

## QUARTERLY ACTIVITIES & CASHFLOW REPORT

### QUARTER ENDED 31 MARCH 2020

*Investor call at 9.00am AEST, Thursday 30 April 2020 to discuss Results and Business Outlook*

**Adelaide, Australia, 28 April 2020:** Australian medical technology company LBT Innovations Limited (ASX: LBT) (**LBT** or the **Company**), a leader in medical technology automation using artificial intelligence, is pleased to release its Appendix 4C – Quarterly Cashflow report and business update for the quarter ended 31 March 2020 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

### Highlights for the Quarter

- **Lab Customers' COVID-19 testing skyrockets, routine lab testing declines**
- **Sales discussions with customers remain active, but sales cycle has lengthened**
- **Potential distributor discussions have been impacted but remain active**
- **Operational momentum - MRSA FDA 510(k) submitted and VRE clinical trial commenced**
- **Closing cash balance of \$6.8 million**

### Commercialisation

#### Changing market dynamics - Customer challenges with COVID-19

During the Quarter, the COVID-19 pandemic created significant changes across global markets with many broad restrictions imposed. Importantly for LBT, our potential customers are the lab organisations under pressure to immediately accelerate both capability and capacity to perform COVID-19 tests. LBT continues to engage with our customers but their priorities are primarily focused on managing COVID-19 at this time.

COVID-19 testing is conducted by highly specialised molecular diagnostic labs to detect the ribonucleic acid of the virus using dedicated equipment within a controlled environment. These tests are performed outside the general microbiology labs where the APAS® Independence resides and where routine daily testing occurs for urinary tract infections and infection control organisms such as VRE and MRSA. These routine tests are performed in high volume and are a key profit centre for most labs.

While labs have responded to meet the challenges of a high number of COVID-19 tests, their routine testing has declined substantially due to non-essential medical appointments and elective surgeries being postponed. This has resulted in some labs reporting a decrease in routine testing of 30%-40%. This has seen labs implement cost reduction initiatives such as reductions in lab staff, staff being stood down and other cost savings initiatives. Customer feedback indicates that as social restrictions ease, elective surgery recommences and a new “normal” exists, labs will encounter a significant increase of testing due to the backlog and a return towards normal testing levels will occur. This would create a new dynamic in the case for automation, as labs consider how to best to support that volume growth cost effectively and in a way that provides increased flexibility to manage the downside risk of a recurrence.

#### Sales demand remains but sales timelines are being extended

LBT has an advanced sales lead generation programme in the United States and Europe, and prior to the COVID-19 pandemic was in active dialogue with a number of potential customers including arranging instrument demonstrations. During the Quarter, lockdown restrictions imposed in the United States, Germany, United Kingdom and Australia impacted LBT's ability to meet face to face or conduct demonstrations with these potential customers although there was some dialogue using digital channels.

With these challenges, LBT expects that new sales leads will slow down during this time of COVID-19 uncertainty. In the United States, our new California-based Business Development Director, commenced in January 2020, and has actively been contacting the 220+ customer leads that the outbound call centre had already identified. In Europe, our Sales Executive is focussing on the UK and German markets with an estimated addressable market of 340 labs and is in active sales discussions with approximately 25 of these. While progress is able to be made, there are challenges in arranging customer evaluations and the sales cycle is expected to be extended with the current lockdown restrictions in place.

### **Potential distributors impacted but remain engaged**

LBT's potential distribution partners have also been impacted by COVID-19 and their immediate prioritisation has been to address their employees' safety and working environment as well as supporting their customers. LBT has continued to have advanced discussions with potential distributors in both Europe and the United States and while there has been some delay, expects to progress these negotiations over the coming months.

## **Operations & Technology Development**

LBT has responded to the Government enforced social distancing and related health policies to protect the safety and wellbeing of our employees. As a result, office employees are working some days from home, while scientific teams are working in the lab, following enhanced hygiene procedures. It has been common practice for many of our technology and science teams to work from home, and it is pleasing to report that these changes have not impacted productivity.

During the Quarter, the 501(k) application for the MRSA analysis module was submitted to the United States Food and Drug Administration (FDA). The submission has been formally accepted by the FDA and the formal review has commenced with no questions received to date. When cleared, there will be two analysis modules available for sale with the APAS® Independence in the United States, which will address approximately 50%-70% of specimens processed by the majority of US labs.

In March 2020, the Company commenced a clinical study for its next infection control module for the screening of Vancomycin-resistant enterococcus, or VRE. Similar to the MRSA analysis module, the VRE analysis module assists labs in the provision of effective antimicrobial stewardship services to their customers. This is particularly important in the United States where 30% of all healthcare-associated enterococcal infections are resistant to vancomycin, and early identification is critical to direct appropriate antibiotic use for the patient.

LBT has continued its work on other analysis modules and the APAS® Independence middleware driver to connect with customers Laboratory Information Management Systems.

## **Financial and Corporate**

### **Cost reductions implemented**

In view of the changing market dynamics, LBT has adjusted its operations to prudently manage cashflows through the current period of uncertainty and beyond. There are impacts to travel, conferences and sales and marketing where expenditure will no longer occur. In addition, LBT has undertaken a number of cost reduction initiatives including a 20% reduction in board compensation as well as reduced spending on external development activities related to the APAS® instrument, that don't impact near term sales opportunities. In order to continue momentum on development of the technology, clinical work and future analysis modules, staff are continuing to work actively in the business.

## Quarterly cashflows and cash at bank

For the Quarter, the Company had:

- net cash inflows from Operating activities of \$0.3 million, including the receipt of \$1.1 million for the R&D Tax Incentive relating to the 2019 financial year.
- net cash outflows from Investing and Financing activities of \$0.7 million.
- total net outflows for the Quarter of \$1.5 million, before receipt of the R&D Tax Incentive, compares to the Company's forecast outflow of \$1.7 million as detailed in the December 2019 Quarterly Report.
- a reported cash balance of \$6.8 million as at 31 March 2020.

## Future Outlook

The restrictions on travel and social distancing have resulted in major conferences in Europe (ECCMID) and the United States (ASM Microbe) being cancelled which will impact sales and marketing activities.

LBT is focused on maintaining its positive operational momentum including completion of the VRE clinical study and responding to any matters arising with the FDA on the MRSA 510(k) application which is expected to be completed in the second half of 2020. Work will also commence on an Antibiotic Susceptibility Testing (AST) module which is an additional opportunity to assist clinicians in their antibiotic treatment of patients.

In summary, LBT remains focused on:

- 1) Existing sales leads who are already familiar with the instrument and may have had a product demonstration or multiple meetings with the sales team
- 2) Securing a distribution partner
- 3) Maintaining momentum on key applications essential for the improved utility of the APAS® Independence
- 4) Conservatively managing its cashflow through this period of uncertainty

Brent Barnes, CEO and Managing Director said:

*"It's hard to believe just six weeks ago I was in the US meeting potential customers with our new Business Development Director just before everything shut down. I applaud our lab customers who are on the front line and responding under tremendous pressure and uncertainty during this unprecedented crisis. This is an opportunity for us to remain engaged with our customers while continuing our technology leadership that will further enhance the clinical utility of the instrument, making it an even better value proposition for our customers once they have bandwidth to hear from us.*

*We have set the Company up to maintain our operational momentum, so that we are well positioned when the market starts to stabilise. I believe automation will then play an even more important role for our customers post-COVID-19 and APAS® Independence will help them to deliver those benefits."*

## Investor Conference Call – updated to Zoom meeting

The Company will hold a conference call at **9.00am AEST on Thursday 30 April 2020** to discuss the Company's activities, financial results for the Quarter and the business outlook. The Company's CEO and Managing Director, Brent Barnes, will host the call.

All attendees must register to attend the call. Please register using the link below. After registering, you will receive a confirmation email about joining the webinar including options to attend via computer or telephone.

[https://zoom.us/webinar/register/WN\\_6EpBtHKHTwO0NlgF\\_ZnkHw](https://zoom.us/webinar/register/WN_6EpBtHKHTwO0NlgF_ZnkHw)

A Q&A session will be held at the end of the conference call, in order to participate in this, you will need to join the conference via computer.

A recording of the call will be available on the Investor Centre section of the Company's website for 60 days after the call.

– ENDS –

#### About LBT Innovations

LBT Innovations (LBT) improves patient outcomes by making healthcare more efficient. Based in Adelaide, South Australia, the Company has a history of developing world leading products in microbiology automation. Its first product, MicroStreak®, was a global first in the automation of the culture plate streaking process. The Company's second product, the Automated Plate Assessment System (APAS®) is being commercialised through LBT's 50% owned joint venture company Clever Culture Systems AG (CCS) with Hettich Holding Beetling's- und Verwaltungs-GmbH. The APAS® instrument is based upon LBT's intelligent imaging and machine learning software and remains the only US FDA-cleared artificial intelligence technology for automated imaging, analysis and interpretation of culture plates following incubation.

#### Contacts

| LBT Innovations   | Investor Enquiries  |
|---|---|
| <b>Brent Barnes</b><br>Chief Executive Officer & Managing Director<br>Tel: +61 8 8227 1555<br>E: <a href="mailto:info@lbtinnovations.com">info@lbtinnovations.com</a> | <b>David Allen / John Granger</b><br>Hawkesbury Partners<br>Tel: +61 2 9103 9494<br>E: <a href="mailto:dallen@hawkesburypartners.com">dallen@hawkesburypartners.com</a> |

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

LBT Innovations Ltd

**ABN**

95 107 670 673

**Quarter ended ("current quarter")**

March 2020

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(....9...months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                    |  |
| 1.1 Receipts from customers                               |                                    |  |
| 1.2 Payments for  |                                    |  |
| (a) research and development                              | (27)                               | (103)  |
| (b) product manufacturing and operating costs             | (153)                              | (439)  |
| (c) advertising and marketing                             | (12)                               | (40)   |
| (d) short term & low value leases                         | (9)                                | (31)   |
| (e) staff costs   | (772)                              | (2,537)  |
| (f) administration and corporate costs                    | (240)                              | (618)  |
| 1.3 Dividends received (see note 3)                       |                                    |  |
| 1.4 Interest received                                     | 28                                 | 118  |
| 1.5 Interest and other costs of finance paid              | (25)                               | (67)   |
| 1.6 Income taxes paid                                     |                                    |  |
| 1.7 Government grants and tax incentives                  | 1,130                              | 1,130  |
| 1.8 Other (Receipts JV Company, CCS)                      |                                    |  |
| Consulting Income   | 284                                | 939  |
| Expense reimbursements                                    | 64                                 | 278  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>268</b>                         | <b>(1,370)</b>                                       |
| <b>2. Cash flows from investing activities</b>            |                                    |  |
| 2.1 Payments to acquire:                                  |                                    |  |
| (a) entities  |                                    |  |
| (b) businesses  |                                    |  |
| (c) property, plant and equipment                         | (10)                               | (27)   |
| (d) investments   |                                    |  |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(....9...months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---|
|                                      | (e) intellectual property                             | (217)                      | (500)                                       |
|                                      | (f) other non-current assets                          |                            |   |
| 2.2                                  | Proceeds from disposal of:                            |                            |   |
|                                      | (a) entities  |                            |   |
|                                      | (b) businesses  |                            |   |
|                                      | (c) property, plant and equipment                     |                            |   |
|                                      | (d) investments                                       |                            |   |
|                                      | (e) intellectual property                             |                            |   |
|                                      | (f) other non-current assets                          |                            |   |
| 2.3                                  | Cash flows from loans to other entities               | (447)                      | (1,337)                                     |
| 2.4                                  | Dividends received (see note 3)                       |                            |   |
| 2.5                                  | Other   |                            |   |
| 2.6                                  | <b>Net cash from / (used in) investing activities</b> | <b>(674)</b>               | <b>(1,864)</b>                              |

|           |   |             |             |
|-----------|---|-------------|-------------|
| <b>3.</b> | <b>Cash flows from financing activities</b>   |             |             |
| 3.1       | Proceeds from issues of equity securities (excluding convertible debt securities)       |             |             |
| 3.2       | Proceeds from issue of convertible debt securities                                      |             |             |
| 3.3       | Proceeds from exercise of options   | 0           | 13          |
| 3.4       | Transaction costs related to issues of equity securities or convertible debt securities | 0           | (62)        |
| 3.5       | Proceeds from borrowings  |             |             |
| 3.6       | Repayment of borrowings   |             |             |
| 3.7       | Transaction costs related to loans and borrowings                                       |             |             |
| 3.8       | Dividends paid  |             |             |
| 3.9       | Other (Repayment of lease principal)  | (12)        | (50)        |
| 3.10      | <b>Net cash from / (used in) financing activities</b>                                   | <b>(12)</b> | <b>(99)</b> |

|           |  |       |         |
|-----------|--|-------|---------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |       |         |
| 4.1       | Cash and cash equivalents at beginning of period                             | 7,260 | 10,175  |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | 268   | (1,370) |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(....9...months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---|
| 4.3                                  | Net cash from / (used in) investing activities<br>(item 2.6 above)  | (674)                      | (1,864)                                     |
| 4.4                                  | Net cash from / (used in) financing activities<br>(item 3.10 above) | (12)                       | (99)  |
| 4.5                                  | Effect of movement in exchange rates on<br>cash held                |                            |   |
| 4.6                                  | <b>Cash and cash equivalents at end of<br/>period</b>               | <b>6,842</b>               | <b>6,842</b>                                |

| 5.  | Reconciliation of cash and cash<br>equivalents<br>at the end of the quarter (as shown in the<br>consolidated statement of cash flows) to the<br>related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-----|---|----------------------------|-----------------------------|
| 5.1 | Bank balances   | 1,224                      | 442                         |
| 5.2 | Call deposits   | 0                          | 0                           |
| 5.3 | Bank overdrafts   | 0                          | 0                           |
| 5.4 | Other (Term Deposits)   | 5,618                      | 6,818                       |
| 5.5 | <b>Cash and cash equivalents at end of<br/>quarter (should equal item 4.6 above)</b>  | <b>6,842</b>               | <b>7,260</b>                |

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

(140)

(447)

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Item 6.1 relates to Cash remuneration paid to the Directors, including remuneration paid to the Managing Director.

In addition to this, during the quarter, \$348,000 was received from Clever Culture Systems AG (CCS); a joint venture company that is owned 50/50 between LBT Innovations and Hettich Holding Beteiligungs-und Verwaltungs-GmbH. This consists of \$284,000 consulting income for LBT staff providing services to CCS and \$64,000 expense reimbursements (with the corresponding expense of \$64,000 included within item 1.2(b)).

Item 6.2 LBT's 50% share of funding CCS, provided as a loan.

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

|                                       | Total facility<br>amount at quarter<br>end<br>\$A'000 | Amount drawn at<br>quarter end<br>\$A'000 |
|---------------------------------------|---|---|
| 7.1 Loan facilities                   | 2,500   | 2,500                                     |
| 7.2 Credit standby arrangements       | 50  | 25  |
| 7.3 Other (please specify)            | 0   | 0   |
| 7.4 <b>Total financing facilities</b> | 2,550   | 2,525                                     |

7.5 **Unused financing facilities available at quarter end** 25

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Item 7.1 relates to a loan facility provided by the South Australian Government. The first and second drawdowns, totalling \$2.5 million, occurred during the quarter ended 30 June 2019. Interest is payable at a 2% margin above the SA Government cost of funds. On the 21 February 2020, the \$2.5 million converted to a principal and interest loan to be repaid by fixed quarterly instalments through to 21 May 2024. The Company has provided the SA Government with a first ranking general security.

Item 7.2 is a corporate credit card facility which is paid off in full each month.

| 8. Estimated cash available for future operating activities  | \$A'000 |
|--|---------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) – excluding government grants and tax incentives | (862)   |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6)  | 6,842   |
| 8.3 Unused finance facilities available at quarter end (Item 7.5)  | 25      |
| 8.4 Total available funding (Item 8.2 + Item 8.3)  | 6,867   |
| 8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>                              | 13      |

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:



## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 April 2020

Authorised by: ...By the Chair of the LBT Board.....

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.