



**17 January 2022**

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

### **Year-end Trading Update**

Surgical Innovations Group plc (AIM: SUN), the designer, manufacturer and distributor of innovative technology for minimally invasive surgery, provides an update on trading for the year ended 31 December 2021.

#### **Financials**

Sales for the second half of the year were approximately 16% higher than the first half, resulting in revenue for the full year expected to be approximately £9.1m. This compares with full year revenues of £6.3m in 2020 and £10.7m in 2019 as a pre-pandemic comparative. Underlying gross margin (before net manufacturing costs) remains within target range and the Group expects to report positive adjusted<sup>1</sup> EBITDA with a small adjusted loss before tax<sup>1</sup>, both in line with market expectations.

The closing net cash<sup>2</sup> balances of the Group stood at approximately £1.8m at 31 December 2021 (30 June 2021: £2.66m). The Group optimised the timing of its reflation of net working capital in line with increased activity levels and the effects of UK and international supply chain issues. In addition, further investment was made into new product development.

#### **Stronger second half performance**

The UK had a strong finish to the year with H2 sales up 38% on H1, matching pre-COVID levels. Annual sales for the UK (excluding OEM) reached 94% of pre-pandemic levels, benefitting from a strong Q4.

SI branded sales (excluding UK) had a slower H2 compared with H1, down 15%. This was in part due to the high level of re-stocking orders to the USA and Japan placed in Q1. We experienced a more normalised order pattern from these regions during H2, with sales running close to 80% of pre-pandemic levels.

OEM sales had a very strong H2, up 69% over H1. This reflected a return to more normalised patterns, and forecasted demand for OEM sales in 2022 is anticipated to be at or around pre-COVID levels.

Overall Group sales in the fourth quarter recovered rapidly to approximately 90% of pre-pandemic levels following the effects of the delta variant of COVID-19, and before the emergence of significant hospitalisation from the Omicron variant wave.

#### **Current trading and outlook**

Global Healthcare markets continue to be buffeted by COVID-19 and the emergence of the Omicron variant represents an additional challenge for hospitals trying to manage staff absences as they self-isolate. The start of this year has seen a number of NHS Trusts reduce or postpone elective surgery, and consequently we remain cautious as a combination of seasonal flu and Omicron could further slow hospital activity in elective surgery in the coming months. A similar picture globally is being reported by our international partners. Reflecting these factors and uncertainty regarding the timing and scale of recovery from Omicron, the Board considers that formal earnings guidance should continue to be withheld until final results are announced in March.

**David Marsh, CEO of Surgical Innovations Group Plc said:** *“Our performance in 2021 has been credible in the context of the pandemic and related issues, and reflects management action to contain the financial effects of reduced activity to a manageable level, whilst reinforcing the commercial and operational capabilities of the business to emerge in a stronger competitive position. While we anticipate that Q1 sales may reduce down to 80% of pre-pandemic levels, we do however expect a return to normalised hospital activity in Q2 and see prospects for improved momentum in H2. Overall, we anticipate that annualised sales by year end 2022 will exceed the level of revenue in 2019 as a pre-pandemic benchmark. This reflects anticipated progress on the adoption of our innovative Resposable™ technology to reduce waste and cost in elective surgery.”*

1 *Adjusted EBITDA is earnings before interest, tax, depreciation and amortization and 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 the same items.*

2 *Net cash equals cash less bank debt excluding IFRS16 lease obligations*

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**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.sigrouplc.com](http://www.sigrouplc.com)

[www.surginno.com](http://www.surginno.com)

[www.elementalhealthcare.co.uk](http://www.elementalhealthcare.co.uk)

To receive regular updates by email, please contact [si@walbrookpr.com](mailto:si@walbrookpr.com)