



Surgical Innovations Group Plc

2023 H1 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



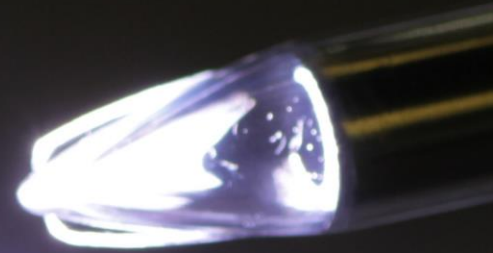
Strong industry partnerships,
most recently In robotics,
leveraging design expertise

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



Operational and supply chain challenges impacting margin



Implementation of operational improvement plan to improve margins and efficiencies



Geographical expansion gaining traction



Overhaul of supply chain logistics



Transition to MDR on track, UKCA certified

Operational Headwind

Operational and supply chain challenges impacting margins and efficiencies



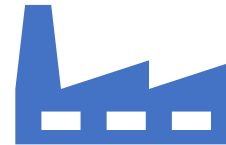
Supply Chain

Increasing key components costs and extended lead times

Minimum order quantities increased

Structural and operational overhaul of supply chain

Proactive engagement with supplier base to reduce cost and control inventory



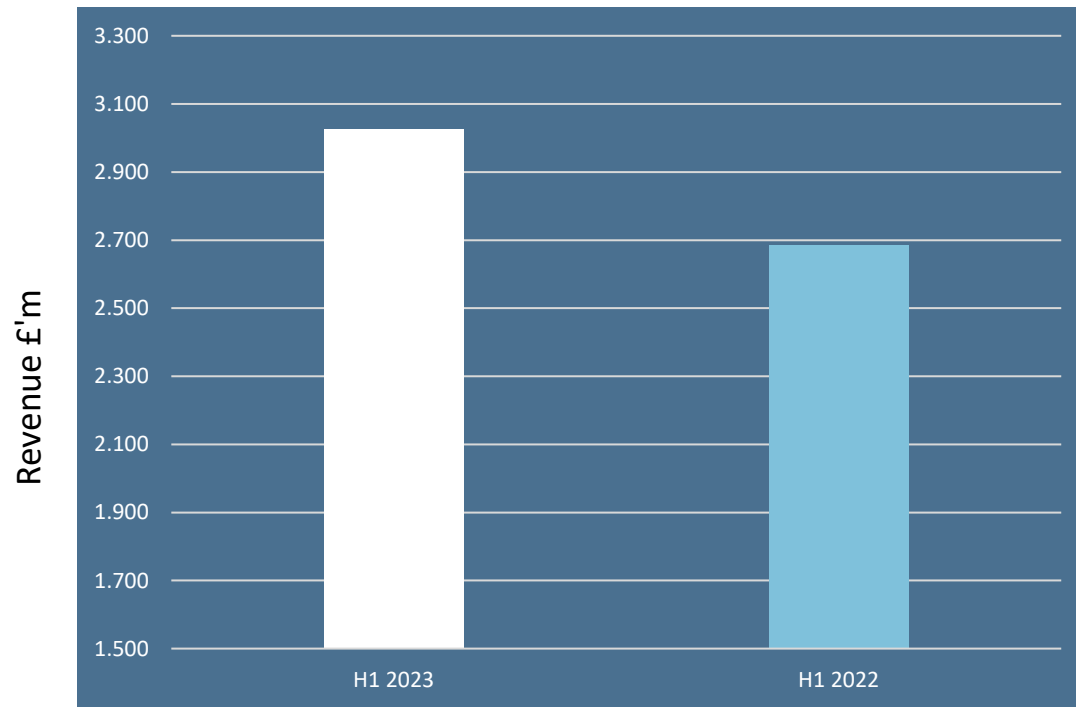
Manufacturing

A review of operational process and regulatory requirements has highlighted manufacturing inefficiencies

Utilising industry expert for complete operational review

Implementation of operational plan driving improved process and efficiencies

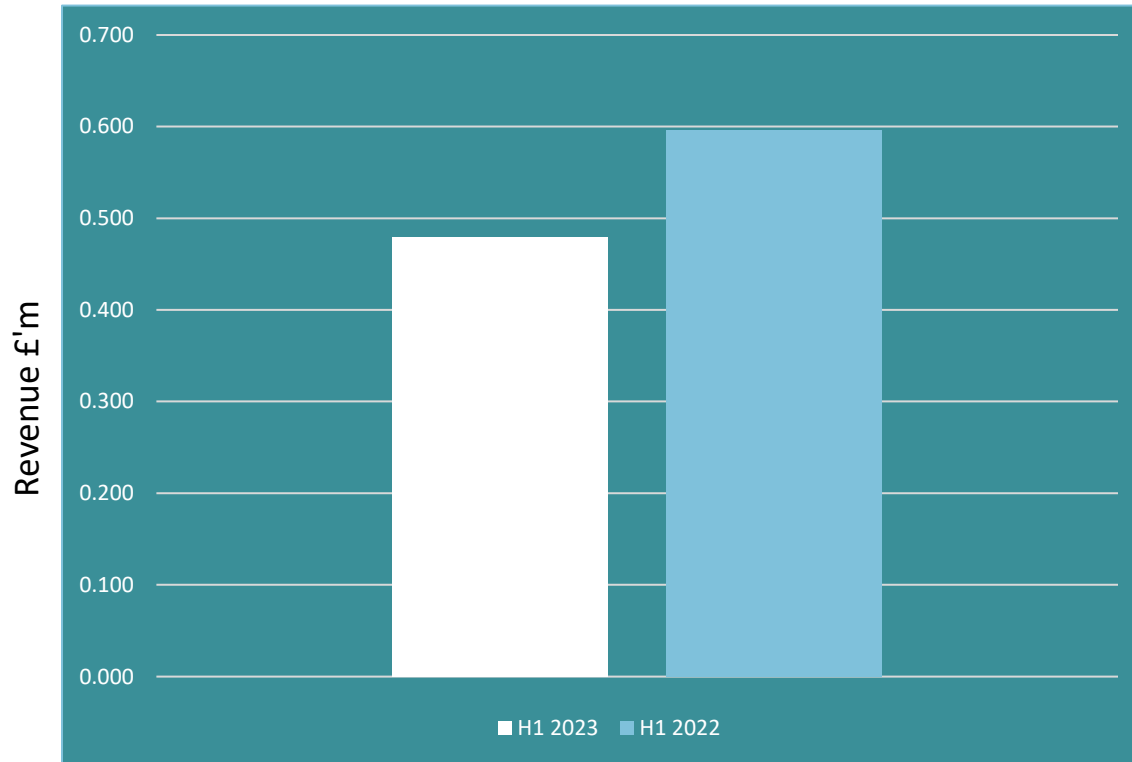
Market Overview – UK



UK market- SI-branded and Distribution sales excluding OEM

- Strong Sales, 13% v 2022 H1, despite clinical staff industrial action and increasing waiting list
- Robust organic growth in SI-branded products
- Sustainability continues to drive new account conversions
- Full sales team benefitting from new internal training programme
- Growth continues in Q3

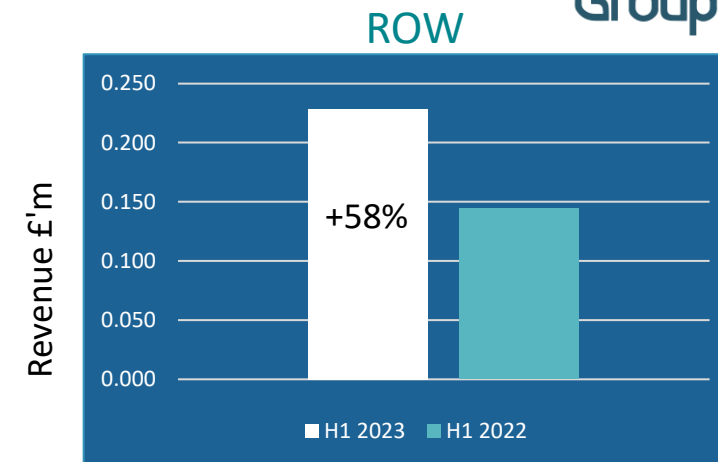
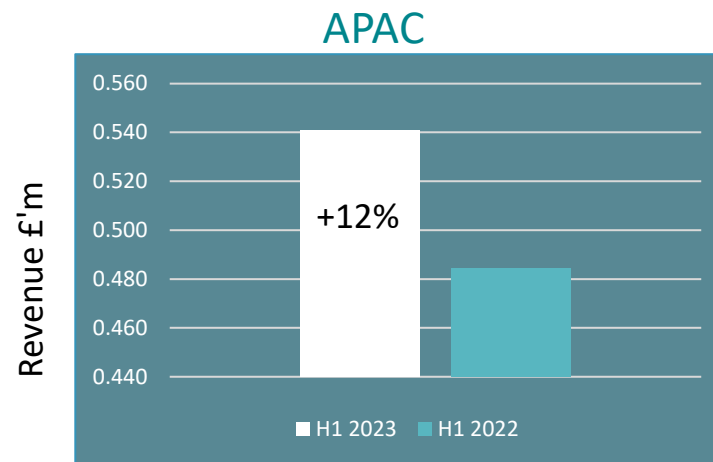
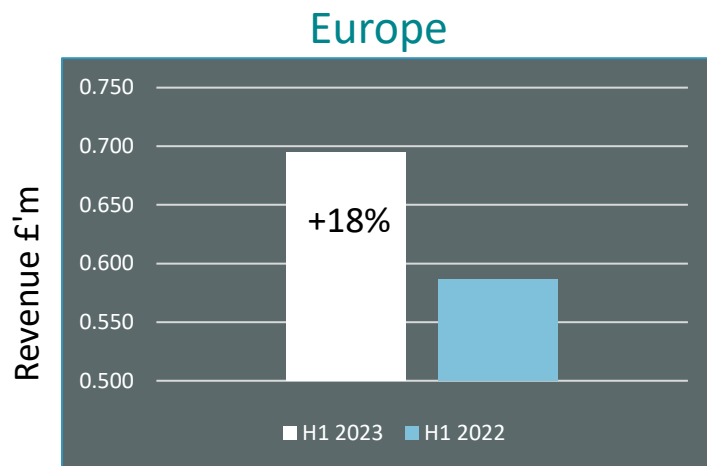
Market Overview - USA



US sales excluding OEM

- Sales down 20% v 2022 H1 (excluding 2022 H1 Microline stocking order, sales remain flat)
- Adler maintaining scissor sales in South East but Consortium network, covering balance of USA, not developing
- Plan to identify key distributors in network & drive training and sales support
- Microline activity slower than anticipated but beginning to see some traction
- Small number of account conversions
- Programme in place to support sales and incentives to drive account conversions

Market Overview – Europe, APAC & ROW

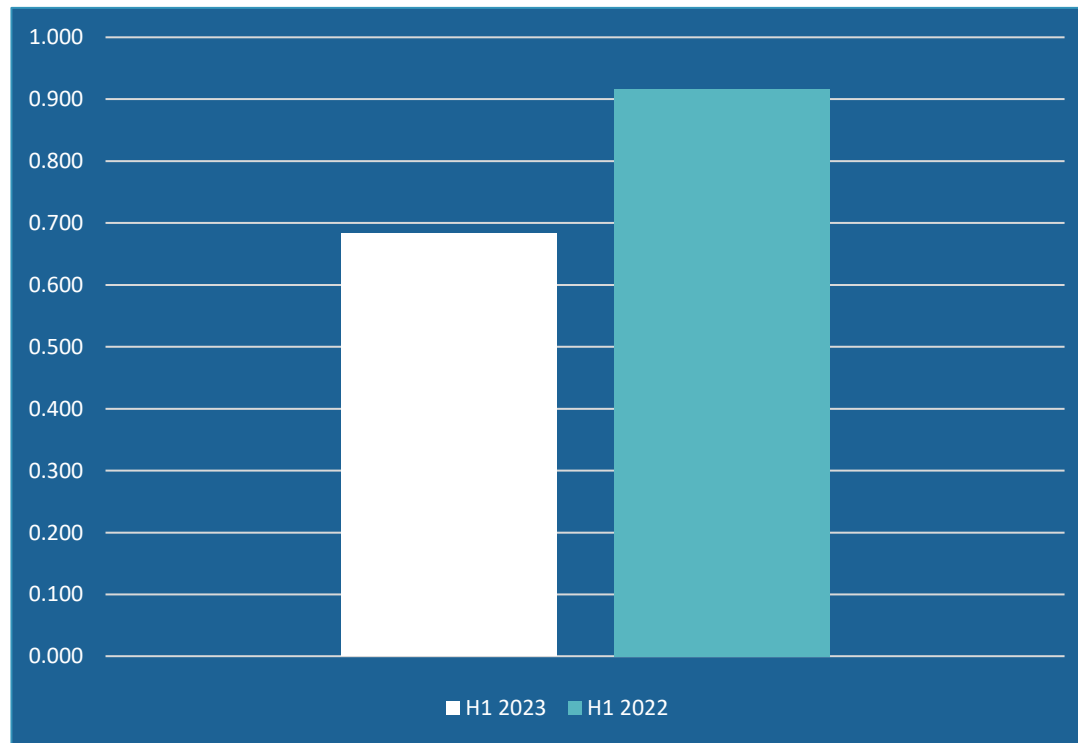


- Improved training and sales support
- Sustainability message has growing resonance

- Minor delays in registration of *Elite 5mm* delaying launch until Q4
- Outlook for H2 positive
- Strong pipeline of evaluations in India

- Growth driven by change in distributor in Canada and account wins in Israel

Market Overview - OEM



- Supply chain delays suppressed H1 sales
- Backlog of OEM orders addressed in July-August
- Strong order book until year end and beyond
- Significant progress to address supply chain challenges although margins impacted



- Quality System, Technical files and Microbiology compliant with MDR, audited by BSI and fully approved
- Product technical reviews well underway for all products with progress as follows:
 - 2/3 approved for MDR
 - Third product has clinical review in progress
- Extension of timeline for transition to MDR has slowed pace of audit and review
- UKCA approved on all products
- MDSAP and Microbiology audits successfully completed

New Product Developments

- Successful Launch of *Optical 5mm Elite*, provides opportunities in key markets (USA and UK). Japan to follow pending Q4 registration
- Rapid development of the Shielded cutting Trocar to meet need in gynaecology completes YelloPort Elite™ family
- *Logic Dissect* and *Grasp*: launch delayed due to MDR work and supply chain delays, on track for launch Q1 '24
- *YelloPort Elite™* and *LogiCut™* cost down projects on track
 - New tooling, now validated
 - Further material and design changes to follow



Financials



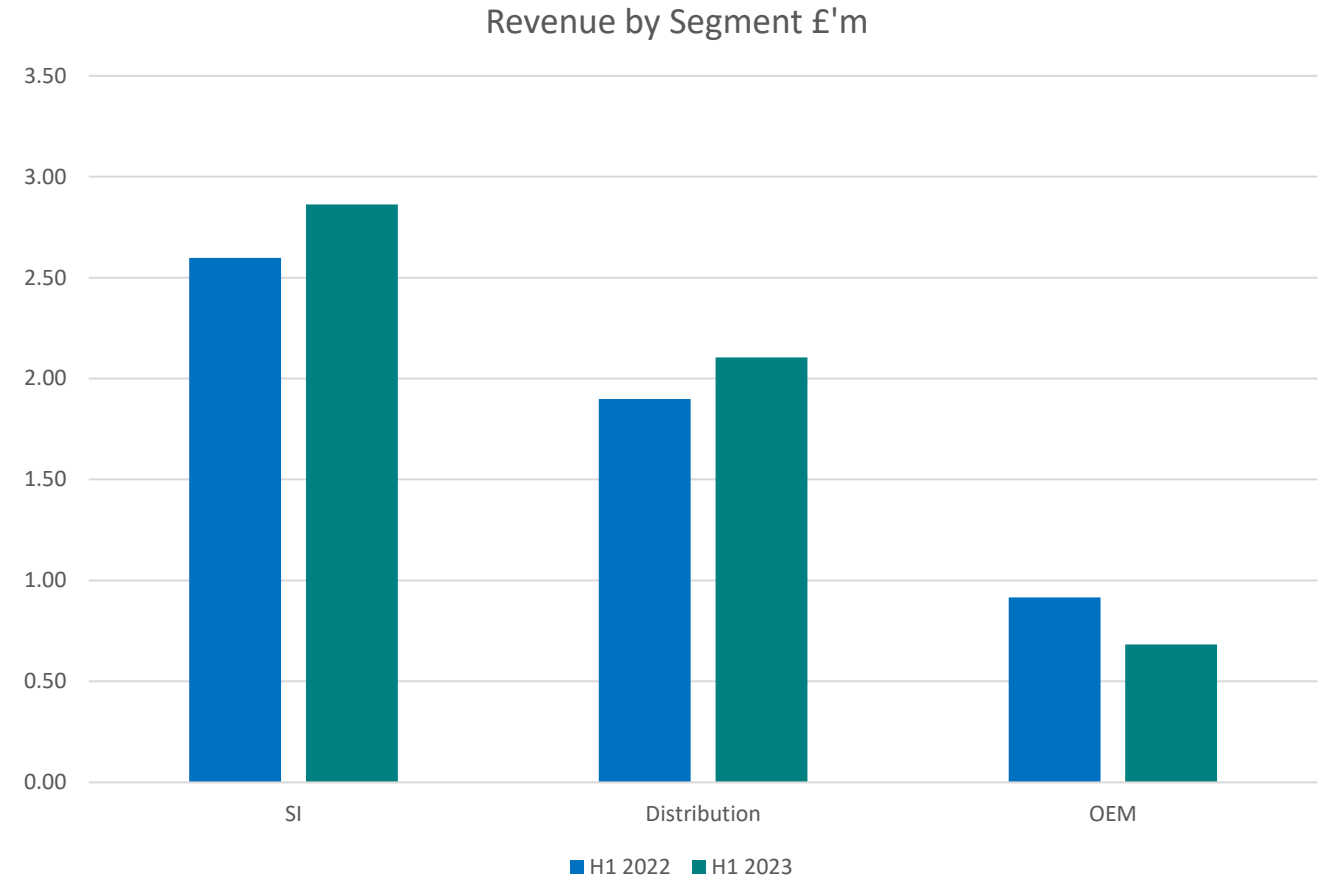
Financial Highlights

	2023 H1	Change vs. prior comparative	2022 H1
Revenues	£5.65m	+4.38%	£5.41m
Underlying Gross Margin	40.5%	-5.03%	45.53%
Adj. EBITDA ¹	£0.01m	-£0.28m	£0.29m
Adj. operating (loss)/profit ¹	(£0.28m)	-£0.29m	£0.01m
Adj. (loss)/earnings per share (pence) ¹	(0.037p)	-0.041p	0.004p

1. Adjusted EBITDA, adjusted operating profit/(loss) before tax and Adjusted EPS are stated before deducting non-recurring/ exceptional costs of £0.01m (2022H1:£0.03m), impairment of intangible costs of £nil (2022H1: £nil) and share based payment costs of £0.02m (2022H1: £0.02m)
2. Net cash equals cash less bank debt only

Revenue Analysis

- SI-branded sales increased by 10.2% to £2.86m
- Distribution sales continue to show strong growth up 10.9%
- OEM sales down hindered by supply chain delays



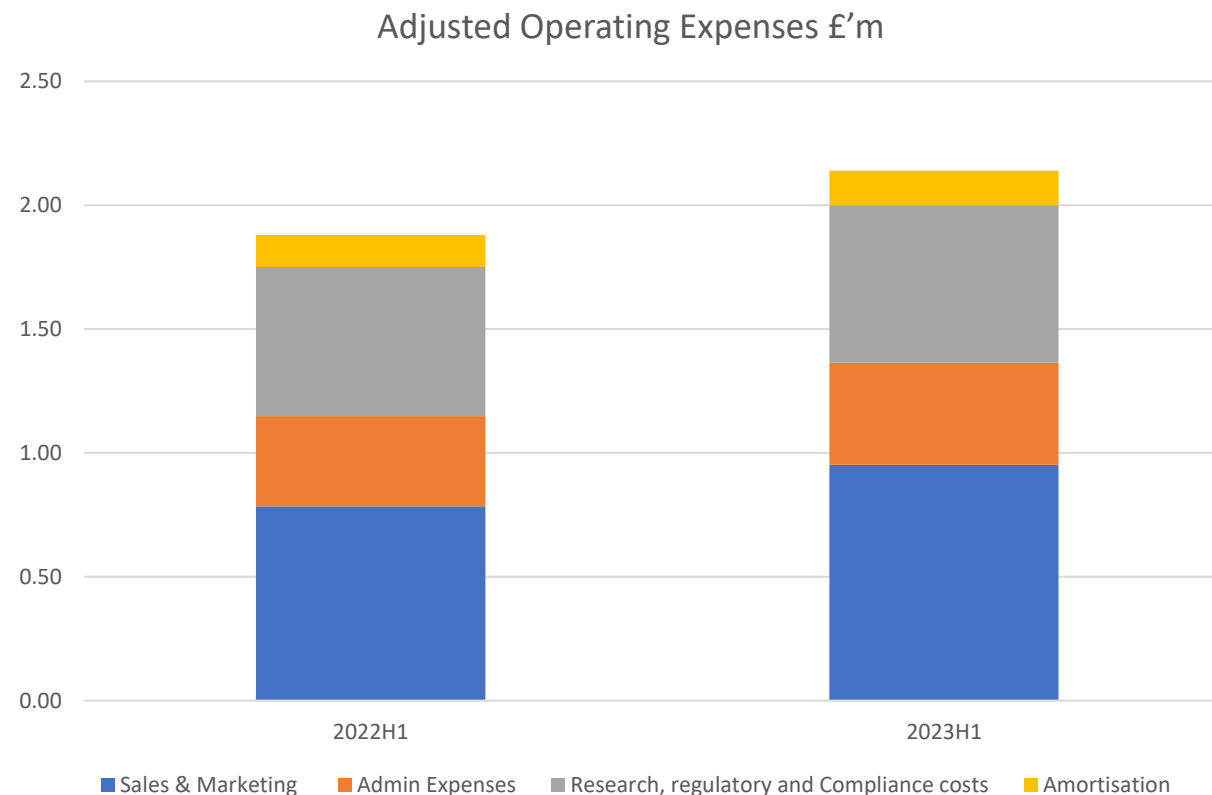
Margin Analysis

- Commercial margins remain just within target range at 40.5%
- Continued increase with inflationary pressures have contributed to the decline
- Series of planned price increases to mitigate the cost pressure
- Manufacturing productivity and supply chain challenges continue
- Review of operations underway to improve the efficiencies

Gross Margin Analysis	2023H1	2022	2022H1
	£'m	£'m	£'m
Revenue	5.65	11.34	5.43
Cost of Sales	(3.36)	(6.53)	(2.96)
Underlying Gross Margin	2.29	4.82	2.45
Underlying Gross Margin %	40.5%	42.5%	45.3%
Net Cost of Manufacturing	(0.43)	(0.89)	(0.58)
Contribution Margin	1.86	3.92	1.87
Contribution Margin %	33.0%	34.6%	34.6%

Operating Expenses

- Adjusted Operating Expenses¹ increased to £2.14m (2022 H1:£1.88m)
- Additional investment in Sales & Marketing
- Regulatory costs continue to be higher due to MDR
- Inflationary pressures continue



1. Adjusted operating expenses are stated before deducting non-recurring/ exceptional costs of £0.01m (2022H1:£0.03m), impairment of intangible costs of £nil (2022H1: £nil) and share based payment costs of £0.02m (2022H1: £0.02m).

Financial Position

	30 June 2023	31 Dec 2022
	£'m	£'m
Tangible assets	1.83	1.78
Intangible assets	6.39	6.40
Total non-current assets	8.22	8.18
Inventories	3.57	3.16
Trade receivables	1.57	1.76
Other current assets	0.57	0.29
Trade & other payables	(2.19)	(1.89)
Accruals and deferred Income	(0.41)	(0.42)
Total working capital	3.10	2.91
Cash & cash equivalents	1.41	2.20
Borrowings	(1.03)	(1.21)
Right of Use Lease obligations	(0.92)	(0.95)
Total net cash	(0.54)	0.04
Adjusted net cash	0.38	0.99
Other	(0.17)	(0.17)
Net assets/total equity	10.61	10.96

- Investment in capital expenditure of £0.18m
- Inventory reduction plan underway to return to normalised levels.
- Cash headroom of £2.41m (including £1.0m undrawn invoice discounting facility)

Summary & Outlook

- **Strong sales growth in 2023 H1** positions the Group well to **deliver robust organic sales growth** in 2023 H2 and beyond
- Continued regulatory **progress on MDR**
- **Responded effectively** to operational challenges
- Continued investment **improving efficiencies and cost out initiatives**
- **Positive sales and orderbook** in line with 2023 expectations





Thank you
for your time

Any questions?