

Boule Diagnostics Q3 2022 presentation

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Q3 highlights

- Growth in quarter thanks to currency effects
- Largest volume growth in Asia
- Consumable sales at pre-pandemic levels
- Gross margin pressured due to supply chain issues
- Geopolitical situation continues to cause headwinds
- Contract manufacturing of reagents in India in 2023
- Fully secured preferential rights issue of 150 MSEK
- Building prototypes of advanced 5-part system to be used for verification and validation during 2023



Financial summary

- Net sales in constant currencies down 8%
- Delayed deliveries due to production stop in August
- Higher landed cost for distributors due price increases and strong US dollar
- Gross profit margin decreased by 4.0 pp vs last year and increased by 2.9 pp vs Q2 2022
- Spot purchases and one-time Swedish custom fees (Tullverket) decreased the margin with 4.4 p.p.
- Price increases could not fully compensate temporary higher production costs
- Operating margin decreased by 8.8 pp
- Investments in new technology platform 15 MSEK

Financials Q3

Net sales, MSEK

126

Gross margin

41%

YoY Growth

12%

EBIT-margin

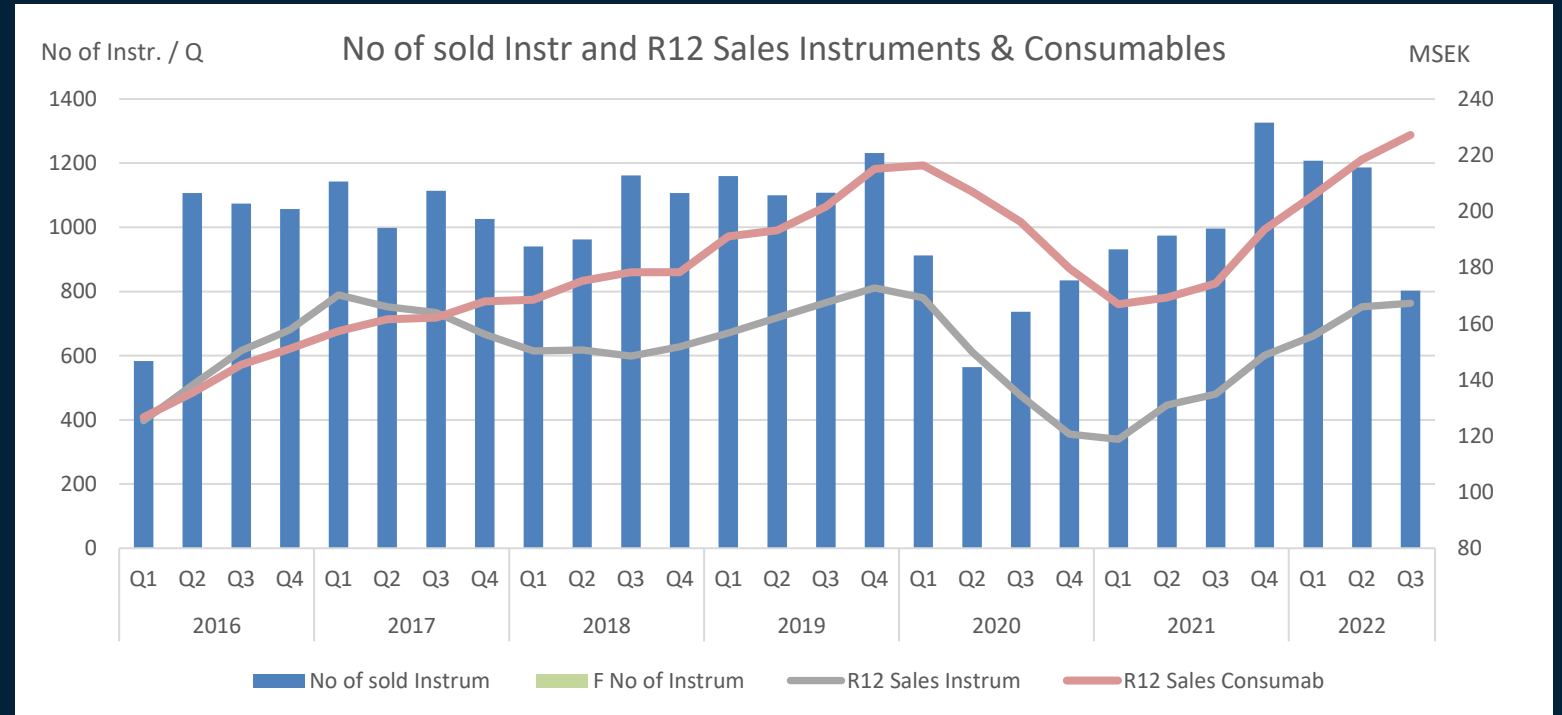
4%

Cash-flow, MSEK

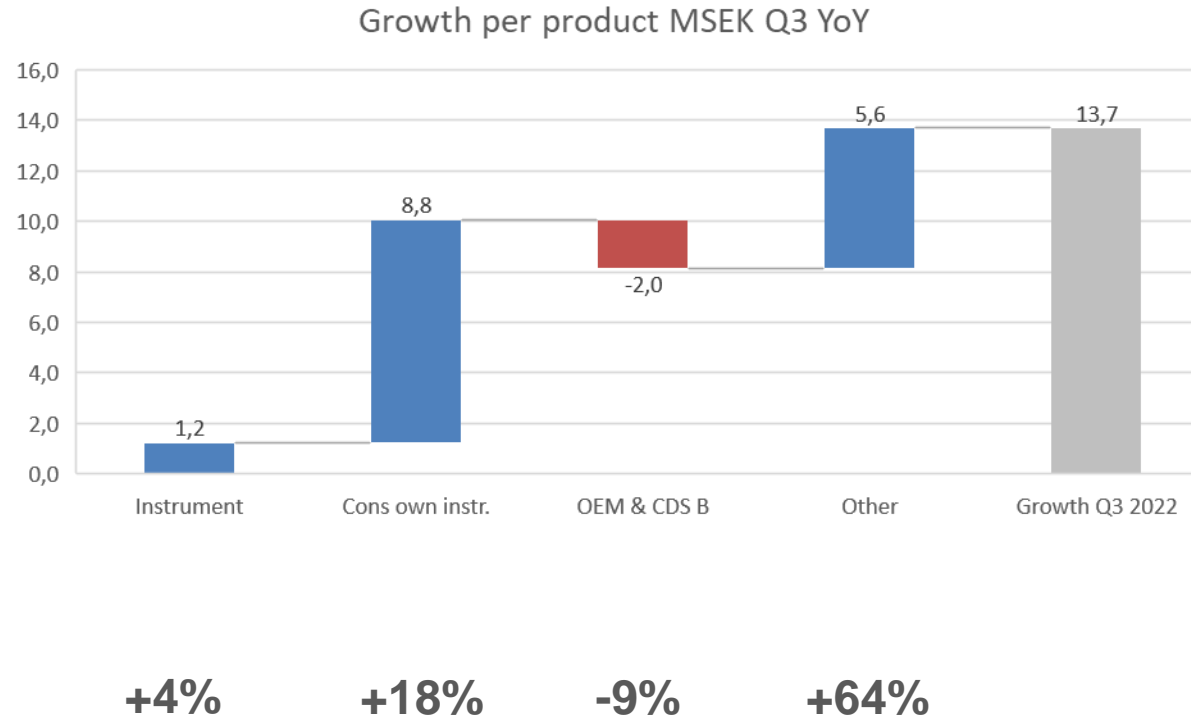
-16

Stable consumable sales

- Consumable sales at pre-pandemic levels last four quarters
- Drop in instrument sales
 - Delivery delays caused by production stops due to shortage of components
 - High prices in local currencies
 - Price increases and strong dollar maintain revenue

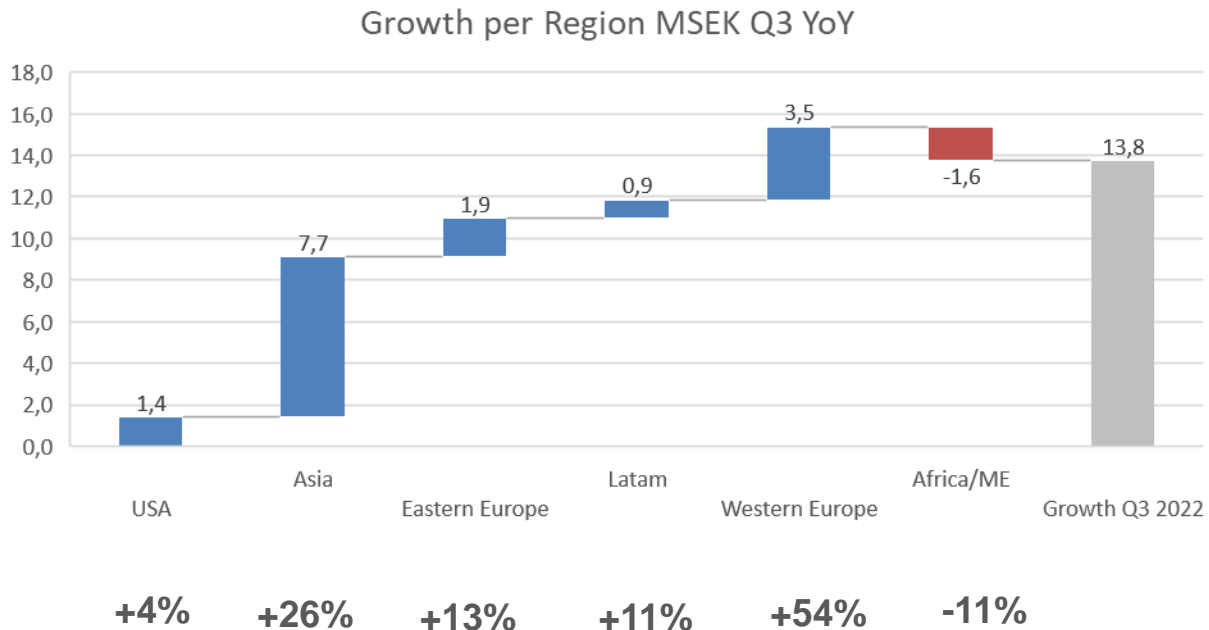


Sales bridge: Growth driven by consumables



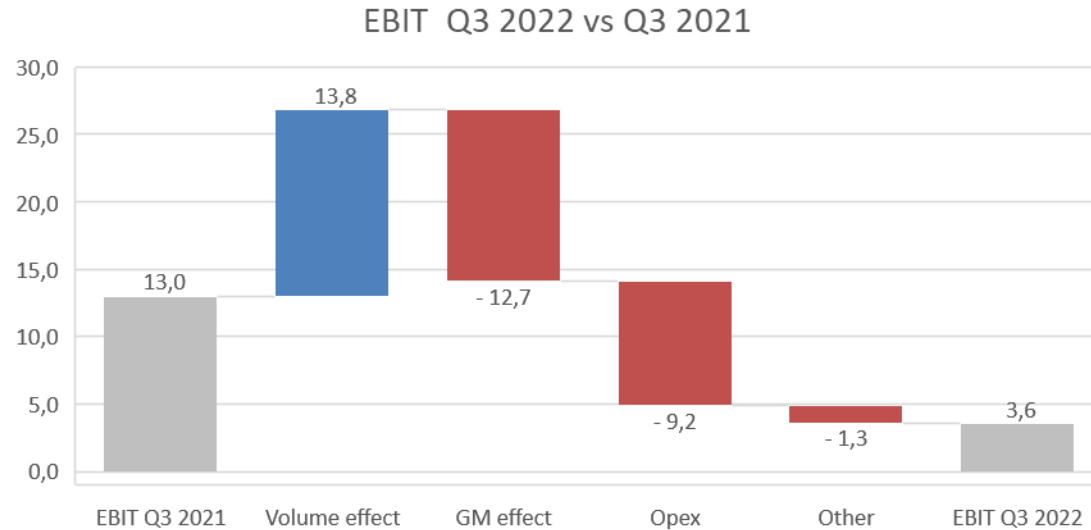
- All products show growth except for OEM and CDS brands – a quarterly fluctuation
- OEM and CDS brands grow by 26% first 9 months

Sales bridge: Growth in Asia and Western Europe



- Strong US dollar drive growth
- Asia growth mainly driven by Indonesia and Pakistan.
- Eastern Europe is mainly driven by Russia despite operational challenges
- Africa/Middle sales limited by temporary central bank payment restrictions in foreign currencies in Egypt

EBIT bridge

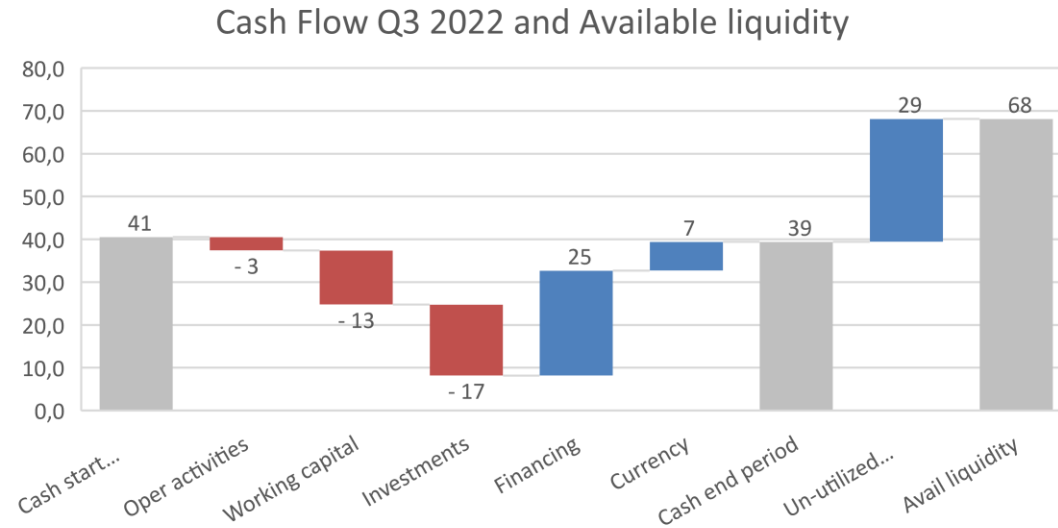


EBIT, MSEK
3.6 (-9.4)

EBIT-margin
2.9% (-8.8 p.p.)

- Increased volume due to price increases and positive currency effects
- Gross margin pressured by supply chain disturbances partly compensated to by increased prices
- Spot purchases and one-time Swedish custom fees (Tullverket) decreased the margin with 4.4 p.p.
- Opex includes cost for redesign to mitigate component shortages, exhibitions and travel, and cost to strengthen the organisation
- Opex partly increased due to strong US dollar

Cash flow



- Working capital increased mainly due to decreased accounts payable and increased inventory.
- 15 MSEK of investments in new product platform
- Utilization of the check facility increased by 18 MSEK

Operating cash flow,
MSEK

-15.8

Cash flow, MSEK

7.8

Unpredictable geoeconomics situation

- Good order intake in the end of the quarter
- Supply chain and logistics challenges remains
 - Increasing cost due to purchases from the spot market and inflation
 - Mitigating risk of lock-downs in China
- **USA:** OEM business expected to be maintained
- **Asia:** opportunities in South-East Asian countries. Local manufacturing in India will be important
- **Eastern Europe:** no end of war in Ukraine in sight, sanctions towards Russia will remain, risk decline of the business
- **Middle East and Africa:** pipeline building thanks to increased local presence and new distributors
- Public tenders may slow down due to weaker economy
- Some central banks limits payments in foreign currencies



Towards >500 million tests annually

Headwinds

Supply chain challenges

- Component shortages & logistic disruptions
- Active management of component supplies, aim to establish additional suppliers in EU
- Increase production capacity in the US

Geopolitical instability

- Subsidiary affected by Russia's invasion in Ukraine. Boule follows all sanctions
- Volatile market due to macroeconomic situation
- Central banks in some countries limits the payments in foreign currencies

Shifting regulatory landscape

- New EU IVDR regulatory framework introduced in May – Boule is now operating in line with the new IVDR rules
- Corrective action plans are under implementation to address observations by FDA

Operational priorities

Industrialization of new hematology platform

- Cloud pre-launch for installed base Q1 2023
- Initial two product releases 2023-2024
- Continue to upgrade our product portfolio over the next 2-5 years based on the new platform

Improve profitability & cash-flow

- Increase marketing and sales activities
- Optimization of working capital
- Extra costs in the past quarters likely of temporary nature
- Balance out rising costs due to supply chain challenges and inflation worldwide

People, competence, culture

- Agility and customer-centric mind-set
- Teamwork with a solid foundation in technology and clinical expertise
- Multi-cultural environment driving innovative thinking

Targets

Strategic pillars for profitable growth



Increase value for users and distributors



Invest in sustainable product development



> 500 million tests annually

Financial targets



Operating margin > 15%



Long-term sales growth > 10%



Net debt to EBIT ratio < 3

Fully secured rights issue of approx. SEK 150 million

Terms of the Rights Issue

- Shareholders in Boule have the preferential right to subscribe for one (1) new share per every one (1) existing share, i.e. a subscription ratio of 1:1
- The subscription price is SEK 7.70 per new share which corresponds to a discount of approximately 34.2 percent to the theoretical ex-rights price, based on the closing price on September 30, 2022
 - Existing shareholders, including AB Grenspecialisten, Svolder AB, Thomas Eklund, Nordea Fonder, Tredje AP-fonden, Andra AP-fonden and Aktia Asset Management, as well as members of management and the Board of Directors, have undertaken to, or declared their intention to subscribe for shares representing approximately 59.7 percent of the Rights Issue and corresponding to approximately SEK 89.3 million
 - Additionally, Torbjörn Kronander has committed to subscribe without subscription rights for shares corresponding to SEK 20.0 million. Chairperson Yvonne Mårtensson has committed to subscribe without subscription rights for shares corresponding to approximately SEK 0.2 million
 - A number of existing shareholders, including AB Grenspecialisten, Svolder AB and Tedcap AB, owned by the board member Thomas Eklund, have undertaken to guarantee approximately 26.8 percent of the Rights Issue, corresponding to approximately SEK 40.1 million at an underwriting compensation of 2.0 percent of the guaranteed amount in cash
- Assuming that the Rights Issue is fully subscribed, the Company will receive issue proceeds of approximately SEK 150 million before deduction of issuance costs

Use of Proceeds

- › The net proceeds will finance the continued development of the new product platform, including a new advanced 5-part system, a new 3-part system and a cloud connectivity solution
- › Key activities will include:
 1. development and industrialization, including prototypes
 2. clinical studies for product verification and validation
 3. regulatory submissions in the EU (CE under IVDR) and US FDA (510(k)), as well as market access preparations
 4. launch preparation activities including market preparation

Nov 10, 2022	Publication of the prospectus
Nov 10, 2022	Record date for participation in the Rights Issue with preferential rights
Nov 14 – Nov 23, 2022	Trading in subscription rights
Nov 14 – Nov 28, 2022	Subscription period
Nov 30, 2022	Announcement of the outcome of the Rights Issue

Executive summary

- Growth in quarter thanks to currency effects
- Recurring consumable revenue from large installed base
- Gross margin held back by supply chain disturbances
- Unpredictable geoeconomics situation
- Financing secured to deliver on strategic plan with new modern product platform



BOULE ASPIRATION

- Most satisfied customers
- Highly valued employer
- >500M tests yearly



FINANCIAL TARGETS

- Operating Margin >15%
- Long-term sales growth >10%
- Net debt to EBIT ratio <3 times





Thank you!

Q&A