

# PolyNovo 1H22 Results

25 February 2022

Improving outcomes. Changing lives.



This presentation has been prepared by PolyNovo Limited and is provided for general information purposes only. No party other than PolyNovo has authorised or caused the issue of this document, or takes responsibility for, or makes any statements, representations or undertakings in this presentation.

This presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. PolyNovo Limited makes no warranty or representation (express or implied) as to the accuracy, reliability or completeness of the information contained in this presentation. Specifically, several matters referred to in the presentation remain under investigation and are subject to change or even elimination, depending on further research and investigation. Further, any opinions (including any forward-looking statements) expressed in this presentation are subject to change without notice. PolyNovo and its directors, officers, employees, advisers and agents shall have no liability (including liability to any person by reason of negligence or negligent misstatement) for any statements, opinions, information or matters (express or implied) arising out of, or contained in or derived from, or for any omissions from this presentation, except liability under statute that cannot be excluded.

This presentation, including the information contained in this disclaimer, does not form part of any offer, invitation or recommendation in respect of shares, or an offer, invitation or recommendation to sell, or a solicitation of any offer to buy, shares in the United States, or in any other jurisdiction in which, or to any person to whom, such an offer would be illegal.

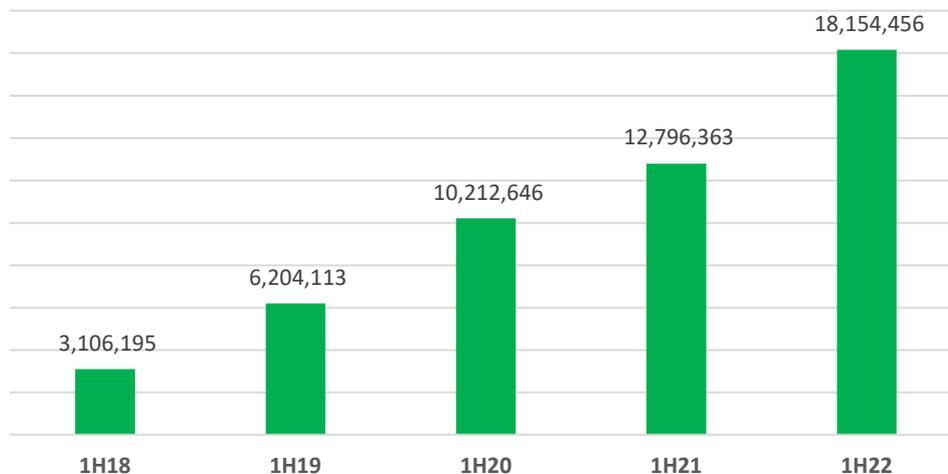
This presentation may include forward-looking statements. Forward-looking statements are only predictions and are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of PolyNovo. Actual values, results or events may be materially different to those expressed or implied in this presentation depending on a range of factors. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements. No representation or warranty (express or implied) is made by PolyNovo or any of its directors, officers, employees, advisers or agents that any forecasts, projections, intentions, expectations or plans set out in this presentation will be achieved.

# Trading Overview



- First ever \$3m BTM sales month (Dec 2021: \$3,791,952)
- First ever \$4m BTM sales month (Jan 2022: \$4,051,542)

1st Half Total Group Revenue \*

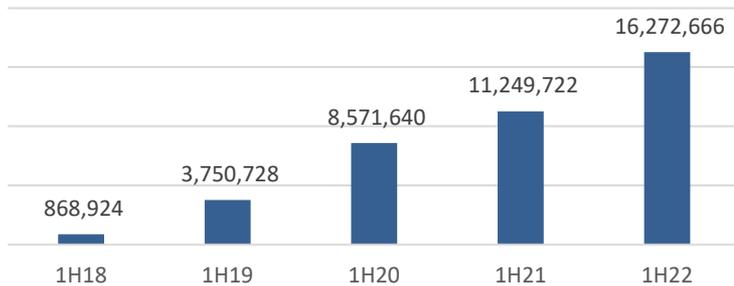


- Includes BTM product sales, BARDA contract revenue and Other Income

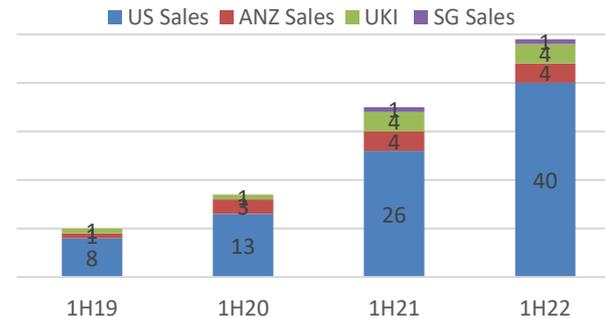
# Trading Overview – Investing for Growth

- Investing in sales & marketing teams
- Investing in R&D team for product innovation and commercialisation

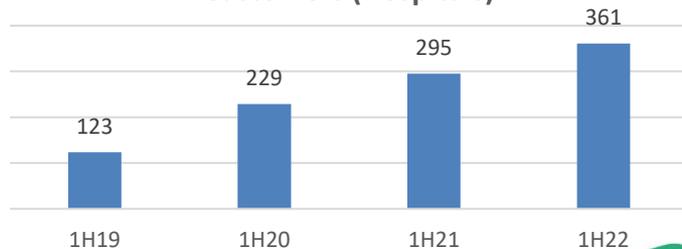
### 1st Half Group BTM Sales (\$AUD)



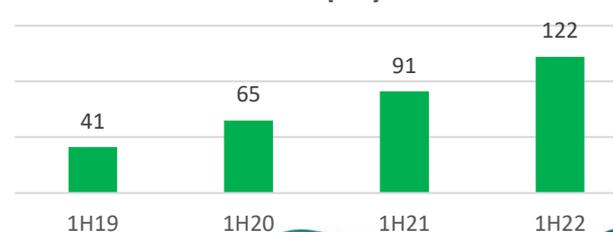
### Sales Staff Headcount



### Customers (Hospitals)



### Total Employees



# Marketing and Sales

Highlights by region

Improving outcomes. Changing lives.



## Strong Sales Growth

- 1H22 BTM sales of AU\$14.2m up 58% on same time last year
- BTM sales for December were a record \$AU3.4m up 76% on same time last year
- Monthly US sales for December significantly exceeded US\$2m for the first time
- Strong quarter on quarter momentum with Q2 sales AU\$8.1m up 31% on Q1 AU\$6.1m

## Further Update:

- **Record results January 2022 with sales of AU\$3.7m up 96% on same time last year**

## Building the Team

- Hired 1 additional sales director, 10 sales reps and 1 sales associate, increasing the sales team to 40 (Dec '21)
- Additional recruitment underway to increase sales team to 54
- Added Director of Marketing, VP of US Sales, Director of Strategic accounts
- Added roles focused on clinical and sales training, and development initiatives

## Customer Account Acquisition

- 35 new accounts added in 1H22 brings total to 154
- Rate of account acquisition is increasing, 16 added in Q1 then 19 in Q2
- Large pipeline of new customers in development

## Profitability and Expansion

- US business is profitable on a standalone basis and profitability continues to grow
- Looking toward expansion into Canada

# Highlights 1H22 Australia/New Zealand



- Long lockdowns in 1H22 and cancelled elective surgery
- Strong recovery in Q3 with lockdowns lifted, January 2022 sales 6.5% above target and 72.5% up on January last year
- Return to in person meetings and attendance at conferences
- Large repeat customer base of 149 hospitals and selling into multiple verticals
- Increased usage of BTM in smaller burns which are more frequently occurring
- Sales of small devices now over 50% of total units sold, providing stability in orders and reducing reliance on burns
- Plans to add 3 additional sales personnel support and grow existing business

# Highlights 1H22 UK/Ireland

---



- 1H22 sales of \$369k up 254.6% on same time last year but less than target
- 1H22 sales impacted by Omicron, restricting hospital access and cancellation of surgeries
- Customer engagement maintained by digital and offsite meetings, resulting in strong account acquisition
- Increased UKI NHS accounts from 23 to 38 in 1H22
- Sales of small and medium BTM devices represents a large portion of sales and continues to increase with medical staff in new accounts gaining confidence in BTM use
- 2 sales reps added in London, and recruiting for Scotland
- A clinical trainer was also added in Q2 to assist with clinical support for new and existing business
- Increased focus ahead on generating more sales from the lucrative burns market

# Highlights 1H22 Distributor Markets

---



- Sales growth to distributors in 1H22 was flat compared to same time last year
- Omicron impacted Italy and the DACH region (Germany, Austria & Switzerland)
- Some markets such as Finland experienced reoccurring strong sales
- First sales to Denmark and Cyprus in 1H22 and to Poland in January 2022
- Both India and Taiwan placed orders in 1H22
- Initiatives to improve the effectiveness of our distributor model

## Matrix

- Broad applicability for single-stage grafting in burns, chronic, surgical and deep tunnelling wounds to provide increased treatment options and better outcomes
- Total addressable US market comprising in and out-patient settings of US\$750m
- Product comprises of BTM foam only without the temporising film in various sizes
- 510k submission is expected to be lodged with the FDA in CY22



- Unique sizes and shapes of NovoSorb BTM for the US Alternate care US\$400m market (outpatient).
- DFU/VLU reimbursement study in progress, first patient 10 patient trial completed with good results.
- Next phase to commence in April 2022 will recruit 138 patients
- Launch once reimbursement is established circa late 2023

## NovoSorb<sup>®</sup> SynTrel<sup>™</sup>

- Expanded approach to hernia market
- In the process of validating 4 design options for various hernia types
- The 4 designs are being developed simultaneously
- Expect to have more than one product
- We anticipate filing for FDA clearance in CY24

## NovoSorb<sup>®</sup>

- The project to develop products to aid in breast reconstruction is being conducted in-house
- Employed dedicated marketing resource
- Project team established and surgeon engagements underway
- Expect to leverage the processes developed for hernia devices

## Partnerships

- PolyNovo will supply Beta-Cell with NovoSorb BTM for use in their trials.
- Beta-Cell are ready to commence human trials in Adelaide

# Clinical Trials - BARDA Pivotal Trial



- Pivotal trial is open for recruitment, screening of eligible patients in progress
- During 1H22 5 patients were recruited, and this has increased to 10
- 25 US sites and 5 Canadian sites being enrolled, and we expect patient recruitment to increase as more sites are activated. Total trial patients 120.
- 2H22 and FY23 will see higher BARDA income commensurate with the patient recruitment activities
- BARDA committed US\$15m towards the trial
- BARDA is a valued partner, and we maintain a strong relationship



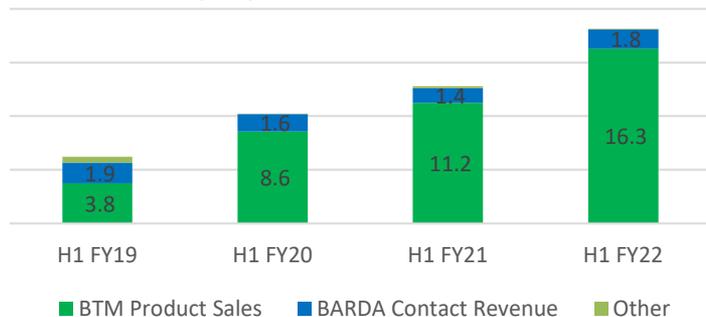
- 10-patient diabetic foot ulcer (DFU) pilot study has been completed with SynPath applied to chronic wounds between 1 to 25 cm<sup>2</sup>
- Mean time to closure was 6.25 weeks, with the fastest being 2 weeks
- 7 out of 10 ulcers had complete wound closure at 12 weeks. The 3 remaining ulcers did not achieve wound closure but did show a significant reduction in wound size.
- Results will be submitted to *The Symposium on Advanced Wound Care (SAWC) Fall* in October 2022
- Study protocol for a RCT comparing SynPath with collagen alginate dressing (SOC) has been finalized with the goal of 138 patients in two equal groups. Recruitment to commence in April 2022.
- Results of this study will be used to support US reimbursement for use of SynPath to manage chronic wounds in the outpatient setting, a \$US400m total addressable market in the US
- Anticipate US market entry circa late 2023 with reimbursement

# 1H22 Financial Results Review

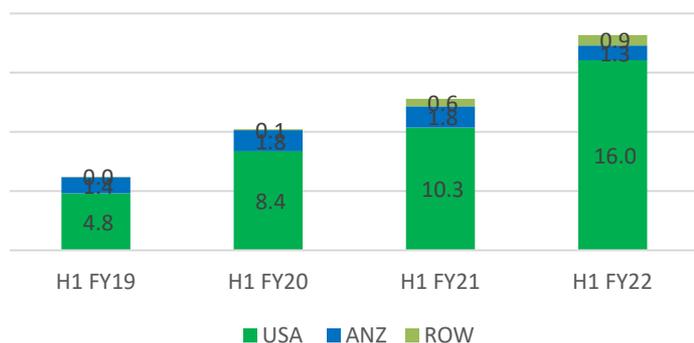
# 1H22 Financial Results Review



## Total Revenue (\$m)



## Regional Revenue (\$m)



## Group Highlights

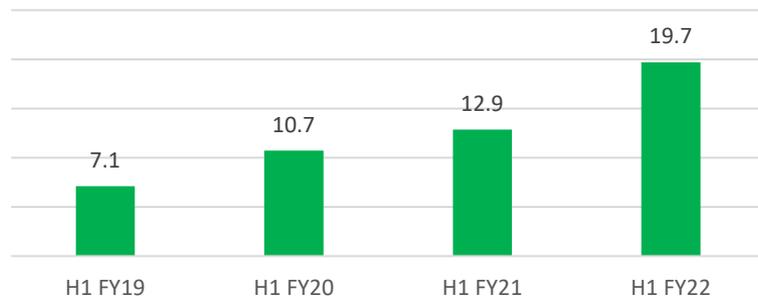
- Total revenue +41.9%
- BTM product sales +44.6%
- Total BTM product sales \$16.3m
- Record monthly BTM product sales:
  - **\$3.79m (Dec 2021)**
  - **\$4.05m (Jan 2022)**

## Market Highlights

- US BTM product sales +57.9%
- ANZ BTM product sales -25%
  - Result impacted by lockdowns, less burn, trauma and elective surgeries
  - Recovery in January 2022, 6.5% up on target and 72.5% up on January last year
- UKI BTM product sales +254% but less than target, impacted by Omicron
- Distributor sales growth was flat with mixed results
  - DACH region (Germany, Switzerland, and Austria) impacted by Omicron
  - Finland had strong reoccurring sales
  - First sales to Denmark and Cyprus in 1H22, and to Poland in Jan 2022
- 1H22 increased new customers (hospitals) in direct markets by 66 from 295 to 361

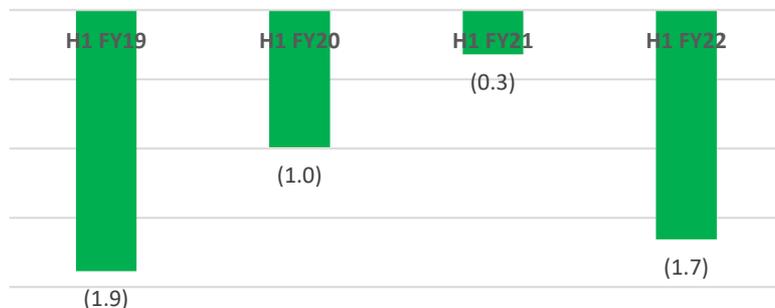
## Operating Expenses (\$m)

(excl. Share Based Payments & Unrealised Forex)



## Net Profit / (Loss) after Tax (\$m)

(Excl. Non-Cash Items)



## Operating Expenses

(excl. Share based payments, unrealised forex loss)

- Operating Expenses +53%
- Continued investment in growth
- Increase headcount by 34% from 91 to 122
- Annualised impact of prior year hires
- One off expenses such as recruitment fees
- Expanded regional operations in the US, EU and Australia

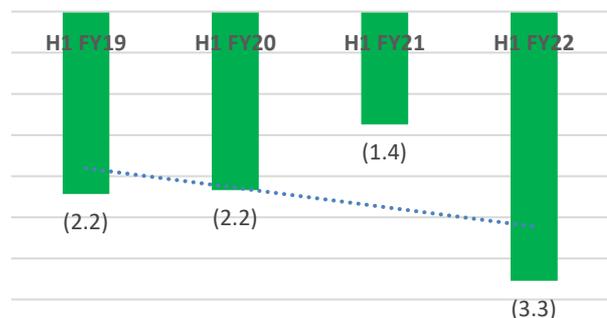
## Net Profit / (Loss) after Tax (excl. non-cash items\*)

- NPAT -\$2.5m (excl. share-based payments & unrealised forex gain)
- NPAT -\$1.7m (excl. all non-cash items)
- EBITDA -\$1.4m (excl. non-cash items)
- Following achieving an underlying break even result for FY21, an acceleration of sales rep hiring occurred in 1H22 mainly in the US
- Increased headcount is having the desired impact on sales with record US sales results in Dec '21 and Jan '22
- Expect profitability and cash flow to significantly improve in 2H22

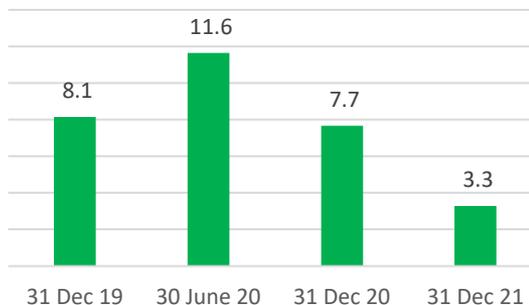
\* Non-cash items comprise of unrealised forex gain/(loss), depreciation & amortisation, and share based payments (refer to reconciliation on p.20)

# 1H22 Financial Results Review

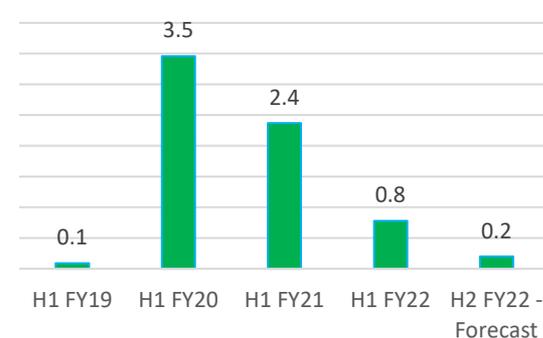
## Net cash flow from operations (\$m)



## Cash on hand (\$m)



## Capex (\$m)



## Highlights

- Cash from operations of -\$3.3m
- 1H22 investment increasing sales reps in US and other regions, R&D team and supporting business expansion
- \$3.3m cash on hand
- Capex reduction due to completion of new cleanroom in CY21
- 2H22 forecast discretionary capex of \$0.2m

## Subsequent Event in Feb 2022

- An offer of \$6.35m was signed on 21-Feb-22 for the sale and leaseback of Unit 1 / 316-320 Lorimer St, Port Melbourne
- Property purchased for \$4.6m in (Feb/2019)
- Conditional on due diligence ending the earlier of 14 business days from 28-Feb-22 or exchange of contracts
- Lease term is 10 years with two 5-year options at a circa 4.3% yield. Our existing lease on Building 2 will be synchronised with the new lease.
- \$3m of the proceeds will be used to reduce debt
- Balance of proceeds for working capital

# 1H22 Financial Results Review



(\$m)	1H FY22	1H FY21	Change %
<b>Revenue</b>	<b>18.2</b>	<b>12.8</b>	<b>41.9%</b>
<b>Expenses</b>			
Changes in inventories & WIP	(0.9)	(0.8)	12.2%
Employee-related expenses	(11.4)	(7.8)	45.3%
R&D Costs	(2.4)	(1.3)	86.3%
Corp, administrative & overhead expenses	(5.1)	(3.1)	62.1%
<b>Total Expenses</b>	<b>(19.7)</b>	<b>(13.0)</b>	
<b>Operating Profit / (Loss)</b>	<b>(1.5)</b>	<b>(0.2)</b>	<b>626.6%</b>
Include Share Based Payments	3.8	(1.2)	-404.1%
Unrealised Forex Gain/(Loss)	0.4	(1.4)	-126.2%
<b>EBITDA</b>	<b>2.6</b>	<b>(2.9)</b>	<b>-189.7%</b>
Depreciation & Amortisation	(0.7)	(0.5)	62.7%
<b>EBIT</b>	<b>1.8</b>	<b>(3.3)</b>	<b>-154.9%</b>
Interest Costs	(0.1)	(0.2)	-14.6%
<b>NET PROFIT BEFORE TAX</b>	<b>1.7</b>	<b>(3.5)</b>	<b>-148.2%</b>
Income Tax Benefit	(0.1)	(0.0)	0.0%
<b>NET PROFIT AFTER TAX</b>	<b>1.6</b>	<b>(3.5)</b>	<b>-145.8%</b>
<b>Add Back Non-Cash Items</b>			
Include Share Based Payments	3.8	(1.2)	
Unrealised Forex Gain/(Loss)	0.4	(1.4)	
Depreciation & Amortisation *	0.9	0.5	
<b>UNDERLYING LOSS</b>	<b>(1.7)</b>	<b>(0.3)</b>	<b>419.9%</b>

\*Includes depreciation from movement in inventories

## P&L Highlights

- Product sales +44.6%
- Revenue (incl. BARDA) +41.9%
- Product sales gross margin +1.5% (manufacturing efficiency gains)
- Employee related expenses +45.3% (increased headcount)
- Corp, admin & overhead expenses +62.1% (business expansion)
- R&D spend +86.3% (team expansion, DFU trial, hernia and breast)
- Net profit after tax \$1.6m
  - Includes reversal of \$4.7m in share-based payments (expensing of share options)
- **Net underlying loss after tax -\$1.7m (Excl. non-cash items)**

- **Increase sales teams to intensify sales effort in direct markets**
- **Optimise distributor model and emerging markets model**
- **Expand geographic footprint**
- **Expand Key Opinion Leader program (especially UK & EU)**
- **Focus on product development and faster commercialisation**

