



23 January 2023

Surgical Innovations Group plc
("Surgical Innovations", or the "Group")

Year-end Trading Update

Significant improvement in sales, ahead of market expectations and a return to profitability in H2
New accounts won on basis of product quality and sustainability

Surgical Innovations Group plc (AIM: SUN), the designer, manufacturer and distributor of innovative technology for minimally invasive surgery, provides a positive update on trading for the year ended 31 December 2022, with sales exceeding pre-pandemic levels and ahead of market expectations, and a return to profitability in the second half of the year.

Unaudited Financials

Revenues for the year are expected to be approximately £11.3m, an increase of more than 20% compared with the prior year (2021: £9.1m) and 6% ahead of the pre-pandemic reference year (2019: £10.7m). Sales for the second half of the year were approximately 10% higher than the first half.

The Group also expects to report underlying gross margin (before net manufacturing costs) that remains within the target range of 40% to 45% despite inflationary cost pressures, reflecting a focus on efficiency savings and by passing on price increases into revenue where necessary. Supply chain disruption continued to present challenges in the second half of the year and across the industry, but these were overcome by maintaining adequate buffer inventories, and consequently customer back orders were managed down to normal levels by the end of the year. Inventories remain above normalised levels to provide ongoing protection, although it is anticipated that supply chain pressures will abate and reductions in inventory will be achievable during 2023.

Overall, the Group expects to report adjusted EBITDA¹ of approximately £0.7m in line with market expectations, and to return to overall profitability in the second half of the year, with a modest adjusted profit before tax¹ for the full year.

The Group generated cash from operations for the full year and took the opportunity to invest in further capital expenditure (£0.5m) in the second half of the year, alongside continued investment in recruitment of high calibre people and new product development. The closing net cash² balances of the Group stood at approximately £0.9m at 31 December 2022 (30 June 2022: £1.5m), with available gross cash resources at 31 December 2022 of £3.2m (30 June 2022: £4.0m) including an undrawn invoice discounting facility of £1.0m (30 June 2022: £1.0m).

Revenues continue to grow and strengthen

The UK had a strong finish to the year with H2 sales up 10%. New hospital conversions were underpinned by the Company's sustainability strategy and led to annual sales for the UK (excluding OEM) tracking 30% above 2021 and 20% above pre-pandemic levels.

SI-branded sales (excluding UK) had increased 14% in H2 compared with H1, in part due to clearing the back orders in H1. However, overall activity levels have improved, with sales for the year 10% up on 2021 and close to 90% of pre-pandemic levels.

OEM sales have grown overall up 45% on 2021, and are now close to pre-pandemic levels, with the underlying growth coming from both new and existing relationships.

Current trading and outlook

The strong UK sales growth highlighted in Q4 has continued into the current year, with new business wins contributing to year-on-year growth. While the Company is mindful that strike action and other winter pressures upon the NHS have the potential to slow down the positive effect of these opportunities in the early part of 2023, the underlying UK business remains strong. New account conversions and closer involvement in the private sector which delivered robust growth in 2022 validate the investment in sales and marketing through the year, and are expected to continue into the current year.

Whilst the international business was slower to recover than anticipated last year, key strategic indicatives are in place to have a positive impact on 2023. The launch of a key new addition YelloPort Elite™ 5mm Optical Trocar to the portfolio along with the completion of sales training in the USA provides opportunity for the access devices to gain significant traction over the coming year. In addition, the signing of a distribution agreement with Peters Surgical India allows access to this important healthcare market. OEM sales continue to recover and, by building closer relationships with key partners, AMS, CMR and Becton Dickinson/Carefusion, this is expected provide stability in this sector going forward.

The supply chain and people challenges of 2022 still remain but are under better control and it is anticipated that these obstacles will gradually recede through 2023. The regulatory environment continues to be fluid, including a recent change to the deadlines for most of the Company's competitors to achieve certification under MDR from 2024 until 2028. The Company has, however, been quicker to adapt to the changing landscape and remains well placed to achieve MDR on key products by March 2023.

David Marsh, CEO of Surgical Innovations Group Plc said: *"We are pleased with the 2022 performance achieving strong sales, led by the UK, and we have demonstrated that the Company has effectively managed the headwinds of the pandemic. The Company continues to win new accounts, with quality and sustainability the key catalyst for these hospital conversions. Internationally our sustainability messaging is beginning to resonate and 2023 will see the introduction of some important additions to our portfolio allowing a more complete offering for key markets. Our successful collaboration with OEM partners, especially in robotics, is a further exciting opportunity for the business to leverage our expertise in instrument design and be part of this growing development in surgery. We look forward to updating shareholders in March at the time of our final results."*

- 1 Adjusted EBITDA is earnings before interest, tax, depreciation and amortization adjusted by deducting non-recurring exceptional costs, impairment of intangible acquisition costs and share based payment costs. Adjusted loss before tax is the loss before tax adjusted by non-recurring exceptional items, impairment of intangible acquisition costs and share based payment costs.*
- 2 Net cash equals cash less bank debt and finance lease leases, excluding IFRS16 lease obligations*

For further information please contact:

Surgical Innovations Group plc

David Marsh, CEO
Charmaine Day, CFO

www.sigrouplc.com

Tel: 0113 230 7597

Singer Capital Markets (Nominated Adviser & Broker)

Aubrey Powell / Oliver Platts

Tel: 020 7496 3000

Walbrook PR (Financial PR & Investor Relations)

Paul McManus / Lianne Applegarth

Tel: 020 7933 8780 or si@walbrookpr.com

Mob: 07980 541 893 / 07584 391 303

About Surgical Innovations Group plc

The Group specialises in the design, manufacture, sale and distribution of innovative, high quality medical products, primarily for use in minimally invasive surgery. Our product and business development is guided and supported by a key group of nationally and internationally renowned surgeons across the spectrum of minimally invasive surgical activity.

We design and manufacture and source our branded port access systems, surgical instruments and retraction devices which are sold directly in the UK home market through our subsidiary, Elemental Healthcare, and exported widely through a global network of trusted distribution partners. Many of our products in this field are based on a "resposable" concept, in which the products are part reusable, part disposable, offering a high quality and environmentally responsible solution at a cost that is competitive against fully disposable alternatives.

Elemental also has exclusive UK distribution for a select group of specialist products employed in laparoscopy, bariatric and metabolic surgery, hernia repair and breast reconstruction.

In addition, we design and develop medical devices for carefully selected OEM partners and have also collaborated with a major UK industrial partner to provide precision engineering solutions to complex problems outside the medical arena.

We aim for our brands to be recognised and respected by healthcare professionals in all major geographical markets in which we operate and provide by development, partnership or acquisition a broad portfolio of cost effective, procedure specific surgical instruments and implantable devices that offer reliable solutions to genuine clinical needs in the operating theatre environment.

Further information

Further details of the Group's businesses and products are available on the following websites:

www.sigroupplc.com

www.surginno.com

www.elementalhealthcare.co.uk

To receive regular updates by email, please contact si@walbrookpr.com