immunodiagnosticsystems

Innovation in Immunoassays






Final Results Presentation
17 June 2013

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Introduction

- **Patrik Dahlen, CEO**
  - Appointed CEO July 2012
  - Chief Executive Officer of Dako - significant strategic repositioning as a cancer diagnostics provider and a leader in companion diagnostics
  - President of Life Sciences, PerkinElmer - built niche focus on diagnostic systems for neonatal and prenatal screening
- **Chris Yates, Group Finance Director**
  - Appointed March 2013
  - Nexus Vehicle Holdings – private equity backed technology company
  - Medical diagnostics experience with Cozart plc and Abingdon Health

Highlights

- Strategy refined to target new specialist automated assays, improved instrumentation and broader geographic sales presence
- Appointment of new management team, Patrik Dahlen (CEO) and Chris Yates (Group FD)
- Revenue of £49.8m (2011: £53.7m), in line with management expectations
- Automated revenues (IDS-iSYS), 37.1% of revenues, increased by 23.7% to £18.5m (2012: £14.9m). Revenue from manual tests, 50.9% of revenues, decreased 25.1% to £25.3m (2012: £33.8m)
- Adjusted PBT of £9.8m (2012: £12.4m); Statutory PBT of £10.0m (2012: £7.3m)
- Operational developments:
  - 88 net placements (2012: 87) representing an increase of 50% over the installed base as at 31 March 2012
  - 3 new IDS-iSYS assays launched: renin, aldosterone and 1,25 dihydroxy vitamin D
  - Joint development agreement with Diagnostica Stago for next generation of IDS-iSYS instrument
  - R&D and Chinese distribution agreement with Beijing Leadman Technology Co, Ltd

IDS Strategy

Build on our strengths

Proven assay quality

IDS-iSYS reliability and ease of use

Excellent customer and technical support

Three Key Strategic Priorities

Increase automated assay content

Internal development: bone & calcium metabolism, growth, hypertension and kidney disease

Outside these areas – partnership approach

Accelerate instrument development

Maintain quality and reliability of instrument through continual innovation

Develop IDS-iSYS Mark II

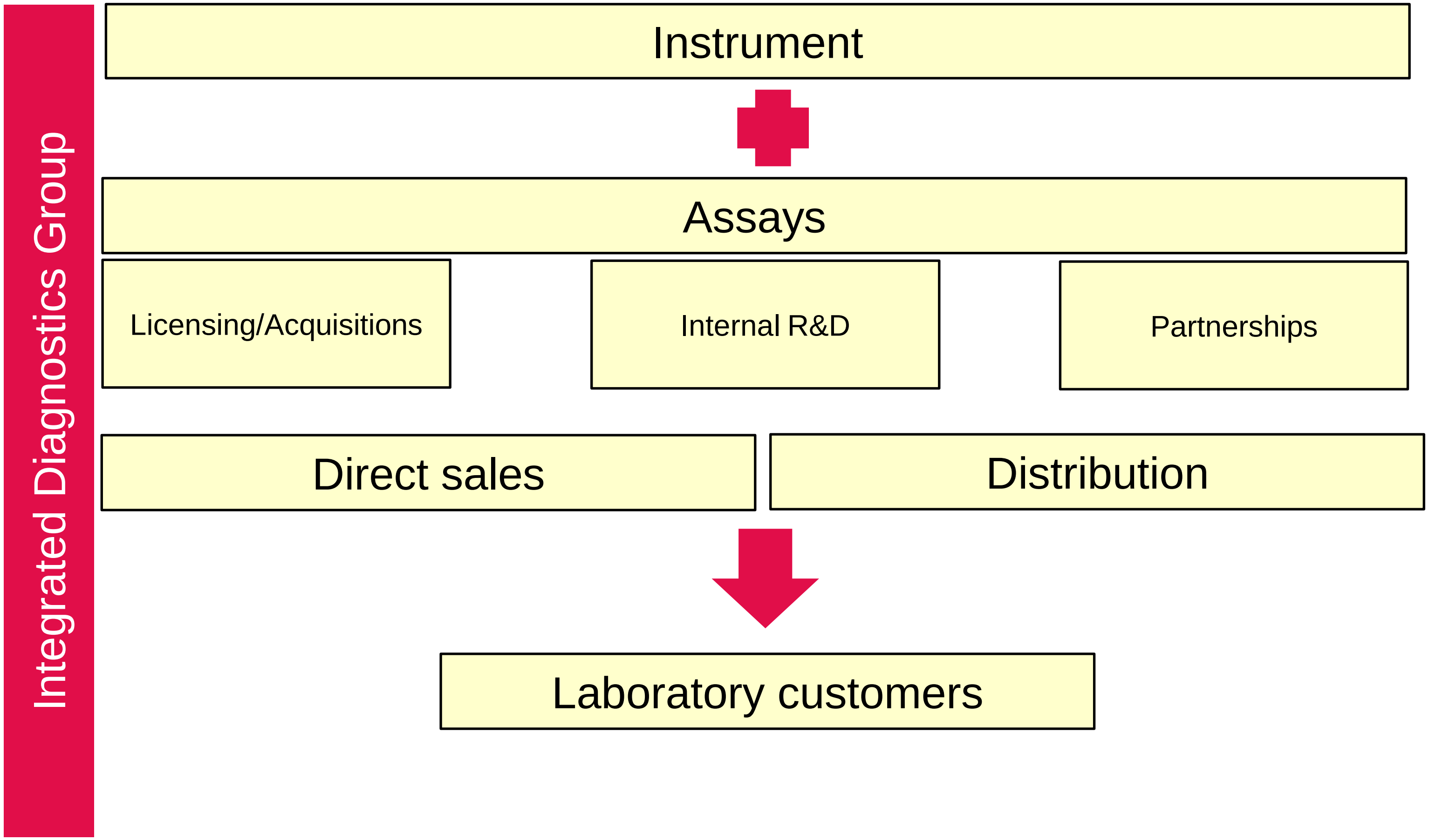
Broaden and deepen sales presence

BRIC countries

Invest in field sales team in core markets

Clear, iterative strategy to build shareholder value and return the Group to growth

IDS Business Model



We place instruments with our customers and generate recurring revenues through reagent and consumable sales

Financials

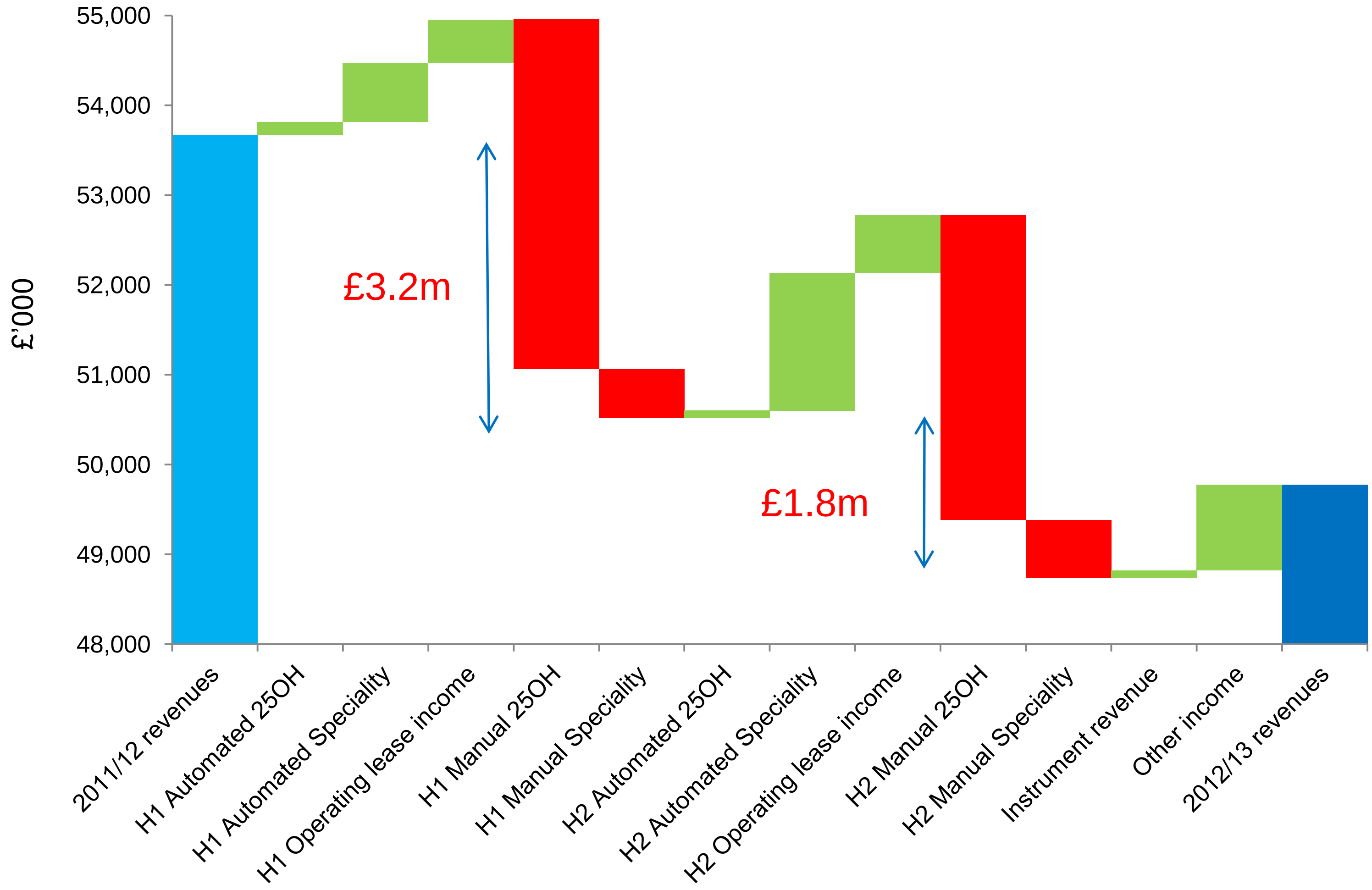
Financial Review

£'000	2013	2012	% increase/(decrease)
Revenues	£49.8m	£53.7m	(7)%
Statutory PBT	£10.0m	£7.3m	38%
Exceptionals	£0.3m	£(5.7)m	n/m
EPS			
Basic adjusted	27.2p	29.2p	(7)%
Basic	27.5p	16.7p	65%
Dividend	3.0p	2.75p	9%
Employee (average FTE)	307	324	(5)%
Net cash	£19.6m	£6.9m	184%

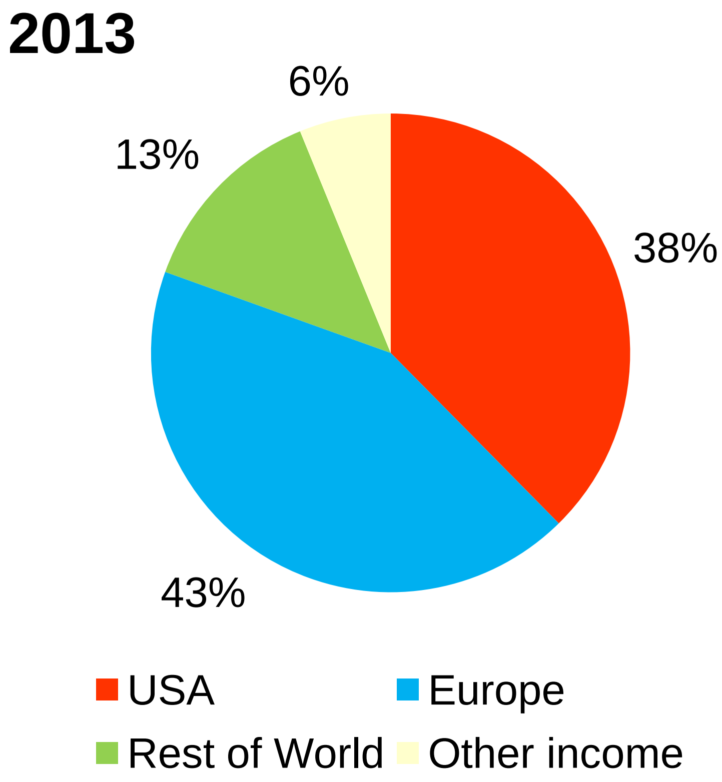
Revenue Analysis

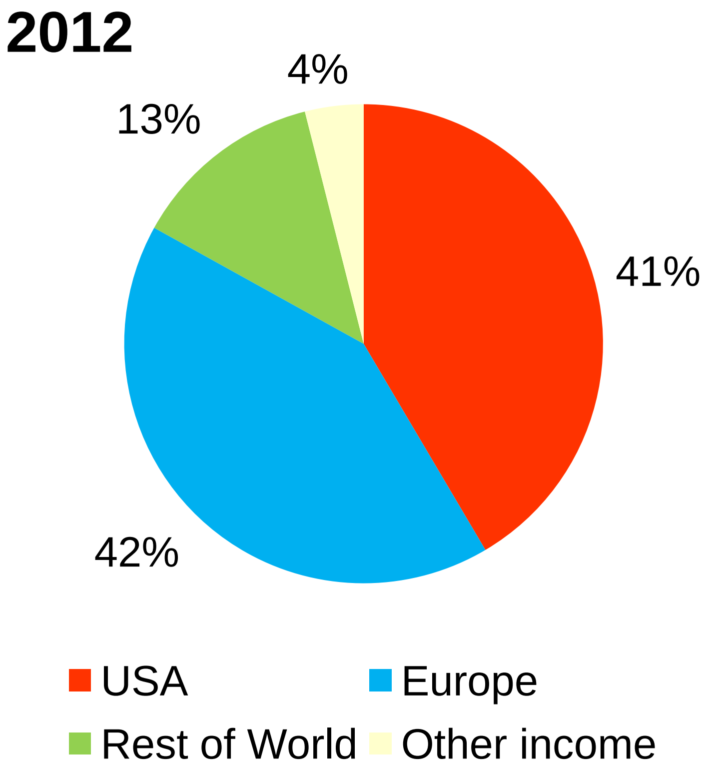
	2013 £'000	2013 %	2012 £'000	2012 %	% change
Automated revenues					
25OH vitamin D	11,399		11,172		2.0%
Other speciality	3,823		1,633		134.1%
Operating lease rental	3,266		2,140		52.6%
Total automated	**18,488**	**37.1%**	**14,945**	**27.8%**	**23.7%**
Manual revenue					
25OH vitamin D	12,133		19,421		(37.5)%
Other speciality	13,213		14,403		(8.3)%
Total manual	**25,346**	**50.9%**	**33,824**	**63.0%**	**(25.1)%**
Instrument revenue	2,866	5.8%	2,781	5.2%	3.1%
Other income	3,072	6.2%	2,120	4.0%	44.9%
	49,772	**100%**	**53,670**	**100%**	**(7.3)%**

Revenue Bridge



Revenue by Location





IDS-iSYS Instrument Placements

£'000	2011/12 H1	2011/12 H2	2012/13 H1	2012/13 H2
Direct – net placements	**41**	**46**	**41**	**47**
Direct – installed base to date	**129**	**175**	**216**	**263**
Distributor – gross placements	5	3	10	13
Distributor – placements to date	51	54	64	77
OEM sales and partners	33	6	7	20

- Direct instrument placements were 88 (net of returns) (2012: 87), an increase of 50% over the installed base as at 31 March 2012
- Average revenue per direct instrument was £72k per annum (2012: £84k)
- Placement levels underpin the changing balance of the Group towards a more stable and growing reagent rental business model

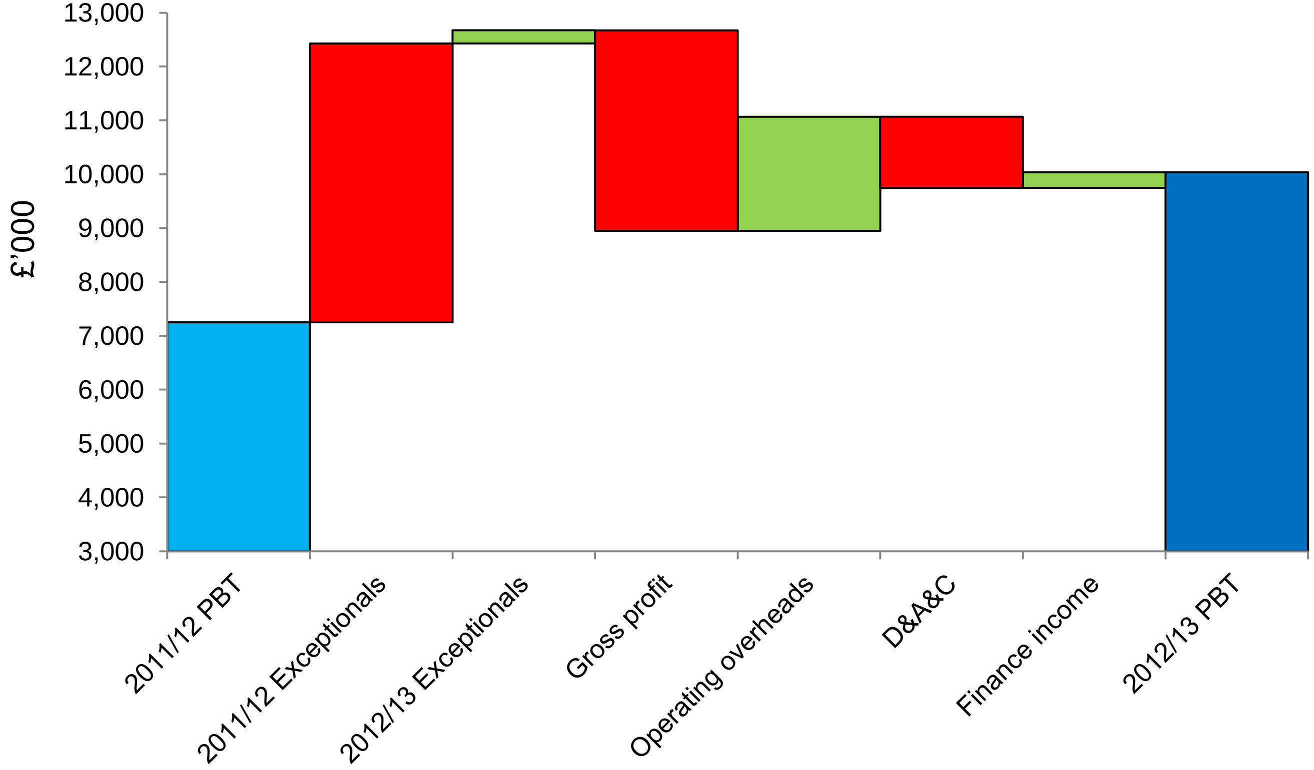
Opex Analysis

£'000	**2013**	**2012**	**% increase/(decrease)**
Sales & Distribution	8,143	8,400	(3)%
R&D	3,964	4,424	(10)%
Other administration costs	10,038	11,439	(12)%
Operating overheads	**22,145**	**24,263**	**(9)%**
Capitalisation	(2,035)	(2,345)	(13)%
Depreciation	2,415	2,162	12%
Amortisation	4,079	3,322	23%
Pre-exceptional overheads	**26,604**	**27,402**	**(3)%**
Exceptional items	(246)	5,177	n/m
Total overheads	**26,358**	**32,579**	**(19)%**

Exceptional Income/ (Costs)

As at 31 March 2013 £'000	**2013**	**2012**
BHH receivable	1,505	(2,795)
Retirement of development costs	(794)	(481)
Impairment of development costs	(465)	(604)
Restructuring costs	-	(1,297)
Total exception income/(expense)	**246**	**(5,177)**

PBT Bridge


13,000
12,000
11,000
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
£'000
2011/12 PBT
2011/12 Exceptionals
2012/13 Exceptionals
Gross profit
Operating overheads
D&A&C
Finance income
2012/13 PBT

Cash Flow

Year ended 31 March 2013 £m	**2013**	**2012**
Operating activities (pre Stago/BHH)	18.2	18.6
Stago license fee	1.7	-
BHH consideration settlement	1.5	-
Operating activities	**21.4**	**18.6**
Outflows:		
Tax	(3.0)	(4.3)
Development costs	(2.3)	(3.1)
Capex	(2.7)	(3.8)
Loan repayments	(4.2)	(2.0)
Dividends	(0.8)	(0.7)
Other	0.1	(0.0)
Net increase in cash	**8.5**	**4.7**

Balance Sheet

As at 31 March 2013 £m	**2013**	**2012**
Cash	19.6	11.0
Bank debt	-	(4.2)
Fixed assets	63.3	65.2
Net current assets*	5.5	7.7
Non current liabilities	(8.5)	(7.4)
Net assets	**79.8**	**72.3**

*Excluding cash and bank debt

Operational Overview

Progress on our strategic journey

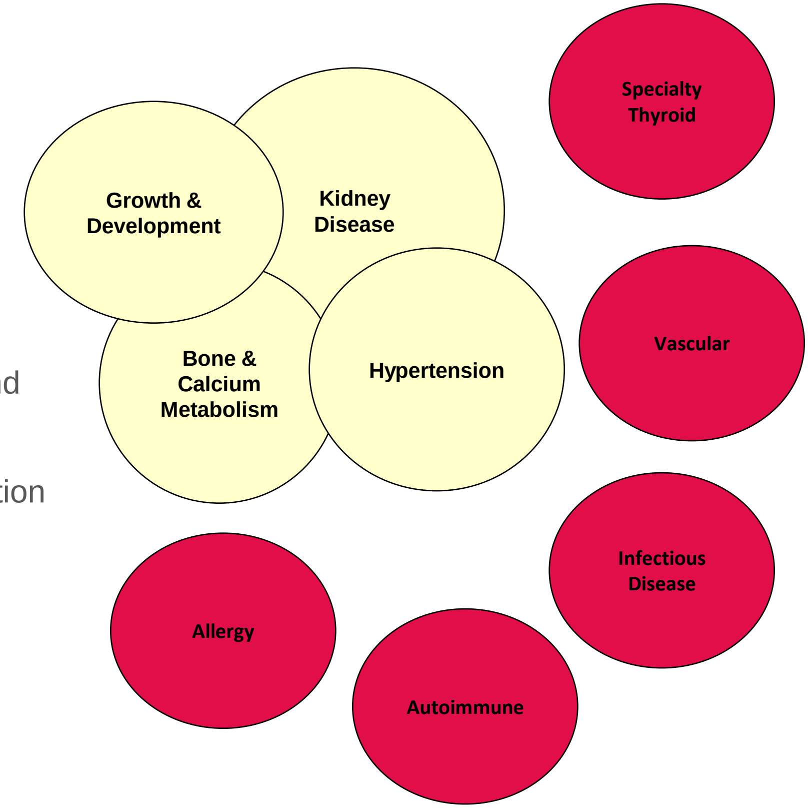
IDS Strategy

- **Broaden assay menu**
  - Omega – 40+ allergy test next FY
  - Leadman – 50+ specialty tests
  - Own development
- **Improve Instrumentation**
  - ISYS Mark II
  - Stago
- **Increase geographical footprint**
  - China – Leadman
  - Other BRIC countries

1) Broaden Assay Menu

- IDS remains dedicated to being a leading specialist diagnostics company by being:
  - Global leader in four inter-linked disease areas
  - Partner of choice for specialist diagnostic development

- To deliver the strategy will require us to:
  - Strengthen marketing to drive leadership position with KOLs and clinicians
  - Create Scientific Advisory Boards in each area to drive recognition
  - Focused resources for companion diagnostics programmes
  - Key account management for partner-specific development programmes



1) Broaden Assay Menu

- Further product launches in 2013/14:
  - Possible FDA clearance for 4 automated assays which previously achieved CE marking: 1,25 Dihydroxy vitamin D Osteocalcin, P1NP, Aldosterone and Renin
  - Possible European product launches: cortisol, Bone TRAP, MGP
- Partnerships:
  - Omega Diagnostics – 40 allergy tests to be launched in 2014
  - Leadman – automation onto IDS -iSYS of circa 50 of Leadman's proprietary assays

2) Improve Instrumentation

- Fully automated benchtop immunoassay system with stat function
  - 15 tests
  - 120 samples
  - 90-120 test per hour
- Reagent rental placements through our direct sales teams
- Sales to selected distributors
- OEM sales to partners for other disease areas
  - Autoimmune
  - Allergy
  - Coagulation

2) Improve Instrumentation – IDS iSYS mark II

- Partnership to assist Stago in developing coagulation/ haemostasis assays for the IDS-iSYS
- Stago pay IDS €3.5m milestone payments and contribute €1m to IDS-iSYS mark II development
  - €2m paid upfront
  - €0.5m paid in April 2013
- IDS expects to earn revenues from the sale of instruments, ancillary products and royalties
- IDS-iSYS mark II will be cheaper to manufacture and be trackable
- Anticipated launch: H1 2015

3) Increase Geographic Footprint

- IDS remains dedicated to being a leading specialist diagnostics company by being:
  - Global provider of specialist diagnostics
    - Direct sales in key geographic markets
    - Strong distribution network for additional coverage

- To deliver the strategy will require us to:
  - Enhance marketing support in key direct markets, especially USA
  - Broaden KOL base to reflect new markets
  - Focus on BRIC territories

* Source: Medical eTrack, 2012

3) Increase Geographic Footprint

- May-13: 3 year distribution deal for China with Beijing Leadman Biochemistry Technology Co Ltd
- Overview of Leadman:
  - Established in November 1997, listed on the Shenzhen stock exchange
  - sales network covers 28 provinces in China, with 8 regional sales offices and over 2,000 customers
  - Sales network focus on tier 3 (c. 600) and tier 2 hospitals (c. 5,000)
  - Year ended 31 December 2012 revenues of CNY317.3m (c.£32.9m) and profit before tax of CNY114.8m (c.£11.9m)
- Commenced from CFDA approval of the IDS-iSYS instrument and the first IDS assay
- Minimum placement volumes (>300 in 3 years)
- New assays to be developed on IDS-iSYS for Chinese market. IDS has exclusivity to market these outside of China

2013/14 Outlook

2013/14 Outlook

- Emerging from a difficult trading environment on a more stable footing
- 2013/14 revenues and PBT anticipated to be in line with the previous financial year
- Net placement numbers expected to be in line with 2012/13
- Anticipate majority of revenues will come from automated platform in 2013/14
- Continued evolution in the product mix towards a broader range of specialty assays
  - 25OH 90% automated revenues historically, 10% other speciality assays
  - Speciality assays were 20% in 2012/13 and we anticipate 50% in 2013/14
- April/May trading has been encouraging with revenues in line with management expectations