

ASX Announcement :

**Managing Director, Andrew McLellan:
Sales of Bluechiip Enabled Solutions,
Growing pipeline, Expansion of USA
sales & marketing**

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Open Briefing interview with MD Andrew McLellan**In this Open Briefing®, Andrew discusses:**

- Sales growth accelerating and expected to continue, following the launch of Bluechiip's own product range in November 2021
- Repeat orders already being received for Bluechiip's own product range
- Growing pipeline of enquiries locally and offshore
- Expanding USA marketing team in response to increased customer interest

Record of interview:openbriefing.com

Andrew, following the launch of Bluechiip's own product range in November 2021, the company's ASX Release for the March quarter 2022 shows sales accelerating, from just \$32k per month in the first half of the year to \$132k in the month of March. There was also an up-tick in "product manufacturing and operating costs", which averaged \$220k for the Sept-2021 and Dec-2021 quarters but increased to \$379k for the March-22 quarter. Can you tell us more about the accelerating sales and cost lines? Do you expect sales to keep growing and what is the lag between sales and cash receipts?

MD

We are pleased with the quarter in that sales are increasing, albeit from a low base. The sales growth outlook is underpinned by receipt of our first repeat orders and a strong sales pipeline.

Following the launch of our own line of Bluechiip Enabled solutions in November we have been able to visit multiple customer sites, especially in North America, to demonstrate and install Bluechiip solutions and make initial sales. We are now receiving our first repeat orders for our consumables. Coming soon after our initial sales, this is a pleasing endorsement of our product range and our business model.

As a reminder, the business model for our direct to market product range is installation of our Bluechiip Enabled Advanced Sample Management solutions including our software, readers and consumables. Once the system is up and running, we expect repeat orders. Our consumables tie directly with our software and readers for our customers. This enhances quality, drives productivity and provides confidence in every sample.

Our sales pipeline is strong and growing especially in North America where we have expanded the sales team in response to market demand. This is reflected in the uptick in sales and marketing costs in part driven by the North American market. This pipeline activity, combined with the repeat orders we have already received, means we expect to see our sales continue to grow.

Included in the activity noted above is the Fujifilm Irvine Scientific project that we are now executing and that is progressing well.

Manufacturing activities also increased due to us building for the end customer demand. We do have stock for some products, readers and chips, but there are also some line items that need to be manufactured to deliver to our customers including our Bluechiip Enabled consumables, which as mentioned are gaining traction and for which we have already received repeat orders from some early adopter customers.

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Can you tell us more about your expectations in terms of sales, to what extent are they based on pipeline vs. orders? What is your conversion of pipeline into orders, and how's that going? And you've also mentioned 'repeat customers' already, so can you expand on that?

MD

The pipeline is growing. In part this reflects an additional sales representative added on the US East Coast back in September last year and we are expanding our direct sales representation on the US West Coast in May.

The pipeline is also very active, in that our team are now able to get out and visit customers and do active demos as Covid restrictions ease.

Pipeline conversion timing varies by customer size. The bigger accounts can take a little longer but we are also seeing some customers convert in the space of a month or two.

On the OEM side of the business good progress is being made with multiple customers where we have developer kits in place and potential OEM agreements under discussion. The process is longer than for the end customer consumables market but the OEM customers are typically significantly larger, such as the one seen in FujiFilm Irvine Scientific.

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BCT's press release accompanying the 4C refers to delivery and installation of BCT's products to 6 customers locally and overseas. To what extent are your sales expectations for the balance of 2022 underpinned by contracts with these customers?

MD

Our sales growth outlook is underpinned by both repeat orders from our existing customers, which we are already receiving, conversion of customers in the pipeline, and expanding into new sites within existing customers.

As mentioned we are seeing conversion times from pipeline to customer order as short as 1 – 2 months in some cases however larger customers may take longer. So we expect to see our customer numbers continue to grow and we also expect to continue receiving repeat orders from customers as we convert them.

We are also seeing that customers often have multiple facilities or laboratories across their organisations so for example within one customer site they actually have 8 laboratories in which Bluechiip solutions can be applied and we envisage starting in 1 or 2 laboratories and expanding across the full 8 laboratories over time. This should see growth within the customers and through the addition of new customers.

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You have mentioned that you are adding headcount in North America in response to increased client engagement and the large market opportunity. How important is this market and when do you expect these engagements to convert into sales?

MD

Just a reminder that the North American market is important as it accounts for approximately 40% of the global 300+m sample, a year bio-repository market, so it provides a key focus for the well over \$1B global opportunity.

We've already seen some of those engagements convert into orders.

Initially, when we launched our product range in November last year there were still restrictions due to Omicron and conversion was slower than expected. That said, we still added customers and now we are seeing the orders and pipeline grow, hence the additional resource we have added for this market.

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What is the status of the Fujifilm Irvine Scientific roll out, under the Licence and Development Agreement you signed with them last October? Is the roll out progressing on time?

MD

Progressing well. We are also seeking feedback from their end customer base to ensure we, that is Bluechiip and FujiFilm Irvine Scientific, maximise the opportunity.

Just a reminder, the agreement is an 18 to 24 months for licence and development and during that period we expect to convert into a long-term supply agreement.

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What is the significance of the Japanese Patent you have been awarded? What is the opportunity in that market both medium and long term?

MD

The Japanese patent is part of our overall IP strategy, which is to register patents in Australia, and then once they're registered we seek international patents to secure our rights. That

includes in North America, Asia (Japan) and Europe, and we're quite pleased that it's been granted in Japan, because it's an important market for us.

This patent is for what we have termed our "over-temperature" chip. This provides temperature excursion and identification once the chip, in a sample container, goes into the cold and then rises above a critical temperature. When that occurs the chip will flag the excursion both visually and electronically. There's a very significant market opportunity adjacent to market we are already serving, and includes in the food and cold chain and logistics market.

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Cash burn for the quarter was \$1.22m up from an average of \$0.95m for the prior two quarters. Do you expect the cash burn to remain at this higher level going forward and how will the growing sales line impact this?

MD

In terms of the net cash burn, we've typically run around that \$1m a quarter mark. There were some timing issues for the quarter relating to some manufacturing costs and customer inflows but ongoing we expect it to be around that \$1m mark.

We're expanding the sales and marketing team to drive sales. This will increase the cost line while also driving increasing sales, albeit with a normal commercial lag between sales and actual cash receipts. Net we expect the cash burn to fluctuate around the \$1m per quarter mark for now and then decline as the sales line grows.

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Cash on hand at the end of the quarter was \$2.79m and you have received Government approval for 2021 R&D tax credits equating to \$1.1m. When do you expect to receive that \$1.1m and what is your expectation for further cash receipts from R&D tax credits for the current financial year?

MD

Our cash is \$2.79m in hand and as you note we have just lodged our tax claim for the \$1.1m, which we expect will be processed and received during this quarter, bringing our cash close to \$4m. We also expect to receive a similar cash inflow from R & D tax credits in the December quarter.

OEM engagement remains high, with multiple active projects and negotiations. Given that most covid restrictions have been removed, and you are also selling your own product range, what is the pace of your OEM negotiations and converting them to agreements, for example, like your recent one with FujiFilm Irvine Scientific?

MD

We are active with 3 OEM's as we speak, this is on top of the extensive engagement we have had pre covid where we delivered well over 30 developer kits. We are delivering prototypes, concepts and systems to enable the OEM's to assess and explore how they can utilize our technology. The end markets this relates to are in cell therapies; pharmaceutical products; and our target biobanking marketplace.

We are also seeing OEM's we have previously dealt with re-engage now that covid related restrictions have eased.

At the same time, we have a very strong focus on continuing to grow the sales and customer base for our own Bluechiip Enabled solutions and controlling our own destiny. Both strategies provide a strong basis for the business moving forward.

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