

# Q2 2018 Presentation

16.08.2018, Oslo

# Agenda

- **Highlights**
- **Beta-glucans**
  - Animal- and Consumer health
  - Cancer
  - Advanced wound care
- **Enzymes**
  - Molecular and new markets
- **Q2 Financials**
- **Outlook for 2018**



# Biotec in brief

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

## Beta-glucans

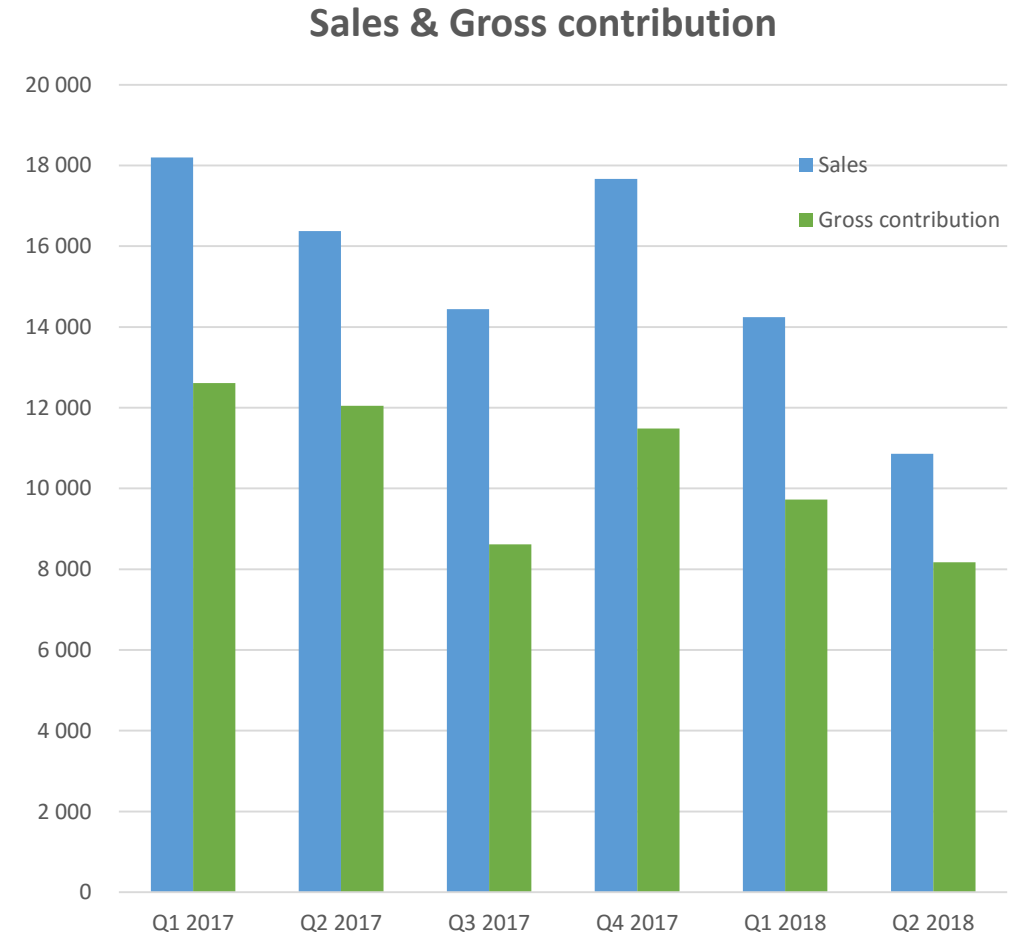
- A common unique technology platform with immune modulating products for improved outcome
- Woulgan proven to reactivate wound healing and with commercial progress in key markets
- An adjuvant in selective cancer treatments

## Enzymes

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

# Highlights Q2 2018

- Raised NOK 22.1 million in new equity by issuing 4,390,000 new shares
- Q2 sales of MNOK 10.9 (16.4)
- EBITDA of MNOK -4.2 (-4.4)
- Neuroblastoma phase II interim results presented at ANR2018
- Cash flow from operations YTD 2018 is at same level as 2017 despite lower sales



# New capital raised in June 2018

**The new capital raised is intended to accelerate the company's value building activities, which in a cash constrained environment otherwise would have taken second priority:**

- \* Biotec Pharmacon's SBG® has in a recent phase II study shown promising effects as an adjuvant to vaccine treatment against relapse of neuroblastoma, and the Company needs to develop this business case further.
- \* ArcticZymes has a great potential for further growth and the Company needs to invest more to accelerate product and portfolio development.
- \* To identify non-organic and complementary growth opportunities in ArcticZymes, the Company needs dedicated resources.
- \* Building an advanced wound care product franchise takes time as a large number of wound care nurses needs to try the product and be convinced of its benefits. The Company does not intend to increase the market pressure for the Woulgan gel, but will accelerate the development of a dry-layer formulation, once the gel shows commercial traction, thus increasing the value proposition for a potential partner.



# 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.
- Difficult for Biotec to influence consumption in the aqua marine sector as M-Glucan® is sold as integral part of an animal feed product.
- Our brand is strong in terms of quality, documentation and security of supply, but the aqua marine feed market is under pressure.

### Consumer Health:

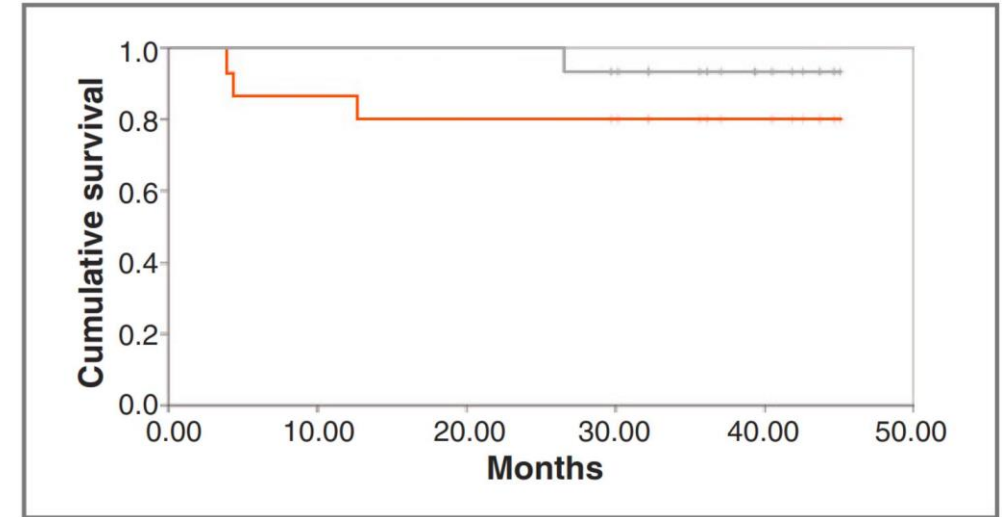
- Have in 1H 2018 passed 2017 annual sales.
- Actively working on expanding the customers base – participating in fairs etc.
- Potential new customers perform stringent due-diligence as part of purchasing processes.



# SBG<sup>®</sup> in current neuroblastoma vaccine trial

## SBG<sup>®</sup> and Neuroblastoma

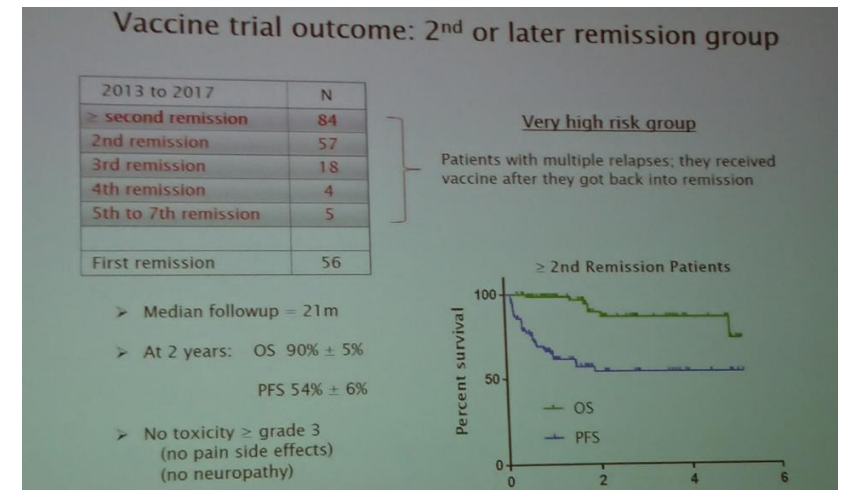
- High impact indication in children with a large unmet medical need (<50% survival in high-risk patients)
- Proof of concept study for use of SBG<sup>®</sup> as adjuvant in immunotherapy of cancer



Relapse-free survival (red) and overall survival (black) of the 15 study patients from the start of the vaccination (Kushner et al 2014, *Clinical Cancer Research* 20:1375-1382).

## Data from trial presented at Advances in Neuroblastoma Research 2018 at 9-12 May in San Francisco

- 84 patients with relapsed neuroblastoma treated with vaccine + SBG
- Two years overall survival 90% and progression free survival of 54% in this very high-risk patient group
- Improved outcome correlate with immune response to vaccine
- SBG seem to induce improved immune response and higher antibody titer towards the vaccine.



Vaccine trial outcome (Cheung et al presented at ANR 2018).



# SBG® in immunotherapy of neuroblastoma

Clinical trial program of the bivalent ganglioside vaccine in combination with SBG® for high-risk neuroblastoma

2009 – 2013 Phase I Safety	2013 – 2016 Phase I/ II Efficacy	2016 – 2019 Phase II Efficacy	2019 – 2021 Phase II/III Efficacy
≥2nd remission patients	≥2nd remission patients	≥1st remission patients	Multi-site Randomised Controlled Trial ≥1st remission patients
15 patients. Results published in Clinical Cancer Res 2014	84 patients. Initial results presented at ANR18 in San Francisco May 2018.	115 additional patients to be included (215 in total). About 85 included by end July 2018.	Under planning
Safety in relapsed patient population	Efficacy in relapsed patient population.	Commence initial approval process	Possible approval of combined treatment for relapsed neuroblastoma

# Status Woulgan®



- Number of Woulgan accounts increasing
  - Sellers focus on increasing number of users &
  - Driving adoption of new, additional treatment
- UK and Nordic studies accepted for publication
  - strong healing benefits with excellent safety
  - simple and well-tolerated formulation
- Continue exploring additional partners for faster growth of franchise.

# Activities in all markets



	UK	Nordics	Germany
Clinical	<p>300 patient study manuscript accepted for publication in September's Journal of Wound Care</p> <p>In ulcer-type wounds, Woulgan shows 62% 12 week healing rates vs. 30% for standard care</p>	<p>2 articles from Nordic case series published in "Sårmagasinet" (Sweden) and "Sår" (Norway, Denmark)</p>	
Market Access	<p>Sales team are working to add Woulgan onto local formularies so clinicians are allowed to use Woulgan</p> <p>To drive fuller adoption and encourage cost-conscious clinicians to use Woulgan, sellers will work add it onto treatment pathways</p>	<p>Good progress to expand tender listings in several Swedish regions, including evaluations and tender bids</p>	<p>Sick Funds continue to reimburse Woulgan</p> <p>Ministry of Health in legal action with the G-BA having rejected their proposed changes to dressing reimbursement. No resolution is expected in the short-term</p>
Go-to-market	<p>20 customer evaluations currently active with over 60 planned</p> <p>Three evaluations completed in second quarter with the lead clinician recommending Woulgan® as part of their formulary</p>	<p>Together with Navamedic, Biotec actively promoting Woulgan in 5Kloven and Kalmar</p>	<p>Opened a major new Homecare company account, dedicated to providing wound care nationally</p>



# ArcticZymes

Molecular and new markets

# Commercial Updates

Experienced headwinds during the second quarter and first half. Two factors have contributed to lower sales revenues:

## Largest Customer

Sales of main product lower during this period compared to previous years

Directly related to different purchasing habits following the centralization of the customers' manufacturing facilities

Customer is still committed to serving their well-established customer base with products

Business is not going away but we do expect our customer to stock differently in the future

Represents the largest orders AZ receives and is the main attributing factor to the large quarterly fluctuations

Cross sales of other products are steadily ramping and over the next few years will compensate for sales fluctuations

## Changes in Salesforce

The salesforce was changed and expanded

Priority was to secure hires and get new business developers on board. Achieved in a short-time frame

Assembled a well-experienced and seasoned sales team of three new business developers:

- 2 in Europe
- 1 in the USA

It took longer time than anticipated to get up to speed and achieve full impact during the quarter

Now fully trained and up to speed. Ready and eager to make up lost ground during first half

## Sales Dynamics



### Catalogue Business

- Small orders
- 1000's customers
- Serving end users

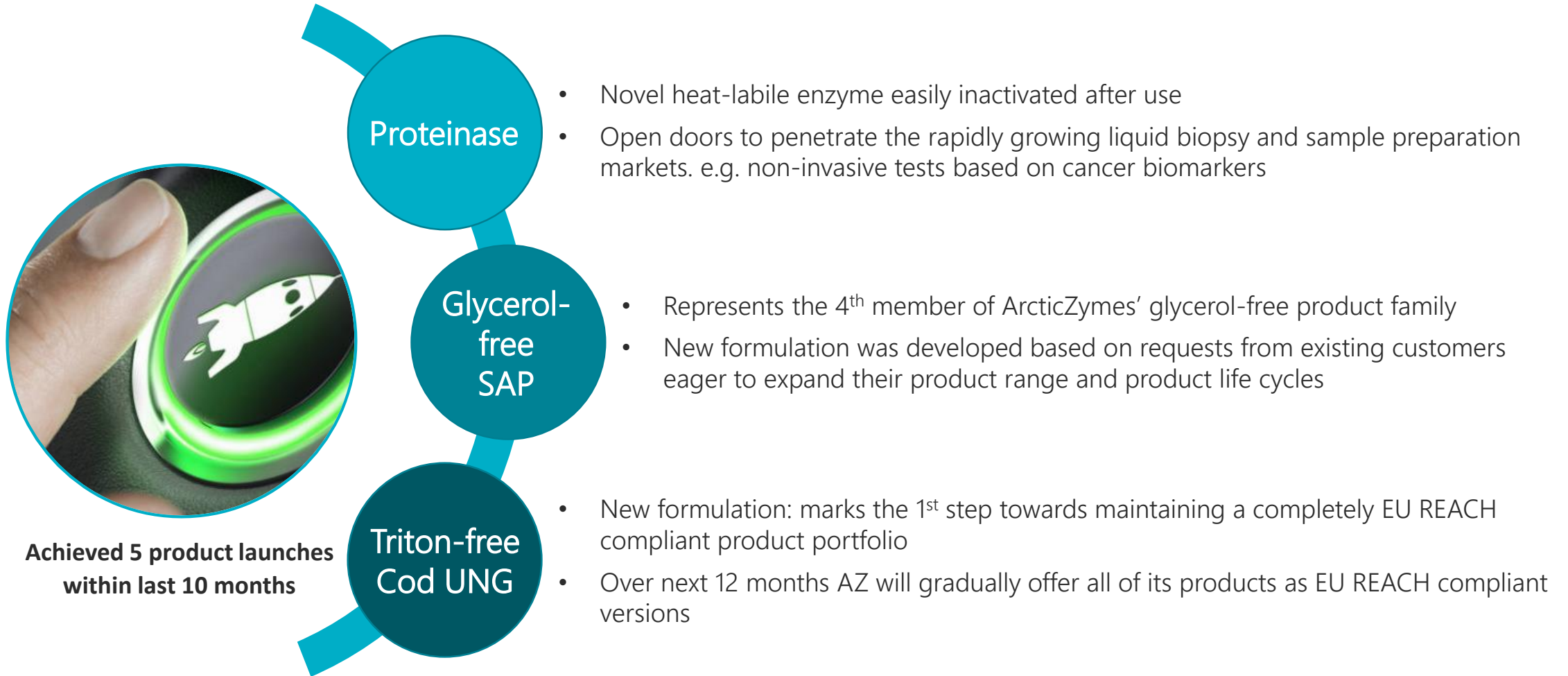


### B2B/OEM Business

- Large bulk orders
- 10's -100's customers
- Serving companies

# New Product Launches

**ArcticZymes has had a busy second quarter in launching 3 new products**





# Upscaling of Production

## Scaling Up Production to Meet Commercial Demand

- Following the launch of several products over the last 2 years new supply deals and opportunities are now materializing
- With this new commercial potential on the table AZ is prioritizing production scale up of three of its newest products

### IsoPol™ BST+ Polymerase



- Polymerases represent largest opportunity in target markets
- Potential for incorporation into a company's entire Molecular Diagnostic (MDx) portfolio
- Individual deals in the million NOK range. Several deals advancing

### ArcticZymes Proteinase



- Attracted interest from companies developing liquid biopsy and single cell applications
- Necessary for supplying sufficient material for our customers' product developments
- Potential for incorporation into an entire product portfolio by our customers

### Salt Active Nuclease High Quality



- Upscaling efforts ongoing since the 4th Quarter last year. Several options available
- Sizable orders will be demanded as customers lock down their cGMP processes
- Expect to convert a number of ongoing prospects with 90 leading viral vector facilities

# ArcticZymes Road Map

- Focus on leveraging increased capacity and higher-level sales expertise within our new business development team
- Sales efforts will very much be prioritized on:
  - ✓ develop new key accounts
  - ✓ leveraging cross sales with existing customers
  - ✓ secure new molecular customers we haven't been able to reach before via new products
- Longer-term success will hinge on:
  - ✓ AZ's ability to commercialize a relevant and broader synergistic OEM product portfolio
  - ✓ Combination of investment in organic and non-organic growth initiatives

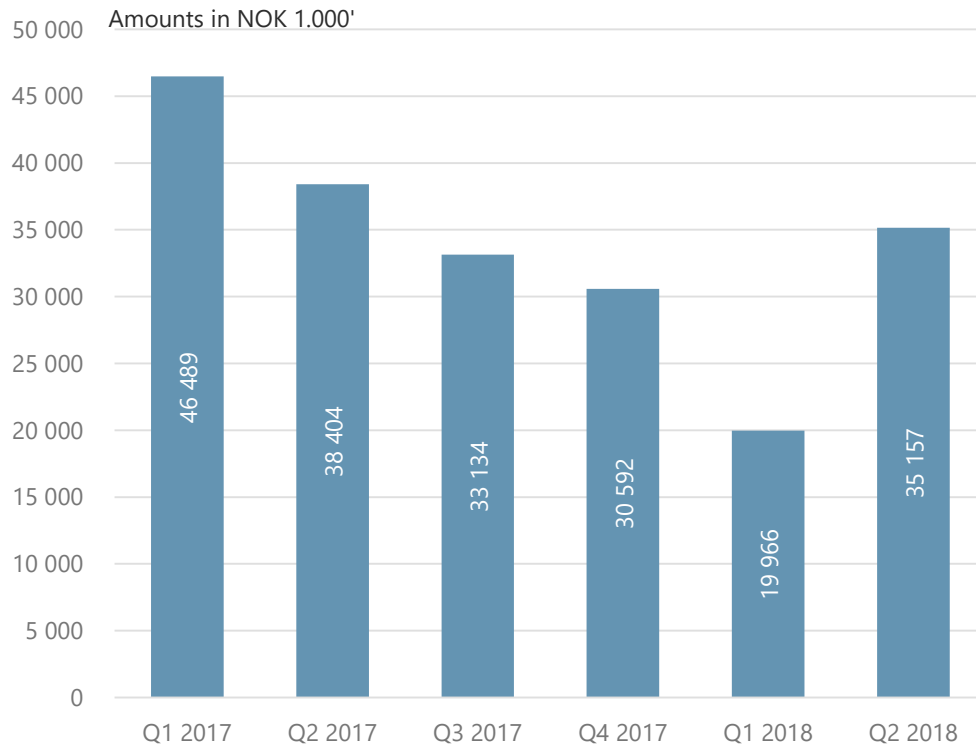


# Q2 Financials



# Cash flow explained by private placement

## Net cash position



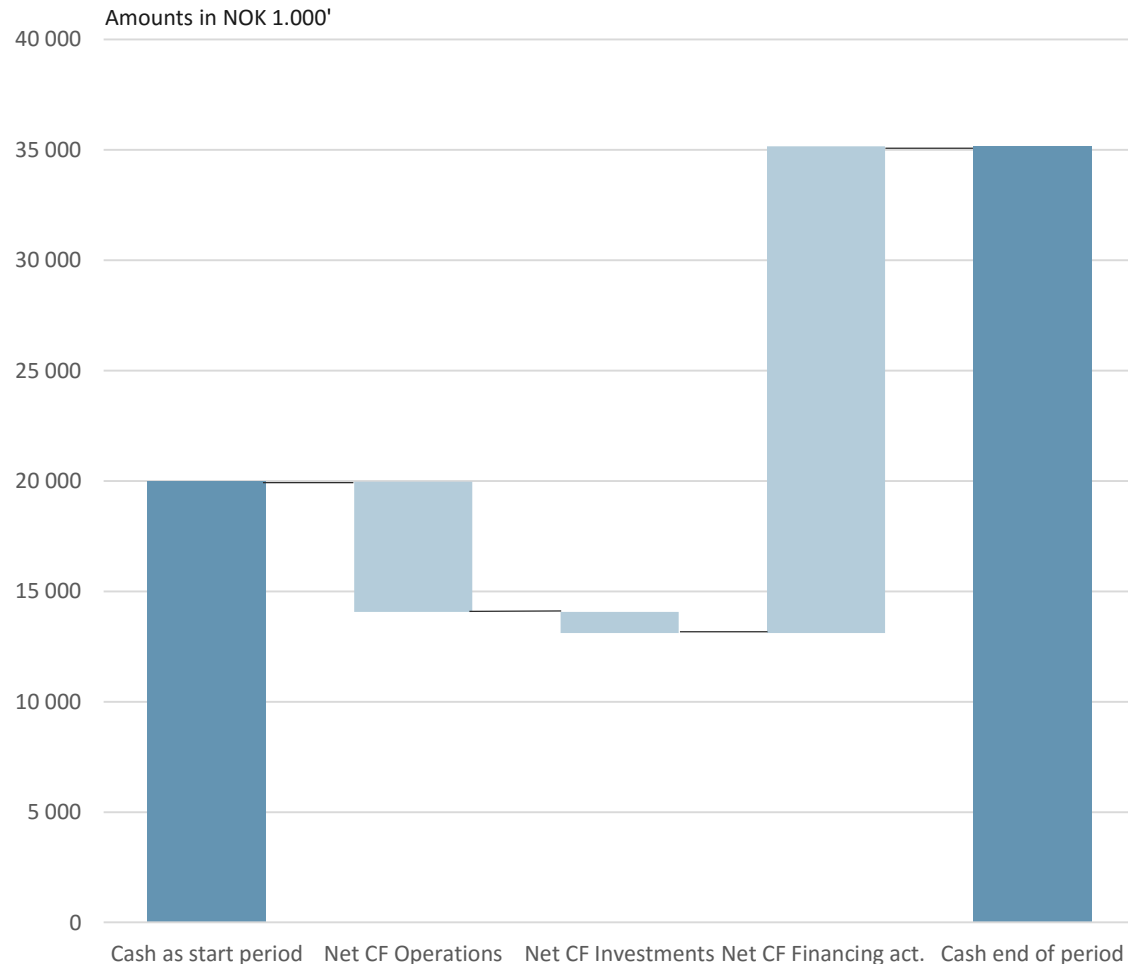
Second quarter changes in cash of +15.2 MNOK

- Private placement of 22.1 MNOK
- 13.5 (20.4) MNOK in short-term receivables
- 10.6 (13.9) MNOK in short-term payables

Cash balance of 35.2 MNOK end of Q2 2018

# Q2 2018 Cash flow detailed

Q2 2018 Cash flow

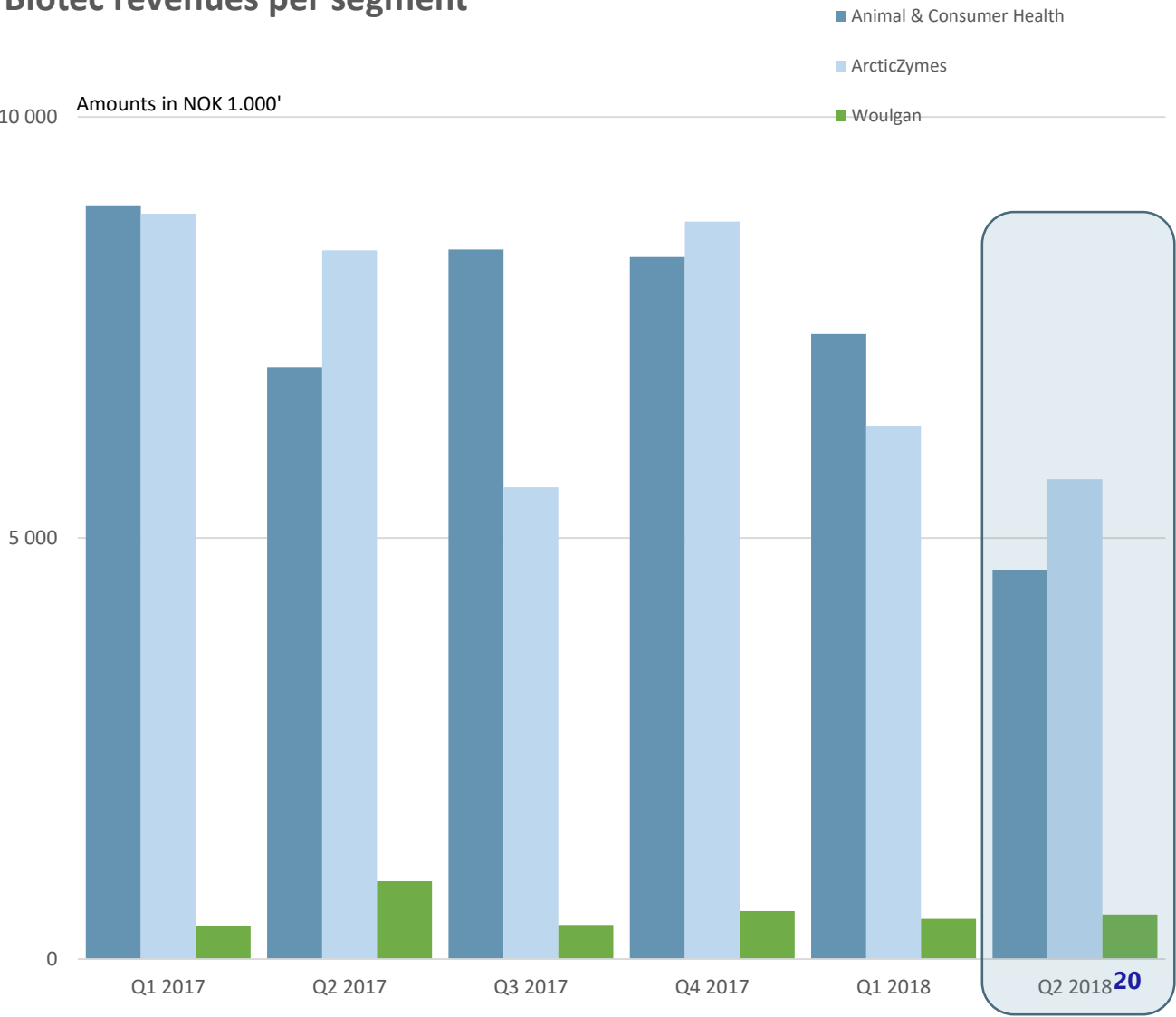


- Q2 2018 Cash flow from operations -5.9 MNOK
  - Explained by change in working capital of
    - Receivables -0.4 MNOK
    - Payables -1.8 MNOK
    - Inventory 0.2 MNOK
- Q2 2018 Cash flow from investments -1.0 MNOK
  - Investment of MNOK 0.3 in intangible assets
- Q2 2018 Cash flow from financing 22.1 MNOK
  - Private placement of 4.4 million new shares

# Q2 sales was low and below expectations

Segment	Q2 Sales
ArcticZymes	MNOK 5.7
Animal & Consumer Health	MNOK 4.7
Woulgan	MNOK 0.5
Group	MNOK 10.9

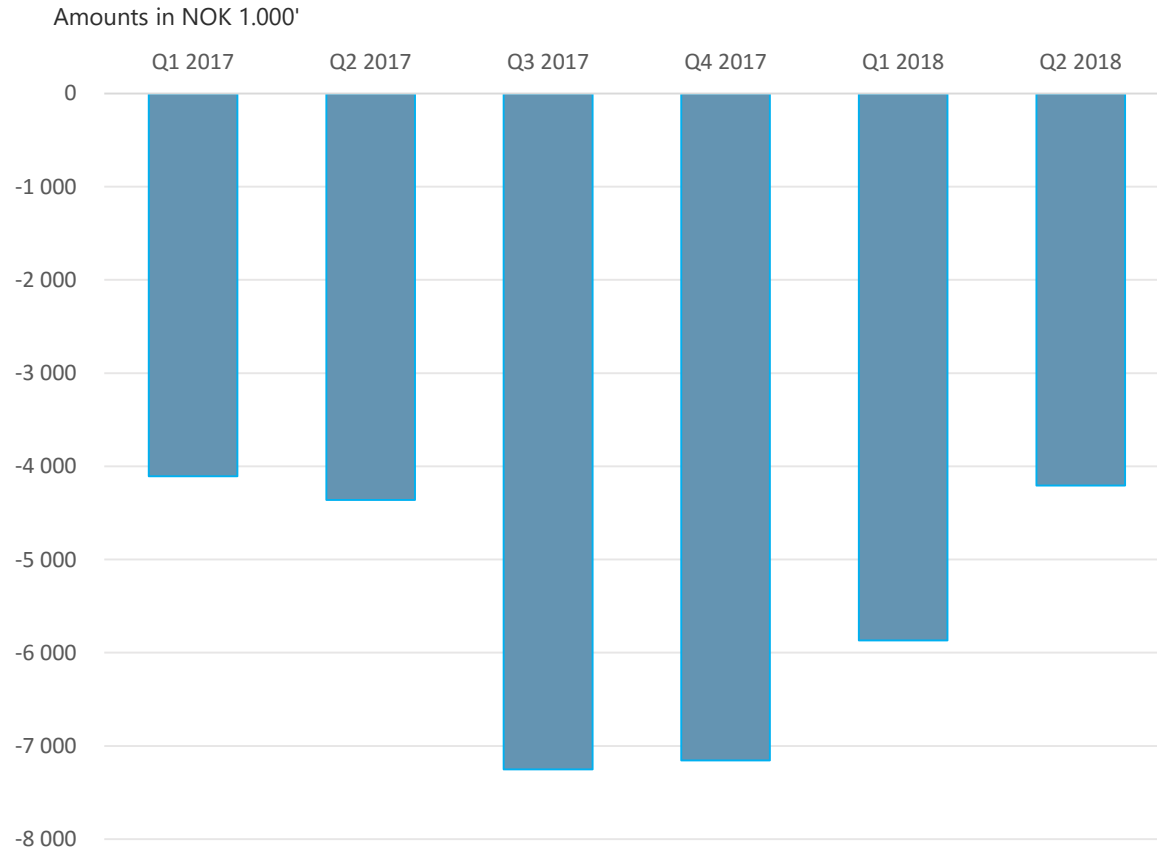
Biotech revenues per segment



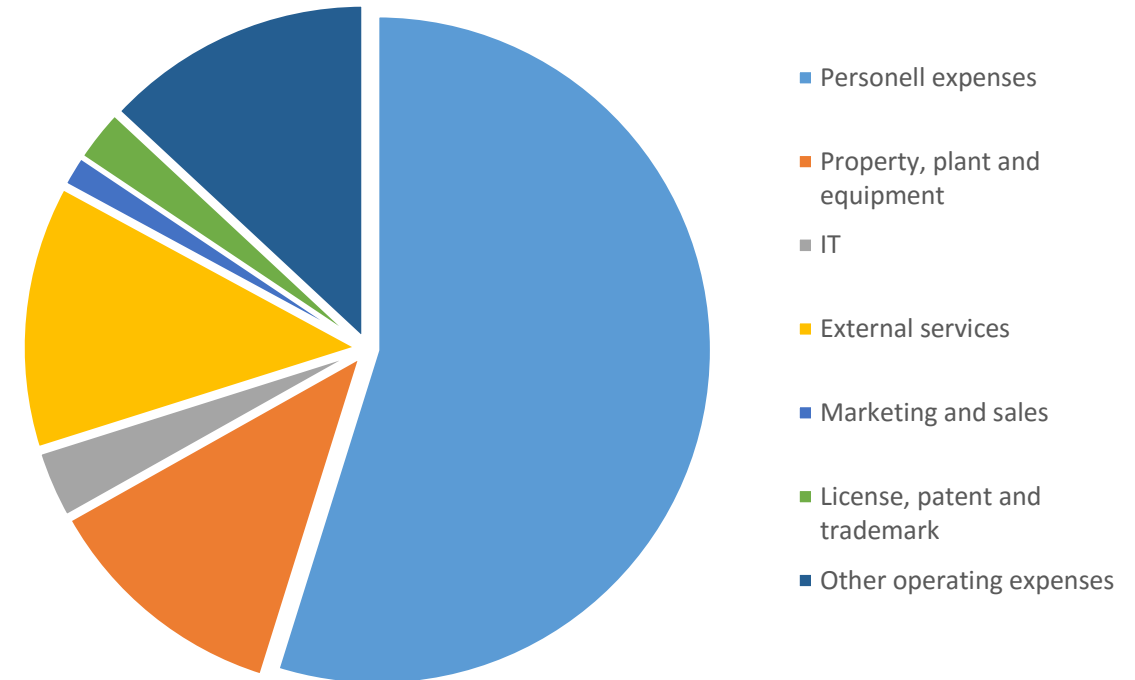


# EBITDA improved due to reduction in operating expenses

## EBITDA



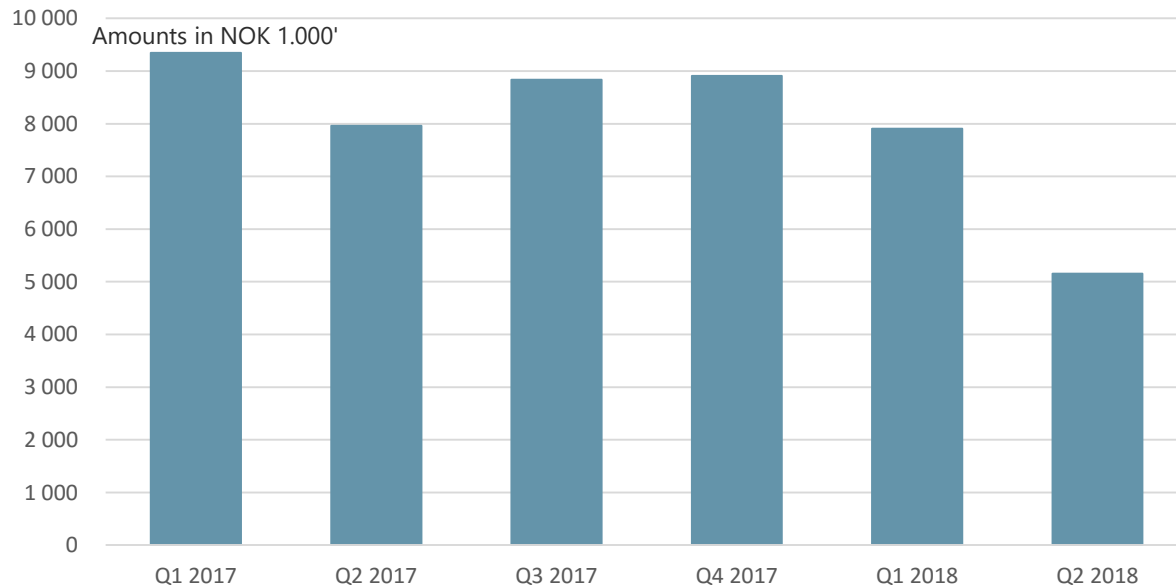
## Operating Expenses



# Beta-Glucan performance

Beta-Glucans	Q2		YTD	
(Amounts in NOK 1.000)	2018	2017	2018	2017
Sales revenues	5 170	7 957	13 075	17 305
Gross profit	2 616	3 625	6 249	7 090
Operating expenses	-6 584	-8 936	-14 878	-17 691
EBITDA	-3 568	-4 635	-7 630	-9 265

## Sales per quarter

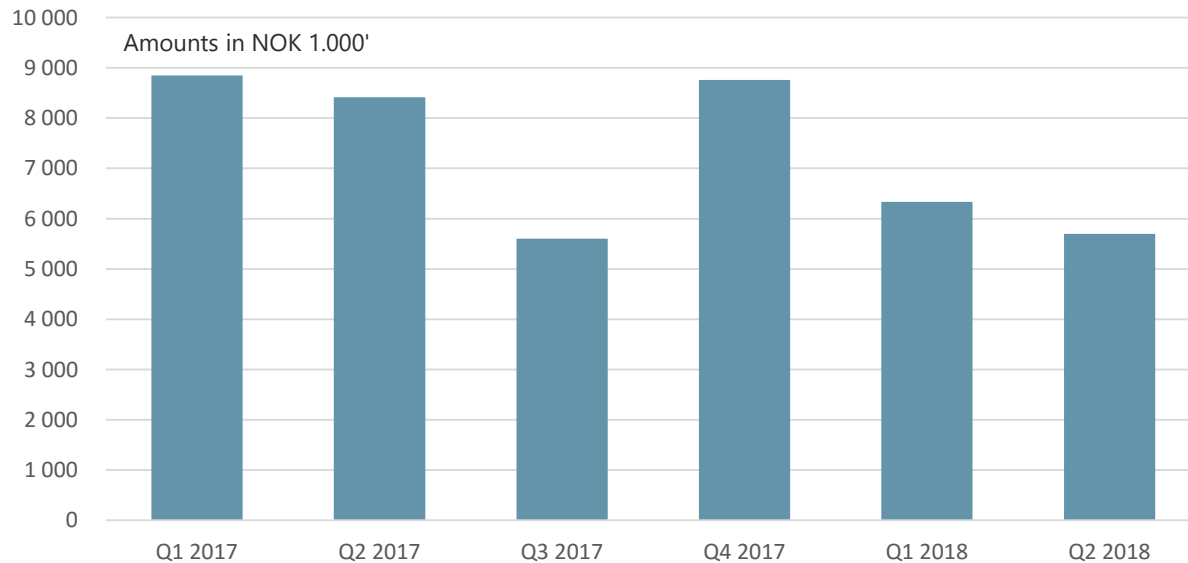


- Sales continues to be driven by Animal Health and Consumer Health
- Reduced expenses on an quarterly basis primarily related to personnel and marketing
- Woulgan sales are at a steady state
- EBITDA improved due to favourable product mix and cost control

# ArcticZymes performance

Enzymes <i>(Amounts in NOK 1.000)</i>	Q2		YTD	
	2018	2017	2018	2017
Sales revenues	5 701	8 420	12 038	17 269
Operating expenses	-5 886	-6 621	-13 800	-14 090
EBITDA	647	2 566	-20	5 161

## Sales per quarter



- Q2 2018 sales 2.7 MNOK lower than second quarter of 2017
- Operating expenses decreased compared to Q2 2017 due to reduction in personnel and IP expenses
- EBITDA reduced from Q2 2017 primarily due to lower sales



# Outlook 2018

# Outlook 2018

- Overall sales growth versus 2017 uncertain
- 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

