

# 3Q22

January-September 2022

**BUSINESS REVIEW**

**modulight**

A woman with shoulder-length brown hair and green eyes is shown from the chest up. Her body is overlaid with a white wireframe grid. Her chest area is highlighted with a glowing, multi-colored (red, orange, and cyan) wireframe pattern, suggesting a focus on health or technology. A red line extends from the 'modulight' logo at the bottom left towards the glowing chest area.

# Strategy execution continued, significant progress in the R&D project pipeline

(The figures in brackets refer to the corresponding period of the previous year. This business review is unaudited.)

## Highlights in July–September 2022

- ❑ Modulight continued to execute the growth strategy and invest in increasing its production capacity and improving other capabilities to realize the company's long-term potential.
- ❑ Significant progress in the R&D project pipeline including opportunities to accelerate the pay per treatment cloud strategy in the short term.
- ❑ The total number of projects remained 26 (26 in the second quarter of 2022).
- ❑ Customer development projects continue to be affected by COVID-19 related delays and shortages in component availability.
- ❑ Revenue was EUR 1,232 (2,137) thousand. Revenue decline was driven by the uncertainty in the business environment.
- ❑ EBITDA was EUR -1,342 (1,025) thousand. Profitability was impacted by low revenue and growth strategy implementation.
- ❑ Operating result (EBIT) was EUR -1,812 (716) thousand.
- ❑ Operating result (EBIT) margin was -147 (33.5) % of revenue.

## Highlights in January–September 2022

- ❑ Revenue was EUR 3,331 (6,697) thousand.
- ❑ EBITDA was EUR -3,936 (4,183) thousand.
- ❑ Operating result (EBIT) was EUR -5,292 (3,321) thousand.
- ❑ Operating result (EBIT) margin was -158.9 (49.6) % of revenue.

## Outlook for 2022

Modulight has not issued guidance for revenue or profitability in 2022. As the company's customer projects are still distributed across varying early stages of development, and predicting developments in the market remains challenging, it is difficult to forecast performance in 2022. However, we expect that changes in the operating environment caused by COVID-19 restrictions as well as macroeconomic and geopolitical uncertainty still impact our financial performance in the short term.

## Webcast

Modulight's CEO Seppo Orsila will present the result in an English-language webcast, which will be held on October 20, 2022, at 10:30 a.m. EEST. The broadcast can be followed at <https://modulight.videosync.fi/q3-2022-results>. Questions are to be submitted in writing in the webcast portal. CFO Anca Guina will also be present to answer questions.

Presentation materials will be available before the start of the event on the company's website at [www.modulight.com/reports-presentations/](http://www.modulight.com/reports-presentations/).

## Seppo Orsila, CEO

During the third quarter, we made significant progress with projects in our R&D pipeline including the cloud strategy, continued to execute our growth strategy by investing in production capacity and increased sales visits and marketing activities.

After having been affected by restrictions for a long period of time, we have now been able to travel and visit U.S. customers and clinics every week last month. We also held a record number of exhibits in the U.S., where the number of visitors is far below the pre-COVID era but has clearly increased from the spring. All this has benefited the dialogue with both existing and new customers and as a result, we have made significant progress in our R&D project pipeline, including the identification of promising opportunities to accelerate our pay per treatment cloud strategy in the short term.

During the quarter, the component availability eased somewhat, and we were able to send the deliveries that were delayed in the second quarter. Our revenue in the third quarter was EUR 1,232 million (EUR 2,137) and our EBITDA was EUR -1,342 (1,025).

The most important indicator of our strategic performance, the product development pipeline, remained solid with 26 projects. There are a few large projects in the pipeline that have progressed

well, and we were happy to start a new parallel project with an existing customer during the third quarter. Other highlights of the quarter include the good progress of our bladder cancer study with the first patient being treated with our laser, as well as positive development in an FDA audit related to a major project with a leading customer in ophthalmology.

During the quarter, our patent application in the field of remote monitoring and configuring a cloud-based medical device was approved in the U.S. This follows the patent we were granted last year also in the area of remote-controlled medical devices. Additionally, we filed one new patent application during the third quarter in the field of fluorescence imaging. We expect to continue filing other important patent applications this and next year.

The aftermath of COVID-19 still continues to affect us as the restrictions on travelling and site visits slowed down our customers' research projects and our sales efforts for a long period of time. However, during the third quarter, we were already able to increase our sales and marketing activities despite the remaining restrictions. As our sales cycles are long, we expect that our efforts will support our development in the medium term. Additionally, Russia's war on Ukraine continues to cause uncertainty in our business environment.

Thanks to our strong balance sheet we have been able to continue the implementation of our strategy and to keep on investing both in people and in equipment. During the quarter, we also celebrated our one millionth entity manufactured. Additionally, I was happy to see that the results of our Employee Satisfaction Survey were again very positive, despite our team's fast growth and challenging financial performance this year.

In addition to several customer visits, we were also very actively participating in important marketing events. During the quarter we also announced that we were trusted to organize a prestigious congress in the photodynamic field in Tampere, Finland in July next year. Moreover, we were invited as the first Finnish company to join the Quantum Economic Development Consortium (QED-C) to further support quantum ecosystem initiatives in the U.S. In my opinion, these signify the great appreciation of our stakeholders towards us and our long-term partnership with many of the leading researchers in the field.

We firmly believe that our long-term success is based on our unique technology, and all customer feedback we have received implies that they appreciate our technology and knowhow. This is also very visible in our projects, where customers are increasingly interested in the opportunity provided by our cloud-based services. We are confident that in the long term, we can achieve our financial targets of maintaining our high-rate revenue growth and high degree of profitability. We are

currently reviewing our strategy and updating especially the go-to-market strategy. The updates will be announced later this year.

## Key figures <sup>1)</sup>

Group EUR 1,000 unless otherwise noted	7-9/2022	7-9/2021	1-9/2022	1-9/2021	2021 <sup>2)</sup>
Revenue	1,232	2,137	3,331	6,697	9,071
EBITDA	-1,342	1,025	-3,936	4,183	461
EBITDA-%	-108.9%	48.0%	-118.2%	62.5%	5.1%
Operating result (EBIT)	-1,812	716	-5,292	3,321	-753
Operating result (EBIT) margin %	-147.1%	33.5%	-158.9%	49.6%	-8.3%
Earnings for the period	-1,948	-2,843	-6,318	-821	-5,061
Earnings per share (EPS, EUR)	-0.05	-0.09	-0.15	-0.03	-0.15
Acquisition of fixed and intangible assets	-3,670	-3,088	-8,834	-6,277	-9,617
Free cash flow from operating activities	-5,012	-2,062	-12,770	-2,093	-9,156
Cash and cash equivalents <sup>3)</sup>	48,005	60,228	48,005	60,228	62,978
Net debt <sup>3)</sup>	-39,451	-51,269	-39,451	-51,269	-53,415
Gearing ratio <sup>3)</sup>	-56.5%	-74.8%	-56.5%	-74.8%	-70.1%
Equity ratio <sup>3)</sup>	85.8%	80.3%	85.8%	80.3%	87.0%
Headcount (FTE) <sup>3)</sup>	61	56	61	56	52

<sup>1)</sup> Unaudited

<sup>2)</sup> Audited

<sup>3)</sup> Figure refers to the end of the review period

## Progress of the product development pipeline

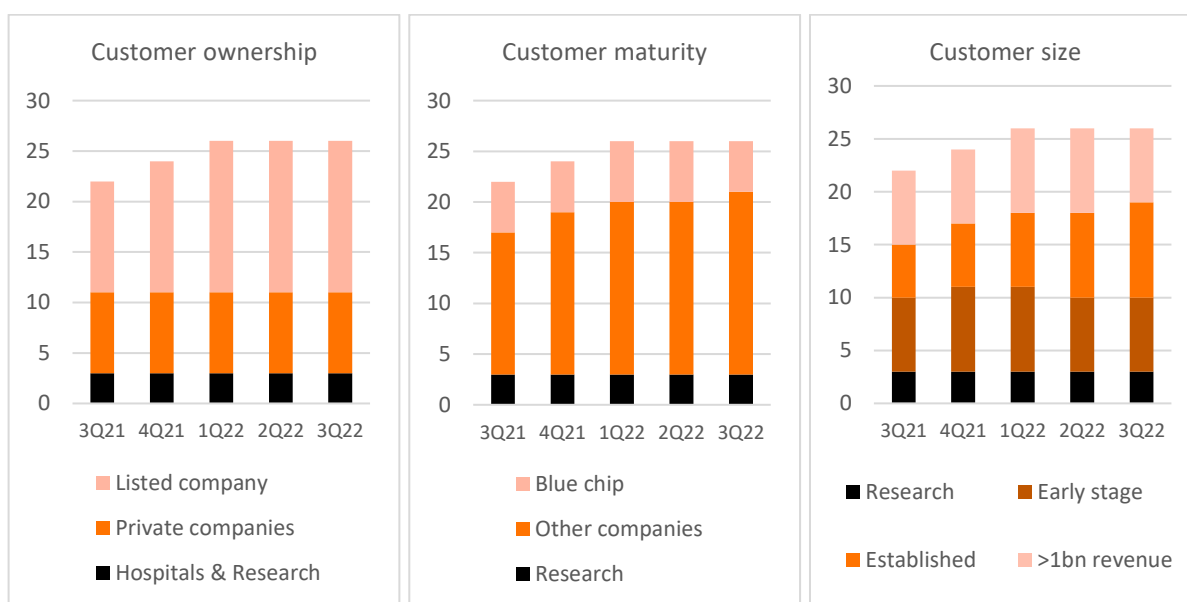
The product development pipeline, which the company considers the most important measure of its progress, remained solid during the third quarter. One new project was initiated in dermatology with an existing customer, and one early-stage research project was stopped with a blue-chip company. At the end of the third quarter, Modulight had a total of 26 projects (22) related to individual indications and applications. Good examples of the progress of existing projects include our projects on brain diagnostics and bladder cancer. Some projects progressed, and we expect them to have significant revenue potential in 2023. We also identified a promising opportunity to accelerate our cloud strategy in the short term based on U.S. clinician feedback.

Modulight is currently approaching the U.S. regulatory approval phase for a new eye photodynamic therapy (PDT) laser in partnership with a major pharmaceutical company listed on the New York Stock Exchange. Modulight currently expects to receive the FDA approval for the PDT laser during 2022.

	2019				2020				2021				2022		
	1Q	2Q	3Q	Q1	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Total number of projects*	12	12	13	13	13	13	15	16	16	20	22	24	26	26	26

\* To be listed here, a project needs to fulfill strict criteria related to its potential for commercial roll-out and to fit the company strategy and technological focus areas. In addition to the official projects listed in the above table, Modulight continues to work on several other initiatives, and eventually, some of these are expected to mature into projects.

### More information about Modulight’s customers



## Financial development

### Revenue

#### July-September 2022

The Group's revenue in the third quarter was EUR 1,232 (2,137) thousand. The change in revenue from the comparison period was EUR -905 thousand or -42%.

The decline in revenue was primarily due to COVID-19, which continued to affect us as the restrictions on travelling and site visits kept slowing down our customers' research projects and our sales efforts for a long period of time.

Modulight continues to see significant mid- and long-term demand in the market for its expertise and technology, and all project related work during the quarter continued to be aimed at the targeted extensive commercialization. However, most of Modulight's current revenue comes from projects related to early-phase product development with customers. Invoicing is tied to the progress of project milestones, and, especially in life sciences, there is significant uncertainty associated with each intermediate phase.

Also, Russia's war on Ukraine continued to cause general geopolitical and macroeconomic uncertainty and impacts Modulight's business environment as well as customers' capital expenditure and the availability of financing. This applies especially to early-stage companies and projects. Modulight has no direct business operations in Russia, nor does it source components from there.

#### January-September 2022

Revenue in January-September was EUR 3,331 (6,697) thousand. The change in revenue from the comparison period was EUR -3,365 thousand or -50%. The decline was due to COVID-19 restrictions and component availability challenges.

### Profitability

#### July-September 2022

EBITDA in the third quarter was EUR -1,342 (1,025) thousand, or -108.9 (48.0) % of revenue.

Operating result (EBIT) was EUR -1,812 (716) thousand, or -147.1 (33.5) % of revenue. Earnings per share (EPS) were EUR -0.05 (-0.09). Depreciations increased by EUR 161 thousand from the

comparison period and amounted to EUR 470 thousand, due to newly acquired equipment taken into use.

The year-on-year lower level of profitability was the result of a lower level of revenue and increased operational costs. Modulight's costs are now at a significantly higher level compared to the previous year, as the company has continued to execute its growth strategy.

### January–September 2022

EBITDA in January–September was EUR -3,936 (4,183) thousand, or -118.2 (62.5) % of revenue.

Operating result (EBIT) was EUR -5,292 (3,321) thousand, or -158.9 (49.6) % of revenue. Earnings for January–September were EUR -6,318 (-821) thousand and earnings per share were EUR -0.15 (-0.03).

The year-on-year lower level of profitability in January–September was the result of a lower level of revenue and increased operational costs. Modulight's costs are now at a significantly higher level compared to the previous year, as the company has continued to execute its growth strategy.

Profitability was additionally impacted by the write-off of trade receivables of EUR 500 thousand. On September 30, 2022, the total amount of trade receivables was EUR 5,393 thousand. The company considers risks related to trade receivables as reasonable.

## Events after the reporting period

There have been no significant events since the review period.

## Financial reporting in 2023

Modulight will publish the financial reporting schedule for 2023 in December 2022.

Tampere, October 20, 2022

Board of Directors

Modulight Corporation



## For further information, please contact:

CEO: Seppo Orsila m. +358 40 830 4671

IR: Ulla Haapanen m. +358 40 830 4676

Email: [ir@modulight.com](mailto:ir@modulight.com)

Certified Adviser: Danske Bank A/S, Finland Branch, m. +358 40 414 5358

[www.modulight.com](http://www.modulight.com)

Twitter: [@modulight](https://twitter.com/modulight)

## Modulight in brief

Modulight Corporation is a biomedical laser company that designs and manufactures products for oncology, ophthalmology and genetics. The company also provides solutions for selected high value-add applications including quantum computing and digital press. The company's products include medical devices, subsystems, software, cloud services and specialized semiconductors. Modulight's products are used worldwide by many Fortune 500 companies, international pharmaceutical companies, and well-known cancer centers and universities. Modulight was founded in 2000 and is headquartered in Tampere, Finland. [www.modulight.com](http://www.modulight.com)

**modulight**

[www.modulight.com](http://www.modulight.com)