



Chairman's Address to Shareholders

Ladies and gentlemen,

I am pleased to provide a Corporate Overview and update on our current product portfolio, performance of our investment entities and remarks about the outlook for the company.

Corporate Overview

Before I move into an update on the performance of the underlying business, I would like to take a moment to confirm the purpose and the Vision for the company, as well as provide an overview of exactly how we are structured as a listed investment company, and the nature of the business of each investee company.

BTC Health is a fully compliant, pooled development fund, which makes investments in small, high growth companies in the wider healthcare space. As a pooled development fund, the company and its shareholders can access substantial tax concessions and benefits.

BTC health presently has four investments; three of which are wholly owned companies and one which is a minority investment. All our investee companies operate in a high growth healthcare market. We are specifically attracted to healthcare, given the underlying growth dynamics, which we consider favorable over the long term. This market is attractive given the ageing population, the consistently high levels of medical innovation, continuously rising consumer expectations and the increased level of government and consumer spending, with healthcare consistently representing over 10% of GDP in Australia year-on-year.

Each of our companies has a common purpose, or Mission; that is to provide advanced technology solutions in the medical device, medical equipment, consumables, and specialized pharmaceutical segments.

The combined Vision for the group is to build a diversified, profitable and sustainable healthcare group, supplying innovative products, which have the potential to change patients' lives.

It is a bold vision, but importantly, we believe it is realistic and achievable. As a board and management team we recognise that to deliver on our stated goal it requires a combination of foresight, great people, a wide network of opportunities, supportive shareholders, and a relentless drive towards exceptional execution at all times.

I firmly believe we have the team, the strategy, and the shareholder base to seize some of the opportunities in our sights and to manage and fund incremental growth. I'm pleased to report that the hard reset we embarked on this year has placed us on an exciting new path, and we will begin to see tangible evidence of this during the current financial year.

BTC health investments

Turning now to our group structure. I will first speak about BTC Speciality Health, which is currently the main operational driver of our business. It is responsible for the commercialization and distribution of our medical devices and consumable products in the therapeutic areas of acute pain management and neuro-spinal surgery.

It is the main employer of our people, it has full quality ISO13485 certification, and it sources product from third party manufacturers around the world. Via our supply chain of third-party national warehouses, it supplies

medical products to over 350 public and private hospital customers in Australia and New Zealand.

Our second investee company is BTC Pharma, which until recently was named BioImpact. The board elected to adopt this name change to better reflect the primary focus of this company, which is the registration, sales and marketing of specialized pharmaceutical medicines, and more specifically medicines which serve niche markets and rare diseases.

BTC Pharma currently supplies Bronchitol® and Aridol® to hospital pharmacies and respiratory clinics across Australia, with the potential for new products being explored over the next 12 months.

Thirdly, BTC Cardio is a new wholly-owned company which we recently established, specifically for the purpose of marketing and distributing highly specialized cardiovascular medical equipment and single use products, which are used by cardiac surgeons and critical care experts. We have identified this to be a segment with good potential for BTC and I will refer to this a little later in my address.

Lastly, for the purpose of completeness, we retain a minority interest, a legacy investment, in a small west Australian company called Sensear. Its business is the development and manufacturing of digital audio headsets and communication devices used primarily in the occupational health setting. For clarity however, this is not a business that we are allocating resources to.

Sales Performance

The sales performance of our business essentially reflects the performance of BTC Speciality Health. You will note from the quarter-to-quarter sales to hospital the business typically records sales of \$1.8 to \$2.2 million dollars per quarter, or approximately \$650,000 per month.

We have historically delivered double-digit growth, however this trend was interrupted in the second half of financial year '23 when we lost our largest customer due to repeat manufacturing problems with our US supplier. This was a most unwelcome development, nevertheless we managed to offset some of the sales deficit by driving incremental growth on the east coast, in particular in NSW.

This strategy continues to deliver results, with the first quarter of financial year 2024 recording sales to hospital of \$1.8 million. And by way of a further update, our sales to hospital for the month of October were \$765,000, and we have seen a strong start to the month of November.

Speciality Health FY23

Like most suppliers, we anticipated an increase in elective surgery rates following the pandemic, however hospital staffing constraints significantly impacted the capacity of the health system to address the backlog of surgeries. Our sales were further impacted by supply chain interruptions with the ambIT® product from our US manufacturer. Monthly sales patterns were therefore less predictable than previous periods. Despite this, on a full year basis BTC Speciality Health recorded sales to hospital of just under \$8.3million. After accounting for the wholesaler margin and freight costs, this translated into just under \$7.8 million of revenue to BTC Speciality Health.

Our gross margin for the year was down 3% on the prior financial year because of increased freight costs, combined with a weaker Australian dollar. Operating expenses came in at just over \$3 million, which was in line with the prior comparable period. The business was breakeven from an EBITDA perspective.

Speciality Health 1QFY24

Reviewing the first quarter of FY24, our sales to hospitals were \$1.84 million, with revenue of \$1.80 million. We experienced an improvement in gross margin, due to a more favourable product mix, a reduction in the cost of our wholesaling and a reduction in inbound freight costs.

Following the restructure and cost-out exercise we undertook in 2023, I am pleased to advise this had a continuing positive impact on operating expenses in 2024, which are down 24% relative to same period last year.

The combined effect of these operational improvements is a strong turnaround in our bottom line performance, recording a positive EBITDA of \$217,000 for the first quarter.

BTC health Financial summary

At a group level our net cash on 30 September 2023 was \$3 million representing an increase of \$900,000 over September last year. This increase in cash is primarily due to the share placement of \$890,000 completed in September. Our net working capital position of \$4.6m is broadly in line with September of last year, with differences between debtors, creditors, and inventory over the prior period, largely a function of timing.

We expect that our ambIT® infusion pump inventory levels will gradually reduce over the next six months, and as we sell this through to hospitals it will be returned to cash.

2023 – a year of change

It is fair to say that 2023 has been a year of significant change for our business.

It is important to note that the ongoing prostheses list reforms which the government embarked on a few years ago have created a background of significant uncertainty for many medical device suppliers and indeed all private hospitals. The private health insurance legislation, which is the framework that governs the prostheses list and hence medical device reimbursement, has undergone two rounds of amendments in the last 12 months. These constant changes have made it very challenging for all medical device companies to navigate and plan, with smaller companies such as BTC having less capacity to absorb and adapt to last minute policy changes. It was within this context that our major supplier in the United States decided to cease supply of the ambIT® infusion pumps to Australia and New Zealand by 31 December 2023.

This unexpected development was even more surprising given the strong market share position the ambIT® infusion pumps have established within the Australian market.

Under the circumstances the BTC Board and management responded swiftly by implementing three immediate measures.

1. We initiated a right sizing of the business and reduced our overhead expenditure by approximately \$1 million per annum.
2. Secondly, we took measures to ensure that we maintained a high level of engagement and service to our hospital customers, and the retention of our experienced sales staff on the east coast.
3. And lastly, we moved quickly to identify and establish alternative sources of infusion pump product supply.

Beyond these immediate measures it was very clear that as a business we needed to pivot towards new product agencies and diversify our business into new segments of the hospital market, and thereby create a stronger foundation and more sustainable growth path for our investee companies.

Positive momentum

Difficult as this was, sometimes a hard reset of a business forces a degree of clear thinking around the purpose, direction, and structure of the organisation.

And so, having said this, I am pleased to report that we have well and truly turned the corner and an exciting new chapter is underway. We have streamlined our administration and finance functions and made these more

efficient, we have focused our sales resources on the major east coast states, we have broadened individual roles and responsibilities across the business, and as a result we have a leaner and more agile team.

Amid making these changes, we identified a specific opportunity to collaborate with a highly experienced group of offshore healthcare companies, and in many respects the timing for this was very opportune.

In September, the board decided to undertake a private placement of just over 42 million shares at 2.1 cents per share to three separate strategic investors, namely Kingfisher Medical, Tau Medical, and GLK Medical. This raised \$890,000 of new equity capital, but more importantly it provided us with ready access to their combined industry expertise and a wide network of medical product agencies. I'm pleased to report that in the weeks following their investment in BTC, we have already benefited from several valuable industry introductions and potential opportunities for our BTC investee companies.

Separately, BTC Specialty Health announced in September that it had acquired the exclusive distribution rights to the IZI Medical and Ilumark specialized medical products. These products comprise tissue and bone biopsy needles, bone cement injectors and a range of radiological navigation markers used in neuro-spinal surgical procedures. These products formerly distributed by Point Blank Medical based in Sydney have already been fully integrated into the BTC Speciality Health supply chain. I am also pleased to report that the Point Blank Medical sales team is fully engaged and indeed incentivised to support our strategy of growing not only this range of products, but also providing the expertise and resources to introduce additional neuro-spinal products in Australia.

These recent positive developments have given us the clarity and the framework to establish four key pillars for growth over the next 12 to 24 months. Our strategy effectively leverages a range of opportunities from the combined network, as well as the expertise and relationships from our new investors, the Point Blank Medical team, their customer base and relationships, all the while bringing this together in a way that makes the very best use of the existing BTC health infrastructure.

Key Therapy areas

The four pillars that I refer to represent four specialised therapeutic areas. These are, acute pain management, neuro-spinal surgery, cardiovascular and pharmaceutical. I wish to make some brief remarks on each of these areas.

The acute pain management area for the most part represents our existing business, underpinned by the ambIT® infusion pumps, where we estimate we have an approximately 35% market share of acute postoperative pain management products in the private hospital sector. As I have already indicated, the changes to the prostheses list are giving rise to a very complex and rapidly changing environment for both suppliers and private hospitals. We are already seeing individual hospitals adopt very disparate approaches to their infusion pump product needs.

We will be selling the ambit® infusion pumps through to the middle of 2024, however in advance of these changes we have registered a new elastomeric pump, which we refer to as Elasto-Q™ and we are in the process of registering a sophisticated new electronic infusion pump, known as the Rhythmic® evolution pump. We are working closely with the major hospital groups as we endeavour to transition their current clinical practices and purchasing patterns across to our new range of pumps, catheters and administration sets. Given that we are unable to accurately predict the level of uptake of our new products by individual hospitals, we intend to monitor the net financial impact on our business very closely, in tandem with government reforms to the Prostheses List.

The second therapy area is the neuro spinal business, and I have already referred to the product lines that we recently acquired from IZI Medical and Ilumark in collaboration with Point Blank Medical. We see real

opportunity for this business as a strong platform for new product introductions and organic growth, through greater sales coverage and geographical expansion. Importantly, one of the features of these products is that they do not fall within the scope of prostheses list pricing. Instead, they are single-use medical consumables which hospitals must repurchase for each patient case.

Our cardiovascular business is in its early stage, and whilst we have some relatively minor product lines at present, such as intravenous anaesthetic giving sets, and the LPS adsorber for sepsis, which is pending TGA approval, we have identified several opportunities to source advanced medical equipment, surgical implants and consumables, which are used by cardiac surgeons and critical care experts. We are excited to build a capability in this area, which represents the second highest area of government expenditure on healthcare, with over 80% of this being in the hospital setting.

In the pharmaceutical business our Bronchitol® and Aridol® products, which are indicated for the treatment of cystic fibrosis and for the diagnosis of asthma respectively, continue to contribute approximately \$1 million of sales per annum. Bronchitol® is a PBS listed medicine and sales have been impacted in the last 12 months following the introduction of a new and more expensive treatment for cystic fibrosis, nevertheless we are seeing good growth from our Aridol® product, which is being more widely used within specialist respiratory clinics for broader respiratory healthcare.

For completeness I should mention that the manufacturer of these two products, Pharmaxis in Sydney, was recently sold to Arana Pharma, and following discussions with the new owners we do not expect this will give rise to any disruption or changes to our supply, or impact on the terms of the licence agreement.

Outlook for FY24

As the previous slides have shown, BTC has had a very positive start to FY24, and I would like to now close by outlining how our business is focused on building further momentum through the second 6-months of the financial year.

We plan to sell through the balance of our ambIT® inventory in the second half of FY24, maximizing the value from this existing product.

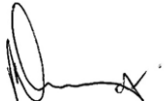
We hope to receive TGA approval for the new Rhythmic® Evolution infusion pump in the third quarter, and we will be working closely with hospital groups to transition their usage and purchasing as stocks of ambIT® reduce Australia wide.

The neuro spinal product range is expected to add sales revenue of approximately \$120,000 per month from October 2023, and we are looking to grow this further with the addition of new products and greater sales coverage.

We have a strong pipeline of opportunities and reasonably anticipate the acquisition and in-licencing of additional cardiovascular devices, equipment consumables this financial year.

In conclusion I wish to thank the BTC health team for their commitment and adaptability to change, Brendan and Felicity my fellow Directors for their guidance and support, and of course our shareholders who share our vision and determination to build BTC health into a leading Australian healthcare company.

Thank you



Richard Treagus
Executive Chairman

Forward-looking Statements

This ASX-announcement contains forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks and important factors that may cause the actual results, performance or achievements of BTC health to be materially different from the statements in this announcement.

About BTC Health

BTC health Ltd ("BTC") is a Pooled Development Fund which makes active investments in businesses that acquire, develop and distribute innovative medical products in Australia and New Zealand. The company is building a group of high-growth businesses which together are focused on providing access to some of the best specialized therapeutics and medical devices from around the world. BTC is listed on the Australian Stock Exchange (Code: BTC). Additional information can be found at www.btchealth.com.au

Authorisation

This announcement was authorised for release to the ASX by the board of directors of BTC health Limited, Level 1, 10 Oxley Rd, Hawthorn, VIC 3122.

Contact Information

Richard Treagus
Chairman
BTC health Limited
Ph: +61 417 520 509
E-mail: rtreagus@btchealth.com.au

Tracey Weimar
Company Secretary
BTC health Limited
Ph: +61 3 9692 7222
E-mail: tracy.weimar@vistra.com