

B. BTC Shareholder update

September 2021



Dear Shareholder,

I am pleased to provide you with a detailed update on BTC health's investments, along with an operational update of BTC's wholly owned investee companies, BioImpact Pty Ltd (BioImpact) and BTC Speciality Health Pty Ltd (BTC Speciality Health) (collectively 'BTC'). As our business develops, we feel it is important that our reporting should continue to evolve, with the goal of ensuring we are providing shareholders with useful insights into both underlying performance, as well as the direction and outlook for our future growth prospects.

New Products Update

Bronchitol® and Aridol®



On 30 June 2021, BTC health's wholly owned subsidiary BioImpact acquired the exclusive sale and distribution rights for Bronchitol® and Aridol® from Pharmaxis for \$2m, in Australia, New Zealand and selected Asian countries. Both products have been successfully integrated into our business; customer orders are being received and processed in an efficient manner and we are achieving timely distribution of critical pharmaceutical drugs to clinics via our supply partner Sigma Healthcare. The integration involved making Bronchitol® and Aridol® available to over 200 customers and in some instances establishing new accounts for clinicians to trade. We have finalised our commercialisation plan for the year ahead and presently focused on providing ongoing training and education to clinicians across the country. As COVID restrictions gradually ease BTC will utilise its existing national sales force to support product growth and consult with Cystic Fibrosis (CF) Key Opinion Leaders to position Bronchitol® as a first choice for mucociliary clearance for patients suffering from CF. BTC is pleased to continue the ongoing relationship with "For Benefits Medicine", a not-for-profit healthcare organisation which provides ongoing support to the CF sector and Cystic Fibrosis Australia. The marketing program for

Aridol® will be strengthened, ensuring ready access to an innovative bronchial hyperresponsiveness test for Asthma diagnosis which helps with the management of ongoing patient compliance and medication protocols. Bronchitol® and Aridol® sales were \$1.4m in financial year 2020/21 and it is BTC's expectation that the portfolio will deliver good growth out into the future as COVID restrictions ease and access to respiratory clinics improves.

Neola®

BioImpact has partnered with GPX Medical to register Neola®, an innovative system that has potential to change the care and long-term outcomes of preterm born infants through continuous and non-invasive lung monitoring. The commercialisation plan for Australia has been agreed and we remain on track to submit Neola® for registration to the Therapeutic Goods Administration (TGA), once GPX Medical has obtained Conformité Européenne (CE) approval. The Neola® system has already received positive feedback from Australian Neonatal Intensive Care Units (NICUs) and BioImpact will work with Australian NICUs to undertake clinical evaluation trials. International feedback to date on Neola® has been positive, with Professor Eugene Dempsey, Horgan Chair in Neonatology, INFANT Centre at the University College Cork (UCC) commenting; *"Preterm born infants are at increased risk of requiring breathing support due to the underlying lung immaturity; this technology has the potential to change the way we manage these babies, helping to avoid invasive mechanical ventilation and reduce longer-term lung problems"*.

New agencies licensed

Since completion of the 2020/21 financial year, BioImpact has licensed a range of new product lines which both compliment and broaden the range of medical products which BTC Speciality Health

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markets, sells and distributes to public and private hospitals in Australia and New Zealand. A number of single use medical devices in anaesthesia, including but not limited to TIVA sets, peripheral IV connectors and IV sets, have been secured from Mediplus, a quality UK manufacture and distributor. Furthermore, a sale and distribution agreement has also been secured to market Breg orthopaedic braces to clinicians in hospitals. Breg manufactures a wide range of premium high-value braces that advance patient orthopaedic care. BTC's sales team already has strong relationships with orthopaedic surgeons in relation to the support they provide with the ambIT™ infusion pumps.

ISO 13485 Audit

BTC recently underwent an independent audit of its ISO 13485 certification, which we are pleased to report confirmed very strong compliance with our companywide quality systems, procedures, and controls. The infrastructure and quality systems that have been implemented by BTC supports new product introductions, for both pharmaceuticals and medical devices, ensuring they can be effectively and reliably integrated into the business.

Financial update

BTC is an investment entity and therefore does not consolidate the operating results of its investments. Statutory accounts are reported on an NTA basis. With a view to providing Shareholders with a greater insight into the operating results of BTC's underlying investments, a pro-forma consolidated, unaudited, financial view of BTC and its wholly owned subsidiaries is provided below. We intend to report in this format at both the mid-year and full-year.

	30-Jun-21	30-Jun-20	Var \$	Var %
Income	7,115,150	6,085,037	1,030,112	17%
EBITDA	(464,306)	(993,501)	529,194	(53%)
	(6.5%)	(16.3%)		
<u>Income by segment</u>				
Listed entity (BTC health Limited)	19,910	169,604	(149,694)	(88%)
Underlying business	7,080,532	5,619,925	1,460,606	26%
<u>EBITDA by segment</u>				
Listed entity (BTC health Limited)	(391,686)	(283,386)	(108,300)	(38%)
Underlying business	(72,621)	(710,115)	637,494	90%

Income

Income of \$7.1m improved 17% compared to the prior year and can be split into two segments; income received from the listed entity BTC and income from the underlying business.

BTC health Limited: Revenue largely comprised management fee income, which decreased due to the sale of Bio101, the wholly owned accounting business, in July 2021 (2021: \$13.3k, 2020: \$160.0).

Underlying business: Underlying business income of \$7.1m grew 23% over prior year and largely comprised of product sales to Sigma Healthcare, our wholesale and distribution partner, which supplies BTC products to public and private hospitals on our behalf.



During the financial year ended 2020/21, sales to hospitals from Sigma totalled \$7.3m, growing 25% over financial year 2019/20. Demand for our cornerstone product, ambIT® infusion pumps and general surgery medical devices is evident given the growth in hospital purchasing volumes. Growth can

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be attributed to the onboarding of new accounts, which grew 9% year-on-year, as well as the increase in surgeons using BTC products over those marketed by competitors within the existing hospital accounts.

The variance between sales to hospitals and consolidated income partially relates to the wholesale margin earned for undertaking the customer order and logistics function on behalf of BTC Speciality Health. The remainder of the variance relates to higher levels of wholesale stocks held at the beginning of 2020/21 to accommodate anticipated hospital demand as the respective Australian and New Zealand governments released elective surgery restrictions in early Q1 2020/21.

EBITDA

EBITDA loss of (\$464.3k) improved 53% compared to the prior year and can be split into two segments; costs of running the listed entity BTC and the costs attributable to the underlying business.

BTC health Limited: EBITDA loss of (\$391.7k) increased 38% over the prior financial due to a reduction in management fee income (2021: \$13.2k, 2020: \$160.0k), partially offset by a reduction in group overheads (2021: \$410.9k, 2020: \$577.6k), largely due to a reduction in transaction costs.

Underlying business: The underlying business comprises the operating results of BTC Speciality Health and BioImpact. Net loss of (\$72.6k) significantly improved over prior year, driven by increased sales volume and overhead efficiencies. A step change is expected in 2021/22 as the business expands its product portfolio and further leverages its cost base across Bronchitol®, Ariodol® and the new agencies recently acquired.

Working Capital

	30-Jun-21	30-Jun-20	Var \$	Var %
Cash at bank	2,386,854	2,795,502	(408,647)	(15%)
Debtors	1,486,953	806,379	680,574	84%
Inventory	1,089,298	2,332,169	(1,242,871)	(53%)
Payables & Provisions	928,632	2,083,425	(1,154,793)	(55%)
Net working capital	4,034,473	3,850,626	183,848	5%

Working capital is actively managed to ensure the business is able to utilise funds to expand the business. Debtors, Inventory and Payables were skewed in the prior year due to elective surgery closure which resulted in a delay in onboarding new surgeons and accounts. The increase in Debtors at June 2021 reflects normalised trade and growth in customer demand. Receivables are well managed and trading on 30-day terms. Payables and provisions largely reflect purchases from suppliers for stock, employee entitlements and accruals for bills not yet received. Supplier terms are generally settled on 30-day terms.

Inventory at \$1.1m broadly reflects 2-3 months stock holdings. After considering stock held by wholesalers, stock within BTC's supply chain is 3-4 months.

Consolidated cash at hand of \$2.4m will continue to be optimised through management of the business' working capital needs.

Ongoing COVID response

BTC is extremely adaptive and responsive to hospital COVID protocols and has moved to online training to ensure our customers can continue to access comprehensive training and education, sales and service support 24/7. Elective surgery rates are somewhat variable across the country, but overall demand within the private sector remains good and slightly ahead when compared to the same time last year.

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Transformation

BTC is actively pursuing larger sale acquisitions which would result in transforming BTC's underlying investments' revenue and returns. Transformative acquisitions in the pharmaceutical and medical device areas are a key focus for the business and the BTC Board. Further information will be provided to investors as appropriate. The BTC Board is positive about the company's acquisition pipeline as well as the future growth prospects for the group and its investee companies.

I look forward to sharing further updates as we realise our growth plans.

Dr. Richard Treagus
Executive Chairman
BTC health Limited

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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