

28<sup>th</sup> April 2023

The Manager  
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Australian Securities Exchange Limited

**ACTIVITIES REPORT AND APPENDIX 4C: INCREASE IN NEW CONTRACTS AS SALES PIPELINE CONTINUES TO GROW**

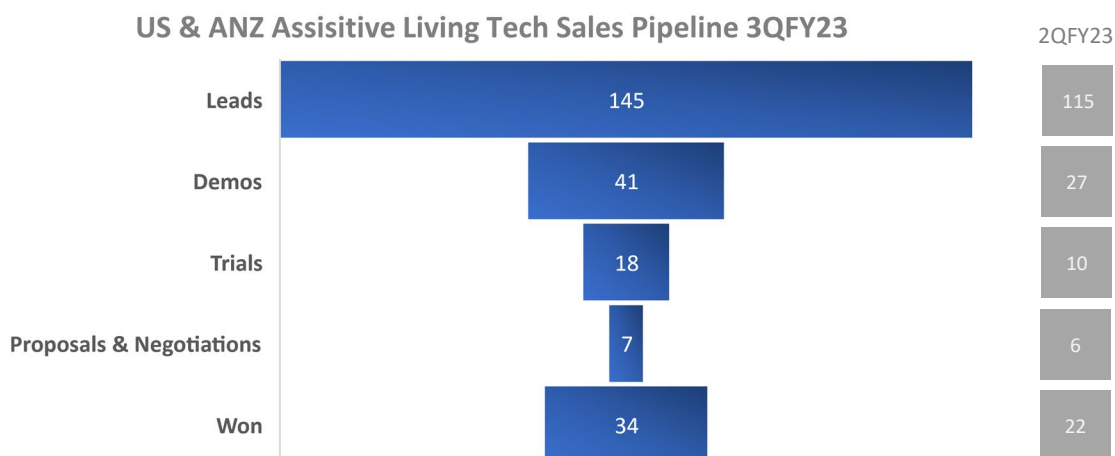
- **Number of new Sofihub contracts won jumps 55% over previous quarter to 34 with a further 18 paid trials currently running**
- **Eight of the 34 contracts won and 11 of the 18 trials are from the North American market**
- **Further wins expected as the sales pipeline for Sofihub and Strong Care continued to expand in the quarter**
- **Strong Care secures its third residential aged care client and has another 45 potential clients in its sales pipeline**
- **Merger of Careteq’s Ward MM business into a JV will open significantly more cross-selling opportunities for Sofihub and Strong Care, while bolstering Group profitability**

**Careteq Limited** (ASX: CTQ, “Careteq” or the “Group”), a leading cloud-based Assistive Living Technology solutions provider that improves the lives and care of the elderly, disabled and vulnerable through its network of intelligent sensors and devices, is pleased to provide the following update and commentary on its Appendix 4C for the three months to 31<sup>st</sup> March 2023 (3QFY23).

Careteq continues to make good progress scaling its Sofihub and Strong Care solutions with the sales pipeline for both offerings expanding further in the quarter, while forming a strategic joint venture (JV) for its Ward MM business that will significantly bolster the profitability of the Group.

**Assistive Living Technology**

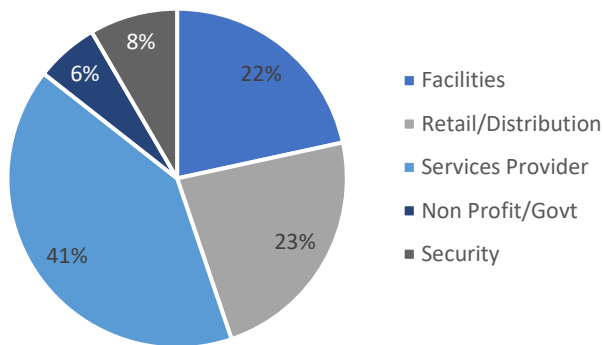
Both the pipeline of potential sales opportunities and contracts won (sales conversions) for Sofihub increased significantly in 3QFY23.



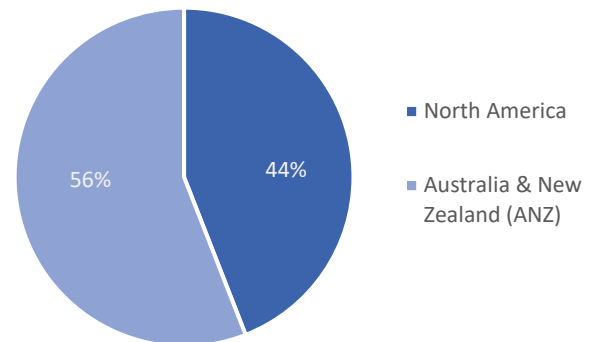
The number of new contracts won in the quarter increased by 12 over 2QFY23 to 34, with eight of these coming from the United States market. While the initial purchase orders of hardware (and associated subscriptions) are modest, many of these new clients represent large organisations and Careteq is expecting larger repeat orders in the foreseeable future.

On top of the contracts won, the number of potential sales opportunities in the pipeline increased by a third to 211 over the same period and 44% of these are for the North American market. These include 18 trials across various organisations (11 trials in US and 7 in ANZ) that span residential aged care chains to large services providers.

### Sector Breakdown (North America & ANZ)



### Geographical Split of Sales Pipe



### Strong Care Digital Medication Management

In another positive development, Careteq secured its third residential aged care (RAC) client for its Strong Care offering in the March quarter.

Careteq continues to receive keen interest for its digital medication management solution from RACs, which have until December 2024 to apply for a government grant to help them transition from their paper-based to digital system.

There are currently 45 potential RAC clients in the sales pipeline and eight of these have formally requested for a proposal.

Strong Care is a high margin offering for Careteq as it utilises existing business development resources to secure new sales and implementation and client support is provided by its partner, StrongRoom AI.

Careteq believes it can achieve significant growth in the Strong Care business, particularly after the merger of its Ward MM business, which is detailed in the section below.

### Medication Management Joint Venture

Careteq recently announced the merger of its Ward MM business with another leading medication management business, Mederev, in a joint venture (JV) that will create a dominant player in the industry.

The non-cash transaction brings several strategic advantages to Careteq with the Group forecasting:

- The JV to deliver earnings before interest, tax, depreciation, and amortisation (EBITDA) of ~\$1.5million in 12-18 months (Ward MM posted a FY22 EBITDA of \$370K).
- An increase in the number of beds under management from ~33K to ~55K and will add more than 240 new aged care client facilities to the portfolio;
- Improvement in Ward MM's operating efficiencies by ~35% (from improved utilisation rates and number of reviews per pharmacist through access to improved IT Solutions); and
- An additional \$0.5-1 million in revenue a year (compared with Ward MM and Mederev being standalone entities) and annualised synergies of ~\$500K

Careteq has a 55% controlling stake in the JV and has appointed three of the five board directors, including the chairperson. The JV will be profitable from year one and will not require a capital injection from Careteq.

### **Summary of cash flows**

Careteq holds no debt and its cash position at the end of the quarter was \$2.1 million (vs. \$3.6m in Q2FY23) as it stepped up investments in developing new product offerings, which will be integrated into the Sofihub platform. The bulk of the work and R&D spend was completed in the March quarter and the new products are expected to be launched on market over the next two quarters.

As such, this level of cash burn is expected to moderate in future periods as the investment in growth is further offset by growing customer receipts.

The largest operating expenses in the quarter were staff costs of \$1.5 million (-12% on 2QFY23) and administrative and corporate costs of \$410K (-16% on 2QFY23), which contributed to an operating cash outflow of \$934K in the period.

The net cash outflow from investing activities of \$486K is related to the new product development mentioned above. There was no cash movement for financing activities.

As stated in Item 6.1 in the accompanying Appendix 4C, Careteq made aggregate payments to related parties and their associates totalling \$151K during the quarter. The payment relates to payments to executive and non-executive directors.

### **Event Subsequent to Quarter end**

In another recent and notable event, independent research firm, Corporate Connect, has initiated coverage on Careteq with a \$0.22 per share price target.

Investors can get access to the report from the Careteq website by clicking on the link (or copy and paste it in your web browser): [Corporate Connect Research Report on Careteq Limited](#)

This announcement has been approved by the Board of Directors.



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### **About Careteq Limited**

Careteq is an Australian-headquartered health-tech company that has developed and commercialised a suite of products that sit on its proprietary SaaS-based Assistive Living Technology platform for use by the elderly, disabled and vulnerable individuals. Its products and services, which improve outcomes for patients and their carers while increasing productivity, are sold in Australia and internationally through industry leading distributors and specialist retailers. Careteq generates revenues from recurring platform subscriptions, contracted medication management services and sales of its innovated range of sensors and devices that detect falls or unusual behaviour, monitor patient health, provides SOS emergency call functionality, and deliver medication reminders. Careteq is using its early-mover advantage in the Assistive Living Technology sector to revolutionise aged and disability care. For more information about Careteq, visit <https://www.careteq.com.au/>.

**Subscribe to receive investor updates by emailing:** [investors@careteq.com.au](mailto:investors@careteq.com.au)

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### **Forward-looking statements**

This announcement contains or may contain forward-looking statements that are based on Careteq's beliefs, assumptions, and expectations and on information currently available to Careteq.

All statements that address operating performance, events, or developments that Careteq or its directors expect or anticipate will occur in the future are forward-looking statements, including, without limitation, statements as to the expectations of Careteq or the market it operates in.

Careteq believes that these forward-looking statements are reasonable as and when made. You should not place undue reliance on forward-looking statements because they speak only as of the date when made. Careteq does not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. No assurance or guarantee is, or should be taken to be, given in relation to, and no reliance should be placed on, the future business performance or results of Careteq or the likelihood that the current assumptions, estimates or outcomes will be achieved. Actual results, developments or events could differ materially from those disclosed in the forward-looking statements.

## Appendix 4C

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

**Name of entity**

Careteq Limited

**ABN**

83 612 267 857

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

31 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (.....months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,146	3,634
1.2 Payments for		
(a) research and development	—	(11)
(b) product manufacturing and operating costs	(165)	(363)
(c) advertising and marketing	(48)	(168)
(d) leased assets	—	—
(e) staff costs	(1,455)	(4,668)
(f) administration and corporate costs	(410)	(1,254)
1.3 Dividends received (see note 3)	—	—
1.4 Interest received	—	—
1.5 Interest and other costs of finance paid	(2)	(3)
1.6 Income taxes paid	—	—
1.7 Government grants and tax incentives	—	959
1.8 Other (provide details if material)	—	—
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(934)</b>	<b>(1,874)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	—	—
(b) businesses	—	—
(c) property, plant and equipment	(486)	(496)
(d) investments	—	—
(e) intellectual property	—	—
(f) other non-current assets	—	—

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
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	—	—
2.4	Dividends received (see note 3)	—	—
2.5	Other (provide details if material)	—	—
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(486)</b>	<b>(496)</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	—	—
3.4	Transaction costs related to issues of equity securities or convertible debt securities	—	—
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 (provide details if material)	—	—
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>—</b>	<b>—</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	3,550	4,499
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(934)	(1,874)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(486)	(496)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (.....months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	—	—
4.5	Effect of movement in exchange rates on cash held	—	1
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,130</b>	<b>2,130</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,130	3,550
5.2	Call deposits	—	—
5.3	Bank overdrafts	—	—
5.4	Other (provide details)	—	—
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,130</b>	<b>3,550</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	151
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

*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.*

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	–	–
7.2 Credit standby arrangements	–	–
7.3 Other (please specify)	–	–
<b>7.4 Total financing facilities</b>	–	–
<b>7.5 Unused financing facilities available at quarter end</b>		–
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(934)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,130
8.3 Unused finance facilities available at quarter end (item 7.5)	–
8.4 Total available funding (item 8.2 + item 8.3)	2,130
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	2.3
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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:	
8.6.2 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:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	



## 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<sup>th</sup> April 2023

Authorised by: By the Board of Directors of Careteq Limited  
(Name of body or officer authorising release – see note 4)

## 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.