

# Bioquell 2013 Preliminary results & update on progress

**March 2014**

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# Overview: 2 principal divisions

**Bio (revenues: £28m)**

**Bio-contamination control**

**Applied bio-chem / engineering**

## **Life Sciences (£22.7m; 81% of Bio)**

- eradication of microbes
- aseptic workstations (QUBE)
- R&D and production

## **Healthcare (£3.5m; 13%)**

- eradication of "superbugs"
- ICE-pod single room service
- BxQ woundcare

## **Defence (£1.7m; 6%)**

- CBRN filtration & environmental control

**TRaC (revenues: £17m)**

**Testing, Regulatory & Compliance**

**Applied physics / engineering**

## **Specialist testing (NB driven by regulations)**

- environmental
- EMC
- Safety
- ATEX
- radio
- Telecoms

## **Consultancy**

- ESQ – early stage qualification
- Certification & approvals
- NCB: TRaC mark
- international opportunities

HPV  
AOP  
Filtration

Equipment  
Service  
Rental  
Consumables

UK  
US  
France

Sing.  
China  
Ireland

UK (6 sites)  
China  
[USA]

# Summary revenue data

£m	2013		2012		Δ%
<b>Group revenues</b>	<b>44.6</b>	100%	<b>41.0</b>	100%	<b>+9%</b>
<i>Non-UK</i>		59%		55%	
<i>Service</i>		60%		61%	
<b>Bio revenues</b>	<b>27.8</b>	62%	<b>25.9</b>	63%	<b>+8%</b>
<i>Non-UK</i>		80%		80%	
<i>Service</i>		37%		39%	
<b>TRaC revenues</b>	<b>16.8</b>	38%	<b>15.1</b>	37%	<b>+11%</b>

# Summary profit and loss data

£m	2013		2013 ex. reconfig. costs		2012		Δ%
<b>Revenues</b>	<b>44.6</b>	<i>100%</i>	<b>44.6</b>		<b>41.0</b>	<i>100%</i>	9%
<b>Gross Margin</b>	<b>20.6</b>		<b>21.1</b>		<b>19.6</b>		8%
<i>Gross margin %</i>	<i>46%</i>		<i>47%</i>		<i>48%</i>		
<b>Overheads</b>							
▪ Sales and Marketing	(8.3)	<i>18%</i>	(8.2)	<i>18%</i>	(7.5)	<i>19%</i>	9%
▪ Admin	(6.3)	<i>14%</i>	(6.0)	<i>13%</i>	(5.3)	<i>13%</i>	13%
▪ R&D / Engineering	(3.0)	<i>7%</i>	(3.0)	<i>7%</i>	(2.6)	<i>6%</i>	15%
<b>Net Finance Costs</b>	<b>0.1</b>		<b>0.1</b>		<b>(0.2)</b>		
<b>Pre-tax profit</b>	<b>3.1</b>		<b>4.0</b>		<b>4.0</b>		
<b>Profit after tax</b>	<b>3.1</b>		<b>4.0</b>		<b>4.0</b>		
EPS (basic)	-24%	7.3p		9.4p		9.6p	
DPS (proposed)	+8%	3.3p				3.06p	

## Profit & loss: divisional split

£m	2013	2012	Δ%
Bio revenues	27.8	25.9	+7%
TRaC revenues	16.8	15.1	+12%
<b>Group revenues</b>	<b>44.6</b>	<b>41.0</b>	
Bio EBIT*	1.9	2.6	-27%
TRaC EBIT	3.4	3.0	+13%
Head Office costs	(1.5)	(1.4)	
<b>Group EBIT</b>	<b>3.8</b>	<b>4.2</b>	

\* Adjusted for reconfiguration costs

# Cashflow & other data

£m	2013	2012
<b>Net cash from operating activities</b>	<b>7.5</b>	<b>6.0</b>
Capital investment in equipment	(3.9)	(3.1)
Capitalised expenditure on product development	(2.8)	(3.8)
	<u>(6.7)</u>	<u>(6.9)</u>
Bio capex	1.1	1.8
TRaC capex	2.8	1.3
	<u>3.9</u>	<u>3.1</u>
Bio depreciation and amortisation	3.0	2.6
TRaC depreciation and amortisation	1.2	1.1
	<u>4.2</u>	<u>3.7</u>
Net cash	2.0	1.9
Net assets	33.3	30.7

# Life Sciences (revs: £22.7m; 81% of Bio)

## Complex multi-segment market with different trends / drivers around the globe

- Bio-pharmaceutical companies seeing increasing revenues & margins (NB patents) from biologics
- strong and increasing regulatory oversight
- lab. equipment market highly competitive and unattractive
- migration of R&D from large pharma to 'spin-off' entities in US and Europe: increasing market fragmentation
- still relatively low levels of Government funding (cf. pre 2008)

- FDA effectively banned Ranbaxy (India) products from USA
- Compounding Quality Act post US NECC disaster (64 dead; 751 cases\*)
- OEM interest in 'Bioquell inside' from a range of LS equipment manufacturers
- regulatory compliance driving equipment, RBDS (service) & consumables
- AsiaPac investing in equipment re. bio-pharma manufacturing & regulatory requirements

 ***Ongoing, strong drivers supporting BQ's technology – but market fragmented***

\* Centres for Disease Control & Prevention, October 2013

# Life Sciences - QUBE



**QUBE revenues started in 2013: modular aseptic workstation which can be configured for each customer's process needs**

- incorporates a HP consumable cartridge (scope for CIs)
- exploits novel manufacturing techniques which helps differentiate in market and competitive positioning



**QUBE: application driven**

- sterility testing (regulatory)
- cytotoxic preparation (regulatory)
- ATMP (stem cell, gene, tissue therapy)
- clinical trials
- other applications still being uncovered



 ***Unique QUBE helps take Bioquell beyond just HPV in the LS market***



# Healthcare (revs: £3.5m; 13%)

## Healthcare market beginning to change

### "Superbug" eradication

- MRSA & *C.diff* remain an issue (but viable antibiotics still exist for these Gram-positive organisms)
- increasing issues with Gram-negatives
- CPE/CRE an increasing problem: carbapenem resistance – the antibiotics of 'last resort'
- increasing acceptance that the hospital environment contributing to HAI transmission
- UK and international problem – but worse in emerging markets
- some CREs pan-resistant (eg India, Brazil)
- difficult to market to clients with a (CRE) problem which they don't want to discuss
- element of "superbug" fatigue in the UK
- late 2013 Hopkins paper helpful: shows 64% reduction in HAI

 **Revenues from equipment (cum consumables), rental (NB ICE-pod) and service revenues**



Public Health  
England

PHE Gateway number: 2013-499

To: Chief Executive Officer  
CC: Director of Nursing  
Medical Director

Health Protection and  
Medical Directorate

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27 February 2014

Dear Chief Executive Officer,

**Re: Addressing the infection risk from carbapenemase-producing Enterobacteriaceae and other carbapenem-resistant organisms**

We are taking the unusual step of writing directly to you to ask for your essential support and action to address the risk posed to trusts and other healthcare organisations by carbapenemase-producing Enterobacteriaceae and other carbapenem-resistant organisms. Carbapenemase-producing Enterobacteriaceae represent one of the most serious emerging infectious disease threats that we currently face, and the failure to control their spread now, while we still have the opportunity, could have substantial human health and financial consequences. Infections caused by these bacteria are extremely difficult to treat as they are resistant to carbapenems, which are considered 'last resort' antibiotics. Management of these infections is not only more difficult, affecting patient outcomes, but also significantly more costly for the healthcare system.

In order to minimise the wide spread of these multidrug-resistant infections across England we would be grateful if you could ensure, as a matter of highest priority and urgency, that the recently published national '**Acute trust toolkit for the early detection, management and control of carbapenemase-producing Enterobacteriaceae**'<sup>1</sup> is embedded into clinical practice within your Trust.

Additionally, to ensure that trusts are fully informed about the need to address this risk and to embed the toolkit, next week NHS England will be circulating a Stage 2 Patient Safety Alert entitled '**Addressing rising trends and outbreaks in carbapenemase-producing Enterobacteriaceae**'. Further resources and information that will support you in addressing the issue in your Trust have also been included in the 'Key Information' appended to this letter.

These infections are already causing national concern due to the observed increasing trends in numbers of infections, outbreaks and clusters. Public Health England's (PHE) Antimicrobial Resistance and Healthcare Associated Infection Reference Unit has worked with carbapenemase-producing organisms since 2000 and is seeing year-on-year increases in these infections, currently confirming up to 25 positive samples per week that have been submitted by trust laboratories on a voluntary basis. PHE will continue to monitor the situation nationally and will make data on affected trusts available to professional colleagues and the public, including through publication, to support national efforts to address the public health threat.

# Healthcare - ICE-pod: Infection Control Enclosure pod



## Able to convert bedspaces on open units into single rooms

- bespoke Pod design for each bed space
- facilitates 'bioquelling' of the bed space
- reinforces standard infection control measures
- also: improves patient flows, bed management
- ICE-pod(s) deployed without closing unit
- per diem charge: service (rental) model



## Demand from ICUs

- ICUs often open-plan – "Nightingale wards"
- Gram-negative infections (NB CPE/CRE) usually affect ICUs
- demand beginning to pick-up from overseas – eg Middle East, AsiaPac



➔ **Helps BQ provide complete solution: single rooms & HPV 'superbug' eradication**

# Consumables

## Increased focus on consumable revenue generation from BQ's HPV equipment

### Hydrogen peroxide consumable cartridges

- international regulatory approvals substantially in place
- international supply chain in place
- higher usage in HC sector (cf. LS)

### Biological indicators

- "1 million bacteria on a stainless-steel saucer"
- used to validate BQ HPV process
- critical data for customer's regulatory approvals

### Chemical indicators

- rapid cycle development
- instant 'comfort' – visual colour change
- some customers will use with every cycle



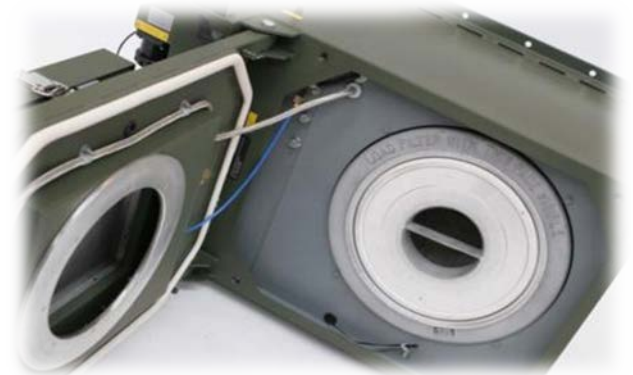
# Defence (revs: £1.7m, 6% of Bio)

## Niche defence application, principally based around specialist CBRN filtration

- closing 2013 order book £4.8m
- ongoing revenues from Malaysian contract in 2014
- other smaller contracts already being revenue'd in 2014

## Substantial development work associated with GD SV programme

Expecting further CBRN contract awards from emerging markets which should positively impact revenues this year



# TRaC (revs of £17m; 38% of Group)

## Specialist testing

- territory specific: NB differing regulations for different territories
- sector specific: different requirements for military, aerospace and medical sectors

## Principal testing expertise

- environmental
- EMC
- Safety
- ATEX
- radio
- telecoms

## Examples of new potential drivers for TRaC's business

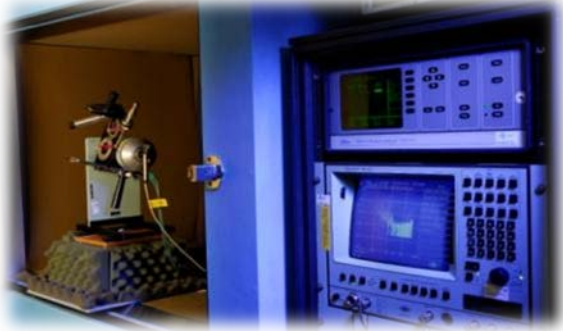
- e-health / m-health
- Zigbee
- energy

## 6 well invested sites across UK

- highly specialist equipment
- scope to 'capture' clients with selective investment in specialist equipment
- dedicated on-site client cells for top 'blue-chip' multi-nationals




# TRaC – certification & approvals



**Helping clients obtain necessary certification to be able to sell products in specific territories**

- NB demand for certification driven by regulations / law

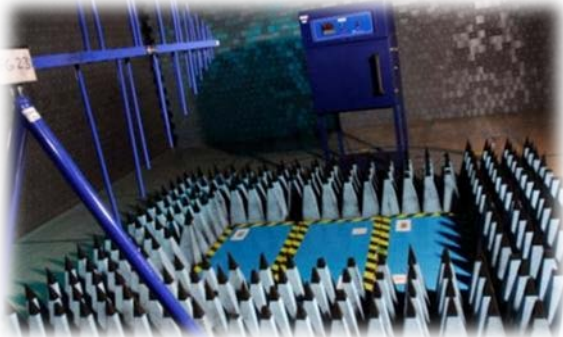
## TRaC

- National Certification Body (1 of 3 in UK)
- TRaC mark 
- able to certify under the international IECEx (electrotechnical safety) and IECEx (explosive atmospheres) schemes



## China

- demand for Zigbee approvals in China
- seeing increasing 2-way (ie into & out of China) certification / approvals demand



## USA

- see good opportunities for certification & approvals from the US market

# Outlook

## **Substantial changes made to product offerings in Bio to de-risk business model**

- expanded focus away from just HPV
- revenues from equipment, service, rental and consumables

## **Strong underlying drivers in LS and HC...**

- **LS:** increasing regulatory oversight helping to drive interest in BQ's technology – although market highly fragmented and can be challenging to access
- **HC:** market beginning to change. CRE/CPE problem beginning to cause major concern (a “real issue”) – antibiotic resistance is an increasing problem – although still challenges from ‘good enough’ and ‘do nothing’

**...but in the Bio division the year has started somewhat more slowly than expected – however enquiries for new products, especially from overseas, are encouraging**

**Defence business starts year with robust order book – with further orders expected which should positively impact H2 revenues**

## **TRaC well positioned with good momentum**

- market leading position in UK
- international growth in certification and approvals looks interesting

# Glossary

AOP	:	Aqueous oxygen peroxide
ATEX	:	Explosive atmosphere testing
ATMP	:	Advanced therapeutic medicinal product
BIs	:	Biological indicators
BxQ	:	BioxyQuell
CBRN	:	Chemical, biological, radiological and nuclear
C.diff	:	<i>Clostridium difficile</i> , a spore forming bacteria responsible for HAI
CIs	:	Chemical Indicators
CPE	:	Carbapenamase producing <i>Enterobacteriaceae</i>
CRE	:	Carbapenem resistance <i>Enterobacteriaceae</i>
EMC	:	Electromagnetic compatibility
FDA	:	Food & Drug Administration (USA), the regulator responsible for the US pharmaceutical sector
HAI	:	Hospital Acquired Infection
HC	:	Healthcare
HP	:	Hydrogen peroxide
HPV	:	Hydrogen peroxide vapour
LS	:	Life Sciences
MRSA	:	Methicillin resistant <i>Staphylococcus aureus</i>
NCB	:	National Certification Body
OEM	:	Original equipment manufacturers