



Surgical Innovations Group Plc

Year End 2022
Investor
Presentation

David Marsh, CEO
Charmaine Day, CFO

Company Overview

Surgical
Innovations
Group Plc



Founded By Prof. Michael McMahon,
Leading Laparoscopic Surgeon



Design & Manufacturing
Expertise In Innovative
Surgical Devices



Focus on Minimally
Invasive Surgery (MIS)



Leading The Change
To Sustainable
Surgical Devices



Direct Sales In The UK & Global
Distribution Through Our
Network Of Global Partners



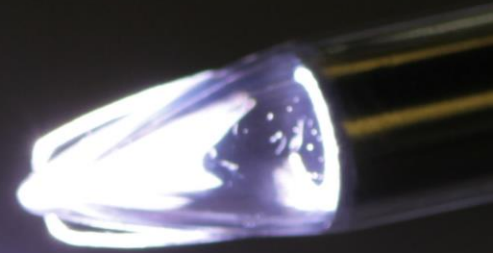
Strong Industry Partnerships,
Most Recently In Robotics,
Leveraging Design Expertise

Our Mission

To provide **high-performing** medical devices for surgeons leading to improved clinical outcomes for patients, with a focus on **sustainable** instrumentation to make a positive impact on the environment.



Commercial & Operational Highlights



Commercial & Operation Highlights



Strong sales in UK, Japan and key EU markets



Investment in sales and marketing driving commercial opportunity



Capex investment driving efficiencies & cost reduction through manufacturing



Geographical Expansion gaining traction



NPD & cost reduction programmes

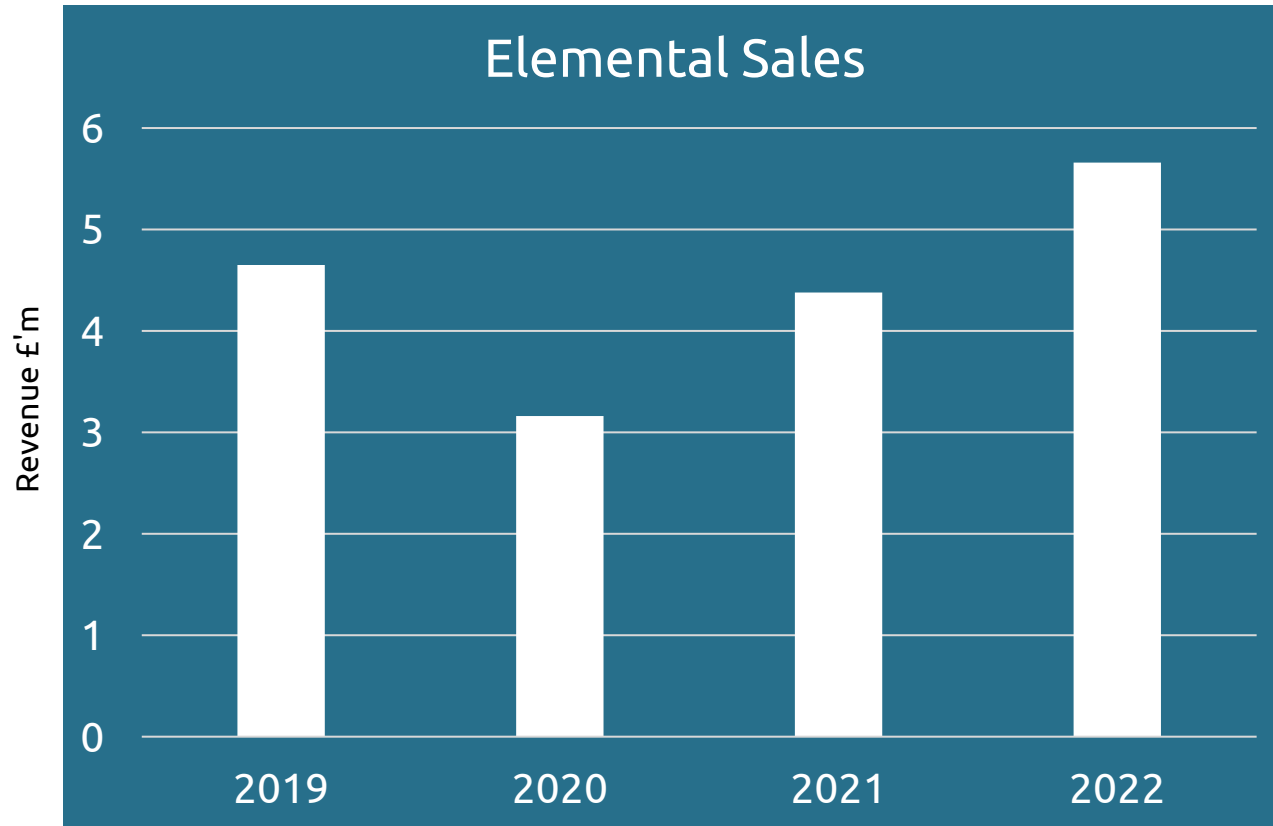


Regulatory investment in people and processes enabling early MDR Transition

Addressing Headwinds In 2022



Market Environment - UK

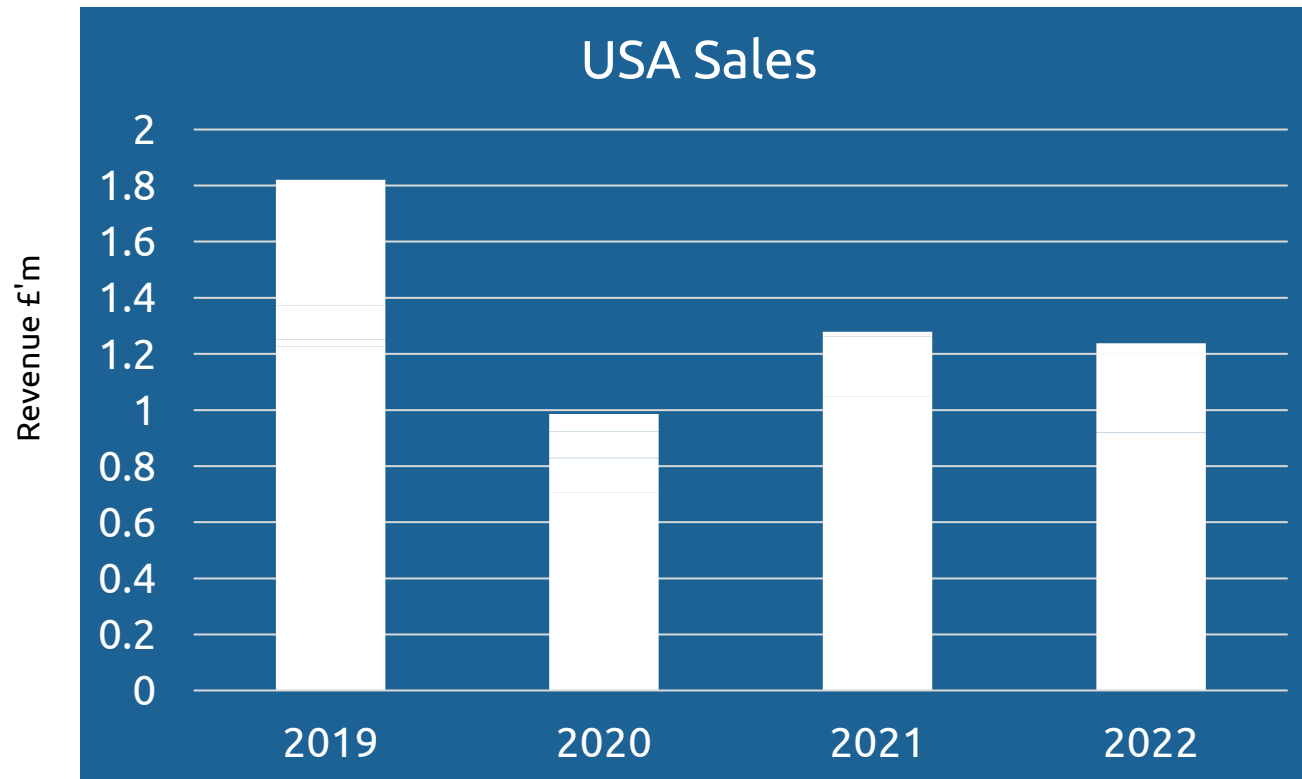


- Sales growth up 29.5% over 2021 (+20.7% vs. 2019)
- New account conversions underpinned by sustainability driving growth
- Investment in key Sales & Marketing positions enhancing relationships in NHSSC* and private sector
- Growth continues into Q1 with sales YTD up on 2022

Elemental sales is a combination of SI Brand UK Sales and Distribution sales, excluding OEM Sales

**NHS Supply Chain*

Market Environment – USA



Revenue in the US for SI Brand , excluding OEM sales

*General Purchasing Organisation

- Overall Sales down 6.8%
 - Elective surgery reduced by Q1 Covid
 - Evaluations hindered by ongoing hospital staff shortages

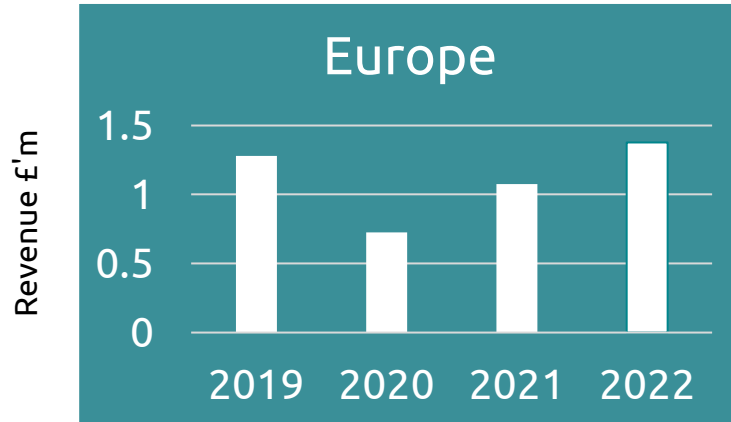
Access Devices:

- H2 deliveries improved on disrupted H1 (supply chain)
- YelloPort™ Elite 5mm and Optical trocar expected to have strong impact on US sales this year
- Momentum now growing with some early account conversions

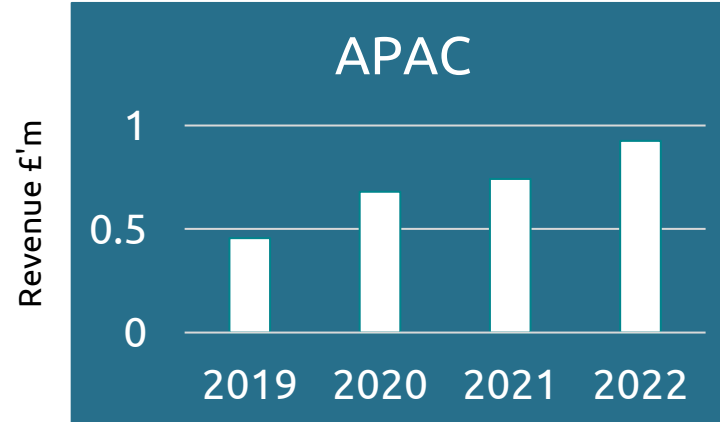
Instruments:

- Scissor business under price pressure
- GPO* conversions proving slower than anticipated
- Refocus on training and sales support in 2023

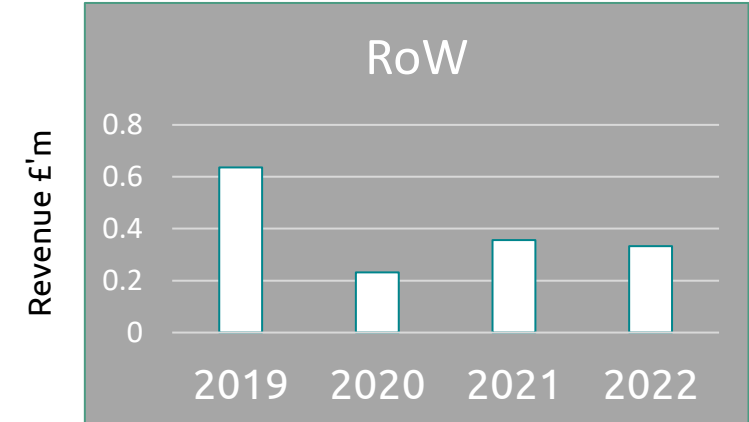
Market Environment – EU, APAC & ROW



- Strong return to growth, +28%
- Sustainability resonates in some key market
- Sales & Marketing training has renewed partner focus
- New Distributor in Germany beginning to gain traction

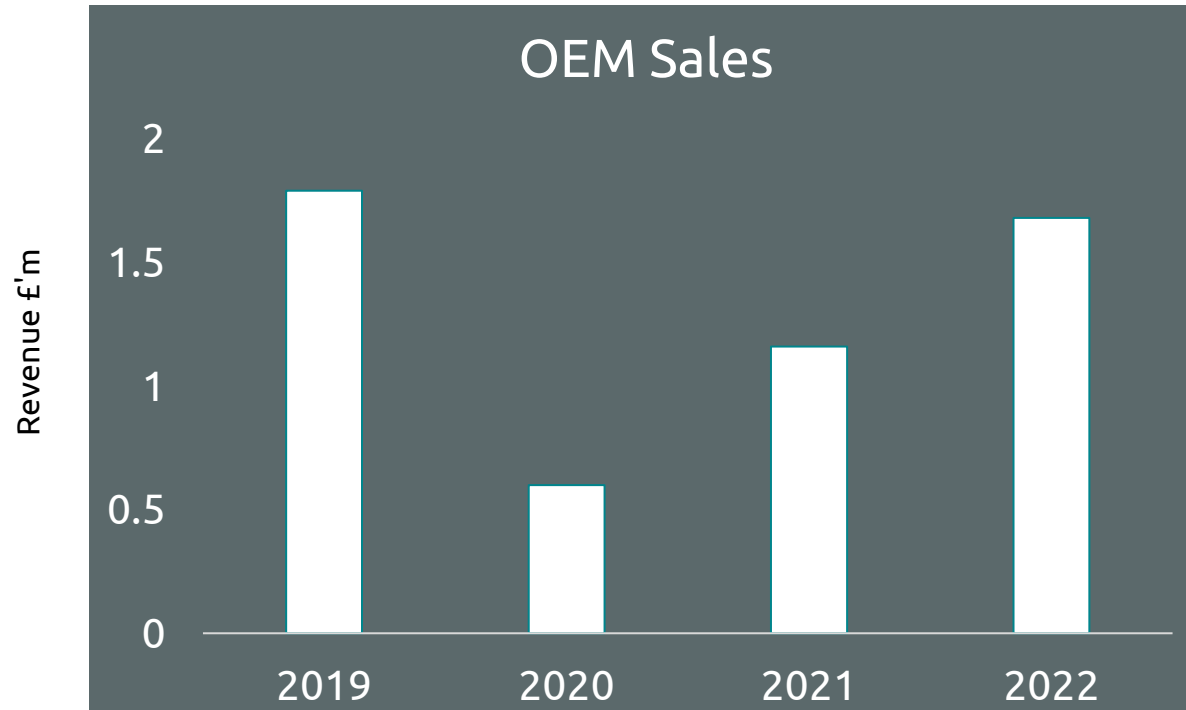


- Continued growth up 24.6%
- Japan underpins sales in the region and registration for 5mm Optical in Q4 will provide further opportunity
- India will have positive impact on 2023



- Sales remain suppressed vs. 2019
- New distribution partner for Canada

Market Environment – OEM Business



- Strong sales growth up 45%
- Collaboration with CMR to develop YP Elite opens opportunity within robotics and new territories
- Ongoing supply chain issues disrupted sales to partners in Q1
- Strong order book for Q2

OEM sales represents revenue in the UK and the US

Sustainability Initiatives

CO2e Footprint Summary



The values stated in this section of the report are indicative in nature and based on the volume of CO2e typically generated per Laparoscopic Cholecystectomy from four fully single and four Resposable® Port Access Systems, with a typical adoption of two small (5mm) and two large (10/11mm) Ports adopted per the procedure.

Environmental impact and life cycle financial cost of hybrid (reusable/single-use) instruments versus single-use equivalents in laparoscopic cholecystectomy
<https://pubmed.ncbi.nlm.nih.gov/34559257/>

Environmental & Financial Calculator:

- Provides healthcare providers with a tool to demonstrate the value of Resposable® technology
- Evidence based approached, quantifying our value proposition

Strategy:

- Revised training programme for our partners
- Developing relationships with key sustainability healthcare personnel, internationally and UK

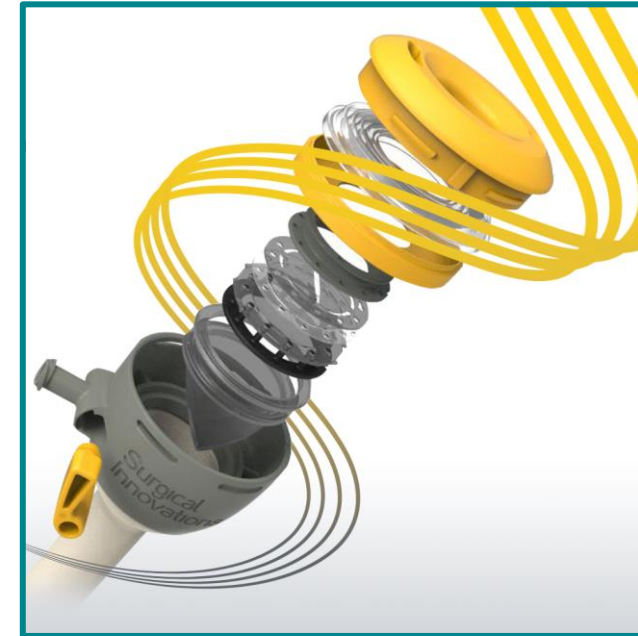
New Product Developments

Successful 2022 Product Launches:

- YelloPort Elite® 5mm – addresses demands of Robotic surgery and key markets
- 5mm Optical Trocar range – completes offering in key target markets

2023 NPD Projects (under MDR):

- Cost down initiatives on YelloPort Elite® range
- Extension to Logi® Resposable® range, three new jaw configurations



Compliance & Regulatory

- Ongoing investment in personnel and processes

Current MDR Status:

- QMS¹ approved
- One of three product groups approved
- Second product group is imminent
- Third product group on pathway to approval, anticipated Q2

Remain Compliant

- MDSAP**, UKCA***, FDA**** compliant



Impact of extension to MDR timeline

- CE certification under MDD* is extended only to companies on MDR pathway
- Raises barrier to market for new entrants and existing Med Device competitors
- NPD now requires a MDR approved QMS

Capex Investments

- Improving overall efficiency
- Increasing capacity to bring more manufacturing in-house
- Investment in tooling and plant enabling cost down initiatives
- Rolling Capex investment
- In conjunction with Capex, introducing upskilling programmes within the workshop

2022 Key Investment Projects



Financials



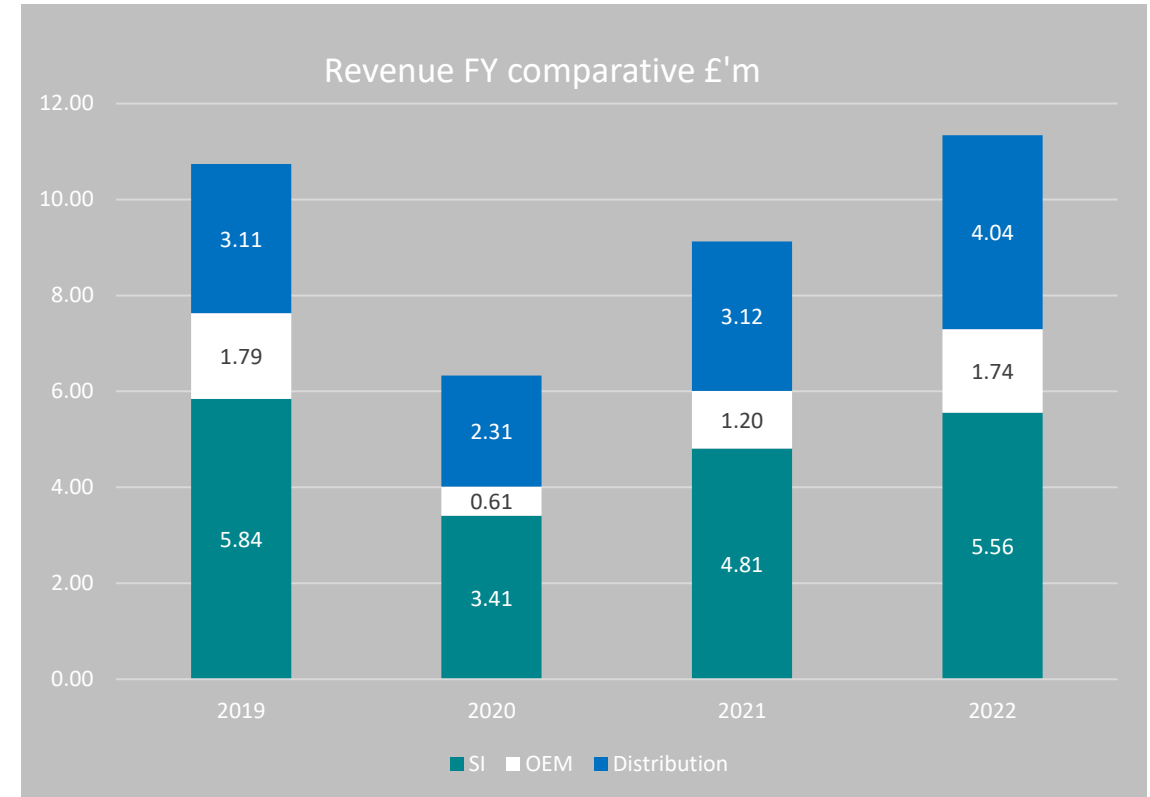
Financial Highlights

	2022	Change vs. prior comparative	2021
Revenues	£11.34m	+24.3%	£9.13m
Underlying Gross Margin	42.5%	+0.2%	42.3%
Adj. EBITDA ¹	£0.70m	+0.20m	£0.50m
Adj. operating profit/(loss) ¹	£0.01m	+0.14m	£(0.33)m
Adj. earnings /(loss) per share (pence) ¹	0.036p	+0.058p	(0.022)p
Increased investment activities	£1.08m	+0.42m	£0.66m
Net Cash	£0.99m	-0.77m	£1.76m

1. Adjusted EBITDA, adjusted operating profit/(loss) before tax and Adjusted EPS are stated before deducting non-recurring/ exceptional costs of £0.03m (2021:£0.08m), impairment of intangible costs of £nil (2021: £0.15m) and share based payment costs of £0.04m (2021: £0.03m).
2. Net cash equals cash less bank debt only.

Revenue Analysis

- SI Brand sales increased by 15.6% to £5.56m
- Distribution sales showing strong growth and representing a larger proportion of overall revenue
- OEM sales have grown overall up by 45%



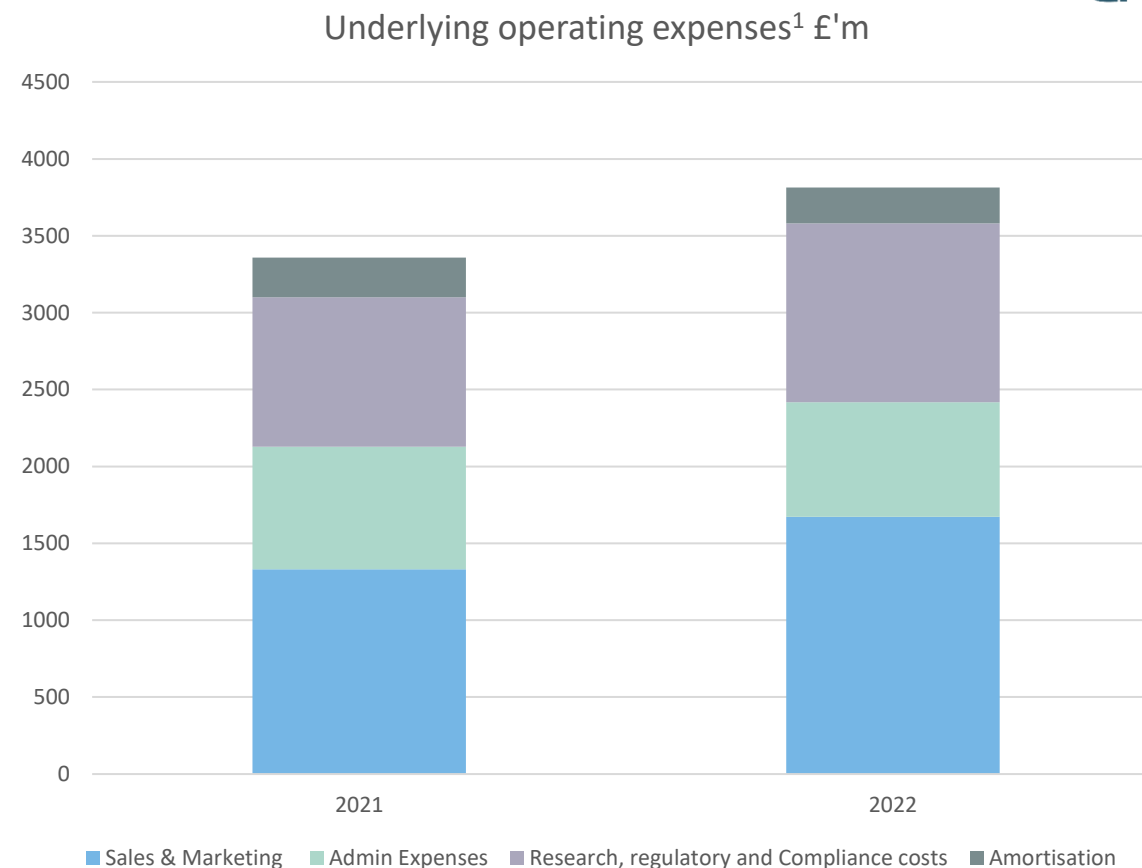
Margin Analysis

Gross Margin Analysis	2022	2021
	£'m	£'m
Revenue	11.34	9.13
Cost of Sales	(6.53)	(5.27)
Underlying Gross Margin	4.82	3.86
Underlying Gross Margin %	42.5%	42.3%
Net Cost of Manufacturing	(0.89)	(0.73)
Contribution Margin	3.92	3.13
Contribution Margin %	34.6%	34.3%

- Underlying gross margin within target range
- Manufacturing overhead rates uplifted to reflect the cost increases
- Inflationary pressures from suppliers mitigated and passed on where possible
- Net cost of manufacturing reflects the under recovered costs due operational challenges, shortage of skilled labour and extended lead times
- 2023 expected to improve

Operating Expenses

- Increased investment in sales and marketing to support the growth 14.8% of revenue (2021: 14.6%)
- 10.3% of revenue invested into research expenses (2021: 10.7%)
- Improved employee compensation and wellbeing



1. Adjusted operating expenses are stated before deducting non-recurring/ exceptional costs of £0.03m (2021:£0.08m), impairment of intangible costs of £nil (2021: £0.15m) and share based payment costs of £0.04m (2021: £0.03m).

Financial Position

	31 Dec 2022	31 Dec 2021
	£'m	£'m
Tangible assets	1.78	1.20
Intangible assets	6.40	6.22
Total non-current assets	8.18	7.41
Inventories	3.16	2.96
Trade receivables	1.76	1.40
Other current assets	0.29	0.30
Trade & other payables	(1.89)	(1.62)
Accruals and deferred Income	(0.42)	(0.49)
Total working capital	2.91	2.55
Cash & cash equivalents	2.20	3.64
Borrowings	(1.21)	(1.88)
Right of Use Lease obligations	(0.95)	(0.91)
Total net cash	0.04	0.86
Adjusted net cash	0.99	1.76
Other	(0.17)	(0.17)
Net assets/total equity	10.96	10.66

- Increased capital expenditure to £0.66m, further commitment in 2023, circa £0.50m
- Continual investment in R&D
- Higher inventory levels continue to be maintained to mitigate supply chain delays
- Debt refinance in March 2022, additional headroom of £1m undrawn invoice discounting facility
- Net cash £0.99m excluding right of use leases

Summary & Outlook

- Significant regulatory **progress on MDR**
- **Responsive management** to supply chain and inflationary challenges
- Continued investment **improving efficiencies and cost out initiatives**
- **Order book** in line with management expectations for 2023
- **Strong sales growth in 2022** and a **return to profit** positions the Group well to **deliver robust organic growth** in 2023 and beyond





Thank You
For Your Time,

Any Questions?