

ASX Announcement :

Managing Director, Andrew McLellan:



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Open Briefing interview with MD Andrew McLellan

In this Open Briefing®, Andrew discusses:

- Sales and customer ordering cycles
- Global top 20 pharma and target markets
- Bluechiip fundamentals
- Cash flow and cost containment
- Sales pipeline and expected conversion

Record of interview:

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Andrew, BCT added 6 more laboratories to its customer list in the March 2024 quarter but sales fell for the second consecutive quarter to just \$45k and cash receipts were \$61k. Is this lead/lag between customer growth and sales growth expected?

MD

The revenue growth will be lumpy while we're still building our customer base,

In this quarter we added six new laboratories (labs) that are working with Bluechiip Advanced Sample Management Solution in New York. These labs are part of a customer that previously purchased a large volume of our Bluechiip cryolabels, which appeared as sales in a previous quarter. That customer and those labs are now utilising those labels. The use of pre-purchased labels in their labs won't show up in our sales numbers but will when they come to reorder.

What is really encouraging is the ongoing increase we are seeing in customers with large and multiple sites. An example is a large site where there's 40 freezers that are now fully managed by Bluechiip Advanced Sample Management Solution. To enable 40 freezers has taken some time and this customer is now fully up and running and will re-purchase over the coming quarters.

The focus for the business remains on winning new customers and getting those customers up and running. Equipment delivered to several pharma customers in the December 23 quarter was enabled in the March 24 quarter and they have now started reordering. As the customer ramps up we are already seeing that repeat ordering which in both cases is a smaller regular monthly ordering cycle unlike some of our earlier Bluechiip Enablement's that involved larger up front orders.

The sales trend remains strongly positive, but as I said it will be lumpy until we build a larger customer base.

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Andrew, you've noted that there will be leads and lags in the sales line as you grow. The September 2023 quarter was an example of a surprisingly strong quarter. December 2023 and March 2024 were weaker. If you look at where you think the June 2024 quarter could end up, where do you see the underlying trend going? How is the company positioned in terms of its customers and its product and FDA approvals?

MD

June quarter will be stronger than the March quarter.

The underlying trend is strong and the best way to see that is BCT's customer numbers which continue to grow. Sales numbers will follow the growth in customer numbers, but there will be leads/lags in these early stages.

The fundamentals of Bluechiip remain the same. We have FDA registered products in the market that are being bought by 3 of the largest pharmaceutical companies and we've got an Ivy League institution buying our products.

What that tells us as a business is that we have something that is differentiated and adds a huge amount of value.

Leading organisations that deal with very high value samples, stored in ultra-low temperatures, use our technology and want more of it. They're using it because it does something that no other technology can and while our revenue is lumpy our trajectory is very strong as we "Land" and subsequently "Expand" our account base.

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The 2 large customers you added in the March 24 quarter added an estimated 30-50% to your demand base. When do you expect these and other new customers to be reflected in increased sales and for these sales to then turn into cash receipts?

MD

Those two new customers, which are big global pharmas, actually have started reordering and we've already been asked to quote for expansion opportunities with those customers.

Their current reorder cycle while still small is more frequent, every two to four weeks. After we turned their systems on in January-February, they made their first small reorders in March and April.

To be getting reorders so quickly and be asked to quote for expansion opportunities is very encouraging given the size of these customers.

For another global pharma, which has been a long-standing customer in Europe, we're currently installing our brand new workstation. We expect to see significant growth within this customer and are in discussions about installing into their North American facilities.

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Quarterly costs including manufacturing, admin, marketing and also staff were down on the prior quarter. Is this a new sustainable level, that is capable of supporting BCT's growing customer base and pipeline and turning these into strong sales growth?

MD

Yes, it is sustainable and it gives us capacity to keep growing and converting our customer base. As we've built the sales and installation team in North America we have been conscious of controlling our total cost base and where we focus our spend. That focus is now less on R&D and more on sales staff.

In terms of our manufacturing costs, we have a good level of inventory which we can access so there's a reduced build required until we see sales grow significantly.

In the meantime, we are very focused on controlling our cost base and using our cash efficiently.

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Proceeds from the issue of equity securities, post costs, brought in \$1,983k of cash during the quarter. These proceeds came from a share placement, which was oversubscribed, and an entitlement offer that was only partially taken up. How much of the entitlement offer remains

available to be placed? How long has BCT got the ability to place these entitlements and how might this be done?

MD

We are very appreciative of all our existing shareholders who participated in the entitlement offer and our new and existing shareholders that came into the placement.

There is a shortfall on the entitlement offer of \$2.6 million and we have the ability to place that out within three months post the end of the entitlement offer. So that's around the middle of June and we are in active discussions now to place those shares.

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After cash burn from operating activities of \$1,404k for the March quarter and cash inflow from capital raisings of \$1,983k, BCT had cash of \$925k and unused finance facility of 0.79 quarters based on the March quarter cash burn. How does BCT plan to fund its activities in the coming months?

MD

We have 3 key sources of funds.

First, we anticipate increasing sales and sales receipts in this quarter and moving forward. Revenue for the March quarter was less than targeted but we knew there would be leads and lags. We are now seeing orders come through for the June quarter that will see a return to growth.

Second, we have capacity in our R&D tax loan.

Third, we can place the \$2.6m shortfall from the entitlement offer June.

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Top 20 global pharma companies are a key market for BCT's products and system. How many of these companies are now customers, have received quotes or are in your pipeline? In terms of this breakdown, where is your sales team most focussed?

MD

3 of the global top 20 pharma companies already use our full system in a small number of their labs and sites and we expect to expand within all 3 of these customers in the coming quarters.

As mentioned, we have already been asked to quote on expansion opportunities for the 2 new global pharma customers after installing them in Jan/Feb 24. For the 3rd, our longest running Bluechiip Enabled global pharma customer, just this month we delivered our brand new Bluechiip workstation

to them and are in discussions to install into their North American operations which are across multiple sites.

We've quoted to a further 6 of the top 20 global pharmas and are well engaged with another five. So that is 14 of top 20 pharmas that are either customers or in active dialogue with BCT.

Our other important markets are: the academic research space, including our largest existing customer based at Columbia University, which is an Ivy League facility in Manhattan; Biorepositories, which includes academic and government funded Not For Profits that are doing fundamental research; and the cell and gene therapy space. Across all these markets there are well over 300 million samples stored and shipped annually.

For all of these markets, the top of the pyramid is the pharmaceutical companies. Having several of them as customers, already gives us excellent reference sites to expand.

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Looking broadly, what's the size of the pipeline and what's the lead time to convert the nearest opportunities into customers and orders?

MD

Our conversion time from initial identification of an opportunity through to an order and then enablement, is six-to-nine months.

Our increased activity in North America over the last year, where we have built out the team, has built a pipeline of well over 100 opportunities and leads. Some of those opportunities have been in our pipeline for that six to nine -month period, so we expect to see conversion of multiple new opportunities. That will be a mix of two broad types. Firstly, expansion within existing customers some of which have already asked for quotes. Second is new opportunities/companies.

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OEM partner agreements, including Fuji Film Irvine Scientific, are a further potentially important source of business for BCT. What is the status of these?

MD

OEMs can become an important customer source but our core business is selling our own product. That gives us direct control of our own destiny.

We are engaged with multiple OEM partners but our key pathway to market is selling our own products direct into the market. As part of this, we are also looking at distributors, including in Europe and Asia which can potentially provide multiple pathways to market.

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Andrew, you recently attended the ISBER tradeshow. Can you tell us what it is, where it was, and your customer engagement from it?

MD

ISBER is the International Society of Bio and Environmental Repositories. It's a key conference for population biobanks, which is one of our target markets.

It was great to have the show our hometown in Melbourne a couple of weeks ago. We had significant engagement, identified another dozen leads including a number of pathways for distributors and opportunities in different markets in Asia and into Europe. So, it was quite a successful show.

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