CleanSpace RESPIRATORS

FULL YEAR FY21 RESULTS PRESENTATION

CLEANSPACE HOLDINGS LIMITED (ASX:CSX)

CleanSpace designs and manufactures innovative respiratory protection solutions for healthcare & industrial employers globally

We understand the importance of best-in-class personal protective equipment that not only performs, but allows the wearer to work comfortably and interact naturally in their work environment. Our products are designed for maximum compliance and comfort in the industrial and healthcare setting.

AUGUST 2021

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This presentation has been authorised for lodgement to the ASX by the CleanSpace Board of Directors.

FY21 BUSINESS HIGHLIGHTS

The business extended its global footprint and sales capability to advance the growth strategy in Health and Industrial sectors. In the context of challenging purchasing environments, the business retains strong fundamentals with market factors emerging to support higher protection and sustainable solutions.

- Entered the Healthcare market at scale
- Grown the customer base, including the addition of ~ 850 hospitals clients; with wider roll outs in reference sites
- Advanced distribution in both healthcare and industrial sectors in large geographical markets
- Expanded sales capability: 2 x sales FTEs over 3 regions with investment in best practice business systems
- Opened the manufacturing facility with capacity of >$100m of revenue
- Strong balance sheet - fully funded

CleanSpace® RESPIRATORS

FULL YEAR FY21
OPERATIONAL UPDATE

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COVID-19 UPDATE: CHANGING OPERATING ENVIRONMENT

Emerging market dynamics are favourable to CleanSpace.

The more infectious variant Delta, renewed outbreaks and breakthroughs in vaccinated workers are reinforcing the importance of high respiratory protection. Regulators have upgraded recommendations for reusable devices. Emerging issue of environmental impact of single use products.

Emergence of Pandemic CY20

- Rapid escalation of COVID outbreaks in largely unprepared markets
- Urgent purchasing patterns in healthcare
- Global shortage of PPE drove high demand and over-purchasing
- Regulators in Emergency Mode. Focus on hand washing and education in PPE (healthcare and consumers)

Global Transition 2H FY21

- Vaccines available. Focus on aggressive vaccine program roll outs
- Prolonged lockdowns and lower business activity
- Surplus PPE as manufacturers scaled up and new entrants at the low end
- Purchasing patterns: customers and channels overstocked / over supplied

Current Environment

- Higher vaccination rates, lockdowns easing and markets opening
- Educated healthcare market on PPE; regulators moving to better and reusable solutions
- Surplus PPE still present in the market
- New variant Delta causing vaccine breakthroughs and renewed outbreaks
- Better PPE implemented to alleviate Healthcare staff shortages
- Environmental issues with single use PPE

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HEALTHCARE BUSINESS

Transformational year for our Healthcare sector. After global launch of CleanSpace Halo for clinical settings, demand drove fast tracked penetration in large competitive healthcare markets – North America and Asia

- Expanded market adoption from 20 hospitals to 850+ hospitals where CleanSpace can enable a broader adoption (land and expand Strategy)
- Applications in ICU, Anaesthetic, Operating Theatres and Emergency Departments. With emerging opportunities in Ambulance, Medical Day Clinics and Dental
- Key reference hospitals in North America, Europe and Asia. Including US Gov't: VA and DoD
- Hospital-wide deployments proving both fleet models and single-owner use for mobile teams
- Remotely trained thousands of healthcare staff in 15+ countries, for rapid deployment and effective adoption
- Onboarded new healthcare distribution partners
- Australian State Gov't published guidelines for use of CleanSpace Halo: NSW, QLD, WA
- Achieved Medical Device approvals : TGA, WAND, Singapore (adding to existing respirator approvals)
- First PAPR with approved accessory (Steri-Plus) for sterile settings and source control

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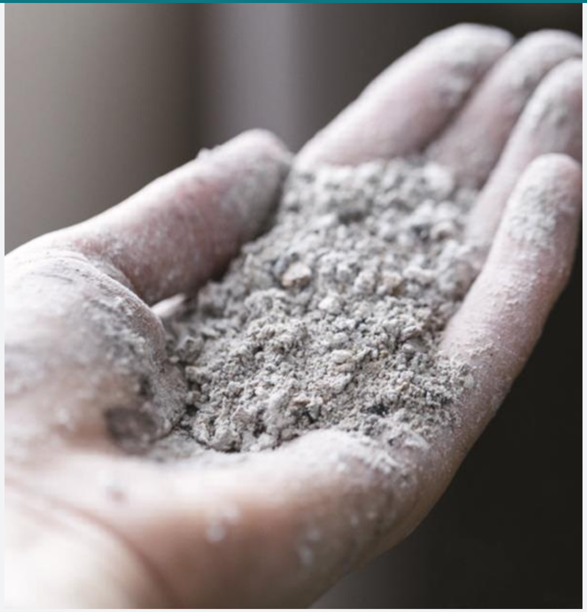
INDUSTRIAL BUSINESS

Expecting improved performance as key regions (Europe and USA) re-open. Customers and government regulators pushing for sustainable solutions with trusted supply chains.

While mask backlogs and lower business activity have impacted industrial sales, CleanSpace has continued to push technology adoption with key accounts and sector leaders.

- Continued traction with the focus on key sectors: construction materials (quarries, cement, stone), mining, metal and chemical manufacturing
- Traditional purchasing challenged with lower and disrupted business activity and oversupply of PPE in core industrial markets globally
- Towards the end of Q4, European industrial distributors started to return – with investment in stocking orders
- Onboarded 17+ new distributors in 6 countries
- Miners successful in their USA MSHA submissions for exemptions to use of CleanSpace
- Regulators re-commenced enforcing business compliance with regards to silica exposure
- Industrial customers and governments driving for sustainable solutions



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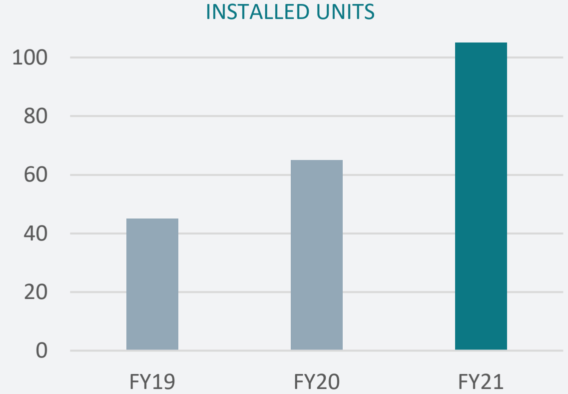
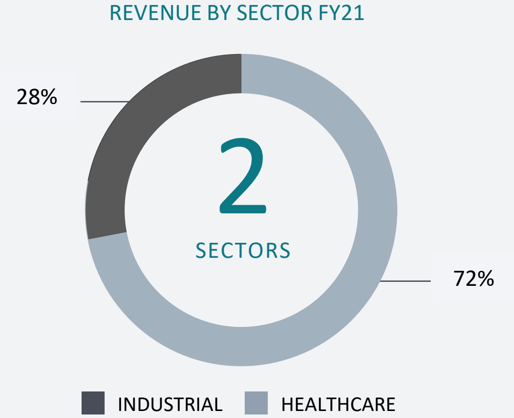
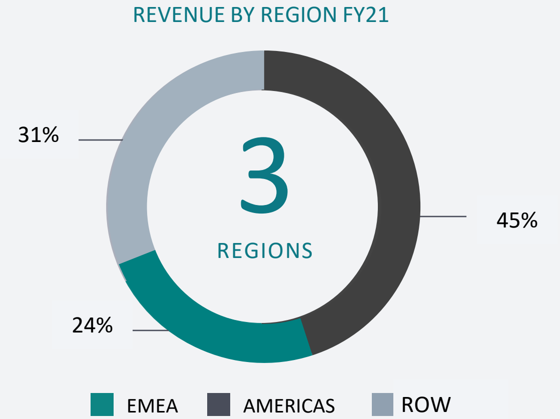
SIGNIFICANT GROWTH IN INSTALLED BASE

Healthcare and industrial segment adoption continued with unit sales to existing and new customers, notwithstanding the challenges seen in 2H FY21. Regional sales mix largely reflect the changes in healthcare demand experienced from 1H to 2H FY21.







- Accelerated installed base in healthcare in 3 regions delivered coverage in large global markets
- Installed base offers opportunities for ‘land and expand’ growth
- Pre-pandemic purchasing patterns had consistent recurring revenue. Disruption in traditional recurring revenue buying patterns in 2H FY21. Split of respirator (51%) vs accessory (49%) of total sales remains consistent
- More rational purchasing patterns and distributor stocking levels beginning to return

OPERATING MODEL PROVEN TO DELIVER AT SCALE

Proven ability to scale the business to meet significant demand (seen in CY20), delivering operating leverage from a flexible cost base.

Investment in upgraded business systems supporting future growth and scalability.

FLEXIBLE PRODUCTION COST BASE

- Able to reduce overall cost base in 2HFY21 responding to reduced revenue
- Recognising continued investment in sales and marketing to leverage market opportunities

WORLD CLASS MANUFACTURING FACILITY

- Sydney facility in place since November 2020 at capex cost of <$2m
- Production capacity of $100m revenue per annum from one shift/5 days
- Ability to stock to mitigate supply chain disruption

UPGRADED BUSINESS & SALES SYSTEMS

- Upgraded ERP and CRM integrated platforms for lead generation, sales conversion and post sale services
- Real time production data capture and controls improve lean manufacturing
- Regulatory / Government engagement

DEMONSTRATED SCALABLE MODEL

- Demonstrated ability to scale up production 5x in 12 months
- At scale, delivered gross margins of >78% and EBITDA Margins of >48% (1H FY21)
- Modular and smart product design enables inventory flexibility

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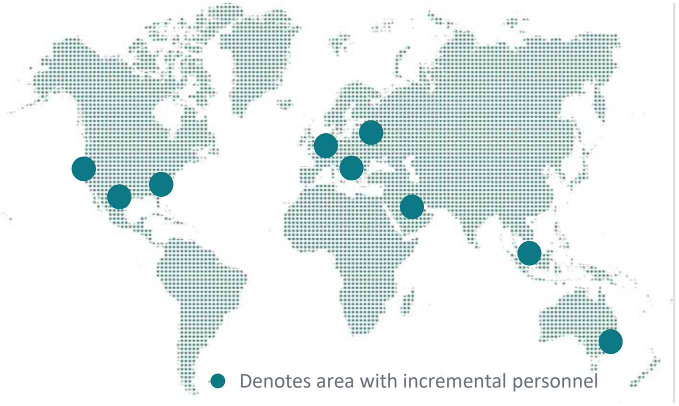
SALES AND DISTRIBUTION CAPABILITIES

Continued to build out global sales function to overcome the current challenges and support scaled growth

- Pre-pandemic - a small targeted sales team achieving ~30% revenue growth driven by largely industrial markets in Europe and Australia
- Healthcare business benefitted from pandemic fuelled reactive buying patterns. 2H FY21 both sectors were impacted by oversupply and backlog of PPE that drove a sharp reduction in demand
- Throughout FY21, the business has expanded the sales capability
  - Specialised sales teams [20+] to manage an increase sales pipeline (lead generation and technical sales conversion)
  - Training and technical support teams [20+] work directly with customers to build champions, support roll outs and customer referrals (land and expand)
  - Maintain an agile and flexible workforce: trained across health and industry, web-based and multilingual
  - Upgraded business systems driving real time reporting for high performing sales culture
  - Added distributors (20+) to expand networks into healthcare and industrial sectors in the key geographies
  - Re-prioritisation of key target sectors/geographies to consolidate market traction and capture significant market share to become the 'Standard' RPE solution in that setting



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TRADING ENVIRONMENT OVER FY21

- Business's adaptability (sales and operating capabilities) in response to fast changing trading conditions
- Full year results reflect the dynamic operating period: Strong trading 1H (driven by unprecedented demand and PPE shortages) and 2H sales impacted by aggressive vaccination roll outs; extended lockdowns resulting in weaker industry activity and mask oversupply
- Pre-pandemic purchasing patterns that supported consistent recurring revenue were disrupted in 2HFY21
- Overall the business gained an expanded customer base, strong traction in major healthcare markets; deeper regional footprints in USA and Asia; proven scalable business model
- A strong cash position; investment in sales capability, distribution partners, marketing efforts, stakeholder engagement
- A new Sydney production facility, positions the business for growth as the market returns
- Higher vaccination rates are enabling markets to re-open and return to normalised purchasing patterns. Shifting market dynamics are favourable to CleanSpace (new variants)
- YTD FY22 monthly average sales in line with management expectations and ahead (15%+) of Q4 FY21 monthly average sales

FULL YEAR FY21
FINANCIAL UPDATE

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FULL YEAR FY21 FINANCIAL HIGHLIGHTS

Financial fundamentals remain strong, notwithstanding the challenging conditions in 2H FY21

1. High gross margin of 77% for FY21
2. Demonstrated ability to deliver over 30% EBITDA margins at scale
3. Operating leverage with a flexible cost base
4. Continued and measured investment in sales and marketing
5. Strong balance sheet with cash position of $38.2m at 30 June 2021
6. Low capex and short working capital cycle – strong cash conversion

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FY21 REVENUE WITH SELECTED OPERATING METRICS

REVENUE BY SEGMENT

A$m	1H FY21	2H FY21	FY21
Healthcare	31.0	5.1	36.1
Industrial	8.7	5.1	13.8
Total	39.7	10.2	49.9

%	1H FY21	2H FY21	FY21
Healthcare	78	50	72
Industrial	22	50	28
Total	100	100	100

REVENUE BY REGION

A$m	1H FY21	2H FY21	FY21
North America	19.6	2.7	22.3
Europe	7.3	4.6	11.9
ROW	12.8	2.9	15.7
Total	39.7	10.2	49.9

%	1H FY21	2H FY21	FY21
North America	49	27	45
Europe	18	45	24
ROW	33	28	31
Total	100	100	100

REVENUE BY SEGMENT

- Full Year FY21 results reflect the changing trading environment for both segments
- 1H strong sales driven by demand in healthcare and PPE shortages; 2H sales reflect the abrupt shift in purchasing due to vaccination programs; overstocking and lockdown restrictions impacting health and industrial PPE demand
- Notwithstanding the challenges seen in 2H FY21, hospital and industrial adoption continued with unit sales to existing and new customers; new hospitals: US (50+); Europe (20+) and Asia (200+); and eight US mining customers in a new sector for the business

REVENUE BY GEOGRAPHY

- Regional sales figures reflect the reported changes in healthcare purchasing in US and Asia from 1H to 2H

INCOME STATEMENT SUMMARY

	1H FY21	2H FY21	FY21	1H FY20	2H FY20	FY20	Change vs PCP
Statutory Results							%
Revenue	39.7	10.2	49.9	7.3	21.1	28.4	76%
Gross Profit	31.1	7.3	38.4	4.9	16.1	21.0	82%
Employee benefits expense	(5.8)	(4.7)	**(10.5)**	(3.0)	(4.8)	**(7.8)**	
Marketing and sales expenses	(1.8)	(1.9)	**(3.7)**	(1.3)	(1.4)	**(2.6)**	
R&D and IP expenses	(0.7)	(0.7)	**(1.4)**	(0.7)	(0.8)	**(1.5)**	
Other operating expenses	(3.6)	(2.1)	**(5.8)**	(1.0)	(1.2)	**(2.3)**	
Total Operating Expenses	**(12.0)**	**(9.4)**	**(21.3)**	**(6.0)**	**(8.2)**	**(14.3)**	50%
EBITDA	**19.1**	**(1.9)**	**17.2**	**(1.0)**	**8.9**	**7.8**	122%
Depreciation and amortisation	(0.7)	(0.5)	**(1.2)**	(0.2)	(0.2)	**(0.4)**	
EBIT	**18.4**	**(2.4)**	**16.0**	**(1.2)**	**8.6**	**7.3**	119%
Gross Margin	78%	72%	77%	68%	76%	74%	
EBITDA Margin	48%	-19%	34%	-14%	42%	27%	
EBIT Margin	46%	-23%	32%	-17%	41%	26%	

GROSS MARGIN

- Margin increased from 74% in FY20 to 77% in FY21 driven by increase in healthcare sales (up from 50% in FY20) as a proportion of total sales; Healthcare products having higher margins than industrial and largely direct sales in US and Australia
- Margin decreased in 2H FY21 from 78% in 1H FY21 to 72% due to:
  - Change in product segment mix. Proportion of healthcare sales decreased from 78% to 50% as healthcare PPE purchasing patterns changed in 2H
  - Reduction in sales volumes and absorption of some production labour costs
- Business currently not experiencing material cost increases in COGS, nor delays or supply chain issues
- FY22 Gross Margin is expected to be in line or above 2HFY21 Gross Margin
- The business anticipates more healthcare sales through distributors in FY22 as healthcare markets continue to open up

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INCOME STATEMENT SUMMARY (CONT.)

Statutory Results	H1 FY21	H2 FY21	FY21	H1 FY20	H2 FY20	FY20	Change vs PCP %
Revenue	39.7	10.2	49.9	7.3	21.1	28.4	76%
Gross Profit	31.1	7.3	38.4	4.9	16.1	21.0	82%
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- Business has demonstrated its flexible production cost base in response to the dynamic changes in sales activity
- Variable operating expenses include selling costs and sales bonuses
- The business actively invested in sales headcount and marketing activity through 2H FY21. This will continue in 1H FY22 and as such the operating cost base is expected to be higher than 2H FY21 to support sales growth
- 1H FY22 cost base expected to be ~$11m – $13m
- R&D and SG&A expected to remain in line with current levels
- Other operating expenses in 1H FY21 include $1m IPO related costs

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BALANCE SHEET

Summary Balance Sheet (A$m)	FY21	FY20	% Change
Cash, cash equivalents and term deposits	38.2	10.3	271%
Trade and other receivables	2.4	8.7	-72%
Inventories	4.6	1.8	156%
Other current assets	0.5	0.2	150%
Property, plant and equipment	1.9	0.9	111%
Right-of-use assets	1.9	0.1	1800%
Other non-current assets	1.1	0.9	22%
Total assets	50.7	23.0	120%
Trade and other payables	2.4	4.3	-44%
Borrowings	2.4	4.7	-49%
Lease liabilities	2.0	0.1	1900%
Income tax liabilities	1.6	2.2	-27%
Employee benefits	1.0	0.5	100%
Other liabilities	0.6	1.3	-54%
Total liabilities	10.0	13.2	-24%
Net assets	40.7	9.7	320%

- Strong balance sheet - cash of $38.2m – reflecting net raise from the IPO of $19.1m and free cash flow of $17.1m
- Trade receivables lower following lower sales level in June 21 when compared to June 20
- At the end of FY20, Inventory levels were running low due to high demand and rapid scale up. In FY21, the business was able to hold inventory levels to allow it to respond to forecast demand and protect against supply disruptions
- Property plant and equipment, Right-of-use assets and lease liabilities increased due to the set-up of the new facility at St Leonards
- Borrowings decreased in FY21 due to the repayment to NSWHealth of $2.3m 2015 Medical Device Fund loan (paid December 20)

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SUMMARY GROUP CASH FLOW

Summary Cash Flows (A$m)	FY21	FY20
Cash flows from operating activities		
Receipts from customers	55.2	24.3
Payments to suppliers and employees	(36.6)	(20.5)
Interest received	-	0.1
Grants and government subsidies received	0.2	1.0
Interest and other finance costs paid	(0.2)	(0.1)
Income taxes paid	(5.3)	-
Net cash from operating activities	13.5	4.7
Cash flows from investing activities		
Payments for property, plant and equipment	(1.7)	(0.4)
Net cash used in investing activities	(1.7)	(0.4)
Cash flows from financing activities		
Proceeds from issue of shares	19.1	-
(Repayment of) / proceeds from borrowings	(2.3)	2.3
Net payment of lease liabilities	(0.6)	(0.1)
Net cash from financing activities	16.2	2.2
Net increase in cash and cash equivalents	27.9	6.5
Cash and cash equivalents at the beginning of the financial year	10.3	3.8
Cash and cash equivalents at the end of the financial year	38.2	10.3

Cash in the above table includes term deposits which are classified as financial assets in financial statements

The Group's cash balance at 30 June 2021 was $38.2 million (2020: $10.3 million).

Key components and drivers of cash flows were:

- IPO – net proceeds of $19.1m
- Cash flow from operations of $19m (pre finance and tax)
- Tax payments of $5.3m reflecting high profitability in FY20 and 1H FY21
- Strong cash conversion with short receivables cycle
- Increase in payments for property, plant and equipment and lease liabilities due to move to new facility in St Leonards and purchase of new filter machine
- $2.3m in borrowings was repaid

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FY22 OUTLOOK

FY22 OUTLOOK

It is expected that the world will be living with the implications of COVID-19 for a prolonged period.

The spread of the more infectious variant Delta around the world has resulted in renewed outbreaks along with reported breakthroughs amongst vaccinated workers. This has increased focus on the higher protection.

STANDARD RPE IN RESPIRATORY PROTECTION

- Deployed into several hundreds hospitals, roll outs to large reference sites. Application in Emergency, ICU and Operating Theatres and Ambulance
- Medical device approvals and referenced in government healthcare providers guidelines for use
- Product leadership – smart clinical designed PAPR technology with extended use in sterile settings and source control
- Delta and healthcare staff shortages driving demand for higher protection, sustainable solutions and reliable supply chains

RETURN OF GROWTH IN INDUSTRIAL MARKETS

- Global oversupply of masks continues to impact demand. CleanSpace remains uniquely positioned offering superior cost advantages, high protection and a sustainable solution
- The business is confident that traction in US healthcare can be replicated in Europe over time, with the US having potential to grow a strong industrial base as seen in Europe
- In this new phase, the business is well placed to accelerate its growth in market share
  - Established industrial client base with historical track record in growth
  - Broader awareness and acceptance (written into PPE guidelines)
  - Expanded global sales capability and distribution channels
- The business has considerable upside and remains positive on overall growth

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