

EKF Diagnostics Holdings plc

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Full Year Results Presentation

March 2023



Presenters

Julian Baines, MBE

Executive Chairman

Julian was Group CEO of BBI where he undertook a management buyout in 2000, a flotation on AIM in 2004 and was responsible for selling the business to Alere Inc. (now part of Abbott Laboratories) in 2008 for circa £85 million. Julian founded and was CEO of the Group from its inception in 2009 and has subsequently successfully completed a number of fund raisings and the acquisition and subsequent integration of eight businesses in seven countries. In 2016 he was awarded an MBE for services to the life sciences industry. Julian is Non-Executive Chairman of Verici Dx plc.

On 6 February 2023 Julian became Executive Chairman on a short-term basis.



Marc Davies

Chief Financial Officer

Over 20 years' experience in advisory and industry, which include significant healthcare and capital markets experience.

Group Finance and Operations Director at Flexicare Medical – Led revenue growth from £29m to £85m through organic performance and acquisition.

Substantial advisory experience in M&A, Capital Markets and Corporate Restructuring. Head of Corporate Finance West & Wales at PwC.

Fellow Chartered Accountant (FCA) and an Oxford graduate with first class degrees in Mathematics. CFO (>£25m) of the year 2019 - Finance Awards Wales.



Introduction & Overview





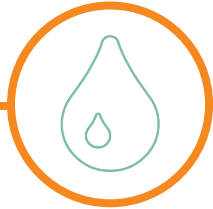
The equity story – strong opportunity for shareholder returns

2022 financial performance	Strong established core	High growth opportunity	Attractive platform for growth
<ul style="list-style-type: none">• £66.6m revenues and Adj-EBITDA of £14.9m• +48% in Sales from pre-pandemic levels (2019)• Net cash of £11.4m• Positive cash flows from core operations• Investment for growth entirely self-funded• Actions taken to realign cost base and prevent continued losses in non-core divisions	<ul style="list-style-type: none">• +13% year-on-year growth from PoC & Central Laboratory• £45.3m sales from core established divisions more than total Group revenue in 2019• Strong demand for EKF products in hematology, diabetes and reagents• High margin consumables driven by installed base• Continued growth expected in 2023	<ul style="list-style-type: none">• +60% year-on-year growth in Life Sciences based on current enzyme manufacturing capacity• Life Sciences opportunities driven by customer demand• Increased capacity and capability to be completed Q3 2023• Significant revenue growth expected in 2024	<ul style="list-style-type: none">• Strong visibility from “razor, razor blade” consumable model in PoC• Leading supplier of β-HB• Uniquely positioned to deliver higher volume GMP*-grade enzyme fermentation• Operationally profitable and cash generative• Zero long-term debt• Dividend paying

*GMP - Good Manufacturing Practice

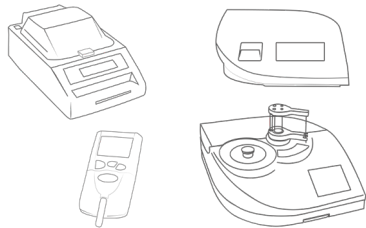
Focus on growth: profitable, cash generative, global diagnostics business

OUR DIVERSIFIED RANGE OF PRODUCTS AND SERVICES



POINT-OF-CARE

Portfolio of analysers and consumables in the key areas of Hematology and Diabetes delivering high quality, rapid results at the point-of-care



2022 revenues (% of total)
£45.3m (68.0%)



CENTRAL LABORATORY

Manufacturer of clinical chemistry reagents & supplier of analysers and centrifuges

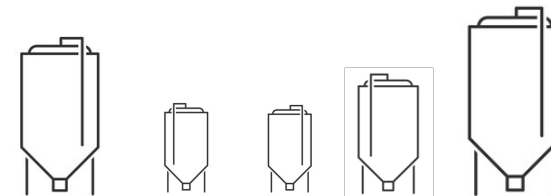
Leading supplier of β -HB



LIFE SCIENCES

Specialist manufacture of enzymes and custom products for use in diagnostic, food and industrial applications

Investment in fermentation capacity and capabilities



2022 revenues (% of total)
£3.2m (4.9%)



A simplified business

Manufacturing sites 5 (↓)

Global facilities 8 (↓)

Analysers sold (2022) >15k

Tests sold (2022) >80m

Countries sold into +120



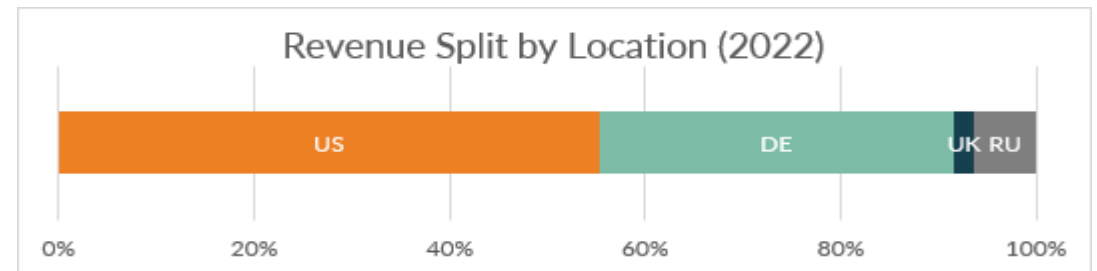
• Point-of-Care production across US and DE (Barleben, Leipzig)

• Central Lab production in US (Texas)



• Life Sciences Fermentation facilities in Elkhart & South Bend (Indiana, US)

• Flexible Contract Manufacturing capacity in the US and DE



Simplified story from 2023 onwards

POINT-OF-CARE (Products)



POINT-OF-CARE

Portfolio of analysers and consumables in the key areas of Hematology and Diabetes delivering high quality, rapid results at the point-of-care



CENTRAL LABORATORY

Manufacturer of clinical chemistry reagents & supplier of analysers and centrifuges

LIFE SCIENCES (Services)



LIFE SCIENCES

Specialist manufacture of enzymes and custom products for use in diagnostic, food and industrial applications

Investment in fermentation capacity and capabilities

Higher value, non-COVID Contract Manufacturing from US and Germany based operations

Leading supplier of β -HB

Performance & Growth opportunities



Point-of-Care (Products)



Performance

- 2022 revenues of £30.8m
- +14% vs 2021
- +12% vs. 2019 (pre-COVID): full recovery plus growth
- Growth across key products:
 - Hemo Control: +37%
 - HemataStat: +31%
 - Quo-Lab: +23%
 - Biosen: +15%
- Profitable & cash generative



Growth prospects

- Global PoC market est. worth \$45.4B in 2022, growing to \$75.5B by 2027
- Global move to introduce more virtual wards to support remote patient diagnosis, treatment and monitoring
- Key partnerships with global leaders (Fresenius Kabi / McKesson)
- More responsive vs. competitors in terms of customer services / meeting increased demand
- More responsive customer services
- Connectivity with hospital systems delivered via EKF Link



Central Laboratory (Products)



Performance

- 2022 revenues of £14.5m
- +11% vs 2021
- +9% vs. 2019 (pre-COVID): full recovery plus growth
- Strong β -HB sales of £12.0m (+10%) vs. 2019 & 2021
- 2022 sales benefit from new private label β -HB supply agreement with one of the largest US pharma distributors
- Further interest and demand generated from US distribution partners
- Profitable & cash generative



Growth prospects

- Potential for additional private label opportunities with major US / Global pharma distribution / IVD companies
- Encouraging late-stage negotiations for further private label deals
- Private label agreements would also drive geographic expansion in LATAM and APAC
- Dominant position in area of limited competition



Life Sciences (Services)



Performance

- 2022 revenues of £3.2m +60% vs 2021
- 2022 growth driven by existing Elkhart capacity only
- Customers well advanced in the on-boarding process to utilise new capacity (internal audit, validation and tech transfer)
- Capacity expansion plans at South Bend to complete by Q3 2023
- Significant revenue growth expected from 2024



Growth prospects

- Leverage existing strong OEM customer relationships
- Molecular enzymes third party OEM and EKF brand
- New opportunities from sales and marketing investment
- Precision food
- Increase capacity of existing enzyme manufacture
- Investment in new technologies and services
- Underpinned: 3 customers advancing on-boarding process for larger fermenters





Life Sciences Contract Fermentation

Elkhart &
South Bend, IN



2 sites 20 miles apart

EKF Life Sciences

Manufacturing enzymes and biomolecules from bacterial fermentation for use in IVD since 1983

ISO 13485:2016 certified



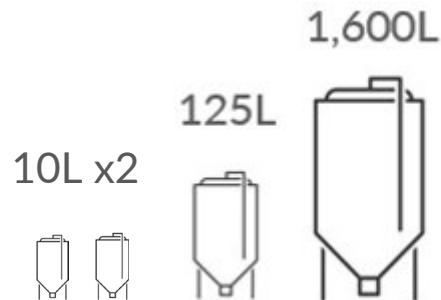
Elkhart, IN (20,000 SqFt)



South Bend, IN (24,000 SqFt)

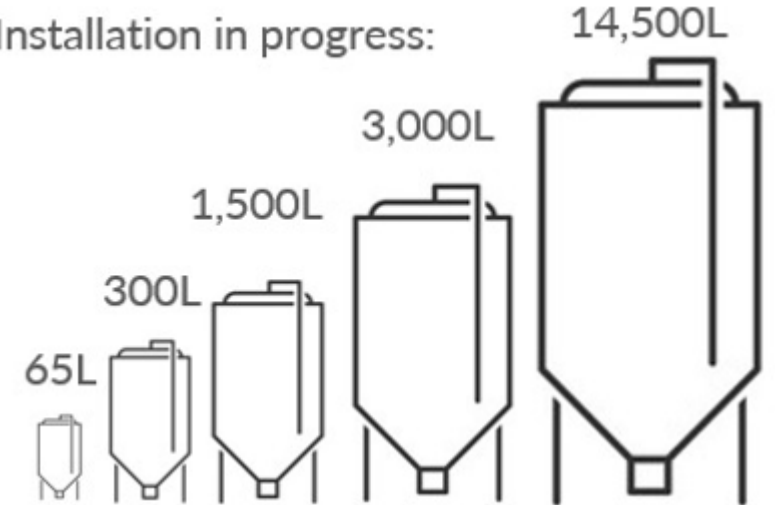


Current installed capacity:



£3.2m
2022 Sales

Installation in progress:



South Bend
Site Audit

Factory Acceptance
Testing (14,500L unit)

Validation
(65L - 3,000L)

Delivery of
14,500L unit

Revenues
(65L - 3000L)

Validation of
14,500L unit

Revenues
(65L - 14,500L)

April
2023

Mid-May
2023

End May
2023

June
2023

June
2023

August
2023

September
2023

Financial Review (2022)



2022 – Financial Highlights

Revenue

£66.6m

(£81.8m 2021)

Strong growth in established core business

Revenue Growth

(non-COVID)

17%

Gross Profit¹

£30.8m

(2021: £39.4m)

Adj. EBITDA

£14.9m

(2021: £26.5m)

Robust underlying performance

PBT

£(8.9m)

(2021: £21.4m)

Impact of transition and restructuring costs

Net Cash

£11.4m

(31/12/21: £19.6m)

Significant capex and non-trade investments

Cash generated by operations

£12.7m

(2021: £14.2m)

Transition Costs

£17.5m

Restructuring costs & resources post CV19

¹ Before GP exceptional costs of £6.8m (2021: nil)

2022 – Significant core growth since 2019

Growth from 2019
2022 result



↑ **13%**
£30.8m

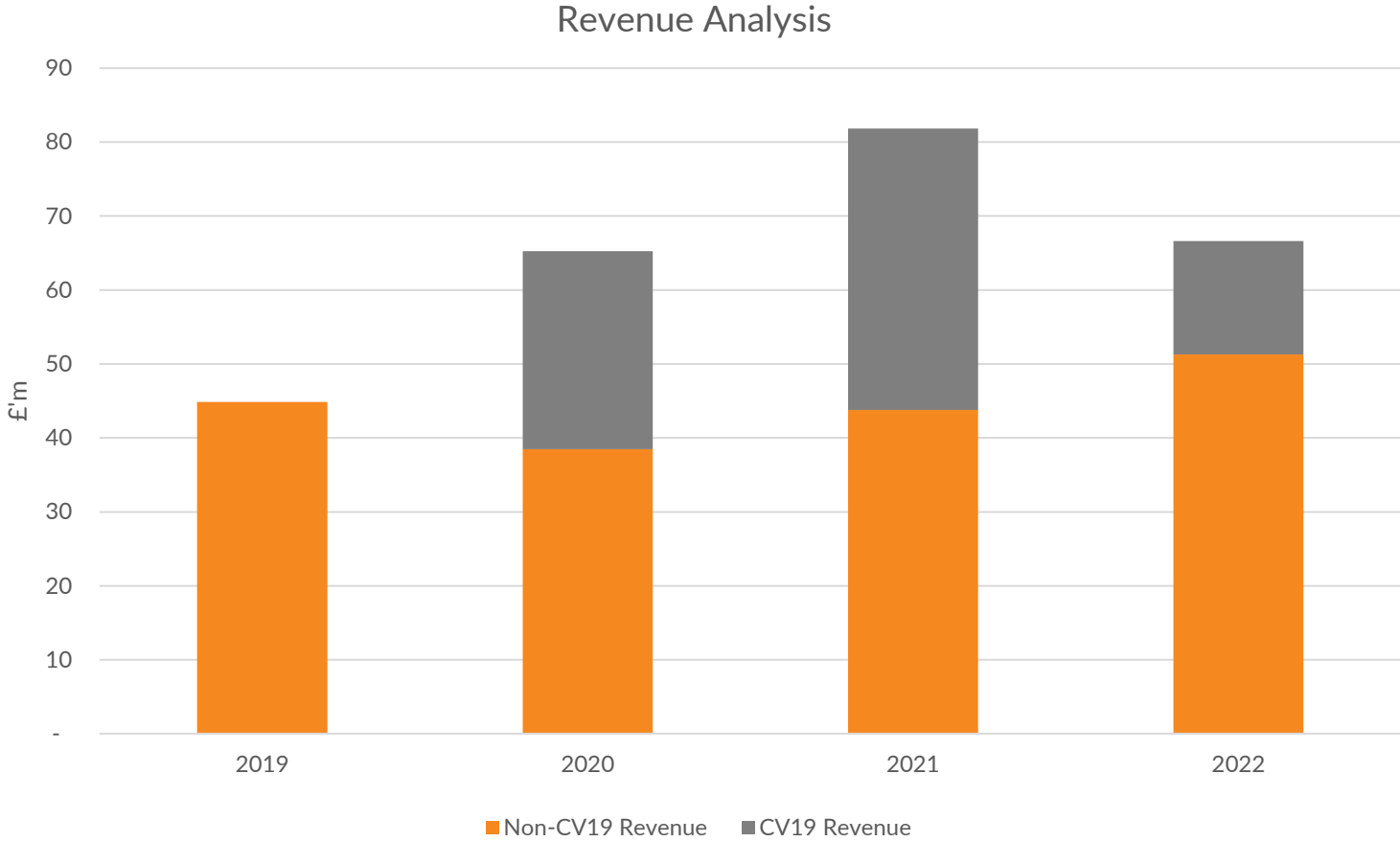


↑ **9%**
£14.5m



↑ **19%**
£3.2m

Revenue growth from 2019 non-COVID **↑ 14%**



2022 – A Year of Transition and Restructuring

Pro-active actions taken to reduce cost base and streamline operations post-pandemic

Business Units Rationalisation

- Exit from underperforming business units
 - Closure of UK Production (in 2023)
 - Disposal of ADL (impaired in 2022)
- Focus on core businesses



Clean COVID Inventory Transition

- US cash receipt from COVID customer
- Large provisions against COVID inventory
- Actions to liquidate remaining COVID inventory



Rationalise Property Footprint

- Exit from property leases post COVID
- Includes sites in US and UK
- Investment in sites required to deliver business strategy



Organisational Improvements

- Rapid scale-back of COVID resource following drop-off in demand
- Focused investment in key business areas; cost reductions in non-core activities and overheads



Transition from Non-Core / Low Profit

- Exit from certain commercial agreements deemed non-core or not commercially attractive
- Clean-up of remaining contract commitments

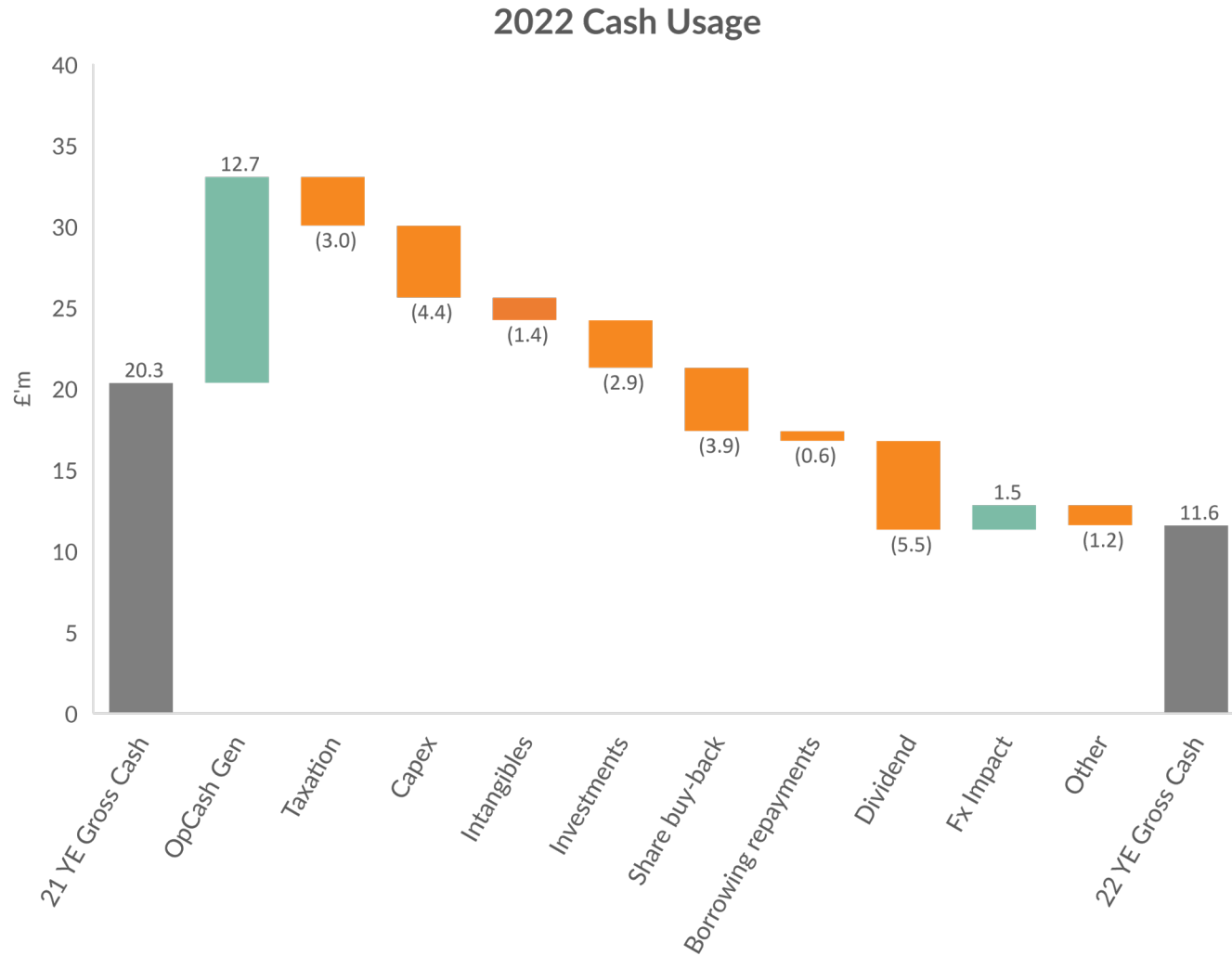


Development Clean-up

- Review and impairment of capitalised development costs
- Recognising projects with commercial gain and removing investment in non-core activities



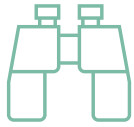
2022 – Cash Flow Summary



- Strong cash generation from operating activities (includes US inventory receipt)
- £6.8m used in share buyback and external investments
- £4.4m Capex:
 - Increase in Life Sciences capacity
 - Improvements across EKF DE business
- £5.5m 2021 dividend (1.2p/share)
- 1.2p/share dividend maintained for 2022 to be paid in December 2023
- Current restrictions on cash in Russia (2022: £2.4m)

Summary & Outlook





Outlook

Strong

- Strong and robust core established **PoC** and **Central Laboratory** businesses
- Stable “razor, razor blade” consumable model in **PoC**
- **Life Sciences** revenues to build in 2024 following investment in capacity/capabilities
- Operationally profitable and cash generative
- Cash positive with no long-term debt
- Attractive dividend policy

Controlled

- Cost reductions, restructuring and operational efficiency measures implemented
- Prioritising resources towards sustainable, high value business with strong potential for growth
- Fully funded growth plans using internal cash
- Exceptional charges to support robust platform for future growth

Growth

- Rapid scale-up opportunity in **Life Sciences** with new capacity online from Q3 2023
- Innovation in **PoC** and **Central Laboratory** products, leveraging existing routes to market and relationships
- Focus on higher value **Contract Manufacturing** services
- Disposal of loss-making **Laboratory Testing** removes constraint to growth on adj EBITDA

Well positioned for long-term, sustainable growth

Appendices



2022 Prelims – Business Unit Updates



POINT-OF-CARE

£30.8m
(↑ 14%)



CENTRAL LABORATORY

£14.5m
(↑ 11%)



LIFE SCIENCES

£3.2m
(↑ 60%)



LABORATORY TESTING

£2.6m
(2021: £1.0m)



CONTRACT MANUFACTURING

£9.5m
(↓ 74%)

*£6.0m of Other revenue relating to US inventory receipt, shipping and handling recharges, repairs and other sundries
2021 Laboratory Testing from 27 September 2021*



Summary Financials

Income Statement

	2022 £k	2021 £k	+/- £k
<i>Point-of-Care (PoC)</i>	30,786	27,003	1,222
<i>Central Laboratory</i>	14,516	13,055	(30)
<i>Life Sciences</i>	3,235	2,019	991
<i>Laboratory Testing</i>	2,630	1,030	2,141
<i>Contract Manufacturing</i>	9,514	36,279	(8,899)
<i>Other</i>	5,954	2,449	3,487
Revenue	66,635	81,835	(1,088)
Gross profit ¹	24,038	39,366	(15,607)
GM %	36%	48%	(12%)
Administrative expenses + Exceptional	(33,928)	(17,709)	(16,219)
Other income	919	90	829
Depreciation / amortisation	(6,658)	(5,885)	(773)
Share based payments	308	1,238	(930)
Exceptional items	(17,525)	(95)	(17,430)
Adj. EBITDA	14,904	26,489	(11,585)
Finance income	131	45	86
Finance costs	(102)	(357)	255
Income tax charge	(634)	(5,277)	4,643
Profit for the period	(9,576)	16,158	(25,734)

¹ After GP exceptional costs of £6.8m (2021: nil)



Summary Financials

Balance Sheet

	2022 £k	2021 £k
Property, plant, equipment	20,435	15,991
Intangible assets	33,772	41,894
Investments	1,119	7,789
Inventories	9,434	13,238
Trade / other receivables	10,739	13,428
Cash and cash equivalents	11,578	20,341
Other assets	1,148	2,438
Total non-current liabilities	(3,030)	(6,727)
Trade / other payables	(8,288)	(9,078)
Deferred consideration	-	(170)
Borrowings	(137)	(265)
Other liabilities	(2,247)	(4,137)
Net Assets	74,523	94,742



Summary Financials

Adj. EBITDA Reconciliation

£k	As Reported	Includes	
		US Receipt ¹	Restructuring ²
Revenue	66,635	3,499	-
Cost of sales	(35,823)	(1,902)	-
Exceptional - other CoS	(6,774)	(1,902)	(6,774)
Gross profit	24,038	1,597	(6,774)
Administration expenses	(23,177)	(1,223)	-
Exceptional - impairment of assets	(10,384)	-	(10,384)
Exceptional - other	(367)	-	(367)
Other income	919	859	-
Operating profit	(8,971)	1,233	(17,525)
Depreciation and amortisation	6,658	-	-
Share-based payments	(308)	-	-
Exceptional items	17,525	-	17,525
Adj. EBITDA	14,904	1,233	-

¹US Receipt - \$5.5m received for US inventory as reported on 13 June 2022

²Restructuring - Costs associated with the transition and restructure of certain operations in the US, UK and Germany

Growth Drivers



Point-of-Care

- Delivering rapid results at the point-of-care with high quality, robust and easy-to-use products
- Improving patient outcomes across a wide range of diseases
- Trusted partner with a loyal and established customer base
- Expansion of new primary care opportunities
- Customer preference to work with fewer providers of a broad range of products
- Well positioned to meet new EU IVDR



Central Laboratory

- Economical, quality open-channel reagents that provide accurate, reproducible results
- Wide range of analytes fill “menu gap” of the large instrument manufacturers
- Market leader for β -HB liquid reagent – increasingly used to identify patients with diabetic ketoacidosis
- Large, established customer base (inc. >1,250 US hospitals)
- Excellent customer and partner sales, and technical support



Life Sciences

- Demand for precision fermentation technology and services
- Need for fermentation and downstream expertise
- cGMP requirements, FDA certification and ISO 13485 Quality systems
- Long-term strategic partnerships
- Demand for larger scale fermentation supported by partnerships with ABEC Inc. and Eppendorf to increase production capacity





Non-executive Directors



Christian Rigg

Senior Independent Non-executive Director

Chris Rigg is a chartered accountant who has significant executive experience at both public and private companies. He is currently the Chief Executive Officer of the holding company of Mandata Holdings Limited and a Non-executive Director of the main market listed Sportech plc. Chris previously held the positions of Chief Financial Officer and latterly Chief Executive Officer at Quantum Pharma plc, which, under his stewardship, was refinanced and implemented a new strategy facilitating growth and leading to its acquisition by Clinigen Group plc for an enterprise value of £160 million.



Jennifer Winter

Independent Non-executive Director

Jenny has over 20 years' experience across a broad variety of healthcare organisations ranging from small not-for-profit companies to large corporates. Jenny is currently Chief Executive Officer of AIM listed Animalcare Group plc (AIM: ANCR) where she is successfully executing on the business's long-term growth strategy, as reflected in the recently announced strong full year trading performance against a backdrop of very challenging market conditions. Before joining Animalcare Group plc in October 2018, Jenny was Vice President of Respiratory products - Global Supply Chain and Strategy at AstraZeneca, a position she held from 2015.



Christopher Mills

Non-executive Director

Christopher founded Harwood Capital Management in 2011, a successor to its former parent company J.O. Hambro Capital Management, which he co-founded in 1993. He is Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust plc and Chief Investment Officer of Harwood Capital LLP. He is a Non-executive Director of a number of companies including Renalytix plc. Christopher was a Director of Invesco MIM, where he was Head of North American Investments and Venture Capital, and of Samuel Montagu International. Christopher stood down from the audit committee in March 2022.

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