

Observe Medical

First half year 2024

26 August 2024

Copyright and disclaimer

Copyright

Copyright of all published material including photographs, drawings and images in this document remains vested in Observe Medical and third-party contributors as appropriate. Accordingly, neither the whole nor any part of this document shall be reproduced in any form nor used in any manner without express prior permission and applicable acknowledgements. No trademark, copyright or other notice shall be altered or removed from any reproduction.

Disclaimer

This Presentation includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ materially from those assumed herein. These statements and this Presentation are based on current expectations, estimates and projections. Observe Medical ASA believes that its expectations and the Presentation are based upon reasonable assumptions, but no assurance can be given that those expectations will be achieved or that the actual results will be as set out in this Presentation. Observe Medical ASA is making no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the Presentation, and neither Observe Medical ASA nor any of its directors, officers or employees will have any liability to you or any other persons resulting from your use of the information contained herein. Observe Medical ASA consists of several legally independent entities, constituting their own separate identities. Observe Medical is used as the common brand or trademark for most of these entities. In this presentation we may sometimes use “Observe Medical”, “we” or “us” when we refer to Observe Medical companies in general or where no useful purpose is served by identifying any particular Observe Medical company.

Today's presenters



Jørgen Mann
CEO

20+ years experience from the Medtech industry. Previous experience from senior roles in market leading organizations such as Unomedical, Getinge Group, Smith&Nephew and Fresenius



Johan M. Fagerli
CFO

20 years-experience from various roles within financial management, business controlling and accounting across multiple industries such as real estate, road construction and telecom. Joined Observe Medical in 2021

Agenda

1. H1 2024 highlights and progress
2. Key financials
3. Outlook
4. Q&A

Observe Medical

Nordic medtech company with global reach

Commercializing innovative medtech products on a global market.

Extensive international distributor and partner network.

Solid platform for further organic growth and through targeted M&A.

Strong medtech platform



Fundamental drivers



Patient welfare



Health economics



Data accuracy

Highlights H1 2024

Reclaiming market position

Continued deliveries of UnoMeter™ 500 and UnoMeter™ Abdo-Pressure to distribution network in Europe and Asia with focus on expanding the network into additional geographies.

We are experiencing a market which is slowly returning to normal after the abrupt discontinuation of Convatec supplies, leading to increased competition in the low-end segment

Q1

Post market surveillance - UnoMeter™ 500

UnoMeter™ 500 was upgraded to next generation with improved features

Q2

Biim - Strategic partnership

Contract with Fresenius prolonged - subsequent signing of LOI with renowned US industrial player within medical imaging

Organisational alignment

New CEO and CFO appointed to support the new strategic focus, the continued commercialisation and cost optimisation and thereby drive the company towards a cash positive situation

Commercial launch of UnoMeter™ Safeti Plus

The market leading product was relaunched to our distribution network

Successful private placement

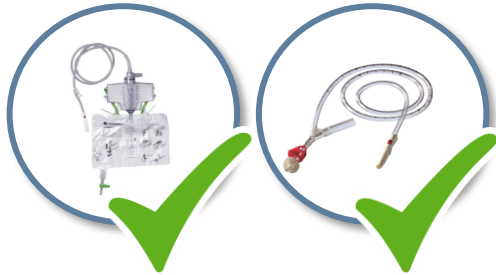
Completed raising a total of gross NOK 22 million in June.

Subsequent repair issue and undertaking from the Company's manufacturer in H2.

Product launch planning 2024-2025 - taking the position as global leader in Urine Measurement

Recapture the market through UnoMeter™ 500

Upsell Sippi and Safeti Max to existing clients at higher price points and better margins



UnoMeter™ 500 Abdo-Pressure



UnoMeter™ Safeti Plus and Precon version with Abdo-Pressure



UnoMeter™ Safeti Max with patented infection control technology



UnoMeter™/Sippi

2023

2024e

2025e

Biim Strategic partnership journey

Project status

- ✓ After completion of the Rights issue in December 2023, a new strategic direction was defined which led to the search for a strategic partner within the ultrasound segment
- ✓ Evaluating of various strategic alternatives for the Biim project led to the signing of an LOI with a renowned US industrial player within medical imaging
- ✓ Due Diligence process has commenced and is expected to be completed in Q4 2024



- Fresenius Medical Care is the world's largest provider of dialysis, dialysis product and other services
- Potential of 6,200 Biim probes for dialysis centers with a revenue potential of 218 mill NOK
- Business opportunity from dialysis tower integration



Key financials

Income statement Observe Medical Group

H1 2024

Amounts in NOK thousand (excl. earnings per share)	H1 2024	H1 2023	FY 2023	FY 2022
Operating revenues	13 056	11 819	27 942	19 521
Gross result	4 990	4 280	9 287	5 177
Operating expenses	17 599	23 709	43 625	50 310
EBITDA before non-recurring items	-12 609	-19 429	-34 338	-45 133
Non-recurring items	0	3 355	3 355	3 079
EBITDA	-12 609	-22 784	-37 693	-48 212
Depreciation and amortisation	6 660	6 655	13 570	10 931
EBIT	-19 269	-29 439	-51 263	-59 143
Net finance	-3 228	-5 737	-9 082	8 418
Result before tax	-22 497	-35 176	-60 345	-50 725
Income tax expenses	16	18	17	76
Result	-22 513	-35 194	-60 362	-50 801
Earnings per share (NOK per share)	-0,12	-0,63	-1,05	-1,08

OPERATING REVENUES

13.1 MNOK
+1.2 MNOK YoY

GROSS PROFIT

5.0 MNOK
+0.7 MNOK YoY

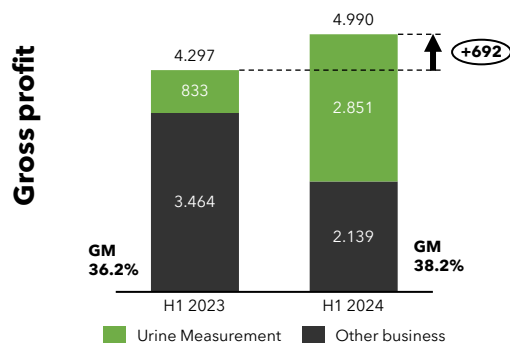
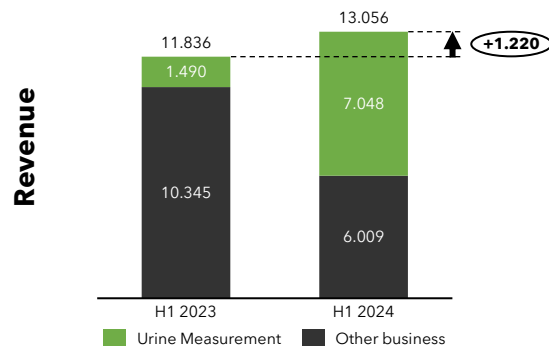
GROSS MARGIN

38.2%
+2.0 p.p. YoY

EBITDA*

-12.6 MNOK
+6.8 MNOK YoY

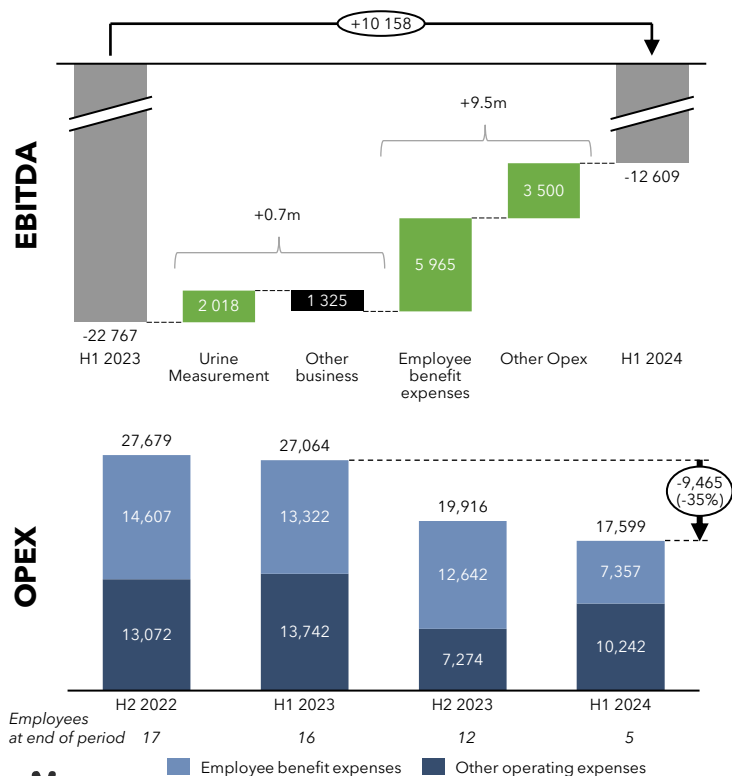
Revenue growth H1 YoY driven by UnoMeter™ portfolio (+5.6m/+378%) partly offset by lower sales in the Nordic distribution business



Comments

- Revenues of NOK 13.1 million in H1 (+10% YoY).
- Significant revenue growth in the urine measurement segment, driven by increased sales of UnoMeter™ 500 and Abdo-Pressure™ of NOK 7.0 million compared to NOK 1.5 million LY
- Year-over-year sales from the Nordic distribution portfolio were lower due to the transfer of the business to Vingmed during the first half of the year
- There were no Biim Ultrasound sales in H1 2024 as the company is in the process of exploring strategic alternatives for the ultrasound business
- The gross margin improved to 38.2% (+2 pp), driven by UnoMeter™ sales, though partially offset by sales of stock in the Nordic distribution

EBITDA H1 YOY growth of +10.2m primarily driven by lower Opex (+9.5m) and increased gross profit (+0.7m)

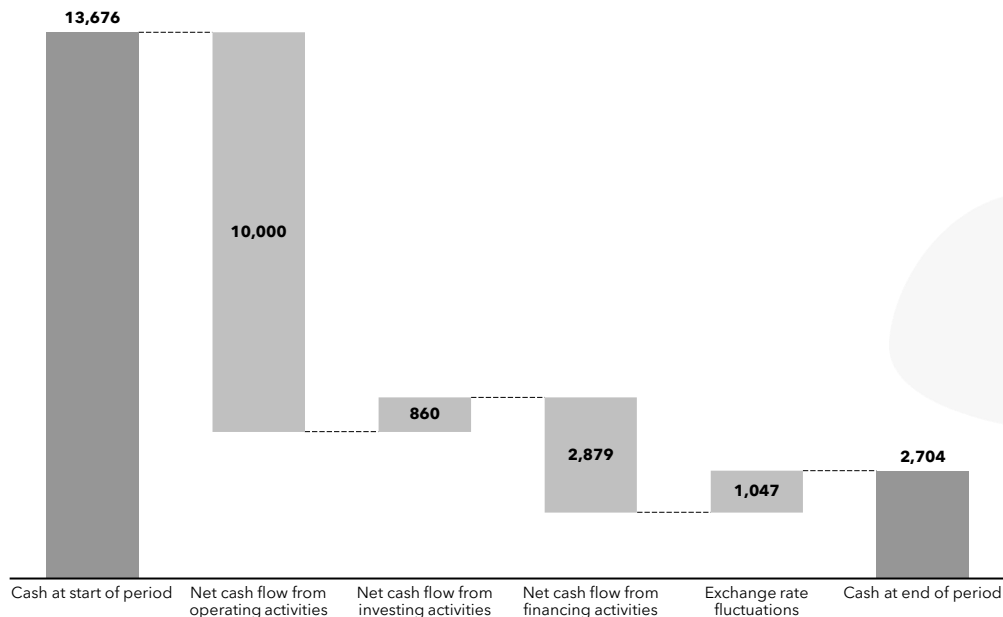


Comments

- The increased gross profit is primarily driven by UnoMeter™ portfolio sales with higher margin. This is partly offset by lower sales from the Nordic portfolio due to the business is being transferred to Vingmed during H1
- Significant lower Opex by +NOK 9.5 million (-35%) YoY mainly driven by lower employee benefit expenses of +NOK 6.0 million. Number of employees reduced by 7 to 5 since end of year. Average number of FTE in H1 2024 was 8.5 vs 16.8 LY
- Other opex of NOK 10.2 million vs NOK 13.7 million in the same period LY driven by cost initiatives and i.e. closed offices in Narvik, Seattle and Oulu. Higher non-recurring costs in H1 2023. Consultant costs saw an increase in H1 2024, driven by need for regulatory and quality expertise, and enhanced sales management in the UK.
- Continuous evaluation of OPEX scaling, strengthening the organization with key competences to right size the company for additional growth in 2025

Consolidated Cash Flow H1 2024

Amounts in NOK thousand



- Cash flow used in **operating activities** is mainly the result before tax, deducted for items without cash effect and change in working capital
- Positive cash flow from **investing activities** is driven by sale of a company car
- Cash flow from **financing activities** is primarily driven by changes in interest bearing debt and lease liabilities
- Net change in cash in H1 2024 of negative TNOK 10,972 with a **cash balance** at 30 June 2024 of TNOK 2,704

Outlook

2024 H2 Deliverables

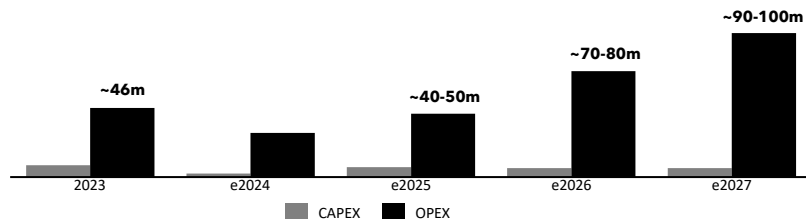
- Start deliveries of UnoMeter™ Safeti Plus and continue the increase in market share
- Continue development of the distribution network to enable geographical coverage of 85-90% of the historic UnoMeter™ sales
- Continue exploring opportunities for distribution products
- Successfully complete Due Diligence process on Biim
- Ramp up preparations for 2025 launch plans for UnoMeter™ Safeti Max
- Complete repair issue and private placement from manufacturing partner
- Managing increased logistical complexity and transportation cost



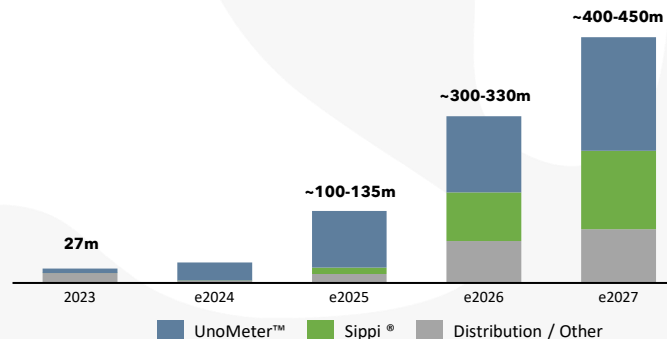
Ramp-up from a diversified revenue stream

- ✓ Diversified revenue stream going forward from UnoMeter™ product family, Sippi® and distribution business ambition
- ✓ Gross margin currently under pressure on commoditized products, differentiated products within urine measurement to compensate for margin squeeze
- ✓ Following a challenging 2023 with delayed commercialization and trimming of costs, the company is strengthening the organization with key competences to right size the company for additional growth in 2025. Continuous evaluation of OPEX scaling

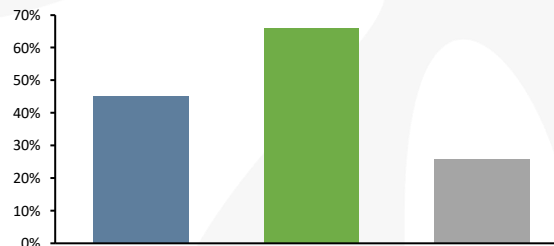
Estimated annual OPEX / CAPEX



Strong revenue outlook in the medium term



Estimated gross margins



Q&A