



Advanced Medical Solutions Group plc

# Unaudited Interim results for the six months ended 30 June 2019

Chris Meredith  
Chief Executive Officer

Eddie Johnson  
Chief Financial Officer

11 September 2019

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## H1 2019 Highlights (incl. post period end)

- Group revenues up 2% to £48.7 million and by 1% at constant currency
  - 10% growth in products and geographies excluding US LiquiBand®
  - As per June trading update, US LiquiBand® sales reduced significantly due to destocking, competitor activity and delayed product launches
- Surgical revenues down 3% to £26.5 million and by 4% at constant currency
- Woundcare revenues up 9% to £22.2 million and by 8% at constant currency
- Acquisition of Sealantis in January for US\$25 million with integration and commercialisation plans progressing well
- Appointment of Eddie Johnson as CFO and Board Member on 1 January 2019
- Interim dividend increased 19% to 0.50p per share (2018 H1: 0.42p)

# Our Realigned Business Units

## Surgical

- Selling, marketing and innovation of all surgical devices
- Sold directly and through distributors
- R&D centres in UK, Germany & Israel
- H1 19 revenues of **£26.5 million** (down 4%)

## Woundcare

- Selling, marketing and innovation of all woundcare devices
- Sold directly in UK and through partners ROW
- R&D centre in UK
- H1 19 revenues **£22.2 million** (up 8%)



LiquiBand®



Collagens



Sutures



LiquiBand® Fix8



Internal sealants



Fibres



Foams



Antimicrobials



ActivHeal



Post-Op. Dressings



*Growth rates shown at constant currency*

*\*Percentage of turnover*

## Surgical: H1 Progress & Growth Opportunities

### 2019 achievements:

- The US Premarket Approval process for LiquiBand® Fix8™ underway with IDE patient enrolment having commenced in August 2019
- Regulatory approval for antibiotic loaded collagens underway in both EU and US

### Further launches anticipated in 2019-2020:

- LiquiBand® accelerated drying device expected to launch with a major partner in Q4 2019
- LiquiBand® XL device expected to significantly augment our portfolio following US launch now expected in Q3 2020

## Short term US LiquiBand® challenge

2019 impacted by:

- Destocking
- Competitor gains at two large Group Purchasing Organisations
- Portfolio weakness from not having approval for large wound device



US LiquiBand® is expected to return to growth in 2020 as a result of the expanded product portfolio and the stabilisation of customer inventories

# Acquisition of Sealantis



- Acquisition in January 2019 for \$25m (c. £19m)
- 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 around the end of 2019 with first product launches for gastrointestinal surgery planned for H1 2021
  - AMS leveraging device design competency to enhance the performance of the future launch products

# Enhancements to SEAL-G

Seal-G for open surgery



Intended new Seal-G device



Seal-G MIST for laparoscopic surgery



Intended new Seal-G MIST device



# Woundcare: H1 Progress & Growth Opportunities

## 2019 achievements:

- US approval for Atraumatic Silicone PHMB dressings (July 2019)
- US approval for our Silver High Performance Dressing (July 2019)
- US and EU approval for our Silver Moisture Wicking Fabric (August 2019)
- Expanded Lite foam portfolio to include acute post-surgery shapes and sizes

## Further activities expected to drive growth via market share gains in 2019-20:

- Expected claims extension on silicone foam range to include pressure ulcer prevention
- Opportunities to sell ActivHeal into non-core territories



## Licensing & Acquisitions: supporting growth

Net cash of £63.9m and debt facility of £80m (+£20m) at 30 June 2019

- The Group continues to explore options to acquire other businesses to accelerate growth and deliver value for our shareholders. Our selection criteria remains unchanged:
  - 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
- The Group has disclosed an exceptional item in the period which includes costs incurred in such business development activities

# Regulatory

## European Medical Devices Regulation (MDR) inception May 2017

- Successfully completed five-year recertification process for the LiquiBand® range in H1 2019 – following on from the recent recertification of the RESORBA® portfolio
- The Group is well prepared for the stricter requirements on product safety and performance, clinical evaluation and post-market clinical evidence stipulated by MDR
- AMS is beginning to see growth opportunities as other manufacturers fail or choose not to navigate the heightened requirements



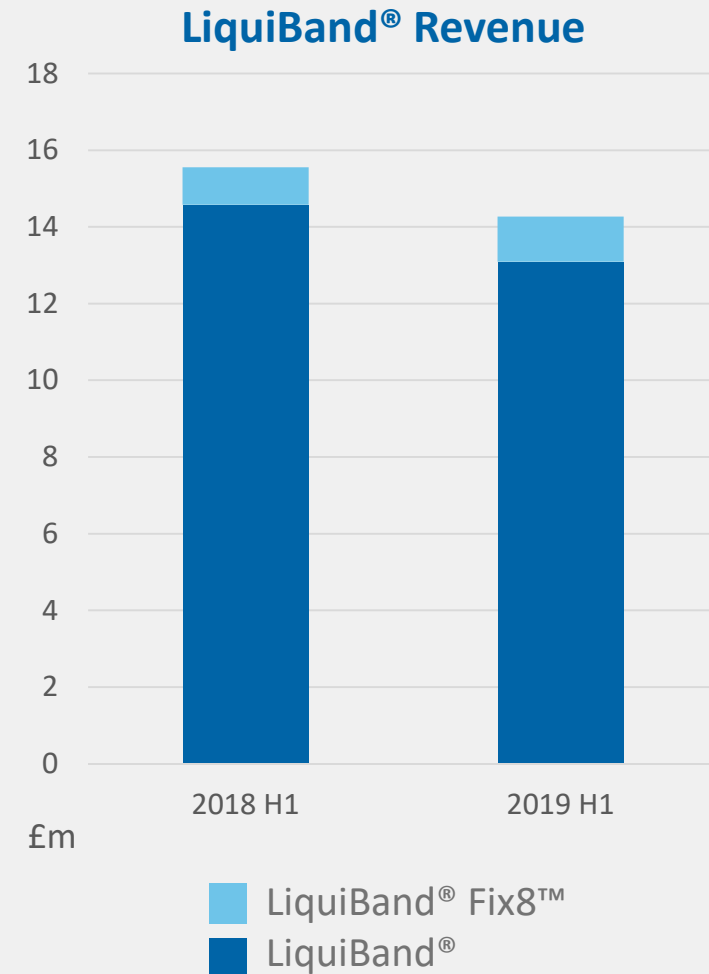
Advanced Medical Solutions Group plc

# Financial Summary

## Surgical: H1 2019 Progress

Revenue down 4% to £26.5m (2018 H1: £27.3m)

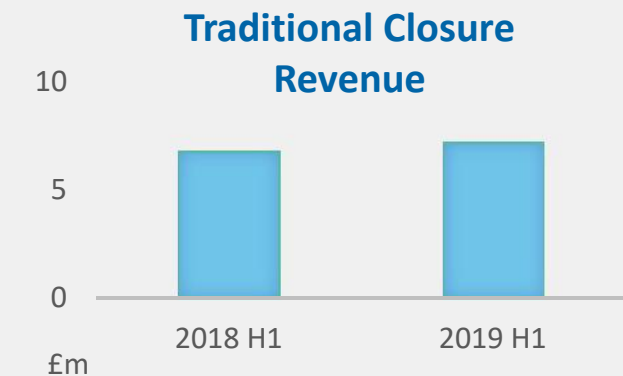
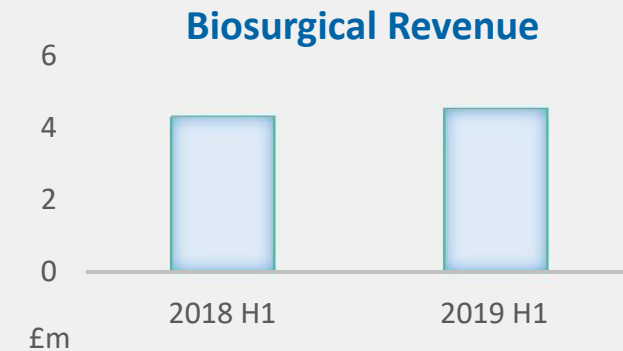
- Advanced Closure - LiquiBand®  
Revenue down 13% to £13.1m (2018 H1: £14.6m)
  - US sales down 31% to £7.7m (2018 H1: £10.5m)
  - UK & Germany up 25% to £3.4m (2018 H1: £2.7m)
  - ROW increased 45% to £2.1m (2018 H1: £1.4m)
- Internal Fixation - LiquiBand® Fix8™  
Revenue up 20% to £1.2m (2018 H1: £1.0m)
  - Driven by demand for the LiquiBand® Fix 8™ laparoscopic device
  - Positive surgeon feedback from soft launch of open surgery device in late 2018



*Growth rates shown at constant currency*

## Surgical: H1 2019 Progress (continued)

- RESORBA® Biosurgical (Collagen)  
Revenue up 6% to £4.5m (2018 H1: £4.3 million)
  - Progress with multiple distributors
  - Good growth with Gentacoll® Gentamycin loaded Collagen products used in Orthopaedic and Cardiac applications
  
- RESORBA® Traditional Closure (Sutures)  
Revenue up 7% to £7.2m (2018 H1: £6.8 million)
  - Good growth across multiple territories including surgical specialties such as dental and ophthalmic



*Growth rates shown at constant currency*

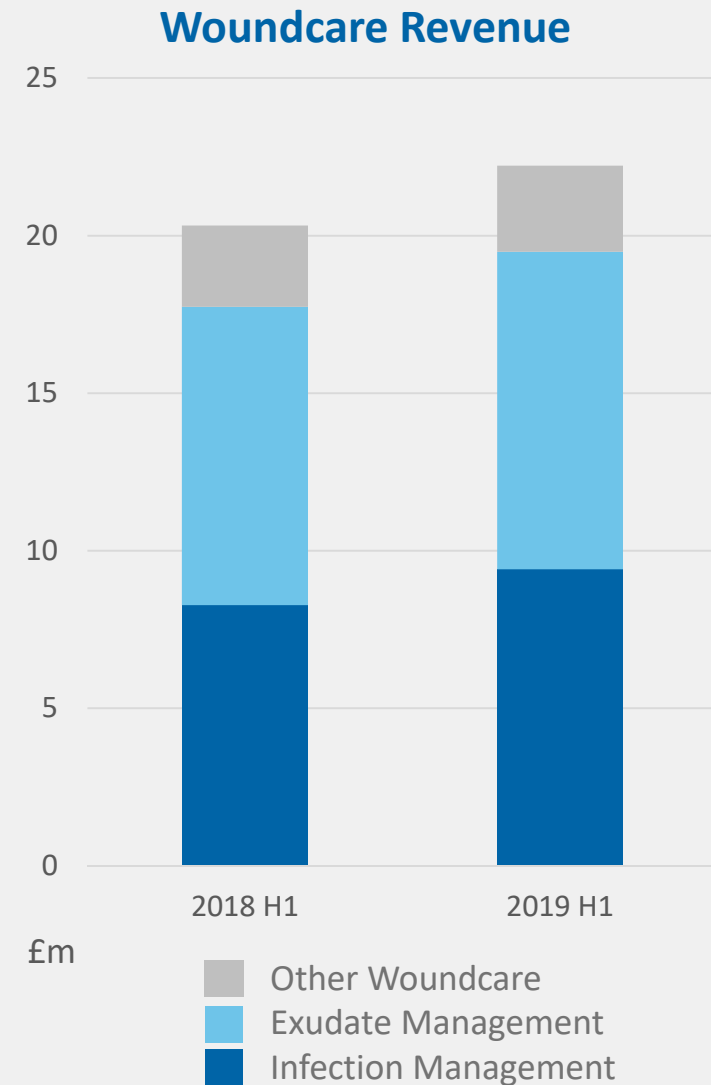
# Woundcare: 2019 H1 Progress

Revenue up 8% at £22.2m (2018 H1: £20.3m)

Sales predominately driven by increased partner demand for antimicrobial dressings

- Infection Management (Antimicrobial dressings) up 12% to £9.4m (2018 H1: £8.3m) with a number of new EU and ROW customers
- Exudate Management (Non-antimicrobial dressings) up 5% to £10.1m (2018 H1: £9.5m) supported by expanded Lite foam range
- Other sales (mainly royalties and fees) up 6% to £2.7m (2018 H1: £2.6m)

*Growth rates shown at constant currency*



# 2019 H1 Financial Highlights

(£ million)	H1 2019	H1 2018	Reported change	Growth at constant currency <sup>1</sup>
<b>Group revenue</b>	<b>48.7</b>	47.6	+2%	+1%
<b>Adjusted</b>				
Adjusted <sup>2</sup> profit before tax	<b>12.8</b>	13.6	-6%	-
Adjusted <sup>2</sup> diluted earnings per share (pence)	<b>4.80</b>	4.97	-3%	-
Adjusted <sup>3</sup> net cash inflow from operating activities	<b>11.2</b>	12.7	-12%	-
<b>Reported</b>				
Profit before tax	<b>11.2</b>	13.6	-17%	-
Diluted earnings per share (pence)	<b>4.06</b>	4.95	-18%	-
Net cash inflow from operating activities	<b>10.3</b>	12.7	-19%	-
Net cash <sup>4</sup>	<b>63.9</b>	71.1	-10%	-
Interim dividend per share (pence)	<b>0.50</b>	0.42	+19%	-

## Dividend

Interim dividend of 0.50p per share on 25 October 2019, an increase of 19% compared to H1 18

## 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 3.3% and 2.8% respectively and in the absence of any hedging this would have an impact on profit of 2.7% and 1.1%

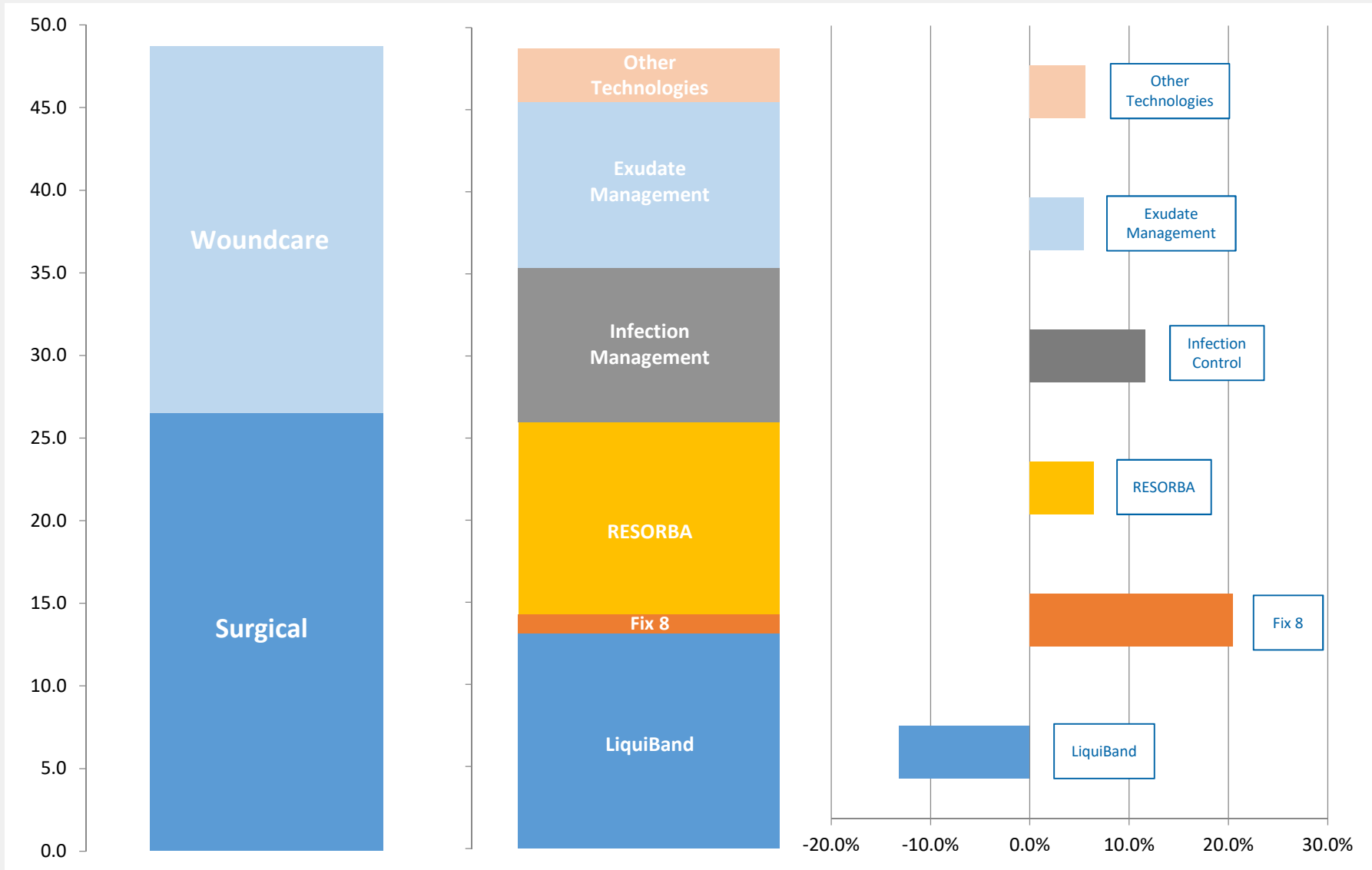
<sup>1</sup> Constant currency adjusts for the effect of currency movements by re-translating the current period's performance at the previous period's exchange rates

<sup>2</sup> All items are shown before exceptional items which, in 2019 H1 were £0.9 million (2018 H1: nil) and before amortisation of acquired intangible assets which, in 2019 H1, were £0.7 million (2018 H1: £0.04 million) as defined in the financial review

<sup>3</sup> Adjusted net cash inflow from operating activities is calculated as net cash inflow from operating activities plus exceptional items of £0.9 million (2018 H1: Nil)

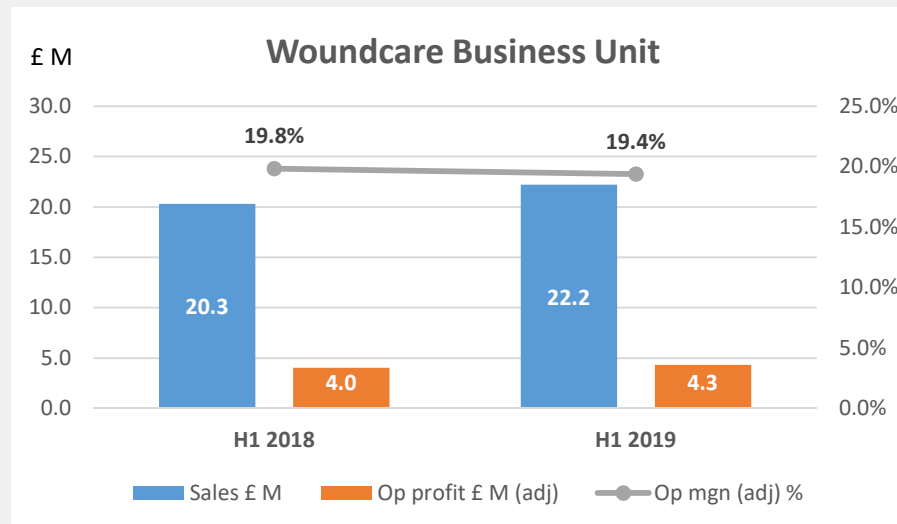
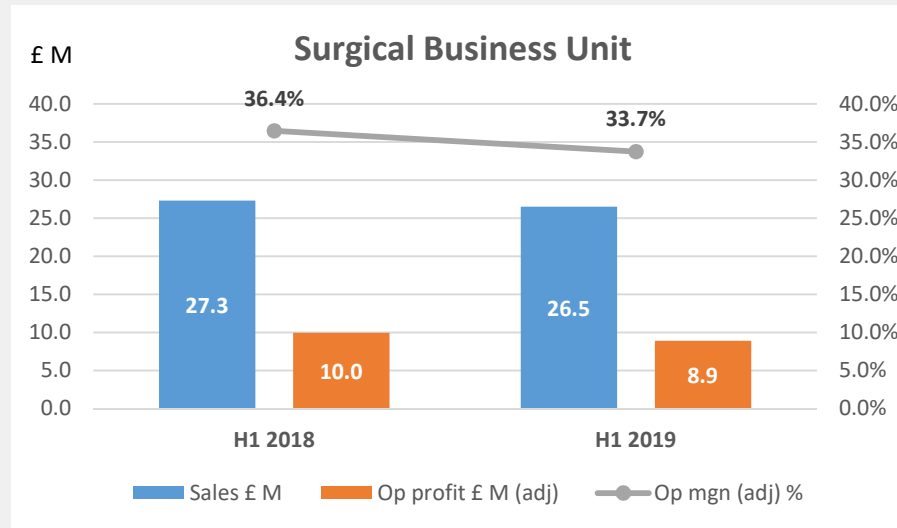
<sup>4</sup> Net cash is defined as cash and cash equivalents plus short term investments less financial liabilities and bank loans

# Revenue by product





# 2019 H1 operating margins



## Cash Flow Summary

	<b>2019 H1</b>	2018 H1	Variance
	<b>£ million</b>	£ million	£ million
<b>Cash flows from operating activities</b>			
Profit from operations before exceptional items	<b>12.3</b>	13.7	(1.4)
Depreciation and Amortisation	<b>2.7</b>	2.0	0.7
Working capital movements	<b>(2.0)</b>	(2.2)	0.2
Share-based payments expense	<b>1.1</b>	0.9	0.2
Taxation	<b>(2.9)</b>	(1.7)	(1.3)
<b>Adjusted net cash inflow from operating activities</b>	<b>11.2</b>	<b>12.7</b>	<b>(1.5)</b>
Acquisition of subsidiary	<b>(18.4)</b>	0.0	(18.4)
Exceptional items	<b>(0.9)</b>	0.0	(0.9)
Capital investments	<b>(2.6)</b>	(2.3)	(0.3)
Financing and foreign exchange	<b>(0.7)</b>	(0.5)	(0.2)
Dividends paid	<b>(1.9)</b>	(1.6)	(0.3)
Share based payments cash flows	<b>0.9</b>	0.4	0.5
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(12.5)</b>	<b>8.7</b>	<b>(21.2)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>76.4</b>	<b>62.5</b>	<b>13.9</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>63.9</b>	<b>71.1</b>	<b>(7.2)</b>



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# Summary and Outlook

## Summary and outlook

- The Group continues to execute on its strategy of exploiting multiple routes to market and diversifying through our product mix and innovation
- H1 2019 has seen AMS deliver another period of growth in challenging conditions, despite the downturn in US LiquiBand®
  - LiquiBand® expected to return to growth in 2020 and enhanced with further new products in the range
- 10% revenue growth across the rest of the Group
- Significant product launches in the period with more expected in H2 2019 and in 2020
- Trading is in line with Board expectations for the full year
- The Board continues to be optimistic about long-term prospects and the potential for further organic and acquisitive growth