for the three months ended March 31, 2017.

I am encouraged by this positive start to the year as Q1 is historically a period of lower revenues in our overall sales cycle in any given year. Our team is energized by our progress to date and hold high expectations that we will continue to build on this momentum throughout the balance of the year.

Thank you for your interest in our company, our products, and our services.

Sincerely,

Dr. David Gane
Chief Executive Officer
May 24, 2018

Please refer to the risk factors and forward-looking statements included in the Company's Management's Discussion & Analysis for the three months ended March 31, 2018, filed by the Company on Sedar.