

## ASX Release

### COMPANY UPDATE & APPENDIX 4C QUARTER ENDED 31 DECEMBER 2018

Novita Healthcare Limited (ASX: NHL) (“Novita” or the “Company”) a leading digital therapeutic and early childhood technology business has today released its Appendix 4C Quarterly Consolidated Statement of Cash Flows for the period ending 30 December 2018.

#### KEY HIGHLIGHTS

- Quarterly growth in sales and use of TALI Train to “Key Opinion Leader” schools in Australia
- Recruitment of Sales Manager with global tech sales background to execute on increased school demand generated in the quarter
- Cash receipts of \$57k in 2Q FY19 (with \$120k cash received on invoice sales for the six months to 31 December 2018)
- Novita to present at prestigious Digital Therapeutics conference DTx West (February 2019) with TALI scientific advisor Professor Kim Cornish to deliver featured presentation
- Novita to showcase TALI Train at global conference SXSW EDU (March 2019) demonstrating the solution to potential global partners

#### NOVITA OPERATIONS UPDATE

##### TALI HEALTH

##### TALI Train (Domestic in-market activities)

This quarter saw the adoption of TALI Train grow in response to the marketing activities undertaken delivering schools as the core customer for TALI Train. Sales and deployment of TALI Train initially occurred to a select group of primary schools. Some of these schools included Yarra Valley Grammar (Victoria), Eltham North Primary (Victoria), St Marks Primary (Victoria) and Parklea Primary (NSW). These schools are recognised as key opinion leaders in the public, catholic and independent school sectors.

Field sales activities combined with referral support from key opinion leader schools has seen a substantive increase in demand for TALI Train. The Company has accelerated recruitment of sales resources (including a Sales Manager for the Australian primary school segment) to grow sales and cash receipts.

To further support the sales lead demand generated in the December 2018 quarter the Company has commenced a major marketing program for the January 2019 to June 2019

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period with a core focus on customer acquisition in the primary school and parent segments to enable a sustainable recurring revenue model. Further updates on these activities will be provided to shareholders.

Marketing to healthcare professionals (providers) continued complimenting the strategy of the business to deliver TALI Train in all relevant early childhood settings. Provider numbers increased 10% (up to 180 providers) in the quarter. However, it is the initial adoption results by schools and the sales lead demand that has reinforced the view of the Company that strong incremental growth can be expected in future quarters.

### **TALI Train (International pre-market and partner activities)**

As stated in the previous 4C ending September 2018, as part of the initial international pre-market activities TALI Health presented as one of 20 “most innovative technologies” from across the world to the 2018 Annual International Conference on ADHD ([www.chadd.org](http://www.chadd.org)).

The event has enabled initial client and partner discussions to occur. The Company continued to progress and pursue partnership discussion with five key potential partners in North America.

In support of this, key presentations at Digital DTx West ([www.dtxwest.com](http://www.dtxwest.com)) in February 2019 and SXSW EDU( [www.sxswedu.com](http://www.sxswedu.com)) in March 2019 demonstrating the solution to potential global partners will be delivered.

In Asia, customers in Hong Kong (early childhood centres) and Singapore (clinical centres) continue to deliver TALI Train. The Company is planning expansion activities during the current and next quarter focused on partnering in the region to deliver sales growth.

### **TALI Detect (Research and Development)**

During the quarter initial patient data was collected and the project remains on track to meet all requirements under the CRC-P. The objective of the trials is to provide evidence to allow TALI Health to build the product/solution - **TALI Detect, a game-based assessment of attention skills in early childhood.**

By the age of 4 years, as many as 40% of children have sufficient problems with attention to be of concern to parents and preschool teachers<sup>1</sup>. An application such as TALI Detect would be a significant tool in the “tool kit” for Healthcare Providers, Pharmaceutical companies, Governments and Educators in the pursuit of improving attention skills in children globally.

## **NOVITA FINANCIAL UPDATE**

### **Revenues and expenses**

Total cash receipts in 2Q FY19 of \$57K. Net operating cash outflows for the December quarter were \$0.4 million (down from \$1.2 million in Q1 FY19), reflecting continued development on TALI and the proceeds from the R&D Tax Incentive totaling A\$0.7 million.

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<sup>1</sup> Palfrey, Levine, Walker, & Sullivan, 1985

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## Cash outlook

The Company ended the quarter with net cash at bank of \$1.7 million (down from \$2.6 million as at 30 September 2018). The cash balance continues to be monitored in line with the stated objectives of the domestic and international commercialisation of TALI Train along with the development of TALI Detect.

## PEOPLE AND CULTURE

We welcomed Marcus Hughes a seasoned solutions sales professional with global tech experience including with Yahoo7 and other B2B and direct to consumer businesses. The focus for Mr. Hughes will be the domestic expansion of TALI Train into the primary school network with an initial focus on Australian primary schools.

## OUTLOOK

The Company remains focused on the following:

- Rapidly converting the initial demand from primary schools and parents to sales of TALI Train
- Scaling the marketing/sales resources and activities for TALI to capture a significant portion of the 6,000+ primary schools in Australia during the 2019 calendar year
- Begin and advance discussion with potential partners particularly for the North American market
- Completing the research and development phase of TALI Detect so that an assessment tool for attention skills can be deployed to diversify revenue and to assist in increasing sales of TALI Train

## ABOUT NOVITA

Novita Healthcare Limited (ASX: NHL) is a leading digital therapeutic and early childhood technology business targeting ATTENTION in children through its breakthrough technology TALI. TALI Train uses proprietary algorithms inside a game-based learning application to improve core attention skills in early childhood ([www.talihealth.com](http://www.talihealth.com)).

## CONTACT

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

NOVITA HEALTHCARE LIMITED

**ABN**

53 108 150 750

**Quarter ended ("current quarter")**

31 December 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	57	120
1.2 Payments for		
(a) research and development	(159)	(696)
(b) advertising and marketing	(54)	(140)
(c) leased assets	(4)	(22)
(d) staff costs	(557)	(1,092)
(e) administration and corporate costs	(125)	(251)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	22
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	896	1,083
1.8 Other (provide details if material)		
- GST refunds/(payments)	(46)	(12)
- Legal & professional	(260)	(411)
- Insurance	(3)	(71)
- Intellectual property	(19)	(38)
- Provider contributions	0	200
- Other working capital	(117)	(240)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(375)</b>	<b>(1,548)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(121)	(133)
(b) businesses (see item 10)	-	-
(c) investments	(400)	(400)
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	23
(d) intellectual property	-	-
(e) 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(521)</b>	<b>(510)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	2,786
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(205)
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 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>2,581</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,621	1,202
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(375)	(1,548)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(521)	(510)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	2,581
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>1,725</b>	<b>1,725</b>

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	86	59
5.2 Call deposits	1,639	2,562
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,725</b>	<b>2,621</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	37
6.2 Aggregate amount of payments to these parties included in item 2.1	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
- Year to date cash payments for Staff Costs include director fees \$59k.	

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

<b>8.</b>	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)		
	- Bank guarantee	100	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

- Bank guarantee funds secured in accordance with premises lease terms.

<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development	(340)
9.2	Advertising and marketing	(120)
9.2	Leased assets	-
9.4	Staff costs	(300)
9.5	Administration and corporate costs	(100)
9.6	Other (provide details if material)	
	- Legal & professional	(40)
	- Intellectual property	(10)
	- Transaction costs related to issues of shares, convertible notes or options	-
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>(910)</b>

<b>10.</b>	<b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration	N/A	N/A
10.3	Consideration for acquisition or disposal	N/A	N/A
10.4	Total net assets	N/A	N/A
10.5	Nature of business	N/A	N/A

**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.

Signed:



Date: 31 January 2019  
Mr Glenn Smith  
Managing Director

**Notes**

1. If this quarterly 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 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.