ASX Market Announcements
ASX Limited
20 Bridge Street,
Sydney NSW 2000

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Lodgement of Open Briefing

We enclose a transcript of an Open Briefing interview with Managing Director Andrew McLellan.

Yours sincerely



Lee Mitchell
Company Secretary
Bluechiip Limited
E: leem@nrlawyers.com.au
T: +61 (0) 3 9640 0400

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Managing Director, Andrew McLellan on Bluechiip's 2020 financial results, the Annual Report and the outlook for 2021

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:

- Financial Results
- Revenue and impacts across first and second half of the year
- Bluechiip Branded and Bluechiip Enabled Products
- Bluechiip opportunities

Record of interview:

1. BCT released its FY20 financial results last week showing a loss of $4.5m for the year and net cash at year-end of $7.9m. This compares to an FY19 loss of $3.3m and net cash at year-end of $3.8m. Before we delve at the financials, can you talk us through the key operational highlights for FY20?

We began the year looking to get scale and efficiencies into the business while also generating flexibility in our operations for chips and readers and continuing to build our customer base. We made significant progress on this in the first half and begun ramping up deliveries as we entered the second half.
In early February we started seeing the initial impacts from Covid19 and by March/April most of the world was in various levels of lock down and activity levels fell sharply.
So, against that backdrop, I can say that but for Covid19 we were positioned to deliver a much stronger second half than the one we did.

Entering FY21, we are happy with the past year's allocation of resources on research and development which has delivered the business capabilities in terms of production efficiencies, flexibility, product development and customer engagement. For example, in response to specific customer demands we can now produce chips in multiple sizes. This in turn allows us to target more market niches within the broader biobanking and life sciences market.

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2. Revenue was $236k for the FY20 year, down from $1,025k in FY19 but cash receipts of $857k were up from $441k. What drove these numbers and can you also discuss how revenue momentum changed from the first half to the second half of the 2020 financial year?

The growth in cash receipts reflects sales made to customers during fourth quarter FY19 with cash receipts came in FY20 and also FY19. If you look at the FY20 Annual Report, you'll see that Trade Receivables were just $42k at the end of FY20 down from $665k at the end of FY19. This decline also in part reflects that for most of the second half of FY20 our sales and deliveries were heavily reduced due to Covid19.

In the Notes to the accounts you will also see a $1,500k receivable for R&D Tax off-set from those eligible R&D expenditures. We expect to receive that in cash in the first half of FY21.

3. BCT has been reorganising its operations to ameliorate the impacts of Covid19, including reducing total expenses and putting a greater portion of its spending into R&D. Is the reorganisation complete and what is the impact of this both operationally and financially?

The focus on R & D in the past years is already delivering in terms of more efficient production, improved product range and quality.

Is this work complete? No, we are continually monitoring this in response to customer demand and the operating environment. For example, we can't travel to international trade shows however many companies have now moved on-line so we engage with our target customer base in this way. In the last quarter of FY20 we were able to remotely train a customer in Chicago who is now running our system. Over the coming months we also intend to set up systems with remote training.

As we continue to develop our own branded products, we are also able to work remotely with potential OEM partners developing concepts and roadmaps towards Bluechiip enabled solutions.

Financially, as noted above we expect to receive $1,500k of cash for R & D tax refund in the first half of FY21, which in line with what we received for all of FY21.

4. BCT is now developing its own line of branded products as well as supplying OEM partners. What investment will this require and how do these two strategies fit together?

The capability to sell our own product direct has always been there and is a typical component of our OEM agreements. For example, in June we delivered product direct to a customer in China. The change is simply that we are putting more emphasis on our own product range and given we understand better where and how it can fit with our end customers, we will continue to build this capability especially in North America.

As well as the OEM customer agreements we have in place, we currently have a number of potential OEM agreements in various stages of negotiation and 35 developer kits in the market. The ability to produce and market our own product line is part of the negotiation process with each client in each market niche.

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So, the two strategies work together by giving us flexibility to tailor to different markets. We may deliver a customised version of our own product to an OEM to service part of their needs and at the same time, deliver raw chips for them to integrate into their own specialised products where they can deliver significant scale.

5. Labcon purported to cancel its contract in July of this year. Being post balance date, it had no impact on the result in the FY20 accounts, but can you remind us what the cancelation means in terms of BCTs strategic direction, opportunities and market position?

I am limited in what I can say given legal proceedings have started which will involve claims and counterclaims but as noted in our announcement of 16 July, Labcon purported to terminate its contract which we are contesting.

As mentioned earlier, we are developing our own line of Bluechiip branded consumables. We have our own marketing and BD team in the USA, and we have direct engagement with a number of USA based clients as well as distribution agreements in Europe and Asia.

We are well engaged with multiple OEM opportunities in the USA and all over the world and expect a number of these will convert in the not too distant future.

6. Looking at the market in terms of the end customers, the bio preservation market is your primary target market. How large is it and how is BCT engaged in various segments of this market? Does Covid19 offer any new opportunities?

Well over 300m samples per year go into storage in bio-preservation and bio-banking globally. The market has multiple segments including blood banking, research national bio-banks which can have many millions of samples in just one facility, cell therapy and IVF.

Covid19 has resulted in a large increase in the volume of testing and bio-samples being put into storage.

This includes growth in adjacent life science markets such as active bio-logics, which includes therapies and vaccines. Many of these need to be shipped and handled at very low temperatures, for example, -80 degrees Celsius. Bluechiip's technology and products work extremely well in such very low temperature environments, whereas RFID technology stops working below -50 degrees Celsius. Our multi-vial and handheld readers and software also offer very significant efficiencies when dealing with large volumes.

In terms of Covid19, our presence in overseas markets provides us with a platform to chase opportunities and, locally, we are also aware of the Federal Government's move to secure 25m vaccinations for Australia.

We are actively pursuing all of these markets.

7. Software is something that BCT has discussed more in recent months. Can you remind us how this adds to BCT's market proposition and how it complements BCT's overall technology, patent and certification position?

The software is an increasingly important part of our operation and is being developed with feedback from our customers.

It gives our customers significant efficiency and security gains and you'll see a segment in the Annual Report, on page 7, detailing how our overall system works in a client environment. By system we mean Bluechiip enabled products, multi-vial readers and of course the software for track and tracing. We can provide a full audit trail from sample collection through to testing and banking and will keep building this out to service further markets.

A specific software example is that in the last few weeks we released software that includes CFR21.11 compliance, which covers regulations on electronic records and electronic signatures, allowing improved access for the pharmaceutical market.

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Thank you.

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