

HSC Technology Group March 2023 Quarterly Report

17 April 2023

- **Cash receipts from customers of \$3.7 million for the quarter**
- **Cash and cash equivalents at the end of the quarter was \$0.98 million**
- **Second consecutive cashflow positive quarter and breakeven EBITDA for this quarter**
- **Subscriptions now over 18,000 and growing**

HSC Technology Group Ltd (HSC or the Company) (ASX:HSC) is pleased to provide the following activities and business updates alongside its Appendix 4C - Quarterly Cashflow Report for the quarter ended 31 March 2023 (the **quarter**).

HSC has commenced 2023 with an impressive quarter, marking the second consecutive period of positive operational cash flow for the Company. In addition to this financial milestone, the Company also reached a break-even point from an EBITDA standpoint, further demonstrating its strong financial performance this quarter and aligning with the Company's stated focus on the path to profitability.

Sales

The Company received cash payments during the quarter of \$3.7 million from sales of assistive technology to enterprise customers.

On 14 February 2023, the Company announced the receipt of a further order from Lendlease for the next 5,000 units for the supply of a customised assistive technology solution providing HSC's Care@home Hub and extra peripherals. Revenue for the additional purchase order of 5,000 units and peripherals is forecast to be in excess of \$2.8 million. Delivery of the order is anticipated to commence in Q2 2023 and be rolled out across the year.

Shortly following the end of the quarter, on 6 April 2023, the Company announced it has been selected to supply next generation assistive technology solutions to Uniting NSW.ACT's Retirement Living division in NSW and ACT. HSC will be supplying the solutions through its Platinum Integration partner, NCIS, and has received the first purchase order for 1,500 units, with revenue forecast from the order in excess of \$0.64 million.

Projects

During the quarter, HSC commenced delivery of assistive technology solutions for ACH Group's new 'Healthia' site, a state-of-the-art residential care home in Elizabeth South, South Australia.

Also, during the quarter, the Company progressed delivery for its second Australia Unity site, located at 114 Albert Road, South Melbourne, Victoria.

ARIIA Grant

During the quarter, HSC was named as a recipient of the Aged Care Research and Industry Innovation Australia (ARIIA) grants program.

The grant was awarded to a consortium for a feasibility study to prevent falls in residential aged care using HSC's Talius Smart Care Platform and will be known as the Building Excellence (in) Sensor Technology: Clinical Assessment Response Experience (BEST CARE) project. Making up the consortium, HSC will be partnering with innovative aged care provider, Whiddon; our research partner – CSIRO; and aged care specialists - Anchor Excellence.

The study will aim to improve falls prevention of the elderly living in residential aged care. The study will explore the acceptability of the aggregation of data from these autonomous sensors, into HSC's Talius Platform and the use of an individual's 'sensor story' to inform residents, their families and the staff of the older person's wellbeing.

The ARIIA grant is up to \$160,000 (excluding GST) for project implementation over a 12-month period. It requires a co-contribution of at least 20% that contributes towards eligible project expenditure.

Subscriptions

Subscriptions for the quarter experienced steady growth, surpassing an impressive 18,000 as new customers were successfully integrated into the Talius Smart Care Platform. This increase can be attributed to the completion of various projects and recent sales.

The Company anticipates a sustained upward trend in subscription numbers as the remaining project sites become operational. Furthermore, the substantial influx of new customers from the Chubb/VitalCall and Lendlease contracts will contribute significantly to this growth as they are onboarded onto HSC's Talius Platform.

Research and Development

Throughout the quarter, HSC progressed the development of its Talius Smart Care Platform, integrating a multitude of enhancements and fine-tuning its technological solutions.

HSC continues to investigate prospective licensing opportunities, specifically in the form of Platform as a Service (PaaS), with the aim of broadening its market reach and maximising the potential of the platform's strengths. The flexibility of the Talius Platform, in conjunction with its hardware-agnostic attributes, allows it to cater to a multitude of sectors, thereby unlocking a wealth of growth opportunities and capabilities.

Financial Position

HSC recognised revenue of \$3.2 million¹ in the quarter, a significant increase of 320% on the previous period last year. The Company also broke even from an EBITDA perspective for the quarter.

The Company recorded a positive cash flow quarter and closed the quarter with total cash of \$0.98 million. Pleasingly, it was the second positive cash flow quarter in a row for the Company.

¹ Unaudited

The Company received cash payments during the quarter of \$3.7 million from sales of assistive technology to enterprise customers.

Cash outflows throughout the quarter was \$3.7 million, with 73% (\$2.67 million) expended on inventory, 20% (\$0.73 million) on R&D and staff costs, with the remaining balance of 7% (\$0.27 million) going towards marketing, office rent and other general administration costs.

The related party payments of \$97,000 during the quarter detailed in Section 6 of the accompanying Appendix 4C relate to payments for director fees, the Managing Director's salary, and superannuation payments.

Marketing

HSC Technology Group's Managing Director, Graham Russell, was pleased to be a panellist at the Leaders Summit in Sydney in March. In the panel discussion, Mr. Russell shared valuable insights on the transformative impact of AI and technological advancements on the home care landscape.

In addition to participating in the panel discussion, HSC hosted a booth at the summit to display our innovative Talius Smart Care Platform along with a variety of our sensors. The goal was to generate interest and cultivate potential leads, ultimately bolstering the Company's already robust pipeline.

Appointment of Senior Personnel

During the quarter, HSC welcomed two key senior personnel:

- In February 2023, the Company announced the appointment of Michael Harvey as its new Chief Financial Officer (CFO). Mr Harvey has more than 20 years' experience in the accountancy profession in Australia, having worked in audit and commercial roles for a range of ASX listed companies. His most recent role was the CFO of HRL Holdings Limited, which during his tenure grew from a single site operation in 2015 with \$4 million in annual revenues, to 12 locations across Australia and New Zealand generating over \$36 million in annual revenues when it was acquired by ALS Limited in August 2022.
- In March 2023, the Company was pleased to welcome Dr. Maggie Haertsch (PhD) to the team as Consulting Clinical Research Director. Dr. Haertsch will be assisting HSC with the expansion of the Talius Platform and sensor technology in the aged care and health sectors and the further development of systems and processes to support clinical data integration that supports safer and high-quality care. Dr. Haertsch's experience comes from four decades of working in healthcare. Her innovative thinking has seen her included in roles with the World Health Organisation on the global response to dementia, as an advisor and remediation specialist with the Anchor Excellence team working within the aged care sector, and various education, academic, and executive positions.

Corporate

On 2 March 2023 the Company issued and sought the quotation of 50,000,000 Ordinary Shares representing the Fourth and Final Tranche of the Milestone Shares which made up part of the

Deferred Consideration payable to the Homestay Shareholders under the Acquisition announced 10 May 2018 which was triggered on cumulative revenue of \$12 million being achieved.

The Board and Management is pleased to now have concluded HSC's obligations in this regard, further simplifying the capital position of the Company and removing inherited legacy issues from the previous Board and Management.

Commenting on the quarter, Mr. Graham Russell, Managing Director said:

"We are delighted to start the year with a robust financial quarter, marking our second consecutive cash flow positive quarter, and achieving a break-even milestone from an EBITDA perspective.

Our ongoing efforts to capitalise on our pipeline have resulted in significant orders from Lendlease and the addition of a new client, Uniting NSW.ACT.

I am also thrilled to welcome Mr. Michael Harvey as CFO and Dr. Maggie Haertsch as Consulting Clinical Research Director. Their respective skills and experiences make them valuable additions to the HSC team.

We are eager to maintain this momentum and further strengthen our performance in upcoming quarters."

This announcement has been authorised by the Board of Directors of HSC Technology Group Ltd.

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About HSC Technology Group Ltd. (ASX: HSC)

HSC provides a suite of technology enabled care solutions to the aged and disability sectors, across multiple verticals including retirement living, residential aged care, home, and community settings to improve the quality of life, later in life.

HSC's Software as a Service (SaaS) data analytics platform Talius Smart Care combines smart sensors with AI machine learning that delivers automated actions. Talius links awareness, analysis, and action through one platform, allowing the care model to move from spot check care to sense-respond care. Nursing staff can switch their focus from data collection to building human connection. And, most importantly, residents benefit from a new era of autonomy and dignity.

HSC helps protect and connect our elderly and people with disabilities with a scalable healthcare technology platform integrated with leading third-party providers to ensure end-to-end solutions for Connected Health.

- ❖ HSC Care
- ❖ HSC Home
- ❖ Talius

FORWARD LOOKING STATEMENTS

Certain statements contained in this ASX release, including information as to the future financial or operating performance of the Company and its projects, are forward looking statements. Such forward looking statements:

- (a) are necessarily based upon several estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant technical, business, economic, competitive, political, and social uncertainties and contingencies;*
- (b) involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements; and*
- (c) may include, among other things, statements regarding estimates and assumptions in respect of prices, costs, results, and capital expenditure, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social, and other conditions. The Company disclaims any intent or obligation to publicly update any forward-looking statements, whether because of new information, future events, or results or otherwise.*

The words "believe", "expect", "contracted", "anticipate", "indicate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", "planned" and similar expressions identify forward looking statements. All forward looking statements contained in this ASX release are qualified by the foregoing cautionary statements. Recipients are cautioned that forward looking statements are not guarantees of future performance and accordingly recipients are cautioned not to put undue reliance on forward looking statements due to the inherent uncertainty therein.

Appendix 4C

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

Name of entity

HSC TECHNOLOGY GROUP LTD

ABN

62 111 823 762

Quarter ended ("current quarter")

31 MARCH 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,653	3,653
1.2 Payments for		
(a) research and development	(56)	(56)
(b) product manufacturing and operating costs	(2,670)	(2,670)
(c) advertising and marketing	(56)	(56)
(d) property expenses	(3)	(3)
(e) staff costs	(671)	(671)
(f) administration and corporate costs	(198)	(198)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(8)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	77	77
1.8 Other – ARIIA grant	99	99
1.9 Net cash from / (used in) operating activities	167	167
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(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)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
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	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Repayment of lease liabilities	(16)	(16)
3.10 Net cash from / (used in) financing activities	(16)	(16)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	826	826
4.2 Net cash from / (used in) operating activities (item 1.9 above)	167	167
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(16)	(16)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	977	977

5.	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	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	977	826
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	977	826

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	97
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>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.</i></p> <p>Director fees: \$96,950</p>		

7. Financing facilities <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	167
8.2 Cash and cash equivalents at quarter end (item 4.6)	977
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	977
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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:	
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:	
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:	
<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:17 April 2023.....

Authorised by:By the board.....
(Name of body or officer authorising release – see note 4)

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.