

# Q4 2017 Presentation

01.02.2018, Oslo

# Agenda

- **Highlights**
- **BetaGlucans**
  - Animal- and Consumer health
  - Neuroblastoma Vaccine Trial
  - Advanced wound care
- **Enzymes**
  - Molecular and new markets
- **Q4 Financials**
- **Outlook for 2018**



# Biotec in brief

A corporation with two independent versatile technology platforms who both benefit from underlying market growth

## Beta-glucans

- A common unique technology platform with immune modulating products for improved outcome
- Woulgan proven to reactivate wounds and with commercial progress in key markets
- An adjuvant in selective cancer treatments

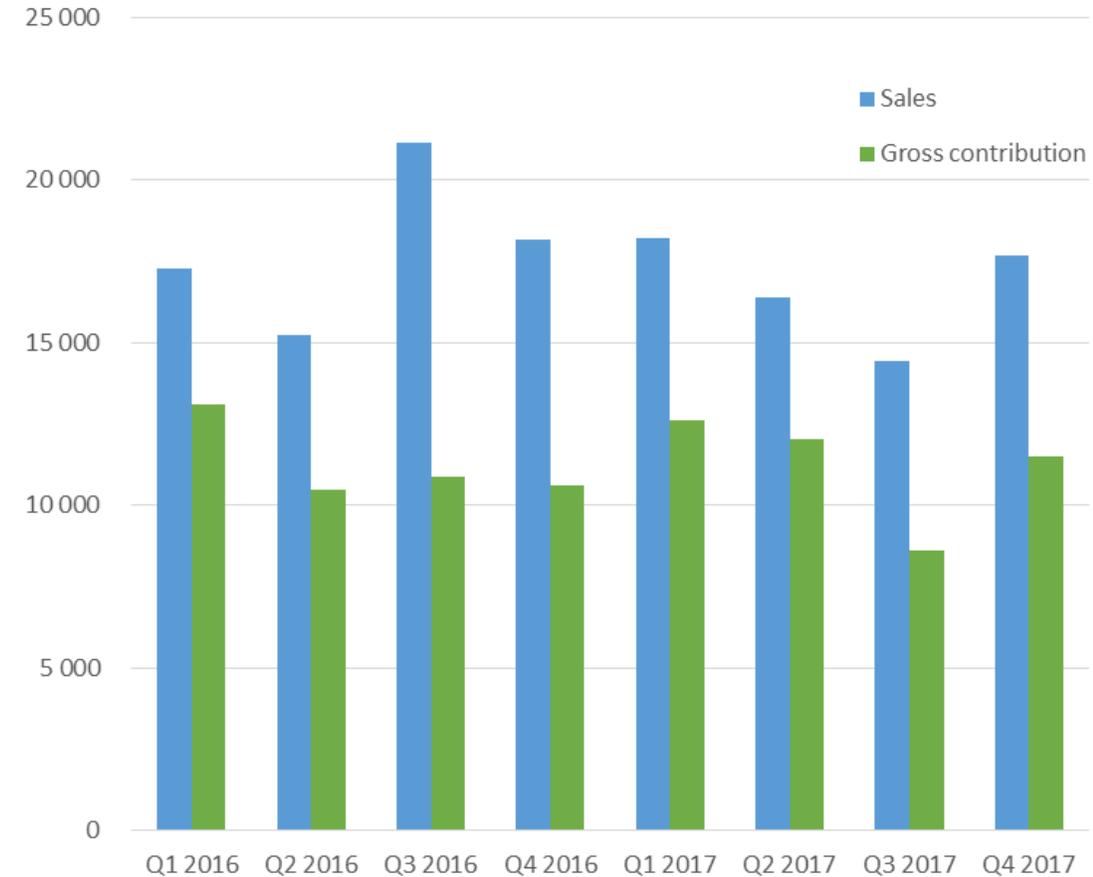
## Enzymes

- Fast growing business in developing and selling unique enzymes for tomorrows personalized healthcare:
  - DNA sequencing
  - Gene therapy

# Highlights Q4 2017

- Q4 sales of NOK 17.7 mill (NOK 18.2 mill)
- EBITDA of NOK -7.2 mill (NOK -8.1 mill)
- Woulgan reimbursed in the UK from December 1<sup>st</sup>
- ArcticZymes launched two versions of the IsoPol™ Polymerase product

Sales & Gross contribution - Group



# Beta-glucans

# Activities for M-Glucan® and M-Gard®

Over 20 years experience with immune modulating beta-glucans

## Animal health

- Sales experiences annual and seasonal fluctuations driven by demand for health feed within the aquaculture sector.
- Activities on-going to broaden co-operation with business partners.

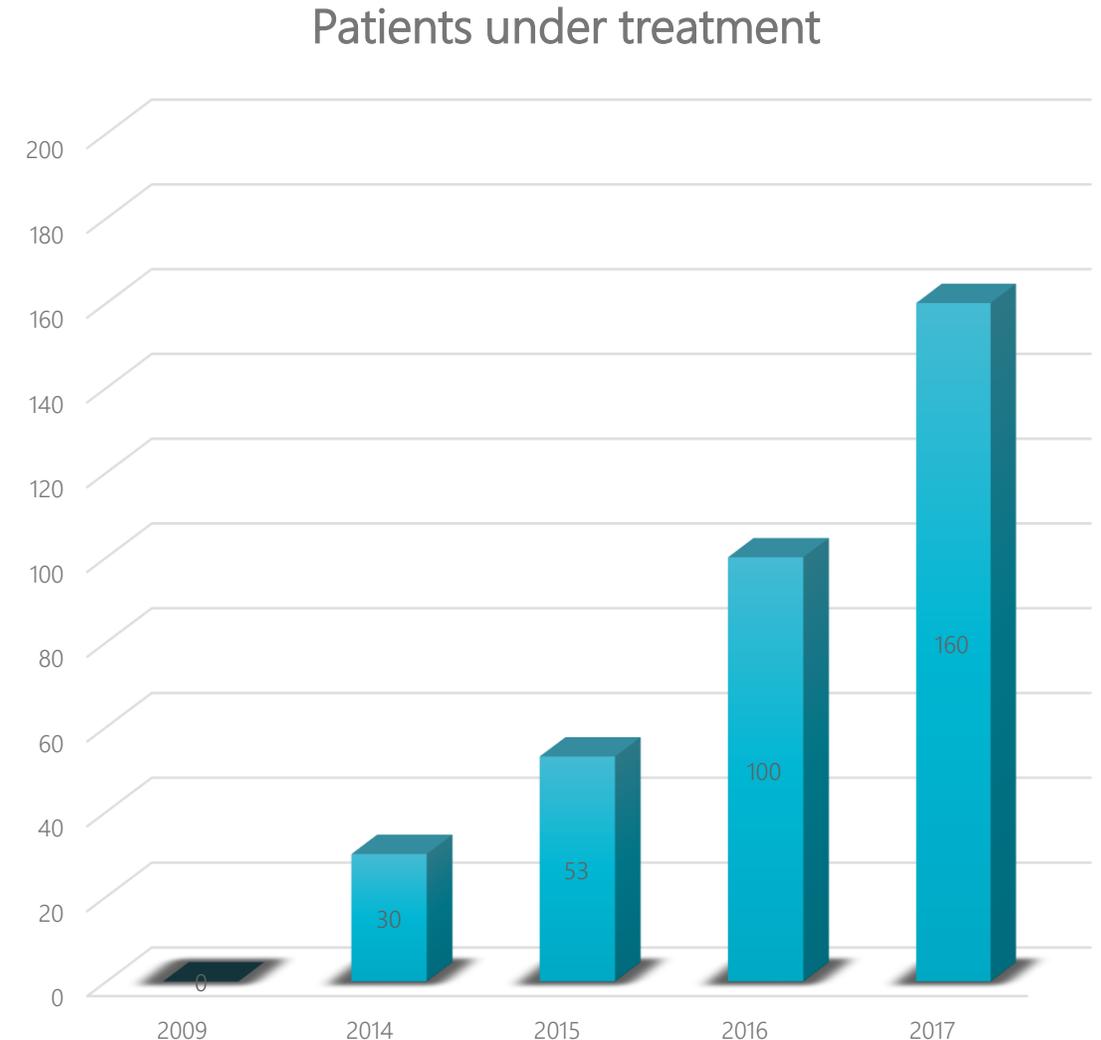
## Consumer Health:

- First delivery to major US customer.
- Actively working on expanding the customer base.
- Potential new customers perform stringent due-diligence as part of purchasing process.

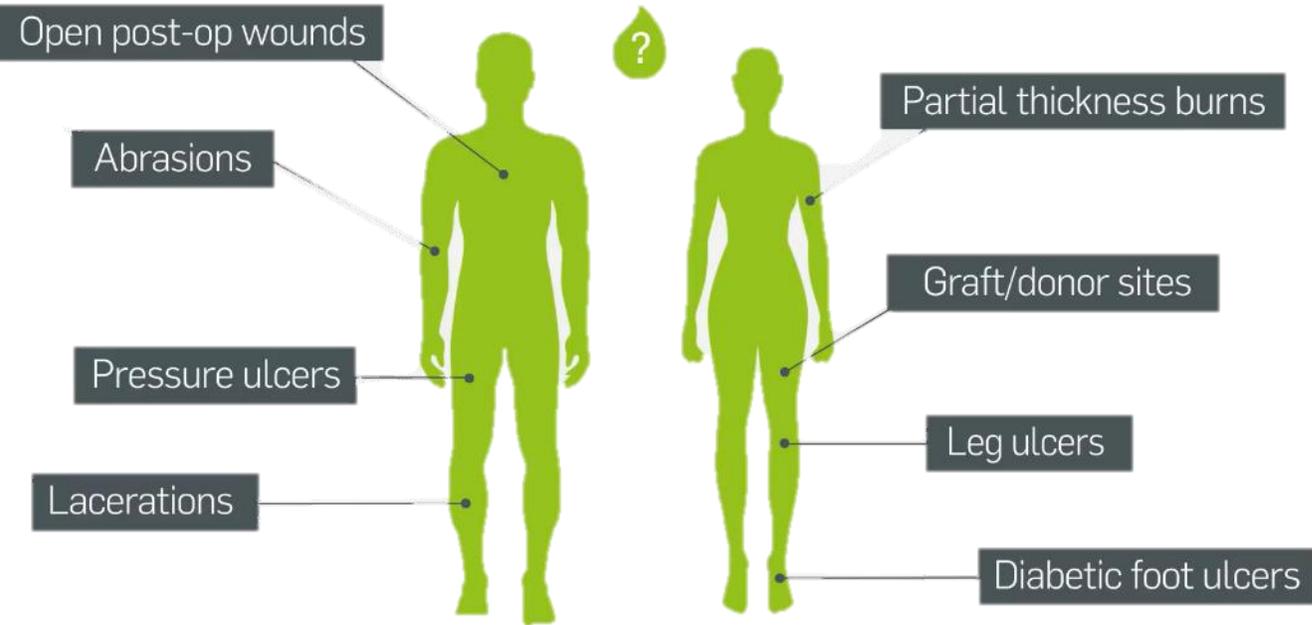


# SBG® in current neuroblastoma vaccine trial

- Small but high impact indication in children
- Will serve as a proof of concept for use of SBG® in immunotherapy of cancer
- The treatment regime has a possibility of becoming approved without a regular phase III trial
- Biotec is in discussion with MSKCC on alternative ways to commercialise the combined treatment. MSKCC has licenced the rights to the vaccine to a US company.



# Status Woulgan®



- Clinical effects in user-friendly format- clear differentiation for Woulgan
- Progress with UK and Nordic market access (reimbursement, tenders and wholesaler listings).
- Woulgan is mainly used in out-patient settings – salesforce coverage is key:
  - Large number of call-points for salesforce.
  - Lack of scale for a “one-product” company.
  - Review go-to-market model, to secure further growth of the franchise with less consumption of the company's financial resources.

# Activities in all markets



	UK	Nordics	Germany
Clinical	<p>Completed recruitment of 300 patient study. Multiple wound types, real world study.</p> <p>Results written up in Q2 for publication after summer.</p>	<p>Completed patient recruitment early in Q4. Majority of patient data collected from sites.</p> <p>Analysis and manuscript for publication due in Q1 2018.</p>	
Market Access	<p>NHS approved Woulgan for listing on UK Drug Tariff from December.</p> <p>Appeal panel found that application demonstrated Woulgan is clinically effective and also cost effective.</p> <p>Woulgan can be prescribed and reimbursed across UK where local policy permits its use.</p>	<p>Listing grew to over 70% in Finnish tenders, Swedish tenders positive but not decision in Q4. Norway and Denmark still very low.</p> <p>Local wholesaler co-operations generating good numbers of leads in community sector.</p>	<p>Upcoming changes in the reimbursement system creates uncertainty around reimbursement for "active" wound products.</p> <p>Situation is being monitored to see, if an Annex V application is needed.</p> <p>Documentation for potential Annex V application planned in Q1.</p>
Go-to-market	<p>Hiring of a dedicated sales team in preparation for January launch.</p>	<p>Engaged wound industry expert to support our partner.</p>	<p>Ongoing delivery of trainings to wound expert nurses to support increasing and correct use of Woulgan.</p>

# Research and Development: Woulgan Dry Layer

- Woulgan® dry layer pilot plant is testing different formulations
- The gel-forming dry layer is well suited to more exuding and larger wounds
- Priority to develop proprietary production methods that can be patent protected

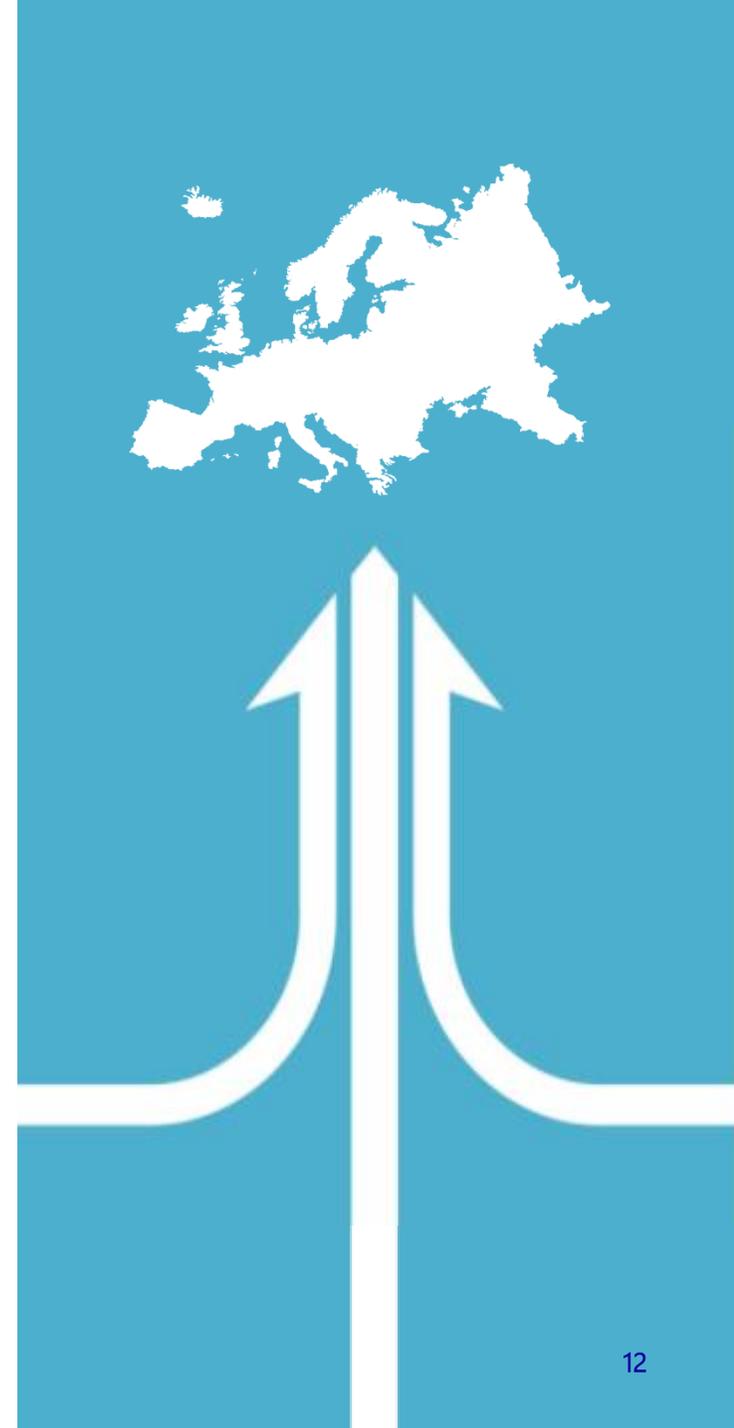


# ArcticZymes

Molecular and new markets

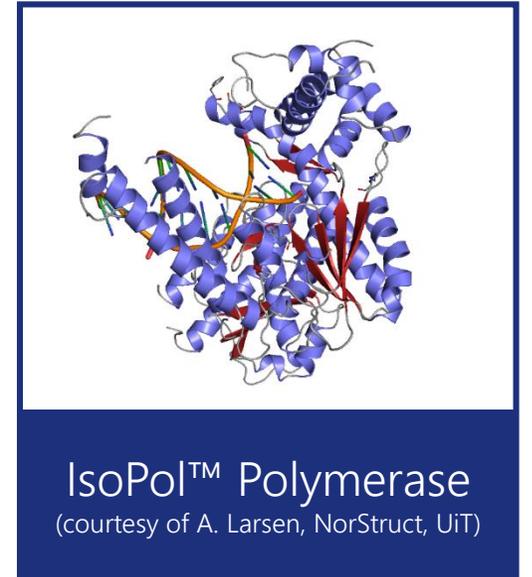
# Commercial Updates

- ArcticZymes main customer completes its consolidation efforts in transiting manufacturing to a centralized EU site
- Product sales resumed with the first shipments going out during the quarter
- Business is expected to return to the normal cadence during 2018



# New Product Launches

- ArcticZymes expanded its IsoPol™ product line by launching 2 new polymerases: IsoPol™ SD<sup>+</sup> and IsoPol™ BST<sup>+</sup>
- Each offers enhanced features purposely engineered into the enzymes based upon direct feedback from AZ's commercial customers and leading industrial players
- ArcticZymes will continue to expand the product line with the introduction of additional unique polymerase enzymes and synergistic support products
- Expanding the product line supports new technology development within In Vitro Diagnostics (IVD) and personalised medicine. Leading to increased accessibility for these technologies within the healthcare area



# Enhancing Security of Supply

## Security of Supply



Critical Supplier

Success in B2B is more than just the product:

- ✓ Robust and reproducible manufacturing
- ✓ Delivery on demand
- ✓ Scalable supply
- ✓ Traceability and relevant **Quality Standard**

## Higher Quality Standard



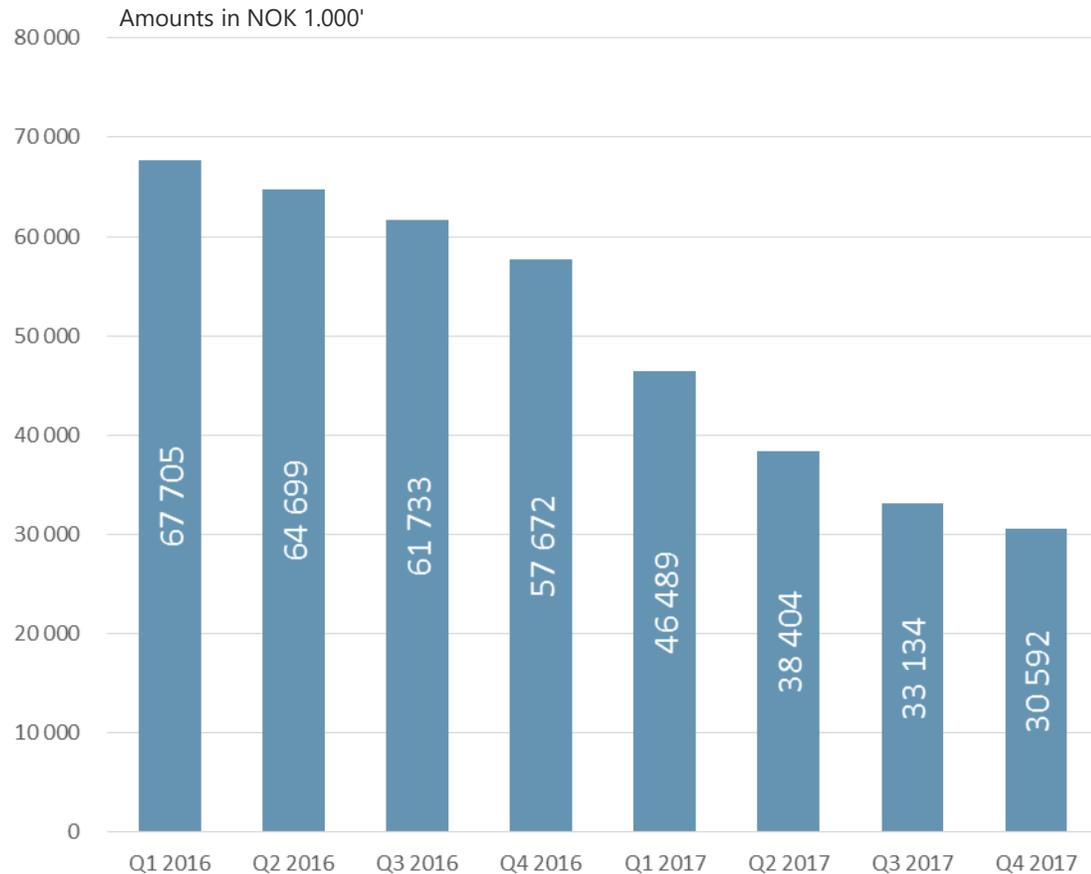
Future proofing the business:

- ✓ Achieved ISO13485 accreditation during Q4
- ✓ ISO13485 - Medical Devices
- ✓ Secures future business with diagnostic customers
- ✓ Value add towards customer

# Q4 Financials

# Cash-flow is in focus

## Net cash position



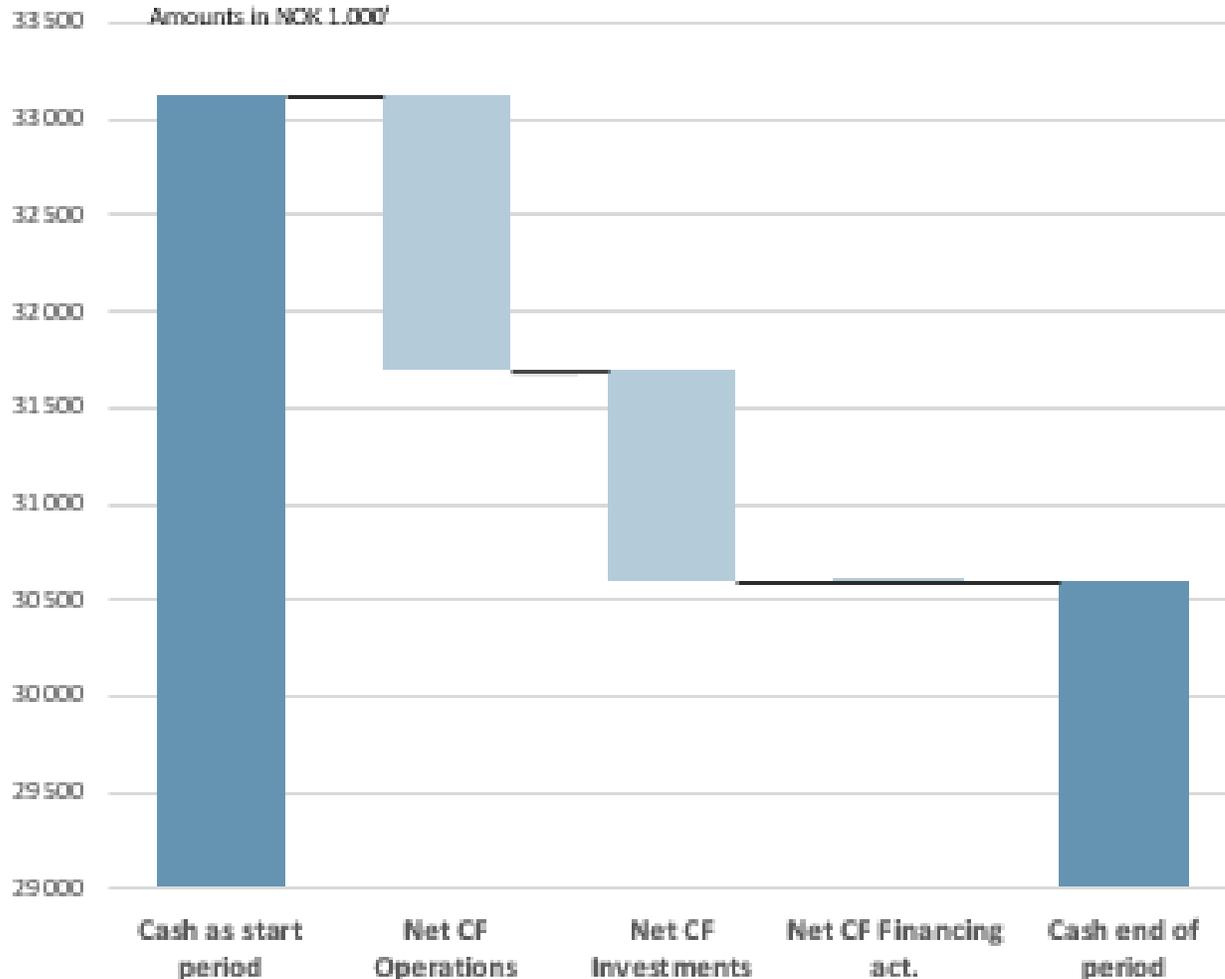
Fourth quarter changes in cash of -2.5 MNOK

- Best quarter last 24 months. Reduced net cash outflow
- 14.4 MNOK in short-term receivables
- 16.9 MNOK in short-term payables

Cash balance of 30.6 MNOK end of 2017

# Q4 Cash flow detailed

## Q4 2017 Cash flow



Q4 2017 Cash flow from operations ~ 1.5 MNOK

- Explained by change in working capital of
  - Receivables 4.5 MNOK
  - Payables 1.8 MNOK
  - Inventory -0.9 MNOK

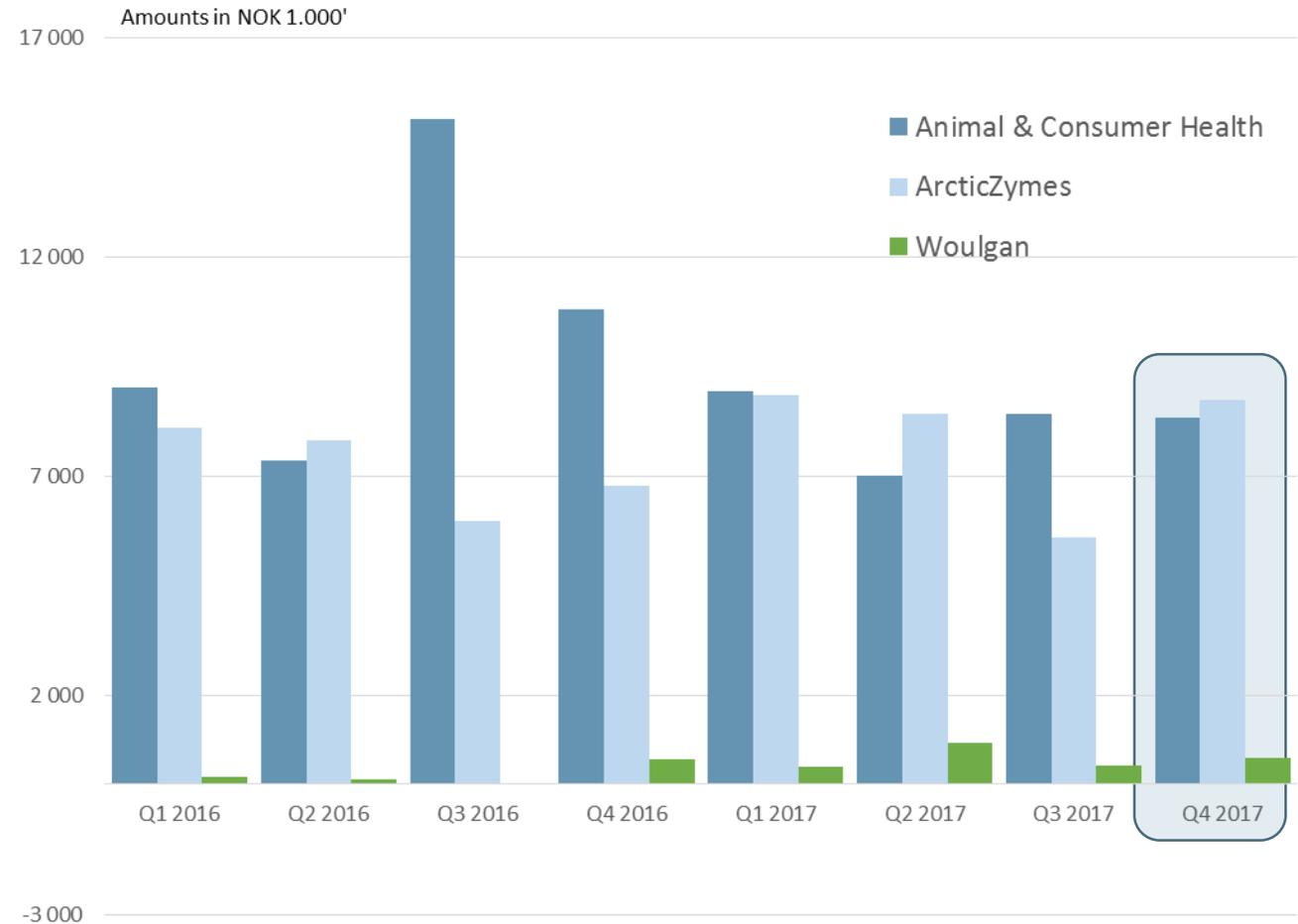
Q4 2017 Cash flow from investments ~ 1.1 MNOK

- Investments 1.1 MNOK in fixed assets

# An average quarter for sales

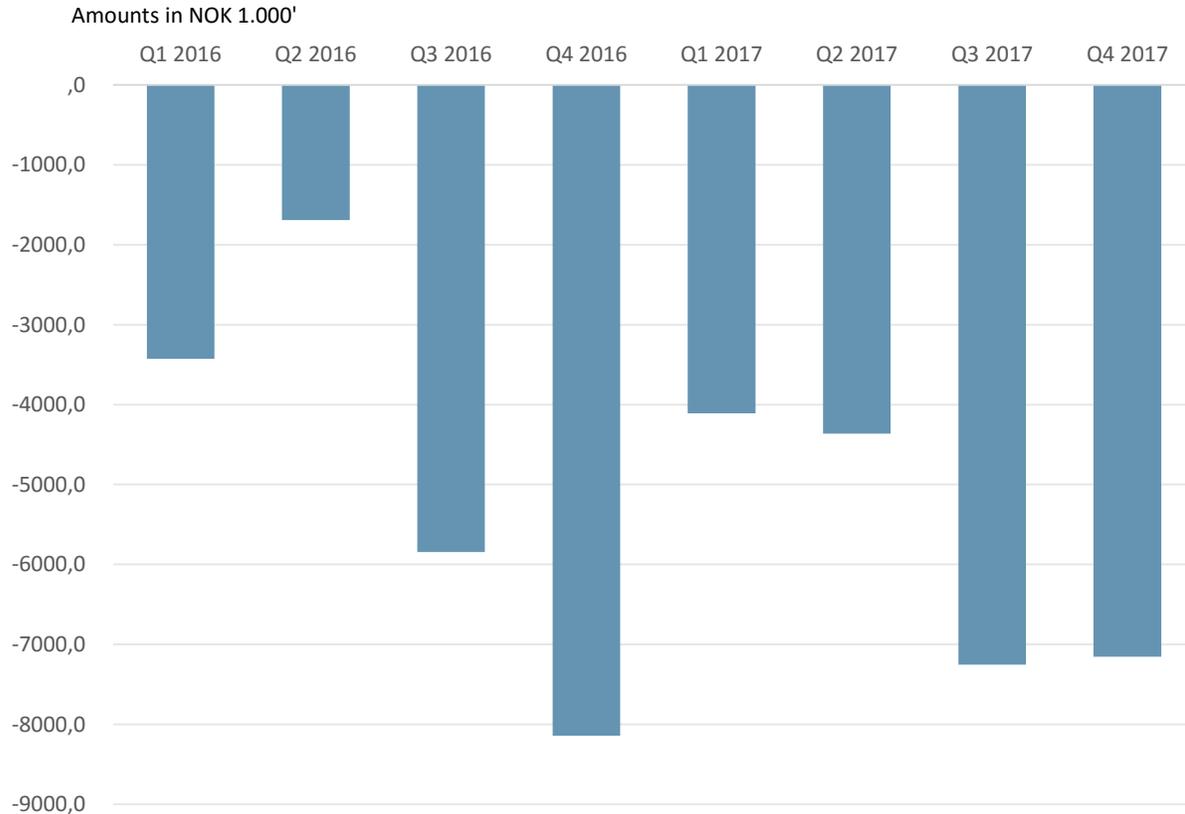
- ArcticZymes NOK 8.8M
- Animal & Consumer Health NOK 8.3M
- Woulgan NOK 0.6M
- Group NOK 17.7M

Biotec revenues per segment

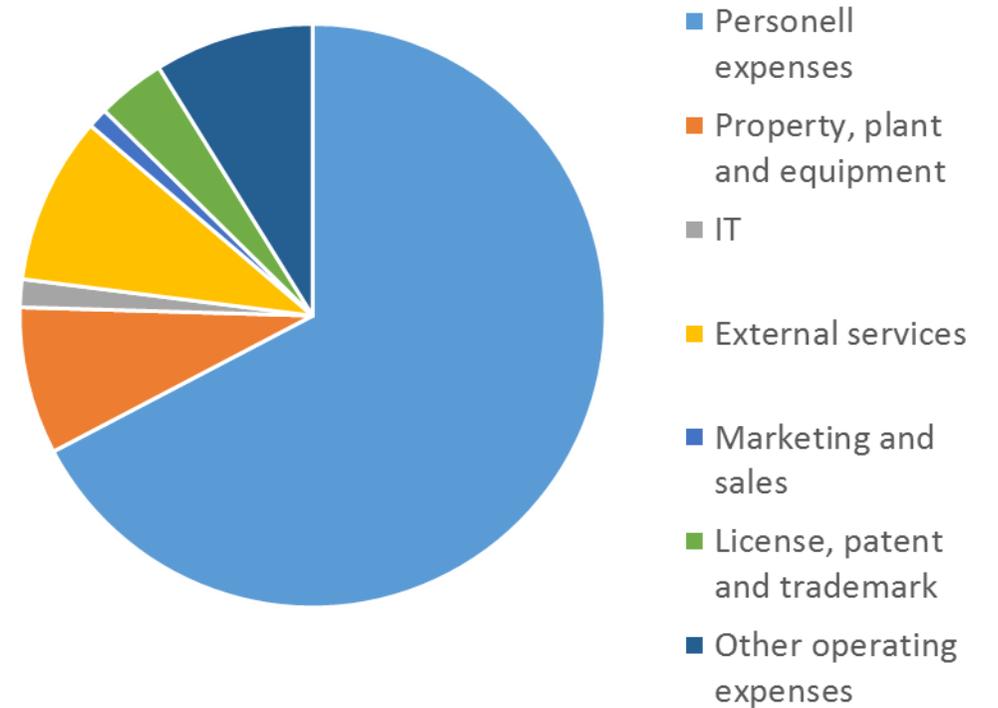


# Loss in Q4 characterized by extraordinary

## EBITDA



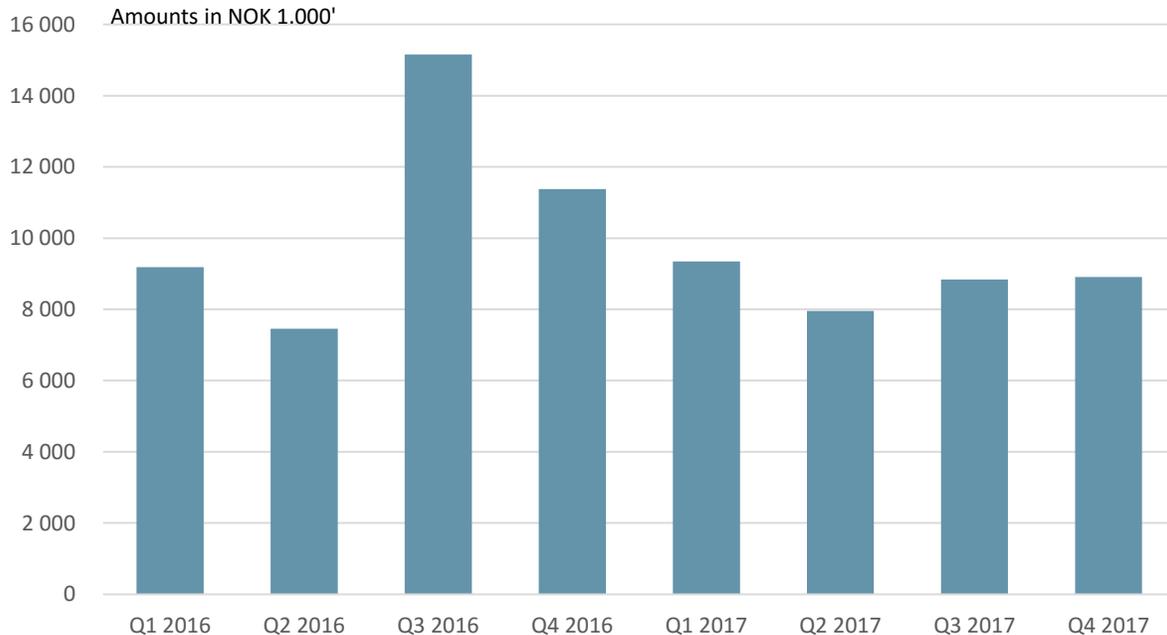
## Operating Expenses



# Beta-Glucan performance

Beta-Glucans (Amounts in NOK 1.000)	Q4		YTD	
	2017	2016	2017	2016
Sales revenues	8 911	11 430	35 051	43 190
Operating expenses	-8 468	-9 760	-34 812	-36 821
EBITDA	-4 930	-4 785	-18 990	-17 094

## Sales

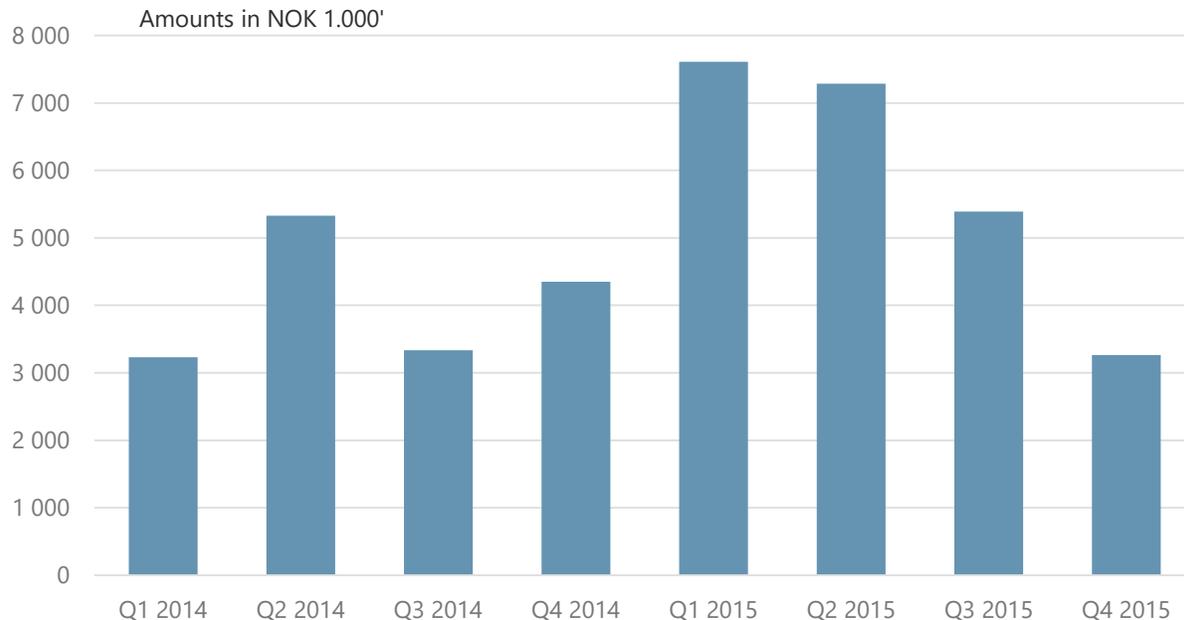


- Reduction in sales of animal health products
- Q4 2017 expenses reduced compared to Q4 2016
- First delivery under the new M-Gard agreement to the US
- Woulgan sales growth in 2017 over 2016
- Gross Contribution is dependant on product sales. Animal Health is the segment with the lowest margin

# ArcticZymes performance

Enzymes <i>(Amounts in NOK 1.000)</i>	Q4		YTD	
	2017	2016	2017	2016
Sales revenues	8 757	6 785	31 628	28 714
Operating expenses	-8 432	-8 818	-29 856	-28 297
EBITDA	798	-1 384	5 209	3 847

## Sales



- Q4 2017 sales are NOK 2.0 million improved compared to Q4 2016
- Expenses are marginally reduced from Q4 2016 to Q4 2017, generating an improved EBITDA
- Launch of new products within the SAN portfolio contributed with a trebling in sales for the portfolio compared to 2016. Continuous growth in this portfolio is important for the 2020 goals

# Outlook 2018

# Outlook 2018



- Significant reduction in cash consumption
- Review of Woulgan go-to-market model to ensure further growth
- AZ expects to grow the business organically while also looking for inorganic growth opportunities