Interim report January – September 2022

The period in summary

Third quarter July 1 – September 30, 2022

- On July 20th, 2022 Intervacc announced that the company had received an order for the equivalent of approximately SEK 3 million from Dechra Pharmaceuticals PLC. The order concerns delivery of Strangvac® vials to be used for launch in selected European countries.
- On August 17 we announced that Strangvac® began being sold in the UK, which is expected to be a significant country for the vaccine.
- CEO Andreas Andersson and three other key persons have subscribed for 330,455 shares in Intervacc by exercising warrants. Through the issue, which was registered at the beginning of August, the company has received just over SEK 6 million.

Figures in brackets indicate outcome for the corresponding period of the previous financial year. The financial information presented relates to the Group and is expressed in TSEK unless otherwise stated.

Group key ratios

	01/07/22 -30/09/22	01/07/21 -30/09/21	01/01/22 -30/09/22	01/ -09/
Net sales	2 016	1 270	5 800	
Operating result	-14 583	-8 298	-41 019	-2
Result after financial items	-14 615	-8 316	-41 110	-2
Balance sheet total	294 895	333 631	294 895	33
Equity ratio	93%	95%	93%	
Number of shares outstanding end of period	50 490 843	50 160 388	50 490 843	50 16
Average number of shares before dilution	50 369 676	50 160 388	50 230 151	50 16
Average number of shares after dilution	50 436 297	50 408 794	50 378 876	50 40
Earnings per share before dilution	-0,29	-0,17	-0,82	
Earnings per share after dilution	-0,29	-0,17	-0,82	

Net Sales

Net sales during the first 9 months of 2022 amounted to SEK 5.8 million, which is a SEK 1.6 million increase compared with the same period 2021 (4.2), and for the third quarter net sales amounted SEK 2.0 million (1.3). The company's first proprietary product, Strangvac®, began to be sold on the

Swedish market in the last days of March 2022, in Denmark during Q2 and in Great Britain during Q3. In the financial statements for the period ending September 2022, the company has not recognized and reported income for goods delivered if the product has not been released for sale on the market, even if payment has been received. The amount received is 2 MSEK and is included in the cash balance at the end of September. The amount will be recognized as sales in Q4. Together with our partner and distributor Dechra Pharmaceuticals, Strangvac® will be launched on other markets in Europe where we are market authorization holder.

Earnings

The operating result for the nine months of 2022 amounted to SEK -41.0 million, which is a deterioration with SEK 20.4 million compared to the same period in 2021 (-20.6). For the third quarter the operating result amounted to SEK -14.6 million (-8.3). The negative operating result is mainly explained by the fact that the sale of the group's first in-house developed product, Strangvac®, is in a start-up phase and that after launch the company began depreciation on balanced development costs, which for the first nine months of 2022 amounts to SEK -10.2 million (-) and for the second quarter to SEK -4.4 million (-). Furthermore, the group has costs for both manufacturing, marketing, sales and regulatory compliance that are largely independent of volume, and thereby have a large impact at smaller volumes.

Cash Flow

During the first nine months of 2022, working capital increased by and affected cash flow by SEK -24.6 million (-3.5), mainly through the build-up of inventories, which meant that SEK -26.4 million (-3.2) affected cash flow. Cash flow during the first nine months of 2022 has meant that cash and cash equivalents decreased with SEK -50,8 million (-36.0) whereof third quarter amounted to SEK -11,5 million (-13.1) and cash amounted to SEK 65.0 million (128.3) on the balance sheet date.

Financial position

At the end of third quarter 2022 equity amounted to SEK 273.1 million, which compared to the same date last year is a decrease with SEK 43.8 million. Approx. 56% (49%) of the group’s total assets has been invested in capitalized development expenditure which amounts to SEK 165.4 million at the end of third quarter 2022 (164.4). Cash which on the balance sheet date amounted to SEK 65.0 million (128.3), are greatly affected by the launch of Strangvac in Europe and the investments made in research and development, where our new and ongoing projects are becoming increasingly important. It also includes, for example, the upcoming regulatory process with the USDA (US Department of Agriculture), and technology transfer for the US market.

CEO Comments

Sales start for Strangvac in several important European markets

On October 12th, Strangvac® was released for sale in Germany, France, Austria and the Benelux countries. We and Dechra Pharmaceuticals now sell Strangvac® in several of the most important European markets where the vaccination rate against other diseases affecting horses is high.

During August, Dechra Pharmaceuticals began selling Strangvac® in Great Britain. The UK is expected to be one of the biggest markets in Europe for Strangvac® and the launch has been well received by opinion leaders. Our Chief Scientific Officer, Dr. Andrew Waller, has participated in several marketing activities with Dechra.

We are currently in a start-up phase where we and Dechra are launching Strangvac® in new markets. This means, in addition to intensive sales and marketing work, we are also conducting important regulatory work and fine-tuning of production processes. These efforts are costly but form the basis of the expansion phase of which we are only at the beginning.

In parallel with the launch of Strangvac® in Europe, we are working on the regulatory process towards the approval of Strangvac® in the USA. The US market is the world's largest market for horse vaccines. We feel confident that Strangvac® will be approved, but we do not yet know the timeline for the completion of this process.

Through our chosen business model where we hold marketing licenses and are responsible for, and control, manufacturing, we have economies of scale that come with the manufacture of larger quantities of vaccines. We have costs for manufacturing, marketing, sales, quality control and other regulatory requirements that have a large impact at smaller volumes.

In the income statement, we have significant costs in the form of depreciation that do not affect the cash flow, and during the first nine months of the year the depreciation amounted to almost SEK 15 million, corresponding to a little over 36% of the loss. In terms of cash flow, we have also invested significant funds in our inventory. During 2022 this amounted to approx. 26.5 MSEK, which is more than half of the negative cash flow and has enabled us to build-up stock, mainly regarding the active ingredients, the vaccine antigens. This is a major investment that we will be able to utilise for the manufacture of vaccine for several years to come.

In parallel, we are making investments in our development portfolio, which has resulted in decisive progress. These are important steps on the way to broadening our portfolio with more proprietary vaccines.

Strangvac® paves the way for a new generation of vaccines against bacterial infectious diseases. Based on the same technology platform, and with a focus on similar types of bacterial infections, we aim to develop more safe and effective vaccines. At the forefront of our development portfolio, we have a prototype vaccine against *Streptococcus suis,* one of the most serious pathogens affecting piglets. Piglets are mainly affected during the first weeks of life, but it can be difficult to get vaccines to work in very young individuals before their immune system is fully developed. Therefore, we were delighted when earlier this year we showed that vaccination of pregnant sows with our prototype vaccine provided protection to piglets through the transfer of immunity via colostrum immediately after birth. There is currently no effective vaccine against *S. suis* infections and the demand for a vaccine is great. Today, *S. suis* infections are treated with antibiotics and there is reason to assume that the need for a vaccine will increase further as the use of antibiotics decreases. The EU aims to reduce antibiotic use by 50% from 2020 to 2030.

We estimate that there are just under 1 billion pigs globally, and approximately 150 million pigs in the EU. Of the 150 million pigs in the EU, approximately 10 million are breeding sows.

Earlier this year, we also communicated progress in our project to develop a vaccine against infections caused by *Staphylococcus aureus*. In the study, we showed that pregnant heifers vaccinated with the prototype vaccine developed high levels of antibodies, and that they had only mild side effects that resolved in a few days without treatment. In the next step, part-funded by a grant from the EU's VetBioNet programme, we are testing whether the vaccine protects against *S. aureus* infection. The goal is to produce a vaccine that reduces the risk of mastitis, which is one of the most common bacterial diseases affecting dairy cows worldwide. In Europe alone there are 2.6 million cases of mastitis every year, causing annual losses of around 600 million euros, losses which have likely increased further with the rising price of milk. In about 25% of cases, mastitis is caused by *S. aureus*, and mastitis is the most common reason for antibiotic use in dairy cows.

On a global level, more antibiotics are used on healthy animals today than on sick people, and studies estimate that close to three quarters are given to food-producing animals. We see that vaccines for animals have a large and important role to play in reducing the need to use antibiotics and thus reducing the development of antibiotic resistance. It is a priority area, not least within the EU, and it gives us opportunities to finance parts of our research and development through external support and grants.

Together with Dechra, we have now started selling Strangvac® on the most important markets in Europe. Our vaccine is already making a difference in the fight against equine strangles and with the same technology platform we are developing more vaccines against serious bacterial infectious diseases. We are at the absolute forefront of our niche.

Andreas Andersson, CEO

Significant events during the period July 1 – September 30, 2022

Strangvac® available for sale in the UK

On August 17th 2022 Intervacc announced that Strangvac® was available for sale in the UK. Veterinarians in UK can now start vaccinating horses against the infectious equine disease strangles. With an estimated 600 outbreaks each year in the UK alone, strangles is feared by many horse owners. The vaccine is in UK, and a number of other European countries, distributed by Dechra Pharmaceuticals PLC.
Strangvac® is approved for sale and marketing in the EU as well as the UK, Norway and Iceland, and has been launched in Sweden, Denmark and during august in the UK. The UK is expected to be one of the largest markets in Europe for the vaccine against this highly contagious infectious disease of horses.

Intervacc receives order for Strangvac® from the Dechra Pharmaceuticals PLC Group for launch in selected European countries

Intervacc announced on July 20th, 2022 that the company had received an order for approximately SEK 3 million from Dechra. The order concerns the delivery of Strangvac®, a vaccine against the highly contagious and serious infectious disease equine strangles, which is endemic across Europe. The order contains vaccine vials for selected countries including the UK, Germany and

France.

Change in number of shares and votes in Intervacc AB (publ)

CEO Andreas Andersson and three other key persons have subscribed for shares in Intervacc by exercising warrants.

The now completed incentive program resulted in the utilization of all 330,455 warrants, each of which gave the right to subscribe for one new share at a price of SEK 18.52 per share. Intervacc thus receives approx. SEK 6 million in cash. After completed registration of issued shares, the total number of shares and votes in Intervacc AB (publ) as of 4 August 2022 amounts to 50,490,843.

Significant events after the period

Strangvac® released for sales in Germany, France, Austria and the Benelux

On October 12th, 2022 Intervacc announced that the first batch of Strangvac for sale in Germany, France, Austria, Belgium, Luxemburg and the Netherlands has been released.

Strangvac® is approved for sale and marketing in the EU as well as the UK, Norway and Iceland, and has been launched in Sweden, Denmark and in the UK. France, Germany, and the Benelux region are among the largest markets in Europe for equine vaccines. Outbreaks of equine strangles occur regularly and is the cause of great suffering and costs in these regions and across Europe. With the release, we have a finished product approved for launch in these countries. This is significant milestone for our continued launch around Europe.

Certified adviser

Eminova Fondkommission is Intervacc's Certified Adviser.
Eminova Fondkommission AB
Biblioteksgatan 3, 3 tr.
114 46 Stockholm
Tel: +46 8 684 211 10
adviser@eminova.se

Dates for upcoming reports

February 17, 2023 Year-end report January 1 - December 31, 2022

Contact information

Andreas Andersson, CEO
Phone: +46 (0)8 120 10 601, Cell: +46 (0)73 335 99 70
E-mail: andreas.andersson@intervacc.se

The interim report for the period January – September 2022 is attached to this press release and is available on the company's website www.intervacc.se/investors/reports.

This information is information that Intervacc AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.30 CET on November 10, 2022.

About Intervacc

Intervacc AB is a Swedish company within animal health developing safe, effective vaccines for animals. The Company's vaccine and vaccine candidates are based on research at Karolinska Institutet and Swedish University of Agricultural Research where the foundation was laid for the Company´s research and development work. The Intervacc share has been listed on the Nasdaq First North Growth Market since April 2017.

Date Created
2022-11-10