



26 August 2020

Dear fellow Shareholders,

It gives me great pleasure to report to you that Hydrix Limited has achieved significant outcomes and reached key milestones throughout the year on a range of fronts. Our 'Buy, Build, Invest' strategy continued to transform Hydrix from a product design and engineering business into a **powerful product innovation** company.

Our strategic initiatives, coupled with strong execution and focus on value creation, significantly improved the financial performance and strength of the Company on several key metrics compared to the prior year, including:

- Group revenues up 12% to \$15.9 million;
- Cash operating loss of \$0.08 million, down significantly from \$1.95 million loss in the prior year;
- Acquired exclusive rights to distribute the world's first implantable heart attack alert device;
- Announced our first sales and implants of AngelMed Guardian in August 2020;
- Invested \$1.7 million in high potential opportunities under "Buy, Build, Invest" strategy; and
- Strengthened 30 June 2020 cash on hand to \$4.2 million, including the July 2020 capital raise.

The year's performance and progress demonstrate the business' resilience and agility in challenging circumstances. The strengthened financial position and organisational capability sets up the new financial year to continue to pursue high potential growth opportunities.

Hydrix financial performance came close to achieving its pre-COVID19 market guidance. Revenues grew 12% versus the target 15% year-on-year growth, a shortfall of \$0.4 million. We narrowly missed being cash operating breakeven, with a small loss of \$0.08 million (excluding 'Buy, Build, Invest' activities).

When the COVID-19 disruptions unfolded in the second half, we moved quickly to implement various cost saving initiatives and access Government stimulus programs to align ongoing operating cost structures with the near-term revenue outlook. The employees and business operations transitioned seamlessly to the Government mandated remote work from home restrictions; clients continue to be very well serviced during extended lockdowns.

To support ongoing investment initiatives, we raised net \$2.35 million from new equity issuances in November 2019, recapitalised debt facilities in December 2019 raising net \$1.9 million, and raised a further net \$2.75 million from equity issuances in July 2020, bringing pro forma cash on hand at year end to \$4.2 million, after paying down \$0.75 million in debt.

About Hydrix

Hydrix is a **powerful product innovation company**. We aspire to positively impact the health, safety, and wellbeing of one Billion lives. This is a great time for shareholders to be excited by the potential of our "Buy, Build, Invest" strategy to generate long term value.

We are leveraging our product innovation capability to grow the scale and profitability of Hydrix Limited (collectively 'Hydrix Group' or 'Group') across multiple growth platforms, including:

- **Hydrix Services** - design and engineer client products which transform industries;
- **Hydrix Medical** - bring innovative medical technologies to market; and
- **Hydrix Ventures** - generate equity returns through investing in high potential companies.

These growth platforms provide for distinct revenue stream generation across complementary businesses linked by Hydrix's core design and engineering capabilities. The Hydrix relationship with AngelMed is a great example of integrated platform synergies generated across the businesses. Hydrix Services is providing input into the design of AngelMed's next generation Guardian system. Hydrix



Medical will commercially distribute the AngelMed Guardian® device into eight countries across Asia Pacific. Hydrix Ventures invested in AngelMed to generate potential equity capital gains from AngelMed's future global success.

Hydrix Services

Hydrix Services first half client contract revenue was \$8.2 million, a robust 44% increase over the first half prior year. As a result of Covid-19, Hydrix Services experienced some slowing and deferral of client projects, resulting in second half revenues of \$6.8 million, achieving record full year client contract revenue of \$14.9 million, a 12% increase over the prior year result of \$13.3 million. The earnings before interest, tax, depreciation, and amortisation (EBITDA) was \$1.8 million and the cash operating profit was \$1.2 million. Hydrix Services begins fiscal year 2021 with a healthy pipeline of more than \$50 million.

Hydrix Services clients operate in large, global technology markets including medical, industrial, mining, defence, and rail. Our product innovation capability is powerful because we have worked for global clients for over 15 years, across diverse industries, to solve highly technical design and engineering challenges for them; culminating in hundreds of rigorous product development outcomes.

Our integrated know-how in design and engineering quality, complex project management, and market insights help create leading solutions, de-risk product development and accelerate pathways to market. The repeatable application of product innovation know-how is not easily replicated and is our core competitive advantage. Hydrix Services transforms ideas into ground-breaking technology solutions delivering commercial success for clients.

Michael Trieu was promoted to the role of Hydrix Services General Manager, having previously held senior management roles at Hydrix, Cochlear and Nanosonics. Michael leads a team of 60 highly committed and talented people. Our employee engagement survey results were again above market benchmarks. Highly talented people are drawn to Hydrix for the personal growth and development opportunity gained from working with diverse global clients on high potential innovative technologies.

Hydrix Medical

During the year, Hydrix invested \$0.7 million in sales & marketing, regulatory, field support, and certain non-recurring transaction and start-up operating costs to establish Hydrix Medical and its Singapore subsidiary.

We were very pleased to appoint Paul Kelly to the role of General Manager, bringing 40+ years' cardiac device and distribution experience to Hydrix Medical. Paul also took up an appointment to our newly established Medical Advisory Board which helps evaluate Group investment opportunities and provide strategic insights on certain client engagements.

Hydrix Medical's first strategic initiative was acquiring the exclusive rights to distribute the world's first implantable heart attack alert system (the AngelMed Guardian), in eight countries in Asia Pacific including Australia, Singapore, and Japan.

On 17 August 2020, we announced the world first implants of AngelMed's upgraded Guardian device in four patients in Singapore. These device implants were made possible by the outstanding efforts from the implanting cardiologist Dr. Leslie Lam and his medical team in Singapore, a Hydrix Medical field clinical engineer based in Singapore, and real-time remote support from AngelMed in the USA. The devices were supplied on commercial terms by Hydrix Medical under the distribution agreement.

This **outstanding collaborative achievement** by all parties in a global COVID lockdown environment is a testament to the capability of our people. It represents a significant milestone for the company as it lays the foundation for future growth.

The AngelMed Guardian continuously monitors the heart signal 24/7 to detect the early warning signs of a heart attack. The alert system has been proven to get patients to seek emergency intervention more quickly and reliably than patient actions on symptoms alone, and to help reduce unnecessary attendance at an emergency department arising from false patient symptoms; a helpful benefit in an



uncertain COVID environment. Having the device's early warning heart attack alert system has also been shown to improve patient quality of life, as patients feel safer, more in control, and less anxious.

Cardiovascular disease afflicts 14% of the global population, and at 31%, is the leading cause of death. On average, the probability of death from an initial heart attack is one in ten, this probability doubles to one in five for subsequent attacks. Approximately 45% of heart attacks appear to be clinically silent, that is not associated with any symptoms at all that a patient can recall.

Within Hydrix Medical's distribution territory, there are more than 500,000 acute coronary syndrome events annually, precisely the patient cohort most to benefit from an early warning heart attack alert system. Given the scale of the opportunity, based on a 1% capture rate, revenues to Hydrix could be more than \$35 million annually.

We continue to evaluate numerous exciting opportunities to expand the cardiovascular and medical device product portfolio within Hydrix Medical.

Hydrix Ventures

Hydrix Ventures seeks to generate equity capital gains through making early stage product company investments, leveraging Hydrix Services' deep commercial product and market insights and technical engineering expertise throughout deal investigation due diligence and thereafter to create significant asset value. Hydrix Medical and the Medical Advisory Board also provide investment evaluation and recommendations to present to the Hydrix Board for final approval.

Hydrix Ventures invested approximately \$2.0 million in a mix of cash investments and equity in-kind commitments to establish minority ownership positions in AngelMed (4.6%), and Cyban (7.5%), an early stage product development company developing a brain trauma injury monitoring device. We hold a minority position in ASX-listed Memphasys (<1%).

As a further illustration of cross-over benefits, Hydrix Ventures has the potential to earn up to a 15% 'equity in-kind' stake in Gyder Surgical, for work that Hydrix Services is providing to develop Gyder Surgical's orthopaedic surgery device, subject to project milestones, and Hydrix Services is partnering with Cyban to assist in product development for early clinical trials.

Acknowledgements

In addition to the executive appointments noted earlier, which have increased the breadth and capability of the leadership team, Peter Lewis moved from the role of CEO to EVP Corporate Development to focus on business development in Hydrix Services and assist with strategic initiatives across the Group. I am very pleased to continue serving as Chairman of the Board and to lead the company as Chief Executive through this transformational growth phase.

In the year ahead, the Board and leadership team will build on recent successes, improve the financial performance of the business, and capitalise on prospective growth opportunities.

I thank the Directors for their support and guidance, the members of the executive team and all Hydrix employees for their enormous contribution during the year, in the absence of which, none of this would be achievable. We have a remarkable group of people at Hydrix.

I also thank our customers and suppliers who partner with Hydrix to create value together, and our shareholders who support the Company's aspirations to create a highly respected and valuable Company dedicated to improving the health, safety and well-being of people all over the world.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Gavin Coote", is written over a light blue circular graphic element.

Gavin Coote
Executive Chairman