# Medistim ASA
# Third Quarter 2016

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Thomas Jakobsen, CFO
October 19th, 2016

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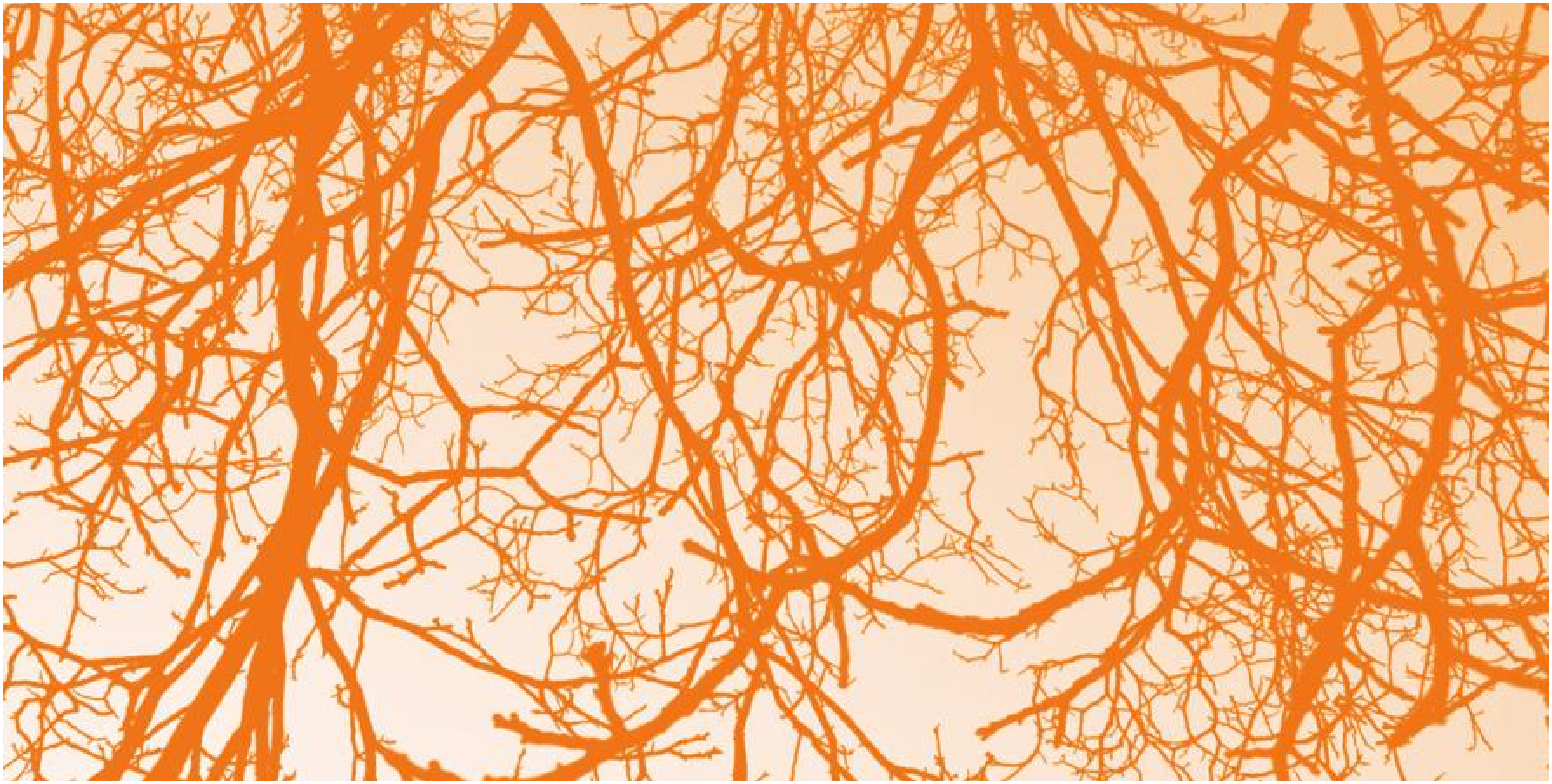
# 1. Highlights third quarter

# Highlights third quarter 2016

- 10.2 % sales growth for the quarter
  - YTD up 13.5%
  - Sales of own products increased with 20.3 % to MNOK 53.6
  - Another record quarter for the USA with sales up 18.5 % to MNOK 23.5
  - Ultrasound imaging product drives growth in Asia and ROW
- 26.3 % EBIT growth to MNOK 15.9 for the quarter
  - Year to date, EBIT is up 36.0 % to MNOK 46.6
- Profit per share grows 8.8% to NOK 0.62 (0.57)
- Medistim executes on its vascular strategy with workshops at the European Society of Vascular Surgery (ESVS) conference

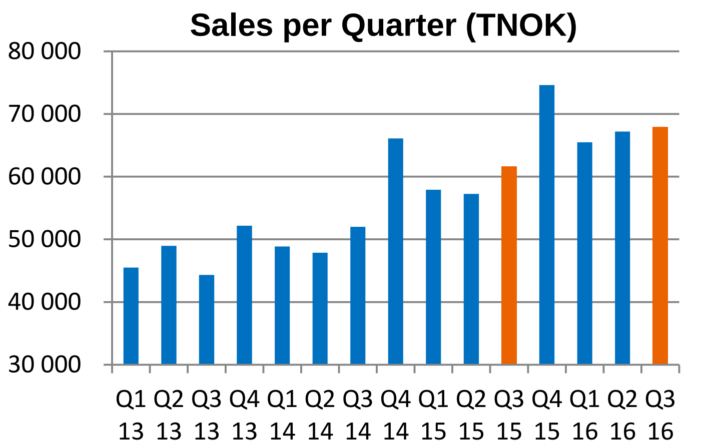
| Q3 2016 | Q o Q |
|---|---|
| Revenue<br>MNOK 67.9 (61.6) | ↑ 10.2% |
| EBIT<br>MNOK 15.9 (12.7) | ↑ 26.3 % |
| Currency | ↑ 5.2 % |
| No of capital units sold: | |
| Flow systems 15 | ↓ -28.6 % |
| Imaging systems 18 | ↑ 50.0 % |
| Flow probes 1 607 | ↑ 14.5 % |
| Imaging probes 27 | ↑ 12.5 % |
| Procedures (USA) 11 270 | ↑ 3.0 % |

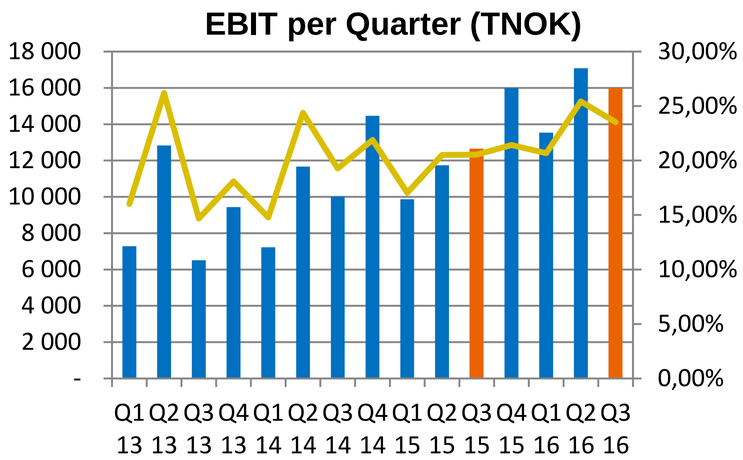
# 2. Financial statements



# Profit and loss Q3 2016

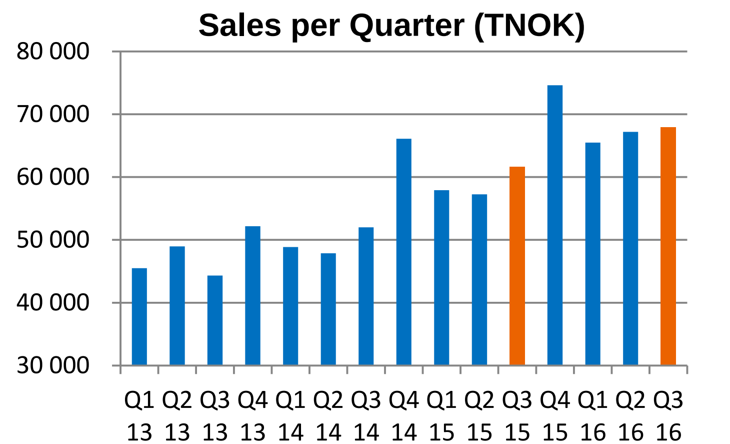
| **Profit & loss** | **Q3 2016** | **Q3 2015** |
|---|---|---|
| *All numbers in NOK 1000* | | |
| **Sales** | **67 933** | **61 646** |
| Cost of goods sold | 15 420 | 13 796 |
| Salary and sosial expenses | 23 320 | 21 347 |
| Other operating expenses | 10 231 | 11 175 |
| Total operating expenses | 48 971 | 46 318 |
| **Op. res. before depr. and write-offs (EBITDA)** | **18 962** | **15 328** |
| *EBITDA %* | *27,9 %* | *24,9 %* |
| Depreciation | 2 978 | 2 670 |
| Write offs and accruals | - | - |
| **Operating result** | **15 983** | **12 658** |
| *EBIT %* | *23,5 %* | *20,5 %* |
| Financial income | 573 | 2 517 |
| Financial expenses | 1 213 | 952 |
| **Net finance** | (640) | 1 565 |
| **Pre tax profit** | **15 344** | **14 224** |
| Tax | 4 113 | 3 906 |
| **Result** | **11 230** | **10 317** |

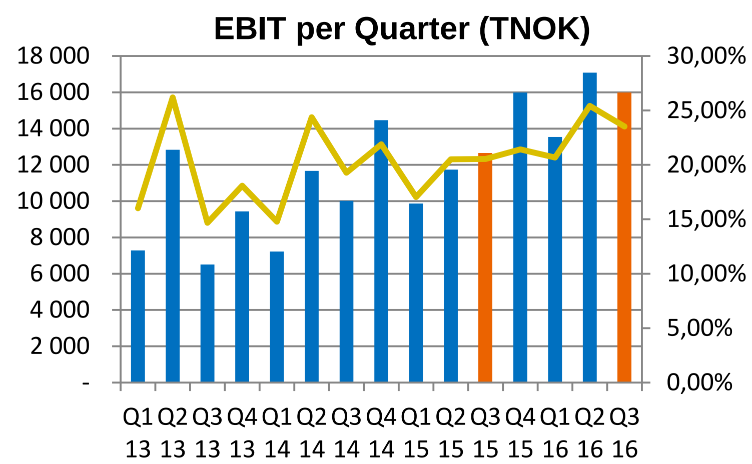


# Profit and loss Year to date

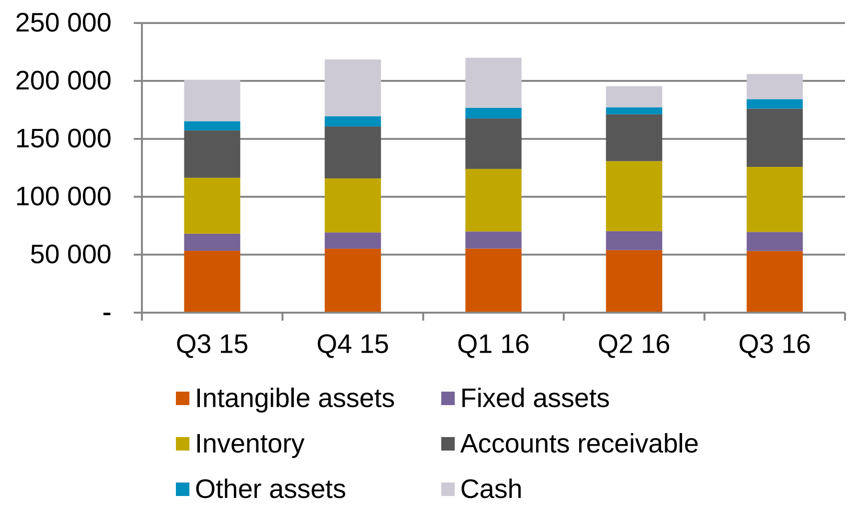
| Profit & loss | YTD 2016 | YTD 2015 |
|---|---|---|
| *All numbers in NOK 1000* | | |
| **Sales** | **200 627** | **176 807** |
| Cost of goods sold | 48 428 | 44 562 |
| Salary and sosial expenses | 64 409 | 55 724 |
| Other operating expenses | 32 492 | 31 180 |
| Total operating expenses | 145 329 | 131 466 |
| **Op. res. before depr. and write-offs (EBITDA)** | **55 298** | **45 341** |
| *EBITDA %* | *27,6 %* | *25,6 %* |
| Depreciation | 8 692 | 7 872 |
| Write offs and accruals | - | 3 200 |
| **Operating result (EBIT)** | **46 606** | **34 269** |
| *EBIT %* | *23,2 %* | *19,4 %* |
| Financial income | 4 126 | 13 637 |
| Financial expenses | 5 844 | 9 439 |
| **Net finance** | (1 719) | 4 198 |
| **Pre tax profit** | **44 887** | **38 467** |
| Tax | 11 630 | 10 272 |
| **Result** | **33 257** | **28 195** |



# Balance sheet - Assets

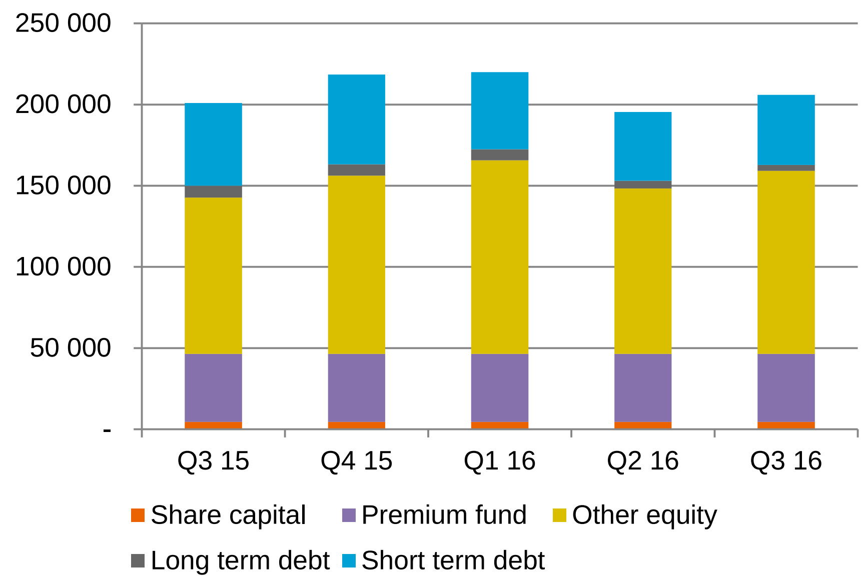
| Balance sheet | 30.09.2016 | 31.12.2015 |
|---|---|---|
| *All numbers in NOK 1000* | | |
| **Assets** | | |
| Intangible assets | 53 195 | 55 122 |
| Fixed assets | 16 501 | 14 158 |
| **Total intangible and fixed assets** | **69 696** | **69 280** |
| Inventory | 56 105 | 46 613 |
| Customers receivables | 50 176 | 44 831 |
| Other receivables | 8 295 | 8 787 |
| Cash | 21 734 | 48 925 |
| **Total current assets** | **136 310** | **149 156** |
| **Total assets** | **206 007** | **218 436** |




- Inventory is reduced with MNOK 4.3 from previous quarter due to received compensation for returned inventory to Medtronic
- Inventory is still high, related to
  - MiraQ product line introduction while maintaining the VeriQ/VeriQC products with last-time-buy of components
  - Increased 3.party consignment inventory of Mentor products related to the Aleris agreement and HINAS tender

# Balance sheet - Equity and liability

| Balance sheet | 30.09.2016 | 31.12.2015 |
| --- | --- | --- |
| *All numbers in NOK 1000* | | |
| Share capital | 4 585 | 4 585 |
| Premium fund | 41 852 | 41 852 |
| Other equity | 112 716 | 109 727 |
| **Total equity** | **159 153** | **156 164** |
| **Total long term debt** | **3 664** | **7 001** |
| **Total short term debt** | **43 190** | **55 271** |
| **Total equity and liability** | **206 007** | **218 436** |




- 6.6 MNOK in interest bearing debt

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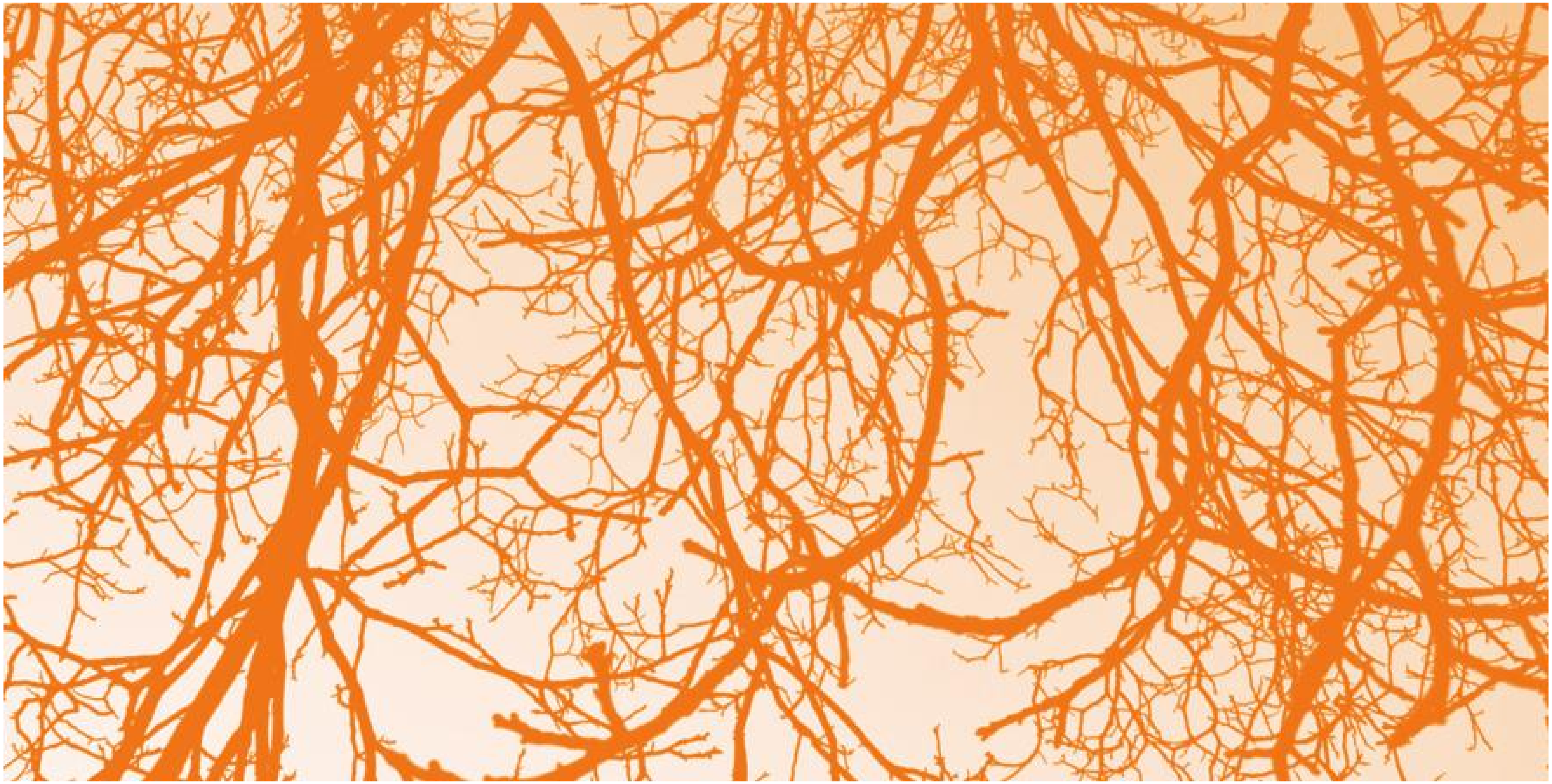
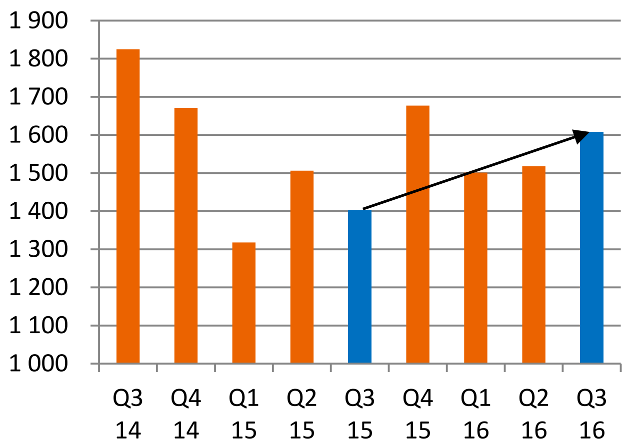
# 3. Business segments update



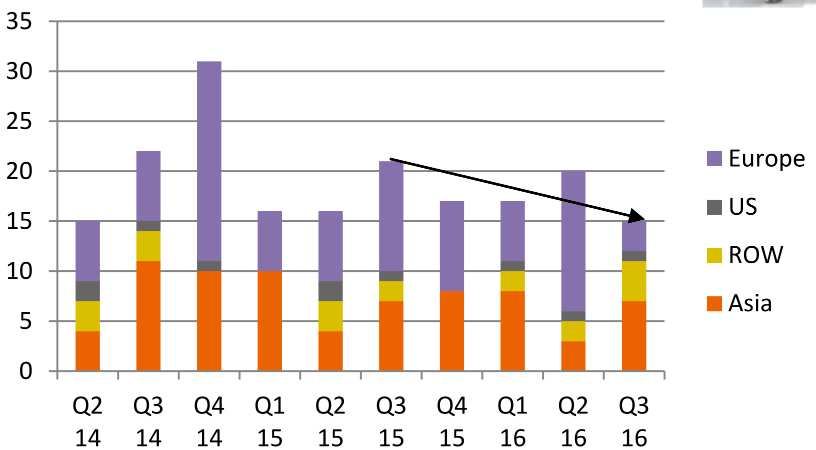
# Flow probes and systems in units

## Flow probes in units (excl USA)




- 14.5% growh in probe sales in Q3, driven by Japan and China
- 9.4 % growth in probe sales year to date 2016

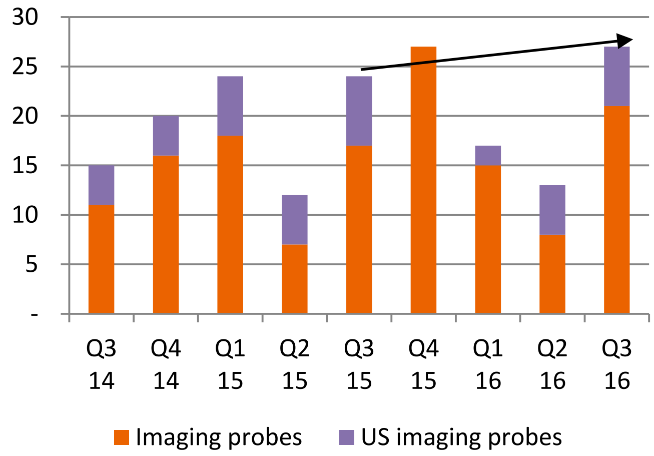
## Flow systems in units (VeriQ & MiraQ)



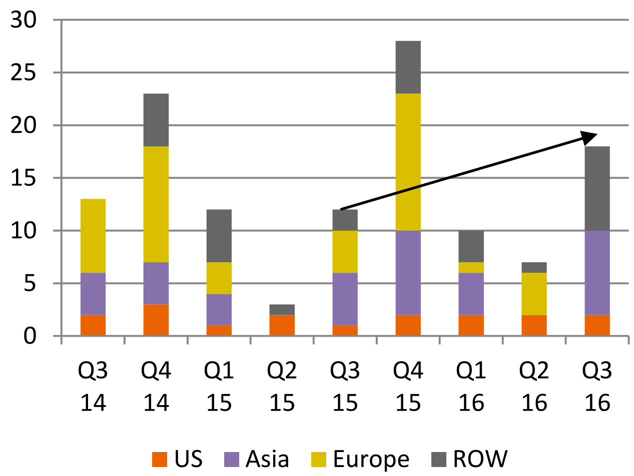

- Conversion from flow to flow-and-imaging systems continues
- Slow flow system sales in Europe, while other regions were at the same level as last year
- Of the 15 flow systems sold, 7 were sold in Asia, 4 in ROW, 3 in Europe and 1 in USA
  - 8 of the 15 systems were MiraQ

# Imaging probes and systems in units

## Imaging probes in units (incl USA)




## Imaging systems in units (VeriQC & MiraQ)




- Imaging probe sales up 12,5 % in units compared to last year
- Outside the USA, probe sales were mainly in Asia and ROW

- Conversion from flow to flow-and-imaging drives 50% growth in imaging system units
- Of the 18 imaging systems sold, 8 were sold in Asia, 8 in ROW (Australia, Middle East, Pakistan) and 2 in the USA
  - 9 of 18 systems were MiraQ

# Q3 revenue performance by region

| Mill NOK | Q3 '16 | Q3 '15 | Q / Q | YTD 2016 | YTD 2015 | Y/Y |
|---|---|---|---|---|---|---|
| **Europe** | 28,3 | 34,2 | -17,4 % | 98,1 | 99,2 | -1,2 % |
| **USA** | 23,5 | 19,8 | 18,5 % | 69,1 | 56,4 | 22,7 % |
| **Asia & Jp** | 8,9 | 4,8 | 83,6 % | 20,1 | 13,6 | 47,8 % |
| **ROW** (MEA, CAN, SA, AUS) | 7,3 | 2,8 | 163,3 % | 13,4 | 7,6 | 75,3 % |
| **Total** | **67,9** | **61,6** | **10,2 %** | **200,6** | **176,8** | **13,5 %** |

- In Europe, Q3 was weak, since both 3.party product sales decreases by 16.1 % due to the lost Medtronic agency and own products decreased by 18.5 % due to very low system sales. YTD, own products grow 8.4% and 3. party is down by 8.9%.
- In the USA, Medistim delivers yet another all time high, following the second best quarter ever, which was Q2 2016. Q3 growth in NOK was 18.5%, currency neutral growth was 14.9%. YTD growth is 22.7% in NOK and 13.2% currency neutral.
- Both Asia/Japan and ROW are so far smaller sales territories, but with significant contribution in Q3 with strong sales of imaging products.

*Positive currency effects for Q3 with 3.2 MNOK and YTD with 9.1 MNOK.*

*Average actual exchange rate for USD 8.41 and EUR 9.38 versus last year USD 7.90 and EUR 8.81.*

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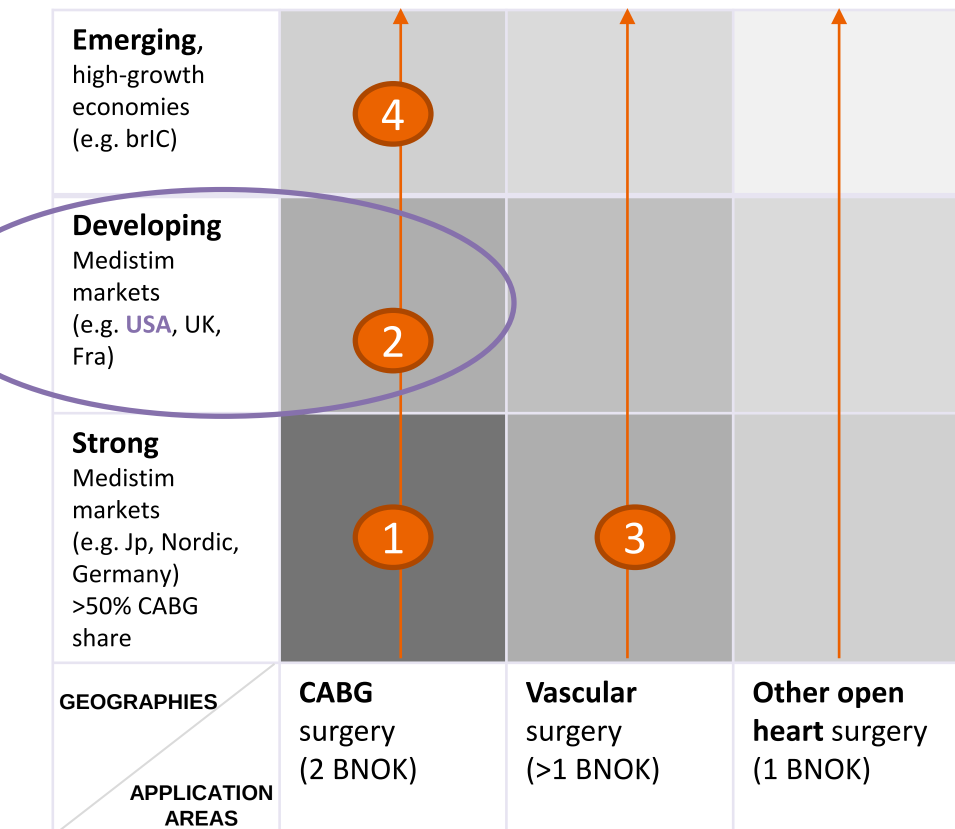
# Q3 revenue performance by product

| Mill NOK | Q3 '16 | Q3 '15 | Q/Q | YTD 2016 | YTD 2015 | Y/Y |
|---|---|---|---|---|---|---|
| **Procedures (USA)** | 20,9 | 18,4 | 13,4 % | 61,6 | 51,7 | 19,2 % |
| **Flow probes** | 18,1 | 15,4 | 17,8 % | 53,0 | 44,2 | 19,8 % |
| **Flow systems (VeriQ & MiraQ)** | 3,7 | 3,1 | 18,4 % | 12,1 | 9,2 | 30,9 % |
| **Imaging systems (VeriQ C & MiraQ)** | 8,4 | 5,1 | 63,6 % | 18,2 | 13,0 | 40,4 % |
| **Imaging probes** | 1,2 | 0,9 | 28,7 % | 2,6 | 2,1 | 21,7 % |
| **3rd party** | 14,4 | 17,1 | -16,2 % | 50,3 | 55,2 | -8,9 % |
| **Other** | 1,3 | 0,4 | 192,1 % | 2,9 | 1,5 | 101,4 % |
| **Total revenues** | **67,9** | **60,6** | **12,2 %** | **200,6** | **176,8** | **13,5 %** |

- Procedure sale in the USA: In number of procedures, pure Flow procedures are up 1.2 % while imaging procedures are up 16.5 % in Q3. YTD flow procedures increase with 7.8 % while imaging procedures increase with 26.6 %.
- Flow probes revenue: Strong 14.5 % growth in units for the quarter due to strong sales in Asia. YTD unit probe sales increased with 9.4 %.
- Flow systems: The Q3 growth in revenue is driven by favorable currency. In Europe, we sold 8 less flow systems compared to last year, while other regions were at the same level as last year. YTD, the number of flow systems is flat compared to last year.
- Imaging systems and probes: Total system units sold in Q3 was 18, up 6 units from last year. Positive development in Asia and Australia (ROW) for the quarter and year to date.
- 3rd party products: As expected, sales is down from last year due to of the loss of the Medtronic agency.

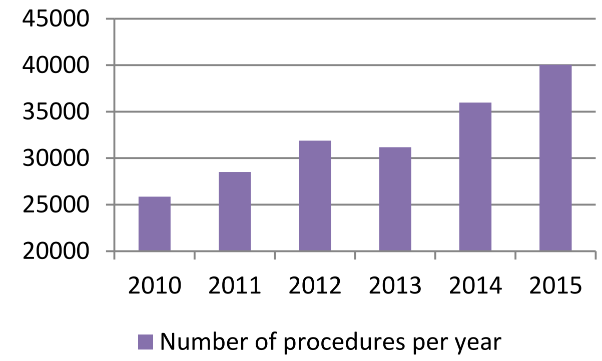
# 4. Implementing the strategy

# Growth opportunities – in developing Medistim markets



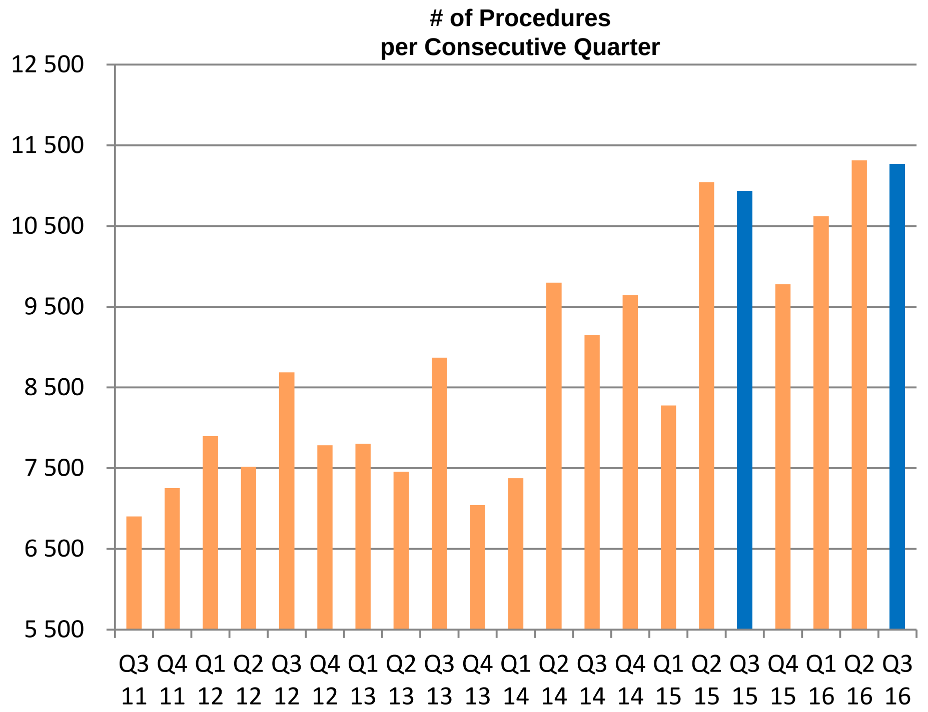

1. **Convert the routine Flow market to a Flow-and-Imaging market** by establishing *Surgical Guidance and Quality Assessment* as the new standard of care through
   - Early adopter & KOL support
   - REQUEST study
   - Ease conversion from flow to imaging with MiraQ
2. **Achieve routine use** of both Flow and Imaging by fighting ignorance, indifference and ease-of-use objections through
   - Clinical marketing & Educational programs
   - Product innovation for ease of use
   - Increased sales force capacaity
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

# High performance US sales organization

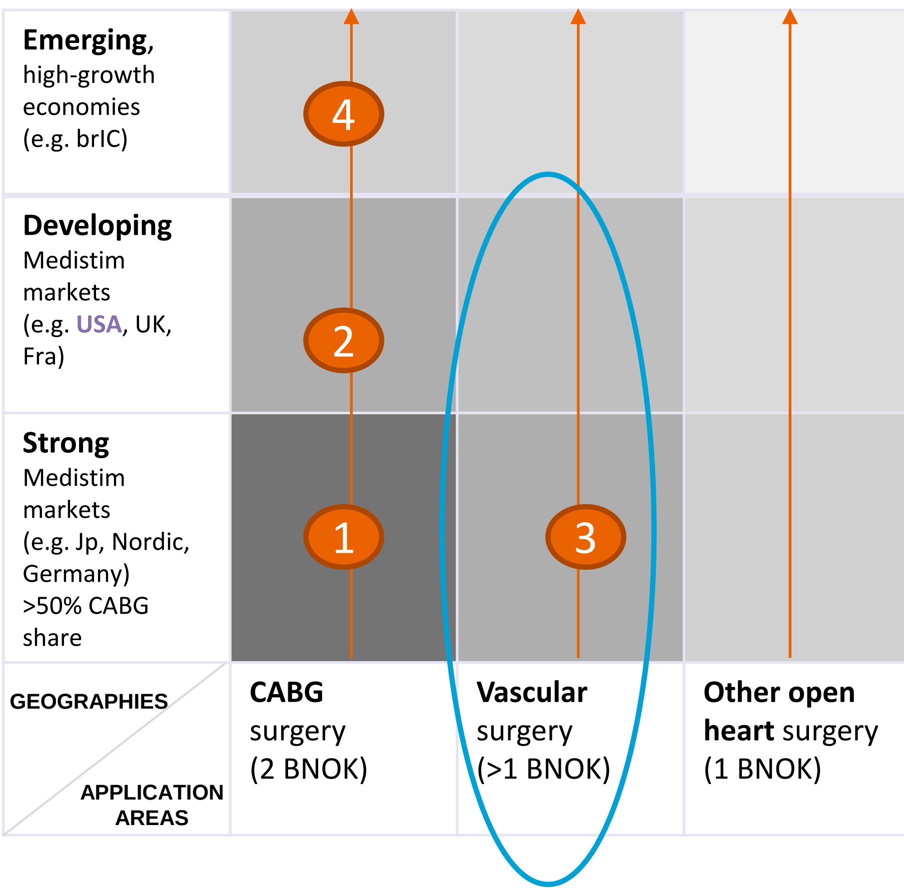



**RESULTS YTD 2016**

- Revenues up by 22.7 % in NOK
- 13.2 % growth in USD
- Number of procedures up by 9.7 %
    - 7.8 % growth in flow procedures
    - 26.6 % growth in imaging procedures
    - 61 % increase in capital sales
- Q3 best quarter ever in the USA
    - 9 completely new accounts
    - 1 TTFM account converted to Imaging



# Growth opportunities – in vascular markets

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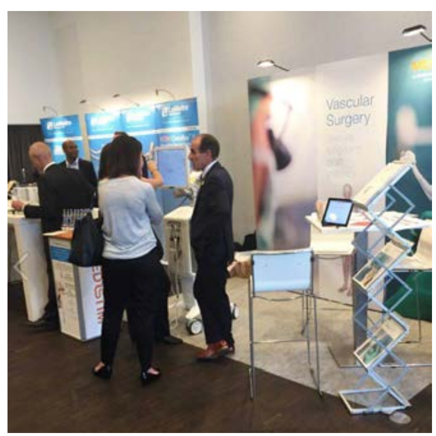
# Building position at the European vascular conference 2016 (ESVS - European Society of Vascular Surgery)

- Cooperation initiated with the ESVS organization
  - Key opinion leader relationship building
  - Rise awareness and get quality assessment and surgical guidance on the society's agenda

- 2 Medistim workshops with leading surgeons as speakers


# 20 largest share holders (per 12. October 2016)

| Shareholder | Number of shares | Shares in % |
|---|---|---|
| INTERTRADE SHIPPING | 3 850 000 | 21,00 % |
| SALVESEN & THAMS INV | 1 862 500 | 10,16 % |
| SKAGEN VEKST | 1 070 072 | 5,84 % |
| FOLLUM CAPITAL AS | 1 000 000 | 5,45 % |
| STENSHAGEN INVEST AS V/Lars Hatletveit | 961 729 | 5,24 % |
| PROTECTOR FORSIKRING Filipstad Brygge 1 | 784 155 | 4,28 % |
| HOLBERG NORDEN VERDIPAPIRFONDET V/HOLBERG FONDSFORVA | 559 486 | 3,05 % |
| BUANES ASBJØRN JOHN | 519 936 | 2,84 % |
| SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT | 487 044 | 2,66 % |
| DYVI INVEST AS | 446 154 | 2,43 % |
| GRANDEUR PEAK INTERN BROWN BROTHERS HARRI | 420 559 | 2,29 % |
| VEVLEN GÅRD AS | 393 959 | 2,15 % |
| VERDIPAPIRFONDET HAN NORGE | 346 154 | 1,89 % |
| CITIBANK EUROPE PLC S/A SEB SA UCITS | 316 023 | 1,72 % |
| BNP Paribas Sec. Ser S/A ITALIAN RESIDENT | 309 276 | 1,69 % |
| HOLBERG NORGE VERDIPAPIRFONDET V/HOLBERG FONDSFORVA | 253 118 | 1,38 % |
| Danske Invest Norge | 250 000 | 1,36 % |
| The Bank of New York BNY MELLON | 246 626 | 1,34 % |
| BANK JULIUS BÄR & CO S/A CLIENTS ASSETS | 200 000 | 1,09 % |
| MEDI-STIM AS | 186 000 | 1,01 % |
| | | |
| **Total 20 largest** | **14 462 791** | |
| **Total number of shares outstanding** | **18 337 336** | |
| **20 largest % of total** | **78,87 %** | |


Seeing is believing