



ASX Announcement

25 January 2022

## Quarterly Activity Report Q2 FY22

### Highlights

- **Continued increase in COVID-19<sup>1</sup> rapid antigen test sales:** Changes in public health policy and a rapid increase in case numbers, particularly as a result of the Omicron variant, led to increasing demand for COVID-19 rapid antigen tests
- **HIV business:** Completion of earlier orders, and subsequent orders received during the period from Viartis for a further substantial volume of HIV Self-Test products to supply into three new African markets and to our European distributor, which will be produced and delivered during Q3 FY22
- **Cash receipts:** Total quarterly cash receipts of \$7.3m, including receipts of \$5.5m from customers (comprising \$4.1m in sales receipts and a \$1.4m fee paid by Access Bio), and a further \$1.8m from R&D rebate proceeds. H1 cash receipts in total \$9.5m (PCP H1 FY21 of \$5.8m)
- **Revenue:** Quarterly unaudited revenue from customers of \$4.6m, including \$3.2m in product sales and a \$1.4m fee paid by Access Bio. H1 unaudited revenue from customers of \$7.0m, demonstrating solid growth when compared with full year FY21 revenue of \$6.7m
- Atomo finished the quarter debt-free and with **cash on hand** of \$13.7m

**SYDNEY Australia, Tuesday, 25 January 2022** – Atomo Diagnostics Limited (ASX: AT1) (**Atomo/Company**) is pleased to release its Appendix 4C and quarterly activity report for the three-month period ended 31 December 2021 (Q2 FY22).

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<sup>1</sup> COVID-19 rapid testing detects SARS-COV-2, the virus that causes COVID-19



## **COVID-19 Rapid Antigen Tests – continued growth in Australia**

During Q2 FY22, sales of Atomo professional-use rapid COVID-19 antigen tests continued to grow. Following the arrival of a significant quantity of stock just prior to the end of Q1 FY22, supply to existing and new customers continued to ramp up throughout Q2 FY22 and into Q3. Atomo sold an average of approximately 90,000 rapid antigen tests per month throughout the period with volume weighted towards the end of the period.

Acceptance and use of rapid antigen testing in Australia significantly increased during Q2 FY22 as lockdown restrictions were broadly eased in most States, and the Omicron variant of COVID-19 spread quickly throughout the community. Atomo continued to service existing corporate, aged care, industrial and other customers, as well as adding new customers throughout the period. Atomo onboarded more than 50 new customers throughout Q2 FY22, adding to the approximately 70 customers onboarded during Q1 FY22.

Demand strengthened materially over the Christmas holiday period and into the New Year, such that Atomo's stock in Australia was fully committed and sold during January 2022, with January's volumes exceeding total volume sold in H1. Supply chain challenges are prevalent across the sector in Australia and internationally, highlighting the importance of having contracted supply at pre agreed prices. As announced in early October 2021<sup>2</sup>, Atomo has the right to purchase up to 20m COVID-19 rapid antigen tests (10m professional-use and 10m self-tests) from Access Bio. Under the agreement Atomo has the right, but not the obligation to purchase these tests by 31 December 2022.

The Company continues to work actively to obtain TGA approval for a COVID-19 rapid antigen self-test. During Q2, the TGA introduced new requirements for suppliers with existing ARTG listings, and for those with submissions for listing, of rapid antigen tests. Applicants were requested to provide additional study data for assessment by the TGA and the Doherty Institute is currently conducting further assessments on all rapid antigen test products at the request of the TGA. Atomo's approved COVID-19 professional use test, and its self-test product submission are therefore subject to this review process, and further updates will be provided to the market as information becomes available.

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<sup>2</sup> ASX Release dated 5 October 2021



Commenting on the recent developments in the rapid antigen market in Australia, Atomo Co-founder and Managing Director, John Kelly said: “We have seen a big ramp up in demand for our professional use COVID-19 rapid antigen test as companies and organisations increase testing programs for staff that ensure compliance and traceability. The Atomo team has worked extremely hard over the holiday period to support existing and new customers with their urgent testing requirements. As the New Year has commenced, this demand has further increased. It is pleasing that we have in place contractual arrangements with Access Bio to provide ongoing supply of product throughout the rest of 2022 and we look forward to receiving our next shipment so we can continue to supply our customers here in Australia at this time of need.”

## **HIV**

During the quarter, Atomo delivered HIV rapid tests to satisfy orders from Viatris for demand to India and two other countries. Further, Atomo supplied its European distributor Owen Mumford with more stock as they seek to expand further into Eastern Europe. Late in the quarter further orders were received from Viatris for three additional African countries, which will be manufactured and delivered during Q3 with production already under way.

During the quarter, the TGA removed a large number of conditions it had previously placed on Atomo’s HIV self-test in Australia, including allowing them to be sold direct to customers via retail and pharmacy channels as well as removing prohibitions on promoting the product and Atomo’s direct consumer e-commerce site. As the only company with an HIV self-test approved in Australia and listed on the ARTG, Atomo was extremely pleased with these developments.

Atomo launched an HIV testing awareness campaign in conjunction with local pharmacy partners and the AFAO (Australian Federation of Aids Organisations), and commenced an initial product launch in pharmacies. Early indications are that this is responding to an unmet need for increased access to HIV self-testing and the intention is to continue to invest in expanding this channel as well as active promotion of our direct-to-consumer sales channel:

<https://www.atomohivtest.com/home.php>



## **US Market entry**

Following a number of constructive face to face meetings with Atomo's Managing Director in the US and UK during November, the Company continues to progress commercial discussions with diagnostic companies and leading eCommerce players actively expanding into home health and testing markets. These emerging online healthcare companies are seeing significant growth as the market, particularly in the US, transitions away from bricks and mortar clinic and retail-based healthcare models.

Atomo is currently recruiting for a senior US resource to help expand the Company's US footprint and a shortlist of candidates is currently being interviewed with this position expected to be filled in H2 FY22.

## **New Product Development**

Atomo successfully completed, prior to Christmas, a detailed proof of concept program for its swab based rapid test device. This device simplifies the steps of use and workflow required to carry out a rapid swab-based test (including for COVID-19 rapid antigen self-testing), as well as delivering a very controlled swab reagent pre-mix sample volume to standard rapid test cassettes. The device, which incorporates Atomo's proprietary integrated blister reagent technology, simplifies swab-based testing and improves precision when using swab based rapid tests.

Atomo now intends to actively engage with global rapid test manufacturers, focusing initially on COVID-19 rapid self-test manufacturers with a view to securing commercial interest in its swab test device as it seeks to complete product commercialisation and set up volume manufacturing.

The Company believes that in addition to COVID-19 self-test markets, its swab test device supports a range of other swab based diagnostic markets including other respiratory conditions, throat-based swab testing, as well as a range of sexual health home test applications such as chlamydia and gonorrhoea.

## **Financials**

Cash receipts for the quarter were substantially up, to \$7.3m in total. This included receipts of \$5.5m from customers (comprising \$4.1m in product sales receipts and a \$1.4m fee paid by



Access Bio), plus \$1.8m in R&D rebate proceeds. H1 cash receipts totalled \$9.5m (PCP H1 FY21 of \$5.8m). Local COVID-19 rapid antigen test sales were a primary driver of the growth in cash receipts.

Unaudited revenue from customers during Q2 FY22 was \$4.6m, including \$3.2m in customer sales and \$1.4m in revenue related to the Access Bio settlement (as previously announced, a portion of the total cash payment from Access Bio of \$2.4m was recognised in FY21 as it related to stock shipped to Access Bio during that period). H1 unaudited revenue from customers was \$7.0m, demonstrating significant growth when compared with full year FY21 revenue of \$6.7m.

Ongoing investment in R&D continued, in particular, in the development of a proprietary swab device, and further investment in finalising the next generation blister machine.

In accordance with ASX Listing Rule 4.7B, Atomo advises that an amount of \$189k was paid during the quarter to Atomo Directors in salary and director fees.

Atomo's cash balance at the end of the quarter was \$13.7m. Strong cash inflows were offset by expenditure on PPE, R&D and in particular, investment in working capital. A considerable investment was made during the period in COVID-19 rapid antigen test stock, the majority of which was sold in early Q3 FY22 so will convert to cash inflows during Q3 FY22.

## **Key Priorities**

Atomo's key priorities for FY22 include:

- Scaling up Atomo's current COVID-19 professional use testing business in Australia and launching a self-test product version (subject to TGA approval).
- Growing Atomo's global HIV business through the support of key partners rolling out Atomo's HIV products, expanding Atomo's domestic sales channels given recent relaxing of TGA restrictions and continuing efforts to secure a US commercial partner to support US market entry.
- Establishing Atomo's US business and upgrading the Company's commercial and business partnership resources and capabilities.
- Progressing strategic e-commerce partnership opportunities in the growing home health market.



- Completing development of the Atomo swab test device and securing commercial interest in that product for key markets such as COVID-19 and sexual health testing.

Appendix A provides a summary of actual expenditure, compared to the estimated use of funds set out in Atomo's IPO prospectus dated 4 March 2020 (**Prospectus**), in accordance with ASX Listing Rule 4.7C. Cash expenditure during the quarter was consistent with the use of funds set out in the Prospectus. Refer to the notes to the summary table in Appendix A for further information in relation to each of the categories of expenditure.

An online briefing will be provided at 11.15 am today (AEDT).

Participants can pre-register ahead of time via the following link:

[https://us02web.zoom.us/webinar/register/WN\\_ytf8jdJqRIKZiljZxbDy5g](https://us02web.zoom.us/webinar/register/WN_ytf8jdJqRIKZiljZxbDy5g)

Once the registration form is completed, investors will receive a confirmation email with details on how to access the briefing. If you would like to ask a question during the briefing, please send your question ahead of the session to: [george.kopsiaftis@irdepartment.com.au](mailto:george.kopsiaftis@irdepartment.com.au)

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*This announcement was authorised by the Board of Directors.*

#### **About Atomo**

Atomo is an Australian medical device company supplying unique, integrated rapid diagnostic test (RDT) devices to the global diagnostic market. Atomo's patented devices simplify testing procedures and enhance usability for professional users and untrained self-testers. The Company has supply agreements in place for tests targeting infectious diseases including COVID-19, HIV, viral vs bacterial differentiation and female health.



See more at [www.atomodiagnostics.com](http://www.atomodiagnostics.com).

### **Forward looking statements**

This announcement may contain forward looking statements which may be identified by words such as “believes”, “considers”, “could”, “estimates”, “expects”, “intends”, “may”, and other similar words that involve risks and uncertainties. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Atomo or its Directors and management and could cause Atomo’s actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements



## Appendix A

In accordance with ASX Listing Rule 4.7C Atomo provides the following use of funds information:

Use of funds	Prospectus	Actual Funds Deployed		Ref
		Actual Accumulated	As a % of Prospectus	
	(A\$'000)	(A\$'000)	%	
Expansion of Manufacturing & Distribution	11,700	4,771	40.8%	1
Research & Development and Product Commercialisation	11,025	5,092	46.2%	2
GHIF Loan Repayment (Including Outstanding Interest)	7,010	7,746	110.5%	3
Administrative Costs	2,446	1,376	56.2%	4
Market Expansion	1,600	1,253	78.3%	5
Interest on Convertible Notes	900	756	84.0%	6
Working Capital & Operating Costs	5,055	3,363	66.5%	7
Costs of the Offer	2,704	1,897	70.2%	8
<b>TOTAL (INCLUDING EXISTING CASH)</b>	<b>42,440</b>	26,254	61.9%	9

Ref	Comment
1	Capacity ramp up to support accelerated growth
2	Includes capitalised R&D related to blister machine design and engineering
3	Forex movements. No further outflows beyond Q4 FY20
4	Includes incremental public company costs
5	Excludes expenses related to new market entry
6	Actual less than estimate due to IPO timing. No further outflows beyond Q4 FY20
7	Net working capital balance after accounting for outflows for operating costs and cash receipts since IPO
8	Excludes cash outflows pre-IPO relating to costs of the offer amounting to \$1.2 million. No further outflows beyond Q4 FY20
9	Total of \$42.44m includes existing cash of \$12.44m on hand as at 31 December 2019 as per Prospectus. Total expenditure includes net working capital movements from 31 December 2019 to IPO of \$1.3m