Hematology is in our blood

Boule Diagnostics AB
Company presentation, Q2 report 2018
August 15, 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
- **Swellab**: Human diagnostics 3-part system
- **Quintus**: Human diagnostics 5-part system
- **Exigo H400**: Veterinary hematology 3 & 4 part
- **Exigo C200**: Veterinary Chemistry System

**Consumables**

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

- Reagents
- Blood controls and calibrators
- Cleaning products
- Reagents rotor
Q2 2018 in summary

• **Continued increased profitability and strong growth in core business (Boule Systems)**
  – Net sales was SEK 107.8 million with a growth of 3.4% compared to the second quarter in 2017. Adjusted for exchange rates the growth was 3.0%
  – The second quarter did not include any major tenders, resulting in a decline in sold instruments by 4%, 962 (998), but with higher average selling prices for the delivered instruments and a revenue increase of 1%
  – Gross margin at 48.8% (41.8%), impacted positively by the product mix and the region mix with high instrument sales in North America
  – EBIT margin improved to 18.4% (-0.7%). EBIT margin excluding capitalized R&D was 13.7% (-2.5%)
  – EBIT in Q2 2017 included Eo-items of SEK -10.5 million
  – Cash flow from operating activities was SEK 10.0 million (5.0)

• **Key events during the quarter**
  – In April Boule acquired technologies that will be used for the next generation platform. 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.
  – Exigo H400 and Exigo C200, a fully automated chemistry analyzer, was launched during the quarter. The increased product portfolio strengthens Boule’s competitiveness in the veterinary market

• **Key events after the quarter**
  – A major tender has been secured in India and delivery of 650 instruments are expected to take place during the third and fourth quarter of 2018
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 driven by increased reagent sales to instruments installed last year
- LATAM picking up the pace, emphasis on new markets and strengthening of distributor network
- Sales in US was impacted by decline in CDS Brand and OEM. Number of delivered instruments increased with 48% and growth in own instruments and consumables was +13% in constant currencies.
- Sales in Asia is picking up after a slow start of the year, despite the lack of tenders in the quarter.
## Net sales by region and product

<table>
<thead>
<tr>
<th>Net sales by region, SEK million</th>
<th>Apr-Jun 2018</th>
<th>Apr-Jun 2017</th>
<th>Change</th>
<th>Jul 17-Jun 18 (R12)</th>
<th>Jul 16-Jun 17 (R12)</th>
<th>Change (R12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>29.1</td>
<td>32.5</td>
<td>-11%</td>
<td>123.5</td>
<td>132.1</td>
<td>-7%</td>
</tr>
<tr>
<td>Asia</td>
<td>31.3</td>
<td>30.5</td>
<td>3%</td>
<td>109.0</td>
<td>106.2</td>
<td>3%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>16.1</td>
<td>17.1</td>
<td>-6%</td>
<td>61.1</td>
<td>63.0</td>
<td>-3%</td>
</tr>
<tr>
<td>Latin America</td>
<td>6.6</td>
<td>5.6</td>
<td>20%</td>
<td>32.5</td>
<td>35.7</td>
<td>-9%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>9.1</td>
<td>8.7</td>
<td>5%</td>
<td>35.6</td>
<td>35.8</td>
<td>0%</td>
</tr>
<tr>
<td>Africa/Middle East</td>
<td>15.7</td>
<td>10.0</td>
<td>56%</td>
<td>62.5</td>
<td>50.2</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>107.8</strong></td>
<td><strong>104.3</strong></td>
<td><strong>3%</strong></td>
<td><strong>424.2</strong></td>
<td><strong>423.0</strong></td>
<td><strong>0%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Instruments</td>
<td>37.4</td>
<td>37.0</td>
<td>1%</td>
<td>149.9</td>
<td>164.4</td>
<td>-9%</td>
</tr>
<tr>
<td>Consumables own instruments</td>
<td>49.0</td>
<td>42.4</td>
<td>16%</td>
<td>175.2</td>
<td>159.3</td>
<td>10%</td>
</tr>
<tr>
<td>Consumables OEM and CDS-brand</td>
<td>11.8</td>
<td>16.7</td>
<td>-29%</td>
<td>56.7</td>
<td>67.7</td>
<td>-16%</td>
</tr>
<tr>
<td>Other</td>
<td>9.7</td>
<td>8.2</td>
<td>18%</td>
<td>42.5</td>
<td>31.6</td>
<td>34%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td><strong>104.3</strong></td>
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<td><strong>423.0</strong></td>
<td><strong>0%</strong></td>
</tr>
</tbody>
</table>
## Key figures Q2 and R12

<table>
<thead>
<tr>
<th>Key figures</th>
<th>Apr-Jun 2018</th>
<th>Apr-Jun 2017</th>
<th>Jul 17-Jun 18 (R12)</th>
<th>Jul 16-Jun 17 (R12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in sales, %</td>
<td>3.4</td>
<td>2.3</td>
<td>0.3</td>
<td>24.4</td>
</tr>
<tr>
<td>Net sales, SEK million</td>
<td>107.8</td>
<td>104.3</td>
<td>424.2</td>
<td>423.0</td>
</tr>
<tr>
<td>Gross margin, %</td>
<td>48.8</td>
<td>41.8</td>
<td>48.9</td>
<td>46.8</td>
</tr>
<tr>
<td>Operating profit/loss, SEK million</td>
<td>19.8</td>
<td>-0.7</td>
<td>81.8</td>
<td>37.3</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>18.4</td>
<td>-0.7</td>
<td>19.3</td>
<td>8.8</td>
</tr>
<tr>
<td>Net debt, SEK million</td>
<td>-93.8</td>
<td>-71.4</td>
<td>-93.8</td>
<td>-71.4</td>
</tr>
<tr>
<td>Return on equity, %</td>
<td>5.3</td>
<td>-0.5</td>
<td>23.2</td>
<td>13.3</td>
</tr>
<tr>
<td>Net debt/EBIT (R12), times</td>
<td>-1.1</td>
<td>-1.9</td>
<td>-1.1</td>
<td>-1.9</td>
</tr>
<tr>
<td>Earnings per share, after dilution, SEK¹</td>
<td>0.77</td>
<td>-0.06</td>
<td>3.07</td>
<td>1.47</td>
</tr>
</tbody>
</table>

![Net sales (R12) and EBIT (R12)](chart.png)
Number of instruments sold 2008 – Q2 2018
Major tender secured in India

India is an important market

- India is the largest market in Asia for Boule
- Boule has No 2 market position in the decentralized segment
- Indian Hematology market growing 18-20%
- Government ambition to extend insurance coverage and healthcare access to underprivileged and in smaller cities and rural areas

Major tender secured

- 650 instruments to be delivered in Q3 and Q4
- Due to the size of the tender the selling price per instrument is relatively low,
- Reagent sales per instrument is expected to be above the average in the Indian market
- Preparations for increased production capacity are being made to ensure instrument deliveries in 2018.
- The tender may also lead to sales of additional of instruments
New products for the veterinary market

Strengthening portfolio in veterinary market

• Exigo H400 – Hematology system released for sale in April
  - A total of 89 vet hematology instruments shipped, the majority the new H400
• Exigo C200 – Chemistry system released for sale in June
  - The first instruments shipped in the quarter
• Customer feedback is positive
• Publications and KOL collaborations initiated
• The extended portfolio will improve Boule’s position in the veterinary market and offers opportunities to further strengthen the distributor network
Global distribution agreement with CellaVision:
- New platform developed for small and medium sized labs, the Boule core customer segment
- Launch expected end of 2018
CellaVision DC 1 platform

*Matches the Boule customer segment well*

- Presented at AACC in Chicago August 2018
- Small instrument footprint (B28xD40xH38cm), similar to Boule instruments
- PC embedded in housing
- Price per test option, similar to Boule business model
- Throughput adapted to small and medium sized labs

*Source: CellaVision Q2 presentation*
Laser and optical sensor module the final piece to develop new 5 part system

*Boule has long experience in designing all other components*
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>
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<tbody>
<tr>
<td>3,5</td>
<td>Centralized Hematology</td>
</tr>
<tr>
<td>3</td>
<td>Decentralized Hematology</td>
</tr>
<tr>
<td>2,5</td>
<td>3 part</td>
</tr>
<tr>
<td>2</td>
<td>5 part</td>
</tr>
<tr>
<td>1,5</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
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<td>0,5</td>
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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>8%</td>
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<tr>
<td>7%</td>
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<tr>
<td>6%</td>
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<td>5%</td>
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<td>4%</td>
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<td>3%</td>
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<tr>
<td>2%</td>
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<tr>
<td>1%</td>
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<tr>
<td>0%</td>
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**Overall Hematology Market**

**Decentralized Hematology market**

**...driven by fundamental factors**

- Large market potential: >100,000 small and mediums 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
Investing for growth

• The development of the next generation 5 part system platform is continuing with high priority
  – Research and development resources in both Sweden and the US have been strengthened to secure a rapid and efficient development process

• Driving regional growth
  – Market research and prioritization
  – Strengthening regional sales and service teams in Russia, LATAM and US. Next steps Asia, Middle East and Western Europe

• Efficient commercialization of broader product portfolio
  – Strengthening marketing team
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.
Thank you!