
CLEANSPACE HOLDINGS LIMITED TRADING UPDATE

CleanSpace Holdings Limited (ASX:CSX; CleanSpace), an Australian company which designs, manufactures and sells workplace respiratory protection equipment for healthcare and industrial markets, today provides an update to its trading for 2H FY21 period.

KEY POINTS

- The business has experienced lower sales over the current quarter and 3Q FY21 sales are expected to be \$7m (quarter ending 31 March 2021). The lower level of sales, following immediately after an exceptional 1H, reflects the business is still operating through a highly dynamic period. The circumstances globally are unprecedented. The volatility is likely to continue for some time.
- A sudden shift in North American healthcare procurement is impacting sales. This is driven by a number of compounding factors; acceleration of vaccine rollout programs, spending constraints and a backlog stockpiling of low-tech disposable masks. A strong US hospital pipeline underpins sales in the medium to longer term. As outlined in previous announcement (dated 25 February 2021), the business is deploying capital to accelerate its sales strategy and market presence – doubling of regional sales capability, opening distribution and aggressively targeting new sectors less impacted by vaccine rollouts.
- With a large total addressable market of \$6.3b and accelerated investment to penetrate that market, the business is confident it will return to the historical strong growth rates in the medium term. Large employers, including hospital groups, have indicated high satisfaction with the product and we anticipate similar responses as our products roll out further.
- Fundamentals of the business remain unchanged: protected and differentiated technology; expanded global customer base in healthcare; established and growing industrial business; new markets and opportunities, strong regulatory position and proven scalable business.
- The Biden incentive package has introduced a platform for increasing quality of PPE and pandemic preparedness for present and future outbreaks. Focussing on government and larger purchasing organisations is a priority of the business. The cost effectiveness of our product and with the highest protection rating, remain powerful sales advantages even in the immediate changing winds of the hospital environment.
- Globally, it is expected that guidelines for pandemic preparedness as well as auditing will increase substantially particularly in the misuse of inappropriate PPE in healthcare. Longer term initiatives of the Company are centred on updates to Respiratory Protection guidelines and standards. Government intervention in other areas has proven to be a powerful force for changing purchasing decisions.
- Given the significant level of uncertainty in our operating environment CleanSpace is not providing guidance for 2H FY21 at this point.

TRADING UPDATE

The business has experienced lower sales over the current quarter. 3Q FY21 sales are expected to be \$7m (quarter ending 31 March 2021). The lower level of sales, following immediately after an exceptional 1H, reflects that the business is still operating through a highly dynamic period.

As outlined in the recent Interim Results Announcement (25 February 2021), there is a shift in North American healthcare procurement that is impacting sales in the short term. This has been driven by a number of compounding factors; acceleration of vaccine rollout programs, spending constraints and a backlog stockpiling of low-tech disposable masks.

The business has a strong US hospital pipeline supporting the sales in the medium to longer term.

Fundamentals of the business remain unchanged: protected differentiated technology; expanded global customer base in healthcare; established and growing industrial sales (e.g. silica and mining); strong regulatory position; proven scalable business; and new markets and opportunities such as pharma, dental, ambulatory and its proprietary data platform.

The Biden incentive package has introduced a platform for increasing quality of PPE and pandemic preparedness for present and future outbreaks. “Build better biopreparedness and expand resilience for biological threats. Biological risks are increasing and accelerating due to a variety of trends, including zoonotic diseases that spill over to humans; a changing climate; and advances in technology that make it easier, cheaper and faster to make and modify dangerous agents. In addition, COVID-19 outbreaks are likely to occur in the United States and globally for years even after the introduction of a safe and effective vaccine. During the Biden-Harris Administration, it is likely that other biological events - including the potential for another high consequence or pandemic event - will occur. The United States must strengthen its capacity to swiftly counter pandemic cooperation globally potentially catastrophic biological events” [link: <https://www.whitehouse.gov/wp-content/uploads/2021/01/National-Strategy-for-the-COVID-19-Response-and-Pandemic-Preparedness.pdf>]

The United States reengagement with the WHO suggests closer cooperation globally in pandemic preparedness which has also been signalled by the Australian government. Focussing on government and larger purchasing organisations is a priority although traction may take time. The cost effectiveness of CleanSpace products and with the highest protection rating, remain powerful sales advantages even in the immediate changing winds in the hospital environment.

As outlined in previous announcement (dated 25 February 2021), the business is deploying capital to accelerate its sales strategy and market presence – doubling of regional sales capability, opening distribution and aggressively targeting new sectors less impacted by vaccine rollouts. The Company is resourced to ensure sales teams remain focused on existing customers, adding to the installed base (which grew c60% in 2020) and converting the current pipeline in acute healthcare.

The Company is actively accelerating its investment in sales and government relations across its major markets.

Longer term initiatives are centred on updates to Respiratory Protection guidelines and standards to support high protection and reliable equipment practices for healthcare workers. This also includes assisting government and organisations with their current challenges of high costs and unsustainable reliance on disposable masks.

There is a change in healthcare PPE purchasing. Traditional models of hospital revenue and their cost base have been severely impacted; in their recovery phase CleanSpace, as a cost-effective solution, will have a significant advantage. Governments are re-evaluating global supply chains and Australia has a strong position as a reliable and secure trading partner.

Given the level of uncertainty in our operating environment CleanSpace is not providing guidance for H2FY21 at this point. With the level of current and planned investment, expanded customer base and near-term opportunities, the business is in a strong position for growth.

Dr Ron Weinberger, Chair, Dr. Alex Birrell, CEO, and Ms. Elizabeth Harvey, CFO, will host a briefing for investors and analysts at 11.00 am AEDT. <https://services.choruscall.com.au/webcast/cleanspace-210329.html>

A telephone dial-in for the briefing is also available by registering at the following link <https://s1.conf.com/diamondpass/10013244-8r3ath.html>

Authorised for release by the CleanSpace Holdings Limited Board of Directors

ABOUT CLEANSPACE

CleanSpace is a Sydney-based designer and manufacturer of respiratory protection equipment for healthcare and industrial applications, founded by a team of biomedical engineers with experience in respiratory medicine devices. CleanSpace is passionate about continually improving health outcomes, workplace safety and standards of care. In the last 20 years, technology has driven unprecedented advances in medical equipment and transformed people's health. We have brought this to personal respiratory protection. The Company continues to invest in research and development programs resulting in differentiated design and approved products that provide compelling employer and user benefits, namely, higher protection with improved compliance and productivity. CleanSpace Respirators are a true game changer, changing the way people on the front lines think about respiratory protection.