



Final Results 2018

For the year ended 31 December 2018

Nigel Rogers – Chairman

David Marsh - CEO

Melanie Ross - CFO

March 2019

Surgical Innovations
Group Plc

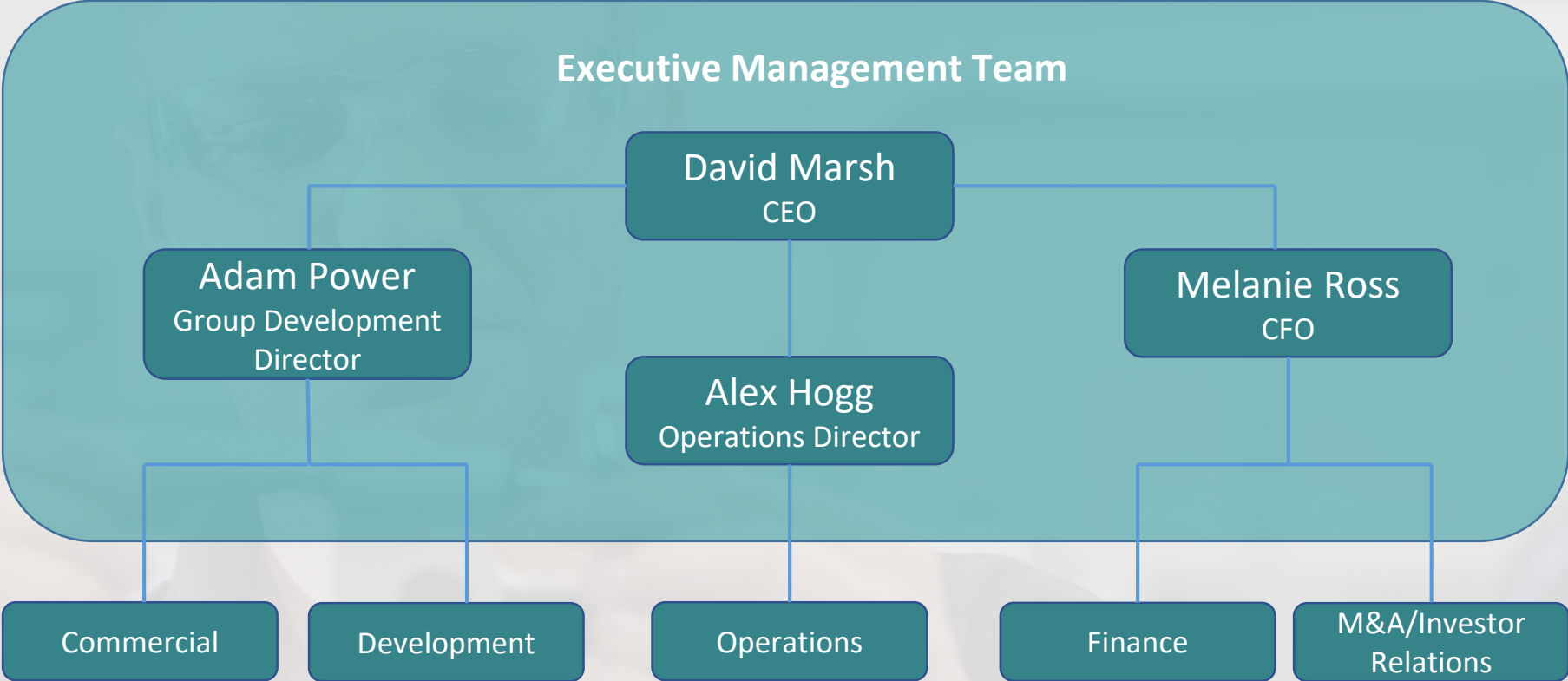
Overview

- Results in line with forecasts
- Strong H2, net cash at year-end
- Management structure
- BREXIT considerations
- Positive outlook, opportunities identified for 2019 and beyond



Notes

Management Structure



Notes

Business Overview

SI Brand (55% of revenue)

Port access and surgical instruments for minimally invasive laparoscopic procedures

- Resposable™
- UK Direct Sales and International Distribution

3rd Party Products (28% of revenue)

Direct sales of premium surgical devices in the UK from third party manufacturers. Fields of use are laparoscopic, bariatric, hernia repair and reconstructive surgery

- Strong reputation, direct relationships with clinical surgeons
- Go-to platform for introduction of innovative products and techniques

OEM (17% of revenue)

Specialist design and build services

- Medical and engineering customers
- Specialist projects

Notes



Financial Highlights

- Revenues up 25% to £10.97m (2017: £8.75m)
- Underlying organic sales growth (excluding effect of 2017 Elemental acquisition) 12%
- Gross margin steady at 42.6% (2017: 42.5%)
- Adjusted* PBT up 30% to £1.43m (2017: £1.10m)
- Adjusted* Basic EPS up 10.5% to 0.21 pence (2017: 0.19 pence)
- Closing Net cash of £0.38m (2017: net debt of £0.73m)

* Adjusted for the effects of the acquisition of Elemental healthcare, exceptional items and share based payments

Notes

Income Statement

	2018 £m	2017 £m
Revenue	10.97	8.75
Cost of sales	(6.30)	(5.03)
Gross profit	4.67	3.72
Other operating expenses	(4.33)	(3.33)
Other Income	0.28	0.02
Adjusted EBITDA	2.36	2.22
Amortisation of intangible R&D costs	(0.35)	(0.52)
Depreciation of tangible assets	(0.48)	(0.56)
Adjusted operating profit	1.53	1.14
Exceptional items	-	(0.22)
Amortisation of intangible acquisition costs	(0.79)	(0.49)
Share based payments	(0.12)	(0.02)
Operating profit	0.62	0.41
Net finance costs	(0.11)	(0.04)
Profit before taxation	0.52	0.37
Taxation credit	0.21	0.12
Profit attributable to shareholders	0.73	0.49
Adjusted EPS (adj for acquisition related costs)	0.21p	0.19p

Revenue growth 25% YOY (underlying 12% excluding effect of acquisition)

Gross margin 42.6% (2017: 42.5%) with strong recovery in H2 vs H1

Adjusted EBITDA up 6.3%

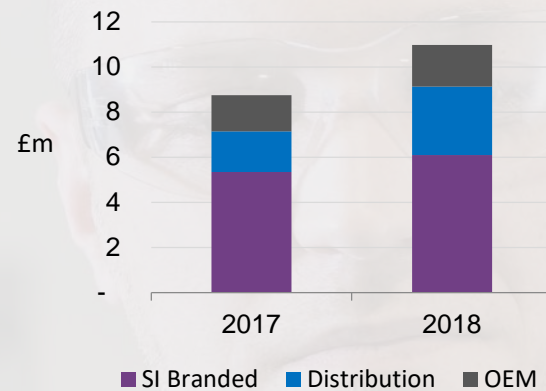
Adjusted Operating Profit up 34.2%. Operating margin 13.9% (2017:13%)

Reported PBT up 40.5%

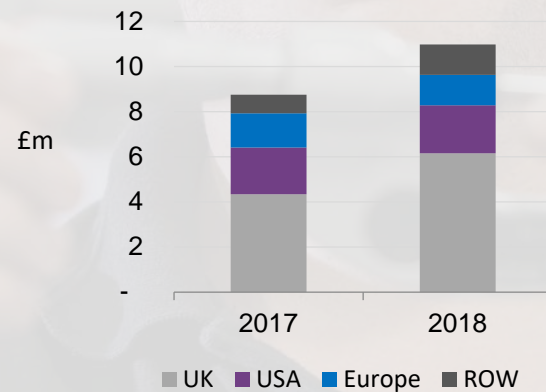
EPS growth of 10.5% on an adjusted basis

Notes

Revenue Split



	Growth	
	Total	Underlying
SI Branded	14%	11%
Distribution	68%	-19%
OEM	15%	15%
Total	25%	12%



	Growth	
	Total	Underlying
UK	42%	17%
USA	3%	3%
Europe	-12%	-12%
ROW	64%	64%
Total	25%	12%

Notes

Cash Flow

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	2018 £m	2017 £m
Cash flows from operating activities		
Operating profit	0.62	0.41
Exceptional items	0.00	0.01
Depreciation & amortisation	1.62	1.58
Other	0.15	0.02
Working Capital	(0.59)	(0.11)
Cash generated from operations	1.81	1.90
Taxation paid	(0.07)	(0.21)
Interest paid (net)	(0.09)	(0.09)
Net cash generated from operations	1.65	1.60
Cash flows from investing activities	(0.49)	(8.34)
Capex on tangible FA	(0.09)	(0.25)
Capitalised development costs	(0.40)	(0.38)
Acquisition	0.00	(7.71)
Cash flows from financing activities	(0.33)	7.70
Issue of equity	0.00	5.31
Bank loans	(0.32)	2.43
Repayment of lease obligations/other	(0.01)	(0.04)
Net change in cash & equivalents	0.83	0.96
Net cash	0.37	(0.73)

Amortisation increased in the year due to the acquisition

Stock levels reduced as a result of active destocking in H1 and strong sales in H2

Receivables high at end of year due to strong sales in Q4

Cash conversion of 118%

Capitalised Development Costs remain in line with prior year

Notes

Balance Sheet

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	2018 £m	2017 £m
Tangible fixed assets	0.93	1.33
Intangible assets	10.19	10.94
Total non-current assets	11.12	12.27
Inventories	2.08	2.47
Trade receivables	2.58	1.54
Other current assets	0.46	0.42
Trade & other payables	(1.55)	(1.58)
Accruals & deferred income	(0.64)	(0.62)
Total working capital	2.93	2.23
Cash & equivalents	2.49	1.71
Bank borrowings	(2.11)	(2.43)
Finance lease obligations	-	(0.02)
Total net cash/(indebtedness)	0.38	(0.73)
Net deferred tax assets/(liabilities)	(0.01)	(0.19)
Net assets/total equity	14.42	13.58

Intangibles	£m
Capitalised development costs	1.27
Product Knowledge	0.23
Goodwill	8.18
Supplier Agreements	0.51
	10.19

Notes

Market Trends & Drivers

Healthcare growth drivers for next decade

- Ageing population
- Awareness of treatments, increasing demand for medical intervention
- Increased obesity and associated co-morbidities
- State and insured health budgets under pressure to deliver better outcomes at lower costs
- Cancer surgery – emphasis on earlier diagnosis will lead to better outcomes increasing demand for reconstructive procedures
- Reconstructive surgery – well funded through aesthetic surgery and cancer treatment
- Robotic assistance in surgery becoming more prevalent due to rapid innovation

Notes

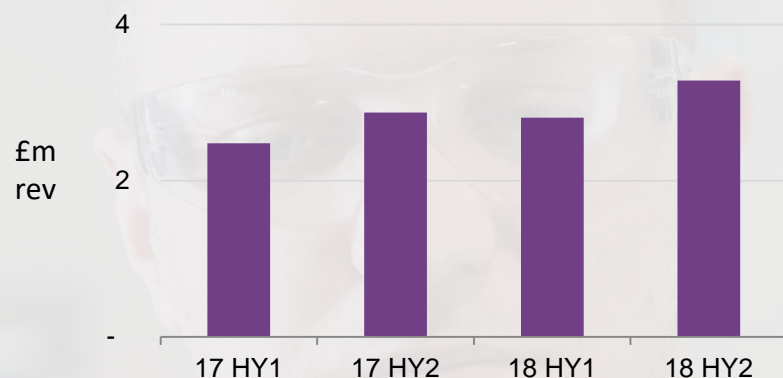
Business Development Initiatives

- Growing SI Brand sales
- Leading the way in UK Distribution
- Our OEM Partners
- M&A

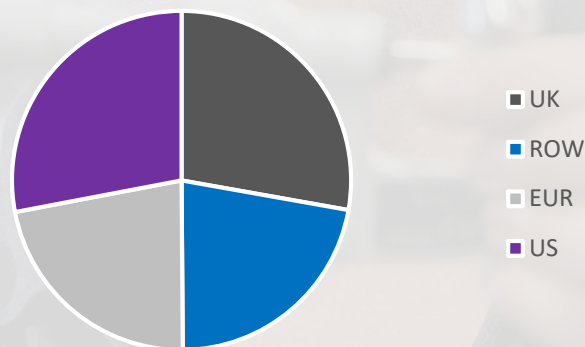


Notes

Growing SI Brand Sales



SI Brand revenue by destination



- Revenue growth 11% underlying
- UK – NHS spend normalising
- US – New deals to drive strong growth in H2
- Europe – Fully disposable products in development to counter competition
- ROW - 64% increase YOY driven by APAC
- New territories for 2019

Notes

Growing SI Brand Sales

- Yelloport Elite:
 - Traction in Key Markets
 - New Markets Identified
- FDA Submission
- Successful Optical Trocar Beta Site testing
- Line Extensions to meet all surgical preference



Notes

Growing SI Brand Sales

2019/2020 Initiatives

“Where there is darkness, let us bring light”. St Francis of Assisi.



- A new range of LED illuminated instruments
- Collaboration between SI, a leading surgeon and a leading design consultancy
- Three innovative projects for 2019/20 launch, more to follow
- Further pipeline of opportunities

Notes

Leading the way in UK Distribution

- Re-establishing the Cellis product range
- Cellis Breast Pocket TM - BETA trials ongoing
- New Distribution deals signed for 2019 launch

OR Company launch



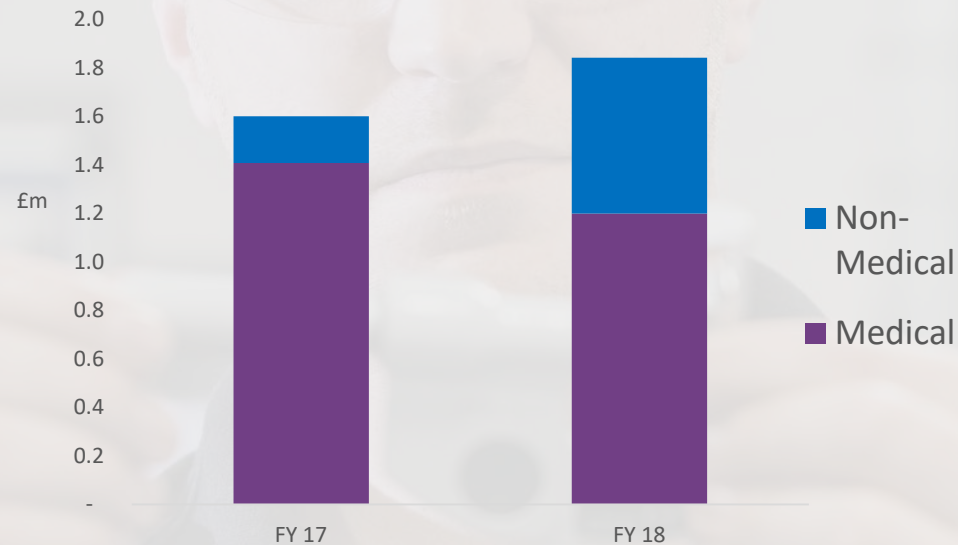
THE O.R. COMPANYTM
The smart way to operate

Dexter by Distal Motion – Subject to CE Mark



Notes

Our OEM Partners



- Planned redesign of AMS Fix8 device impacted sales in H1 2018, normalised in H2 and further growth expected in 2019



- Aerospace test equipment – moved from development to engineering build with follow on demand expected in H1 2019.
- Highly specialised skills for inhouse design and manufacture

Notes

M&A

- H2 2018 Focus primarily on execution/delivery of operational plans
- Two potential targets identified and evaluated
- New management structure in place to facilitate increased deal flow and integration capacity
- Actively seeking targets meeting preferred investment criteria
 - Geography with direct sales capability in own region
 - Complementary Product – focus on elective surgery
 - IP
 - Design/Manufacturing capability

Notes

Summary and Outlook

- Navigated a challenging year well
- Results & Financial position strong
- Current trading and outlook positive
- Management changes implemented with Commercial / Customer focus
- Operational, Financial & Management capacity to move to next level

Notes