

Next Science FY22 Results and FY23 Outlook

Highlights:

- Audited full-year product revenue of US\$11.3m, reflecting a 40% increase on FY21. Total revenue of US\$11.7m increased 31% yoy.
- Gross margin steady at 78%, with Gross Profit increasing 32% on FY21.
- Underlying EBITDA loss of US\$11.8m compared with US\$8.7m in FY21.
- Cash on hand at December US\$5.1m. Post balance-date, increased by A\$10m from shareholder approval of Secured Convertible Note to Walker Group Holdings Pty Limited.
- XPERIENCE™ (XP) showed steady month-on-month growth through 2HFY22.
- Commencement of DME operation in 4QFY22 delivering positive early results.

Sydney Australia Tuesday, 28 February 2023: Next Science Limited (ASX: NXS) (**Next Science**) is pleased to release its audited full year results for the period ended 31 December 2022.

Product Revenue

Product revenue for the year was US\$11.3m representing growth of 40% on the previous year. Major contributors included XP, Bactisure and BlastX with Collagen contributing for the first time in the December qtr. Next Science operates two sales channels including direct sales teams and external partnerships, and there is an increasing focus on the direct channel to drive revenue growth and the path to profitability. In the past year, product revenue from the direct sales channel increased from 22% to 50% of product sales and showed strong growth in 4QFY22.

XP completed its first full year of operation and monthly sales are now up c.6x from the initial launch period. As at the end of December, XP was being sold in 172 hospitals, approximately double the same period, the previous year. Utilisation remains modest but is expected to improve with publications of short-term studies in the near term. As the business continues to build its contracting sales force, we expect this direct channel to be the main driver of product sales growth.

Bactisure sales achieved its budget, but order flow is only keeping up with minimum contract requirements with the distributor.

BlastX sales were a drag on the result, with the wound care sales team's focus in 2HFY22 on establishing the DME business. BlastX unit volume was enhanced via the positive contribution of the DME sales performance, where BlastX is coupled with Collagen as a complementary product.

The **DME** business exceeded its budget scripts in December, after commencing in mid-October, despite a small sales team during the period which averaged 13 sales representatives. The DME had 139 prescribers as at December, which has since grown to over 200 prescribers. In the month of December, DME revenue represented 21% of total monthly revenue, and we expect this business to become the dominant revenue line through FY23. The sales team has increased to 25 members.

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While product revenue increased 40% to US\$11.3m, the exit run-rate in December implies revenue generation well ahead of the FY22 result.

Operating Expenses

Operating expenses (opex) of US\$20.9m increased 34% on the previous year. This included \$1m in one-off legal expenses related to the Zimmer and Irrimax cases that settled in FY22.

Selling and distribution expenses were the primary contributor to the increase in opex with c.US\$3m relating to the recruitment of further sales representatives to assist with the direct sales operation.

R&D costs of US\$5.5m increased 23% on the previous year, driven by XP clinical studies.

Cashflows

Net operating cash outflows were US\$11.8m, up from US\$8.3m the previous year reflecting the investment into building the sales team for the direct channel operations.

Cash at bank at December was US\$5.1m.

Subsequent to balance date, the Company's shareholders approved the issue to Walker Group Holdings Pty Limited (**Walker Group**) of 10,000,000 Secured Convertible Notes with a face value of A\$10m. The approval by shareholders was resounding, and the influx of capital will provide the working capital buffer needed as the Company meets the demands of the growing direct business.

Walker Group has expressly agreed pursuant to the terms of the Note Deed, that if Walker Group elects to convert the notes into shares, the Company may undertake a capital raising by offering other shareholders an opportunity to subscribe for shares at the same share price (namely \$0.72 per share).

Further information on the Secured Convertible Note Deed can be found via ASX announcements on 13 December 2022 and 30 December 2022.

Peer Reviewed Publications

On our publications list in the investor presentation, there are now 11 papers relating to irrigation biofilms and infection. There are consistent findings about the presence of biofilms in Prosthetic Joint Infections (PJIs) and a wide range of testing of the efficacy NXS products to eliminate biofilms and infection.

A number of new areas of early investigation have shown NXS products effective in coating catheters, degenerative disc disease and via an oral rinse application for Gingivitis.

Several further studies are expected to be published in 1QFY23, which include two retrospective studies on XP in joint surgeries via MUSC, South Carolina and Jack Hughston Memorial Hospital Columbus Georgia, with a combined patient cohort of 1,200 patients.

Outlook

Registration of Next Science as a DME in October 2022 allowed the Company to commence the sale of Collagen as a valuable addition to BlastX in the chronic wound portfolio. We now have BlastX, XP, SurgX and Collagen being sold in the US through our direct sales channel, providing an improved growth engine for the business.

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As Next Science increases its focus on the direct sales channel, it is better able to drive revenue and service each of the product lines in the US market. We expect the direct business will dominate revenue growth and make a positive contribution to EBITDA through FY23.

In addition, Next Science is pleased to announce that it has added a new product to the wound care portfolio, with a pneumatic boot called Foot Defender. This is the first and only protective boot built from the ground up to specifically address the most complex foot care issue: diabetic foot ulcer (DFU) treatment. It is designed specifically to reduce force on the bottom of the foot with enhanced technology proven to offload more pressure than its competitors. In clinical studies for DFU patients, Foot Defender alleviates average contact pressure across the foot by up to 50% as compared to other protective boots on the market. In the US, there are over 2m DFUs and more than 100,000 amputations each year¹. Foot Defender is a reimbursed product and will add to our overall reimbursement rate within the wound care portfolio. Sale of the product has commenced and the early response from the medical community has been positive.

The DME business unit provides the economy of scale to invest in a direct sales force that has the opportunity to generate US\$1m revenue per head per annum. We note there were 15 members of the sales team at the end of December which has since grown to 25 at the end of February. Sales force expansion enables us to expand our clinical footprint.

The unit economics of the DME are relatively attractive to other business lines in gross profit dollar terms. At the current blended reimbursement rate of c.US\$850, gross profit dollars equates to a multiplier of >3x over other product lines.

The encouraging growth of the prescriber base gives us confidence to continue to invest in the expansion of the sales force, which should accelerate the timeline to the Company's breakeven point.

Although XP utilisation is currently modest, the flow of evidence through the course of FY23 and account growth should see substantial growth in XP sales in the year ahead.

As we move into FY23, we expect our direct business to continue its trajectory and be the driving force behind the growth in our financial performance.

Commenting on Next Science's outlook for FY23, Managing Director Judith Mitchell said "2022 was a year of strategic realignment to accelerate our growth and control our own destiny. The December quarter showed significant improvement in our direct sales performance and momentum into the new year. We are continuing to build our body of clinical evidence and demonstrate that our individual products improve health outcomes. We look forward to delivering increasing penetration and patient access across our product portfolio through FY23".

The Company will hold an investor conference call with Managing Director Judith Mitchell today, Tuesday 28 February 2023 at 12.30pm, to discuss the results released to the ASX this morning.

Investors can register for the investor call via the following link:

<https://registrations.events/direct/OCP60691>

¹ <https://podiatrym.com/pdf/2022/11/LandsmanClinInnov1122Web.pdf>

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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

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.