

## ASX Announcement :

**Managing Director, Andrew McLellan:****Bluechiip Limited****1 Dalmore Drive****Caribbean Business Park****Scoresby VIC 3179 AUSTRALIA****Open Briefing interview with MD Andrew McLellan****In this Open Briefing®, Andrew discusses:**

- Global top 20 pharma companies: three are customers and four have received quotes.
- Strong order growth from both new customers and repeats from existing customers.
- Expanded production capacity and inventory to meet rising demand.
- Data generation from the Bluechiip system and benefits to clients' operations.
- Receipt of cash for R&D tax incentive.

**Record of interview:****[openbriefing.com](https://openbriefing.com)**

**Andrew, at the AGM you discussed the rapid growth in BCT's sales, expansion of the sales force and the pipeline of opportunities. Can you remind us, when did BCT launch its own product range? Can you also give us some numbers around your quarterly sales growth and the more recent expansion of the sales team?**

**MD**

Thanks very much, Kevin.

We launched our products coming out of Covid, at the end of 2021, when we registered our products with the FDA and also received CE marking, which is important for both North America and Europe, as well as the rest of the world.

This allowed us to sell our own products directly into the marketplace. We then started moving fairly rapidly on getting our product and system into the market from the start of 2022, although there

were still some Covid related restrictions on travel and clients visits through to mid-2022. So, when you take the perspective of the time we've had our own registered products in the market, we're really talking about 18 months and we've made significant progress across that time.

In terms of the growth of the North American sales and marketing team, we've grown from one person on the ground in 2021 when we launched the product to now having seven people in North America, including our Head of Products who has moved from Australia to the US to help support the sales team with deep product knowledge.

The quality of our people is also very good. We have very capable and skilled people in terms selling and then training the customer base, and initial customer feedback to keep refining our processes starting from the initial traction gained at the start of 2022.

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**BCT now has three global top 20 pharma companies as customers as well as an Ivy League research institute. How many of the other top 20 pharma companies are you in discussions with?**

**MD**

We are in discussion with the majority of the top 20 global pharma companies of which three are now customers and four more have already progressed to receiving detailed quotes.

I refer people to the chart we released in our recent market update, where they will see data around the top 20 pharma, including how many are customers, how many have received quotes, how many are in our pipeline and how many are targets.

Many of those who are targets already have some awareness of us; we have had initial discussions with several of them.

This is very encouraging as these organisations are the top of the pyramid. They are the industry thought leaders and have a huge influence across the whole market, especially in the biotech, biopharma, research and especially clinical trials sectors.

One of those customers we have a detailed quote with is coming through Labcon, where we still have a partnership and a distribution agreement. So, it's pleasing to have multiple links into the marketplace that are delivering opportunities for us.

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**Based on the three top 20 pharma companies that BCT has won as customers so far, what is a “normal” conversion time from quote customer?**

**MD**

Based on the three top 20 pharma companies we have won so far, it typically takes three to six months from initial quote to conversion into a customer and a further two to six months to get the Bluechiip system installed and the customer up and running. We are looking at how we can shorten that cycle for customers and as noted we have grown the sales team and added client installation specialists to the team.

We are actively engaged with this segment and quotes have been with opportunities for some time.

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**What is the size of your total addressable market in terms of sales?**

**MD**

Our first and largest target market is in biological storage. Over 300 million biological samples are stored or shipped in either liquid nitrogen or below -80 degrees every year. Each of these samples is a candidate for a Bluechiip enabled consumable and for each sample, critical data to be recorded using Bluechiip's system, including our software and readers. The value of this market is in excess of one billion dollars.

There are additional target markets in cold chain logistics, industrial and manufacturing, and security and defence. All of these markets have a strong use case for our chips which are physically very robust and extremely difficult to clone. That said these markets are not as large as the biological market, which is where our primary focus is for now.

To give you some context around the size of the facilities we are looking at, I recently visited a company in North America just outside Washington, that stores 22 million samples in the one facility with a turnover rate of 15 to 20% of those samples every year. Just down the road from there, was another facility with 12 million samples and a similar turnover rate.

There's huge opportunities and that's just in some of the core research areas.

Looking slightly differently; with regard to the pharma organisations, there's one pharma that I've mentioned earlier where we've been in place for just on a year, making them one of our longest direct customers. They've now introduced us into three different sites across North America. Just one of those sites has upwards of eight laboratories where we have now been given a direct opportunity to service.

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**Can you walk us through your revenue model?**

**MD**

Certainly. I'll also refer people to the example on slide 14 of our AGM presentation.

Our system is a Solution as a Service (SaaS). As you'll see on slide 14, we sell an initial system of readers and software which for a single lab, which costs around A\$43k. As an example a single tank could then use our Bluechiip enabled cryolabels and Bluechiip Enabled cryovials – which we refer to as our consumables – which, at list prices, cost around \$292k. From there the customer is able to expand our system into further tanks and facilities, so you can see how the initial installation and sales from that can quite quickly scale to very significant recurring revenue stream.

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**Repeat revenues more than doubled in the September quarter and that follows very strong growth in the previous quarters too. Although we are only two thirds through the December quarter are you able to comment on the growth outlook? Should we expect December quarter sales to be ahead of the September quarter?**

**MD**

You're right that we still have a third of the quarter to go, so what I will say is that we are seeing solid repeat orders from our existing customers at both their existing sites plus some new sites. Some client facilities that have been on board for several months are also looking to expand their use of Bluechiip's solution at existing facilities and some are adding new facilities. On top of existing customer sales, we continue to add new customers, such as the two of the three top 20 pharma company I mentioned earlier. The sales from new customers that we win in the current quarter will predominantly begin to show in sales with 1 – 2 quarter lag.

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**You now supply Bluechiip's system and consumables to 28 labs, across 17 customers and those customers have a total of 130 labs. Are you engaged with your customers other labs with a view to expanding sales into them?**

**MD**

Most certainly. We are in active discussions with customers in relation to this and have already quoted some of them. The conversion time, from quotation to sales, for these adjacent labs has potential to be faster than the 3 – 4 months lead time I mentioned earlier for converting a big pharma company quote into a sale.

As an example, a customer that has had Bluechiip's system for over six months in one lab is looking to expand us into an adjacent lab, and they've got seven more on top of that.

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**BCT's system is a Solution as a Service (SaaS), with a combination of hardware, consumables and software. Part of the benefit users get is the data BCT's system generates. Can you tell us what sort of data this is and how it contrasts with alternative products?**

**MD**

From a customer's perspective an important advantage of the Bluechiip system is the ability to combine our consumables with our readers, and directly capture information from the customer's whole sample management and storage process into a database

There's a lot of discussion around artificial intelligence and analysing information but at the end of the day, you need the information there in the first place and that's something that we're providing. As we understand it, no competitor is tying together the consumables to readers to software and the ability to automatically update like our system does. We're able to do that because of our core technology, the chip.

The data collection by our system is done seamlessly and includes data around: 'Who did what to a sample?'; 'When did that happen?'; 'Where did it happen'; and 'At what temperature did that happen?'. All that information is captured every time a sample is handled and can be tied together, including reference to information that might be provided for example by a third-party temperature sensor, which we can import information into our system.

The data we generate can be produced into reports, exported into spreadsheets, and allows detailed reporting and analysis. In conjunction with input from customers, we are continuing to generate additional software modules to enhance their reporting and analysis capabilities.

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**After a successful share placement on 18 October, BCT had cash of \$2.0m on hand and an R&D tax receivable of \$0.93m. What is the status of the tax refund?**

**MD**

In the past couple of weeks, we received that tax refund of \$931,000. Some of those funds will be used to pay down our R&D tax loan of \$650,000 that was taken against that expected receipt. This then allows us to look to draw down a new loan against expected R&D tax credits for the current financial year.

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**Inventory now stands at over 3m chips and you have scaled production capacity to produce 5-10m chips per year. Taking into account BCT's strong sales growth and large new client pipeline, is this enough capacity for the next 12 months? Looking further out how quickly can you further expand capacity?**

**MD**

In dollar terms, the 3m+ chips we've got on the shelf will convert into well over \$10m worth of products, depending on the product types our customers choose.

That should be enough capacity for our sales growth over the next 12-18 months and we can certainly ramp our capacity even further. We make about 14,000 chips on each wafer we manufacture and our supply chain has capacity to make thousands of wafers. So, we could ramp capacity quickly and easily into the hundreds of millions of chips. This is a very big number but it is also in line with the addressable market opportunity I discussed above.

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**FujiFilm Irvine Scientific has a partnership with BCT in the IVF space. Can you update us on progress to the envisaged long term supply agreement?**

**MD**

We are continuing to work closely with Fuji to progress to a supply agreement. I can't give you a definite timing on that so it's really "watch this space".

At the same time as we work with Fuji on the long-term supply agreement, we are also strongly focussed on selling to our existing customers and converting additional customers and labs from our pipeline. As the numbers show, this focus is delivering strong growth in sales and customers. We expect repeat revenue from customers for future quarters to show growth versus the September quarter, which itself was a record. At the same time, we have quotes out to a number of potential customers including four top pharma groups, which if converted will contribute initial new sales into the next 1 – 3 quarters with the expectation of further repeat orders after that. We are pleased and excited with where the business is, just on two years since we launched our own range of products.

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