

## Next Science 2023 March Quarterly Activities Report

### Highlights:

- 1QFY23 Product Sales (unaudited) increased 46% qoq and 130% yoy to US\$4.4m.
- Direct channel Product Sales increased 35% qoq and 188% yoy to US\$2.9m.
- Wound Care prescribers increased 228% qoq to 443.
- XPERIENCE™ direct Product Sales increased 9% qoq and 75% yoy
- Cash receipts increased 31% qoq and 94% yoy to US\$3.8m
- Cash on hand at March US\$7.6m.

**Sydney Australia Friday, 21 April 2023:** Next Science Limited (ASX: NXS) (**Next Science**), a medical technology company focused on commercialising its proprietary XBIO suite of products to reduce the impact of biofilm-based infections in human health, is pleased to provide an update on its activities for the quarter ended 31 March 2023.

### Product Sales

Product Sales (unaudited) for 1QFY23 increased 46% qoq and 130% yoy to US\$4.4m. Quarterly performance broke through a previous flat trend with significant momentum in the business building over the past six months. There was a significant contribution from the new Wound Care initiative of offering reimbursed Collagen with BLASTX™. Other contributors included direct and partner sales of XPERIENCE™.

As previously advised, there is a clear focus on building our direct sales channel. The Direct sales team contributed 65% of Product Sales in 1QFY23, as compared with 50% for FY22 and 22% in FY21.

On a like-for-like basis (ex-DME sales), product sales increased materially showing momentum in the base business.

Next Science ended 4QFY22 with a sales team of 25 across all direct channel product lines, and this has grown to 37 at the end of 1QFY23. A number of the sales team are rapidly working toward the goal of reaching a US\$1m, in annual sales.

### Wound Care

The Wound Care business through the Durable Medical Equipment (DME) structure had a strong result, with clear improvement in prescriber adoption and sales productivity. Prescriber adoption increasing 228% qoq to 443. The Wound Care sales team expanded 87% qoq from 15 to 28.

The month of March was particularly strong reflecting the impact of adoption by high volume wound care centres who have been seeking access to BLASTX™ and can now do so through the DME structure. Next Science and its DME structure is the only avenue through which Prescribers and patients can access the unique Collagen / BLASTX™ combination.

Reimbursement for wound care treatment is claimed through Medicare and a range of private payors. Next Science has now contracted with five private payors while a number of other payors service claims on out of network basis. We expect to continue to secure contracts with private payors over the short-to-medium term, and this will improve the collection cycle of claims.

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## Surgical

The Surgical business continued to build momentum at a steady pace. Direct Product Sales of EXPERIENCE™ increased 9% qoq and 75% yoy. The hospital customer base increased a further 10% qoq to 190 hospitals. Qtrly growth reflects the insurance cycle where surgical procedures are often delayed to later in the year to take advantage of patients reaching deductible thresholds.

We have created some turnover in the contract sales force to deliver a more focused alignment between distributors and surgical discipline, particularly in the hip and knee segment. Net growth in distributors is expected through the course of FY23.

Utilisation is gradually improving and our top 10% of customers are using EXPERIENCE™ at high volumes in the hip and knee segment.

Next Science's top 15 customers represent nearly half of EXPERIENCE™ sales that are primarily driven through the Sth East and Nth East US. As the distribution network grows and adoption continues to develop, we expect the concentration of the revenue base to reduce.

The business had a meaningful order from Zimmer Inc. in the qtr, but the business continues to focus on its direct sales channel, which we control, as the means of driving growth.

**We are pleased with the progress being made with overall product sales, and note that in the month of March, the annualised run-rate was well ahead of the qtr's performance.**

## **Operating Cashflow**

Net operating cash outflows were US\$4.1m, up from US\$2.8m in 4QFY22. The result reflects a combination of:

- Increased inventory to support the growth in Collagen / BLASTX™ sales.
- Increased staff costs to reflect growth in the Wound Care sales team and support functions.
- Three payroll periods in the month of March as compared with the typical two payroll period per month in 4QFY22 in the US.

Over 40% of the net outflow relates to planned DME rollout and expansion.

Cash receipts of US\$3.8m increased 31% qoq / 94% yoy and was a record result. The cash receipts to revenue ratio declined to 83% from 92% the previous qtr. As more private payor insurance contracts are executed through the year, thereby transitioning out-of-network coverage to in-network, the collection cycle will improve.

Following the completion of the A\$10m Secured Convertible Note to Walker Group Holdings Pty Limited, cash at bank ended 1QFY23 at US\$7.6m.

We expect growth in operating costs to moderate over 2HFY23, through reduced DME customer acquisition costs in 2HFY23, a reduction in COGS and more efficient operation of Wound Care support functions, while managing growth in the sales team.

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## Periprosthetic Joint Infection Study

Recruitment for the 7,600-patient study into Periprosthetic Joint Infection (PJI) has commenced through the Ottawa Hospital Research Institute in Canada (**Canada PJI study**). The randomised controlled study is being conducted over at least five sites and will be one of the largest Orthopaedic studies conducted.

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.

The scale of the study is designed as part of our objective of XPERIENCE™ becoming standard of care. NXS will report on progress with recruitment on a qtrly basis.

## Presentations / Publications

During 1QFY23, Dr. Boyle Cheng and the team at Allegheny Health presented early data at the Orthopaedic Research Society Meeting. The poster presentation summarised new research on 'The Influence of Anti-Biofilm Products on Osteogenesis and Healing'.

The early research found that the use of citric acid based antimicrobial lavage solutions could promote a pro-healing environment, and therefore may support applications in the Orthopaedic surgical segment. Further research into XPIO and bone health is required, but the early findings are encouraging.

The poster presentation can be viewed at <https://lnkd.in/eN3CnXv2>.

Several further studies, which include two retrospective studies on XPERIENCE™ in joint surgeries via MUSC, South Carolina and Jack Hughston Memorial Hospital Columbus Georgia, with a combined patient cohort of 1,200 patients, continue to wait final review before publication.

## Outlook

The development of the direct sales channel as a means of driving revenue and servicing different product lines is showing early success and encouraging the company to continue to invest in this channel.

Since Next Science focused its wound care offering via the DME structure, the business has produced significant growth and demonstrated its value as a robust business model to address the wound care market.

Sales growth is occurring through a combination of sales team expansion, new prescriber adoption and prescriber productivity improvement. Activity levels in the business are driving confidence in its momentum for FY23.

In the surgical business, XPERIENCE™ is building at a steady pace with increasing hospital access and improving distributor alignment having a positive impact ahead of post-op study releases. A number of hospitals are beginning to enter high volume utilisation and we look forward to wider and deeper adoption through the year.

Early research is showing potential for broader application within the Orthopaedic surgery sector through bone health from our advanced surgical irrigation solution.

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**Commenting on Next Science’s outlook, Managing Director Judith Mitchell said** “The momentum in our business that emerged late last year has carried through into the March qtr. The investment into the direct sales channel is delivering encouraging activity levels that suggest much improved performance through FY23. We are refining our operational processes and expect to deliver a material reduction in the COGS of Collagen supply in the near term that should drive improvement at the Gross Profit / EBITDA line. Through our different product lines, we are seeing how our XBIO™ technology is healing patients and saving lives, and we measure our success on the extent to which we can increase patient access to our novel product suite through the wound care and surgical segments. We look forward to reporting on our progress through the balance of the year.”

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Approved and authorised for release by the Board of Directors.

## 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](http://www.nextscience.com)

## 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 words 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.