



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



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

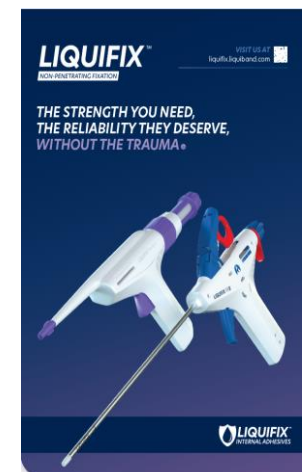


Product Progress: LiquiBandFix8®/LIQUIFIX™



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

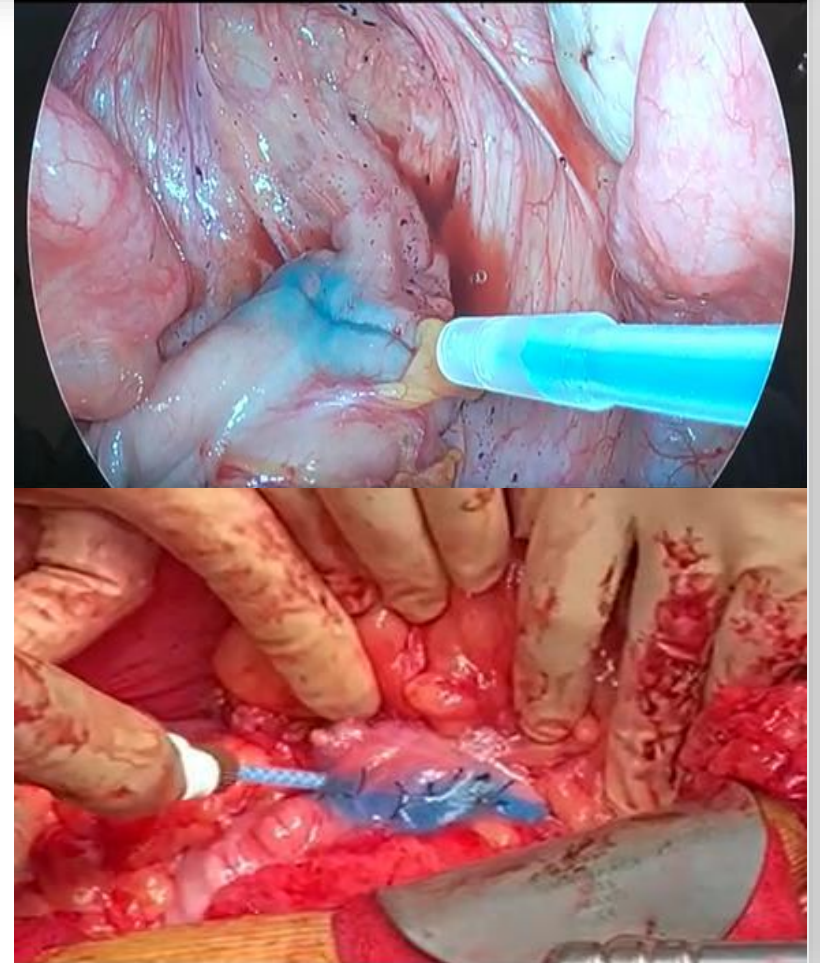
- **CE mark approval** already obtained for SEAL-G[®] and SEAL-G[®] MIST
- Small number of end-user commercial orders have already been received
- European soft **launch on track for Q4 2023**
- Design of follow-on clinical trials progressing



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



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



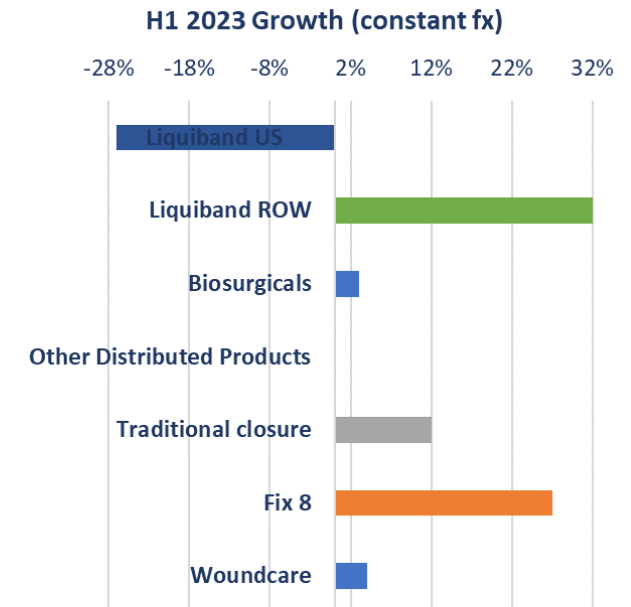
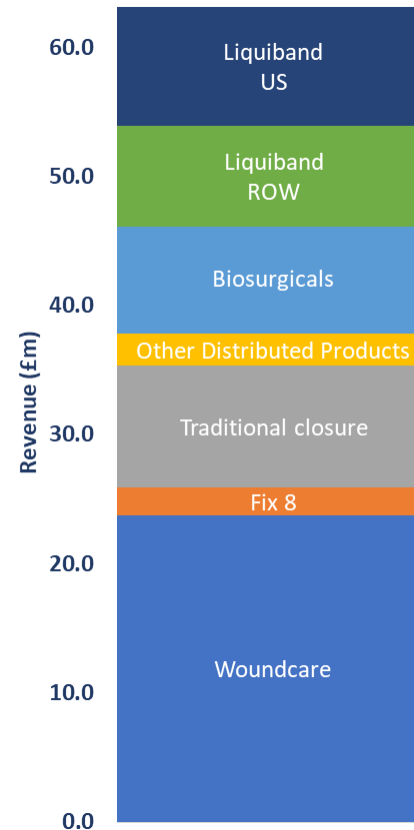
- **Revenues increased by 8%** despite short-term disruption to LiquiBand®
- **R&D spend increased to £6.0 million** (H1 2022: £5.4 million) reflecting ongoing investment in innovation and MDR
- **Adjusted pre-tax profit increased to £13.8 million** (H1 2022: £13.6 million)
- Margins were impacted by 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

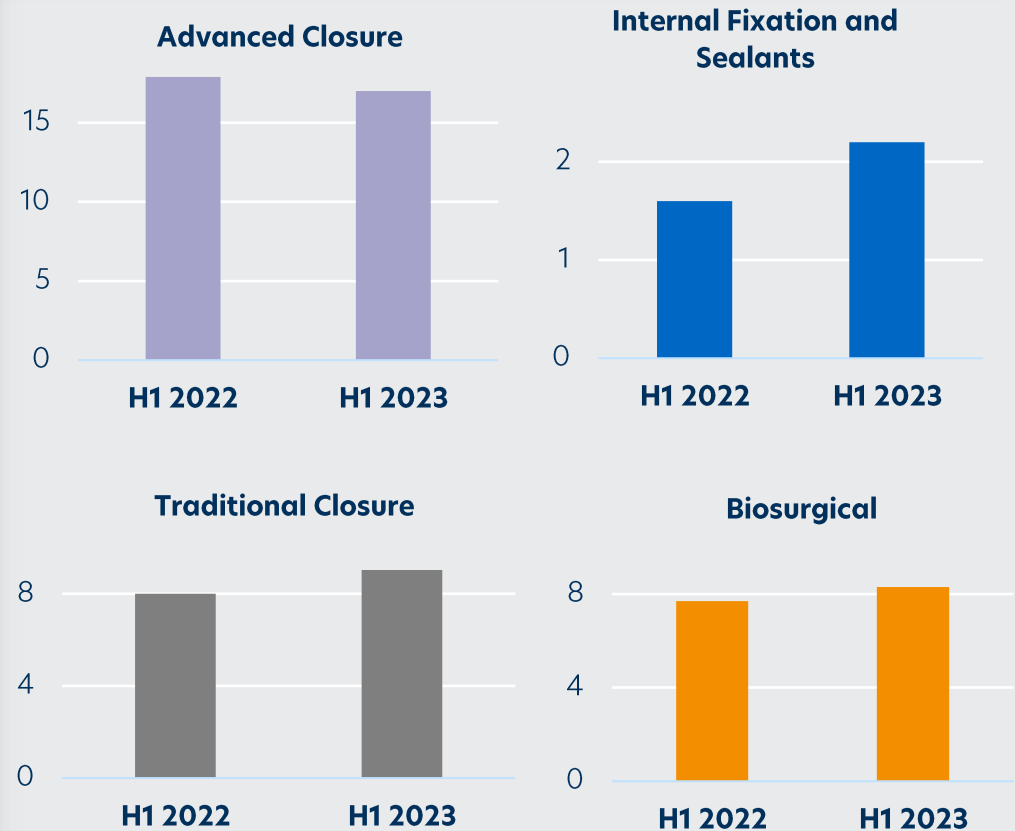
Traditional Closure

- 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

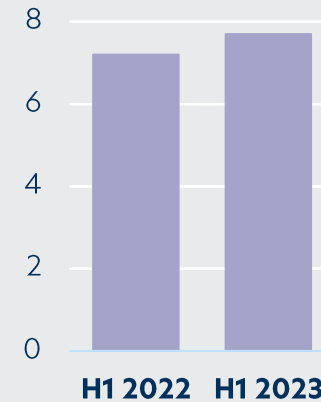
- Revenue up 8%* to £12.2 million (H1 2022: £11.1 million)
- Growth from increased ActivHeal® and Raleigh pipeline

Other Woundcare

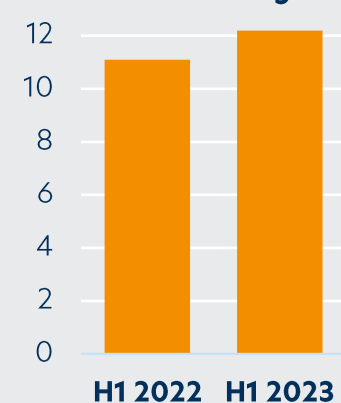
- Revenue down 11%* to £3.8 million (H1 2022: £4.1 million)
- Lower income from the Group's licensing arrangement with Organogenesis

**Growth rates shown at constant currency*

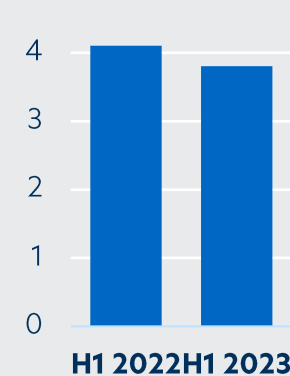
Infection Management



Exudate Management



Other Woundcare

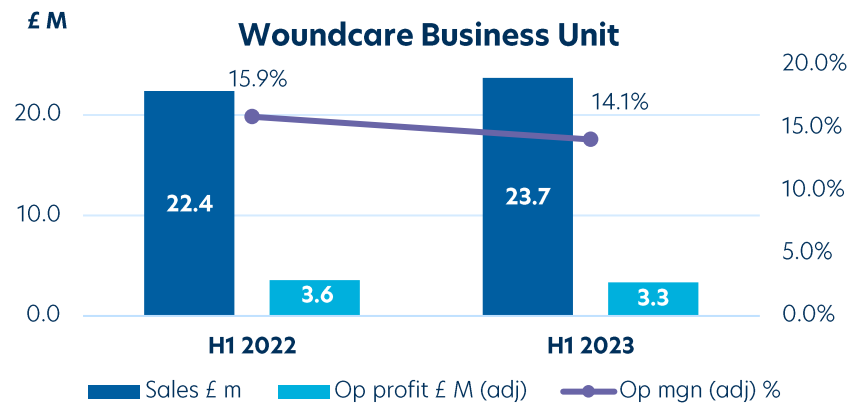
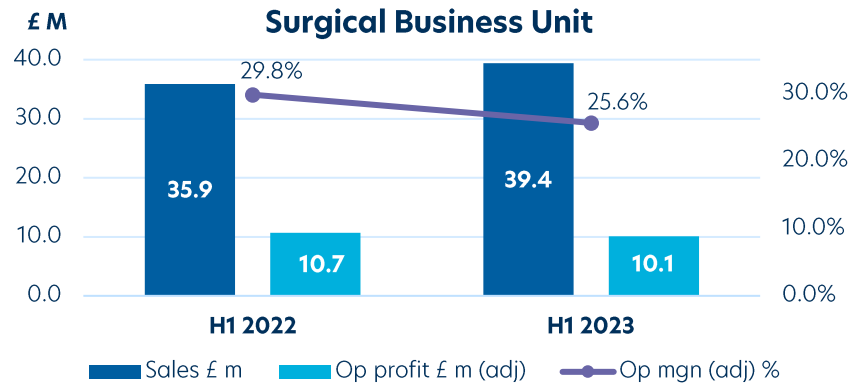


Operating Margins



- **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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