

Welcome to Medistim ASA's second quarter and 1st half 2020 financial presentation

The webinar will begin shortly



Medistim ASA Second quarter and 1st half 2020

August 14th 2020



Kari E. Krogstad

PRESIDENT & CEO

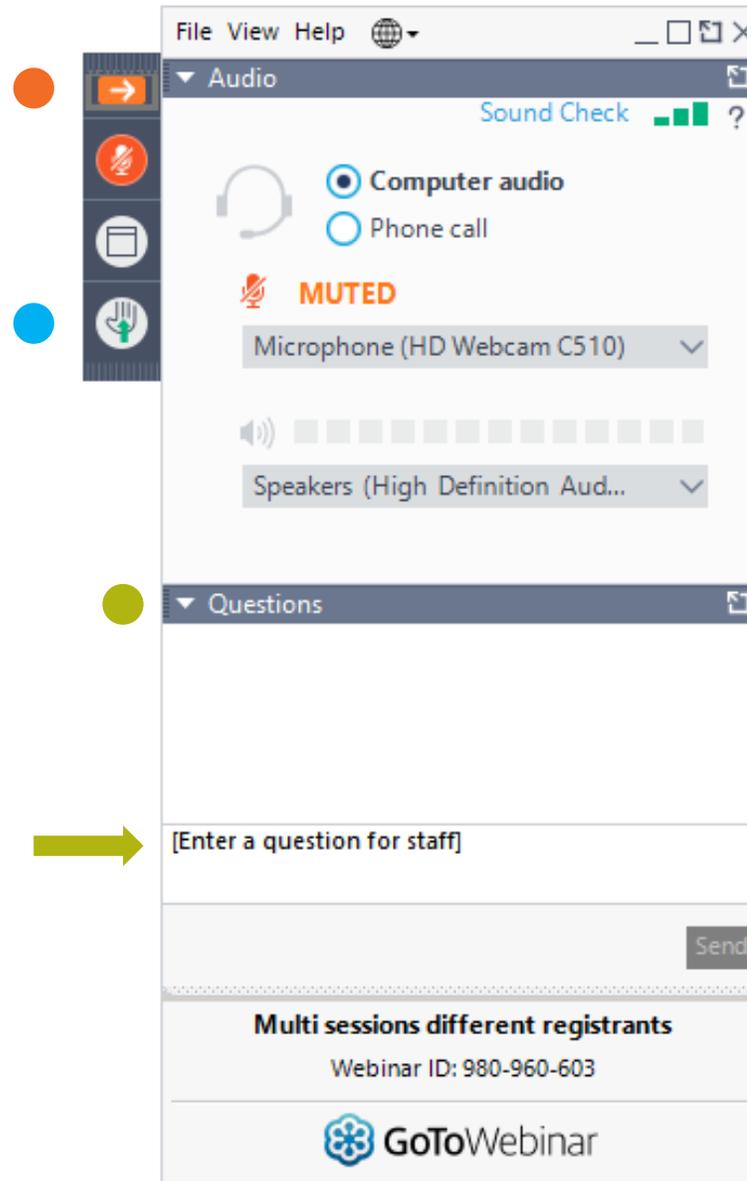
Thomas Jakobsen

CFO

Webinar Technical tips

All questions will be answered at the end of the presentation

- Click on on this arrow to expand or minimize your GoToMeeting panel.
- Click on the **hand icon** to indicate that you would like to ask a question in person, and you will be unmuted at the end of the presentation.
- Add any questions here in the **questions** panel and we will answer them at the end of the presentation.





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01 Highlights

Highlights 2nd quarter

Q2 2020		% Q o Q	
Revenue	MNOK 82.5 (93.8)		-12.1
EBIT	MNOK 27.7 (30.9)		-10.3
Currency			+7.2
No of capital units sold:			
Flow systems	34		+30.8
Imaging systems	9		-47.1
Flow probes	1 454		-26.1
Imaging probes	21		-19.2
Procedures (USA)	12 514		-27.5

Second quarter sales ended at 82.5 MNOK

- The COVID-19 pandemic led to postponement of elective surgeries, hence sales revenues were down by 12.1%
- Currency neutral sales of own products down 20.3%
- U.S. sales decreased 27.8%, Asia down 20%
- Sales growth in Europe (own products) and RoW, up 5.1% and 62.6%, respectively
- Sales of vascular portfolio up 23.8%

EBIT ended at MNOK 27.7 (30.9), our third best quarter ever

- EBIT margin of 33.6%

Publication of the CIDAC study supporting the use of Medistim's equipment to improve outcomes during Carotid Endarterectomy procedures

Highlights 1st half

H1 2020		% H o H	
Revenue	MNOK 185.6 (182.5)		+1.7
EBIT	MNOK 52.5 (50.8)		+3.3
Currency			+8.7
No of capital units sold:			
Flow systems	76		+55.1
Imaging systems	35		-14.6
Flow probes	3 127		-13.5
Imaging probes	60		+11.1
Procedures (USA)	27 561		-15.2

First half sales ended at 185.6 MNOK

- The COVID-19 pandemic effect in Q2 neutralizes the 16% sales growth in Q1
- Currency neutral sales of own products down 4.5 %
- U.S. sales decreased 9.1%, RoW down 9.3 %
- Sales growth in Europe (own products) and Asia, up 16.3% and 60.4%, respectively
- Sales of vascular portfolio up 30.7 %
- Sales of imaging portfolio up 11%

EBIT ended at MNOK 52.5 (50.8), our best first half ever

- EBIT margin of 28.3%

The Board holds an authorization to pay a dividend up to NOK 2.75 per share within the next ordinary General Meeting in 2021

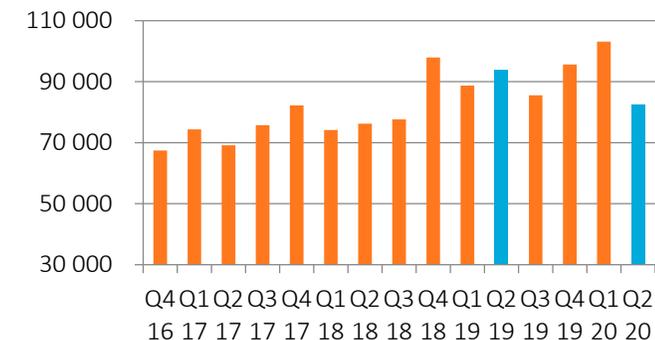


02 Financial Statements

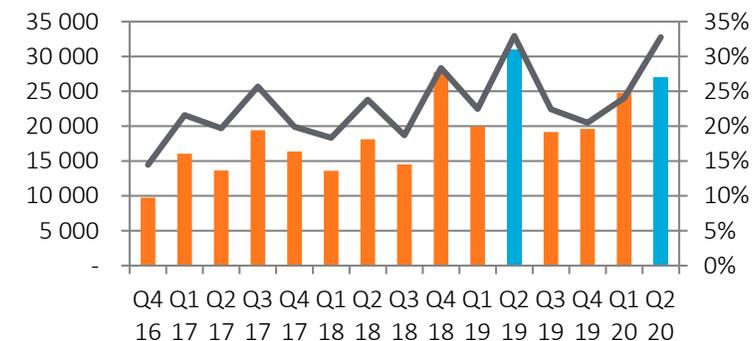
Profit and loss Q2 2020

Profit & loss	Q2 2020	Q2 2019
All numbers in NOK 1000		
Sales	82 482	93 796
Cost of goods sold	15 892	21 145
Salary and sosial expenses	22 413	23 648
Other operating expenses	10 883	13 793
Total operating expenses	49 187	58 586
Op. res. before depr. and write-offs (EBITDA)	33 294	35 210
<i>EBITDA %</i>	<i>40,4 %</i>	<i>37,5 %</i>
Depreciation	5 584	4 318
Write offs and provisions	-	-
Operating result (EBIT)	27 710	30 892
<i>EBIT %</i>	<i>33,6 %</i>	<i>32,9 %</i>
Financial income	1 387	677
Financial expenses	3 573	1 472
Net finance	(2 186)	(795)
Pre tax profit	25 525	30 098
Tax	5 256	7 969
Result	20 269	22 129

Sales per Quarter (TNOK)



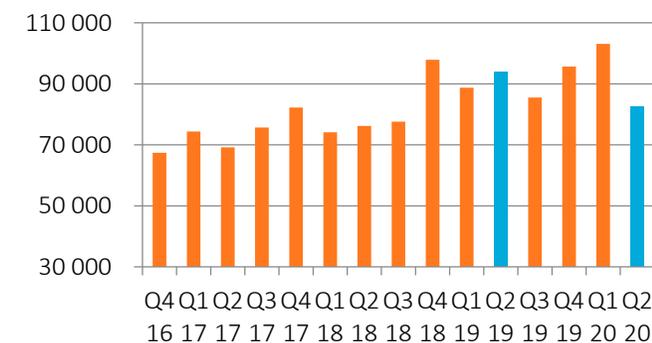
EBIT per Quarter (TNOK)



Profit and loss H1 2020

Profit & loss	H1 2020	H1 2019
<i>All numbers in NOK 1000</i>		
Sales	185 588	182 533
Cost of goods sold	38 966	41 839
Salary and sosial expenses	55 703	54 676
Other operating expenses	27 347	26 429
Total operating expenses	122 016	122 944
Op. res. before depr. and write-offs (EBITDA)	63 572	59 589
<i>EBITDA%</i>	<i>34,3 %</i>	<i>32,6 %</i>
Depreciation	11 077	8 752
Write offs and provisions	-	-
Operating result (EBIT)	52 495	50 836
<i>EBIT %</i>	<i>28,3 %</i>	<i>27,9 %</i>
Financial income	8 026	906
Financial expenses	7 503	1 482
Net finance	523	(576)
Pre tax profit	53 018	50 260
Tax	11 642	12 159
Result	41 376	38 100

Sales per Quarter (TNOK)



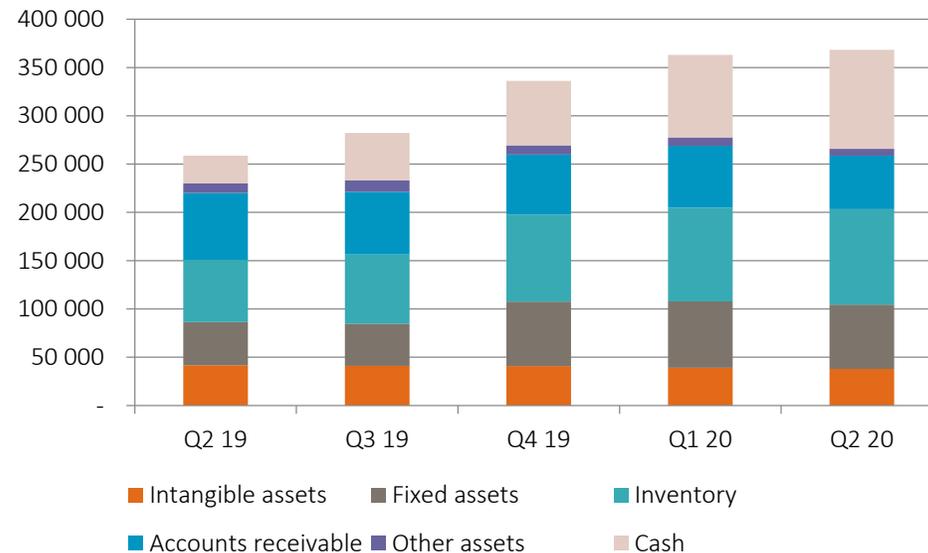
EBIT per Quarter (TNOK)



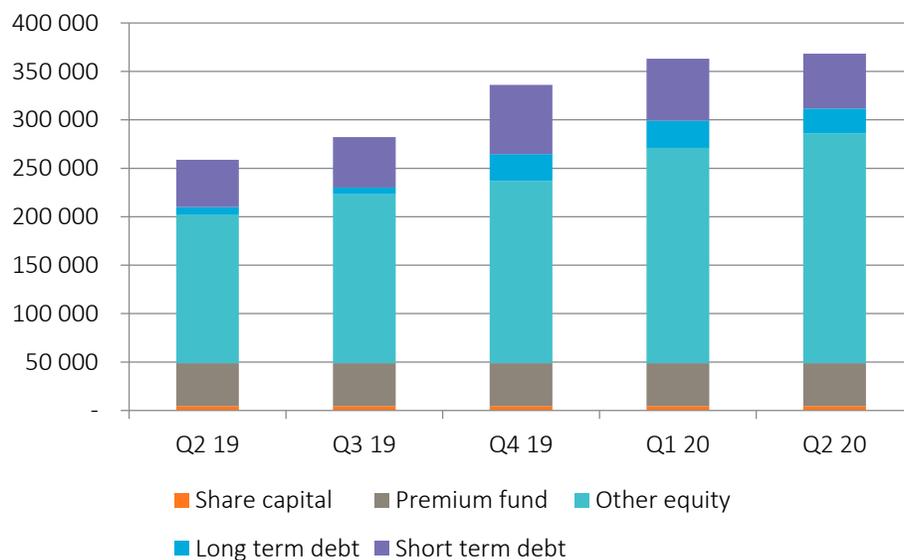
Balance sheet - Assets

- Cash flow from operations was a solid MNOK 40.6 for the quarter and the cash position by end of June was MNOK 102.4
- Securing end-of-life and security stock of components, as well as securing supply resulted in increased inventory level
- The Board holds an authorization to pay a dividend up to NOK 2.75 per share within the next ordinary General Meeting in 2021

Balance sheet	30.06.2020	31.12.2019
<i>All numbers in NOK 1000</i>		
Assets		
Intangible assets	37 895	40 773
Fixed assets	66 568	66 835
Total intangible and fixed assets	104 463	107 608
Inventory	98 845	90 070
Customers receivables	55 398	62 188
Other receivables	7 111	9 497
Cash	102 459	66 745
Total current assets	263 813	228 501
Total assets	368 276	336 109



Balance sheet	30.06.2020	31.12.2019
<i>All numbers in NOK 1000</i>		
Share capital	4 585	4 585
Premium fund	44 172	44 172
Other equity	237 347	188 104
Total equity	286 104	236 861
Total long term debt	25 516	27 801
Total short term debt	56 657	71 447
Total equity and liability	368 276	336 109



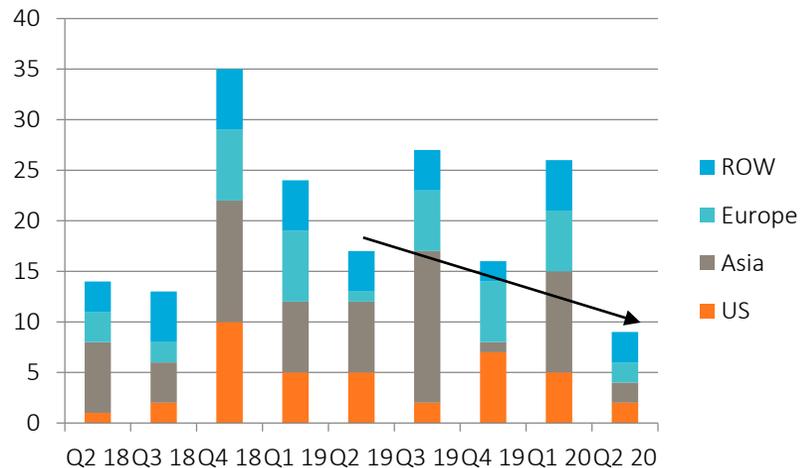
Balance sheet – Equity and Liability

- 6.0 MNOK in interest-bearing debt
- 25.7 MNOK in obligations related to lease contracts
- Strong balance sheet with 77.7% equity ratio

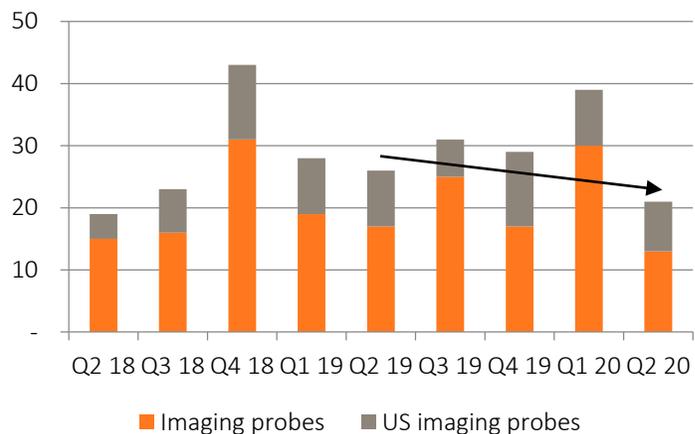


03 Business segments update

Imaging systems in units



Imaging probes in units (Incl USA)



Imaging probes and systems in units

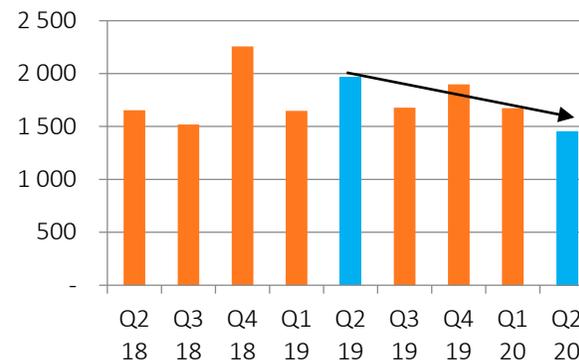
Due to the COVID-19 pandemic, the overall trend in all geographies was a reduced number of elective surgeries and restrictions in access to hospitals for new sales projects, resulting in reduced sales of consumables as well as systems



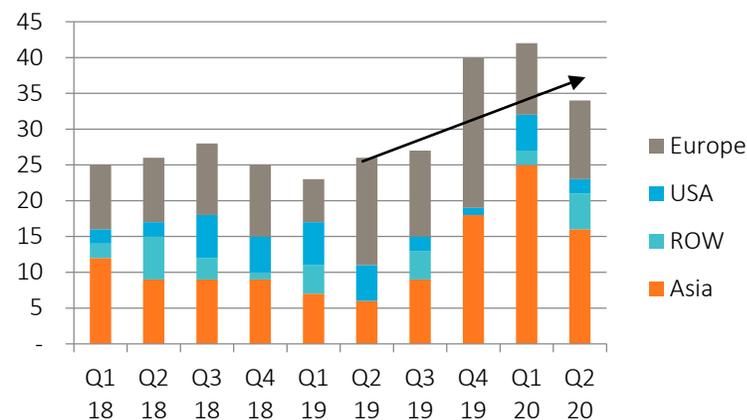
Flow probes and systems in units

- Due to the COVID-19 pandemic, the overall trend in all geographies was a reduced number of elective surgeries and restrictions in access to hospitals for new sales projects, resulting in reduced sales of consumables as well as systems
- Nevertheless, flow system sales to distributors in Asia and RoW was strong in Q2
- The **total number of systems** (Flow only and Flow&Imaging combined) sold in Q2 was the same as in 2019 and for the first half there is a growth of 23%

Flow probes in units (excl USA)



Flow systems in units (MiraQ capital sales)



Q2 and H1 2020 revenue performance by region

Mill NOK	Q1 '20	Q1 '19	Q / Q	H1 '20	H1 '19	H / H	2019
Europe	40,7	42,5	-4,4 %	81,5	80,9	0,7 %	163,9
USA	26,6	36,9	-27,8 %	65,0	71,5	-9,1 %	136,1
Asia	7,9	9,9	-20,1 %	27,1	16,9	60,4 %	41,8
ROW (MEA, CAN, SA, AUS)	7,2	4,4	62,6 %	12,0	13,2	-9,3 %	22,0
Total	82,5	93,8	-12,1 %	185,6	182,5	1,7 %	363,7

- **In Europe**, sale of own products increased with 5.1% in Q2 and 16.3 % in the 1st half. The growth in NOK was driven by favorable currency. 3. party decreased with 15.5% for the quarter and 16.6 % in the 1st half.
- **In the USA**, currency neutral sales declined with 36.2% for the quarter and 19.7% in the 1st half.
- **In Asia**, there was strong flow system sales for the quarter, but still a decline in sales revenues. Solid growth year to date, driven by strong uptake of MiraQ systems in Japan.
- **ROW** continues to be a small sales territory for Medistim, with significant quarter to quarter variation.

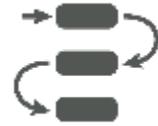
Positive currency effects for H1 2020 vs H1 2019 was 15.8 MNOK .

Average actual exchange rate for USD 9.75 and EUR 10.74 versus last year USD 8.61 and EUR 9.74.

Q2 and H1 2020 revenue performance by product

Mill NOK	Q2 '20	Q2 '19	Q / Q	H1 '20	H1 '19	H1 / H1
Procedures (USA)	22,4	27,0	-17,0 %	50,7	53,4	-5,0 %
Flow probes	21,6	24,0	-9,7 %	46,4	45,9	1,1 %
Flow systems (MiraQ)	9,8	9,0	9,1 %	23,9	16,2	47,6 %
Imaging systems (MiraQ)	7,6	11,3	-32,8 %	25,0	23,5	6,2 %
Imaging probes	1,0	1,0	8,5 %	3,1	2,2	39,9 %
3rd party	16,5	19,5	-15,5 %	32,0	38,3	-16,6 %
Other	3,6	2,1	67,5 %	4,5	3,0	49,9 %
Total revenues	82,5	93,8	-12,1 %	185,6	182,6	1,7 %

- **Procedure sale in the USA:** The total number of procedures decreased with 27.5% in Q2 and 15.2% in 1st half. The lower decrease in NOK is due to favorable currency.
- **Flow probes:** 26.1% decline in units for the quarter and 13.5% for the 1st half. Favorable currency in addition to price increase explains the slight revenue growth for the 1st half.
- **Flow systems:** In Q2, 30.8% increase in units gave a 9.1% increase in NOK due to more units sold through the distributor channel compared to last year. For the 1st half, unit sales increased by 55.1%, in line with the increase in NOK.
- **Imaging systems:** In Q2, imaging systems decreased with 47.1% in units and 32.8% in NOK. For the 1st half, unit sales decreased by 14.6%, while sales in NOK increased by 6.2%, due to favorable currency and more sales through the direct channel.
- **3rd party products:** Weak Q2 and 1st half after decreased activity at Norwegian hospitals due to COVID-19.



04 Implementing the strategy

Medistim growth strategy

GEOGRAPHIES	Emerging high-growth economies (e.g. BRIC)	4		
	Developing Medistim markets (e.g. USA, UK, France)	2		
	Strong Medistim markets (e.g. Jp, Nordic, Germany) >50% CABG share	1	3	
		CABG surgery (2 BNOK)	Vascular surgery (>1 BNOK)	Other open heart surgery (1BNOK)
	APPLICATION AREAS			

1. **Convert** the routine Flow market to a Flow-and-Imaging market by establishing *Surgical Guidance and Quality Assessment* as the new standard of care through
 - Early adopter & KOL support
 - REQUEST study
 - Ease conversion from flow to imaging with MiraQ

2. **Achieve routine use** of both Flow and Imaging by fighting ignorance, indifference and ease-of-use objections through
 - Clinical marketing, guidelines and educational programs
 - Product innovation for ease of use
 - Increased sales force capacity

3. **Build and strengthen position** in vascular surgery
 - Dedicated system (MiraQ Vascular) & probes
 - Build position with societies and KOLs

4. **Offer an entry-level solution** to reach emerging, price-sensitive, high-growth markets



Sales expansion in the USA

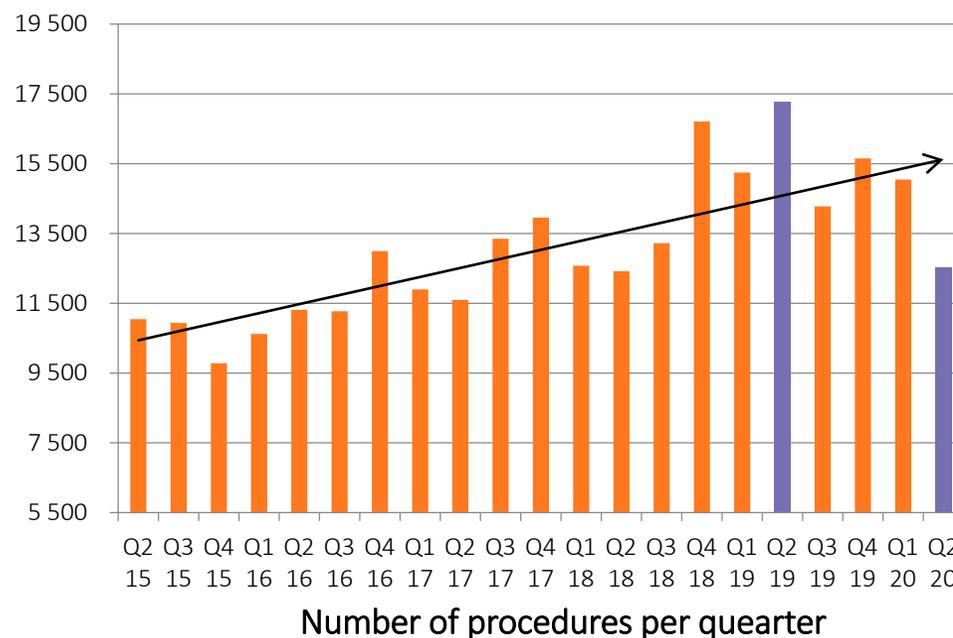
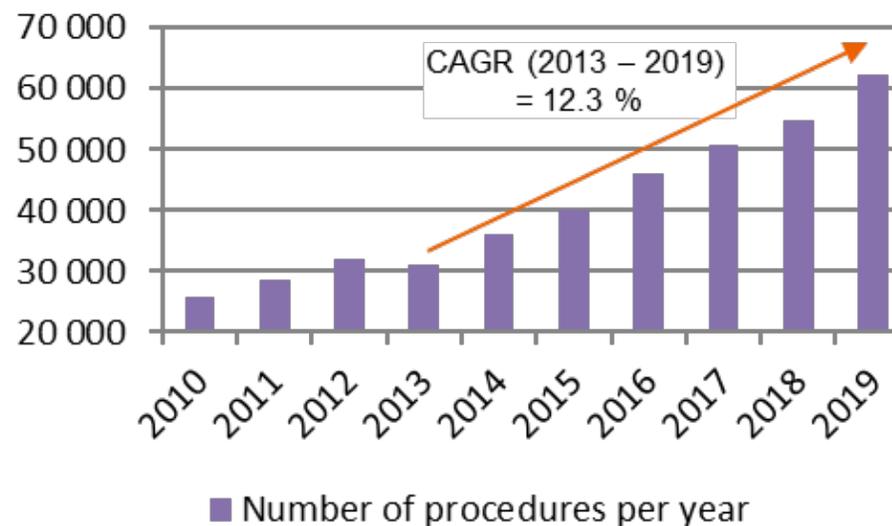
Performance US sales

- **Revenues** in USD declined 36.2% in Q2 and 19.7% in H1 due to COVID-19
 - In NOK, revenues declined 27.8% in Q2 and 9.0% for H1 due to favorable currency

- Total **number of procedures** was down 27.5% in Q2 and 15.2% for H1, reflecting the lower surgical activity level
 - **Flow** procedures were down 30.6% in Q2 and 17.4% for H1
 - **Imaging** procedures were down 9.7% in Q2 and 3.6% for H1

- **4 capital** systems sales for Q2 compared to 10 last year. For H1 there was 14 capital sales compared to 21 last year.

- Continued growth in **new customers**
 - 6 completely new accounts in Q1, 2 new in Q2. The 8 new accounts in H1 can be compared to 16 last year.

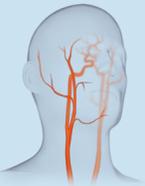




Building position in Vascular Surgery

Target segments in vascular surgery

- Global vascular market is > 600 000 procedures annually
- 1 Billion NOK of market opportunity for Medistim

	Applications	Size of key markets	Clinical needs
	CEA surgery	>200 000	Reduce risk of death and stroke Improve cost-effectiveness
	Peripheral bypass surgery	>200 000	Improve long-term graft patency Improve quality of life
	AV access surgery	>200 000	Secure maturation of shunt/fistula Reduce risk of cardiac failure and hand ischemia
	Liver transplant surgery	20 000 (globally)	Increase success rate for a costly procedure

Carotid endarterectomy – can ultrasound take the role as preferred intraoperative completion control?

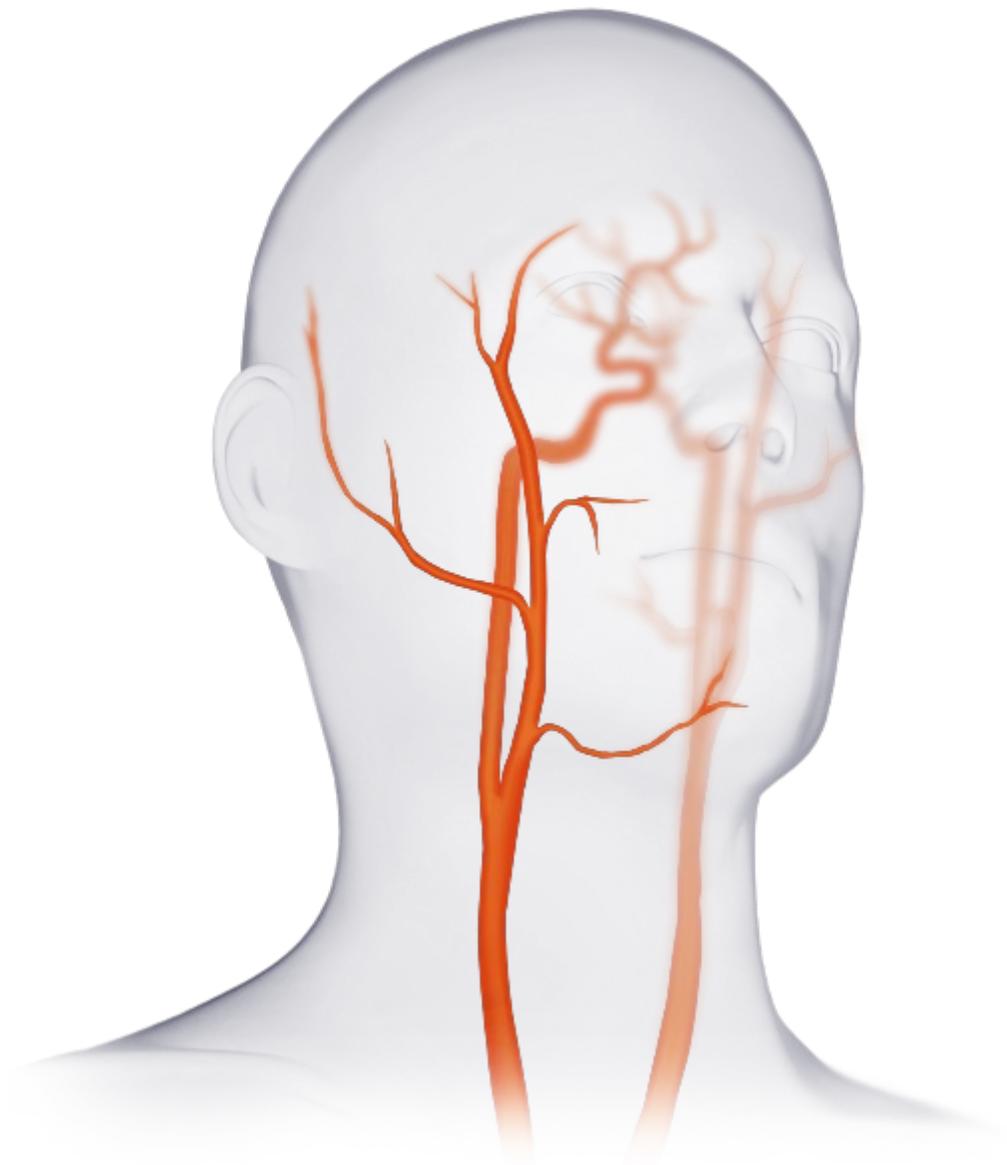
Clinical Need

- Carotid endarterectomy (CEA) is a surgical procedure to reduce the risk of stroke from carotid artery stenosis (narrowing of the internal carotid artery)
- Angiography is the current gold standard completion control
- Potential benefits from using ultrasound:
 - No x-rays
 - No iodinated contrast agents
 - Cost efficiency

Market opportunity

- >200 000 procedures
- High risk procedure, intuitive need for guidance and control





The CIDAC Study

Published in the EJVES 20th March 2020

ORIGINAL ARTICLE

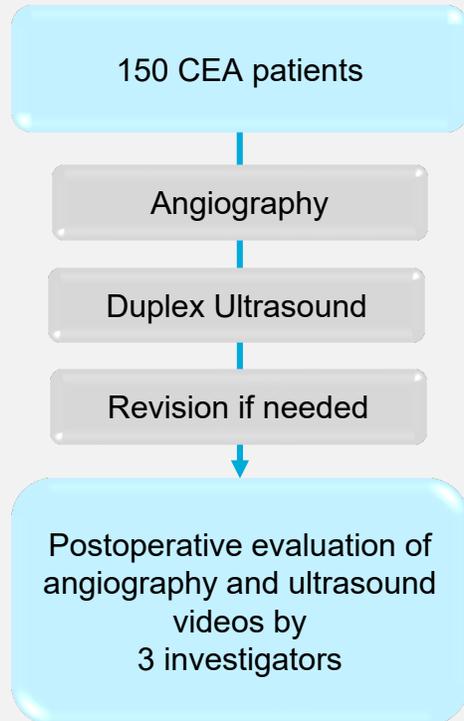
Prospective Comparison of Duplex Ultrasound and Angiography for Intra-operative Completion Studies after Carotid Endarterectomy

Christoph Knappich, Sofie Schmid, Pavlos Tsantilas, Michael Kallmayer, Michael Salvermoser, Alexander Zimmermann, Hans-Henning Eckstein *

Klinikum Rechts der Isar (Technical Univ of Munich)

CIDAC – Study design

Method



ORIGINAL ARTICLE

Prospective Comparison of Duplex Ultrasound and Angiography for Intraoperative Completion Studies after Carotid Endarterectomy

Christoph Knappich, Sofie Schmid, Pavlos Tsantilas, Michael Kallmayer, Michael Salvermoser, Alexander Zimmermann, Hans-Henning Eckstein*

Klinikum Rechts der Isar (Technical Univ of Munich)

- Prospective, comparative, clinical trial

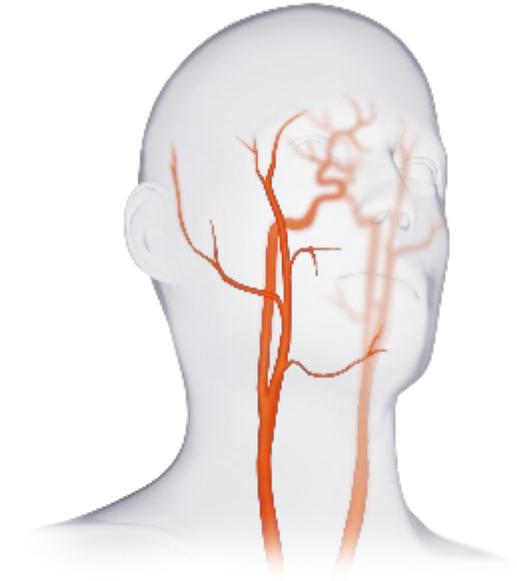
Comparing Intraoperative

angiography to intraoperative

- Duplex Ultrasound (IDUS) using Medistim VeriQC™ as completion control after CEA

Endpoints:

- ✓ Lesion grade (1=no lesion, 4=severe lesion)
- ✓ Inter-observer reliability



CIDAC – Study results

Intraoperative revisions



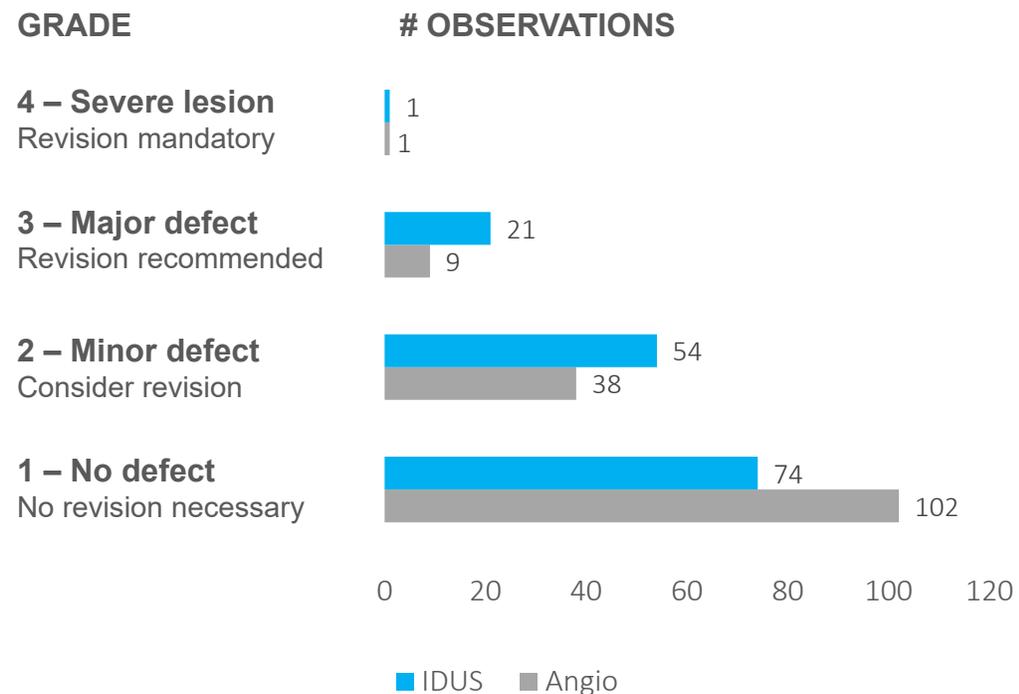
Revision rate of 9.3% of patients

Inter-observer reliability



The Kendall's coefficient was significantly higher for IDUS, meaning higher agreement between observers (Wt=1 would mean complete agreement between the evaluators)

Postoperative analysis

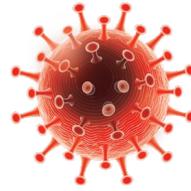


Defects considered for revision were detected in 22 vs 10 patients for IDUS vs Angiography (P=0.04) (The grade was the mean of the 3 evaluators' grading)

CIDAC – Study conclusions

- High-frequency ultrasound (IDUS) detected significantly **more of the major defects** compared to angiography (22 vs 10, $P = 0.04$)
- High-frequency ultrasound (IDUS) lead to **intraoperative revision** more frequently than angiography (8 vs 5)
- **Inter-observer reliability** was higher with high-frequency ultrasound (IDUS) than with angiography (Kendall's coefficient $W_t=0.70$ vs 0.57 , $P=0.003$)

The authors concluded that *“given the lesser invasiveness, IDUS (high-frequency ultrasound) could be considered as an alternative to angiography for intra-operative completion control in CEA.”*



05 The COVID-19 pandemic

The COVID-19 pandemic



Negative effects on sales revenues in Q2

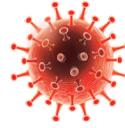
- Lock-downs, travel and hospital access restrictions
- Hospital resources and capacity focused on, and keeping ready for, COVID-19 patients
- Elective surgeries postponed
- Medistim consumables sales negatively affected by the reduced activity level
- New sales projects delayed due to less access to customers
- The 3. party business in Norway and the U.S. operation was affected the most, with 15.5 % and 36.2% reduction in revenues, respectively

No significant negative implications on Medistim's operations

- Healthy employees
- Intact supply chain
- Production running as normal
- Cost containment

- 3rd best operating profit for a quarter and best 1st half result ever
- Solid cash from operations with MNOK 40.6 for the 1st half and a cash position of MNOK 102.4

The COVID-19 pandemic (cont'd)



Light at the end of the tunnel

- **Serious medical conditions such as heart disease and risk of stroke cannot be left untreated for too long**
- Lack of treatment capacity and reluctance amongst patients to seek care have had serious consequences
 - Out-of-hospital cardiac arrests increased 5-fold and deaths doubled in the New York metropolitan area when comparing March-April 2020 against March-April 2019
 - This corresponded with a 56% reduction in hospitalizations for acute coronary syndrome in the same period
- *[Source: Research letter published in the Journal of the American College of Cardiology, JACC]*
- Hospitals are now signaling that they have built capacity and are actively encouraging patients to seek care

Uncertainties

- For how long will the pandemic and its aftermath last
- How will Medistim continue to be affected (severity, duration)

Measures taken

- The situation is being continuously monitored
- Cost savings are implemented, including travel, meetings, marketing
- Contingency plans are in place
- The level of measures will be adjusted as appropriate



Shareholders list per 13.8.2020

Rank	Shareholder	# of shares	% of total	Country	Type of account
1	INTERTRADE SHIPPING AS	2 000 000	10,9 %	Norway	Ordinary
2	SALVESEN & THAMS INVEST AS	1 862 500	10,2 %	Norway	Ordinary
3	VERDIPAPIRFOND ODIN NORDEN	1 800 000	9,8 %	Norway	Ordinary
4	State Street Bank and Trust Comp	1 199 342	6,5 %	United States	Nominee
5	SEB EUROPAFOND SMÅBOLAG	1 013 135	5,5 %	Sweden	Ordinary
6	FOLLUM CAPITAL AS	970 000	5,3 %	Norway	Ordinary
7	Skandinaviska Enskilda Banken AB	513 982	2,8 %	Denmark	Nominee
8	State Street Bank and Trust Comp	508 112	2,8 %	United States	Nominee
9	Skandinaviska Enskilda Banken AB	472 723	2,6 %	Luxembourg	Nominee
10	BUANES	479 936	2,6 %	Norway	Ordinary
11	Danske Bank A/S	268 310	1,5 %	Denmark	Nominee
12	HUMLE SMABOLAGSFOND	241 894	1,3 %	Sweden	Ordinary
13	BNP Paribas Securities Services	239 188	1,3 %	France	Nominee
14	TIN NY TEKNIK	238 314	1,3 %	Sweden	Ordinary
15	Danske Invest Norge Vekst	228 000	1,2 %	Norway	Ordinary
16	State Street Bank and Trust Comp	217 113	1,2 %	United States	Nominee
17	Montanaro saller comp	208 500	1,1 %	Belgium	Ordinary
18	FOLKETRYGDFONDET	203 500	1,1 %	Norway	Ordinary
19	VERDIPAPIRFONDET HOLBERG NORGE	200 000	1,1 %	Norway	Ordinary

Total 19 largest shareholders	12 864 549
In % of total number of shares	70,2 %
Total number of shares	18 337 336

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