

ANNOUNCEMENT NO. 199

5 November 2020

Interim report for Q1 2020/21 (1 July - 30 September 2020)**Significant revenue and earnings growth**

After a good start to the 2020/21 financial year, ChemoMetec recorded Q1 revenue of DKK 63.8 million, a 31% increase compared to the same period last year. Strong momentum in both the European and North American markets drove the increase in revenue.

In addition, ChemoMetec generated growth of 36% in its core business area, Life Science Research, Cell-based therapy and Pharmaceutical Process and Quality Control (LCP).

EBITDA was DKK 30.8 million in Q1, an increase of 46%, while the EBITDA margin was 48%.

Highlights

- Revenue amounted to DKK 63.8 million in Q1 2020/21, an increase of 31% compared to the same period last year.
- There was strong momentum in both the European and North American markets as well as in China.
- Sales of analytical instruments were up by 18% in Q1, while sales of consumables grew by 24%. The increase was mainly driven by volume growth.
- Revenue from service contracts increased from DKK 0.7 million to DKK 6.0 million. There was a net increase of around 100 service contracts in the first quarter and a 95% renewal rate for the service contracts sold one year ago.
- Revenue in ChemoMetec's core business area, LCP, increased by 36% in Q1 and accounted for 91% of total revenue.
- EBITDA increased to DKK 30.8 million in Q1, up from DKK 21.0 million in the year-earlier period, corresponding to an increase of 46%. The EBITDA margin was 48%.
- Sales of the NC-202 analytical instrument, which was launched in the 2019/20 financial year, have developed according to plan and are contributing to the revenue growth. ChemoMetec sold 30 instruments in the first quarter, which was unchanged from the previous quarter.

COVID-19 situation

Although COVID-19 continues to have a negative impact on ChemoMetec's markets, revenue performance was satisfactory in the first quarter. The continued growth is attributable to the fact that most customers in ChemoMetec's largest business area, LCP, are experiencing a higher level of business activity despite COVID-19 and due to the strong relationships ChemoMetec has built with many of its customers over the past many years. At the same time, the sales organisation has successfully and efficiently implemented the use of digital solutions on the sales side. However, travel and quarantine restrictions as well as general restrictions related to arranging meetings continue to complicate sales to new customers as well as possibilities of carrying out service inspections. Moreover, restrictions have further complicated the ongoing establishment of a sales office in California, the holding of job interviews and thus the general expansion of the sales organisation.

Particularly in Q4 2019/20, a number of orders were either postponed or cancelled, and customers were generally reluctant to place new orders. Some of these orders have now been executed, which had a positive effect on growth in the first quarter.

Concurrently with the increasing spread of COVID-19, ChemoMetec has implemented additional measures with a view to maintaining as much of its production, quality control and logistics functions as possible.

Planning and carrying out the part of the development work related to product testing among potential customers remain difficult. See the sections on the Xcyto 5 and XcytoMatic under "Product development".

Revenue and earnings performance

Q1 revenue was up 31% from DKK 48.7 million last year to DKK 63.8 million. Improvements were seen in the European and North American markets, while revenue in the other markets was largely unchanged.

In the European market, revenue rose by 43% from DKK 15.9 million to DKK 22.7 million. This is highly satisfactory in light of the much weaker growth of 7% in the 2019/20 financial year. In the first quarter, focus was on completing the restructuring of the European sales set-up and on strengthening the European sales organisation. The restructuring process is more or less complete, and more employees have been added to the sales and marketing activities at the head office in Allerød, Denmark.

In ChemoMetec's largest geographical market, USA/Canada, revenue grew by 34% from DKK 24.8 million to DKK 33.1 million. The expansion of the US sales organisation, including the establishment of a sales office in California, is still being hampered by the COVID-19 situation.

In the rest of world region ("Other countries"), revenue was largely unchanged, amounting to DKK 8.0 million in Q1 2020/21. China is the largest single market in "Other countries", and revenue in the Chinese market grew by 36% to DKK 3.6 million in Q1. In Japan, South Korea, Singapore and Taiwan, total revenue in Q1 was lower than in the year-earlier period. Distributors are primarily used in "Other countries", and major quarter-on-quarter

fluctuations are not unusual in these countries as distributors carry inventories and often buy large quantities at a time.

Sales of analytical instruments were up by 18% to DKK 30.9 million, accounting for 49% of total revenue. ChemoMetec sold 230 analytical instruments in the first quarter, up from 183 in the same period of last year. The increase in sales of analytical instruments was driven by a higher volume. ChemoMetec sold 30 NC-202 analytical instruments, which was unchanged from the previous quarter. Sales of the NC-202 are developing to plan.

Sales of consumables, comprising disposable cassettes, slides, reagents and test kits, etc., grew by 24% to DKK 24.3 million, accounting for 38% of revenue. ChemoMetec sold 1.3 million cassettes in the first quarter, against 1.1 million in the same period of last year.

Sales of service contracts in the first quarter continued the positive trend seen since the launch in May 2019. ChemoMetec now has approximately 600 active service contracts, including an increase of around 100 service contracts in the first quarter. At DKK 6.0 million in Q1, sales of service contracts accounted for 9% of total revenue. Early experience from the renewal of service contracts, which run for terms of one year, shows a 95% renewal rate. The majority of service contracts are still sold in the US market. The COVID-19 situation and quarantine rules applying to travels between countries in Europe and the individual states of the USA are hampering the performance of service inspections.

Revenue growth in the largest business area, LCP, was 36% in Q1. Of the overall growth of DKK 15.4 million, DKK 5.1 million was attributable to the sale of instruments, DKK 4.3 million to consumables, and DKK 5.3 million to service contracts. Cell-based therapy remains the key growth driver for LCP. The LCP business area accounts for 91% of total revenue, semen analysis for 7%, while the other business areas together account for 2%.

ChemoMetec's revenue broken down by product group, geography and business area in the first quarter appears from the below tables:

DKK 1.000					2020/21	2019/20
					1. kvartal	1. kvartal
	Europa	USA/ Canada	Øvrige	I alt		I alt
Instrumenter	11.495	15.441	3.997	30.933		26.153
Forbrugsvarer	8.687	11.705	3.880	24.272		19.595
Service	1.699	4.286	18	6.003		717
Andet	839	1.669	118	2.626		2.282
I alt	22.720	33.101	8.013	63.834		48.747

DKK 1.000					2020/21	2019/20
					1. kvartal	1. kvartal
	LCF- markedet	Produktions- kontrol af og kvalitets- kontrol af dyresæd	Produktions- kontrol af og kvalitets- kontrol af mælk	I alt		I alt
Instrumenter	29.913	710	310	30.933		26.153
Forbrugsvarer	19.700	3.548	1.024	24.272		19.595
Service	6.003	-	-	6.003		717
Andet	2.363	197	66	2.626		2.282
I alt	57.979	4.455	1.400	63.834		48.747

In Q1, EBITDA increased by 46% to DKK 30.8 million, up from DKK 21.0 million. The EBITDA margin was 48%, against 43% in the same period of last year.

The increase in EBITDA was primarily the result of higher revenue combined with a moderate increase in costs. Employee recruitment continued in the quarter, primarily in sales and marketing as well as production, quality control and logistics functions.

Product development

Xcyto 5

As mentioned in the 2019/20 annual report, it is important to test the two product upgrades for the Xcyto 5, which were fully developed in the last financial year. As a result of COVID-19, this work is still outstanding, and relaunch of the product awaits completion of the testing.

Currently, ChemoMetec primarily allocates resources to sales of the NC-202, which are considered to have the most attractive potential. The Xcyto 5 is still expected eventually to replace the NC-3000. ChemoMetec sold one Xcyto 5 analytical instrument and 11 NC-3000 analytical instruments in the first quarter.

XcytoMatic

At the end of the 2019/20 financial year, the resources of the R&D department were generally reduced as a result of sending home employees due to the COVID-situation. Thus, many tasks related to the development of the XcytoMatic were suspended. The development work was back to the projected level in the first quarter, and the XcytoMatic product is expected to be fully developed by around April 2021. A potential escalation of the COVID-19 virus may delay the project, just like continued restrictions will have an impact on external trials and testing of the product.