



Chairman's Address to Shareholders

Ladies and gentlemen,

Notwithstanding the obvious challenges faced by many businesses this year, I am pleased to report that BTC's core investment, BTC Speciality Health has proven to be a high-quality and resilient business and our trading patterns are once again trending positively, ahead of this time last year. We used the temporary suspension in elective surgeries due to COVID-19 as an opportunity to strengthen our team, enhance our internal processes and generate even better market analytics. Fully anticipating a "rebound" in product demand it was a deliberate business decision to maintain full staffing along with strong inventory levels.

Our business today largely comprises infusion pumps and medical consumables used within pain, orthopaedic, critical care and general surgery. Our business aspirations in the future include diversification into other healthcare sectors, broadening our product range and reach within the hospital setting. We have already commenced on this journey, launching a product for oncology patients which relieves pain caused from oral mucositis and we have been building a number of exciting opportunities in our pipeline which I'll talk to more under our investment strategy.

The global COVID-19 pandemic had an impact on sales to hospitals during the financial year ended 30 June 2020, however I am pleased to confirm that the federal governments, along with state governments in Australia and New Zealand, have now relaxed elective surgery restrictions. This means that patients are now able to undertake much needed elective surgeries in both public and private hospitals. Our team continues to actively work alongside healthcare professions to ensure product supply and support is available during surgery.

In October we received ISO13485 certification, an international accreditation which serves as a standard for ensuring product quality and safety. BTC is now recognised as adopting the same framework as other international medical device companies, further providing our customers and supply partners with confidence that BTC adheres to the highest standards in every aspect of its business.

The Board is satisfied with the ongoing operations of BTC's investments, which are expected to deliver against our targets in financial year 2020/21. As at 31 October 2020, BTC's group cash was \$2.3m which is more than sufficient to fund current operations. It is likely that further capital will be raised when BTC undertakes its next business acquisition. The foundation established within the existing business means integration of further healthcare assets will be streamlined, enabling synergies to be realised in a timely manner.

Our investment strategy remains highly relevant given the prevalence of an ageing population, the burden of chronic disease and the corresponding increase in healthcare spend. Over the past 6 months we have assessed a number of investment opportunities, however these did not meet BTC's minimum criteria in respect of return threshold and were subsequently rejected. That said, I confirm that we have an active pipeline of healthcare assets in various stages of evaluation and discussions and our goal remains to undertake a significant transaction in 2021. The healthcare assets we continue to pursue can best be considered within the following 4 categories:

- **Complimentary product lines;** being devices and or consumables which can be sold alongside our existing product range and require no additional overhead investment. These products may pertain to pain management, orthopaedics, critical care and or consumables used by hospitals in surgery.
- **Adjacencies in hospital products and critical care.** These may include medicines, devices and or consumables which extend our product offering outside our current product range and which may require some level of investment in specialist sales resources.
- **Novel technologies,** which we view as being innovative medicines and or medical devices which advance patient care and public health. These technologies are typically sourced from other global markets and may require pre-launch product trials by key opinion leaders in the Australian and New Zealand markets.
- **Transformative Mergers and Acquisitions,** which will add scale and product diversification in a single transaction and are more likely to add significant value to investors in a shorter time frame.

BTC's investment pipeline comprises products and or business across all four categories. We remain disciplined in our investment approach, committed to securing quality assets that have a good fit with our capabilities, will be profit accretive and provide strong returns to our investors. As we continue to assess our next investments, we remain focused on optimizing our current market share gains and returns within BTC's core business, BTC Speciality Health.

Sales to hospitals in the first four trading months of financial year 2020/21 were strong, growing 8.2% over prior year to \$2.4m. After normalising for the Prosthesis List price decline of 5% on 1 February 2020, the underlying business has in fact grown by over 13%. While the overall business has performed well, growth in Victoria and New Zealand has been impacted by extended elective surgery closure, which was subsequently lifted in late October. We expect these two territories will improve in the near-term and in so doing contribute further incremental growth to the overall business. We have opted to maintain higher than normal inventory holdings given the likelihood of increased elective surgeries over the December/January holiday period in attempt to reduce patient waiting lists. Inventory on hand at 31 October averages 4.8 months.

Our operational strategy is being realised, as several new accounts and surgeons have been secured over the last few months and a strong customer pipeline is actively being converted. Our business primarily comprises private hospitals and I am pleased to report that the public hospital channel now accounts for just over 6% of our total business. This is a clear signal of the value of our products across the hospital sector. The ability to secure new business in a COVID-19 environment is a testament to the quality of our products, the relationships that our salespeople have with clinical staff and the distribution partnership we have in place with Sigma Healthcare.

Growth in sales has been converted into gross margin, in line with our expectations. I'm pleased to report that we have been able to partially offset the impact of the 5% Prosthesis List price decline in February, through freight optimization initiatives coupled with an improvement in the Australian dollar relative to the U.S dollar. Overheads continue to be well controlled and are 15% favourable compared to the same period last year.

The outlook for BTC's core investment over the next twelve months remains strong.

It is expected that Australia and New Zealand will continue to manage the COVID-19 pandemic and elective surgery will be uninterrupted for the remainder of the 2020/21 financial year. The recent COVID-19 outbreak in SA is not expected to have a material impact on our business. We expect growth in Victoria and New Zealand to return to trend and anticipate continued new account wins from other territories. We do not anticipate a change to the Prosthesis List price and as a result, gross margin ratio is expected to be maintained. We remain focused on servicing our customers well, securing new hospital accounts and expanding our product portfolio.

Our investment strategy is well articulated and we are in active investment discussions with the intention to diversify our business further over the next twelve months.

In concluding I wish to thank the BTC health team, our Board and our shareholders, who jointly share our vision to build BTC health into a high-growth, sustainable healthcare company. In so doing we are committed to delivering exceptional outcomes for our customers and strong returns for our shareholders.

Thank you.



Dr. Richard Treagus
Executive Chairman

Forward-looking Statements

This ASX-announcement contains forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks and important factors that may cause the actual results, performance or achievements of BTC health to be materially different from the statements in this announcement.

About BTC Health

BTC health Ltd ("BTC") is a Pooled Development Fund which makes active investments in businesses that acquire, develop and distribute innovative medical products in Australia and New Zealand. The company is building a group of high-growth businesses which together are focused on providing access to some of the best specialized therapeutics and medical devices from around the world. BTC is listed on the Australian Stock Exchange (Code: BTC). Additional information can be found at www.btchealth.com.au

Authorisation

This announcement was authorised for release to the ASX by the Board.

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