

B. BTC Shareholder update

February 2022



Highlights

- **Total sales to hospitals and clinics of \$4.3m, representing growth of 19% over PCP.**
- **Underlying business delivered EBITDA profit of \$166.0k for six months ending December 2021 (Dec 20: Net Loss -\$6.0k).**
- **Strong cash position maintained, with consolidated cash of \$2.7m, an increase of \$0.3m since June.**
- **Active pipeline of new business opportunities - remains a core focus for 2022.**

Dear Shareholder,

Since our September update, we have progressed the assessment of a number of opportunities, which will further diversify BTC health's investments in the healthcare sector. Due diligence is progressing and I hope to be in a position to provide shareholders with further information in the near-term.

Investment diversification is critical to our growth and is a key focus to enable further penetration within the hospital sector, across multiple revenue streams. We have demonstrated the success of our strategy with our recent investment in Bronchitol® and Aridol® respiratory products. Our sales call cycles now span beyond surgeons, anaesthetists, nurse unit managers and critical care departments to include respiratory physicians and cystic fibrosis centres of excellence. Our product portfolio incorporates both medical devices and speciality pharmaceuticals and we believe there is scope to use our sales platform to expand even further.

Long term growth trends within the healthcare sector remain attractive, underlying market fundamentals remain strong – with an ageing population, a greater prevalence of chronic disease and an ever-expanding range of new medical technologies. More recently, the

healthcare sector has been impacted by the COVID Omicron outbreak, which temporarily reduced hospital access and the number of elective surgeries being performed within public and private hospitals. While our short-term growth aspirations have been impacted by a reduction in the number of elective surgeries, our core investment, BTC Speciality Health Pty Ltd was still able to grow 19% year on year due to broadening of our product offering. The elective surgery backlog in Australia and New Zealand now stands at an all-time high, which we see as presenting a real opportunity for BTC health in the months ahead.

We recognise the importance of delivering a step change in the BTC health business to generate scale, sustainability and incremental returns to shareholders, and I look forward to updating the market on further investment opportunities as these are realised.



Bronchitol® and Aridol®

The exclusive sale and distribution rights to speciality pharmaceutical products Bronchitol® and Aridol® (respiratory portfolio) were acquired on 30 June 2021 for Australia, New Zealand and selected Asian countries.

Since the integration of these new customers and the supply chain, our focus has been on raising awareness of the product portfolio and providing sales and education support through BTC's existing infrastructure. Marketing programs have been launched and clinicians are well equipped to discuss the benefits of Bronchitol® as a first choice mucociliary clearance. Key Opinion Leaders (KOLs) have been engaged and focus groups held to better understand disease challenges with the aim of ensuring greater levels of patient compliance with their treatment regimen.

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Respiratory clinicians are well placed to reinforce the effectiveness of Aridol® in both the diagnosis and ongoing management of asthma, through detecting active airway inflammation by measuring airway hyper-responsiveness.

Bronchitol® and Aridol® sales to hospitals and clinics for the six months ended December 2021 were \$0.7m. Our sales activity will continue to increase as hospital access opens further and BTC product specialists re-establish face-to-face contact with respiratory clinicians. Sales are forecast to deliver at least 4% growth year-on-year, which is consistent with our expectations shared with investors in July.

Neola®

BioImpact Pty Ltd, a wholly owned investment of BTC health, 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.

I am pleased to confirm that a clinical study has been established by GPX Medical with Tyndall National Institute at University College Cork in Ireland (UCC). The study that UCC will initiate is planned to include approximately 200 infants, starting with healthy newborns and then expanding to newborns with different types of breathing problems and then to infants within different weight classes.

Locally, BioImpact has engaged a series of meetings with Australian Key Opinion Leaders (KOLs) of Neonatal Intensive Care Units (NICUs) with the expectation of selecting a sample to undertake clinical evaluation trials of Neola®. We expect the clinical evaluation trials will provide further evidence that the Neola® System, through its continuous monitoring, can detect acute respiratory distress syndrome, a serious lung condition and the most common cause of death for preterm born infants.

Group financial update

BTC health Limited is an investment entity and therefore does not consolidate the operating results of its investments. Statutory accounts are reported on an NTA basis. BTC health has two wholly-owned investment entities, BioImpact Pty Ltd (BioImpact) and BTC Speciality Health Pty Ltd (BTC Speciality Health) (collectively 'BTC').

Consistent with our shareholder update in September, we are committed to providing greater insight into the operating results of BTC's underlying investments through a pro-forma consolidated, unaudited, financial view of BTC and its wholly owned investee companies.

	31-Dec-21	31-Dec-20	Var \$	Var %
Income	4,313,453	3,850,143	463,310	12%
EBITDA Profit/(Loss) (excluding cost of options)	(131,465)	(185,088)	53,623	29%
Depreciation, Amortisation, Options	(230,985)	(5,095)	(225,889)	(4433%)
Net Profit Before Tax (NPBT)	(362,450)	(190,183)	(172,267)	(91%)
	(8.4%)	(4.9%)		

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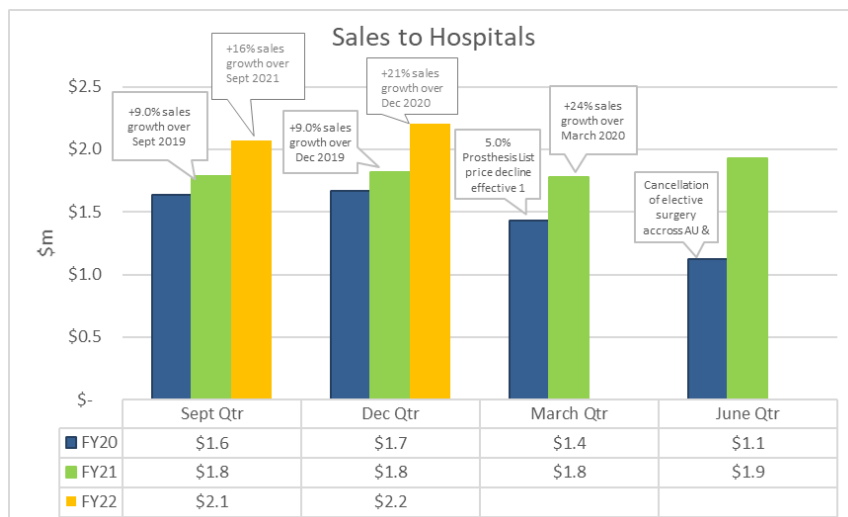


Segment reporting	31-Dec-21	31-Dec-20	Var \$	Var %
Income				
Listed entity (BTC health Limited)	70,378	18,941	51,437	272%
Underlying business	4,313,249	3,831,202	482,047	13%
Elimination of intercompany income received by BTC health Li	(70,174)	0	(70,174)	n/a
Total consolidated income	4,313,453	3,850,143	463,310	12%
EBITDA Profit/(Loss) (excluding cost of options & intragroup fees)				
Listed entity (BTC health Limited)	(297,510)	(179,009)	(118,501)	(66%)
Underlying business	166,045	(6,078)	172,123	2832%
Total consolidated EBITDA	(131,465)	(185,088)	53,623	(29%)
NPBT Profit/(Loss) by segment				
Listed entity (BTC health Limited)	(427,029)	(179,009)	(248,020)	(139%)
Underlying business	64,580	(11,173)	75,753	678%
Total consolidated NPBT	(362,450)	(190,183)	(172,267)	91%

Income

BTC health Limited: Revenue largely comprised management fee income (\$70.1k), received from BTC Speciality Health which is eliminated on consolidation of group accounts. In the prior year, management fees were generated from Bio101 which was subsequently sold in July 2020.

Underlying business: Underlying business income of \$4.3m grew 13% 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.



Sales to Hospitals: During the half-year ended December 2021, sales to hospitals from Sigma totalled \$4.3m, growing 19% over the prior period. Sales of respiratory products, Bronchitol® and Aridol® were \$0.7m, being a strong driver of sales growth. Demand for our cornerstone product, ambIT® infusion pumps and general surgery medical devices

were in line with prior year, however were below BTC's growth expectations given the ongoing reduction in the number of elective surgeries in both public and private hospitals. The Company's sales pipeline remains strong, and further growth is expected as Governments' remove elective surgery restrictions and essential medical operations

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recommence. Improved access into hospitals will also allow further growth of the respiratory portfolio. September quarter respiratory sales were \$0.3m, increasing to \$0.4m in the December quarter.

Sales to hospitals closely aligns to reported income above. Reported sales are net of wholesale margin, being the fee earned by Sigma for undertaking the customer order and logistics function on behalf of BTC Speciality Health. The impact of wholesale margin was offset by fluctuations in wholesaler buying patterns which are traditionally lower in December as surgeons reduce operating capacity over the holiday period.

EBITDA

EBITDA loss (excluding cost of options) of (\$131.5k) improved 29% 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 of the investee companies.

BTC health Limited: EBITDA loss of (\$297.5k) excluding cost of options and management fees received from BTC Speciality Health increased \$118.5k over the prior financial period due to legal fees incurred associated with potential acquisitions coupled with an increase in insurance costs, listing fees, non-recoverable GST and other operating costs.

Underlying business: The underlying business comprises the operating results of BTC Speciality Health and BioImpact. Underlying operations significantly improved over the prior financial period and the underlying business is now in a strong financial position, delivering an EBITDA profit of \$166.0k in the six months ended December 2021 (Dec 20: Net Loss -\$6.0k). Underlying business EBITDA is before management fees of \$70.1k, payable to BTC health Limited. Strong underlying business EBITDA was driven primarily by sales growth, which flowed through to gross profit, and partially offset by an increase in supply chain costs.

Ongoing COVID impact: Underlying business operations have been impacted by pausing of elective surgeries and supply chain impacts, including an increase in freight costs. Bronchitol® and Aridol® are locally sourced and the product supply chain remains uninterrupted however the supply of internationally sourced products is less predictable. We remain optimistic that these impacts on our business will normalise through calendar 2022.

NPBT

Net Profit Before Tax comprises EBITDA (excluding options), less non-cash costs. Depreciation, amortisation and options costs increased \$0.2m over last year. Non-cash costs for the period comprise cost of options incurred by BTC health and amortisation of distribution rights capitalised for Bronchitol® and Aridol®.

Group Working Capital

	31-Dec-21	30-Jun-21	Var \$	Var %
Cash at bank	2,666,664	2,386,854	279,810	12%
Debtors	1,749,220	1,486,953	262,266	18%
Inventory	1,213,712	1,089,298	124,414	11%
Payables & Provisions	1,338,070	928,632	409,438	44%
Net working capital	4,291,525	4,034,473	257,052	6%

Group working capital is actively managed to ensure the business is able to optimise funds to expand the business. The increase in Debtors is partially offset by a reduction in inventory, reflecting increased sales for the half-year ended December 2021. Receivables are well managed and continue to trade on 30 day terms, there are no overdue accounts at December.

Inventory at \$1.2m broadly reflects 2-3 months stock holdings. After considering stock held by wholesalers, stock within BTC's supply chain is 3-4 months. Inventory has increased \$0.1m since June 2021 and continues to be well managed. The expansion of the Company's respiratory portfolio has not resulted in additional inventory investment as

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stock is on sold to wholesalers when picked up from BTC's supplier in NSW. The increase in payables and provisions largely reflects the purchases of Bronchitol® and Aridol®. Safety stock for the respiratory portfolio is well managed through wholesaler and supplier inventory holdings.

Consolidated cash at hand of \$2.7m has increased \$0.3m since June. Cash reserves will continue to be optimised through management of the business' working capital needs.

I look forward to sharing further updates as we continue to actively 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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