

ASX Announcement :

Managing Director, Andrew McLellan:
Increasing customer & laboratory numbers, growing pipeline, North American team expansion and quarterly sales and cash flow progression.



Bluechiip Limited
1 Dalmore Drive
Caribbean Business Park
Scoresby VIC 3179 AUSTRALIA

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

- 92% increase in laboratory customers during the quarter.
- Significantly increased order book and expanding sales pipeline.
- Growing USA sales and implementation team to convert the pipeline.
- March Quarter sales and cash flow.

Record of interview:

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The March 2023 quarter was very strong in terms of new orders, new customers and especially new laboratories which were +92% versus the December 2022 quarter, but it was slower in terms of sales and cash receipts than December 2022 quarter. Can you walk us through the normal lag between adding customers and orders vs receiving sales and cash?

MD

The growth in customers, laboratories serviced, orders received, and our expanding pipeline of opportunities is pleasing. As we grow the sales force, we expect to see the pipeline to keep growing and an acceleration in the conversion of the pipeline.

This customer base underpins our long-term, recurring revenues. Just to remind you, our business model is to install our Bluechiip Enabled Readers and Software solutions into customers sites and to see repeat sales of Bluechiip Enabled consumables to those customers. So, while we build our customer base the revenue numbers and cash receipts will be lumpy, however over time the revenue

stream will become more consistent as it is increasingly driven by re-orders of consumables from our installed customer base.

Looking at the timing of the conversion of orders into cash, the typical cycle from pipeline lead to quote to receiving an order is 3 – 6 months, and the subsequent conversion from a sales order into cash is typically 60 – 90 days. Our current order book is consistent with this, primarily reflecting orders that are due for delivery in the next two to three months.

In terms of what our new orders look like, we are seeing two main types. The first is up-front orders that enable the customer to start operating with our Bluechiip Advanced Sample Management Solutions. These orders include equipment and installation, being our readers and our software, plus the initial orders of consumables, being Bluechiip Enabled cryolabels and cryovials. The second type of orders that we are now seeing is customers' ongoing and even forward-ordering consumables that we will deliver over time.

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Looking at the pipeline, how does it compare to 3 - 6 months ago in terms of size and breakdown, including new customers and reorders?

MD

The pipeline is dramatically larger than 6 to 12 months ago, and that's come from building up the US sales team, attending more trade shows, and building presence in the market. This includes some reference sites which we can utilise to help us build that pipeline.

Our limiting factor for sales growth currently is that we do not have enough sales and implementation staff. Hence, we are expanding our USA Sales team so we can convert the pipeline opportunities and orders more rapidly. This means getting customers up and running by installing equipment, training customers and implementing processes within customers' standard operating procedures.

In the presentation that we released to the ASX last week, we highlighted that we have around a dozen quotes in the marketplace. That is dramatically higher than just 6 to 12 months ago and, as discussed earlier, the typical conversion time from a quote ranges from 3 - 6 months. We are working hard to shorten that cycle time.

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Can you walk us through the growth in your North American sales and implementation team, the opportunity they are addressing and how quickly you expect to see this reflected in pipeline conversion into sales?

MD

Currently, we have four people on the ground in North America, as we have had for the last 12 months, and we aim to build that to around 10.

That small team has delivered strong growth in customers and sales. As we build the team out to 10, we expect to see an acceleration of the pipeline growth and subsequent conversion into sales.

Underpinning our confidence around near-term conversion is that we already have a solid pipeline for the new sales people to execute on, including a dozen quotes. We also expect our sales and implementation teams to become more efficient over time, with an upskilling timeframe of 3 - 6 months, which should see pipeline growth and conversion remain strong.

Looking at the make-up of the team, it comprises both sales people that directly target new customers, "landing" new accounts and laboratories, and Field Product Specialists, who "expand" within accounts to ensure that customers are both well-trained and that their processes are embedded with the Bluechiip system.

Importantly, we also now have reference sites, such as the New York Psychiatric Research Institute based in Columbia University which we announced last week, which our sales people can highlight to prospective customers.

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Looking at BCT's recurring revenue base, you now have 25 labs as customers, almost double the 13 you had in December 2022 and 5 times what you had in December 2021. What's the normal time from when a customer first installs your system to them reordering your consumables? Is there any seasonality and what percentage of customers have reordered so far?

MD

Several labs have already re-ordered, some multiple times. A good example is a big pharma company, which we can't name, which is ordering €4,000 to €6,000 of product each month. This is for one laboratory, and the company has multiple laboratories across the globe.

We are also seeing some customers re-ordering every 2 - 3 months.

The reorder cycle will become smoother and more predictable as customers get their Bluechiip systems up and running and built into their standard operating procedures. We are also encouraging these customers to put in place standing orders. We expect to see an increasing portion of these in the near future.

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Where in terms of market segment and geography did the 92% increase in customer labs come from?

MD

In terms of geography, the focus is North America. We're seeing a lot of activity in the northeast corridor and California.

We recently announced the partnership and order with New York Psychiatric Institute and we also have customers north of Boston and through that northeast corridor. Southern California is another key hotspot for activity, especially in cell therapy.

In terms of market verticals, we have a good toehold in the cell therapy market, with a number of customers. We are also seeing customers in the CRO, or Clinical Research Organizations, that are providing cell manufacturing capabilities and clinical trials. And there are pharma companies both as existing customers (one very large one) and in our pipeline.

The New York Psychiatric Research Institute, is a very good win for us. Part of Columbia University, it is a traditional research facility. Columbia is an Ivy League institution based on Manhattan and is a fantastic reference site for us. We are very pleased to have our partnership with them as a customer.

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Andrew, during the quarter you also released a major update to the software that is an integral part of the Bluechiip system which your clients install. What does this update do and how does it add further value to clients?

MD

We are continually building our customer offering, which also helps us to maintain momentum in uniquely meeting the needs of our customers.

This software update includes features that drive further productivity and quality improvements and is based on direct customer feedback. It is called the Bluechiip Stream Sample Manager '23 Platform.

Bluechiip Stream™ Sample Manager '23 Platform is an advancement of our underlying software platform. Stream™ Sample Manger operates across our Bluecube server and is accessible on both PC's and hand held devices, such as iPads, and it is also embedded within our readers to provide a seamless solution to our customers to identify their valuable samples, tracked using Bluechiip enabled and labelled consumables.

The features include: optimised capacity and sample inventory management; increased reporting; Intuitive user interfaces; streamlined sample generation; integrated label generation; and integrated temperature reporting for complete temperature traceability. Some of these features are offered in modules that we package and sell as additional optional features.

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The FujiFilm Irvine Scientific licence and development agreement was executed in October 2021. Can you update us on the status of that project and converting it into a supply agreement?

MD

The FujiFilm Irvine Scientific project is progressing well. We are working closely with FujiFilm Irvine Scientific towards a product that is customized and branded for Fujifilm, utilizing Bluechiip's core technology including our readers and software, which will also have "Bluechiip-enabled" branding.

We expect this project to convert to a supply agreement as the project progresses.

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Net cash burn for the quarter was \$647k, down from cash burn of \$1.187m in the December 2022 quarter. What were the key drivers?

MD

Cash inflow for the quarter was a mixture of cash from customers, a drawdown on an R&D tax advance facility where we have a \$650k standby facility from which we drew down \$400,000 during the quarter. We drew down the remaining \$250k post 31 March.

An average quarterly net cash burn of around \$1m is what we have been trending towards and what we expect to see for the medium term. We expect rising cash receipts from rising sales, albeit with a 60 - 90 day lag which will be offset by increased cash costs as we build the North American sales team.

As the customer base grows and those customers make repeat orders, be it monthly, quarterly etc, and we convert these laboratory customers to a consistent flow of orders, then we expect to see the cash burn decline and turn positive.

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Cash at the end of the quarter was A\$323k, and post 31 March BCT drew down the remaining \$250k of a \$650k R&D tax advance facility. Do you expect any cash receipts from R&D tax credits or the Supply Chain Resilience Grant in the June 2023 quarter?

MD

In terms of the R&D tax refund we don't expect any receipts from that in the June quarter. We do expect that to come through in Q1 or Q2 of FY24. In terms of the Supply Chain Resilience Grant, we do expect some cash inflow in this quarter and of course we are seeing rising cash receipts from customers including some very recent deliveries which will be reflected in the June quarter numbers.

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