

Interim Results

For the six months ended 30 June 2016

Nigel Rogers – Executive Chairman

Melanie Ross – Group Finance Director & MD (SI Ltd)

“...robust trading performance.....commitment to R&D.....moved to net cash at bank position.....strong relationships.....focus on niche med-tech”

August 2016



What We Do

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

We distribute branded products through a global 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



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Highlights

- Healthy revenue growth led by exports
- Further margin gains through volume and productivity
- Returned to profitability at operating level
- Strong cash generation – moved to net cash position at bank
- Inventory reduced within target range
- Continued investment in new products



Financials – Income statement

	2016H1 £m	2015H1 £m	2015 £m
Revenue	3.04	2.60	5.47
Cost of sales	(2.23)	(2.38)	(4.70)
Gross profit	0.81	0.22	0.77
Other operating expenses	(0.78)	(2.05)	(2.74)
Adjusted EBITDA	0.50	(0.05)	0.24
Exceptional items	-	(1.29)	(1.29)
Amortisation of intangible assets	(0.21)	(0.24)	(0.42)
Depreciation	(0.26)	(0.25)	(0.50)
Operating profit/(loss)	0.03	(1.83)	(1.97)
Net finance costs	(0.09)	(0.08)	(0.15)
Net loss before taxation	(0.06)	(1.91)	(2.12)
Taxation credit	0.30	-	0.09
Profit/(loss) attributable	0.24	(1.91)	(2.03)
Earnings/(loss) per share	0.05p	(0.39)p	(0.42)p

Revenues up 16.9%

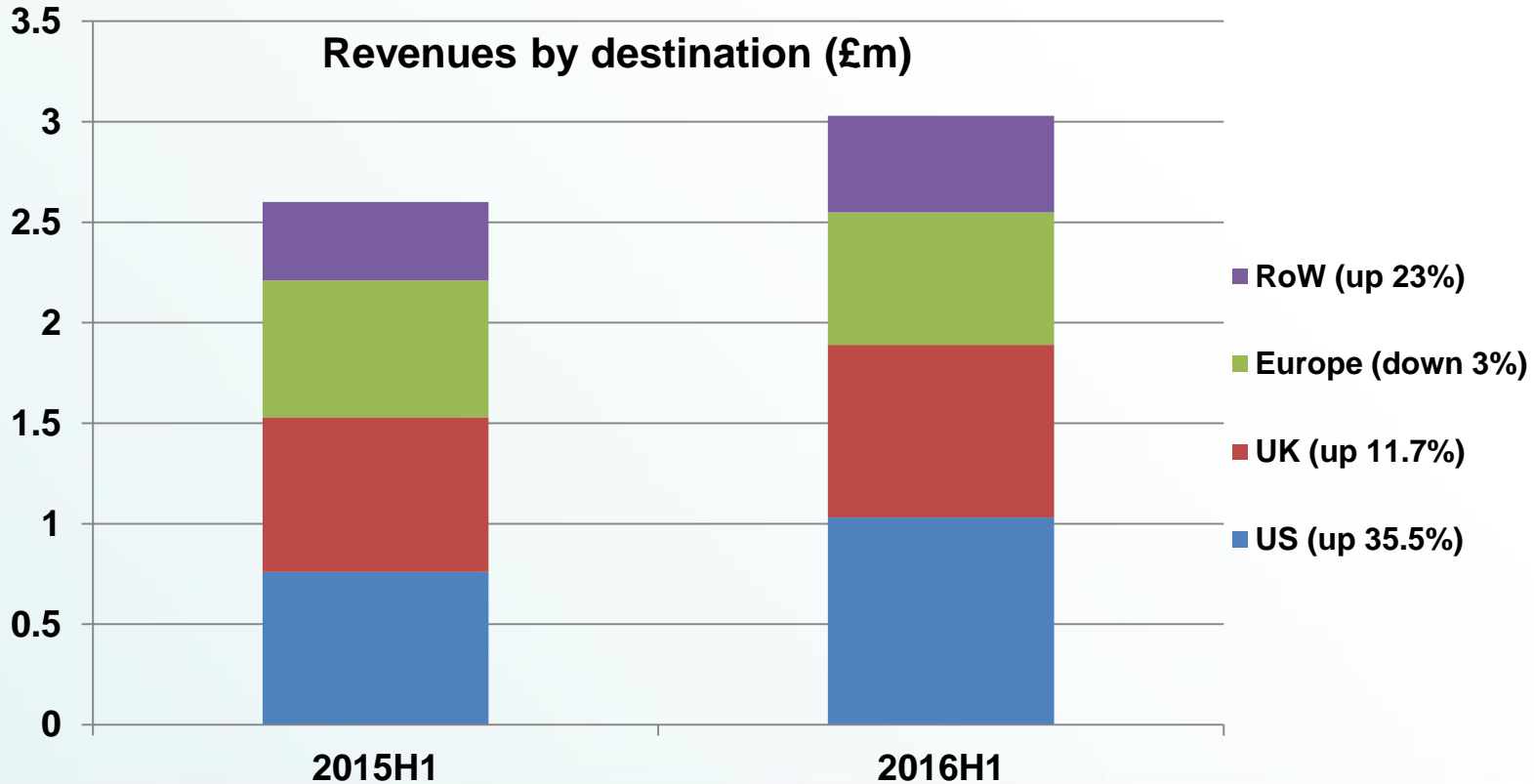
Gross margin of 26.6% in H2 (up from 19.2% in 2015H2)

Returned to profit at operating and PAT levels



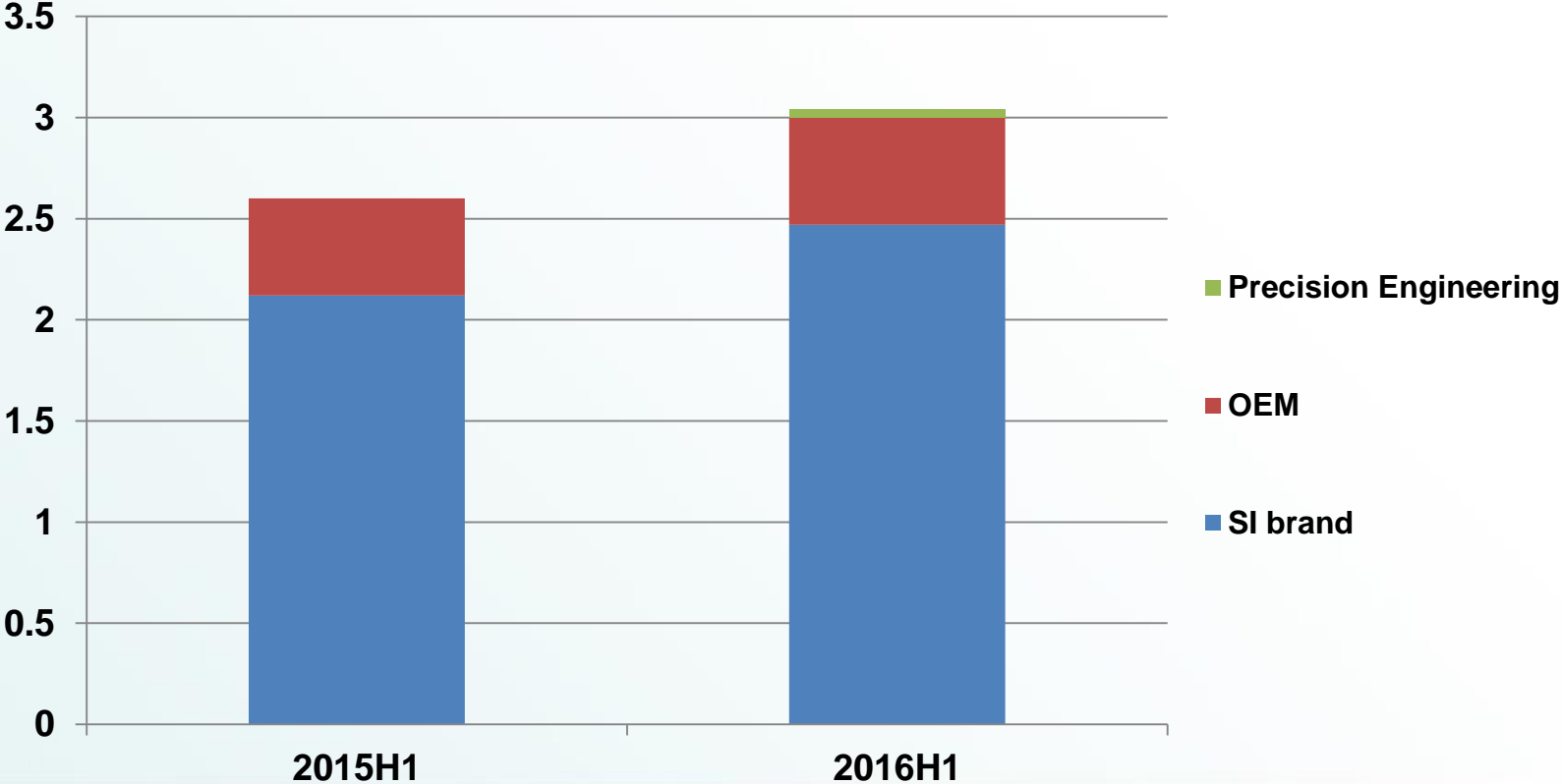
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Export-led revenue growth



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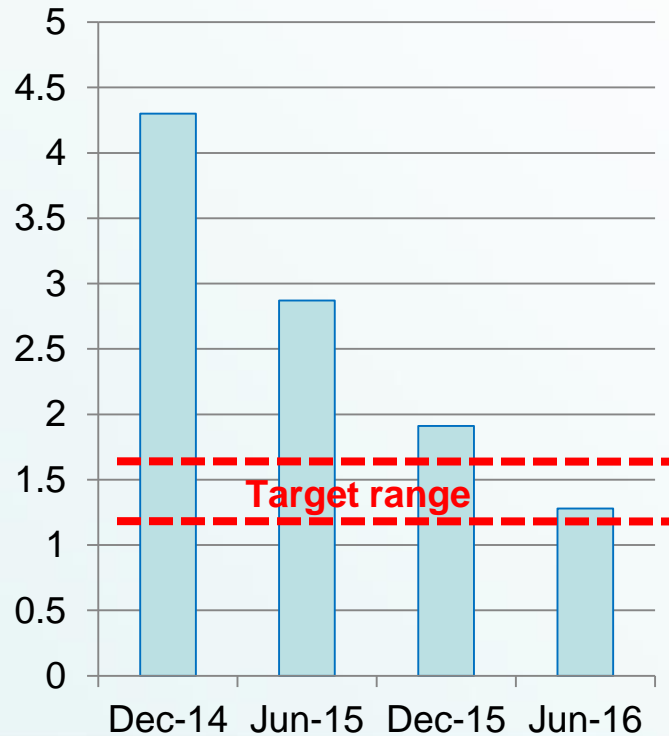
Revenues by segment (£m)



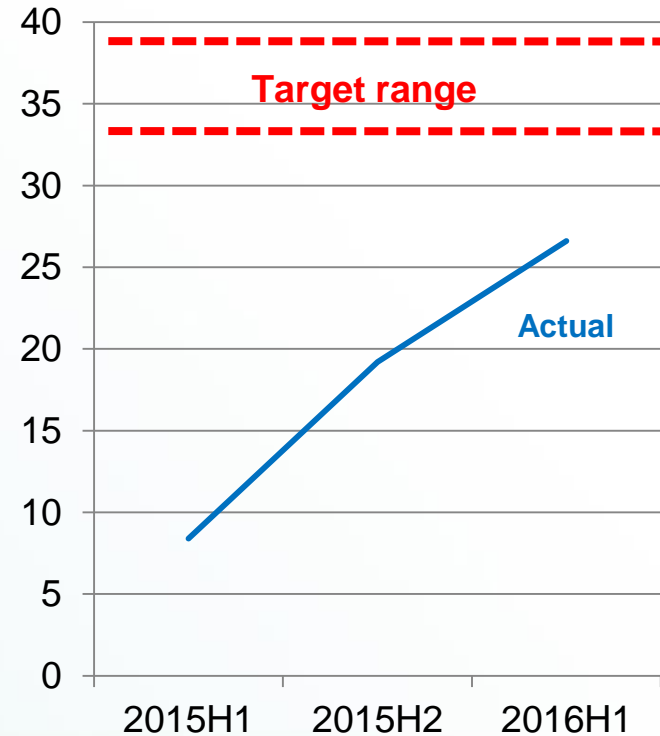
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Productivity gains

Net inventory (£m)



Gross margin (% of revenues)



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Financials – Cash flows

	2016H1 £m	2015H1 £m	2015 £m
Cash flows from operating activities			
Operating profit/(loss)	0.03	(1.83)	(1.97)
Exceptional items	-	1.33	1.15
Depreciation & amortisation	0.47	0.49	0.93
Other	-	(0.04)	(0.05)
Operating cash flows before movements in working capital	0.50	(0.05)	0.06
Inventories	0.66	0.95	1.60
Receivables	0.45	0.44	0.47
Payables	0.21	(0.68)	(0.54)
Cash generated from operations	1.82	0.66	1.57
Taxation received	-	-	-
Interest paid (net)	(0.05)	(0.06)	(0.06)
Net cash generated from operations	1.77	0.60	1.51



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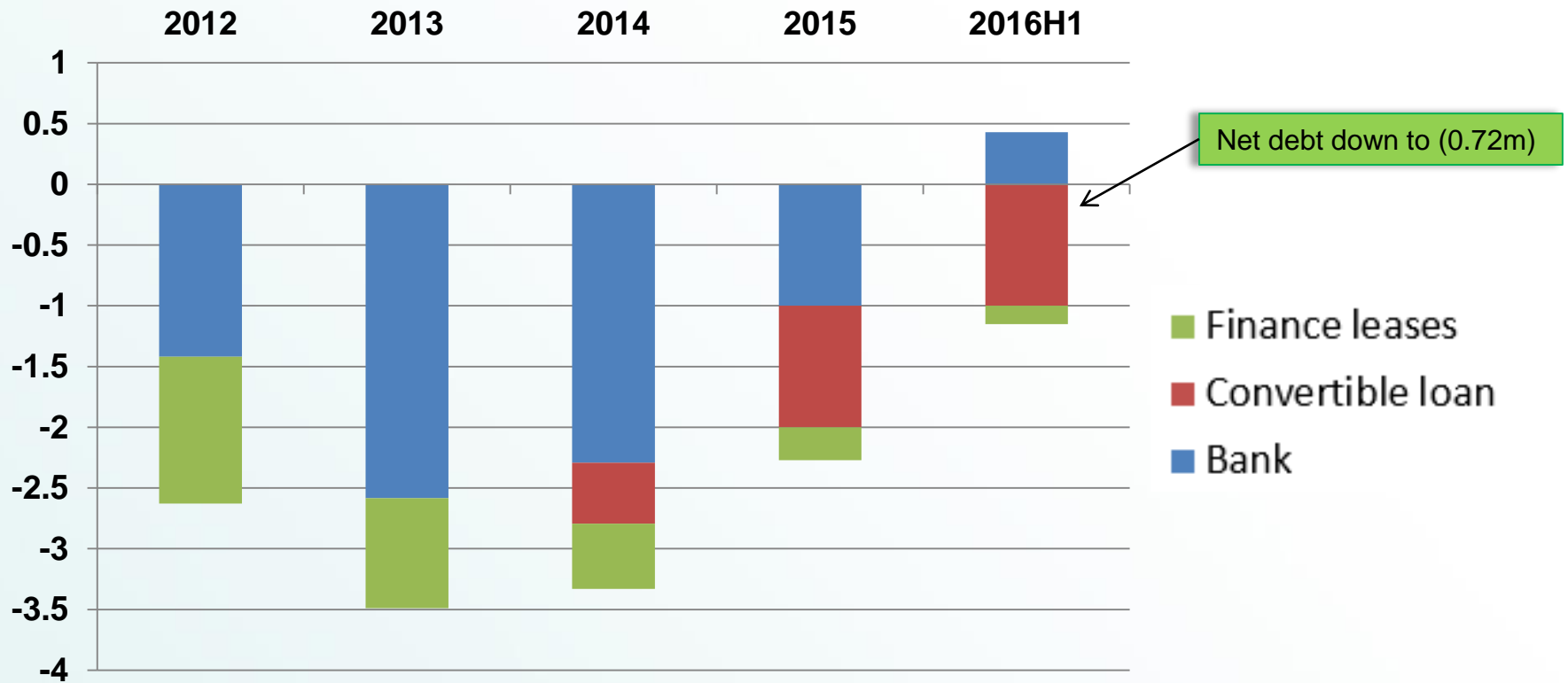
Financials – Cash flows (continued)

	2016H1 £m	2015H1 £m	2015 £m
Net cash generated from operations	1.77	0.60	1.51
Cash flows from investing activities	(0.25)	(0.20)	(0.45)
Capex on tangible FA	(0.05)	(0.04)	(0.17)
Capitalised development costs	(0.20)	(0.16)	(0.28)
Cash flows from financing activities	(0.28)	0.38	(0.76)
Issue of loan notes	-	0.50	0.50
Issue of equity	0.03	-	0.02
Bank loans (repaid)/drawn	(0.20)	-	(1.00)
Repayment of lease obligations/other	(0.11)	(0.12)	(0.28)
Net increase in cash & equivalents	1.24	0.78	0.30



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Bank position switched to net cash



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Financials – Balance Sheet

	Jun 2016 £m	Dec 2015 £m	Jun 2015 £m
Tangible fixed assets	1.62	1.83	1.95
Intangible assets	1.36	1.36	1.48
Trade receivables	-	-	-
Total non-current assets	2.98	3.19	3.43
Inventories	1.28	1.91	2.86
Trade receivables	0.89	1.30	0.80
Other current assets	0.59	0.39	0.32
Trade & other payables	(0.42)	(0.41)	(0.30)
Accruals & deferred income	(0.38)	(0.19)	(0.16)
Total working capital	1.96	3.00	3.52
Cash & equivalents	2.21	0.98	1.46
Bank borrowings	(1.79)	(1.98)	(2.98)
Convertible loan notes	(1.00)	(1.00)	(1.00)
Finance lease obligations	(0.14)	(0.26)	(0.39)
Total net indebtedness	(0.72)	(2.26)	(2.91)
Net assets/total equity	4.22	3.93	4.04
Gearing (%)	17.1%	57.5%	72.0%



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Innovation

- The YelloPort Elite
- Product Development Roadmap
 - Internally generated development
 - Factoring of products
- Precision Engineering – further development of existing partnership



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Current trading & prospects

Current trading

- Second half revenue to date has continued to grow above industry trend
- Productivity gains yet to show through fully – will do so by end of year
- Regulatory approval of new products imminent

Prospects for FY16 & beyond

- Industry trend CAGR of 6.5% for 2015-2025
- Above trend growth in bariatric procedures
- Continued emphasis on developed markets, but....
- Increasing polarisation demands investment in core brand values



Growth opportunities

Geographical expansion

- US market (currently 1/3rd of revenues) – progressing well and benefiting from strong dollar
- APAC – renewed vigour in relationship with regional distributor

Product portfolio

- New product launches on track for 2016 H2
- Close links with OEM and Precision Engineering clients showing promise

Acquisition opportunities

- Several potential targets under evaluation
- Focus on innovative niche med-tech with bias towards MIS specialism preferred



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Appendices



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Board of Directors

- **Nigel Rogers (Executive Chairman)** – 20 years experience as CEO of AIM-listed engineering businesses. Now committed to portfolio of NED/Chairman appointments
- **Prof. Mike McMahon (NED and Clinical Lead)** – founder/director, leading Laparoscopic Surgeon
- **Melanie Ross (Group FD and MD of SI Ltd)** – 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



Financials – R&D spend

	Jun 2016 £m
Unamortised amount b/f	1.36
R&D spend incurred in period	0.44
R&D charged directly to P&L	(0.24)
Amortisation charge	(0.20)
Unamortised amount c/f	1.36

