

# EKF Diagnostics Holdings plc

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Interim Results Presentation

September 2022



# Presenters

## Mike Salter CEO

- Joined EKF in October 2017. Chief Executive Officer of EKF Diagnostics since 1<sup>st</sup> October 2021
- As EKF US President Mike was responsible for overseeing the growth of EKF's business in the Americas, and introduced the implementation of contract manufacturing COVID testing kits
- Previously worked at GE Healthcare and Amersham for 33 years holding senior roles in Business Development, Sales, Product Management and Operations
- Mike is a Graduate of the Royal Society of Chemistry



## Marc Davies CFO

- 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

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# The equity story – strong opportunity for shareholder returns

| H1 financial performance   | Strong established core  | Attractive market dynamics   | Growth prospects  |
|--|--|--|---|
| <ul style="list-style-type: none"><li>• £37.5m revenues and Adj-EBITDA of £9.7m</li><li>• Attractive GM% maintained</li><li>• Net Cash of £19.1m</li><li>• Positive cash flows from core operations</li><li>• Investment for growth fully funded internally</li><li>• +73% Sales &amp; Adj-EBITDA from pre-pandemic levels</li></ul> | <ul style="list-style-type: none"><li>• +11.5% in non-COVID H1 sales</li><li>• PoC &amp; Central Lab growth vs. pre-pandemic</li><li>• High margin consumables driven by installed base</li><li>• Life Sciences opportunities driven by established position and further investment</li><li>• Profitable and cash generative</li></ul> | <ul style="list-style-type: none"><li>• Established businesses in global growth markets</li><li>• Strong demand for GMP-grade enzyme fermentation</li><li>• Demand for quick results turnaround driving CLIA-certified lab testing services</li><li>• Increased outsourcing supporting Contract Manufacturing strategy</li></ul> | <ul style="list-style-type: none"><li>• Continued growth in established PoC and Central Lab leveraging established global distributor network</li><li>• Life Sciences increased capacity online early 2023</li><li>• Transition to non-COVID Contract Manufacturing and Lab Testing</li></ul> |

GMP - Good Manufacturing Practice  
CLIA - Clinical Laboratory Improvement Amendments



# Investing in 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

#### Growth drivers:

- Aging population
- Growing incidence of chronic disease
- Tech adoption
- Geographical expansion



### CENTRAL LABORATORY

Manufacture of clinical chemistry reagents and supplies benchtop analysers and centrifuges

#### Growth drivers:

- New tests
- Increase in trials
- Increasing prevalence of disease
- Increased frequency of testing

Contribution to H1 2022 revenues  
**£20.1m (53.5%)**



### LIFE SCIENCES

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

#### Growth drivers:

- Advances in new technologies
- Increasing demand for enzymes for food and diagnostic products
- Health and Wellness consciousness
- Lack of capacity in USA for fermentation
- Investment in capacity and capabilities

Contribution to H1 2022 revenues  
**£2.0m (5.4%)**



### LABORATORY TESTING

CLIA certified facility for high complexity laboratory testing

#### Growth drivers:

- Need for quick results
- Health and Wellness consciousness
- Advancement in tech (NGS)
- Direct-to-consumer models

Contribution to H1 2022 revenues  
**£10.7m (28.6%)**



### CONTRACT MANUFACTURING

End-to-end contract manufacturing services to the diagnostic and healthcare industries

#### Growth drivers:

- Customer demand
- Genomic technologies advancement
- Accessibility of NGS
- Increased awareness of molecular assays
- Government investment

£4.7m of Other revenue relating to US inventory payment, shipping and handling recharges, repairs and other sundries



# Established global platform

|                     |       |
|---------------------|-------|
| Manufacturing sites | 6     |
| Global facilities   | 12    |
| Analysers in market | c.80k |
| Tests sold (pa)     | c.80m |
| Countries sold into | 120+  |



- Point of Care production across US and DE (Barleben, Leipzig)
- Central Lab production in US (Texas)



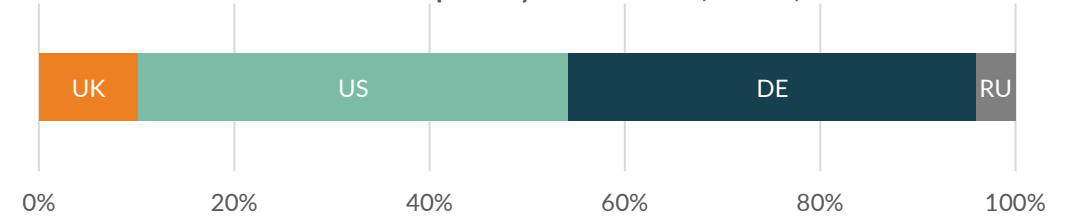
- Life Sciences facilities in Elkhart & South Bend (Indiana, US)



- CLIA certified Lab Testing in Texas
- Flexible Contract Manufacturing capacity in the US, UK and DE



Revenue Split by Location (2021)



# Financial Review (H1 2022)

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# 2022 Interims – Financial Highlights

**Revenue**

**£37.5m**

(£38.6m 2021)

Strong growth in established core business

**Revenue Growth**

(non-COVID)

**11.5%**

**Gross Profit**

**£17.7m**

(2021: £18.5m)

GM% maintained despite inflationary pressures

**Adj. EBITDA**

**£9.7m**

(2021: £12.8m)

COVID transition costs excluded

**PBT**

**£4.1m**

(2021: £11.4m)

Impact of transition costs and SBP in 2021

**Net Cash\***

**£19.1m**

(30/06/21: £20.8m)

Significant non-trade cash usage

**Net Cash Generated**

**£8.4m**

(£1.1m 2021)

**Inventory Cash Payment**

**£4.5m**

Payment received for excess COVID stock

Comparable data for H1 2021

\*Cash, net of borrowings, at 30 June 2022



# 2022 Interims – Business Unit Updates



POINT OF CARE



CENTRAL LABORATORY



LIFE SCIENCES



LABORATORY TESTING



CONTRACT MANUFACTURING

**£13.8m**  
(↑ 9.7%)

- Continued growth post-COVID
- ↑ 45% Hemocontrol
- ↑ 31% Biosen

**£6.3m**  
(flat)

- Strong demand across portfolio
- ↑ 13.5% YTD to July
- ↑ 139% Glycated Albumin

**£2.0m**  
(↑ 96%)

- Growth in large corporate customers
- Market activity supports increased capacity

**£2.1m**  
(2021: nil)

- Revenue activity driven by COVID
- Transition period as range of tests come online

**£8.6m**  
(↓ 51%)

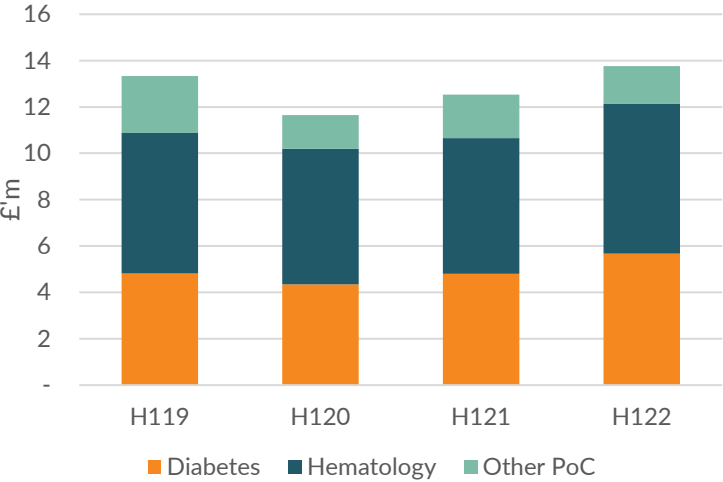
- Revenue activity driven by COVID
- Scale back of cost base in H1
- Pivot to higher value services

£4.7m of Other revenue relating to US inventory payment, shipping and handling recharges, repairs and other sundries

# 2022 Interims – Strong Established Core Performance



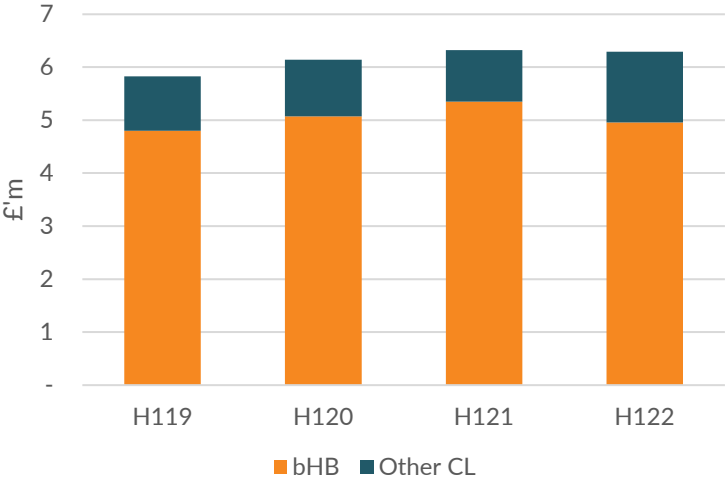
PoC Revenue Development



- H1 2022 3.2% higher than pre-pandemic (2019)
- Full recovery into growth for diabetes and hematology range



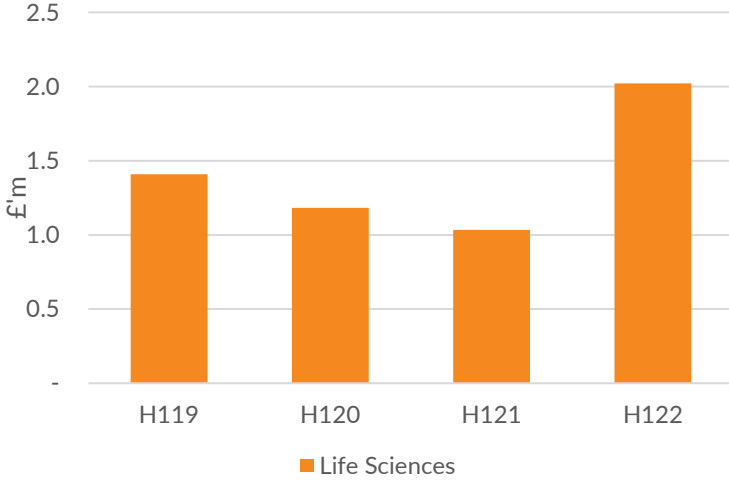
Central Lab Revenue Development



- H1 2022 8.0% higher than pre-pandemic (2019)
- Underpinned by robust  $\beta$ -HB revenues



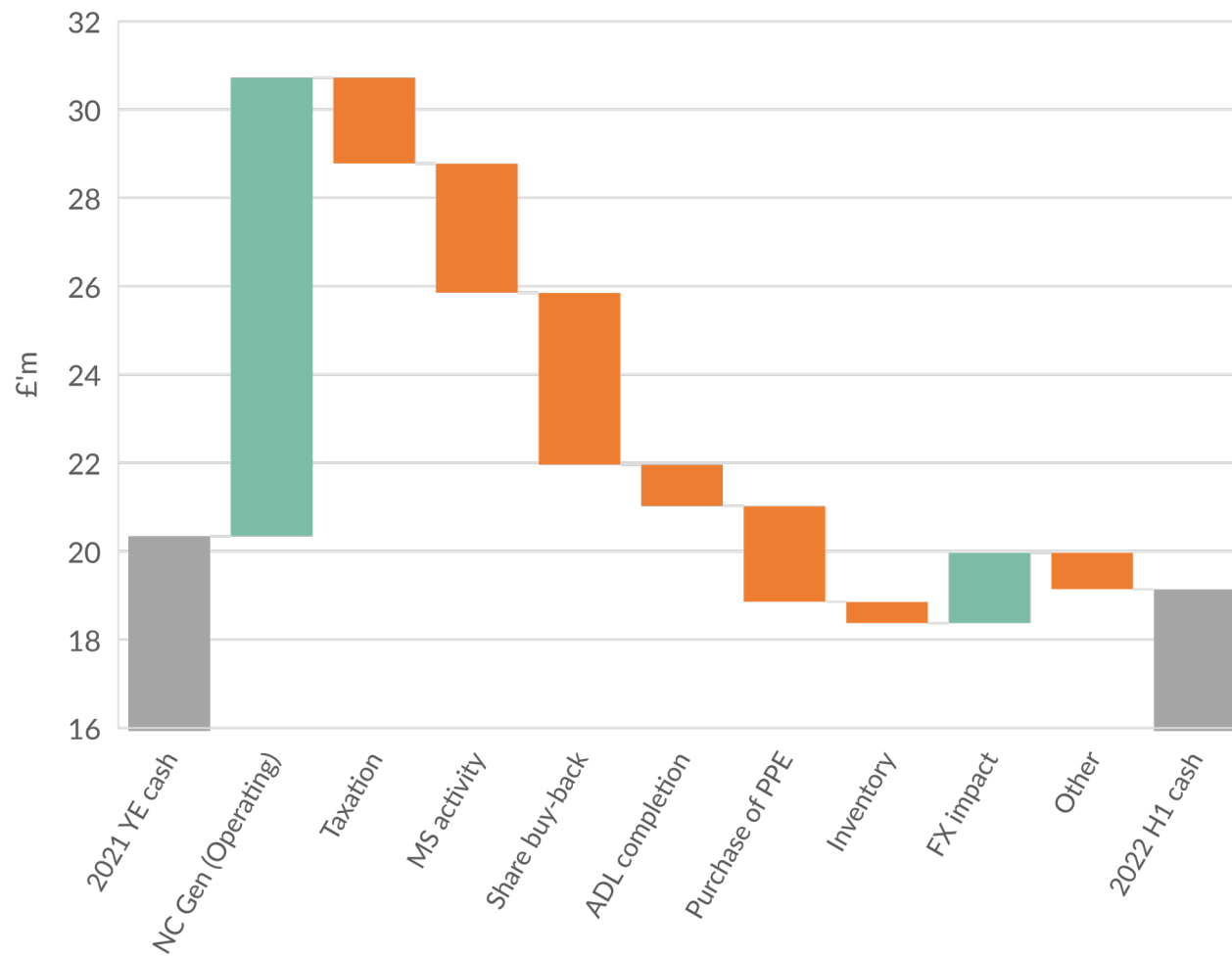
Life Sciences Revenue Development



- H1 2022 43.6% higher than pre-pandemic (2019)
- 2022 demand supports investment in further capacity

# 2022 Interims – Cash Flow Summary

H1 2022 Cash Usage



- ▶ Strong cash generation from operating activities (includes US inventory payment)
- ▶ £6.8m used in share buyback and external investments
- ▶ Focus now on investment into trading activities - no further external investments planned in 2022
- ▶ Significant capex with further H2 investment:
  - Increase in Life Sciences capacity
  - Improvements across EKF DE business
- ▶ Working capital transition post COVID demand
- ▶ Current restrictions on cash in Russia (c.£2.6m)
- ▶ £5.6m 2021 dividend (1.2p/share) to be paid 01/12/22

# Performance & Growth opportunities by Business Segment

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# Point-of-Care



## Business drivers

- 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 disease
- Trusted partner with a loyal and established customer base
- Expansion of new primary care opportunities
- Customer preference to work with providers of broad range of products
- Well positioned to meet new EU IVDR



## Performance

- H1 revenues +9.7% vs 2021
- +3.2% vs. 2019 (pre-COVID): full recovery plus growth
- Double-digit growth in key areas (vs 2021):
  - Diabetes: +18.3%
  - Hematology: +10.5%
- Biosen (Diabetes, Sports) +31% due to growth in EMEA and APAC
- Hemocontrol (Hematology) +45%, driven by the return of global Anemia programmes
- Profitable & cash generative



## Growth prospects

- Collaborations with strategic technology partners
- Expand platform system by utilising latest internal technology
- Maximise opportunities in the market created by EU IVDR
- Portfolio expansion in high growth areas e.g. Diabetes Care and Hematology
- Underpinned by integration of *EKF Link* with hospital systems
- Geographic expansion in Sweden, Nigeria, Uganda, Kenya and Ethiopia



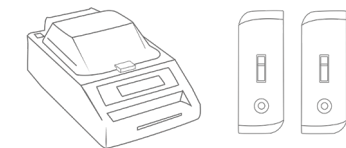
## Hematology



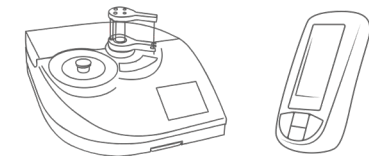
## Diabetes care



## Maternal/Women's health



## Sports performance





# Remote Testing in Peru



*Fighting anemia in Peru and improving the lives of hundreds of thousands of women and children*



# Central Laboratory



## Business drivers

- Economical, quality open-channel reagents that provide accurate reproducible results
- Wide range of analytes fill “menu gap” of the large instrument manufacturers
- Novel assays complement portfolio
- Market leader for  $\beta$ -HB liquid reagent
- Large, established customer base
- Excellent customer and partner sales and technical support



## Performance

- H1 revenues in-line with 2021
- Q2 supply issues resolved post-period: revenue to July +13.5% vs. 2021 (+19.9% vs. 2019)
- $\beta$ -HB sales remain strong, +9.9% for first 7 months
- Glycated Albumin +139% in H1 with sales already in excess of 2021 full year



## Growth prospects

- Expansion of private label opportunities with channel partners
- OEM opportunities with major clinical chemistry manufacturers
- Novel tests in areas of limited competition
- Pre-filled reagent for major diagnostic partners
- Geographic expansion in LATAM and APAC
- Group Purchasing Organization (GPO) contracts



# Life Sciences



## Business drivers

- Demand for precision fermentation technology and services
- Need for fermentation and downstream expertise
- Requirements for cGMP principles, 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



## Performance

- H1 revenues +96% vs 2021
- Growth across existing customer base shows demand for fermentation services
- New customers providing confidence in demand for additional capacity
- Providing supply to other business segments for wider Group benefit
- Capacity expansion plans remain on track to complete by end 2022
- Scale-up in revenue from 2023



## 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 largest fermenters (14,500L)







# Life Sciences Investment

South Bend, IN



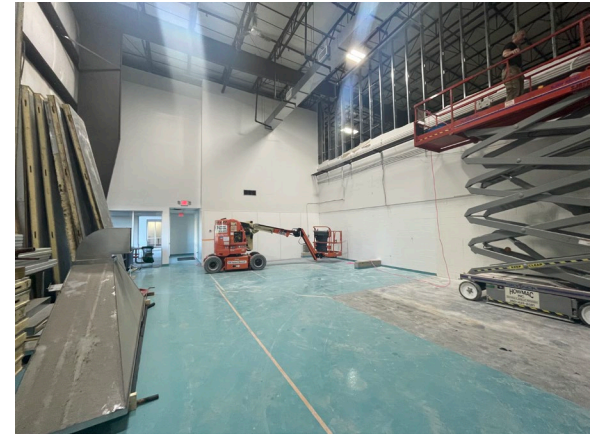
25,000 SqFt  
Fermentors:

- 65L
- 300L
- 1,500L
- 3,000L
- 10,000L
- 14,500L



Elkhart – c.20 miles  
Chicago – c.90 miles

EKF Life Sciences - South Bend, IN



# Laboratory Testing



## Business drivers

- Quick turnaround from sample to result provides first class customer experience
- Collaborative approach appealing to private hospital networks
- Highly experienced and technically qualified staff driving expanded portfolio of non-Covid tests
- Strategic Partnering to service US market (e.g. Yourgene)
- Adoption of Next Generation Sequencing (NGS) tests



## Performance

- H1 revenues at £2.1m (2021: nil)
- Strong Q1, driven exclusively by COVID related business
- Transition period from Q2 as broad range of non-COVID tests began development and validation
- Rapidly scalable and diversified post-COVID business model expected to generate attractive returns once established



## Growth prospects

- Toxicology, Respiratory Pathogen Panel and Cannabinoid tests now live
- Bringing new tests online in Oncology, Wound Health and Women's Health – expected later in 2022 and into 2023
- Focus on new diagnostic testing technology
- Targeting USA, the largest healthcare market in the world.
- Growing consciousness of health and wellness
- Leverage existing customer base



# Contract Manufacturing



## Business drivers

- Demand for non-COVID related products and services
- Need for total wing-to-wing contract manufacturing services
- Breadth and depth of highly skilled team with decades of manufacturing experience
- Focused and agile business, able to quickly adapt to customer needs
- Manufacturing sites in the US, Germany and UK to support companies with global commercialization strategy



## Performance

- H1 revenues down 51% vs. 2021, reflecting shift to non-COVID business from Q2
- Strong Q1 then significant drop in demand, due to sharp reduction in national COVID testing requirements
- Direct cost base quickly restructured: limited remaining direct costs in US and DE
- Transition period through Q2 as range of non-COVID manufacturing services are developed and marketed



## Growth prospects

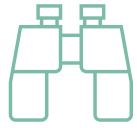
- Build on pre-pandemic customer base
- Highly complex Genomics applications
- US Government initiates
- Expand services
- Leverage ISO 7 Class 10,000 clean room. ISO 13485:2016 accreditation and FDA registered sites
- Global marketing campaign
- Investment in business development to find and drive new opportunities



# Summary & Outlook

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# Outlook



## Revenue

- Resilient and diversified revenue streams in attractive high-value segments
- Continued growth in core established **PoC** and **Central Laboratory** businesses
- **Life Sciences** revenues to build in 2023 following investment in capacity/capabilities
- 2022 transition from COVID to generate sustainable income in **Contract Manufacturing** and **Lab Testing**

## Investment

- Life Sciences on track to grow further with high-potential following investment
- Investment in PoC manufacturing to drive efficiencies and integrate supply chain
- Group-wide integration project implemented supporting global efficiencies
- Fully funded growth plans using internal cash

## Growth

- Organic growth from innovation in products and services in **PoC**, **Central Lab** and **Life Sciences** leveraging existing routes to market and relationships
- Expansion of CLIA certified **Lab Testing** offering (non-COVID) building on acquired capabilities
- Pivot **Contract Manufacturing** skills and relationships into non-COVID areas

On track to deliver *adjusted EBITDA results in line* with expectations *for 2022*

# Appendices

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# Summary Financials

## Income Statement

|                               | H1 2022 £k    | H1 2021 £k    | +/- £k         |
|-------------------------------|---------------|---------------|----------------|
| <i>Point of Care (PoC)</i>    | 13,756        | 12,534        | 1,222          |
| <i>Central Laboratory</i>     | 6,295         | 6,325         | (30)           |
| <i>Life Sciences</i>          | 2,024         | 1,033         | 991            |
| <i>Laboratory Testing</i>     | 2,141         | -             | 2,141          |
| <i>Contract Manufacturing</i> | 8,570         | 17,469        | (8,899)        |
| <i>Other</i>                  | 4,685         | 1,198         | 3,487          |
| <b>Revenue</b>                | <b>37,471</b> | <b>38,559</b> | <b>(1,088)</b> |
| Gross profit                  | 17,744        | 18,540        | (796)          |
| GM %                          | 47%           | 48%           | (1%)           |
| Administrative expenses       | (14,473)      | (7,017)       | (7,456)        |
| Other income                  | 880           | 34            | 846            |
| Depreciation / amortisation   | (3,361)       | (2,830)       | (531)          |
| Share based payments          | (517)         | 1,392         | (1,909)        |
| Exceptional items             | (1,682)       | 234           | (1,916)        |
| <b>Adj. EBITDA</b>            | <b>9,711</b>  | <b>12,761</b> | <b>(3,050)</b> |
| Finance income                | 57            | 22            | 35             |
| Finance costs                 | (68)          | (155)         | 87             |
| Income tax charge             | (1,717)       | (2,237)       | 520            |
| <b>Profit for the period</b>  | <b>2,423</b>  | <b>9,187</b>  | <b>(6,764)</b> |



# Summary Financials

## Balance Sheet

|                                      | H1 2022 £k     | H1 2021 £k     | FY 2021 £k     |
|--------------------------------------|----------------|----------------|----------------|
| Property, plant, equipment           | 18,170         | 12,957         | 15,991         |
| Intangible assets                    | 43,387         | 35,134         | 41,894         |
| Investments                          | 1,566          | 12,818         | 7,789          |
| Inventories                          | 12,969         | 9,766          | 13,238         |
| Trade / other receivables            | 12,236         | 16,107         | 13,428         |
| Cash and cash equivalents            | 19,138         | 20,784         | 20,341         |
| Other assets                         | 1,926          | 904            | 2,438          |
| <b>Total non-current liabilities</b> | <b>(4,805)</b> | <b>(5,371)</b> | <b>(6,727)</b> |
| Trade / other payables               | (14,148)       | (13,152)       | (9,078)        |
| Deferred consideration               | (72)           | (3,033)        | (465)          |
| Borrowings                           | (178)          | (89)           | (265)          |
| Other liabilities                    | (3,513)        | (1,968)        | (3,842)        |
| <b>Net Assets</b>                    | <b>86,676</b>  | <b>84,857</b>  | <b>94,742</b>  |





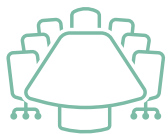
# Summary Financials

## Adj. EBITDA Reconciliation

| £k                            | As Reported   | Includes                |                            |
|-------------------------------|---------------|-------------------------|----------------------------|
|                               |               | US Payment <sup>1</sup> | Restructuring <sup>2</sup> |
| Revenue                       | 37,471        | 3,499                   | -                          |
| Cost of sales                 | (19,727)      | (1,902)                 | 1,499                      |
| <b>Gross profit</b>           | <b>17,744</b> | <b>1,597</b>            | <b>1,499</b>               |
| Administration expenses       | (14,473)      | (1,223)                 | 183                        |
| Other income                  | 880           | 859                     | -                          |
| <b>Operating profit</b>       | <b>4,151</b>  | <b>1,233</b>            | <b>1,682</b>               |
| Depreciation and amortisation | 3,361         | -                       | (183)                      |
| Share-based payments          | 517           | -                       | -                          |
| Exceptional items             | 1,682         | -                       | -                          |
| <b>Adj. EBITDA</b>            | <b>9,711</b>  | <b>1,233</b>            | <b>1,499</b>               |

<sup>1</sup>US Payment - \$5.5m received for US inventory as reported on 13 June 2022

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



# Non-executive Directors



**Christopher Mills**  
Non-executive Chairman

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 AI 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.



**Christian Rigg**  
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 Project Galaxy UK Topco Limited (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.



**Julian Baines MBE**  
Non-executive Deputy 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 also Chairman of Trellus Health plc and Verici Dx plc. On 1 October 2021 he stepped down as CEO of the Group but continued as a Non-executive Director.



**Jennifer Winter**  
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.

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