

Next Science reports FY23 Result

- Revenue of US\$22.2m, up 89% year-on-year (yoy) with 2H FY23 revenue of US\$12.1m in line with 2H FY23 guidance of US\$12m-14m provided in October 2023
- Product Sales of US\$22.1m, up 90% yoy reflecting the focus on direct product sales and introduction of DME¹ structure in October 2022
- Direct Product Sales of US\$16.9m, up 195% yoy: 76% of product sales
- Gross Profit of US\$16.2m, up 77% yoy; H2 FY23: US\$9.4m, up 97% on pcp²
- Gross Margin of 73% (H2 FY23: 78%) as improvements in revenue quality and purchasing power within DME structure drive scale (FY22: 78%)
- EBITDA Loss of (US\$14.8m) vs FY22 (US\$11.8m) as strong revenue growth offset by increased investment in the direct sales team to drive future revenue
- Cash receipts of US\$20.1m, up 89%; H2 FY23: US\$11m, up 169% on pcp
- Closing cash balance of US\$9.2m (31 December 2022: US\$5.1m) and no debt.
- Reaffirm FY24 guidance for revenue of US\$36m-40m and to be EBITDA and cashflow positive in 2H FY24

Next Science Limited (ASX:NXS) ("Next Science" or "the Company") today provides its full year result for the twelve months ended 31 December 2023. Next Science is a medical technology company focused on commercialising its proprietary X BIO™ suite of products to reduce the impact of biofilm-based infections on human health.

Next Science's CEO and Managing Director I.V. Hall said: "In FY23, we saw an improved performance during the year as we refined our strategy around the DME business and prioritised the direct sales channel. Wound Care sales quadrupled reflecting the first full year of the DME structure and increased focus on wound care centres and our payor mix. Within Surgical, direct sales of XPERIENCE™ were 58% higher yoy due to an increase in the clinical evidence available and broader access to healthcare sites provided by our contract with a leading GPO.³ Gross margins in the second half were in line with FY22 as we targeted higher quality revenue and our purchasing power improved as the DME structure continues to scale.

"Our focus in FY24 is to deliver significant topline growth by increasing the penetration and productivity of the DME structure and higher direct sales of BlastX™ and XPERIENCE™. The publication of additional clinical research for both products is expected to lead to broader recognition in the medical community. The consolidation of our sales leadership and sales team restructure is also expected to deliver substantial improvements in productivity and efficiency."

¹ In October 2022, Next Science established itself as a Durable Medical Equipment (DME) provider to sell BlastX™ in combination with topical collagen products. Refer to ASX announcement on 19 October 2022.

² Prior corresponding period

³ On 1 August 2023, Next Science entered into an agreement with leading Group Purchasing Organisation (GPO) HealthTrust to provide its members with access to XPERIENCE™. The US-based organisation serves 1,600 hospitals and 43,000 alternate sites of care including ambulatory surgery centres, physician practices and long-term care centres.

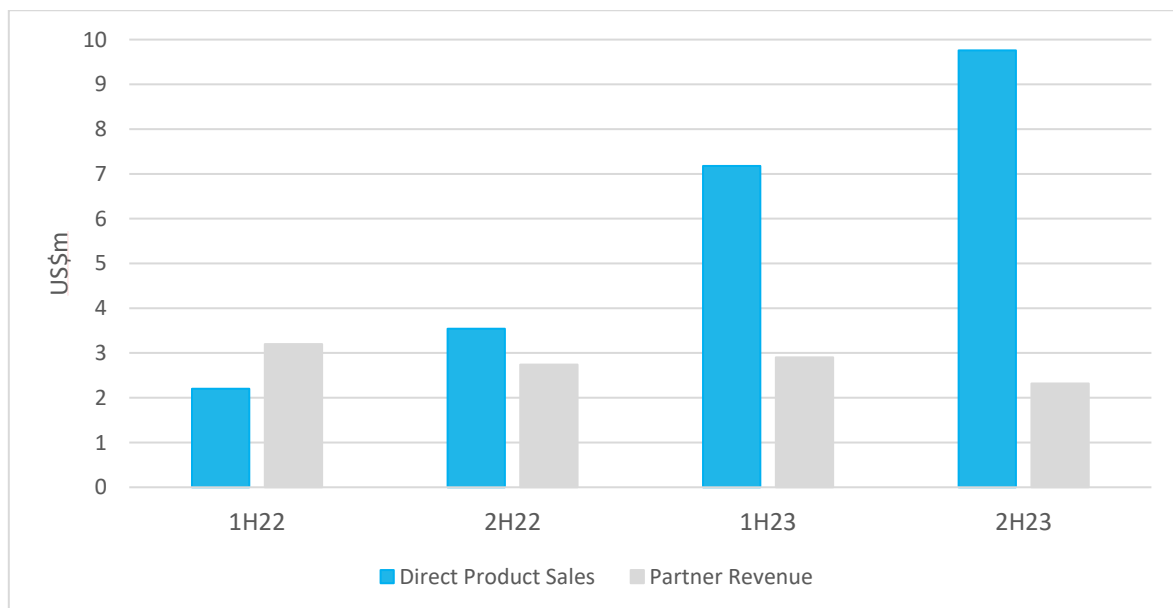
FY23 Financial Summary

FY23 product sales of US\$22.1m were 90% higher yoy due to significant growth in the Wound Care and Surgical segments reflecting a focus on direct sales and the first full year of the DME structure. Direct channel product sales of US\$16.9m were up 195% on pcp and accounted for 76% of total sales (FY22: 49%). In H2 FY23, direct product sales of US\$9.7m were 176% higher on pcp and represented 81% of total product sales.

A quadrupling in direct Wound Care sales in FY23 reflected the inclusion of the DME structure and greater focus on revenue quality. Direct sales of BlastX™ in the second half benefited from a new distributor for Veterans Affairs clinics and orders from Long Term Care Centres.

Direct Surgical sales were driven by a strong performance by XPERIENCE™ which was up 58% yoy. This reflected the opportunities created by the GPO contract signed in August 2023 which provided access to healthcare sites covered by this GPO and elsewhere. The increasing body of clinical evidence available on the efficacy of XPERIENCE™ also contributed to sales growth during the year.

Chart 1: Direct channel driving product sales growth in FY23



Gross Profit of US\$16.2m was up 77% yoy and 97% higher in H2 FY23 on pcp. This was due to improvements in revenue quality and purchasing power as the DME business continued to scale. This was reflected in the Gross Margin which was 78% in H2 FY23 which was in line with FY22 (FY23: 73%).

Operating expenses were up 48% yoy mainly due to a 96% increase in Selling & Distribution Expenses as Next Science invested in its direct sales team. Research & Development Expenses were up 4% yoy largely due to investment in clinical studies including the Canadian prospective study on infection prevention which began recruitment in March 2023. H2 FY23 R&D expenses were 9% lower compared to H1 FY23.

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An EBITDA loss of (US\$14.8m) compared to (US\$11.8m) in FY22 as strong revenue growth was offset by increased investment in the direct sales force to drive future revenue.

FY23 Cashflow Summary

Record cash receipts of US\$20.1m were 89% higher yoy (FY22: US\$10.7m) with H2 FY23 cash receipts of US\$11.0m up 169% on pcp and 20% higher on H1 FY23 (US\$9.1m).

Net operating cash outflows of US\$15.1m in FY23 compared to US\$11.8m in FY22 with H2 FY23 showing improvement on H1 FY23 as the DME business scales and the direct sales channel drives growth.

At 31 December 2023, Next Science had cash on hand of US\$9.2m and no debt (31 December 2022: US\$5.1m).

Clinical Study Update

- *Periprosthetic Joint Infection Study* - Recruitment for the 7,600-patient study into Periprosthetic Joint Infection (PJI) through the Ottawa Hospital Research Institute in Canada (Canada PJI study) resulted in 302 patients enrolled in the first site. A second site will start recruiting in February, with another five sites pending completion of contracts.⁴
- *Post Operative Inflammation in Joints* – Dr Andrew Wickline MD. On 22 December 2023, Next Science announced the publication in the *Journal of Orthopaedic Experience & Innovation* of a pilot study which demonstrated the utility of XPERIENCE™ in mitigating inflammation following a total knee arthroplasty.⁵
- *Primary Joint Arthroplasties across Hip, Knee and Shoulder Surgery - Post Operative Infection Retrospective* - Dr Robert Harris MD. On 3 November 2023, Next Science announced the study had been published on VuMedi and found XPERIENCE™ to be efficacious with zero infection rate in the patient cohort up to 90 days post-surgery.⁶
- *Hidradenitis Suppurativa (HS) BlastX™ research study* – In October 2023, Dr Hadar Lev-Tov MD from the University of Miami Health presented the results of a 15-patient study to the 8th Annual Symposium on HS Advances. Publication is expected in 2024.

⁴ This clinical trial (prospective, multi-centre, double-arm, parallel, interventional, randomised, controlled) will assess the rate of periprosthetic joint infection (<90 days post-surgery) in patients undergoing primary total knee arthroplasty, total hip arthroplasty or hip resurfacing (HR) with XPERIENCE™ Advanced Surgical Irrigation versus dilute Betadine.

⁵ Refer to ASX announcement on 22 December 2023.

⁶ Refer to ASX announcement on 3 November 2023.

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FY23 Investor Webinar

CEO and Managing Director, I.V. Hall and CFO, Marc Zimmerman, will host a zoom webinar including a Q&A session with the investment community at **9.30am (Sydney time) today, 28 February 2024.**

Please use the link below to register for the webinar.

https://zoom.us/webinar/register/WN_aA-56EKJRYqmgcnB61nG_Q

Investors can submit questions prior to the webinar to fdixon@nextscience.com or ask questions via the Q&A function during the webinar.

Approved and authorised for release by the Board of Directors.

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About Next Science

Next Science is a medical technology company headquartered in Sydney, Australia, with a research and development centre in Florida, USA. Established in 2012, the company's primary focus is on the development and continued commercialisation of its proprietary XBIO™ technology to reduce the impact of biofilm-based infections in human health. XBIO™ is a unique, non-toxic technology with proven efficacy in eradicating both biofilm-based and free-floating bacteria. Next Science owns 100% of the patent protected intellectual property relating to its XBIO™ technology. For further information visit: www.nextscience.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 involved known and unknown risks uncertainties, assumptions and other important factors, many of which are beyond the control of Next Science or its Directors and management and could cause Next Science'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.