Hematology is in our blood

Boule Diagnostics AB
Company presentation, Q1 report 2018

Fredrik Dalborg, CEO and Group President
Christina Rubenhag, CFO
About Boule – a growth company specializing in diagnostics

• Founded in 1996
• The company develops, manufactures and sells complete blood cell counting (CBC) systems
• Business model
  – Boule sells own-developed CBC systems in the global hematology market and earn the recurring revenue streams through the sale of reagents, controls, calibrators and service/support.
  – The instruments are designed and optimized for proprietary reagents, ensuring quality and accurate analysis results and recurring revenue over the life of the instruments.
  – The systems are used both for human and animal diagnostics.
• Business concept
  – Commercializing high-quality systems to the decentralized market for blood diagnostics.
  – Global sales by parallel distribution channels to quickly and effectively meet local demand.
  – Secure consumable supplies for own instruments to ensure system quality and integrity of business model.
  – Active acquisition and cooperation strategy to broaden the product offering.
• Listed on Nasdaq Stockholm since 2011
The Boule offer

- **Medonic**: Human diagnostics 3-part system
- **Swelab**: Human diagnostics 3-part system
- **Quintus**: Human diagnostics 5-part system
- **Exigo H400**: Veterinary hematology 3 & 4 part
- **Exigo C200**: Veterinary Chemistry System

- Tied consumables for proprietary instruments
- Consumables for OEM customers
- Open consumables for other manufacturer’s open systems

- Reagents
- Blood controls and calibrators
- Cleaning products
- Reagents rotor
Q1 2018 in summary

- **Continued increased profitability in spite of slower sales**
  - Net sales was SEK 99.5 million with a growth of -6.7% compared to the record first quarter in 2017 (growth of 26%). Adjusted for exchange rates the growth was -2.3%
  - Instrument unit sales declined by 18% to a total of 940 (1,143) due to:
    - Slow sales in India related to the changes in the distribution network
    - No major tenders in this quarter
    - Launch of new veterinary product beginning of April, slowing down sales of the old system
  - Gross margin at 46.8% (47.6%), negatively affected by scrapping an manufacturing variances
  - EBIT margin improved to 18.9% (11.2%). EBIT margin excluding capitalized R&D was 13.4% (10.6%)
  - Cash flow from operating activities was SEK 6.3 million (18.5), due to payment of short term liabilities

- **Key events after the quarter**
  - In April Boule acquired technologies that will be used for the next generation platform for the 5-part segment.
  - The acquisition will reduce time to market for the next product launch in the fast growing 5-part segment, and simultaneously reduce development cost and risk.
Net Sales and EBIT R12 per quarter

- Revenue fluctuate between the quarters mainly due to tenders and region specific events
- Operating profit improvement continues
Overview of sales by region

- Growth in Africa/Middle East was impacted by tenders in Q1 2017.
- Sales in West Europe was impacted by the launch of the new Veterinary Exigo H400.
- Sales in US was impacted by currency and growth in constant currencies was +1,5%. Number of delivered instruments was higher than last year, but sales in US was impacted negatively by continuing decline in CDS Brand.
- Sales in Asia was generally low, in combination with start-up delays due to change in distribution channels in India. Also, there were no tenders in the region during the period.
# Net sales by region and product

## Net sales by region, SEK million

<table>
<thead>
<tr>
<th>Region</th>
<th>Jan-Mar 2018</th>
<th>Jan-Mar 2017</th>
<th>Change</th>
<th>Apr 17-Mar 18 (R12)</th>
<th>Apr 16-Mar 17 (R12)</th>
<th>Change (R12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>32.9</td>
<td>33.8</td>
<td>-3%</td>
<td>126.8</td>
<td>130.8</td>
<td>-3%</td>
</tr>
<tr>
<td>Asia</td>
<td>25.3</td>
<td>26.6</td>
<td>-5%</td>
<td>108.0</td>
<td>96.7</td>
<td>12%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>13.3</td>
<td>13.6</td>
<td>-2%</td>
<td>61.9</td>
<td>58.6</td>
<td>6%</td>
</tr>
<tr>
<td>Latin America</td>
<td>6.4</td>
<td>6.4</td>
<td>0%</td>
<td>31.8</td>
<td>52.4</td>
<td>-39%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>8.2</td>
<td>9.2</td>
<td>-11%</td>
<td>35.3</td>
<td>36.3</td>
<td>-3%</td>
</tr>
<tr>
<td>Africa/Middle East</td>
<td>13.4</td>
<td>16.9</td>
<td>-21%</td>
<td>56.9</td>
<td>48.1</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>99.5</strong></td>
<td><strong>106.6</strong></td>
<td><strong>-7%</strong></td>
<td><strong>420.7</strong></td>
<td><strong>422.9</strong></td>
<td><strong>-1%</strong></td>
</tr>
</tbody>
</table>

## Net sales by product, SEK million

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Instruments</td>
<td>35.1</td>
<td>41.1</td>
<td>-15%</td>
<td>150.2</td>
<td>168.6</td>
<td>-11%</td>
</tr>
<tr>
<td>Consumables own instruments</td>
<td>41.0</td>
<td>39.7</td>
<td>3%</td>
<td>171.2</td>
<td>156.0</td>
<td>10%</td>
</tr>
<tr>
<td>Consumables OEM and CDS-brand</td>
<td>14.6</td>
<td>17.7</td>
<td>-18%</td>
<td>58.1</td>
<td>64.9</td>
<td>-11%</td>
</tr>
<tr>
<td>Other</td>
<td>8.8</td>
<td>8.1</td>
<td>9%</td>
<td>41.2</td>
<td>33.4</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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</tr>
</tbody>
</table>
## Key figures Q1 and R12

<table>
<thead>
<tr>
<th>Key figures</th>
<th>Jan-Mar 2018</th>
<th>Jan-Mar 2017</th>
<th>Apr 17-Mar 18 (R12)</th>
<th>Apr 16-Mar 17 (R12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in sales, %</td>
<td>-6.7</td>
<td>26.3</td>
<td>-0.5</td>
<td>24.2</td>
</tr>
<tr>
<td>Net sales, SEK million</td>
<td>99.5</td>
<td>106.6</td>
<td>420.7</td>
<td>422.9</td>
</tr>
<tr>
<td>Gross margin, %</td>
<td>46.8</td>
<td>47.6</td>
<td>47.2</td>
<td>48.1</td>
</tr>
<tr>
<td>Operating profit/loss, SEK million</td>
<td>18.8</td>
<td>12.0</td>
<td>61.2</td>
<td>50.7</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>18.9</td>
<td>11.2</td>
<td>14.6</td>
<td>12.0</td>
</tr>
<tr>
<td>Net debt, SEK million</td>
<td>-117.3</td>
<td>-81.3</td>
<td>-117.3</td>
<td>-81.3</td>
</tr>
<tr>
<td>Return on equity, %</td>
<td>5.5</td>
<td>3.7</td>
<td>16.9</td>
<td>17.9</td>
</tr>
<tr>
<td>Net debt/EBIT (R12), times</td>
<td>-1.9</td>
<td>-1.6</td>
<td>-1.9</td>
<td>-1.6</td>
</tr>
<tr>
<td>Earnings per share, after dilution, SEK</td>
<td>3.08</td>
<td>1.79</td>
<td>7.42</td>
<td>7.95</td>
</tr>
</tbody>
</table>

![Net sales (R12) and EBIT (R12)](chart.png)
Number of instruments sold 2008 – Q1 2018
New products for the veterinary market

Exigo H400 – Hematology system released for sale in April
- 24 instruments shipped
- Systems installed and in use at multiple veterinary clinics
- Customer feedback is positive

Exigo C200 – Clinical chemistry system release planned in May
- Clinical study in Germany completed
- Clinical study in the Baltics ongoing
- Release for sale planned in May
We are active in an attractive market segment

*Decentralized, near patient market*

**Decentralized market is smaller...**

<table>
<thead>
<tr>
<th>USD bn</th>
<th>Market size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Centralized Hematology</td>
</tr>
<tr>
<td>3,5</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>2,5</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>1,5</td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>0,5</td>
<td>0</td>
</tr>
</tbody>
</table>

In the decentralized market, 3 part is bigger but 5 part grows faster

**...but growing faster**

<table>
<thead>
<tr>
<th>Market growth</th>
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<tbody>
<tr>
<td>Overall Hematology Market</td>
</tr>
<tr>
<td>Decentralized Hematology market</td>
</tr>
</tbody>
</table>

**...driven by fundamental factors**

- Large market potential: >100,000 small and medium sized labs globally
- Aging population globally: increasing demand for diagnostics and health care
- Increased access to healthcare in emerging markets
  - Emphasis on smaller cities and rural areas
- Near patient diagnostics is attractive to patients and healthcare systems
  - Cost efficiency and convenience

Source: Kalorama IVD 2016, Boule data
Next generation hematology platform development project has started
*Targeting the 5 part market*

From Q3 report, November 8 2017:

“A thorough proof of concept study has been completed, and a development project has been started that will lead to the launch of our next generation hematology platform. During the course of the project the share of capitalized R&D is expected to increase.”
Description of the 5 part technology and market

5 part technology and application

- Optical measurement of laser light scattering is used to determine white blood cells in 5 different populations.
- 5 part hematology systems will give more detailed information about the patients status, e.g. in case of leukemia, allergic reaction or parasitic infection.

Decentralized 5 part Hematology Market

- A higher number of samples per day compared with 3 part market will result in higher reagent consumption per unit.
- Cost per test is also higher, resulting in total reagent revenue per installed unit will be about x3 compared with 3 part analyzer.
- Higher analyzer price and better margin.
- About 20% of new installations in our segment is 5 part analyzers.
- Growth for 5 part is higher for compared with 3 part.
- Stronger demand for quality control from the users result in higher revenue from sales of control blood and calibrators.
Laser and optical sensor module the final piece to develop new 5 part system

*Boule has long experience in designing all other components*
Acquisition in line with established strategies, supports platform development

• Immediate access to fully functional laser and optical sensor module, including documentation and technology transfer
• We will take over and integrate key technology components (laser module primarily) in our new platform under development
• Will shorten development time and reduce technology risk
• We have evaluated the technology and are already familiar with the reagent technology to be used
Boule Diagnostics strategies

**Protect and grow our core business:**
Continued efficiency improvements and capacity expansion, developing and launching next generation product platforms.

**Grow in emerging markets:**
Evolving distributor relationships and strengthening local presence.

**Grow in new customer segments and markets:**
Resource, sales approaches and partnerships to enter new customer segments and geographical markets.

**Evolve OEM and CDS brand business:**
Selective initiatives in profitable growth segments.

**Broaden the product portfolio:**
Develop new product platforms and broaden the product portfolio through partnerships and acquisitions.
Financial targets

FINANCIAL TARGETS

• An operating margin (EBIT-margin) above 15 percent.

• Long term growth in sales above 10 percent per year.

• Net debt (interest bearing debts minus cash and cash equivalents) no greater than three times operating profit (EBIT) on an annualized basis.

DIVIDEND POLICY

• The annual dividend should correspond to 25-50 percent of profit for the period, after taking due consideration to company liquidity.
Future challenges and opportunities for Boule Diagnostics

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Fragmented, competitive market</td>
<td>• Veterinary market</td>
</tr>
<tr>
<td>• Some fast growing markets (Asia in particular) have low price levels</td>
<td>• Improvements in manufacturing efficiency and structure</td>
</tr>
<tr>
<td>• Important to deliver relevant product development to market</td>
<td>• Broadening portfolio through agreements and/or acquisitions</td>
</tr>
<tr>
<td>• Volatility caused by tenders and market specific variations</td>
<td>• More regional/local presence to improve customer experience (service, product specialists, etc.)</td>
</tr>
<tr>
<td>• quarter to quarter variability</td>
<td>• Launching new products based on our reliable technologies</td>
</tr>
<tr>
<td>• Instrument sales reduce gross margin</td>
<td>• Continued growth in emerging markets</td>
</tr>
<tr>
<td>• Falling USD exchange rate puts pressure on revenues and profit</td>
<td>• In developed markets focus on near-patient care to reduce healthcare cost</td>
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</table>
Thank you!