

31 August 2023

ASX ANNOUNCEMENT

FY23 FULL YEAR RESULTS

MOMENTUM CONTINUES, REVENUE GROWTH OF 47%

HIGHLIGHTS

A\$ million	FY23	FY22	Change
Revenue ⁽¹⁾	32.3	21.9	10.4
Underlying EBIT ⁽²⁾	(18.3)	(14.7)	(3.6)
Underlying adjustments (before tax)	10.3	(1.2)	11.5
Reported EBIT	(8.0)	(15.9)	7.9
NPAT	(5.6)	(12.4)	6.8

⁽¹⁾ Excludes Contract termination revenue of \$18.9 million (refer to the Consolidated Financial Report)

⁽²⁾ Excludes a net gain from underlying adjustments of \$10.3 million (refer to the Consolidated Financial Report)

- Driving penetration of Pentrox and growing market share in Respiratory
- Pain Management revenue up 54% driven by volume growth and improved pricing
- Respiratory revenue up 43%, with strong volume growth in all regions
- Volume in France up 33%, although growth rate below expectation, investment scaled back in light of challenging operating environment
- Encouraging results in partner markets with in-market sales in the UK and Ireland up 34% and the relaunch of Pentrox in Canada
- Field team deployed to drive penetration of Pentrox in Australian hospital emergency departments
- Clinical trial in China discontinued, greater focus on growth opportunities in Australia, Europe and the USA
- USA market entry advancing, market assessment identifies US\$300-US\$400 million commercial opportunity for Pentrox in US, adviser appointed to support partner search

Medical Developments International (ASX: MVP) today announced a net loss after tax of \$5.6 million for the full year ended 30 June 2023, compared to a loss of \$12.4 million in the prior corresponding period (pcp). The Board elected not to declare a dividend.

Reported earnings included a net gain from Underlying Adjustments of \$10.3 million before tax (pcp \$1.2 million loss). This mostly relates to a net gain arising from the discontinuation of clinical trial preparations for Pentrox in China, announced to the market in January 2023 (\$12.7 million), offset partly by costs for a comprehensive market assessment of the commercial opportunity for Pentrox in the US which was not of a capital nature (\$1.9 million).

CEO, Brent MacGregor, said, *“FY23 has been an encouraging year, with continued momentum in our Pain Management and Respiratory segments. Improved volumes and pricing in both segments have delivered strong revenue and margin growth in the period.”*

Group revenue was up 47% on the pcp at \$32.3 million. The Pain Management segment delivered revenue growth of 54%, with higher volumes and improved pricing. In Australia, volumes were up 6%, with solid demand from the ambulance sector, and growing penetration in procedural segments and hospital emergency departments. In Europe demand was stronger despite a challenging economic backdrop. Volumes in France were up 33%, the UK and Ireland were up 34%, while the Nordics, Central Europe, Switzerland and Belgium all delivered encouraging growth. Volumes into other markets were up almost three-fold, driven by inventory stocking for the relaunch of Pentrox in Canada.

Revenue in the Respiratory segment was up 43%, a strong result that reflects continued growth in market share, particularly in the US, and solid underlying demand. Inflationary pressures were managed through disciplined pricing.

Gross margin was improved by \$5.4 million driven by volume growth and higher pricing.

Underlying EBIT for the period was a loss of \$18.3 million, \$3.6 million unfavourable to the prior year, driven by higher costs associated with the Company’s capability build. This includes investment in the Australian Pentrox field team, increased commercial resources in Respiratory, and leadership and functional capability.

GROWTH INITIATIVES

- Grow in France

The Company delivered 33% growth in Pentrox volume in France against a challenging backdrop, with volume for the year at 65,000 units. Demand was impacted by challenges across the healthcare system, including staff shortages, budget constraints and hospital closures.

In light of operating conditions and slower than planned growth, market development investment in France has been scaled back. Supply to existing customers, which now exceeds 300, will be maintained and supported through agents in the region while the Company reassesses its go-to-market approach.

Brent said, *“We have reduced our investment in France considerably due to slower than planned progress, impacted greatly by challenging operating conditions.*

“Service to our existing customers, however, remains a priority, and we continue to provide support through our contracted agents in the region, and our team in Melbourne. Strong product “stickiness” is expected to underpin stable demand as we revisit our go-to-market approach.

“Our approach may include a partner supported strategy that is delivering encouraging growth in the UK, Ireland, the Nordics and Austria. Our decision in France will influence our approach in other European markets, including Germany, Italy and Spain. We will provide an update on our assessment in coming months.”

- Australian business expansion

During FY23 foundations were established to support the penetration of Pentrox into Australian hospital emergency departments. This included a field sales team, medical scientific liaison support, and the launch of a new marketing campaign to support the positioning of Pentrox in the emergency department setting.

“We delivered volume growth in FY23 of 6% in Australia,” said Brent. “This included early progress in our drive to increase penetration in emergency departments, a large and attractive segment representing 45% of the addressable market in Australia and where Pentrox offers compelling advantages. The team have already made progress in working with hospitals and buying groups to list Pentrox on hospital protocols and formularies in all states. We expect to see this translate into sales in the year ahead.”

- US market entry

During the period the Company confirmed it would seek funding from one or more partner organisations to fund entry into the US market. An experienced adviser has been appointed to support the partner search.

A comprehensive market assessment on the commercial opportunity for Pentrox in the US was completed in the period. This assessment identified in-market revenue potential for Pentrox of between US\$300 million and US\$400 million five years post launch. This assessment will inform partner discussions and development of the go-to-market strategy.

Preparations for the clinical trial continue to advance. The clinical program will commence in FY25 pending partner agreement.

Brent said, *“Entry into the US will be transformational for MVP and is a primary strategic focus for the business. The market assessment study affirmed that there are substantial opportunities for Pentrox here. Delivering commercial success in this large and attractive market will require the support of a partner, and we will progress this search with urgency.”*

FY24 OUTLOOK

The Company expects underlying EBIT in FY24 to be improved on the prior year, driven by:

- Higher Pentrox volumes in Australian hospital emergency departments;
- Share growth in the Respiratory segment; and
- Incremental margin improvements of \$6 million from pricing and efficiency.

~END~

Authorised for release by the Board of Directors.

Enquiries

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About Medical Developments International Ltd

MVP is an Australian company delivering emergency medical solutions dedicated to improving patient outcomes. MVP is a leader in emergency pain relief and respiratory products. The Company manufactures Pentrox®, a fast-acting trauma & emergency pain relief product. It is used in Australian Hospitals including Emergency Departments, Australian Ambulance Services, the Australian Defence Forces, Sports Medicine and for analgesia during short surgical procedures such as Dental and Cosmetic surgery as well as in other medical applications.