



Surgical Innovations Group Plc

2023 Year End
Results
Presentation

Jon Glenn, Chairman
David Marsh, CEO

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



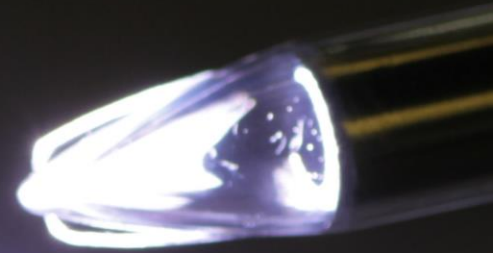
Direct sales in the UK & global
distribution through our
network of global partners



Strong industry partnerships,
most recently In robotics,
leveraging design expertise

- **Expansion of SI-branded offering**
 - New product development to capitalise on growth opportunities
 - Sustainability messaging to drive growth in key markets
 - Leverage private healthcare provider relationships – (being used to address NHS waiting lists)
- **Distribution expansion**
 - Leveraging and expanding existing supplier and distribution agreements: 3rd party products for UK market (via Elemental) and SI/ wider products into other markets
 - New commercial agreements under negotiation
- **Continuing operational improvements to drive efficiencies to**
 - Support enhanced returns and deliver operational gearing
 - Improve top line growth through better competitiveness
- **Aspiration to grow turnover to £30m by 2030**
 - Through organic growth, licencing opportunities, additional 3rd party distribution and M&A

Commercial & Operational Highlights



Elite Optical Trocar –
Illuminating the path
to safer surgery

Commercial & Operational Highlights



Record revenue with strong sales in UK, Japan and key EU markets



Operational and supply chain challenges impacting margin



Implementation of operational improvement plan to improve margins and efficiencies



Increasing impact in new geographical regions, India, Canada

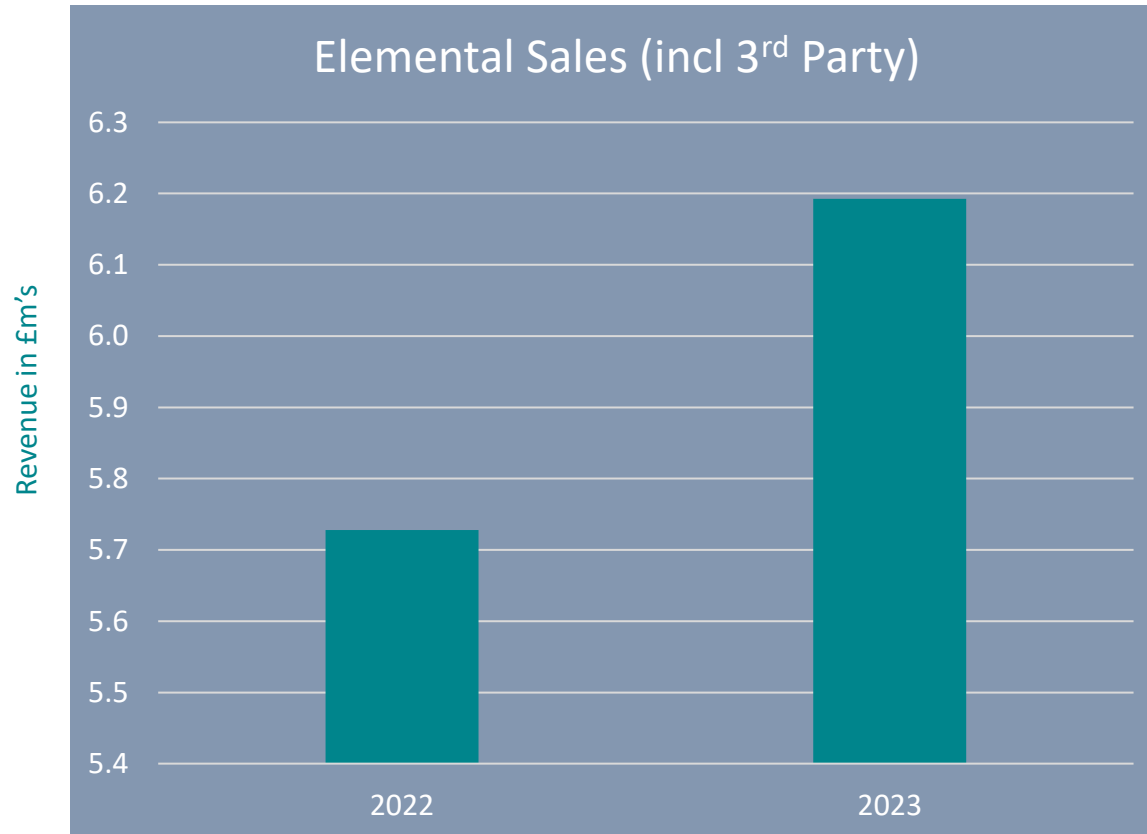


Major overhaul of supply chain logistics



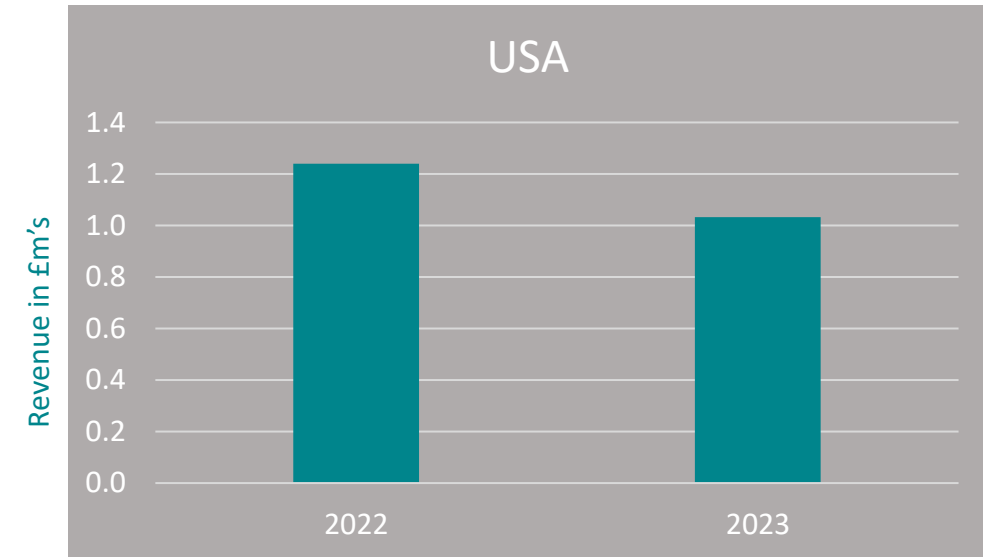
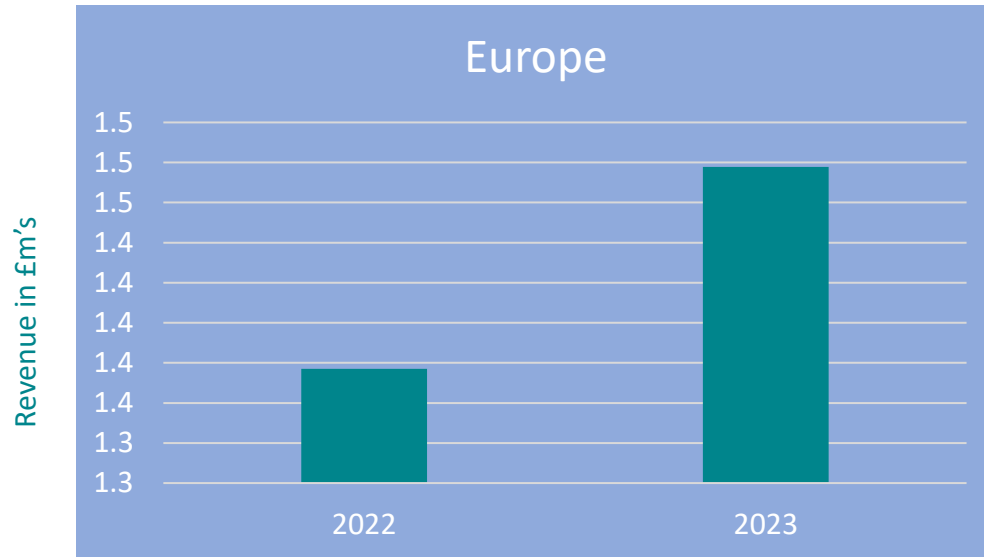
Transition to MDR on track, UKCA certified

Elemental Sales and Outlook



- UK sales grew 8% v 2022
- SI Branded Product grew 15%
- Extended agreements with Microline (5 years) and Peters Surgical (3 years)
- Two supply agreements with Private Healthcare Providers (PHPs)
- Concluding new distribution agreements with manufacturers with existing revenue in UK
- Investment in sales and marketing driving sustainability

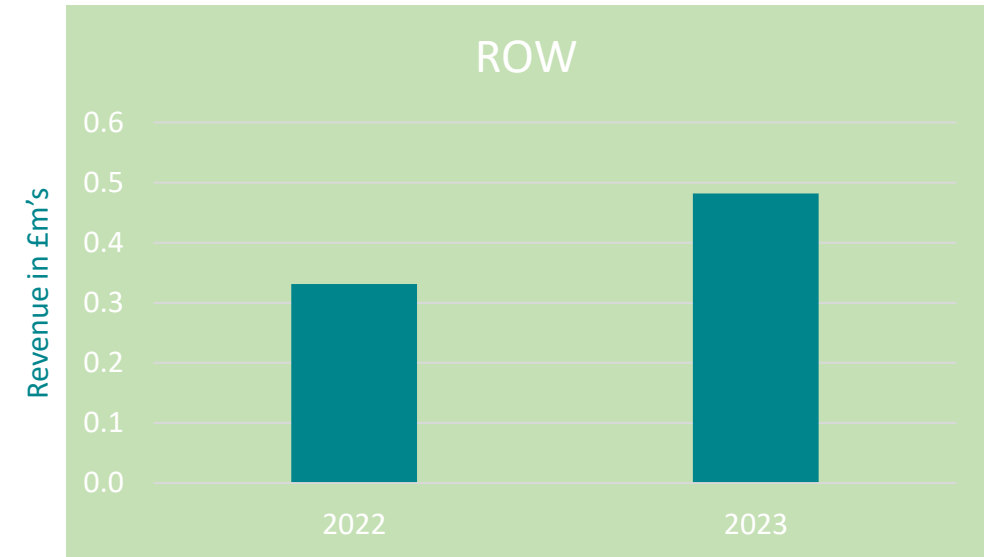
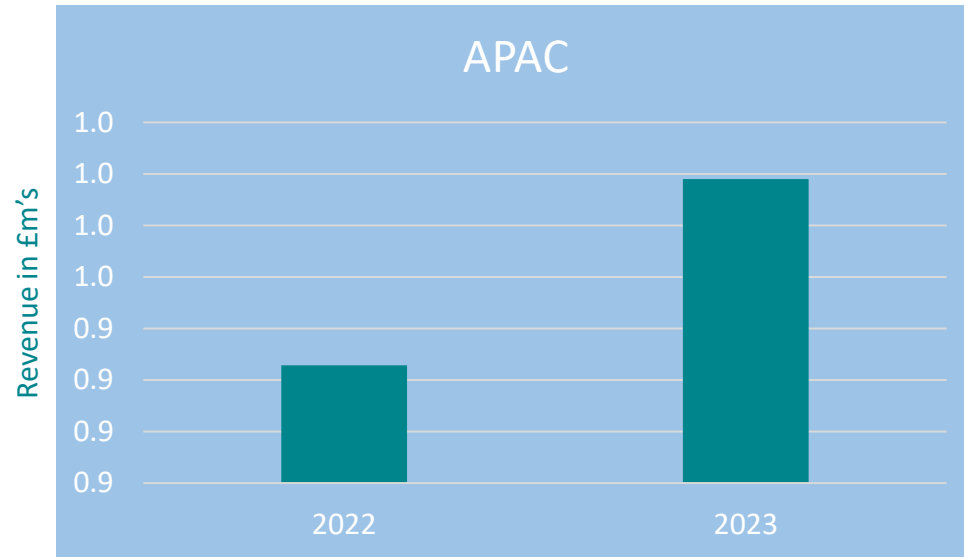
Europe and USA Sales and Drivers



- Growth of 7% brings Europe back above pre-pandemic levels
- Sustainability a driving factor highlighted by big account wins in Benelux and Spain
- Working in conjunction with Belgium government and 2 key hospitals on “Green Deal” initiative to drive sustainable surgery
- Significant opportunity with April launch of LogiTube

- USA remains problematic
 - Scissor business under price pressure
 - Access device uptake is slower than anticipated
- Revised training and support programme during April.
- Working on alternate route to market for scissor business outside South Eastern states where distribution partner is strong
- Launch of LogiTube in Q4 will provide momentum into 2025

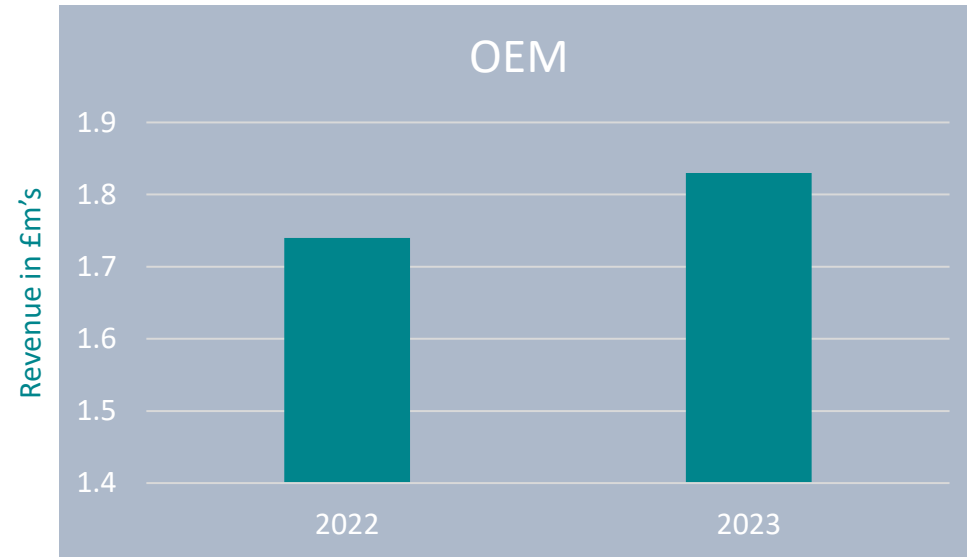
APAC and ROW Sales and Drivers



- Growth of 8% in the region
- Following a slow start India beginning to gain traction with account conversations in Delhi and Hyderabad, ongoing evaluations with key Bariatric Surgeon
- Successful launch of YelloPort Elite and Optical 5mm in Japan
- Traction on sustainability in Australia and NZ

- Strong growth of 45% over 2022
- New route to market in Canada, already new account wins in Quebec and Saskatchewan
- Big account win in Israel
- Launch of LogiTube offers potential upside in Q4

OEM Sales



- Growth of 5% to £1.84m (2022: £1.74m)
- Year end impacted by supply chain issues that continued into 2024
- Initiative to clear backorders in Q2

Key OEM Partners



Strategic Growth Opportunities



- Enhance SI branded product offering, develop own label opportunities



- Leverage relationships with Private Healthcare Providers as NHS utilises PHPs to address waiting lists



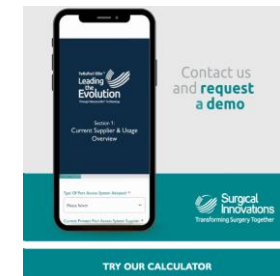
- New distribution opportunities to enhance portfolio



- Consolidate relationships with existing suppliers and distribution partners

Under NDA

- Commercial agreements with companies that have existing revenue streams in UK



- Drive sustainability messaging in key markets

Compliance Update



- Approval of enhancements to Quality Management System to the requirements of the Medical Device Regulations (MDR)
- Compliance and registration of all Class I medical devices to the MDR
- Full clearance and certification to the requirements of the MDR of all Class IIa single use sterile devices including Logiflex, all YelloPort valves, optical trocars and single use cannula
- Full clearance and certification to the requirements of the MDR of all Class IIa reusable devices including Pretzeflex, all YelloPort cannula and trocars, locking trocars
- Clearance of all Class IIb devices through microbiology audit; approval of completeness check and full submission of such devices for review by BSI

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- Submission and certification of all devices and systems to the requirements of United Kingdom Conformity Assessed (UKCA) mark



- Successful audit and continued certification to the requirements of ISO 13485 and Medical Device Single Audit Program (MDSAP). Enabling continued sales in all MDSAP territories including USA, Brazil, Canada, Japan and Australia
- Regulatory and registration approvals for key products in Japan and India
- Successful regulatory clearance of two new devices, the Logitube and large locking shielded trocars, including full technical file preparation and declaration of conformity

2023 New Products

LogiTube™

Gastric calibration tube for use in Obesity surgery, launched in UK in Q4 23, Europe April 24 and USA in Q4 24



Elite™ cutting shielded trocar

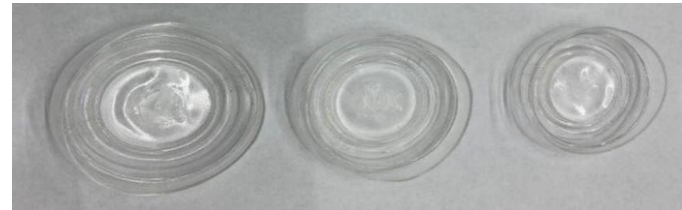
This device completes the Elite range and addresses the needs of key specialties. Completes offering to all surgical specialties allowing full account conversions.



Materials & Design

Materials

Utilising new material such as TPE to replace Silicone reduces component costs and allow manufacturing to be brought in-house



Design

Designing component change-out of device reduces material cost and drives efficiency in manufacturing



Development Projects

Illuminated LogiTube™

Development of an illuminated gastric tube to enhance patient safety in complex bariatric procedures



Low-cost Scissor

Create a low cost model for price sensitive markets and drive volume through the facility



Concept

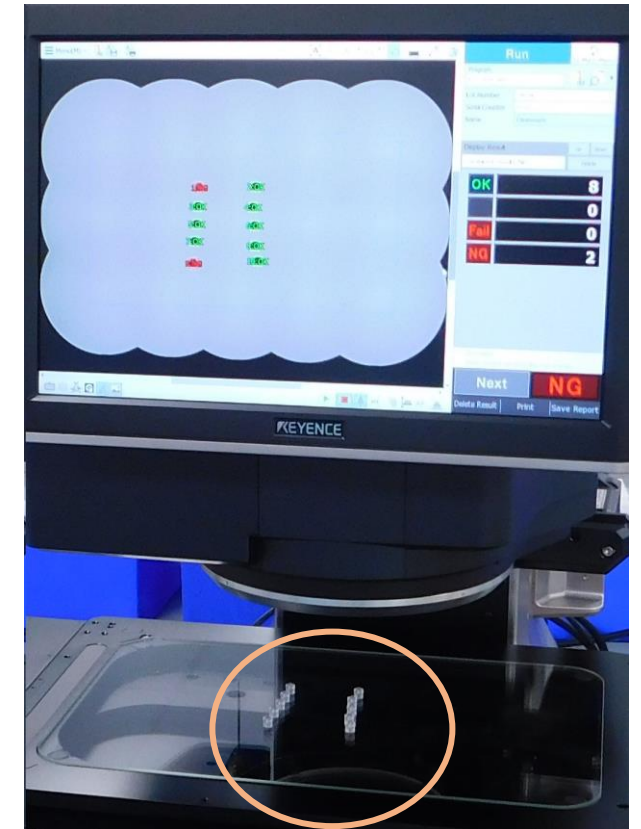
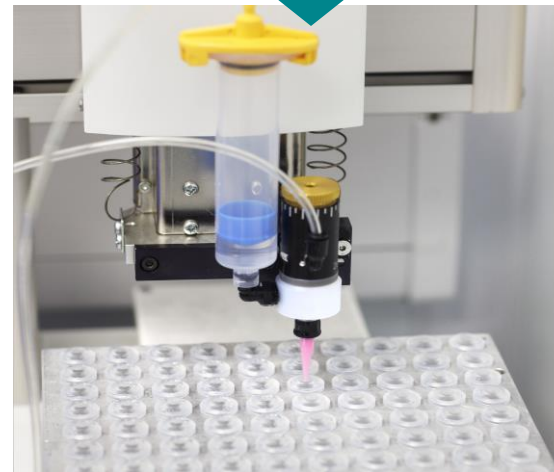


Prototype

Manufacturing and Capex Update

Focus on driving efficiencies:

- Investment in automated/robotic process
- Robotic lubrication
- Robotic glue process
- Automated dimensional inspection
- Update and improve tooling



Financials



Financial Highlights

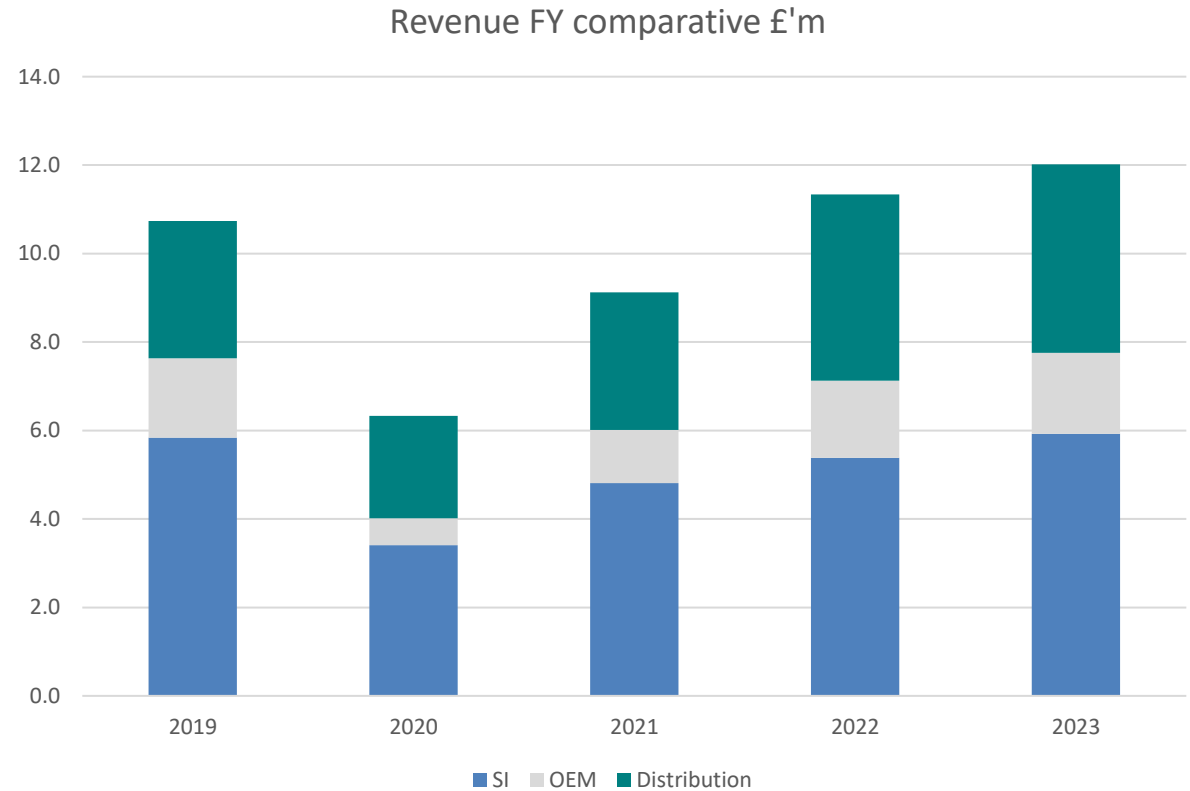
	2023	Change vs. prior comparative	2022
Revenues	£12.01m	+5.91%	£11.34m
Underlying gross margin	37.9%	-4.06%	42.5%
Adj. EBITDA ¹	£0.20m	−£0.50m	£0.70m
Adj. operating (loss)/profit ¹	(£0.69m)	−£0.70m	£0.01m
Adj. (loss)/earnings per share (pence) ¹	(0.05p)	−0.09p	0.04p

1. Adjusted EBITDA, adjusted operating (loss)/(profit) before tax and Adjusted EPS are stated before deducting non-recurring/ exceptional costs of £0.01m (2022:£0.03m), impairment of intangible costs of £nil (2022: £nil) and share based payment costs of £0.03m (2022: £0.04m)

Revenue Analysis

Year-on-year organic growth

- Surgical Innovations (SI) branded sales increased by 6.6% to £5.93m
- Distribution sales continue to show strong growth up 5.2% to £4.26m
- OEM sales increased 5.1% to £1.83m despite being hindered by external supply chain factors



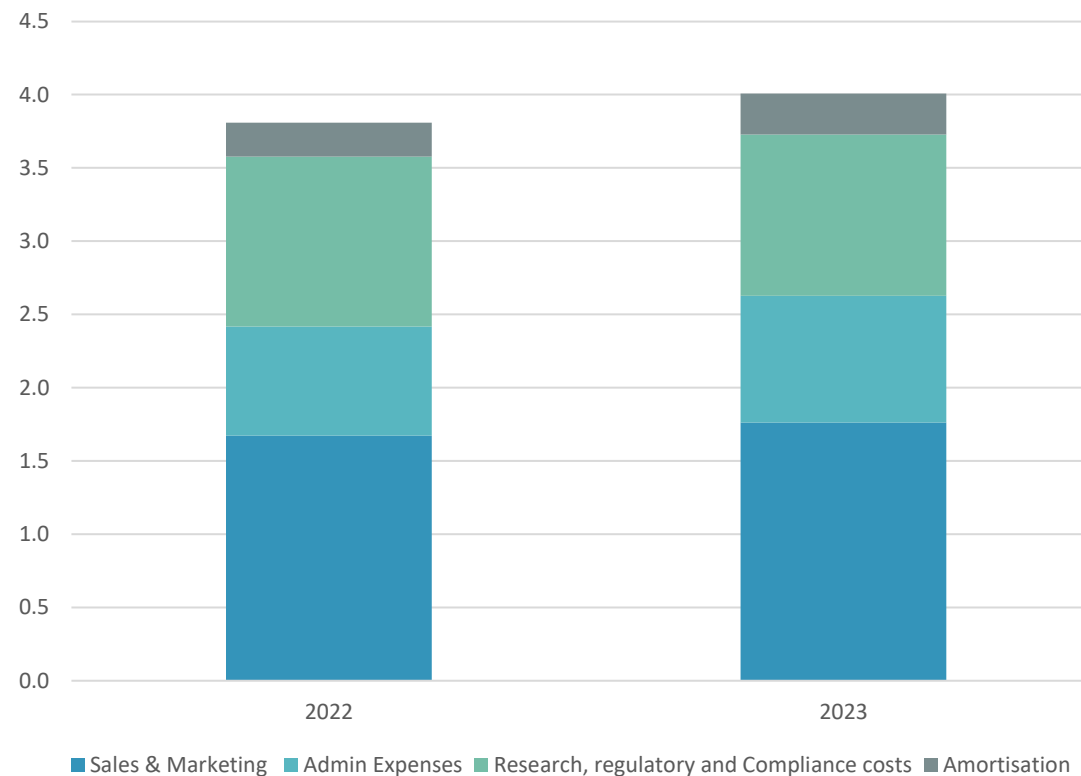
Margin Analysis

- Commercial margins reduced to 37.9% (2022: 42.5%)
- Operational challenges reported at interims have impacted the margin
- Comprehensive review of manufacturing operations and supply chain measures implemented to improve profitability
- Cost reduction initiatives for both direct and indirect have been implemented in early 2024
- Emphasis on margin improvement is a key priority

Gross Margin Analysis	2023	2022
	£'m	£'m
Revenue	12.01	11.34
Cost of Sales	(7.46)	(6.53)
Underlying gross margin	4.55	4.82
Underlying gross margin %	37.9%	42.5%
Net Cost of Manufacturing	(1.11)	(0.89)
Contribution Margin	3.45	3.92
Contribution Margin %	28.7%	34.6%

- Adjusted operating expenses¹ increased to £4.01m (2022: £3.81m)
- Continued investment in Sales & Marketing to support growth
- Regulatory costs continue to be higher due to MDR
- Inflationary pressures continues into 2024
- Cost reduction in early 2024 with continuous improvement plan expected to drive profitability

Adjusted operating expenses £'m



1. Adjusted operating expenses are stated before deducting non-recurring/ exceptional costs of £0.01m (2022:£0.03m), impairment of intangible costs of £nil (2022: £nil) and share based payment costs of £0.03m (2022: £0.04m)

Financial Position

	31 Dec 2023	31 Dec 2022
	£'m	£'m
Tangible assets	1.70	1.78
Intangible assets	6.53	6.40
Total non-current assets	8.23	8.18
Inventories	2.85	3.16
Trade receivables	1.58	1.76
Other current assets	0.44	0.29
Trade & other payables	(1.63)	(1.89)
Accruals and deferred Income	(0.38)	(0.42)
Total working capital	2.87	2.91
Cash & cash equivalents	1.21	2.20
Borrowings	(0.85)	(1.21)
Right of Use Lease obligations	(0.81)	(0.95)
Total net cash	(0.45)	0.04
Adjusted net cash¹	0.36	0.99
Other	(0.17)	(0.17)
Net assets/total equity	10.48	10.96

- Investment
 - Capital expenditure of £0.28m
 - Investment in product development continues £0.41m (2022: £0.42m)
- Inventory reduction plan underway to return to normalised levels
- Cash headroom of £2.12m (including £1.0m undrawn invoice discounting facility)
- Bank remains a supportive stakeholder

1. Adjusted net cash is gross cash less bank borrowings excluding Right-of use lease obligations

Strong Q2 order book

- Pipeline of orders demonstrating strong demand

Increasing demand for Surgical Innovations (SI) branded products

- Sustainability message resonates in more key markets

Key product launches provide significant opportunity for growth

- LogiTube launch in Europe, initial evaluation orders received

New long-term agreements with key suppliers

- Secures and underpins UK distribution model

New supply agreements with UK Private Healthcare Providers

- Capitalises on NHS reliance on private sector to reduce backlog of elective surgery

Operational efficiencies benefits

- Streamlined processes leading to cost savings, improved bottom-line performance and competitiveness