

22 February 2023

## ASX Release

### **Austco Healthcare increases revenues by 29%, invests further in sales capability and declares a fully franked dividend**

- Revenue from customers up 29% to \$20.5 million
- Software and SMA revenues up 47% to \$3.6 million
- Gross Margins increased to 54.8% compared to 52.9% in pcp
- Underlying EBIT (excluding other income) up 49% to \$1.7 million
- Underlying NPAT (excluding other income) up 57% to \$1.3 million
- Reported NPAT down 9% to \$1.4 million
- Fully franked dividend of 0.175 cents per share declared

Austco Healthcare Limited (**ASX:AHC**), a global leader in clinical communications solutions, announces a 29% increase in revenue from customers over the prior comparative period (pcp) to \$20.5 million for 1HFY23.

Whilst supply chain issues remain and are expected to remain throughout calendar 2023, we noted improvements, especially during the second quarter. The supply chain improvements allowed the Company to accelerate product deliveries on its Open Sales Order book, which gave rise to all regions posting revenue growth. Despite the material increase in revenues, our Open Sales Order book remains robust at \$20.3 million (at mid February 2023).

Growing Software and SMA revenues, up 47%, allowed for improved Gross Margins, now up to 54.8%.

As outlined in recent investors presentations, we have strategically increased our investment in Sales and Marketing resources across several markets, which has given rise to our increased cost base.

Whilst Reported NPAT was down 9% to \$1.4 million as compared to pcp, underlying operational performance shows Underlying EBIT is up 49% to \$1.7 million and Underlying NPAT is up 57% to \$1.3 million, once grant and other income is removed from prior periods.

Further key milestones delivered for the year were:

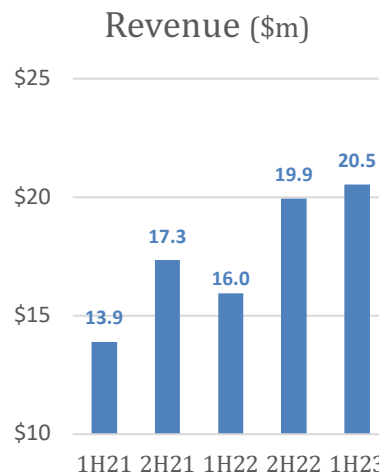
- Continuing to take advantage of a strong cash position to further strategically buildup our inventories. We have increased inventories by \$1.9 million in the six months since June 2022, which had an increase of \$4.1 million over FY22. We have invested in our inventory stores to meet the increased revenue levels of the business and to ensure the supply of product pent up in our Open Sales Order book;
- Growing our investment in sales and marketing resources, increasing our cost base to organically grow the business faster and further;
- Increasing our investment in research and development (R&D), both internal and external, we invested \$1.8 million in R&D in 1HFY23 compared to \$1.3 million for the pcp;
- Continuing strong Open Sales Orders, representing 6 months of revenue, currently \$20.3 million at mid February 2023;
- Achieving positive cashflow from operations at \$1.2 million for 1HFY23;
- Despite the strategic buildup in inventories to provide insulation from supply chain issues and an increase in our cost base, maintaining a robust cash balance of \$7.0 million; and
- Declaring a fully franked dividend of 0.175 cents per share.

### **Revenues from customers**

Revenue from customers was up 29% to \$20.5 million compared to pcp. Revenue from customers was also up on our 2HFY22 revenues of \$19.9 million, despite 2H being traditionally stronger than 1H, as the opposite graph demonstrates.

All of our markets recorded increases in revenues as compared to the pcp. Installation revenues also were strong, highlighting product availability and site access.

Supply chain issues continue to restrict our ability to convert our Sales Orders into recognised revenue, although those challenges are reducing. We observed a much stronger second quarter versus the first quarter, boding well for the balance of FY23.

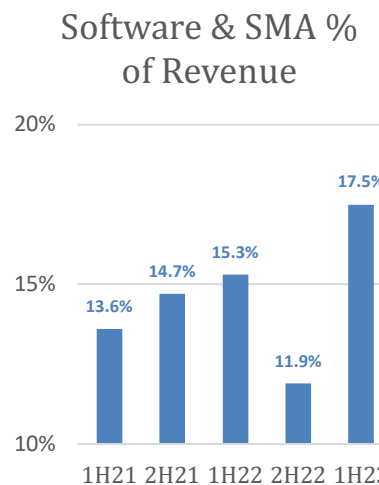


### **Software and SMA revenues from customers**

Strategically important high-margin software and SMA revenues rebounded strongly and represented 17.5% of our total revenue from customers. This is the Company's highest ever relative contribution from Software and SMA revenues.

Software revenue, and its corresponding SMA trailing revenue, will continue to form an ever growing part of Austco's revenue mix as we continue to develop and sell higher functional workflow systems to our customers.

During 1HFY23, we recognised \$3.6 million of Software and SMA revenue, up from \$2.4 million in the pcp.



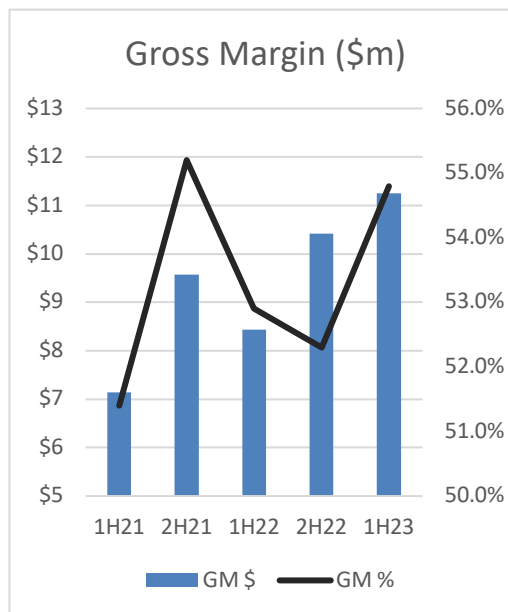
### **Gross Margins on revenues from customers**

Gross Margins rebounded to 54.8% as rising contributions from high margin Software and SMA revenues more than offset the costs pressures due to challenges our contract manufacturers had in sourcing component materials to make our products.

The need to access new sources of supply of raw materials in secondary markets at a premium price has reduced. However, the lack of supply of certain components continues to require us to find alternates. This continues to absorb the time of our R&D and Regulatory teams to validate the replacement and re-certify the product.

The hidden cost of finding and validating new components has reduced cadence of our new product development as resources are diverted from our product roadmap to deal with configuring and testing alternate parts.

Strong revenues and a solid gross margin percentage delivered a strong amount of Gross Margin, \$11.3 million, compared to \$8.4 million in the pcip.



### **Indirect Cost Base**

Overhead expenses increased from \$7.3 million to \$9.6 million over the pcip, being 1HFY22. Overhead expenses in 2HFY22 were \$9.5 million.

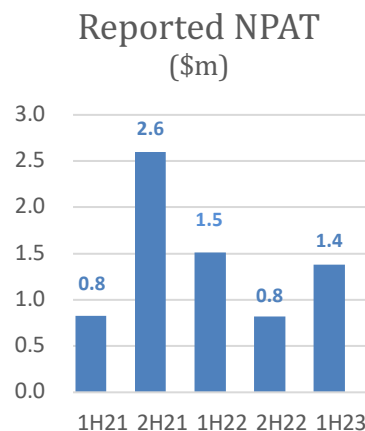
As foreshadowed in our investor presentations over the past 18 months, we have invested in sales and marketing capabilities, increasing the size of our sales teams, particularly in the US market but also in Australia and the UK.

We also increased our investment in research and development for the period by outlaying \$1.8 million (of which \$0.9 million was expensed and \$0.9 million was capitalised). This compares to an outlay of \$1.3 million for the pcip (of which \$0.5 million was expensed and \$0.8 million was capitalised).

### **Statutory Net Profit after Tax**

Statutory NPAT was \$1.4 million for 1HFY23 compared to \$1.5 million in the pcip (1HFY22) and \$0.8 million in 2HFY22.

In prior periods statutory NPAT benefited from Other Income, being Grant Income from COVID related programs and from proceeds from a legal settlement. This Other Income distorts the underlying operational business performance, which is summarised below.



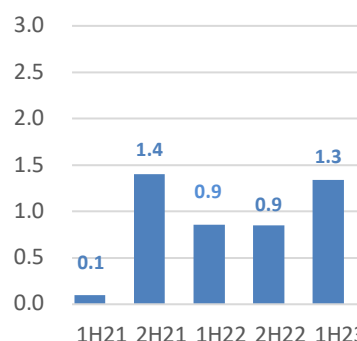
### Underlying Net Profit after Tax

Excluding Other Income, being largely Grant Income from COVID related programs and proceeds from a legal settlement in 1HFY22, we can judge the performance of the underlying operational business performance.

Underlying NPAT grew from \$0.9 million in the pcp to \$1.3m in the current reporting period.

Our increased revenue and improving margins have allowed the Company to absorb the growth in our costs base of more sales and marketing resources and increased research and development expenditure. The Company believes both measures will drive organic growth going forward.

Underlying NPAT  
(\$m)



### Open Sales Orders

Open Sales Orders (OSO) represent confirmed contracted orders from customers that have not yet been fulfilled and, as such, no revenue recognised.

Since the beginning of COVID-19, we have observed a material build-up in our confirmed orders as site access restrictions and supply chain challenges hampered our ability to convert sales into revenue. This culminated in October 2022, when our OSO reached a peak of \$29.8 million.

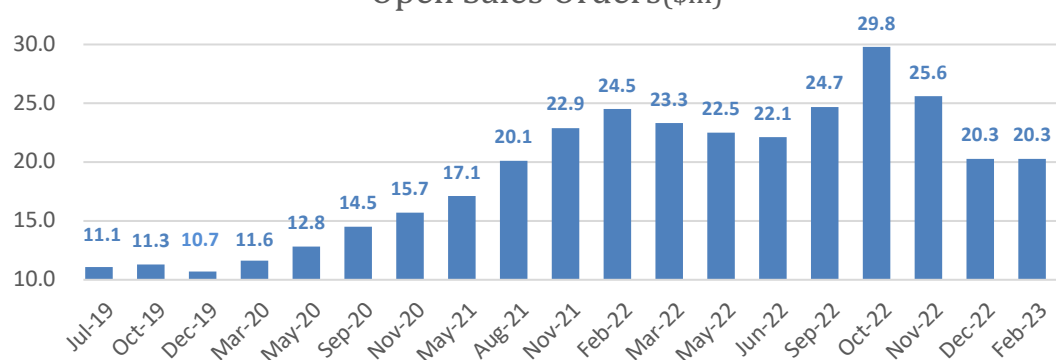
During the reported period we have started to deliver on the backlog of orders.

To maintain our gross margins in the face of an uncertain supply chain, we strategically grew our inventory levels. Throughout FY22, we increased our inventories by \$4.1m, and in the current reporting period we added a further \$1.9m.

Our recent investment in additional sales resources to meet our organic growth ambitions will add to the expected growth in revenues and profits, noting that our industry's sales cycle is long - up to 18 months.

The Open Sales Order book was \$20.3m at 31 December 2022, and still stands at \$20.3m at 15 February 2023.

Open Sales Orders(\$m)



### ***Improved Cash and Working Capital Position***

Cash on hand was \$7.0 million at 31 December 2022, down \$0.7 million from June 2022. Cash generated from operating activities of \$1.2 million assisted in absorbing our strategic investment of additional inventory of \$1.9 million (in addition to the \$4.1 million added through FY22) to address the supply chain challenges and ensure we maintain gross margins as well as ensuring continuity of supply of our products to our customers.

### ***Dividend***

Given the strength of the business, whilst conservatively balancing supply chain challenges, the Board has declared a fully franked dividend of 0.175 cents per share.

The dividend will operate with an ex-dividend date of 2 March 2023 and payment date of 5 April 2023.

A dividend reinvestment program (DRP) will also operate for this dividend, with elections for DRP required by 7 March 2023. A discount of 5% will operate for this DRP.

### ***Research & Development***

In the reporting period, the Company invested a further \$1.8 million (1HFY22; \$1.3 million) of which \$0.9 million was capitalised (1HFY22; \$0.8 million) in the development of its innovative nurse call and clinical communications platform, Tacera. Austco involves healthcare staff of all levels in the design process, ensuring our products meet the requirements of nurses, patients and healthcare administrators.

The Company has released a range of new products and enhancements to existing products, enabling healthcare organisations to better manage patient care and workflow. This includes real-time locating system (RTLS) features focused on the aged care market, enhanced mobile app functionality for clinicians to receive and manage alerts, an interface to a market leading fall prediction system, and a web portal for administrators to access and manage patient data.

The Group has also invested in further development of its analytics platform to provide actionable insights into patient care and a cloud-based platform to enable secure and reliable patient communication and collaboration.



### ***The Future/Outlook***

The Company has strengthened its sales and marketing capabilities in crucial healthcare markets, which positions it to capitalize on emerging opportunities in the rapidly growing healthcare technology market. Austco's investment in sales resources and product innovation are key strategic initiatives to drive organic growth for the business in the years ahead.

Fulfilling orders in our backlog depends on continued improvement in the global supply chain, which has experienced well-publicised disruptions impacting lead times and manufacturing costs for most industries. Pleasingly, there have been gradual improvements in the availability and pricing of raw materials, which we expect will result in continued growth in revenues and profits.

Overall, the Company has managed these challenges well and is confident in its market position. We have a solid foundation to build on and are committed to staying at the forefront of innovation in our industry.

This announcement was approved for release to the ASX by the board.

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### **Further Information**

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### **About Austco Healthcare Limited (ASX Code – AHC)**

Austco Healthcare Limited is an international provider of healthcare communication and clinical workflow management solutions. Headquartered in Australia, the company has subsidiaries in six countries and supports healthcare facilities through its global reseller network, which includes growing markets in health, aged care and acute care. Austco Healthcare services markets including Australia, New Zealand, Canada, UK, USA, Asia and the Middle East. For further information, please refer to the Company's website [www.austcohealthcare.com](http://www.austcohealthcare.com).