

Hydrix records strong first half revenue growth and a return to profitability for the core Services business

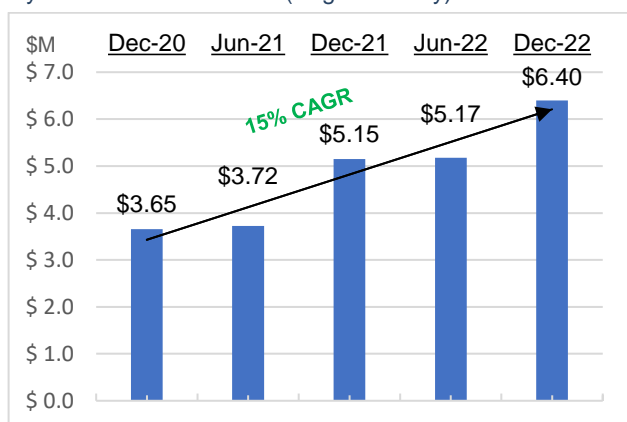
Hydrix Limited ('Hydrix' or 'the Company') (ASX: HYD) today released its Appendix 4C for the 31 December 2022 quarter and provides the following **Business Update**.

Group Financial Highlights for the December Quarter (unaudited) (refer to Appendix 4C)

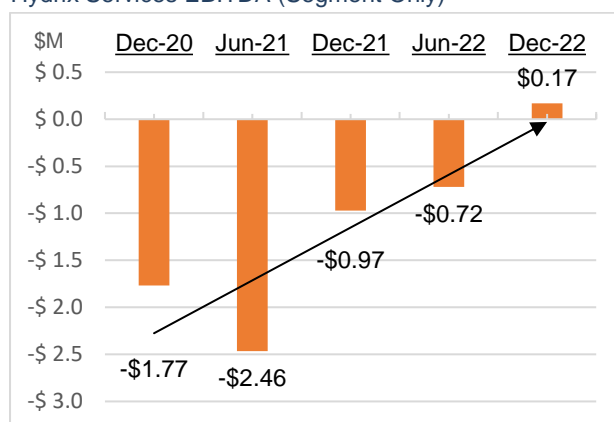
- **22% increase** in customer revenues to **\$3.1m** versus PCP (\$2.5m)
- **104% improvement** in core Services business EBITDA profit of **\$0.02m** versus PCP (loss \$0.37m)
- **14% increase** in customer receipts to **\$2.88m** versus PCP (\$2.52m)
- **23% improvement** in net cash used in Group operating activities of **\$1.27m** versus PCP (\$1.64m)
- 31 December 2022 cash on hand **\$3.2m**

The Hydrix Services business recovery is depicted in the charts of Half Year results below

Hydrix Services Revenue (Segment Only)



Hydrix Services EBITDA (Segment Only)*



*Excludes 'other income received' from COVID19 government support programs

Group Financial Highlights for the First Half ending December (unaudited)

- **24% increase** in customer revenues to **\$6.4m** versus PCP (\$5.1m)
- **116% improvement** in core Services business EBITDA profit of **\$0.17m** versus PCP (loss \$1.06m)
- **53% improvement** in net cash used in Group operating activities of **\$1.85m** versus PCP (\$3.92m)
- **The Services growth outlook remains strong**, ending the quarter with a sales pipeline >\$50m and a client order book of \$10m

Group Activity Highlights December Quarter and Business Updates

- **Expanded the Services business development team in the USA** appointing a second team member, who commenced on 9 January 2023, to accelerate our US market growth ambitions. In terms of progress, we recently advanced a new US medtech client to a second stage development contract in January, which once complete, will bring revenues from that client to \$1m, with the potential for further stages of work
- **Completed product development for Hydrix Services & Ventures portfolio company, Gyder Surgical**, also assisting with regulatory applications to the US Food & Drug Administration and Australia's Therapeutic Goods Administration. Pending regulatory approvals, Gyder Surgical will commence commercial sales in the USA and Australia and raise expansion capital to support market launch this year, which is anticipated to create valuation uplifts for Hydrix Ventures
- **Market launch of the Guardian in Singapore at the European Society of Cardiology South-east Asia Conference** to drive awareness with private-pay patients ahead of making an application to the Table of Surgical Procedures in the next reimbursement listing in 2025. Hydrix was granted approval by Singapore's regulatory body to market and distribute The Guardian in August 2022. We also engaged a local PR agency that specialises in launch strategies and market awareness for new cardiovascular technologies in the region
- **Advanced commercial discussions with a prospective Malaysia-based sub-distributor** and other documentation in readiness to commence market launch and distribution of the Guardian in Malaysia. The Malaysia regulatory body approved the Guardian for distribution in June 2022
- **We continued to work with Australia's Therapeutic Goods Administration (TGA)** on its regulatory review intended to permit Hydrix to market and distribute The Guardian in Australia. There is no statutory timeframe mandated within which the TGA must complete the application review process for Class III implantable devices and we are unable to advise an outcome date
- **National cardiology partner** commenced screening for suitable patients to implant **The Guardian** under special access scheme arrangements, which pending approval by the TGA, will help establish them as a key customer for market launch in Australia
- **Engaged a Japanese Clinical Research Organisation** to assist with developing a regulatory and reimbursement pathway to market and distribute The Guardian in Japan
- **Actively engaged in commercial discussions with several emerging USA and European cardiovascular technology companies** to distribute their products in Australia and South-east Asia, intended to create new revenue and growth opportunities. Products being evaluated include

medical software-as-a-service and other highly specialised products used to monitor and diagnose cardiovascular diseases and for surgical intervention procedures

- **Paused First-in-Human clinical activities for Phyzhon FFR Catheter Guidewire.** Phyzhon is seeking funding to continue product development and manufacturing. This has no impact to Hydrix financial market guidance but will defer the planned FIH clinical study until resolved
- **Pitt Street Research initiated coverage on Hydrix,** and several other investor relations interviews, presentations and podcasts were made and released to market
- **The Company raised \$3.62m** via a 1-for-2 Entitlement Offer at 6 cents per share and via subscriptions for 12c Loyalty Options with the combined potential to raise a further **\$6.06m** in CY2023 (options expire 31/12/2023); and
- **Launched the Hydrix Investor Hub,** an interactive platform to share Hydrix news and engage with investors. Sign-up [here](#).

Group Priorities for CY2023

- Build core Services business year-on-year revenue growth of **+20%** by increased international sales, marketing, and business development activities
- Build on first half core Services business profitability growth for FY23 by improving gross profit margins and billable utilisation to return to full year cash operating profitability
- Continue market development of The Guardian in Singapore and Malaysia, and to be sales-ready pending Therapeutic Goods Administration (TGA) Australia regulatory approval
- Progress and enter into commercial arrangements to distribute suitable third-party cardiovascular technologies to accelerate Hydrix Medical product revenues; and
- Support our venture investee companies reach significant milestones, including capital raises, regulatory approvals, and product development and commercialisation.

Hydrix Medical: AngelMed Guardian Regulatory Status

Hydrix is actively working on regulatory approvals and reimbursement processes across multiple jurisdictions, and other market development activities to commercialise The Guardian.

Country* / Agency	Appl. Date	Status	Notes
USA / FDA	n/a	Approved	Distributed in the USA by Angel Medical Systems (owner of The Guardian)
Australia / TGA	26 Jul 2021	In progress	TGA submission made in July 2021. Pending approval, commence sales in public hospitals, make MSAC application to obtain MBS Item code, and pending MSAC outcome, submit PLAC application for private insured patient reimbursement
Singapore / HSA	16 Aug 2021	Approved	HSA granted approval August 2022. Patients can pay out of pocket for an implant. A Table of Surgical Procedures (TOSP) application for patient and provider reimbursement will be made in due course for the next listing in CY25
Malaysia / Ministry of Health	27 Dec 2021	Approved	MOH granted approval June 2022. Commenced discussions with 3rd parties to sub-license
Thailand / Thai FDA	12 Oct 2021	In progress	Thai FDA submission Nov 2021. Review ongoing
New Zealand / MMDSA **	11 Aug 202	WAND notified	WAND notified August 2021. Developing go-to-market program
Hong Kong	-	Not started	Application being developed for submission in CY2023
Japan	-	Not started	Commenced with Japanese clinical research organisation to develop a regulatory and reimbursement pathway to market
Indonesia	-	Not started	Regulatory application is subject to appointment of a 3 rd party sub-license distributor/agent which is currently on hold

Hydrix Executive Chairman Gavin Coote commented:

"I am delighted that the core Services business returned a profit for the half on strong revenue growth and improving fee-rate structure and billable utilisation. We are well-placed to continue global sales growth with the second business development appointment in the USA and for sustainable profitability, which is within reach this year.

"The application made in July 2021 to the TGA to approve marketing and distribution of The Guardian remains in progress. We are optimistic about the prospects of The Guardian, *the world's first and only real-time heart attack warning device*. We are not sitting idle; we continue to evaluate and engage in commercial discussions with several other emerging cardiovascular product companies about distributing their products.

"Hydrix Venture portfolio companies are maturing and anticipate major inflection points this year which provide Hydrix fee-revenues and opportunity to participate in their commercial success.

"I thank all existing investors and welcome new shareholders who supported the \$3.62 million capital raised in the period, in challenging and volatile market conditions. The Board and other major shareholders supported the capital raise and Loyalty Option subscription offer. This demonstrates strong belief in our growth strategy."

Payments to related parties

During the quarter, Hydrix made aggregate payments of \$229,000 to related parties and their associates. These payments comprise of full-time salary payments to the Executive Chairman, payments of directors' fees, and payments of interest on loans borrowed from E.L.G Nominees Pty Ltd (an entity controlled by Director Joanne Bryant) and John W King Nominees Pty Ltd (an entity associated with Director Julie King).

-ENDS-

Click [here](#) for the November AGM investor presentation.

Click [here](#) for the Fresh Amplify Chairman's List Podcast.

Click [here](#) for the interview with Gyder Surgical CEO.

Click [here](#) to sign-up for Hydrix Investor Hub, an interactive platform to share Hydrix news and engage with investors.

Authorisation: This announcement is authorised for release by the Board of Directors of Hydrix Limited.

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About Hydrix Limited

Hydrix Limited (ASX: HYD) is a powerful product innovation company. Hydrix's purpose is to enhance the health, safety, and well-being of a billion lives. The company leverages its powerful product innovation capability across three complementary business segments: Hydrix Services: design and engineer products that transform markets; Hydrix Ventures: invest in high potential medtech clients; and Hydrix Medical: distribute disruptive cardiovascular products.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Hydrix Limited

ABN

84 060 369 048

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,876	7,290
1.2 Payments for		
research and development	-	-
product manufacturing and operating costs	(399)	(791)
advertising and marketing	(45)	(84)
leased assets	(241)	(482)
staff costs	(2,912)	(6,243)
administration and corporate costs	(518)	(1,479)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	11
1.5 Interest and other costs of finance paid	(37)	(75)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,268)	(1,853)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
businesses	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	property, plant and equipment	(12)	(30)
	investments	-	(10)
	intellectual property	-	-
	other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	businesses	-	-
	property, plant and equipment	-	-
	investments	-	-
	intellectual property	-	-
	other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(12)	(40)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,545	3,369
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	1
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(237)	(356)
3.5	Proceeds from borrowings	220	220
3.6	Repayment of borrowings	(44)	(88)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if necessary)	-	-
3.10	Net cash from / (used in) financing activities	1,484	3,146

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,989	1,940
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,268)	(1,853)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12)	(40)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,484	3,146
4.5	Effect of movement in exchange rates on cash held	-	
4.6	Cash and cash equivalents at end of period	3,193	3,193

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,193	2,989
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,193	2,989

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	229
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000																																								
7.1	Loan facilities	2,000	2,000																																								
7.2	Credit standby arrangements	-	-																																								
7.3	Other (please specify)	-	-																																								
7.4	Total financing facilities	2,000	2,000																																								
7.5	Unused financing facilities available at quarter end	-																																									
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.																																										
	<table border="1"> <thead> <tr> <th>Lender</th> <th>Loan Amount</th> <th>Interest rate (p.a)</th> <th>Maturity date</th> <th>Security</th> </tr> </thead> <tbody> <tr> <td>E.L.G. Nominees Pty Ltd*</td> <td>\$ 250,000</td> <td>8%</td> <td>31/01/2023</td> <td>Unsecured</td> </tr> <tr> <td>E.L.G. Nominees Pty Ltd</td> <td>\$ 150,000</td> <td>8%</td> <td>31/07/2023</td> <td>Unsecured</td> </tr> <tr> <td>E.L.G. Nominees Pty Ltd</td> <td>\$ 150,000</td> <td>8%</td> <td>31/08/2023</td> <td>Unsecured</td> </tr> <tr> <td>E.L.G. Nominees Pty Ltd</td> <td>\$ 150,000</td> <td>8%</td> <td>30/09/2023</td> <td>Unsecured</td> </tr> <tr> <td>E.L.G. Nominees Pty Ltd</td> <td>\$ 150,000</td> <td>8%</td> <td>31/10/2023</td> <td>Unsecured</td> </tr> <tr> <td>E.L.G. Nominees Pty Ltd</td> <td>\$ 150,000</td> <td>8%</td> <td>30/11/2023</td> <td>Unsecured</td> </tr> <tr> <td>John W King Nominees Pty Ltd**</td> <td>\$ 1,000,000</td> <td>6%</td> <td>31/07/2023</td> <td>Unsecured</td> </tr> </tbody> </table>			Lender	Loan Amount	Interest rate (p.a)	Maturity date	Security	E.L.G. Nominees Pty Ltd*	\$ 250,000	8%	31/01/2023	Unsecured	E.L.G. Nominees Pty Ltd	\$ 150,000	8%	31/07/2023	Unsecured	E.L.G. Nominees Pty Ltd	\$ 150,000	8%	31/08/2023	Unsecured	E.L.G. Nominees Pty Ltd	\$ 150,000	8%	30/09/2023	Unsecured	E.L.G. Nominees Pty Ltd	\$ 150,000	8%	31/10/2023	Unsecured	E.L.G. Nominees Pty Ltd	\$ 150,000	8%	30/11/2023	Unsecured	John W King Nominees Pty Ltd**	\$ 1,000,000	6%	31/07/2023	Unsecured
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	**John W King Nominees Pty Ltd is a company associated with John King, a related party of the Company.																																										

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,268)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,193
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,193
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.52
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 23 January 2023

Authorised by the Board of Hydrix Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.