

22 June 2021

Surgical Innovations Group plc
(the "Company", "SI" or the "Group")

AGM Trading Statement
Positive signs of recovery in key surgery markets
Revenues rebuilding towards pre-Covid levels

Surgical Innovations Group plc (AIM: SUN), the designer, manufacturer and distributor of innovative technology for minimally invasive surgery, provides the following update to shareholders ahead of its Annual General Meeting being held today at 12 noon.

Following a challenging trading period in the previous financial year as a result of the global pandemic, the Company has experienced optimistic signs of recovery as a number of key healthcare markets begin to resume elective surgery at close to pre-covid levels. It is clear that the pent-up demand for surgery continues to increase and healthcare providers are under pressure to find innovative ways of increasing productivity and reducing waiting times and costs. The NHS is beginning to utilise a seven-day operating week for surgery as well as continued use of the private sector to reduce the backlog; similar initiatives are also being seen in other key markets.

The increased focus around sustainability continues to gain traction with key stakeholders in the healthcare industry, as they recognise the importance of reducing clinical waste from single use plastics. In conjunction with the Royal College of Surgeons and the Centre for Sustainable Healthcare, Elemental Healthcare (a wholly owned SI subsidiary) launched the *Green Surgery Challenge*¹ in February this year, an initiative aimed at developing surgical practices that reduce plastic waste in operating theatres.

Additionally, Chantelle Rizan and Prof. Mahmood Bhutta from the University of Brighton Medical School published a clinical paper, entitled: *"Environmental impact and life cycle financial cost of hybrid (reusable/ single-use) instruments versus single-use equivalents in laparoscopic cholecystectomy."* This paper validated the data supporting the green credentials of responsible products manufactured by SI, concluding; *"The carbon footprint of using hybrid instruments (responsible) for laparoscopic cholecystectomy is around a quarter of that for single-use equivalents, and the financial cost around half. Given the global scale of laparoscopic surgery, adoption of hybrid instruments could play an important role in meeting carbon reduction targets in healthcare, and saving money."*²

Evaluations of SI products that had paused during the second wave of the pandemic have restarted as elective surgery returns, and the UK team has consolidated on the gains made during 2020 with three further key accounts expected to convert to initial orders in the coming weeks. The US team continues to make progress with a number of significant general procurement organisations (GPOs) and healthcare providers, and with operating rooms (ORs) becoming more accessible for the sales team it is anticipated that the pace of starting new evaluations in the US will increase during H2 2021.

Trading continues to rebuild towards 2019 levels, with Group revenues in the first five months of 2021 at least 80% of those achieved for the comparable period in 2019, over 50% up on the comparable period in 2020. Substantial levels of restocking orders during Q1 in Japan and USA have been encouraging and highlight both increasing activity and confidence in forward demand in those key markets. The UK market, whilst negatively affected in Q1 2021 by the second wave, has seen sales remaining higher than those seen during the first wave and continuing to improve recording monthly sales in May 2021 at the highest level since September 2019. Revenues at this level are sufficient to enable the Group to currently operate at Adjusted EBITDA³ break even and operationally cash neutral before movements in working capital. Net cash⁴ at 31 May 2021 amounted to £2.41m (31 December 2020: £3.10m), with the reduction attributable substantially to the planned reflation of net working capital as a result of increased activity levels.

A continued focus on operational and QA/RA activities have allowed the Company to align capabilities with the needs of a strong growth business. The senior management team has been further strengthened by the appointment of Damien Donnelly as Sales and Marketing Director (a non-board role), to focus on new products that will enhance sales in key markets.

The Board considers that prospects for the Group are very positive in the mid to long term, although it remains necessarily cautious on short-term forecasting as uncertainties remain over the possible effects of further waves of Covid-19 across multiple geographies. The global vaccination programmes have broken the link between infection and hospitalisation, boosting confidence that the resumption in elective surgery will continue to increase, as healthcare providers seek to slow and then reverse the current growth in waiting lists. Given its innovative and differentiated product portfolio, the Group is well placed to benefit from the significant demand for surgery.

Notes

- 1 <https://surgicalmic.nihr.ac.uk/get-involved-2/green-surgery-challenge/>
- 2 medrxiv.org/content/10.1101/2021.03.10.21253268v1.full.pdf
- 3 Adjusted Earnings Before Interest, Taxation, Depreciation and Amortisation. Adjustments relate to the exclusion of non-recurring costs (if any) and share based payment charges
- 4 Net cash comprises aggregate cash balances less bank indebtedness, and excludes leasing liabilities under FRS16

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About Surgical Innovations Group plc

The Group specialises in the design, manufacture, sale and distribution of innovative, high quality medical products, primarily for use in minimally invasive surgery. Our product and business development is guided and supported by a key group of nationally and internationally renowned surgeons across the spectrum of minimally invasive surgical activity.

We design and manufacture and source our branded port access systems, surgical instruments and retraction devices which are sold directly in the UK home market through our subsidiary, Elemental Healthcare, and exported widely through a global network of trusted distribution partners. Many of our products in this field are based on a "resposable" concept, in which the products are part re-usable, part disposable, offering a high quality and environmentally responsible solution at a cost that is competitive against fully disposable alternatives.

Elemental also has exclusive UK distribution for a select group of specialist products employed in laparoscopy, bariatric and metabolic surgery, hernia repair and breast reconstruction.

In addition, we design and develop medical devices for carefully selected OEM partners and have also collaborated with a major UK industrial partner to provide precision engineering solutions to complex problems outside the medical arena.

We aim for our brands to be recognised and respected by healthcare professionals in all major geographical markets in which we operate and provide by development, partnership or acquisition a broad portfolio of cost effective, procedure specific surgical instruments and implantable devices that offer reliable solutions to genuine clinical needs in the operating theatre environment.

The Group currently employs approximately 100 people across two sites in the UK. Product design, engineering and manufacturing are carried out at the SI site in Yorkshire. Commercial activities including marketing, UK distribution and international sales and marketing are based at Elemental Healthcare in Berkshire. internationally the Group sells into 47 countries with strong markets In the North American and APAC regions

Further information

Further details of the Group's businesses and products are available on the following websites:

[www sigrouplc com](http://www.sigrouplc.com)

[www surginno com](http://www.surginno.com)

[www elementalhealthcare co.uk](http://www.elementalhealthcare.co.uk)

To receive regular updates by email, please contact si@walbrookpr.com.