

CELLAVISION

Interim report, January-June 2020

Maria Morin

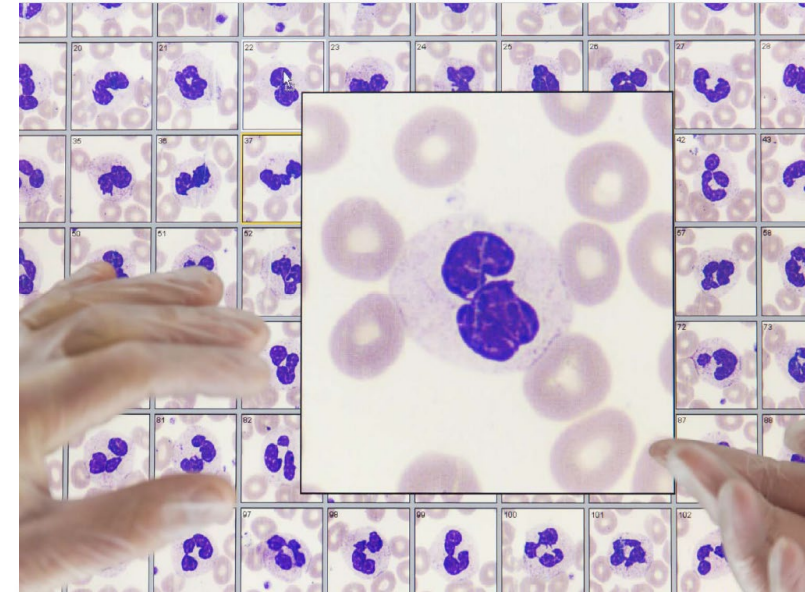
*VP Human resources &
Corporate Communications*

CellaVision in Short

Creating Value in Healthcare

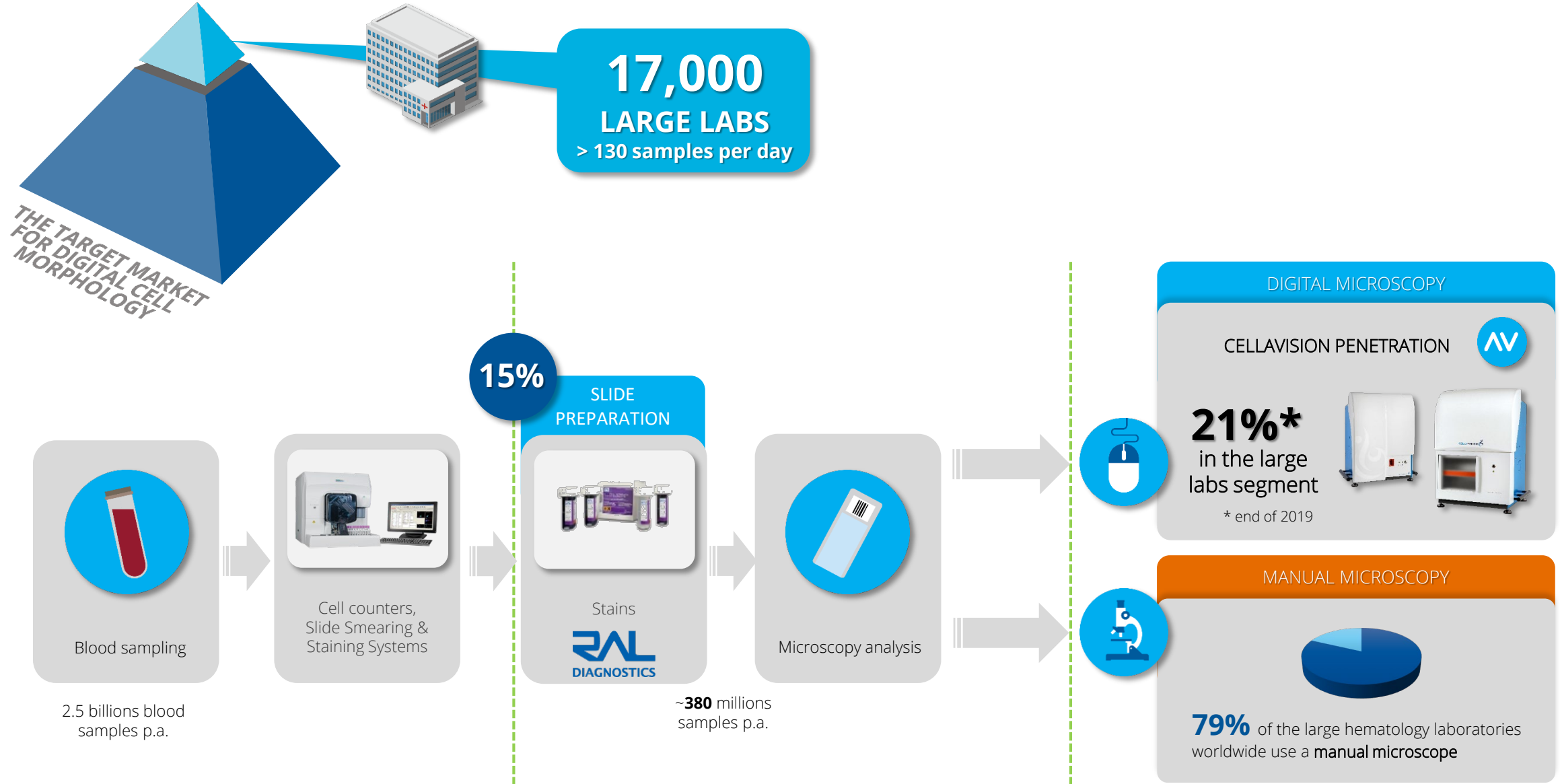
Our vision is to be a leader in global digitalization and automation of blood analyses for both the human and veterinary segments.

Our method contributes to improved patient diagnostics, streamlining and reduced healthcare costs.

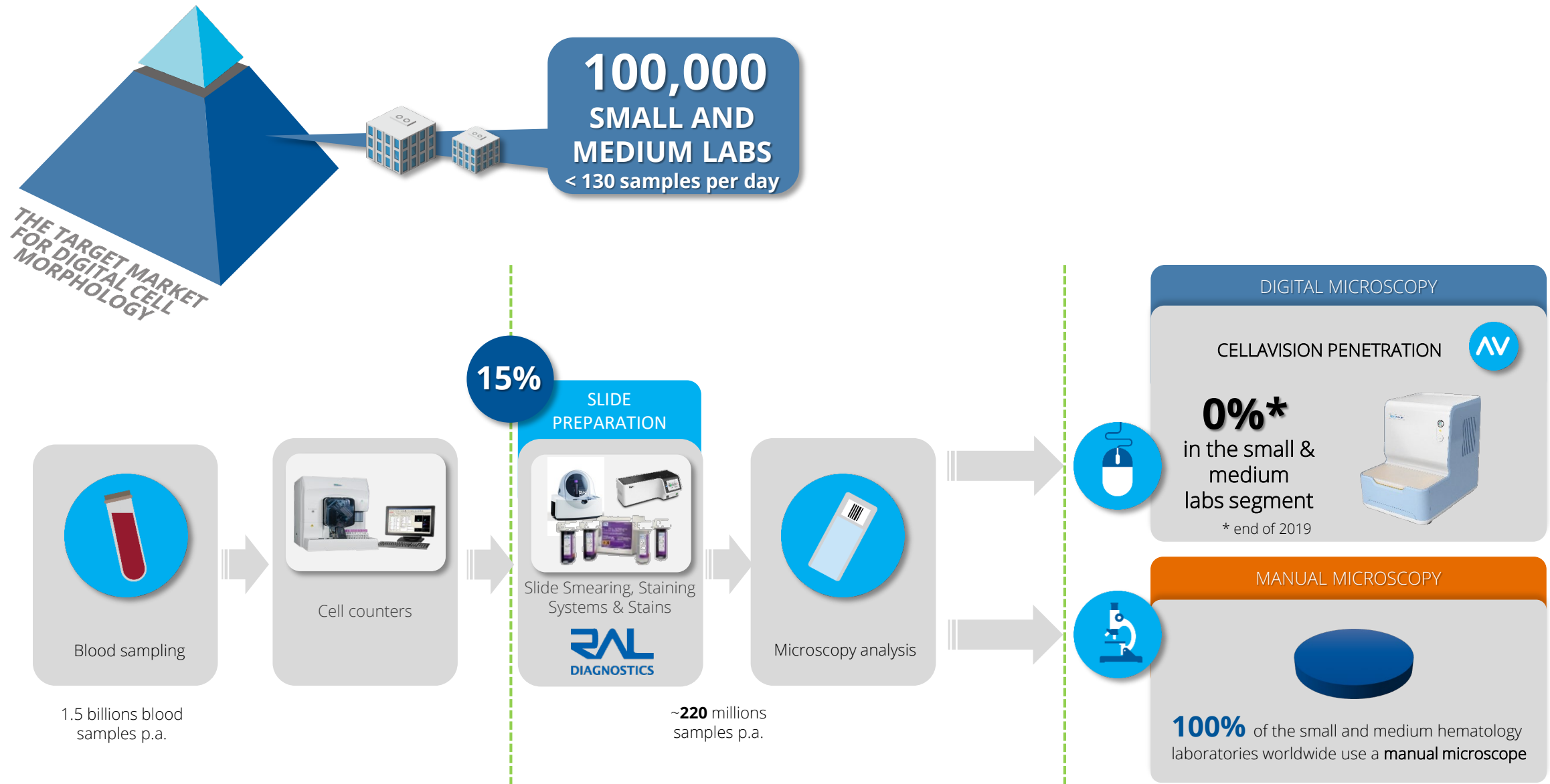


In other words: **Our vision is to replace traditional microscopes in laboratories.**

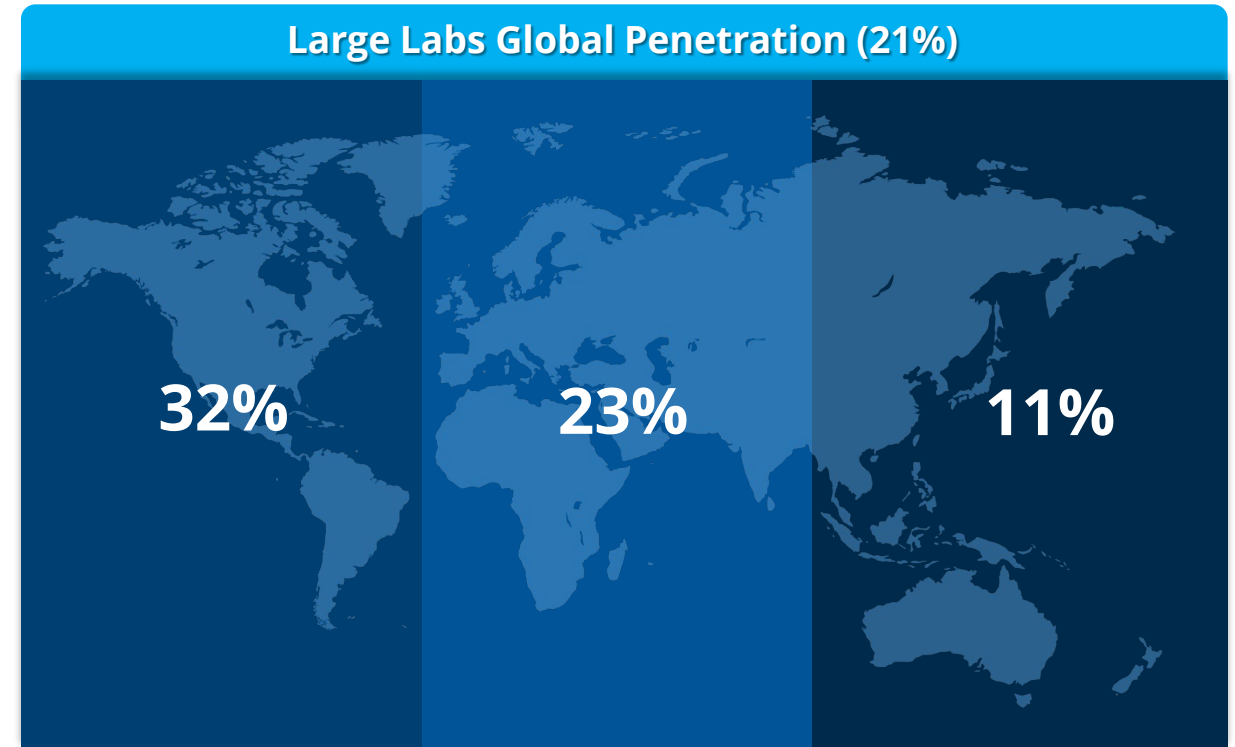
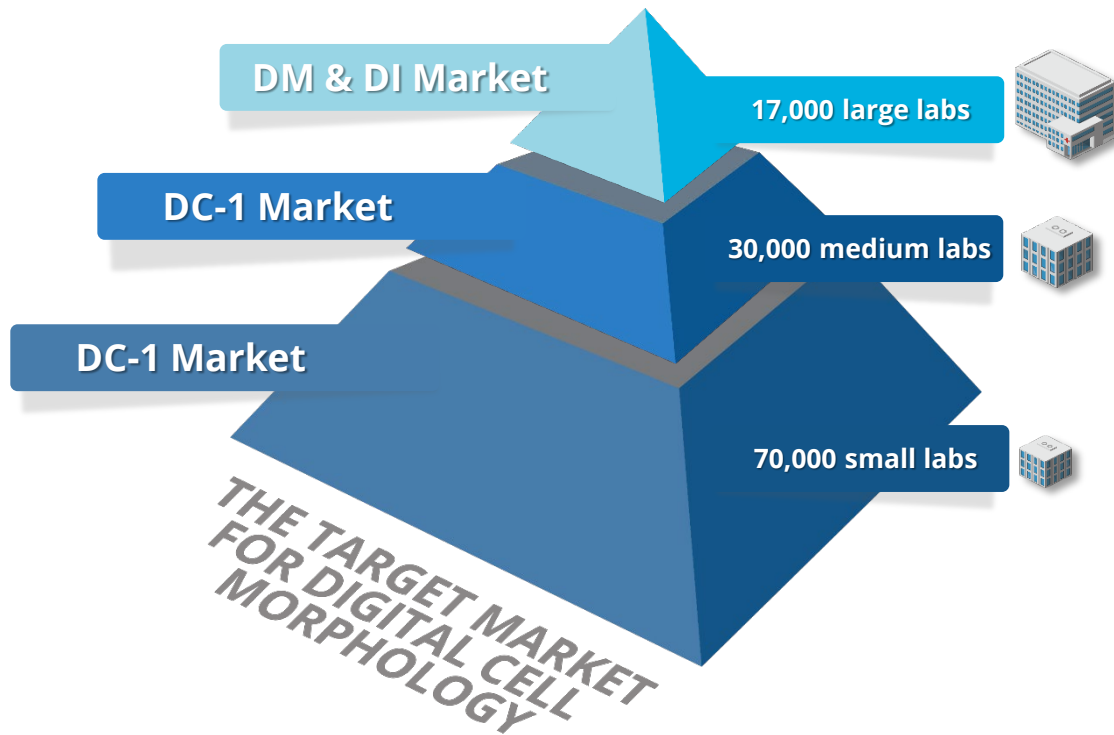
Large Labs: CellaVision Address a Significant Part of the Overall Hematology Workflow



Small and Medium Labs: CellaVision Address a Significant Part of the Overall Hematology Workflow



Human Laboratory Segment – Global Penetration



Overall hematology market value of SEK >40 billion (CAGR of 4-5%)

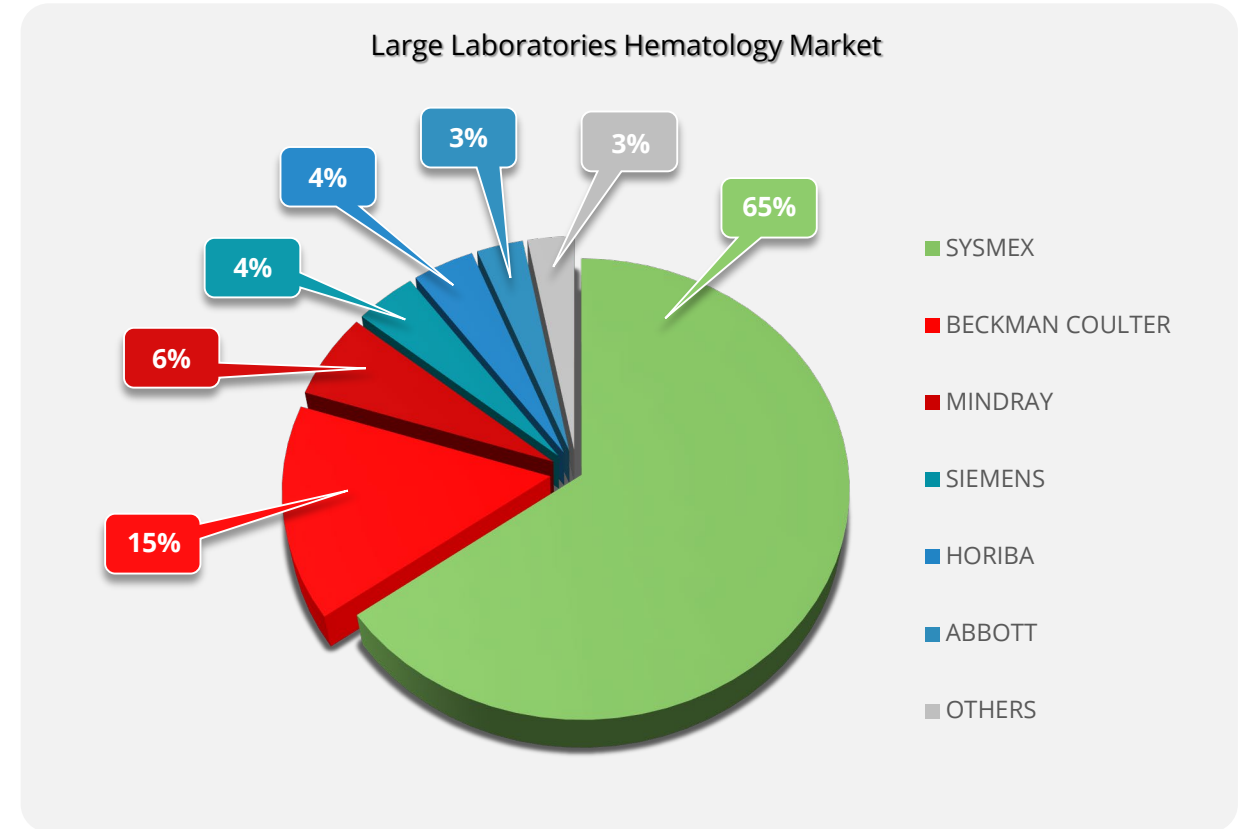
Commercial Operations in an Indirect Business Model, Targeting Existing Distribution Partners

Indirect business model: The CellaVision indirect model is based upon global complemented by regional and local distribution partners that offer a complete product range for hematology labs. The distributors take responsibility for installations and after sales service

Local presence: Market support offices in 18 markets and presence in more than 40 countries; USA, Canada, Brazil, Mexico, Nordic, France, DACH, UK/Ireland, Russia, Middle East, Iberia, Italy, China, South Korea, Japan, Oceania, India and South East Asia

Manufacturing: Equipment manufacturing is outsourced in Sweden while stains manufacturing is performed in-house in Bordeaux in France

Organization: HQ in Sweden (Lund) and >190 employees worldwide



CellaVision have a scalable business model

CellaVision Scalable Business model: Focus on Core Functions and Strong Partnership



CellaVision's indirect model is based on global distribution partners that offer a complete product range for hematology labs

CellaVision's and RAL's partners cover 100% of large labs and >80% of small- and medium sized labs

The global hematology market size is estimated to 40 BSEK (CAGR 5-6%).

CellaVision and RAL joined forces will address a market size of 6 BSEK

CellaVision – The strategic agenda



CellaVision Portfolio

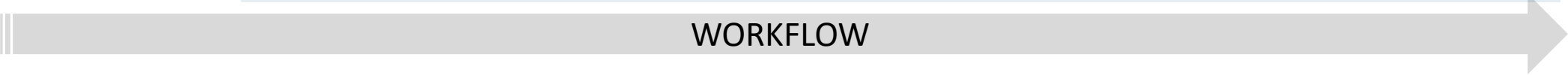
Overview of the Hematology Workflow



Large labs



Small/Midsize labs



2020 Financials

Second quarter: Implications of the COVID-19 Outbreak

Market and Customer Implications

"During" COVID-19 outbreak:

- **Blood samples:** During the COVID-19 outbreak we experienced a reduction in number of blood samples in each market due to quarantines, reduced access to hospitals, less screening, fewer elective surgeries, fewer organ transplantations and prioritization of covid-19 patients. Early in the quarter we experienced blood sample reductions of 40-50% in most key markets, but at the end of the quarter we see a reduction of 10% versus the normal situation.
- **Microscopy review samples:** The abnormal samples, 15% of all samples and base for CellaVision's business are reviewed in microscopes. These samples are linked to critically ill patients. The assumption is that these samples are less negatively effected and thereby the review rates should have increased somewhat from 15%
- **Large labs installations:** During the COVID-19 outbreak the access to labs for installation personnel to perform planned installations of CellaVision systems is very limited and this will have a short-term negative effect on installations.
- **Small labs:** These type of labs are not prioritized and have limited operations during COVID-19 outbreaks. This will have a short-term negative impact on CellaVision® DC-1 sales

"Post" COVID-19 outbreak:

- **Return towards normalization:** Only two major markets, China and South Korea, have so far come back to a normal situation-. "Post" COVID-19 outbreak. There we see a stepwise return to more normal blood sample and system installation volumes. We also see EMEA slowly returning towards normalization, while the outlook for Americas currently is more unclear

Supply Status

Instruments: CellaVision's instrument production in Sweden is fully operational

Reagents: CellaVision's reagent production in France is fully operational

Second Quarter Highlights: Sales 118,0 MSEK & Organic Development vs LY -15% (-3% Fx effect)

Americas (-57% vs. last year)

- Negative impact due to covid-19. High attachment rates, above 90%, in USA and Canada. Digital microscopy is the golden standard in USA and Canada.
- FDA 510k submitted for CellaVision® DC-1 March 6, 2020. Preparing for USA-launch in the latter part of 2020. DC-1 launched in the rest of Americas.
- Signed up global distribution partnerships within slide preparation (RAL)

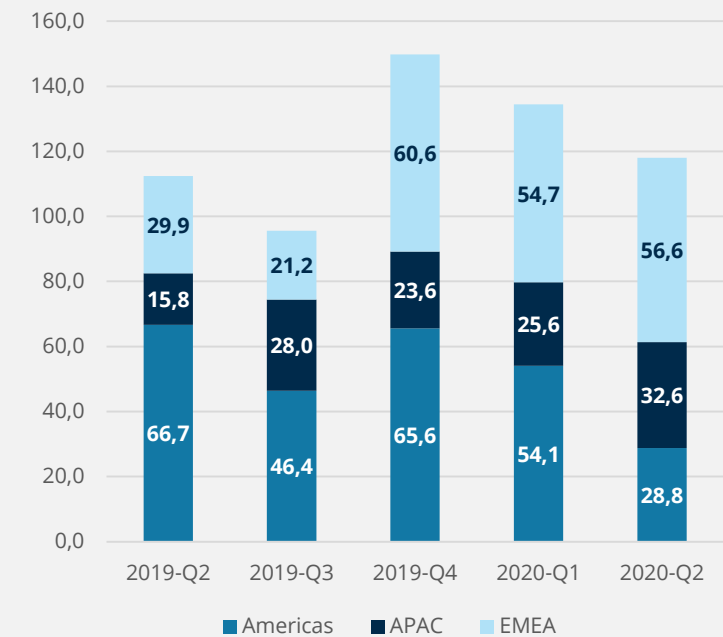
APAC (106% vs. last year)

- Continuous increased penetration, primarily in China and Japan. High activities in other APAC markets, but from low penetration levels
- Negative impact due to COVID-19. However, towards the end of the quarter the situation has improved in most APAC markets.
- Signed up global distribution partnerships within slide preparation (RAL)

EMEA (89% vs. last year)

- Negative impact due to COVID-19 but markets opening again towards the end the quarter.
- Commercial integration of RAL Diagnostics with focus in EMEA since RAL Diagnostic is historically based in Europe
- Establishment of market support organization in Russia

Sales per region



Second Quarter Highlights: Key Operational Items

Acquisition of RAL Diagnostics:

Strategic rationales

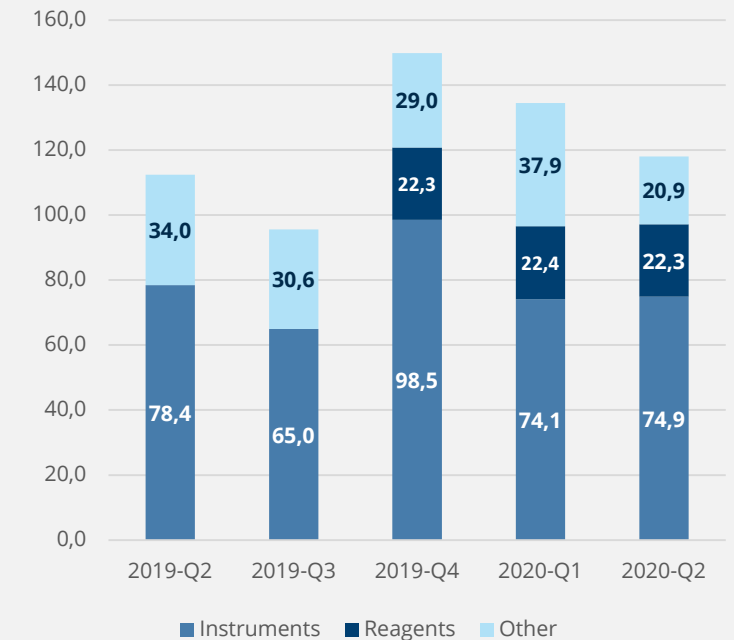
- **Extend current addressable hematology market segment**, by initially co-promote CellaVision and RAL offering and later develop validated protocols where CellaVision and RAL products are integrated in the same offering
- **Globalize offering and ensure local presence in all key markets**, by utilizing the CellaVision market support organization
- **Enable expansion into new market segments outside hematology**, such as microbiology, pathology and cytology

Integration activities have been finalized and institutionalized. Focus will be within the commercial area.

Other key events in Q2 2020:

- Implementation of virtual work methods such as remote customer training and high focus to implement remote access procedures in labs.
- CellaVision® DC-1: CellaVision submitted the FDA 510k application March 6 and is preparing for launch in the latter part of 2020. NMPA (China) submissions under preparation and expected sales clearance for China during 2021. All other key markets will have commercial clearance during 2020
- Veterinary Segment: The new and complete CellaVision veterinary portfolio have been launched. Avian analysis complementing the previously offered canine and feline analysis
- Reagents, RAL Diagnostics, are in the process of being launched globally. Global distribution contracts have been signed with some of the major partners

Sales per product group



Financial Development

(MSEK)	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Net sales	112,4	95,6	149,8	134,4	118,0
Growth	22%	13%	35%	29%	5%
Gross margin	77,5%	76,1%	66,6%	68,7%	66,0%
Operating expenses/sales	44%	53%	45%	44%	42%
EBITDA	41,3	25,6	41,5	41,2	36,2
EBITDA margin	37%	27%	28%	31%	31%

Key insights second quarter – solid quarter in spite COVID-19 turbulence

- **Net sales** of SEK 118,0 million (112,4) +5%. Organic development -15%
- **Gross margin** 66,0% (77,5). Reduction driven by product mix (reagents lower than average).
- **Operating expenses** Cost conscious operations to preserve results and cash flow.
- **EBITDA** SEK 36,2 million (41,3) and EBITDA margin 30,7% (36,7)



Further Comments on Finance 2020-Q2

Sales

- 15% organic development; -3% FX effect and +23% structural effect from acquisition.

Expenses

- Expenses increase 1%. Adjusted for structural effect from acquisition the expenses decreased 16%.
- Cost conscious operations due to COVID-19 pandemic. Focus on prioritized product development projects.

Development projects

- Capitalized R&D SEK 6,6 million (3,8) +74%. The capitalized expenses are related to development of hardware platforms, software applications and clinical trials to be used in registration process for CellaVision® DC-1 in the USA and China.

Cashflow

- Total cashflow SEK 18,1 million (-23,8). No dividend this year due to covid-19-pandemic. SEK 35,8 million was paid in dividend last year.
- Cashflow from operations SEK 34,1 million (17,3). Favorable development of working capital vs. last year.

Dividend

- Zero due to COVID-19.

(MSEK)	Apr-Jun 2020	Apr-Jun 2019
Net sales	118,0	112,4
Cost of goods sold	-40,1	-25,3
Gross profit	77,9	87,1
Sales and marketing expenses	-24,7	-25,0
Administration expenses	-12,0	-10,3
R&D expenses	-12,9	-13,8
Total expenses	-49,6	-49,2
Operating profit	28,3	37,9
EBITDA	36,2	41,3

Financial Development

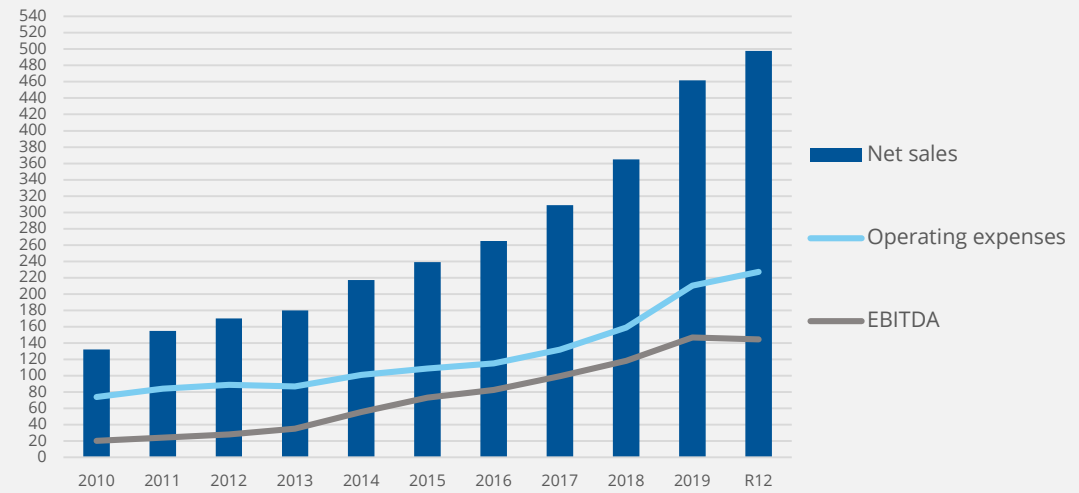
(MSEK)	2015	2016	2017	2018	2019	R12
Net sales	239,0	265,0	309,3	364,8	461,8	497,9
Growth	10%	11%	17%	18%	27%	21%
Gross margin	73%	71%	72%	74%	73%	69%
Operating expenses/sales	46%	43%	43%	44%	46%	46%
EBITDA	73,0	82,5	99,3	118,4	146,7	144,6
EBITDA-margin	31%	31%	32%	32%	32%	29%

Financial targets (over economic life cycle)

- 15% sales growth
- 20% operating margin

Share price: SEK 316,2*
Num. Shares: 23,85 million
Market Cap: SEK 7,5 billion

* 2020-09-01





THANK YOU