



# OBSERVE MEDICAL

**Q4 2020**

CEO Björn Larsson / CFO Per Arne Nygård

Oslo, February 23, 2021

## Overview



Solid medtech platform for growth

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**Sippi®**

Automated and wireless connected  
digital urine meter for ICUs and wards

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## Overview



Solid medtech platform for growth

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**Sippi®**

Automated and wireless connected  
digital urine meter for ICUs and wards

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## The 2020 journey – key initiatives

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Solid financial basis:  
Rights issue of NOK  
45 million



Strengthened sales capabilities:  
Sylak acquisition  
in Q4 2020



Distributor  
agreement in Italy



New scientific  
evidence published



Sippi® market push:  
Accelerated clinical  
use in the Nordics



Established  
advisory board

## Overview



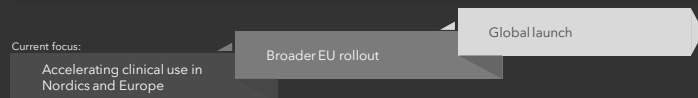
Solid medtech platform for growth

### Sippi®

Automated and wireless connected digital urine meter for ICUs and wards

Strong market opportunity – accelerated by Covid-19

Current market focus: Nordics and Europe



### Observe Medical Nordic Sales Operations

Highly competent sales team and medtech product portfolio enabling customer access for Sippi®

Urine measurement, anesthesia/ICU and wound care products

Strong sales growth and market opportunities in the Nordics

Enabled through acquisition of Sylak





**Hourly urine monitoring of patients** is one of the last remaining manual monitoring procedures in the ICU

**with significant clinical implications**



Risk of infections



Inaccurate patient data for clinical decisions



Time-consuming for staff and compromised ergonomics - reducing clinical capacity

SIPPI®

## Sippi® addresses the clinical challenges

Only **automated, digital urine meter** with **wireless** data transfer (Siplink®) to the hospital patient data management system and which **detects** (Sipsense®) and **hinders** (Sippcoat®) **bacterial biofilm formation** - that can lead to urinary infections.



Hindering risk factors for hospital acquired infections



Improved quality of patient data for clinical decisions



Reduced time spent by staff and improved ease of use - enhancing clinical capacity



## Recent doctoral dissertation further demonstrates clinical benefits of Sippi®

"The AU was non-inferior to the MU regarding precision, and significantly better than the MU in terms of bias, temporal deviation and staff opinion."

"...the higher measurement resolution that may be obtained with the AU should benefit early detection of an upcoming AKI."

"...staff consistently appraised the AU significantly higher than the MU in terms of user-friendliness, reliability, safety and efficacy"

"Likewise, using the AU in normal wards may allow hourly UO measurements in all patients with a urinary catheter, and not restrict measurements to infrequent daily episodes"

"Silicone oil, irrespective of viscosity, significantly decreased biofilm formation by common uropathogenic bacteria, including ESBL producing and multi-drug resistant strains, as well as *C. albicans*"

"The AU may also potentially decrease the risk of retrograde urinary tract contamination, ..."

Dr. Martin Slettengren

From DEPARTMENT OF MOLECULAR MEDICINE AND  
SURGERY  
Karolinska Institutet, Stockholm, Sweden

**EVALUATION OF AN AUTOMATIC URINOMETER  
INCLUDING USE OF SILICONE OIL TO DECREASE  
BIOFILM FORMATION DUE TO PROTEINURIA,  
HEMOGLOBINURIA AND BACTERIAL GROWTH**

Martin Slettengren



**Karolinska  
Institutet**

Stockholm 2021



SIPPI®

## Significant market opportunity for Sippi® remains

CURRENT MARKET POTENTIAL		ICU CAPABILITIES VOLUME GROWTH	MARKET VALUE GROWTH
Sippi® market opportunity			
~0.5M	+30M	+20-30%	+100%
Sippi® base units	Sippi® disposable units/bags per year	Market volume	

## Stepwise go-to-market plan execution

Current focus:

**Accelerating clinical use**  
- in Nordics and selected European markets

**Broader EU launch**

**Global launch**

sippi®

## Good progress in accelerating clinical use - new hospitals and clinics added in Q4 2020 and Q1 2021

**~20 Sippi®**  
systems delivered to  
clinical sites since  
November 3, 2020

### NORDICS

#### **Nya Karolinska hospital, Sweden Cardiothoracic ICU unit**

- Resumed clinical implementation Q1 2021 after pause during 2020 due to Covid-19

### EUROPE

#### **Distributor Sim Italia s.r.l.**

- ICU unit at major hospital in Northern Italy implemented Sippi in clinical use Q1 2021

### ENABLER FOR CONTINUED ACCELERATION:

#### **Strengthened access to Sippi® target customers**

- Establishment of Observe Medical Nordic sales operations through acquisition of Sylak
- Further enhanced Nordic sales team
- New collaborations in Norway
- Distributor SIM Italia gaining momentum
- Distribution in new geographies to come

**Promising and progressing pipeline of customer leads - additional clinical implementations expected near term**

## Sippi® market access through strong sales teams and synergistic product portfolio - both with Nordics direct sales and with distributors

Strengthened access to  
Sippi® target customers

### Direct sales Nordics

Established Nordic sales operations with team and portfolio relevant to Sippi® target customers

### Distributors Europe

Same profile screened as for Observe Medical Nordic sales operations



## Observe Medical - Nordic Sales Operations



Urine measurement  
including Sippi®

Wound  
care

Anaesthesia  
/ ICU

# FINANCIAL REVIEW

CFO Per Arne Nygård

## Financial review comments



### Acquisition of Sylak AB

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Included in Observe Medical Group financial statement from 1 November 2020

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Transaction cost of MNOK 1.2 expensed in Q4 as other operating expenses

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### Contingent consideration / Earn-out agreement

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Increased liability due to:

- Increased long-term revenue forecast compared to year end 2019
  - Change in discount rate
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### Product groups

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Urine measurement

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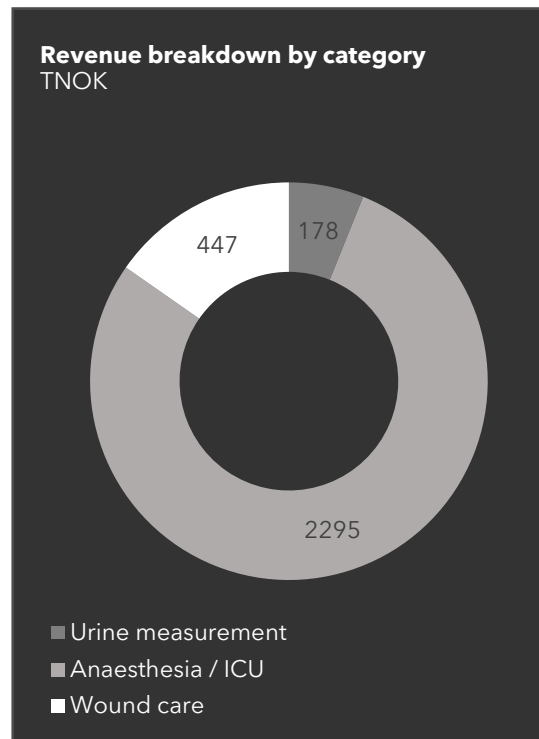
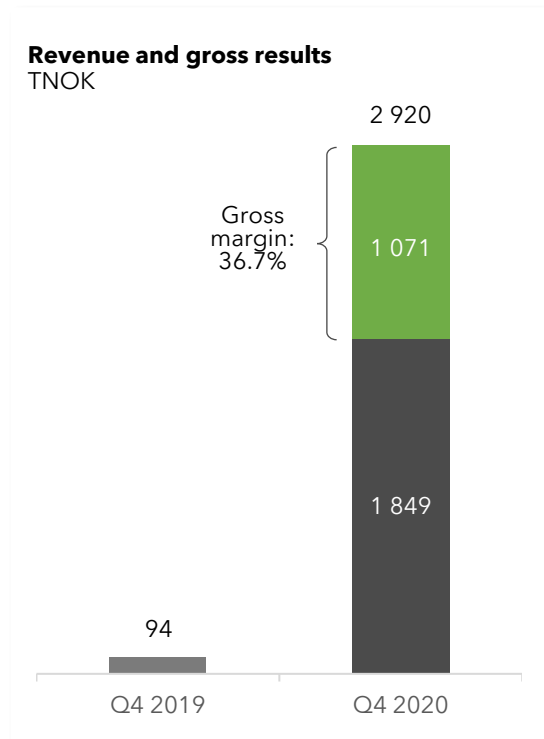
Anesthesia / ICU

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Wound care

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## Revenue and gross results Q4 2020



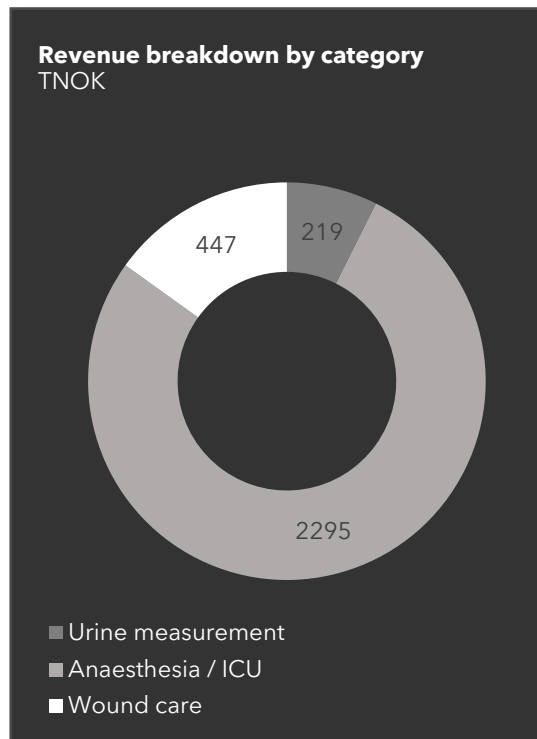
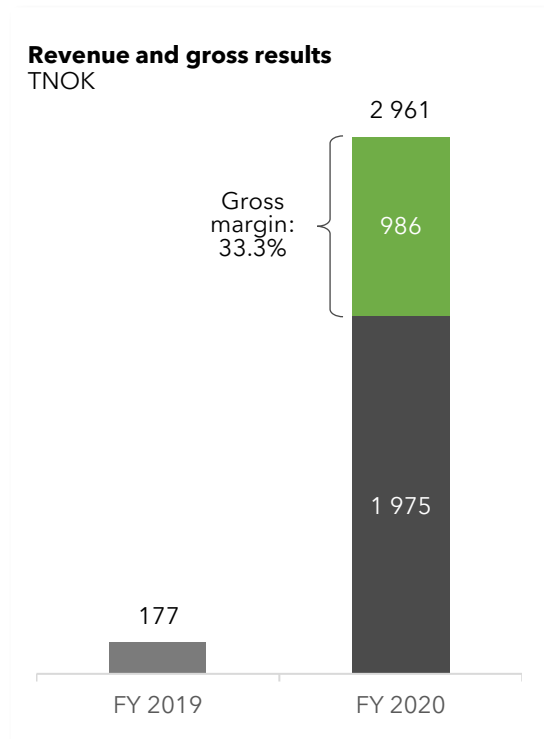
### Revenues Q4 2020

- Total revenues at TNOK 2 920
- Revenues at TNOK 2 880 in November and December from new acquired product portfolio
- Strong sales growth in new acquired product portfolio in November and December

### Gross result Q4 2020

- Gross result at TNOK 1 071 in the quarter
- Gross margin at 36.7%

## Revenue and gross results FY 2020



### Revenues FY 2020

- Total revenues at TNOK 2 961

### Gross result FY 2020

- Gross result at TNOK 986 in 2020
- Gross margin at 33.3%

## Key figures Profit and loss statement

<i>Amounts in NOK thousand (excl. earnings per share)</i>	<b>Q4 2020</b>	<b>Q4 2019</b>	<b>FY 2020</b>	<b>FY 2019</b>
<b>Gross result</b>	<b>1 071</b>	<b>70</b>	<b>986</b>	<b>-460</b>
Operating expenses	10 569	3 631	25 910	11 041
<b>EBITDA</b>	<b>-9 498</b>	<b>-3 561</b>	<b>-24 923</b>	<b>-11 501</b>
Depreciation and amortisation	779	1 083	3 163	4 285
<b>EBIT</b>	<b>-10 277</b>	<b>-4 644</b>	<b>-28 087</b>	<b>-15 787</b>
Net finance	-10 169	121	-8 782	-1 131
<b>Result</b>	<b>-20 446</b>	<b>-4 524</b>	<b>-36 868</b>	<b>-16 917</b>
<b>Earnings per share (NOK per share)</b>	<b>-1,04</b>	<b>-0,32</b>	<b>-2,22</b>	<b>-1,36</b>

### Operating expenses Q4 2020

- Increased headcount mainly due to acquisition of Sylak
- Increased consultancy expenses due to increased market activities
- Sylak included from 1 November 2020
- Transaction expenses related to Sylak acquisition at TNOK 1 212

### Net finance Q4 2020

- Increased finance expenses related to increased contingent consideration liabilities
- Increased interest expenses due to increased interest-bearing debt compared to same period last year.

## Key figures - Statement of Financial Position

(Amounts in TNOK)

	At 31 December 2020	At 31 December 2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	36 268	30 333
Intangible assets and tangible assets	21 668	21 336
<b>Total non-current assets</b>	<b>57 936</b>	<b>51 670</b>
<b>Current assets</b>		
Receivables and inventories	10 851	3 178
Bank deposits	18 945	485
<b>Total current assets</b>	<b>29 797</b>	<b>3 663</b>
<b>Total assets</b>	<b>87 733</b>	<b>55 333</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b>	<b>20 349</b>	<b>14 542</b>
<b>Non-current liabilities</b>		
Contingent consideration	22 368	12 398
Non-current interest bearing liabilities	35 081	25 491
<b>Total non-current liabilities</b>	<b>57 449</b>	<b>37 889</b>
<b>Current liabilities</b>	<b>9 935</b>	<b>2 902</b>
<b>Total liabilities</b>	<b>67 384</b>	<b>40 791</b>
<b>Total equity and liabilities</b>	<b>87 733</b>	<b>55 333</b>

### Assets

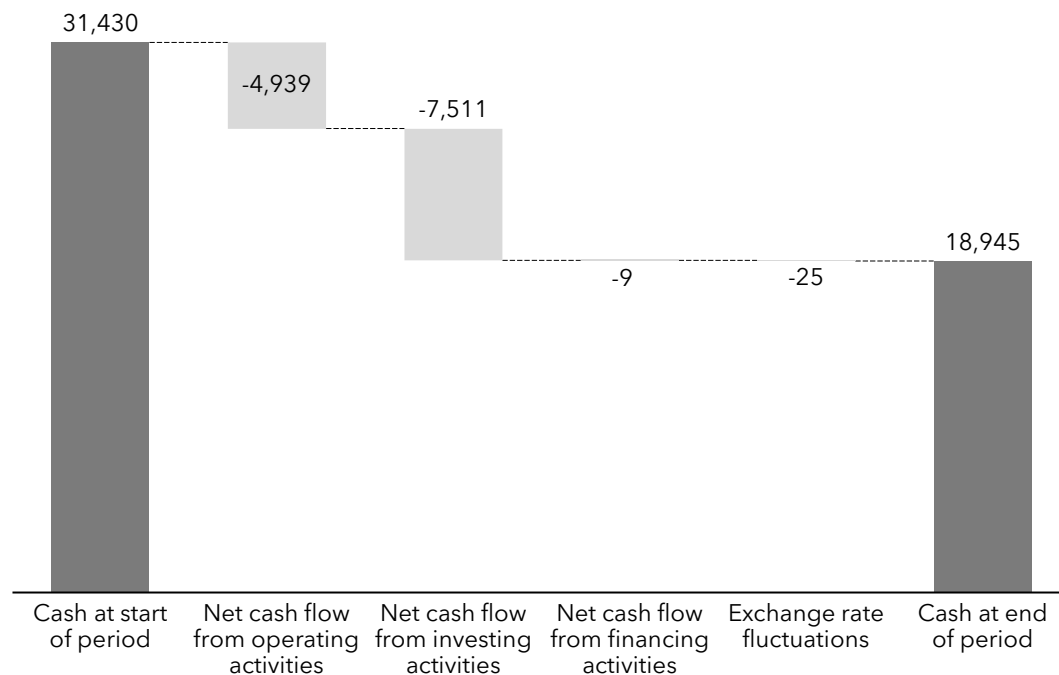
- Increased Goodwill due to acquisition of Sylak AB and currency
- Increased inventories and receivables mainly related to consolidation of Sylak AB from 1 November 2020
- Bank deposits increased due to rights issue completed in third quarter

### Equity and liabilities

- Increased equity due to rights issue in third quarter which more than offset the result in 2020
- Increased Contingent Consideration liability due to adjusted sales forecast Sippi and change in discount rate
- Increased non-current liabilities due to increased interest-bearing debt and lease liability

## Key Figures

### Cash Flow Statement fourth quarter 2020



- Negative cash flow from operations due to the result in the period
- Cash flow used in investing activities is mainly due to net cash effect of the Sylak acquisition at TNOK 6,838 and investment in tangible assets and Sippi.
- Group cash balance at TNOK 18,945 as of 31 December 2020

# **SUMMARY** AND OUTLOOK

CEO Björn Larsson

## Summary & Outlook

### Summary

Continued rollout of Sippi® systems in clinical use

Sippi® in clinical use in ICU unit at major hospital in Northern Italy

Karolinska Nya Sjukhuset resuming clinical implementation at ICU

Observe Medical Nordic sales operations fully up and running and with strong sales, following acquisition of Sylak AB

Further strengthened commercial sales operations team

Strengthened Sippi® scientific validation with Martin Slettengren PhD thesis

### Outlook

Continued focus on the Nordics and Europe

Continuous roll-out of Sippi® systems for clinical use

Strengthening the distributor network

Q&A

Thank **you!**



## Finance calendar



# Appendix



## Experienced management team and board

### Management team



**Björn Larsson**  
Chief executive officer



**Per Arne Nygård**  
Chief financial officer



**Mikael Löfgren**  
CTO/COO



**Anders Nachtweij**  
Sales Director

### Board of directors



**Terje Bakken**  
Chairman of the board



**Kristin Nyberg**  
Board member



**Kathrine Gamborg Andreassen**  
Board member



**Thomas Grünfeld**  
Board member

## Condensed Consolidated Statement of Comprehensive Income

<i>(Amounts in NOK)</i>	<b>Q4 2020</b>	<b>Q4 2019</b>	<b>FY 2020</b>	<b>FY 2019</b>
Operating revenues	2 920 001	94 389	2 961 334	176 650
Cost of materials	1 848 654	24 431	1 975 121	636 781
<b>Gross result</b>	<b>1 071 348</b>	<b>69 958</b>	<b>986 212</b>	<b>-460 131</b>
Employee benefit expenses	3 037 075	1 781 127	10 891 324	5 299 190
Other operating expenses	7 531 949	1 850 140	15 018 206	5 742 122
<b>Operating expenses</b>	<b>10 569 024</b>	<b>3 631 266</b>	<b>25 909 530</b>	<b>11 041 311</b>
<b>Operating result before depreciation and amortisation (EBITDA)</b>	<b>-9 497 676</b>	<b>-3 561 309</b>	<b>-24 923 317</b>	<b>-11 501 443</b>
Depreciation and amortisation	779 059	1 083 182	3 163 304	4 285 200
<b>Operating result (EBIT)</b>	<b>-10 276 735</b>	<b>-4 644 490</b>	<b>-28 086 622</b>	<b>-15 786 642</b>
<b>Financial income and expenses</b>				
Financial income	956 910	966 007	3 852 756	365 329
Financial expenses	11 125 906	845 129	12 634 604	1 495 987
<b>Net financial items</b>	<b>-10 168 996</b>	<b>120 878</b>	<b>-8 781 848</b>	<b>-1 130 658</b>
<b>Result before tax</b>	<b>-20 445 731</b>	<b>-4 523 613</b>	<b>-36 868 470</b>	<b>-16 917 301</b>
Income tax expense				
<b>Result for the period</b>	<b>-20 445 731</b>	<b>-4 523 613</b>	<b>-36 868 470</b>	<b>-16 917 301</b>
<b>Other comprehensive income that may be reclassified subsequently to profit or loss</b>				
Currency translations differences	446 220	862 450	1 131 206	-1 363 229
<b>Total comprehensive income/loss for the period</b>	<b>-19 999 511</b>	<b>-3 661 163</b>	<b>-35 737 264</b>	<b>-18 280 530</b>

(UNAUDITED FOR THE PERIOD ENDED 31 DECEMBER 2020)

## Condensed Consolidated Statement of Financial Position

<i>(Amounts in NOK)</i>	<b>At 31 December 2020</b>	<b>At 31 December 2019</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	36 268 318	30 333 459
Intangible assets	20 965 076	20 997 241
Tangible assets	702 757	339 069
<b>Total non-current assets</b>	<b>57 936 151</b>	<b>51 669 769</b>
<b>Current assets</b>		
Trade receivables	1 460 179	65 625
Inventories	7 661 072	2 503 530
Other receivables and prepaid expenses	1 729 950	608 776
Bank deposits	18 945 476	485 207
<b>Total current assets</b>	<b>29 796 676</b>	<b>3 663 138</b>
<b>Total assets</b>	<b>87 732 826</b>	<b>55 332 907</b>

(UNAUDITED FOR THE PERIOD ENDED 31 DECEMBER 2020)

## Condensed Consolidated Statement of Financial Positions

<i>(Amounts in NOK)</i>	<b>At 31 December 2020</b>	<b>At 31 December 2019</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b>	<b>20 349 125</b>	<b>14 541 734</b>
<b>Non-current liabilities</b>		
Non-current lease liabilities	260 356	77 945
Contingent consideration	22 367 995	12 398 226
Non-current interest bearing liabilities	34 820 640	25 413 198
<b>Total non-current liabilities</b>	<b>57 448 990</b>	<b>37 889 369</b>
<b>Current liabilities</b>		
Trade payables	3 842 906	1 338 188
VAT and other public taxes and duties payables	2 348 302	499 466
Current lease liabilities	135 912	200 622
Other current liabilities	3 607 590	863 528
<b>Total current liabilities</b>	<b>9 934 710</b>	<b>2 901 804</b>
<b>Total liabilities</b>	<b>67 383 701</b>	<b>40 791 173</b>
<b>Total equity and liabilities</b>	<b>87 732 826</b>	<b>55 332 907</b>

(UNAUDITED FOR THE PERIOD ENDED 31 DECEMBER 2020)

## Cash Flow Statement

<i>(Amounts in NOK)</i>	<b>Q4 2020</b>	<b>Q4 2019</b>	<b>FY 2020</b>	<b>FY 2019</b>
<b>Cash flow from operating activities</b>				
Result before tax	-20 445 731	-4 523 613	-36 868 470	-16 917 301
Depreciation and impairment	779 059	1 083 182	3 163 304	4 285 200
Change in net finance, no cash effect	10 239 116	-1 030 310	8 683 650	221 226
Change in inventories	377 457	-110 417	-1 844 015	-172 980
Change in trade receivables and other receivables	-949 633	-214 098	-829 286	404 930
Change trade account payables and other current liabilities	5 060 839	73 262	6 053 473	-2 300 546
Changes in other current items	0	507 400	0	507 400
<b>Net cash flow from operating activities</b>	<b>-4 938 893</b>	<b>-4 214 594</b>	<b>-21 641 344</b>	<b>-13 972 072</b>
<b>Cash flow used in investing activities</b>				
Net cash effect of business combination	-6 838 103	0	-6 838 103	0
Purchase / disposal of tangible and intangible assets	-673 014	-1 208 507	-1 238 513	-2 140 695
<b>Net cash flow used in investing activities</b>	<b>-7 511 117</b>	<b>-1 208 507</b>	<b>-8 076 616</b>	<b>-2 140 695</b>
<b>Cash flow from financing activities</b>				
Change in net interest -bearing debt	0	5 907 103	6 901 271	16 380 771
Net proceeds from share issue	0	1 000 000	41 392 194	1 000 000
Repayment share capital	0	-1 000 000	0	-1 000 000
Payments of lease liabilities	-9 143	-53 866	-124 232	-194 066
<b>Net cash flow from financing activities</b>	<b>-9 143</b>	<b>5 853 237</b>	<b>48 169 232</b>	<b>16 186 705</b>
<b>Exchange rate fluctuations</b>	<b>-25 139</b>	<b>-214 543</b>	<b>8 998</b>	<b>-209 876</b>
Change in cash	-12 484 293	215 593	18 460 269	-135 938
Bank deposits start of period	31 429 769	269 614	485 207	621 144
<b>Bank deposits end of period</b>	<b>18 945 476</b>	<b>485 207</b>	<b>18 945 475</b>	<b>485 207</b>

## Top 20 Shareholders

Rank	Name	Number of shares	% of top 20	% of total	Country
1	NAVAMEDIC ASA	4 222 727	25,40 %	21,54 %	Norway
2	INGERØ REITEN INV. COMPANY AS	3 939 394	23,69 %	20,09 %	Norway
3	RO, LARS	1 500 000	9,02 %	7,65 %	Norway
4	UBS Switzerland AG	1 417 522	8,53 %	7,23 %	Switzerland
5	ARTAL AS	990 407	5,96 %	5,05 %	Norway
6	ALPINE CAPITAL AS	650 000	3,91 %	3,32 %	Norway
7	SOLEGLAD INVEST AS	586 668	3,53 %	2,99 %	Norway
8	NORDA ASA	516 570	3,11 %	2,63 %	Norway
9	TRANBERGKOLLEN INVEST AS	500 000	3,01 %	2,55 %	Norway
10	LEIKERANE AS	400 179	2,41 %	2,04 %	Norway
11	LAPAS AS	348 326	2,10 %	1,78 %	Norway
12	MP PENSJON PK	262 025	1,58 %	1,34 %	Norway
13	GINNY INVEST AS	230 030	1,38 %	1,17 %	Norway
14	KRAEBER Verwaltung GMBH	214 850	1,29 %	1,10 %	Germany
15	PHILIP HOLDING AS	210 000	1,26 %	1,07 %	Norway
16	CAM AS	151 000	0,91 %	0,77 %	Norway
17	BJØRNTVEDT, EIVIND	130 000	0,78 %	0,66 %	Norway
18	NORDNET BANK AB	126 369	0,76 %	0,64 %	Sweden
19	ABC INVEST AS	120 000	0,72 %	0,61 %	Norway
20	BUKKEVIK INVESTERING AS	110 160	0,66 %	0,56 %	Norway
<b>Total number owned by top 20</b>		<b>16 626 227</b>	<b>100,00 %</b>	<b>84,80 %</b>	
<b>Total number of shares</b>		<b>19 605 457</b>			

## Definitions of Alternative Performance Measures (APM)

**The APMs are regularly reviewed by management and their aim is to enhance stakeholders' understanding of the company's performance. APMs presented may be determined or calculated differently by other companies.**

**Gross result:** Operating revenues less direct cost of materials as cost price, transportation and warehouse cost of materials for sale. Gross result is a sub-total in the condensed consolidated statement of income.

**EBIT:** Earnings before net financial items, results from associates and joint ventures and income tax. EBIT is a sub-total in the condensed consolidated statement of income.

**EBITDA:** Earnings before interest, tax, depreciation and amortization. EBITDA is a sub-total in the condensed consolidated statement of comprehensive income.

**Operating expenses:** Employee benefit expenses plus other operating expenses.

**Earnings per share:** Result after tax divided at average number of outstanding shares over the period

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