

Interim report for Q3 2019

Bactiguard's strongest quarter to date

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Third quarter (July-September 2019)

- Revenues amounted to SEK 67.0 (35.7) million, whereof new license revenues from the agreement with Zimmer Biomet accounted for SEK 29.4 million and most of the increase.
- BIP sales amounted to SEK 8.7 (3.9) million, an increase of 120% essentially attributable to China, but India also had good growth.
- EBITDA amounted to SEK 36.5 (7.9) million, with an EBITDA margin of 54% (22%). The sharp improvement in earnings and margin was primarily driven by the new license revenue.
- Operating profit amounted to SEK 25.9 (-0.2) million.
- Net profit/loss amounted to SEK 23.7 (-0.5) million, or SEK 0.71 (-0.02) per share.
- Operating cash flow for the quarter amounted to SEK 22.0 (4.1) million, or SEK 0.66 (0.12) per share.

Nine-month period (January-September 2019)

- Revenues amounted to SEK 136.2 (121.0) million. The increase was mainly driven by new license revenues from both Zimmer Biomet and Well Lead.
- BIP sales amounted to SEK 14.9 (26.1) million.
- EBITDA amounted to SEK 49.4 (18.8) million, with an EBITDA margin of 36% (16%).
- Operating profit amounted to SEK 17.8 (-6.9) million.
- Net profit/loss for the period amounted to SEK 14.7 (-9.4) million, or SEK 0.44 (-0.28) per share.
- Operating cash flow for the period amounted to SEK 12.5 (0.1) million, or SEK 0.37 (0.00) per share.

Key events during the third quarter

- Bactiguard signs global license agreement with Zimmer Biomet
- New major order from China
- Bactiguard's central venous catheters approved in Mexico
- New Chief Medical and Technology Officer
- Bactiguard's urinary catheters approved for reimbursement in the Dutch market

Key events after the end of the third quarter

- Nomination Committee appointed



Comments by the CEO

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Total revenues for the quarter nearly doubled, generating an EBITDA margin of 54 percent, a net profit of close to SEK 24 million and an operating cash flow of SEK 22 million. Despite a weaker start of the year, EBITDA margin was 36 percent and net profit close to SEK 15 million, which I see as a token of strength.

Licensing business

Revenues from Becton, Dickinson & Company (BD) were slightly lower this quarter, but year to date, accumulated sales were in line with last year and the underlying business is stable.

The licensing deal with Zimmer Biomet, one of the world's largest orthopedic companies with global sales of close to USD 8 billion in 2018, generated new license revenues of USD 3 million in the quarter. As we reach certain milestones in the US regulatory process, the agreement can generate additional revenue of USD 2 million in total. When the products reach the market, Bactiguard will receive royalty revenue based on Zimmer Biomet's sales. In the regulatory process, the technical file and clinical evidence of the trauma implant that was CE-marked at the end of 2018 will be used as a reference, which will facilitate and shorten the process. It is also clear that this CE mark has been of great importance in the negotiation with Zimmer Biomet as it shows that the technology meets the EU requirements for patient safety, among other things.

The products marketed by Vigilenz Medical Devices, our licensing partner for trauma implants in Southeast Asia, have now reached the market in Malaysia and will gradually start to generate both new clinical evidence and recurring license revenues for Bactiguard.

The preparatory work with Well Lead to register our entire portfolio of products in China has almost been concluded. Thereafter, the regulatory process begins, and we expect it will take another couple of years before locally produced BIP products are approved for sale in China.

BIP portfolio

After a weak start of the year, BIP sales more than doubled in the third quarter. Nevertheless, we have not yet reached the same accumulated level as last year. China plays a major role in this comparison. Last year, we delivered large volumes of products to our new partner Well Lead in conjunction with the signing of a new license and distribution agreement. In the third quarter of this year, we received the first Chinese order outside the initial agreement. This was an important milestone as it shows that end-customer sales are picking up. Well Lead continues to establish regional distributors for broader market coverage and the transfer of existing customers from our former distributor is ongoing, but it has taken longer than expected. At the same time, we are strengthening our local organization to support Well Lead in its marketing efforts.

In India, too, we are beginning to see greater activity in the market as our partner has strengthened its sales organization and increased activities towards both private and public hospitals. The Middle East is also developing positively, and we have finally started launching in Egypt after major delays in the regulatory and administrative process. In Europe, the markets where we have been present for a long time are developing very well, while it is taking time to increase our footprint in new markets. We have relatively recently changed partners in Germany and this year also in Italy. At the same time, we have established new partnerships for Switzerland, the Czech Republic and Slovakia. I estimate that it takes at least one to one and a half years for a new collaboration to start delivering clear results, so we need to be patient with a somewhat lumpy sales development.

We have recently strengthened the medical competence in management with Stefan Grass, physician and researcher with specialist expertise in anaesthesia and intensive care. He is genuinely development-oriented, with extensive clinical experience of the product portfolio Bactiguard offers and the complications healthcare related infections lead to, both for patients and healthcare providers, and we already see that he has a lot to contribute.



It is with pride that I sum up a quarter with strong earnings and profitability, confirming that our growth strategy works. I am convinced that the license agreement with Zimmer Biomet will pave the way for new applications and at the same time contribute to increased sales of our own product portfolio of catheters for infection prevention. As we build new clinical evidence for implants, the technology will become more and more interesting for new medical applications and long-term use.

Christian Kinch, CEO

The interim report for Bactiguard Holding AB (publ) for the period July – September 2019 is available as a PDF at www.bactiguard.com

This information is information that Bactiguard Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below 2019-11-07, at 07:30.

A telephone conference for investors, analysts and media will be held at 11:00 CET today, where CEO Christian Kinch and CFO Cecilia Edström will present the interim report and answer questions. The report and a presentation for the conference call will be available at Bactiguard's website www.bactiguard.com.

To participate in the conference call, please dial +46 8 505 583 52

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About Bactiguard

Bactiguard is a Swedish medical device company with a mission to save lives. To achieve this mission, we develop and supply infection prevention solutions which reduce the risk of healthcare associated infections and the use of antibiotics. This way, we save significant costs for healthcare and the society at large.

The Bactiguard technology prevents bacterial adhesion and biofilm formation on medical devices. Bactiguard offers the technology through licence agreements and our BIP (Bactiguard Infection Protection) portfolio of products. Through our licence partner BD, urinary catheters with Bactiguard's coating are market leading in the USA and Japan. Bactiguard's own product portfolio of urinary catheters, endotracheal tubes and central venous catheters prevent some of the most common infections, which appear in the urinary tract, the blood stream and the respiratory tract.

Bactiguard is in a strong expansion phase in the European markets, China, India and the Middle East as well by establishing license agreements in new therapeutic areas. The company has about 70 employees around the world. Its headquarters and one of two production facilities are located in Stockholm, the other one in Malaysia. Bactiguard is listed on Nasdaq Stockholm.

Read more about how Bactiguard saves lives at www.bactiguard.com