

## FULL YEAR FY22 RESULTS PRESENTATION

CLEANSPACE HOLDINGS LIMITED (ASX:CSX)



CleanSpace designs and manufactures innovative respiratory protection solutions for healthcare & industrial employers globally

We understand the importance of best-in-class personal protective equipment that not only performs, but allows the wearer to work comfortably and interact naturally in their work environment. Our products are designed for maximum compliance and comfort in the industrial and healthcare setting.

AUGUST 2022

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## AUTHORISATION

This presentation has been authorised for lodgement to the ASX by the CleanSpace Board of Directors.

# OVERVIEW

## FINANCIAL RESULTS

- FY22 Revenue (\$13.4m) was significantly down (PCP FY22 \$49.9m).
- Gross margin remains high (73%).
- Strong balance sheet with cash in bank \$24.3m and minimal debt

## PPE MARKETS STABILISING

- Current period follows high COVID demand in FY21. Despite headwinds, PPE markets are stabilising bringing renewed customer activity.
- Aggressive pursuit of improved market conditions in Europe which are expected to continue in FY23.
- During 2H FY22, new initiatives for investment in US sales and marketing and pursuit of cost efficiencies and reductions.

## MARKET OVERVIEW

- **Europe** – strong growth over 2H and expected to continue in the new year.
- **North America** (largest PPE markets in the world) – newly installed experienced sales team gaining momentum in healthcare and industry sectors. It is expected that US sales will continue to ramp.
- **Asia** – Moved to a sector-focused sales model to effectively address the sizeable markets in healthcare.

## NEW INITIATIVES

- **North America.** Investment in a new, highly skilled sales force in Q3. Now fully trained, deployed and meeting sales targets.
- **Asia.** Implementation of new sector-focused sales teams has improved momentum in the industrial and healthcare businesses.
- **Distribution.** Relationships with distributors were reviewed with steps taken to enhance sales performance and take advantage of improving market conditions.
- **Cost base.** Considerable costs in the form of head count and other costs were taken out of operations to mitigate the US investment and enhance efficiency.

## ADVANCING LEADERSHIP IN TECHNOLOGY

- Commercialisation of new products: Steri-Plus and AX filter
- Completion of clinical and industrial studies that validate the technology's superior advantages: protection, comfort and ease of adoption.

## OUTLOOK

- Positive momentum from new initiatives implemented in 2H FY22.
- The Company believes it has experienced peak disruption to its markets and is confident the business fundamentals, along with the new initiatives, support the return to growth in FY23.

## NEW INITIATIVES IN 2H FY22

New initiatives are expected to mitigate any residual headwinds and are generating positive sales momentum.

- **North America.** Material investment made in an experienced highly skilled sales force in Q3. The team are now fully trained, deployed and meeting sales targets for the new financial year. US sales are expected to continue to ramp during FY23.
- **Asia.** Implementation of new sector-focused sales teams for the industrial and healthcare businesses are able to effectively drive opportunities in silica (regulators active) and hospitals migration to higher protection.
- **Distribution.** Relationships with distributors were reviewed with steps taken to enhance sales performance and take advantage of improving market conditions. Channels benefiting from renewed industrial activity and clearing of PPE stock.
- **Cost base.** Focus on OPEX where considerable costs in the form of head count and other costs were taken out of operations. Mitigation of US investment and enhanced efficiency. Ongoing strategies in place to achieve further cost reductions.



## MARKET OVERVIEW

Leaders confirming these factors - ‘now living with ongoing outbreaks’, unsustainable consumable PPE costs and staff absenteeism - are driving change to superior respiratory protection in routine patient care.

### Europe

- Strong uplift in sales in 2H FY22. Historically a strong growth industrial business, customer activity and investment returning after peak disruptions.
- Corporate customers have restarted plans for roll out in their operations.
- Higher sales levels look to continue in the new year.

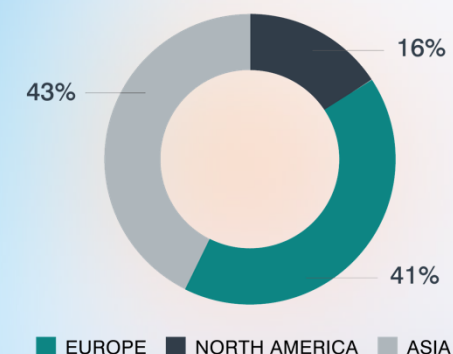
### North America

- Positive indicators from investment in US sales - healthcare returning to growth (Q4) with opportunities materialising as the new team strategically position the technology with decision-makers in healthcare groups and GPOs.
- Industrial sales in the second half up 60% on PCP 2H FY21
- Sales pipeline in construction, manufacturing and mining, consistent with traction seen in Europe and Australia.

### Asia

- 1H sales benefited as hospital adopted PAPR technology when outbreaks hit. In 2H, providers tackled staff shortages and high infection rates that negatively impacted sales.
- Industrial markets opening after eased travel restrictions. Regulators return targeting silica.
- New sales leaders (2H initiative) with sector focus are building momentum and expected to return growth in both health and industrial sectors.

REVENUE BY REGION FY22



Ongoing purchasing from hospital reference sites indicate continued use during low COVID activity. The new US team are working with hospital groups evaluating solutions to displace N95s in routine care settings.



## ADVANCING LEADERSHIP IN TECHNOLOGY

CleanSpace continues to invest in R&D programs delivering differentiated customer driven solutions.

- **Commercialising new products:** Steri-plus solution for sterile environments and source control with workers caring for vulnerable patients; AX gas filter approved for protection against low boiling point organic gases (such as solvents) commonly used in chemical sectors.
- **Cloud solutions platform:** Completed early trials with 30+ hospitals in US, Europe and Asia. The platform, capturing and reporting real-time data on user safety and fleet management, generated valuable feedback on viable integration and clinical adoption.
- **Next generation technology:** Accelerated development to further advance the performance and support future enterprise solutions.
- **Clinical and industrial studies:** Completed studies with several publications that validate the technology's superior advantages – reliable high protection, productivity and ease of workplace adoption. The studies were done in conjunction with:
  - I. University of Maryland, USA: Adoption of advanced reusable PAPR in routine clinical use
  - II. Australian construction materials and energy customers: Real-time measure of worker protection during typical routine tasks.



## FY22 FINANCIAL SUMMARY

### REVENUE

**\$13.4M**

▼ FY2021 \$49.9m

### GROSS MARGIN

**73%**

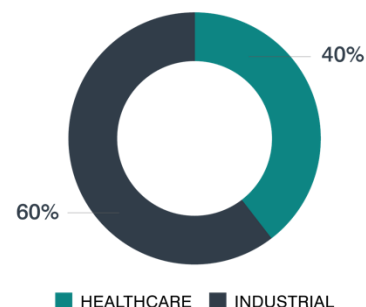
▼ FY2021 77%

### CASH AT BANK

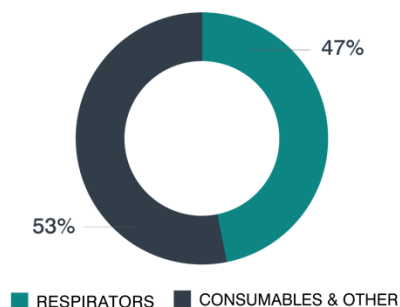
**\$24.3M**

AS AT 30 JUNE 2022

REVENUE BY SECTOR FY22



REVENUE BY PRODUCT FY22



- FY22 revenue (\$13.4m) was significantly down (PCP FY21 \$49.9m) recognising major pandemic fuelled sales made in FY21 and market turbulence.
- Maintained robust high gross margin of 73%. Slightly down (PCP FY21 77%) due to a shift toward industrial sales (through distribution channels) and higher freight costs over the year.
- Product and sector sales splits reflects:
  - uplift of sales in industrial markets, particularly in Europe, with established customer activity increasing; and
  - decline in healthcare sales as providers tackled staff shortages and disposable stockpiles.
- FY22 operating expenses \$23.9m, 12% up from FY21. Increase largely driven by staff costs as the business invested in US sales capability.
- Considerable costs were taken out of operations, in the form of headcount and other costs, to mitigate the US investment and enhance operating efficiency.
- The business continues to refine operations to further reduce cost and a return to profitability. The Board is committed to the growth agenda and a sustainable business model that delivers value to shareholders.

# INCOME STATEMENT

(A\$m)	H1 FY22	H2 FY22	FY22	H1 FY21	H2 FY21	FY21	Change vs PCP F / U %
Revenue	7.0	6.4	13.4	39.7	10.2	49.9	73 U
Gross Profit	5.3	4.5	9.8	31.1	7.3	38.4	75 U
Employee benefits expenses	(6.5)	(7.5)	(14.0)	(5.8)	(4.7)	(10.5)	
Marketing and selling expenses	(2.7)	(1.4)	(4.1)	(1.8)	(1.9)	(3.7)	
R&D and IP expenses	(0.8)	(0.7)	(1.5)	(0.7)	(0.7)	(1.4)	
Other operating expenses	(2.1)	(2.1)	(4.3)	(3.6)	(2.1)	(5.8)	
<b>Total Operating Expenses</b>	<b>(12.1)</b>	<b>(11.7)</b>	<b>(23.9)</b>	<b>(12.0)</b>	<b>(9.4)</b>	<b>(21.3)</b>	12 U
<b>EBITDA</b>	<b>(6.8)</b>	<b>(7.3)</b>	<b>(14.1)</b>	<b>19.1</b>	<b>(1.9)</b>	<b>17.2</b>	182 U
Depreciation and amortisation	(0.5)	(0.5)	(1.0)	(0.7)	(0.5)	(1.2)	
<b>EBIT</b>	<b>(7.3)</b>	<b>(7.8)</b>	<b>(15.1)</b>	<b>18.4</b>	<b>(2.4)</b>	<b>16.0</b>	195 U
Interest expense (net)	(0.1)	(0.1)	(0.2)	-	-	-	
Income tax benefit/ (expense)	2.0	2.0	4.0	(5.3)	0.7	(4.6)	
<b>Net (loss)/profit after tax</b>	<b>(5.4)</b>	<b>(5.9)</b>	<b>(11.3)</b>	<b>13.1</b>	<b>(1.7)</b>	<b>11.4</b>	
Gross Margin	75%	70%	73%	78%	72%	77%	
EBITDA Margin	-97%	-116%	-105%	48%	-19%	34%	
EBIT Margin	-104%	-124%	-113%	46%	-23%	32%	

- Retained robust high gross margin (73%).
- Price increases implemented and effective in 1H FY23.
- Increased employee costs reflect investment in a highly experienced sales team in US.
- Variable operating expenses include selling costs and sales bonuses.
- Marketing and selling expenses up 10% in FY22 with investment made in H1 FY22 to accelerate government awareness.
- R&D and IP expenses consistent with prior year.
- Other operating expenses in FY21 include \$1m IPO related costs.
- Income tax benefit includes R&D incentive.



## SUMMARY BALANCE SHEET

Summary Balance Sheet (A\$m)	as at 30 Jun-22	as at 30-Jun-21
Cash, cash equivalents and term deposits	24.3	38.2
Trade and other receivables	2.5	2.4
Inventories	3.7	4.6
Income tax receivable	2.8	-
Other current assets	0.7	0.5
Property, plant and equipment	2.0	1.9
Right-of-use assets	1.4	1.9
Other non-current assets	0.9	1.1
<b>Total assets</b>	<b>38.4</b>	<b>50.7</b>
Trade and other payables	2.5	2.4
Borrowings	2.5	2.4
Lease liabilities	1.6	2.0
Income tax liabilities	0.1	1.6
Employee benefits	1.2	1.0
Other liabilities	0.7	0.6
<b>Total liabilities</b>	<b>8.6</b>	<b>10.0</b>
<b>Net assets</b>	<b>29.8</b>	<b>40.7</b>

- Balance sheet remains strong with cash of \$24.3m at 30 June 2022 and minimal debt.
- Continuing focus on cash management and optimisation of cost structure.
- Managing inventory levels in line with sales volumes and continuing risks of global supply chain disruptions.
- No intangible assets.
- Tax receivable (\$2.8m) expected to be received in 1H FY23.

## OUTLOOK

The company believes it has experienced peak disruption to its healthcare and industrial markets globally given lockdowns are no longer favoured, increasing customer activity, supplies of disposables are being run down and a recognition that PAPRs are the best protection for staff in both the healthcare and industrial settings.

- The business has been presented with a broad set of market dynamics. While full year revenue performance was significantly down on PCP, overall the business has benefitted from stronger financial fundamentals and larger market opportunities.
- CleanSpace is a growth technology company with a unique suite of 'best in class' products and services, a demonstrated customer base, robust high margins, strong balance sheet and large market opportunities.
- Board renewal brings sales and marketing skills that are contributing to the strategy that shape market initiatives to meet the business's growth ambitions.
- Robust high gross margins and strong balance sheet (cash in bank and minimal debt) with effective cash management strategies in place underpin sustainable growth.
- Key sales initiatives (1) US investment in skilled sales team - one of the largest PPE markets in the world, (2) aggressive pursuit to leverage strong recovery of the European industrial markets and (3) the enhanced sales and marketing initiatives taken in APAC gaining momentum
- It is anticipated that FY23 will be materially stronger financially for the company than FY22.





[WWW.CLEANSPACETECHNOLOGY.COM](http://WWW.CLEANSPACETECHNOLOGY.COM)

## RENEWAL IN BOARD LEADERSHIP WITH STRONG SKILLS BRINGING A FRESH APPROACH



BRUCE RATHIE  
Chairman

Over 20 years' experience as a professional Non Executive company director and is currently Chair of 4DMedical Limited (ASX:4DX) and Non-Executive Director of Cettire Limited (ASX:CTT) and PolyNovo Limited (ASX:PNV). Successful prior careers in law and investment banking.



LISA HENNESSY  
Independent NED

North American born and educated, brings significant enterprise sales experience in the medical device and hospital fields, from her time with global medical technology company GE Healthcare (NYSE) and Silicon Valley. Currently the Lead Independent Director with Nitro Software (ASX: NTO) and Adore Beauty (ASX: ABY).



GRAHAM McLEAN  
Independent NED

At Stryker, Mr McLean held senior finance and operational positions, including President, Japan, President Australia/ New Zealand and President, Asia Pacific and was responsible for transforming Asia Pacific, including restructuring distribution to accelerate growth. Currently a Non-Executive Director with Universal Biosensors, Inc (ASX: UBI).

- Careers in technology growth businesses
- Experience in
  - Large markets: North America, EU and Asia
  - Key sectors: PPE, Healthcare and medical devices
- Understand the traditional sales channels and purchasing platforms.
- Experience with new ecommerce models and digital marketing strategies.
- Contemporary experience in sales and marketing; technology enterprise adoption models; and channel management.
- Skillsets that contributed to the business strategy to guide management in our sales/marketing initiatives.