

# A word from the CEO

## Growth in a challenging market and strengthened operating cash flow

We are delivering good growth in most markets. The strongest growth is in Latin America, where we won a significant strategic order. This order was accepted at a lower price, which puts pressure on the gross margin; on the other hand, we ensure recurring sales of consumables for many years to come. In Western Europe, we are growing thanks to the start of sales of our new veterinary instrument. In Asia, sales are flat but there is great potential, especially in India. We continue to decline in Eastern Europe as a result of Russia's war in Ukraine. OEM sales of consumables increased by 21 percent in the quarter and have grown by 12 percent in the first nine months.

Despite conflicts and economic instability globally, we have managed to compensate for reduced sales in some markets with new business in others, delivering growth of 4 percent after currency adjustments.

### Financial performance

Cash increased by SEK 7 million during the quarter. Operating cash flow was SEK 28 million as a result of lower accounts receivable and reduced inventory.

The gross margin improved by 0.7 percentage points despite a product mix in the third quarter of both a significantly higher share of instruments, where the margin is lower, and the instrument business in Latin America at lower prices. For the first nine months of the year, the gross margin improved by three percentage points compared to the same period last year.

We have initiated a couple of major projects to reduce production costs, particularly in our Swedish operations. The investments will deliver gradual reductions in manufacturing costs in 2024.

### New business initiatives in India

During the quarter, we signed a license agreement for instrument manufacturing in India. The production transfer is expected to take approximately one year. India is an emerging market where significant investments are being made in the health sector by the Indian government.

The decision to establish local licensed instrument production in India, in addition to the reagent production already started, was taken because of increasingly strict "make in India" requirements in public procurement. In addition, we benefit from shorter lead times, reduced costs, and a lower environmental impact from transportation. The instruments that will be produced in India are slightly simpler and are built using proven technology from our older instruments. In the coming years, sales to India will gradually shift to license revenues, which will increase gross profit and improve margins, but reduce net sales.

### Investments and future growth

In the near future, we see good opportunities to increase sales to veterinarians thanks to our expanded product portfolio, which now includes both 4-part and 5-part hematology instruments. The partnership with Fujifilm Europe has increased our market reach to veterinarians.

Our strategically important platform project made major advances during the quarter. The improvements identified in the spring have now been implemented, and we are entering the final phase of development. The focus is now on preparing the external clinical validation to be carried out in the first half of 2024.

During the third quarter, SEK 21 million was invested in the new platform, an increase of SEK 3 million compared to the previous quarter. The increase is due to more purchases of materials for preproduction, investments in production tools and preparation of regulatory applications. The investment rate will decrease in the coming years as a consequence of the first 5-part product approaching completion. The launch will start in 2024, and revenues are expected to take off in 2025.



With new distributors in Africa and the Middle East, continued improvements in our customer offering and expanded service, we can partly compensate for lower sales in regions where there is conflict and economic instability.

Our commitment to training through our Boule Academy service is paying off. Participation is increasing, and our courses have received overwhelmingly positive feedback, strengthening the Boule brand.

The war and unrest in different parts of the world are affecting our sales, and we are working tirelessly to adapt. Thanks to the strong commitment of our staff and partners, we continue to develop our business, even in challenging times.



A handwritten signature in blue ink, reading "Jesper Söderqvist".

Jesper Söderqvist  
CEO and Group President

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