



ASX Announcement

29 February 2024

Half Year Results, Trading Update and Growth Pipeline

Hydrix Limited ('Hydrix' or 'the Company') (ASX: **HYD**) today released its Appendix 4D and Financial Report for the half year ended 31 December 2023 ('Half Year' or **1HFY24**) and provides the following trading update and business activity report.

Half Year Financial Highlights

- Hydrix Services sales opportunity pipeline increases to **more than \$300m**:
 - \$18.0m** of sales achieved during the Half Year, bringing to **\$30.0m** (14 clients) the estimated potential future revenues from clients who have contracts with Hydrix Services;
 - \$6.0m** in customer revenues achieved during the Half Year (7.0% below pcp of \$6.4m);
 - 55%** of revenues from international clients, **up 90%** from two years ago, as a direct result of expansion in sales, marketing and business development resources in Europe and the USA; and
 - 85%** of the pipeline is made up of international client opportunities, underpinning future growth.
- Hydrix Medical developed a **\$3.0m** sales opportunity pipeline of potential annual recurring revenues from products licensed under distribution arrangements.
- Hydrix Medical in discussions to distribute new out-patient ambulatory cardiac wearable patch device which received Australian **TGA approval** in February 2024.

FY24 Guidance Update

In Hydrix's Quarterly Activities Report for the quarter ended 30 June 2023¹, the Company provided the following outlook in relation to Hydrix Services:

- revenues in the financial year ending 30 June 2024 (**FY24**) to grow by more than 10% as compared to the financial year ended 30 June 2023 (**FY23**) (FY23 revenue: \$13.3m); and

¹ Refer to Hydrix's ASX announcement dated 31 July 2023, titled "*Quarterly Activities/App 4C & Convertible Note Capital Raise*".



- cash operating profit in FY24 expected to more than double that of FY23 (FY23 cash operating profit: \$0.39m).

Hydrix Services existing and prospective customers impacted by macro-economic headwinds, have been managing to constrained budgets in the face of a challenging capital raising climate, which has impacted short term revenues. Wage and operating cost inflation has impacted on short term margins. Consequently, revenues and cash operating profit on a year-to-date basis are behind expectations that Hydrix had at the commencement of FY23.

Notwithstanding this, Hydrix Services is seeing an increased level of customer activity and coupled with pricing and operating cost adjustments, is seeing business conditions improve. Hydrix expects that revenues for Hydrix Services in the second half of FY24 (**2HFY24**) will increase 10% compared to 1HFY24, and that in FY24, Hydrix Services will achieve revenues in the range of \$12.0m - \$12.5m and breakeven.

In relation to the first half of the financial year ending 30 June 2025 (**1HFY25**):

- Hydrix Services revenues are forecast to increase **10% to 15%** compared to the prior corresponding period (1HFY24), underpinned by the **\$30.0m** of estimated future revenues from clients who are currently under various stages of contracts.
- The Group anticipates a significant reduction in cash used in operations commencing the September quarter of 2024 as a result of increasing revenues and managing discretionary operating costs, bringing the Group close to a breakeven cash operating profit.
- Two of Hydrix Ventures portfolio assets are making significant progress towards obtaining regulatory approvals, which could significantly increase net asset values in FY25.
- Hydrix Medical anticipates commencing sales of products under licensing agreements over the next 6 months.

1HFY24 Group Business Activity Updates

Hydrix Services' international sales and marketing initiatives are driving significant expansion in the sales opportunity pipeline:

- The total **sales opportunity pipeline** grew to more than **\$300m** (more than **200** opportunities):
 - Approximately **\$100m** is in active discussion with new and existing clients including **\$30.0m** of estimated future revenues from clients who are currently under various contract stages with Hydrix Services, underpinning revenues for the next 24 months;
 - **85%** of the opportunities are with international clients and prospects, a direct result of expansion in sales, marketing and business development resources into Europe and the USA post-COVID; this is the largest pipeline in the Company's history; and
 - More than **50%** of the projects are estimated to individually generate more **than \$1m** in future revenues, near double the number of opportunities two years ago. Larger projects



tend to run over multiple years, increasing revenue visibility and containing larger individual stages of work leading to higher operating efficiencies, billable utilisation, and margins.

- Projects with **cardiovascular technology** clients in the Half Year accounted for **40%** of revenues and approximately **35%** of the sales opportunity pipeline. The business won a contract with a US-based cardiac company to develop next generation versions of their products currently in market. The initial contract has the potential to grow into a multi-million-dollar revenue project for Hydrix Services during the next 24 months.

Hydrix Medical continues to build market awareness for several disruptive cardiovascular technologies:

Implicity cloud-based cardiac patient remote monitoring software platform:

- Continued to build market awareness and make good progress maturing sales leads for Implicity's AI remote cardiac patient monitoring software platform. The potential annual recurring revenue sales opportunities pipeline as at the end of the Half Year was circa **\$3.0m**.

Medical product expansion

- In line with strategy to expand the number of cardiac products for distribution through our sales and marketing platform, an application to the **Australian TGA** to market and distribute an out-patient ambulatory cardiac wearable patch device received **approval** in February 2024 for listing on the ARTG.
- Hydrix has commenced discussions with the supplier to formalise distribution arrangements, and has also held preliminary discussions for a pilot program at a large Melbourne cardiology practice.
- This technology is used in global markets to diagnose and monitor cardiovascular health, including, potential to detect **Arrhythmias** such as **Atrial Fibrillation**, understood to be a leading cause of cardiac events and stroke.
- Each year in Australia, there are in excess of 500,000 Medicare reimbursed out-patient ambulatory cardiac services (example Holter monitors), giving rise to more than \$75m in Medicare payments.

Hydrix Ventures' net asset value is approximately **\$5.1m** with significant potential upside as companies reach major inflection points over the next 12 months:

- **Gyder Surgical** settled an outstanding convertible note by way of share issuance to Hydrix Ventures, which now holds approximately 14.0% ownership. Gyder anticipates making a 510k Regulatory application to the US Food & Drug Administration (FDA) in the first half of 2024 for the approval to market and distribute the product in the USA.
- **Cyban** continued to progress development of its first-generation non-invasive brain tissue blood oxygen monitoring product with the support of Hydrix Services. Cyban **lodged a 510k Regulatory** application to the US Food & Drug Administration (**FDA**) in February 2024 to market and distribute the product in the USA.



- **Avertix Medical**, the developer of the Guardian heart attack warning system, announced in October the termination of their proposed merger and listing on NASDAQ. Avertix further advised that, at this stage, it intends to continue executing its business objectives as a private entity.

Hydrix Limited balance sheet:

- Pro forma cash on hand was **\$1.8m** at 31 December 2023, including **\$1.0m Director loan facilities** committed after the Half Year (undrawn at 31 December 2023).
- **\$1.5m** of shareholder loans rolled over into the Company's convertible note facility, plus an additional **\$1.6m** of new capital raised via the issue of convertible notes.
- **\$0.9m** group net cash used in operating activities **in 1HFY24** was 34% lower than 1HFY23.

Subsequent to the end of the Half Year, the Company entered into binding agreements with entities associated with Directors Paul Lewis and Julie King, to provide financial accommodation by way of loan facilities. The loan facilities collectively provide Hydrix with access to funding of \$1m on a drawdown basis up until at least 31 December 2024. Hydrix intends to use the facilities to support its working capital requirements. The terms of the loan facilities are summarised in the Company's Quarterly Activities/Appendix 4C Cash Flow Report lodged with ASX on 31 January 2024.

Hydrix Executive Chairman Gavin Coote commented:

"Hydrix Services CY23 revenues were up 40% compared to CY21 and 10% compared to CY22. While revenues for the Half Year were below our target, we see that as temporary. Clients have been managing constrained budgets due to headwinds raising venture capital and the macro-economic challenges which emerged in CY2023.

"Pleasingly, the big focus we have placed on expanding international business development sales and marketing strategy initiatives, are working. Revenues from international markets now account for more than 55% of revenues, up from 29% two years ago.

"The December Half finished with the largest sales opportunity pipeline in the Company's history and underpins a positive growth outlook, as evidenced by the \$30.0m of potential future revenues from clients who are now contracting with Hydrix.

"Ongoing financial support from the Directors in the form of the \$1.0m loan facilities provides the business working capital and financial flexibility to capitalise on the revenue growth opportunities."

Ends ----

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



For more information, please contact:

Company Enquiries:	Gavin Coote - Executive Chairman info@hydrix.com +61 3 9550 8100
Corporate Advisory Enquiries:	Matthew Baker – Corporate Adviser, Blue Ocean Equities MatthewBaker@boeq.com.au +61 418 830 064
Media Enquires:	Rod North - Managing Director, Bourse Communications rod@boursecommunications.com.au +61 3 9510 8309

About Hydrix Limited

Hydrix Limited (ASX: HYD) is a powerful product innovation company. Hydrix aims to enhance a billion lives' health, safety, and well-being. 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.