

Q4²⁰¹⁹

Fourth quarter results 2019 Navamedic ASA

Kathrine Gamborg Andreassen, CEO
Lars Hjarrand, CFO



Navamedic – 2019 highlights

Established strong platform for growth

REVENUE

188.8 MNOK

Up 2.7% YoY

GROSS MARGIN

30.5%

33.1% FY18

EBITDA*

8.1 MNOK

15.6 MNOK FY18

Amounts are for continuing operations, EBITDA differs from P&H segment due to transactions with the Medtech segment

*EBITDA before other items.



Strong growth in Obesity and Medical Nutrition



Launched Alflorex® in Denmark and signed agreement for launch in the Netherlands in 2H 2020




Acquisitions of MA's (rights) to antibiotics and cough & cold products



Revenues in Q4 2019 was MNOK 47.3, down from MNOK 51.8 in Q4 2018, as a result of supply issues related to Imdur®. Ordinary sales re-established in Q1 2020



Completed separate listing of Observe Medical 

Navamedic at a glance

Nordic pharma company with a North European footprint



Navamedic - a reliable supplier of high-quality consumer health, medical nutrition and specialty pharma/branded generics products, delivered to hospitals and through pharmacies, meeting the specific medical needs for patients and consumers



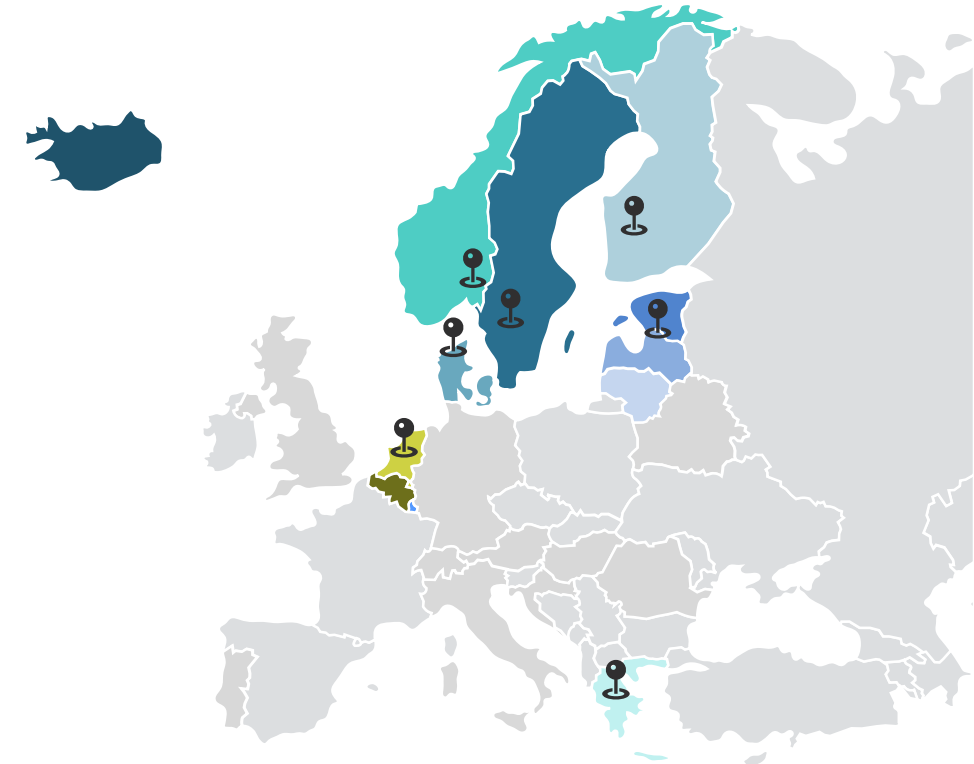
Presence in all Nordic countries, the Baltics and Benelux, and sales in the UK and Greece. Headquartered in Oslo, Norway.



~ 30 professionals with strong competence in regulatory, reimbursement, marketing and sales, dedicated to securing market access through local expertise



Ambitious growth strategy, high-potential pipeline and M&A capabilities



 Navamedic operations

Our growth strategy continues in 2020

Ambition of building a leading Nordic pharma company with a North European footprint

1

Strengthen the core

Untapped potential within existing products, categories and territories
Ongoing negotiations for attractive new distribution agreements



Expanded to Greece



Launched in Norway (Q3 2019)
Launching in Denmark (Q1 2020)
and the Netherlands (2H 2020)

2

Secure and increase the value through ownership to products and brands

Innovative pipeline for in-licensing of new RX or OTC, including products with RX to OTC switch potential
Develop own brands



Acquired MA (marketing authorizations) in Norway and Sweden for new cough and cold product – launch planned for Q4 2020

3

Growth through M&A

Bolt-on acquisitions of product and portfolios
Acquisitions of smaller companies where Navamedic has the competence of creating further growth, to broaden our categories or geographical territory



Signed term sheet to acquire marketing authorisations for a series of antibiotics for hospital use in the Nordics

Strengthen the core

Medical nutrition - Continued strong performance

- Q4 2019 revenue growth of 5% on Q4 2018

2019 REVENUE

47.1
MNOK

(2018: 42.6 MNOK)

GROWTH DRIVERS

- Continued growth in existing product portfolio
- Launches of new products for the dietary treatment of Tyrosinemia type 1 (liver disease) reimbursed in Denmark
- New oral nutrition support products for children with renal disease launched in Sweden



IEM

Products for treatment of Inborn Errors of Metabolism (IEM), a lifelong, genetic disorder where body cannot properly turn food into energy. Includes distribution of UK-based VitaFlo in the Nordics, based on over 30 years experience with IEM

Strengthen the core

Obesity – Mysimba driving the growth in the category

- Q4 2019 revenue growth of 34% on Q4 2018

2019 REVENUE

24.7
MNOK

(2018: 14.4 MNOK)

GROWTH DRIVERS

- New reimbursable prescription in Norway
- New marketing platform and patient support program



Mysimba

Mysimba is a prescription alternative for treating obesity that impacts appetite and cravings centers of the brain. Targets significant unmet need in the Nordic market where adult obesity is a significant public health challenge. Used in combination with a reduced calorie diet and increased physical activity.

Strengthen the core

Consumer Health – new focus area

- 2019 revenue growth of 6% vs 2018, 7% growth in Q4 2019 vs Q42018

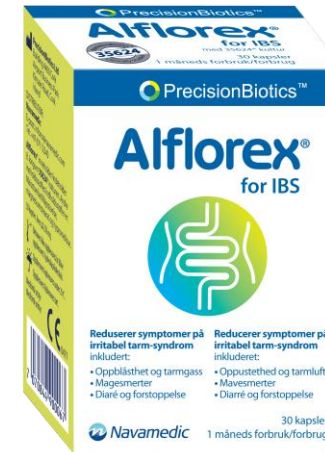
2019 REVENUE

Accelerating from

1 MNOK since first launch
in Q3 2019

GROWTH DRIVERS

- Launched in Norway in Q3 2019 and recently launched in Denmark
- Launching in the Iceland Q2 and Netherlands in 2H 2020
- Increase customers' knowledge and loyalty
- Educate healthcare professionals



IBS – Irritable Bowel Syndrome

IBS is very common worldwide. The disease can have significant negative impact on sufferer's quality of life. 11,2% of people globally suffer with IBS and 1,5x more common in women than in men. The unique live culture in Alflorex, 35624® has been clinically tested by leading scientists and gastroenterologists.

Q4 2019

Ta venninne-
middagen tilbake



Dokumentert effekt mot symptomer
ved irritabel tarm (IBS)



Products

Strong performance of key products

Q4 2019
YoY
rev. growth

<p>CARDIOLOGY</p>		<p>-33%</p>	<ul style="list-style-type: none"> Weak performance as a result of supply issues for Imdur
<p>MEDICAL NUTRITION</p>		<p>5%</p>	<ul style="list-style-type: none"> Strong performance of newly launched products and continued growth of main products
<p>OBESITY</p>		<p>34%</p>	<ul style="list-style-type: none"> Mysimba continues its strong performance
<p>UROLOGY & WOMEN'S HEALTH</p>		<p>-19%</p>	<ul style="list-style-type: none"> Increased competition for Gepan
<p>OTHER</p>		<p>7%</p>	<ul style="list-style-type: none"> Strong performance of GeloRevoice, and ramping-up of Alflorex sales

Financials

Financials

Pharma and Healthcare segment¹

<i>(in NOK million)</i>	Q4 2019	Q4 2018	Year 2019	Year 2018
Operating revenues	47.3	51.8	188.8	183.9
Gross profit	15.2	16.6	57.6	60.8
Gross margin	32.2 %	32.1 %	30.5 %	33.1 %
EBITDA before other items	0.6	3.3	8.1	15.6
Other items	-7.3	-0.5	-12.5	-6.1
EBITDA	-6.6	2.8	-4.4	9.5

¹ The P&H segment table is a proximation of the numbers subsequent to the Observe Medical de-merger. The intention is to show a comparable P&L to our ongoing business.

- Q4 revenues below expectations mainly due to supply issues with Imdur®
- Strong performance in Obesity and Medical Nutrition product categories
- Gross margin % is lower than last year due to changes in the product mix.
- EBITDA before other items below last year mainly due to lower gross profit, additional resources and business development activities
- Other items are external expenses related to corporate projects outside scope of ordinary operations. These costs are mostly related to the de-merger with Observe Medical.

Financials

Key consolidated profit and loss figures

<i>(in NOK million)</i>	Q4 2019	Q4 2018	Year 2019	Year 2018
Operating revenues	47.3	51.8	188.8	183.9
Gross profit	14.0	16.6	57.6	60.8
<i>Gross profit %</i>	<i>29.7 %</i>	<i>32.1 %</i>	<i>30.5 %</i>	<i>33.1 %</i>
Operating costs	-22.0	-14.1	-64.1	-52.3
EBITDA	-8.0	2.6	-6.5	8.5
<i>EBITDA %</i>	<i>-17.0 %</i>	<i>5.0 %</i>	<i>-3.4 %</i>	<i>4.6 %</i>
Depreciation and amortization	-1.1	-0.5	-3.6	-2.3
Operating result (EBIT)	-9.1	2.0	-10.1	6.2
Results from associated companies	-0.7		-0.7	
Net financial result	-1.0	-2.1	-4.7	-2.7
Result before tax, continuing operations	-10.8	0.0	-15.5	3.5
Income tax	0.0	0.7	-0.8	0.3
Net result from continuing operations	-10.7	0.7	-16.2	3.8
Net result from discontinued operations	53.2	15.3	44.2	3.5
Net result from total operations	42.5	15.9	28.0	7.3

- EBITDA is negatively affected by costs related to the de-merger/listing process of Observe Medical
- Results from associated companies contains the estimated result in Observe Medical for November and December (Navamedic's share)
- Net Financial result is mainly currency effects
- Net result from discontinued operations includes external P&L items related to the Observe Medical (OM) business, and a gain on de-merger of OM in Q4 2019

Financials

Assets

<i>(in NOK million)</i>	31.12.2019	31.12.2018
Intangible assets	6.6	30.1
Goodwill	59.5	79.6
Investment in associated company	15.3	0.0
Loans to associated company	25.6	0.0
Deferred tax assets	9.3	9.9
Tangible assets	2.0	0.1
Non-current assets	118.3	119.7
Inventories	32.0	38.1
Trade and other receivables	20.0	38.9
Prepaid taxes	5.4	7.0
Cash at hand, in banks	11.4	11.0
Current assets	68.8	95.1
Total assets	187.1	214.7

- The decrease in intangible assets is due to Observe Medical de-merger
- Goodwill changes are due to reduction from Observe Medical de-merger partly offset by the acquisition of Novicus Pharma
- Investment in associated company is loan converted to equity in Observe Medical, reduced by estimated result
- Loans to associated companies is loan to Observe Medical
- The increase in tangible assets is due to recognition of IFRS 16 (related to lease agreements)
- The decrease in receivables is mostly due to a new factoring agreement coupled with lower Q4 revenues

Financials

Equity and liabilities

<i>(in NOK million)</i>	31.12.2019	31.12.2018
Equity	79.3	99.3
Contingent consideration	0.0	12.2
Long term part of license liabilities	9.6	10.2
Loans and borrowings incl. lease	19.7	0.0
Deferred tax	0.0	0.2
Non-current liabilities	29.2	22.6
Trade and other payables	42.7	41.1
Short term liabilities to financial institutions and lease	5.9	32.6
Short term part of license liabilities	8.8	6.6
Income taxes payable	1.1	2.1
Short term liabilities	20.1	10.5
Current liabilities	78.6	92.8
Total shareholders equity and liabilities	187.1	214.7

- Equity ratio of 42.4%
- Contingent consideration was related to Observe Medical, hence reduced to 0 NOK
- Loans and borrowings consists of non-current part of loans and IFRS 16 lease liabilities
- Reduction in Short term liabilities to financial institutions is due to refinancing and was replaced with long term loans (see loans and borrowings)
- Short term liabilities includes accruals for bonus, VAT, etc.

Financials

Cash flow Group – total operations

(in NOK million)

	Q4 2019	Q4 2018	Year 2019	Year 2018
Net cash flow from operating activities	-0.5	-7.4	12.9	-36.0
Net cash flow from investing activities	2.7	-1.0	-1.2	-2.2
Net cash flow from financing activities	-5.4	1.6	-10.9	20.4
Changes in currency	0.5	1.0	-0.4	-1.4
Net change in cash	-2.6	-5.9	0.4	-19.2
Cash and cash equivalents	11.4	11.0	11.4	11.0

- Positive net cash flow from operating activities (full year) mostly due to improvements in NWC, partly offset by the negative net result for 2019.
- Negative net cash flow from financing activities mostly related to reduction in gross debt.



Summary and outlook

Summary and outlook

Building a leading Nordic pharma company with a North European footprint

In 2019, we have

- Made Navamedic into a pure play pharma company – demerged and separately listed Observe Medical
- Launched existing products in new markets – eg Imdur in Greece
- Launched new products in the Nordics – eg Alflorex
- Acquired assets – eg antibiotics and C&C product

Going forward, we will build on the new foundation and

- Strengthen existing business by leveraging our highly scalable market access platform
- Launch new products in the Nordics and Benelux
- Increase value by acquiring and strengthening own products and brands

Q&A

**Thank you for
your attention!**

**Navamedic Q1 2020 presentation
will be on May 14th, 2020**

Appendix

Appendix

Condensed consolidated statement of comprehensive income

<i>(in NOK '1000)</i>	Q4 2019	Q4 2018	Year 2019	Year 2018
Operating revenues	47 261	51 795	188 755	183 916
Cost of materials	-33 247	-35 160	-131 152	-123 111
Gross profit	14 014	16 634	57 603	60 804
<i>Gross profit %</i>	29.7 %	32.1 %	30.5 %	33.1 %
Payroll expense	-12 477	-7 160	-33 363	-26 115
Other operating cost	-9 559	-6 895	-30 696	-26 160
Operating costs	-22 036	-14 055	-64 060	-52 275
EBITDA	-8 022	2 580	-6 457	8 529
<i>EBITDA %</i>	-17.0 %	5.0 %	-3.4 %	4.6 %
Depreciation	-629	-15	-1602	-54
Amortization	-448	-528	-2 027	-2 258
Operating result (EBIT)	-9 099	2 037	-10 086	6 218
Results from associated companies	-700		-700	
<i>Financial income and expenses</i>				
Financial income	327	187	331	545
Change fair value contingent consideration	0	0	0	0
Financial expenses	-1 102	-999	-2 442	-1 808
Net currency gain/losses	-205	-1 268	-2580	-1472
Net financial result	-980	-2 080	-4 691	-2 736
Result before tax continuing operations	-10 779	-43	-15 477	3 482
Income taxes, continuing operations	36	694	-759	273
Net profit / loss (-) continuing operations	-10 743	651	-16 236	3 755
Net profit / loss (-) discontinued operations	53 237	15 270	44 232	3 529
Net profit / loss (-) Total operations	42 494	15 920	27 996	7 284
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>				
Currency translations differences	4 078	6 441	-2 377	-4 795
Total comprehensive income for the period	46 572	22 361	25 618	2 489

Appendix

Condensed consolidated statement of cash flows

<i>(in NOK '1000)</i>	Q4 2019	Q4 2018	Year 2019	Year 2018
Profit/loss(-) before tax for total operations	-10 784	15 226	-24 488	7 011
Taxes paid	2 080	235	329	-5 335
Depreciation, amortization and write off	1 079	1 493	5 769	6 212
Interest and contingent consideration without cash effect	293	-16 336	2 506	-13 483
Changes in inventory	5 062	3 658	3 601	6 552
Changes in trade receivables	16 884	-7 080	18 741	1 842
Changes in trade payables	-9 234	-6 850	2 990	-31 023
Changes in other current items	-5 865	2 250	3 466	-7 800
Net cash flow from operating activities	-486	-7 405	12 914	-36 024
<i>Cash flow from investments</i>				
Purchase / disposal of tangible and intangible assets	3 895	-1 047	-53	-2 162
Demerger of Observe Medical	-1 147	0	-1 147	0
Net cash flow from investing activities	2 748	-1 047	-1 200	-2 162
<i>Cash flow from financing</i>				
Short term liabilities to financial institutions	-23 968	4 164	-27 855	25 218
Cash received/spend for issue of shares	143	0	-359	0
Long term liabilities to financial institutions and other	18 884	-2 555	18 884	-4 851
Payments of lease liabilities	-450	0	-1 571	0
Net cash flow from financing activities	-5 392	1 610	-10 901	20 368
Changes in currency	528	986	-420	-1 382
Net change in cash	-2 603	-5 856	393	-19 200
Cash and cash equivalents start period	14 042	16 902	11 046	30 246
Cash and cash equivalents end period	11 439	11 046	11 439	11 046

Appendix

Basis for preparation

This presentation provides financial highlights for the quarter for Navamedic Group. The financial information is not reported according to the requirements in IAS 34 (Interim Financial Reporting) and the figures are not audited. The same measurement principles as presented in the Annual Report 2018 have been used preparing this presentation, with the exception of accounting for lease contracts (IFRS 16 implemented 1 January 2019 by use of the modified retrospective approach).

Definitions of Alternative Performance Measures (APM)

The APMs are regularly reviewed by management and their aim is to enhance stakeholders' understanding of the company's performance. APMs presented may be determined or calculated differently by other companies.

APMs:

EBITDA is equal to earnings before interest, tax, depreciation and amortization. EBITDA is a sub-total in the condensed consolidated statement of comprehensive income.

EBITDA margin is equal to EBITDA as a percentage of total operating revenues.

Gross profit is equal to total revenues minus cost of materials. Gross profit is a sub-total in the condensed consolidated statement of income.

Gross margin is equal to gross profit as a percentage of total operating revenues.

Equity ratio is equal to total equity as a percentage of total shareholders' equity and liabilities.

EBITDA before other items; In EBITDA before other items the costs related to strategic projects are not included.

Navamedic believe that the measure provides useful and necessary information to investors and other parties because it provides additional information on underlying growth of the business without the effect from one offs items.

Appendix

Copyright and disclaimer

Copyright

Copyright of all published material including photographs, drawings and images in this document remains vested in Navamedic and third party contributors as appropriate. Accordingly, neither the whole nor any part of this document shall be reproduced in any form nor used in any manner without express prior permission and applicable acknowledgements. No trademark, copyright or other notice shall be altered or removed from any reproduction.

Disclaimer

This Presentation includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. These statements and this Presentation are based on current expectations, estimates and projections about economic. Navamedic ASA believes that its expectations and the Presentation are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in the Presentation. Navamedic ASA is making no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the Presentation, and neither Navamedic ASA nor any of its directors, officers or employees will have any liability to you or any other persons resulting from your use. Navamedic ASA consists of several legally independent entities, constituting their own separate identities. Navamedic is used as the common brand or trade mark for most of these entities. In this presentation we may sometimes use “Navamedic”, “we” or “us” when we refer to Navamedic companies in general or where no useful purpose is served by identifying any particular Navamedic company.