



Advanced Medical Solutions Group plc

# Preliminary results for the year ended 31 December 2019

Chris Meredith  
Chief Executive Officer

Eddie Johnson  
Chief Financial Officer

11 March 2020

# FY 2019 Highlights (incl. post period end)

- Despite significant challenges in 2019, growth was achieved across multiple categories, but was offset by the downturn in US LiquiBand®
- Group revenue of £102.4 million was flat on 2018
- Investment in acquisitions and increased research and development, regulatory and clinical activity is establishing a bedrock for future growth
  - Acquisition of Sealantis in January 2019 for US\$25 million strengthened our internal sealants R&D pipeline
  - Acquisition of Biomatlante in November for €8 million strengthened our biosurgical portfolio and enters the synthetic bone substitutes market with a differentiated product
  - Broadened and more diverse portfolio of innovative internally developed products
- Adjusted operating margin down 180 bps to 26.4% (2018: 28.2%) and adjusted profit before tax down 7% to £26.6 million (2018: £28.8 million) due to investment in Sealantis, adverse sales mix and currency contracts
- Solid balance sheet and increased final dividend of 1.05p per share making a total dividend for the year of 1.55p per share (2018: 1.32p), an increase of 17%

# Business Units

## Surgical

- Selling, marketing and innovation of all surgical devices
- Sold directly and through distributors
- R&D centres in UK, Germany, France & Israel
- FY19 revenues of **£56.5m** (down 2%)

## Woundcare

- Selling, marketing and innovation of all woundcare devices
- Sold directly in UK and through partners ROW
- R&D centre in UK
- FY19 revenues **£45.8m** (in line with prior year)



55%\*



45%\*

### LiquiBand®



### LiquiBand® Fix8



### Collagens



### Internal sealants



### Bone substitutes



### Sutures



### Fibres



### Foams



### ActivHeal



### Antimicrobials



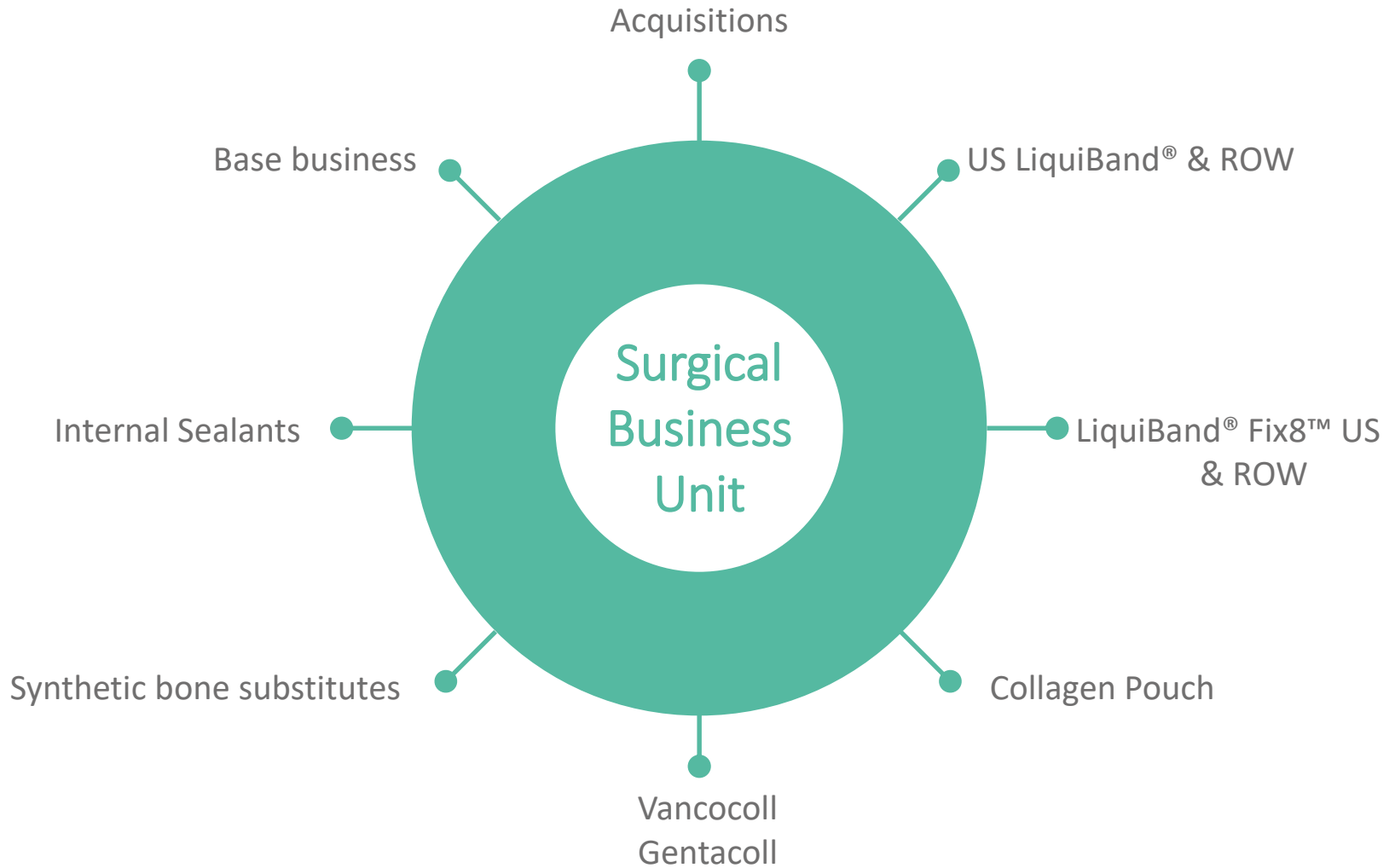
### Post-Op. Dressings



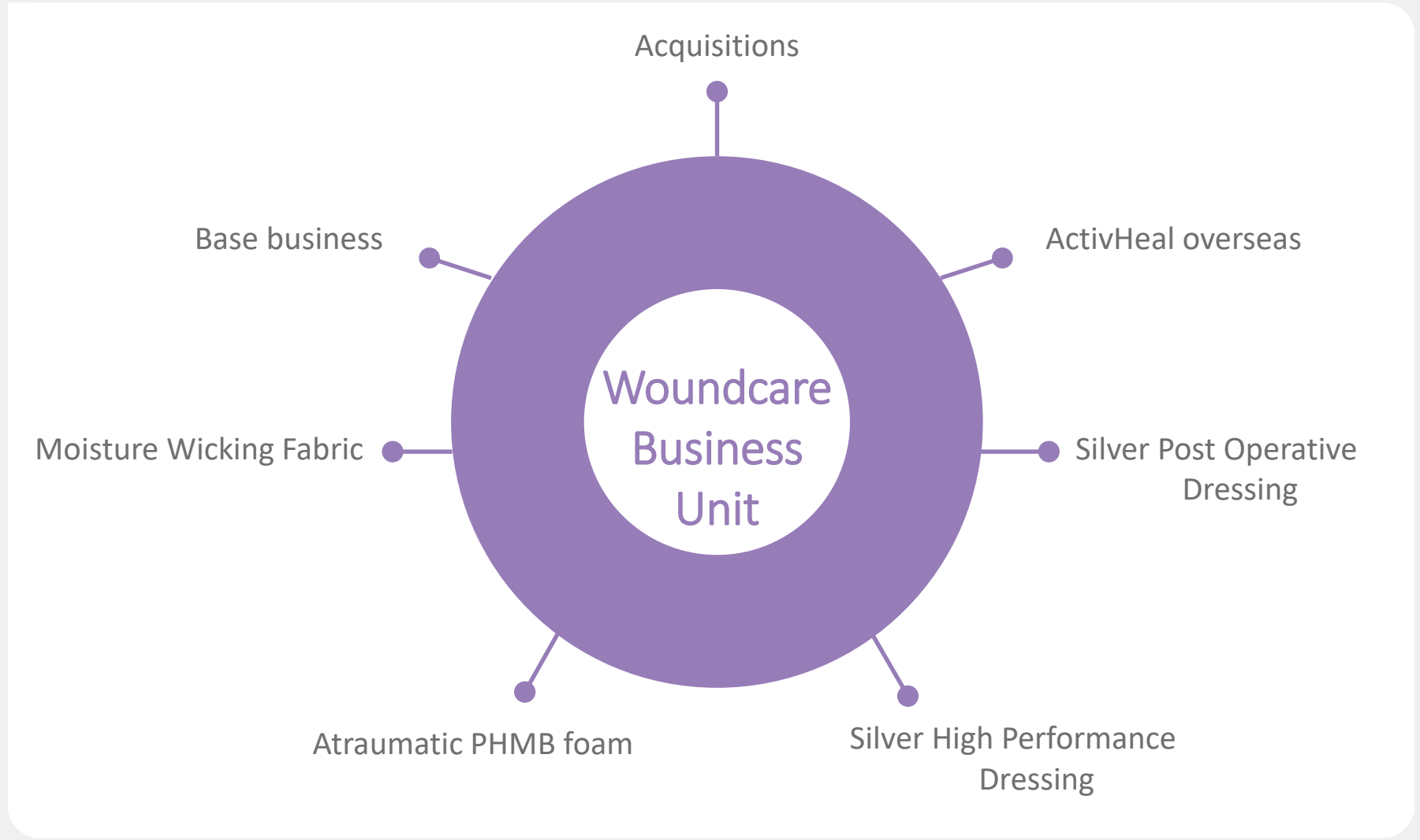
# Market

- Favourable global healthcare and demographic trends are likely to continue to drive long term growth in our large global surgical and advanced woundcare markets, both of which provide significant future opportunities
- Lower growth rates reported in the woundcare market as well as increased price pressure and ongoing reviews of reimbursement levels in various European countries
- Increased the size of our addressable surgical market with two acquisitions in 2019:
  - Sealantis – commercialisation (expected in 2021) will open up the US\$1 billion internal sealants market
  - Biomatlante – provides innovative complementary products and immediate access to the US\$0.5 billion synthetic bone substitutes market
- Further opportunities expected from competitor product withdrawals in surgical and woundcare markets as a result of MDR

# Strategic Growth Opportunities - Surgical



# Strategic Growth Opportunities - Woundcare



# Short-term US LiquiBand® challenges overcome

US LiquiBand® impacted in 2019 by a combination of factors:

- Destocking due to lost business with two large GPOs and slowdown in new evaluations as a result of not having a combined glue and tape device for large wound closure
- Third party sterilisation issue

Expected to return to growth in 2020 through expanded product portfolio:

- We are launching LiquiBand® Rapid™ in Q2 2020 following its recent approval, which will provide one of our main partners with an enhanced product
- The LiquiBand® XL device will allow us to compete in the large wound market for the first time, unlock further growth potential in our LiquiBand® business with all partners, and will finish its critical pilot study by the end of Q1 2020

# Licensing & acquisitions strategy

Net cash of **£64.8m** and debt facility of **£80m** at 31 December 2019

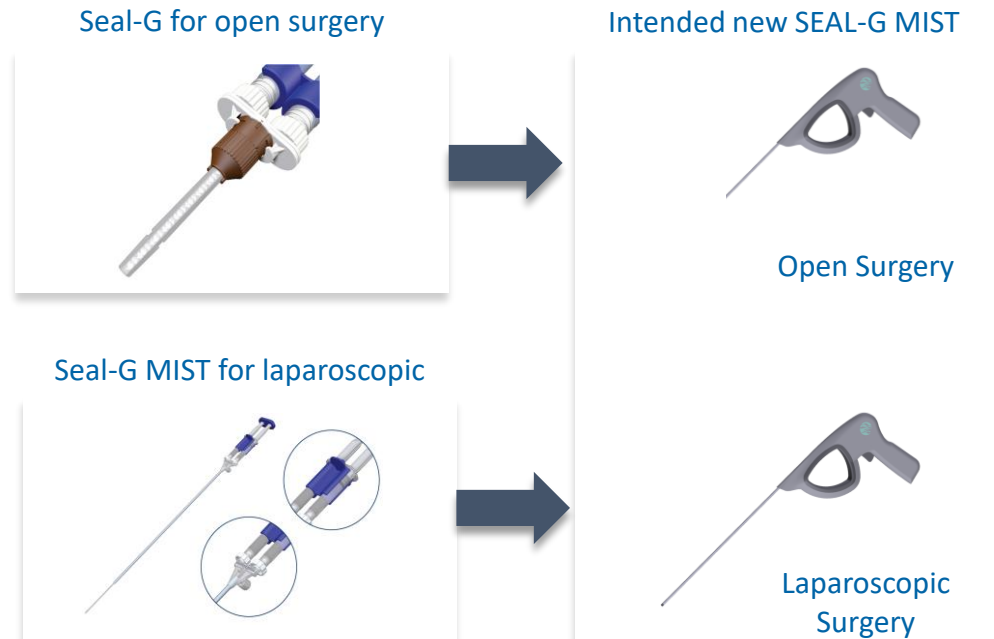
- Successful acquisitions of Sealantis and Biomatlante during 2019
  - Demonstrates strategy of acquiring businesses in adjacent areas with significant commercial synergies
- The Group continues to explore options to acquire other businesses to accelerate growth and deliver value for our shareholders. 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



# Acquisition of Sealantis



- Unique product platform to access the \$1 billion internal sealants market. We are navigating the regulatory environment and making product design enhancements and expect:
  - Soft launch to key opinion leaders in H2 2020
  - 150 patient study across three major markets in H2 2020
  - Commercial product launch planned for 2021
  - Larger pivotal study to support FDA approval to start in H2 2021



# Acquisition of Biomatlante

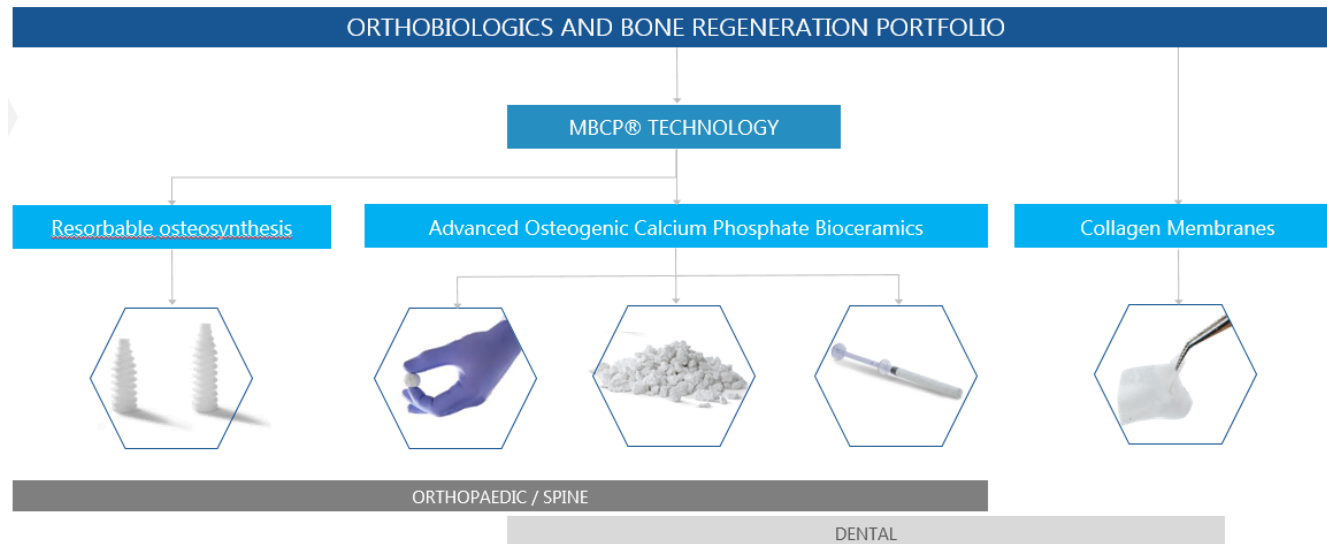


- Acquisition in December 2019 for €8m (c. £7m)
- Integration progressing well with further commercial opportunities identified
- Strong pipeline of products complementary to AMS's surgical product portfolio, strengthening R&D pipeline and market access
  - Offers significant growth potential in additional surgical markets estimated to be worth \$0.5 billion
  - Broadens the Group's bio-surgical technology offering while also offering multiple synergies across the sales, marketing, regulatory, operational divisions and R&D
  - Generated sales of more than €4 million in 2018; expected to be earnings enhancing in 2020

# Biomatlante



- Revenue generating, innovative biomaterial products including MBCP®, a biphasic calcium phosphate synthetic bone substitute which has a unique micro and macroporous structure that closely resembles the architecture of natural human bone
- Technology supported by more than 650 published studies and 30 years of clinical experience, which validate its superior performance in comparison to competitor products
- Enhances our product offering and market access into orthopaedic, spinal, dental and sports surgery



# R&D Progress - Surgical

- Continued development of the LiquiBand product range
  - LiquiBand® Rapid™ and LiquiBand® XL
- US approval process for LiquiBand® laparoscopic Fix8™ underway
  - Patient recruitment started August 2019
  - Very positive surgeon feedback in clinical trial
  - Filing for FDA approval in H2 2021
- CE mark application submitted for collagen with vancomycin and approval expected in H2 2020
- Antibiotic collagen pouch for pacemaker fixation scheduled for FDA review in Q2 2020; finalising the product indications and regulatory pathway for 510k approval

## R&D Progress - Woundcare

- New approvals to support Woundcare growth:
  - US approval of atraumatic PHMB foam in H2 2019. Enters the growing antimicrobial foam market which exceeds £100 million and demonstrates accelerated microbial activity and improved eradication of pathogens
  - US approval of Silver High Performance Dressing in H2 2019. Next generation antimicrobial gelling fibre technology with excellent performance and patent protected construction. Already signed up by a number of our US partners with launch orders expected by mid 2020
  - US and EU approval of Silver Moisture Wicking Fabric in H2 2019. Indicated for use in the management of skin folds and skin-on-skin friction and accessing a new \$25 million market with initial orders expected in H1 2020

# Regulatory

- European Medical Devices Regulation (MDR) timeline:
  - 2020-2024: Expiring MDD certificates must be renewed under MDR
  - May 2024: Any remaining MDD certificates will be void
- In the past 18 months, we have successfully completed MDD recertification for the LiquiBand® range, the RESORBA® portfolio and all of our significant woundcare ranges providing extended time to complete our MDR filings
- We are prepared for the stricter requirements on product safety and performance, clinical evaluation and post-market clinical evidence stipulated by MDR
- MDR submissions will be submitted well ahead of required deadlines to allow ample time to deal with notified body questions
- The Board continues to believe that the Medical Device Regulation (MDR) will generate further growth opportunities in the coming years

# Investing in Growth

2018      2019      2020      2021      2022      2023      2024      2025

## LiquiBand Fix8 US PMA

£100m US laparoscopic mesh fixation market  
 £100m US open surgery mesh fixation market

**Investment £3m**

**Market opportunity £200m**

## Sealantis

\$1bn market for internal sealants

**Investment £8m**

**Market opportunity \$1bn**

## MDR

Maintain access to all EU markets  
 Further opportunities expected in future

**Investment £3.5m**

**Market retention £3bn; growth opportunities**

## CIED pouch

New single competitor market for pacemaker surgery; initially USA only

**Investment c. £1m**

**Market opportunity >£500m**

## Silver High Performance Dressing

Access to clear gelling wound dressings market; US approved 2019, EU approval to follow

**Investment £1m**

**Market opportunity £100m**



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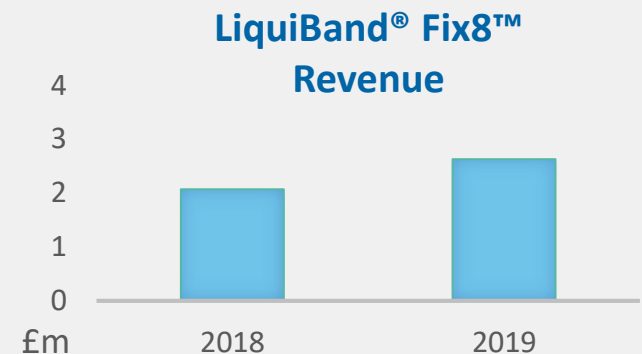
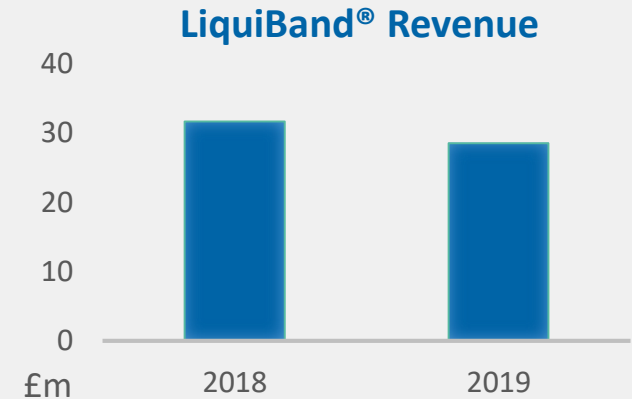
# Financial Summary



# Surgical: 2019 Progress

Revenue down 2% to £56.5m (2018: £57.1m)

- Advanced Closure - LiquiBand®
  - Revenue down 11% to £28.5m (2018: £31.7m)
    - US sales down 25% to £17.3m (2018: £23m)
    - UK & Germany up 24% to £6.9m (2018: £5.6m)
    - ROW increased 24% to £4m (2018: £3.2m)
- Internal Fixation - LiquiBand® Fix8™
  - Revenue up 27% to £2.6m (2018: £2.1m)
    - Driven by demand for the LiquiBand® Fix 8™ laparoscopic device
    - Positive surgeon feedback from soft launch of open surgery device in late 2018
    - Fix8™ Open expected to accelerate revenue growth in time

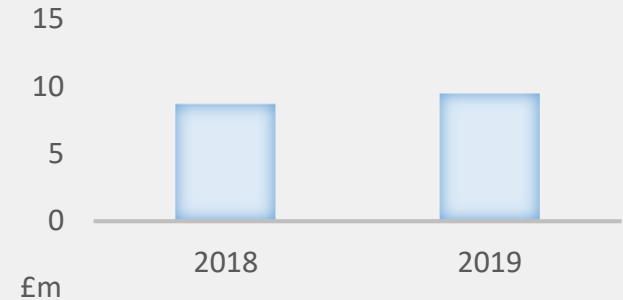


*Growth rates shown at constant currency*

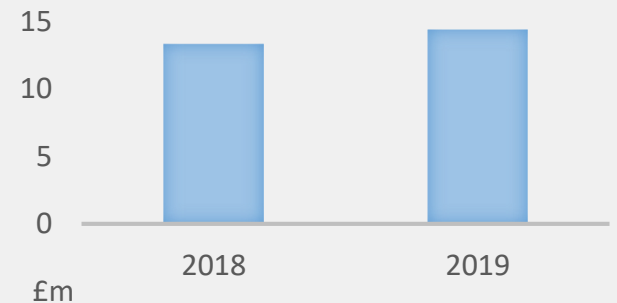
# Surgical: 2019 Progress (continued)

- RESORBA® Biosurgical (Collagen)  
Revenue up 10% to £9.4m (2018: £8.6 million)
  - Predominately driven by growth in Europe and Latin America
  - New customers in the Far East
  - Biomatlante revenue (£0.4 million)
  
- RESORBA® Traditional Closure (Sutures)  
Revenue up 9% to £14.4m (2018 : £13.3 million)
  - Growth was delivered in various European territories and in the US

## Collagen Revenue



## Sutures Revenue



*Growth rates shown at constant currency*

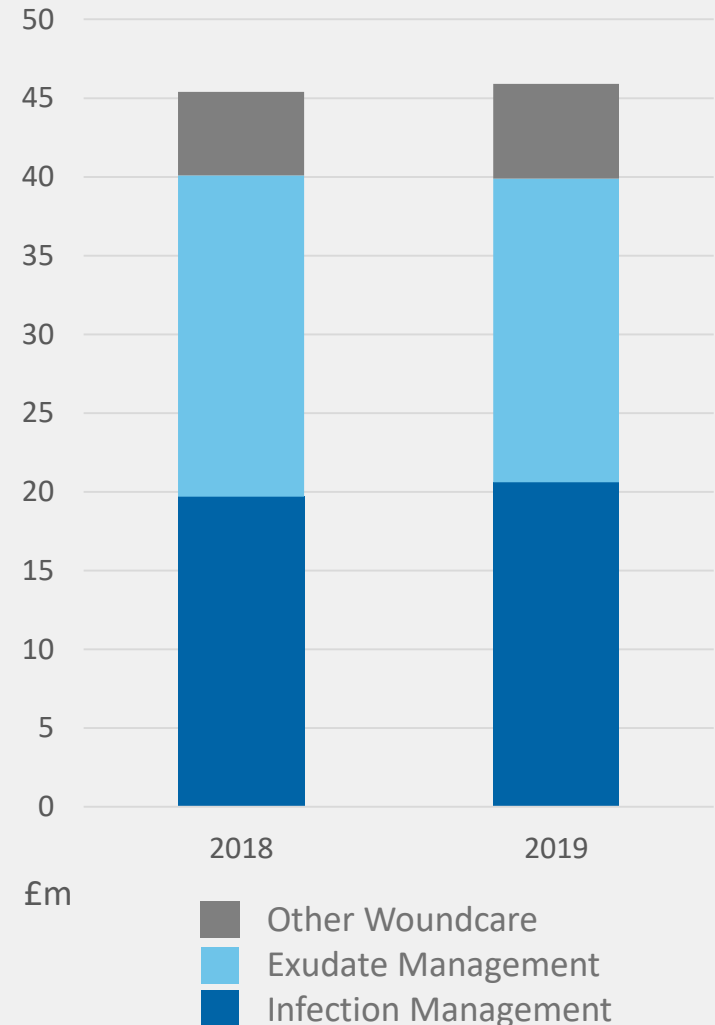
# Woundcare: 2019 Progress

Revenue up 1% at £45.8m (2018: £45.5m)

Sales predominately driven by increased partner demand for antimicrobial dressings

- Infection Management (Antimicrobial dressings) up 4% to £20.6m (2018: £19.7m) driven by additional PHMB dressings sales in the US
- Exudate Management (Non-antimicrobial dressings) down 6% to £19.3m (2018: £20.4m), impacted by reduction of partner inventory levels
- Other sales (mainly royalties and fees) up 13% to £6m (2018: £5.3m)

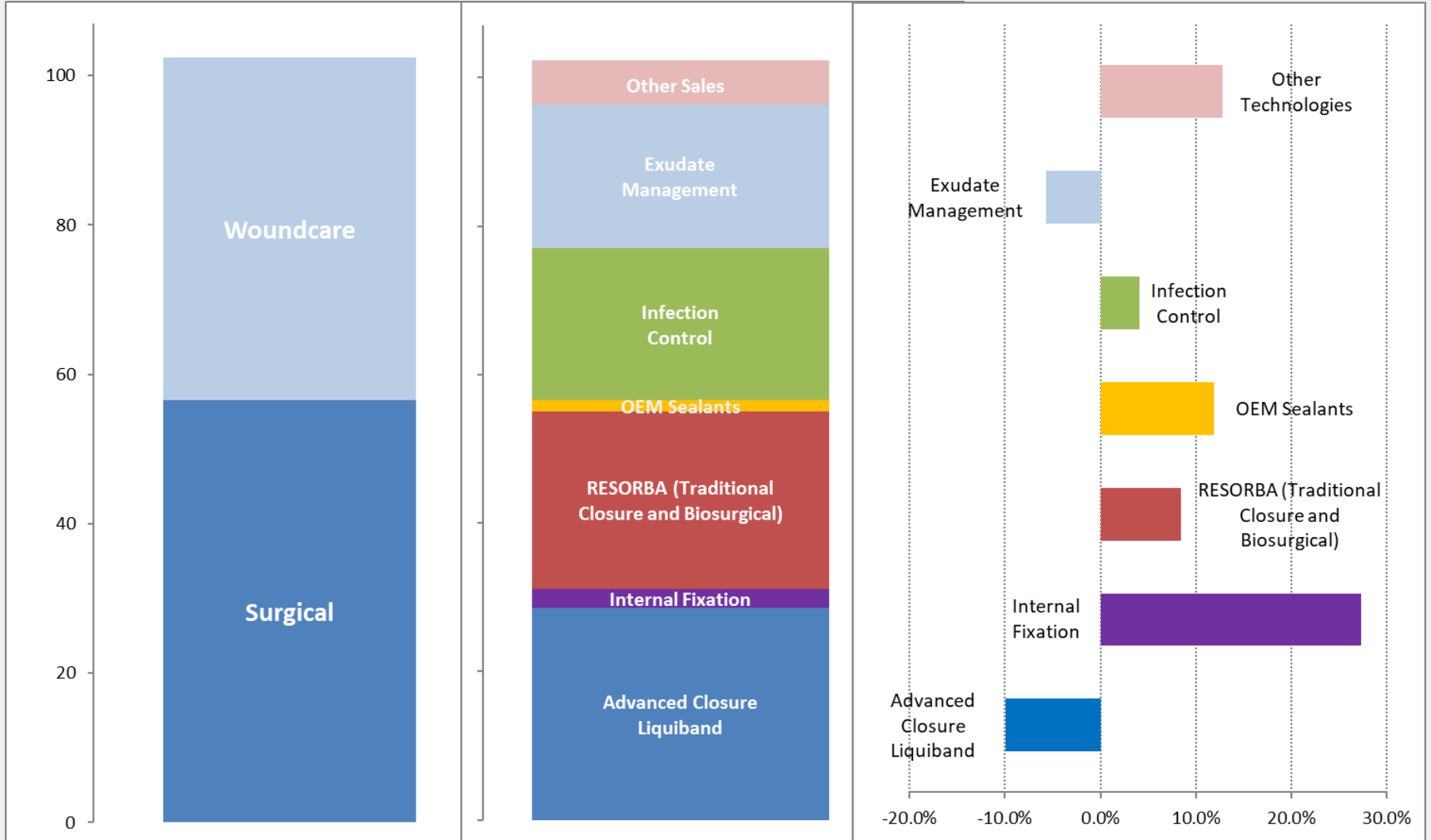
## Woundcare Revenue



*Growth rates shown at constant currency*

# Revenue by product

£m



# Robust Finances; Investing for Growth

- Continuing to increase our investment in major R&D and regulatory projects despite flat sales
- US LiquiBand® performance has impacted gross margins
- As previously guided, to maximise the potential of the Sealantis portfolio we are investing in R&D and regulatory activities ahead of commercial launch in 2021
- We hedge currency exposure for the next 18 months' cash flows and the contracts for 2019 were at significantly adverse rates
- Tight control of discretionary administrative costs
  - Net effect is a lower group operating margin in 2019

# 2019 Financial Highlights

	2019	2018	Reported growth	Constant growth <sup>1</sup>
Group revenue (£m)	<b>102.4</b>	102.6	0%	-1%
Adjusted <sup>2</sup> operating margin (%)	<b>26.4</b>	28.2	-180bps	-
Adjusted profit before tax (£m)	<b>26.6</b>	28.8	-7%	-
Group Effective Tax Rate (%)	<b>22.0</b>	20.3	+170bps	-
Adjusted <sup>2</sup> diluted earnings per share (p)	<b>9.83</b>	10.63	-8%	-
Adjusted net cash inflow from operating activities (£m)	<b>22.8</b>	22.1	3%	-
Net cash <sup>3</sup> (£m)	<b>64.8</b>	76.4	-15%	-

## Dividend

Proposed final dividend of 1.05p per share, making a total dividend for the year of 1.55p per share (2018: 1.32p), up 17%.

## Foreign exchange

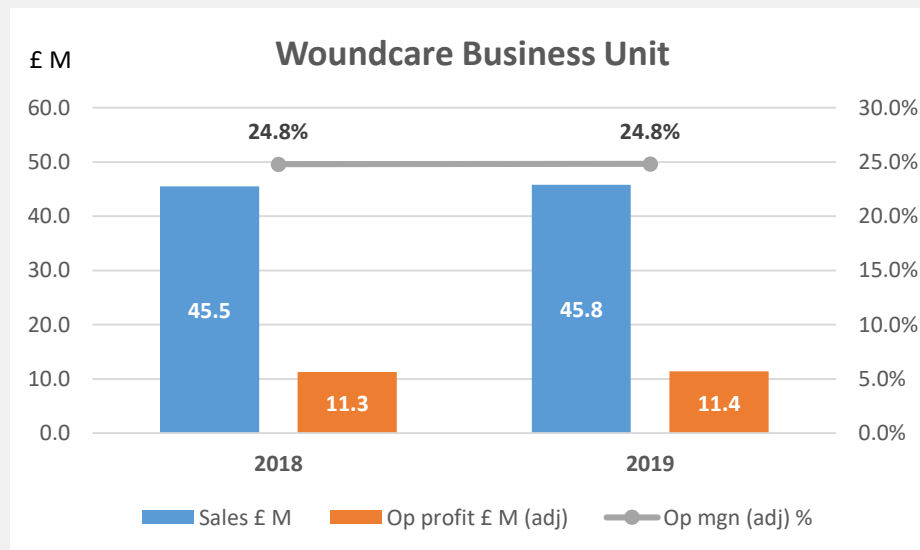
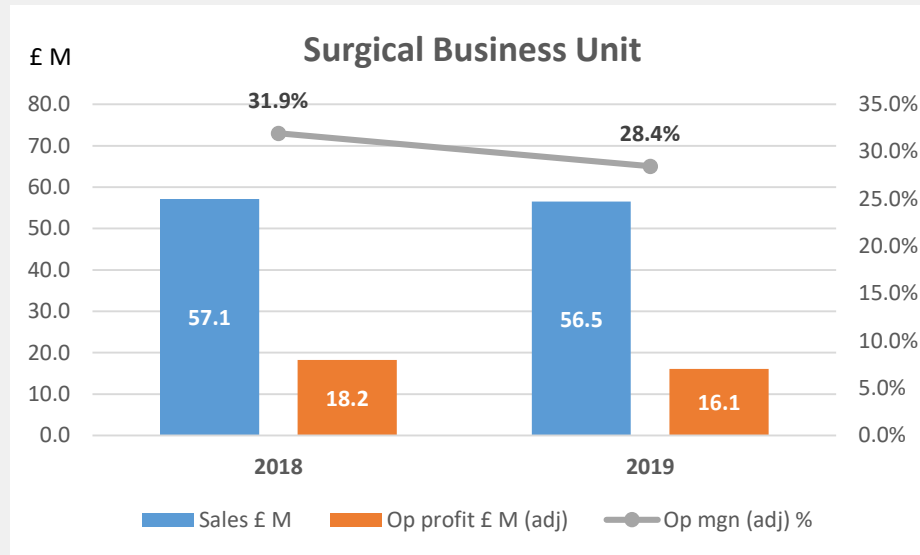
The Group hedges significant currency transaction exposure by using forward contracts, and aims to hedge approximately 80% of its estimated transactional exposure for the next 12 to 18 months. The Group estimates that a 10% movement in the £:US\$ or £:€ exchange rate will impact Sterling revenues by approximately 3.4% and 2.7% respectively and in the absence of any hedging this would have an impact on profit of 2.7% and 1.0%

*Note 1 Constant currency removes the effect of currency movements by re-translating the current year's performance at the previous year's exchange rates*

*Note 2 Adjusted profit before tax is shown before exceptional items which were £1.1 million (2018: £0.4 million), amortisation of acquired intangible assets which was £1.7 million (2018: £0.1 million) and change in fair value of long-term debt, a £0.3 million credit (2018: £nil) as defined in the Financial Review. Adjusted operating margin is shown before exceptional items and amortisation of acquired intangible assets*

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

# 2019 Operating Margins



# Cash Flow Summary

	2019 £ million	2018 £ million
<b>Profit from operations</b>	<b>24.2</b>	<b>28.5</b>
Depreciation and Amortisation	5.8	4.1
Working capital movements	(4.3)	(8.8)
Share-based payments expense	1.9	1.7
Taxation	(5.9)	(3.8)
<b>Net cash inflow from operating activities</b>	<b>22.8</b>	<b>21.7</b>
Capital expenditure and capitalised intangibles	(5.9)	(4.7)
Interest received	0.4	0.4
Acquisition of subsidiaries net of cash	(24.1)	-
<b>Net cash used in investing activities</b>	<b>(29.6)</b>	<b>(4.3)</b>
Dividends paid	(3.0)	(2.5)
Repayment of principal under lease liabilities	(0.9)	(0.9)
Shares and share based payments	1.1	0.4
Interest paid and forex	(0.9)	(0.5)
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(11.6)</b>	<b>13.9</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>76.4</b>	<b>62.5</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>64.8</b>	<b>76.4</b>





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# Summary and Outlook

# Summary and outlook

- Revenues in line with 2018 despite challenges
- Two acquisitions successfully executed and integrating well, bolstering product portfolio and increasing size of addressable markets
- Improved outlook for US LiquiBand® in 2020
  - First step in recovery successfully completed with FDA approval of LiquiBand® Rapid
- 10% organic growth expected in 2020 supported by new product approvals
- Multiple growth opportunities across both Business Units
- Increased strategic investment in R&D pipeline and new technologies
- MDR expected to generate further growth opportunities
- Board remains optimistic about AMS's future growth prospects, both organic and acquisitive

# Appendix

# Currency and Hedging

