

Reporting Period: H2 FY20 (January to June 2020)

CHAIRPERSON UPDATE

Dear AbilityMade Investor,

Looking back over my previous update, I stated that “I believe FY20 will be the defining moment for AbilityMade”. Given these were penned just before the COVID-19 pandemic crisis had yet to hit our shores (or many countries), I think there may have been other defining moments for FY20 that I did not envisage. At the time, our engagement was increasing with the orthotists, we had refocused the team to be more sales oriented, and our technology changes with the scanner seemed to be paying off.

Many months later, we look back over the final months of the financial year and wonder how we could have ever guessed the impact of such an event. Fortunately, the team at AbilityMade were quick to adapt to the changing business environment that COVID-19 presented us. They established a “safe work” environment in the office, moved many to work from home and ensured that all of our key partners knew that we were still in business and still able to deliver our life-changing AFO’s.

Like many businesses in the country we were not immune from the impact of lockdown and the economic slowdown. Our partners saw a shift in their patient engagement and our suppliers struggled with the new normality of restrictions in trade and personnel. However, AbilityMade adjusted quickly and we kept our focus on sales and delivery, to ensure that every child that needed a 3D-printed AFO would get one.

As you will see from the report below, we kept producing and delivering AFO’s as we re-engineered our working environment to meet the new working environment. Our focus has definitely shifted onto scaling our production to meet the increasing demand for our AFO’s over the next 6 to 12 months. We continue to work with the key orthotists to ensure we are building products that meet their needs, and are seeing (albeit slowly) an increase in both their confidence, as well as their orders, each month.

Our key milestones since before we formalised and established the Board, and following the strategic review and scanner technology design, can be categorised into the following 3 stages:

No	Stage	Period
1	Resolving scanner hardware and software issues	1 Jul to 31 Dec 19
2	Onboarding high volume practice while maintaining AFO quality	1 Jan to 30 Jun 20
3	Scaling production capacity, maintaining AFO quality and delivery timeframes	1 Jul to 31 Dec 20

As you can see, production and delivery are definitely front of mind and as the economic environment improves and life returns to some (new) normality, we expect to see increasing demand for AbilityMade’s AFO’s.

I do, however, have to inform you that Melissa Fuller has tendered her resignation from the Board of AbilityMade due to personal matters, and I have accepted her resignation. She continues to remain deeply involved in the business and continues in her roles as joint Founder, working alongside Johan and the entire team. Her commitment is unchanged and this step down from the Board is temporarily needed for personal circumstances and has nothing to do with the business. Mel or I are happy to answer any questions you may have on this matter.

Warm regards,

Michael Graf - Chairperson, Non-Executive Director & Investor



Highlights

Financial

We continue to maintain our cash runway till the end of February 2021 and expect to extend this out through to June 2021 using two initiatives:

- Re-balancing salaries
- Securing philanthropic funding

We are in the process of preparing our FY21 Budget which will commence from 1 September 2020. This will include our increased AFO prices and Scanner Support Fee. It will give us more clarity on our pathway to financial sustainability and when the next capital raise may be required. A summary of this will be shared once ready.

Sales and Impact

Item	Jul 19 - Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	FY 20
Impact (Children Empowered)	15	4	4	22	9	11	13	78
Sales (AFO Units)	29	8	8	38	19	22	24	148

Our sales and impact are aligned, the more AFOs we sell the more children we empower, so the logical step was to report these metrics together.

Partner Orthotists

We are working closely with our 4 key partners to ramp up orders and expect to deliver between 80-100 AFOs per month in the coming months. While we are excited by the potential to scale our impact, this is also one of our biggest challenges at the moment.

1. Northcott Disability Services - Sydney

- We continue to have a strong relationship with Northcott as they continue to order from us
- They have just recruited a second orthotist that is technology focused and will be involved in marketing the orthotic services available, we expect these initiatives will see a growth in our AFOs orders and expect them to be ordering 20 AFOs p/m from us
- We are currently in the process of onboarding this new orthotist into our service

2. Nova Orthotics - Newcastle (Jessie McGrath)

- Jessie commenced ordering with us in March and has been very happy with our timely service and the quality of our AFOs
- This is a major milestone for us on two fronts;
 - Firstly our service has the potential to alleviate the capacity constraints Jessie faces, enabling her to see more children with disabilities
 - Secondly she also has a huge pipeline of orders (40+ AFOs p/m), we are in the process of a planned monthly ramp up with her to ensure we can meet her demand

3. Access Orthotics - Wollongong (Tamra Enbom)

- Tamra continues to build out her new practice (opened earlier this year) and she only uses our service for AFOs
- Given her reputation, parents and children are travelling across NSW to see her. As her practice grows our orders will as well, we expect this to ramp up to 20+ AFOs p/m



4.OAPL - Sydney

- OAPL are yet to commence ordering from us but we have developed a plan to get them moving. As they are a new practice they don't have a referral base, which involves physiotherapists sending them children that need AFOs
- We have engaged a lead generation expert to engage with physiotherapists and have them refer 20 children to OAPL that need AFOs. We have an education evening with physiotherapists in mid August and expect this will drive orders from OAPL

Zortex Orthotics - Sydney (Stuart Kerr)

- We have been working with Stuart since early 2019 through the DSSU project, unfortunately he has demonstrated our solution does not suit his operation. He employs 3 technicians who need to continue utilising Zortex's investment in their manual fabrication workshops
- After detailed consideration we made the strategic decision to remove our 3D scanner from his practice, fortunately we were able to end this collaboration on good terms for now

Funding

We actively research and apply for government and philanthropic grants on a regular basis.

We were unsuccessful in moving to the next stage for the NSW Medical Devices Fund (\$1.8 million) and expect to hear back in August about the next stage for the Australia Government's Boosting Female Founders Grant (\$380k).

Fortunately we have been able to access the majority of COVID-19 stimulus related funding, this includes:

- Australian Government:
 - Boosting Cash Flow Payments (\$100k)
 - JobKeeper (\$108k)
- NSW Government
 - Small Business COVID-19 Support Grant (\$10k)
- Victorian Government
 - Business Support Fund (\$10k)

Post DSSU Commercial Model

- In March we received a \$25k grant from the Victorian Government to engage Social Ventures Australia (SVA) on a business model project
- We have been working with SVA over the last few months to figure out how to monetise our 3D digital fabrication service and 3D scanner
- We are in the process of finalising this model, it will involve a monthly support fee that scales the more our partner orthotists use our service
- Upon implementation we will have a secondary revenue stream in addition to our AFO revenue stream

New AFO Pricing & NDIS AFO Pricing Guide

- Over the last few months we have been working on an NDIS AFO Pricing Guide for orthotists
- Orthotists face a lot of uncertainty in lodging AFO funding quotes with the NDIS, this guide supports those quotes and ensures that orthotists can quote a fair and ethical price to the NDIS
- The price we charge for our AFOs will be increasing over the next few months as we transition away from introductory pricing, this means our contribution margin per AFO could increase from \$200 to \$400 per unit, this Guide is intended to support that new AFO pricing

PDE Strut AFOs

- We received funding from Equity Trustees to develop PDE Strut AFOs, these AFOs have better clinical outcomes for children
- These AFOs also have the potential to have a higher contribution margin compared to our current AFOs and over the next month we will be putting together a business case to validate this



Prototype - PDE Strut AFO

Localised Orthotic Care Project: A Digital Health Solution (\$300k to \$600k Project)

- Northcott Disability Services have approached us for a strategic partnership to deliver localised orthotic care to regional NSW communities. We have commenced initial scoping and the project remains within our core business, we will provide 3D Scanners and AFOs. Northcott will manage the service delivery process through their regional hubs and provide the relevant training to a local health professional
- A local health professional at a Northcott Regional Hub will conduct the assessment and fitting process of an AFO using our tools (3D Scanner & Ipad). They will liaise via a video call with a Northcott orthotist based in Metropolitan Sydney to deliver the orthotic care. We will manufacture and deliver the AFOs
- We have consulted our philanthropic partners and many of them have expressed interest. We have already applied for a \$150k grant with the Foundation for Rural and Regional Renewal to fund a component of this work in the Northern Rivers Regions of NSW. We expect to hear back about this grant in August
- This project is strategically very significant as it lays the foundations for us to provide services to other parts of Australia (and eventually other parts of the world) that we could not service to date

Increasing Access to AFOs Project (\$100k-\$200k Project)

- We continue to receive requests from our partner orthotists to support disadvantaged groups of children that are unable to access funding for their AFOs through the NDIS
- Over the last few months we have also started to notice a lot of small community grants (\$10k to \$50k) that are interested in funding project that improve health outcomes for children
- There is an opportunity here to access funding to cover the costs associated with providing these AFO in the short-term. We will also develop a guide that helps the parents/careers of these children advocate to the NDIS for long-term AFO funding
- The current pipeline of grants for this project is in excess of a \$100k



Team Members

Departing

Tamra Enbom - Head of Clinical Development

- Tamra has wrapped up with AbilityMade to focus on growing her orthotic practice, Access Orthotics. While it is sad to lose Tamra as a member of the team we are excited to continue working with her as a partner orthotist and advisor from time to time

Caitlin Dubler - AFO Finishing Technician and Dispatch Coordinator

- Caitlin has wrapped up with AbilityMade to pursue a PhD in Design. Once again sad to see Caitlin leave but she will continue supporting us on an ad-hoc basis for any design work we require

Recruitment

AFO Finishing Technician and Dispatch Coordinator - Ali Burke - Part-Time (0.6 FTE)

- Earlier this month we recruited Ali Burke to take on this role
- She has a background in product design and close ties to the disability community, we thought it was the logical choice

Software Developer - Full-Time (1.0 FTE)

- We currently have a contractor that provides software development support 2 days a week, we are looking to bring this role in-house to support our AFO production automation initiatives.

Clinical Facilitator - Part-Time (0.4 FTE)

- With the departure of Tamra we are looking to recruit an individual that can convert the language an orthotist uses into the language our production and product team understands

Challenges

Production Capacity

- Our biggest challenge at the moment is scaling our production capacity while maintaining AFO quality and delivery time frames, as demand for our AFOs currently outstrips our capacity to supply.
- We are working on production optimisation and automation initiatives to scale up our current capacity from 40 AFOs per month, and expect to increase it to 80-100 in the next few months

If you have any experience in managing manufacturing capacity challenges, we would appreciate the support.