

Interim report for Q2 2019

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Second quarter (April-June 2019)

- Revenues amounted to SEK 34.1 (52.4) million. The decrease is explained by revenues of SEK 15.8 million related to the agreement with Well Lead for China in the second quarter 2018. License revenues related to the same agreement amounted to SEK 1.0 million this quarter.
- BIP sales amounted to SEK 3.2 (14.9) million, where the decrease is essentially attributable to China where no products have been delivered so far this year.
- EBITDA amounted to SEK 5.7 (9.1) million, with an EBITDA margin of 17% (17%).
- Operating profit amounted to SEK -4.8 (0.1) million.
- Net profit/loss amounted to SEK -5.6 (-0.9) million, or SEK -0.17 (-0.03) per share.
- Operating cash flow for the quarter amounted to SEK -0.5 (9.7) million, or SEK -0.02 (-0.29) per share.

First half year (January-June 2019)

- Revenues amounted to SEK 69.2 (85.3) million. The decrease is explained by revenues of SEK 15.8 million related to the agreement with Well Lead for China. License revenues related to the same agreement amounted to SEK 2.1 million for first half year of 2019.
- BIP sales amounted to SEK 6.3 (22.2) million.
- EBITDA amounted to SEK 12.9 (10.9) million, with an EBITDA margin of 19% (13%).
- Operating profit amounted to SEK -8.2 (-6.8) million.
- Net profit/loss for the period amounted to SEK -9.0 (-8.9) million, or SEK -0.27 (-0.27) per share.
- Operating cash flow for the period amounted to SEK -9.6 (-4.0) million, or SEK -0.29 (-0.12) per share. Payment of a SEK 11.5 million one-off compensation affected cash flow, but not earnings in the period.

Key events during the second quarter

- Professor Anna Martling and Thomas von Koch new Board members
- Daniel Lund, new Senior Vice President Operations
- Grant received for developing vascular stents
- New partnership for Switzerland
- Bactiguard enters Canada
- CFO Cecilia Edström appointed deputy CEO
- New clinical evidence for long-term use

Comments by the CEO

An eventful quarter, yet earnings were weaker than last year

The second quarter of 2019 was eventful. We increased our market coverage, secured funding for a very interesting research and development project, broadened the clinical evidence and strengthened executive management. Revenues and earnings were weaker than last year, but one must bear in mind that the second quarter 2018 was very strong. At that time, we entered a strategic partnership for China which generated new licensing revenues and a major increase in sales of BIP products. In total, these revenues were close to SEK 16 million, which we have not seen the equivalent of so far this year. Therefore, sales were significantly lower, but profitability was nevertheless decent, with an EBITDA margin of 17 percent.

Lower **BIP sales** were due to that no new products were delivered to China and that the other markets did not generate enough growth to offset this loss of revenue. However, activities in the Chinese market have increased. Well Lead's team of Bactiguard salespeople has been expanded and trained regularly to develop their sales skills, while at the same time the sales approach has been systemized. Well Lead has also appointed regional distributors and retailers to improve market coverage. Sales to end customers are gradually increasing, paving the way for new deliveries in the second half of the year.

In India, sales work is ongoing on a broad front and the number of hospitals and clinics testing our products is increasing. Initially, the size of each end-customer order is quite modest, but these test orders are important to achieve wider use. The collaboration we initiated earlier this year with the All India Institute of Medical Sciences (AIIMS) in Jodhpur is continuing and it will be interesting to follow the progress. The aim is to develop the infection-preventive care both in Jodhpur and at other AIIMS hospitals. The large clinical study that has been going on for a couple of years will be useful also for this purpose. The study is finalized, and the preliminary results look very promising, but it is only when the study is published that we will be able to use it widely.

In Europe, we have invested time and resources in developing the German market. Increasing sales to the elderly and home care segment is a priority and we have good experience from, among other things, the Polish market. In Switzerland, we have established a new partnership, with a distributor specialized in intensive care. We prioritize entering into agreements with the right partners in a couple of additional markets and then begin to reach a good market coverage in Europe.

An entirely new market we have recently decided to enter is Canada, a country similar to Europe with a large proportion of publicly funded care. Our partner has extensive regulatory experience and shares the investment with us. We expect MDSAP product approval within a couple of years. This is strategically interesting and not only provides access to the Canadian market but also opens the possibility to launch the BIP portfolio in other countries such as Australia and Japan and is in line with future regulatory requirements in Brazil.

License revenues from Becton, Dickinson & Company (BD) were higher than the year before this quarter as well, but we do not want to overstate it. Volumes vary between quarters without following any clear seasonal pattern. The preparatory work with Well Lead to register our entire portfolio of products in China is now in the final phase and we received new license revenues of just over SEK 1 million in the quarter. We anticipate that it will take another couple of years before locally produced BIP products are approved for sale in China.

Increasing sales of our own product portfolio is strategically important, both to grow and improve profitability, but also to establish new licensing deals. The clinical evidence and experience from the use of our BIP products is very important in the sales dialogue with potential licensing partners. We are therefore working systematically to broaden the use in the markets where we already have presence and to establish ourselves in a few remaining large European markets. At the same time, we are reviewing our own sales organization to optimize resources and ensure profitability.

We are working hard to establish new licensing deals, with focus on orthopedic trauma implants. In December 2018, the CE mark for orthopedic trauma implants was received and during the second quarter of this year the products were approved for sale in Malaysia. This means that sales can start during the third quarter and, with a quarterly delay, generate license revenue to Bactiguard. It also means that our partner Vigilenz can start registration in the other markets in the ASEAN region where they have the licensing rights. At the same time, we can negotiate with other counterparties regarding the major global markets.



We have strengthened the medical competence of the Board with Anna Martling, Professor of Surgery, active at Karolinska University Hospital and a member of the management of Karolinska Institute. We have also seen a need to strengthen the medical competence in the management team and have recently recruited a physician with broad experience from both healthcare and business as "Chief Medical and Technology Officer". He will contribute to developing the medical and commercial strategy, both within licensing and for our own product portfolio.

There is no doubt that the need for infection prevention is growing as microbial resistance increases and, in this perspective, Bactiguard's position is unique with a technology that is both efficient and patient-safe.

Christian Kinch, CEO

This information is information that Bactiguard Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below 2019-08-08, at. 08.00

A telephone conference for investors, analysts and media will be held at 10:00 CET today, where CEO Christian Kinch and CFO Cecilia Edström will present the interim report and answer questions. The report and a presentation for the conference call will be available at Bactiguard's website www.bactiguard.com once the report has been released. **To participate in the conference call, please dial +46 8 505 583 52**

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About Bactiguard

Bactiguard is a Swedish medical device company with a mission to save lives. To achieve this mission, we develop and supply infection prevention solutions which reduce the risk of healthcare associated infections and the use of antibiotics. This way, we save significant costs for healthcare and the society at large.

The Bactiguard technology prevents bacterial adhesion and biofilm formation on medical devices. Bactiguard offers the technology through licence agreements and our BIP (Bactiguard Infection Protection) portfolio of products. Through our licence partner BD, urinary catheters with Bactiguard's coating are market leading in the USA and Japan. Bactiguard's own product portfolio of urinary catheters, endotracheal tubes and central venous catheters prevent some of the most common infections, which appear in the urinary tract, the blood stream and the respiratory tract.

Bactiguard is in a strong expansion phase in the European markets, China, India and the Middle East as well by establishing license agreements in new therapeutic areas. The company has about 70 employees around the world. Its headquarters and one of two production facilities are located in Stockholm, the other one in Malaysia. Bactiguard is listed on Nasdaq Stockholm.

Read more about how Bactiguard saves lives at www.bactiguard.com