

Year-end report 2019 Bactiguard Holding AB

A strong fourth quarter led to all time high in 2019

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Fourth quarter (October-December 2019)

- Revenues amounted to SEK 61.6 (42.1) million, an increase of 46% mainly driven by higher BIP sales but also higher license revenues from BD.
- BIP sales amounted to SEK 25.3 (14.4) million. The increase of 75% is essentially a result of positive development in China and the Middle East, but all regions delivered growth.
- EBITDA amounted to SEK 12.2 (3.3) million, with an EBITDA margin of 20% (8%).
- Operating profit amounted to SEK 1.7 (-5.1) million.
- Net profit/loss amounted to SEK 1.6 (-5.5) million, or SEK 0.05 (-0.17) per share.
- Operating cash flow for the quarter amounted to SEK 35.5 (-5.0) million, or SEK 1.00 (-0.15) per share.

Full year (January-December 2019)

- Revenues amounted to SEK 197.8 (163.2) million. The increase of 21% was primarily driven by new license revenues from Zimmer Biomet, which generated SEK 29.4 million. The license revenues from BD also increased during the year, due to somewhat higher volumes and a stronger dollar exchange rate.
- BIP sales amounted to SEK 40.2 (40.6) million.
- EBITDA amounted to SEK 61.6 (22.2) million, with an EBITDA margin of 31% (14%).
- Operating profit amounted to SEK 19.5 (-12.0) million.
- Net profit/loss for the period amounted to SEK 16.3 (-14.9) million, or SEK 0.49 (-0.45) per share.
- Operating cash flow for the period amounted to SEK 49.6 (-4.9) million, or SEK 1.38 (-0.15) per share.

Key events during the fourth quarter

- New major order from China
- Nomination committee appointed

Key events after the end of the quarter

- Acquisition of Vigilenz
- Christian Kinch resigns as CEO and is proposed as new Chairman of the Board. Cecilia Edström appointed new CEO.



Comments by the CEO

A strong fourth quarter led to all time high in 2019

A strong development in fourth quarter earnings, combined with the licensing deal with Zimmer Biomet led to the highest full-year result in Bactiguard's history. The financial effects of both increased BIP sales and new license revenues clearly show that our growth strategy works.

Total revenues increased by close to 50 percent in the quarter, generating an EBITDA margin of 20 percent and a positive net result. Operating cash flow was record-high as a result of the payment of the license fee by Zimmer Biomet. In 2019, we had growth of just over 20 percent and generated revenues of close to SEK 200 million, with an EBITDA margin of over 30 percent. It is also the first year that we report a positive net result and it makes me both proud and happy.

Licensing business

Revenues from Becton, Dickinson & Company (BD) were higher this quarter and we have seen an accumulated increase for the year as a whole. This is both due to somewhat higher volumes and a favorable dollar exchange rate.

The licensing deal with Zimmer Biomet, one of the world's largest orthopedic companies, did not generate any new license revenue in the quarter. However, cash flow was positively affected by the initial license fee of USD 3 million. As we reach certain milestones in the regulatory process in the United States, the agreement can generate additional revenue of USD 2 million in total. When the products are approved and reach the market Bactiguard will receive royalty based on Zimmer Biomet's sales. The pace of the collaboration is very high, and it is obvious that this is a priority project for both parties.

To us, the importance of this cooperation is far greater than the financial potential. We now have license agreements with two of the world's largest medical device companies - BD and Zimmer Biomet. This confirms the strength of Bactiguard's technology, both in a global perspective and for different types of medical applications, for short-term as well as long-term use, and paves the way for new licensing deals.

The preparatory work of registering our entire portfolio of products in China has now been completed and the focus is on training Well Lead's staff. In 2020, the regulatory process will begin, and we expect it will take another couple of years before locally produced BIP products are approved for sale in China.

BIP portfolio

After a weak start of the year, there has been a strong development in BIP sales. By record sales in the fourth quarter, we achieved the same level of sales as last year. China plays a major role in this context. In 2019, we delivered the same volume of products to our partner Well Lead as we did in 2018, when we signed a new license and distribution agreement that generated record volumes.

China has in a relatively short time become our largest market for BIP products. The rapid spread of the Corona virus is a concern, both from a Chinese and world economic perspective. At the same time, there is a greater need for health care and infection prevention, as virus-infected patients are often affected by subsequent infections caused by bacteria. Our partner, one of the world's largest manufacturers of catheters, focuses on converting a large portion of its own sales and the overall market in China to Bactiguard's infection prevention technology and this will benefit us in the longer term.

We have also seen strong development in the Middle East this year, the region where we have been established the longest and sales to end customers are growing steadily. We have changed some of



our distributors in recent years and this has led to positive developments. We have also established new partnerships in Europe. Our experience shows that it takes at least one to one and a half years for a new collaboration to start giving visible results, so we must be patient that sales are still somewhat lumpy.

Given the large volumes delivered during the second half of 2019, we expect a much calmer beginning of 2020.

The strengthening of the management team with Stefan Grass as Chief Medical Officer has accelerated our work of publishing and reaching the market with our clinical studies. In particular, I have the large Indian study of our urinary catheters and the Malaysian study of orthopedic trauma implants in mind. They have both been completed and we hope to get them published in 2020. This will give us even stronger clinical evidences for a wider use of Bactiguard's products. We are strengthening the organization through new recruitments in sales and project management of licensing to be prepared for increasing demand.

With pride and joy, I sum up the strongest year in Bactiguard's history. The development of the licensing business and the sale of our own products throughout the world confirm that our growth strategy is working.

In that perspective, the acquisition of Vigilenz makes perfect sense and will contribute to faster growth. Together, we will have a much stronger offer for infection prevention and be able to access the global market for advanced wound care, with a potential of over 5 billion USD. We will also gain significant revenue and cost synergies by combining our distribution networks, product development teams, staff functions and production facilities. We are pleased that Professor Choudhury will remain in the company and become a shareholder in Bactiguard, as we see great potential in joint development of new products and licensing applications that enhance patient safety.

A recently published study in The Lancet shows that sepsis is now the most common cause of death in the world. The need for infection prevention is therefore greater than ever and Bactiguard has an increasingly important role to play. I am therefore convinced that we will enter into exciting new licensing deals and increase sales of our own product portfolio to increase patient safety and save more lives.

I have been the CEO of Bactiguard for almost sixteen years. During that time, we have grown from a company with a handful of employees to a listed company with business in approx. 40 countries and nearly 200 employees, following the acquisition of Vigilenz. Everything has its time and every time has its leadership. I now feel it is time to hand over the management responsibility and focus on my role as owner.

Cecilia Edström and I have worked closely for six years and together we have developed the company both commercially and structurally and at the same time turned the profitability around. I am confident that she is the right person to assume the CEO role in the new phase that lies ahead of us. It is with great pleasure I hand over the leadership responsibility to her. I would also like to extend a warm thank you to all our employees who, with their work and dedication, enabled the positive development for Bactiguard.

Christian Kinch
CEO

The year end report 2019 for Bactiguard Holding AB (publ) is available as a PDF at www.bactiguard.com

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A web conference for investors, analysts and media will be held at 10:00 CET today. CEO Christian Kinch and CFO Cecilia Edström will present the year end report and answer questions.

To participate in the web conference, please use this link:

<https://event.on24.com/wcc/r/2183108/6D26A2B6DE759FBD402AA1943E5D860F>

Questions may be submitted by dialing **+46 8 566 426 95**, during the conference. If you don't wish to ask questions by telephone you only need to participate through the link above.

For further information, please contact:

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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 protection 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 (Becton, Dickinson & Company), 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 on www.bactiguard.com