

7 December 2020

ASX ANNOUNCEMENT

Control Bionics Raises \$15m via IPO to Fund International Expansion

Highlights

- Leading medical technology company Control Bionics Limited commences trading on the ASX today
- Control Bionics raised \$15m via an oversubscribed IPO, fully underwritten by Morgans Corporate Ltd and capitalising the Company at \$50m
- The Company specialises in enabling people with disabilities to communicate with and control electronic devices using their own neuroelectric signals
- Capital raised is primarily to fund ongoing international sales expansion in existing markets in North America as well entry to Japan in the near term
- With an estimated 56,000+ people diagnosed annually with conditions which fall into its target user base, Control Bionics estimates its market opportunity grows approximately A\$1.2bn per annum
- FY20 revenue grew 297% to A\$3.1m and commercial momentum has continued into FY21

IPO Summary

Control Bionics Ltd (ASX:CBL) ('Control Bionics' or 'the Company') commences trading today after raising \$15m via a fully underwritten Initial Public Offer (IPO) of 25m shares at 60c. Morgans Corporate Ltd acted as Lead Manager and Underwriter to the Offer. The market capitalisation at the Offer Price is \$50m with 83.33m shares on issue.

There was no sell down by existing shareholders as part of the transaction. The Company's Founder, Peter Ford, retains a 25.5% stake in Control Bionics at listing, while Nightingale Partners and its associated entities, who have been key investors in Control Bionics since 2005, will own 20.6% of the Company's Issued Capital post the IPO.

The funds raised will provide Control Bionics with working capital to execute its growth strategy in North America, increase its presence in Australia and prepare for entry to other priority markets including Japan. Additionally, funds will be used to support the marketing for existing products and to fund continued development of the hardware and software for a range of new, advanced applications.

Control Bionics Business

Control Bionics is a technology company which enables a disabled person to use their own neuroelectric signals, from their brain to a muscle, to control communication and movement through smartphones, tablets, computers and robotics, even when that muscle is not fully functional. The Company's wireless wearable device, 'NeuroNode', is a world leader in electromyography (EMG), capturing and processing those neuroelectric signals into electronic commands to do everything they would normally do with a keyboard, mouse, joystick or touchscreen. The technology also enables a person to use their eyes to replace a mouse in

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controlling a cursor on a screen simply by looking where they want the cursor to move; and then to select anything under the cursor, using NeuroNode; providing fast, intuitive communication and control through text, text-to-speech, emails, phone-messaging, web surfing and robotics.

Control Bionics has two key products in the market currently, the NeuroNode 3 and the NeuroNode Trilogy / NeuroNode GridPad Trilogy (USA). The Company's flagship product, NeuroNode 3, is a watch-sized, wearable, wireless, internet-enabled, programmable neuroelectric sensor, which uses the human body's EMG signals to operate these devices, making it an incredibly powerful communication and control system. Any muscle on the body is a potential access site for the device.



Figure 1: The NeuroNode 3

Because it uses these neuroelectric signals inside a muscle, it often works even when there is no noticeable muscle movement. This distinguishes it from other devices that require a keyboard, mouse, joystick, touchscreen or eye tracking to function.

The NeuroNode 3 unit is approximately 45 millimetres in diameter and 16 millimetres in height, weighing less than 30 grams. NeuroNode 3's design is ergonomic so it can be worn comfortably and discreetly indoors, outdoors and in various light conditions, which further differentiates it from competitors.

The company's flagship product: The NeuroNode Trilogy, launched in 2019, combines the power of the NeuroNode 3 with eye-tracking technology to create a robust AAC system available for the disability sector. The combination of these elements aims to deliver faster communication with significantly less fatigue because users can take advantage of two core modes of access at once (eye-control to move the cursor and NeuroNode 3 to act as the mouse activation). The system comes with a Windows based tablet and high-quality infrared eye-tracking camera.



Figure 2: NeuroNode Trilogy

Growth Strategy

The Company's IPO-funded growth strategy is two-fold:

1. Geographic expansion including further expansion into existing markets in Australia and particularly the US, together with exploring new markets such as Japan; and
2. Develop applications for its core technology in new market segments.

The Company's market opportunity is significant. An estimated 56,000+ people each year in the USA, Australia and Japan are diagnosed with conditions that fall into Control Bionics key target user base. Based on the Company's average revenue per unit in FY20 of A\$21,928 this implies a market opportunity growing by approximately \$1.2 billion per annum. Markets in Europe and other countries in Asia are incremental to this.

The US represented 60% of FY20 revenue and the NeuroNode technology is listed and registered in the US with the FDA as a powered communication device and a powered environmental control system. This enables NeuroNode products to be sold as medical devices to companies, governments and consumers throughout the USA. NeuroNode products are available to qualified patients nationally under the US Medicare program and through State-administered Medicaid programs in 31 of 50 States across the USA as well as in the District of Columbia. Control Bionics is currently working to have its products reimbursed with additional Medicaid States and with US private health insurers – a key driver of future growth.

In February 2018, the United States Congress passed the Steve Gleason Act, which permanently guaranteed the funding of speech generating devices such as NeuroNode products for people with degenerative diseases such as ALS/MND. These accreditations and registrations ensure NeuroNode is affordable and obtainable for a much larger pool of customers in the US.

Elsewhere, Japan offers Control Bionics a significant opportunity as the Company has been working with Austrade and JETRO (Japanese External Trade Organisation) since June 2020 on Control Bionics' market entry strategy. The Company is making progress with Japanese

market and expects to have its product actively being tested in Japan soon. Over time the Company plans to explore additional markets in Asia.

Control Bionics has achieved sales in Ontario, Canada and will continue to serve patients in the market via the appointment of a Canadian reseller. Control Bionics has acquired the ability to affix the CE Mark to NeuroNode products that are to be marketed in the European Economic Area. Plans for expansion into Europe and the UK are scheduled for 2022 and focussed on prioritising markets with adequate levels of disability funding support.

Control Bionics intends to invest in strengthening the Company's internal product development team to enable it to continue to innovate in the AAC and disability sector, as well as to develop product/market opportunities outside of this sector. The Company intends to continue the development of its technology, including its further miniaturisation and additional market applications.

Business Update

The majority of Control Bionics' revenue is generated from unit product sales to healthcare providers, insurance providers, end-users and government agencies. In FY20 the Company generated \$3.1m in product revenue, primarily from sales in the US and Australia. Sales revenue grew 297% on FY19, driven by a combination of product maturity, market awareness and USA insurance access.

Despite challenges presented by COVID-19, the Company has achieved strong growth and since August 2020 has seen gradual reopening of assessment sites in homes, facilities and rehab centres in Australia and the US.

In Q1 FY21, the Company's unaudited revenue grew approximately 41% to \$0.971m versus the prior corresponding period (pcp). In Q1 FY21 unit sales grew 53% versus pcp. The Company's outlook remains consistent with its expectations at the time of the Prospectus.

In September 2020 Control Bionics launched *NeuroNode Trilogy GridPad* which includes a more robust packaging, more powerful speakers and extended battery life. The market reception thus far has been very positive. The flexibility of the system and increased feature sets means it is strongly positioned for sales success.

Early in Q3 FY21 the Company expects to be adding to its sales marketing and operational capacity in the US as well as Australia. In the US specifically it is planning to double its sales team by the end of FY21 to better penetrate the market made up of 165,000 speech pathologists, >38,000 rehabilitation clinics and private insurers in that market.

Following on from initial engagement with Austrade and JETRO in Japan, Control Bionics is moving positively toward entering the Japanese market, currently targeted for mid-2021.

Chief Executive Officer Robert Wong commented:

"We are extremely pleased by the level of support from institutional and retail investors and the success of the IPO is testament to the market's enthusiasm for our NeuroNode technology. We would also like to thank Nightingale Partners who was a key early investor in the Company and who remain an enthusiastic supporter and major shareholder 15 years later.

Our technology is pioneering and life changing for our customers and we are focused on improving their experience even further with ongoing product innovation. The existing market opportunity before us is large but, even so, grows an additional \$1bn+ every year. We have aggressive growth plans for the enormous US market in particular and the IPO funding will be instrumental in expanding our sales efforts there, as well as in Japan in the second half of FY21".

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CASE STUDY

Justin Yerbury (AM) Professor - Neurodegenerative Diseases at Wollongong University

Justin Yerbury's family has a genetic predisposition to developing motor neurone disease (MND). This situation drove him to become an internationally recognised biological research professor in the field of MND. Justin is currently Professor - Neurodegenerative Diseases at Wollongong University, NSW, Australia.

Unfortunately, in 2016, Justin himself developed MND. Control Bionics first met Justin in 2018 to assist with his communication abilities due to a reduction in his voice body movement functions. Justin was using eye-tracking technology at the time and was looking for a device he could use for communication outdoors (where using eye-tracking is challenging) and via his mobile phone (which does not support eye-tracking technology for communications).

Control Bionics initially introduced Justin to the NeuroNode 3, which added significant function to his ability to communicate while away from home or at university. In 2019, Control Bionics introduced Justin to the new NeuroNode Trilogy system which combined the NeuroNode with eye-tracking. The NeuroNode Trilogy system significantly improved his speed of communication over eye-tracking technology alone. Justin's wife, Rachel, said that she felt Justin could type almost twice as fast compared to using eye-tracking technology. Justin continues to use the NeuroNode Trilogy system in a variety of flexible ways depending upon his condition and communication requirements. We are very proud to be assisting Justin communicate with family and friends as well as helping him to continue his important research. In January 2020, Justin was recognised in the Australia Day honours list for his outstanding contribution to research regarding MND.



Justin Yerbury

This announcement was authorised by the CEO, Rob Wong.

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About Control Bionics:

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