

24 February 2022

ASX Release

Austco Healthcare first half profits up 83%

- Revenue from customers up 15% in 1HFY22 to \$16.0 million compared to 1HFY21 (pcp)
- Gross Margins increase at 52.9% in 1HFY22 compared to 51.4% in pcp
- Software and SMA revenues up 29% to \$2.0 million in 1HFY22 compared to pcp
- Reported EBIT up 65% to \$1.8 million in 1HFY22 compared to pcp
- Reported NPAT up 83% to \$1.5 million in 1HFY22 compared to pcp
- Open Sales Order book remains robust, now at \$24.5 million compared to \$20.1m in August 2021

Austco Healthcare Limited (**ASX:AHC**) announces a 15% increase in revenue from customers over the prior comparative period (pcp) of 1HFY21 to \$16.0 million. This was in line with guidance released to the market in January 2022.

Despite another six months that remained impacted by COVID-19 supply chain issues and restricted access to customer sites, Austco Healthcare increased net profit after tax to \$1.5 million, up 83% from \$0.8 million in the pcp. This was also within the range provided to the market last month.

Revenues from customers

Revenue from ordinary activities (customers) increased by 15% to \$16.0 million compared to the pcp due to slightly improved access to hospital and aged care sites. The impact of site access restrictions remain a risk as it continues to hamper our ability to convert our increasing confirmed orders into recognised revenue.

Although the frequency and duration of restrictions are decreasing as more regions move to a “learning to live with COVID” model. The increased revenue was mainly attributed to the North America and Asia markets, whilst we observed decreased revenues from the Australian market correlating to the impacts of lockdowns.

Revenue across all three streams increased with Installation revenues up 55%, Software & SMA revenues up 29%, and Hardware revenues up 2%. This is consistent with overall slightly fewer site access restrictions compared to the continued impact supply chain challenges are having on our Hardware revenues.

Revenue (\$m)



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Gross Margins on revenues from customers

Despite the weakening AUD and additional costs being absorbed as a result of supply chain challenges, gross margins remained strong at 52.9%.

In addition to the above, the mix of the revenue, with Installation revenues growing 55% on pcp, impact our gross margins. Typically, Installation revenues are our lowest margin revenue stream.

With the focus of continuing to grow our high margin Software and SMA revenues we expect further growth in our margins over time.

Software and SMA revenues from customers

High margin software and SMA revenues increased to 15.3% of revenue over the reporting period.

Software sales arise from more complex solutions which generally require face to face meetings. During the reporting period our ability to obtain face to face meetings has been hampered.

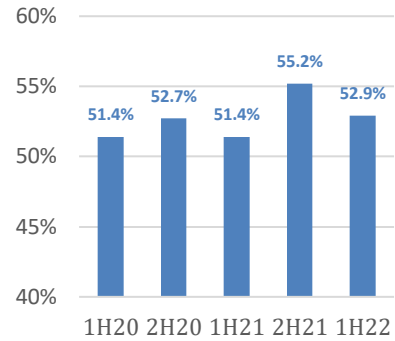
Software and SMA revenues were \$2.4 million for the 1HFY22 compared to \$1.9 million in the pcp.

Indirect cost base

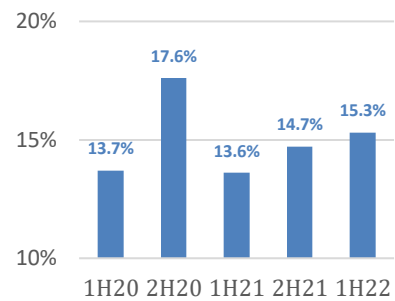
We continue to maintain a prudent approach to costs.

Towards the end of the reporting period, we commenced the process to grow our sales capabilities with the recruitment of a number of additional sales focused resources, specifically in the USA market.

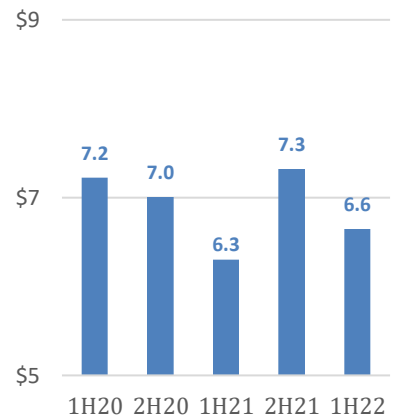
Gross Margins



Software & SMA % of Revenue



Indirect costs (\$m)



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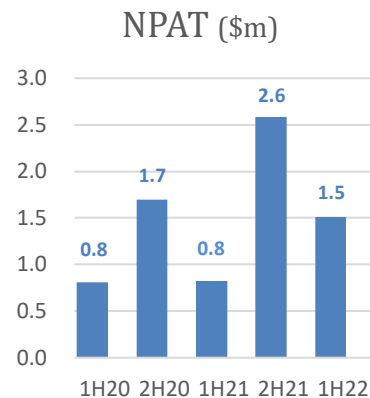
Net Profit after Tax

Statutory NPAT is \$1.5 million for 1HFY22 compared to \$0.8 million for 1HFY21.

Higher revenues drove the 83% increase in NPAT compared to the pcp.

The NPAT for 2HFY21 of \$2.6 million included \$1.2 million of non-customer revenues (mainly stimulus grants).

Both the current 1HFY22 and the pcp, 1HFY21, had \$0.7 million of non-customer revenues. As such, underlying business improvement drove the \$0.7 million or 83% increase in NPAT for 1HFY22 compared to the pcp.



Open Sales Order book and contract wins

Our open sales order book (confirmed orders from customers) continues to grow. It now stands at \$24.5 million. This is a new company high and is up from the \$20.1 million reported in August 2021 and the \$22.9 million reported at our AGM in November 2021.

Growth in our open sales orders book comes from new contract wins as well as constraints in manufacturing and installing product due to COVID-19.

We announced two contract wins during the reporting period, both in Singapore, in July 2021 for \$3.3 million and in November 2021 for \$1.6 million. The latter of these contract wins was announced due to the annuity nature of its revenue. The majority of the revenue for both contract wins has yet to be recognised. The most recent example of a large order win is a \$1.6 million order for the Princess Margaret Hospital in Toronto, Canada, received in February 2022.

The Company's continued success in being awarded contracts highlights the health of the Nurse Call industry and our position within the industry. This validates our continued investment in R&D to build market leading Nurse Call solutions that can compete on functionality in all markets around the globe.

COVID-19 impact to business

As previously reported, the COVID-19 pandemic has impacted the Company in two key areas:

- site access restrictions have limited our ability to deliver and install our products in hospitals and aged-care facilities; and
- the global supply chain crisis has created shortages of critical raw materials, impacting delivery timelines and putting price pressure on these components.

The combination of increased sales and limited site access has contributed to the build-up in our Open Sales Order book. Our large order book positions the Company for strong results when site access restrictions are eased.

Pleasingly, there are clear signs of improvement in some of our markets as government-mandated restrictions have been eased. For example, Australia, the United States, and Europe have commenced granting access to previously inaccessible sites. However, in some jurisdictions, stricter mandates and measures have resulted in ongoing disruptions to project schedules.

Whilst we are also beginning to see improvement within our supply chain, risks still exist for the business, which will need to be managed throughout FY22 and possibly beyond. The most significant risk remains a global shortage of raw materials, which has resulted in higher prices and historically long delivery timelines.

Cash and Working Capital Position

Cash at 31 December 2021 was \$7.1 million, slightly lower than the June 2021 balance of \$7.8 million.

We have seen our Inventory levels increase by \$2.4 million since June 2021. The increase arises from (a) strategic purchases of additional raw materials and products to offset the risks of supply chain interruptions and (b) from inventories manufactured for our Open Sales Orders, where delivery (and revenue recognition) has not yet occurred.

Cashflow from operating activities was positive \$0.4 million for the 6 months ended 31 December 2021, which was pleasing given the buildup of our inventory levels.

Research & Development

In the first half, the Company released new features and enhancements for its market-leading real-time-locating (RTLS) enabled call points and clinical workflow solutions.

Clinical workflow is one of the most powerful additions to the Tacera Nurse Call System. Austco's workflow features give healthcare organizations complete control over their processes. Workflow allows our customers to:

- Accurately monitor rounding compliance
- Streamline communication channels
- Record pain checks and other care initiatives
- Push data to a patient's chart
- Indicate staff presence or patient fall risk status



Continued investment in research and development of our core Tacera flagship product, Pulse Mobile, and Enterprise Reporting software-based solutions will allow Tacera to remain a best-in-class product for years to come.

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The Future/Outlook

Despite ongoing challenges related to the COVID-19 pandemic, the Company has benefited from growing demand for its products and services as governments worldwide increase their investment in healthcare technology. Growth of the Group's sales pipeline and \$24.5m order book provide a very positive outlook for FY22 and beyond.

To capitalize on the momentum of the business and the rapidly evolving healthcare market, the Company will focus on growth-based strategic initiatives, including:

- Investment in sales and marketing resources in growth markets such as the USA and Europe.
- Exploring acquisition opportunities that help drive exponential growth.
- Recruiting sales partners with a focus on high-margin software and annuity revenues.
- Continued development of industry-leading products through sustained investment in R&D.
- Supply chain improvements that help drive margin growth.

Whilst external factors related to the COVID-19 pandemic will likely continue to impact the business through the remainder of 2022, Austco's ongoing efforts to improve every aspect of operations within its control are delivering positive results. We are optimistic that this momentum will be maintained and grow in the years ahead.

This announcement was approved for release to the ASX by the board.

~ Ends ~

Further Information

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About Austco Healthcare Limited (ASX Code – AHC)

Austco Healthcare Limited is an international provider of healthcare communication and clinical workflow management solutions. Headquartered in Australia, the company has subsidiaries in six countries and supports healthcare facilities through its global reseller network, which includes growing markets in health, aged care and acute care. Austco Healthcare services markets including Australia, New Zealand, Canada, UK, USA, Asia and the Middle East. For further information, please refer to the Company's website www.austcohealthcare.com.