



## ASX Announcement

30 July 2024

### Trading Update and Growth Outlook

Excellent sales conversion progress in cardiac and medtech sales pipeline. Lowered annualised operating cost base while retaining highly specialised product development know-how, capability and billable capacity to deliver future international revenue growth.

**Hydrix Limited** ('Hydrix' or 'the **Company**') (ASX: **HYD**) today released its Appendix 4C for the quarter ended 30 June 2024 (4QFY24) and provides the following **Market Update**.

#### 4<sup>th</sup> Quarter Financial Highlights

- Making significant progress building and converting Services international sales opportunity pipeline:
  - **\$4.7m** of contracted sales for the quarter and **\$11.2m** for FY24 brings to **more than \$40m** (up 30% from the March quarter) potential future revenues from ~15 clients currently contracting at various project stages, delivering a healthy book of business to progress to next contract stages
  - **22%** of the total sales opportunity pipeline is now Qualified (in advanced sales conversion activities) up 20% from the March quarter to **more than \$60m** including several multi-million-dollar contract opportunities, demonstrating excellent sales progress
  - **90%** of sales are from Europe and the USA demonstrating a high level of traction with the strategy to grow international revenues
  - **\$2.4m** of revenues for the quarter (-26% pcp) and **\$10.6m** for FY24 (-19% pcp), the year impacted by ongoing medtech client funding challenges and budget constraints
  - **5 LUDO** mechanical heart controller unit sales. LUDO is a disruptive platform technology developed by Hydrix. LUDO is being used by global clients to both de-risk and to accelerate early-stage development and testing of heart-based Mechanical Control Systems (MCS) such as ventricular assist devices (VAD's) and total artificial hearts (TAH). Unit sales are anticipated to lead to future fee services revenues as clients commercialise their products
- Hydrix Medical sales opportunity pipeline for **annual recurring SaaS revenues** of Implicity's remote cardiac patient monitoring cloud software is **more than \$2.5m**

- Group cashflows and capital structure at the quarter end:
  - **\$0.9m** cash on hand on 30 June 2024
  - **\$3.1m** group cash receipts from customers in the quarter and **\$12.3m** received for FY24
  - **\$0.1m** group net cash used in operating activities down 91% pcq and **\$2.8m** used for FY24
  - **\$4.3m** outstanding in convertible notes & other loans including **\$3.8m** from the Directors
  - **\$0.8m** drawn under the \$1.5m trade debtor's facility which was successfully renewed for a further 12 months to support revenue growth
  - Group initiatives recently lowered the go forward annualised operating cost basis by approximately **\$1.7m**. Cost reshaping balances the imperative to retain highly specialised billable technical and project management resources to deliver on anticipated higher annualised revenues
- **\$5.1m** net venture capital assets held by Hydrix Ventures in three medtech client companies, one of which has commenced commercialisation and two which are progressing through the FDA approval process, which is key to future fund-raising and valuation inflection points

## FY24 and FY25 Guidance Update

In Hydrix's Half Year Results and Trading Update on 29 February 2024<sup>1</sup>, the Company provided the following outlook in respect of Hydrix Services:

- Revenue for the second half of FY24 (**2HFY24**) to increase by 10% compared to the first half of FY24 (**1HFY24**) (unaudited actual result a decrease of 20%)
- Revenue in the range of \$12.0m to \$12.5m for FY24 (unaudited actual result \$10.6m)

FY24 guidance anticipated revenues from several clients in various stages of contracting. As is inherent with specialised engineering services businesses developing complex new medical technologies, the timing of sales closing and projects commencing can be unpredictable. Sales conversions and revenues are being impacted by ongoing challenges confronting clients raising venture capital and procuring budget approvals. As a consequence, meeting the guidance for the Group to breakeven in the September quarter is looking challenging, but we remain focused on reaching Group profitability as revenues grow.

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<sup>1</sup> Refer to Hydrix's ASX announcement date 29 February 2024, titled "*Half Year Results and Trading Update*".



## Group Business Activity Report 4QFY24

**Hydrix Services** continues to make strong progress expanding its global medtech client footprint with successive year increases in international cardiac and medtech revenues. In FY24, 73% of revenues came from international clients up from 57% the prior year, and 93% from cardiac and medtech clients up from 84% the prior year. International revenues have increased more than 4x since FY21 and are the growth engine for Services.

Hydrix has a strategic capability developing Class III active implantable medical devices and point of difference in cardiovascular technologies. These are high-risk devices intended to be implanted in the human body for extended periods which undergo strict regulatory controls and rigorous testing to ensure safety and effectiveness.

The sales of five Hydrix developed and owned LUDO units, support early-stage medtech clients developing total replacement or assistive heart pumping technologies for people suffering from heart failure. These sales affirm our technical capability, experience and professionalism developing active implantable Class III medical devices. We anticipate these unit sales will lead to future fee-for-service projects.

Of FY24 revenues, 42% came from clients developing cardiovascular technologies and there are a significant number of high value opportunities in the sales pipeline. Five of the more significant revenue producing clients during FY24 delivered revenues of \$7.25m:

Region	Sector	Client product under development
USA	Cardiac	A remotely operated robot system to safely guide catheters during endovascular interventions
Europe	Cardiac	A Left Ventricular Assist Device (LVAD)
Europe	Cardiac	A Total Artificial Heart device
Europe	Medtech	A wound therapy device
Australia	Medtech	A non-invasive continuous monitor to detect brain hypoxia

**Hydrix Medical** continues to actively advance its sales opportunity pipeline (more than \$2.5m) for Implicit's remote cardiac patient monitoring cloud software to public and private cardiac health providers in Australia, Singapore and New Zealand.

As is usual for cardiac technology products, purchase cycles are subject to capital and operating budget expenditure approval processes and government reimbursement schemes. There are numerous national and state-based Department of Health policy spending reviews, decisions and tenders pending reimbursement for these sorts of products which can help unlock sales opportunities. We remain optimistic about the prospects for Implicit to deliver annualised recurring software revenues.



**Hydrix Executive Chairman, Gavin Coote, commented:**

*"Winning a multi-million-dollar early-stage contract with a leading multi-billion-dollar European medical company further endorses Hydrix capability and professionalism, as well as demonstrating strategy traction aimed at broadening our international medtech client base. We also recently progressed sales of several medium size client projects which are expected to commence in the September quarter."*

*"After years of internal development, achieving five sales of Hydrix' LUDO product to two high profile international cardiovascular technology clients, was very pleasing. Sales of this customisable controller system technology helps seed sales opportunities to contract into several multi-million-dollar cardiac projects in the future."*

*"The sales pipeline remains highly robust with several large international project opportunities progressing through the conversion process. We continue to balance short term impacts to cash flows due to revenue delays, with the imperative of having highly specialised engineering capacity and capability to meet the complex medtech product development needs of our clients. We will continue to weigh up revenue objectives and cost management to optimise being well positioned for anticipated future growth."*

Ends ----

This announcement is authorised for release by the Board of Directors of Hydrix Limited.

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**About Hydrix Limited**

Hydrix Limited (ASX: HYD) is a powerful product innovation company. Hydrix's purpose is to enhance the health, safety, and well-being of a billion lives. The company leverages its powerful product innovation capability across three business segments: **Services**: design, engineer and deliver world first products and innovation; **Ventures**: invest in high potential medtech clients; and **Medical**: distribute disruptive cardiovascular products.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Hydrix Limited

**ABN**

84 060 369 048

**Quarter ended ("current quarter")**

30 June 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	3,086	12,253
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(144)	(1,012)
	(c) advertising and marketing	(39)	(281)
	(d) leased assets	(266)	(993)
	(e) staff costs	(2,360)	(10,412)
	(f) administration and corporate costs	(352)	(2,112)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	15
1.5	Interest and other costs of finance paid	(34)	(221)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(108)</b>	<b>(2,767)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(15)
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(15)</b>
<b>3. Cash flows from financing activities</b>			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	1,560
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	970	2,420
3.6	Repayment of borrowings	(294)	(1,407)
3.7	Transaction costs related to loans and borrowings	-	(30)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>676</b>	<b>2,543</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>			
4.1	Cash and cash equivalents at beginning of period	346	1,153
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(108)	(2,767)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(15)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	676	2,543
4.5	Effect of movement in exchange rates on cash held	-	
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>914</b>	<b>914</b>
<b>5.</b>	<b>Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	914	346
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>914</b>	<b>346</b>
<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>	
6.1	Aggregate amount of payments to related parties and their associates included in item 1		79
6.2	Aggregate amount of payments to related parties and their associates included in item 2		250

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

The amount at 6.1 includes full-time salary payments to the Executive Chairman and payments of Director fees.

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	4,310	4,310
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	805	798
<b>7.4 Total financing facilities</b>	<b>5,115</b>	<b>5,108</b>

Other financing facilities include a TradePlus24 Credit line facility of 80% of Trade Debtors up to \$1.5m.

**7.5 Unused financing facilities available at quarter end (\$A) \$7,201**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Lender	Loan Amount	Interest rate (p.a)	Maturity date	Security
E.L.G. Nominees Pty Ltd <sup>1</sup>	\$ 250,000	10.0%	30/06/2024	Unsecured
E.L.G. Nominees Pty Ltd <sup>1,5</sup>	\$ 500,000	10.0%	14/11/2025	Unsecured
John W King Nominees <sup>2,5</sup>	\$ 1,500,000	10.0%	14/11/2025	Unsecured
John W King Nominees	\$500,000	11.0%	31/12/2024	Unsecured
Invia Custodian Pty Limited <sup>3,5</sup>	\$ 500,000	10.0%	14/11/2025	Unsecured
Invia Custodian Pty Limited	\$500,000	11.0%	31/12/2024	Unsecured
P K W Superannuation Pty Ltd <sup>4,5</sup>	\$ 100,000	10.0%	14/11/2025	Unsecured
Non-Related Parties Convertible Note	\$ 460,000	10.0%	11/10/2025	Unsecured
TradePlus24 <sup>6</sup>	\$ 1,500,000	12.91%	30/04/2025	Secured

<sup>1</sup> E.L.G. Nominees Pty Ltd is a company associated with Joanne Bryant, a former Non-Executive Director of Hydrix.

<sup>2</sup> John W King Nominees is a company associated with Julie King, a Non-Executive Director of the Company.

<sup>3</sup> Invia Custodian Pty Limited is a company associated with Paul Lewis, a Non-Executive Director of the Company.

<sup>4</sup> P K W Superannuation Pty Ltd is a company associated with Paul Wright, a Non-Executive Director of the Company.

<sup>5</sup> These loans represent Convertible Notes held in Hydrix Limited.

<sup>6</sup> Interest is charged at 8.6% + 30 day BBSW bid rate. Interest rate displayed shows rate as at 30 June 2024. Maximum facility available of \$1.5m. Balance is secured against Trade Debtors in the Hydrix Services business.



8.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(108)
8.2	Cash and cash equivalents at quarter end (item 4.6)	914
8.3	Unused finance facilities available at quarter end (item 7.5)	7
8.4	Total available funding (item 8.2 + item 8.3)	921
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>8.52</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2024

Authorised by the Board of Hydrix Limited.

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.