

FINAL RESULTS

For the year ended 31 December 2016

“...Results ahead of expectations.....establishing a track record of success.....building a strong platform..”

Nigel Rogers – Executive Chairman

Melanie Ross – CFO & COO

March 2017



What We Do

Surgical Innovations specialises in the design, manufacture and sale of innovative devices for use in minimally invasive surgery (MIS)

We distribute our product worldwide through a network of trusted partners

The Group designs and develops medical solutions for carefully selected OEM Partners including Advanced Medical Solutions Plc

The Group provides precision engineering solutions to complex problems with key strategic partners



Highlights

- **2016 a breakout year**
 - Results ahead of expectations
 - Management establishing a track record of success
- **Building a Strong Platform**
 - Increased net assets
 - Repaid debt
 - Unutilised facilities
- **Weathering Turbulence**
 - Pressure on health spending
 - Brexit uncertainties
 - Regulatory changes
- **Dynamic Sector**
 - Opportunities to consolidate/invest
 - BUT barriers to new entrants



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Operational Highlights

- **New/Growing Customers**
 - Successful expansion into South American markets
 - Regulatory barriers successfully negotiated in Middle East
 - Russia / Belarus clinical evaluations in place
- **New Products**
 - YelloPort™ Elite
 - Ligation products brought online towards the end of the year
 - Strong development pipeline with further products nearing completion
- **Strong margin**
 - Cost savings implemented
 - Operational gearing
 - FX
- **Surgical Dynamics Acquisition**
 - Additions to product portfolio
 - Access to new technology



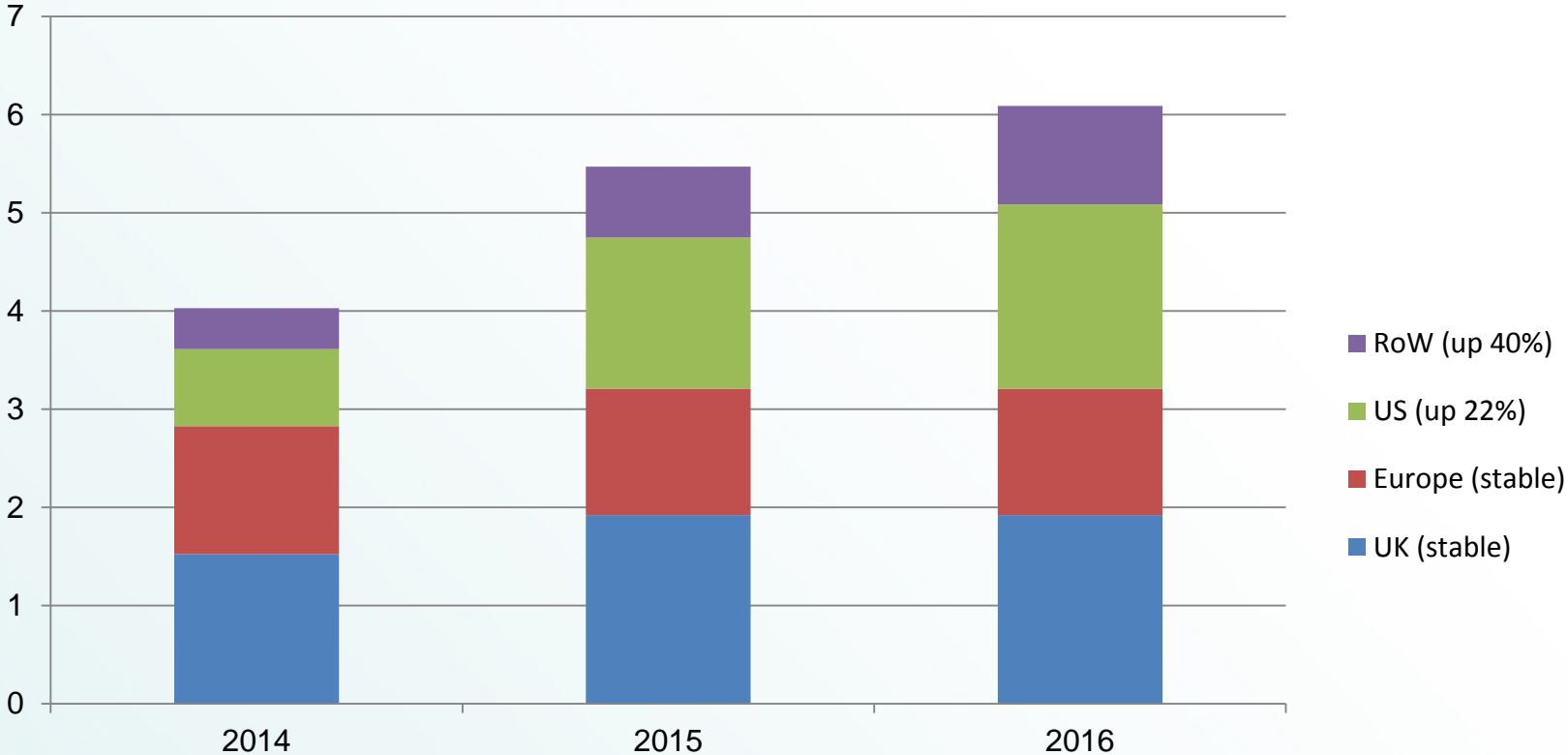
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Financials – Income Statement

	2016 £m	2015 £m	
Revenue	6.09	5.47	Revenue up 11%
Cost of sales	(4.03)	(4.70)	
Gross profit	2.06	0.77	Gross margin of 34.0% (2015:15%)
Other operating expenses	(1.59)	(2.74)	
Adjusted EBITDA	1.41	0.24	
Exceptional items	-	(1.29)	No further exceptional items in 2016
Amortisation of intangible assets	(0.43)	(0.42)	
Depreciation	(0.51)	(0.50)	
Operating profit/(loss)	0.47	(1.97)	Operating margin of 7.7% (2015: negative)
Net finance costs	(0.19)	(0.15)	
Profit/Loss before taxation	0.28	(2.12)	
Taxation credit	0.44	0.09	EPS 0.15 pence (2015: 0.42 pence)
Profit/Loss attributable to shareholders	0.72	(2.03)	



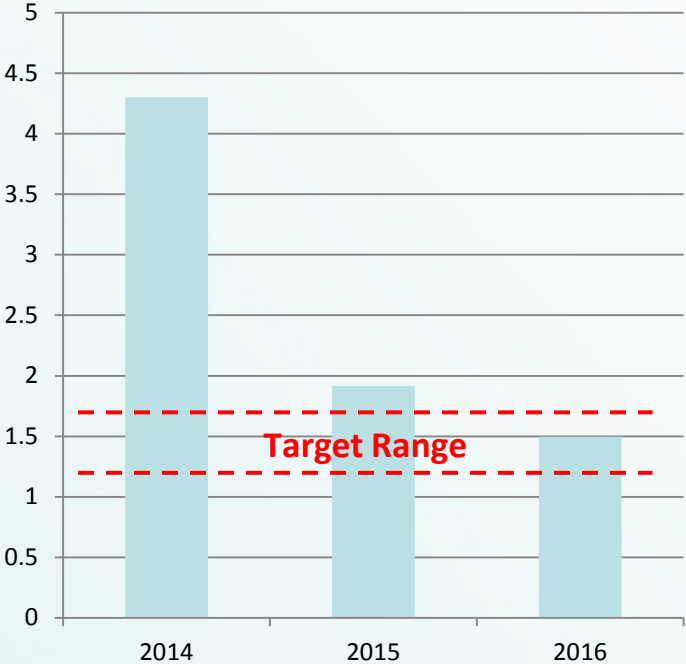
Export Led Revenue Growth (£m)



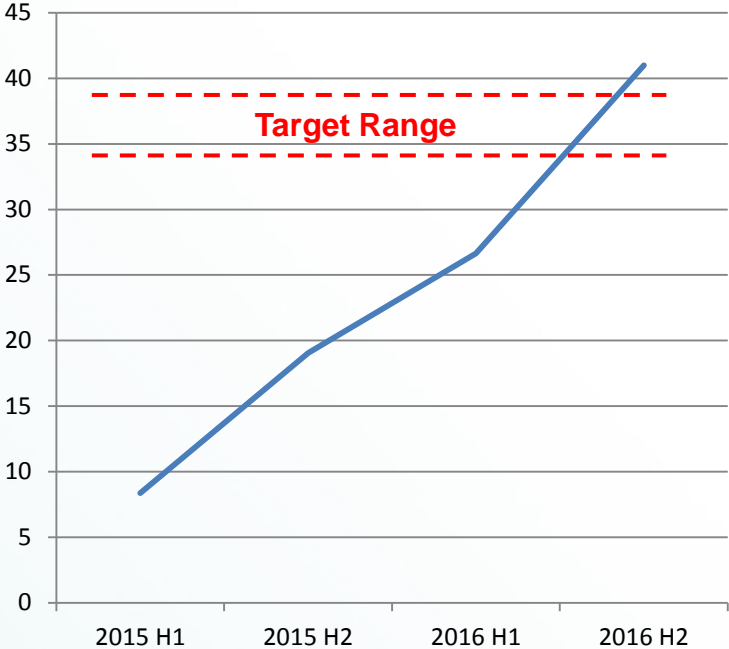
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Productivity gains

Net Inventory £m



Gross Margin (% of revenues)



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Financials – Cash flows

	2016 £m	2015 £m
Cash flows from operating activities		
Operating profit/(loss)	0.47	(1.98)
Exceptional items	-	1.15
Depreciation & amortisation	0.94	0.93
Other	0.08	(0.04)
Operating cash flows before movements in working capital	1.49	0.06
Inventories	0.80	1.59
Receivables	0.18	0.47
Payables	(0.06)	(0.54)
Cash generated from operations	2.41	1.58
Taxation received	0.53	-
Interest paid (net)	(0.09)	(0.07)
Net cash generated from operations	2.85	1.51



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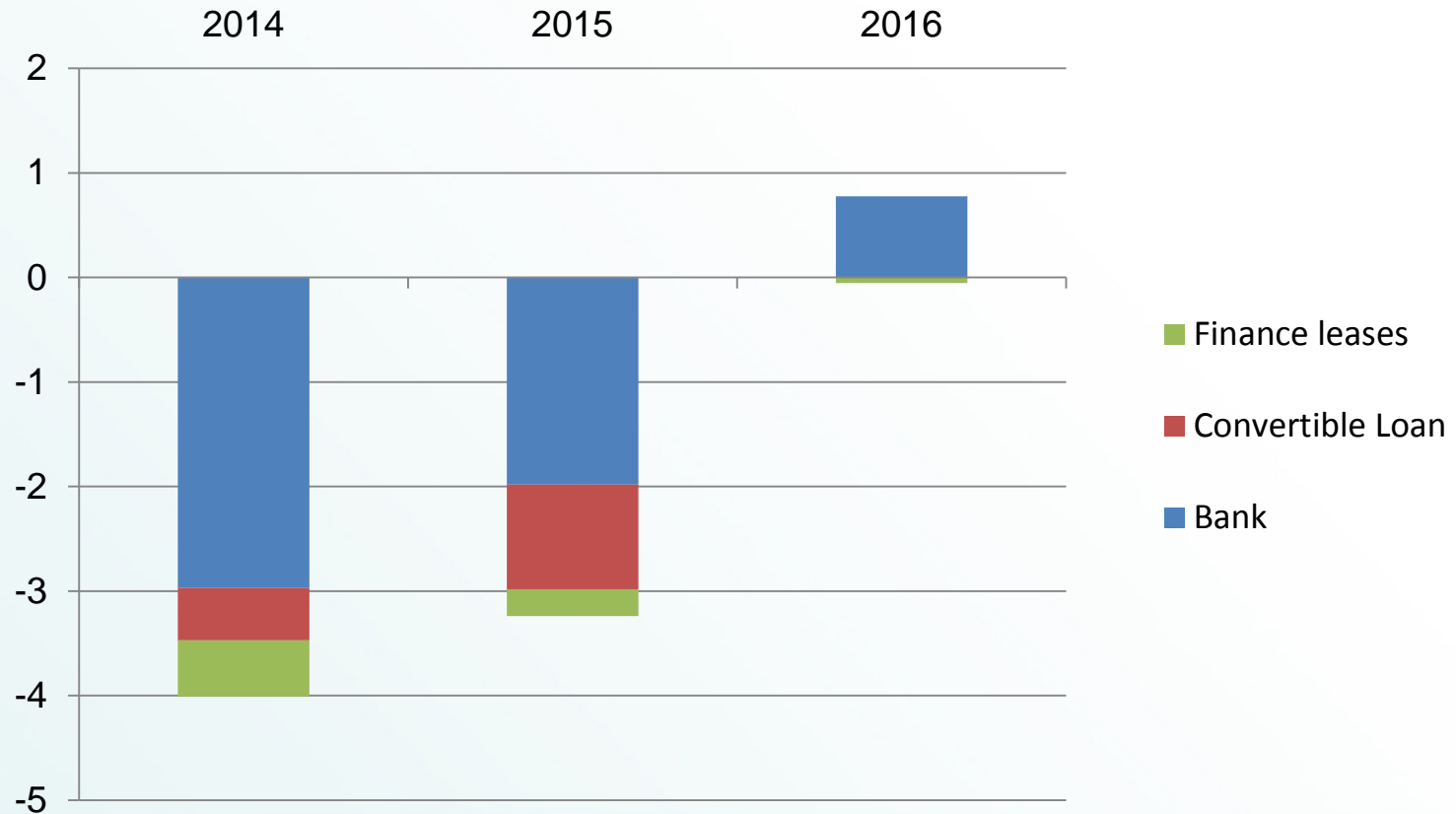
Financials – Cash flows (continued)

	2016 £m	2015 £m
Net cash generated from operations	2.85	1.51
Cash flows from investing activities	(0.78)	(0.45)
Capex on tangible FA	(0.16)	(0.17)
Capitalised development costs	(0.44)	(0.28)
Acquisition	(0.18)	-
Cash flows from financing activities	(2.20)	(0.76)
Issue of loan notes	-	0.50
Issue of equity	-	0.02
Bank loans repaid	(2.00)	(1.00)
Repayment of lease obligations/other	(0.20)	(0.28)
Net change in cash & equivalents	(0.13)	0.30



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Net Cash Position (£m)



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Growth Opportunities

- Industry trend CAGR of 6.5% for 2015-25
- Target to increase market share
 - Regulatory changes strengthen our position
 - MHRA guidance on changes to OBL/Virtual Manufacturing arrangements
 - Core skills in design and manufacture provide USP's
- Partnering/Acquisition opportunities



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Appendices



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Board of Directors

- **Nigel Rogers (Executive Chairman)** – 20 years' experience as CEO of AIM quoted engineering businesses. Now committed to portfolio of NED/Chairman appointments
- **Prof. Mike McMahon (NED and Clinical Lead)** – founder/director, leading Laparoscopic Surgeon
- **Melanie Ross (CFO and COO)** – member of CIMA, previously at AESSEAL Plc and Eaton Cooper Lighting & Safety
- **Alistair Taylor (NED)** – strong pedigree in medical sales. Experienced director in life sciences sector, previously with Beecham, Pfizer & Biocompatibles Plc and others
- **Paul Hardy (NED)** – Chartered Accountant – led successful MBO of BI Engineering Ltd (Medtech/aerospace group) and subsequent exit. Now principal at HTML, boutique lead advisory M&A firm



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Major Shareholders

	%
Getz Bros	15.3%
Nick John	7.0%
Unicorn	5.0%
Hargreaves Lansdown	4.0%
TD Waterhouse	3.7%
Prof. McMahon	3.4%
Northern Trust	3.2%
Marlborough	3.0%
Nigel Rogers	0.6%
Paul Hardy	0.6%



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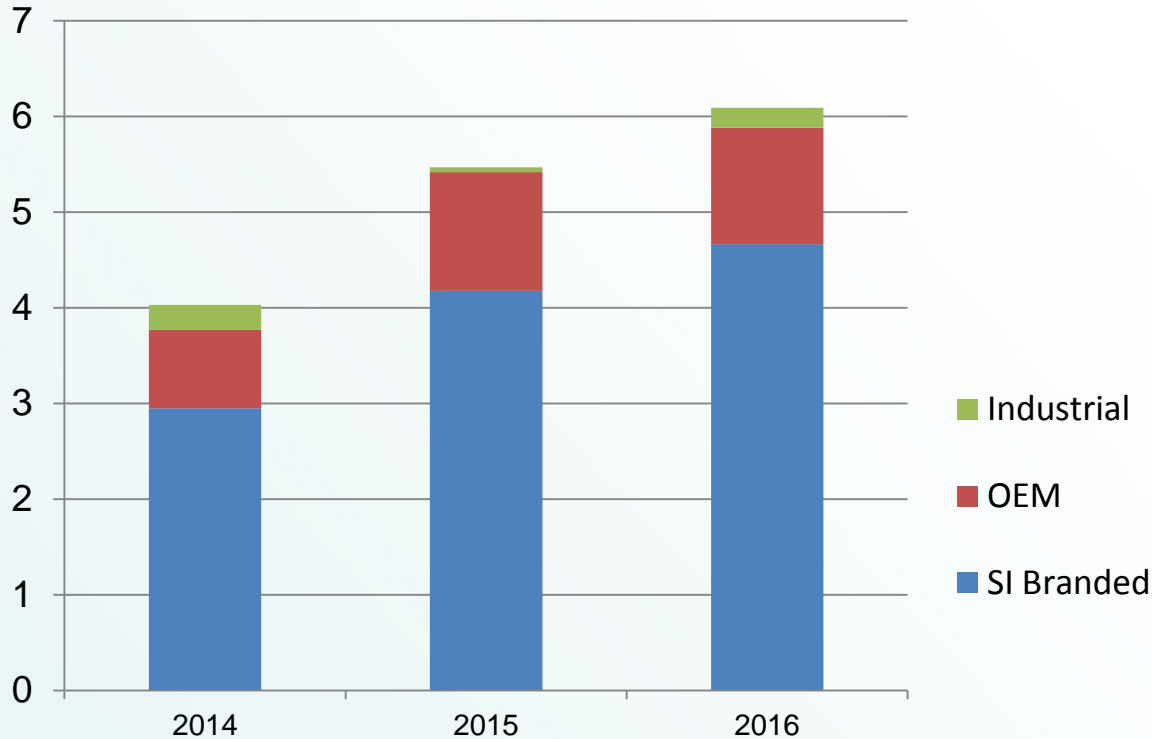
Financials – Balance Sheet

	2016 £m	2015 £m
Tangible fixed assets	1.58	1.83
Intangible assets	1.60	1.36
Trade receivables	-	-
Total non-current assets	3.18	3.19
Inventories	1.50	1.91
Trade receivables	1.10	1.30
Other current assets	0.29	0.39
Trade & other payables	(0.34)	(0.41)
Accruals & deferred income	(0.61)	(0.19)
Total working capital	1.94	3.00
Cash & equivalents	0.77	0.98
Bank borrowings	-	(1.98)
Convertible loan notes	-	(1.00)
Finance lease obligations	(0.05)	(0.26)
Total net cash/(indebtedness)	0.72	(2.26)
Net assets/total equity	5.84	3.93



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Revenue by segment (£m)



- 11% growth in SI Branded revenues
- OEM static in year
- Precision Engineering platform growing



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