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26 February 2021 ASX Release

Austco Healthcare Remains Resilient Despite Challenging Environment

- **Reported NPAT up 2.1% to $0.826 million**
- **Reported EBITDA up 10% from $1.426 million in 1HFY20 to $1.570 million in 1HFY21**
- **Revenue from customers down 17.1% to $13.905 million**
- **Strategic Software and SMA revenues remain steady at 14% of revenue**
- **Gross profit margins (excluding Other Income) remain steady at 51.4%**
- **Overhead expenses decrease to $6.809 million in 1HFY21 from $7.700 million in 1HFY20**
- **Cash remains strong at $6.340 million**

Austco Healthcare Limited (formerly Azure Healthcare Ltd) remains optimistic that the Company is well placed to benefit from ongoing market growth due to its broad coverage across multiple regions and its market leading products.

Financial Performance

The ongoing challenges of COVID-19 continue to impact revenue from customers as our supply chain contends with ongoing raw material shortages and restrictions limit access to hospital and aged care sites to undertake our works, resulting in:

- $13.905 million revenue in the COVID-19 affected six months to December 2020; compared to
- $16.778 million in the non-COVID-19 impacted prior comparative period being the six months to December 2019; and compared to
- $14.820 million in the partly COVID-19 impacted six months to June 2020.

Our Open Sales Order book is the largest in the Company's history due to increased sales activity and with the award of contracts including a $1.6 million contract in Canada and a $1.3 million contract in Singapore. These awards also demonstrate the Healthcare industry's ability to continue to make investment in Nurse Call solutions despite the uncertainties presented by COVID-19.

As such, we believe once COVID-19 restrictions ease, our revenues will bounce back. This is evidenced by the strong performance of our New Zealand business which has been the least COVID-19 impacted business in the Group.

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The Company continues to manage costs, conserve cash and focus on margin improvement as it responds to the impact of COVID-19 to the business from all regions. This focus on overhead expenses led to a decrease from $7.700 million to $6.809 million over the previous corresponding period.

Gross profit margins from operations (excluding Other Income) were steady at 51.4% as compared to the previous corresponding period. Whilst one of the Company's strategic objectives is to continue to grow these margins, COVID-19 related supply chain cost increases have hindered its ability to achieve growth in this reporting period.

Driving Software and SMA revenues

The Company continues to focus on the transition from a hardware business into a hardware and software business, with a focus on growing our high margin software and maintenance revenues.

Encouragingly, revenues from software and Software Maintenance Agreements (**SMA**) at 14% of revenue from clients were steady as compared to the prior comparative period. Although, COVID-19 restrictions did impact on our ability to drive software sales, the Company continues to focus on enhancing its market leading software suite with advanced clinical workflow, task management and business intelligence solutions.

Other Income including COVID-19 grants

The Company received COVID-19 related stimulus payments of $0.281 million during the period from multiple regions from which we operate. This included Australian JobKeeper payments of $0.125 million.

In late January 2021 the Company received, from the US government's PayCheck Protection Program, an additional COVID-19 related stimulus loan of $0.9 million, similar to the loan received (and foregiven) in FY20. As with the first loan, it is possible that the majority of these funds will be forgiven and will be recognised in the second half of FY21.

The Company also received proceeds from a legal settlement arising from a breach by a party of a non-compete clause in the order of $0.491 million.

Stronger EBIT and Profit

EBITDA increased 10% from $1.426 million to $1.570 million compared to HFY19. Net profit after tax (NPAT) was $0.826 million, a 2.1% increase compared to the previous corresponding period. The increase in EBIT and NPAT has been driven by both cost reductions implemented during the COVID-19 pandemic and Other Income.

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Cashflow

Cash on hand was $6.340 million as of December 2020, slightly lower than the June 2020 balance of $6.447 million. The majority of the initiatives for the funds raised in the December 2019 capital raising have been on hold since early 2020 as the Company and market continue to deal with COVID-19 uncertainties and restrictions, which has impacted our ability to on-board new staff and meet with customers.

Cashflow from operating activities was positive at $0.291 million, which was offset by cash used in investing activities of $0.629 million of which $0.533 million related to investing in R&D.

Research and ongoing development

Continued investment in research and development remains core to the future prospects of the Company. The Group invested $1.507 million in research and development for 1HFY21, of which $0.533 million was capitalised.

Austco's Tacera, Pulse and Medicom, brands are recognised globally as best-in-class healthcare communications and clinical workflow systems. The development of an open architecture, VOIP capable system that delivers IP to the patient bedside, is key to the evolution of the Tacera and Pulse brands well into the future. The Company will continue to invest in scalable software solutions, particularly in mobile workflow solutions and 3rd party integrations, which will help boost organic growth in revenues.

Corporate

In November 2020, shareholders approved the change of name to Austco Healthcare Limited given it has traded and sold its products under the "Austco" name for many years.

Outlook

The Company continued to execute on its strategic plan during the year. Austco's strategic initiatives focus on strengthening gross margins, improving operational efficiency, and reducing geopolitical risk due to the escalating US-China trade tensions. To achieve these goals, a tactical initiative was launched to assess and improve Austco's supply chain. This initiative has achieved the outsourcing of all manufacturing and as such in December 2020 we closed our manufacturing factory in Dallas, Texas.

This program will position Austco for future growth and support the Company's continued evolution from a hardware business to a multi faceted hardware and software business.

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We continue to execute on our long term strategies and road map. The Company is well positioned to take advantage of oppurtunites as we come out of this crisis. Ultimately, we continue to be constrained by forces beyond our control arising from the impacts of COVID-19 both in our supply chain and in accessing our customer sites.

"Despite the ongoing challenges related to COVID-19, our outlook remains positive as we rely on the strength of our business and the dedication of our employees," said Clayton Astles, Chief Executive Officer and Managing Director. "Our focus continues to be on enhancing our market leading software and products that can be tailored to meet the needs of any healthcare facility."

This announcement was approved for release by the Board.

~END~

Further Information

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About Austco Healthcare Limited (ASXCode – AHC)
Austco Healthcare Limited is an international provider of healthcare communication and clinical workflow management solutions. Headquartered in Australia, the company has subsidiaries in six countries and supports healthcare facilities through its global reseller network which includes growing markets in health, aged care and acute care. Austco Healthcare services markets including Australia, New Zealand, Canada, UK, USA, Asia and the Middle East. For further information please refer to the Company's website www.austcohealthcare.com