

HSC Technology Group June 2022 Quarterly Report

28 July 2022

- **Cash receipts from customers of \$1.1 million for the quarter**
- **Cash and cash equivalents at the end of the quarter was \$1.5 million**
- **An 11.1% increase in Talius Platform subscriptions which now total over 13,000**
- **Sales growth of 50% year on year for the quarter**
- **Capital raise of \$1.5 million successfully completed**

HSC Technology Group Ltd (HSC or the Company) (ASX:HSC) is pleased to provide the following activities and business update alongside its Appendix 4C - Quarterly Cashflow Report for the quarter ended 30 June 2022 (the **quarter**).

Strong momentum is continuing to build with HSC recognising a 50% increase in revenue year on year for the second quarter. Importantly, the Company had a profitable month in June 2022 as cash receipts from existing projects and a strong pipeline start to flow. Whilst HSC remains focused on increasing market share, profitability is a leading target, reflected in our dedication to strong expense management.

On 4 April 2022 the Company announced an initial purchase order for 5,000 personal emergency response systems (PERs) units from VitalCALL/Chubb, with revenue forecast from the order in excess of \$1.6 million. In addition, VitalCALL/Chubb have provided a non-binding commitment for a further 15,000 units.

The Company is also well advanced in tendering for further material projects with existing clients, as well as new clients, and anticipates being able to report positive news on this front in the coming months.

Recently, the Company also signed a new distribution agreement with Uniper Care Ltd, a developer of digital aging at home solutions. HSC has been granted the exclusive distribution rights for Australia and New Zealand to sell the Uniper Care Solution, and HSC is excited about adding this technology to its solutions suite and Talius Smart Care Platform.

HSC continues to partner with resellers and have signed partner agreements with Alert Tech, Safety Link and Simply Unified during the quarter, further validating our product in the market and the value our Talius Smart Care Platform brings to the Aged Care sector.

On 9 May 2022 HSC announced Therapeutic Goods Approval (TGA) has been received for the CardiacSense solution, an enterprise grade medical watch for continuous measurement of heart rate and arrhythmias at ECG-level accuracy. HSC is in advanced discussions with a cardiology group regarding the commercial pathways of this solution.

On 1 June 2022 HSC successfully raised \$1.5 million via a share placement to institutional and sophisticated investors. The proceeds of the placement, along with existing cash holdings, were used

to bolster hardware inventory levels for an increased sales pipeline, strengthen the balance sheet, and position HSC for future growth opportunities.

Across our aged care markets, we have seen the following activity this quarter:

Home Care and Retirement Villages

The company continues to receive orders from our reselling partners ADT, Bolton Clarke, IRT, Feros Care, Sapio and Intelligent Home.

Residential Aged Care Projects

The HSC Major Projects division has several projects in various stages of construction and retrofit:

- Australian Unity – Albert Road, South Melbourne
- Australian Unity – Walmsley, Kilsyth Victoria
- ACH Group – Highercombe, Milpara, Perry Park, and West Park
- Odyssey Private Aged Care - Robina Tower 3

Sales

Sales revenue recognised in the June quarter was \$1.5 million which is a 50% year on year increase from Q2 2021.

HSC announced the initial major purchase order from VitalCALL/Chubb for 5,000 PERs units totaling more than \$1.6 million, with the revenue expected to commence next quarter.

Additionally, the Company received further orders from Telstra IoT / Sapio for the ongoing upgrade of approximately 2,300 personal alarm systems for Anglicare Retirement Villages in NSW.

The ACH Group in South Australia have seen the value of the data driven care outcomes of Talius and are the first company in Australia to procure the Talius SleepSense solution which remotely monitors the quality of sleep, breath rate and heart rate providing invaluable data for the care teams while not disturbing their clients. The initial purchase order was for 200 units with other associated peripherals.

All projects and hardware are connected to the Company's Talius Smart Care Platform and generate ongoing subscription revenue.

Research and Development

HSC remains committed to a progressive and appropriate R&D program to ensure we meet the needs of our clients and anticipate requirements as those needs evolve.

The Company announced on 9 May 2022 approval by the Therapeutic Goods Approval (TGA) and the beginning of commercialisation of the CardiacSense solution. The CardiacSense solution is an enterprise grade medical watch for continuous measurement of heart rate and arrhythmias at ECG-level accuracy.

HSC is the exclusive partner with CardiacSense in Australia and New Zealand and the first company to receive TGA certification for continuous PPG wristband monitoring at the individual heartbeat level and arrhythmia detection. CardiacSense data has been integrated into the HSC Talius Smart Care Platform to enable emergency response and remote patient monitoring and enabling the entry into the health care market through chronic health monitoring solutions.

During the quarter the R&D team continued with enhancing data visualisation dashboards. They provide a simple user interface for the service and support teams to easily maintain the sensors that provide the data. Further to this, they display a visualisation of the health metrics of the clients and residents. This visualisation has significantly assisted in the sales process giving tangible information for all stakeholders - executives, care teams, families and residents.

Marketing

Through the attendance at three trade shows in the first half of this year HSC has progressed to proposal and proof of concept stage with several new clients who are:

1. looking to upgrade their medical alarm solutions due to the 3G network shutdown; or
2. moving to see how technology can assist with current staff shortages and provide more visibility of operations.

Digitally we have continued our successful webinar series focusing on the Aged Care's Big 5 Challenges with live webinars on LinkedIn. Recently Graham Russell, HSC's Managing Director was joined by Adjunct Professor and CEO of the Australian College of Nursing, Kylie Ward, to discuss the current challenges of the aged care sector and how technology can assist.

Financial Position

With sales continuing to grow HSC recognised revenue of \$1.5 million in the quarter, a significant increase of 50% on the previous period last year. Overall, for the first half we have seen a 21% year on year sales increase. HSC's profitability continues to improve with a 51% improvement on last year in the first half.

The Company closed the quarter with total cash of \$1.47 million. Inventory on the balance sheet was \$3.36 million, up by \$0.74 million or 28% from the previous quarter, which positions the Company well to accommodate the sales pipeline. To counteract supply chain challenges of longer lead times HSC has consciously invested in additional stock on hand to ensure continuity of supply to our clients and anticipated pipeline.

The Company received cash payments during the quarter of \$1.14 million from sales of assistive technology to enterprise customers.

Total active subscriptions producing recurring revenue on our Talius Platform increased to more than 13,000 by the end of the quarter which represents an 11.1% increase from March 2022 and a 76.2% year on year increase.

Expenditure incurred throughout the quarter was \$1.87 million, with 57% (\$1.07 million) expended on investing in inventory for the reasons outlined above. The balance of expenditure has remained flat from the prior quarter with 30% (\$0.56 million) on R&D and staff costs including Directors fees

with the remaining balance of 13% (\$0.24 million) going towards marketing, office rent and other general administration costs.

The related party payments of \$111,000 during the quarter detailed in Section 6 of the accompanying Appendix 4C relate to payments for director fees, the Managing Director's salary, and superannuation payments.

Corporate

During the quarter the Company granted 13,000,000 performance rights to employees, the vesting criteria for which is linked to continuity of employment. A further 900,000 performance rights were issued to a contractor making up part of its fees.

In May 2022, following approval by shareholders at the Company's AGM, the Company granted 40,000,000 performance rights to directors, for nil cash consideration. 24,000,000 of the performance rights will vest subject to employment continuity and the remaining 16,000,000 remain subject to vesting criteria linked to the Company's share price performance as well as the retention of directors, through continuity of employment.

In June 2022, 21,000,000 performance rights issued to directors lapsed due to vesting conditions not being met.

Commenting on the quarter, Mr. Graham Russell, Managing Director said:

"This quarter has definitely shown how much can change in three months, with significant market shifts and another relapse of COVID infections. However, in June we had our best month ever, and I continue to be buoyed by our team, who have taken on the challenge of balancing growth with profitability.

Over the quarter we have seen some of our pipeline come to fruition and others continue to progress very positively which prompted the requirement for the recent capital raise to continue the hardware procurement which will ultimately flow to the increased subscriptions and long term SaaS revenue.

The level of inquiry and interest has increased across all three verticals of the aged care sector, particularly in retirement villages and residential aged care as they prepare for the 3G Mobile Network shutdown and the continued lack of qualified aged care staff has highlighted the value of the data the HSC Talius Platform can provide to give visibility and accountability for providers to operate their facilities.

Our continued investment in research and development is creating a material advantage for HSC in the competitive landscape and is seeing a significant increase from reseller partners, some who would like to white label our solution and others resell, service and support directly under the HSC Technology brand.

Lastly, we are most pleased with the high quality investors HSC has involved in our journey and the new investors that participated in our recent capital raise. We are well aware of the complexity of the current macro environment and see their participation as a huge vote of confidence in HSC. We very much look forward to working with all shareholders, as we continue our mission to make improvements in the Aged Care sector, and health technology, generally."

This announcement has been authorised by the Board of Directors of HSC Technology Group Ltd.

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About HSC Technology Group Ltd. (ASX: HSC)

HSC provides a suite of technology enabled care solutions to the aged and disability sectors, across multiple verticals including retirement living, residential aged care, home, and community settings to improve the quality of life, later in life.

HSC's Software as a Service (SaaS) data analytics platform Talius Smart Care combine smart sensors with AI machine learning (powered by CSIRO) that delivers automated actions. Talius links awareness, analysis, and action through one platform allowing the care model to move from spot check care to sense-respond care. Nursing staff can switch their focus from data collection to building human connection. And, most importantly, residents benefit from a new era of autonomy and dignity.

HSC helps protect and connect our elderly and people with disabilities with a scalable healthcare technology platform integrated with leading third-party providers to ensure end-to-end solutions for Connected Health.

- ❖ HSC Care
- ❖ HSC Home
- ❖ Talius

FORWARD LOOKING STATEMENTS

Certain statements contained in this ASX release, including information as to the future financial or operating performance of the Company and its projects, are forward looking statements. Such forward looking statements:

- (a) are necessarily based upon several estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant technical, business, economic, competitive, political, and social uncertainties and contingencies;*
- (b) involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward looking statements; and*
- (c) may include, among other things, statements regarding estimates and assumptions in respect of prices, costs, results, and capital expenditure, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social, and other conditions. The Company disclaims any intent or obligation to publicly update any forward-looking statements, whether because of new information, future events, or results or otherwise.*

The words "believe", "expect", "contracted", "anticipate", "indicate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", "planned" and similar expressions identify forward looking statements. All forward looking statements contained in this ASX release are qualified by the foregoing cautionary statements. Recipients are cautioned that forward looking statements are not guarantees of future performance and accordingly recipients are cautioned not to put undue reliance on forward looking statements due to the inherent uncertainty therein.

Appendix 4C

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

Name of entity		
HSC TECHNOLOGY GROUP LTD		
ABN		Quarter ended ("current quarter")
62 111 823 762		30 JUNE 2022

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	1,135	1,801
1.2	Payments for		
	(a) research and development	(42)	(80)
	(b) product manufacturing and operating costs	(1,070)	(1,924)
	(c) advertising and marketing	(30)	(80)
	(d) leased assets	(34)	(47)
	(e) staff costs	(518)	(1,036)
	(f) administration and corporate costs	(162)	(326)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(9)	(17)
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	(730)	(1,709)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1)	(32)
	(d) investments	-	-
	(e) intellectual property	-	(8)
	(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	(1)	(40)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,500	1,500
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	(27)	(27)
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)	-	-
3.10	Net cash from / (used in) financing activities	1,473	1,473

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	730	1,748
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(730)	(1,709)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(40)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,473	1,473
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,472	1,472

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	1,472	730
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)	1,472	730

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	111
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.</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	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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.		
N/A			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(730)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,472
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,472
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.02
8.6	If Item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	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: N/A	
	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: N/A	

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:	N/A

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: 28 July 2022

Authorised by:By the Board.....
(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 – e.g. 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.