Tristel™

SHAREHOLDER OPEN DAY

19 JULY 2017

CHAIRMAN: FRANCISCO SOLER

CHIEF EXECUTIVE: PAUL SWINNEY

FINANCE DIRECTOR: LIZ DIXON

We are going to get straight to the heart of what this company does, and what marks us out from our competitors.

You all know that we are an infection prevention company – we play an important part in stopping the spread of infections in hospitals. We do this with a very powerful biocide, called chlorine dioxide. We use chlorine dioxide to disinfect hospital surfaces like mattresses and bed side tables; and most importantly, we disinfect medical instruments.

When we refer to medical instruments, we mean endoscopes and ultrasound probes. These are complex devices that are constructed of plastics which means that they cannot be disinfected by heat – like a steel scalpel blade can. Here is a selection of the instruments we disinfect, the parts of the body and the conditions they might treat, and the Tristel product that would be used.

INSTRUMENTS WE DISINFECT,
THE MEDICAL CONDITIONS THEY TREAT
& THE TRISTEL PRODUCTS TO USE

NASENDOSCOPE - EAR, NOSE & THROAT

LARYNGOSCOPE - EMERGENCY MEDICINE

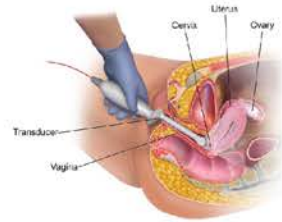
VAGINAL PROBE - GYNAECOLOGY

TONOMETER PRISM - OPHTHALMOLOGY

CLEFT PALLET

INTUBATION

ECTOPIC PREGNANCY



GLAUCOMA

TRISTEL TRIO WIPES SYSTEM

TRISTEL DUO FOR ULTRASOUND

Trio and Duo are the two products featured. Both are chlorine dioxide foams that are spread onto the instrument by a wipe. They are our leading products accounting for some 65% of our revenues.

In a nutshell, we disinfect to the very highest-level medical instruments that cannot be treated with heat. What marks us out is that we are the only company in the world using chlorine dioxide for this purpose, and we are the only company in the world providing high-level disinfectants that are manually applied to instruments. Our competitors sell disinfection machines that use some other type of disinfectant inside them. So, we are unique in two respects: we use chlorine dioxide as a high-level disinfectant, and our products are manually applied.

GROUP SALES 2005 - 2017
(£MILLIONS)

CAGR 16%

With this unique proposition, we have achieved consistent, year-on-year growth. During the twelve years we have been on AIM we have grown sales at an average 16% per annum, very respectable, but there is a far more exciting story lying beneath the headline numbers. We are going to investigate.

LEGACY PRODUCT SALES 2005 - 2017
(£MILLIONS)

When we went public in 2005 we sold only one product – a liquid form of Tristel used inside endoscope washing machines to disinfect gastroscopes and colonoscopes. We call this our legacy product. For reasons beyond our control the machine manufacturers forced hospitals to switch away from us to their own disinfectants. Our sales went into decline from 2009, and have now have all but disappeared.

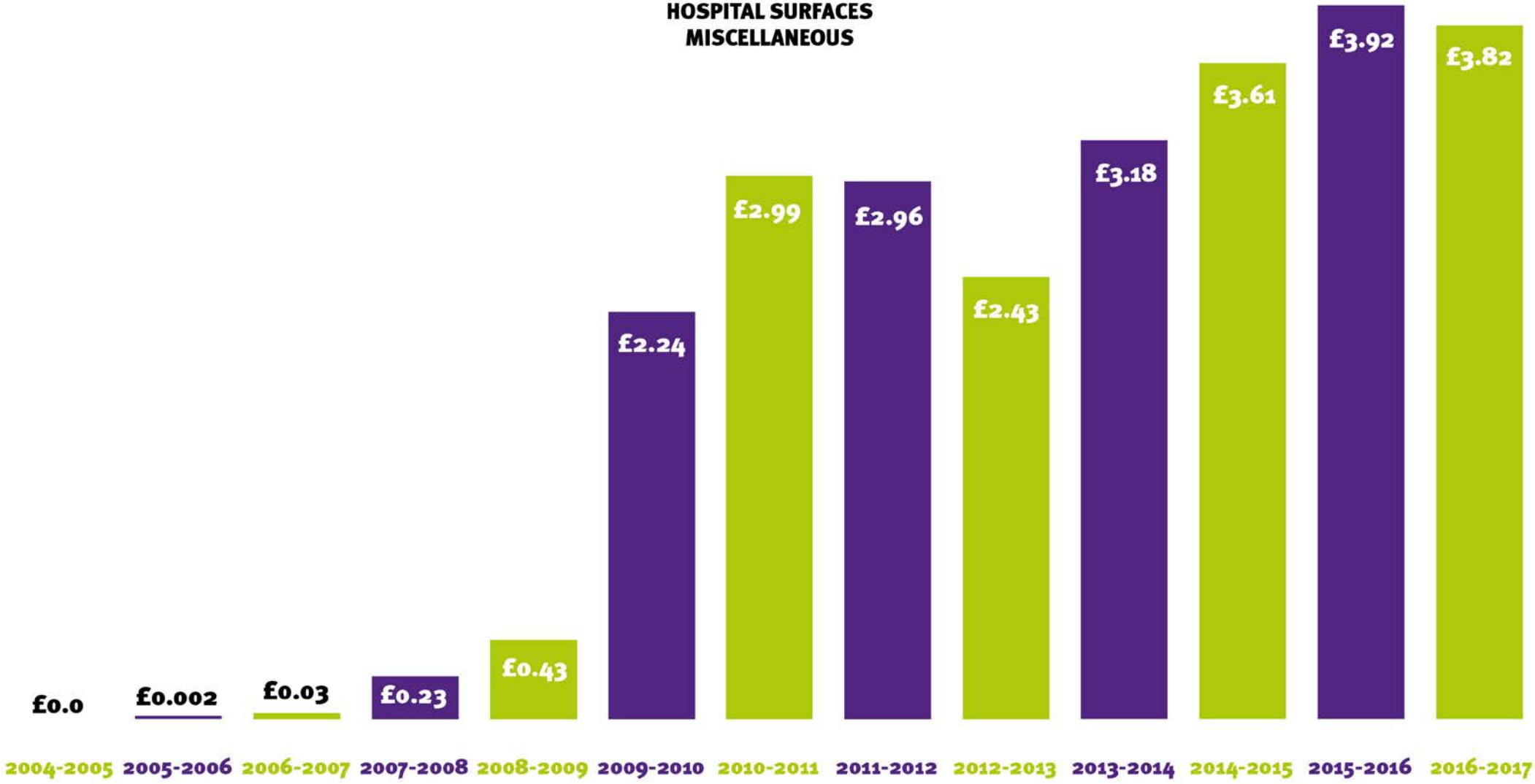
Yet we have still managed to grow during the past twelve years at 16% per annum.

OTHER PRODUCT SALES 2005 - 2017

(£MILLIONS)

INCLUDES:

VETERINARY
PHARMACEUTICAL
HOSPITAL SURFACES
MISCELLANEOUS

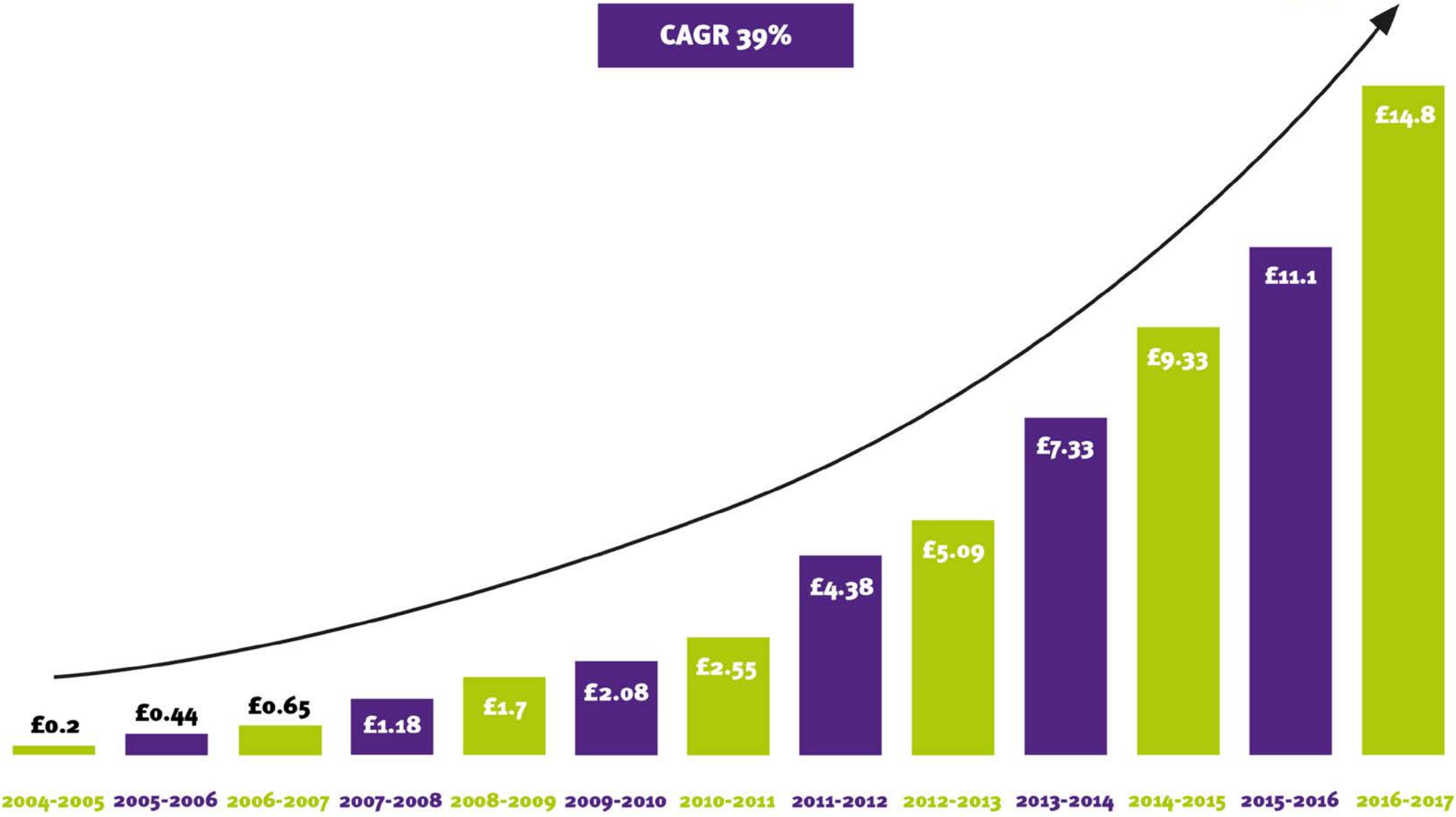


We reacted by diversifying into the veterinary and the pharmaceutical clean room markets – not selling chlorine dioxide, but other types of disinfectant chemistry that these markets were familiar with. We also developed a chlorine dioxide product range to disinfect general surfaces within hospitals. The results of these efforts have been mixed, as our chart shows. However, our veterinary portfolio and our pharma portfolio are both profitable and cash generative – we devote very little resource to them – and gradually the customer base in both markets is switching to chlorine dioxide. This has always been our long-term goal. We have no intention to divest or wind down these portfolios because they are valuable cash cows, and sit comfortably within our business model.

With respect to surface disinfection in hospitals, we remain very optimistic for the future. We have been searching for a product innovation that can really unlock the potential that we know exists, and we think we have found it. I won't dwell on this here, but I encourage you to visit our product display stands afterwards and you will be able to see what I am referring to.

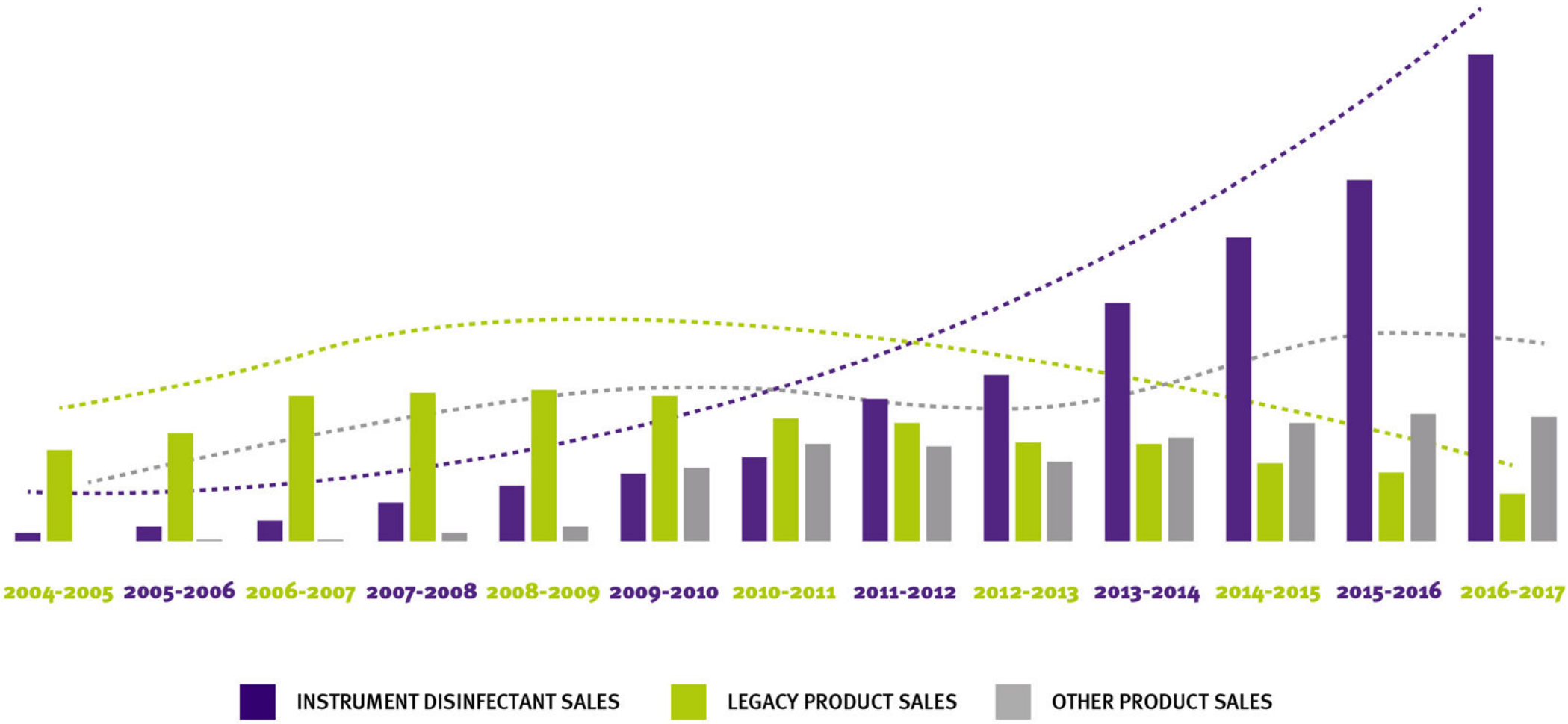
INSTRUMENT DISINFECTANT SALES 2005 - 2017

(£MILLIONS)



As you can see, our instrument disinfectant sales are the sizzle in the story, growing at an annual compound rate of 39% over twelve years. These products are chlorine dioxide based and manually applied – a stable of products that includes Trio and Duo.

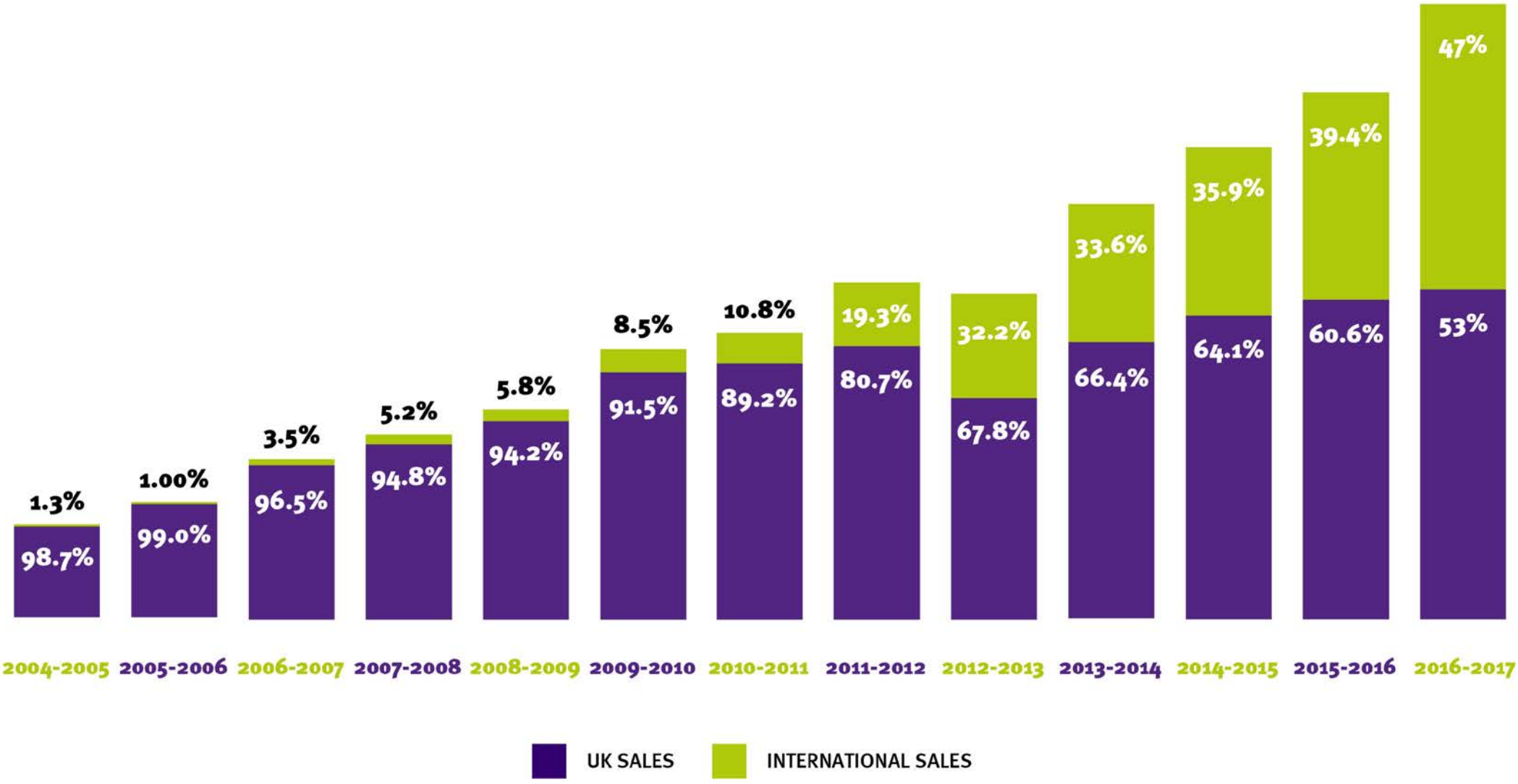
COMBINED SALES 2005 - 2017
(£MILLIONS)



Now, we combine the three charts, and we can see that when the drag of the declining legacy product finally comes to an end, and as we fire up growth in veterinary, pharma and hospital surfaces with our chlorine dioxide, we can look beyond a growth rate trending in line with the past, and envisage a higher growth environment for the company.

UK VS INTERNATIONAL SALES 2005 - 2017

(%SALES)



Another dynamic is at play. Overseas sales are growing far faster than UK sales where our pace of growth is inevitably slowing because of the very dominant market shares we enjoy in clinical areas like ear, nose and throat, ultrasound and emergency medicine.

We are doing business in nearly 40 countries. Overseas sales have doubled in the past four years. In the year that ended a fortnight ago, overseas sales increased by £2.6m, or 39%, and accounted for 47% of total group sales. As the proportion of overseas sales increases, the pace of group sales growth will accelerate.

REVENUE GROWTH TARGETS

2016-2019

10% PER ANNUM
BOTTOM END

15% PER ANNUM
TOP END

AS AN AVERAGE OVER THE THREE-YEAR STRATEGIC PLAN

Last October, at the time of our year end results, we gave our shareholders a crystal-clear view of our key strategic financial goals for the next three years. The revenue goal is to grow the top-line within a range of 10% to 15% as an annual average over the three financial years ending in 2019. As announced this morning, sales growth in the first year of the plan has been 17%, above the target range.

In our presentation so far, I have focussed on growth – ours has been a growth story, and so it should be given our unique technology and the dangers that antibiotic drug resistance and communicable disease pose to the world. But, it has not been growth at any cost. Your business is tightly managed, with a keen eye on costs, profit and cash. Liz, our FD, will continue.

THE SHAPE OF OUR ORGANISATION

110 EMPLOYEES,
81 IN THE UK AND 29 OVERSEAS

9 SUBSIDIARIES, INCLUDING RECENTLY
FORMED COMPANIES IN THE USA AND POLAND

1 ASSOCIATE COMPANY IN ITALY

6 STAFFED OFFICES, HERE IN SNAILWELL,
IN SHANGHAI, IN TAURANGA NEW ZEALAND,
IN MELBOURNE AUSTRALIA, IN MOSCOW,
AND IN BERLIN

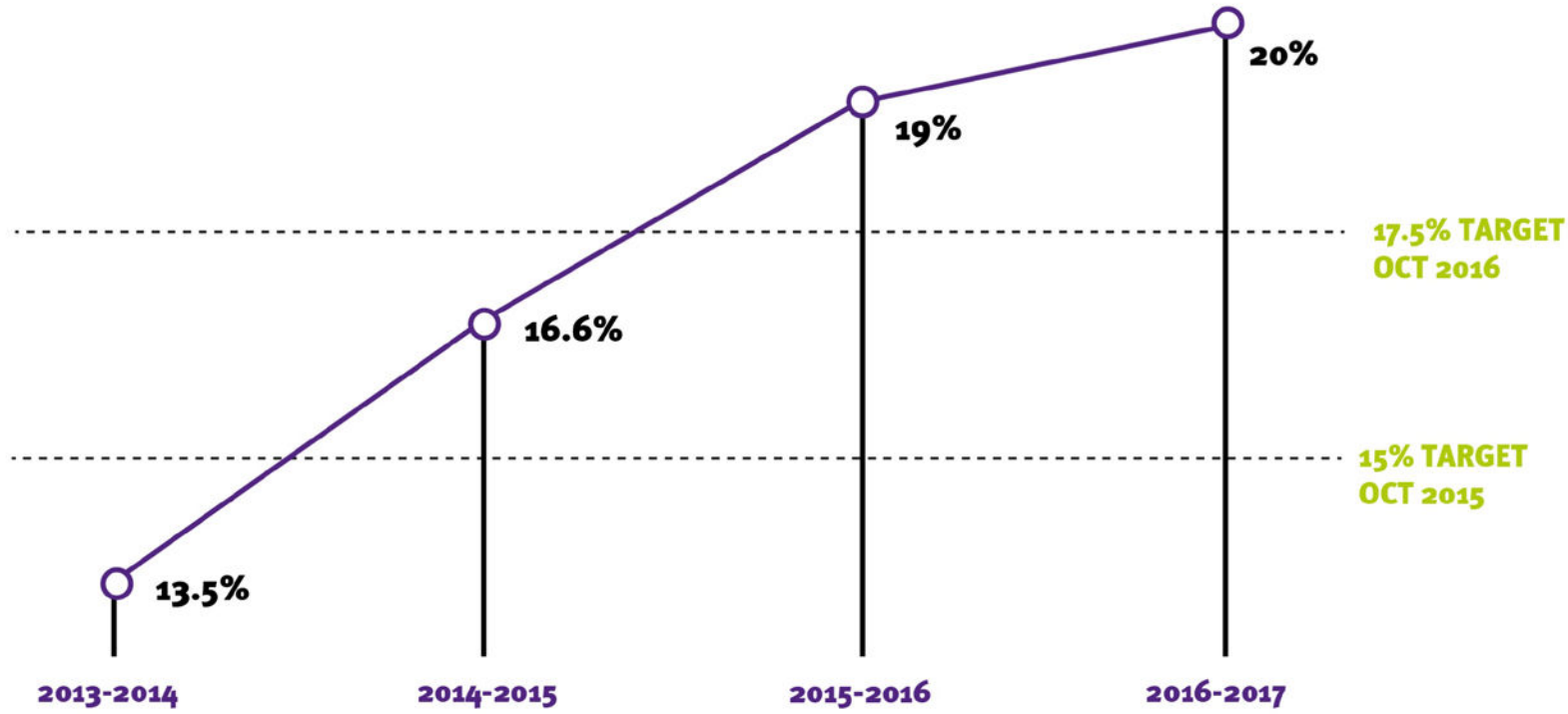
1 MANUFACTURING SITE IN SNAILWELL

This is the shape of our organisation.

We have 110 employees, 81 are based in the UK and 29 overseas. We have nine subsidiaries, including the recently formed companies in the USA and Poland. Six of the subsidiaries have staffed offices: in Shanghai, in Tauranga New Zealand, in Melbourne Australia, in Moscow, and in Berlin. And the largest is here in Snailwell from which we supply all of the other sites around the world with Tristel products. All our manufacturing takes place here.

PRE-TAX PROFIT MARGINS

2014-2017



In October 2015, when we first announced that we intended to enter the North American market, we set a strategic financial goal of achieving at least a 15% pre-tax margin even whilst incurring and expensing, the costs of seeking regulatory approval. We surpassed this target and in October last year we re-set it at 17.5%.

We announced this morning that pre-tax profit for 2016-17 will be a minimum of £4 million on sales of £20 million, which means a pre-tax margin of at least 20%. This is ahead of even the latest target.

UNITED STATES INVESTMENT
(£THOUSANDS)

We have made a very significant investment in our United States regulatory programme.

We spent £60,000 in 2015; £130,000 in 2016, and £500,000 in the year that has just ended. These costs relate to microbiology testing, toxicological studies and consultancy fees.

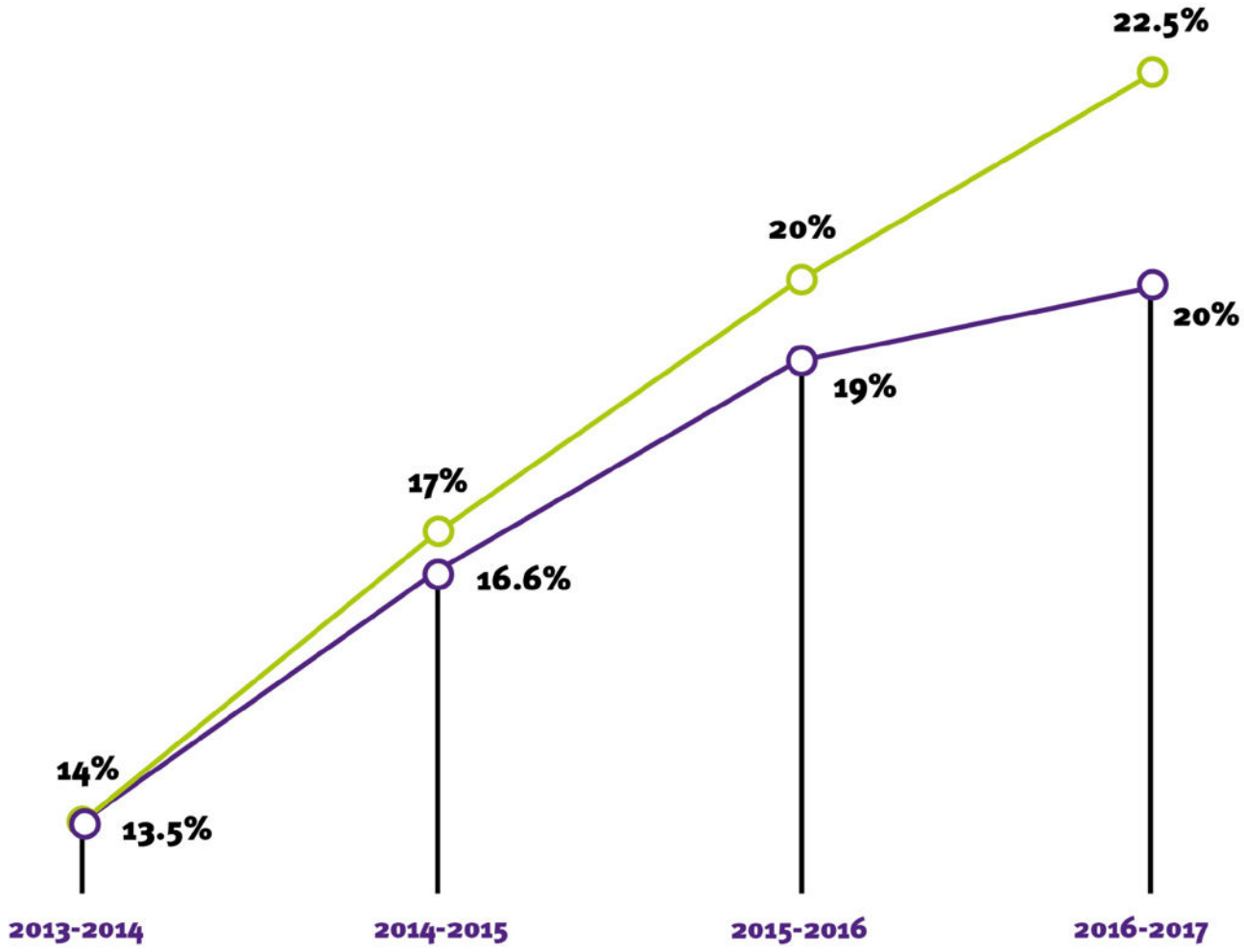
If we are successful in gaining approvals, regulatory costs will tail-off, but we can then expect them to be replaced by operational costs – office, administration, sales and marketing expenses. However, we will then have revenues in the USA to offset them. We should note that no United States revenue contribution is included in our analysts' current forecasts, and this is entirely appropriate as our first EPA submission has only just been made.

We are expecting to spend £300,000 this financial year in regulatory costs and have allocated a further £500,000 to setting up a North American operation in preparation for first sales.

So, what would our profitability look like if we added back these US costs.

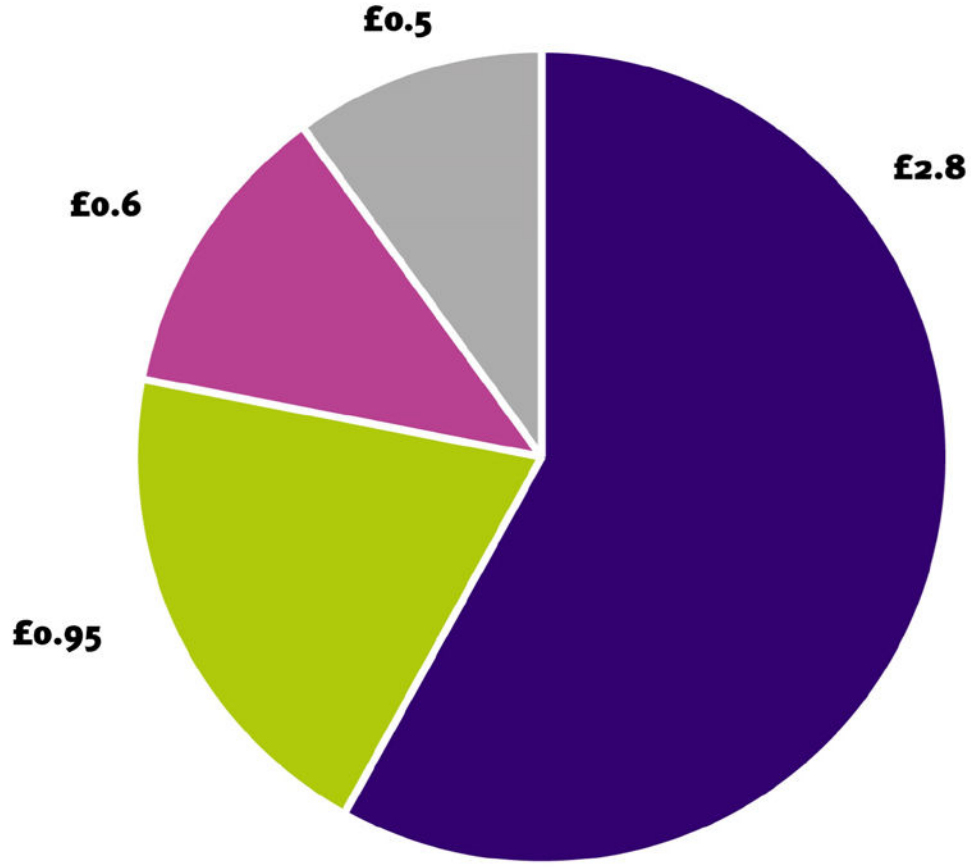
UNDERLYING PRE-TAX PROFIT MARGINS

2014-2017



The underlying profit margin in 2017 is 22.5%. It is this high level of profitability that has allowed us to invest in future opportunities of the significance of North America.

MAJOR CASH OUTFLOWS 2016 -2017
(£MILLIONS)



DIVIDENDS AUSTRALIAN ACQUISITION MOBILE ODT INVESTMENT NORTH AMERICA

Our company is not only very profitable, it is also very cash generative. On 30 June last year, we had £5.7 million cash. During the twelve months to follow, we spent: £950,000 in acquiring our Australian distributor, £600,000 in our investment in Mobile ODT, £500,000 on our USA market entry programme, and we distributed £2.8 million to shareholders as ordinary and special dividends. We ended the year – on 30 June 2017 – with over £5 million in cash. Our ability to generate cash to invest in future growth and at the same time provide a decent return to our shareholders is clear.

For the past two financial years, we have returned surplus cash to our shareholders via the payment of a special dividend – 3 pence per share in August 2015, and another 3p in August 2016. We are not making a similar announcement today because your Board is considering the company's dividend policy in view of these excellent results and the continuing cash generation of the business, whilst at the same time factoring in our expansion into North America. However, I can assure you that the current policy of two times cover will be maintained at the very least.

I would like to summarise that we have a very profitable business. It is highly cash generative, even whilst investing in the future; our cost base is being tightly controlled, and we are striving hard to be a better manufacturer – top line growth is essential, but whilst we have been increasing sales we have still continued to increase gross margins – 70% in 2015, 73% in 2016 and even higher than this in the year just ended. The Company's performance has been reflected in our share price. At last year's open day the price 119 pence. Last evening it was 213 pence.

THE BIG QUESTION IS:

JUST HOW BIG IS TRISTEL'S OPPORTUNITY?

We are at the halfway point in our presentation.

Your Board believes that we have created a very strong platform from which to move forward into a new phase of development of Tristel.
The big question is: just how big is our opportunity?

Without putting numbers to the answer, I am going to examine four aspects of the question which might help the debate.

The first aspect is for us to understand what being a high-level disinfectant means.

FIRST ASPECT

HIGH-LEVEL DISINFECTION
WHAT DOES IT MEAN FOR TRISTEL?

LOW & INTERMEDIATE DISINFECTION

↓

VARIOUS
INCLUDING
ALCOHOL

↓

NON-CRITICAL DEVICE

HIGH-LEVEL DISINFECTION

↓

CHLORINE DIOXIDE
HYDROGEN PEROXIDE
PERACETIC ACID
ALDEHYDES

↓

SEMI-CRITICAL DEVICE

LEVEL OF DISINFECTION | CHEMICAL OPTIONS | DEVICE CLASSIFICATION

It means that we are in an elite club. Apart from chlorine dioxide, the other chemistries that are capable of being classified as a high-level disinfectant are hydrogen peroxide, peracetic acid, and certain aldehydes whose use is being phased out around the world for safety reasons.

These high-level disinfectants are marked out by their ability to kill a very broad spectrum of organisms, including large numbers of bacterial spores. What is important to note is that regulators insist that a high-level disinfectant is used if a medical instrument is going to enter one of the cavities of the body – the rectum, the vagina, the nasal passage, the oesophagus, and they categorise these instruments as semi-critical.

The second aspect is to understand more about the technologies that create semi-critical devices.

SECOND ASPECT

SEMI-CRITICAL DEVICE TECHNOLOGIES
WHAT DOES IT MEAN FOR TRISTEL?

ENDOSCOPY	ULTRASOUND	ENDOSCOPY	ENDOSCOPY	DIRECT VIEW/ ULTRASOUND
↓	↓	↓	↓	↓
GASTROENTEROLOGY	ULTRASOUND & RADIOLOGY	EARS, NOSE & THROAT (ENT)	EMERGENCY MEDICINE	OPHTHALMOLOGY
↓	↓	↓	↓	↓
MACHINE	MACHINE/MANUAL	MANUAL	MANUAL	MANUAL
↓	↓	↓	↓	↓
MEDIVATORS*/ WASSENBURG**	TROPHON***/TRISTEL	TRISTEL	TRISTEL	TRISTEL

TECHNOLOGY HOSPITAL DEPARTMENT METHOD MARKET LEADER

*CANTEL MEDICAL **HOYA CORPORATION ***NANOSONICS PTY

We have mentioned endoscopy and ultrasound. These are two very different technologies – endoscopy obtains a visual image via fibre-optics or camera; ultrasound creates an image using high-frequency sound waves. Both are diagnostic techniques used in multiple hospital departments. Our competitors do not address both technologies at the same time and across their full breadth and width. We do.

And because our competitors disinfect instruments using machines they cannot address such a wide range of size and type of endoscope and ultrasound probe as we can with our manual process.

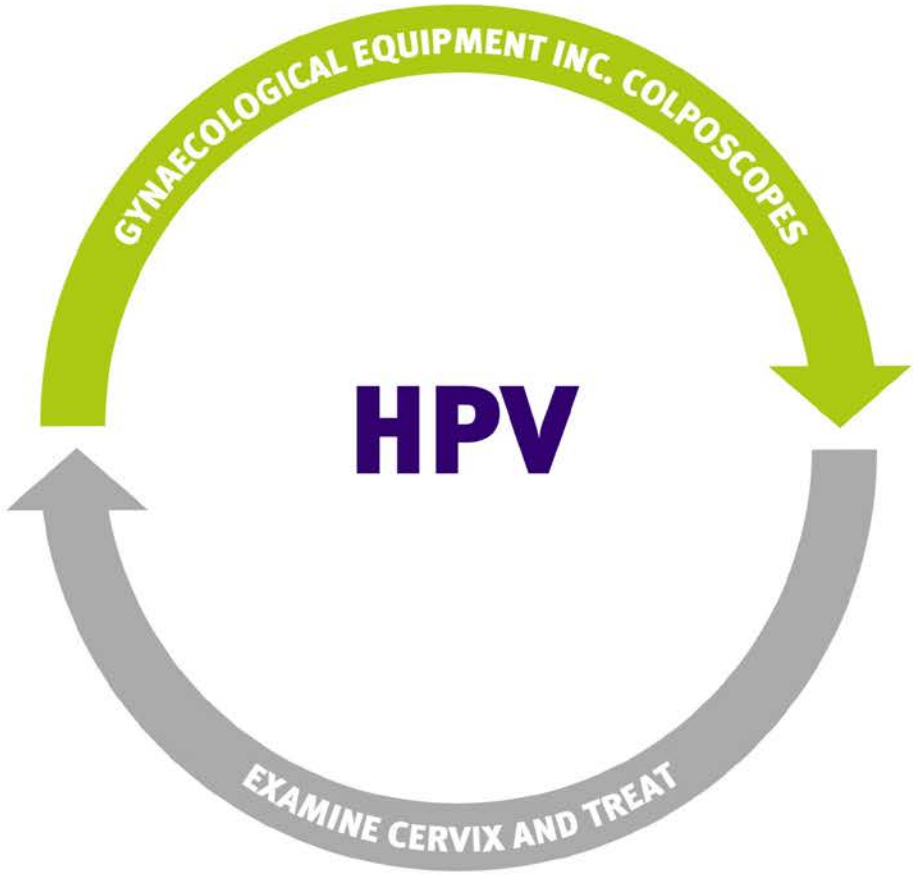
So, we can disinfect the small endoscopes used in ear, nose and throat; we can disinfect an intubating laryngoscope used in an ambulance where it would just not be feasible to operate an automated disinfection machine. And in ophthalmology, the tonometer prisms are so small they would get lost in a large disinfection machine. Don't forget all these are semi-critical devices requiring high-level disinfection.

We conclude that Tristel has a far larger addressable market than any of its competitors.

Now for the third aspect, and this one revolves around a virus – the Human Papilloma Virus, HPV.

THIRD ASPECT

HUMAN PAPILLOMA VIRUS (HPV)



CAUSE OF 99.5% OF ALL CERVICAL CANCERS WORLDWIDE

I mentioned earlier that the classical definition of a high-level disinfectant, which a semi-critical device needs to be disinfected by, is that it is effective against a broad spectrum of micro-organisms with good activity against bacterial spores – bacterial spores being the "tough guys" that lesser disinfectants cannot kill. But the battleground is changing as microbes constantly evolve and outwit us, and the old classification system which regulators have relied upon since the 1960's is being challenged by today's world. HPV has been shown in published work to be resistant to the disinfection action of aldehydes and low concentrations of peracetic acid– two of the four high-level disinfectants we mentioned earlier.

Many other studies have revealed that HPV is present and persistent on gynaecological instruments, including vaginal ultrasound probes. The Pennsylvania State University recently tested our chlorine dioxide chemistry in our Duo product and found it to be effective against HPV. I cannot emphasise strongly enough how important the HPV issue is to the future of Tristel.

The reason for this is that HPV is directly responsible for 99.5% of cervical cancers; and not just cervical cancer, but also the growing incidence of anal, penile, oral and head and neck cancers. These are the fastest growing group of cancers worldwide.

HPV's significance to women's health is a principal factor behind our recent investment of $750,000 in the Israeli company Mobile ODT.

THIRD ASPECT

HUMAN PAPILLOMA VIRUS (HPV) AND MOBILE ODT

MOBILE ODT'S EVA SYSTEM (COLPOSCOPE)

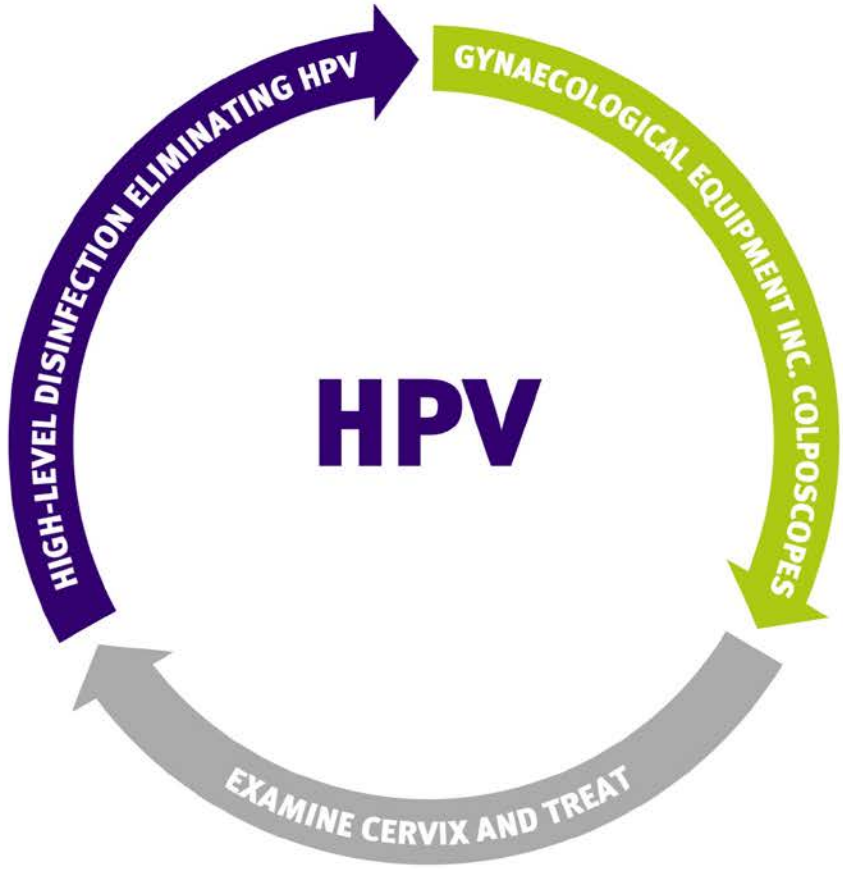
TRISTEL DUO HIGH-LEVEL DISINFECTANT FOAM

We stumbled across Mobile ODT just before last Christmas. The company combines a medical microscope to view the cervix with smart phone technology. It enables nurses to conduct examinations for potential cervical cancer, record and store images of the cervix, and access opinion of their diagnosis from expert and experienced gynaecologists who can be located elsewhere. This all happens through the cloud.

The key piece of Mobile's technology is its App. The company describes itself as a software company working with medical device hardware. Why did the company set our pulse racing?

THIRD ASPECT

HUMAN PAPILLOMA VIRUS (HPV)



CAUSE OF 99.5% OF ALL CERVICAL CANCERS WORLDWIDE

Because the purpose of their product is to examine the cervix for possible cancer which in 99.5% of all cases would be caused by HPV; colposcopes are proven to harbour this virus on their surface; current cleaning and disinfection practice is inadequate and ineffective against the virus; And we kill HPV. Tristel's collaboration with Mobile means that we can break the risk of infection transmission via the instrument. It's circular good sense.

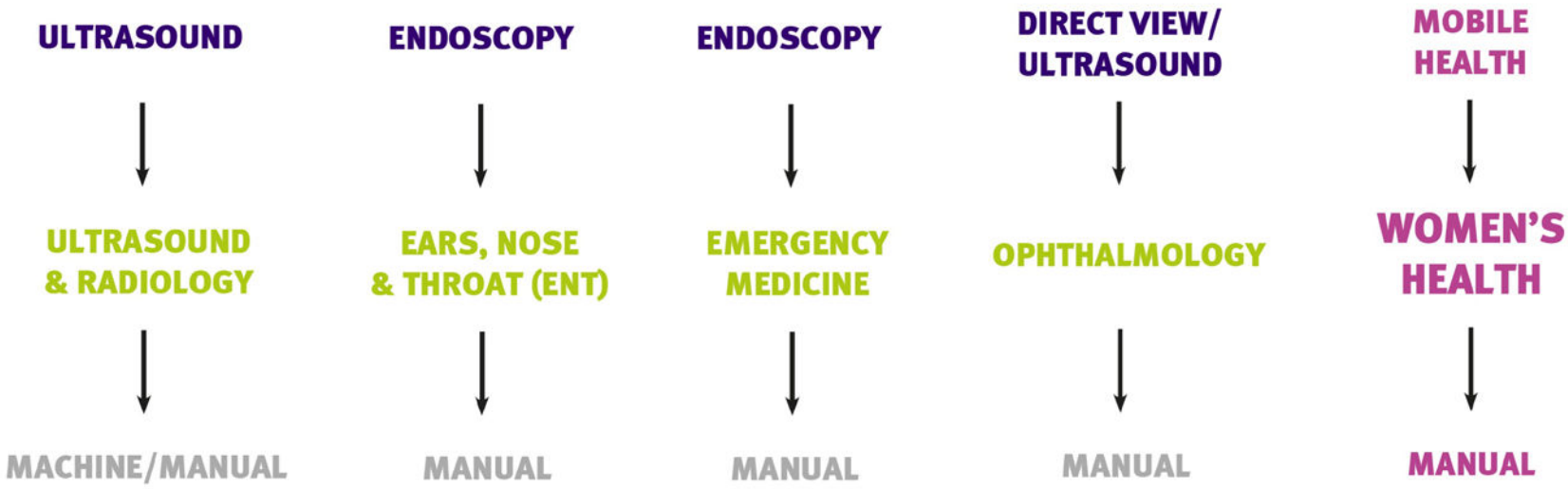
There is another compelling reason for us to have invested. Mobile ODT's colposcope is "mobile" and inexpensive, the key characteristics of Tristel's Duo, and the combination of our two companies' products make for a unique proposition to lesser-resourced healthcare worldwide. There are 5.8 billion people in our world who have no access to healthcare that we would consider adequate, yet a great number of this population has access to a mobile phone. This is a new frontier in medicine that is developing rapidly, and Tristel with its manual, transportable high-level disinfectants can be the unique answer to the risks of transmission of disease via the medical instruments used on the patients they are intended to help.

There is no possibility, and I emphasise no possibility, that automated disinfection technologies, requiring power, water, ongoing maintenance and capital expenditure can meet this need. Tristel can.

Now I am going to add in the perspective that with manually applied disinfection we can access the developing world, not just healthcare in the richer nations, and we can be involved with many more aspects of women's health – obstetrics and gynaecology – and not just ultrasound examinations.

MOBILE HEALTH

BROADENING TRISTEL'S GLOBAL REACH



TECHNOLOGY APPLICATION METHOD

There is no doubt that Tristel has a far greater addressable market than its competitors – we access both endoscopy and ultrasound; a wider variety of instruments, and we have the potential to become the gold standard for high-level disinfection in ultrasound, ear nose and throat, anaesthesia, ophthalmology and, now, women's health in the developing world.

And the fourth and final aspect to consider is our opportunity in the United States.

FOURTH ASPECT

NORTH AMERICA

TIMELINE

JUNE 2017
SUBMISSION

JUNE 2018
EPA APPROVAL

DECEMBER 2018
STATE BY STATE
APPROVAL

EPA

LOW & INTERMEDIATE DISINFECTION

SURFACES AND NON-CRITICAL DEVICES

SUBMISSION 30 JUNE 2017 (MADE)

EPA APPROVAL EXPECTED JANUARY-JUNE 2018

STATE-BY-STATE APPROVAL JANUARY-DECEMBER 2018

NON-CRITICAL PARTS

FULL DISINFECTION BY TRISTEL
JANUARY-DECEMBER 2018

DISINFECTION STEP ONE BY TRISTEL
JANUARY-DECEMBER 2018

FDA

HIGH-LEVEL DISINFECTION

SEMI-CRITICAL DEVICES

SUBMISSION EXPECTED JULY-DECEMBER 2018

USES/APPLICATIONS

OPHTHALMOLOGY | ULTRASOUND | EAR, NOSE & THROAT

SEMI-CRITICAL PART

DISINFECTION STEP TWO (HLD) BY TRISTEL
EXPECTED BY DECEMBER 2019

TIMELINE

DECEMBER 2018
SUBMISSION

DECEMBER 2019
FDA APPROVAL

You have seen a version of this slide previously, but here it is adapted to the United States regulatory framework.

The EPA has jurisdiction over low and intermediate disinfectants, excluding those of semi-critical devices which is the jurisdiction of the FDA. At the end of June we lodged our submission to the EPA for an intermediate level disinfectant. The product is our Duo.

We are continuing to work on our FDA submission for Duo, but whereas for the EPA we create one master label and include in it all the objects and surfaces we might wish to disinfect, with the FDA we create a specific label for an intended use. We will seek approval from the FDA for Duo for ophthalmic devices; Duo for ultrasound probes, and Duo for ear nose and throat endoscopes.

All the Duo's are the same – identical to each other: same contents, same efficacy, same safety profile.

The EPA has a set timetable of five months and 21 days between submission and approval. The FDA demands more data, which we are in the process of generating, and their review process is less predictable. Our anticipated timetable is shown on the slide.

I must admit that when we embarked on this United States journey we all thought that the FDA would be the critical achievement – the jubilee moment – and the EPA would only be relevant to our hospital general surface disinfection products. We have come to learn otherwise, and are very encouraged by the possibilities of the EPA approval.

The medical device illustrated is an ultrasound system. It could be from GE, Philips or Toshiba. You'll note that it has the screen and keyboard at one end, and the probe at the other. The probe is the part that enters the rectum or the vagina. But it is part of the entire system; not separate from it.

Various studies have demonstrated that microbial contamination is prevalent on all the parts of an ultrasound system, from the probe right back to the sonographer's keyboard. The view held by infection prevention experts is that the whole system needs to be disinfected, and as it is a device that is principally intended for women's health, the disinfectant must be effective against HPV.

There are essentially two HPV effective disinfection options: Tristel and an Australian product called Trophon. But the Trophon disinfector machine has been designed to accommodate the probe only – you cannot get the cord attached to the probe and connecting to the station into the Trophon. Tristel Duo is the only option to disinfect the entire system.

So, with an EPA approval we are in business in the USA in one of our key target clinical areas where we have been so successful in Australia – Trophon's home market – and Europe: ultrasound. Worldwide Duo for Ultrasound sales in the year just ended were £1.5 million.

We are very confident that FDA approval of Duo will come, and we need it for nasendoscopes for ear nose and throat, and laryngoscopes for anaesthesia. But the EPA approval, which we expect to receive early next year, is not the poor cousin to an FDA green light that we originally thought it might be.

Let's pull all four of these themes together. In the space of ten minutes we have mapped out a scenario in which Tristel's potential extends to more than half of the world's population. It might sound wildly optimistic, but believe us, it's not.