

31 March 2022 Quarterly Update and Appendix 4C

Quarter on quarter growth in all key markets, continued expansion with new products and into new geographies

PainChek Ltd (ASX: PCK) (“PainChek” or “the Company”), developer of the world’s first smart phone-based pain assessment and monitoring application, is pleased to announce its quarterly activities and cashflow report (Appendix 4C) for the quarter ended 31 March 2022.

Highlights

- Global recognized revenue grows to \$303,000 for the quarter, a 66% increase over previous quarter and cash receipts exceed \$300,000.
- Existing Australian clients continue to transition to PCK license agreements, producing \$1.2M actual ARR and maintaining \$5.5M nominal ARR assuming all Government trial participants are fully implemented and transitioned to PCK licenses. Global actual ARR is \$1.3M.
- Large new aged care (non-government funded) client sign ups in Australia, New Zealand and UK, confirming broad market acceptance of technology and global digital delivery capability.
- Infant App global market opportunity in 2022 has expanded incorporating a fast-track US market entry.
- Promising green shoots – new agreements continue in home care, hospitals and disabilities markets, US market FDA clearance in progress.
- PainChek was pleased to announce the appointment of Cynthia Payne as a Non-Executive Director, effective 30 March 2022.

Commentary

Philip Daffas PainChek CEO said “The results of the past quarter reconfirm the Company’s positive progress on all fronts including a 32% growth in actual ARR on previous quarter. In Australia we continue to achieve strong retention rates of approximately 97% for those customers who have implemented and transitioned to commercial contracts. New Australian RAC commercial agreements include Australian Unity (1,200 beds) - demonstrating strong new Aged Care client demand.

Overseas we achieved our first fully digital sale with Summerset Homes, New Zealand’s 3rd largest aged care provider with 1,200 beds being rolled out in the next quarter, while in the UK we reached the 5,000 contracted bed mark - a 68% quarterly growth.

New green shoots including first small sales in the Australian home care and hospital market, the first disability sector sale in UK and growing interest from several international and local partners with the infant app for both post operative and post vaccination applications. These hold the Company in good stead for new market expansion in 2022.

On a personal note, I have been based in the UK for the past 6 weeks, supporting the UK team and using the geographic base to extend international partnerships in Europe and North America for both the adult and infant App’s.”

Activity Summary

Residential Aged Care

- The Annualised Recurring Revenue (ARR) of PainChek’s commercial subscriptions is now \$1.3M (26,500 licensed beds globally), a 32% increase over prior quarter.
- Residential aged care (RAC) market penetration continues with over 66,000 licences now implemented in Australia, New Zealand, United Kingdom and Singapore.
- RAC Implementation and User Training has continued to be delivered remotely during COVID pandemic. The PainChek clinical team has trained over 8,500 users to assist customers in their transition to digital platforms, with larger customers adopting a “train the trainer” approach accelerating roll out.
- PainChek utility continues to grow, with more than 1 million PainChek clinical assessments conducted in aged care as of 31 March 2022, an increase of 273% over the previous year and 34% over the prior quarter, reflecting strong clinical utility and continued implementation progress.

RAC Australia

- In Australia, the immediate goal is to maintain the 125,000 licensed beds that contracted under the government trial, representing 60% share of the Australian RAC market and a nominal \$5.5M ARR. Currently there are 24,000 beds under standard commercial terms reflecting \$1.2M ARR. There are also 39,500 beds implemented and using PainChek® on government funded trial which have an additional potential ARR of \$1.9M assuming they convert to commercial terms at the end of the trial period. There are a further 56,700 contracted bed licenses under the government trial with a potential ARR of \$2.5M which are not yet implemented in the trial. To date, customer commitments are in place to implement 30,000 of this backlog during 2022, with a January 2023 start for fee paying commercial subscriptions. PCK continues to work with the customers of the remaining 26,700 licenses to develop an implementation schedule.
- From a timing perspective, PCK projects approximately 70% of the 125,000 Australian bed licenses to have converted to normal commercial terms by January 2023 representing an ARR of approximately \$4.3m.
- In addition, new Australian customers who did not sign up to the government funded trial (approximately 40% of the Australian market) are expected to continue to be signed up on normal commercial terms to support achieving the overall \$5.5M Australian market ARR target.
- In this quarter large RAC business Australian Unity contracted to move from the trial to a 3 year commercial agreement with an expansion of their usage to over 1,200 beds at existing and newly acquired sites. Australian Unity is also one of the largest Homecare providers in Australia.

RAC Overseas Markets

- Summerset Holdings Ltd, New Zealand’s 3rd largest aged care provider, has signed a contract to roll out the PainChek® pain assessment solution across all 24 of its care centres totaling 1,150 beds, following a successful 6-month pilot. The negotiation and training were carried out remotely, validating the global digital sales and training business model. This first rollout of PainChek® in New Zealand is particularly significant in the international expansion of the PainChek business and demonstrates the potential of the offering worldwide.

- In the UK PainChek now has over 5,000 contracted beds up from 3,500 the previous quarter, with close to 3,000 implemented.
- In the UK PainChek now has integration agreements with care management and medication management partners who can provide a pipeline opportunity of up to 180,000 Residential Aged Care Beds.
- In the UK the integration partnerships include Care Vision CMS and Nourish Care, who provide care management software to more than 55,000 residential aged care beds that could potentially use the PainChek® assessment solution. PainChek subsequently received an order for an initial rollout of 1,000 beds.
- In addition, in the UK we have the first disability contract signed with Downing Care. Downing Care is a learning Disability Care Home group in the UK and assuming a successful testing phase of 20 beds they plan to expand the implementation to all their care homes in Surrey and Hampshire.

New Markets

- PainChek has made an initial sale of 75 beds into the Home Care market in Australia with Finley Regional Care Ltd, a RAC and Home Care provider. PainChek also has ongoing discussions with currently contracted large Residential Aged Care providers who also have a Home Care arm to their business.
- The first hospital sale was contracted for 55 beds at the Joondalup Health Campus, Edith Cowan University for a 6 month pilot.
- PainChek launched its Home Care partnership with MPS (owned by Sigma Healthcare) with a joint webinar in late March with over 50 representatives from over 30 providers attending and MPS expect to make initial sales in the quarter to June 2022.
- USA FDA regulatory clearance is in progress with Adult and Infant Apps. The Company has progressed an application for the PainChek Infant App to be registered in the US as a Clinical Decision Support device to support the US-based COVID-19 infant vaccination roll out plan. The Company will proceed to include the US in its launch process in second half of CY2022. Market access for the US in 2022 would be a significant development for the Company and would allow PainChek to align the Infant technology across US, Europe and ANZ as the infant COVID-19 vaccinations roll out.
- Clinical trials for the Adult App are planned for later in CY2022. The Adult FDA pre-sub supplement was submitted in December 2021 and PainChek received a request for more information from the FDA in March 2022, which is now being addressed. The clinical trial protocol and partners are all in place and we plan to commence the study in 2nd half of CY2022.
- We made a submission to the Australian Federal Government for the Infant App to be considered as part of the infant vaccine rollout in the Federal budget. We were not successful in the pre-budget submission, however, we remain in contact on the initiative with the Department of Health and continue to develop 'go to market' partnerships for the Infant App with large pharma, diagnostics and clinical research organisations.
- The Royal Children Hospital in Melbourne have commenced recruitment of research assistants in the quarter for the "Painfaces Study", a clinical study with the PainChek® Infant (Multi-dimensional) Application. Recruitment of patients is planned to commence in May 2022, after the research assistants are trained This study had been on hold due to the COVID-19 pandemic. The study will evaluate the validity and reliability of the application for the assessment of procedural pain amongst infant in the Emergency Department when compared to the Faces, Legs, Arms, Cries and Consolability (FLACC) scale.

Corporate

- PainChek was pleased to announce the appointment of Cynthia Payne as a Non-Executive Director, effective 30 March 2022. Ms Payne brings 30 years executive leadership experience as well as significant board and operational experience in residential and home aged care services in Australia. That experience includes more than 16 years as CEO for a large private aged care Provider in NSW and before that head of operation manager for a large Not for Profit with home care, residential and retirement living portfolios. She is the founder and Managing Director of Anchor Excellence, a leading consultancy firm in the aged care services industry in Australia that advises boards and management on operational and compliance best practices.

Revenue

- Q3 FY22 revenue (unaudited) \$303,000 – up 66% on Q2.
- Year to date revenue from customers (unaudited) \$635,000 – up 345% on the prior year (9 months to March 2021).
- R&D Incentive (Other Revenue) in Q3 Nil, YTD \$1,090,000 – the YTD revenue was recognized in December 2021, the receipt of this cash is expected in Q4.
- Government Grant (Other Revenue) in Q3 \$Nil, YTD \$648,710. The remaining \$204,606 of deferred government grant revenue is expected to be recognized in Q4 on delivery of the final costs associated with the grant terms.

Cashflow

- Cash balance: PainChek's consolidated cash balance on 31 March 2022 was \$4.7M.
- Research and development payments were \$310,000 (Q2: \$329,000)
- Advertising and Marketing payments decreased to \$160,000 (Q2: \$199,000)
- Staff Costs payments decreased to \$962,000 (Q2: \$1,012,000)
- Administration and Corporate costs decreased to \$568,000 (Q2: \$1,774,000). In Q2 the company paid a one-off payment of \$1,321,059 for a payroll tax assessment relating to 2017, there are no further payments due under that assessment. The company will not proceed with an objection due to the high cost of pursuing an action at court.
- In accordance with ASX Listing Rule 4.7C.3, the amount of \$103,000 stated in section 6.1 of the Appendix 4C paid to related parties and their associates related to director fees and salaries for the quarter. The company made payments to directors during the period of \$102,500: \$40,000 to non-executive and \$62,500 to executive directors.

Investor Presentation Webinar

PainChek will hold an investor webinar & Q&A for all shareholders and interested parties at on 3rd May 2022 at 4:55pm. Managing Director and CEO Philip Daffas will discuss recent business updates and progress during the webinar.

Please register for the webinar at: https://us02web.zoom.us/webinar/register/WN_P-NyELrGRjGMV9UCdPI71w

After registering, you will receive a confirmation email containing information about joining the webinar as well as dial-in details for those that would prefer to join by phone.

For the Q&A session, investors are invited to send questions prior to the webinar to matt@nwrcommunications.com.au

Please note a replay of the webinar will be available at the above-mentioned Zoom link shortly following the conclusion of the live session.

This announcement has been approved for release by the Board.

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About PainChek®

PainChek® Ltd is an Australian based company that develops pain assessment technologies.

PainChek® is a smart phone based medical device using artificial intelligence to assess and score pain levels in real time and update medical records in the cloud. PainChek® records a short video of the person's face and analyses the images that indicate pain and records them.

Next, the caregiver uses PainChek® to record their observations of other pain related behaviours that complete the assessment. Finally, PainChek® calculates an overall pain score and stores the result allowing the caregiver to monitor the effect of medication and treatment over time.

PainChek® is being rolled out globally in two phases: first, PainChek® for adults who are unable to effectively verbalise their pain such as people with dementia, and second, PainChek® for Children who have not yet learnt to speak.

The PainChek® Shared Care Program is a PainChek® licensing model which enables a professional carer to share their resident or patient data securely with other healthcare professionals or designated homebased family carers for ongoing pain assessments or clinical data review.

To find out more, visit www.painchek.com

Appendix 4C
Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity

PAINCHEK LTD

ABN

21146035127

Quarter ended ("current quarter")

31/03/2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1.0 Cash flows from operating activities		
1.1 Receipts from customers	310	594
1.2 Payments for		
(a) research and development	(324)	(977)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(160)	(486)
(d) leased assets		
(e) staff costs	(962)	(3,029)
(f) administration and corporate costs (see also Note 1)	(568)	(2,886)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	0	79
1.8 Other (GST)	2	(93)
1.9 Net cash from / (used in) operating activities	(1,702)	(6,794)

2.0 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(8)	(45)
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		

2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(8)	(45)

3.0	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	0	180
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	180

4.0	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,466	11,420
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,702)	(6,794)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8)	(45)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	180
4.5	Effect of movement in exchange rates on cash held	(20)	(25)
4.6	Cash and cash equivalents at end of period	4,736	4,736

	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
5.0	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	4,737	2,755
5.2	Call deposits	0	3,711
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,737	6,466

6.0	Payments to related entities of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1		103
6.2	Aggregate amount of payments to related parties and their associates included in item 2		

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

- 7.0 Financing facilities**
Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the position
- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end	Amount drawn at quarter end
\$A'000	\$A'000

7.5 **Unused financing facilities available at quarter end**

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- 7.6 Include in the below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

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8.0	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,702)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,736
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	4,736
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If Item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: Yes	
	8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: The company is exploring a variety of fundraising options during the financial year 2022. The company has successfully raised funds from investors and current shareholders in the past, and expects this support to continue going forward.	
	8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: Yes. The company has sufficient funds to meet the operating activities until mid Q1 FY23	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered</i>	

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 22/04/2022
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Authorised by:

By the board

(Name of body or officer authorising release - see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

Included in administration and corporate costs in Q2 is a \$1,321,059 payment for a payroll tax assessment relating to 2017, there are no further payments due under that assessment.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.