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# Universal Biosensors, Inc.

ARBN 121 559 993

Q3 FY2013 Update

30<sup>th</sup> October 2013



# Important Disclaimer

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- This presentation is intended to provide a general outline only and is not intended to be a definitive statement on the subject matter. This presentation is not financial advice and has been prepared without taking into account the objectives, financial situation or needs of a particular person.
- Neither the Company, nor its officers or advisors or any other person warrants the accuracy of the analysis herein or guarantees the investment performance of the Company. Investors must make their own independent assessment of the Company and undertake such additional enquiries as they deem necessary or appropriate for their own investment purposes.
- The statements contained in this presentation that are not purely historical are forward-looking statements within the meaning of the United States Exchange Act. Forward-looking statements in this presentation include statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the proposed offering. All forward-looking statements included in this presentation are based upon information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statement as a result of new information, future events or otherwise. Our actual results could differ materially from our current expectations.
- The Company is subject to a number of risks. For a summary of key risks, refer to the Company's most recent Form 10-K filed with the United States Securities and Exchange Commission.
- Under applicable United States securities laws all of the shares of our common stock are "restricted securities" as that term is defined in Rule 144 under the Securities Act of 1933, as amended. Restricted securities may be resold in the public market to United States persons as defined in Regulation S only if registered for resale or if they qualify for an exemption from registration under the Securities Act. We have not agreed to register any of our common stock for resale by security holders.



# UBI investment case

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- ✓ Targeting the attractive Point of Care (POC) diagnostics market: US\$15Bn, growing >10% annually
- ✓ With a powerful POC technology platform
  - Easy-to-use, low cost, and accurate POC diagnostic system
  - Proprietary, large-scale automated test-strip manufacturing in operation
  - Protected by over 500 patents
- ✓ Partnered with world leader **LifeScan (J&J)** in diabetes (blood glucose testing):
  - Selling in territories representing >90% of the US\$9Bn, ~17Bn test-strip global market
  - Profitable, revenue generating business
  - OneTouch Verio strip sales growth well in excess of market rates
- ✓ Partnered with world leader **Siemens** in POC coagulation testing
  - US\$1Bn global market
  - First of 3 products expected to launch in 2014
  - Coagulation opportunity could generate as much value for UBI as glucose
- ✓ Pipeline of high value future product opportunities
- ✓ Experienced, high-calibre management team
- ✓ ASX listed, ~A\$110M market capitalisation, A\$30M revenue in FY2012



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 ✓ **Blood Glucose Monitoring**

✓ Coagulation Testing

✓ Financials



# Blood Glucose Monitoring: Industry update

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- **Continued growth in diagnosed diabetes & glucose testing**
  - ~17Bn blood glucose tests performed each year worldwide
  - Significant population of undiagnosed diabetics (estimated at ~180 Million worldwide)
  - Emerging markets (eg India, China) expecting similar incidence of diabetes
- **Pricing & margin pressures on blood glucose monitoring (BGM) products in US market**
  - Reimbursement pressures (>60% reduction by Medicare in July 2013)
  - Private label / low-price players
  - Distribution channel shifts (eg growth in mail order)
- **Regulators demanding greater BGM performance / accuracy**
  - New ISO standard released in June 2013 (ISO 15197-2013)
  - FDA expected to focus on post-approval enforcement

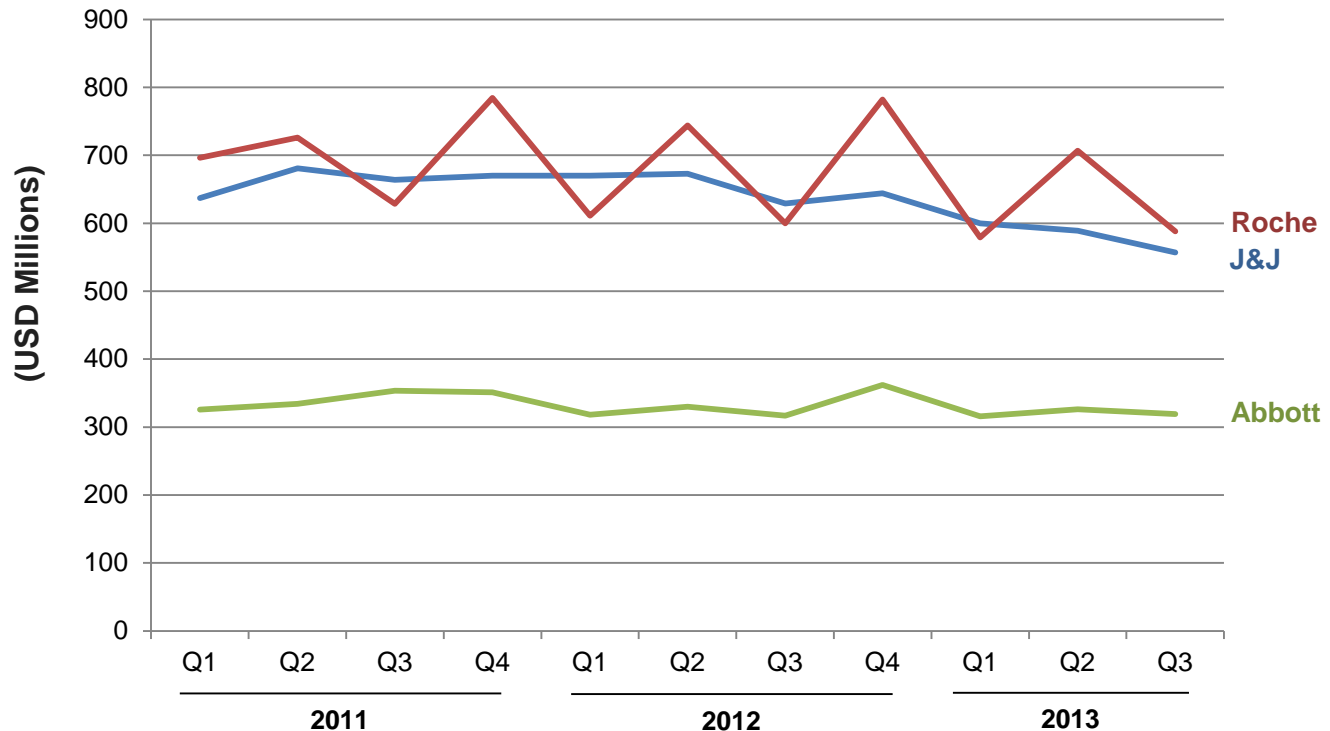


# Price pressure in the BGM market

*The major BGM players have seen flat to declining revenues in recent times. All are commenting that the major drivers are pricing pressures and changes in reimbursement. Blood glucose testing volumes (a more important indicator for UBI) are more likely to reflect the continuing growth in the number of diagnosed diabetics worldwide.*

## Quarterly Diabetes Care Revenues\*

(USD Millions, 2010-2012)



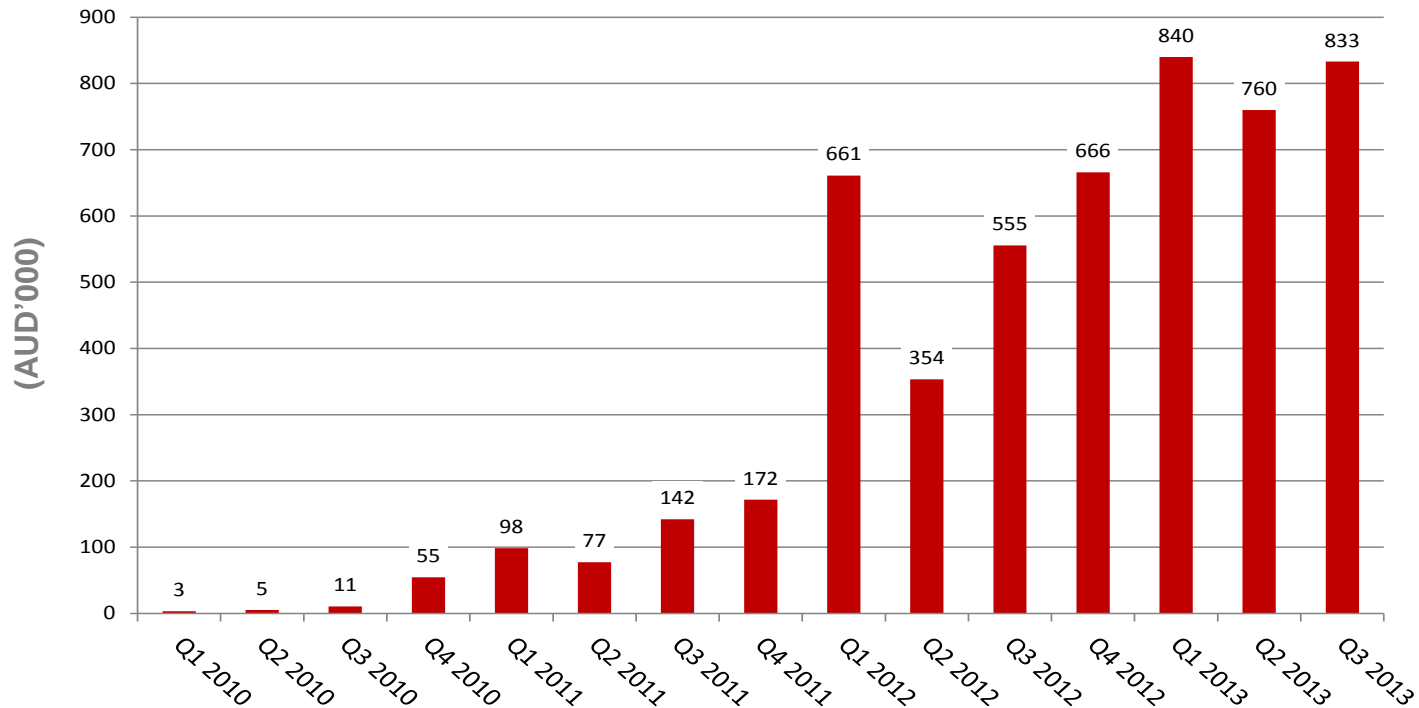
\*Reported revenues are not exclusively from Blood Glucose Monitoring.  
Source: Company Financial Reports, Industry Analyst Reports.



# Q3 Quarterly Service Fees up 50% on pcp

Quarterly Service Fees represent a key value driver for UBI. Following LifeScan's worldwide meter recall at the end of March 2013 and a consequent dip in Q2, Quarterly Service Fees have returned to growth again in Q3, up 50% on the prior comparable period.

### Quarterly Service Fees\* (AUD'000)



\*Quarterly Service Fees are based on the number of Verio strips sold by LifeScan

Source: UBI accounts - for important details relating to the terms of our commercial relationship with LifeScan, refer to our most recent Form 10K and agreements filed with the SEC.



# OneTouch Verio update

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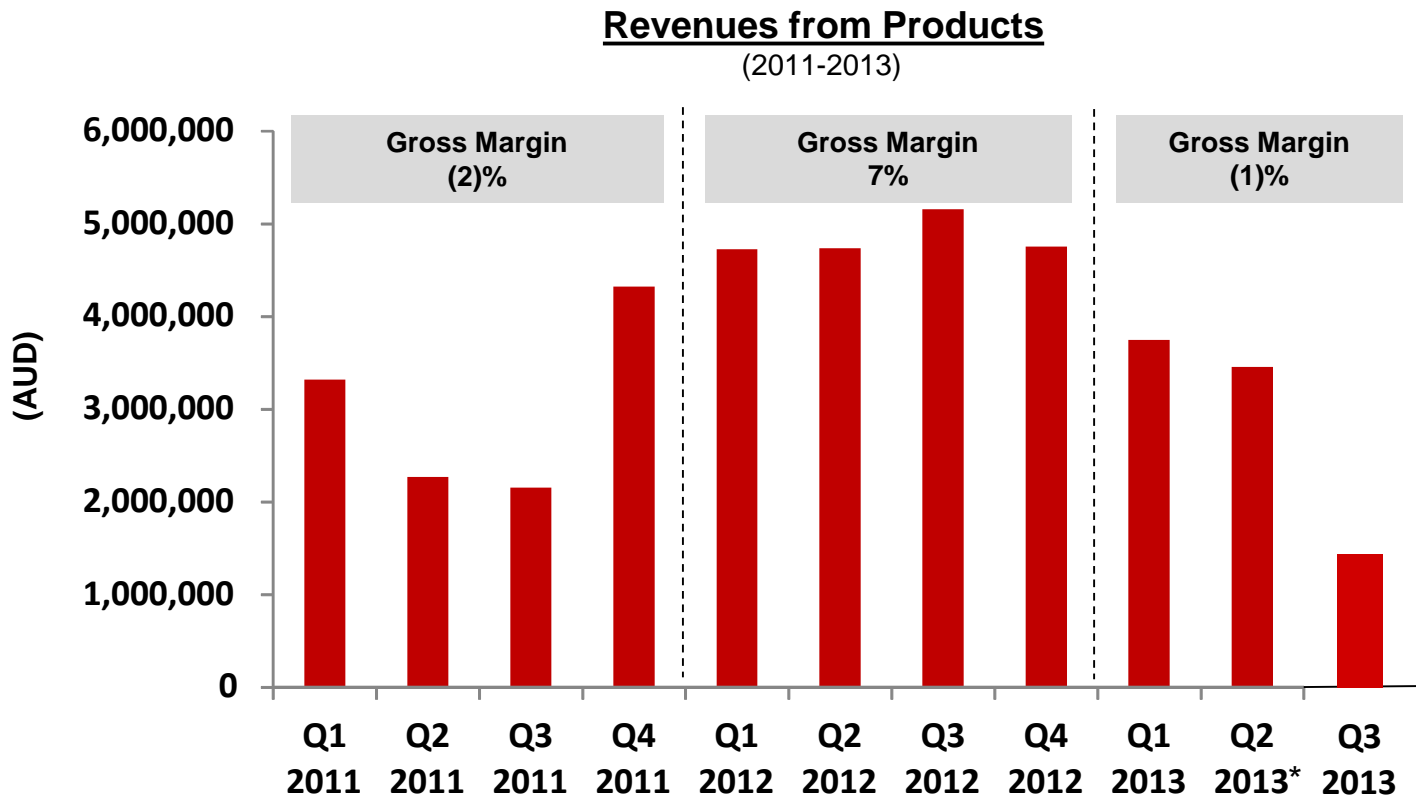
- Q3 2013 Quarterly Service Fees (QSF) have shown 50% growth on the prior comparable period in 2012
- In the 9 months to end September 2013, QSF have exceeded full year 2012 levels
- LifeScan UK ([www.LifeScan.co.uk](http://www.LifeScan.co.uk)) references new OneTouch Verio system





# Evolution of glucose strip manufacturing

Revenue from Products is generated from the manufacture of test strips by UBI. In Q3 FY2013, UBI manufacturing volumes have reduced as LifeScan sourced an increased proportion of OneTouch Verio test strips from their own internal facility.



\* UBI operated within the Interim Costing Period during this period  
Source: UBI accounts



# Evolution of glucose strip manufacturing

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- LifeScan has increased Verio strip production capacity at Inverness to 1.5 Billion strips per annum - a positive sign for the product
- LifeScan are sourcing a higher proportion of worldwide demand from their in-house facility
- As a result, UBI production volumes have reduced in Q3 and are expected to remain at similar levels in Q4
- At current low volumes UBI is unable to generate a positive margin on Verio strip production (reported loss of \$360K in Q3)
- UBI is currently in discussion with LifeScan around alternative approaches



# Blood glucose business is profitable

## Profit & Loss – 9 Months Ended 30<sup>th</sup> September 2013

*LifeScan / Glucose Products only*

	AUD Millions
Revenue from strip manufacturing*	8.6
Revenue from R&D services**	-
Revenue from Quarterly Service Fees***	2.4
<b>Total revenue</b>	<b>11.0</b>
Cost of goods sold and services	8.7
<b>Gross margin</b>	<b>2.3</b>
<i>Gross margin as % of revenue</i>	<i>21%</i>

\* Revenue earned from strips sold to LifeScan, manufactured by UBI – “Product Revenues”

\*\* Includes fees earned providing R&D services to LifeScan, but excludes any payments received from Siemens during the period.

\*\*\* ~US1c Service Fee earned on every Verio strip sold by LifeScan



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# Building the coagulation business - update

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- Launch by Siemens of the PT-INR testing system delayed to 2014
  - largely driven by delays in recruitment of high INR patients necessary to confirm system performance
  - once satisfactory data is available, product approvals are based on
    - Self certification for CE Mark (eg Europe)
    - FDA 510K process for US
- UBI-owned PT-INR testing system for patient self-test & decentralised testing progressing well
  - prototype system now available
  - distributor engagement accelerating



# Coagulation testing offers great potential

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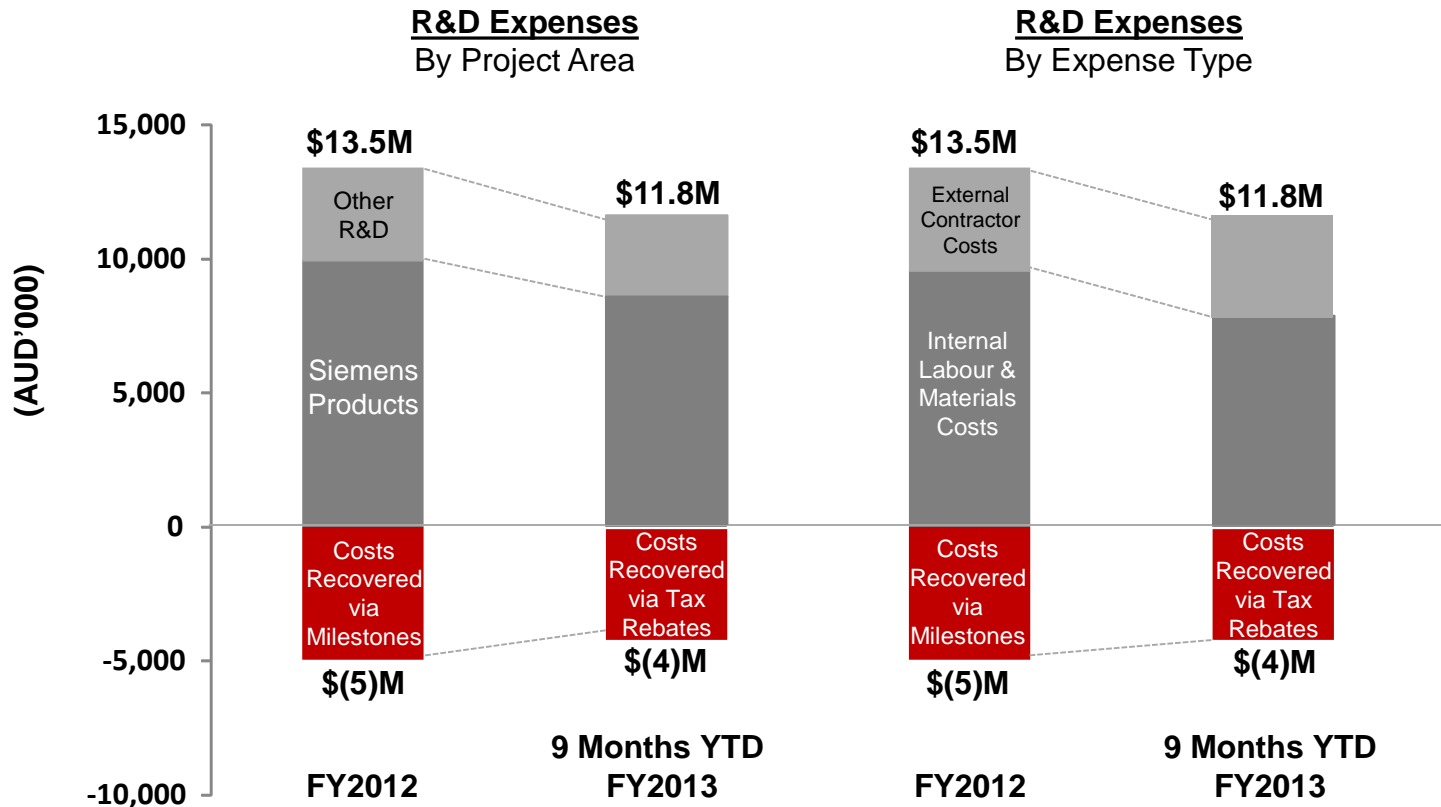
## Why Coagulation is important for UBI:

- \$1Billion Point of Care Diagnostics (POCD) market
- PT-INR testing is the next largest single test POCD market after blood glucose
- Expands UBI's technology base to “professional” as well as “self-testing” markets
- Underpins UBI's strip manufacturing capability
- Builds a powerful partnership with a world leader in diagnostics
- Diversifies UBI's business beyond
  - ✓ Blood glucose testing
  - ✓ LifeScan relationship
- Potential to create as much value for UBI as blood glucose testing



# Product development expense breakdown

UBI will build shareholder value through the development and launch of new point of care testing products that leverage our platform detection technology and strip manufacturing capability. The bulk of our R&D investment is aimed at preparing a series of coagulation testing products for market launch, with a significant proportion of this spend recovered from our partner Siemens and via anticipated R&D tax rebates.



Source: UBI accounts



# New cash expected from the R&D tax rebate

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- R&D Tax Rebate: intended to encourage innovation in small Australian companies
- Company receives an annual tax rebate in cash equal to 45% of eligible R&D costs
- To be eligible the Company must
  - ✓ be an Australian resident for tax purposes
  - ✓ have revenues less than A\$20 Million
- UBI is eligible for 2013 and expects to receive a tax rebate of roughly \$5-6 Million on its eligible 2013 R&D costs





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# Financial metrics (Q3 FY2013)

	3 months ended September 30 <sup>th</sup>			9 months ended September 30 <sup>th</sup>		
	2013 (A\$'M)	2012 (A\$'M)	Change	2013 (A\$'M)	2012 (A\$'M)	Change
<b>Quarterly Service Fees</b>	0.8	0.6	<b>Up 50%</b>	2.4	1.6	<b>Up 55%</b>
<b>Revenue from Products</b>	1.4	5.2	Down 73%	8.6	14.6	Down 41%
<b>Revenue from Services*</b>	0.3	2.9	Down 90%	1.1	7.2	Down 85%
<b>Total Revenue</b>	<b>2.5</b>	<b>8.7</b>	<b>Down 71%</b>	<b>12.1</b>	<b>23.4</b>	<b>Down 48%</b>
<b>Cost of Goods Sold &amp; Services</b>	2.0	4.5	Down 56%	9.5	14.3	Down 33%
<b>Contribution from Products &amp; Services</b>	<b>0.5</b>	<b>4.1</b>	<b>Down 87%</b>	<b>2.5</b>	<b>9.1</b>	<b>Down 72%</b>
<b>R&amp;D Expense</b>	3.9	3.8	Up 3%	11.8	9.2	Up 29%
<b>G&amp;A Expense</b>	1.7	1.6	Up 5%	4.5	4.7	Down 4%
<b>Net Loss after Tax</b>	<b>0.7</b>	<b>1.3</b>	<b>Down \$0.6M</b>	<b>8.4</b>	<b>4.7</b>	<b>Up \$3.6M</b>
<b>Net Decrease in Cash</b>	<b>3.8</b>	<b>0.8</b>	<b>Up \$3.0M</b>	<b>10.0</b>	<b>1.2</b>	<b>Up \$8.8M</b>

\*Excludes Quarterly Service Fees shown separately



# Financial summary: balance sheet

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## Balance Sheet as at 30 September 2013

	A\$
Current Assets (excluding cash)	9,607,786
Cash	14,670,902
Property, Plant & Equipment (net)	16,504,053
Other Non-Current Assets	320,000
Total Assets	<u>41,102,741</u>
Current Liabilities	5,920,852
Non-Current Liabilities	3,511,633
Stockholders' Equity	31,670,256
Total Liabilities & Stockholders' Equity	<u>41,102,741</u>



# Financial summary: capital structure

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Number of shares on issue	174,785,413
Market capitalization (at 23 <sup>rd</sup> October 2013)	A\$109 million
Number of options on issue	10.8 million
Cash (at 30 <sup>th</sup> September 2013)	A\$14.7 million
Equity raised since inception	A\$83.7 million



# Top 5 UBI shareholders

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Shareholder	30 <sup>th</sup> September 2013	
	Holding	
<i>National Nominees Ltd</i>	10.7%	
<i>CM Capital Investments Pty Ltd</i>	10.2%	
<i>The Principals Cornerstone Fund Pty Ltd</i>	10.0%	
<i>Australian Executor Trustees SA Ltd</i>	8.0%	
<i>J P Morgan Nominees Australia</i>	5.0%	



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