

Bactiguard Infection Protection

Q3 presentation

7 November 2019

Financial highlights

Bactiguard's strongest quarter to date

- Q3 revenues of MSEK 67.0 (35.7) – all time high, increase mainly driven by new license agreement with Zimmer Biomet
- BIP sales more than doubled to MSEK 8.7 (3.9)
- EBITDA of MSEK 36.5 (7.9)
- EBITDA margin of 54% (22%)
- Net profit of MSEK 23.7 (-0.5) - depreciation on technology of 6.0 MSEK (no effect on cash flow)
- Operating cash flow of MSEK 22.0 (4.1)



License business

New agreement boosts revenues

Q3

- License revenues of MSEK 54.4 (30.1) - 80% higher than in 2018
- BD revenues lower at MSEK 25.0 (27.0) - YTD revenues in line with 2018
- New license revenue of 29.4 MSEK (3 MUSD) from Zimmer Biomet



- Zimmer Biomet deal confirms strength of Bactiguard's technology in global context and new medical application
- High pace in the project - additional revenue of MUSD 2 contingent on milestones in US regulatory process
- CE mark important reference - technical file and clinical evidence will facilitate and shorten the regulatory process
- Vigilenz' implants launched in Malaysia - will start generating clinical evidence and recurring license revenue
- Preparatory work with Well Lead almost concluded, moving on to the regulatory phase

BIP portfolio

BIP sales more than doubled in the third quarter

Q3

- BIP sales amounted to SEK 8.7 (3.9) million, an increase of 120%
- YTD sales of MSEK SEK 14.9 (26.1) - not yet at the same accumulated level as last year

- First Chinese order outside the initial agreement received in September - important milestone
- End-customer sales in China are picking up - strengthening our local organization to accelerate growth
- Beginning to see greater activity in India too – targeting both private and public hospitals
- Middle East developing positively - launching in Egypt after regulatory and administrative delays
- Mature EU markets doing well – gradually increasing footprint in new markets



Strengthening the medical competence

Both in Executive Management and on the Board



MD PhD at Karolinska
Institutet, Stockholm

Specialized in anesthesia and
intensive care, Karolinska
University Hospital

Previously Medical officer at
CSL Behring

Stefan Grass

Chief Medical and Technology Officer
Member of Executive Management



Dean Campus North,
Karolinska Institutet,
Stockholm



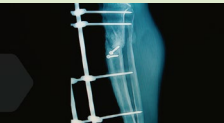


Senior Consultant Surgeon,
Karolinska University Hospital

Research Group Leader,
Karolinska Institutet

Anna Martling

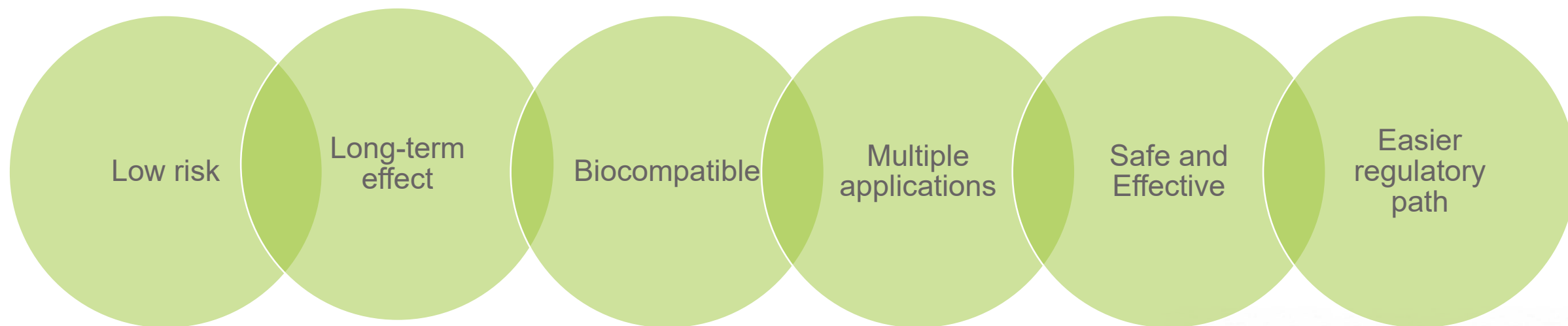
Professor
Member of the Board

License business

<p>BD (C.R. Bard)</p> <ul style="list-style-type: none"> Foley catheters for the US, Japan and UK/Ireland Successful partnership since 1995 Generating stable annual revenues 	<p>Well Lead Medical</p> <ul style="list-style-type: none"> Foleys, CVCs and ETTs for China Ambition to accelerate growth in China, while regulatory developments are shifting towards locally produced devices 
<p>Vigilenz Medical Devices</p> <ul style="list-style-type: none"> Orthopedic trauma implants for ASEAN markets CE mark in December 2018, sales initiated in Malaysia Concluding clinical trial and generating new evidence 	<p>Zimmer Biomet</p> <ul style="list-style-type: none"> Orthopedic trauma implants (globally) Up-front fee of USD 3 million - USD 2 million contingent on US regulatory clearance Royalties on net sales post commercialization 
<p>Smartwise Sweden AB</p> <ul style="list-style-type: none"> Advanced Bactiguard coated vascular injection catheters Agreement with AstraZeneca since 2018 	<p>Other ongoing discussions</p>

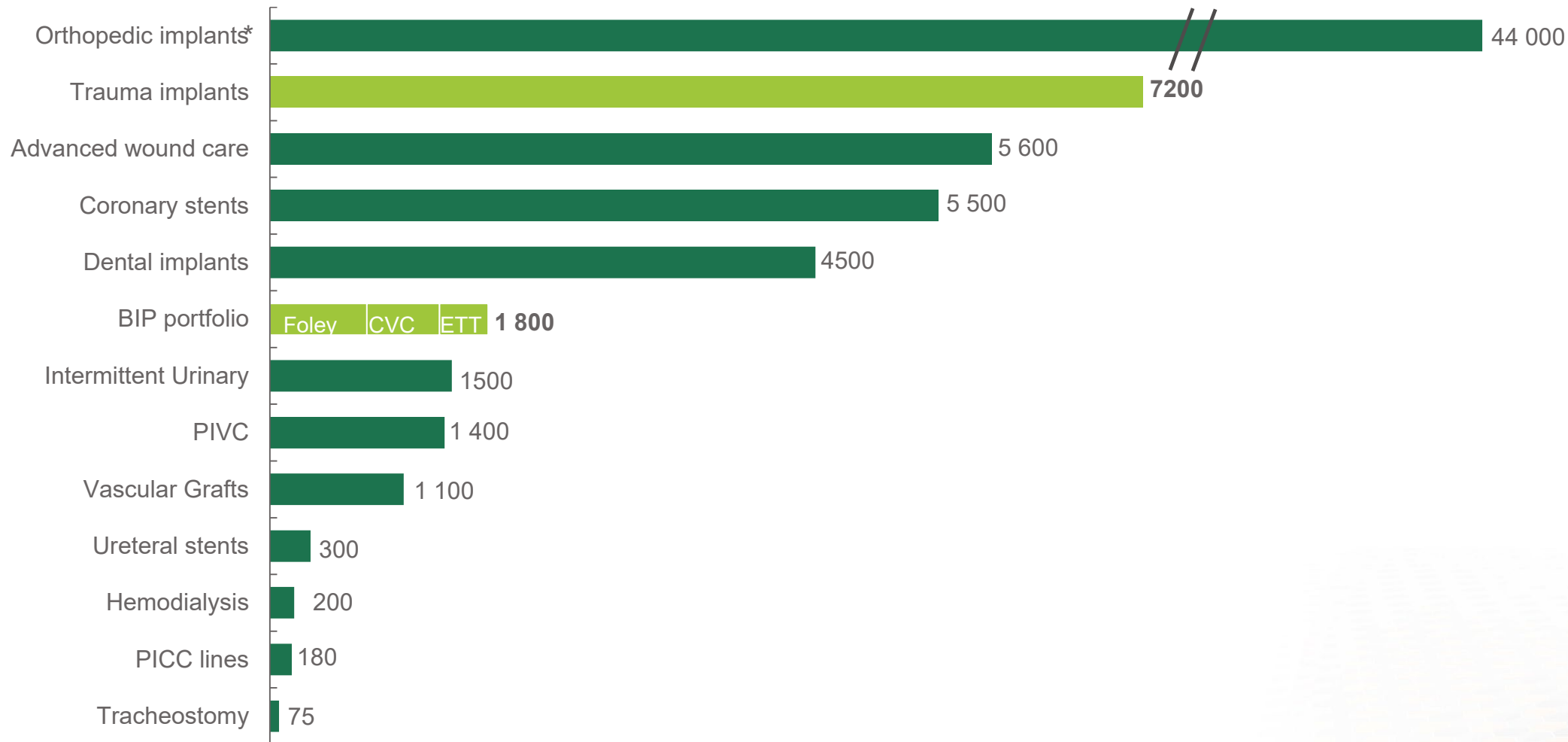
Benefits of a non-toxic, stable technology

Infection prevention



Potential new applications for licensing or BIP portfolio

Global sales MUSD



Source: Global Data 2017, The orthopaedic industry annual report 2019
 *Excluding Trauma implants

Challenging infections related to orthopedic implants



Läkartidningen START AKTUELLT **KLINIK & VETENSKAP** OPINIO

KLINIK & VETENSKAP – START NYA RÖN ARTIKLAR MEDICINSK KOMMENTAR MEDICINENS ABC REFLEXION FÖRFATTARINTER

SENASTE Nätverk ska lyfta forskningen om digital vård KONTAKT SKRIV PRI

ÖVERSIKT

Handläggning av infektioner vid ortopediska implantat en utmaning för vården

Staffan Tevell, doktorand, överläkare, institutionen för medicinska vetenskaper, Örebro universitet; Centrum för klinisk forskning, Region Värmland; infektionskliniken, Karlstad

- Infections related to orthopedic implants are complicated due to **biofilm on the implant surface**
- Side effects and antibiotic resistance often make choice of antibiotic difficult
- Many antibiotics have poor penetration of skeletal tissue which requires higher doses than for other types of infections

“*Implant associated infections cause great suffering for patients and significant negative health economic consequences for society, which is why prevention is essential.*”

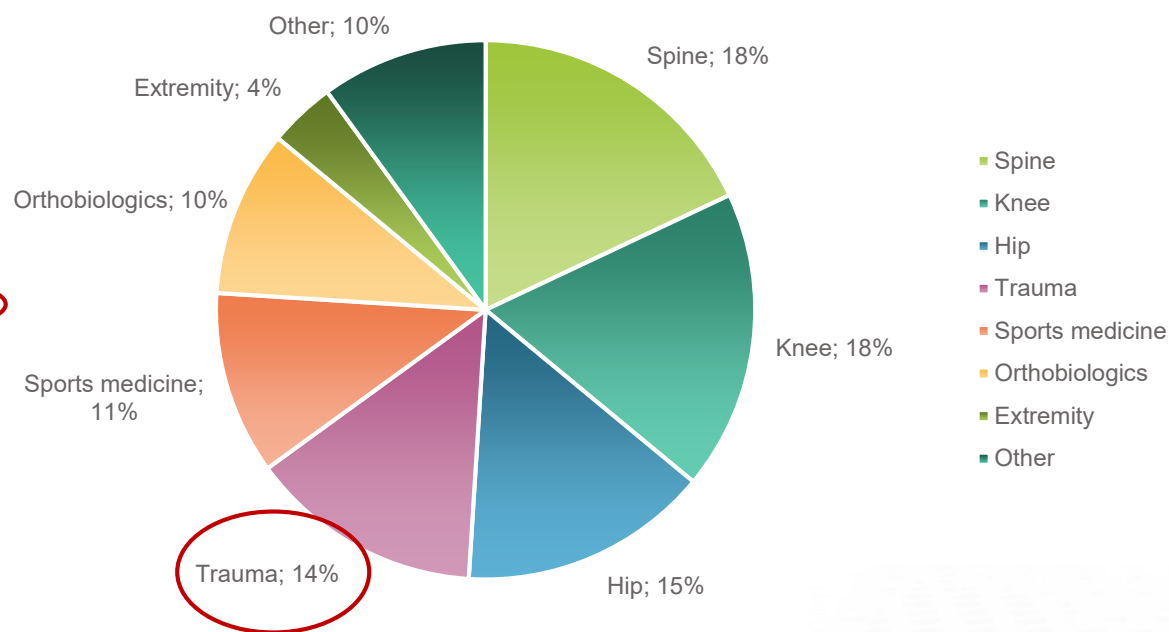
Orthopedic market segments

Total market USD 51 billion, whereof trauma USD 7 billion and above average growth

Product Segment Performance: 2018 vs. 2017 (\$Millions)

Segment	2018	2017	% change
Joint Replacement	\$18,919.7	\$18,242.7	3,7%
Knee	\$9,058.2	\$8,783.3	3,1%
Hip	\$7,582.3	\$7,349.4	3,2%
Extremity	\$2,279.2	\$2,110.0	8,0%
Spine	\$9,324.7	\$9,080.9	2,7%
Trauma	\$7,205.9	\$6,920.0	4,1%
Sports Medicine	\$5,614.4	\$5,318.5	5,6%
Orthobiologics	\$5,088.5	\$5,097.1	-0,2%
Other	\$5,075.0	\$4,833.3	5,0%
Total	\$51,227.7	\$49,492.5	3,5%

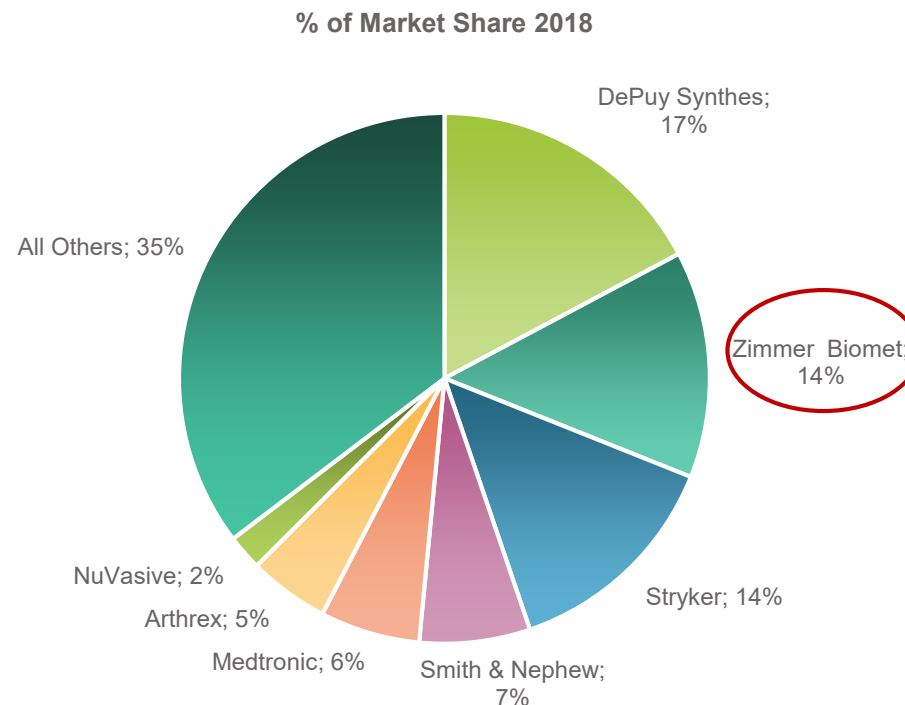
2018 Orthopaedic Product Sales by Market Segment



Three major players in orthopedics

Revenues and market shares

Companies	2018	2017	% change
DePuy Synthes	\$8,827.4	\$8,987.9	-1,8%
Zimmer Biomet	\$7,081.7	\$6,964.4	1,7%
Stryker	\$7,029.2	\$6,608.7	6,4%
Smith & Nephew	\$3,456.6	\$3,353.4	3,1%
Medtronic	\$3,116.7	\$3,059.8	1,9%
Arthrex	\$2,514.3	\$2,306.3	9,0%
NuVasive	\$1,101.7	\$1,026.7	7,3%
All Others	\$18,099.9	\$17,175.3	5,4%
Market total	\$51,227.7	\$49,492.5	3,5%



Financial review

Business model

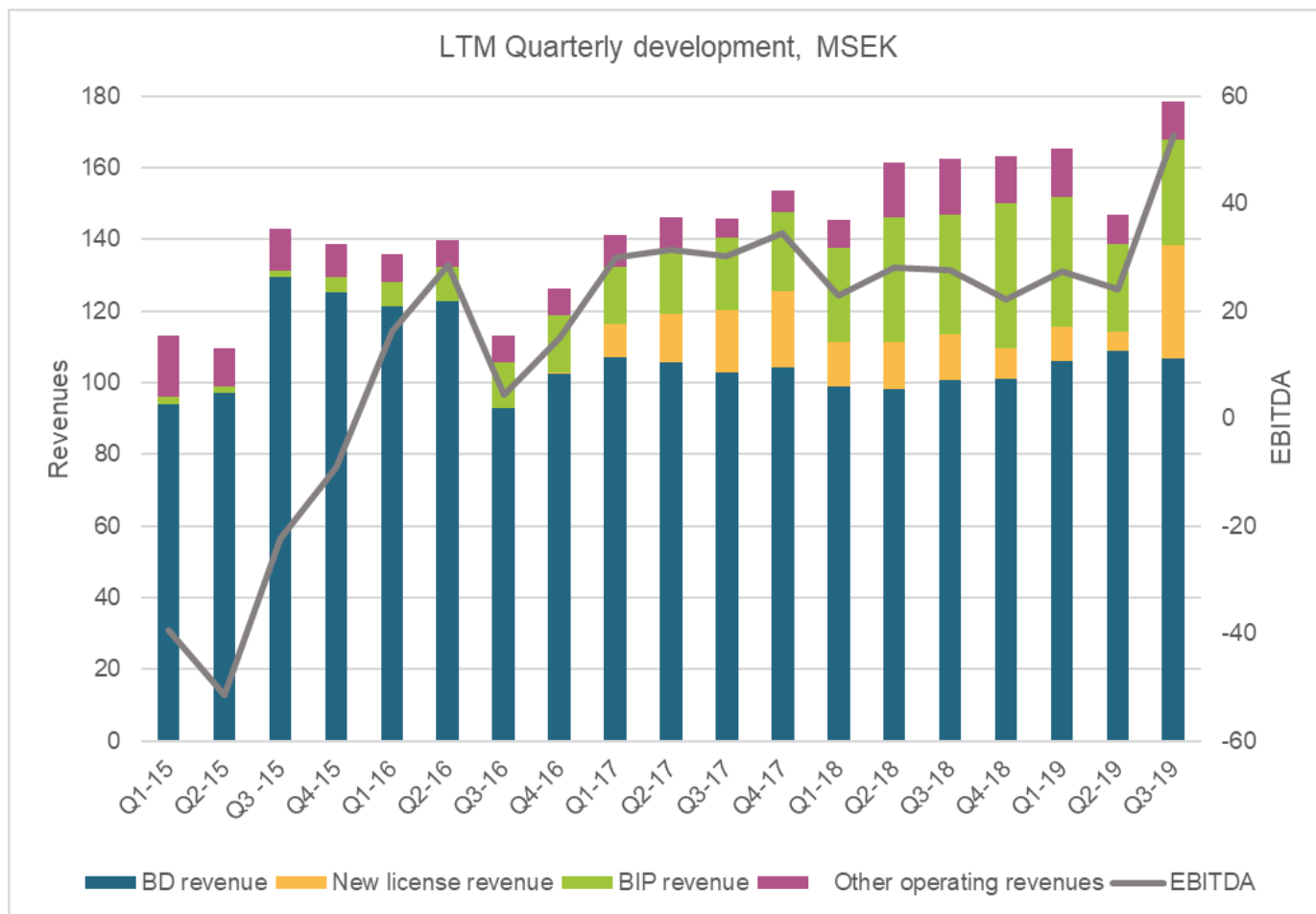
Two lines of business



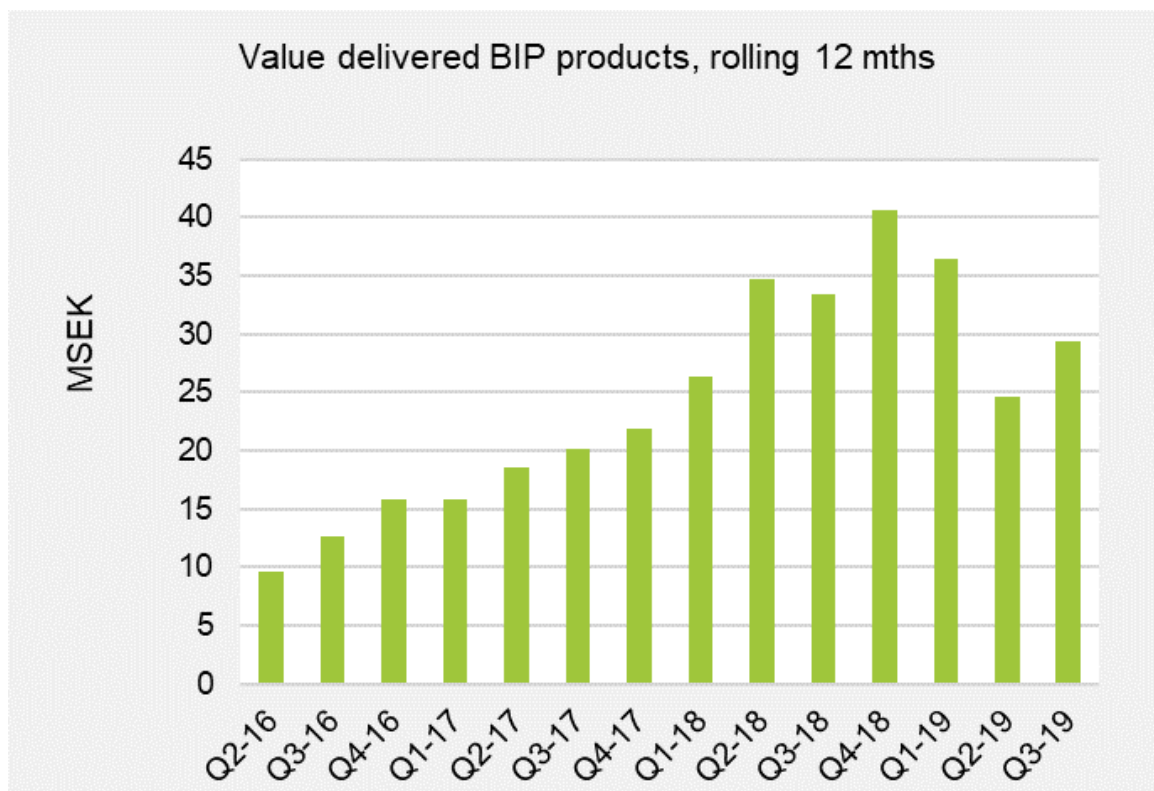
License agreements for various applications with Bactiguard technology

Proprietary product portfolio – sold through distributors

Sales growth and profitability

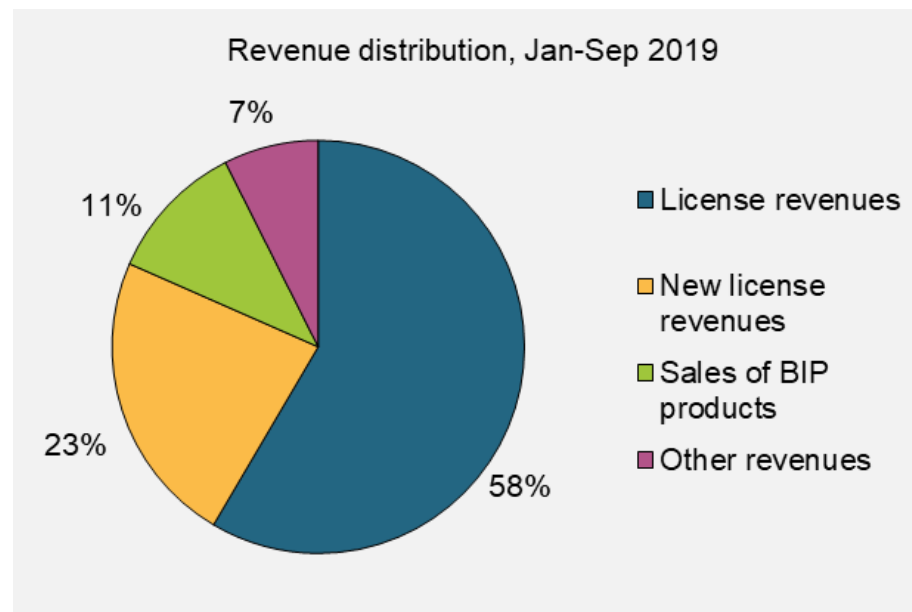
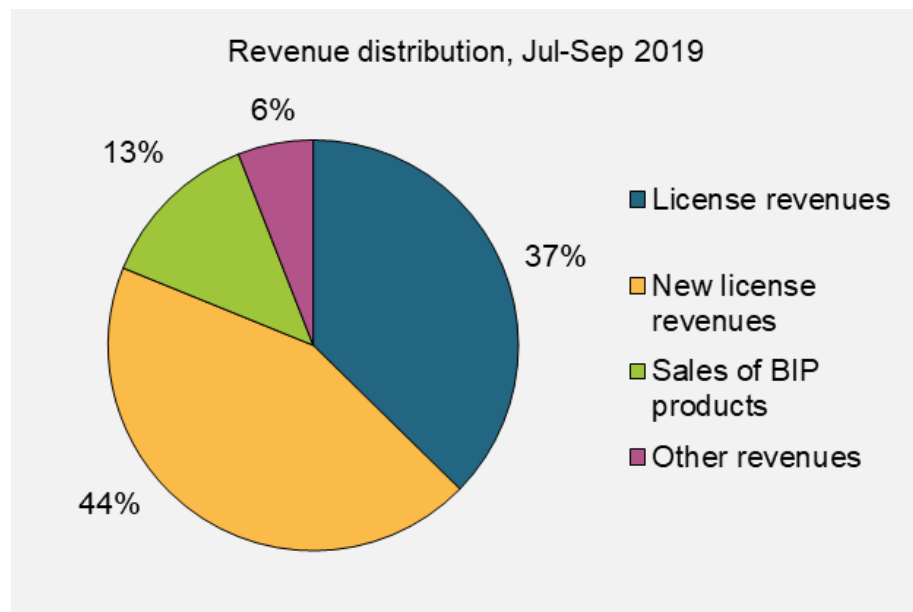


Development in revenues from BIP products



- Revenues from BIP-products of MSEK 8.7 (3.9) in Q3
- Development in BIP sales still somewhat irregular
- Not yet same volumes to China during 2019 as in 2018

Revenue distribution

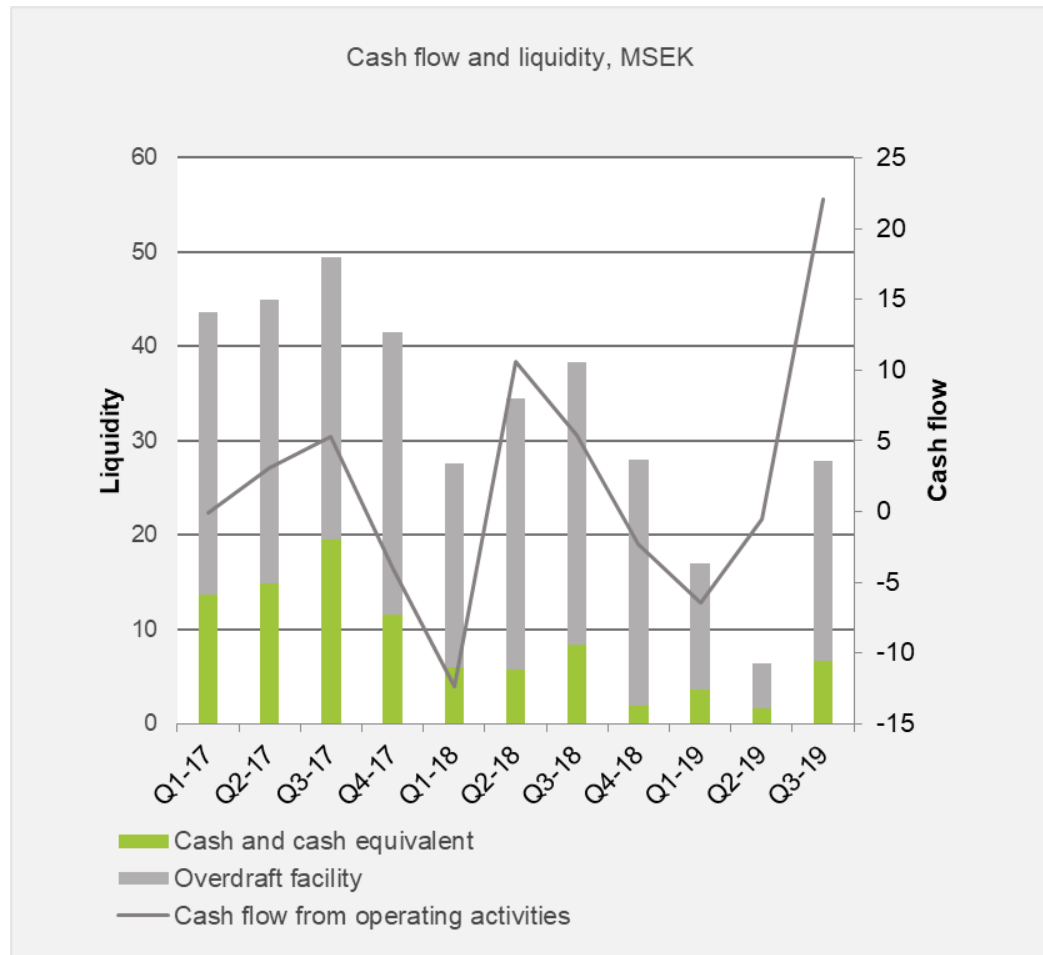


Financial overview

MSEK	2019				2018			
	Q1	Q2	Q3	January-September	Q1	Q2	Q3	January-September
Revenues	35,1	34,1	67,0	136,2	33,0	52,4	35,7	121,0
EBITDA Margin %	20%	17%	54%	36%	6%	17%	22%	16%
<i>Adjusted EBITDA Margin % (IFRS 16)</i>	<i>13%</i>	<i>10%</i>	<i>51%</i>	<i>31%</i>				
Depreciations*	10,6	10,5	10,6	31,6	8,7	8,9	8,1	25,8
<i>whereof depreciation technology</i>	<i>-6,0</i>	<i>-6,0</i>	<i>-6,0</i>	<i>-17,9</i>	<i>-6,0</i>	<i>-6,0</i>	<i>-6,0</i>	<i>-17,9</i>
Net profit/loss	-3,4	-5,6	23,7	14,7	-8,0	-0,9	-0,5	-9,4

* depreciations for 2019 include depreciation of leasing assets (approx. MSEK 2.5 per quarter)

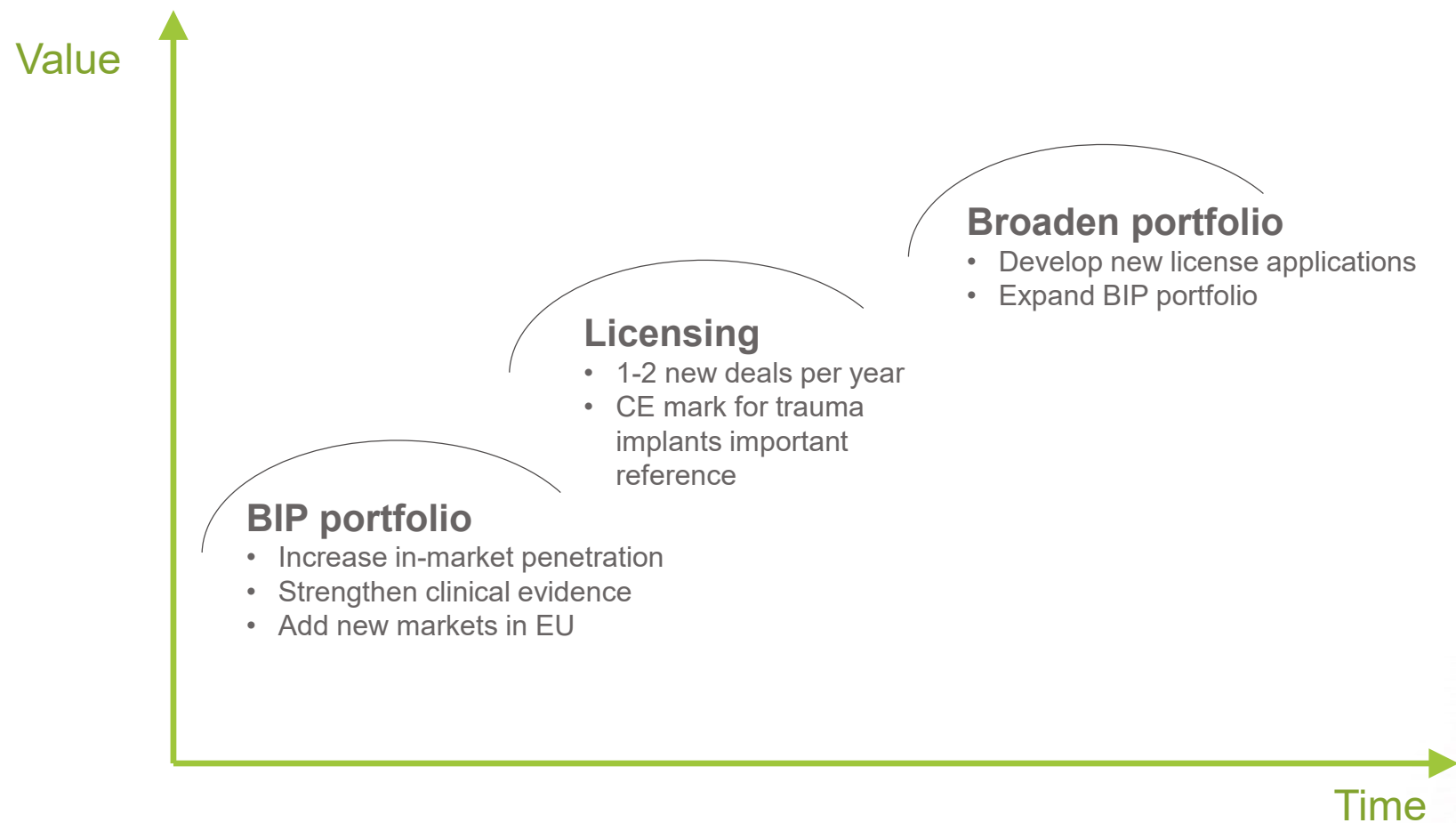
Cash flow and liquidity



Cash flow

- Positive operating cash flow for Q3 of MSEK 22.0 (4.1), driven by payments from China
- Net Cash position of MSEK 6.6 (8.4)
- Liquidity MSEK 27.8
- Payment from Zimmer Biomet will further improve cash flow in Q4

Growth strategy



Financial targets

- Average sales growth of 20% per annum for a 5-year period, with 2015 as the base year – starting point MSEK 118.5
- EBITDA margin of at least 30% at the end of the 5-year period (by 2020)
- Equity ratio of at least 30%
- Over time uphold a dividend policy of 30-50% of net profit, taking into consideration the financial position of the Company. Bactiguard is currently in an expansion phase and will prioritize expansion before dividend



Concluding remarks

Bactiguard's strongest quarter to date

- Zimmer Biomet deal boosts revenues
- Confirms strength of Bactiguard technology in global context and new medical application for long term use
- Paves the way for new applications
- BIP sales more than doubled in the third quarter – not yet in line with 2018
- First Chinese order outside the initial agreement received in September - important milestone as end customer sales are picking up
- Greater activity in India and positive trend in Middle East
- Strengthening the medical competence
- Our growth strategy works



Our Vision



Eliminate healthcare associated infections to

1. save lives
2. reduce cost and
3. limit antimicrobial resistance, through preventive standards of care

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