



## MAUNA KEA TECHNOLOGIES REPORTS FIRST HALF 2018 FINANCIAL RESULTS

**Strong consignment placements in 1H18, including 11 consignments in Q2 2018 vs. 2 in Q2 2017, with Q2 2018 U.S. sales up 56% vs. Q2 2017**

**Operating expenses up 4% due to Sales and Marketing investments**

**Operating Loss at 6 479 K€ at the end of June**

**Cash position of €15.1 million at June 30, 2018**

Mauna Kea Technologies will host a conference call today at 7:15 PM (CET / Paris time) / 1:15 PM (ET / New York time) to discuss the Company's first half 2018 financial results and to provide a business update. The conference call will be hosted by Sacha Loiseau, CEO, and Christophe Lamboeuf, CFO. To access the conference call, please use one of the following dial-in numbers at least 5 minutes prior to the scheduled start time and follow the instructions: USA: +1 877-407-4018 / Toll-International +1 201-689-8471 / UK: +44 (0) 800-756-3429 / FR: +33 (0) 800-912-848. The passcode for the conference call is: 13683257. Following the conclusion of the live call, a replay will be available for seven days. To access the replay, please dial one of the following numbers: USA: +1 844-512-2921 / UK/FR: +1 412-317-6671. The passcode for the replay is: 13683257.

**Paris and Boston, September 20, 2018 – 5.45 PM CEDT – Mauna Kea Technologies** (Euronext: MKEA, OTCQX: MKEAY, MKEAF) inventor of Cellvizio<sup>®</sup>, the multidisciplinary confocal laser endomicroscopy platform, today announced its financial results for the half-year ended June 30, 2018.

Sacha Loiseau, Ph.D., Founder and Chief Executive Officer of Mauna Kea Technologies, stated, "Our performance in the first half of 2018, and in particular the second quarter, reflects the investments we have made in our commercial infrastructure and our focus on pay-per-use agreements in the U.S. Placements of consignment systems in the first half of 2018 exceeded placements for all of 2017, suggesting that our strategy is gaining traction. Furthermore, second quarter consumable sales were up 60% in the U.S., where we have directed the majority of our commercial efforts. We believe that the continued expansion of our installed base will support sustainable, long-term growth in recurring revenues. However, the inherent lag between system placements and consumable sales growth has temporarily impacted our gross margins. Overall, we are gaining momentum and beginning to benefit from the strategic shift we implemented in 2017 and are committed to driving future growth."

### **First Half 2018 Highlights**

- As previously reported, sales declined 18%, primarily attributable to the first quarter with accelerating momentum in the second quarter
- Gross margin of 64% compared to 68% in first half of 2017, due to lag between Q2 2018 placements and usage
- Operational loss was €6.5 million (vs. €5.5 million in first half of 2017)
- Net loss was €6.8 million vs. €5.8 million in first half of 2017
- Cash and cash equivalents were €15.1 million as of June 30, 2018

**First Half 2018 Financial Results**

(in € thousands) – IFRS	1H 2018 (June 30, 2018)	1H 2017 (June 30, 2017)	Change %
<b>Operating Revenue</b>			
<i>Sales</i>	2,707	3,285	(18%)
<i>Other Income</i>	525	469	12%
<b>Total Revenue</b>	3,232	3,753	(14%)
<b>Operating Expenses</b>			
<i>Cost of Sales</i>	(987)	(1,040)	(5%)
<i>Gross Margin (% of Sales)</i>	64%	68%	
<i>Research &amp; Development</i>	(2,235)	(2,196)	2%
<i>Sales &amp; Marketing</i>	(4,376)	(4,211)	4%
<i>Administrative Expenses</i>	(2,069)	(1,664)	24%
<i>Share-Based Payments</i>	(43)	(183)	(77%)
<b>Total Operating Expenses</b>	(9,712)	(9,294)	4%
<b>Operating Profit (Loss)</b>	(6,479)	(5,540)	17%
<b>Net Profit (Loss)</b>	(6,836)	(5,787)	18%

**First Half 2018 Revenue: 25 total systems shipped with 16 systems placed under consignment**

As previously reported, the Company saw an 18% decline in sales in the first half of 2018, primarily attributable to a 35% decline in the first quarter, which was partially offset by accelerating momentum in the second quarter. While second quarter 2018 sales were stable compared to the same period prior year, we demonstrated 60% sequential growth driven by a significant increase in second quarter consumable sales. The Company shipped 25 Cellvizio systems in the first half of 2018, including 16 systems placed under consignment, compared to 22 systems in the first half of 2017, including 8 systems under consignment. The 16 systems consigned in the first half of 2018 not only represent a 100% increase compared to first half 2017 placements of 8 systems, but also exceed the 13 systems placed for all of 2017. In the first half of the year, revenue generated by the pay-per-use program declined by 14% compared to the same period prior year, as the limited number of sales representatives operating in the United States in the first quarter resulted in low utilization.

**Clinical sales**

Clinical sales in the US & Canada in the first half of 2018 were €1.3 million, a decrease of 7% compared to the same period last year. A total of 16 systems were consigned to the U.S. & Canada in the first half of the year, of which 11 systems were placed during the second quarter in addition to the five placed during the first quarter, reflecting the U.S. sales team's early ability to execute.

Clinical sales increased by 29% in the Asia-Pacific region as the Company continued generating top-line growth in China, driven by our partner's activities. This was offset by a 48% decline in EMEA coupled with an 87% decline in LATAM as the Company continued to focus its resources on the growth of its core clinical business in the U.S.

**Pre-clinical sales**

As stated in prior quarters, pre-clinical sales are by nature less recurring than clinical ones, resulting in a difficult comparison from one period to another. Pre-clinical sales declined by 23% in the first half 2018 compared to the year-ago period.

**First Half 2018 Consolidated Results**

Gross margin in the first half of 2018 was 64% compared to gross margin of 68% in first half of 2017 due to the time lag between the production and delivery costs of the pay-per-use probes and the associated recurring



revenues. This effect is accentuated by the strong investment in pay-per-use probes at the end of the second quarter, which has not yet had a corresponding impact on sales.

- Sales and marketing expenses in the first half of 2018, including spending on clinical affairs, regulatory and reimbursement, were €4,376 thousand, a 4% increase compared to €4,211 thousand in the prior year. This increase was anticipated following the restructuring of our U.S. sales team, which was completed in the first quarter of 2018, and reflects the Company's commercial and marketing investments required to support the deployment of the pay-per-use model in the U.S.
- Research and development expenses in the first half of 2018 were €2,235 thousand, an increase of 2% compared with €2,196 thousand in the prior year. Taking into account the research tax credit, net research and development expenses amounted to €1,726 thousand for the first half of 2018.
- General and administrative expenses in the first half of 2018 were €2,069 thousand, a 24% increase compared with €1,664 thousand in the prior year. This increase reflects unfilled positions in 2017 (Finance and HR) as well as recruitment costs in the United States as part of the reconstitution of our American sales team in 2018.

Total operating expenses, including cost of sales, amounted to €9,712 thousand in first half of 2018, compared with €9,294 thousand in the same period last year. This amount includes €936 thousand in depreciation and provisions, up €355 thousand from first half of 2017.

Operating loss in the first half of 2018 was €6,479 thousand compared to €5,540 thousand in the prior year, reflecting the impact of decreased sales [of €578 thousand] coupled with the increase in depreciation and provisions [of €355 thousand].

Net loss in the first half of 2018 was €6,836 thousand compared to €5,787 thousand in the prior year.

As of June 30, 2018, the Company had €15.1 million in available cash.

Cash burn (total cash flows excluding cash flows from financing activities) remained stable at €5,860 thousand in the first half of 2018 compared to €5,689 thousand in first half 2017.

Mauna Kea Technologies had 98 employees as of June 30, 2018, compared to 90 as of December 31, 2017 and 81 as of June 30, 2017.

The consolidated accounts for first half of 2018 have been audited and legal audit reports are currently being issued.

### **About Mauna Kea Technologies**

Mauna Kea Technologies is a global medical device company focused on eliminating uncertainties related to the diagnosis and treatment of cancer and other diseases thanks to real time in vivo microscopic visualization. The Company's flagship product, Cellvizio, has received clearance to sell for a wide range of applications in more than 40 countries, including the United States, Europe, Japan, China, Canada, Brazil and Mexico. For more information on Mauna Kea Technologies, visit [www.maunakeatech.com](http://www.maunakeatech.com)

### **Contacts**

#### **United States**

Lee Roth  
The Ruth Group  
646-536-7012  
[lroth@theruthgroup.com](mailto:lroth@theruthgroup.com)

#### **U.S. Media**

Kirsten Thomas  
The Ruth Group  
508-280-6592

[kthomas@theruthgroup.com](mailto:kthomas@theruthgroup.com)

#### **France and Europe**

NewCap - Investor Relations  
Tristan Roquet Montégon



+33 (0)1 44 71 94 94

[maunakea@newcap.eu](mailto:maunakea@newcap.eu)

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