CleanSpace® RESPIRATORS

CLEANSPACE HOLDINGS 1H FY23 TRADING UPDATE

23 January 2023. CleanSpace Holdings Limited (ASX: CSX, "CleanSpace" or the "Company"), an Australian company that designs, manufactures, and sells premium respiratory protection solutions for industrial and healthcare markets, today provides an update for 1H FY23.

KEY POINTS

- **1H FY23 revenue $5.7m, down on prior half (2H FY22) and PCP (1H FY22).**
- **1H FY23 regional sales: North America revenue up 102% on prior half and up 18% on PCP; Europe revenue up 60% on PCP and down 23% on prior half reflecting lower activity through the European summer period; and Asia revenue down 30% against prior half and down 68% on PCP reflecting lower healthcare sales after the pandemic fuelled demand in the region in FY22. Asia Industrial revenue up 37% on prior half and up 4% on PCP.**
- **High gross margin maintained at 70%.**
- **Industrial markets and distribution channels have stabilised and the new industrial products (released in January 2023) have been well received by distributors. The Company remains committed to extending its innovative technology leadership in respiratory protection for workers in high-risk settings.**
- **Operating expenses (excluding depreciation and share based payments) are significantly down (14%) on PCP noting that the PCP did not carry the current additional US investment; expenses were also down (11%) on prior half, demonstrating the Company's continued work to drive efficiency and operate on a sustainably lower cost base.**
- **The Company's balance sheet remains strong with cash of $16.4m as at 31 December 2022.**
- **The Company has several initiatives in place with effect January 2023 that it expects will drive stronger sales performance, including the launch of the connected industrial products and signing of distribution deals in North America. The cost reduction program will also continue to deliver lower operating expenses in 2H 2023 and beyond, which will materially benefit EBITDA and cashflow.**

SUMMARY OF FINANCIAL PERFORMANCE

A summary of the trading results and selected operational metrics for 1H FY23 (unaudited) and for 1H/2H FY22 are included in the tables below.

AUD	**1H FY23**[1]	**H2 FY22**	**1H FY22**
Revenue	$5.7m	$6.3m	$7.0m
Gross margin $	$4.0m	$4.4m	$5.3m
Gross margin (%)	70%	70%	75%
Operating expenses[2]	$10.3m	$11.5m	$12.0m
Operating EBITDA[3]	-$6.3m	-$7.1m	-$6.7m
Cash in bank	$16.4m	$24.3m	$30.5m

[1] Based on unaudited management accounts
[2] Operating expenses excluding depreciation and share-based payments
[3] Operating EBITDA excludes share-based payments and other income/expense

Regional sales performance and highlights

North America. 1H FY23 revenue was up 102% on prior half and up 18% on PCP.

The strategic focus is on Industrial markets and hospital Integrated Delivery Networks (IDNs). The investment in US sales capability has delivered a material growth in industrial sales, along with stronger pipeline and distributor engagement.

- **Industrial.** Sales growth was partly driven by accelerated traction in the mining industry as MSHA exemptions are in place, enabling major mining customers to deploy CleanSpace for their respiratory programs. The Company successfully signed a contract (effective 1 January 2023) with the largest sales agency in North America to support and deliver sales in several industrial sectors across the US and Canada.
- **Hospital IDNs and distribution channels.** The Company has successfully secured agreements with two leading GPOs and the largest medical distributor in the US. All three organisations are excited to provide their hospital customers with best-in-class and advanced respiratory technology.

Europe. Europe revenue was up 60% on PCP and down 23% on prior half reflecting the lower activity through the European summer period. Revenue growth on PCP was higher than pre-pandemic levels and the business is anticipating continued growth over next 12 months:

- Customer purchasing patterns have stabilised. European end user activity is consistent with trends seen in North America and Australia, with a stronger pipeline of corporate and distributor-sourced sales opportunities being developed.
- New innovative products launched. The new best in class CleanSpace Industrial products, with connected capability and several functional improvements, are also attracting great interest amongst both distributors and corporate customers.

Asia. Asia revenue was down 30% against the prior half and down 68% against PCP, reflecting lower healthcare sales after the pandemic fuelled demand in the region in FY22.

However, Industrial revenue was up 37% on the prior half and up 4% on PCP; noting that during the PCP the industrial business was negatively impacted by lockdowns and restrictions. Over the last six months Australia and Japan healthcare adoption has weakened as hospitals dealt with staff shortages, budget constraints and the lower perception of risk.

INNOVATION

The Company remains committed to technology leadership to drive sales growth and financial performance as it supports best in class premium respiratory protection for workers in high-risk settings. R&D spend levels are phased around the new industrial products' release (January 2023) and are currently broadly in line with pre-pandemic spend. The commercialisation of the new industrial products, with significant advancements in the core AirSensit® technology and with the addition of connectivity, are anticipated to support sales growth and higher gross margins.

OPERATING EXPENSES

Operating expenses (excluding depreciation and share based payments) are significantly down (14%) on PCP noting that the PCP did not carry the recent US investment. Expenses were also down 11% on the prior half, demonstrating the business's continued work to drive efficiency and operate at a sustainably lower cost base.

CleanSpace is successfully reducing its overall operating cost base whilst also investing in key growth opportunities and product innovation. Lower running costs are anticipated through the remainder of the year as the business implements additional operating efficiencies.

CASH

The Company's balance sheet remains strong with cash of $16.4m and minimal debt as at 31 December 2022. The Board remains confident that the current outlook on revenue and cost initiatives will support the business growth and profitability in the medium term.

Further details on 1H FY23 results will be released on 20 February 2023.

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Authorised for release by the CleanSpace Holdings Limited Board of Directors

FOR MORE INFORMATION

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ABOUT CLEANSPACE

CleanSpace is a Sydney-based designer and manufacturer of respiratory protection equipment for healthcare and industrial solutions, founded by a team of biomedical engineers with experience in respiratory medical devices. CleanSpace is passionate about continually improving health outcomes, safety and standards of care for people who need it most. In the last 20 years, technology has driven unprecedented advances in medical equipment and transformed people's health. We have brought this to personal respiratory protection. The Company continues to invest in research and development programs resulting in differentiated design and approved products that provide compelling employer and user benefits. CleanSpace Respirators are a true game changer.

The respiratory protection market is estimated to grow to US$10b market with 6% CAGR over the next 6 years. CleanSpace has world class leading technology and advanced solutions for large employers and their staff that significantly increases the level of personal protection (40 times more than disposable masks); improves ease of use and compliance; and achieves material cost savings and sustainability for their operations. Higher protection for frontline workers means better health outcomes for millions of people, now and into the future.