

Group performance April-June 2023

Net sales

Net sales for the quarter amounted to SEK 140.5 (140.8) million, a decrease of 0.2 percent. After adjustment for currency effects, net sales decreased by 9.9 percent. Net sales decreased in East Europe due to war in Ukraine. Customers in Africa and Middle East have had difficulties with international payments with a negative impact on net sales. Asia and South-America showed increased sales of 5-parts instruments. The total net sales increase in Asia was 28.0 percent. Sales of instruments increased by 0.9 percent consumables while sales of consumables decreased 4.7 percent. OEM and CDS brand sales increased by 9.9 percent compared with the same period the previous year.

Underlying markets for decentralized hematology in relation to 3-parts and 5-parts instruments are both experiencing growth. Nevertheless, there is still a risk that the macroeconomic situation will impact sales negative. Clients with weaker currencies have difficulties with payments leading to a negative impact on business. Central-banks in these countries have imposed temporary restrictions on payments in USD and EURO.

Net sales by region, SEK million	Apr-Jun 2023	Apr-Jun 2022	change	Jan-Jun 2023	Jan-Jun 2022	change	Jul 22 - Jun 23	Jul 21 - Jun 22	change
USA	50.1	46.0	9%	98.7	90.3	9%	198.4	171.9	15%
Asia	40.5	31.7	28%	85.4	75.0	14%	160.7	144.8	11%
Eastern Europe	9.5	13.7	-31%	18.3	30.4	-40%	50.3	63.7	-21%
Latin America	12.8	17.6	-27%	26.6	27.9	-5%	43.7	44.5	-2%
Western Europe	11.9	9.5	26%	21.1	17.7	19%	43.2	35.0	23%
Africa/Middle East	15.7	22.4	-30%	33.5	32.0	5%	62.1	65.4	-5%
Total	140.5	140.8	-0%	283.6	273.3	4%	558.4	525.4	6%

Net sales by product, SEK million									
Instruments	46.6	46.2	1%	87.9	87.6	0%	158.8	166.0	-4%
Consumables, own instruments	53.7	56.3	-5%	115.4	110.2	5%	238.2	218.3	9%
Consumables, OEM and CDS brand	30.0	27.3	10%	59.5	54.9	8%	117.1	101.8	15%
Other	10.2	11.0	-8%	20.9	20.7	1%	44.3	39.3	13%
Total	140.5	140.8	-0%	283.6	273.3	4%	558.4	525.4	6%

Gross profit

Gross profit for the period was SEK 59.9 (53.3) million, an increase of SEK 6.6 million or 12.4 percent. Gross margin increased by 4.9 percentage points during the period and amounted to 42,7 percent (37.8).

During the quarter no new purchases of components have been made on the normally more expensive spot-market. The difficulties in the supply-chain that caused great problems during last year are now more or less back to normal. The price of components is still increasing as a result of the inflation but this has on many occasions being pushed out on the customer during the quarter through increased prices.

Dynamisk graf: Net sales and gross profit

Expenses

Operating expenses amounted to SEK 52.2 (52.6) million excluding other operating costs and income, a decrease by SEK 0.4.

Selling expenses amounted to SEK 31.4 (27.9) million. The increase is mainly due to a stronger USD in comparison with the same period last year.

Administrative expenses amounted to SEK 9.0 (9.8) million. The decrease is mainly related to a reduced dependence on consultants.

Research and development expenses, including costs related to the quality assurance organization, amounted to SEK 11.8 (14.9) million, corresponding to 8.4 (10.6) percent of net sales. Development expenses of SEK 18.3 (20.3) million were capitalized. Total research and development expenses correspond to 21.4 (25.0) percent of net sales.

The development expenses have decreased by SEK 3.1 million as a result of decreased expenses for consultants working with regulatory compliance and lower costs in the period related to delays in the development of the platform.

The net of other operating income and other operating expenses for the period amounted to SEK 1.0 (4.5) million and consists mainly of exchange differences.

Operating profit

Operating profit amounted to SEK 8.7 (5.0) million, corresponding to an operating margin of 6.2 (3.6) percent.

Net financial items

Net financial items amounted to SEK -3.5 (-0.8) million, and consists mainly of interest expenses SEK -3.6 (-2.2) million.

Earnings

Profit before tax was SEK 5.2 (4.2) million. Profit for the period was SEK 4.1 (2.9) million. Tax was SEK -1.1 (-1.3) million.

Financing and cash flow

Cash flow from operating activities for the quarter was SEK 3.4 (-7.5) million. The change is mainly due to an improved operating profit. Operating receivables increased by SEK 2.9 million and inventory increased by SEK 2.3 million. The main part of the increase in operating receivables is related to prepayments and orders late in the quarter where payment is yet to be received. The inventory levels are still high as a result of securing components that was executed during 2022. Measures to reduce the tie-up of capital during the second half-year are on-going.

The Swedish Export Credit Agency (EKN) guarantees some of Boules trade receivables at up to 75-95 percent of the receivables' total amount. Receivables may be pledged, in which case the liabilities are reported as interest-bearing liabilities. The change in trade receivables guaranteed by EKN is included in cash flow from operating activities, while the change in other interest-bearing liabilities is reported under cash flow from financing activities.

Cash flow for the period was SEK -17.7 (2.7) million and cash and cash equivalents on June 30 amounted to SEK 45.9 (40.5) million. The Group's available cash and cash equivalents, including non-utilized credit facilities, was SEK 105.1 (67.1) million on June 30.

Investments

Total investments amounted to SEK 22.3 (21.9) million, with investments in future product platforms accounting for SEK 18.3 (20.3) million of the figure.

Equity and liabilities

The Group's equity on June 30 was SEK 480.9 (313.0) million and the equity/assets ratio was 61.8 (48.6) percent.

Interest-bearing liabilities excluding leases are related to pledged trade receivables guaranteed by EKN and external bank loans and amounted to SEK 154.3 (195.8) million on June 30, of which SEK 60.6 (34.0) million of these liabilities were non-current and SEK 93.7 (161.8) million were current. The external bank loans as of June 30 amounted to SEK 38.7 (88.8) million, of which SEK 26.2 (11.1) were non-current and SEK 12.5 (77.7) were current. On June 30, SEK 0 (77.1) million of the credit facility had been utilized and other current non-interest-bearing liabilities and trade payables amounted to SEK 102.3 (102.0) million.

Lease liabilities on June 30 amounted to SEK 32.4 (21.0) million, of which SEK 19.2 (11.7) million liabilities were non-current liabilities and SEK 13.2 (9.3) million were current liabilities.

Net debt on June 30 amounted to SEK 9.8 (43.8) million.

Deferred tax liabilities were SEK 7.9 (7.9) million on June 30. Non-current provisions consist of direct pension provisions of SEK 3.1 (3.9) million.

Inventory of installed base

During the quarter 999 instruments were sold. The estimated life of instruments is 7.5 years from 2021. At the end of the quarter, active installed base is estimated at 30,000 instruments.

Dynamisk graf: Estimated number of active instruments

¹ Estimated number of active instruments is based on an expected lifespan of 7.5 years.

² Accumulated number of instruments sold since 2006 was 49 666 on June 30, 2023.

³ Number of instruments sold in 2023 refers to sales on a rolling 12-month basis.

Significant risks and uncertainties

The Group's operations are subject to risks and uncertainties that may, to a varying extent, affect the Company's ability to achieve defined goals. Boule works continuously on management of existing risks and uncertainties and on the risk inventory that forms the basis for detecting new risks and uncertainties. The systematic and internally coordinated work is aimed at identifying risks, limiting risk exposure and minimizing any impact should a risk materialize. Currently, primary significant risks and uncertainties have been identified in the following areas: regulatory risks, product portfolio risks, distributor risks, production and quality risks, counterfeit reagents, price pressure, supplier risks, market risks and competition, bribery, and corruption, currency risks, IT security and systems, financing risks and future cash flows, health and safety in the workplace and dependence on key personnel. In certain markets the Central banks have imposed temporary limitations on payment in foreign currencies, which leads to delayed payments from customers and delayed deliveries.

A more detailed description of risks, risk management and related opportunities can be found on page 40 in the 2022 Annual Report.

Uncertainties due to the war in Ukraine

Boule continues to operate in Russia. Immediately after Russia's attack on Ukraine in the spring of 2022, Boule put in place processes to ensure that all sales and transactions comply with all sanctions. Boule are regularly taking advantage of legal expertise to ensure knowledge of sanctions and their interpretation. Healthcare products are normally not subject to sanctions. Boule is making no new investments but maintaining current business.

However, purchases, transportation and financial transactions are limited by various practical problems, which is why Boule uses third country partners to carry out its activities. All such transactions are signed off in advance by our legal experts to ensure that Boule is in no way in breach of sanctions. Sanctions are constantly changing, so this is a work in progress.

For the full year 2022, Boule's sales in Eastern Europe totaled 11 percent (13) of net sales, with the majority coming from Russia. In the second quarter of 2023, the corresponding share was 7 percent of net sales. The Group has employees in Russia and a production facility for consumables distributed to the Russian market.

The market in Eastern Europe is very uncertain, given the war in Ukraine and the current sanctions against Russia. A discontinuation or confiscation of the operations in Russia could have a significant negative impact on the Group's future earning capacity and profitability and entail a negative effect on earnings if the value of assets attributable to the Russian operations have to be written down in whole or in part. The consolidated net assets totaled approximately SEK 20 million, of which just under SEK 2 million was cash and cash equivalents at June 30, 2023. Per March 31, 2023 the consolidated net assets totaled approximately SEK 20 million, of which just under SEK 7 million was cash and cash equivalents. It is estimated that any discontinuation would result in additional costs being incurred.

Tax audit

On October 6th the Swedish tax authorities have decided to impose increased social security contributions and tax penalties on Boule amounting to approximately SEK 1.6 million, in relation to what they see as incorrectly valued warrants issued to senior executives in the group. Boule has appealed the decision to the Swedish administrative court ("Förvaltningsrätten").

Boule has received approval of delayed payment and no provision has been recorded in the period.

For further information refer to the annual report 2022 page 40.

Related-party transactions

Other than remuneration of the Board and senior executives, no related-party transactions have taken place during the period.

Events during the interim period

June 14 it was announced that Boule has appointed Holger Lembrér as new CFO.

June 29 it was announced that Boule launches new veterinary instrument in Europe.

Events after the end of the interim period

There are no significant events to report after the end of the period.

Parent Company

Boule Diagnostics AB (publ), corporate ID 556535-0252, is a Swedish limited liability company with its registered office in Stockholm. The address of the head office is Domnarvsgatan 4, SE-163 53 Spånga, Sweden.

The Parent Company's revenue is derived from Group-wide services. Risks and uncertainties for the Parent Company indirectly correspond with those for the Group.

Personnel

The average number of employees in the Group during the quarter was 227 (234), including 9 (7) employees at the Parent Company. The average number of employees by country was as follows: Sweden 124 (130), United States 89 (91), Mexico 2 (2) and Russia 12 (12). The average number of women in the Group was 97 (96) and the average number of men was 129 (138). Personnel in countries where Boule does not have a legal entity are not included in the number of employees as they are employed via external companies and therefore included as consultancy costs.

Number of shares

The total number of shares and votes in Boule Diagnostics AB is 38,833,104. After full dilution, the number of shares amounts to 39,013,104.

Shareholders, Jun 30, 2023 (accord. to Euroclear)	Number of shares, Jun 30	Share of capital/votes
AB Grenspecialisten	4,887,268	12.6%
Svolder AB	4,289,159	11.0%
Thomas Eklund inkl bolag	4,044,700	10.4%
Swedbank Robur Fonder AB	3,599,292	9.3%
Nordea Investment Funds	3,701,791	9.5%
Tredje AP-fonden	3,251,542	8.4%
Skandinaviska Enskilda Banken AB	1,437,526	3.7%
Andra AP-Fonden	1,369,948	3.5%
Sijaitusrahasto Aktia Nordic	992,540	2.6%
Société Générale	707,579	1.8%
Avanza Pension	627,706	1.6%
JP Morgan Chase Bank NA	577,968	1.5%
Other shareholders (2 878)	9,346,085	24.1%
Total number of shares	38,833,104	100.0%

Warrant programs

The Board of Directors believes that it is important and in the interest of all shareholders that the CEO and key employees, who are considered important to the Company’s further development, have a long-term interest in good value growth for the shares. A personal, long-term shareholder commitment would be expected to contribute to increased interest in the operations and financial performance, and to increase the CEO’s and key employees’ motivation and affinity with the Company and its shareholders.The warrants have been allotted and purchased by employees at market conditions. The market value has been determined using the Black & Scholes option valuation model.

If a warrant holder’s employment ceases, Boule has the right of first refusal and may choose to exercise that right. The Board has decided to exercise the right of first refusal regarding former employees who purchased warrants in the 2019 program, and 110,638 warrants have accordingly been repurchased since allotment. There are no restrictions on transferring warrants in the programs.

Outstanding programs	Outstanding warrants			Corresponding shares	Proportion of total no. of shares	Exercise price	Exercise period
	CEO	Other	Total				
2020/2023	130,000	50,000	180,000	180,000	0.5%	86.70	1 June 2023-30 Dec 2023

The Board of Directors and the CEO certify that this interim report provides a true and fair view of the operations, financial position and earnings of the Parent Company and the Group and describes the material risks and uncertainties faced by the Parent Company and the other Group companies.

Stockholm, July 24, 2023

Boule Diagnostics AB

Torben Jørgensen
Chairman of the Board

Thomas Eklund

Karin Dahllöf

Yvonne Mårtensson

Emil Hjalmarsson

Jesper Söderqvist
CEO

Auditor's review

This interim report has not been subject to review of the group's auditor.