

31 August 2023

ASX Announcement (ASX: CTQ)

FY23 RESULTS

SOLID FOUNDATION TO DRIVE FUTURE GROWTH

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 announce its results for the financial year ended 30 June 2023 (FY23).

Highlights:

- **FY23 total Group revenue up 23.1% over prior corresponding period (pcp) to \$6.4 million**
- **Net loss reduced by \$1.2 million over pcp to \$4.1 million (vs. FY22 loss of \$5.3 million)**
- **Sofihub SaaS subscribers jumped 48.5% to c.4,600 with ARR just over \$300,000**
- **Annualised saving in excess of \$1.2 million to be achieved in FY24 by decommissioning Sofihub hardware R&D and focusing exclusively on software development**
- **Rapid expansion in the Sofihub sales pipeline in ANZ and the North America to more than 270 unique opportunities from just 12 in March 2022**
- **Successful entry into the US Market by securing 12 channel partners (Active Partners) in the world’s largest market with another 88 opportunities in the pipe**
- **Targeting 15,000+ Sofihub subscribers in FY24, expected to deliver a cash flow breakeven run-rate for the Company (on an operating basis)**
- **Size of medication management business jumped by two-thirds following Embedded Health Solutions (EHS) transaction**
- **EHS (55% owned by Careteq) is forecasting \$1.5 million EBITDA for FY24**

Group result

FY23 was an important year in laying a solid foundation to drive further revenue growth and position the Group for sustainable profitability. The Group saw rapid expansion in its Australian and US sales pipelines securing channel partnerships to expand Sofihub distribution.

The Group continued to grow its revenue base reporting a 23.1% increase in Group revenue to \$6.4 million; EBITDA loss reduced by 14.6% to \$3.5 million and there was a significant narrowing in net loss to \$4.1 million.

This trend is expected to continue, following annualised cost reductions of \$1.2 million and the expectation of further revenue growth in FY24.

	FY23	FY22	Change
Total Group Revenue	\$6.4m	\$5.2m	+23.1%
EBITDA	-\$3.5m	-\$4.1m	+14.6%
Net Loss	-\$4.1m	-\$5.3m	+22.6%

Revenue growth was due to the to the growth and “stickiness” of Careteq’s Software-as-a-Service (SaaS) platform subscribers and the benefits enjoyed from the recently settled Embedded Health Solutions joint venture.

The Group’s focus continues to be on growing its recurring SaaS subscription revenue, resulting in a robust business model not reliant on one-off sales of hardware devices.

Careteq has a strong balance sheet, with \$1.8 million in cash as at 30 June 2023 which when combined with its recent accelerated rights issue proceeds of \$2.47 million, provides ample runway to fund its growth agenda whilst reaching profitability.

Sofihub building on the momentum

A key highlight in FY23 was the continued growth in Careteq’s Assistive Living Technology platform, Sofihub. The number of active Sofihub subscribers jumped by 48.5% to c.4,600 with an ARR of c.\$300,000 as Careteq’s sales pipeline and conversion rates accelerated.

There are currently 18 trials running – 11 in the U.S. and 7 in Australia. Converting just one of these trials may lead to a significant step change in subscriber numbers. Average revenue per user (ARPU) increased due to subscribers adding new assistive living solutions. Churn remained very low at 1.8% during the period.

Careteq expects to reach breakeven run rate on an operating basis before end of FY24 with 15,000+ subscribers, which represents <5% of its current sales pipeline.

Rapid expansion in the sales pipeline in ANZ and the North America to more than 270 unique opportunities from just 12 in March 2022. The Group’s sales pipeline growth in the US Market has been secured with 12 Active Partners in the world’s largest market with another 88 opportunities in discussions and negotiations.

Careteq’s personal security solution was repurposed by an existing Active Partner for the lone worker market (a new and significant global opportunity for Careteq). This opportunity continues to grow both in the North American market and in ANZ.

Embedded Health Solutions: enhanced profitability

The size of the medication management business jumped by two-thirds on 1 April 2023, after Careteq formed a joint venture entity called Embedded Health Solutions Pty Ltd (EHS) with Mederev Pty Ltd (Mederev). As part of the transaction, Careteq merged its Ward Health Group Pty Ltd business with Mederev to create one of Australia's largest aged care medication management businesses. Careteq has 55% controlling stake in EHS and 45% non-controlling interest.

EHS has been a key contributor to the Group's 2H FY23 growth with c.\$200,000 in cost synergies extracted already through the JV. The combined entity benefits from economies of scale and is one of Australia's largest medication management service providers. The JV gives Careteq unparalleled access to leading Registered Aged Care Facilities to cross-sell its StrongCare platform solutions across an additional c.22,000 aged care beds bringing the total to c.55,000.

The EHS merged business is in a strong position to meet aged care requirements for embedded medication management, Quality Use of Medicines (QUM) solutions and on-site pharmacist time. It is anticipated that the JV will deliver an EBITDA of \$1.5 million for FY24.

Outlook

Careteq expects to deliver continued improved financial results in FY24.

The Group is targeting Sofihub SaaS subscribers to reach 15,000+ in FY24, resulting in a cash flow breakeven run-rate for the Company (on an operating basis). This will be driven by the strong pipeline of sales opportunities in the North American and ANZ markets. Most of the organisations in the pipeline represent potentially significant orders for Careteq given the size of these individual organisations.

This means Sofihub could experience another step-change in recurring revenue from just one of these opportunities upon conversion. Additionally, recurring revenues could be further boosted by the StrongCare partnership.

Following further costs synergies and operating efficiencies, Embedded Health Solutions is expected to deliver \$1.5 million of EBITDA in FY24.

"With a strong sales pipeline, a growing list of strategic partnerships and given the multiple tailwinds driving the aged and disability care industry towards Assistive Living Technologies, I believe we are in the right place at the right time to capitalise on this global trend." said Careteq's Executive Chairman, Mark Simari.

This announcement has been approved by the Board of Directors.

For investor and media enquiries, please contact: investors@careteq.com.au

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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/>.

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.