

## Hydrix records strong 3Q23 revenue growth, profit for Services business, and increase in Ventures valuations

Hydrix Limited ('Hydrix' or 'the Company') (ASX: HYD) today released its Appendix 4C for the quarter ended 31 March 2023 (3Q23) and provides the following Market Update.

### Group Financial Highlights for the third quarter ending 31 March 2023

- **40% improvement** to customer revenues of **\$3.5m** (PCP \$2.5m)
- **135% improvement** to the Services cash operating profit of **\$0.17m** (PCP loss \$0.49m)
- **54% improvement** to net cash used in Group operating activities of **\$0.93m** (PCP \$2.04m); and
- **27% (\$1.03m) increase** year-to-date in the **net tangible asset value** of Ventures to **\$4.83m**.

### 3Q23 GROUP ACTIVITY HIGHLIGHTS AND BUSINESS UPDATES

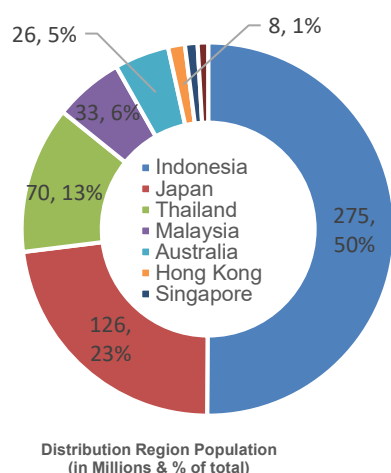
#### Hydrix Services – revenue growth & improving margins are leading to profitability

- **40% improvement** to customer revenues and **135% improvement** to cash operating profit
- **Expanded in the USA, a major potential growth market**, appointing a second team member (commenced on 9 January 2023). In terms of USA progress, we advanced a new USA medtech client to a second stage development contract in January with the potential to undertake further product development stages. This is the client profile we are targeting to win in the USA
- **Demonstrating Hydrix capability to deliver world first products and innovation, Memphasys** (ASX: MEM) Felix System (developed by Hydrix) reported **positive results** from two peer reviewed globally significant journals that the system outperforms the density gradient centrifugation (DGL) method, the most globally common sperm separation method for IVF procedures. Further, in April, MEM announced its **first commercial sale** to the prestigious Kobe ART clinic in Japan and its **first live birth** using the Felix system; and
- Continued development on **Cyban's** 1<sup>st</sup> generation product, announcing a **\$1.48m** contract extension on 28 February 2023.

## Hydrix Medical – focus on large markets and on expanding the product portfolio

- Advanced commercial discussions to final stages with a prospective sub-distributor to commence sales into Malaysia
- **Engaged a Japanese Clinical Research Organisation** to develop a regulatory and reimbursement pathway to market and distribute the Guardian in Japan
- **Actively engaged in discussions with several emerging cardiovascular technology companies** to distribute their products in Australia and South-east Asia. Products being evaluated include medical software-as-a-service and other highly specialised products used to monitor and diagnose cardiovascular diseases; and
- **Withdrawal of Guardian application to the TGA.** On 27 February 2023, Hydrix advised that after application review by, and engagement with, the Australian Therapeutic Goods Administration (TGA), in the Company's view, the best path forward to reach an approval with the TGA, is to withdraw the current application and resubmit at a later date as more patient data becomes available to assist the TGA with its determination.

**AngelMed Guardian: The chart below shows the population of the eight countries under exclusive distribution and the regulatory status of markets other than Australia**



Country / Agency	Appl. Date	Status
USA / FDA	n/a	Approved
Singapore / HSA	16-Aug-21	Approved
Malaysia / MOH	27-Dec-21	Approved
Thailand / Thai FDA	12-Oct-21	In process
New Zealand / MMDSA	11-Aug-21	WAND notified
Hong Kong	-	In process
Japan	-	In process
Indonesia	-	In planning

## Hydrix Ventures – major milestones being met, leading to valuation uplifts

- On 25 January 2023, **Angel Medical Systems** (AngelMed) signed an agreement with a third party committing to Guaranteed Purchase Minimums of **US\$85.0 million over 5-years** for the distribution rights in the Middle East & North Africa (MENA), a market with 150 million people
- On 10 February 2023, **AngelMed closed an oversubscribed US\$7.8 million Series B** round priced at **US\$1.25** per share, as part of a US\$26.0 million cross-over round, triples the size of the salesforce, expands leadership team, and extends runway to continue exploring an IPO opportunity. A gain on financial assets of **A\$0.37m** increased the book value from **A\$1.48m** at 31 December 2022 to **A\$1.85m**
- On the **24 February 2023**, Hydrix received equity in lieu after completing the 1<sup>st</sup> generation product for **Gyder Surgical**, increasing the investment in Gyder by **\$0.33m** to approximately **\$1.43m**
- On **19 April 2023**, Gyder Surgical made an announcement that it had received regulatory approval from the Therapeutic Goods Administration (TGA) of Australia to market and sell its Gyder Hip Navigation System and for the product to be listed on the Australian Register for Therapeutic Goods (ARTG). An **equity payment milestone of \$0.33m** has now become due and payable to Ventures, increasing the book value in Gyder to **\$1.76m**. A further equity payment milestone will become due and payable when the product is granted US FDA approval (510K application under review by US FDA)
- Cyban** reported in February that one of its clinical trials **demonstrated a major breakthrough** in that its non-invasive brain monitor delivers equivalent results to invasive intracranial pressure (ICP) monitoring to offer simple and safe alternative in treating critical brain injuries. Hydrix has a **5.85%** investment in Cyban with a book value of **\$0.95m** (cost basis **\$0.55m**); and
- The **Net Tangible Asset Value** of Ventures at the date of this report is **\$4.85m** taking into account Gyder Surgical's announcement in April, an **increase of \$1.03m (27%)** since 30 June 2022.

## CY2023 Group Priorities & Actions

- On **18 April 2023**, the Company announced that Hydrix Services Pty Ltd entered into a **\$1.5m** working capital facility to support revenue growth
- Scale-up Services business, grow year-on-year revenues **+20%** via increased international sales, marketing, and business development, and improve gross profits and billable utilisation to achieve **full year profitability**
- Continue **market development of the Guardian in Singapore and Malaysia**, and progress other large Asian markets, and **expand** third-party cardiovascular technology portfolio to **accelerate** Hydrix Medical revenues; and
- Support venture investee companies reach major milestones to increase valuations.

## Hydrix Executive Chairman, Gavin Coote, commented:

*"We continue to capitalise on opportunities created across the Group, and it is pleasing to see positive business momentum.*

*"Services is tracking a return to full year profitability reflecting increases in billable utilisation and improved pricing structures implemented during the past couple years.*

*"In regard to the decision to withdraw the Guardian TGA application, it is disappointing for Australian patients given it is an US FDA-approved device and being prescribed in the USA. We are advancing market development and regulatory applications in large markets outside Australia including Japan, Malaysia, Singapore, and Hong Kong.*

*"We look forward to updating investors in the near term in regard to additional distribution arrangements for market ready, disruptive cardiovascular products.*

*"The Ventures portfolio is on track to deliver meaningful equity gains this year as investee companies achieve important inflection points driving up their valuations.*

*"We were pleased to secure the \$1.5 million working capital facility in April to support Services revenue growth that is underpinning profitability."*

**-ENDS-**

**Authorisation:** This announcement is authorised for release by the Board of Directors of Hydrix Limited.

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**About Hydrix Limited**

Hydrix Limited (ASX: HYD) is a powerful product innovation company. Hydrix's purpose is to enhance the health, safety, and well-being of a billion lives. The company leverages its powerful product innovation capability across three business segments: Services: design, engineer and deliver world first products and innovation; Ventures: invest in high potential medtech clients; and Medical: distribute disruptive cardiovascular products.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Hydrix Limited

**ABN**

84 060 369 048

**Quarter ended ("current quarter")**

31 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,552	10,842
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(372)	(1,163)
(c) advertising and marketing	(99)	(183)
(d) leased assets	(395)	(877)
(e) staff costs	(3,035)	(9,278)
(f) administration and corporate costs	(497)	(1,976)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	16
1.5 Interest and other costs of finance paid	(88)	(163)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(929)</b>	<b>(2,782)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(35)	(65)
(d) investments	-	(10)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(35)</b>	<b>(75)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,369
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	1
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(88)	(444)
3.5	Proceeds from borrowings	-	220
3.6	Repayment of borrowings	(250)	(338)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(338)</b>	<b>2,808</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,193	1,940
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(929)	(2,782)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(35)	(75)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(338)	2,808
4.5	Effect of movement in exchange rates on cash held	-	
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,891</b>	<b>1,891</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,891	3,193
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,891</b>	<b>3,193</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	165
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

The amount at 6.1 includes full-time salary payments to the Executive Chairman, payments of directors' fees, and payments of interest on funds borrowed from E.L.G Nominees Pty Ltd and John W King Nominees Pty Ltd.



<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>																																			
7.1	Loan facilities	1,750	1,750																																			
7.2	Credit standby arrangements	-	-																																			
7.3	Other (please specify)	-	-																																			
7.4	<b>Total financing facilities</b>	<b>1,750</b>	<b>1,750</b>																																			
7.5	<b>Unused financing facilities available at quarter end</b>		-																																			
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.																																					
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Lender</th> <th style="width: 15%;">Loan Amount</th> <th style="width: 15%;">Interest rate (p.a)</th> <th style="width: 15%;">Maturity date</th> <th style="width: 25%;">Security</th> </tr> </thead> <tbody> <tr> <td>E.L.G. Nominees Pty Ltd</td> <td style="text-align: right;">\$ 150,000</td> <td style="text-align: center;">8%</td> <td style="text-align: center;">31/07/2023</td> <td>Unsecured</td> </tr> <tr> <td>E.L.G. Nominees Pty Ltd</td> <td style="text-align: right;">\$ 150,000</td> <td style="text-align: center;">8%</td> <td style="text-align: center;">31/08/2023</td> <td>Unsecured</td> </tr> <tr> <td>E.L.G. Nominees Pty Ltd</td> <td style="text-align: right;">\$ 150,000</td> <td style="text-align: center;">8%</td> <td style="text-align: center;">30/09/2023</td> <td>Unsecured</td> </tr> <tr> <td>E.L.G. Nominees Pty Ltd</td> <td style="text-align: right;">\$ 150,000</td> <td style="text-align: center;">8%</td> <td style="text-align: center;">31/10/2023</td> <td>Unsecured</td> </tr> <tr> <td>E.L.G. Nominees Pty Ltd</td> <td style="text-align: right;">\$ 150,000</td> <td style="text-align: center;">8%</td> <td style="text-align: center;">30/11/2023</td> <td>Unsecured</td> </tr> <tr> <td>John W King Nominees Pty Ltd**</td> <td style="text-align: right;">\$ 1,000,000</td> <td style="text-align: center;">6%</td> <td style="text-align: center;">31/07/2023</td> <td>Unsecured</td> </tr> </tbody> </table>			Lender	Loan Amount	Interest rate (p.a)	Maturity date	Security	E.L.G. Nominees Pty Ltd	\$ 150,000	8%	31/07/2023	Unsecured	E.L.G. Nominees Pty Ltd	\$ 150,000	8%	31/08/2023	Unsecured	E.L.G. Nominees Pty Ltd	\$ 150,000	8%	30/09/2023	Unsecured	E.L.G. Nominees Pty Ltd	\$ 150,000	8%	31/10/2023	Unsecured	E.L.G. Nominees Pty Ltd	\$ 150,000	8%	30/11/2023	Unsecured	John W King Nominees Pty Ltd**	\$ 1,000,000	6%	31/07/2023	Unsecured
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	<i>*E.L.G. Nominees Pty Ltd is a company associated with Joanne Bryant, a Non-Executive Director of the Company.</i> <i>**John W King Nominees Pty Ltd is a company associated with John King, a related party of the Company.</i>																																					

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(929)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,891
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,891
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>2.04</b>
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
	8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 20 April 2023

Authorised by the Board of Hydrix Limited

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.