



Advanced Medical Solutions Group plc

Unaudited Preliminary results for the year ended 31 December 2018

Chris Meredith
Chief Executive Officer

Eddie Johnson
Chief Financial Officer

13 March 2019

FY 2018 Highlights (incl. post period end)

- Group revenues up 7% at constant currency to £102.6m and up 6% at reported currency
- Adjusted operating margin improvement of 180 basis points to 28.0% (2017 FY: 26.2%)
- Branded performing well, marginally offset by slight decline in OEM sales
- Strong performance from LiquiBand® topical adhesives with sales up 24% at constant currency to £31.7m (2017: £26.0m) and up 22% at reported currency
- Strong growth in Internal Adhesives following the relaunch of LiquiBand® Fix8™ Laparoscopic in Q2 and the soft launch of the open device in Q4
- Acquisition of Sealantis for \$25m (approx. £19m) in cash with royalties due on product sales until 2027

Market

- Our global surgical and advanced woundcare markets have both shown steady growth over many years due to favourable healthcare trends and both provide significant future opportunities
- Strong growth has continued in our main surgical markets
- Sealantis opens up a further \$1.0 billion market
- Some weakness still reported in woundcare, but confident of long term growth:
 - favourable demographics very likely to continue
 - expanding our product portfolio
 - entering new geographies
 - fewer competitors expected due to regulatory challenges
 - exploiting opportunities presented by ActivHeal

Strategy

- Our long-term growth strategy remains unchanged
 - Enhance our product portfolio
 - Expand into new geographies
 - Increase distribution of our surgical products

- Our corporate strategy is focused on four pillars:
 - Growth
 - Innovation
 - Operational Excellence
 - Culture

Licensing & Acquisitions: supporting growth

Net cash of **£76.4m** and debt facility of **£80m (+£20m)** at 31 December 2018

The Group continues to actively look for further businesses that deliver value for shareholders, immediately or in the short to medium term, and meet the selection criteria of being:

- Products or technologies that enable AMS to leverage its woundcare customer base or surgical routes to market
- Surgically-focused companies with product synergies, strong R&D capability and proprietary products

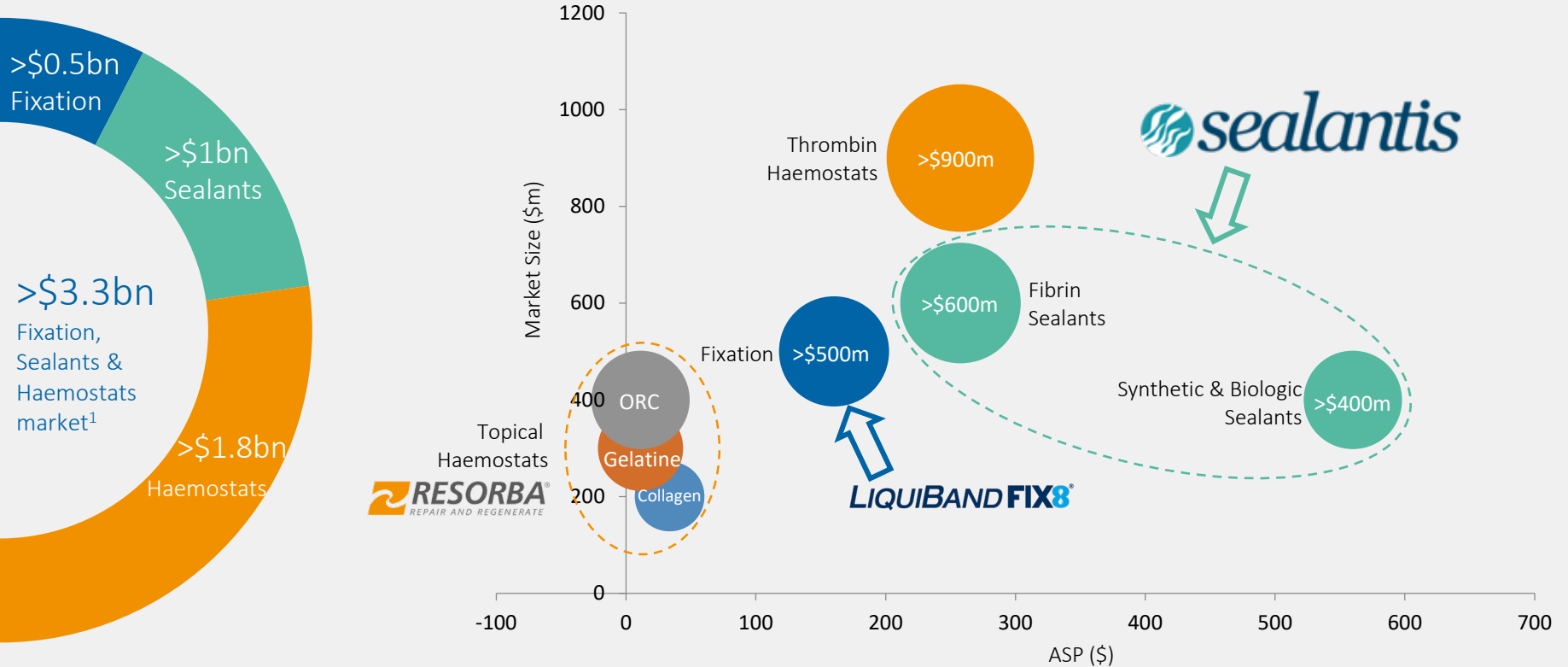
The Group has an internal team working with advisors to identify, appraise and progress acquisition opportunities and continue to explore options to accelerate growth through select targets

Acquisition of Sealantis



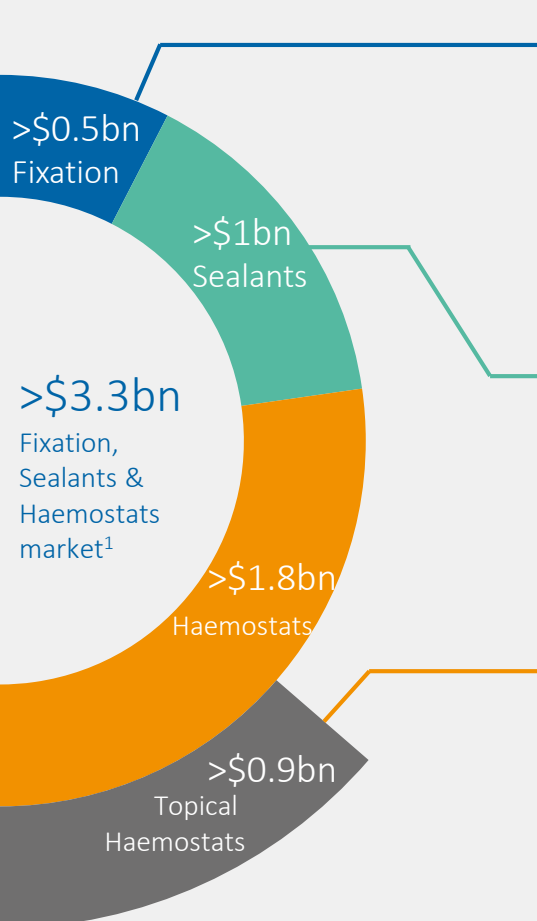
- Acquisition in January 2019 for \$25m (c. £19m), plus royalty agreement
- Internal sealants market over \$1.0 billion and growing
- Brings a significant pipeline of products, intellectual property, and an outstanding R&D team
 - The most advanced surgical sealant products are Seal-G for GI, and Seal-G MIST (Minimally Invasive Spray Technology) the equivalent laparoscopic device for the same indication
 - Clinical trials to start in H2 2019 with first product launches for gastrointestinal surgery planned for H1 2021
 - Potential opportunities in Neuro, Orthopaedic, and Cardiovascular surgery indications

AMS broadens its opportunities in the combined >\$3.3bn Fixation, Sealants & Haemostats market



1) Internal knowledge, SmartTRAK Hemostats & Sealants (BioMedGPS LLC), Data Bridge Market Research, Bryan Garnier & Co.

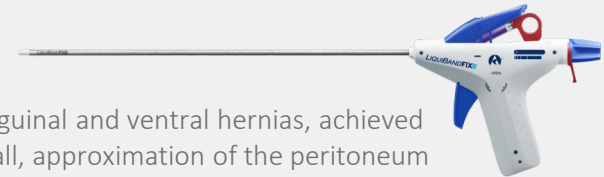
Internal sealants and fixation devices portfolio strengthened by acquisition of Sealantis



LIQUIBAND FIX8®

Intended for use in laparoscopic & open surgical repair of inguinal and ventral hernias, achieved through the fixation of prosthetic mesh to the abdominal wall, approximation of the peritoneum and close approximated skin edges

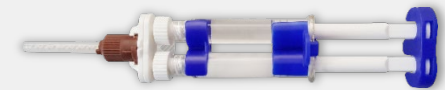
- Liquiband Fix8 (Laparoscopic)
- Liquiband Fix8 (Open)



sealantis

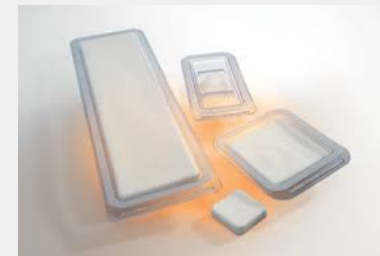
Surgical sealant indicated for use as an adjunct to standard closure techniques for reinforcement and protection of gastrointestinal anastomoses.

- Seal-G Mist (Laparoscopic)
- Seal-G (Open)



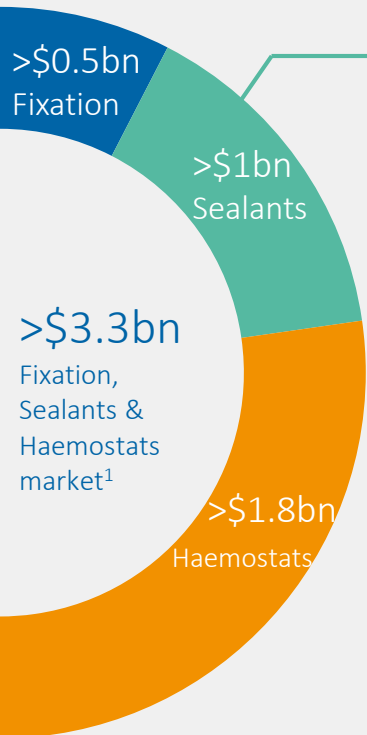
RESORBA® REPAIR AND REGENERATE

Equine collagens for haemostasis in venous, arterial and capillary bleeding from organs and during surgery.



1) Internal knowledge, SmartTRAK Hemostats & Sealants, BioMedGPS LLC, Allied Market Research, IMS, GHX.

Significant clinical need and platform technology advantages strengthen the Sealantis proposition



Significant Clinical Need

Gastrointestinal leakage is associated with high rates of post-op complications, cost, re-operation & mortality²

9%	>2x	9 day	>\$25k
Mortality	30 day readmission rate	Increased post-op stay	Increased post-op cost

Sealantis Platform Advantages

Multiple advantages to the Sealantis Technology	Sealantis Seal-G	Other Sealants		
		Fibrin	Biologic	Synthetic
Protein Free	✓	✗	✗	✓
Easy Preparation	✓	✗	partial	partial
Room Temperature Storage	✓	✗	partial	partial

1) Internal knowledge, SmartTRAK Hemostats & Sealants, BioMedGPS LLC, Allied Market Research, IMS, GHX, 2)Source: [Hammond et al. J Gastrointest Surg, 2014, DOI 10.1007/s11605-014-2506-4 \(n= 6,174\)](#)

R&D Progress

- Continued development of the LiquiBand product range
 - Launched LiquiBand® Exceed mini device in US
 - Launched LiquiBand® Fix8™ for open surgery in the EU
 - Regulatory process for newly-developed large wound device progressing; US approval expected in Q3 2019
 - US approval process for LiquiBand® Fix8™ underway; patient enrolment for the clinical study expected in H1 2019
- Further success in the US woundcare market with key existing and new partners
 - Launched new patented silver post-operative dressing
 - Launched premium PHMB foam range
 - Launched new Lite foam product range

Realigned Business Units

Significant benefits have been identified by implementing a realignment of our Business Units, effective January 2019. Changes include:

- Transfer of ActivHeal (£6.3m sales in 2018) from Branded to OEM
- Surgical (previously the Branded Unit) will only include the sales, marketing, research, development and innovation of all our surgical devices
- Woundcare (previously the OEM Unit) will now include all advanced woundcare sales, marketing, research, development and innovation of all woundcare devices, regardless of whether they are sold under an AMS or a partner brand name
- Renaming of the Business Units to Surgical and Woundcare from January 2019
- H1 2019 results will be presented in this new reporting structure

Regulatory

European Medical Devices Regulation (MDR) inception May 2017

- Long-term benefits for the Group due to higher barriers to entry for new products and recertifications
- AMS expects to see market growth opportunities in the medium term as a result of the increasingly complex environment
- In 2018 and early 2019, AMS successfully completed its five year recertification process for the RESORBA® product portfolio
- AMS is able to confidently work within this regulatory framework and has prepared and actioned a robust group wide plan to navigate the regulatory challenges of the next few years
- Brexit: AMS is well prepared

Our Current Business Units

Branded

- Selling, marketing and innovation of all AMS branded products
- Sold directly and through distributors
- Strong pipeline of innovation & product approvals
- FY 18 revenues up 13% to **£62.1 million** (now represents 60.5% of turnover)

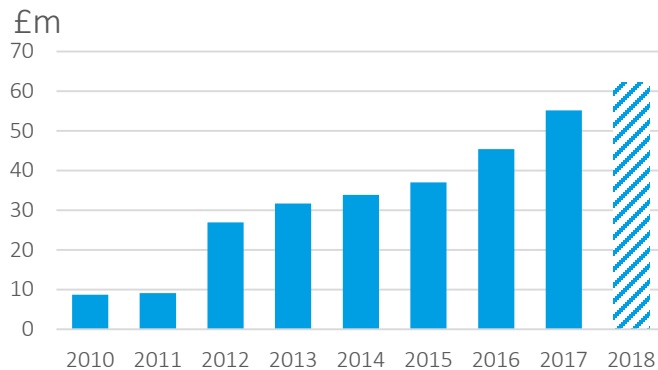
OEM

- Distribution, marketing and innovation of products that are supplied to medical device partners under their own brands
- Strong continuous new product pipeline targeting 2 new launches per annum
- FY 18 revenues down 2% to **£40.5 million**

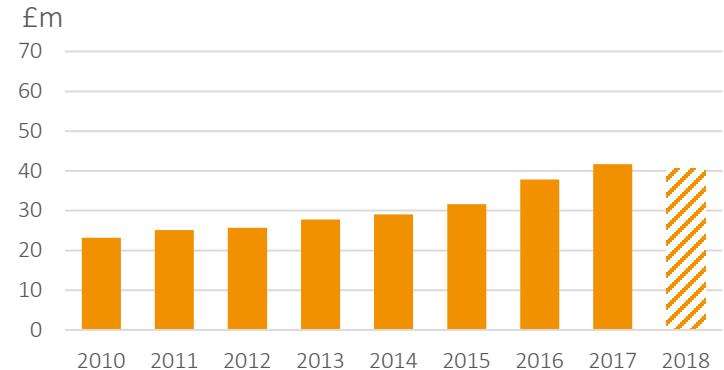
60.5%*

39.5%*

Branded business revenue 2010-2018



OEM business Revenue 2010-2018



Growth rates shown at constant currency

*Percentage of turnover

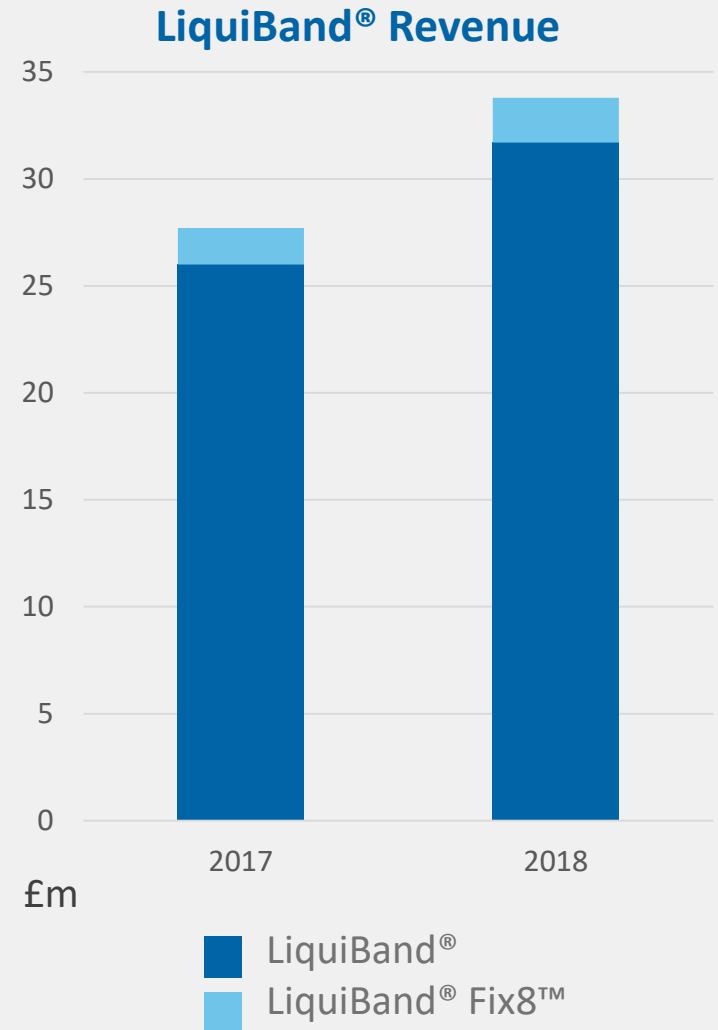
Multiple product growth drivers



Branded: 2018 Progress

Revenue up 13% to £62.1m (2017: £55.2m)

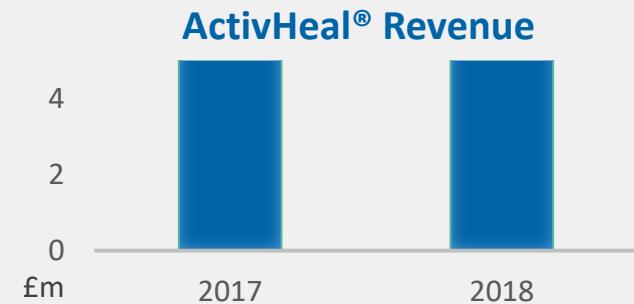
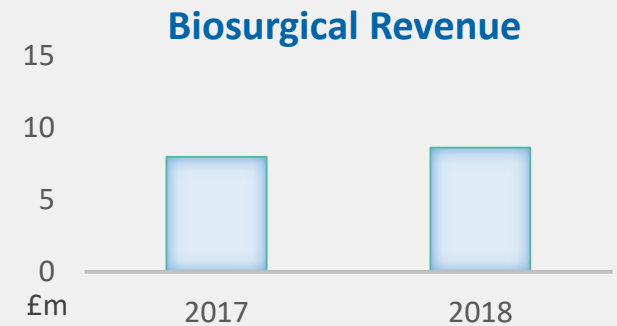
- Advanced Closure - LiquiBand®
 - Revenue up 24% to £31.7m (2017: £26m)
 - US sales up 30% to £23.0m (2017: £18.2m)
 - US market share increased by 2% during the year
 - UK & Germany up 4% to £5.6m (2017: £5.3m)
 - EU & ROW increased 27% to £3.2m (2017: £2.5m)
- Internal Fixation - LiquiBand® Fix8™
 - Revenue up 21% to £2.1m (2017: £1.7m)
 - Positive surgeon feedback
 - Strong sales growth from Q2 onwards
 - Open surgery launch in late 2018



Growth rates shown at constant currency

Branded: 2018 Progress (continued)

- RESORBA® Biosurgical (Collagen)
Revenue up 6% to £8.6m (2017: £8.0m)
 - Growth in Asia and Europe
 - First patient use of antibiotic collagen pouch
- RESORBA® Traditional Closure (Sutures)
Revenue up 1% to £13.3m (2017: £13.1m)
 - Impacted by recertification
 - New accounts won in UK and China
 - Opportunities in dental, ophthalmic and other specialties
- ActivHeal®
Revenue flat at £6.3m (2017: £6.3m)
 - Growth seen in certain areas such as new launches in silicone and antimicrobial products



Growth rates shown at constant currency

OEM: 2018 Progress

Revenue down 2% at £40.5m (2017: £41.7m)

Sales were impacted by lower royalties from Organogenesis due their temporarily reduced reimbursement status, increased lower-cost competition and some other reimbursement changes

- Infection Management (Antimicrobial dressings) up 2% to £19.6m (2017: £19.4m)
- Exudate Management (Non-antimicrobial dressings) down 5% to £16.0m (2017: £17.0m)
- Other sales (sealants, fees and royalties) down 6% to £4.9m (2017: £5.3m)



OEM: Growth opportunities

2018 achievements driving future growth:

- Successful launches in Q4 of patented silver post-operative dressings and premium PHMB foam range
- Regulatory approval in Brazil in H2 paving way for Latin America expansion

Further launches anticipated in 2019:

- Extension of infection management portfolio with antimicrobial high performance dressing and range of skin infection products
- Expansion of Lite foam portfolio aimed at the post-surgery market, and extending claims on silicone foam range to include pressure ulcer prevention



2018 Financial Highlights

	2018	2017	Reported growth	Constant growth ¹
Group revenue (£m)	102.6	96.9	6%	7%
Adjusted ² operating margin (%)	28.0%	26.2%	180bps	-
Adjusted profit before tax (£m)	28.9	25.4	14%	-
Group Effective Tax Rate (%)	20.3	20.3	-	-
Adjusted ² diluted earnings per share (p)	10.71	9.46	13%	-
Net cash inflow from operating activities (£m)	20.4	17.0	20%	-
Net cash ³ (£m)	76.4	62.5	22%	-

Dividend

Proposed final dividend of 0.90p per share, making a total dividend for the year of 1.32p per share (2017: 1.10p), up 20%.

Foreign exchange

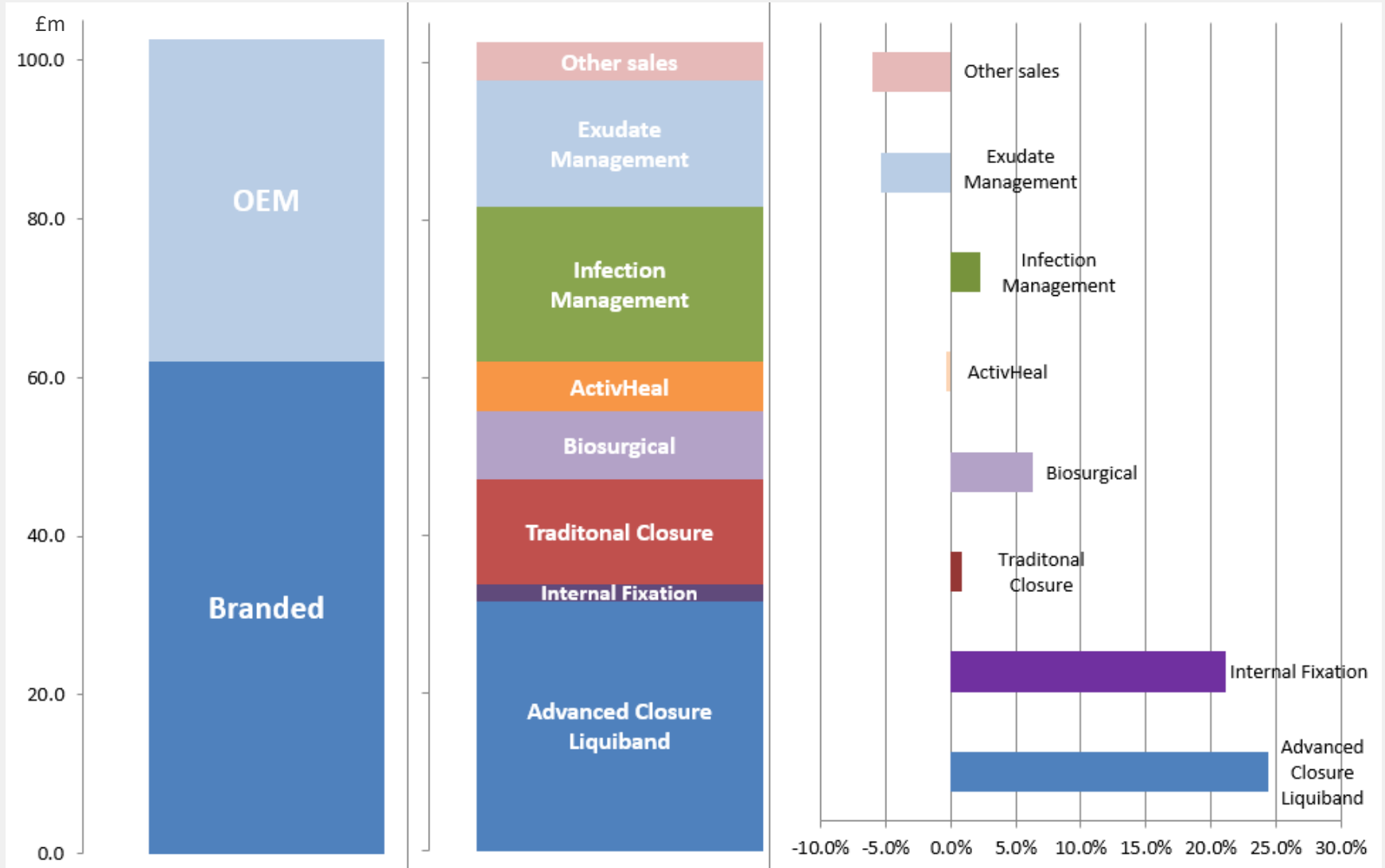
The Group hedges significant currency transaction exposure by using forward contracts, and aims to hedge approximately 80% of its estimated transactional exposure for the next 12 to 18 months. The Group estimates that a 10% movement in the £:US\$ or £:€ exchange rate will impact Sterling revenues by approximately 3.6% and 2.5% respectively and in the absence of any hedging this would have an impact on profit of 3.0% and 0.7%

¹ Constant currency adjusts for the effect of currency movements by re-translating the current period's performance at the previous period's exchange rates

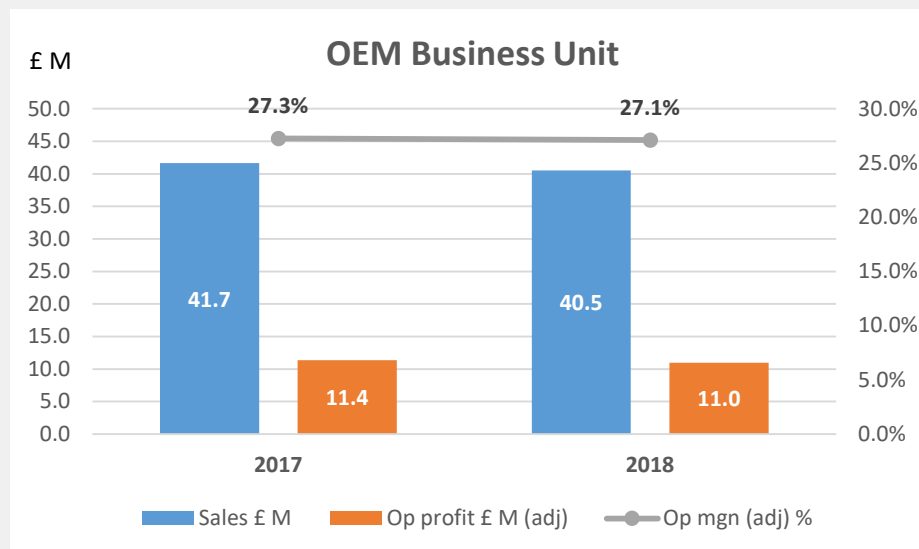
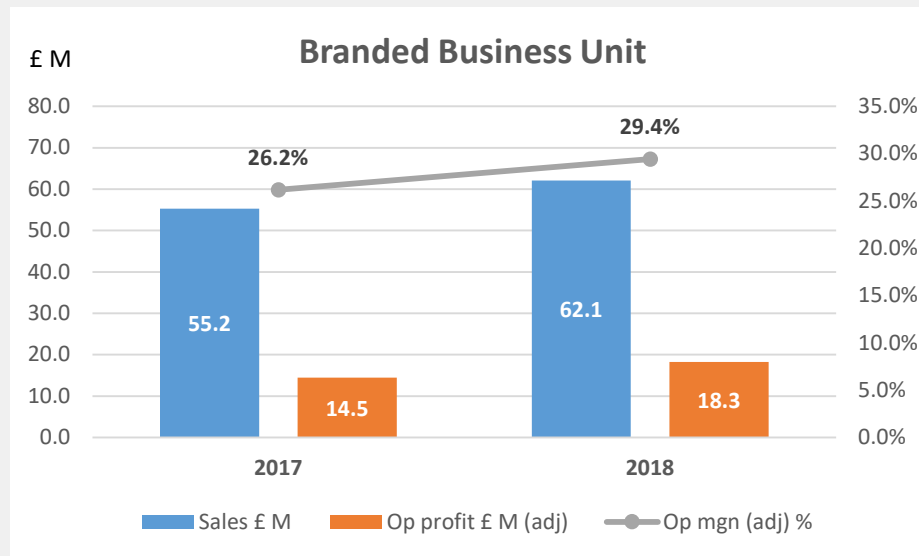
² Before exceptional items of £0.4 million (2017: Nil) and amortisation of acquired intangibles of £0.1 million (2017: £0.1 million)

³ Net cash is defined as cash and cash equivalents plus short term investments less financial liabilities and bank loans

Revenue by product



2018 operating margins



Cash Flow Summary

	2018 £ million	2017 £ million
Profit from operations	28.2	25.2
Depreciation and Amortisation	3.2	3.0
Working capital movements	(8.8)	(8.0)
Share-based payments expense	1.7	1.3
Taxation	(3.8)	(4.5)
Net cash inflow from operating activities	20.4	17.0
Capital expenditure and capitalised intangibles	(4.7)	(4.5)
Interest received	0.4	0.1
Net cash used in investing activities	(4.3)	(4.3)
Dividends paid	(2.5)	(2.0)
Shares and share based payments	0.4	0.8
Interest paid and forex	(0.1)	(0.1)
Increase/(decrease) in cash and cash equivalents	13.9	11.3
Cash and cash equivalents at the beginning of the period	62.5	51.1
Cash and cash equivalents at the end of the period	76.4	62.5

Summary and outlook

- Another strong performance in 2018
- New product launches continue to strengthen the Group's portfolio
 - Four new product launches in Q4 2018
- Acquisition of Sealantis enables AMS grow into the \$1 billion internal sealants market
- Well prepared to navigate the increasingly challenging regulatory environment and capitalise on opportunities arising
- Trading in the current financial year has begun in line with the Board's expectations
- We are confident about AMS's future growth prospects

Appendix

Currency and Hedging

