



ASX Announcement

31 October 2023

Sales pipeline expansion positions Hydrix for growth

Hydrix Limited ('Hydrix' or 'the Company') (ASX: **HYD**) today released its Appendix 4C for the quarter ended 30 September 2023 (1Q23) and provides the following **Market Update**.

1st Quarter Financial Highlights

- **\$3.08m** revenue (7.2% decline pcp)
- **\$3.63m** cash receipts from customers
- **\$0.76m** net cash used in operating activities (28% increase to pcp)
- **\$1.5m** shareholder loans rolled over into the new **\$3.1m** convertible note facility
- **\$1.6m** cash raised under the new convertible note facility; strongly supported by Directors (**\$1.1m**)

1st Quarter Group Business Updates – *Strong Sales Drive Focus*

Hydrix Medical is making good progress towards delivering initial software sales of products under distribution arrangements with Implicity and Echo IQ.

- **Three** field sales professionals with deep experience selling cardiac rhythm management devices for global market leaders were hired, bringing the sales team to **five**. The highly credentialed team have decades-long trusted relationships within the cardiology industry
- Initial sales of Implicity are anticipated to commence closing in the next few months. Software implementations and annual recurring revenues are anticipated to commence in early CY24
- The sales opportunities pipeline has grown to **over \$8.0m** during the past six months. The sales team is working hard to convert these sales leads into annual recurring software revenues

Hydrix Services continued its international business development and marketing strategy pursuing larger multi-national companies and long-term partnerships. This sales expansion drive has created a significant pipeline of large multi-year revenue project opportunities.



Key sales highlights for the quarter include:

- The Company commenced a project with a billion-dollar medical device company based in Europe, which has the potential to generate significant future stages of work
- Total sales leads increased by more than **5.0x** (>250 potential projects) increasing the value of the sales pipeline **82%** compared to this time last year; and
- Qualified sales leads, a key measure of nearer-term revenue opportunities, are up **73%** to more than **\$70m**; a **35%** historical win-rate on qualified leads suggests a good pipeline of projects ahead.

The substantial increase in international sales leads is a direct result of decisions actioned by the Company during the past 24 months to address impacts to the business from COVID disruptions:

- **First**, appointing business development in overseas markets to focus on large medtech clients in key medtech device growth areas, such as point-of-care diagnostic devices, robotics, drug delivery and orthopaedic technologies
- **Second**, increased digital marketing and trade show activities overseas, which are now raising Hydrix's profile in safety-critical medtech device product development; and
- **Third**, access international pricing dynamics with overseas clients seeking highly specialised engineering know-how and project management capabilities that Hydrix delivers.

We are developing a larger baseline of annual revenue from larger multi-national clients. However, as is inherent with specialised engineering services businesses, revenues do fluctuate, and are impacted by a variety of factors such as timelines for leads to convert into active projects, and:

- Emerging medtech clients, a large part of the business, continue to face increased challenges raising capital, putting pressure on budgets. We are regularly adjusting to the needs of clients to defer and pause programs due to challenges caused by current business conditions; and
- Multinational clients with larger and more stable multi-year projects that are important to our long-term sustained growth, tend to take longer to convert from sales lead to active project.

Hydrix Ventures' net asset value is approximately **\$5.1m**.

- **Gyder Surgical**: Hydrix Ventures increased its investment in Gyder Surgical to approximately **10.0%** via a cashless exercise of stock options in the quarter. Hydrix Services is assisting Gyder complete works to make a Regulatory application submission to the US Food & Drug Administration (FDA). The Australian Therapeutics Good Administration (TGA) approved the device for listing on the Australian Register for Therapeutic Goods (ARTG) in April 2023
- **Cyban Limited** completed a capital raise in the period. Hydrix Services is helping Cyban develop its first-generation product that will non-invasively and continuously monitor brain tissue blood oxygen levels. There was no change to Hydrix Venture's net asset holding value of Cyban in the period; and



- **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 it intends to continue executing its business objectives as a private entity.

Hydrix Executive Chairman Gavin Coote commented:

“Off the back of positive momentum achieved across the Group during FY23, we were pleased with the continued growth in sales pipelines across Hydrix Services and Hydrix Medical in the September quarter. This bodes well for long-term revenue growth.

“While International client approval durations coupled with challenges faced by Hydrix Services clients impacted on our revenues, our confidence in the sales pipeline remains strong.

“We are navigating a subdued business environment and we are focused on converting sales leads into profitable revenues.

“The \$3.1m convertible note facility announced in the quarter (\$1.6m new cash) was strongly supported by the Board providing new capital of \$1.1m and rolling-over shareholder loans of \$1.5m. Funds retained and raised will assist with near-term working capital requirements.”

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.

Appendix 4C

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

Name of entity

Hydrix Limited

ABN

84 060 369 048

Quarter ended ("current quarter")

30 September 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	3,632	3,632
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(239)	(239)
(c) advertising and marketing	(121)	(121)
(d) leased assets	(313)	(313)
(e) staff costs	(2,913)	(2,913)
(f) administration and corporate costs	(784)	(784)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	9
1.5 Interest and other costs of finance paid	(23)	(23)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(752)	(752)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(11)	(11)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(e) intellectual property	-	-
(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	(11)	(11)
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	1,560	1560
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	300	300
3.6 Repayment of borrowings	(115)	(115)
3.7 Transaction costs related to loans and borrowings	(30)	(30)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,715	1,715
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,153	1,153
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(752)	(752)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(11)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,715	1,715
4.5	Effect of movement in exchange rates on cash held	-	
4.6	Cash and cash equivalents at end of period	2,105	2,105
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	2,105	1.153
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)	2,105	1,153
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		128
6.2	Aggregate amount of payments to related parties and their associates included in item 2		-

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.

The amount at 6.1 includes full-time salary payments to the Executive Chairman and payments of Director fees.

7. Financing facilities

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	3,100	3,100
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	466	806
7.4 Total financing facilities	3,566	3,906

Other financing facilities include a TradePlus24 Credit line facility of 70% of Trade Debtors up to \$1.5m.

7.5 Unused financing facilities available at quarter end (\$A) (339,000)

At 30 September 2023 an amount of \$339,000 was payable to TradePlus24 as a result of timing of cash receipts from customers. This amount was paid in full on 2 October 2023.

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.

Lender	Loan Amount	Interest rate (p.a)	Maturity date	Security
E.L.G. Nominees Pty Ltd ¹	\$ 250,000	10.0%	30/06/2024	Unsecured
E.L.G. Nominees Pty Ltd ^{1,5}	\$ 500,000	10.0%	14/11/2025	Unsecured
John W King Nominees ^{2,5}	\$ 1,500,000	10.0%	14/11/2025	Unsecured
Invia Custodian Pty Limited ^{3,5}	\$ 500,000	10.0%	14/11/2025	Unsecured
P K W Superannuation Pty Ltd ^{4,5}	\$ 100,000	10.0%	14/11/2025	Unsecured
Non-Related Parties Convertible Notes	\$ 460,000	10.0%	11/10/2025	Unsecured
TradePlus24 ⁶	\$ 1,500,000	12.70%	31/05/2024	Secured

¹ E.L.G. Nominees Pty Ltd is a company associated with Joanne Bryant, a Non-Executive Director of the Company.

² John W King Nominees is a company associated with Julie King, a Non-Executive Director of the Company.

³ Invia Custodian Pty Limited is a company associated with Paul Lewis, a Non-Executive Director of the Company.

⁴ P K W Superannuation Pty Ltd is a company associated with Paul Wright, a Non-Executive Director of the Company.

⁵ These loans will transmute into Convertible Notes subject to shareholder approval which will be sought at Hydrix Limited's AGM on 13 November 2023.

⁶ Interest is charged at 8.6% + 30 day BBSW bid rate. Interest rate displayed shows rate as at 30 June 2023. Maximum facility available of \$1.5m. Balance is secured against Hydrix Services Pty Ltd Trade Debtors.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(757)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,105
8.3 Unused finance facilities available at quarter end (item 7.5)	(339)
8.4 Total available funding (item 8.2 + item 8.3)	1,766

8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.33
---	-------------

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.

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: N/A

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: N/A

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: N/A

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.

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: 31 October 2023

Authorised by the Board of Hydrix Limited.

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.