



FY2022 Financial Results Presentation

ASX:HSC
[hsctg.com.au](https://www.hsctg.com.au)

The Next-Gen Aged Care Technology

Date: February 2023



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Chairman and Managing Director's Letter

It was a standout year for HSC and one of significant growth with HSC achieving revenue of \$7.1 million, representing a 96% increase on the prior year.

We were pleased to achieve this revenue growth while navigating the complexity of a volatile macro environment. We worked closely with our suppliers as well as our customers to mitigate supply chain risk, while maintaining a fiscally responsible approach to cashflow and continuing our focus on the path to profitability.

The investment in our sales pipeline is yielding results as HSC establishes itself as the partner of choice for assistive technology in the aged care space. This was most notably evidenced by securing two major contracts during the year, with Chubb / VitalCall in the first half of the year, followed in the second half of the year with the award of the contract to supply assistive technology solutions to Lendlease's Retirement Living business.

These contracts are transformative and HSC views securing such major national clients as validation of our market leading devices and platform.

HSC currently has over 15,000 subscriptions on our Talius Smart Care Platform, with annualised recurring revenue (ARR) at \$1.2 million, a 106% increase from the prior year. HSC expects subscriptions to continue to increase as our residential aged care project sites go live, in addition to the substantial number of new customers from the Chubb / VitalCall and Lendlease contracts currently being onboarded to the platform.

The material tailwinds for the aged care sector remain real, and we're witnessing an increased demand in activity of new developments, refurbishments and the requirement to upgrade personal emergency response systems due to the impending 3G shutdown. We recorded continued sales in home care and retirement villages and our projects team worked diligently on residential aged care facilities, as we extended our relationship with ACH Group and reached the milestone of project completion for our first Australia Unity site.

HSC continued to invest in our Talius Smart Care Platform and enhance its offering with new partners and products being added to our solutions. This included integrating vital signs from multiple devices that positions HSC to venture further into other complementary sectors, including healthcare and remote patient monitoring.

As HSC targets profitability from its existing markets, we will also consider broadening strategy with platform as a service by exploring licensing opportunities of our Talius Smart Care Platform. This opportunity will provide further geographic expansion possibilities to add to our current foray into Singapore and New Zealand.

HSC enters 2023 with a strong pipeline and is well positioned for growth. We will continue to execute on this with a strong focus on our path to profitability and an aim of delivering long-term value for shareholders.



Leylan Neep
Chairman



Graham Russell
Managing Director

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Mission and Purpose

To improve the quality of life, later in life.

Utilising IoT sensor technology to provide remote enabled healthcare data to the aged care and disability sectors.

Our differentiator:

Talius Smart Care Platform

Data analytics platform that combines best on market smart sensors with AI machine learning (powered by CSIRO) that delivers mission critical actions to prevent incidents, improve care outcomes, and strengthens compliance.

Business model

B2B with multiple distribution channels earning revenue from upfront hardware sales that onboard subscribers to our Talius Platform that earns software as a service (SaaS) recurring revenue.

Our Aged and Disability Sector Verticals



Home Care

Ageing in Place
Telehealth



Retirement Villages

Emergency Response
Remote Patient Monitoring



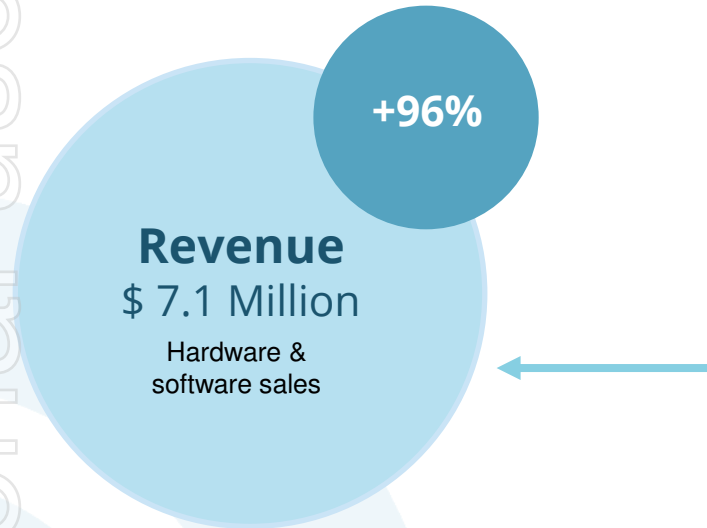
Residential Aged Care Facilities

Nurse Call
Resident Monitoring

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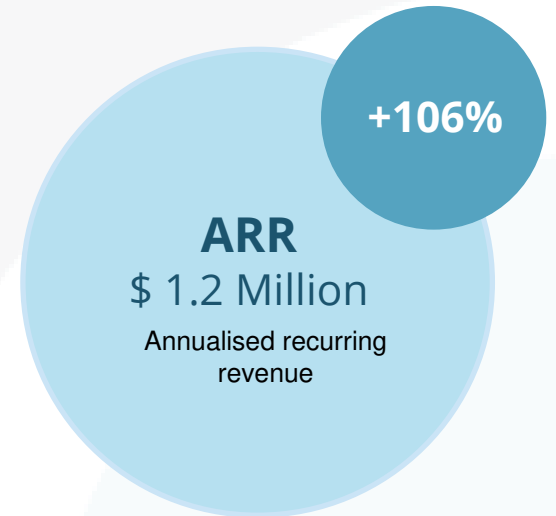
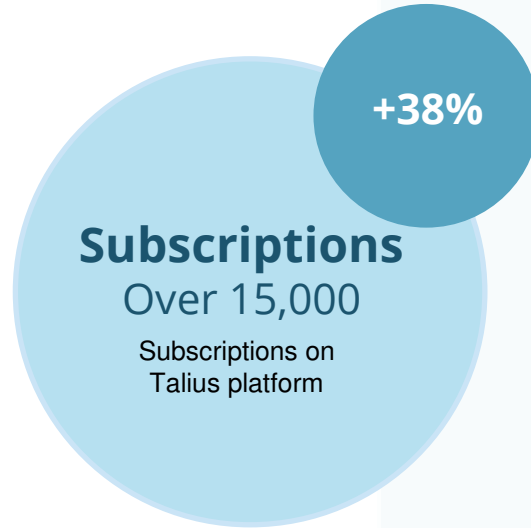
FY22 Business Highlights

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Transformative year

Growth in all key metrics
Major contracts won
Strong pipeline



The Aged Care Industry - Today

Industry distribution



3,300+
Aged Care
providers



Care delivered
through approx.
9,500 services



Private providers



Charitable providers



State/local governments

\$23.6 billion (2020-2021)

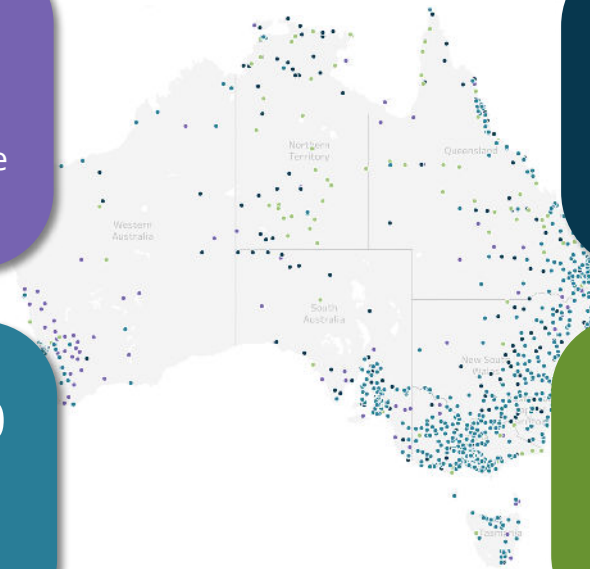
Government spending on Aged Care.

191,000
Australians in
Residential Care

176,000
Australians
using Home
Care

>825,000
Australians
using Home
Support

3,700
Australians in
Transition Care



The Aged Care Industry – HSC’s potential market

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Australian Government
Department of Health

Available Funding

3,300 registered aged care providers

\$50+ billion in funding




Market Breakdown




HSC’s product suite works across the entire aged care and disability sector.

Disability 
>\$30b¹
in funding
annually
4.4m customers²

Home Care 
\$7.8b³
in funding
annually
1.1m customers⁴

Retirement 
2,200 villages
184,000
customers

Nursing Home 
\$14.3b³
in funding
annually
300,000 customers



Total Addressable Market



The total addressable market HSC has access to includes significant ongoing investment in hardware, software and annual recurring revenue through subscriptions.

Investment 
\$1.35b
Hardware,
software and ARR

Subscriptions 
2.3m
Total number of
subscriptions

1 2022–23 Portfolio Budget Statement (PBS) for Social Services

2 <https://www.abs.gov.au/statistics/health/disability/disability-ageing-and-carers-australia-summary-findings/latest-release>

3 <https://www.gen-agedcaredata.gov.au/>

4 <https://www.health.gov.au/resources/publications/a-new-program-for-in-home-aged-care-discussion-paper>

The Aged Care Industry – Tomorrow's revenue drivers

Ageing population

7.2% pa growth rate

Those over 85 years are projected to increase from 500,000 or 2.0% of the population in 2018 to 1.5m or 3.7% of the population by 2058. This implies a growth rate in the medium term of 7.2% pa.



3G network shutdown (June 2024)

~300,000 systems

to be replaced in the next 18 months, approximately 500+ per day starting now.



Workforce shortage

Workforce shortage is driving the industry to find tech solutions to create a smarter and safer support system for older people with a growing level of complex health needs including a continuing rise in people living with dementia.



Significant legislative reform



A new aged care Act as a result of the Royal Commission into Quality and Safety including new aged care standards, new funding models for home care and residential care, and more compliance requirements.



HSC's differentiator

Talius™ Smart Care Platform

Identifying the Problem

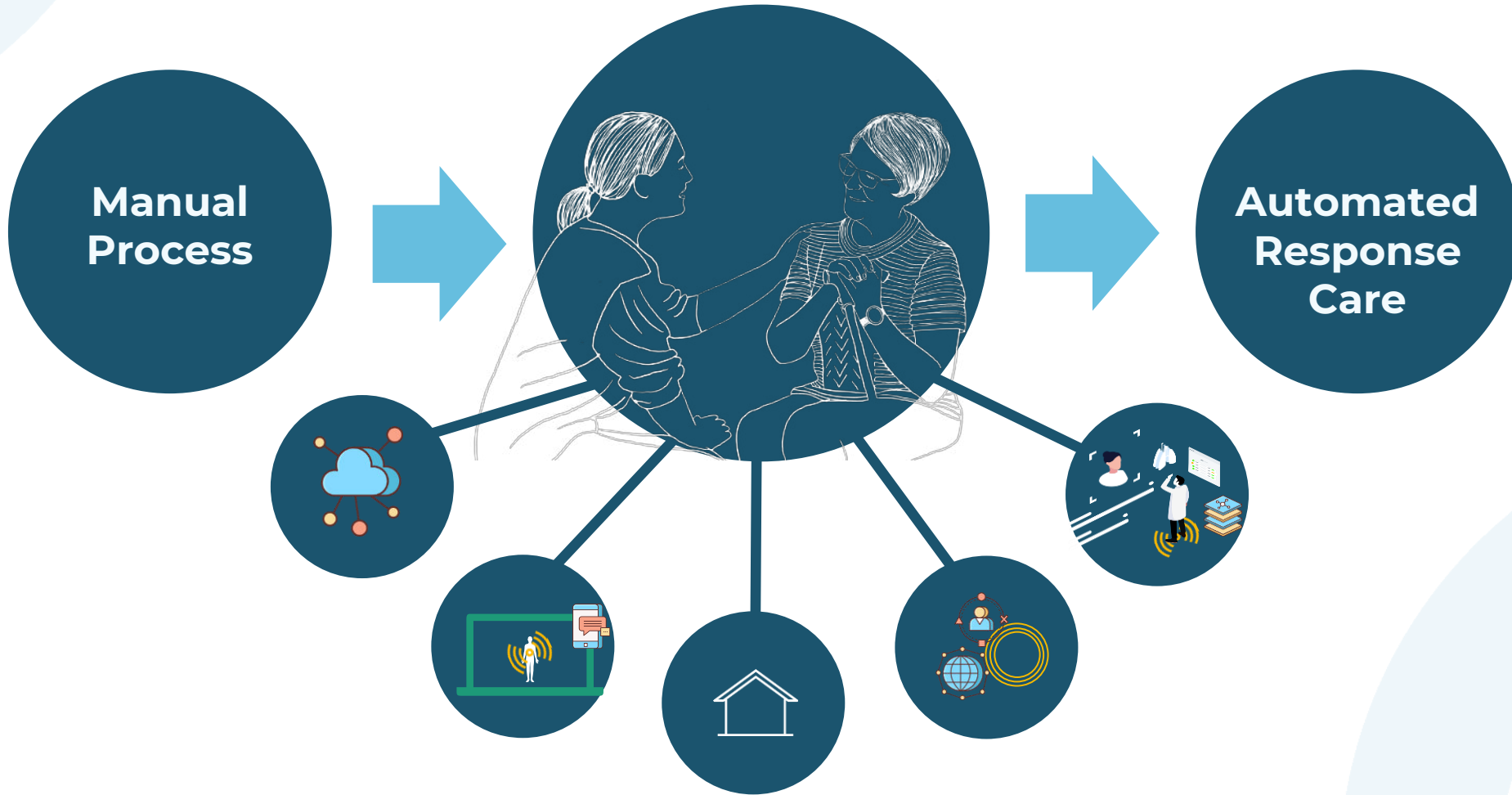
Manual processes are
literally killing the aged
sector



- Inefficient and repetitive
- Too slow for meaningful intervention
- Poor data capture
- Disruptive, undignified and embarrassing
- Don't include family
- Low-value, high cost

Addressing the Problem

By using technology to shift



AWARENESS

It starts by using technology to shift spot-check care to sense-respond care...

ANALYSIS

The data is captured within Talius – an agnostic AI engine that links in with existing systems and technology. Talius provides oversight in simple dashboards to improve outcomes.

ACTION

Talius uses advanced predictive interpretation to automatically detect anomalies and complete proportional actions.



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The Challenges We Solve

Aged Care providers are dealing with these five issues.
HSC's Talius Smart Care Platform solves these.



Better Compliance

- Key personnel risk
- ACQSC Assessment Failures
- Avoid reputation damage
- AN-ACC Reforms around care minutes and star ratings



Staff Engagement

- Maximising utilisation
- Removing unnecessary repetition
- Reducing churn and the hiring costs



Communication with Families

- Receiving information on their own terms – what, when, and how
- Providing peace of mind
- Easily identifying promoters and detractors
- Alleviating their stress



Resident Autonomy

- Resolving spot-check issues
- Moving towards data informed management
- Creating dignified and supported environments
- Changing negative perceptions



Commercial Viability

- Maintaining 92%+ occupancy
- Maintaining a competitive advantage
- Recurring revenue streams not linked to resident fees

The Age Care Evolution will be a Revolution

HORIZON



Manual Processes

- Staff Rounding
- Note Taking
- Shift handovers

HORIZON

2

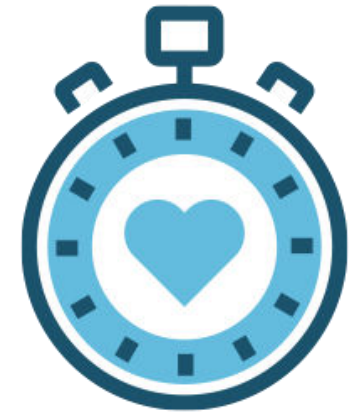


Sense-respond Care

- Use of sensors and analyse data to respond in right way at the right time
- Fridges, Meal trays, Laundry Temperature Monitoring
- Medication alerts

HORIZON

3



Predictive Care

- Using data to predict incidents before they happen

Key Information

- APAC footprint.
- B2B2C business model with multiple distribution channels.



Trusted by some of APAC's biggest providers.



Key partner agreements with the most respected names.



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Outlook for 2023

Growth Pillars

Increasing market share by winning PERs upgrade and further penetration into RAC facilities

Expansion of Talius Platform offering from Saas into Platform as a Service (PaaS)

Entry into new commercial pathways of healthcare and remote patient monitoring

Geographic expansion

Outlook

Industry tailwinds - 3G shutdown and continuing to solve the Big 5 challenges in Aged Care

Strong sales pipeline and roadmap for growth

Subscription growth based on project roll outs and new contract wins

Expanding HSC's enterprise grade products into the Home Care market



FY22 RESULTS

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Key Metrics

FY22 saw significant growth in all key metrics

96% revenue growth



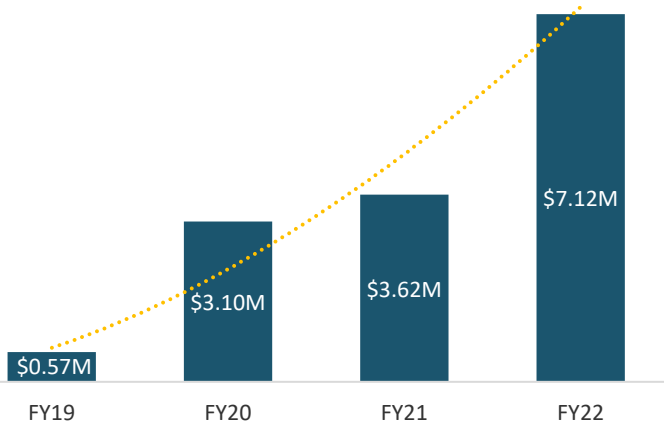
38% growth in subscriptions



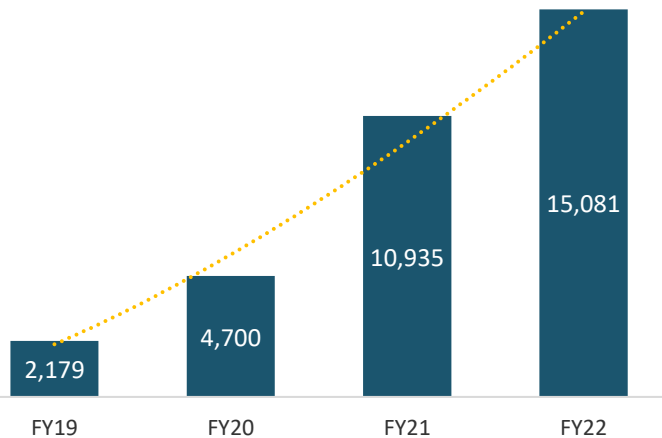
106% ARR growth



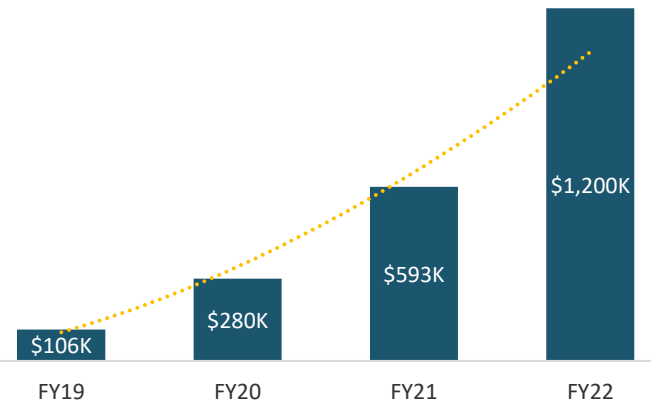
Sales Revenue



Subscriptions



ARR



Key Financials

	FY22 \$'000	FY21 \$'000	FY20 \$'000	FY19 \$'000
Revenue – Hardware & Projects	6,213	3,130	2,842	569
Revenue – Recurring	906	493	262	9
Total Sales Revenue	7,119	3,623	3,104	578
Total Income	7,196	3,676	3,176	1,140
Underlying EBITDA *	(958)	(1,278)	(575)	(3,430)
Underlying NPAT *	(1,077)	(1,517)	(1,102)	(4,160)
Non-Operating Items	(546)	(548)	(1,265)	(252)
Statutory loss after tax	(1,623)	(2,065)	(2,367)	(4,412)
ARR	1,200	584	280	106
Subscriptions (000's)	15.1	10.9	4.7	2.2

* Underlying EBITDA and loss before tax reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of HSC, in accordance with AICD principles of recording underlying earnings.

Underlying profit measures have not been audited. Refer to Appendix A for further details of non-underlying items.

Statutory loss includes non-operating items as detailed in Appendix A.

FY22 Highlights

- 96% increase in FY22 revenues, in particular strong growth in H2 FY22 (\$4.9M)
- Recurring software revenues continuing to demonstrate strong growth in line with increasing subscriber base
- Annualised recurring revenue (ARR) of \$1.2m, representing a 106% increase on prior year
- Subscriptions grew to over 15,000

Key Achievements



Positive cash flow quarter in Q4 2022, with focus on path to profitability



Major contract with Chubb / VitalCall (Initial PERs order of 5,000 units with total target of 20,000 units)



Major supply agreement with Lendlease's Retirement Living Business (initial order for 5,000 units received in October 2022, with further 5,000 units order received in February 2023)



Reaching over 15,000 subscriptions on HSC's Talius Smart Care Platform



Project completion for first of two Australian Unity sites, and further site awarded for existing client ACH Group



Continued investment and enhancement of Talius Platform Smart Care Platform

FY22 FINANCIALS

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INCOME STATEMENT

	FY22	FY21
Revenue	7,119,663	3,623,564
Other income	77,470	52,941
Cost of sales	(4,807,362)	(2,178,730)
Amortisation & depreciation	(136,610)	(292,771)
Consulting fees	(373,468)	(225,861)
Employee benefits expenses	(2,171,715)	(1,846,106)
Marketing expenses	(119,244)	(174,374)
Property expenses	(11,595)	(9,064)
Finance costs	(32,524)	(42,357)
Share based payments	(316,326)	(182,093)
Impairment of receivables	(76,774)	-
Impairment of inventories	(180,000)	(270,016)
Other expenses	(594,650)	(520,730)
Loss Before Tax	(1,623,135)	(2,065,597)
Income tax	-	-
Loss After Tax	(1,623,135)	(2,065,597)

- 96% increase in FY22 revenues, in particular strong growth in H2 FY22 (\$4.9M)
- Recurring software revenues continuing to demonstrate strong growth in line with increasing subscriber base
- Increase in employee and consultant costs driven by investment in key positions for future growth
- Consistent and stable overhead cost base

BALANCE SHEET

	FY22	FY21
ASSETS		
Cash and cash equivalents	825,813	1,747,890
Trade and other receivables	1,456,755	667,653
Inventories	4,282,096	1,403,157
Other current assets	234,801	584,463
Current Assets	7,119,426	3,623,058
Plant and equipment	42,418	17,656
Intangible assets	14,560	52,860
Right-of-use assets	207,493	269,962
Non-Current Assets	264,471	340,478
LIABILITIES		
Trade and other payables	2,809,487	670,767
Contract liabilities	304,413	267,870
Short-term provisions	70,607	38,949
Lease liabilities	69,396	63,290
Current Liabilities	3,253,903	1,040,876
Lease liabilities	179,432	238,655
Non-Current Liabilities	179,432	238,655
NET ASSETS	3,630,601	3,630,601
EQUITY		
Share capital	17,753,233	16,205,123
Share based payment reserve	1,212,144	1,068,395
Accumulated losses	(15,134,776)	(13,809,408)
TOTAL EQUITY	3,630,601	3,630,601

- Increasing receivables reflecting the strong growth in sales
- Large increase in inventory attributable to purchases made for large contract wins to be serviced in early FY23
- Low levels of fixed asset demonstrates the low level of CAPEX needed for HSC
- Increase in payables due to inventory purchase in late FY22
- Share capital increased through a \$1.5M placement in mid FY22

CASH FLOW

	FY22	FY21
Receipts from customers	7,041,112	3,505,367
Payments to suppliers & employees	(9,290,481)	(5,968,130)
Net Finance costs	(32,287)	(41,852)
Cashflow from operating activities	(2,281,656)	(2,504,615)
Payments for plant & equipment	(36,029)	(9,044)
Payments for intangible assets	(15,600)	(2,600)
Cashflow from investing activities	(51,629)	(11,644)
Issue of shares	1,500,000	-
Share issue costs	(26,700)	-
Lease principal payments	(62,092)	(146,743)
Cashflow from financing activities	1,411,208	(146,743)
Net cashflows	(922,077)	(2,663,002)
Opening cash at start of the year	1,747,890	4,410,892
Cash at the end of the year	825,813	1,747,890

- Increasing customer receipts reflecting the strong growth in sales
- Increase in supplier payments attributable to inventory purchases. There are timing differences arising from inventory payments vs receipts by end customers.
- Q4 was a cashflow positive quarter for HSC.
- Share capital proceeds of \$1.5M from a placement in mid FY22

Corporate Information

ASX code	HSC
Share price	1.0 cents
Market cap	\$22.3m
Shares on issue	2.228b
52-week trading (low/high)	0.8c to 1.5c
Shares held by Top 20	49%
Cash (31 December 2022)	\$0.8m
Debt (30 December 2022)	nil

Investor Enquiries

investors@hsctg.com.au

Business Address

Unit 2/17 Cairns Street

Loganholme, Brisbane QLD 4129

Appendix A – Underlying Earnings Reconciliation to Statutory Accounts

	FY22	FY21
Revenue	7,119,663	3,623,564
Other income	77,470	52,941
Cost of sales	(4,807,362)	(2,178,730)
Consulting fees	(373,468)	(225,861)
Employee benefits expenses	(2,171,715)	(1,846,106)
Marketing expenses	(119,244)	(174,374)
Property expenses	(11,595)	(9,064)
Impairment of receivables	(76,774)	-
Other expenses	(594,650)	(520,730)
Underlying EBITDA	(957,675)	(1,278,360)
Amortisation & depreciation	(86,350)	(196,531)
Finance costs	(32,524)	(42,357)
Underlying Loss Before Tax	(1,076,549)	(1,517,248)
<u>Non-operating items</u>		
Share based payments	(316,326)	(182,093)
Amortisation of intangible licences	(50,260)	(96,240)
Impairment of inventory	(180,000)	(270,016)
Loss Before Tax	(1,623,135)	(2,065,597)
Income tax	-	-
Loss After Tax	(1,623,135)	(2,065,597)

ADJUSTMENTS	DESCRIPTION
Share based payments	<p>HSC has provided performance rights to employees, directors and certain key consultants in order to attract, retain and incentivise these individuals.</p> <p>This investment in the HSC team is designed to strengthen all areas of the business and sets a platform for expected future growth, especially given the tight labour market conditions in the sector.</p> <p>HSC expects to issue further performance rights moving forward, but has classified these amounts as non-operating in order to better demonstrate the cash profit/loss for the respective reporting periods.</p>
Amortisation of intangibles assets	<p>As part of the acquisition of HomeStay Care International Pty Ltd, certain intangible assets were recognised.</p> <p>These assets have now been amortised in full, and no further amortisation expenses in relation to these assets will be charged in future reporting periods.</p>
Impairment of inventory	<p>As part of the acquisition of HomeStay Care International Pty Ltd, HSC acquired a range of legacy 3G devices in the inventory stores.</p> <p>With the impending 3G shutdown in Australia, HSC impaired a total of \$450,016 across the FY21 and FY22 years, representing the estimated unrecoverable value of these devices.</p> <p>No further impairment charges are expected in future reporting periods in relation to these devices.</p> <p>HSC has not purchased any 3G devices subsequent to the acquisition of HomeStay Care International Pty Ltd.</p>