



Advanced Medical Solutions

Results for the 6 months ended 30 June 2023

20 September 2023



Advanced Medical Solutions Group plc



Financial Highlights

Growth driven by strong performance in non-US markets



- Revenue increased to **£63.1 million** (H1 2022: £58.3 million)
- Adjusted profit before tax up to **£13.8 million** (H1 2022: £13.6 million)
- Net cash decreased to **£69.1 million** (FY 2022: £82.3 million) following the acquisition of Connexicon Medical Ltd
- Total investment in R&D increased to **£6.0 million** (H1 2022: £5.4 million) representing 9.5% of revenues (2021: 9.3%) as progress continues to be made in product development and MDR
- An increased proposed interim dividend of **0.70p** per share (H1 2022: 0.64p) reflecting continued Board confidence

Operational Highlights (Including Post Period End)

Significant progress made in a number of key projects



- **Very good progress** with enhanced US LiquiBand® route to market strategy
- **Acquisition of Connexicon** increasing our ability to develop and commercialise innovative and differentiated adhesive and sealant technologies
- **Pre-Market Approval (PMA) of LiquiBandFix8®** granted in June, **US commercial agreement signed** with TELA Bio Inc with launch in September under the brand name **LIQUIFIX™**
- **SEAL-G® and SEAL-G® MIST clinical study complete** with data to be made available for soft launch in Q4 2023. **Data shows promising reduction in leakage rate**

Product Progress: LiquiBand®



Europe and ROW

- **Strong ongoing LiquiBand® growth** in UK, Germany and ROW
- **Connexicon** revenues contributing to ex-US growth

USA

- Very good progress made towards establishing **new partner agreements** as part of enhanced route to market strategy
- This **process has taken longer** and associated destocking has been greater than first anticipated
- New contracts will enable **accelerated growth from early 2024**
- No sign of end user sales reducing in the period
- The roll-out of **LiquiBand® XL** continues to make excellent progress with a large number of evaluations in the pipeline and several immediate wins



US LiquiBand® - Route to Market Changes



2022 Status

- All three hospital partners wanted a degree of uniqueness/exclusivity
- All three hospital partners sold similar looking co-branded devices
- Diminished partner commitment to driving stronger future LiquiBand® growth
- AMS wanted to mitigate against inherent vulnerability to third parties
- LiquiBand® XL approved and Connexicon acquisition provided window of opportunity



2023 Plan

- To negotiate new 5-year contracts with all 3 partners with **increased partner commitment** to growth
- To move from 3 co-brands to 2 partner own brands whilst establishing first foothold for **AMS house brand**
- To move to provide a degree of **uniqueness/exclusivity** for remaining 2 partner brands
- Establish LiquiBand® XL promotion across all 3 channel partners



US LiquiBand® - Three Major Hospital Partners



Partner 1

Previous Agreement

- Co-branded AMS design product
- Strong distributor, sales supported by AMS
- Inventory owned & held by partner

New Agreement

- Partner own brand replaced by AMS brand.
- Partner continues distribution of identical design product to existing customers
- Sales by AMS with Partner as distributor
- AMS own & hold stock

Current Status

- New contracts signed and operational
- AMS brand manufactured & stocked in US 3PL
- Partner 'auto-substitution' of co-brand to AMS brand from Oct, one quarter later than anticipated

Partner 2

Previous Agreement

- Co-branded AMS design product
- Strong sales & distribution partner, sales support from AMS
- Inventory owned & held by partner

New Agreement

- Pure partner only brand
- Exclusive AMS design product from 2025
- Partner holds stock, markets and distributes
- Commitment to 5-year growth plan

Current Status

- New contract signed and operational
- Performing well. Strong new pipeline
- No change to inventory policy
- Normal ordering patterns during 2023

Partner 3

Previous Agreement

- Co-branded AMS design product
- Strong sales & distribution partner, sales support from AMS
- Inventory owned & held by partner

New Agreement

- Pure partner only brand
- Exclusive Connexion product from 2025
- Partner holds stock, markets and distributes
- Incentivised to deliver 5-year growth plan

Current Status

- More protracted negotiation process
- Minimal orders in last quarter of negotiation
- Final agreement imminent
- Normal ordering to resume by end 2023

Product Progress: LiquiBand® XL



LiquiBand® XL

- Evaluations and conversions for LiquiBand® XL continue to grow strongly
- Significant, fast-growing \$70 million market opportunity
- New pack sizes and approvals expands application to 60cm wounds
- New US route to market strategy unlocks accelerated penetration and growth
- Significant benefits against competitor devices:
 - Simple application of dressing
 - Accelerant in tip of device establishes viscous liquid that is easy to apply



Product Progress: LiquiBandFix8® /LIQUIFIX™










LiquiBandFix8® /LIQUIFIX™ approved in US and launching 21 September at American Hernia Society meeting

- PMA approved by FDA ahead of schedule and seven months after submission
- Agreement signed with **TELA Bio Inc** to commercialise the device in the US under the brand name **LIQUIFIX™**
 - A **specialist medical technology company**, headquartered in Malvern PA (NASDAQ:TELA)
 - Designs, develops and markets innovative **tissue reinforcement materials in hernia repair**
 - A **fast-growing business** with established market footprint (2022 revenues +41% to \$41.4 million; H1 2023 revenues +42% to \$26.4 million)
 - **Focused on addressing the shortcomings of existing materials** in hernia repair and abdominal wall reconstruction
 - **Specialist US sales force** expected to be 75-80 reps by end 2023
 - **Closely aligned with AMS' strategy and aspirations**
- A significant commercial opportunity to enter a new addressable market estimated at \$200 million
- Initial post-approval procedures using LIQUIFIX™ already taking place at clinical trial centres



LIQUIFIX™: Competitive Overview



| Key attributes | LIQUIFIX™ AMS | SECURESTRAP® ETHICON | AbsorbaTack™ MEDTRONIC | ProTack™ MEDTRONIC | ReliaTack™ MEDTRONIC | SorbaFix™ BD (BARD) | Suture |
|---|---|---|---|---|---|---|---|
| |  |  |  |  |  |  |  |
| Reduce or eliminate nerve entrapments | ✓ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ |
| Reduce or eliminate blood vessel damage | ✓ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ |
| Reduce chance of mechanical trauma | ✓ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ |
| Angular mesh fixation NOT required | ✓ | ✓ | ✗ | ✗ | ✗ | ✗ | ✗ |
| Strong mesh fixation | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Fast mesh fixation | ✓ < 10 sec | ✓ | ✓ | ✓ | ✓ | ✓ | ✗ |
| Atraumatic applicator tip | ✓ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ |
| Number of anchors/tackers | 40+ | 25/12 | 30/15 | 30/15 | 30/10+ | 30/15 | 1 thread |
| ASP RANGE: | TBD | \$520/350 | \$480/350 | \$340 | | \$580/490 | |

Product Progress: SEAL-G[®] and SEAL-G[®] MIST



Clinical study

- **First human clinical study completed** for 160 patients
- **Data being collected** and to be used in marketing
- Initial results indicate **significant improvement in serious clinical leakage rate** (1.25%) compared with reported rates (4.2 - 4.7%)
- Key Opinion Leader **feedback continues to be very positive**

Operational

- **CE mark approval** already obtained for SEAL-G[®] and SEAL-G[®] MIST
- Small number of end-user commercial orders have already been received
- European soft **launch on track for Q4 2023**
- Design of follow-on clinical trials progressing

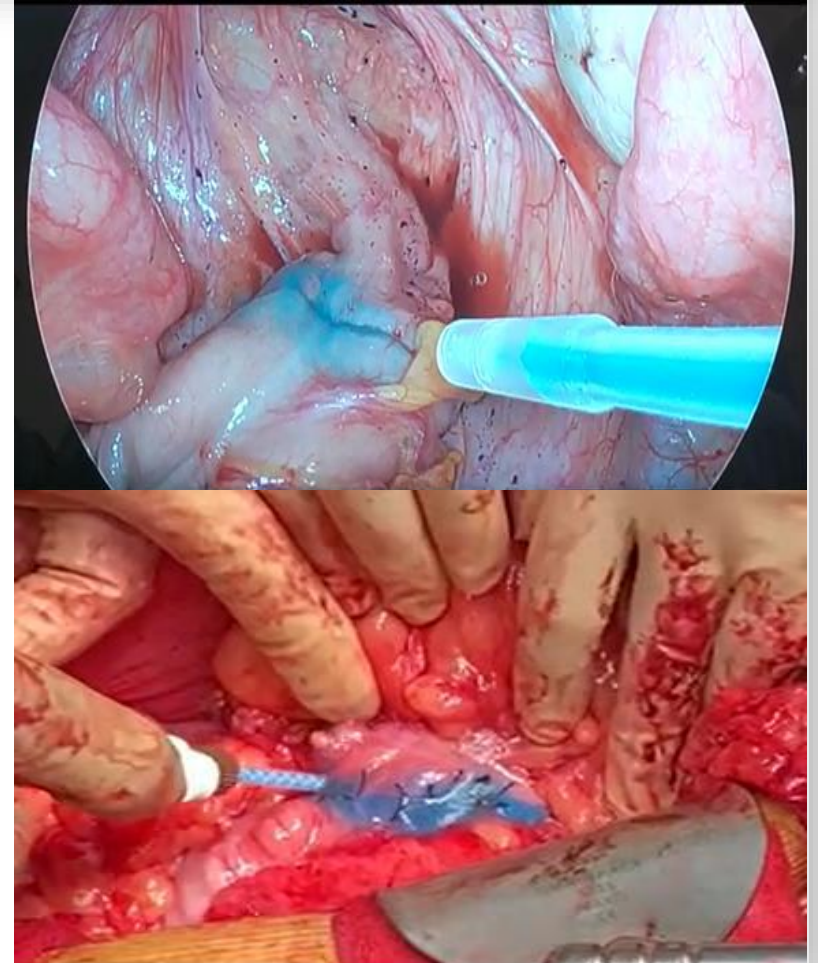


SEAL-G® - Clinical Trial Conclusions



- **Primary endpoint** – the true proportion of subjects with a full sealant coverage
 - Successful application – 88.8% - 97.0% (95% confidence interval)
- **Significant & promising outcomes** from the study, compared with large EU studies:
 - Reduction in Overall Leak Rate – 3.1% vs. 8.3%¹
 - Reduction in Clinical Leak Rate (Severe/'Proven' leak) – 1.25% vs. 4.7%¹
- **Investigator feedback** – Italy – Dr. Montroni – 14 MIST applications
 - “Simple and reliable. I would definitely use the device on every anastomosis for the chance of saving/reducing severity of a leak complication.”

1. Literature control ref: ESCP Right hemicolectomy audit 2015; ESCP Left hemicolectomy audit 2017



Product Progress: Woundcare



- **Woundcare Business Unit growth** was driven by:
 - Expanding distribution network for AMS' own **ActivHeal®** range
 - Commercial success with **Raleigh's pipeline of new products** and special medical materials
- These two initiatives have significant future potential and are expected to continue to deliver growth for Woundcare
- **Other Woundcare** revenue in H1 impacted by **lower Organogenesis royalty income**, as previously reported
 - **Changes to US reimbursement coverage** in Q3 2023 created significant uncertainty over revenue prospects
 - Future guidance assumes **no further AMS royalty income**



Acquisition Strategy

Maintaining focus on delivering growth through further synergistic acquisitions



- Successfully integrated **five innovative businesses over five years**
 - **Sealantis** – Israeli sealant technology platform (2019)
 - **Biomatlante** – French surgical biomaterial technologies (2019)
 - **Raleigh** – UK converter and coater of materials (2020)
 - **AFS Medical** – Austrian specialist distributor (2022)
 - **Connexicon Medical** – Irish tissue adhesives specialist (2023)
- AMS continues to **seek accretive acquisitions** with commercial synergies and strong R&D, manufacturing, sales and marketing capabilities
- Targets continue to include:
 - **Surgically-focused companies** with strong commercial synergies, R&D capability and proprietary products
 - A focus on companies that enable AMS to **better leverage its existing routes to market** and expand direct sales & marketing capability
 - Those that provide **greater US presence**, and now expanded to also include targets that may accelerate the **expansion and growth of own brand ActivHeal®** into the woundcare space
- **Net cash of £69.1 million** at 30 June 2023 and significant debt funding potential

Financial Summary



Financial Highlights

Strong 20% growth from non-US markets



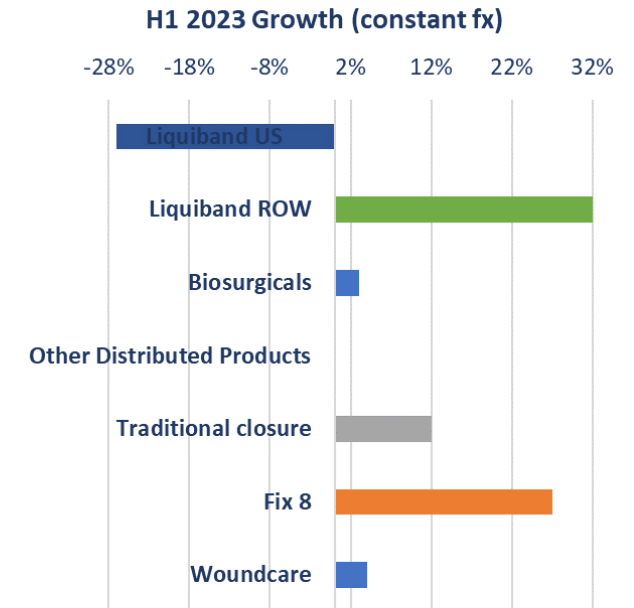
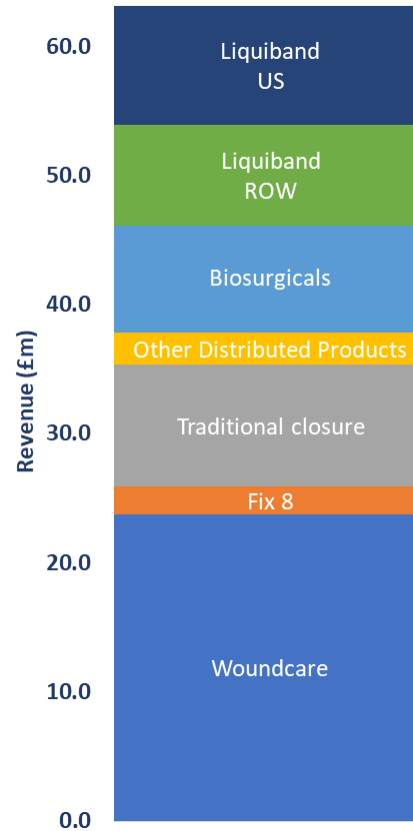
- **Revenues increased by 8%** despite short-term disruption to LiquiBand®
- **R&D spend increased to £6.0 million** (H1 2022: £5.4 million) reflecting ongoing investment in innovation and MDR
- **Adjusted pre-tax profit increased to £13.8 million** (H1 2022: £13.6 million)
- Margins were impacted by adverse product mix
- Operational cash flow was offset by acquisition payments (mainly Connexicon) and increased working capital, resulting **net cash of £69.1 million** (FY 2022: £82.3 million)
- Proposed increased **interim dividend of 0.70p** per share (H1 2022: 0.64p) reflecting Board confidence

Group Revenue Summary

Increasingly diversified portfolio reducing reliance on specific markets



- **LiquiBand® US** revenues disrupted by de-stocking associated with new partner strategy but expected to bounce back strongly from 2024
- **Other key business areas** generating strong growth
- New product growth driving **greater diversity**
- **LiquiFix8® US** and **SEAL-G®** launches in Q4 2023 expected to further enhance Group product diversity



H1 2023 Results: Surgical Revenue



Revenue up 5%* to £39.4 million (H1 2022: £35.9 million)

Advanced Closure

- LiquiBand® revenue down 8%* to £17.0 million (H1 2022: £17.9 million)
- Strong performance in UK/Germany and ROW, offset by the impact of de-stocking associated with the US enhanced partner strategy setting the foundation for stronger growth from 2024

Internal Fixation and Sealants

- LiquiBandFix8® revenue up 27%* to £2.2 million (H1 2022: £1.6 million)
- Growth supported by increased volumes of hernia surgery and the annualised impact of the AFS acquisition
- US launch in September 2023

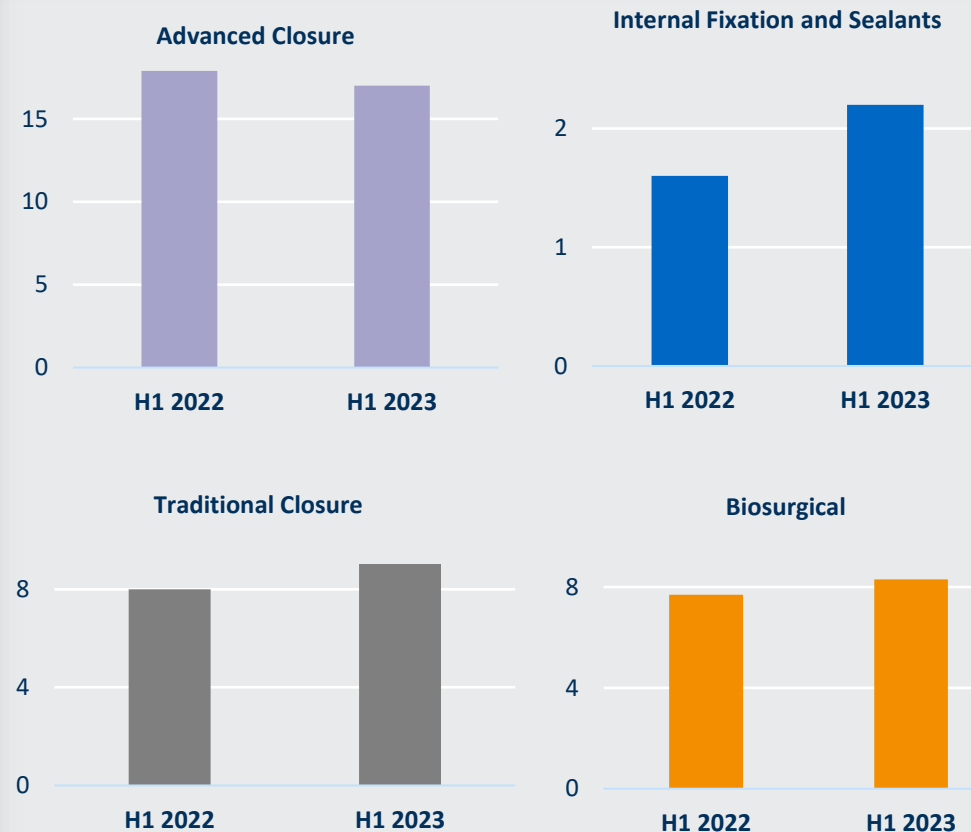
Traditional Closure

- Suture revenue up 12%* to £9.4 million (H1 2022: £8.0 million)
- Good progress in US dental market and expansion to new territories

Biosurgical Devices

- Revenue up 3%* to £8.3 million (H1 2022: £7.7 million)
- Phasing of orders expected to see stronger H2 growth

*Growth rates shown at constant currency



H1 2023 Results: Woundcare Revenue



**Revenue up 4%* to £23.7 million
(H1 2022: £22.4 million)**

Infection Management

- Revenue up 5%* to £7.7 million (H1 2022: £7.2million)
- Growth driven by more consistent orders for silver alginates

Exudate Management

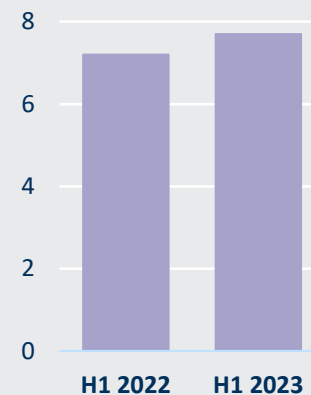
- Revenue up 8%* to £12.2 million (H1 2022: £11.1 million)
- Growth from increased ActivHeal® and Raleigh pipeline

Other Woundcare

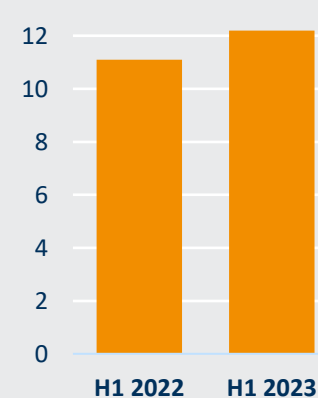
- Revenue down 11%* to £3.8 million (H1 2022: £4.1 million)
- Lower income from the Group's licensing arrangement with Organogenesis

**Growth rates shown at constant currency*

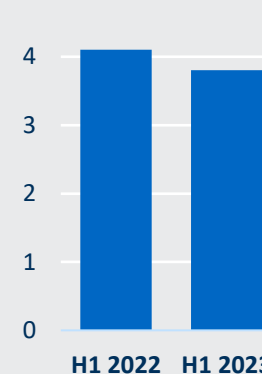
Infection Management



Exudate Management



Other Woundcare

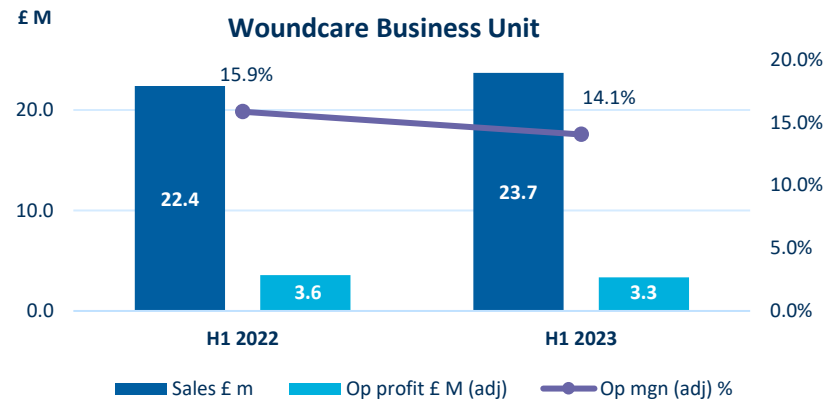
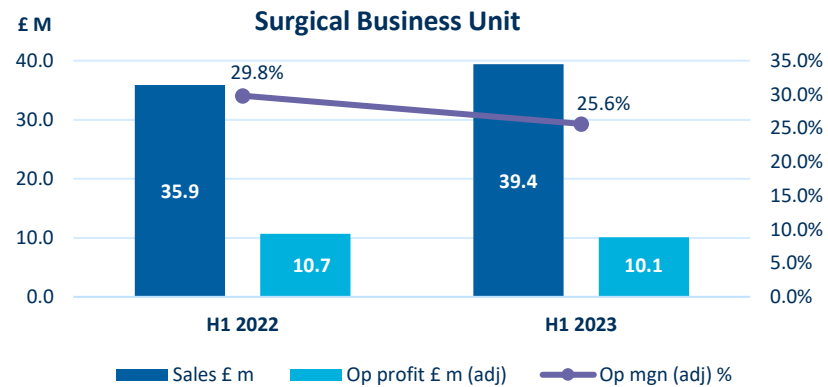


Operating Margins



- **US LiquiBand® disruption (2023 only)** and **Organogenesis (2023-2026)** has impacted expectations for Group operating margins
- **Surgical Business Unit** – margins expected to recover strongly in 2024 through:
 - Strong US **LiquiBand®** growth
 - US Launch of **LIQUIFIX™**
 - **Ongoing long-term trend of increasing margins** through continued strategy of developing and launching higher price, high margin surgical devices
- **Woundcare Business unit** – underlying margins under pressure due to reimbursement challenges and other market dynamics. Initiatives underway to strengthen margins from mid-2024 onwards:
 - Increased sales of **ActivHeal®** overseas
 - Roll out of **Raleigh** development pipeline

H1 2023 Operating Margins



Surgical

- Adjusted operating margin decreased by 420bps
- Adverse mix effect from temporarily deflated sales of LiquiBand® to US partners

Woundcare

- Adjusted operating margin decreased by 180bps
- Impacted by lower royalty income

H1 2023 Cashflow



| £ million | H1 2022 (£m) | H1 2023 (£m) |
|---|--------------|---------------|
| Cash flows from operating activities: | | |
| Profit from operations before exceptional items | 12.2 | 10.4 |
| Depreciation and Amortisation | 4.2 | 5.2 |
| Working Capital movements | (4.2) | (11.5) |
| Share based payment expense | 1.1 | 1.5 |
| Taxation | (0.8) | (1.4) |
| Adjusted net cashflow from operating activities | 12.5 | 4.1 |
| Acquisitions including earn-out payments | (2.8) | (8.6) |
| Capital Investments | (4.2) | (4.8) |
| Financing and foreign exchange | (0.2) | (0.7) |
| Dividends paid | (3.0) | (3.3) |
| Share-based payment cashflows | 0.1 | 0.2 |
| Net increase / (decrease) in cash and cash equivalents | 2.4 | (13.1) |
| Cash and cash equivalents at beginning of period | 73.0 | 82.3 |
| Cash and cash equivalents at end of period | 75.3 | 69.1 |

Working Capital

- Inventory building for resilience to complete by 2023 YE – average 6.7 months now on hand; including work in progress
- Payables – adverse movement as year-end liabilities settled
- Receivables – temporarily higher due to phasing of orders
- Overall working capital – forecast to be stable in H2 2023 and beyond

Acquisition Payments

- €7m upfront consideration for Connexicon
- Positive milestones progress with Connexicon and AFS; €4m of earn-out payments in H1; expected to continue in H2

Employee Benefit Trust:

- EBT purchase of AMS shares will impact cash in H2

Balance Sheet to June 2023



| £ million | June 2022 | June 2023 | |
|--|-----------|-----------|--|
| Property, Plant and Equipment and other Fixed Assets | 27.9 | 30.6 | |
| Goodwill and Acquired Intangibles | 116.0 | 135.6 | Increased due to Connexicon acquisition |
| Fixed Assets | 143.9 | 166.2 | |
| Inventory | 22.7 | 31.8 | Inflated by acquisitions and an underlying increase to 6.7 months of supply to ensure ongoing high customer service levels |
| Receivables | 22.2 | 24.8 | Increase due to sales volumes, favourable hedging contracts, and the addition of Connexicon despite average debtor days reducing to 41 (FY 2022 44 days) |
| Cash | 75.3 | 69.1 | |
| Current Assets | 120.2 | 125.8 | |
| Creditors | (24.1) | (28.2) | Increase driven by contingent liabilities for Connexicon earn-out payments |
| Lease liabilities | (9.4) | (9.2) | Leased assets accounted for under IFRS 16 |
| Tax | (10.0) | (11.6) | |
| Liabilities | (43.5) | (49.0) | |
| Net Assets | 220.6 | 243.0 | |

Summary and Outlook



Summary and Outlook

A number of key initiatives now in place to drive strong growth from 2024



- AMS continued to generate **revenue and profit growth in H1** despite short-term US LiquiBand® disruption
- Significant **clinical and regulatory progress** to enable the LIQUIFIX™ **US launch** and **Seal-G® EU soft launch** in Q4 2023
- The Group has made good progress towards establishing its **new US LiquiBand® route to market strategy**
- Maintaining focus on delivering growth organically and via further **synergistic acquisitions**
- The Group continues to successfully **manage ongoing issues with supply chain and inflation**
- The Board remains confident AMS can generate **accelerated growth from early 2024**

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