



# OBSERVE MEDICAL

Business update | Financial report Q1 2022

3 June 2022

# Presenting team



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**Rune Nystad**  
Chief Executive Officer  
Observe Medical

20+ years of experience from global medtech and industrial technology from the Nordics, US, Germany, Ireland and Hong Kong, including Boston Scientific



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**Per Arne Nygård**  
Chief Financial Officer  
Observe Medical

20+ years of experience from finance and accounting in various sectors with leadership roles in several publicly listed corporates

# Nordic medtech company with global reach



Commercializing proprietary innovative medtech products on a global market  
International distributor and partner network and Nordic direct sales operations  
Solid platform for further organic growth and through targeted M&A



Patient welfare



Health economics



Data accuracy

# Progress and Q1 highlights

## Operational status

- Preparing and strengthening the platform for growth
- Streamlining organization and other operational synergies following acquisition of Biim Ultrasound
  - Administration
  - Technical
  - Manufacturing
  - Regulatory
  - Commercial
- Continuing roll-out of Biim in the US together with Fresenius Kidney Care
- Preparing Sippi® for scale-up
- Increase of activities for Nordics

## Q1 financial highlights

- Revenues NOK 7.7 million
- Gross margin 43.7%
- Biim Ultrasound included as of 1 March 2022
- NOK 180 million rights issue completed

## Status: Biim

- Continuing Biim roll-out with Fresenius Kidney Care educational centres throughout the USA
- Strong engagement with Fresenius c-level team to ensure success
- Need drives distribution to clinics in Costa Rica and Hawaii
- Training of key personnel across clinics
- Production of educational videos in process to further drive adoption



*Ultrasound made-simple. An intuitive and low complexity device.  
Tailor-made concept for nurses and other clinical staff*

## Status: Sippi®

- Alignment of commercial strategies, country specific
- Prepared a regulatory pathway in the US
- Successful medical device regulation (MDR) process in Europe
- Production partner closes down manufacturing in Belarus
- Working with potential manufacturing partners for stable supply
- Preparation for scale-up

*Sippi® solves one of the last manual monitoring procedures in the ICU*



# Status: Nordic sales and distribution

- Covid situation improves for hospitals visits
- New contract secured for anaesthesia tubes in Uppsala, Mora, Ørebro
- New contract secured for medical honey (anti-bacterial agent) in Uppsala, Mora, Ørebro. This ensures national coverage in Sweden
- Sales of punches and currents (*hudstansar* og *ringcurretter*) increased from SEK 0.5 million to SEK 1.2 million

## Medtech portfolio of devices and disposables

Sales performance



**NOK 3.6 mill**

Q1 2022

**+14%**

compared to  
Q1 2021

Urine measurement



Anesthesia / ICU

Wound management



# **Q1 2022 financials**



# Financial Highlights

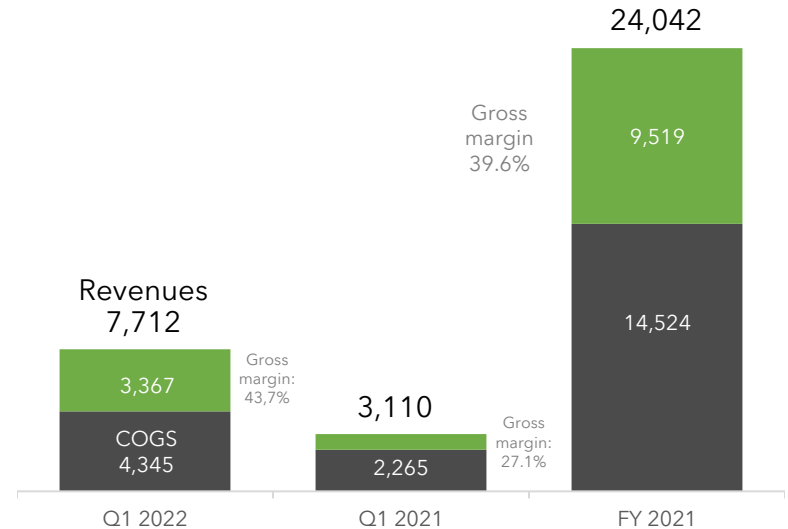
## Sales performance in the first quarter

- Revenue growth +148% Y-O-Y\*, driven by strong sales for the Nordic distribution portfolio in Q1 and for the Biim ultrasound probe in March 2022
- Gross margin increased from 27.1% Q1 2021 to 43.7% Q1 2022

## High activity within operations and M&A

- Rights Issue of NOK 180 million completed in Q1 2022 and significantly strengthen the equity and cash balance
- Repaid current interest-bearing debt in March 2022

## Revenue and gross results Q1 2022\*\*



\*\* Biim Ultrasound included as of 1 March 2022  
Amounts in NOK thousand

# Key figures

## Profit and loss statement

<i>Amounts in NOK thousand</i>	<b>Q1 2022</b>	<b>Q1 2021</b>	<b>FY 2021</b>
Operating revenues	7 713	3 110	24 042
<b>Gross result</b>	<b>3 367</b>	<b>844</b>	<b>9 519</b>
Operating expenses	10 775	8 859	37 981
<b>EBITDA before non-recurring items</b>	<b>-7 408</b>	<b>-8 015</b>	<b>-28 462</b>
Non-recurring items	597		4 619
<b>EBITDA</b>	<b>-8 005</b>	<b>-8 015</b>	<b>-33 081</b>
Depreciation and amortisation	1 713	798	3 463
<b>EBIT</b>	<b>-9 718</b>	<b>-8 813</b>	<b>-36 543</b>
Net finance	709	3 994	10 223
<b>Result</b>	<b>-9 009</b>	<b>-4 819</b>	<b>-26 321</b>

- *Biim Ultrasound's Profit and loss statement included in the Group's consolidated Profit and loss as of 1 March 2022*
- *Non-recurring items is related to M&A expenses in 2021 and 2022 in connection with the Biim Ultrasound AS acquisition*

### Q1 2022

- +14% revenue growth Y-O-Y from Nordic portfolio and approximately NOK 4 million in revenues from Biim ultrasound probe.
- Operating expenses before non-recurring items increased compared to same period last year mainly due to increased headcount and that Biim Ultrasound is included as of 1 March.
- Increased depreciation and amortization related Biim Ultrasound included amortization of surplus values allocated in the PPA
- Result of negative TNOK 9,009 compared to negative TNOK 4,819 in the same period last year

# Key figures

## Statement of financial position

*(Amounts in NOK thousand)*

	At 31 March 2022	At 31 March 2021	At 31 December 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	82 134	33 933	33 870
Intangible assets and tangible assets	105 292	20 710	22 709
<b>Total non-current assets</b>	<b>187 426</b>	<b>54 643</b>	<b>56 579</b>
<b>Current assets</b>			
Receivables and inventories	15 026	11 480	12 294
Bank deposits	70 992	7 235	2 864
<b>Total current assets</b>	<b>86 017</b>	<b>18 715</b>	<b>15 158</b>
<b>Total assets</b>	<b>273 444</b>	<b>73 358</b>	<b>71 737</b>

- **Non-current assets** consist of:

- Goodwill,
- intangible assets related to Sippi® and Biim probe,
- Tangible assets consist of ordinary office equipment and right of use assets related to lease agreements

The increase in the quarter is due to allocated goodwill and surplus values from the Biim acquisition and capitalized of Biim probe development

- Increased **receivables and inventories** is mainly related to Biim Ultrasound
- **Bank deposits** at 31 March 2022, were TNOK 70,992

# Key figures

## Statement of financial position

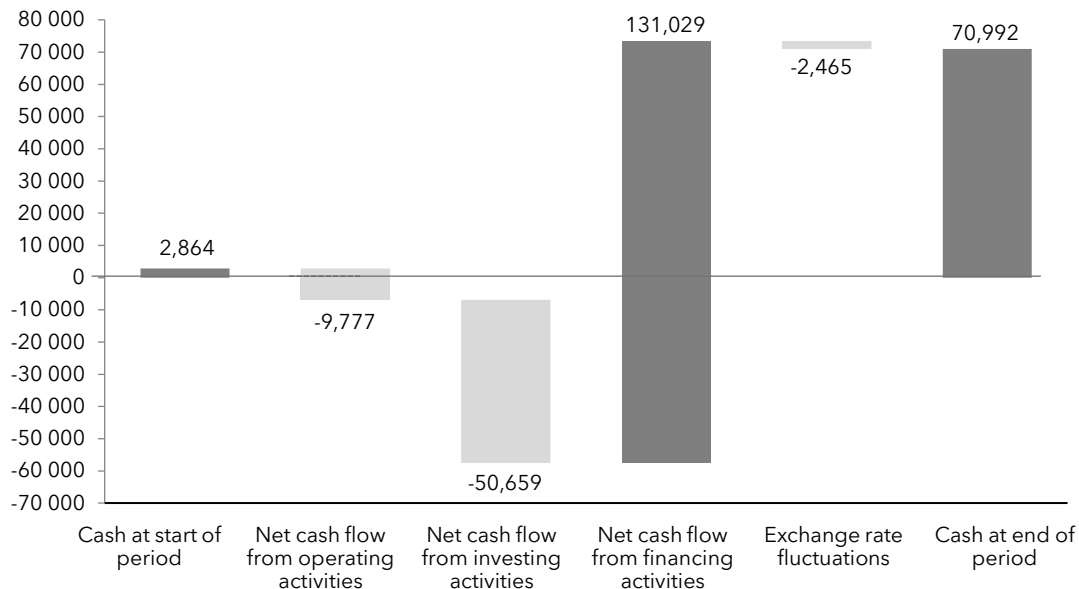
<i>(Amounts in NOK thousand)</i>	<b>At 31 March 2022</b>	<b>At 31 March 2021</b>	<b>At 31 December 2021</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>177 938</b>	<b>6 632</b>	<b>-14 122</b>
<b>Non-current liabilities</b>			
Contingent consideration	13 344	22 368	13 031
Non-current interest bearing liabilities	44 502	36 127	550
<b>Total non-current liabilities</b>	<b>57 845</b>	<b>58 495</b>	<b>13 581</b>
<b>Current liabilities</b>			
Interest bearing current liabilities	14 795	310	54 521
Other current liabilities	22 866	7 922	17 757
<b>Total current liabilities</b>	<b>37 661</b>	<b>8 232</b>	<b>72 278</b>
<b>Total liabilities</b>	<b>95 506</b>	<b>66 726</b>	<b>85 860</b>
<b>Total equity and liabilities</b>	<b>273 444</b>	<b>73 358</b>	<b>71 737</b>

- **Equity** of TNOK 177,938 at 31 March 2022.
- **Non-current interest-bearing liabilities** is mainly related to loan agreement with Navamedic ASA and an innovation loan in Finland
- **Current interest-bearing liabilities** includes:
  - Loan agreement with Ingerø Reiten Investment Company of TNOK 10,613

# Key figures

## Cash flow statement Q1 2022

(Amounts in NOK thousand)



- Cash flow used in **operating activities** mainly related to the EBIT result Q1 2022 affected by increased headcount and the Biim acquisition
- Cash flow used in **investing activities** is mainly related to cash portion of the purchase price for Biim Ultrasound
- Cash flow from **financing activities** is mainly related to net proceeds from the Rights Issue and repaid current interest-bearing debt
- **Cash deposits** end of the period at TNOK 70,992



**Nordic medtech company  
with global reach**

# Q1 2022 financials

Appendix

# Profit and loss statement

<i>(Amounts in NOK thousand)</i>	<b>Q1 2022</b>	<b>Q1 2021</b>	<b>FY 2021</b>
Operating revenues	7 713	3 110	24 042
Cost of materials	4 345	2 265	14 524
<b>Gross result</b>	<b>3 367</b>	<b>844</b>	<b>9 519</b>
Employee benefit expenses	5 825	4 124	19 013
Other operating expenses	5 547	4 735	23 586
<b>Operating expenses</b>	<b>11 372</b>	<b>8 859</b>	<b>42 599</b>
<b>Operating result before depreciation and amortisation (EBITDA)</b>	<b>-8 005</b>	<b>-8 015</b>	<b>-33 081</b>
Depreciation and amortisation	1 713	798	3 463
<b>Operating result (EBIT)</b>	<b>-9 718</b>	<b>-8 813</b>	<b>-36 543</b>
<b>Financial income and expenses</b>			
Financial income	2 435	4 770	9 858
Financial expenses	1 725	777	-365
<b>Net financial items</b>	<b>709</b>	<b>3 994</b>	<b>10 223</b>
<b>Result before tax</b>	<b>-9 009</b>	<b>-4 819</b>	<b>-26 321</b>
Income tax expense			
<b>Result for the period</b>	<b>-9 009</b>	<b>-4 819</b>	<b>-26 321</b>



# Statement of financial position

<i>(Amounts in NOK thousand)</i>	<b>At 31 March 2022</b>	<b>At 31 March 2021</b>	<b>At 31 December 2021</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	82 134	33 933	33 870
Intangible assets	101 381	19 521	21 328
Tangible assets	3 911	1 189	1 381
<b>Total non-current assets</b>	<b>187 426</b>	<b>54 643</b>	<b>56 579</b>
<b>Current assets</b>			
Trade receivables	1 442	1 602	1 348
Inventories	8 084	6 274	7 013
Other receivables and prepaid expenses	5 500	3 604	3 933
Bank deposits	70 992	7 235	2 864
<b>Total current assets</b>	<b>86 017</b>	<b>18 715</b>	<b>15 158</b>
<b>Total assets</b>	<b>273 444</b>	<b>73 358</b>	<b>71 737</b>

## Statement of financial position

<i>(Amounts in NOK thousand)</i>	<b>At 31 March 2022</b>	<b>At 31 March 2021</b>	<b>At 31 December 2021</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>177 938</b>	<b>6 632</b>	<b>-14 122</b>
<b>Non-current liabilities</b>			
Non-current lease liabilities	1 683	610	550
Contingent consideration	13 344	22 368	13 031
Non-current interest bearing liabilities	42 819	35 517	0
<b>Total non-current liabilities</b>	<b>57 845</b>	<b>58 495</b>	<b>13 581</b>
<b>Current liabilities</b>			
Trade payables	7 359	2 667	6 163
VAT and other public taxes and duties payables	4 961	2 618	3 747
Interest bearing current liabilities	14 795	0	54 521
Current lease liabilities	1 502	310	443
Other current liabilities	9 044	2 636	7 405
<b>Total current liabilities</b>	<b>37 661</b>	<b>8 232</b>	<b>72 278</b>
<b>Total liabilities</b>	<b>95 506</b>	<b>66 726</b>	<b>85 860</b>
<b>Total equity and liabilities</b>	<b>273 444</b>	<b>73 358</b>	<b>71 737</b>

## Cash flow statement

(Amounts in NOK thousand)

	Q1 2022	Q1 2021	FY 2021
<b>Cash flow from operating activities</b>			
Result before tax	-9 007	-4 819	-26 321
Tax paid	86	0	-192
Depreciation and impairment	1 713	798	3 463
Gain(-)/ loss from sale of fixed asset	0	0	-6
Change in net finance, no cash effect	314	-4 065	-6 144
Change in inventories	573	894	145
Change in trade receivables and other receivables	-824	-2 187	-2 103
Change trade account payables and other current liabilities	-1 486	-1 401	9 031
<b>Net cash flow from operating activities</b>	<b>-9 777</b>	<b>-10 781</b>	<b>-22 126</b>
<b>Cash flow used in investing activities</b>			
Net cash effect of business combination	-49 261	0	0
Purchase / disposal of tangible and intangible assets	-1 398	-565	-4 886
<b>Net cash flow used in investing activities</b>	<b>-50 659</b>	<b>-565</b>	<b>-4 886</b>
<b>Cash flow from financing activities</b>			
Change in net interest bearing debt	-23 259	0	16 509
Net proceeds from share issue	155 597	0	0
Payments of lease liabilities	-1 309	-69	-429
<b>Net cash flow from financing activities</b>	<b>131 029</b>	<b>-69</b>	<b>16 079</b>
<b>Exchange rate fluctuations</b>	<b>-2 465</b>	<b>-296</b>	<b>-5 149</b>
Change in cash	68 128	-11 710	-16 081
Bank deposits start of period	2 864	18 945	18 945
<b>Bank deposits end of period</b>	<b>70 992</b>	<b>7 235</b>	<b>2 864</b>

## Top 20 shareholders

Rank	Name	Number of shares	% of top 20	% of total	Country
1	INGERØ REITEN INVESTMENT COMPANY AS	9 653 680	25.76 %	18.05 %	Norway
2	NAVAMEDIC ASA	4 222 727	11.27 %	7.89 %	Norway
3	JPB AS	2 830 209	7.55 %	5.29 %	Norway
4	RO, LARS	2 670 762	7.13 %	4.99 %	Norway
5	ELI AS	2 205 058	5.88 %	4.12 %	Norway
6	NORDA ASA	2 130 740	5.68 %	3.98 %	Norway
7	MP PENJON PK	1 701 188	4.54 %	3.18 %	Norway
8	ABN AMRO Global Custody Services	1 551 097	4.14 %	2.90 %	The Netherlands
9	DnB NOR Bank ASA	1 521 878	4.06 %	2.85 %	Norway
10	UBS Switzerland AG	1 430 398	3.82 %	2.67 %	Switzerland
11	ALPINE CAPITAL AS	1 213 281	3.24 %	2.27 %	Norway
12	ARTAL AS	1 000 000	2.67 %	1.87 %	Norway
13	DnB NOR MARKETS, AKSJEHAND/ANALYSE	905 289	2.42 %	1.69 %	Norway
14	CARNEGIE AS	897 507	2.39 %	1.68 %	Norway
15	LAPAS AS	805 185	2.15 %	1.51 %	Norway
16	SOLEGLAD INVEST AS	586 668	1.57 %	1.10 %	Norway
17	NORDNET LIVSFORSIKRING AS	580 262	1.55 %	1.08 %	Norway
18	SILVERCOIN INDUSTRIES AS	574 464	1.53 %	1.07 %	Norway
19	TAJ HOLDING AS	500 847	1.34 %	0.94 %	Norway
20	TRANBERGKOLLEN INVEST AS	500 000	1.33 %	0.93 %	Norway
<b>Total number owned by top 20</b>		<b>37 481 240</b>	<b>100.00 %</b>	<b>70.07 %</b>	
<b>Total number of shares</b>		<b>53 491 656</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.

### **Non-recurring items**

Extraordinary or unusual onetime non-recurring expenses or other charges as reflected in the Company's audited consolidated financial statements for the year.

