

ASX: CVB

29 February 2024

Appendix 4D Half Year Financial Statements Released Period Ended 31 Dec 2023

Executive Summary

- Revenue
 - H1 FY2024 revenue was \$3.53m, versus \$2.18m for the comparative period H1 FY2023, and \$5.57m for the pro-forma revenue for H1 FY2023.
 - Pro-Forma comparative period included:
 - Deliveries of back orders following the COVID related chip shortage in FY22, clearing in early FY23.
 - Clearance of first and second generation discontinued products.
- HiRise™ orders
 - 7 Purchase Orders versus 4 in H1 FY2023.
- Enhanced HiRise™
 - The company continues development of an enhanced HiRise™, a higher X-ray energy CT with clearer images for a broader range of patient body types, required for custom protocols for hip and knee robotic surgical systems.
 - The enhanced HiRise™ has been targeted to address feedback from group orthopaedic practices in the Company's US prospect pipeline, who have not been willing to commit until CurveBeam's device can deliver the required datasets for key robotic surgical systems for knee and hip surgery. Once in place, the enhanced HiRise is expected to bring a step change in orders and adoption.

Melbourne, Australia & Hatfield, Pennsylvania: CurveBeam AI Limited (ASX: CVB, "**CurveBeam AI**" or the "**Company**"), a fully integrated developer and manufacturer of point-of-care specialised medical imaging (CT) equipment, supported by a targeted range of AI enabled SaaS-based clinical assessment solutions, is pleased to announce its Appendix 4D interim financial statements for the period ended 31 December 2023 (H1 FY2024).

CurveBeam AI CEO Greg Brown said: "During our first half year as a listed company we have endeavored to respond to our circumstances and preserve cash as much as we can, while expeditiously developing an enhanced HiRise™ to meet market requirements. We continue to get consistent market feedback from orthopaedic surgeons that the HiRise™ offers an appealing solution, for group practice settings, to deliver in one visit a diagnosis and surgical plan. The company expects the enhanced HiRise™ to meet the specifications needed for fabricating custom cut guides for the various body types needed by Patient Specific Instrumentation (PSI) and robotic surgical systems. The Company continues to target the use of the enhanced HiRise™ datasets in routine Total Knee Replacement (TKR) planning, including robot assisted procedures by Q4 FY24. With this milestone we are targeting a step change in demand for the HiRise™."

CurveBeam AI Profit & Loss

To facilitate a better understanding of the results for the half year ending 31 December 2023, CurveBeam AI is pleased to provide an expanded pro forma profit and loss (P&L) as set out below. By way of background:

- On 12 October 2022 Curvebeam LLC and StraxCorp Pty Ltd merged to form CurveBeam AI Ltd (**Merger**)
- On 23 August 2023 CurveBeam AI Limited was listed and commenced trading on ASX.
- When considering the H1 FY2024 P&L for Curvebeam AI, the prior comparative period of H1 FY2023 only includes the US business from 12 October 2022 (Merger completion date).
- To provide investors with a like for like comparison between H1 FY24 and H1 FY23 set out below is a Pro-Forma P&L consolidating the US business from 1st July 2022. .
- As a result of the Merger, the Company's IPO, and the conversion of the convertible notes outstanding prior to the IPO, there are significant one-off costs. These are removed from the Pro-Forma P&L to illustrate the Company's underlying cost base. A reconciliation to the P&L in the Appendix 4D is provided as an addendum to this release.

Profit & Loss : Re-presentation	H1 FY24 A\$'000	H1 FY23 A\$'000	H1 FY23 A\$'000 Pro-forma^(e)
Revenue	3,528	2,179	5,573
Cost of sales	(1,792)	(958)	(3,312)
Gross profit	1,736	1,221	2,261
Other income and expenses	631	575	495
Expenses - Operating			
Human resource expenses ^(a)	7,291	3,613	4,844
Consulting and professional fees ^(b)	1,558	805	891
Admin, insurance and IT expenses	810	323	350
Marketing expenses	782	367	819
Research and development external expenditure	480	196	367
Travel and entertainment expenses	468	290	392
Occupancy costs	86	40	55
Product and market registration expenses	78	26	39
IP costs	224	149	149
Total Operating Expenses^(c)	11,777	5,809	7,906
Operating EBITDA^(d)	(9,410)	(4,013)	(5,150)
Expenses - Non-Operating or Non-Cash			
Finance expenses	1,332	2,054	2,141
Depreciation and amortisation expense	1,379	618	669
Fair value of contingent consideration	6	-	-
Fair value of embedded derivatives	142	-	-
Share based payments ^(a)	1,400	16	16
Prof Fees - Merger ^(b)	-	1,922	2,970
Prof Fees - IPO ^(b)	497	42	42
Total Non-Operating or Non-Cash Expenses	4,756	4,652	5,838
Loss Before Income Tax Expense	(14,166)	(8,665)	(10,988)

N.B. Refer addendum for reconciliation to Appendix 4D

Commentary

- The Increases in HR expenses includes transitioning the US business from heavy reliance on equity-based remuneration to more conventional remuneration, including some market and back pay adjustments. Note that the equity-based remuneration in the US business ceased in the due diligence phase of the Merger in February 2022, and is therefore not reflected in the share based remuneration in the tables above.
- Consulting and professional fees expense increases in the half year have included regulatory consulting in the US. sales tax consulting post-merger, tax and international structure advice, and legal support in the listed environment.
- The increase in Admin, Insurance & IT expenses include ASX fees, insurance premium increases as a result of becoming a listed company, and IT expenses include increased expenditure on reporting and governance systems post-Merger and listing on ASX.
- Both periods above include significant non-operating expenses from the Merger, the IPO, and the accounting for the conversion of convertible notes at IPO. The notes in the Appendix 4D provide more detail, and a reconciliation of the tables above to the Appendix 4D is included as an addendum to this release.

Capital Management & Balance Sheet

The directors of the Company are very cognisant of managing the cashflows in the business, and have been limiting expenditure through the half year, both against plans developed prior to the IPO, in budgets since the IPO, and in taking into account receipts from customers.

The board of directors in December approved further cost reduction and cash saving initiatives from 1st January 2024, which were planned carefully to limit impact on device placements, enhanced HiRise™ validation and release, and the BMD SaaS development. Savings equating to around \$1.7m for H2 were made from a reduction or deferral in the areas below:

- the Skyrise™ development program
- staff costs
- travel costs
- supplier costs; and
- marketing costs (conference costs and supporting symposia programs)
- deferral of loan repayments to Executive Director Arun Singh

During FY23 Inventory was built up to support the ability to supply Stryker, and to limit the risk of supply chain disruptions as experienced during COVID. The investment in Inventory at 31-Dec-23 was \$9.24m, up by \$0.58m from the balance at 30-Jun-23.. The Company expects to release cash from Inventory in H2 FY2024.

Based on the actions taken and the expectations for the enhanced HiRise™, the directors continue to expect that the Company has sufficient working capital for at least 24 months from its IPO in August 2023.

Definitions

As previously noted, CurveBeam AI's key metrics are defined and interpreted as follows:

- Purchase order – a signed purchase order (PO) for a CT scanner (device). The Company considers POs to be a key metric as it reflects actual sales at any given time.
- Receipts from customers – any cash consideration received from a customer by CurveBeam AI. This can include initial deposits required at the time of an order being placed.

- Revenue – Revenue is recognised after the device (e.g., HiRise™) is delivered, installed and training has been completed. Depending on the customer site requirements, there can be several months' delay from a signed purchase order to recognition of revenue. Thus, revenue may not be reflective of sales progress in each period.

Release approved by the Board of Directors.

About CurveBeam AI Limited

CurveBeam AI (ASX:CVB) develops, manufactures and sells specialised medical imaging (CT) scanners, coupled with AI SaaS-based clinical assessment solutions, to support medical practitioners in the management of musculoskeletal conditions. The Company's flagship CT scanner, HiRise™, performs weight bearing CT scans as well as traditional non weight bearing CT scans, providing a range of advantages over the use of traditional CT or MRI devices. CurveBeam AI has more than 70 employees with its corporate office, AI and IP functions located in Melbourne, VIC, Australia and global operations headquarters in Hatfield, Pennsylvania, USA.

For further information go to <https://curvebeamai.com>

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Addendum

a) Human resource expenses reconciles to the Appendix 4D as follows:

	H1 FY24 A\$'000	H1 FY23 A\$'000
Human resources expenditure per this announcement	7,291	3,613
<i>Add:</i>		
Share based payment expenses	1,400	16
Human resource expenditure per the Appendix 4D	8,691	3,629

b) Consulting and professional fees as per the Appendix 4D includes the merger and IPO costs as follows:

	H1 FY24 A\$'000	H1 FY23 A\$'000
Consulting and professional fees as per this announcement	1,558	805
<i>Add:</i>		
Prof Fees - Merger	-	1,922
Prof Fees - IPO	497	42
Consulting and professional fees as per the Appendix 4D	2,055	2,769

c) "Total Operating Expenses" and "Total Non-Operating or Non-Cash Expenses" are non-IFRS measures, which reconciles to total expenses as per the Appendix 4D as follows:

	H1 FY24 A\$'000	H1 FY23 A\$'000
Total operating expenses per this announcement	11,777	5,809
Total non-operating or non-cash expenses per this announcement	4,756	4,652
Total expenses per the Appendix 4D	16,533	10,461

d) "Operating EBITDA" is a non-IFRS measure, which is used to reflect the operating loss of the Company before interest, tax, depreciation and amortisation, as well as prior to non-recurring or non-cash expenditure. This reconciles to the statutory loss per the Appendix 4D as follows:

	H1 FY24 A\$'000	H1 FY23 A\$'000
Operating EBITDA	(9,410)	(4,013)
<i>Less:</i>		
Finance expenses	1,332	2,054
Depreciation and amortisation expense	1,379	618
Fair value of contingent consideration	6	-
Fair value of embedded derivatives	142	-
Share based payments	1,400	16
Prof Fees - Merger	-	1,922
Prof Fees - IPO	497	42
Statutory loss as per the Appendix 4D	(14,166)	(8,665)

e) Pro-forma loss for H1 FY23 reconciles to statutory loss as per the Appendix 4D as follows:

This is in line with Aggregate NLAT in table 5.6 on P79 of the Replacement Prospectus dated 14 July 2023.

	H1 FY23 A\$'000
Pro-forma loss as per this announcement	(10,988)
<i>Less:</i>	
Income and expenditure of the acquired US entity from 1 July 2022 to the date of the merger (12 October 2022)	2,323
Statutory loss as per the Appendix 4D	(8,665)