



# Q1 2018 Presentation

26.04.2018, Oslo

# Agenda

- **Highlights**
- **Beta-glucans**
  - Animal- and Consumer health
  - Cancer
  - Advanced wound care
- **Enzymes**
  - Molecular and new markets
- **Q1 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

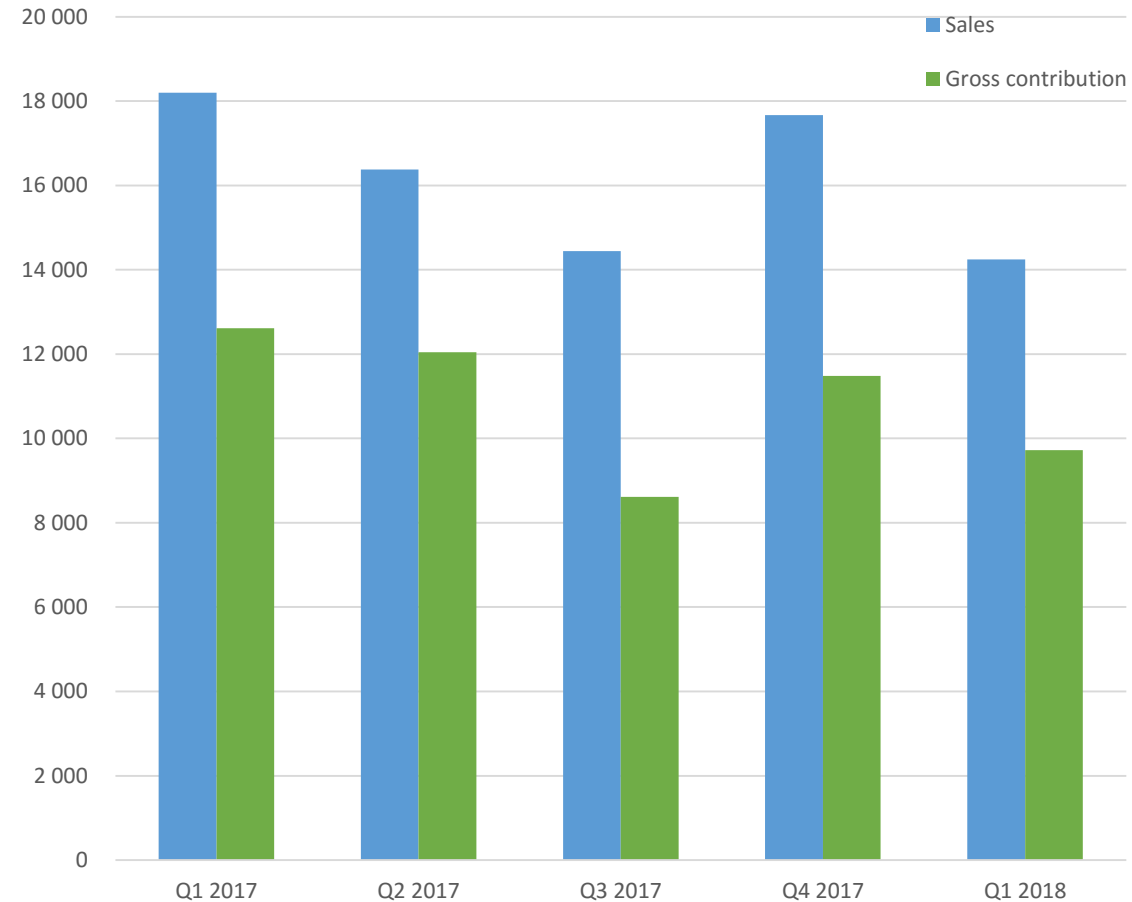
## Enzymes

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

# Highlights Q1 2018

- Q1 sales of MNOK 14.2 (18.2)
- EBITDA of MNOK -5.9 (-4.1)
- 300-patient study in UK confirmed Woulgan's resilient effectiveness
- ArcticZymes doubled SAN customers to more than 90
- Operating expenses continue to decrease with a shift in expense base from betaglucans to enzymes

Sales & Gross contribution



# 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
- Managed to prolong contract with largest customer, but also lost a less significant bid indicating the margin pressure facing the feed manufactures

## Consumer Health:

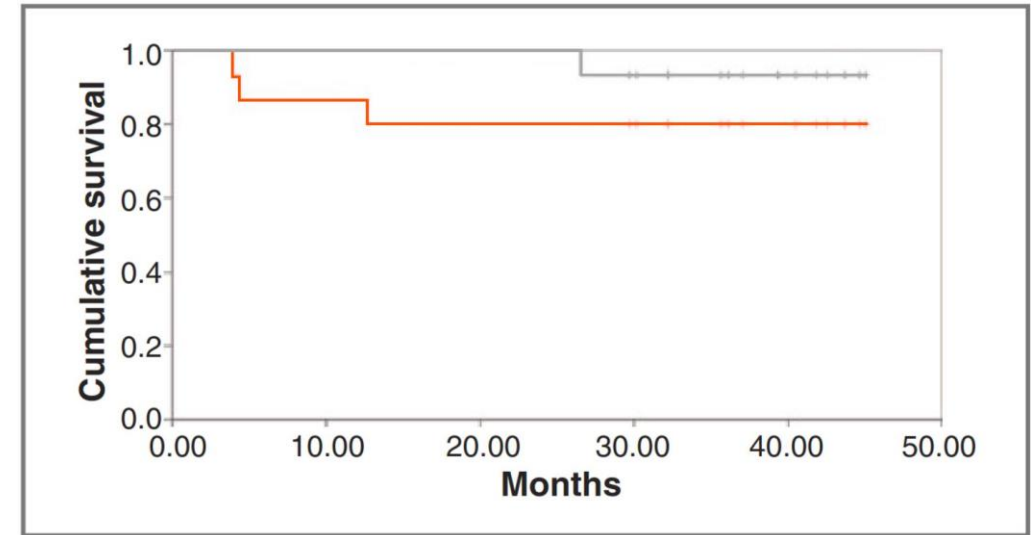
- Continous business relationship with major US player
- Including orders received in Q2, ahead of last years business volume
- Actively working on expanding the customers base – participating in fairs etc.
- Potential new customers perform stringent due-diligence as part of purchasing process. Q1 has seen a high level of activity in moving leads through “the sales funnel”



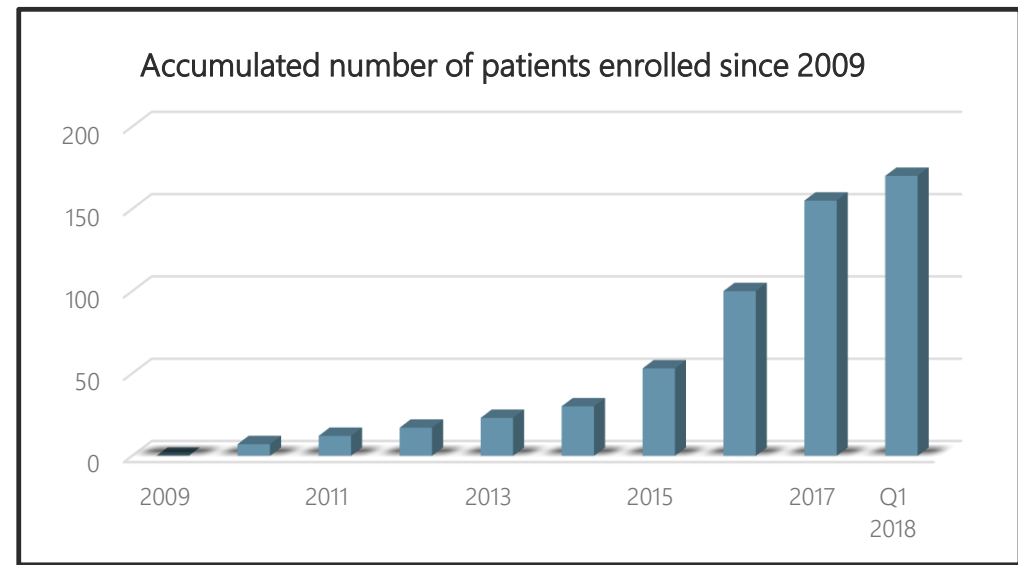
# SBG<sup>®</sup> in current neuroblastoma vaccine trial

## 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
- Data from trial to be presented at Advances in Neuroblastoma Research 2018 at 9-12 May in San Francisco
- A promising neuroblastoma treatment is likely to be considered under rare paediatric disease designation – giving a speedier approval process



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*).



# SBG® in immunotherapy of neuroblastoma

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

| 2009 – 2013<br>Phase I Safety                                    | 2013 – 2016<br>Phase I/ II Efficacy  | 2016 – 2019<br>Phase II Efficacy                                       | 2019 – 2021<br>Phase II/III Efficacy                                     |
|--|--|--|--|
| ≥2nd remission patients  | ≥2nd remission patients  | ≥1st remission patients  | Randomised Controlled Trial<br>≥1st remission patients                   |
| 15 patients.<br>Results published in Clinical<br>Cancer Res 2014 | 84 patients.<br>Initial results to be presented at<br>ANR18 in San Francisco May 2018. | 85 patients to be included.<br>About 70 included by end April<br>2018. | Under planning   |
|  | Efficacy in relapsed or refractory<br>patient population                               | Commence initial<br>approval process                                   | Possible approval of<br>combined treatment for<br>relapsed neuroblastoma |

# Status Woulgan®



- Large-scale UK study shows unique positioning for Woulgan
  - strong healing benefits
  - user-friendly format
- Woulgan is mostly used in out-patient settings – salesforce coverage is key:
  - Large number of call-points for salesforce.
  - Lack of scale for a “one-product” company.
- Identifying additional partners for faster growth of franchise.

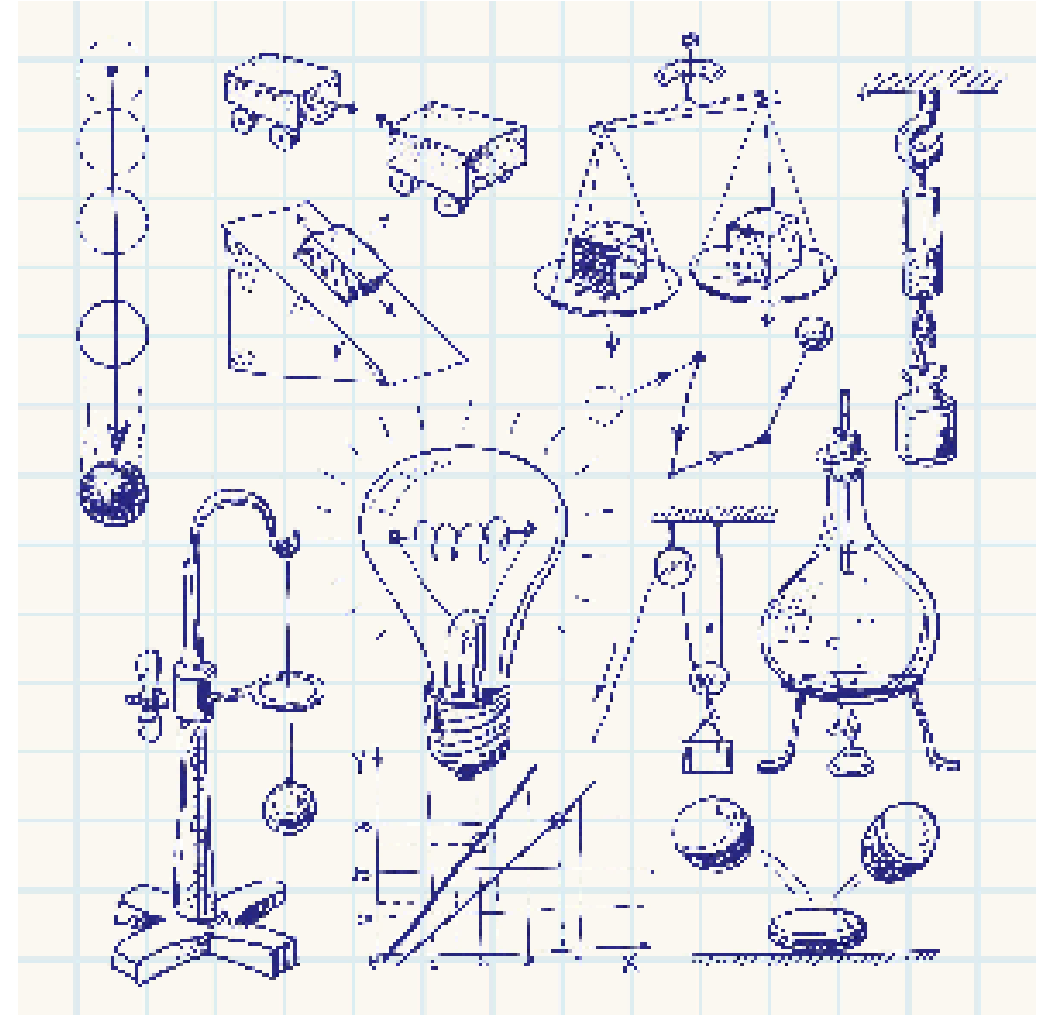
# Activities in all markets



|               | UK   | Nordics  | Germany  |
|---------------|--|--|--|
| Clinical      | <p><u>Strong results from 300 patient study</u><br/>Patients with ulcer-type wounds treated with Woulgan show 62% healing rates versus 30% for standard care at 12 weeks</p> <p>Manuscript submitted for publication in Q2</p> | <p>Completed 2 manuscripts from Nordic case series</p> <p>Submitted for publication in Q2 2018</p>                           |  |
| Market Access | <p>Woulgan can be prescribed and reimbursed across UK where local policy permits its use.</p> <p>Sales team are working to add Woulgan onto local formularies so clinicians are allowed and guided to use Woulgan</p>          | <p>Gained a listing for Woulgan in 5Klovern, effective from April</p> <p>Also won a listing in Kalmar to launch from May</p> | <p>G-BA issued new directive for reimbursement of dressings. Starting April 2019 products with active healing claims, e.g. Woulgan will not be reimbursed as dressings and will need Annex 5 listing to continue reimbursement.</p> <p>Planning to submit Annex V application.</p> |
| Go-to-market  | <p>Dedicated sales team trained in January have 14 evaluations involving 218 patients</p> <p>So far 84 patients are receiving treatment and 22 have finished</p>   |  | <p>Sales for Woulgan from 3 new home care companies, one a major wound care provider is evaluating on 20 patients during Q2</p> <p>Woulgan listed with HOZ MEDI WERK, 2<sup>nd</sup> largest home care wholesaler.</p>   |

# Research and Development: Woulgan Dry Layer

- Pilot plant established for testing different formulations for the manufacture of Woulgan<sup>®</sup> dry layer
- The gel-forming dry layer is aimed used on exuding and large wounds like venous leg ulcers and donor sites
- Priority to develop proprietary production methods that can be patent protected



# ArcticZymes

Molecular and new markets

# Commercial Updates

- Fluctuation of quarterly sales with largest customer will be different than previously following establishment of centralised facility. Anticipate normal level of sales in 2018
- New supply agreement with a UK molecular kit and diagnostic company who have integrated Cod UNG into multiple products (value several MNOK)
- Numerous customers have received the new IsoPol™ enzymes. Even supplied our 1<sup>st</sup> bulk custom order to a customer with very special requirements
- New formulations of Cod UNG and rSAP to be launched in Q2. Important to serve new prospects during the second half
- Establishing first foothold in China. Developing business with several Chinese companies who demand high quality enzymes for integration into their research and diagnostic products targeted for the global market



# Biomanufacturing: Gene Therapy Business



## Busy quarter for SAN related customer activities:

- Doubled customer base with respect to gene therapy opportunities (90+ customers today)
- Majority of customers in early phase, purchasing small quantities on a frequent basis
- Several customers who were earlier adopters last year have entered the next phase to establish cGMP manufacturing
- Milestone reached: demonstrates SAN can be utilised in cGMP manufacturing setting
- Once customers lock down cGMP processes, larger volumes of SAN will be necessary to support the scales needed for virus manufacturing
- Getting a better understanding of sales cycle: takes 9-12 months from initial onset of testing SAN to locking it down into a cGMP process
- In 2018 expect many of the new SAN customers will have transitioned into cGMP phase

# Innovation Update: ArcticZymes Proteinase



## Innovation Status

- Developing a new proteinase enzyme which represents a new class of enzyme
- Likely launch the enzyme in Q2 subject to finalising the manufacturing process



## Commercially Attractive

- Vast array of customers interested in AZ's proteinase
  - Including key accounts
- Door opener into liquid biopsy market: dominated by cancer and prenatal diagnostics (\$0.6Bil; 29% CAGR)
- Leverage more of value chain: new utility in isolation of genetic material from research and clinical samples
- Supported with new IPR = greater commercial value

# Strengthening Sales Team

ArcticZymes is preparing to manage growth in its commercial team:

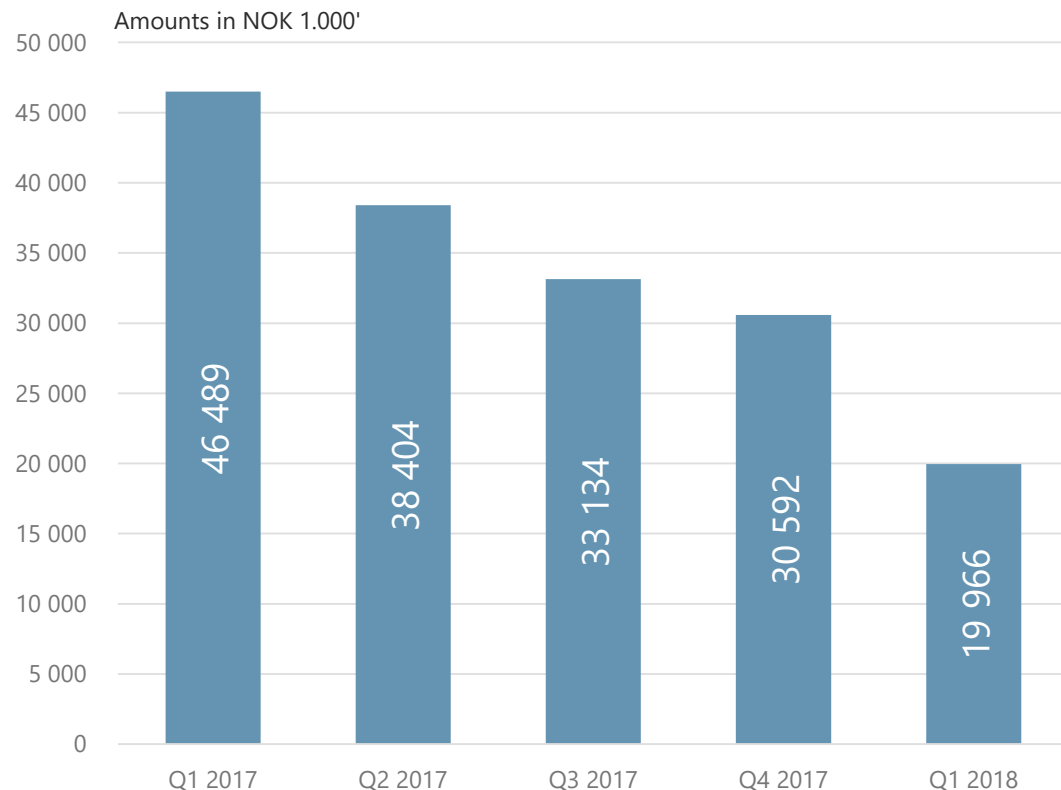
- Strengthen its business development team by hiring experienced sales professionals
- Currently hiring 1 USA and 2 EMEA based business developers
- Instrumental in boosting sales capabilities beyond today's level
- Immediate need to drive new business opportunities with rapidly growing SAN customer base (90+ customers)
- Expanded sales force will be critical in growing customer base and leverage a broader product range as AZ executes on its strategy



# Q1 Financials

# Speed of cash outflow as expected

## Net cash position



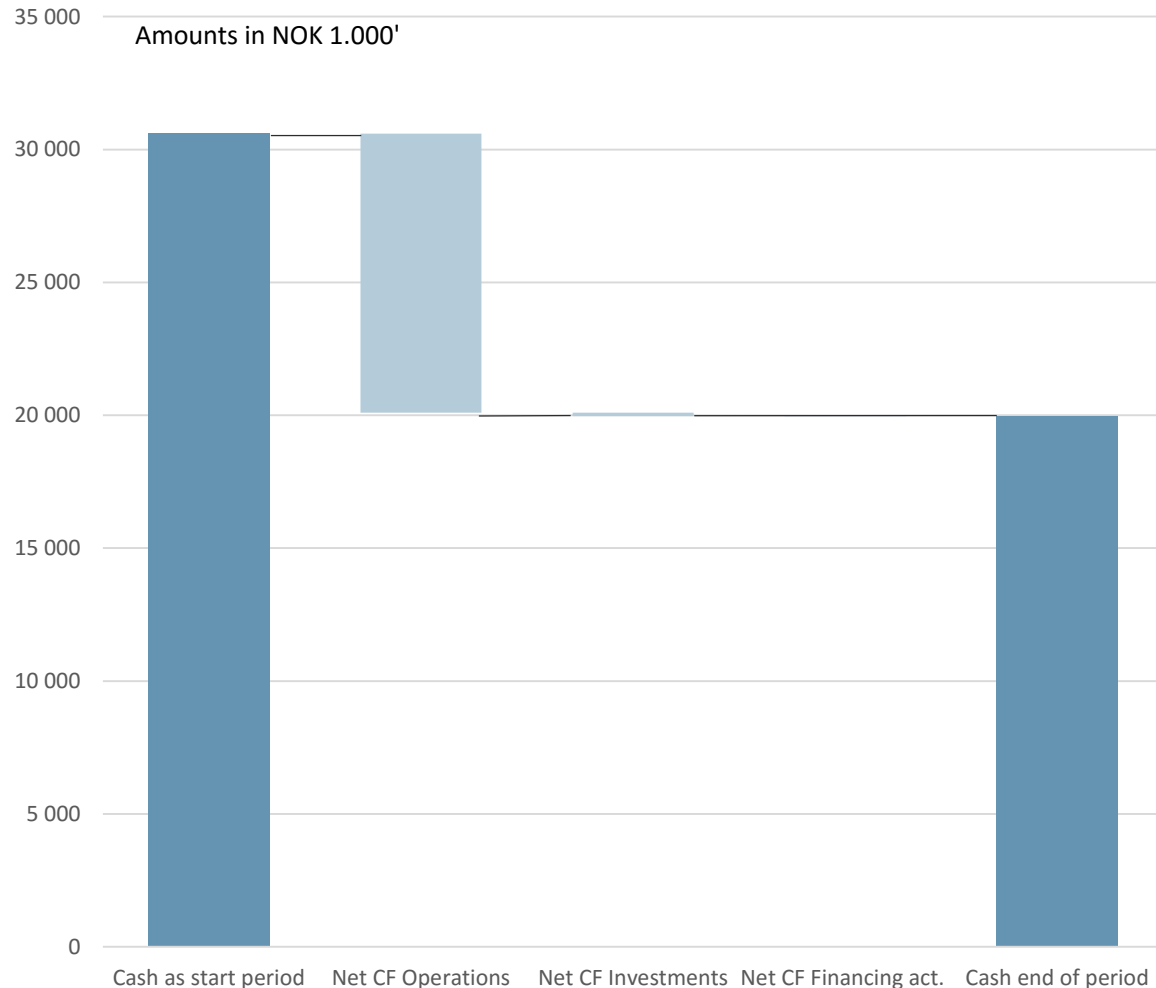
First quarter changes in cash of -10.6 MNOK

- Investment in raw material inventory for consumer health products
- 13.2 (14.4) MNOK in short-term receivables
- 12.5 (16.9) MNOK in short-term payables

Cash balance of 20.0 MNOK end of Q1 2018

# Q1 2018 Cash flow detailed

## Q1 2018 Cash flow

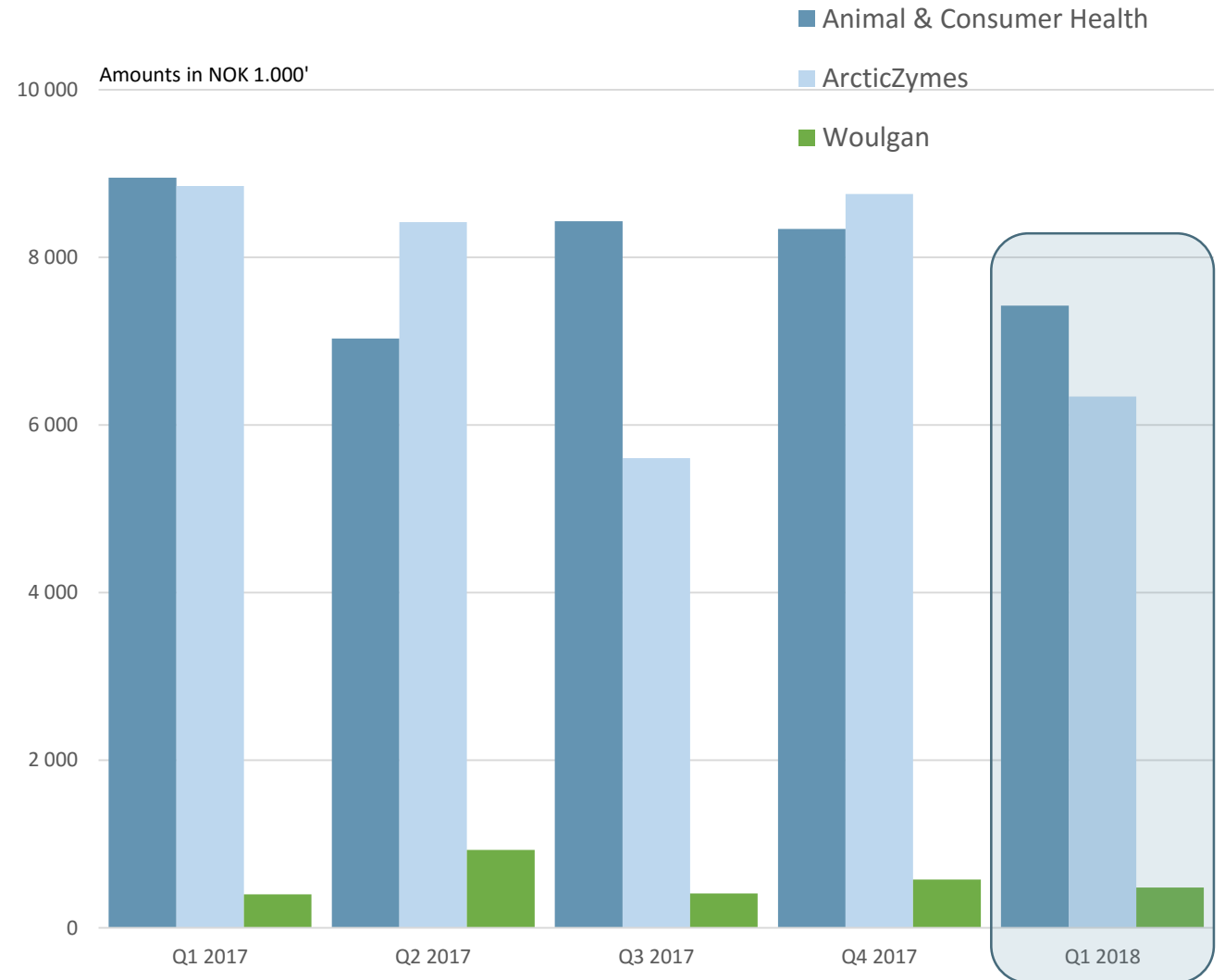


- Q1 2018 Cash flow from operations -10.5 MNOK
  - Explained by change in working capital of
    - Receivables 1.2 MNOK
    - Payables -4.5 MNOK
    - Inventory -1.7 MNOK
- Q1 2018 Cash flow from investments -0.1 MNOK
  - Investment of MNOK 0.1 in intangible assets

# A "soft" start for 2018

| Segment                  | Q1 Sales  |
|--------------------------|-----------|
| ArcticZymes              | MNOK 6.3  |
| Animal & Consumer Health | MNOK 7.4  |
| Woulgan                  | MNOK 0.5  |
| Group                    | MNOK 14.2 |

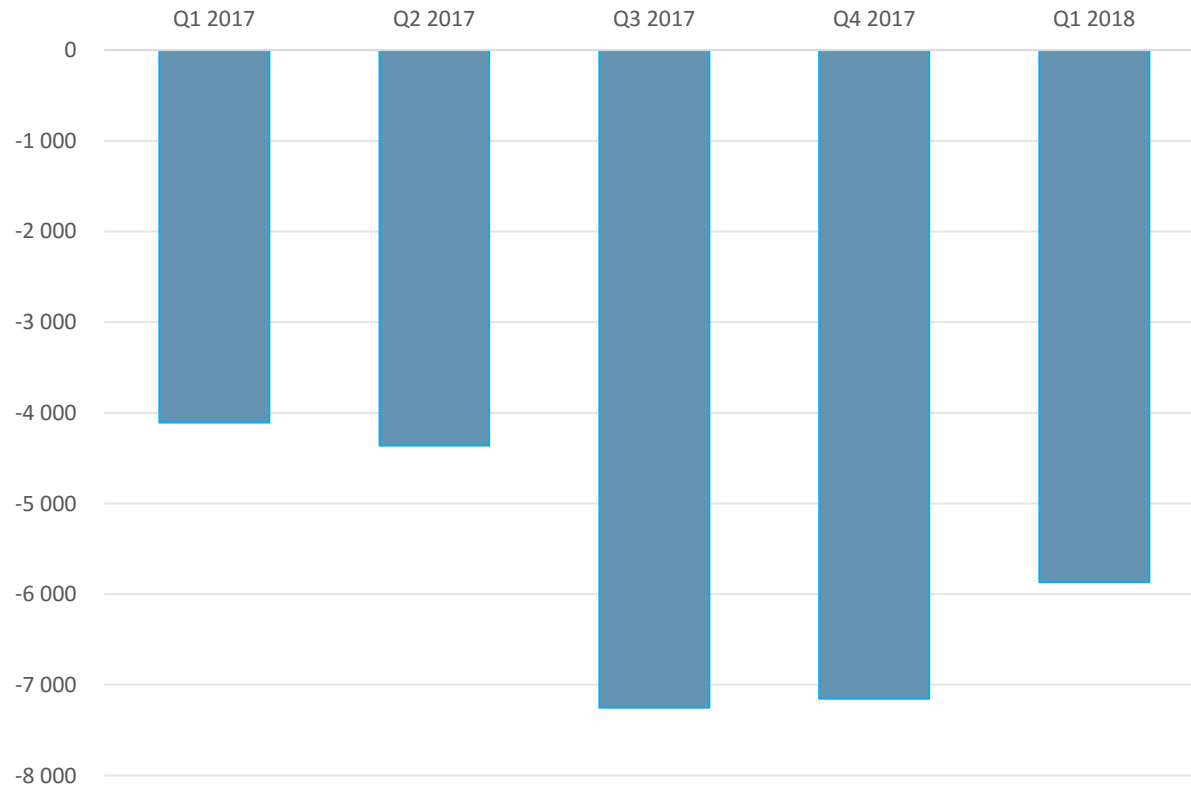
Biotec revenues per segment



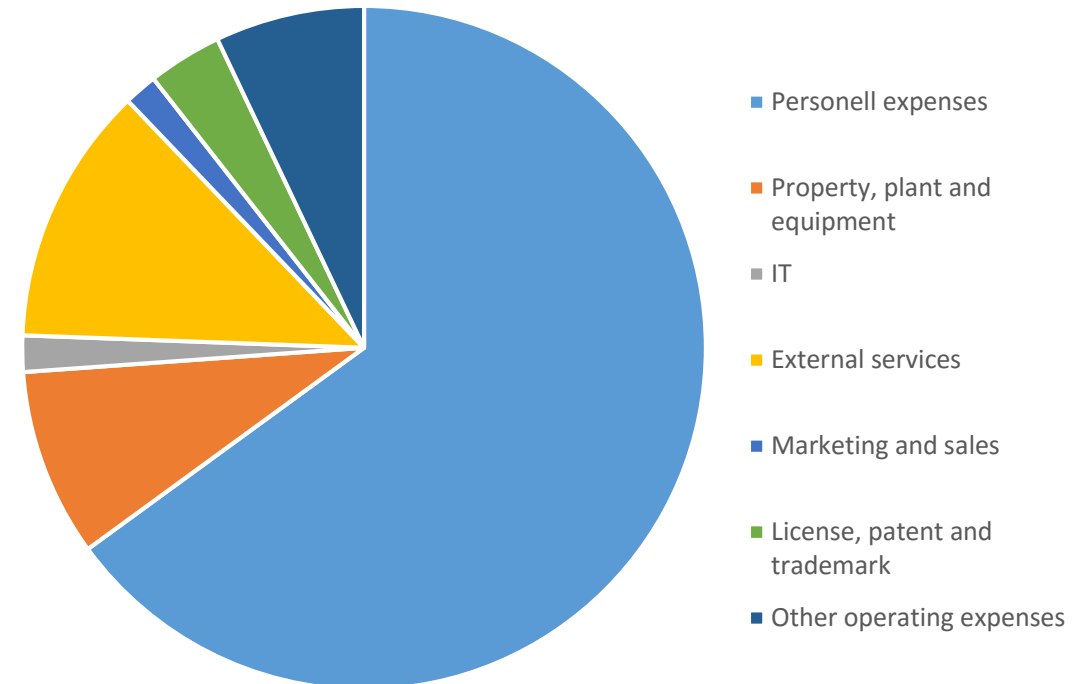
# Loss in Q1 characterised by soft sales

## EBITDA

Amounts in NOK 1.000'



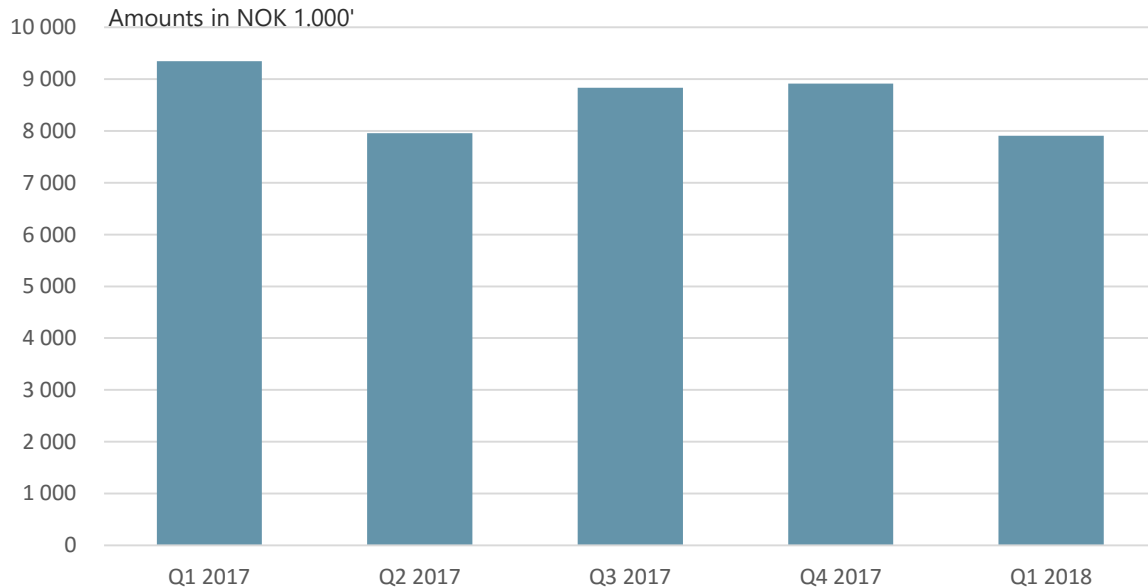
## Operating Expenses



# Beta-Glucan performance

| Beta-Glucans<br>(Amounts in NOK 1.000) | Q1     |        | YTD    |        |
|--|--------|--------|--------|--------|
|  | 2018   | 2017   | 2018   | 2017   |
| Sales revenues                         | 7 905  | 9 348  | 7 905  | 9 348  |
| Gross profit                           | 3 633  | 3 465  | 3 633  | 3 465  |
| Operating expenses                     | -8 294 | -8 755 | -8 294 | -8 755 |
| EBITDA                                 | -4 062 | -4 630 | -4 062 | -4 630 |

## Sales

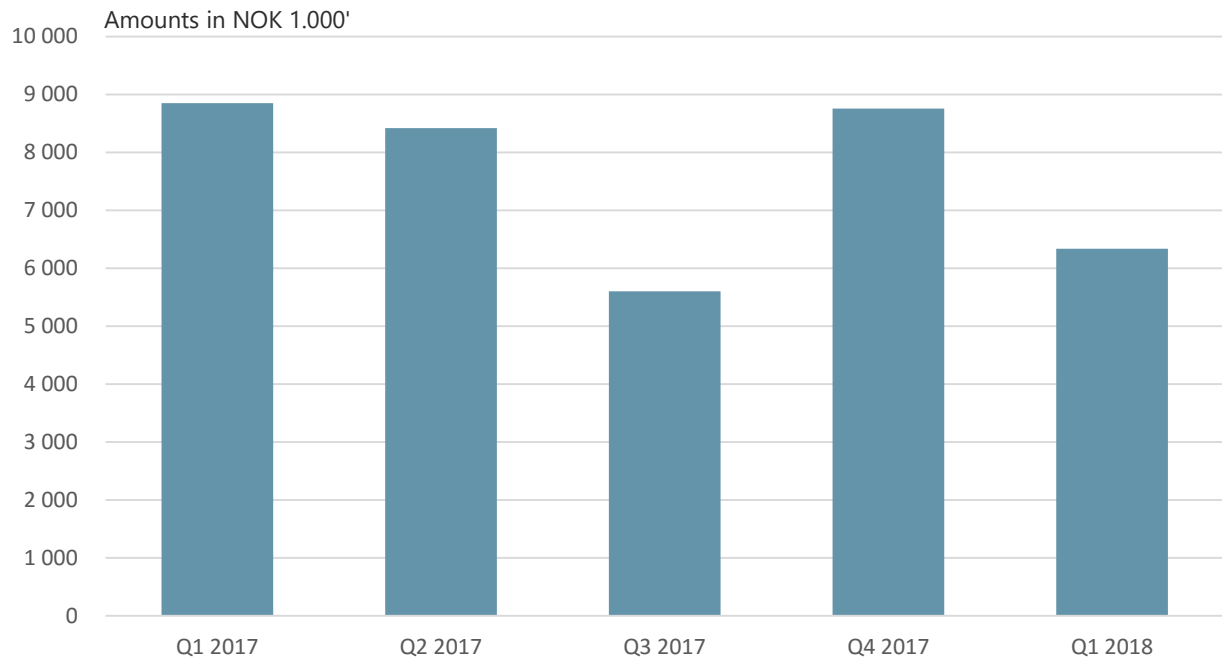


- Sales driven primarily by Animal Health but Consumer Health is becoming more important
- Reduced expenses on a quarterly basis
- Woulgan sales are at a steady state awaiting German reimbursement regulation and UK "introduction"
- EBITDA improved due to favourable product mix and cost control

# ArcticZymes performance

| Enzymes<br><i>(Amounts in NOK 1.000)</i> | Q1     |        | YTD    |        |
|--|--------|--------|--------|--------|
|  | 2018   | 2017   | 2018   | 2017   |
| Sales revenues                           | 6 337  | 8 850  | 6 337  | 8 850  |
| Operating expenses                       | -7 915 | -7 470 | -7 915 | -7 470 |
| EBITDA                                   | -667   | 2 595  | -667   | 2 595  |

## Sales



- Q1 2018 sales reduced by MNOK 2.5. This was as expected
- Operating expenses increased compared to Q1 2017 due to personnel and external services
- EBITDA reduced from Q1 2017 primarily due to lower sales
- Launch of new products within the SAN portfolio sees an increasing interest with more than 90 customers testing it out

# Outlook 2018

# Outlook 2018

- Overall sales growth versus 2017
- 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

