

Q3 FY23 Quarterly Activities Report & Appendix 4C

Key Highlights

- ▶ **Europe: Preparation for product launch in 11 countries with global chains**
 - ▶ Operations have commenced to prepare the A-02 TV Bundle for launch into Europe with first purchase orders from global audiology clinic groups expected in Q4 FY23.
 - ▶ Audeara is in final negotiations with Amplifon S.p.A (Amplifon), WS Audiology and Demant A/S (Demant) across 11 countries in Europe, each having a clinic network across Europe roughly ten times the size of their Australian operations.
- ▶ **AUA Technology: Achieved product development milestones for music industry partner**
 - ▶ AUA Technology engagement by a leading musical instrument company on track to meet development timelines for product launch.
 - ▶ This will be the first time that Audeara's proprietary personalisation technology will be incorporated into third party products under the go-to-market strength of a well established brand.
 - ▶ The industry partner is anticipating first product sales into consumer market H2 FY24 with first purchase orders consequently occurring in H1 FY24 with cash receipts in the same period.
- ▶ **Australia: Wholesale and Retail Sales continued Year-on-Year Growth**
 - ▶ Wholesale audiology clinic revenue up 78% on the prior corresponding period (pcp). Retail sales up 51% on the pcp.
 - ▶ Total revenue up 104% on the pcp unit with addition of AUA Technology.
- ▶ **Strategic Product Partnership with Clinico Inc. in Taiwan and China following on from strategic investment**
 - ▶ Audeara will develop a series of healthy hearing earbuds with strategic partner Clinico Inc. (Clinico).



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- ▶ In Taiwan and China, Audeara will be exclusively distributed through Clinico.
- ▶ The development of the products is expected to be completed within the next 18 months.
- ▶ **Financial Performance**
 - ▶ Q3 FY23 cash receipts \$1.01m, up 168% from the pcp
 - ▶ YTD FY23 cash receipts \$2.46m, up 85% from the pcp
 - ▶ Q3 FY23 net cash outflows \$0.81m reduced 20% from the pcp
 - ▶ YTD FY23 net cash outflows \$2.28m reduced 23% from the pcp
 - ▶ Q3 FY23 unaudited revenue of \$0.67m, up 104% from the pcp
 - ▶ YTD FY23 unaudited revenue of \$2.03m up 56% from the pcp
 - ▶ \$3.25 million in cash or equivalents at 31st March with cost reductions being implemented to ensure the Company remains well placed to execute on growth opportunities in FY24.
- ▶ **USA: First Sales into Demant and WS Audiology corporate owned clinics**

Audeara Ltd (ASX: AUA) ('Audeara' or 'the Company') provides the following update for the quarter ending 31 March 2023.

Growth and Corporate Partnerships Executive Director Mr Hsin-Chieh "Bill" Peng said:

"We are continuing to optimise our Australian operations and performance as well as finalising preparations for European expansion. The introduction and formalisation of AUA Technology as an additional revenue stream is a notable step forward for the Company as it leverages the capacity of well established brands. As we continue to leverage the strength of global leaders, we strengthen our pipeline of opportunities and build confidence in our ability to grow the Company and improve performance for shareholders."

European pipeline active for 11 countries

The Company is finalising preparations for launch of product throughout the EMEA region. There are 11 countries in the active pipeline within this EMEA network, each of which will be launched as appropriate to optimise outcomes. Audeara has been preparing for this launch with the guidance of European director of sales Mr István Nagy. Istvan has extensive experience within the audiology network having grown the Sonova Hungary business group, working with Phonak in Australia as well as with Amplifon in Europe prior to joining Audeara.



The Company is in active negotiations with global audiology groups, including Demant, WS Audiology and Amplifon. First purchase orders are expected from select countries in Q4 FY23. An increased volume of sales is anticipated over the course of FY24, as countries scale up and as additional countries launch.

The Amplifon distribution network has the four largest retail clinic groups in Europe, being Italy (737), France (590), Germany (571) and Spain (560), not taking into account the additional 3000 shop-in-shop locations in these countries. Across the EMEA pipeline there are 3100 corporate owned points of sale and 3300 shop-in-shop locations. The Australian market is serviced by 376 corporate owned and 130 shop-in-shop Amplifon locations. Demant and WS Audiology also have clinic networks across Europe, roughly ten times the size of their Australian operation which provides a strong pipeline of growth opportunities.

AUA Technology for music lovers and now hearing health partners

Towards the end of calendar 2023 the Company introduced the concept of contract manufacturing and licensing services which Audeara has now rebranded as AUA Technology. AUA Technology is a new business unit within the Company that focuses on providing Audeara's proprietary technology and design capability to high impact third party organisations. This service enables the Company to leverage off its research and technological superiority to provide a unique selling proposition to third party organisations. This not only improves the quality of the products offered by those partner organisations, but also increases the reach of our personalisation and hearing health technology beyond the audiology networks.

Hearing Health and Personalisation for Musicians and Music Lovers

We're proud that this aspect of our business is coming to fruition as a reflection of the positioning and technology advantage built in the hearing health industry. Projects are progressing well with an anticipated impact of this new cash generating business unit in H1 FY24. While the details of this agreement remain commercial in confidence the company looks forward to sharing the impact this transaction will have as it becomes commercially appropriate.

Healthy Hearing Earbuds for Audiology Industry

Clinico Inc. (Clinico) is the largest audiology retailer in Taiwan with reach throughout Taiwan and China. Audeara's strategic partnership with Clinico now includes a new product development agreement following on from strategic investment of 2.8M AUD to acquire 19.5% equity in Audeara by Clinico CEO Mr. David Lin in Q2 FY23. Audeara will develop a series of healthy hearing earbuds for Clinico Inc. in Taiwan and China, exclusively distributed through Clinico. Clinico will place Audeara branded products as a priority to sell and promote through Clinico's distribution channels. The development of the Audeara branded products in conjunction with Clinico and its team is expected to be completed within the next 18 months.



Australian year-on-year growth

National Sales Manager Mr John 'JK' Krajewski commented on the Australian audiology industry:

"January is generally a soft month across the country with holidays and graduate programs starting. Sales started to rebuild in February whilst managing supervision requirements of graduates. This serves as a great opportunity to re-engage clinics and provide training to the new entrants into the field. Having expanded our reach into all major audiology retail chains across calendar 2022, we were much better positioned compared to last year and this was seen in the uplift in overall sales. There's still a lot of opportunity to be gained in this space as more groups reach the performance we've seen in some key partnerships."

As stated previously, the onboarding of a clinic network is at first a corporate exercise to secure the ability to sell within the network. It is then an exercise in training and awareness raising down to the clinic level to ensure increased throughput. The Company's initial focus was **increasing the amount of clinics** that were stocking our product and this has progressed to **increasing the amount of sales** generated through each of these clinics and in doing so **increasing the amount of people** serviced by our product offering.

What we've seen this quarter is the benefit of this process not only through increased sales in the Australian market but also the flow on effects of those relationships at a global level. Negotiation is underway and a pipeline established at a global level with three of the big seven international audiology networks. This includes active negotiation and introductory stocking agreements in Australia, the US and Europe.

USA focus on key international groups

The plan over the course of calendar 2022 was to leverage off the reach of well-known distributors in the country, however it was determined to be more beneficial to be dealing directly with the global clinic groups which we had developed a relationship with and place less reliance on the network of the distributors. As a consequence of this adjustment to our market entry strategy, supply agreements have been executed and introductory purchase orders have been received from Demant trading as Hearing Life, and WS Audiology trading as Hear USA and My Hearing Centres, as well as a number of independent buying groups.

This decision leaves us well-placed to support and execute on a focused rollout of our product and technologies throughout selected clinic groups, while also improving our bottom line product sale margins. We continue to see an alignment of business practices globally within the large audiology clinic groups, and feel we have an appropriate market knowledge and expectation of behaviours to deploy resources as appropriate to optimise the opportunities that we have thus far created.



Financial update

- ▶ Q3 FY23 cash receipts \$1.01m, up 168% from the pcip
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- ▶ Q3 FY23 net cash outflows \$0.81m reduced 20% from the pcip
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- ▶ YTD FY23 unaudited revenue of \$2.03m up 56% from the pcip

Cost reductions to ensure Company remains well capitalised into FY24

In response to international expansion efforts taking longer than anticipated to cover expenditure, cost reduction measures are being implemented to ensure the Company remains well placed to execute on growth opportunities in FY24. While the Company remains confident for the future, it is well understood that global and market conditions need to be adapted to. The Company's cash conservation process has been guided by the experience of the board and the newly appointed CFO Stuart Smith. The measures taken include a restructuring of the team, reducing the monthly cash burn and a review of salaries for team members. A year-on-year increase in cash receipts with an accompanying reduction in operating expenditure provides confidence in our strong foundation.

Quarterly Cashflow Report

Cash on hand at 31 March was \$3.247 million.

Product manufacturing and operating costs of \$593k are an increase of \$564k on the December quarter due to more favourable payment terms being negotiated with manufacturers in the December quarter, delaying the payments until the March quarter. The increase in costs were mainly connected with the stocking up of Europe with 2000 A-02 TV Bundles in preparation for EMEA launches.

Advertising and marketing costs of \$186,000 are a 15% reduction from the December quarter. Staff costs of \$786,000 are a 5.6% reduction from the December quarter.

Payments to related parties for Directors' fees (executive and non-executive directors) were \$187,000, being a reduction of 3% from the December quarter.



Use of Funds Statement

| Use of funds | Total use of funds outlined in Prospectus \$'000 | Total actual Expenditure \$'000 |
|---|---|------------------------------------|
| Product development | 850 | 423 |
| Investment in resources to scale the business | 3,700 | 6,647 |
| Working capital ¹ | 1,616 | 1,225 |
| Cost of the Offer and Listing | 834 | 878 |
| Total | 7,000 | 9,174 |
| Add: Opening Cash prior to IPO | | 79 |
| Add: Proceeds from IPO | | 7,000 |
| Add: Receipts from Customers since admission | | 4,731 |
| Add: Additional Capital Raise | | 3,800 |
| Less: Product Manufacturing and Operating Investment Costs | | (3,189) |
| Remaining Cash at 31 Mar | | 3,247 |

Note:

¹ Includes other costs arising from admission to the ASX (\$200,000) and repayment of overdraft facility used to repay related party loan (\$179,000).



This announcement has been authorised by the board of Audeara Limited.

For more information please visit, [audeara.com](https://www.audeara.com)

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ABOUT AUDEARA

Audeara Limited (ASX: AUA) is a global hearing health leader specialised in innovative listening solutions for people with hearing challenges.

They are passionate about redefining hearing health, with a particular focus on delivering products that provide world-class tailored listening experiences.

Audeara cares about connecting people with experiences that bring them joy - whether that's watching a favourite TV show, FaceTiming family or listening to music with confidence.

All Audeara products are purposefully designed and engineered in Australia with precision detail and state-of-the-art technology. Each product delivers optimum listening experiences to enhance quality of life for people of all ages and abilities. Their headphones use a health-check algorithm to tailor sound to a unique hearing profile.

Audeara sells its products through distributors and resellers in Australia and North America, and through e-commerce channels.

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Appendix 4C

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

Name of entity

Audeara Limited

ABN

27 604 368 443

Quarter ended ("current quarter")

31 March 2023

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 1,001 | 2,457 |
| 1.2 Payments for | | |
| (a) research and development | (101) | (187) |
| (b) product manufacturing and operating costs | (593) | (1,278) |
| (c) advertising and marketing | (186) | (673) |
| (d) leased assets | - | - |
| (e) staff costs | (786) | (2,363) |
| (f) administration and corporate costs | (158) | (549) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | 18 | 316 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (805) | (2,277) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | (15) |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |

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| 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) | - | - |
| 2.6 | Net cash from / (used in) investing activities | - | (15) |
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | 2,800 |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | (35) | (131) |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | (35) | 2,669 |
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 4,087 | 2,870 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (805) | (2,277) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | (15) |

| 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) | (35) | 2,669 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 3,247 | 3,247 |

| 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 | 3,247 | 4,087 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 3,247 | 4,087 |

| 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 | 187 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

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.

| 7. | Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|-----|---|---|---|
| 7.1 | Loan facilities | 20 | 6 |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | Total financing facilities | - | - |
| 7.5 | Unused financing facilities available at quarter end | | 14 |
| 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. | | |

Westpac credit card facility, secured rolling line of credit for \$20,000 at 20.24% interest on unpaid balances.
Hunter Premium Funding, unsecured fixed term (10 month) initial fully drawn loan amount \$96,037 at 16.22% interest starting May to fund insurance premiums. Principal outstanding at 31 December \$10,057.

| 8. Estimated cash available for future operating activities | \$A'000 |
|--|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (805) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 3,247 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | 14 |
| 8.4 Total available funding (item 8.2 + item 8.3) | 3,261 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 4.05 |
| <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? | |
| | |
| 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? | |
| | |
| 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? | |
| | |
| <i>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.</i> | |

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: 21 April 2023

Authorised by the Board

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

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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.

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