Hematology is in our blood

Boule Diagnostics AB
Company overview and Q4 presentation
February 7, 2020

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Boule Diagnostics - a growth company specializing in near patient diagnostics

- Develops, manufactures, and markets complete blood count (CBC) analyzers for both human and veterinary markets, keeping quality in focus.
- Focus on the fast growing, near patient diagnostics segment.
- Strong heritage in hematology diagnostics, with the development of the very first automated European blood cell counter 1956.
- Products are manufactured and distributed from our production facilities in Sweden and in USA, and are currently available in more than 100 countries.
- One provider of instruments, reagents, blood controls, and calibrators, ensuring reliability and quality as well as a recurring revenue stream from consumables.
Boule Diagnostics – global presence

*Improving health for everyone, everywhere*

Through a network of more than 200 distributors, Boule products are available in more than 100 countries.
Boule Diagnostics – product portfolio 2019

**Significant additions in the past 12 months**

**Human diagnostics**
- CBC 3-part differential
- CBC 5-part differential

**Human diagnostics**
- CBC 5-part differential

**Veterinary diagnostics**
- exigo C200 Clinical chemistry
- exigo H400 CBC 4-part differential

**POC**
- Multi test

**Digital cell imaging**
- Cellavision

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Product added in past 12 months
Q4 2019 in summary

New record in number of instruments sold, continued strong growth and improved profitability

HIGHLIGHTS Q4

<table>
<thead>
<tr>
<th>NET SALES</th>
<th>SEK 129.3 million</th>
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<tbody>
<tr>
<td>YoY GROWTH</td>
<td>21.7%</td>
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<tr>
<td>GROSS MARGIN</td>
<td>44.6%</td>
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<tr>
<td>EBIT-MARGIN</td>
<td>11.7%</td>
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<tr>
<td>CASH FLOW Q4</td>
<td>SEK 19.7 million</td>
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The growth initiatives continue to yield results

- Net sales was SEK 129.3 million, another quarter with strong sales. This corresponds to a growth of 21.7% compared to the last quarter of 2018. Adjusted for exchange rates the growth was 17.9%.
- Instrument unit sales increased by 11.5% to a new record of 1,231 (1,104), and instrument revenues increased by 13%, negatively impacted by region mix, but positively impacted by increased instrument prices.
- Consumable sales for own instruments increased by 31%, driven by sales to India as well as the second shipment to the African tender won at the end of 2017 (approx. one year of consumption). Growth R12 was 21%.
- The strong growth is a result of the strategic initiatives taken in 2017 and 2018, which include a broadened product portfolio in the human and veterinary areas, strengthened sales and marketing resources and the work to improve and develop the distributor structure.
- Gross margin was 44.6% (40.7%), as a result of strong sales of consumables and price increases, but slightly weaker than the average for the year due to regional mix and high sales of instruments, of which a large portion went to Asia.
- Operating expenses were SEK 41.5 million, slightly above previous year (40.2) driven by investments in S&M.
- EBIT margin improved to 11.7% (3.2%).
- Cash flow from operating activities was SEK 19.7 million (6.6), impacted positively by the operating profit.
Instruments and consumables in a positive trend

- Individual quarters can be affected by one-time events like major tenders for instruments, but during 2019 the growth was not driven by any such event. Consumable sales in the fourth quarter include one year of consumption to a customer in Africa.
- The growth is mainly due to previous strategic initiatives as well as a favorable product and geographical mix.
- Growth YTD was 17.6%, i.e. above growth target of 10% on an annual basis.

Note: R12 = Rolling 12 months
Growth in all product categories

Growth in Q4
- Instrument growth in Q4 was driven by Asia and 3-part instruments.
- Growth in consumables for own instruments was 31%. Sales to the instruments sold as a part of the India tender in 2018 has now started together with sales to the African tender won in 2017.

Growth FY 2019
- A broader product portfolio, a strengthened commercial organization and changes in the distributor structure in Eastern Europe resulted in increased sales.
Solid growth in most regions

- Growth in US was 9% in Q4, impacted positively by currency and OEM. Sales of Boule systems (own instruments and own consumables) was 1% in fixed currencies due to low instrument sales.
- Asia is positive impacted by strong instrument and consumable sales.
- Strong growth in Africa mainly explained by the second shipment to the African tender won at the end of 2017 (approx. one year of consumption).
With strong sales growth trend established, focus on improving gross margins

- FY gross margin in 2019 was 45.3% compared to 44.7% last year.
- Gross margins are very dependent on geographical and product mix. Instrument prices vary a lot by market, consumable prices are fairly consistent globally.
- In the previous quarters instrument sales have increased, and have grown faster in low-priced markets.
- Increased focus on gross margin improvements going forward, including growth initiatives in higher price countries, manufacturing cost reductions and price increases.
Progressing with quality system improvements

Background

• Boule Diagnostics takes compliance with regulations very seriously, and this matter has the highest priority in the company.

• Boule products are known for high quality, and the high quality of current and future products is ensured through rigorous quality assurance processes.

• The work to diligently follow and develop the quality assurance processes involves the entire organization as well as external parties.

• Boule has increased investments in quality resources, competencies and processes since 2017.

FDA progress update

• During the third quarter of 2019, Boule has completed the warning letter action plan addressing the seven observations from the May 2018 audit in accordance with the timeline commitments to the FDA.

• In July 2019, the FDA conducted an on-site audit at the instrument manufacturing site in Sweden, to follow up on the action plan improvements. The company received two observations from the audit. The observations have been addressed according to committed plans and was finalized in mid-January 2020.

• Boule is fully committed to meeting all the requirements from the FDA and the dialogue with the agency continues in a positive way.
Organizational changes

Jesper Söderqvist appointed CEO

- Jesper Söderqvist has been appointed new CEO and will join Boule no later than May 11, 2020. Jesper has 15 years of experience from senior management positions in medtech companies and a broad experience in sales, marketing, development and production. Jesper arrives most recently from the First North listed company Arcoma AB.

Strengthening of production

- In production focus are on further improving the quality work, cost efficiency, preparations for the production of the new five-part platform and establishing local production of consumables in Russia.

- To increase the pace of this work, a reorganization was made and responsibility has been divided between production of instruments and production of consumables. Eduardo Pagani, production manager for the site in Florida, assumes global responsibility for the production of consumables. In February, the responsibility for the production of instruments will be assumed by Mikael Ekholm.
### Key revenue and margin drivers in 2020

<table>
<thead>
<tr>
<th>Driver</th>
<th>Revenue growth impact</th>
<th>Gross margin % impact</th>
<th>Comment</th>
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</table>
| Veterinary market                           |                       |                       | • Strong growth due to product launches and strengthened distributor network  
  • Good margins                             |                       |                       |                                                                         |
| Distributed products                        |                       |                       | • Strengthening portfolio and distributor network                         
  • Distributed products also contribute to core product growth (combined tenders, etc.) |                       |                       |                                                                         |
| Developing distributor network, strengthening local presence |                       |                       | • Increased value selling                                                   
  • Better support for distributors and end customers                           
  • Reduced overall cost                                                          |                       |                       |                                                                         |
| Increased importance of emerging markets    |                       |                       | • Lower instrument prices in some markets (India)                         
  • Lower reagent consumption at early stage in some markets                   |                       |                       |                                                                         |
| Cost reduction efforts, including regional manufacturing |                       |                       | • Process efficiency improvements                                           
  • Redesign for cost reduction                                                   
  • Strengthening competitive position, reducing logistics cost                 |                       |                       |                                                                         |
Thank you!