

25 July 2024

## Appendix 4C & Quarterly Activity Report for the period ended 30 June 2024<sup>1</sup>

- 2Q FY24 Product Sales of US\$5.8m, up 5% on pcp and up 6% on 1Q FY24 as sales growth returned following the recent sales restructure.
- 2Q FY24 Direct Product Sales of US\$4.4m, up 2% on pcp: 76% of product sales.
- 1H FY24 Product Sales of US\$11.2m, up 11% on pcp; direct sales of XPERIENCE™ up 61% on pcp.
- 1H FY24 Direct Product Sales of US\$8.7m, up 21% on pcp: 77% of product sales.
- 2Q FY24 Gross Margin of 80% showed continued improvement due to focus on DME revenue quality<sup>2</sup> and shift in product mix (2Q FY23: 69%; 1Q FY24: 79%).
- Significant reduction in net operating cash outflows in 2Q FY24 (US\$1.3m) due to higher receipts and cost out initiatives.
- Closing cash balance of US\$3.6m (31 March 2024: US\$5.0m).
- Reaffirm FY24 guidance for revenue of US\$36m-40m and to be EBITDA and cashflow positive in 2H FY24.

**Next Science Limited** (ASX:NXS) ("Next Science" or "the Company") today provides a business update and quarterly cashflow report for the quarter ended 30 June 2024.

Next Science is a medical technology company focused on commercialising its proprietary X BIO™ suite of products to reduce the impact of biofilm-based infections in human health.

Next Science's CEO and Managing Director I.V. Hall said: "The June quarter has been an important period for Next Science as we restructured our sales force and transformed our cost base as reflected in the significant reduction in cash burn in 2Q FY24. June was a record month for direct sales of XPERIENCE™ as recent clinical studies, the expansion of our GPO footprint and the use of data analytics drove better execution. We also made good progress in the DME segment, replacing most of our direct sales team with 1099s.<sup>3</sup> This provides us with a more flexible and expandable sales force and enhances our ability to successfully scale."

<sup>1</sup> Unaudited financial information

<sup>2</sup> In October 2022, Next Science established itself as a Durable Medical Equipment (DME) provider to sell BLASTX™ in combination with topical collagen products. Refer to ASX announcement on 19 October 2022.

<sup>3</sup> Direct sales representatives are full time employees of Next Science while agency representatives also known as 1099s are independent sales reps who earn commissions based on what they sell resulting in a more variable cost structure.

## FY24 Guidance Reaffirmed

Next Science reaffirms its guidance for FY24 revenue of US\$36m-\$40m and continues to expect to be EBITDA and cashflow positive in 2H FY24.

At the 1Q FY24 result, the Company stated that it would explore funding options to provide a buffer against unexpected financial challenges and the flexibility to respond should investment opportunities arise. On 17 July 2024, Next Science announced that it had entered into a US\$5m unsecured loan facility with Thorney Investment Group. This facility provides the Company with access to additional capital, if required.

## 2Q FY24 Financial Summary

2Q FY24 Product Sales of US\$5.8m were up 5% on pcp as higher direct sales of XPERIENCE™ and partner sales offset a decline in the DME channel due to changes in the Company's go-to-market strategy which were announced at the 1Q FY24 result.

Direct channel product sales of US\$4.4m in 2Q FY24 were up 2% on pcp and accounted for 76% of total product sales (2Q FY23: 78%).

The Wound Care segment was impacted in the June quarter with DME sales down 22% on pcp and direct sales of BLASTX™ down 6% over the same period. This was largely due to the disruption caused by the sales restructure which affected DME sales but also extended to commercial BLASTX™ sales that are handled by this team.

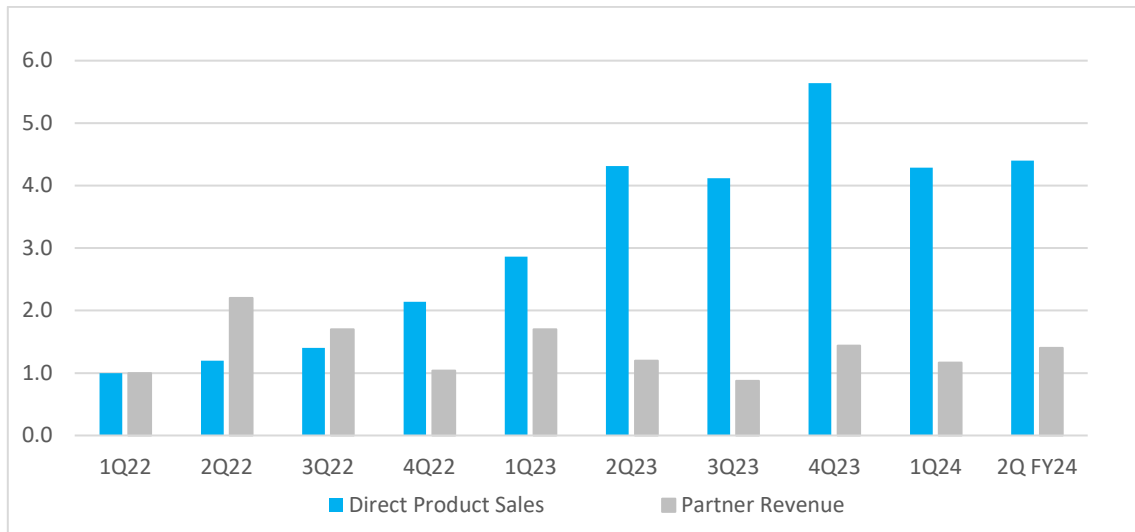
The Surgical business had a stronger quarter with direct sales of XPERIENCE™ up 72% on pcp and up 25% on 1Q FY24. This reflected the growing body of clinical evidence available, broader access to healthcare sites provided by the GPO contract and extension of the use case from high risk to prophylactic use.<sup>4</sup> It also reflects the investment in data analytics which has enhanced sales execution. The strong performance by this team which comprises mostly 1099s provides important learnings and a blueprint for the DME go-to-market strategy.

In the June quarter, the Company's gross margin was slightly ahead of 1Q FY24 at 80% and well ahead of the gross margin recorded in 2Q FY23 (69%). This reflected the continued focus on revenue quality within the DME channel and the shift in product mix with XPERIENCE™ representing a higher proportion of sales. Next Science had over 120 payors at the end of June 2024.

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<sup>4</sup> On 1 August 2023, Next Science entered into an agreement with leading Group Purchasing Organisation (GPO) HealthTrust to provide its members with access to XPERIENCE™. The US-based organisation serves 1,600 hospitals and 43,000 alternate sites of care including ambulatory surgery centres, physician practices and long-term care centres.

**Chart 1: Direct channel impacted by sales restructure in 2Q FY24 (US\$m)**



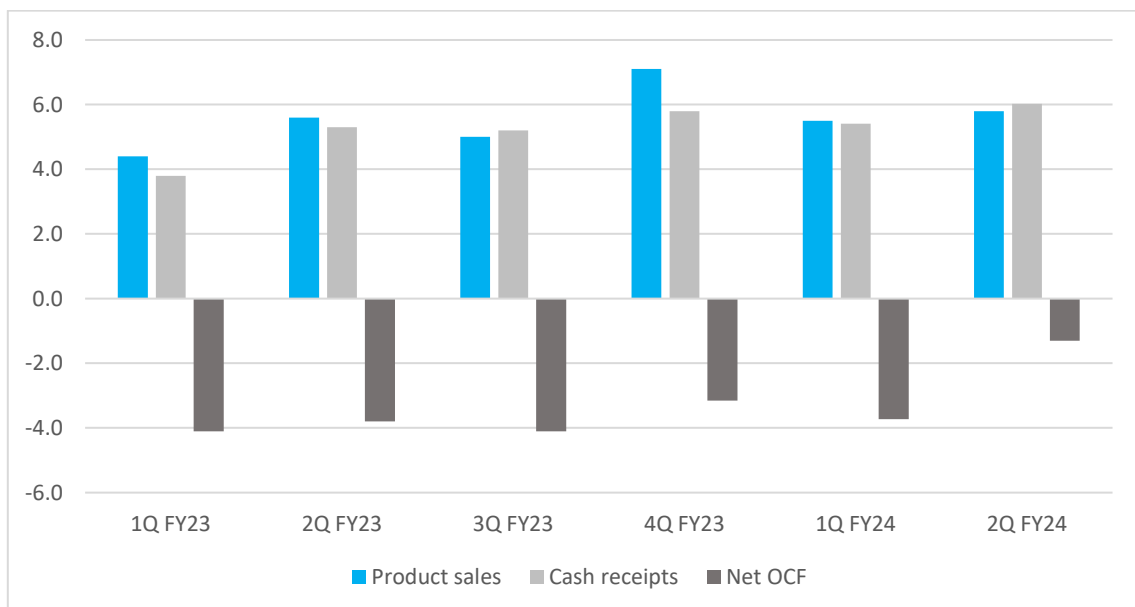
## 2Q FY24 Cashflow Summary

Cash receipts for the quarter of US\$6.0m were 13% higher vs pcp (2Q FY23: US\$5.3m) and up 11% compared to 1Q FY24 (US\$5.4m).

Net operating cash outflows of US\$1.3m in 2Q FY24 compared to outflows of US\$3.8m in 2Q FY23 and US\$3.7m in 1Q FY24. The significant reduction in cash burn reflected the increase in receipts and cost out initiatives implemented since the beginning of FY24. Cash payments were \$1.8m lower in 2Q FY24 than 2Q FY23 and 1Q FY24 due to the substantial reduction in staff costs post the sales restructure.

At 30 June 2024, Next Science had cash on hand of US\$3.6m (31 March 2024: US\$5.0m).

**Chart 2: Quarterly Cashflow Performance (US\$m)**



Refer to the Appendix C accompanying this update for details of the Company's expenditure on its business activities during the quarter.

Payments to Directors were US\$209k in the June quarter.

## Clinical Study Update

During 2Q FY24, the results of several clinical studies involving XPERIENCE™ and BLASTX™ were released in peer-reviewed journals or on VuMedi, a video education platform for doctors.

- *Periprosthetic Joint Infection Study* - Recruitment for the 7,600-patient study into Periprosthetic Joint Infection (PJI) through the Ottawa Hospital Research Institute in Canada (Canada PJI study) continues with 651 patients enrolled across three sites (1Q FY24: 471).<sup>5</sup> An interim analysis will be done after 3,800 patients.
- *Retrospective Post Operative Infection Rates* – On 18 April 2024, Next Science announced the publication of a study by Dr Robert Harris MD in the *Journal of Orthopaedic Surgery* showing that XPERIENCE™ was efficacious in preventing periprosthetic joint infection (PJI) in primary Joint Arthroplasty procedures. The findings of the retrospective study first appeared on VuMedi in November 2023.
- *Retrospective Post Operative Infection Rates* – On 17 April 2024, Next Science announced the release of preliminary results from two retrospective studies by Dr Ravi Bashyal MD which showed zero percent infection rate when using XPERIENCE™ in over 1,400 consecutive knee (TKA) and hip (THA) arthroplasties. These findings were discussed by Dr Bashyal in a video posted on the VuMedi platform.
- *Retrospective Post Operative Infection Rates* – On 16 April 2024, Next Science announced the publication of a study by Dr Ronald Singer MD in the *Journal of Surgical Infections* which showed significant efficacy in reducing infection when XPERIENCE™ was used in total knee arthroplasty (TKA).
- *Negative Pressure Wound Therapy (NPWT) and BLASTX™* – On 9 April 2024, Next Science announced the publication of a study by Dr Thomas E. Serena MD et al. in *Diagnostics*, an international peer-reviewed journal which found BLASTX™ to be efficacious in the treatment of pressure ulcers when used in conjunction with NPWT.

<sup>5</sup> This clinical trial (prospective, multi-centre, double-arm, parallel, interventional, randomised, controlled) will assess the rate of periprosthetic joint infection (<90 days post-surgery) in patients undergoing primary total knee arthroplasty, total hip arthroplasty or hip resurfacing (HR) with XPERIENCE™ Advanced Surgical Irrigation versus dilute Betadine.

## 2Q FY24 Investor Webinar

CEO and Managing Director, I.V. Hall and CFO, Marc Zimmerman, will host a zoom webinar including a Q&A session with the investment community at **9.00am (Sydney time) today, 25 July 2024**.

Please use the link below to register for the webinar.

[https://zoom.us/webinar/register/WN\\_W354ISdgSlix6nCGEBbXuA](https://zoom.us/webinar/register/WN_W354ISdgSlix6nCGEBbXuA)

Investors can submit questions prior to the webinar to [fdixon@nextscience.com](mailto:fdixon@nextscience.com) or ask questions via the Q&A function during the webinar.

**Approved and authorised for release by the Board of Directors.**

## Media & Investor Enquiries

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## About Next Science

Next Science is a medical technology company headquartered in Sydney, Australia, with a research and development centre in Florida, USA. Established in 2012, the company's primary focus is on the development and continued commercialisation of its proprietary XBIO™ technology to reduce the impact of biofilm-based infections in human health. XBIO™ is a unique, non-toxic technology with proven efficacy in eradicating both biofilm-based and free-floating bacteria. Next Science owns 100% of the patent protected intellectual property relating to its XBIO™ technology. For further information visit: [www.nextscience.com](http://www.nextscience.com)

## Forward looking statements

This announcement may contain forward looking statements which may be identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may" and other similar words that involve risks and uncertainties. Such statements are not guarantees of future performance and involved known and unknown risks uncertainties, assumptions and other important factors, many of which are beyond the control of Next Science or its Directors and management and could cause Next Science's actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

## Appendix 4C

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

**Name of entity**

Next Science Limited

**ABN**

47 622 382 549

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

Jun 2024

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$USD'000</b> | <b>Year to date (6<br/>months)<br/>\$USD'000</b> |
|---|--------------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                      |  |
| 1.1 Receipts from customers                               | 6,026                                | 11,432   |
| 1.2 Payments for  |                                      |  |
| (a) Research, development & regulatory                    | (243)                                | (583)  |
| (b) product manufacturing and operating costs             | (957)                                | (2,352)  |
| (c) sales related expenses, advertising and marketing     | (1,418)                              | (2,575)  |
| (d) leased assets   | -                                    | -  |
| (e) staff costs   | (3,184)                              | (8,310)  |
| (f) administration and corporate costs                    | (1,548)                              | (2,690)  |
| 1.3 Dividends received (see note 3)                       | -                                    | -  |
| 1.4 Interest received and bank cash back rewards          | 11                                   | 32   |
| 1.5 Interest and other costs of finance paid              | -                                    | -  |
| 1.6 Income taxes paid                                     | -                                    | -  |
| 1.7 Government grants and tax incentives                  | -                                    | -  |
| 1.8 Other   | 3                                    | 9  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(1,310)</b>                       | <b>(5,037)</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                         | (6)                                  | (12)   |
| (d) investments   | -                                    | -  |

| Consolidated statement of cash flows |   | Current quarter<br>\$USD'000 | Year to date (6<br>months)<br>\$USD'000 |
|--------------------------------------|---|------------------------------|---|
|                                      | (e) intellectual property & intangible assets         | (220)                        | (317)                                   |
|                                      | (f) other non-current assets                          | -                            | -                                       |
| 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                                  | <b>Net cash from / (used in) investing activities</b> | <b>(226)</b>                 | <b>(329)</b>                            |

|           |   |             |              |
|-----------|---|-------------|--------------|
| <b>3.</b> | <b>Cash flows from financing activities</b>   |             |              |
| 3.1       | Proceeds from issues of equity securities (excluding convertible debt securities)       | -           | -            |
| 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   | -           | -            |
| 3.7       | Transaction costs related to loans and borrowings                                       | -           | -            |
| 3.8       | Dividends paid  | -           | -            |
| 3.9       | Other (provide details if material)   | (60)        | (120)        |
| 3.10      | <b>Net cash from / (used in) financing activities</b>                                   | <b>(60)</b> | <b>(120)</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                             | <b>4,970</b>   | <b>9,239</b>   |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | <b>(1,310)</b> | <b>(5,037)</b> |

| Consolidated statement of cash flows |   | Current quarter<br>\$USD'000 | Year to date (6<br>months)<br>\$USD'000 |
|--------------------------------------|---|------------------------------|---|
| 4.3                                  | Net cash from / (used in) investing activities<br>(item 2.6 above)  | (226)                        | (329)                                   |
| 4.4                                  | Net cash from / (used in) financing activities<br>(item 3.10 above) | (60)                         | (120)                                   |
| 4.5                                  | Effect of movement in exchange rates on<br>cash held                | 199                          | (181)                                   |
| 4.6                                  | <b>Cash and cash equivalents at end of<br/>period</b>               | <b>3,572</b>                 | <b>3,572</b>                            |

| 5.  | Reconciliation of cash and cash<br>equivalents<br>at the end of the quarter (as shown in the<br>consolidated statement of cash flows) to the<br>related items in the accounts | Current quarter<br>\$USD'000 | Previous quarter<br>\$USD'000 |
|-----|---|------------------------------|-------------------------------|
| 5.1 | Bank balances   | 3,572                        | 4,970                         |
| 5.2 | Term deposits   | -                            | -                             |
| 5.3 | Bank overdrafts   | -                            | -                             |
| 5.4 | Other (provide details)   | -                            | -                             |
| 5.5 | <b>Cash and cash equivalents at end of<br/>quarter (should equal item 4.6 above)</b>  | <b>3,572</b>                 | <b>4,970</b>                  |

| 6.  | Payments to related parties of the entity and their<br>associates                          | Current quarter<br>\$USD'000 |
|---|--|------------------------------|
| 6.1   | Aggregate amount of payments to related parties and their<br>associates included in item 1 | \$209                        |
| 6.2   | Aggregate amount of payments to related parties and their<br>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<br/>explanation for, such payments.</i> |  |                              |



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

|  |                  |
|--|------------------|
| <b>8. Estimated cash available for future operating activities</b>   | <b>\$USD'000</b> |
| 8.1 Net cash from / (used in) operating activities (item 1.9)  | (1,310)          |
| 8.2 Cash and cash equivalents at quarter end (item 4.6)  | 3,572            |
| 8.3 Unused finance facilities available at quarter end (item 7.5)  | 0                |
| 8.4 Total available funding (item 8.2 + item 8.3)  | 3,572            |
| 8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>  | 2.7              |
| <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: 25 July 2024  
.....

Board of Directors

Authorised by: .....  
(Name of body or officer authorising release – see note 4)

## 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.