

A word from the CEO

Growth driven by veterinary sales and instrument order in India

The geopolitical situation in the world continues to be challenging, and therefore I am particularly pleased that sales showed organic growth of 4.3 percent in the quarter. In organic terms, growth was driven by Asia and Western Europe, while growth in other regions was weaker.

The number of instruments sold increased by more than 40 percent. A significant portion of this consisted of partial deliveries of a major order totalling 1,200 instruments to India, with an estimated final delivery in the first half of 2024. This order is of strategic value but puts pressure on margins in the period. We, on the other hand, are growing the installed base and recurring sales of consumables with higher margins.

In Western Europe, this sales growth was driven by the veterinary segment, which more than doubled year-on-year thanks to the launch of a new veterinary instrument in the summer of 2023.

OEM sales of consumables fell in the quarter compared to the previous year. This is mainly due to a large delivery in the comparative quarter of 2022. For the full year, sales are at the same level as in 2022, and overall, this business continues to develop positively.

The gross margin is in line with the same period in 2022 but could have been even better. Increased production efficiency strengthened the gross margin, but was affected by a negative product mix, with high volumes of instruments and negative currency effects. The strategic deal in India reduced the gross margin by 4.4 percentage points.

For the full year 2023, the gross margin improved to 43.7 percent (41.6).

EBIT improved in the quarter to SEK 10.5 million (10.0), corresponding to a margin of 7.1 percent (6.7). Adjusted for non-recurring write-downs of equipment, EBIT was SEK 15.1 million, which corresponds to a margin of 10 percent.

The operational cash flow was strong in the quarter compared to the previous year, as a result of improved profitability and the release of working capital.

Our journey in 2024

The first products from our partner's new reagent factory in India have now been delivered. This is an important milestone for the new future business model where a growing share of revenues will be licence sales. I am also pleased with the development of our newly launched project to establish outsourced instrument production in India. The project is complex, but we expect deliveries to start in 2025.

Given the decisions we have taken on local licence manufacturing that satisfy the Indian government's "make in India" requirement, our distributors can continue to win public tenders in a market with increased competition, while we continue to supply Swedish-produced products to the private Indian market.

At the time of writing, we are preparing for Medlab Middle East, a fair with customers from all over the world, but especially from the Middle East, Africa and Asia. For the first time at the fair, we are showing our new 5-part instruments. It is inspiring that we have reached this milestone and can start launching what we have worked so hard to develop.

Evaluation of the technical and clinical performance of the new instrument has delivered excellent results, and we are in the final stages of preparing the external clinical validation studies. However, regulatory processes always involve some uncertainty in terms of time, and we are in discussions with the FDA to ensure that we design the clinical studies to achieve the widest possible "Intended Use". Our aim is to submit the regulatory applications in the second half of 2024.

The investments in the product platform is expected to continue in 2024 at the level of 2023, and then decrease in 2025. The launch is underway, and the plan to start sales in the first half of 2025 remains unchanged.

Holger Lembrér assumes the role of new CFO, bringing relevant experience from various senior financial positions. We have also hired Simonetta Tumbiolo as our new head of marketing, a passionate leader with experience from both research and various global marketing roles. Holger and Simonetta are welcome additions to the management team.

Finally, I would like to thank our staff, partners, shareholders and, above all, our customers for a challenging 2023. Together, we look forward to an exciting 2024, where much of our focus will be on the launch of our new 5-part instruments and expansion of our OEM business.



Jesper Söderqvist
CEO and Group President

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