

## Interim report for Q3 2020

### Weak quarter but the need for infection prevention greater than ever

#### Third quarter (July-September 2020)

- Revenues amounted to SEK 34,1 (67,2) million a decreased by 49% (adjusted for currency -46%) due to Covid-19 effects on both license and BIP revenues. In addition, no new license revenue was generated within the quarter while the third quarter previous year included SEK 29,4 million in new license revenue from Zimmer Biomet.
- EBITDA amounted to SEK -3,1 (36,5) million with an EBITDA-margin of -9% (54%).
- Operating profit amounted to SEK -14,3 (25,9) million.
- Net profit/loss amounted to SEK -16,1 (23,7) million. Earnings per share amounted to SEK -0,48 (0,71) per share.
- Cash flow from operating activities for the quarter amounted to SEK -3,3 (23,9) million or SEK -0,10 (0,72) per share.

#### Nine-month period (January-September 2020)

- Revenues amounted to SEK 130,5 (134,1) million and decreased by 3% (adjusted for currency -1%).
- EBITDA amounted to SEK 21,8 (49,4) million with an EBITDA-margin of 17% (37%).
- Operating profit amounted to SEK -11,2 (17,8) million.
- Net profit/loss amounted to SEK -27,6 (14,7) million, whereof SEK -10,9 million refers to an IFRS related adjustment from the set-off issue. Earnings per share amounted to SEK -0,82 (0,44) per share.
- Cash flow from operating activities amounted to SEK -3,2 (17,1) million or SEK -0,10 (0,51) per share.

#### Key events during the third quarter

- Interim approval of ETT in Canada.
- Petra Kaur Ljungman was recruited to the role as Chief Marketing and Communications Officer and starts her position in January 2021.

#### Key events after the end of the third quarter

- Bactiguard maintains a clear growth strategy and updates financial targets.

#### COVID-19 effects

- During the third quarter, Covid-19 had a negative impact on our operations. License revenues from BD and sales of BIP products were negatively affected by reduced general hospital utilization and postponed planned interventions. Healthcare has gradually begun to reopen in most regions to deal with the healthcare debt that has occurred, including in the US. Since



we are now facing a second wave of infection the development in the near future is difficult to assess. At the same time, we are convinced that our broad portfolio of infection prevention products and the proactive measure we implement will bridge this temporary decline.

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## Comments by the CEO

### **Weak quarter but the need for infection prevention greater than ever**

**The third quarter was the weakest in several years for Bactiguard and as CEO I am not satisfied. There are external factors that have influenced the development. Covid-19 has led to a reduction in regular healthcare and elective surgeries, which has affected both us and our licensing partners as the demand for consumables has been very low. At the same time, the global healthcare backlog is accelerating and the need for infection prevention is greater than ever. Bactiguard's products save lives and we can for sure do better than in the third quarter. We should have shifted gear much faster and therefore we are refocusing our sales strategy, and during a transition period, the sales organization will report directly to me.**

#### **License business**

License revenues from Becton, Dickinson & Company (BD) have been stable for many years, but BD's sales are not immune to Covid-19 either. This has resulted in lower license revenues for Bactiguard. Based on stronger order intake from BD at the end of the third and beginning of the fourth quarter, we estimate that revenues will return to more normal levels during the fourth quarter.

The collaboration with Zimmer Biomet continues with high intensity and this is very encouraging. At present, we are focusing on using the fast track to the European market that opened when the new European regulatory framework (MDR), which was to enter into force in May this year, was postponed by a year. This means that we can use the CE mark for orthopaedic trauma implants we already have to reach the European market at the beginning of next year. The process of registering the implants on the US market is ongoing in parallel, but slightly behind Europe in time.

We are confident in the strength of the Bactiguard technology for various types of medical applications, both for short-term and long-term use. We have several interesting licensing projects ongoing and see new, exciting business opportunities. The strategy of establishing one or two new licensing deals per year remains unchanged, with focus on orthopaedic and dental implants and different types of vascular products – e.g. dialysis catheters. Vascular stents are another interesting area and animal studies are already in progress at the Karolinska Institute. The purpose of the studies is to verify that Bactiguard's technology not only reduces the risk of infections, but also prevents thrombosis and thus reduces the need for drugs. Although the commercial negotiations in current projects are a bit slower than usual due to budget constraints following Covid-19, we are convinced that the projects and studies we are currently involved in will pave the way for new licensing deals.

#### **BIP portfolio**

Sales of BIP products increased somewhat in the quarter, but not at all in line with our ambitions. The consumption of consumables in healthcare has been very low in all regions, a consequence of the focus on treating Covid-19 patients and general healthcare being put on hold.



Media reports that the number of elective surgeries in the US has decreased by sixty to eighty percent and in Stockholm a fifty percent reduction is reported. At the same time, twenty-five percent fewer cancer cases have been diagnosed in the Stockholm region, and this does not mean that we have become healthier, but that we are pushing an accelerating healthcare backlog ahead of us.

Many countries continue to impose far-reaching restrictions, making access to hospitals and day-to-day sales difficult. The fact that physical meetings cannot take place in the same way as usual means that we and our distributors must develop our digital presence and communication at a faster pace. An example of new opportunities is that the Indian government has established an e-commerce platform for medical devices. We have already registered Bactiguard's central venous catheters and are now waiting for the urinary catheters and endotracheal tubes to be listed and more accessible for care. Another example is that we conduct training of healthcare professionals and participate in panel discussions with key opinion leaders digitally to strengthen the brand.

The global launch of Hydrocyn aqua is well under way, but tender processes and local regulations mean that it will take some time before sales seriously take off. The strength of Hydrocyn is that it is proven effective against the virus that causes Covid-19 and against most bacteria, viruses and fungi that lead to infections. At the same time, it is tissue-friendly and contributes to faster wound healing, making it useful for general wound care, dental, baby and animal care, to name a few areas. Hydrocyn does not sting or is flammable, which makes it superior to alcohol-based alternatives.

Sales must accelerate faster, and we need to educate the market about the benefits of our products. To lead these activities in the Nordic region, we have recruited a new sales manager. His mission is to approach healthcare providers, pharmacy chains, the corporate and consumer markets. We have also recruited a sales manager for South East Asia and signed distribution agreements for Hydrocyn in several markets in the Middle East and India, and the registration process is in progress.

We increase the pressure in our own sales organization to make Bactiguard more visible and influential. Our products should be the obvious choice for infection prevention and established as a standard of care. To strengthen our communication and marketing, we are expanding our management with Petra Kaur Ljungman, who has successfully developed several companies' brand and digital strategies. At the same time, we have initiated the recruitment of a new global sales director and adapt the regional sales teams to local conditions. During the recruitment process, I have temporarily taken over the responsibility for leading the sales organization.

### **The need for infection protection is increasing**

Covid-19 affects us all and we now see a second wave of the pandemic in society, which makes near term developments difficult to assess. But what is becoming increasingly clear is that the need for infection prevention has never been greater. Although the current situation is tough, the pandemic has made Bactiguard even more relevant.

Our job is to convince the market that Bactiguard's technology and products can help reduce the risk of infections and serious complications, shorten treatment periods and slow down the trend of a growing healthcare backlog. We focus on activities that increase awareness of our brand, accelerate sales and reduce costs. We are adding new resources to the management team, strengthening our sales team, utilizing our global capacity and developing our digital presence.

As CEO of Bactiguard, I do not back away from the challenges we are facing, but I have a hard time seeing a better mission than infection prevention in these times. We are confident in the strength of the Bactiguard technology for various types of medical applications, both for short-term and long-term use.



Therefore, we repeat our long-term financial targets of an average annual growth of 20% and an EBITDA margin of at least 30 percent at the end of the coming five-year period.

Cecilia Edström, CEO

*The interim report for Bactiguard Holding AB (publ) for the period July – September 2020 is available as a PDF at [www.bactiguard.com](http://www.bactiguard.com)*

*This information is information that Bactiguard Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below 2020-11-05, at 08:00.*

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An audiocast for investors, analysts and media will be held at 11:00 CET on November 5, where CEO Cecilia Edström and CFO Gabriella Björknert Caracciolo will present the interim report and answer questions. The report and a presentation for the audiocast will be available at Bactiguard's website <https://www.bactiguard.com/investors/reports-and-presentations/>

**To participate in the audiocast, please use this link:**

<https://tv.streamfabriken.com/bactiguard-q3-2020>

**To participate only by conference call, dial:**

SE: +46850558351 UK: +443333009035 US: +18335268398

**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 license agreements and our BIP (Bactiguard Infection Protection) portfolio of products. Through our license 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 by establishing license agreements in new therapeutic areas. Recently, Bactiguard completed the acquisition of Malaysian Vigilenz, a manufacturer and supplier of medical devices and consumables, primarily within wound care and infection prevention.

Following the acquisition, Bactiguard has about 180 employees around the world. Its headquarters and one of three production facilities are located in Stockholm, the other two in Malaysia.

Bactiguard is listed on Nasdaq Stockholm.

Read more about how Bactiguard saves lives at [www.bactiguard.com](http://www.bactiguard.com)