

CELLAVISION

Year-end bulletin, January-December 2019

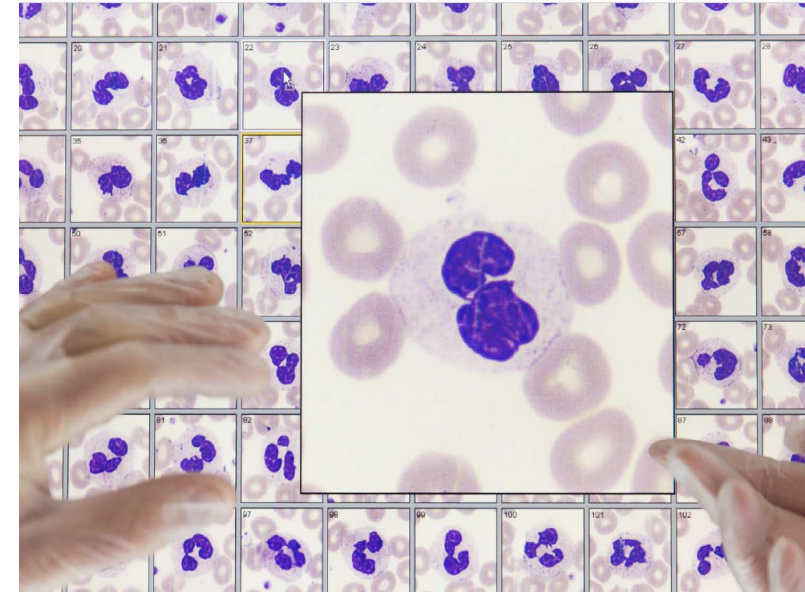
Zlatko Rihter
President and Chief Executive Officer

CellaVision in Short

Creating Value in Healthcare

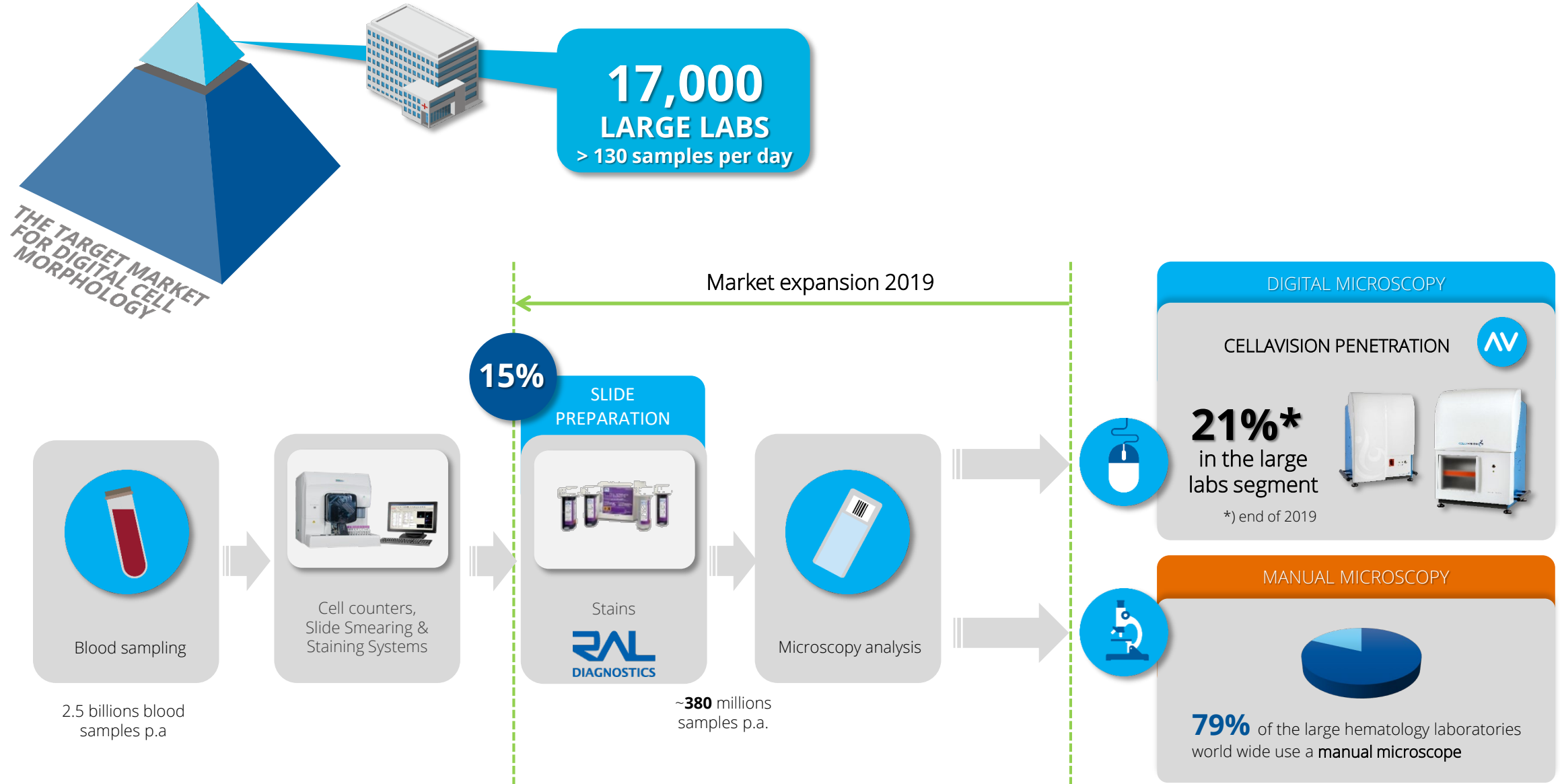
Our vision is to be a leader in global digitalization and automation of blood analyses for both the human and veterinary segments.

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

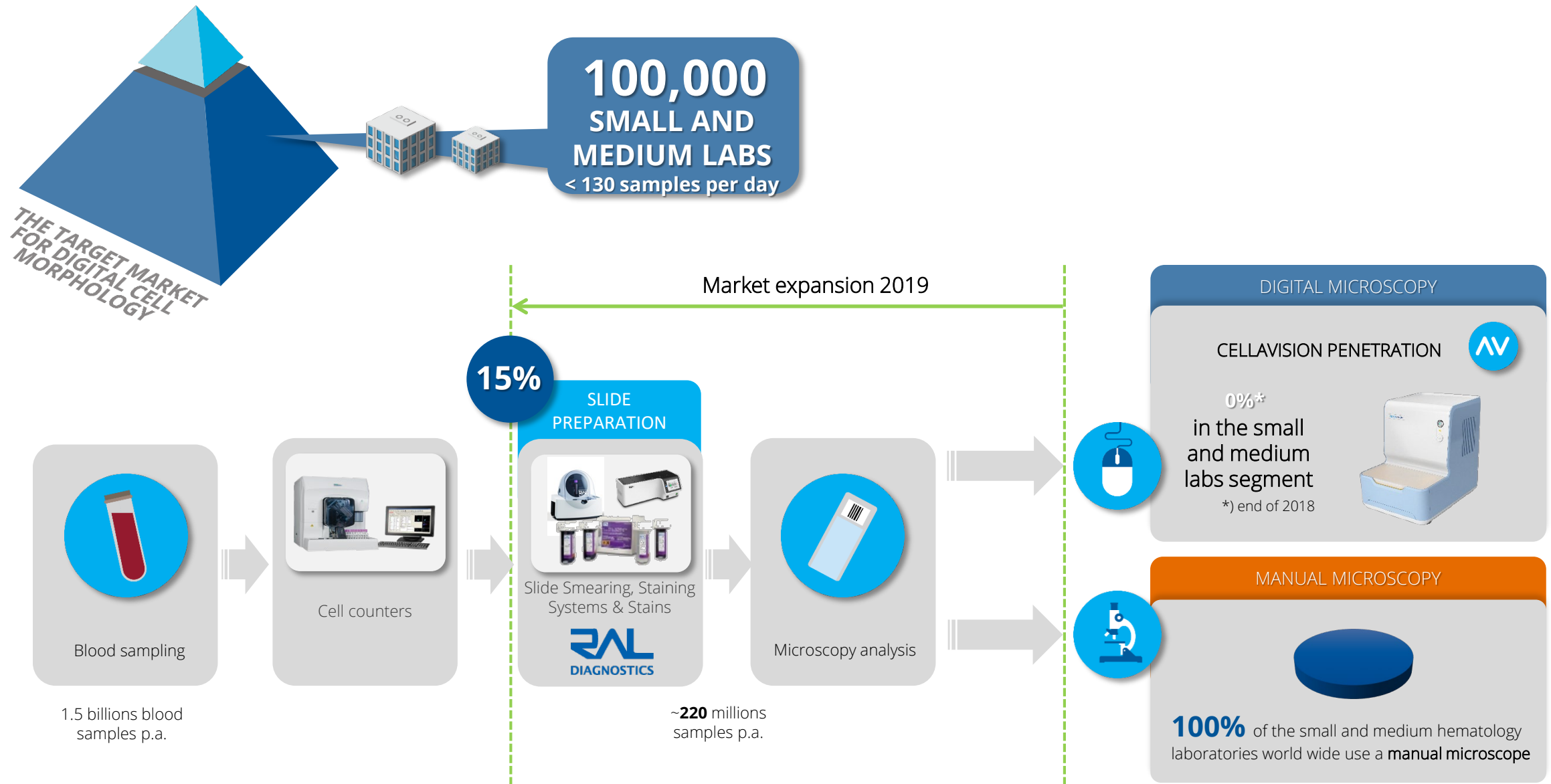


In other words: **Our vision is to replace traditional microscopes in laboratories.**

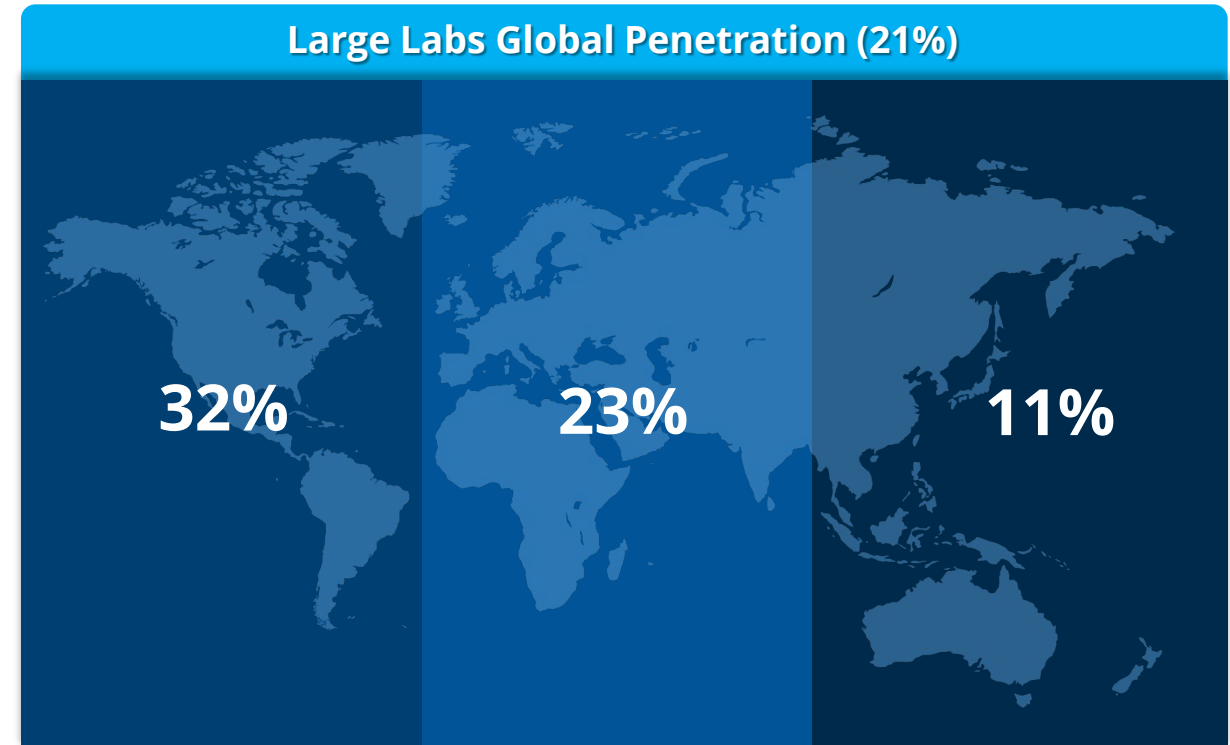
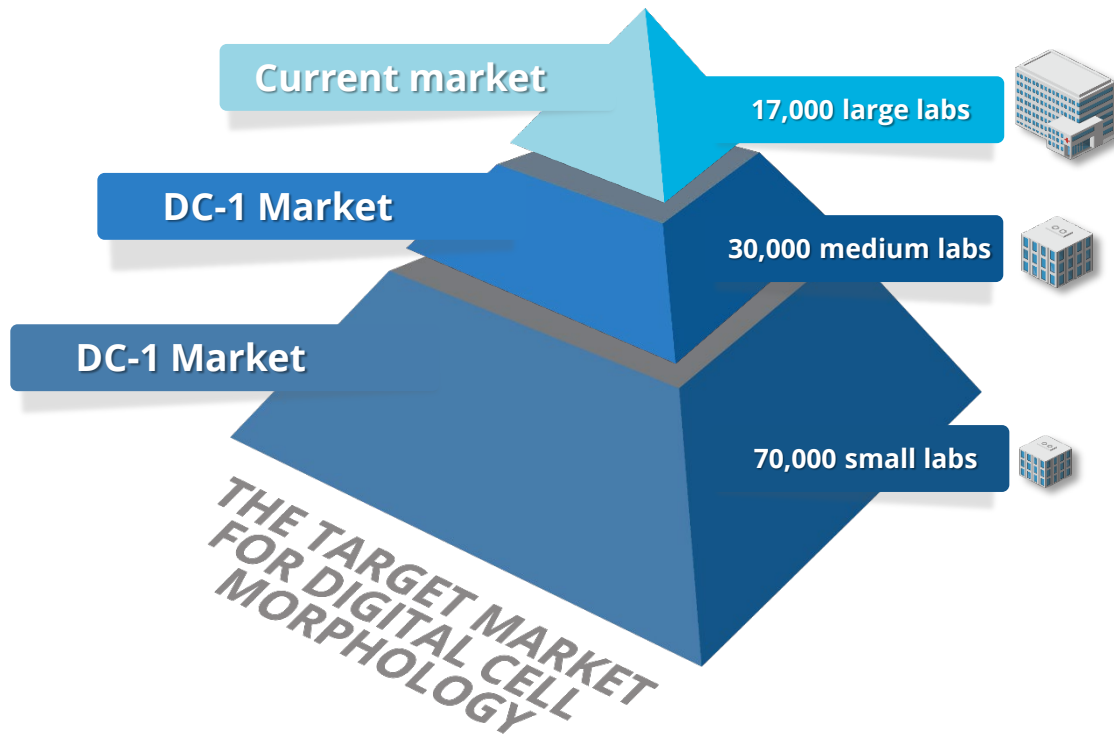
Large Labs: CellaVision Address a Significant Part of the Overall Hematology Workflow



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%)

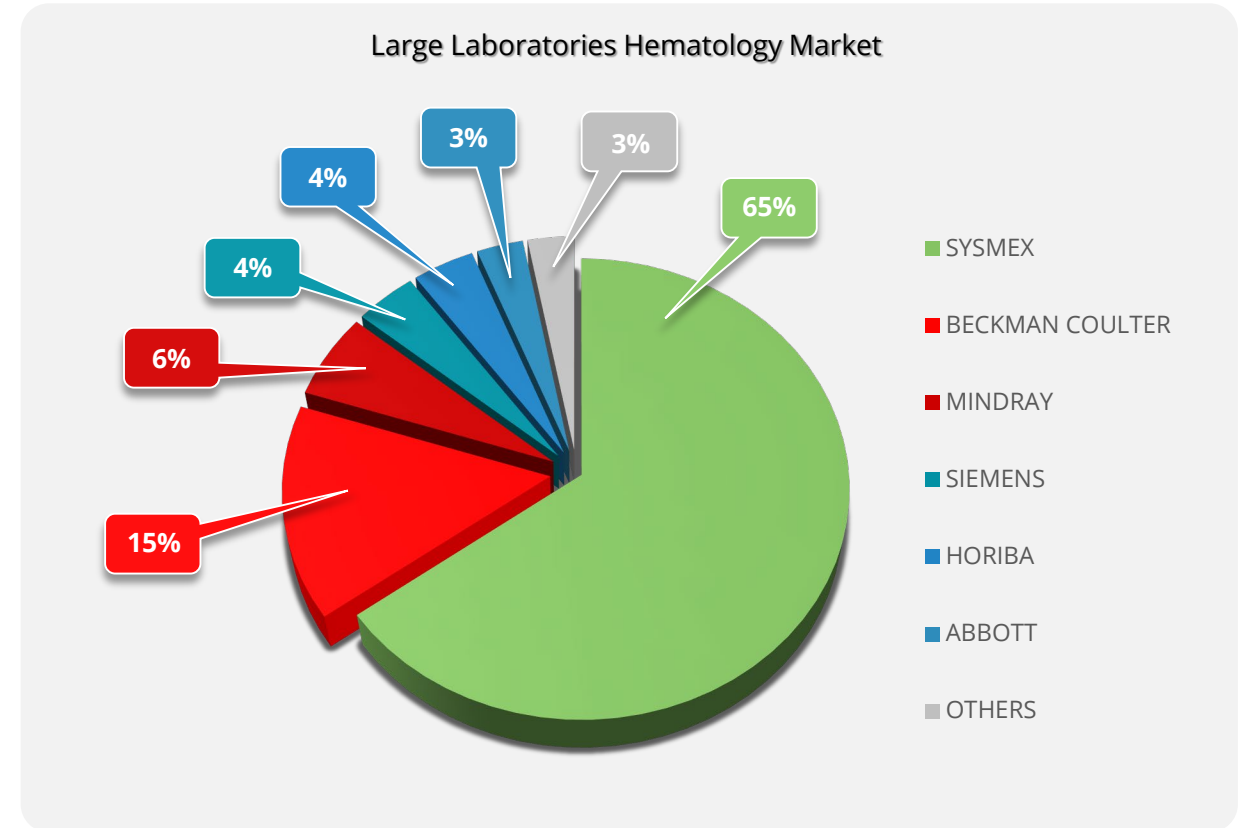
Commercial Operations in an Indirect Business Model, Targeting Existing Distribution Partners

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

Market support offices in 18 markets and presence in more than 30 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

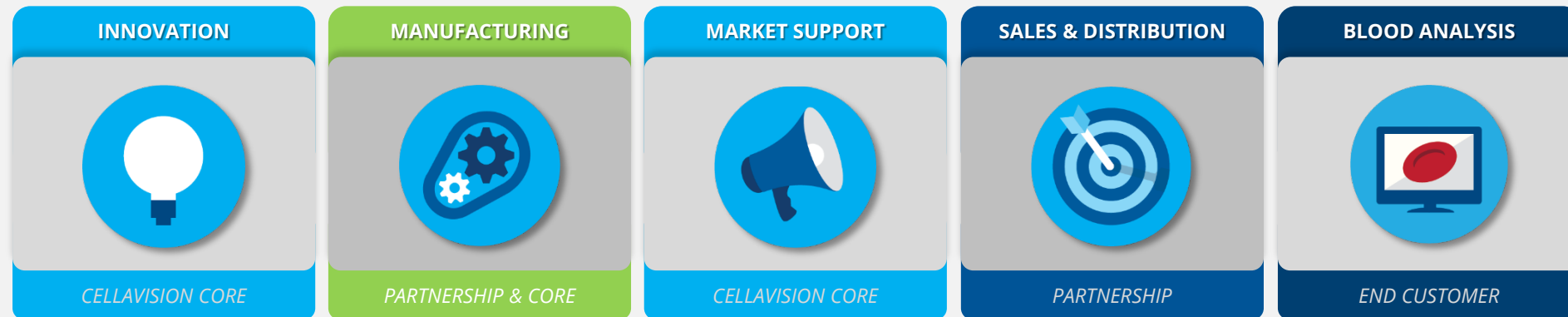
Equipment manufacturing is outsourced in Sweden while stains manufacturing is performed in-house in Bordeaux in France

HQ in Sweden (Lund); >190 employees world wide



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

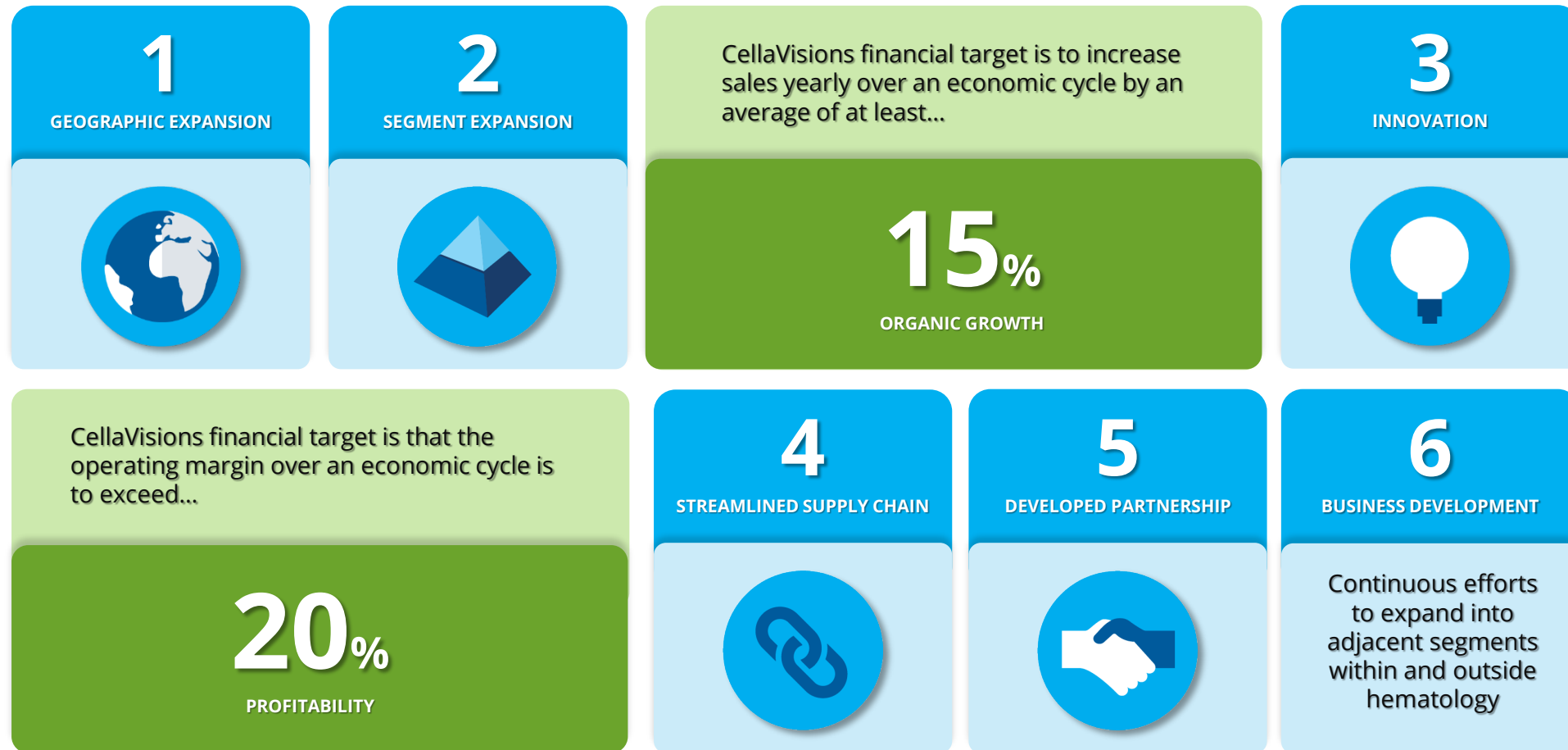
CellaVision's and RAL's partners cover 100% of large labs and >80% of small- and medium sized labs

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 Acquisition of RAL Diagnostics Update

Background – RAL Diagnostics (RAL)

Background

- History dates back to 1918 when it was founded by two collaborators of the historically famous Louis Pasteur and has operated in its current form since 1991
- Main focus is offering biologic stains for diagnostic use
- Located just outside Bordeaux in France
- 45 employees that are all based in Bordeaux

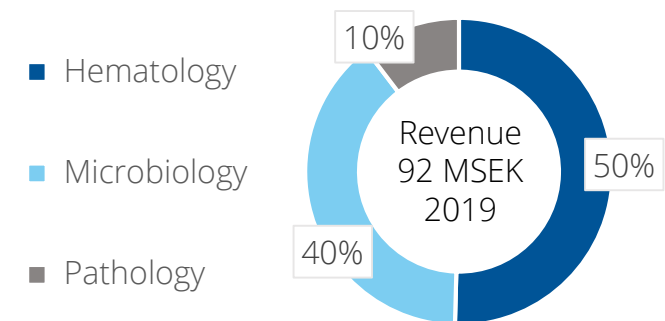
Market presence and commercial approach

- Offers sample preparation and slide staining solutions and staining instruments for microscopy analysis
- Has a unique position in the staining market by providing high quality stains guaranteed by a unique production process, all from synthesizing raw material to quality control.
- Present in Hematology, Microbiology, Pathology and Cytology segments
- Clear market leader in France, well positioned in EMEA and also selectively present in APAC and Americas

Business Model

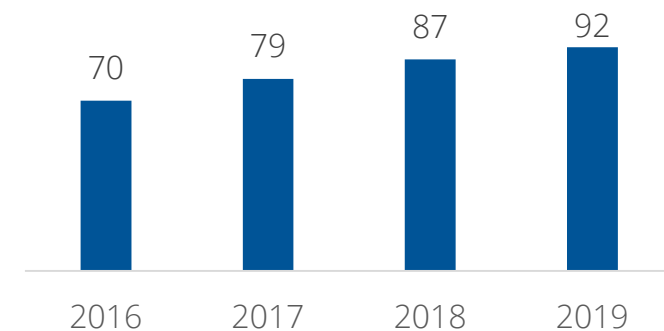
- Operates in an indirect business model with a partnership model
- Collaborates both with global distributors like Sysmex and Siemens as well as local and regional distribution partners
- In-house manufacturing in Bordeaux.

Market Segments



Revenue

(MSEK)



Strategic Fit: Combining CellaVision and RAL Diagnostics (RAL) Core Technologies will Together Enable Improved Diagnostics Outcome



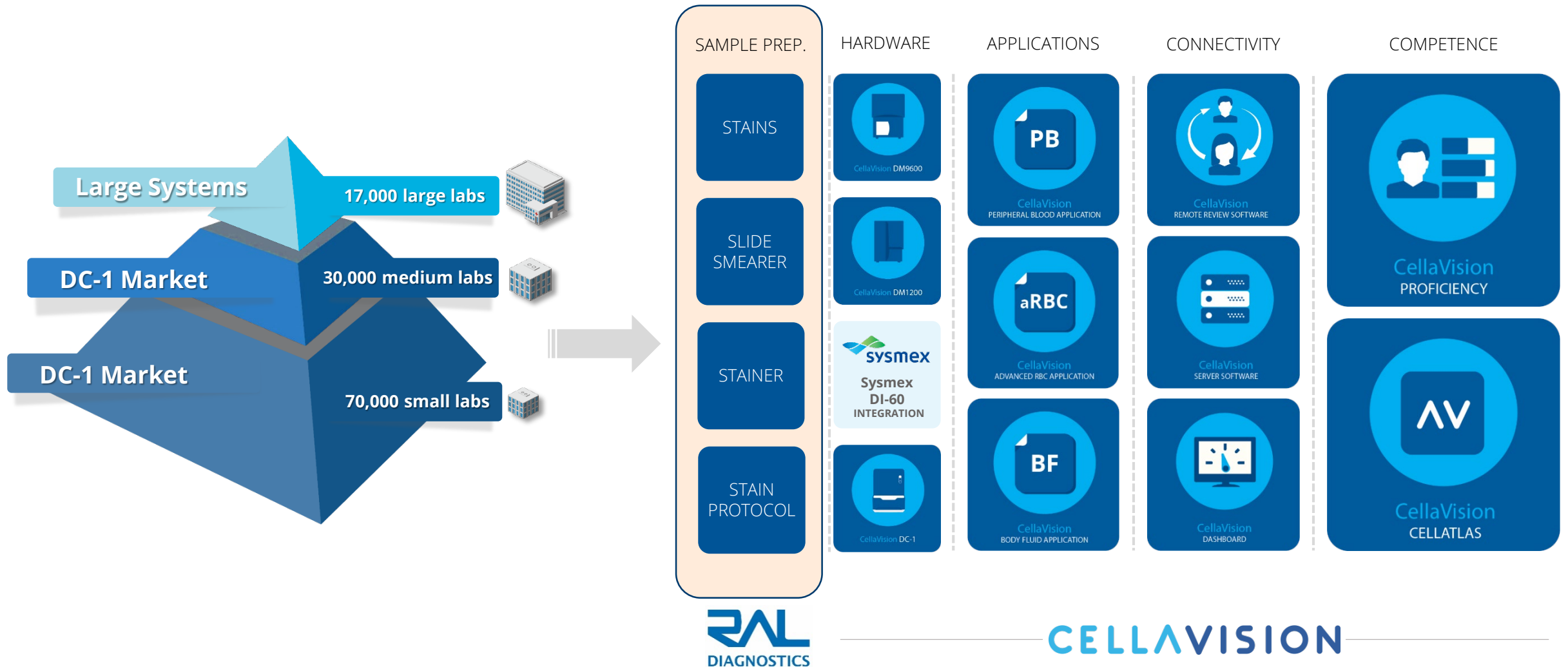
By combining CellaVision's and RAL's core technologies we will be able to improve quality within following critical areas for improved outcome:

Image quality – High quality slide preparation in combination with digital image capturing drives improved image quality

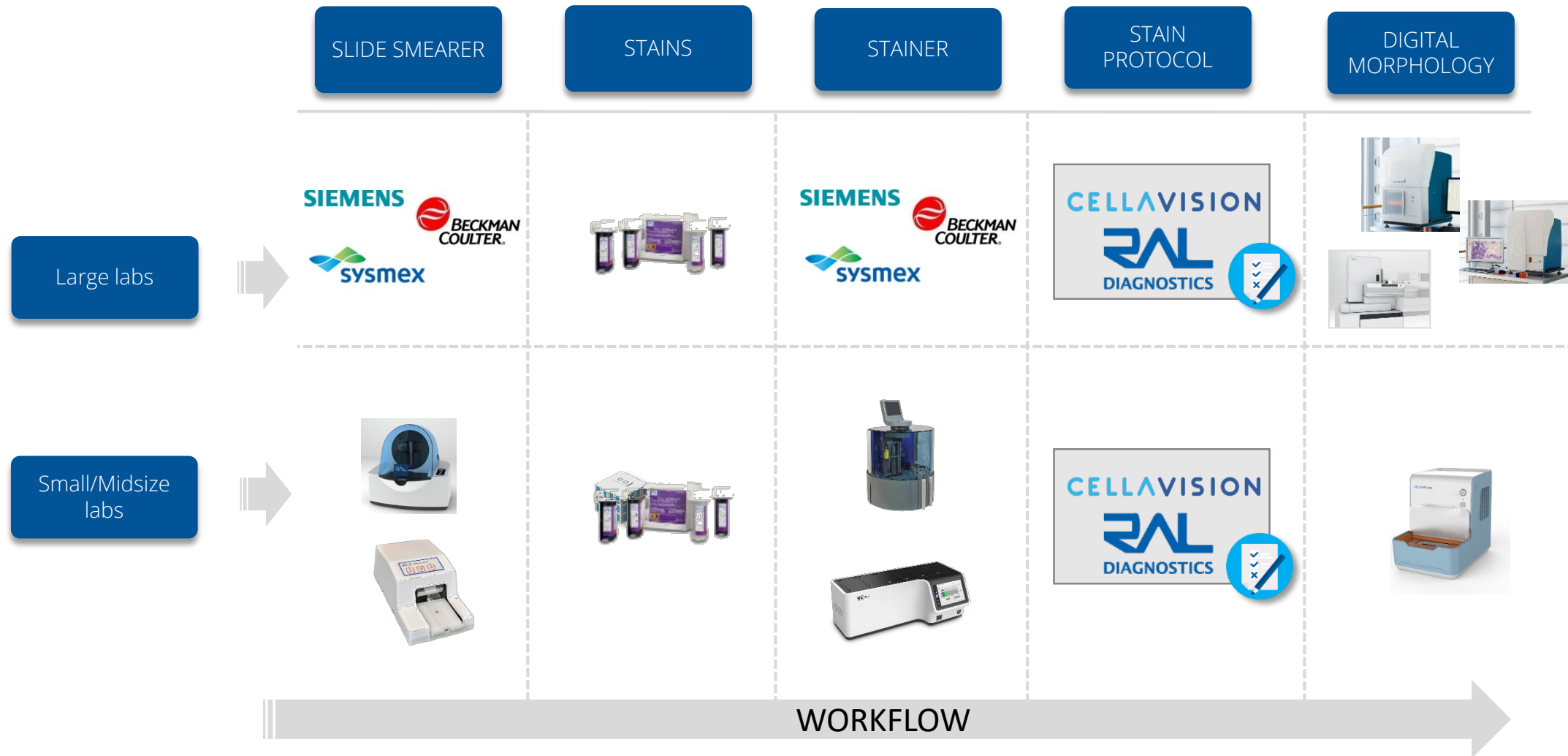
Cell Classification – A standardized staining protocol in combination with the deep learning algorithms drives improved quality of cell classification

Lab Workflow – Combining standardized staining protocols with high quality image capturing and deep learning algorithms improves and further automatizes the lab workflow

CellaVision and RAL Diagnostics Together have a Comprehensive Portfolio



Detailed Overview of Slide Preparation Portfolio and the Workflow

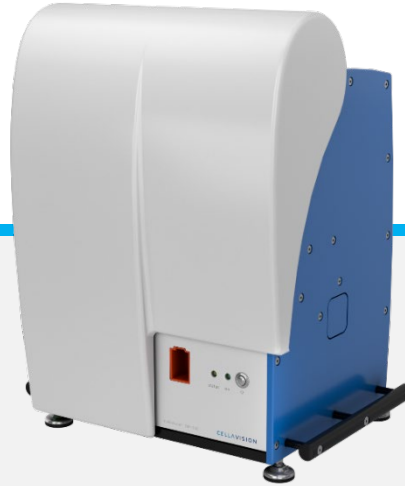


New Veterinary Offering

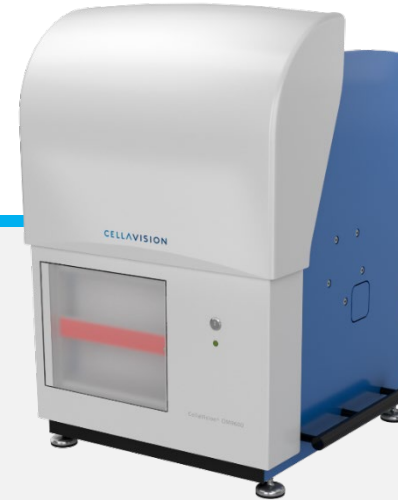
New CellaVision Veterinary Offering Cover all Type of Veterinary Labs



CellaVision® DC-1 Vet
Loading capacity: 1 slides
Throughput: 10 slides / hour



CellaVision® DM1200 Vet
Loading capacity: 12 slides
Throughput: 20 slides / hour



CellaVision® DM9600 Vet
Loading capacity: 96 slides
Throughput: 30 slides / hour



Sysmex® DI-60 Vet
Loading capacity: Continuous Feeding
Throughput: 30 slides / hour



2019 Financials

Fourth Quarter Highlights: Sales 149,8 MSEK & Organic Growth +7% (+5% Fx effect)

Americas (+14% growth in Q4 and +25% full year)

- Strong development with a continuous strong underlying customer demand both in USA and Canada and we now see an emerging replacement market. Digital microscopy can now be considered as the golden standard in USA and Canada
- Customer demand for Brazil has increased and it is clear that the company's local presence in the country makes a difference.
- DC-1 has been launched in Canada and in several South American markets. FDA 510k submission planned for first half of 2020 and 510k clearance expected during 2020

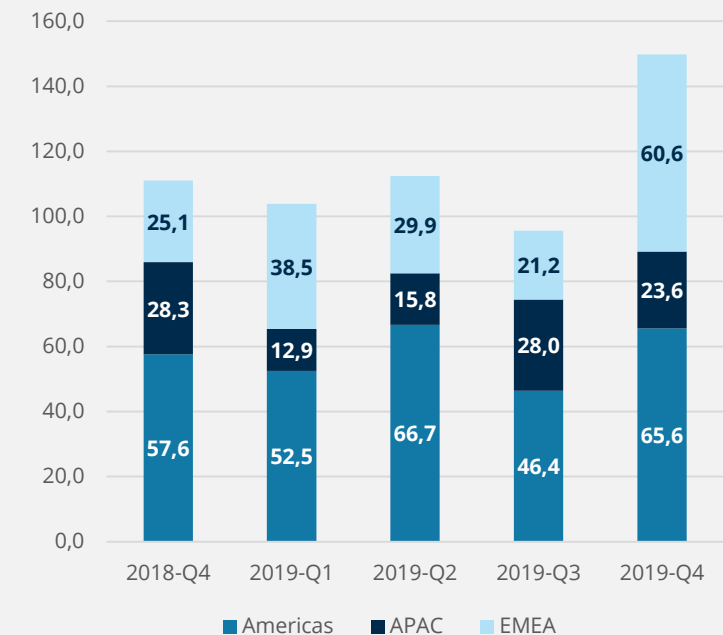
APAC (-16% growth in Q4 and +4% full year)

- Continuous increased penetration in China and Japan
- High activities in other APAC markets, but from low penetration levels

EMEA (+141% growth in Q4 and +47% full year)

- Continuous high level of market activities in the field with focus on slide preparation, large labs and small labs.
- Commercial integration of RAL Diagnostics has been initiated with initial focus in EMEA since RAL's historically is Europe based
- Installation of DC-1 units are now being ramped up in Europe
- Establishment of market support organization in Russia initiated

Sales per region



Fourth Quarter Highlights: Key Operational Items

Acquisition of RAL Diagnostics; closing took place October 1, 2019

Strategic rationales

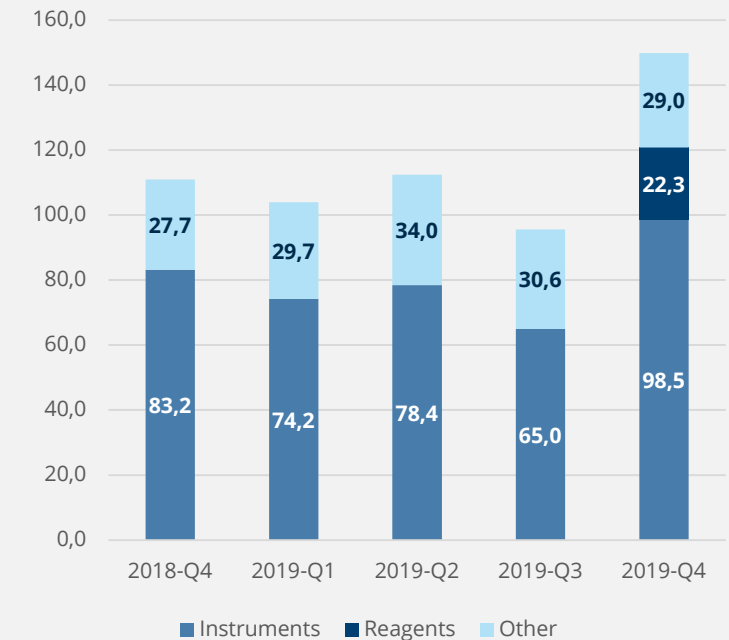
- **Extend current addressable hematology market segment**, by initially co-promote CellaVision and RAL offering and later develop validated protocols where CellaVision and RAL products are integrated in the same offering
- **Globalize offering and ensure local presence in all key markets**, by utilizing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

Integration activities have been initiated. Current focus is within the financial and commercial areas.

Other key events in Q4

- CellaVision® DC-1 production is now in the final stages of industrialization and can as of now meet customer expectations regarding order lead times
- Finalization of clinical studies that will be followed by FDA 510k (USA) and NMPA (China) submissions. Sales clearance in USA expected during 2020 and for China during 2021.
- The new and complete CellaVision veterinary portfolio is now ready for launch. Update of all current CellaVision veterinary systems; DM9600 VET and DM1200 VET, to the latest technology generation and launch of new DI-60 VET and DC-1 VET systems. All systems offer canine and feline applications. DC-1 VET also offers avian as application.

Sales per product group



Financial Development

(MSEK)	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Net sales	111,0	103,9	112,4	95,6	149,8
Growth	46%	34%	22%	13%	35%
Gross margin	73,9%	74,1%	77,5%	76,1%	66,6%
Operating expenses/sales	42%	41%	44%	53%	45%
EBITDA	37,3	38,3	41,3	25,6	41,5
EBITDA margin	33,6%	36,9%	36,7%	26,8%	27,7%

Key insights fourth quarter

- **Net sales** of 149,8 MSEK (111,0) +35%
- **Gross margin** 66,6% (73,9)
- **Operating expenses** under control. Capitalized R&D expenses low due to DC-1 project finalization.
- **EBITDA** 41,5 MSEK (37,3) and EBITDA margin 27,7% (33,6)



Further Comments on Finance 2019-Q4

Sales

- 7% organic growth; +5% FX effect and +23% structural effect from acquisition.

Expenses

- Expenses increase 47%. Adjusted for structural effect from acquisition the expenses increase 27%.
- Increase in expenses include one time expenses for acquisition and integration activities related RAL.
- Industrialization of DC-1 has temporarily increased production cost and cost for quality control.

Development projects

- Capitalized R&D 5,1 MSEK (4,4) +16%. The capitalized expenses are related to development of hardware platforms, software applications and also clinical trials to be used in registration process for DC-1 in the USA and China.

Cash flow

- Total cashflow -116,2 MSEK (4,3). Net cashflow from acquisition of RAL was -247,6 MSEK.

Dividend

- Proposed dividend 1,50 SEK

(MSEK)	Oct-Dec 2019	Oct-Dec 2018
Net sales	149,8	111,0
Cost of goods sold	-50,0	-29,0
Gross profit	99,9	82,0
Sales and marketing expenses	-31,3	-22,8
Administration expenses	-21,2	-11,4
R&D expenses	-15,6	-12,0
Total expenses	-68,0	-46,1
Operating profit	31,8	35,8
EBITDA	41,5	37,3

Financial Development

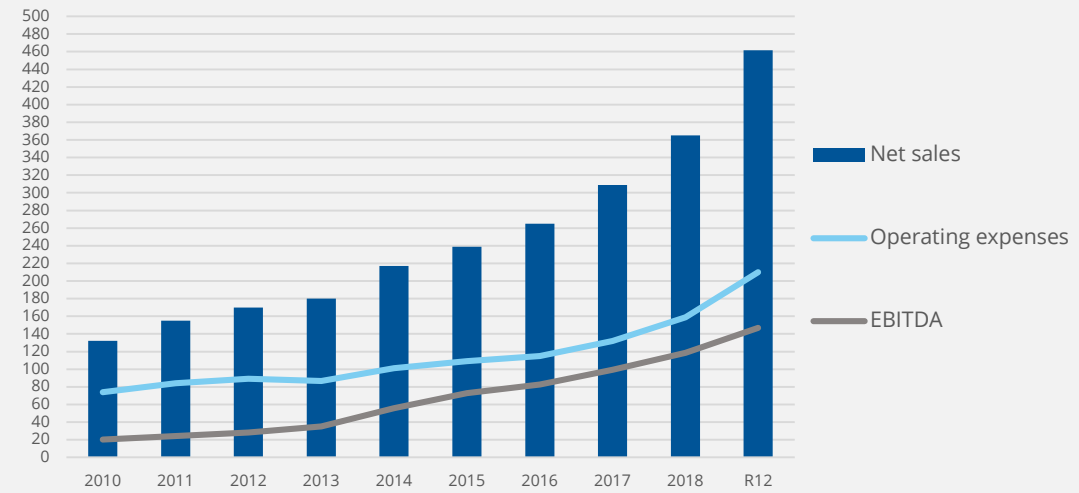
(MSEK)	2014	2015	2016	2017	2018	2019
Net sales	216,9	239,0	265,0	309,3	364,8	461,8
Growth	21%	10%	11%	17%	18%	27%
Gross margin	67%	73%	71%	72%	74%	73%
Operating expenses/sales	47%	46%	43%	43%	44%	46%
EBITDA	55,6	73,0	82,5	99,3	118,4	146,7
EBITDA-margin	25,6%	30,5%	31,1%	32,1%	32,4%	31,8%

Financial targets (over economic life cycle)

- 15% sales growth
- 20% operating margin

Share price: SEK 348,00*
Num. Shares: 23,85 million
Market Cap: 8,3 BSEK

* 2020-01-31





THANK YOU