



chemometec

*Extract from
annual report
2018/19*

ChemoMetec offers high-quality cell counting and cell analysis equipment for use in, e.g., life science R&D and the production of pharmaceuticals.

ChemoMetec at a glance

ChemoMetec specialises in the development, production and sale of high-quality analytical equipment for cell counting and analysis within a broad range of areas. Our analytical tools are based on a unique patented technology platform that ensures high-quality analytical results, operational reliability, cost effectiveness and ease of use.

Our technology and products

Our core technology consists in capturing images of a prepared liquid sample through a specially developed microscope to subsequently perform an automatic cell count and/or analysis using digital imaging. This technology allows high-precision counting and analysis of large numbers of cells at competitive prices.

ChemoMetec's analytical equipment primarily comprises analytical instruments and related disposable articles (plastic cassettes and glass slides) for preparing and maintaining the sample during measurement.

We work continuously to further develop our technology platform and to broaden the range of solutions offered to our customers. We expect to launch the NC-202, an upgraded version of the NC-200, our best-selling analytical instrument, in September 2019. In 2018/19, we also continued the development of the Xcyto 5 and the Xcyto10 as well as the XcytoMatic, a high-capacity cell counting instrument.

Our customers

We sell our analytical equipment to a growing base of customers engaged within, e.g., cell based immunotherapy, cancer and stem cell research, drug development and manufacturing as well as production and quality control of a range of products such as beer, animal semen and milk. The growing demand for our solutions is driven not least by a greater focus among our various customer groups on processes and compliance in connection with research, development and production.

Through a number of years, we have built strong long-term relationships with important customer groups. We work closely with our customers and with cell counting and analysis experts to develop our technical expertise in order to align our solutions with our customers' needs.

We strive to continuously improve the services we offer to our customers – through our local organisations, which have expanded significantly in recent years, and by offering new, more comprehensive solutions that support and facilitate the work of our customers.

Facts

We derive **97%** of our revenue from exports, and our analytical equipment are sold in more than 100 countries.

Our head office is located in Allerød north of Copenhagen, and we have in-house sales subsidiaries in the USA, France and Germany, as well as in-house sales organisations in the UK and the Netherlands.

We have **85 full-time employees**.



We aim to offer solutions that make complex analytical processes more simple, more robust and more cost-effective. We pursue this goal by applying state-of-the-art technologies and advanced components to develop complete innovative solutions within our field.

The ChemoMetec business model

ChemoMetec's business model reflects our vision, which incorporates our goals of developing and improving analytical measuring techniques within cell counting and cell analysis, providing attractive solutions to our customers and establishing close long-term relationships with customers and end-users.



Developing new innovative cell counting and cell analysis products and solutions as well as improving existing products and solutions is ChemoMetec's core business activity.

For our innovative capability, we rely on our ability to attract highly qualified employees with the right skills and that ChemoMetec has access to and understands how to employ the right technologies.

Our production of NucleoCounter and Xcyto products as well as related consumables is based on the needs and requirements of customers and end-users and on our goal of improving process efficiency and optimising the use of raw materials.

The production of analytical instruments and disposable cassettes takes place at ChemoMetec, while a range of parts and components are supplied by subcontractors.

Sales and distribution of ChemoMetec's products are handled by our in-house sales organisations in our main markets and in collaboration with distributors in a number of other markets.

This set-up ensures targeted and effective efforts as well as proximity to our customers in main markets – allowing us to gain deep insights into our customers' needs and general market developments across business segments.

ChemoMetec's end-users are concentrated within the fields of life sciences, research, human therapies as well as process and quality control in the pharmaceutical and food industries.

The ever-growing demands of these customers in terms of precision, quality and well-documented processes place ChemoMetec's high-quality analytical instruments in a favourable position and entail attractive partnership opportunities.

ChemoMetec works continuously to strengthen its market position and has built local organisations across a number of important markets that team up with the head office to support customers and end-users.

Moreover, ChemoMetec is committed to offering new and more comprehensive solutions that meet customer requirements for efficiency and ease of use.

Trends affecting our business model and growth potential



The development of new therapies, including cellular immunotherapy



The allocation of more resources for cell counting and cell analysis among ChemoMetec's customer segments



Calls for digitalisation and automation of analytical processes



Enhanced compliance and process documentation requirements

ChemoMetec's products

Our product portfolio comprises the NucleoCounter series, consisting of automatic cell counting and cell analysis instruments, and the Xcyto range for advanced cell analysis

Xcyto 10 and Xcyto 5

The **Xcyto 10** is a state-of-the-art image-based cell analyser and is unique in the sense that the instrument can analyse both cells in suspension, i.e. cells contained in an aqueous solution, as well as adherent cells that grow on solid surfaces.

The Xcyto 10 matches the best flow cytometers in terms of sensitivity and can automatically identify individual cells allowing accurate information about expression levels and localization of various fluorescent markers.

The **Xcyto 5** is a reduced version of Xcyto 10.

The most important markets for Xcyto 10 and Xcyto 5 are found within life science research, cellular immunotherapy and pharmaceutical process and quality control (LCP markets).



NucleoCounter NC-3000

The NucleoCounter NC-3000 is an easy-to-operate, flexible analysis platform based on fluorescence microscopy, CCD camera technology, image analysis and low magnification.

The instrument easily and cost-effectively performs relatively simple and time-consuming cell analysis and cell counts. It is being used by a number of leading private and public companies and institutions across the world for life sciences research – primarily cancer research, immunology, toxicology and pharmaceutical production.



NucleoCounter NC-250

The NucleoCounter NC-250 is a competitive top-of-the-line product offering high-speed, high-precision and cost-effective cell count and viability determination as well as cell cycle analysis and apoptosis assays for cell vitality analysis.

The NucleoCounter NC-250 uses two- or eight-chamber glass slides for counting and analysis.

The NucleoCounter NC-250 primarily targets the LCP markets.



NucleoCounter NC-200

The NucleoCounter NC-200 offers the fastest and easiest cell viability determination of any cell counting instrument on the market.

The instrument can perform cell counts and viability analysis using only one cassette without manual addition of either dye or auxiliary reagents, while also providing information on average cell sizes and cell clumping.

The NucleoCounter NC-200 primarily targets the LCP markets.



The NucleoCounter 100 series

The NucleoCounter 100 series provides attractive cell counting and viability analysis options for a wide range of businesses and institutions within their respective business areas.

The NucleoCounter NC-100 series consists of the NC-100 (used primarily in the LCP segment), the SP-100 (production and quality control of semen for breeding programmes), the YC-100 (sold primarily to breweries for brewing yeast quality optimisation) and the SCC-100 (measurement of somatic cells in milk). We have sold some 2,400 instruments in the 100 series to businesses and organisations all over the world.



Letter from the CEO: Capitalising on growth opportunities

ChemoMetec performed strongly in the past year, reporting significant revenue growth and EBITDA up by more than 100%. Growth continues to be driven by significant progress in the cellular immunotherapy segment. In addition to high sales activity, we focused on developing our overall organisation and on developing new products, including the successor to our best-selling cell counting instrument.

Immuno-based cell therapy remains the key growth driver

The development of new cellular immunotherapy regimes continued at a high pace in the past year, and our strong revenue growth was driven primarily by substantial sales to customers within this segment. We have devoted strong efforts to this growth area over the past few years and have successfully built a unique position for our NC-200 cell counting product. Our strategy is to be involved from the very beginning of the development process and thus to be an integral part of the overall treatment package when new regimes are approved and subsequently applied.

Cellular immunotherapies seem to have efficacy in curing otherwise incurable cancer patients by means of their own cells. The new regimes originate from the USA where several therapies have now been approved by the FDA and many more are expected

to obtain approval over the next few years. With the development of new cellular immunotherapy regimes gathering momentum in China, Japan and Europe as well, indications are that we will see significant growth within this interesting area in the years ahead. Accordingly, we will continue our efforts in this area.

We are currently in the process of launching the successor to our NC-200 cell counter, i.e. the NC-202, which is based on the advanced Xcyto technology. We expect cellular immunotherapy customers to show a strong interest in the new instrument, which offers a range of improvements compared with the NC-200, including faster analysis.

As a spin-off benefit from building our position within cellular immunotherapies, we have gained access to a substantial number of major pharmaceutical companies. We hope this will smooth the way for our products into other areas of these companies'

drug development and production operations.

Market trends favouring ChemoMetec

In addition to the highly attractive market conditions in immuno-based cell therapy, a number of structural changes are also driving a general increase in demand for analytical equipment among our customer groups. Our major customer segments are facing ever-growing requirements. This includes stricter regulatory requirements concerning processes and the quality of products and therapies – especially products and therapies that are subject to approval by the health authorities. As a result, ChemoMetec's existing and potential customers need to spend more resources on analytical equipment. We are working

actively to capitalise on this trend and expect that new opportunities will open up for growing sales of our high-quality cell counting and cell analysis solutions.

Closer proximity to customers

Over the past few years, we have moved closer to our customers – owing not least to the establishment of in-house sales organisations in key geographical markets. This has made it much easier for us to respond to our customers' needs in terms of products and related services and enabled us to gradually build partnerships with customers. This process is proceeding satisfactorily and in the past year resulted in, among other things, the introduction of NC-200 service packs. These packs have been well received, and in addition to launching a number of

Strengthening our competitive position even further and winning market share, ChemoMetec performed strongly in 2018/19. Core segment market conditions are favourable, and we expect to stay on the growth track in the years ahead.

Michael Eising, CEO

Over the past few years, we have continually developed our organisation, moved closer to our customers and streamlined our product development efforts – all of which means we are favourably positioned to capitalise on growth opportunities in our various markets.

Michael Eising, CEO

new instruments, we expect in the upcoming period to work towards offering more comprehensive solutions to our customers that can help make their processes more efficient and meet their calls for increased automation of time and resource-intensive tasks.

Staying on the growth track

Overall, we are quite confident that we will be able to deliver on our goal of growing revenue and earnings, both in the short and the long term – although we do not expect to match the past year's exceptional peak levels. It should be noted in this connection that persistent buoyant growth may entail challenges for a company of ChemoMetec's size. It is crucial to our future success that staff functions, production functions and customer support functions are all able to keep pace, and we are therefore convinced that controlled growth will create the most value in the longer term.

Our market-oriented approach to developing our business has paid off in the past few years – as evidenced by our position in

cellular immunotherapy. We intend to continue along this track, focusing on retaining existing customers within our core segments as well as on winning new customers and building new segments wherever a window might open.

Focusing on launching the NC-202 in 2019/20

Over the next year, we will be focused on sustaining growth in our sales of existing cell counting products, in particular cellular immunotherapy products, and on launching the NC-202. Whether customers will keep up the current high level of activity within cellular immunotherapy is of course difficult to predict, but we see a fair chance of ChemoMetec generating substantial growth across the LCP market in the years ahead – supported in part by the launch of the NC-202.

In addition, we will focus on completing the Xcyto 5 and Xcyto 10 upgrades and on finalising the development of the Xcyto-Matic instrument.



We are very excited about our new products and their potential, not least in the longer term, considering the solid platform we have built for future sales.

Concurrently, we will continue to develop our overall organisation to ensure we are equipped to exploit the growth potential and to handle the challenges that come with growth.

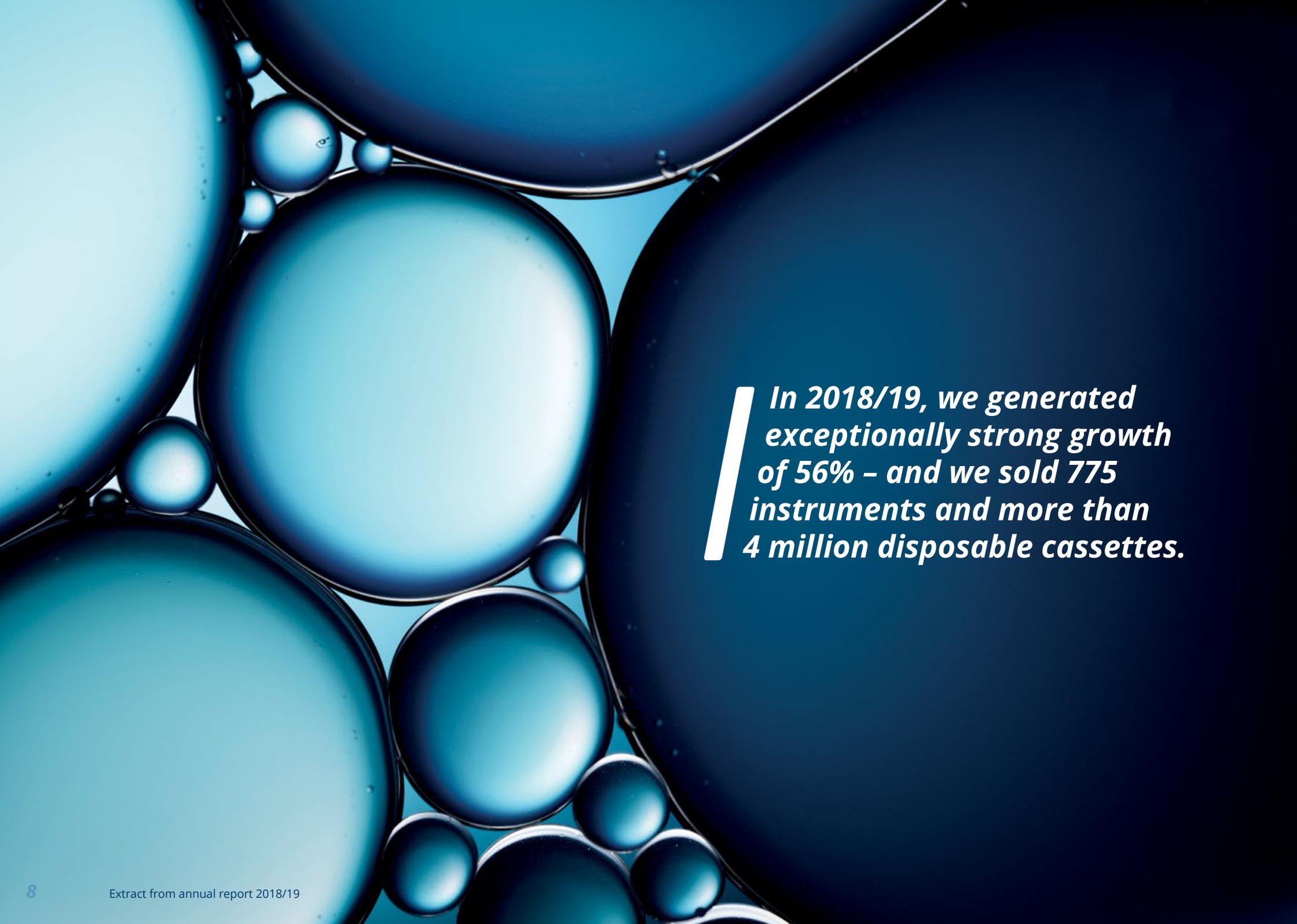
Proposing to distribute dividend

Based on the past few years' strong results, we have decided to recommend to the shareholders at the annual general meeting that, for the first time in our company's history, a dividend be distributed to ChemoMetec's shareholders. We propose a dividend of DKK 3 per share.

Looking back on a very busy year, I would like to thank everyone at ChemoMetec for their commitment and invaluable contributions to our strong performance. Our strong growth is making heavy demands on everyone across the organisation, but together we have successfully built an even stronger platform for the future development of ChemoMetec that will benefit all our stakeholders.

I would also like to thank our customers for their productive partnerships in the past year and our shareholders for their continued support.

Michael Eising
CEO



In 2018/19, we generated exceptionally strong growth of 56% – and we sold 775 instruments and more than 4 million disposable cassettes.

■ **Case: Strategy**

Focus on cellular immunotherapy driving strong growth at ChemoMetec

The development of various immunotherapies for the treatment of cancer has made rapid progress in the past few years. One approach in immunotherapy is cellular therapy, where a dose of “activated” immune cells is injected into a cancer patient to specifically attack the patient’s cancer cells.

Thanks to our NucleoCounter NC-200, ChemoMetec is favourably positioned in the market for cell therapy. The NC-200 cell counter is used in connection with amplification of a patient’s genetically engineered cells before they are reinjected into the patient. The NC-200 monitors the cell count and cell viability throughout the amplification process to ensure that the cells are growing as intended.

According to customers, the NC-200 is easy to use and produces highly consistent test results. No competing cell counter product seems to offer similar qualities.

ChemoMetec’s strategy is to identify therapy startups and approach potential customers with a view to inducing them to buy cell counting products at the earliest possible stage of their product development process. This ensures that cell counters are included more or less automatically throughout the development process, including the final regulatory approval phase (e.g. FDA) – making the NC-200 an integral part of an overall approved therapeutic product.



Highlights

Financial results

- ChemoMetec generated revenue of DKK 175.5 million in 2018/19, a 56% increase year on year.
- Revenue increased in all regions, and the company's products are sold to more than 100 countries.
- Sales of analytical instruments were up by 63%, while sales of consumables grew by 44%.
- EBITDA was DKK 64.9 million, for an EBITDA margin of 37.0% (2017/18: DKK 30.1 million and 26.7%).
- The profit for the year was DKK 41.8 million, corresponding to DKK 2.69 per share (2017/18: DKK 18.2 million and DKK 1.17 per share).
- Both revenue and EBITDA significantly exceeded the guidance announced in connection with the release of the annual report for 2017/18, which was attributable to higher-than-expected revenue and tight cost management.
- The Board recommends to the shareholders at the annual general meeting that, for the first time in ChemoMetec's history, a dividend be distributed to the shareholders. The proposed dividend, DKK 3 per share, should be seen in light of the strong results achieved through the past few years.

Guidance for 2019/20

- For 2019/20, ChemoMetec expects revenue of DKK 193-202 million and EBITDA of DKK 60-66 million.
- In 2019/20, ChemoMetec expects to invest some DKK 30 million in, e.g., product development, production facilities and intellectual property rights.

Product development

- The soon-to-be-launched NC-202 instrument was tested internally and externally during the financial year, and dedicated efforts are currently ongoing to phase it into production, concurrently with market launch preparations.
- The launch of the NC-202 is expected to win ChemoMetec substantial cell counter market share in the years ahead. Based on Xcyto software, the NC-202 offers a number of improvements compared with the NC-200.
- In the financial year, a XcytoMatic functional model was developed and tested internally and externally among potential customers. XcytoMatic is a high-speed cell counter based on the Xcyto technology and targeted at the cell counting market, primarily within pharmaceutical process development and production.
- Work is ongoing to complete two product upgrades, of the Xcyto 5 and the Xcyto 10, respectively. The work includes standardising the instruments to ensure they generate highly consistent analytical results and simplifying work procedures related to the handling of what in fluorescence analysis is called spectral unmixing.

Revenue (DKK)

175.5m

Growth

56%

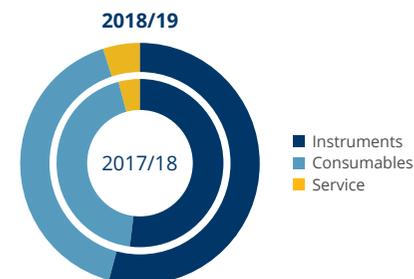
Market capitalisation (DKK)

2.7bn

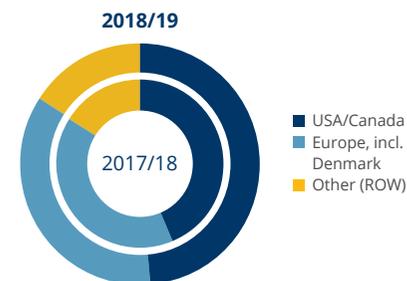
EBITDA margin

37.0%

Breakdown of revenue by segments



Breakdown of revenue by geography



Breakdown of revenue by business areas



Key figures and financial ratios for the Group

DKK'000	2018/19	2017/18	2016/17	2015/16	2014/15
Key figures					
Revenue	175,513	112,687	90,329	85,232	61,239
EBITDA	64,888	30,072	15,865	22,628	11,399
EBIT	54,079	24,284	10,419	15,897	5,828
Net financials	-368	-982	-1,767	-2,125	844
Profit for the year	41,845	18,215	7,486	10,483	7,948
Comprehensive income	41,849	18,204	7,528	10,499	8,110
Equity	173,341	73,010	64,377	56,849	46,350
Total assets	238,215	113,995	97,620	90,379	63,466
Investments in property, plant and equipment	15,156	5,513	3,042	22,285	4,523
Investments in intangible assets	11,911	10,949	7,548	7,606	4,463
Net working capital	26,813	20,448	17,450	12,346	9,093
Invested capital	99,473	82,880	72,689	62,771	30,479
Net interest-bearing debt	-79,400	10,203	9,675	8,351	-3,060

	2018/19	2017/18	2016/17	2015/16	2014/15
Financial ratios					
EBIT margin (%)	30.8	21.5	11.5	18.7	9.5
EBITDA margin (%)	37.0	26.7	17.6	26.5	18.6
Return on invested capital (%)	59.3	31.2	15.4	33.6	18.0
Revenue/Invested capital	1.8	1.4	1.2	1.3	1.9
Net interest-bearing debt/EBITDA	-1.2	0.3	0.6	0.4	-0.3
Financial gearing	-0.5	0.1	0.2	0.1	-0.1
Return on equity (%)	34.0	26.5	12.4	20.3	17.8
Earnings per share (EPS) (DKK)	2.69	1.17	0.48	0.67	0.50
Book value per share (DKK)	10.0	4.2	3.7	3.0	2.7
Market price per share (DKK)	158.0	61.0	32.5	33.8	17.3
Average no. of employees	85	69	65	46	39

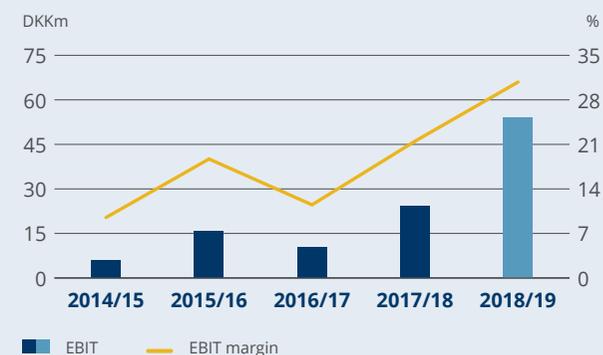
Revenue



EBITDA



EBIT and EBIT margin





chemometec

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