

# 2021 Year End Results



David Marsh, Chief Executive Officer  
Charmaine Day, Chief Financial Officer

# Company Overview

British based MedTech company  
designing and manufacturing  
innovative and sustainable surgical  
devices  
with applications in  
Bariatric, Colorectal,  
Urology and Gynaecology

- Founded by Prof. Michael McMahon, leading in laparoscopic surgery
- Design and manufacturing expertise in innovative surgical devices
- Focus on Minimally Invasive Surgery (MIS)
- Leading the change to sustainable surgical devices
- Direct sales in UK with own and key 3rd party products
- Global distribution through a network of strong partnerships
- Strong industry partnership, more recently in robotic instruments, leveraging design expertise

# Financials

# Financial Highlights

	2021	Change vs. prior year	2020	Change vs pre-pandemic	2019 pre-pandemic
Revenues <sup>1</sup>	£9.13m	+44.2%	£6.33m	85.1%	£10.73m
Underlying Gross Margin <sup>1</sup>	42.3%	-2.1%	44.4%	-1.0%	43.3%
Adj. EBITDA <sup>2</sup>	£0.50m	+1.16m	£(0.66)m	-0.95m	£1.45m
Adj. operating (loss)/profit <sup>2</sup>	(£0.33)m	+1.28m	£(1.61)m	-0.71m	£0.38m
Adj. (loss)/earnings per share (pence) <sup>2</sup>	(0.022)p	0.168p	(0.19)p	-	0.05p

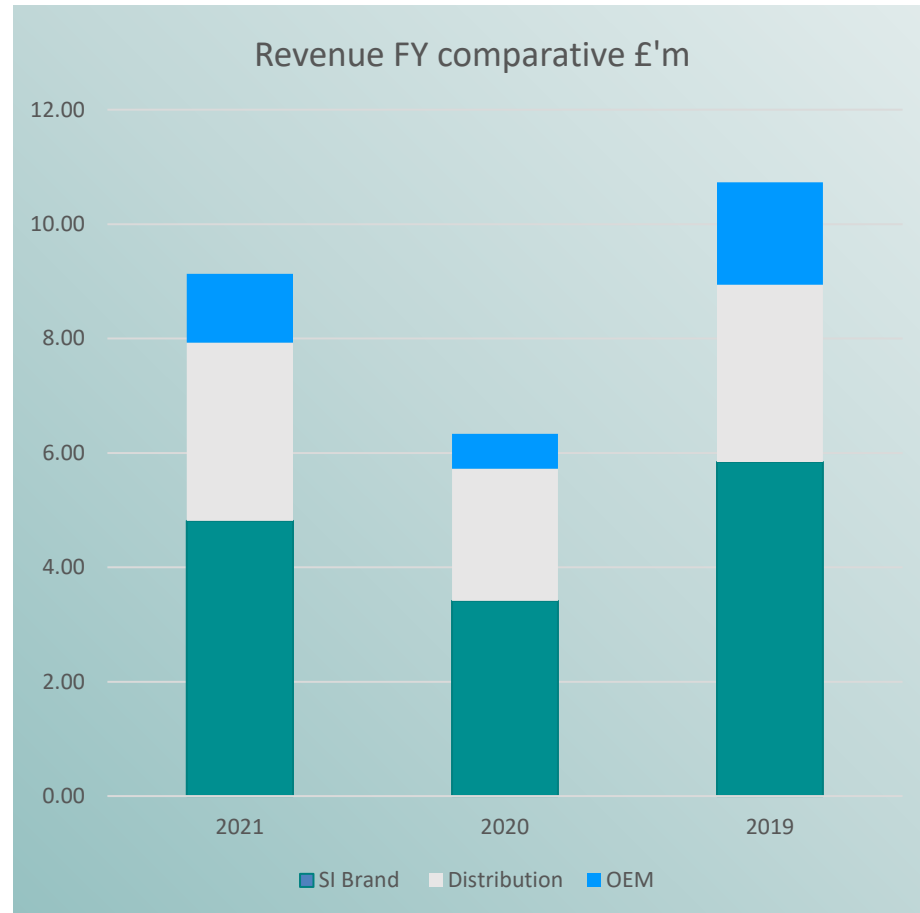
- Inventory levels optimised due to supply chain issues; cash used in operation £0.43m (2020: net cash generated of £1.04m)
- Increased investment in capital expenditure £0.21m (2020:£0.04m)
- Significant investment in New Product Development (NPD) £0.45m (2020: £0.13m)
- Net Cash<sup>3</sup> at the end of the period £1.76m (as at 31 Dec 2020:£3.10m)

1. Comparative information is shown for the year ended 31 December 2020, except where otherwise stated. Further comparative information for the year ended 31 December 2019 has been included to provide a pre-pandemic benchmark for trading.

2. Adjusted EBITDA, adjusted operating (loss)/ profit tax and Adjusted EPS are stated before deducting non-recurring exceptional costs of £0.08m (2020:£0.11m, 2019:£0.18m), impairment of intangible costs of £0.15m (2020:£0.18m,2019:£0.63m), amortisation of intangible acquisition costs £nil (2020:£0.16m, 2019:£0.35m), goodwill impairment of £nil (2020:£1.13m, 2019:£1.63m) and share based payment costs of £0.03m (2020:£0.12m,2019:£0.19m).

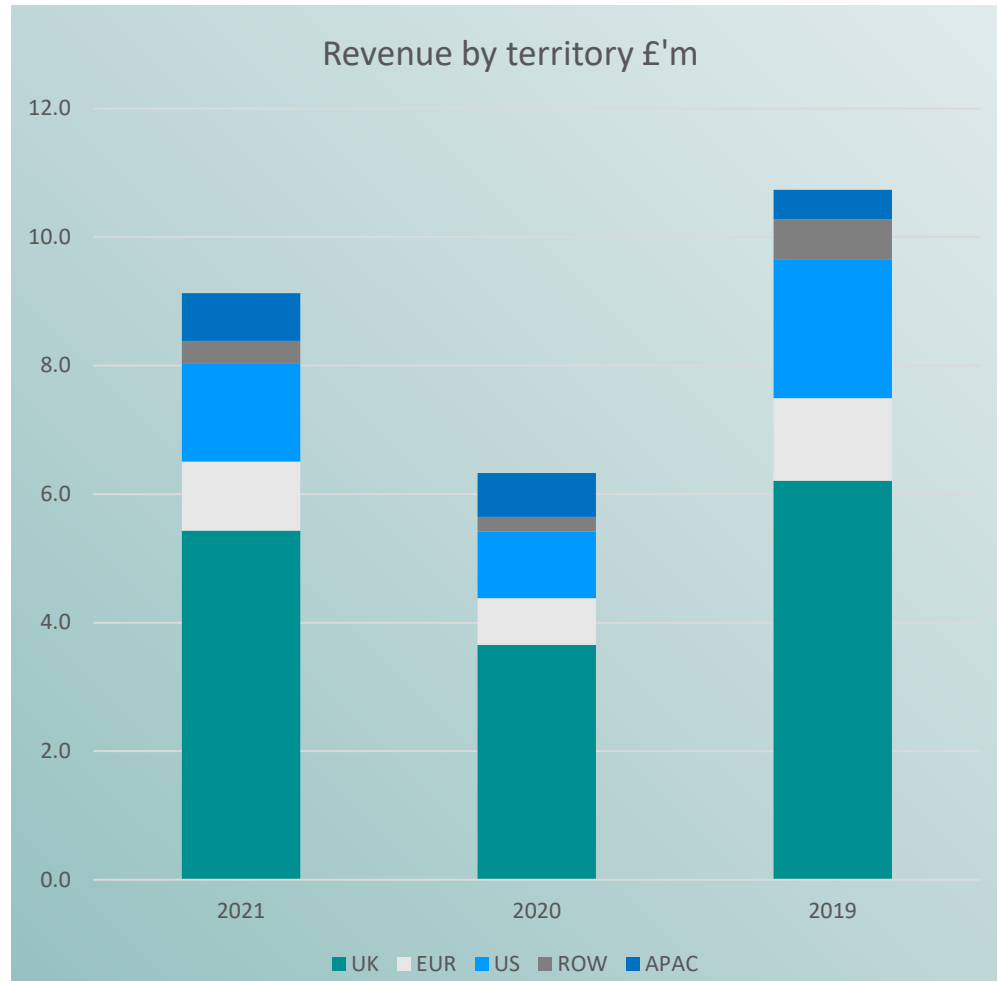
3. Net cash equals cash less bank debt only.

# Revenue Analysis



- Sales for SI brand at 82.4% of relative normal levels
- Distribution sales increased now back at 2019 levels
- OEM: slow start with increased activity in HY2
- 2022 year to date revenue is slightly ahead of pre-pandemic levels of 2019

# Revenue Analysis By Territory



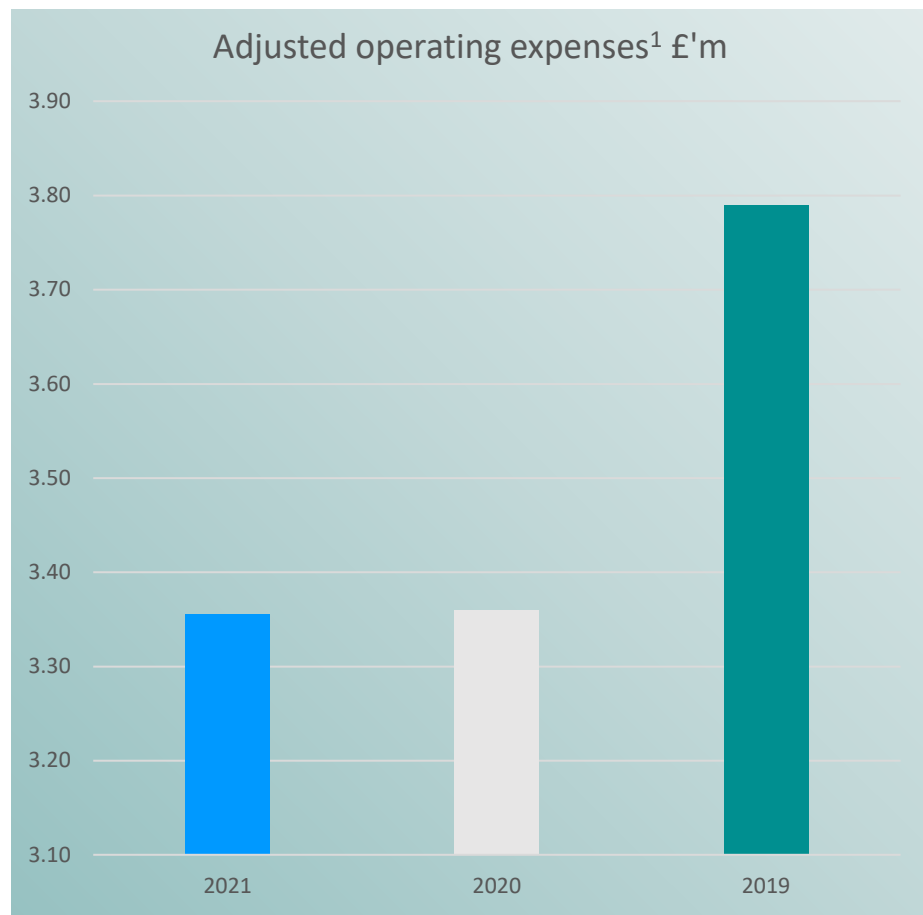
- Recovery overall stronger in HY2
- UK market excluding OEM towards Q4 back to normal pre-pandemic levels
- US and APAC substantial stocking HY1, slower than anticipated
- Europe demand remains more muted

# Margin Analysis

Gross Margin Analysis	2021	2020	2019
	£'000	£'000	£'000
Revenue	9.13	6.33	10.73
Cost of Sales	(5.27)	(3.52)	(6.08)
Underlying Gross Margin	3.86	2.81	4.65
<b>Underlying Gross Margin %</b>	<b>42.28%</b>	<b>44.40%</b>	<b>43.33%</b>
Net Cost of Manufacturing	(0.73)	(1.54)	(0.32)
<b>Contribution Margin</b>	<b>3.13</b>	<b>1.27</b>	<b>4.33</b>
<b>Contribution Margin %</b>	<b>34.31%</b>	<b>20.10%</b>	<b>40.37%</b>

- Underlying gross margin within target range
- Factory levels still at reduced levels, much improved from 2020
- Increasing people costs and the reduction of available skilled labour resource is affecting the overall capacity
- Similarly continued inflationary costs on raw materials remains challenging
- Cost reduction activities and increases in selling prices to mitigate impact on margin

# Operating Expenses



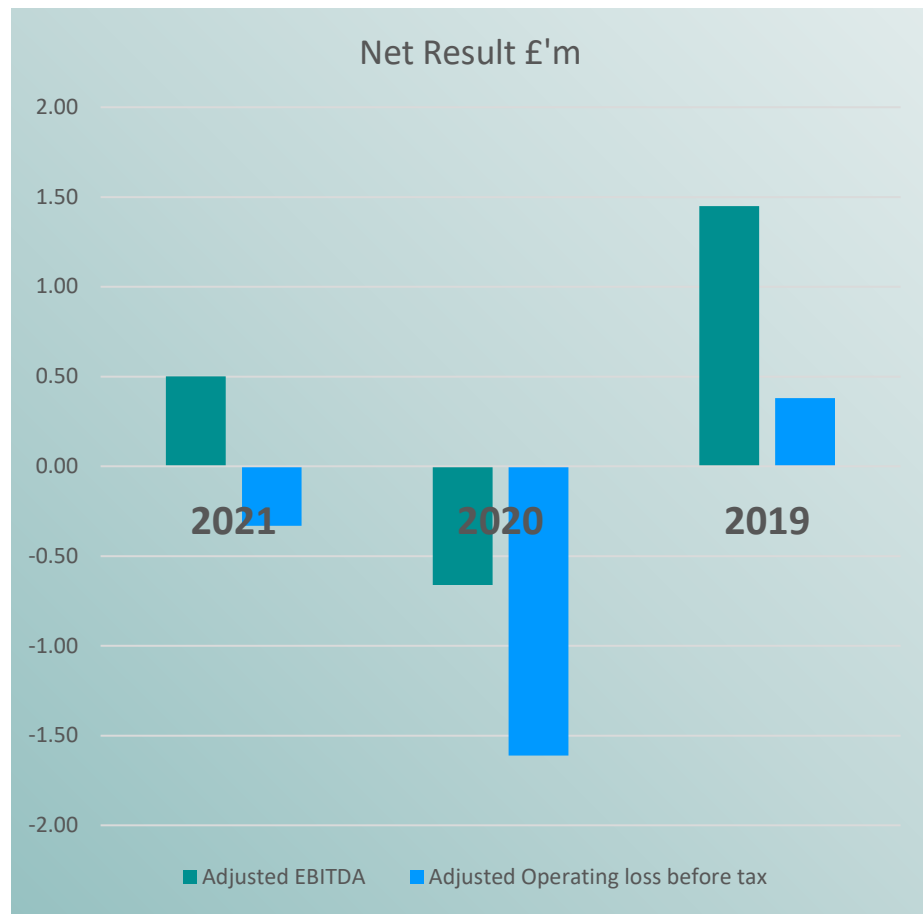
- Adjusted operating expenses<sup>1</sup> similar cost base to 2020 as costs remained controlled
- Further investment into sales and marketing
- Increased headcount in regulatory for MDR<sup>2</sup> certification
- Anticipated to be back at 2019 levels in the current year

<sup>1</sup> Operating expenses less impairment of Intangibles and Goodwill, Share based payments and exceptional items.

<sup>2</sup> Medical Device Regulation MDR



# Net Result



	HY1	HY2	2021	2020	2019
Adjusted Operating expenses <sup>1</sup>	(1.60)	(1.76)	(3.36)	(3.36)	(3.79)
Adjusted EBITDA <sup>1</sup>	0.21	0.29	0.50	(0.66)	1.45
Adjusted Operating (loss)/profit before tax <sup>1</sup>	(0.21)	(0.12)	(0.33)	(1.61)	0.38

- Profitable at adjusted EBITDA<sup>1</sup>
- Small adjusted operating loss

1. Adjusted operating expenses, Adjusted EBITDA and adjusted operating (loss)/ profit tax are stated before deducting non-recurring exceptional costs of £0.08m (2020:£0.11m, 2019:£0.18m), impairment of intangible costs of £0.15m (2020:£0.18m,2019:£0.63m), amortisation of intangible acquisition costs £nil (2020:£0.16m, 2019:£0.35m), goodwill impairment of £nil (2020:£1.13m, 2019:£1.63m) and share based payment costs of £0.03m (2020:£0.12m,2019:£0.19m).

# Financial Position

	2021	2020
	£'m	£'m
Tangible assets	1.20	1.44
Intangible assets	6.22	6.17
<b>Total non-current assets</b>	<b>7.41</b>	<b>7.62</b>
<b>Inventories</b>	<b>2.96</b>	<b>2.17</b>
Trade receivables	1.40	0.96
Other current assets	0.30	0.32
Trade & other payables	(1.62)	(1.45)
Accruals and deferred Income	(0.49)	(0.37)
<b>Total working capital</b>	<b>2.55</b>	<b>1.63</b>
<b>Cash &amp; cash equivalents</b>	<b>3.64</b>	<b>5.28</b>
Bank borrowings	(1.88)	(2.18)
Lease obligations	(0.91)	(1.09)
Total net cash	0.86	2.01
<b>Adjusted<sup>1</sup> net cash</b>	<b>1.76</b>	<b>3.10</b>
Other	(0.17)	(0.17)
<b>Net assets/total equity</b>	<b>10.66</b>	<b>11.09</b>

- Investment in capex in the year with further commitment in 2022 up to £0.6m
- Investment into R&D to continue at similar levels to support further growth
- Inventory levels elevated due to supply chain issues
- Adjusted net cash at the end of the period £1.76m (as at 31 Dec 2020 £3.10m)
- Existing loans £1.88m and undrawn RCF £0.5m refinanced in March 2022 providing headroom of £2.5m

# Operational & Commercial

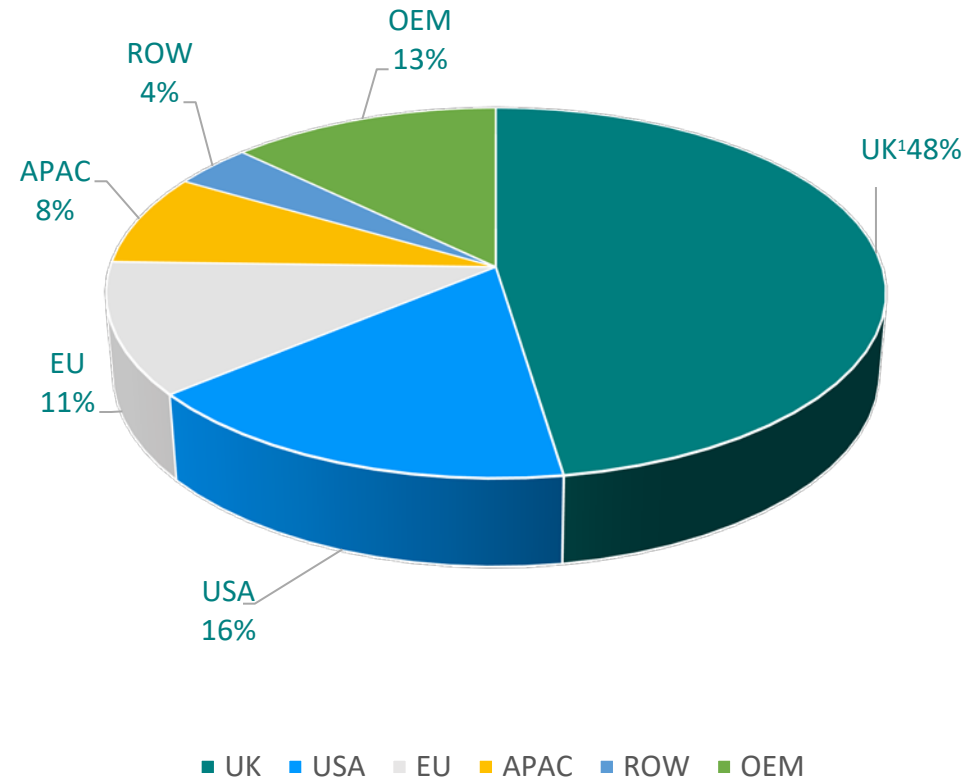
# Operational & Commercial Highlights

As elective surgery resumes the Company is well placed to take advantage of pent-up demand with over 6 million patients, in the UK alone, requiring treatment

- Resumption of elective surgery in key markets driving strong sales in Q4 and into Q1
- Restructure and focus of Sales and Marketing
- Ongoing investment in manufacturing capacity and efficiencies
- Geographical expansion providing opportunities for growth
- Investment in NPD, with launches in Q2 and Q3
- Leveraging expertise to build partnerships within the robotic sector
- Robust action plan and investment for MDR

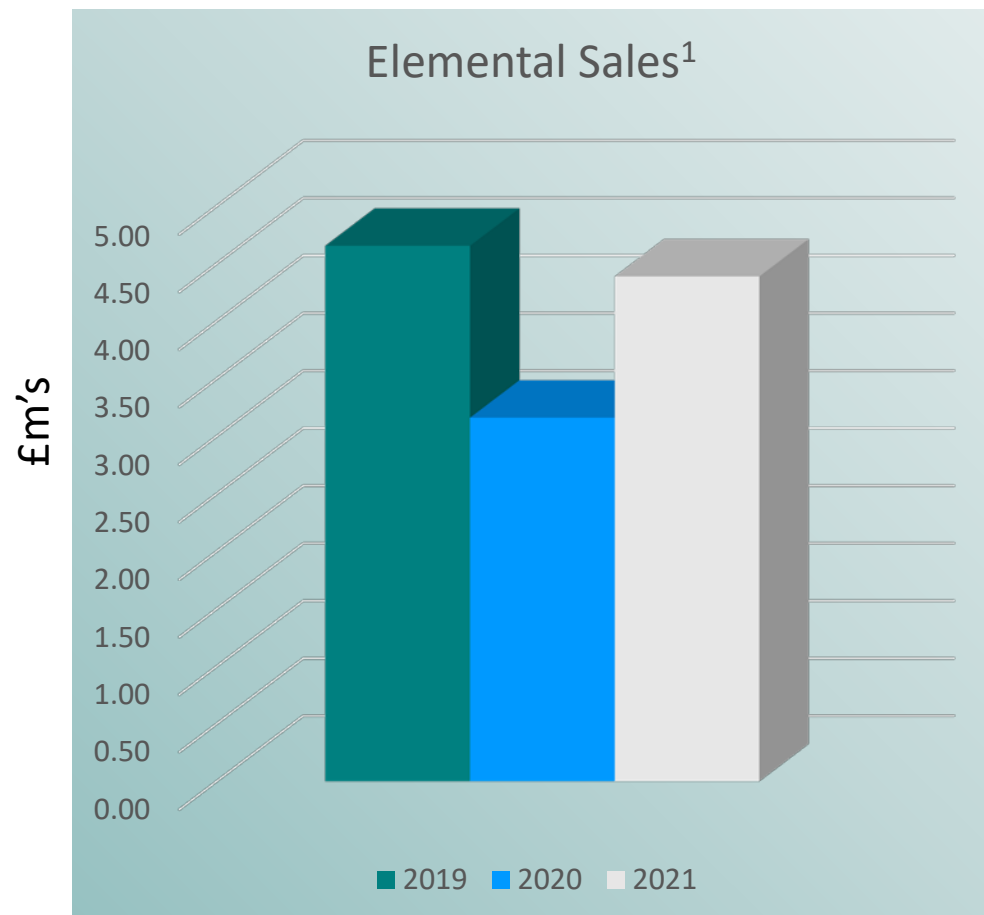
# Key Market Update – Overview

Established sales in  
key markets globally,  
and through our direct operation in  
the UK



1. Elemental sales include SI brand and Distribution products

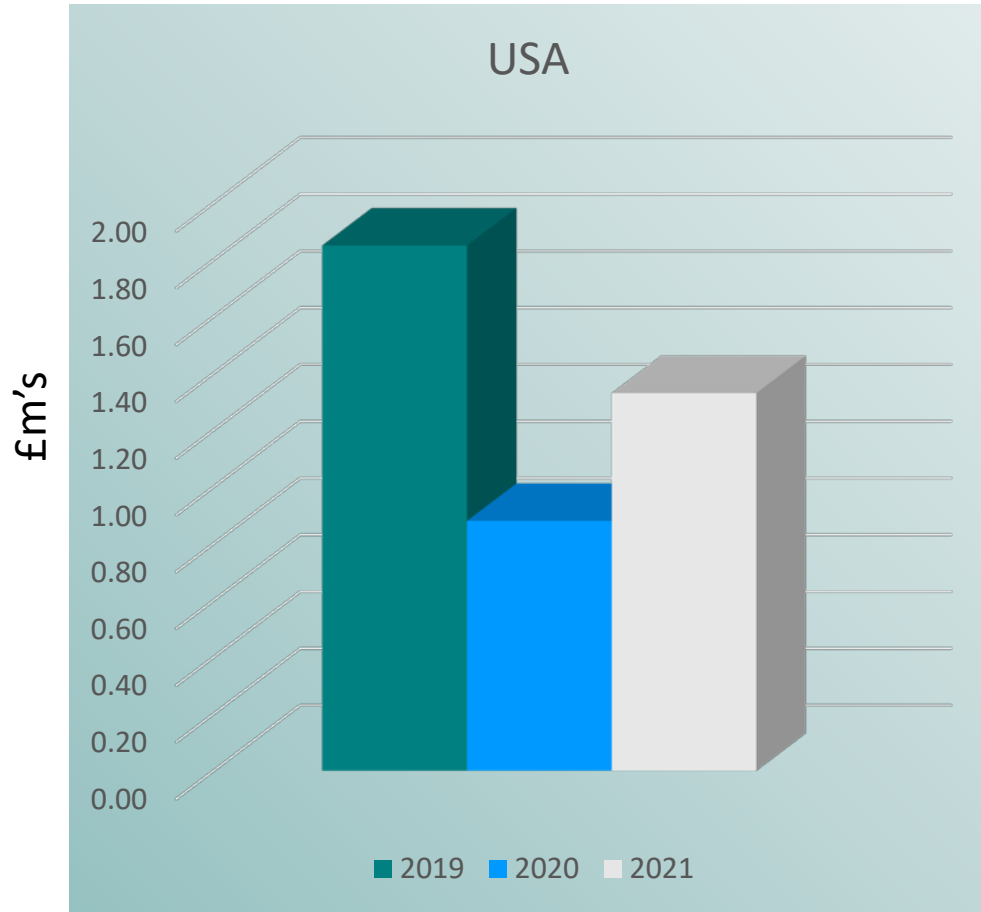
# Key Market Update - UK



- Strong recovery in Q4 21, above pre-pandemic levels - continued into Q1 22
- Refocused sales strategy to key products
- Sustainability continues to drive growth opportunities
- Significant pipeline of evaluations either in progress or programmed for 2022
- Additional sales resource to focus on private sector and NHSSC
- NHS Staffing levels potential to impact elective surgery
- Supply chain logistics potential for back order

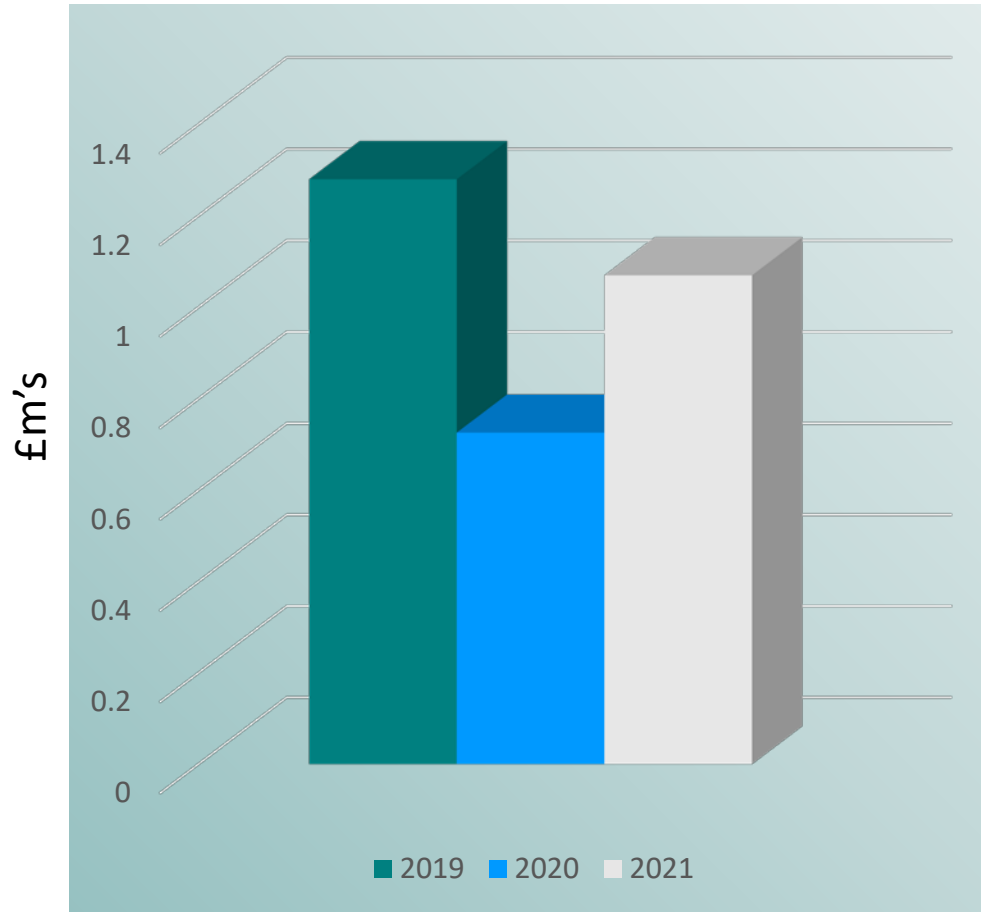
1. Elemental sales include SI brand and Distribution products

# Key Market Update - USA



- Strong H1 21 restocking orders
- Sales normalised in H2
- Omicron variant impacted late Q4 21 and early Q1 22 sales
- Some States reported staffing shortages reducing OR activity by 50%
- Elective Surgery recovering in February
- Adler has wins with Major GPO and Hospital Group
- Microline launching YelloPort™ Elite 5mm in April, key to USA market

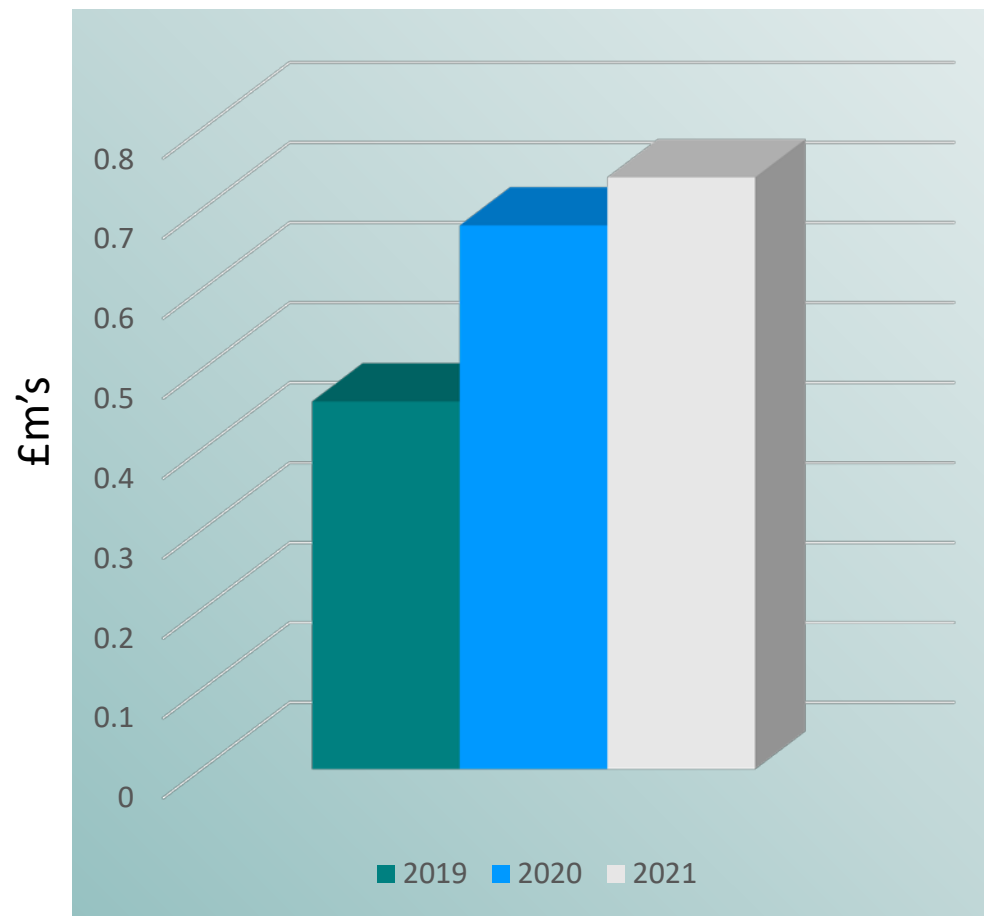
# Key Market Update - EU



- Slower recovery compared to UK
- COVID still impacting activity in France, controlled access to the OR
- Order patterns slowly returning to normal to 2021
- Launch of YelloPort™ Elite 5mm in Q3, pending registration
- Sustainability message positively impacting sales

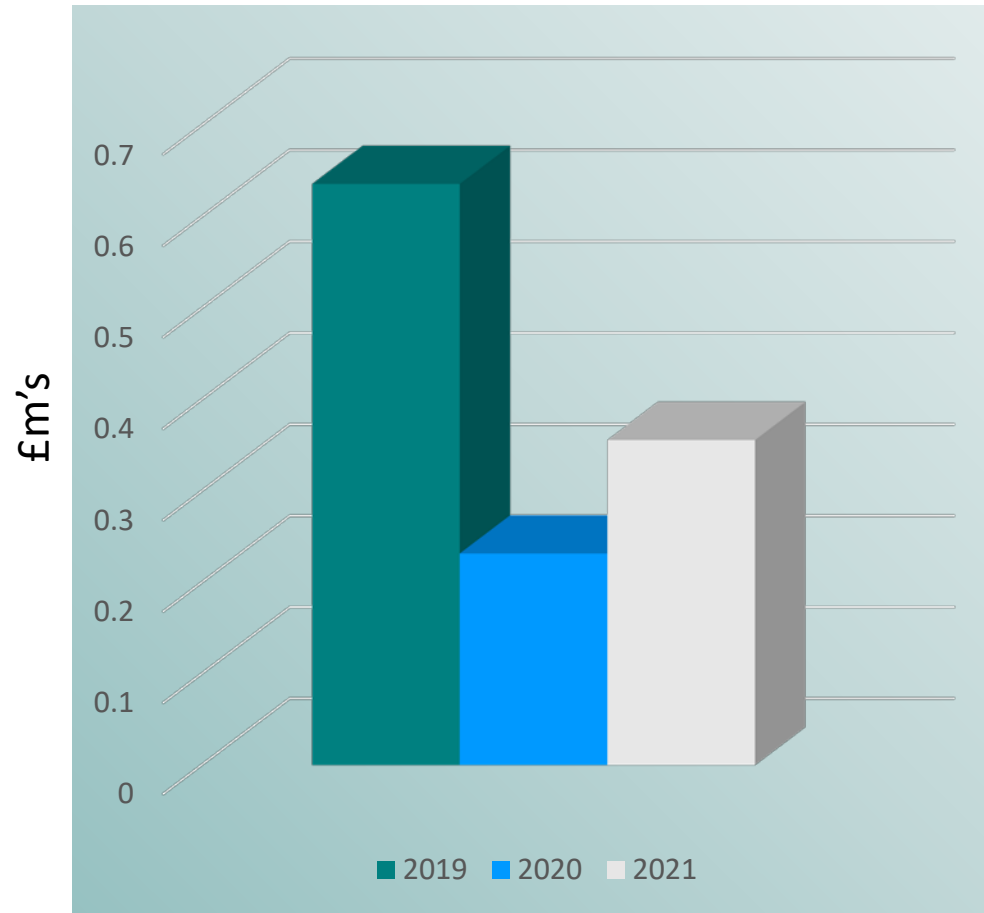


# Key Market Update - APAC



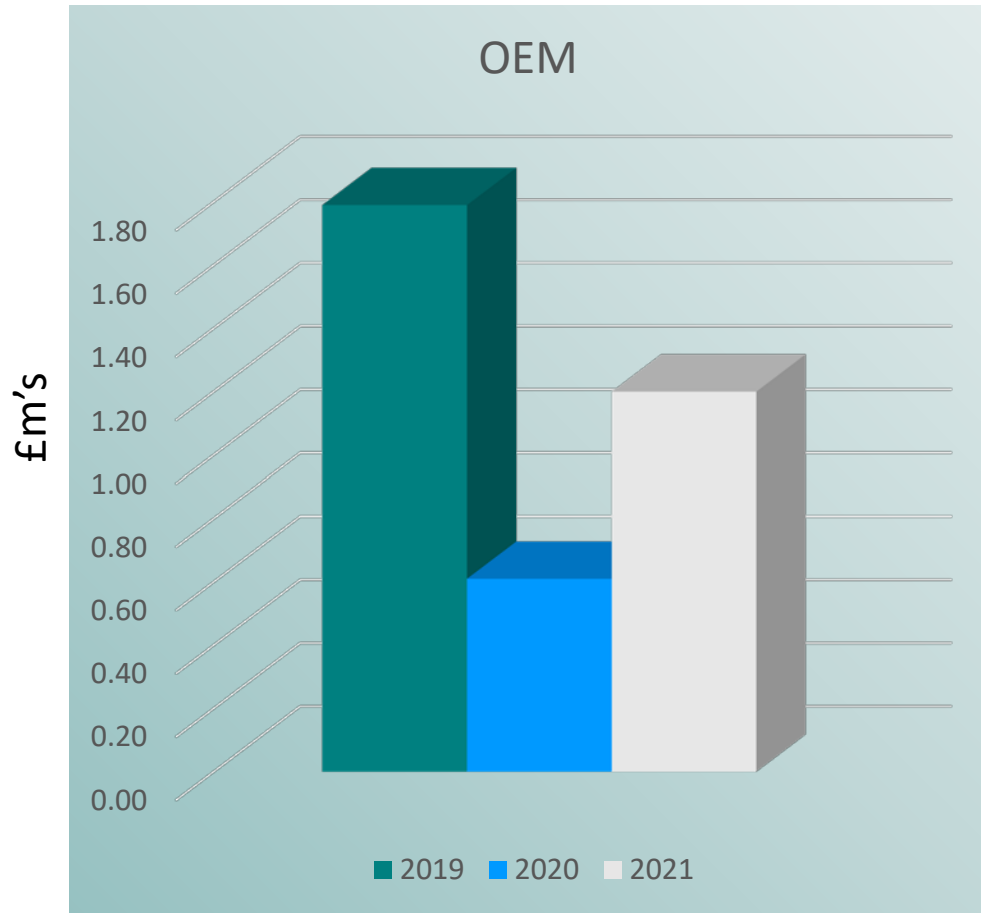
- Similar to USA with strong HI 2I restocking orders
- COVID still impacting activity, controlled access to the OR
- Seeing consistent order patterns, similar to 2021
- Launched Logic, initial stocking order placed
- Launch of YelloPort™ Elite 5mm in Q3, pending registration
- Launch Logi-Dissect and Logi-Grasp Q4
- Sustainability message positively impacting sales

# Key Market Update - ROW



- Remains challenging, with limited visibility
- Tender based business with contracts extended
- NPD may provide opportunity to relaunch
- APAC and ROW Dealer meeting planned for late Q3

# Key Market Update - OEM

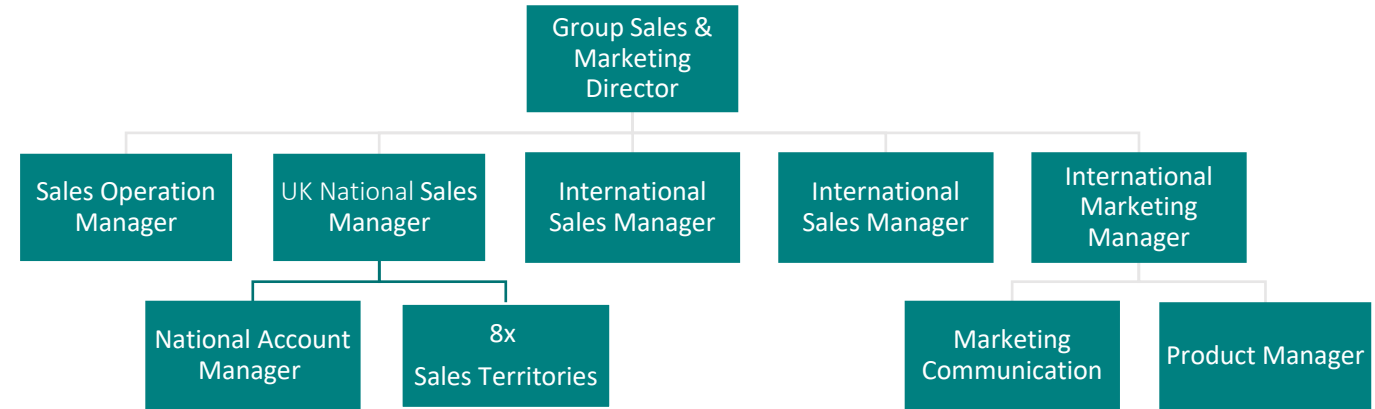


2019 includes non-recurring Rolls Royce sales

- Strong recovery in Q4 21, 70% of pre-pandemic levels
- Strong order book for 2020
- New OEM partners
  - *CMR – Access Device*
  - *BD – Fast Clamp*
- Future partnership opportunities in Robotics

# Sales and Marketing

With the global resumption in elective surgery,  
we are investing in critical Sales and Marketing functions to take advantage of the pent-up demand



## Key Appointments

- Damian Donnelly, Group Sales and Marketing Director
- Adam Levick, International Marketing Manager
- 2 x International Sales Managers
- 1 x Marketing Communications
- UK National Accounts Manager

# Geographical Expansion

Leveraging strong relationships with global partners has enabled access to key growth markets



- USA – Partnership in UK with Microline has led to reciprocal agreement in USA for YelloPort™ Elite access devices
- India – Strong UK relationship with Peters Surgical has opened opportunity for full portfolio
- Collaboration with CMR provides future potential to move into some key markets, notably Eastern Europe and South America
- Previous Applied Medical dealer in Poland has now launched SI Portfolio

# New Product Pipeline

Exciting R&D pipeline of new products launching into global markets during 2022.



- Initial focus on Medical Device Directive (MDD) approvals
- Q1 2022 – YelloPort™ Elite 5mm Access Device
- Q2 2022 – Optical trocar for use with YelloPort™ Elite 5mm
- H2 2022 – Logi™ Dissect and Grasp to complete Logi™ Instrument range
  - Beyond Medical Device Regulations (MDR)
- Next Generation Access Device
  - *Materials*
  - *Valve technology*
  - *Port fixation*
  - *Port Closure*

# Robotics Opportunities

Collaboration with Robotic companies to leverage our expertise in Access Devices, Instruments and Flex technology.



- YelloPort™ Elite 5mm represents our first collaboration with CMR Surgical to develop a specific access device to function effectively with robotic instrumentation
- The access device also provides opportunities in key markets where a 5 mm optical access device is widely used; Japan and USA
- Exploring further opportunities within the robotic field
- Relationship with CMR Surgical has potential to open further geographical territories

# Regulatory Update

MDR continues to be a core focus consuming significant bandwidth and cost within the organisation.

- Increased regulation raises bar to market entry, less capable companies exiting market
- Class I device transition completed
- Technical files for Class IIa and IIb on track for submission May 2022
- Full QMS conversion on track for submission May 2022
- QMS audit and Technical File review due for completion in March 2023
- Demanding programme of MDSAP, FDA and BSi audits throughout 2022
- Registration in key new market expected in Q2



# CAPEX Investment



- Commissioned March 22 - Citizen L32 lathe
- On order - New injection moulding machine to provide greater capacity and flexibility as new products come online
- Laser Welder, required as replacement
- Machining studies currently underway on a new grinding machine
- Cleaning trials currently being performed to assess a new automated cleaning line (MDR requirement)

CAPEX Expenditure	
	£
2022/23	£600k - £800k

# Summary and Outlook

Organisational changes  
and ongoing investment  
in key functions  
leave the company  
well placed for growth  
over 2022.

- Key markets resuming elective surgery with high backlog
- SI brand products gaining market share through waste reduction - meeting sustainability agenda and reducing cost of ownership
- Exciting new products and partnerships provide innovative technology opening access to markets
- Meeting operational challenges head on with strategies for regulatory pathway, people development and supply chain
- Aiming to resume growth trajectory from base now at pre-pandemic level

	2021	2020
	£'m	£'m
<b>Cashflow from operating activities</b>		
Operating loss	(0.46)	(3.17)
Depreciation & amortisation	0.70	0.81
Impairment of intangibles	0.15	1.47
Other	-	0.13
<b>Working Capital</b>	<b>(0.93)</b>	<b>1.82</b>
<b>Cash generated from Operations</b>	<b>(0.53)</b>	<b>1.07</b>
Taxation received/ (paid)	0.13	-
Interest paid ( Net)	(0.04)	(0.03)
<b>Net cash generated from operations</b>	<b>(0.43)</b>	<b>1.04</b>
<b>Cash used in investing activities</b>	<b>(0.66)</b>	<b>(0.16)</b>
Capex on tangible FA	(0.21)	(0.04)
Capitalised development costs	(0.45)	(0.11)
<b>Cashflows used in financing activities</b>	<b>(0.53)</b>	<b>3.15</b>
Bank loans	(0.30)	(0.15)
CBILS	-	1.50
Repayment of lease obligations	(0.23)	(0.25)
<b>Net change in cash &amp; equivalents</b>	<b>(1.72)</b>	<b>4.03</b>
<b>Adjusted Net cash</b>	<b>1.76</b>	<b>3.10</b>

## Appendix Cashflow Statement