

ASX Announcement :

**Managing Director, Andrew McLellan:
Growing customer base, repeat orders,
pipeline growth and FujiFilm Irvine
Scientific Progress**



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Open Briefing interview with MD Andrew McLellan

In this Open Briefing®, Andrew discusses:

- New sales, with increased customer numbers and sites
- Growing and accelerating sales pipeline
- Repeat consumables orders received from initial customers already
- Repeat software licence revenue to begin from December
- Emergence of reference customer sites
- Plans to further grow the USA business development team
- OEM contract with FujiFilm Irvine Scientific on schedule
- Ongoing negotiations with additional OEM partners

Record of interview:

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BCT generated revenues of \$240k and cash receipts of \$193k for the September quarter, strongly up on the Sept 2021 quarter driven by the release of BCT's own product range late last year. Seasonality meant that sales were down vs the June 2022 quarter. Can you tell us how sales momentum tracked through the quarter and into October?

[MD](#)

We're pleased with the momentum we are building with Bluechip's Advanced Sample Management solutions since launch, especially in our largest direct market of North America.

The September quarter is traditionally slower due to the Northern Hemisphere summer holiday season, however we continued to see repeat orders and added a new customer. We significantly built on our pipeline of leads from attending two conferences in September in North America.

At the end of September, we secured an order from a new customer for two facilities, with the potential for six more facilities within the customer's group.

The sales pipeline is growing strongly, especially off the back of the building of our team in North America. This gives us confidence to further grow that team to expand and convert the significant market opportunity.

We expect momentum to keep building through the December quarter and into future quarters.

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Andrew, you mentioned that BCT's revenue base continues to grow both in terms of customer numbers and customer sites. Can you please provide details, including customer and site numbers and penetration levels at sites you are servicing?

[MD](#)

The adoption by laboratories of Bluechip-enabled solutions has grown steadily since launch, from four initial customers in the December 2021 quarter, to five at the end of March 2022, 10 in June and 12 at the end of September 2022. These labs include pharmaceutical companies, research organisation, cell therapy developers and contract research. They range in size from large multinationals with multiple sites, to small single laboratory operators. For example, we have a multinational pharmaceutical company as a client and we have started servicing one lab in one of their facilities. It has multiple facilities globally with multiple labs within each, and it is our intention and expectation that we will grow our relationship to cover more of that company's facilities.

We've also sold into contract development and manufacturing organisations (CDMO). These CDMOs service pharmaceutical and life science companies that are developing and manufacturing drugs. We now have several CDMOs as customers, one of which we are in two of their eight labs.

We expect to significantly grow revenues through both landing new customers to increase our Bluechiip Enabled install base and expanding within existing customers.

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BCT's business model is for customers to make repeat orders of BCT's consumables which they use in conjunction with BCT's software systems and readers. How many customers have already reordered consumables and is there a normal time frame in which you'd expect customers to reorder?

[MD](#)

We have received repeat orders from most of our initial accounts and anticipate that trend will keep going.

A "normal" reorder time is around three months. Having received those reorders is a strong endorsement of how our customers view our products and system.

The reorders are not only Bluechiip enabled consumables but include readers, and we have built in recurring revenue through software license fees, which tend to operate on an annual basis. So, having launched the product in December last year we're just about to see some repeat software license revenue.

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Reference sites are an important part of building market credibility. Is Bluechiip at the stage yet where it is getting this type benefit from its growing customer base?

[MD](#)

Yes, it is very important and yes, we are now seeing those benefits. The 4C announcement and our website highlight some of the customer feedback.

A good example is a recent conference we attended in North America where one of our customers, the American Regenerative Manufacturing Institute (ARMI) also had a booth. We were able to use that as a visible endorsement and reference point for potential clients

This is all very encouraging. The feedback we are getting is positive and we will continue to build out that reference base.

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If we step back and look at the broader market opportunity, what market share does your existing customer base represent today?

[MD](#)

There are many thousands of laboratories in the global markets and we are seeing adoption across all of our key target markets, including pharmaceutical, research, cell therapy developers, CDMOs and clinical trial companies. We also have our agreement with FujiFilm Irvine Scientific in the IVF market. Across these markets there are well over 300 million samples a year being moved or stored in -80 and -196degC liquid nitrogen.

There's a huge number of opportunities out there and we are only just starting to scratch the surface. There are opportunities both for landing new accounts and laboratories and also to expand our exposure within the existing site network of existing clients.

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Earlier this month you attended a major conference in San Diego, USA. What is the level of market knowledge about BCT, what type of engagement did you get at the conference and what was the conference for?

[MD](#)

The conference was a meeting of the leading players in the cell and gene therapy market from around the globe, with over 2,000 attendees from 600 organisations.

In two-and-a-half-days we had more than 35 meetings, including some with existing customers. The reception was extremely positive.

One meeting was with a customer that ordered our product at the end of September. We also had multiple meetings with organisations that were new to our product. We were able to educate them on the productivity, quality and confidence that the Bluechiip solution provides. The conference allowed us to build our brand with new end users, as well as discuss OEM opportunities.

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The FujiFilm Irvine Scientific deal was signed 12 months ago with the intent of moving towards a supply agreement within 18-24 months. How is progress under the R&D phase and movement to a supply agreement? What sort of revenues flow from the agreement in the current phase and post a supply agreement?

[MD](#)

That's correct. We executed the agreement in October 2022 and it's running to time. It's an 18-24 month agreement with the expectation of converting into a long-term supplier agreement. This is what we're working towards prior to completion of the existing agreement term.

As previously reported, out of a total revenue of \$915,000 in the June 2022 year, approximately half came from OEM engagement with FujiFilm Irvine Scientific.

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OEMs, aside from FujiFilm, have been part of BCT's growth strategy. What is the status of BCT's various OEM negotiations?

[MD](#)

We're continuing negotiations on OEM partnerships and working with parties to incorporate our technology into their products. We are strongly focussed on our agreement with FujiFilm Irvine Scientific and executing on that.

With our own products selling directly into the market, and with increasing traction, we anticipate increasing progress on OEM partnerships across multiple applications. Driving end customer adoption is a key driver to multiple OEM partnerships in the future.

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BCT ended the quarter with cash of A\$1.6m, receivables of \$1.1m and a cash burn of \$1.2m for the September quarter. When does BCT expect to convert those receivables to cash and will the cash burn for the December quarter be at a similar level? As sales volumes grow, what is the lag between sales orders and collecting cash from those sales?

[MD](#)

On the collection side, our standard commercial terms range from 30 to 45 days. With over \$300,000 of sales receivables at the end of September, and with additional deliveries in October, we expect to convert those to cash in the December quarter.

On top of that we have approximately \$800,000 of receivables from the R&D tax refund which we expect to receive in cash during the December quarter or very early in the March quarter. We anticipate the underlying cash burn to remain approximately in line with the September quarter, which would be offset against the receivables from the sales and R&D tax refund.

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