

Trading statement for Q3 2022/23

Solid operating result in a challenging market

Third quarter revenue dropped by 6% due to the continued subdued investment sentiment across ChemoMetec's markets. The development reflects the continued challenges affecting sales of instruments, which were down 31%. Overall, revenue grew moderately in the North American market, but decreased in Europe and the rest of the world. EBITDA fell to DKK 56.3 million in the third quarter from DKK 58.6 million in the same period last year, while the EBITDA margin rose to 53% from 52% in the same period last year.

Based on third quarter developments, the guidance for full-year revenue and EBITDA is maintained.

Highlights

- Revenue amounted to DKK 105.4 million in the third quarter of 2022/23, a year-on-year decrease of 6%. For the first nine months of 2022/23, revenue was up 8% to DKK 346.0 million.
- The revenue performance for the third quarter was made up of 3% growth in the North American market and declines of 11% and 30% in Europe and the rest of the world (RoW), respectively.
- Revenue in ChemoMetec's core business area, Life science research, Cell-based therapy and Bioprocessing (LCB), was down 7% in the third quarter to account for 91% of overall revenue.
- EBITDA fell by 4% to DKK 56.3 million in the third quarter from DKK 58.6 million in the year-earlier period, while EBITDA for the first nine months was up 15% from DKK 174.5 million to DKK 201.5 million.
- The EBITDA margin reached 53% in the third quarter compared with 52% in the year-earlier period, whereas the EBITDA margin for the first nine months rose to 58% compared with 54% in the year-earlier period.
- ChemoMetec maintains its full-year guidance for 2022/23, expecting revenue in the DKK 430-460 million range, while EBITDA is expected to amount to DKK 245-260 million.

Macroeconomic environment

Relative to the year-earlier period, revenue in ChemoMetec's key markets in the third quarter was adversely affected by the continued global economic slowdown and subdued investment sentiment that also impacted revenue in the second quarter.

Revenue and EBITDA both benefited from a stronger USD, which on average was up 4% relative to the year-earlier period.

The macroeconomic environment is not expected to change significantly in the fourth quarter.

Revenue

Revenue by product segment and geographical market

Revenue for the third quarter of 2022/23 was down 6% to DKK 105.4 million from DKK 111.9 million in the year-earlier period. For the first nine months, revenue rose by 8%, which was attributable to increased sales of consumables and services.

The drop in total revenue in the third quarter reflected the continued challenges affecting sales of instruments, as revenue decreased 31% from DKK 56.1 million to DKK 38.9 million. The declining sales of instruments can be ascribed to a subdued investment climate as well as reduced investment budgets with existing and potential customers, primarily within cell-based therapy. These developments led to a drop in demand for ChemoMetec's instruments. The adverse impact affected the North American market during the second quarter and spread to markets in Europe and the rest of the world in the third quarter. In Europe, sales of instruments were down 38% to DKK 10.2 million in the third quarter, while sales in the rest of the world were down 52% to DKK 5.0 million. Sales of instruments in the North American market were down 18% to DKK 23.7 million. For the first nine months, total sales of instruments were down 14%.

Revenue from sales of consumables increased by 13% to DKK 44.0 million in the third quarter and by 26% for the first nine months. Sales of consumables, comprising cassettes, glass slides, reagents and test kits, accounted for 42% of ChemoMetec's total revenue in the third quarter, compared with 35% in the year-earlier period.

Revenue from sales of services was up 34% to DKK 21.4 million for the third quarter and up 46% for the first nine months. Services mainly comprise service contracts and installations. Revenue from services accounted for 20% of ChemoMetec's total revenue in the third quarter, compared with 14% in the year-earlier period.

The North American market remains ChemoMetec's largest geographical market, accounting for 61% of revenue in the third quarter. Revenue in the North American market amounted to DKK 64.6 million in the third quarter compared with DKK 62.6 million in the same period last year, a year-on-year increase of 3%. For the first nine months, revenue in the North American market was up 11% to DKK 205.4 million, accounting for 59% of ChemoMetec's total revenue.

In the European market, revenue amounted to DKK 29.3 million in the third quarter, down 11% from DKK 32.8 million in the year-earlier period. The drop was due to a fall in sales of instruments from DKK 16.5 million to DKK 10.2 million. Sales of consumables and services increased by 7% from DKK 12.4 million to DKK 13.3 million and by 54% from DKK 3.6 million to DKK 5.5 million, respectively. For the first nine months, revenue in the European market was up 4% to DKK 98.2 million, accounting for 29% of ChemoMetec's total revenue.

In the rest of the world, revenue was down 30% in the third quarter from DKK 16.5 million to DKK 11.5 million. For the first nine months, revenue was down 2% to DKK 42.4 million, accounting for 12% of ChemoMetec's total revenue.

Revenue breakdown by product segment and geography for the third quarter of 2022/23

DKK'000	Europe	USA/ Canada	Other (RoW)	2022/23 Q3 Total	2021/22 Q3 Total	Change, %
Instruments	10,165	23,747	4,986	38,898	56,090	-31
Consumables	13,255	24,510	6,234	43,999	38,983	+13
Services	5,505	15,645	210	21,360	15,932	+34
Other	388	688	113	1,189	861	+38
Total	29,313	64,590	11,543	105,446	111,866	-6

Revenue breakdown by product segment and geography for the first nine months of 2022/23

DKK'000	Europe	USA/ Canada	Other (RoW)	2022/23 Q1-Q3 Total	2021/22 Q1-Q3 Total	Change, %
Instruments	43,857	79,559	23,667	147,083	170,461	-14
Consumables	38,340	76,672	17,582	132,594	105,485	+26
Services	15,117	46,319	640	62,076	42,534	+46
Other	907	2,881	509	4,297	3,199	+34
Total	98,221	205,431	42,398	346,050	321,679	+8

Revenue by product segment and business area

Revenue from the largest business area, LCB, decreased by 7% in the third quarter. The decrease was due to lower sales of instruments – particularly in Europe and the rest of the world, where revenue was down 38% and 51%, respectively. For the first nine months, total revenue in the LCB business area was up 7%.

In the third quarter, the LCB business area accounted for 91% of total revenue, semen analysis accounted for 8% and the market for production control of beer and quality control of milk accounted for 1%.

Revenue breakdown by product segment and business area for the third quarter of 2022/23

DKK'000	LCB market	Animal semen*	Beer and milk**	2022/23 Q3 Total	2021/22 Q3 Total	Change, %
Instruments	38,150	649	99	38,898	56,090	-31
Consumables	35,597	7,375	1,027	43,999	38,983	+13
Services	21,360	-	-	21,360	15,932	+34
Other	1,068	92	29	1,189	861	+38
Total	96,175	8,116	1,155	105,446	111,866	-6

* Production control and quality control of animal semen

** Production control of beer and quality control of milk

Revenue breakdown by product segment and business area for the first nine months of 2022/23

DKK'000	LCB market	Animal semen*	Beer and milk**	2022/23 Q1-Q3 Total	2021/22 Q1-Q3 Total	Change, %
Instruments	143,134	2,680	1,269	147,083	170,461	-14
Consumables	110,672	18,840	3,082	132,594	105,485	+26
Services	62,076	-	-	62,076	42,534	+46
Other	3,861	332	104	4,297	3,199	+34
Total	319,743	21,852	4,455	346,050	321,679	+8

* Production control and quality control of animal semen

** Production control of beer and quality control of milk

EBITDA

EBITDA for the third quarter was down 4% from DKK 58.6 million to DKK 56.3 million compared with the year-earlier period.

ChemoMetec's expenses were generally negatively impacted by rising inflation, increasing wages and the extension of the Allerød facilities. However, much of the decrease in EBITDA was attributable to the declining revenue, which had an adverse effect on both EBITDA and EBITDA margin.

Product development

The establishment of the production line for the new XcytoMatic 40 instrument (XM40) is nearing completion, although there are some remaining production challenges concerning the cabinet. However, these do not prevent the production of the instrument to commence. The launch of the new instrument has not been initiated yet, but a demo model of the XM40 was presented at a bioprocessing conference in Barcelona in March 2023, where it received positive feedback.

During the third quarter, the user test of the XM40 currently in progress was extended, and the instrument is now being tested by a number of potential customers. The feedback received so far has

been positive. The user testing by external business partners is set to continue in the fourth quarter, the purpose being to gain further experience in order to make final adjustments and modifications to attain the highest possible quality level at the coming launch of the instrument. The current user tests are also expected to yield new instrument orders. ChemoMetec expects this early involvement of potential customers to have a beneficial effect on the upcoming gradual commercial launch of the instrument.

ChemoMetec is also in the process of completing the development of the XcytoMatic 30 instrument (XM30), and initial in-house testing is expected to commence in the fourth quarter. Production of the XM30 is expected to be established during the second quarter of 2023/24, after which the gradual launch of the instrument can be initiated.

With the launch of the coming XcytoMatic products, ChemoMetec will enter new attractive growth areas in the bioprocessing market – a market in which ChemoMetec currently has a limited presence. The launch of the new products will represent an important strategic milestone and is expected to contribute significantly to ChemoMetec's future revenue growth.

Organisation

On 17 April 2023, it was announced that ChemoMetec has appointed Rasmus Kofoed as its new CEO effective at or before 1 August 2023.

Rasmus Kofoed brings many years' broad commercial and management experience in the medtech and pharmaceutical industry. He currently holds an executive position in Medtronic, a listed US company which is a global leader in health tech solutions. Rasmus Kofoed has most recently been responsible for the company's diabetes business in a large number of its European markets with some 270 employees and has been part of the company's European management team.

Going forward, Rasmus Kofoed and Niels Høy Nielsen, CFO, will make up ChemoMetec's Executive Management.

IPR and licence agreements

At the end of the quarter, ChemoMetec was not aware of any opposition proceedings against the company's patents. At the end of the quarter, ChemoMetec had 15 patent families, from which 56 patents had been taken out in selected countries, including 15 in the USA.

Guidance for 2022/23

Based on developments in the third quarter of 2022/23, guidance for financial year 2022/23, as announced in connection with the release of the interim report for 2022/23 on 8 February 2023, is maintained. Accordingly, revenue for 2022/23 is expected in the range of DKK 430-460 million, while EBITDA is expected in the DKK 245-260 million range.

Additional information

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About ChemoMetec A/S

ChemoMetec develops, manufactures and markets instruments for cell counting and a wide range of other measurements. ChemoMetec's instruments are marketed to the pharmaceutical, biotech and agricultural industries worldwide. ChemoMetec's customers include some of the world's leading pharmaceutical companies, such as Novartis, Novo Nordisk, H. Lundbeck, Merck, AstraZeneca and Johnson & Johnson.

ChemoMetec was founded in 1997 and is listed on Nasdaq OMX Copenhagen. For more information, go to www.chemometec.com.

The English version of the Interim Report for Q3 2022/23 (1 January to 31 March 2023) is a translation of the original Danish report. The original Danish report is the governing text for all purposes, and in case of any discrepancy, the Danish wording will be applicable.