

# Medistim ASA Second Quarter 2014

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## Table of contents

1. Highlights Second Quarter
2. Financial Statements
3. Business Segments Update
4. Implementing the Strategy



## 1. Highlights second quarter



## Highlights second quarter 2014

- Revenue down 2.2 %
  - Strong growth in the US sales with 41 % increase
  - Sale of consumables (probes) at the same level as last year per first half year
  - Lower number of systems sales in Europe, Asia and RoW explains revenue decline for the quarter
  
- Development project for new system platform continues according to plan
  
- A dividend of NOK 0.8 per share (NOK 1.10) paid to shareholders 7<sup>th</sup> of May

Q2 2014		Q o Q
Revenue MNOK 47.9 (49.0)		-2.2%
EBIT MNOK 11.7 (12.8)		-9.0 %
Currency		5 %
No of products sold		
Systems 16		-55.0 %
Flow probes 1 491		-3.7 %
Procedures (USA) 9 798		31.4 %

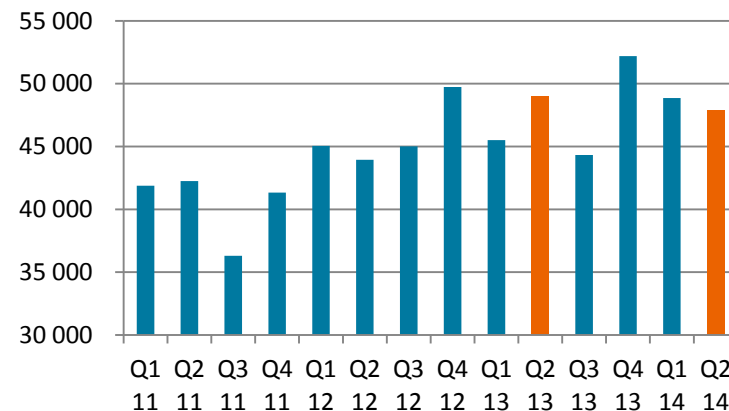
## 2. Financial statements



## Profit and loss Q2 2014

<b>Profit &amp; loss</b>	<b>Q2 2014</b>	<b>Q2 2013</b>
<i>All numbers in NOK 1000</i>		
<b>Sales</b>	<b>47 868</b>	<b>48 962</b>
Cost of goods sold	12 323	11 428
Salary and social expenses	12 947	13 205
Other operating expenses	8 855	9 609
Total operating expenses	34 125	34 242
<b>Op. res. before depr. and write-offs (EBITDA)</b>	<b>13 743</b>	<b>14 719</b>
<i>EBITDA%</i>	<i>28,7 %</i>	<i>30,1 %</i>
Depreciation	2 072	1 888
<b>Operating result (EBIT)</b>	<b>11 671</b>	<b>12 831</b>
<i>EBIT%</i>	<i>24,4 %</i>	<i>26,2 %</i>
Financial income	2 429	2 899
Financial expenses	2 178	2 879
Net finance	251	20
<b>Pre tax profit</b>	<b>11 922</b>	<b>12 851</b>
Tax	4 765	4 182
<b>Result</b>	<b>7 158</b>	<b>8 669</b>

### Sales per Quarter (TNOK)



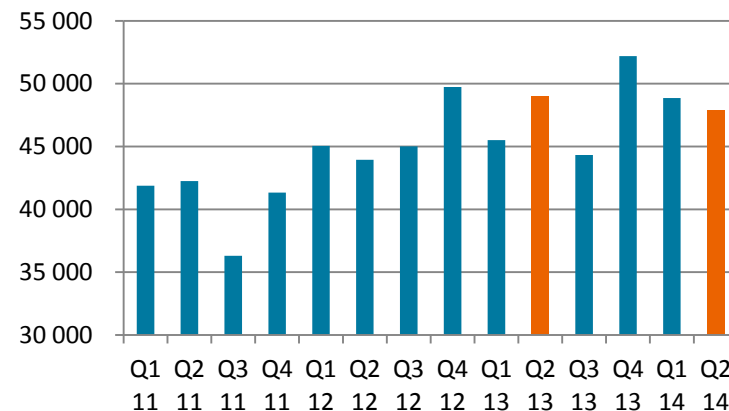
### EBIT per Quarter (TNOK)



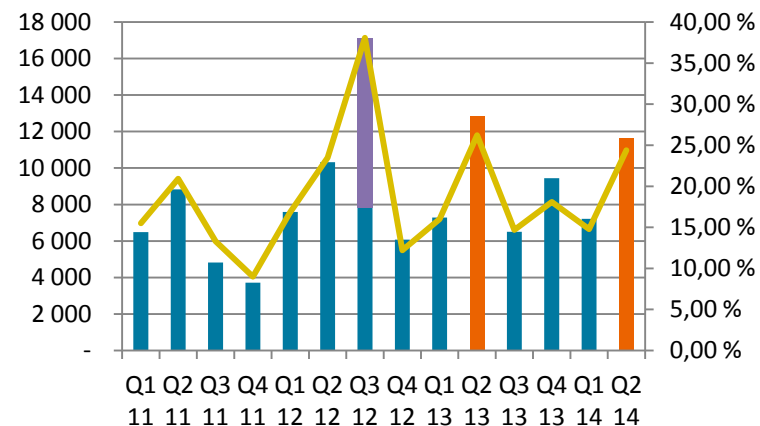
# Profit and loss H1 2014

<b>Profit &amp; loss</b>	<b>1. half 14</b>	<b>1. half 13</b>
<i>All numbers in NOK 1000</i>		
<b>Sales</b>	<b>96 725</b>	<b>94 468</b>
Cost of goods sold	25 304	23 619
Salary and sosial expenses	29 722	28 349
Other operating expenses	18 699	18 681
Total operating expenses	73 725	70 649
<b>Op. res. before depr. and write-offs (EBITDA)</b>	<b>23 000</b>	<b>23 819</b>
<i>EBITDA%</i>	<i>23,8 %</i>	<i>25,2 %</i>
Depreciation	4 110	3 702
<b>Operating result (EBIT)</b>	<b>18 890</b>	<b>20 117</b>
<i>EBIT%</i>	<i>19,5 %</i>	<i>21,3 %</i>
Financial income	3 541	3 212
Financial expenses	3 269	2 679
Net finance	272	532
<b>Pre tax profit</b>	<b>19 162</b>	<b>20 649</b>
Tax	6 801	6 227
<b>Result</b>	<b>12 361</b>	<b>14 423</b>

### Sales per Quarter (TNOK)



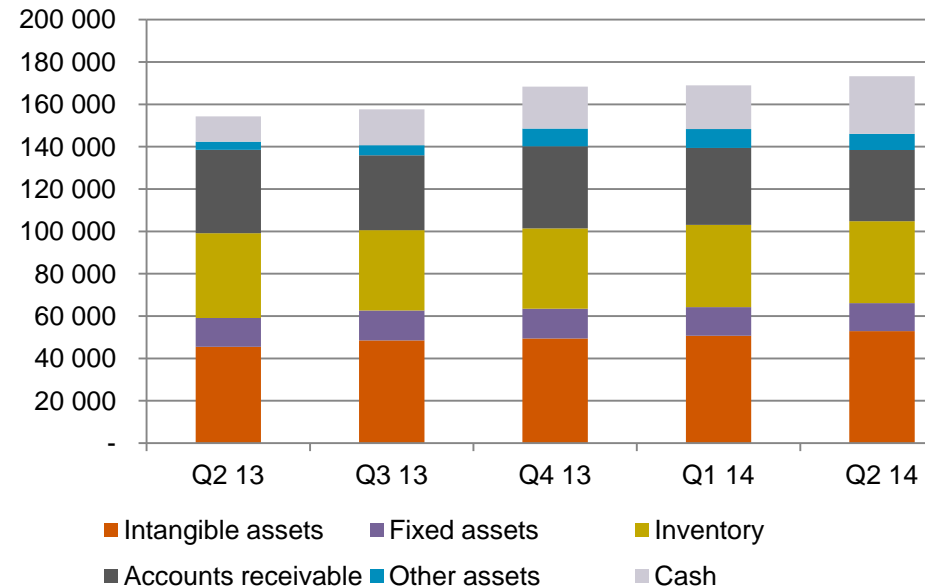
### EBIT per Quarter (TNOK)





## Balance sheet - Assets

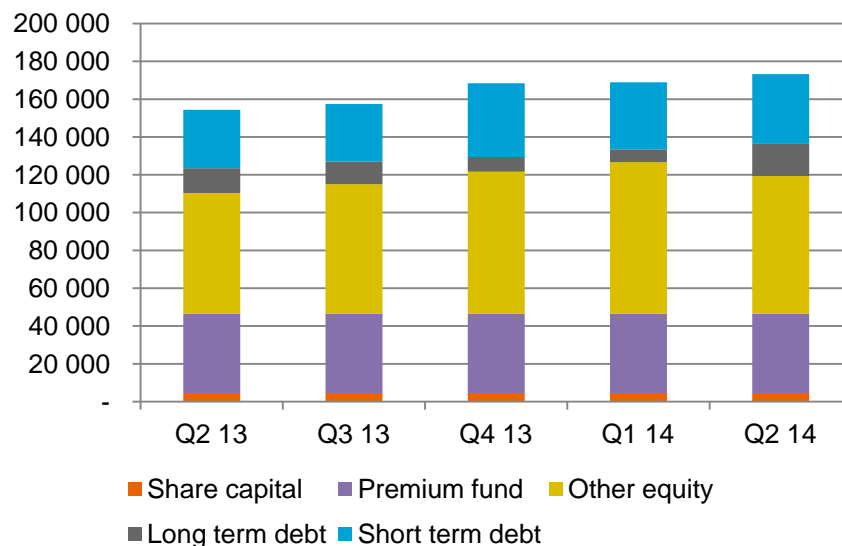
Balance sheet	30.06.2014	31.12.2013
<i>All numbers in NOK 1000</i>		
<b>Assets</b>		
Intangible assets	52 897	49 399
Fixed assets	13 247	14 061
<b>Total intangible and fixed assets</b>	<b>66 144</b>	<b>63 460</b>
Inventory	38 652	37 930
Customers receivables	33 651	38 781
Other receivables	7 623	8 374
Cash	27 205	19 846
<b>Total current assets</b>	<b>107 131</b>	<b>104 930</b>
<b>Total assets</b>	<b>173 275</b>	<b>168 390</b>



- Investments in new system platform increase intangible assets
- Reduction in customer receivables improves cash situation

## Balance sheet - Equity and liability

<b>Balance sheet</b>	<b>30.06.2014</b>	<b>31.12.2013</b>
<i>All numbers in NOK 1000</i>		
Share capital	4 585	4 585
Premium fund	41 852	41 852
Other equity	72 925	75 198
<b>Total equity</b>	<b>119 362</b>	<b>121 635</b>
<b>Total long term debt</b>	<b>16 987</b>	<b>7 753</b>
<b>Total short term debt</b>	<b>36 926</b>	<b>39 002</b>
<b>Total equity and liability</b>	<b>173 275</b>	<b>168 390</b>



- 21.6 MNOK in interest bearing debt
- Dividend for 2013 of NOK 0.80 per share, total MNOK 14.5, paid 7<sup>th</sup> of May 2014

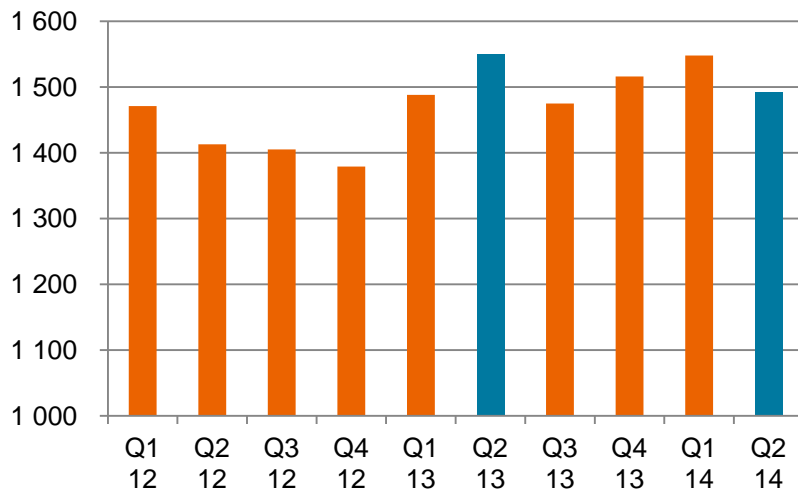
### 3. Business segments update



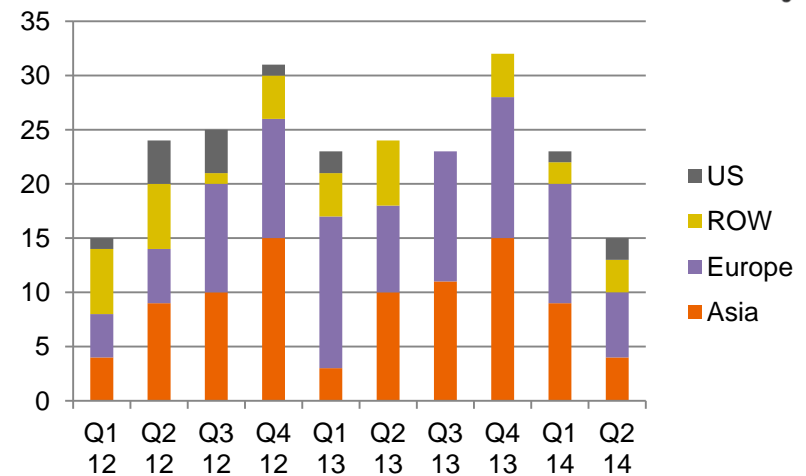
# Flow probes and VeriQ sales in units



Flow probes in units



VeriQ systems in units

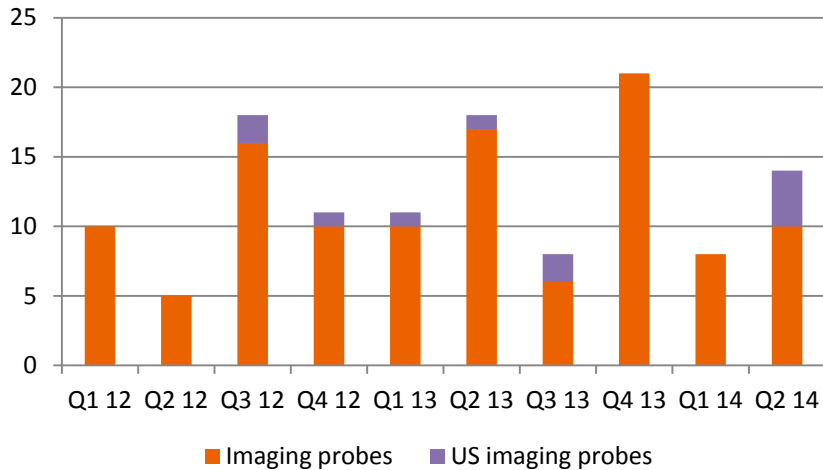


- Flow probe sales volume was strong in all regions in 2013
- Level maintained in H1 2014
- Lower sales of VeriQ in Asia and Europe compared to last year explains revenue shortfall in Q2
- 2 VeriQ capital sale in Q2 2014 in the USA versus 0 last year contributes to the increase in US Q2 sales revenues

# Imaging probes and VeriQ C sales in units

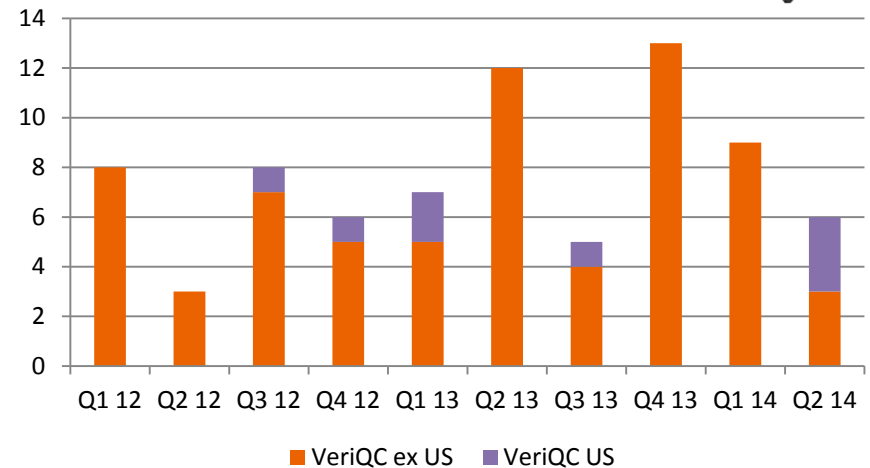


### Imaging probes in units



- The US contributes with probe sales due to a strong quarter with capital sale of VeriQ C

### VeriQ C systems in units



- Lower number of system sales in Europe and Asia explains revenue shortfall in Q2
- 3 VeriQ C capital sales in Q2 2014 in the USA versus 0 last year contributes to the revenue increase in US Q2 sales revenues

## Q2 revenue performance by region

Mill NOK	Q2 '14	Q2 '13	Q/Q	H1 2014	H1 2013	H1/H1
Europe	27,5	31,1	-11,6 %	59,4	57,8	2,8 %
USA	14,6	10,3	41,7 %	25,3	23,1	9,3 %
Asia & Jp	3,3	2,9	13,8 %	7,7	6,5	18,5 %
ROW (MEA, CAN, SA)	2,5	4,6	-45,7 %	4,3	7,0	-38,9 %
<b>Total</b>	<b>47,9</b>	<b>48,9</b>	<b>-2,2 %</b>	<b>96,7</b>	<b>94,5</b>	<b>2,4 %</b>

- **In Europe**, there was negative development in sales of systems and probes for the quarter. For the first half, there was probe volume growth of 9.4%. 3<sup>rd</sup> party sales dropped 4.6 %.
- **In the US**, Strong capital system sales is the main explanation for the increase of US Q2 revenues of 41 %.
- **Both Asia/Japan and ROW** are so far smaller sales territories for Medistim, and quarterly performance varies significantly. In Q2, less system sales in Asia/Jp was compensated with higher probe sales.

*Positive currency effects for the quarter with 2.3 MNOK and 4.9 MNOK for the half year.*

## Q2 revenue performance by product

Mill NOK	Q2 '14	Q2 '13	Q/Q	H1 2014	H1 2013	H1/H1
Procedures (USA)	11,7	10,3	13,6 %	22,1	20,9	5,7 %
Flow probes	13,9	13,1	6,1 %	28,3	25,7	10,1 %
Flow systems (VeriQ)	2,8	4,0	-30,0 %	6,8	8,0	-15,0 %
Imaging systems (VeriQ C)	3,2	3,8	-15,8 %	6,4	7,1	-9,9 %
Imaging probes	0,5	1,0	-50,0 %	1,0	1,3	-23,1 %
3rd party	15,1	15,8	-4,4 %	31,2	30,5	2,3 %
Other	0,7	1,0	-30,0 %	0,9	1,0	-10,0 %
<b>Total revenues</b>	<b>47,9</b>	<b>49,0</b>	<b>-2,2 %</b>	<b>96,7</b>	<b>94,5</b>	<b>2,4 %</b>

- **Procedure sale in the USA:** The total number of procedures is up by 34 % for the quarter, driven by capital-based procedures. Imaging procedures growth was up 15 %.
- **Flow probes revenue:** The number of probes sold are down by 3.7% for the quarter. For the first half, the volume is at the same level as 2013.
- **VeriQ flow systems:** Lower system sales outside the USA explains revenue shortfall in Q2.
- **VeriQ C imaging systems and probes:** Lower system sales outside the USA explains the shortfall this quarter.
- **3<sup>rd</sup> party products:** 4.6% decrease for the quarter, but up 2.3 % YTD - recovering from loss of major agency in 2013.

## 4. Implementing the strategy



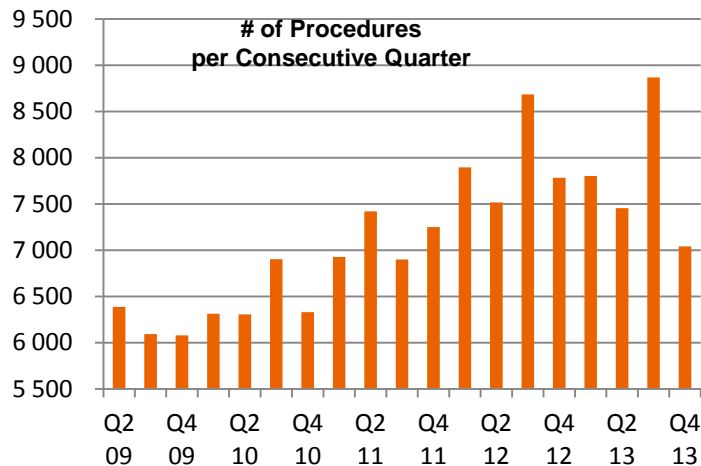


USA

# Game plan USA

## PERFORMANCE 2013

- Sales revenues down by 5.4% for the year and total number of procedures was down by 2.2%
- Lower number of capital sales (systems and probes) was the direct cause of the lower revenues: 5 units sold in 2013 vs 12 in 2012
- Card-based procedures up 2.3% and capital-based procedures was down by 19.8%



## GAME PLAN 2014

- Transitioning into new leadership
- Organization structure optimization
- Alignment around key priorities:
  - Effective targeting of vascular market
  - Increase utilization at current cardiac accounts
  - Customer driven choice of business & pricing models
  - Win new large and strategic (KOL) hospitals
- Triggers:
  - Optimized incentive plans
  - Measuring sales productivity
  - Identifying and sharing best practices

**USA**

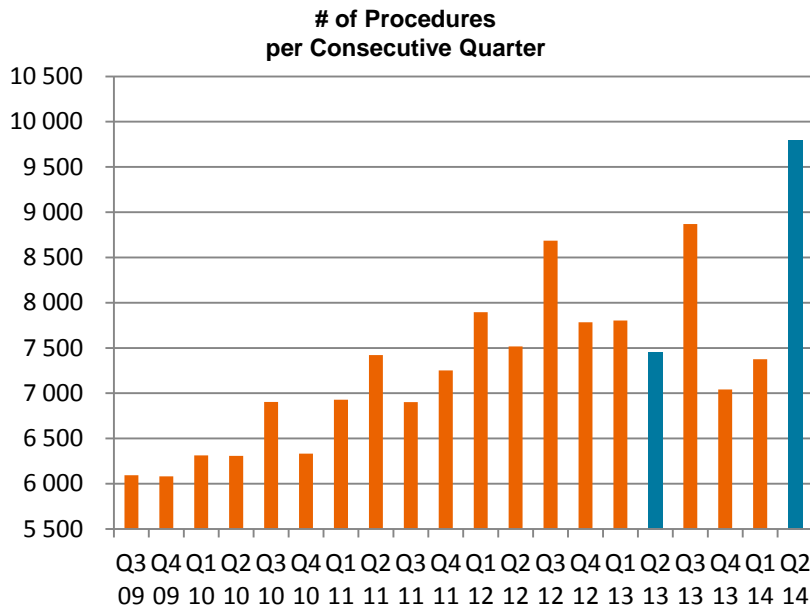
# Implementation update

## PERFORMANCE Q2

- Revenues up by 41%
- Number of procedures up by 31%
- 15 % growth in imaging procedures
- 5 capital sales (2 VeriQ and 3 VeriQ C) in Q2

## STATUS GAME PLAN IMPEMENTATION

- Regaining confidence in winning
  - 20 new accounts per first half
  - Building momentum from vascular evaluations
  - Deals closed due to more flexible, customer driven choice of business & pricing models
  - Strengthening the pipeline
- Efficiency initiatives
  - Continuous focus on sales productivity and ROI
  - Careful qualification of accounts prior to entering clinical evaluation to increase success rate
- Strategic initiatives
  - Partnering initiative with teaching institutions in progress
  - Clinical collaborations in progress





Seeing is believing