

Bactiguard Infection Protection

Full year presentation

5 February 2020

Financial highlights Q4

A strong fourth quarter led to all time high in 2019

- Q4 revenues of MSEK 61.6 (42.1) – increase mainly driven by increased BIP-sales but also higher recurring license revenues from BD
- Strongest quarter ever for BIP sales, MSEK 25.3 (14.4).
- EBITDA of MSEK 12.2 (3.3)
- EBITDA margin of 20% (8%)
- Net profit of MSEK 1.6 (-5.5) – depreciation on technology of 6.0 MSEK (no effect on cash flow)
- Operating cash flow of MSEK 35.5 (-5.0) – initial license fee MSEK 29.4 was received from Zimmer Biomet



Financial highlights full year 2019

- Revenue of MSEK 197.8 (163.2), 21% higher than in 2018, mainly due to new license revenues from Zimmer Biomet of MSEK 29.4
- BIP sales in line with last year, MSEK 40.2 (40.6)
- EBITDA of MSEK 61.6 (22.2)
- EBITDA margin of 31% (14%)
- Net profit positive for the first time, MSEK 16.3 (-14.9)
- Operating cash flow of MSEK 49.6 (-4.9) – license fee from Zimmer Biomet and improvement in account receivables has affected cash flow positively



BIP portfolio

Strong growth in the fourth quarter

Q4

- BIP sales amounted to SEK 25.3 (14.4) million, an increase of 75%
 - YTD sales of MSEK SEK 40.2 (40.6) – in line with last year
-
- All time high sales in the fourth quarter
 - China accounted for more than half of the sales in the fourth quarter
 - Strong development in the Middle East, sales to end customers steadily growing
 - New partnerships established in both the Middle East and Europe



License business

High pace in the Zimmer Biomet project






Q4

- BD revenues higher at MSEK 33.7 (27.3) – Full year revenues at MSEK 113.3 (101.2)
- No new license revenues in Q4
- Cash flow of MSEK 29.4 (MUSD 3) from Zimmer Biomet

- High pace in the Zimmer Biomet project, a priority project for both parties
- Preparatory work with Well Lead completed, now focus on training of staff. The regulatory process will begin in 2020
- License agreements with two of the world's largest medical device companies – BD and Zimmer Biomet, confirms the strength of Bactiguards technology and paves the way for new licensing deals.

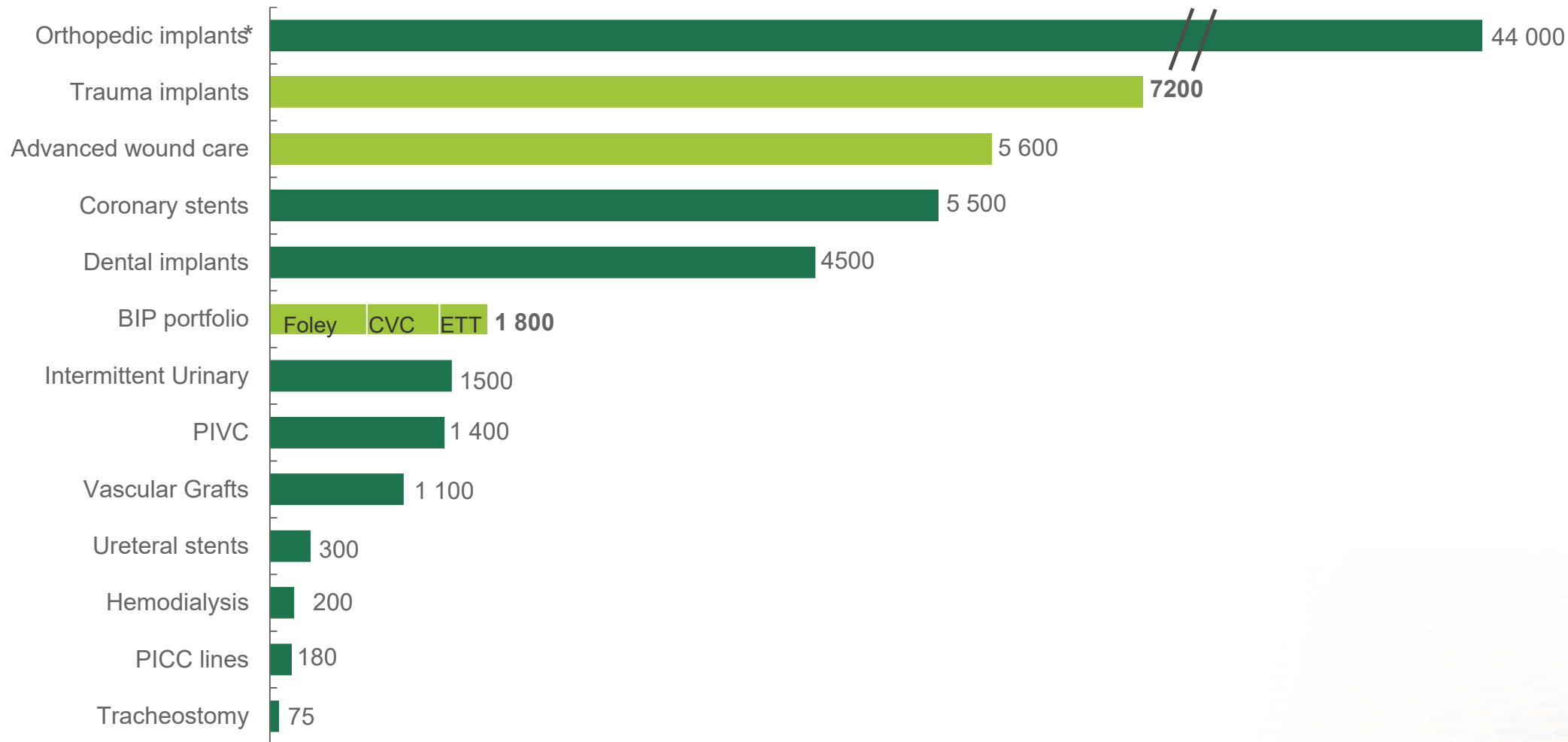


License business

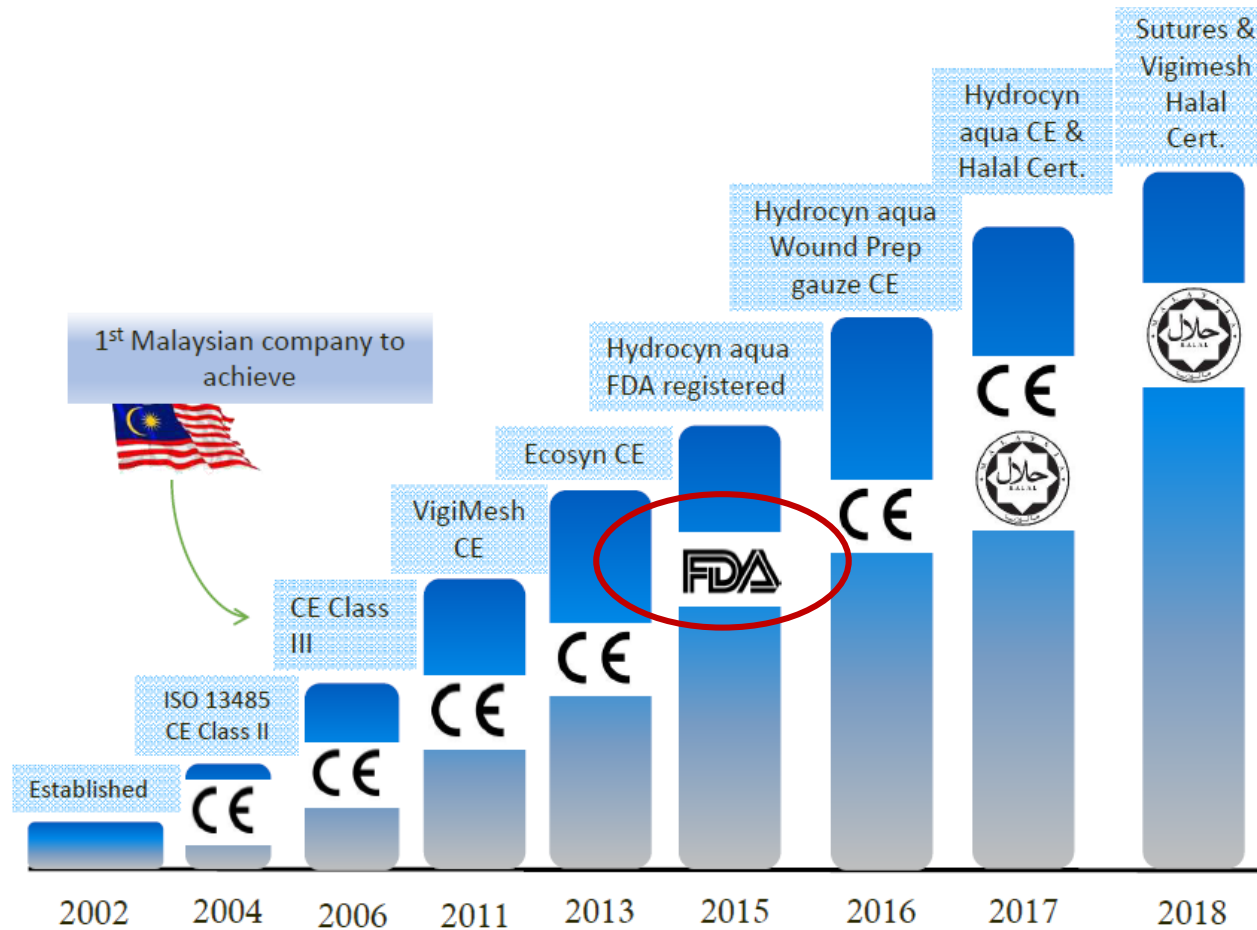
<h3>BD (C.R. Bard)</h3>  <ul style="list-style-type: none"> • Foley catheters for the US, Japan and UK/Ireland • Successful partnership since 1995 • Generating stable annual revenues 	<h3>Well Lead Medical</h3>  <ul style="list-style-type: none"> • Foleys, CVCs and ETTs for China • Ambition to accelerate growth in China, while regulatory developments are shifting towards locally produced devices
<h3>Vigilenz Medical Devices</h3>  <ul style="list-style-type: none"> • Orthopedic trauma implants for ASEAN markets • CE mark in December 2018, sales initiated in Malaysia • Clinical study concluded and to be published 	<h3>Zimmer Biomet</h3>  <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
<h3>Smartwise Sweden AB</h3>  <ul style="list-style-type: none"> • Advanced Bactiguard coated vascular injection catheters • Agreement with AstraZeneca since 2018 	<h3>Other ongoing discussions</h3>

Potential new applications for licensing or BIP portfolio

Global sales MUSD



Important milestones



Financials

Preliminary consolidated pro forma figures 2019	
	MSEK
Total Revenues	42,0
EBITDA	6,0
EBITDA margin	14%
Enterprise value	
Sales multiple	1,7
EBITDA multiple	12,1

Enterprise value USD 7.7 million – whereof;

- Cash payment of USD 4.5 million
- 241 512 new class B-shares in Bactiguard (subject to approval by the annual general meeting of shareholders) equivalent to a value of USD 2 million
- Net debt of approximately USD 1.2 million



Cash portion financed through bank facilities provided by SEB with a term of three years.

Joint revenues expected to grow faster than on a stand-alone basis as the product portfolios are complementary

In a 3-5 year perspective, Bactiguard also expects cost synergies of SEK 5-10 million

Management changes



Cecilia Edström, CEO



Stefan Grass, CMTO and deputy CEO

Financial review

Business model

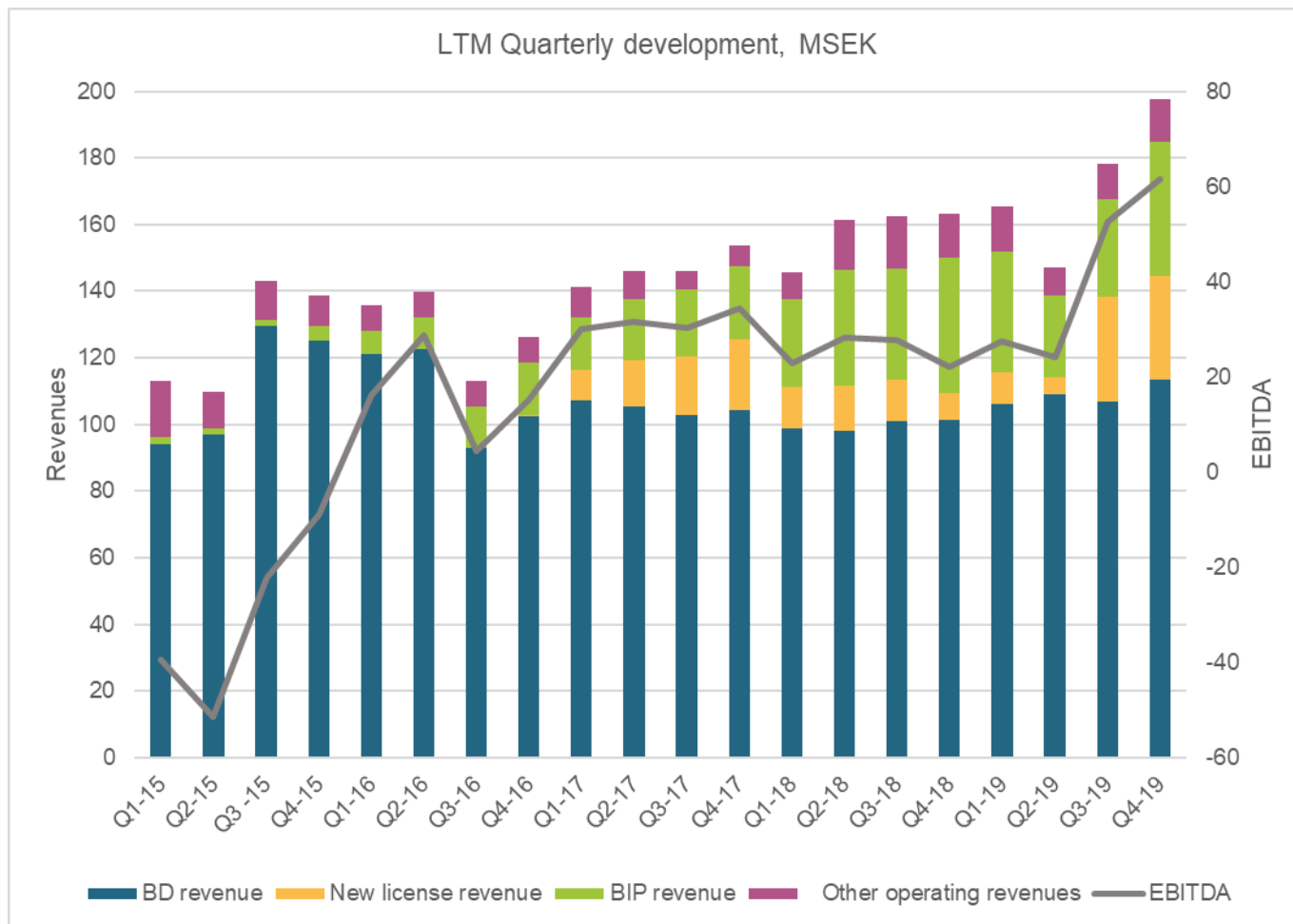
Two lines of business



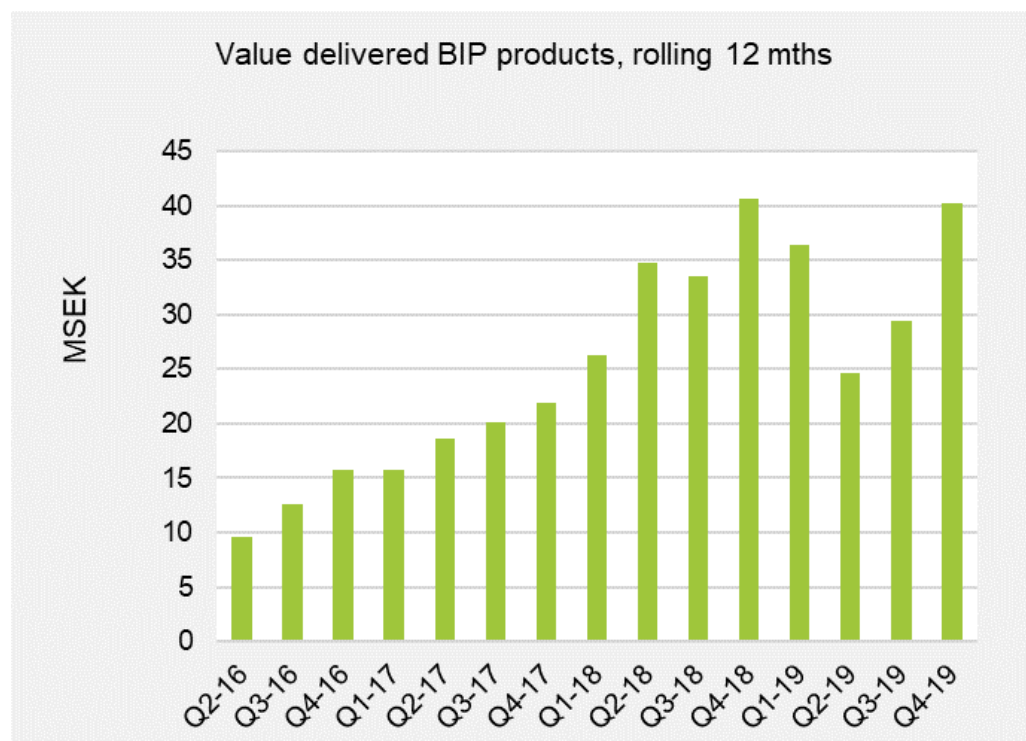
License agreements for various applications with Bactiguard technology

Proprietary product portfolio – sold through distributors

Sales growth and profitability

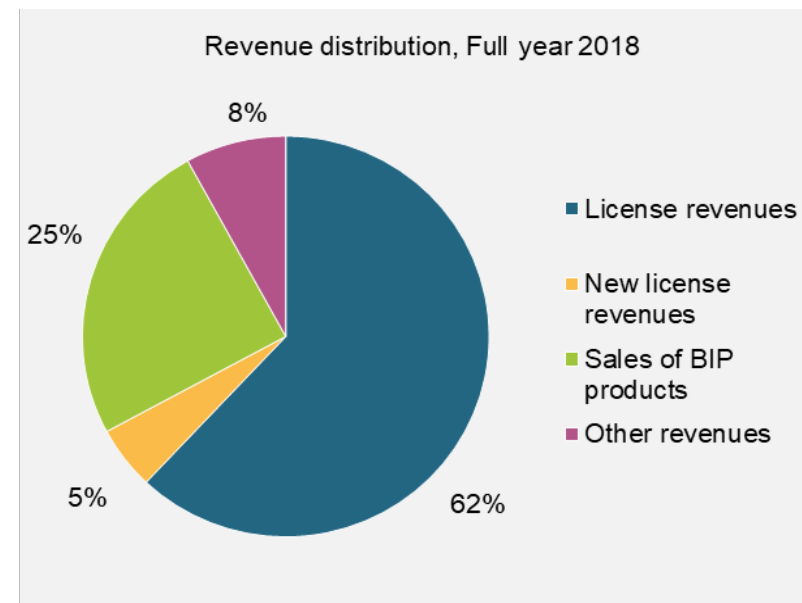
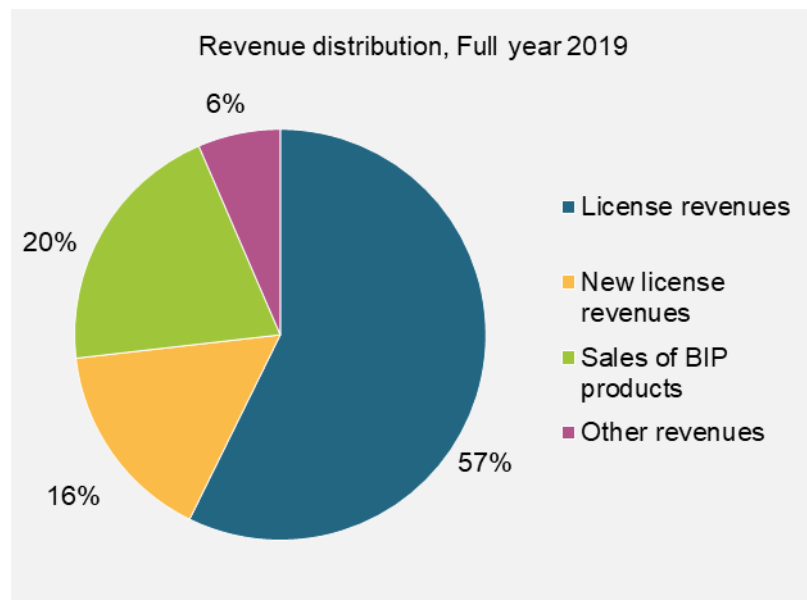


Development in revenues from BIP products



- Revenues from BIP-products of MSEK 25.3 (14.4) in Q4
- Development in BIP sales still somewhat irregular between quarters
- Revenues from BIP-products for full year 2019 of MSEK 40.2 (40.6), in line with last year
- Given the large volumes delivered in the second half of 2019, we expect a calmer beginning in 2020.

Revenue distribution

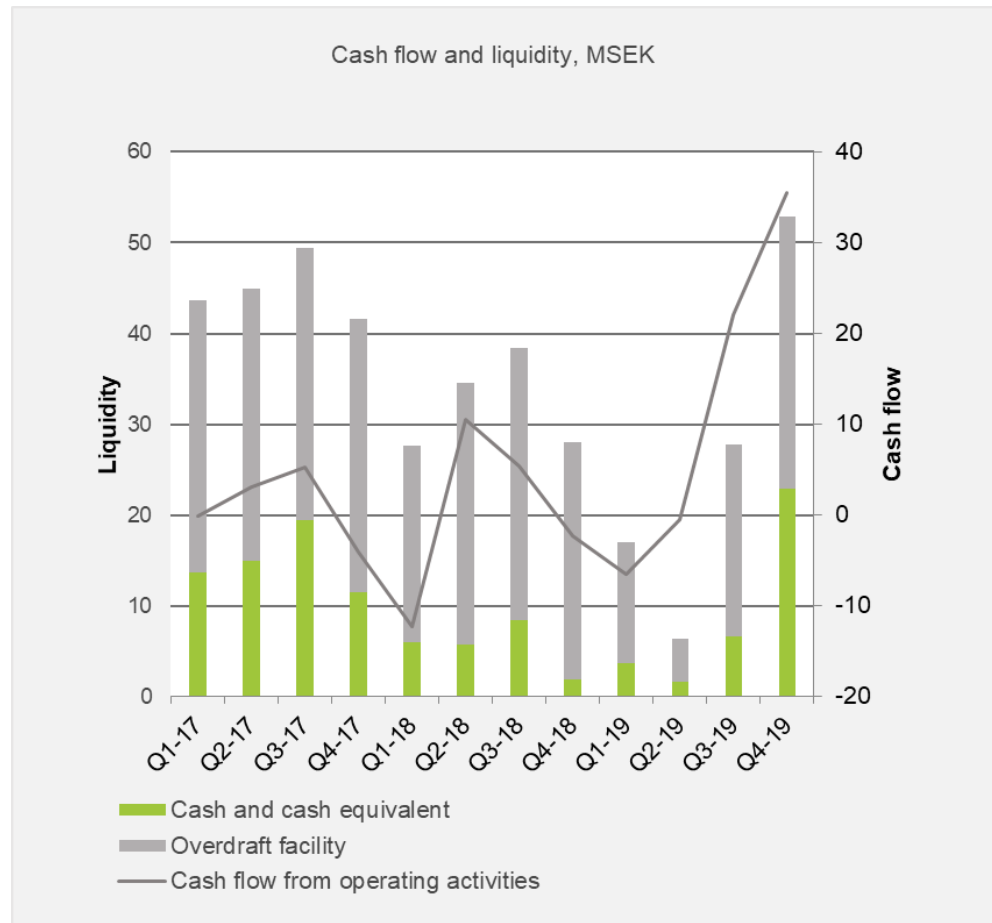


Financial overview

	2019					2018				
MSEK	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Revenues	35,1	34,1	67,0	61,6	197,8	33,0	52,4	35,7	42,1	163,2
EBITDA margin %	20%	17%	54%	20%	31%	6%	17%	22%	8%	14%
<i>Adjusted EBITDA margin % (IFRS 16)</i>	<i>13%</i>	<i>10%</i>	<i>51%</i>	<i>16%</i>	<i>26%</i>					
Depreciations*	-10,6	-10,5	-10,6	-10,5	-42,1	-8,7	-8,9	-8,1	-8,4	-34,2
<i>whereof depreciation technology</i>	<i>-6,0</i>	<i>-6,0</i>	<i>-6,0</i>	<i>-6,0</i>	<i>-23,8</i>	<i>-6,0</i>	<i>-6,0</i>	<i>-6,0</i>	<i>-6,0</i>	<i>-23,8</i>
Net profit/loss	-3,4	-5,6	23,7	1,6	16,3	-8,0	-0,9	-0,5	-5,5	-14,9
Operating cash flow	-9,1	-0,5	23,6	35,5	49,6	-13,7	9,7	4,1	-5,0	-4,9

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

Cash flow and liquidity



Cash flow

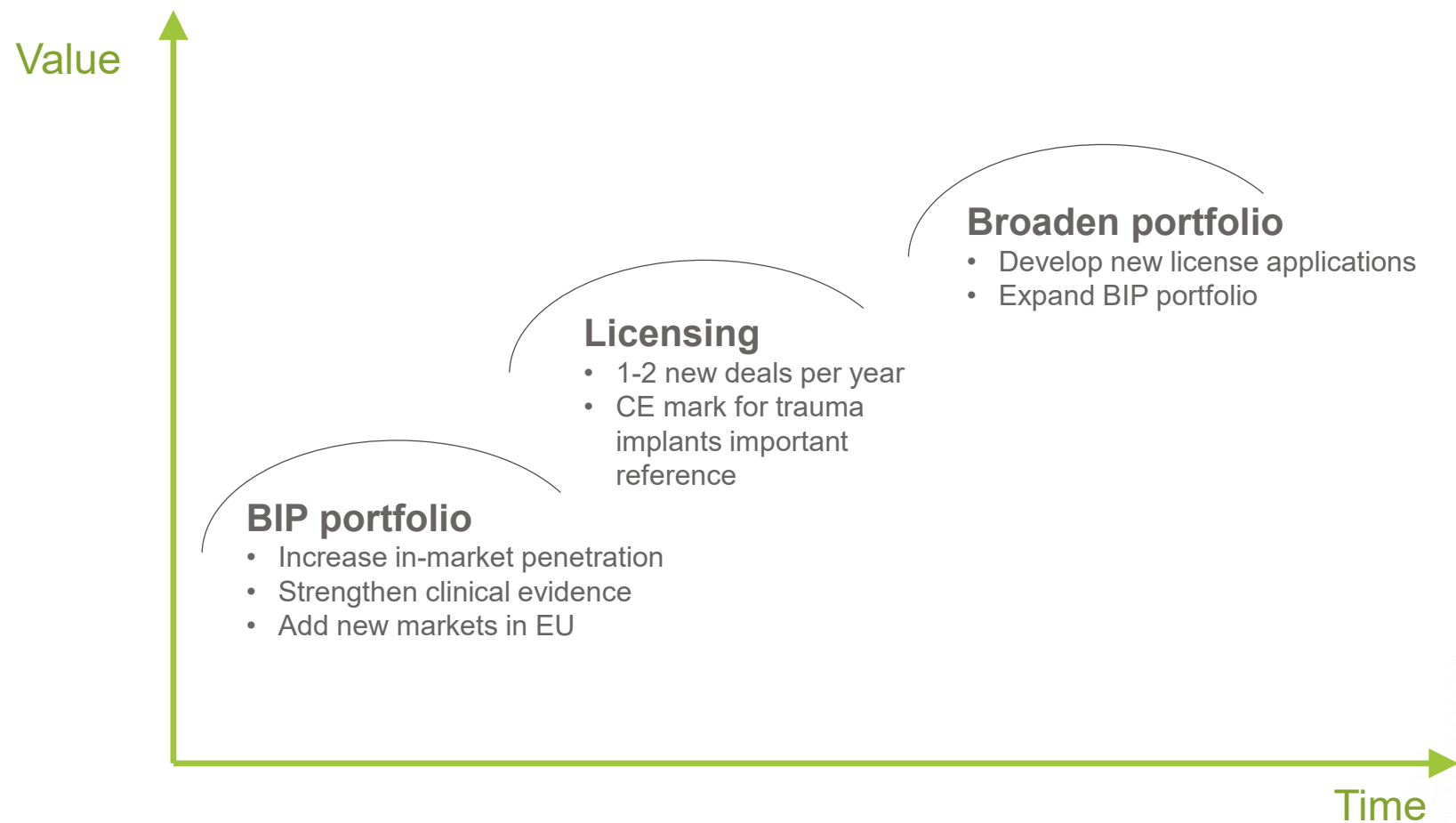
- Positive operating cash flow for Q4 of MSEK 35.5 (-5.0), driven by payment of MSEK 29.4 from Zimmer Biomet
- Improvement in account receivables has increased cash flow continuously during the year
- Net Cash position of MSEK 22.9 (1.9)
- Liquidity MSEK 52.9
- Cash portion of the Vigilenz acquisition will be financed through bank facilities provided by SEB, with a term of three years
- Bactiguard's current bank facility with SEB will be extended and have the same tenor

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
- The Board proposes no dividend for 2019



Growth strategy



Concluding remarks

Infection control a crucial contribution to the Sustainable Development Goals 2030

- Bactiguard enters new development phase
- First ever acquisition, new management team
- Financial all-time high:
 - BD provides stable recurring revenues
 - Zimmer Biomet (ZB) boosted new license revenues and cash flow in 2019
 - BIP sales growing
- BD and ZB confirm Bactiguard's technology in global context and different medical applications
- Paves the way for new applications
- 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

Bactiguard representatives



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