



Bioquell: 2011 full year results

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Life Sciences (ESCR*)

- pure & applied research
- clinical trials
- production
- heavily regulated (eg FDA)
- international client base

Healthcare (ESCR*)

- eradication of germs responsible for Hospital Acquired Infection (HAI)
- Gram-negative bacteria
- *C.difficile*
- norovirus
- international problem

Defence equipment

- CBRN** filtration systems
- ECS***
- dust / sand pre-filtration
- eradication of bio. and chem. warfare agents using HPV
- international client base

Hospital pharmacy

BioxyQuell – woundcare

Testing, Regulatory and Compliance , across 6 well invested sites in the UK

Services

- electromagnetic compatibility (EMC)
- environmental – inc. vibration
- telecoms – inc. wireless
- radio – inc. ZigBee
- safety – inc. CE marking
- ESQ – early stage qualification (consultancy)

Clients

- predominantly UK R&D-based (cf. manufacturing)
- military
- aerospace
- telecoms
- setting up in China

* Equipment, Service, Consumables, Rental
 ** Chemical, Biological, Radiological & Nuclear
 *** Environmental Control Systems

SUMMARY FINANCIAL INFORMATION



Summary Group financial data: 2011 full year results

(£m) Year to 31 Dec.	2011	2010	Comment
Orders	44.5	44.8	Flat but comfortably ahead of revenue
Revenues	41.3	39.4	+5%: good growth in LS, HC and TRaC
<i>Gross margin %</i>	46%	45%	Improved HC margins & defence returns
Sales & marketing	6.6	6.4	New China office & direct sales / telemarketing
Administration	5.0	5.4	FX gain £0.3m
R&D & Engineering	2.2	2.5	Expenditure ↑ £0.6m. Deferred portion higher in '11
Overheads	13.8	14.3	
Profit before tax	5.0	3.3	52% increase: Revs ↑ Margins ↑ , Overheads ↓
EPS (basic)	9.3p	5.8p	
Net assets	27.6	24.6	Strong balance sheet able to fund organic growth (investment in fixed assets £4.0m & Product Development £2.0m)
Net cash	4.0	4.8	
Dividend (proposed)	2.83	2.62	+8%



Other financial data: 2011 full year divisional results

(£m)	2011	2010	Comment
Bio-decontamination division			
Orders	29.6	30.8	-4% impacted by 'lumpy' capital defence projects
Revenues	27.7	27.0	+3%: principally LS & HC
% exports	78%	77%	Continued substantial overseas sales

TRaC division			
Orders	14.9	14.0	+6% increase
Revenues	13.6	12.4	+10%; increased military and aerospace testing
% export	15%	9%	Clients essentially UK based – but more specialist work for overseas clients (eg China, Japan, US)

SUMMARY OF PRINCIPAL ACTIVITIES



Life Sciences (“LS”)



The Life Sciences sector is global and growing. BQ Equipment & BQ Service sales into the international Life Sciences sector remain by far the Bio-division’s largest contributor to revenues and profitability

Good growth – and growth prospects - across all the sub-sectors, although highly territory dependent:

- pure research, including universities
 - clinical trials, applied research, pharmacokinetics
 - production: in-house and outsourced (eg CMO*)
- } Sterility test

Developed markets (eg USA, Europe) tend to be focussed towards pure research

Developing markets (eg Asia, Latin America) tend to be more focussed on production, although there is now increasing investment in R&D in the BRIC economies

➔ *Growth in biologically-derived drugs – and associated high (patent protected) margins – is helping drive BQ’s LS business*

*Contract Manufacturing Organisation

Life Sciences – hospital pharmacy



BQ sees a particular opportunity in the hospital pharmacy market

- increasing regulatory pressure to prepare intravenous drugs under aseptic conditions
- increasing number of high value, intravenous drugs (eg antibiotics, oncology, stem cell / gene therapy)
- operator/technician protection often needed as certain drugs – eg cytotoxics (oncology) – are harmful to pharmacy technicians
- IV drugs typically need to be prepared in the hospital (ie close to the patient)



In the future – particularly as ‘personalised medicine’ products become more prevalent – the hospital pharmacy is likely to take on a more important role in the hospital

 ***BQ is developing a new product for this market sub-sector to replace its PORT***

Healthcare (“HC”)



Healthcare remains a large potential market

- globally many more hospitals than LS facilities
- antibiotic resistance and other viral / fungal nosocomial pathogens remain a worrying and increasing problem for hospitals

The Gram-negative bacteria – eg *Acinetobacter baumannii*, *Pseudomonas aeruginosa* and *Klebsiella pneumoniae* – are becoming more resistant to antibiotics

- no new Gram-negative antibiotics coming to market or at advanced stages of development / clinical trials
- pan-resistant – ie untreatable – Gram-negative bacteria already exist in parts of the Developing world

Norovirus also remains an expensive and operationally problematic pathogen for many NHS hospitals

- we are looking at ways of making it easier to deploy BQ’s technology in open, multi-bed “Nightingale” wards



***BQ is the international research leader in its field.
The potential market is sizeable. One day this market
will be substantial***



Healthcare: BioxyQuell (“BxQ”) & wound-care

BxQ comprises a novel new product to assist with the treatment of chronic wounds

- venous leg ulcers, diabetic foot ulcers, bed sores
- applications in primary and secondary care
- large potential market (estimated US annual spend of \$25bn*)

BxQ was awarded European regulatory approval in 2011; work is underway on obtaining US regulatory approval

Significant work ongoing in developing the optimal means to commercialise this product:

- UK market (ie NHS & GPs) different from most other international healthcare markets
- several different commercial models under review
- examining opportunities for additional scientific evaluation with international governmental-funded research organisations

* Sen CK *et al*, Wound Rep Reg (2009) **17** 763-771

CBRN** & ECS***

Good level of CBRN & ECS orders and related activity

- awarded a CBRN and ECS development contract by GD for the British Army's new Scout SV vehicle
- other international CBRN / ECS opportunities under discussion with customers
- encouraging interest in a new dust / sand pre-filter product

HPV* eradication of BWA/CWA

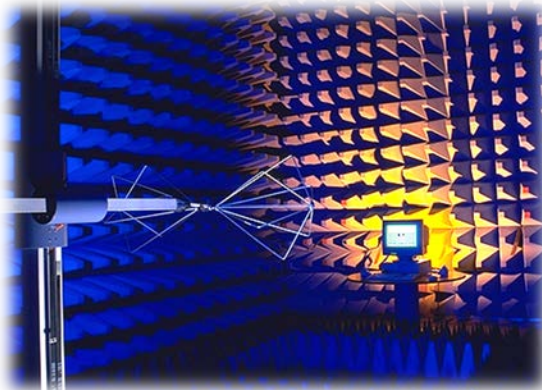
Due to US Government defense cuts, DoD funding for the development of products incorporating BQ's HPV technology to eradicate biological and chemical warfare agents has been cut at the current time

BQ is involved with ongoing work in relation to the testing of the prototype JMDS / JSSED systems previously developed for the DoD

* Hydrogen peroxide vapour

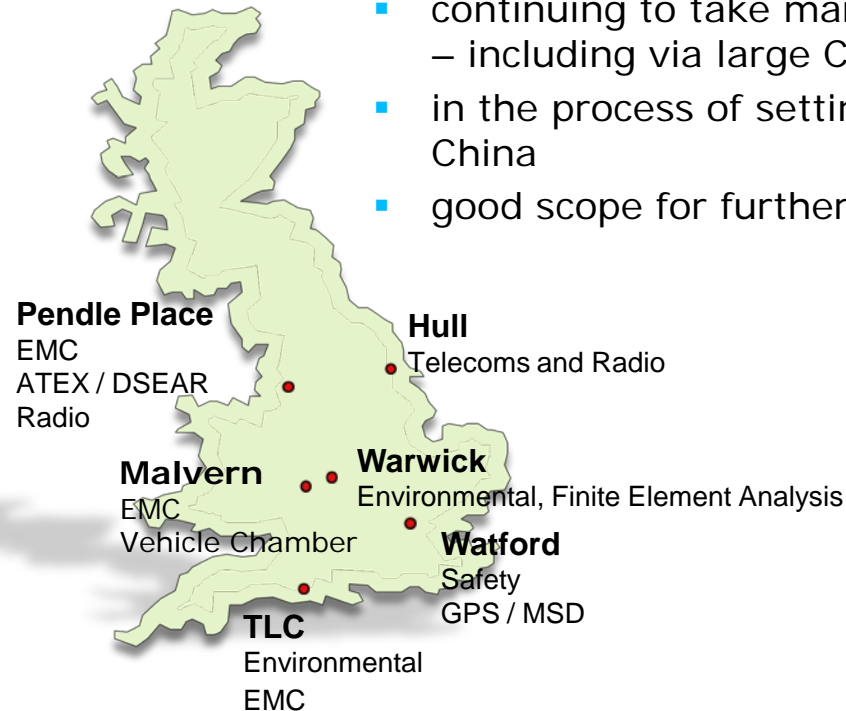
** Chemical, Biological, Radiological & Nuclear

*** Environmental Control Systems



TRaC continues to perform well

- new, well invested sites completed across the UK
- continuing to develop ESQ, TRaC's consultancy business
- prospects for research & development (cf. manufacturing) continue to look good in the UK
- number of interesting medium term opportunities (eg electric cars) to develop the business
- mil/aerospace remains strong – eg Rolls-Royce order book
 - continuing to take market share in the UK – including via large Co. collaboration
 - in the process of setting up an office in China
 - good scope for further organic growth



Prospects / outlook

Bioquell is well funded and well positioned for strong, international organic growth

- Life Sciences is performing well – with good opportunities in the developing markets
- Healthcare continues to represent substantial upside opportunity, although is currently much smaller than the LS business
- Defence is more lumpy - but we are seeing a number of interesting opportunities
- TRaC growing steadily and has an excellent position in the UK market

The Bio-division is focussing on changing its business-model from capital equipment to recurring secondary revenues from consumables, rental and service

- new product launches planned for 2012 which will help this business-model migration
- the expanding network of international offices will help BQ capitalise on this improved business-model
- it will take time to migrate BQ's business model away from capital equipment sales

Strong financials

- PBT of £5.0m, net cash of £4.0m and dividend up 8% to 2.83p per share

