



ASX Announcement

31 January 2024

\$300m+ sales pipeline positions Hydrix for growth

Hydrix Limited ('Hydrix' or 'the **Company**') (ASX: **HYD**) today released its Appendix 4C for the quarter ended 31 December 2023 (2QFY24) and provides the following business activity report.

2nd Quarter Financial Highlights

- Hydrix Services sales opportunity pipeline increases to **more than \$300m**.
 - **\$6.8m** sales in the quarter, including from **a leading USA cardiac** company, brings to **\$29.9m** (14 clients) the estimated future revenues from contracted Hydrix Services clients.
 - **\$2.9m** customer revenues for the quarter and **\$6.0m** for the half (7.0% below pcg).
 - Hydrix Services CY23 revenues **up 40%** compared to CY2021 and **10%** to CY2022, with **55%** coming from international markets, **up from 29%** over past two years.
 - **85%** of the pipeline source are international client opportunities, a direct result of expansion in sales, marketing and business development resources in Europe and the USA.
- **\$3.5m** sales opportunity pipeline in potential annual recurring revenues for Implicity.
- Australian TGA application for an out-patient ambulatory cardiac wearable patch device.
- Summary of cashflows and net cash position as at quarter end:
 - **Pro forma \$1.8m** cash on hand 31 December 2023 including **\$1.0m Director Loan Facilities** committed after quarter end (undrawn at 31 December 2023);
 - **\$3.5m** group cash receipts from customers;
 - **\$0.9m** group net cash used in operating activities (34% lower than pcg);
 - **\$0.4m** drawn under the **\$1.5m** TP24 trade debtors' facility, **\$1.1m** available to support revenue growth from current levels; and
 - **\$3.3m** outstanding in convertible notes & other loans.
- **\$5.1m** net asset value in Hydrix Ventures with significant upside potential as venture companies reach major inflection points over the next 12 months.
 - Increased ownership in Gyder Surgical to **14.0%** (convertible note matured 31.12.2023).



2nd Quarter Group Business Activity Updates

Hydrix Services international sales and marketing initiatives are driving significant expansion in the sales opportunity pipeline:

- The total **sales opportunity pipeline** grew to more than **\$300m** (more than **200** opportunities)
 - Approximately **\$100m** is in active discussion with new and existing clients, including **\$29.9m** of estimated future revenues from clients who are currently under various contract stages with Hydrix Services, underpinning revenues over the next 24 months.
 - **85%** of the opportunities are with international clients and prospects, a direct result of expansion in sales, marketing and business development resources into Europe and the USA post-COVID; this is the largest pipeline in the company's history.
 - More than **50%** of the projects are estimated to individually generate more **than \$1m** in future revenues, near double the number of opportunities two years ago. Larger projects tend to run over multiple years, increasing revenue visibility and containing larger individual stages of work leading to higher operating efficiencies, billable utilisation, and margins.
- Hydrix Services' distinctive competency in the design and engineering of safety critical systems, *i.e. systems whose failure or malfunction could have severe consequences, including loss of life*, allows it to competitively target international medical device companies.
 - Endorsing its globally competitive capability, in December, Hydrix was awarded a contract with a US-based cardiac company to develop next generation versions of their products currently in market. The initial contract has the potential to grow into a multi-million-dollar revenue project for Hydrix Services during the next 24 months
 - Projects with cardiovascular technology clients account for approximately **35%** of the sales opportunity pipeline.

Hydrix Medical continues to build market awareness for several disruptive cardiovascular technologies:

Implicit cloud-based cardiac patient remote monitoring software platform:

- Continued to build market awareness and make good progress maturing sales leads for Implicit's AI remote cardiac patient monitoring software platform. The potential annual recurring revenue sales opportunities pipeline as at the end of the quarter was circa **\$3.5m**.
- The sales team is actively demonstrating the benefits Implicit can provide with remote monitoring of cardiac patients to public hospitals and private cardiology practices.
- Purchase cycles are subject to usual capital and operating budget expenditure approval processes and timelines. Once the software is implemented, clients will pay an annual recurring subscription fee.



Avertix Medical's Guardian heart attack warning system:

- An application was made to Singapore's Ministry of Health in December 2023 to add the Guardian to Singapore's Table of Surgical Procedures for device cost patient reimbursement.
- There have been 8 sales and implants in Singapore with patient's paying out of pocket for the device and associated surgical procedure costs. The absence of patient health cost reimbursement is a hurdle to gaining broader traction in markets such as Singapore, Malaysia and Thailand, where the Guardian has been granted regulatory approval for marketing and distribution.

New product expansion

- In line with strategy to expand the number of cardiac products for distribution through our sales and marketing platform, Hydrix Services regulatory team filed an application to the Australian TGA for approval to market and distribute an out-patient ambulatory cardiac wearable patch device.
- Hydrix has commenced discussions with the supplier to formalise distribution arrangements and also held preliminary discussions for a pilot program at a large Melbourne cardiology practice.
- This technology is used in global markets to diagnose and monitor cardiovascular health, including, potential to detect **Arrhythmias** such as **Atrial Fibrillation**, understood to be a leading cause of cardiac events and stroke.
- Each year in Australia, there are in excess of 500,000 Medicare reimbursed out-patient ambulatory cardiac services (example Holter monitors), giving rise to more than \$75m in Medicare payments.

Hydrix Ventures' net asset value is approximately **\$5.1m** with significant potential upside as companies reach major inflection points over the next 12 months:

- **Gyder Surgical** settled an outstanding convertible note by way of share issuance to Hydrix Ventures, which now holds approximately 14.0% ownership. Gyder anticipates making a 510k Regulatory application to the US Food & Drug Administration (FDA) in the first half of 2024 for the approval to market and distribute the product in the USA.
- **Cyban** continued to progress development of its first-generation non-invasive brain tissue blood oxygen monitoring product with the support of Hydrix Services. Cyban anticipates making a 510k Regulatory application to the US Food & Drug Administration (FDA) in the first half for the approval to market and distribute the product in the USA.
- **Avertix Medical**, the developer of the Guardian heart attack warning system, announced in October the termination of their proposed merger and listing on NASDAQ. Avertix further advised that, at this stage, it intends to continue executing its business objectives as a private entity.
 - The Guardian received Saudi FDA approval paving the way for Avertix Medical's MENA distributor to commence commercialisation of the Guardian (outside of Hydrix exclusive distribution jurisdictions).



Hydrix Limited strengthens balance sheet:

Subsequent to quarter end, the Company received funding commitments from entities associated with Directors Paul Lewis and Julie King, to provide financial accommodation by way of loan facilities. The loan facilities will collectively provide Hydrix with access to funding of \$1m on a drawdown basis up until at least 31 December 2024. Hydrix intends to use the facilities to support its working capital requirements. The terms of the loan facilities (which are subject to execution of formal documentation) are summarised as follows:

- drawdown facilities totalling \$1m (\$500k facility provided by each of Paul Lewis and Julie King's entities);
- funds to be advanced on a drawdown basis at Hydrix's request;
- facilities are unsecured;
- interest will accrue on outstanding amounts, and be paid in arrears at the end of each calendar quarter:
 - interest of 11% per annum for the King loan facility;
 - interest of 10% per annum plus a 1% establishment fee for the Lewis loan facility;
- repayment date of 31 December 2024, or a later mutually agreed date. No prepayment fees apply in the event of early repayment by Hydrix; and
- loan facility agreements to include customary and limited warranties and events of default.

Hydrix Executive Chairman Gavin Coote commented:

“The December quarter finished with the largest sales opportunity pipeline in the Company’s history. In terms of Services revenue, it was a little below our target as clients managed constrained budgets due to headwinds raising capital and the macro-economic and geo-political challenges which emerged in CY2023.

Pleasingly, the big focus we have placed on expanding international business development sales and marketing strategy initiatives, are working, revenues from international markets now account for more than 55% of revenues, up from 29% two years ago.

“Hydrix Services CY23 revenues were up 40% compared to CY21 and 10% compared to CY22.

“Looking forward, the overall size and shape of our sales opportunity pipeline is at an historical high, underpinning a positive growth outlook.

“Ongoing financial support from the Directors in the form of the \$1.0m loan facilities provides the business working capital and financial flexibility to capitalise on the near-term revenue growth opportunities.”



Ends ----

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 aims to enhance a billion lives' health, safety, and well-being. 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 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,464	7,096
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(418)	(657)
(c) advertising and marketing	(82)	(203)
(d) leased assets	(209)	(522)
(e) staff costs	(2,947)	(5,860)
(f) administration and corporate costs	(545)	(1,329)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	12
1.5 Interest and other costs of finance paid	(131)	(154)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(865)	(1,617)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(15)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(e) intellectual property	-	-
(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 Net cash from / (used in) investing activities	(4)	(15)
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	1,560
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	300	600
3.6 Repayment of borrowings	(693)	(808)
3.7 Transaction costs related to loans and borrowings	-	(30)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(393)	1,322
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,105	1,153
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(865)	(1,617)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(15)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(393)	1,322
4.5	Effect of movement in exchange rates on cash held	-	
4.6	Cash and cash equivalents at end of period	843	843
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	843	2,105
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)	843	2,105
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		155
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.

The amount at 6.1 includes full-time salary payments to the Executive Chairman and payments of Director fees.

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	3,310	3,310
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	436	436
7.4 Total financing facilities	3,746	3,746

Other financing facilities include a TradePlus24 Credit line facility of 70% of Trade Debtors up to \$1.5m.

7.5 **Unused financing facilities available at quarter end (\$A)** **\$nil**

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.

Lender	Loan Amount	Interest rate (p.a)	Maturity date	Security
E.L.G. Nominees Pty Ltd ¹	\$ 250,000	10.0%	30/06/2024	Unsecured
E.L.G. Nominees Pty Ltd ^{1,5}	\$ 500,000	10.0%	14/11/2025	Unsecured
John W King Nominees ^{2,5}	\$ 1,500,000	10.0%	14/11/2025	Unsecured
Invia Custodian Pty Limited ^{3,5}	\$ 500,000	10.0%	14/11/2025	Unsecured
P K W Superannuation Pty Ltd ^{4,5}	\$ 100,000	10.0%	14/11/2025	Unsecured
Non-Related Parties Convertible Note	\$ 460,000	10.0%	11/10/2025	Unsecured
TradePlus24 ⁶	\$ 1,500,000	12.91%	31/05/2024	Secured

¹ E.L.G. Nominees Pty Ltd is a company associated with Joanne Bryant, a former Non-Executive Director of the Company.

² John W King Nominees is a company associated with Julie King, a Non-Executive Director of the Company.

³ Invia Custodian Pty Limited is a company associated with Paul Lewis, a Non-Executive Director of the Company.

⁴ P K W Superannuation Pty Ltd is a company associated with Paul Wright, a Non-Executive Director of the Company.

⁵ These Director loans rolled over into Convertible Notes after being shareholders approved the issue of those Convertible Notes at Hydrix's AGM on 11 November 2023.

⁶ Interest is charged at 8.6% + 30 day BBSW bid rate. Interest rate displayed shows rate as at 31 December 2023. Maximum facility available of \$1.5m. Balance is secured against Trade Debtors

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(865)
8.2 Cash and cash equivalents at quarter end (item 4.6)	843
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	843

8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.97
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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.

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: Yes

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: Yes. Subsequent to quarter end, the Company received funding commitments from entities associated with Directors Paul Lewis and Julie King, to provide financial accommodation by way of loan facilities. The loan facilities will collectively provide Hydrix with access to funding of \$1m on a drawdown basis up until at least 31 December 2024, increasing the available funds to more than two quarters. Hydrix intends to use the facilities to support its working capital requirements. The terms of the loan facilities (which are subject to execution of formal documentation) are summarised in the Company's quarterly activities report for the quarter ended 31 December 2023. Further, management continues to drive sales and manage costs to improve operating profit and cash flows. The business also holds \$5.1m in Venture investments which may be sold in due course, and also has a track record of successful equity and debt capital raisings.

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: Yes. The Group secured additional new funding from the Directors as noted above, anticipates future revenue growth from the significant increase in sales pipeline opportunities, and continues to implement ongoing discretionary cost management initiatives - including by seeking to restructure and reduce operating (e.g. occupancy) expenses.

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: 31 January 2024

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.