



## **Chairman's Address to Shareholders**

Ladies and gentlemen,

I am pleased to report that our business has achieved a number of milestones over the past 12 months, including a greater penetration of our products within hospitals, licensing of NEOLA®, a novel lung monitoring system and licensing of two specialised respiratory products Bronchitol® and Aridol®, and in so doing we continue to actively diversify our product range.

For our customers, product diversification means we are able to provide a wider range of quality healthcare products to advance patient care. Our marketed range presently includes ambIT™ infusion pumps for use in opioid-sparing acute post-operative pain associated with orthopaedic, critical care and general surgery; medical consumables including IV lines, catheters and Total Intravenous Access (TIVA) sets; Aridol® an inhaled medical test indicated for the diagnosis of asthma and Bronchitol® an inhaled specialised pharmaceutical indicated for lung and airway mucus clearance in patients with cystic fibrosis.

As our product range continues to expand, we are widening our reach to hospitals and clinics within both the public and private sector, as well as diversifying our revenue sources across multiple market access points which presently includes the Prosthesis List, Pharmaceutical Benefits Scheme, tendered contracts and published catalogues.

Our strategy is focused on healthcare investment through product licencing and/or through business acquisitions which centre on products that support improved patient clinical outcomes, enhance overall hospital efficiency, and provide viable and sustainable returns to shareholders.

We have successfully executed several modest, yet valuable investments since our last Annual General Meeting:

- In February BTC's investee company, BiolImpact Pty Ltd, secured exclusive distribution rights from GPX Medical AB for NEOLA®, an innovative, safe and non-invasive medical device system used to monitor lung volume and oxygen gas concentration of preterm infants. NEOLA® has the potential to transform the healthcare outcomes of this patient population, which comprises 3% or roughly 10-11,000 babies born in Australia and New Zealand each year. The NEOLA® system shifts the current level of care from physical monitoring and scheduled medical interventions such as blood tests and scans to non-invasive constant monitoring, potentially enabling complications to be earlier identified and managed. GPX Medical has undertaken a 200-infant study through the Tyndall National Institute, a highly regarded research centre in Ireland, which is expected to validate the NEOLA® system. Locally, we have held in-depth discussions with several senior neonatologists within Neonatal Intensive Care Units at public hospitals across Australia. Feedback

on the technology has been positive, and clinicians readily recognise the potential improvement to patient care and utilisation of hospital resources. We will seek to provide access to the NEOLA<sup>®</sup> system to selected Neonatal Intensive Care Units during calendar year 2022/23, aimed at obtaining further insights before BTC launches NEOLA<sup>®</sup> into the local market. GPX Medical remains on track to obtain Conformité Européene (CE) approval in 2023, enabling NEOLA<sup>®</sup> to be marketed and sold in Europe. Following CE approval, BTC will apply to the Therapeutic Goods Association in Australia and Medsafe in NZ for product registration, leading to commercial launch in Australia and New Zealand. We will be able to confirm the value potential of NEOLA<sup>®</sup> to BTC following the conclusion of clinical trials by GPX Medical and feedback on clinician evaluation trials undertaken locally by BTC. No milestones or upfront payments were made in obtaining the exclusive rights in the territory for NEOLA<sup>®</sup>. The commercial arrangement with GPX Medical is structured on a profit-share basis.

- Sale and distribution rights for respiratory products Bronchitol<sup>®</sup> and Arido<sup>®</sup> were secured by BTC's investee company, BioImpact Pty Ltd, on 30 June 2021 for a one-off payment of \$2m. BTC raised \$2.5m via a private placement which was well supported by existing shareholders. Since securing rights in Australia, NZ and Singapore, both products have been fully transitioned into BTC's operations and our commercial plans are being effectively implemented. Our existing national sales team is gaining access to cystic fibrosis and respiratory clinics, enabling the team to actively promote product awareness, undertake education and provide patient support. Our growth assumptions have been validated and we expect to deliver minimum growth of 4% per annum, which is consistent with our expectations communicated at the time of the capital raise.

Since completing the 2021 Annual Report, several new products have been added to BTC's portfolio including a range of single use medical devices from Mediplus in the UK and orthopaedic braces from Breg<sup>®</sup>. We expect that complimentary products will continue to be sourced from across the globe as we expand our agency footprint and product offering.

## Financial update

The Annual Report for the year ended 30 June 2021 details the financial result for BTC health Limited, which holds investments in BioImpact Pty Ltd and BTC Speciality Health Pty Ltd, both wholly owned subsidiaries. The update I have provided thus far pertains to the operations of the investee companies which are captured in stand-alone financial statements. BTC health values its investments on the balance sheet within its accounts, being \$2,000,100 for BioImpact and \$6,000,000 for BTC Speciality Health. The value of BTC's investments and loans provided to its wholly owned subsidiaries are audited by Grant Thornton to ensure the carrying value on the balance sheet is appropriate and can be supported.

BTC health generated a Net Loss of (\$391.7k) during financial year 2021, largely comprising Board, ASIC, ASX and audit fees. Net loss increased \$108.3k over last year, due to a reduction in management fee income of \$146.7k offset by overhead savings and lower transaction costs.

The combined Net Loss of BioImpact and BTC Speciality Health total (\$72.6k) for the 2020/21 financial year, an improvement of \$637.5k over prior year. The improvement in financial performance directly relates to revenue, which grew 26% over prior year to \$7.1m. Sales to hospitals grew 25% over 2020/21

to \$7.3m, the difference reflecting wholesaler margin earned for undertaking the customer order and logistics function on behalf of BTC Speciality Health, coupled with fluctuations in wholesale inventory holdings. The growth in sales to hospitals was particularly pleasing when considering new accounts grew 9% and sales to existing customers grew 16%.

Our sales team continues to sell deeper into existing accounts through onboarding of new surgeons and expansion of product use within each hospital. EBITDA benefited through realisation of overhead efficiencies, and we expect this will be further improved as the product pipeline expands.

The group continues to actively manage working capital to ensure cash assets are best used to support growth, generating optimum returns on capital employed. As at June 2021 the group held \$2.4m in cash, debtors of \$1.5m and inventory of \$1.1m. There were no overdue accounts to collect from customers and suppliers are all managed within terms. After factoring stock held by our wholesaler, Sigma, stock within BTC's supply chain averaged 3-4 months holdings. As at September 2021, the group held \$2.6m in cash, clearly highlighting the group is managing a cashflow positive position. Inventory continues to equate to 3-4 months stock cover, debtors and credits continue to be managed within approved terms.

## Outlook

The outlook for BTC health's investments is encouraging and we maintain our position of generating double digit revenue growth for our core investment, BTC Speciality Health.

Sales for the September quarter were lower than plan due to extended elective surgery closure, particularly across the eastern seaboard; however aggregate sales to hospitals were \$2.1m, representing growth of 16%+ over prior year. National hospital demand in the current financial year was particularly strong in all territories other than for NSW and VIC, where state governments imposed elective surgery restrictions. From the start of November, we have already seen easing of elective surgery restrictions and we anticipate this positive trend will continue. With a backlog in elective surgeries, we expect to see strong demand in respect of our products in the second half, particularly in opioid-sparing post-operative acute pain management.

Our products are largely sourced internationally, with Australian sourced products comprising 15% of total purchases. Freight costs for all importers have increased materially in recent months and we are now becoming aware of potential component and labour price increases around the globe. Combined with the potential for Prostheses List pricing reforms, it is likely there will be some impact on our investee companies' full year gross margin and EBITA. Product diversification and volume growth remain key offsets to these potential margin pressures, which the business will be actively pursuing.

The Board continues to be encouraged by the performance of BTC health's investments, in particular the penetration into the hospital market which converted to year-on-year growth of 25% during financial year 2021 and 16% growth in the September 2021 quarter. We have realised good returns on modest investments to date which have substantially broadened our product range. All the while we are actively pursuing medium to larger scale investments that can accelerate our growth plans and that fit within a compliant Pooled Development Fund.

Extensive work has been undertaken on medical device, medical consumable, and pharmaceutical opportunities during 2021. The transaction environment is highly competitive and our approach remains

disciplined in respect of valuation and the quality of associated earnings. Our merger and acquisition pipeline is nevertheless strong and executing against this remains a top priority for the Board and the management team as we move into the start of the new calendar year.

In concluding I wish to thank the BTC health team, our Board and our shareholders, who jointly share our vision to build BTC health into a high-growth, sustainable healthcare company. In so doing we are committed to delivering exceptional outcomes for our customers and strong returns for our shareholders.

Thank you.



Dr. Richard Treagus  
Executive Chairman

#### Forward-looking Statements

This ASX-announcement contains forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks and important factors that may cause the actual results, performance or achievements of BTC health to be materially different from the statements in this announcement.

#### About BTC Health

BTC health Ltd ("BTC") is a Pooled Development Fund which makes active investments in businesses that acquire, develop and distribute innovative medical products in Australia and New Zealand. The company is building a group of high-growth businesses which together are focused on providing access to some of the best specialized therapeutics and medical devices from around the world. BTC is listed on the Australian Stock Exchange (Code: BTC). Additional information can be found at [www.btchealth.com.au](http://www.btchealth.com.au)

#### Authorisation

This announcement was authorised for release to the ASX by the Board.

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