**ASX ANNOUNCEMENT / MEDIA RELEASE** 

30 August 2024

### **Next Science reports 1H FY24 Result**

- Revenue and Product Sales of US\$11.2m, up 11% on pcp¹ with strong growth in direct sales of XPERIENCE™
- Direct Product Sales of US\$8.7m, up 21% on pcp: 77% of product sales
- Gross Profit of US\$9.0m, up 31% on pcp due to focus on revenue quality and incremental improvements in COGS<sup>2</sup> across all products
- Gross Margin of 80% was up significantly on pcp reflecting shift in product mix and higher quality revenue (1H FY23: 68%)
- Adjusted EBITDA Loss of (US\$4.9m) vs 1H FY23 (US\$7.7m) reflecting higher revenue and lower cost base due to shift in go-to-market strategy and lower R&D expense
- Cash receipts of US\$11.4m, up 25% on pcp
- Net operating cash outflow of US\$5m in 1H FY24 with significant improvement achieved in 2Q FY24 (-US\$1.3m) due to higher receipts and cost out initiatives
- Closing cash balance of US\$3.6m (30 June 2023: US\$3.5m) and no debt
- Reaffirm FY24 guidance to be cashflow and Adjusted EBITDA positive in 4Q FY24 /1Q FY25<sup>3</sup>

**Next Science Limited** (ASX:NXS) ("Next Science" or "the Company") today provides its half year result for the six months ended 30 June 2024. Next Science is a medical technology company focused on commercialising its proprietary XBIO™ suite of products to reduce the impact of biofilm-based infections on human health.

Next Science's CEO and Managing Director I.V. Hall said: "The first half has been an important time for Next Science as we laid the foundations for the next phase of growth commencing with the transformation of our sales organisation. This is expected to deliver net annualised cost savings of US\$6m and will enable us to maximise the revenue potential within our existing customer base and access new opportunities.

"Importantly, the conversion of the majority of the DME sales team from direct to agency reps, will result in a more productive and scalable sales force, ensuring deeper penetration of key territories. Over the past three months, more than 125 agents have been onboarded with a significant number still in the pipeline. This provides us with a more variable cost structure as we enter the second half of FY24. Although, it is taking longer than expected for

 $<sup>^{\</sup>rm 1}\,{\rm Prior}$  corresponding period

<sup>&</sup>lt;sup>2</sup> Cost of Goods Sold

<sup>&</sup>lt;sup>3</sup> On 22 August 2024, Next Science revised FY24 guidance. For more information, refer to the ASX announcement.

these independent agents to drive sales through their networks, we are confident that the building blocks are in place to deliver topline growth.

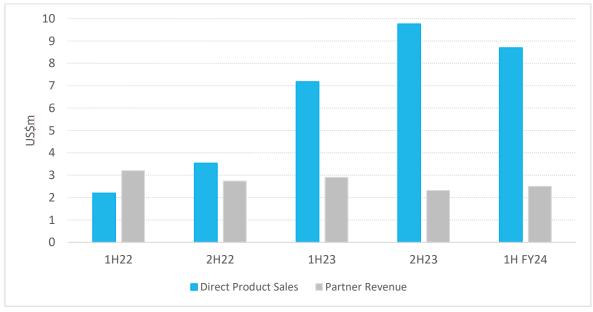
"At the same time, demand for XPERIENCE™ has continued to build as we benefit from the use of data analytics to drive better sales execution, the expansion of our GPO footprint and a growing body of clinical research. Our focus now is on maximising sales from our product suite while maintaining a disciplined approach to cost and working capital management. The US\$5m loan facility recently put in place provides access to additional capital should it be required. We are on track to achieve an Adjusted EBITDA and cashflow positive position in the next seven months."

#### **1H FY24 Financial Summary**

1H FY24 product sales of US\$11.2m were 11% higher on pcp due to significant growth in the Surgical segment and a solid result in Wound Care despite the short-term impact from the sales restructure during the period. Direct product sales of US\$8.7m were up 21% on pcp and accounted for 77% of total sales (1H FY23: 71%).

Direct Surgical sales were driven by a strong performance by XPERIENCE™ which was up 61% on pcp. This reflected the increasing body of clinical evidence available, the opportunities created by the GPO contract and the extension of the use case from high risk to prophylactic use. The strong performance by this team which comprises mostly 1099s provides important learnings for the DME go-to-market strategy.

Chart 1: Direct channel driving product sales growth in 1H FY24 on pcp



Gross Profit of US\$9.0m was up 31% on pcp due to improvements in revenue quality and improved purchasing power across the product suite. The significant improvement in Gross Margin which was 80% in 1H FY24 compared to 68% in pcp reflected a shift in product mix with strong sales of XPERIENCE™ and focus on driving revenue quality and productivity within the DME.

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Operating expenses were 4% lower on pcp mainly due to a 6% reduction in Selling & Distribution Expenses as Next Science restructured its sales force and reduced its direct sales team. Research & Development Expenses were down 19% on pcp due to cost out initiatives.

An Adjusted EBITDA loss of (US\$4.9m) compared to (US\$7.7m) in 1H FY23 as Next Science continued to grow its revenue and right size its cost base.

#### **1H FY24 Cashflow Summary**

Cash receipts of US\$11.4m were up 25% on pcp (1H FY23: US\$9.1m).

Payments to suppliers of US\$15.9m were down 7% on pcp reflecting lower staff costs post the sales restructure, other cost out initiatives and supply chain efficiencies. In 2Q FY24, cash payments were US\$1.8m lower on pcp and 1Q FY24 as the sales team was restructured during the quarter.

Net operating cash outflows of US\$5.0m in 1H FY24 compared to US\$7.8m in 1H FY23 and improved through the first half with 2Q FY24 cash outflow of US\$1.3m reflecting higher receipts and a lower fixed cost base.

At 30 June 2024, Next Science had cash on hand of US\$3.6m and no debt (30 June 2023: US\$3.5m).

### **Clinical Study Update**

During 1H FY24, the results of several clinical studies involving XPERIENCE<sup>™</sup> and BLASTX<sup>™</sup> 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 864 patients enrolled across three sites (End FY23: 261).<sup>4</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

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<sup>&</sup>lt;sup>4</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.

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<sup>™</sup> 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<sup>™</sup> to be efficacious in the treatment of pressure ulcers when used in conjunction with NPWT.

#### 1H 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, 30 August 2024**.

Please use the link below to register for the webinar.

https://zoom.us/webinar/register/WN\_MoG4GusdT-OEVpo-pnJIJQ

Investors can submit questions prior to the webinar to fdixon@nextscience.com or ask questions via the Q&A function during the webinar.

Approved and authorised for release by the Board of Directors.

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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

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#### 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 worlds 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.