

Universal Biosensors, Inc.

Half Year 2022

 Placing the universal power of biosensors into the hands of those who need it



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Universal Biosensors

Introduction

UBI (ASX:UBI) is a biosensor company and **world leader** in electrochemical cell technology.

Our patented technology is based on diagnosis and measurements using a portable handheld device from a **“finger prick of blood”** sample (size).

Our ambition is to build a multi product stable of biosensors in large markets which generate ongoing revenue streams and strong margins.

Our revenue model is to sell the handheld, portable analyzer into high volume repeat-use scenarios and then sell single use, disposable biosensor strips which are used for each diagnostic test.

Universal Biosensors

Highlights

UBI:

1. Is **well-funded** and has **\$33.4m cash**
2. Reported **13% increase** in Average Selling Price per strip for Xprecia Stride and **21% increase** for Sentia products between H1 2021 and H1 2022
3. Reported **80% increase** in cash receipts from customers
4. Successfully **acquired over 50%** of the legacy Siemens distribution network for Xprecia
5. Signed new distribution agreements for Sentia and Xprecia
6. Launched Sentia's 3rd product, the Glucose test strip in August
7. Invested **\$4.5m in non-recurring** development of Fructose, Titratable Acidity, Acetic Acid, Xprecia Prime (our next generation coagulation testing product), Petracker (our blood glucose biosensors for animals) and our Tn Antigen Cancer Biomarker
8. Sales' mix for Xprecia Prime moving to non-Siemens distributor sales is leading to **higher Average Selling Prices** per strip
9. Sales' mix for Sentia product from our direct sales field force is delivering **higher Average Selling Prices** per strip
10. Invested \$1.2m sales & marketing activities to **grow sales**
11. Invested \$1.8m in development scientists, engineers and operational teams to finalise the development of products
12. Invested \$0.9m into new specialist blood laboratory premises and our HRL Team

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Universal Biosensors

Highlights

19 years 2001 – 2020

2 product launches:

1. A blood glucose monitoring product for LifeScan, Inc.
2. Xprecia Stride for Siemens.

2 years 2021 – 2022

Product launches and development pipeline:

1. Sentia – wine testing platform, Free SO₂ (launched)
2. Sentia – wine testing platform Malic Acid (launched)
3. Sentia – testing for Glucose (launched August 2022)
4. Sentia – testing for Fructose, Titratable Acidity, Acetic Acid (development continues)
5. Xprecia Prime – approved for sale in Europe. Clinical trials ongoing in USA. First product delivered H2 2022
6. Blood glucose biosensor for cats and dogs (development continues)
7. Aptamer based fertility biosensor (development continues)
8. Aptamer based COVID-19 biosensor (development continues)

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Sentia

Business Update

Sales increased marginally over the period but:

21% direct sales growth quarter on quarter (Q1 2022 : Q2 2022).

21% increase in Average Selling Price per strip between H1 2021 and H1 2022.

Sentia's Malic Acid testing **product launched** in March 2022.

Sentia's Glucose testing **product launched** August 2022.

Development of USA Ecommerce website.

More than 310 devices (approx. 3.1%) have been sold into the USA market (distributors and direct to wineries) (based on the assumption of 10,000 commercial wineries in the US). We estimate approximately 30% of stock remains in the hands of USA distributors.

Continued investment in our global sales team in the USA and Europe.

We now have **20 distribution agreements** in place covering 25 countries.

Xprecia

Business Update

H122 v H121 sales of Xprecia Stride were **down slightly** due to

- timing of Siemens orders: and
- Siemens running existing stock levels down to zero (supply deal with UBI ends during H123)

Xprecia sales growth not expected until next generation Xprecia Prime device is in the market. Global supply chain issues have delayed the delivery of Xprecia Prime devices to date.

UBI expect 350 Xprecia Prime devices will be **delivered** during **Q3 2022**. Sales will commence and growth is expected during 2023.

Importantly UBI recorded **93% sales growth** of sales directly to non-Siemens distributors. UBI has successfully transitioned **50%** of the legacy Siemens distribution network which are now buying directly from UBI (another 15% are still in negotiation).

The result of the changing sales mix is a **13% increase** in Average Selling Price per strip.

Regulatory approval obtained to sell Xprecia Prime in 32 countries in Europe.

Xprecia Prime USA **clinical studies** progressing well with 281 patients of FDA's required 360 enrolled.

UBI now have 18 distribution agreements in place **covering 16 countries**.

Hemostasis Reference Laboratory

Business Update

Overall sales growth half on half (H1 2022 on H1 2021) was down 12% because Hemostasis Reference Laboratory (HRL) had a 6-week shutdown as it moved premises, commissioned a new laboratory and new equipment.

HRL moved to a new location to facilitate **expanding our specialist services** into:

- Inflammatory disease;
- Cytokines; and
- Multiplex Immunoassay Platform.

Nearly \$1m was spent on moving the laboratory to a new location.

Universal Biosensors

Product Development Update

Work continues on the stability of our Sentia Fructose biosensor. The performance of the sensor is excellent and multiple runs are now down for stability. We remain on track for launch Q4 2022 / Q1 2023 (subject to stability).

Work continues on the Sentia Titratable Acidity and Acetic Acid biosensors. Both products are on track for launch Q4 2022 / Q1 2023 (subject to stability).

Supply chain issues has meant one of the raw materials for our Tn Antigen cancer biosensor has been delayed by several weeks which has pushed our target reporting deadlines out. We still expect to be reporting the next results from our development clinical trials on Q3 2022.

The development of our blood glucose biosensor for cats and dogs is on track and due for completion towards the end of Q4 2022 with launch expected shortly after.

Results

Profit and Loss Summary (H1 2022)

| \$m | H1 2022 | H1 2021 |
|--|---------------|---------------|
| Biosensors | | |
| Coagulation testing products | 1.78 | 1.99 |
| Wine testing products | 0.58 | 0.58 |
| Total revenue | 2.36 | 2.57 |
| Cost of goods sold | 1.05 | 1.41 |
| Biosensors gross profit (\$) | 1.31 | 1.16 |
| HRL | | |
| Coagulation testing services | 0.73 | 0.82 |
| Total revenue | 0.73 | 0.82 |
| Cost of services | 0.79 | 0.62 |
| HRL gross profit/ (loss) (\$) | (0.06) | 0.20 |
| Other expenses | | |
| Depreciation & amortization | 1.39 | 1.07 |
| Development expenses | 4.49 | 1.61 |
| Research expenses | 1.84 | 1.21 |
| Selling, general & administrative | 4.71 | 2.54 |
| Total expenses | 12.43 | 6.43 |
| Other income/ (expense) | | |
| R&D tax incentive income | 1.98 | 1.26 |
| Other | 0.02 | 0.60 |
| Total other income | 2.00 | 1.86 |
| Net loss | (9.18) | (3.21) |

Sales of Xprecia Stride were down slightly due to the timing of Siemens' orders and Siemens running existing stock levels down to zero.

Sales of Sentia for H1 2022 were in line with H1 2021.

HRL sales down because HRL had a 6-week shutdown as it moved premises and commissioned a new laboratory and new equipment.

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Results

Balance Sheet (H1 2022)

| \$m | 30 Jun 2022 | 31 Dec 2021 |
|--|----------------|----------------|
| Assets | | |
| Cash, cash equivalents & restricted cash | 33.11 | 17.29 |
| Inventories | 2.39 | 2.14 |
| Trade receivables | 1.22 | 0.48 |
| Prepayments & other current assets | 7.53 | 4.94 |
| Total current assets | 44.25 | 24.85 |
| Property, plant & equipment | 3.66 | 4.10 |
| Intangible assets | 11.84 | 12.65 |
| Other non-current assets | 5.36 | 2.90 |
| Total non-current assets | 20.86 | 19.65 |
| Total assets | 65.11 | 44.50 |
| Liabilities | | |
| Trade and other payables | 4.99 | 3.91 |
| Other liabilities | 6.12 | 5.49 |
| Total current liabilities | 11.11 | 9.40 |
| Deferred income tax liability | 3.05 | 3.05 |
| Other liabilities | 7.37 | 4.44 |
| Total non-current liabilities | 10.42 | 7.49 |
| Total liabilities | 21.53 | 16.89 |
| Net assets | 43.58 | 27.61 |
| Total equity | 43.58 | 27.61 |

Highlights

- Increase in Cash as a result of capital raise.
- Increase in prepayments due to insurance premiums.
- Increase in other current assets is the R&D tax incentive receivable.
- Increase in non-current assets is driven by HRL's 10-year premises lease which commenced in Jan 2022.
- Increase in Trade and other payables and Other Liabilities due to:
 - Additional borrowings to fund insurance premium;
 - Increase in lease liability driven by HRL's new premises lease;
 - Increase in accruals due to the un-invoiced Vet biosensor development work;
 - Foreign exchange translation.

Results

Cash Flow (H1 2022)

| \$m | 30 Jun 2022 YTD | 30 Jun 2021 YTD | Change % |
|---|--------------------|--------------------|-------------|
| Cash flows from operating activities | | | |
| Receipts from customers | 2.40 | 1.33 | 80% |
| Payments to suppliers & employees | (12.18) | (7.25) | |
| Government grants & tax incentives | 0.03 | 0.30 | |
| Other | 0.09 | 0.15 | |
| Net cash - operating activities | (9.66) | (5.47) | 77% |
| Cash flows from investing activities | | | |
| Property, plant & equipment | (0.41) | (0.32) | 28% |
| Net cash - investing activities | (0.41) | (0.32) | 28% |
| Cash flows from financing activities | | | |
| Proceeds from share issue | 26.01 | 0.00 | |
| Transaction costs on share issue | (0.99) | 0.00 | |
| Proceeds from exercise of options | 0.04 | 0.07 | |
| Net proceeds from borrowings | 0.22 | 0.02 | |
| Net cash - financing activities | 25.28 | 0.09 | |
| Cash & cash equivalents at beginning | 18.10 | 28.06 | |
| Net increase | 15.21 | (5.70) | |
| Effect of movement in exchange rates | 0.12 | 0.15 | |
| Cash & cash equivalents at end | 33.43 | 22.51 | 49% |

UBI was not receiving cash for sales to Siemens in H1 2021 as it had prepaid consideration for sales. The prepaid consideration was fully utilised by H2 2021, resulting in higher receipts from customers.

Major items contributing to higher payments to suppliers and employees include:

- Investment in veterinarian blood glucose product;
- \$1.6m increase in employee related costs, mostly relating to new starters within the Sales & Marketing and R&D teams;
- Investment in FDA clinical trials for Xprecia Prime;
- Increased investment in our Xprecia Prime, Tn Antigen, Sentia products and fertility and COVID biosensors.

Cash Flow

Explained

UBI is a US GAAP reporting entity and as such all expenditure on Development Assets is written off through the P&L.

If UBI was an Australian reporting entity it would be required to allocate money invested in Development Assets (that qualify pursuant to Australian standards) onto the Balance Sheet. The result is the Income Statement would look materially different and the Balance Sheet would record those qualifying amounts as Intangible Assets.

UBI believe this is an important distinction for Investors to understand.

For the year ending 31 December 2022 UBI will spend \$17m in cash:

- \$8m spend on day-to-day operating expenses; and
- \$9m investment in Development Assets.

Moving forward UBI can control the spend on Development Assets:

- UBI is forecasting to have a closing cash balance of \$25m as at 31 December 2022.
- UBI is forecasting for sales to reach a monthly level that it will achieve cash break-even during 2023 (on a monthly basis excluding investment in Development Assets – refer slide 15)
- UBI expect cash spend on Development Assets for FY23 to be materially lower (\$5m +/-) than FY22.
- UBI expect to have enough cash to fund all Development Asset investments and day-to-day operations.

Cash Flow

Explained

The following is a summary of the cash invested in Development Assets. During H1 2022 UBI invested: \$4.49m (non-recurring) was invested into the following (intangible) Development Assets.

- \$2.47m in the veterinarian blood glucose product
- \$2.02m in clinical and development trials for our Xprecia Prime, Tn Antigen and Sentia products

\$1.12m (non-recurring) was invested into the ongoing development of our oncology, fertility and COVID biosensors.

Total amount to be invested during FY 2022 in “Development Assets” (non-recurring) is tabled below.

| \$m | H1 2022 | H2 2022 | Total 2022 |
|-----------------------------|-------------|-------------|-------------|
| Petrackr | 2.47 | 1.80 | 4.27 |
| Xprecia Prime | 0.82 | 1.19 | 2.01 |
| Sentia | 0.69 | 0.36 | 1.05 |
| Tn Antigen Cancer Biomarker | 0.51 | 1.23 | 1.74 |
| Total | 4.49 | 4.58 | 9.07 |

Cash Flow

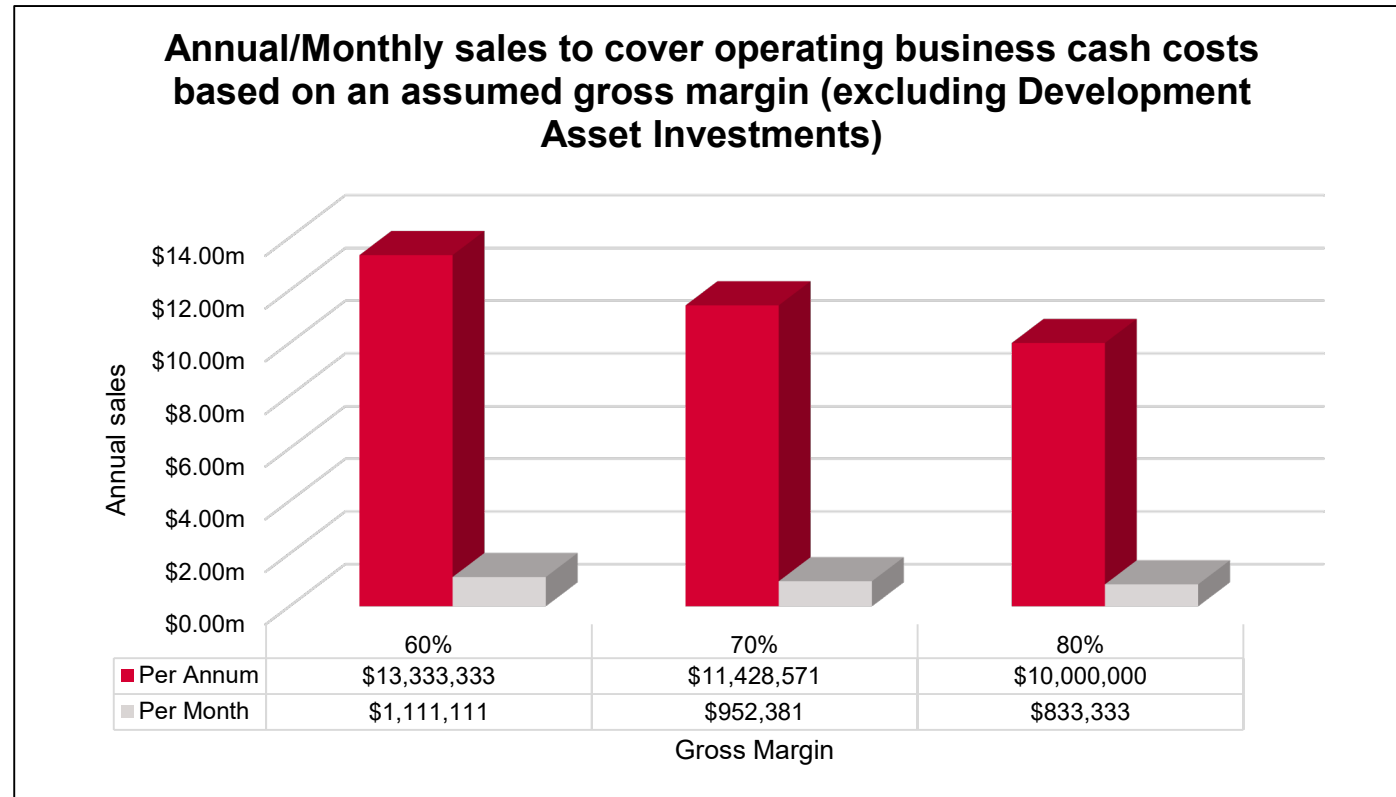
Explained

The purpose of Figure 1 is to illustrate the sales required by UBI on a monthly and annual basis to cover operating cash costs (excluding the investment in Development Assets).

Figure 1

This is for illustration purposes only and is based on the following assumptions:

- three different gross margins achieved from the sale of products;
- excludes cash invested in Development Assets as detailed on slide 14;
- assumes current cash operating expenses at \$8m pa.



END