CleanSpace®
RESPIRATORS

HALF YEAR FY22 RESULTS PRESENTATION

CLEANSPACE HOLDINGS LIMITED (ASX:CSX)

CleanSpace designs and manufactures innovative respiratory protection solutions for healthcare & industrial employers globally

We understand the importance of best-in-class personal protective equipment that not only performs, but allows the wearer to work comfortably and interact naturally in their work environment. Our products are designed for maximum compliance and comfort in the industrial and healthcare setting.

FEBRUARY 2022

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AUTHORISATION

This presentation has been authorised for lodgement to the ASX by the CleanSpace Board of Directors.

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OVERVIEW

FINANCIAL RESULTS

- 1H FY22 Revenue ($7m) was significantly down (PCP 1H FY21 $39.7m); gross margin remain high (75%).
- Operating Spend ($12.1m) was in line with PCP and previously provided guidance. EBITDA loss of -$6.8m for the six month period.
- Cash in bank $30.5m.

PERFORMING AT PRE-PANDEMIC LEVELS

- Current period follows an extraordinary pandemic fuelled demand (PCP Revenue $39.7m). Despite challenges, 1H FY22 revenue is at pre-pandemic levels with higher consumable sales (56% of total Sales) and improved gross margins.
- Pre-pandemic sales growth avg 40% yoy (in industry). Post pandemic, a return to growth benefits from expanded customer base and tailwinds from education in respiratory protection and CleanSpace brand awareness with customers and policy makers.

REVENUE LEVELS TURNING AROUND

- Following a turbulent last half, where the business experienced its lowest sales months, recent months are at higher sales levels and increased pipeline activity.
- The markets appear to be stabilising with stronger purchasing drivers (cost, sustainability and protection) supporting CleanSpace sales initiatives in healthcare and industrial sectors.

US HEALTHCARE MAJOR OPPORTUNITY

- COVID fast tracked market penetration: Large customer base of several hundred hospitals including reference sites: Sutter Health, University of Maryland and Kaiser Permanente.
- Sector undergoing the most significant change in decades with providers focused on cost efficiencies, staff retention and digitisation (providing opportunity for our solutions).
- US salesforce expansion included the recent hire of the Senior VP Sales (formally Medtronic and Agiliti Inc) to capture healthcare customers from the pandemic market penetration and establish larger purchasing channels (GPOs, government contracts).

SALES AND MARKETING FOCUS

- The business has been refining its sales and marketing strategies: distribution programs, product/service models and digital marketing.
- Recently launched its e-commerce platform in Australia. Open to the US in March. European markets are later this year. While still early, initial e-commerce activity is encouraging.

BOARD RENEWAL ENHANCES CLEANSPACE'S GROWTH AMBITIONS

- Three new independent directors with experience in sales/marketing, healthcare, North American and APAC markets.
- Focus is on sales and marketing to support technology enterprise adoption.

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FY22 INTERIM RESULTS SUMMARY

56%

CONSUMABLE / ACCESSORIES SALES OF TOTAL SALES

75%

GROSS MARGIN

3

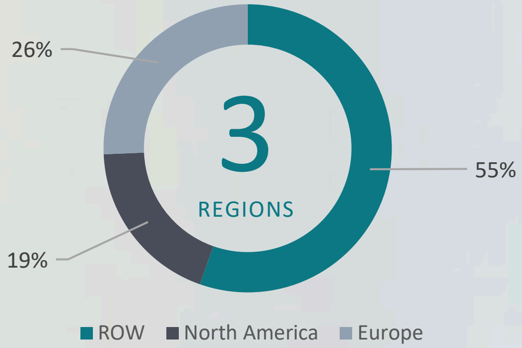
MAJOR GPOs (US and JAPAN)

REGISTERED SUPPLIER IN

47

OUT OF 50 US STATES

REVENUE BY REGION 1H FY22



- 1H FY22 Revenue $7m; Operating Spend ($12.1m) was in line with PCP and previously provided guidance. Resulting in EBITDA loss of -$6.8m for the six month period. Cash in bank $30.5m and minimal debt
- Consumables/Accessories sales are recovering (56% of total sales). By value consumables sales 20%+ up from pre-pandemic 1H FY20 period demonstrating use by healthcare and industrial customers
- The business maintained high gross margin (75%)
- In the Regional sales split, APAC was the major market driven by healthcare sales. North American sales were significantly down due to lower healthcare sales. Overall, healthcare sales were 56% of total sales
- More recently, sales activity returning in North America and Europe. Major distributors ordering to hold stock – indicating ongoing support for the CleanSpace brand and demand from their large customers
- Registered with three major GPOs in US and Japan. CleanSpace is a now registered supplier to 47 US States to benefit as government funding is deployed
- The challenges to sales (oversupply of disposables and ongoing outbreaks) are presenting as key drivers in a shift to reusable (cost effective and sustainable) PPE in stockpiling and pandemic preparedness strategies

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OPERATIONAL UPDATE

1H FY22 experienced ongoing volatility in purchasing patterns as customers were impacted by global challenges in PPE oversupply, supply chains disruption, material and staff shortages. CleanSpace implemented sales and marketing initiatives to address these immediate challenges and leverage an expanded customer base to drive ongoing use and wider adoption.

- Expanded sales/marketing capabilities in North America, Europe and APAC to:
  - Accelerate a direct model of lead acquisition as traditional distribution channels deal with the oversupply in PPE;
  - Establish deeper engagement with existing customers to support the ‘land and expand’ strategy and ongoing sale of products and services
- Healthcare procurement strategies have advanced: hospitals re-ordering directly and through distribution partners, supply contracts in place, registered with three major GPOs (US and Japan); registered supplier with 47 US States; and referenced in government and medical association PPE guidelines
- Industrial markets recovery was impacted by global supply issues, disruptions from outbreaks and distributors managing through surplus stock. During this period, CleanSpace increased its focus on existing key accounts and is seeing positive activity in its key sectors - mining, stone, metal, chemical and pharma. Recently, major distributors are moving back to stocking levels indicative of building market confidence and larger customers purchasing patterns
- Marketing initiatives are focused on increased lead acquisition, media and thought leadership. The business has replaced a traditional advertising model with its global digital marketing strategy. The business recently launched its e-commerce platform in Australia, which will open to the US in March, with European markets to follow later this year. While still early, the initial e-commerce traffic and sales activity are encouraging

ADOPTION BENCHMARKING IN SOPHISTICATED HEALTHCARE MARKETS

CleanSpace has advanced adoption in the Australian and Japanese healthcare markets – sophisticated and traditionally difficult to enter healthcare markets. This is being achieved through strategic partnerships, thought leadership and clinical collaborations. This approach is being replicated in US healthcare market.

AUSTRALIA	JAPAN
▪ 70+ hospitals have been trained in the use of CleanSpace with reordering from large metro hospitals and new adoption in regional hospitals ▪ CleanSpace Halo used in high risk areas: ICU, Emergency and Operating Theatres. Increase in brand awareness and word-of-mouth through social media ▪ Published State Government use guidelines for CleanSpace Halo in NSW, QLD and WA; Supplier contract with a State health provider ▪ Influential medical professional organisations conducted awareness campaigns on CleanSpace to their members: Australian Society of Anaesthetists, Australian Medical Association ▪ Only TGA & WAND (NZ) approved reusable high respiratory protection (PAPR) solution ▪ Ongoing media and government reports on issues with 'standard' disposable masks for infection prevention strategies: poor quality, high cost and staff/patient infection risks	▪ 350+ hospitals using CleanSpace Halo in metro and regional areas across Japan ▪ CleanSpace registered on Japanese GPO Nippon (owned by Premier, US largest GPO) ▪ Ongoing use through the Omicron outbreak in high risk areas: ICU, Emergency and Operating Theatres. CleanSpace Halo is presented in Government's national media campaigns focused on protecting healthcare workers ▪ The Japanese Medical Association published use guidelines for CleanSpace Halo and distributed to 170,000+ members throughout Japan ▪ Respiratory protection solution of choice for the Emergency Medical Teams at the Tokyo Olympics 2021 ▪ Ongoing discussions with high level officials from the Japanese Ministry of Health and similar related departments to raise awareness and position for effective change in pandemic readiness strategies

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RENEWAL IN BOARD LEADERSHIP WITH STRONG SKILLS BRINGING A FRESH APPROACH

BRUCE RATHIE
Chairman

Over 20 years' experience as a professional Non Executive Company Director and is currently Chair of 4DMedical Limited (ASX:4DX) and Non-Executive Director of Cettire Limited (ASX:CTT) and PolyNovo Limited (ASX:PNV). Successful prior careers in law and investment banking.

LISA HENNESSY
Independent NED

North American born and educated, brings significant enterprise sales experience in the medical device and hospital fields, from her time with global medical technology company GE Healthcare (NYSE) and Silicon Valley. Currently the Lead Independent Director with Nitro Software (ASX: NTO).

GRAHAM McLEAN
Independent NED

At Stryker, Mr McLean held senior finance and operational positions, including President, Japan, President Australia/ New Zealand and President, Asia Pacific and was responsible for transforming Asia Pacific, including restructuring distribution to accelerate growth.

- Careers in technology growth businesses
- Experience in
  - Large markets: North America, EU and Asia
  - Key sectors: PPE, Healthcare and medical devices
- Understand the traditional sales channels and purchasing platforms
- Experience with new ecommerce models and digital marketing strategies
- Contemporary experience in sales and marketing; technology enterprise adoption models; and channel management
- Skillsets that contributed to the business strategy to guide management in our sales/marketing initiatives.

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INCOME STATEMENT SUMMARY

(A$m)	1H FY22	1H FY21	*Change vs PCP F / (U) %*	2H FY21	*Change vs prior half F / (U) %*
Revenue	7.0	39.7	*(82)*	10.2	*(31)*
Gross Profit	5.3	31.1	*(83)*	7.3	*(27)*
Employee benefits expenses	(6.5)	(5.8)		(4.7)	
Marketing and sales expenses	(2.7)	(1.8)		(1.9)	
R&D and IP expenses	(0.8)	(0.7)		(0.7)	
Other operating expenses	(2.1)	(3.6)		(2.1)	
Total Operating Expenses	**(12.1)**	**(12.0)**	*(1)*	**(9.4)**	*(29)*
EBITDA	**(6.8)**	**19.1**		**(1.9)**	
Depreciation and amortisation	(0.5)	(0.7)		(0.5)	
EBIT	**(7.3)**	**18.4**		**(2.4)**	
Interest expense (net)	(0.1)	-		-	
Income tax benefit/(expense)	2.0	(5.3)		0.8	
Net (loss)/profit after tax	**(5.4)**	**13.0**	*(141)*	**(1.6)**	*(238)*
Gross Margin	75%	78%		72%	
EBITDA Margin	-97%	48%		-19%	
EBIT Margin	-103%	46%		-23%	

- Sales experiencing month to month volatility due to oversupply of PPE and COVID-related disruptions to global industrial activity
- Recent months are at higher sales levels and increased pipeline activity
- Maintained high gross margin (75%) noting that a higher proportion of sales were through distribution
- Sales headcount increased in 1H FY22. Recent changes to the US Sales team are anticipated to increase US employment expenses in 2H FY22 with the implementation of the North American sales strategy
- Marketing and sales expenses expected to reduce in 2H FY22 as the company shifts to digital marketing and away from traditional advertising and external consultants
- R&D and IP spend remains consistent with prior periods. The income tax benefit includes R&D incentive
- Other operating expenses in 1H FY21 included $1m IPO related costs
- Total operating expenses for second half are expected to be lower than 1H FY22 as the business continues to review its costs to align with the market activity and growth

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SUMMARY BALANCE SHEET & CASH FLOWS

Summary Balance Sheet (A$m)	as at 31-Dec-21	as at 30-Jun-21
Cash, cash equivalents and term deposits	30.5	38.2
Trade and other receivables	2.7	2.4
Inventories	4.4	4.6
Income tax receivable	0.8	-
Other current assets	0.6	0.5
Property, plant and equipment	1.9	1.9
Right-of-use assets	1.7	1.9
Other non-current assets	0.9	1.1
Total assets	**43.6**	**50.7**
Trade and other payables	2.1	2.4
Borrowings	2.4	2.4
Lease liabilities	1.8	2.0
Income tax liabilities	-	1.6
Employee benefits	1.1	1.0
Other liabilities	0.6	0.6
Total liabilities	**8.1**	**10.0**
Net assets	**35.5**	**40.7**

Summary Cash Flows (A$m)	1H FY22	2H FY21	1H FY21
Operating cash flows pre-financing and tax	(7.2)	(1.3)	20.1
Capital expenditure	(0.2)	(0.5)	(1.2)
Free Cash Flow	**(7.4)**	**(1.8)**	**18.9**

- Strong balance sheet. Net assets of $35.5m and Cash of $30.5m
- Monitoring cash flow to optimise cost structure to re-deploy funds to support sales activity and conserve cash
- Inventory level stable and consistent with risk management strategies for global supply chain disruptions and business continuity with COVID
- Minimal debt
- No intangible assets

OUTLOOK

CleanSpace is capitalising on changes in PPE landscape. Heavy burdens in PPE cost, staff shortages and environment waste underpin the purchasing of reliable and sustainable solutions. Countries are reviewing the lessons learnt to upgrade their strategies for preparedness and stockpiling. Recent increased market activity is supporting return to growth.

- CleanSpace is a growth technology company with a unique suite of ‘best in class’ products and services, a demonstrated customer base, robust high margins, strong balance sheet and large market opportunities.
- The business has been presented with a broad set of market dynamics. Through the period has been refining its sales and marketing strategies to address these.
- The pandemic headwinds are clearing. While half year revenue performance was significantly down on PCP, overall the business has benefitted from stronger financial fundamentals and larger market opportunities.
- Robust high gross margins and strong balance sheet (cash in bank and minimal debt) with effective cash management strategies in place underpin sustainable growth.
- Board renewal brings sales and marketing skills that are contributing to the strategic review to shape market initiatives to meet the business’s growth ambitions.
- The business anticipates increased levels of sales activity in the second half as its initiatives gain greater traction, particularly in the US market; and pandemic disruptive dynamics dissipate.

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