

**ASX Announcement :**

**Managing Director, Andrew McLellan:  
Increase in revenues and cash receipts,  
expanding customer base with repeat  
orders, FujiFilm Irvine Scientific  
progress and cash**



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**Open Briefing interview with MD Andrew McLellan****In this Open Briefing®, Andrew discusses:**

- Increase in revenues and cash receipts.
- Addition of a new very large customer.
- Pipeline growth and expected conversion in the March quarter.
- Customer feedback.
- Cash balance and funding sources.

**Record of interview:**

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**BCT generated revenues of \$280k and receipts of \$527k for the December quarter, up 15% and 173% respectively on the September FY23 quarter and up even more so on the December FY22 quarter. Can you tell us what factors drove the increased sales and cash receipts?**

**MD**

Our revenue continues to grow, based on three things.

Firstly, we are landing new customers. We added one very large customer in the quarter. Initially our technology will be used in one of its labs, however we expect that to grow to well over 5 – 8 labs over time.

Our pipeline continues to grow significantly, and we expect the number of accounts in our pipeline and conversions to accelerate in the current and future quarters. We expect to both land new clients and expand into new labs at existing clients. This growth is being driven by the expanded sales team in North America, which will continue to grow as demand and traction continues to grow.

Secondly, we are starting to see increasing repeat orders from our existing clients. Repeat orders this soon after launch are very important as they endorse the value proposition customers see in our product. As you'll recall we only launched our own product range in December 2021, so reorders from existing labs with existing clients and the addition of new labs from existing clients this soon is very pleasing.

As an example, OrganaBio became a customer in mid-2022. In the last quarter they purchased a Multivial reader, which allows a box of Bluechiip Enabled cryovials to be identified all at once. This will further increase the productivity benefits they are gaining from using our system of readers, software and consumables. OrganaBio is rolling out Bluechiip's solution across their business, so we expect to see further growth from them. They are not the only customer where this is occurring. As a general comment, once we get a foothold in a customer lab, say one or two of their labs, and they see the efficiency gains from our product and systems, we then see strong potential to expand with that customer.

Thirdly, we are seeing continued development activities with Fujifilm Irvine Scientific in the IVF marketplace, which I'll talk about more later.

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**How many customers do you have and how many of their labs does that currently cover? Can you background us on how that has grown since BCT released its own brand products in December 2021? We note that some of this information is in a chart in the ASX announcement accompanying BCT's 4C.**

MD

We now have 13 labs, or sites, across 11 customers globally. The largest growth market is North America.

In December 2021 we began with zero sites and installed our first 4 that quarter. We have grown the client base every quarter since then. Whilst we only added one client in the December FY23 quarter it is a very large client and we expect to gain at least 5 to 8 more labs

from them in the short to medium term. As mentioned earlier, we have a very strong pipeline and expect to convert a number of accounts during the current quarter and more in future quarters.

Our strategic focus is to “land” new accounts and subsequently “expand” within them. The expansion we are starting to see is growing the usage of Bluechiip Enabled consumables within individual labs that we already service, across different high value sample types and processes and expanding into additional labs or facilities.

Within individual sites we are seeing growth. As sites get up and running with our Bluechiip readers, software and Bluechiip Enabled consumables, they may order another handheld reader for instance, or even a multivial reader as was the case with OrganaBio. We will also bring new products to market over the next 6 to 12 months and that is expected to drive further sales to existing labs.

In terms of the opportunity for expansion from our existing clients into new labs, we have 13 labs in those 11 clients at the moment. If you add all the labs in which Bluechiip technology has the potential to be used for those 11 clients the number grows to well over 30 labs. Note also that we have only scratched the surface in terms of the potential client base, as we only launched our product range 13 months ago and are still building our sales and marketing team.

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**Given your business model aims at repeat sales of consumables to an installed client base, using BCT readers and software, can you tell us the rate of repeat orders from customers and remind us what the normal reorder cycle should be?**

MD

Yes, the reorder cycle is a key focus for us as a business, so it is pleasing to see customers reordering so soon after our launch in December 2021.

At the moment the typical reorder cycle is three to four months from once we have client up and running with our system of Bluechiip readers, stream software and Bluechiip Enabled consumables. That said, we have started to see the cycle shorten for some customers. For example, a customer we signed up in September, installed and trained in October, and had up and running in November-December, has already reordered, with a recent order in January for \$USD18k of Bluechiip Enabled consumables, for this customer we expect reordering at this level every 2 to 3 months. That is for one of their labs and we’re about to install into another one of their labs in the coming month.

While these individual numbers may seem small, these are recurring revenues and the potential number of clients and labs across our target global ultra-low temperature bio-sample handling and storage market is very large. There are thousands of labs working with well over 300 million high value samples a year who can benefit from Bluechiip's solution. We are only scratching the surface.

We are also expanding our Sales and Marketing team in North America adding Field Support Specialists, whose specific task is to help our customers get up and running as quickly as possible and support the facilitation of the Bluechiip Enabled Solution into the customers' and labs' standard operating procedures.

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**Andrew, what customer feedback are you getting in relation to BCT's products and software? What's driving their uptake and expanding usage of BCT's system?**

MD

The customer feedback has been excellent in a number of areas. As our marketing suggests we 'Drive Productivity, Enhance Quality and Provide Confidence in Every Sample'. We are seeing this reflected in feedback from our customers.

Our Bluechiip Enabled Solution works in the ultra-low temperatures of liquid nitrogen, -196°C or -80°C freezers. Our system automatically updates the clients database when samples are handled, eliminating the clients' need to use handwriting on pieces of paper and then duplicating entry into an excel spreadsheet or a database. Removing that process improves the client's productivity and it also improves the quality and security of the data.

With traditional systems, it's not uncommon for some facilities to lose track of where their samples are located, and of course they also do not have a proper record of sample temperature as it is handled, unlike Bluechiip's system.

Some initial client testimonials can be seen on our website [Homepage \(bluechiip.com\)](https://bluechiip.com).

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**Andrew, you recently attended the Advanced Therapies Week in Miami Beach. Can you provide feedback on the value of these types of tradeshow to Bluechiip's pipeline?**

MD

The Advanced Therapies Week in Miami Beach was very positive for Bluechiip. Over 2000 individuals attended the show which was focused on Cell and Gene Therapy and Advanced

Therapies from around the world. This is a target segment for Bluechiip as the samples are very valuable and they are often stored in LN2 tanks, ie -196°C.

The tradeshow was an opportunity for Bluechiip to meet with existing customers, for example Advanced Regenerative Manufacturing Institute (ARMI) was presenting at the show. We also connected with potential customers, some of whom we have already provided quotes to and are well progressed on engagement, and lastly to meet new opportunities and grow our pipeline. On all the above points the show was a success.

Prior to the event Organabio, a customer of Bluechiip based in Miami, hosted a pre-meeting site tour. This was important for Bluechiip as it shows our technology being used in laboratories and drives confidence for potential customers to adopt.

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**The FujiFilm Irvine Scientific licence and development agreement was signed in October 2021 with a 18- 24 month view to converting it into a supply agreement. How is progress towards that goal?**

MD

The project and our partnership with Fujifilm are progressing very well.

We continue executing on the licencing development agreement, which as you mentioned is an 18 to 24 month project. We executed that in October 2021 so we are well past the midway point of that development activity. The intention from both parties has always been to work towards a long-term supplier agreement. In the not-too-distant future we envisage executing a long-term partnership and progressing to having Bluechiip-enabled product in the IVF marketplace through Fujifilm.

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**Looking at cash burn and utilisation now. Net Cash burn for the December quarter of \$988K was down slightly from \$1,187k in the September quarter. Notably also the portion of costs for manufacturing was lower than in the September quarter while Staff and Advertising and Marketing increased. What is behind these numbers and what should we expect going forward?**

MD

In terms of the overall numbers of the net cash burn, traditionally I've indicated it's around that \$1M a quarter. That will maintain in the short term and start to decrease as we bring on more customers, and really start ramping into that repeat order cycle.

Some of the variation, especially in the manufacturing spend, comes down to timing and the allocation of costs to internal resources. This partly reflects the fact that we have internalised our reader manufacturing and assembly, thus reducing our external manufacturing cost. We can do that now due to achieving ISO 9001 accreditation. We're now assembling our readers ourselves in our office in Melbourne, Australia, and also self-assembling our cryo-labels, i.e. a cryogenic "label" with our processed chip included. These are being very well accepted by our customer base.

We are also growing on our advertising and marketing. We've had our product range in the market for just over 12 months and are receiving strong positive feedback from our installed clients. You should expect to see an increase in advertising and marketing, especially in North America, as we build out the team and grow the client base.

At the moment we have four people on the ground in North American and we plan to at least double that team over the coming 12 months, driving uptake by American clients, so we can enter new labs within those accounts, and new processes within each lab.

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**At the end of the quarter BCT had \$575k of cash, in January received \$825k R&D tax refund for the June 2022 year and you have drawn down \$173k of a \$790k Supply Chain Resilience Initiative (SCRI) Grant from the Australian Government. What cash burn and cash sources do you expect for the March quarter?**

MD

We ended the quarter with \$575,000 in cash. On top of that we received \$825,000 R&D tax refund at the end of January, and we are receiving increasing cash receipts from customers. Including the 2023 R&D activities with an anticipated R&D tax refund in the vicinity of \$1,000,000 and the ability to gain an advance on this refund we have available cash for the coming quarters.

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