

Deltex Medical Group plc

Results to 31 December 2021 & update on progress

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Deltex Medical - key drivers for the Group

New products:

2022 next gen. monitor launch will expand the reach of DEMG's technology throughout the in-hospital patient journey, plus generate immediate capital replacement revenues

Release of the next generation TrueVue monitor later this year:

- Will be configured for single-use high margin disposables generating strong positive cash flows
- Includes the addition of an innovative new non-invasive device for the rapid triage for severe disease – i.e. sepsis
- Will ultimately be used in much broader applications both inside and outside the hospital

Accessible market:

As Covid transitions to endemic, hospital access improves and surgical activity increases to clear backlogs, revenues will increase back towards pre-Covid levels

- TrueVue Doppler has been proven to reduce post-operative complications and is supported by 24 Randomised Clinical Trials (RCTs)
- The new, non-invasive technology will be able to rapidly assess the severity of disease for the in-hospital awake patient; this would include the rapid triage of a Covid patient presenting to the hospital
- Improved access to hospitals for sales teams and clinical educators is key to driving growth

Summary P&L information to 31 December, 2021

£000	2021		2020	
Probe revenues	1,911	85%	2,113	88%
Other revenues	348	15%	285	12%
Total revenues	2,259	100%	2,398	100%
Gross margin	1,575	70%	1,641	68%
Administrative costs	(1,585)		(1,472)	
Sales & distribution costs	(957)		(964)	
R&D and Q&R costs	(207)		(246)	
Trade debtor impairment	-		11	
Exceptional costs	-		(232)	
Total overheads	(2,749)		(2,903)	
Adjusted EBITDA*	(504)		(208)	
Loss for the year	(966)		(785)	

4 * Earnings before interest, tax, depreciation and amortisation, share-based payments, non-executive directors' fees and any exceptional items

Summary balance sheet information at 31 Dec 2021

£000	31 Dec 2021	31 Dec 2020		31 Dec 2021	31 Dec 2020
Property, plant & equipment	264	305	Borrowings	(702)	(159)
Intangible assets	3,135	2,554	Trade & other payables	(1,478)	(1,416)
Financial assets at amortised cost	157	153	Current liabilities	(2,180)	(1,575)
Non-current assets	3,556	3,012	Borrowings	(1,028)	(993)
Inventories	796	895	Other non-current liabilities	(285)	(325)
Trade & other receivables	455	576	Non-current liabilities	(1,313)	(1,318)
Other current assets	175	198	Total liabilities	(3,493)	(2,893)
Cash*	413	853			
Current assets	1,839	2,522			
Total assets	5,395	5,534	Net assets	1,902	2,641

COVID-19 - impact on Deltex Medical's business

Direct sales: UK & US

Similar to 2020, COVID-19 continued to significantly adversely impact our two key territories, the UK and USA, in 2021.

The majority of hospitals had put restrictions in place on visits by salespeople or clinical educators.

There are signs that these restrictions are beginning to be lifted.

International

International division - via network of c. 40 distributors - saw revenues grow by 40%.

Many territories did not have strict restrictions on access into the hospitals (cf. UK & US).

This helps to demonstrate the growth potential when we are able to work face to face with the clinician at the bedside.

Trend to normalisation

As access to hospitals improves for our UK & US direct sales forces, we expect our business to begin to normalise.

Returning to the activity levels that were achieved pre-Covid is a key target for the Group.

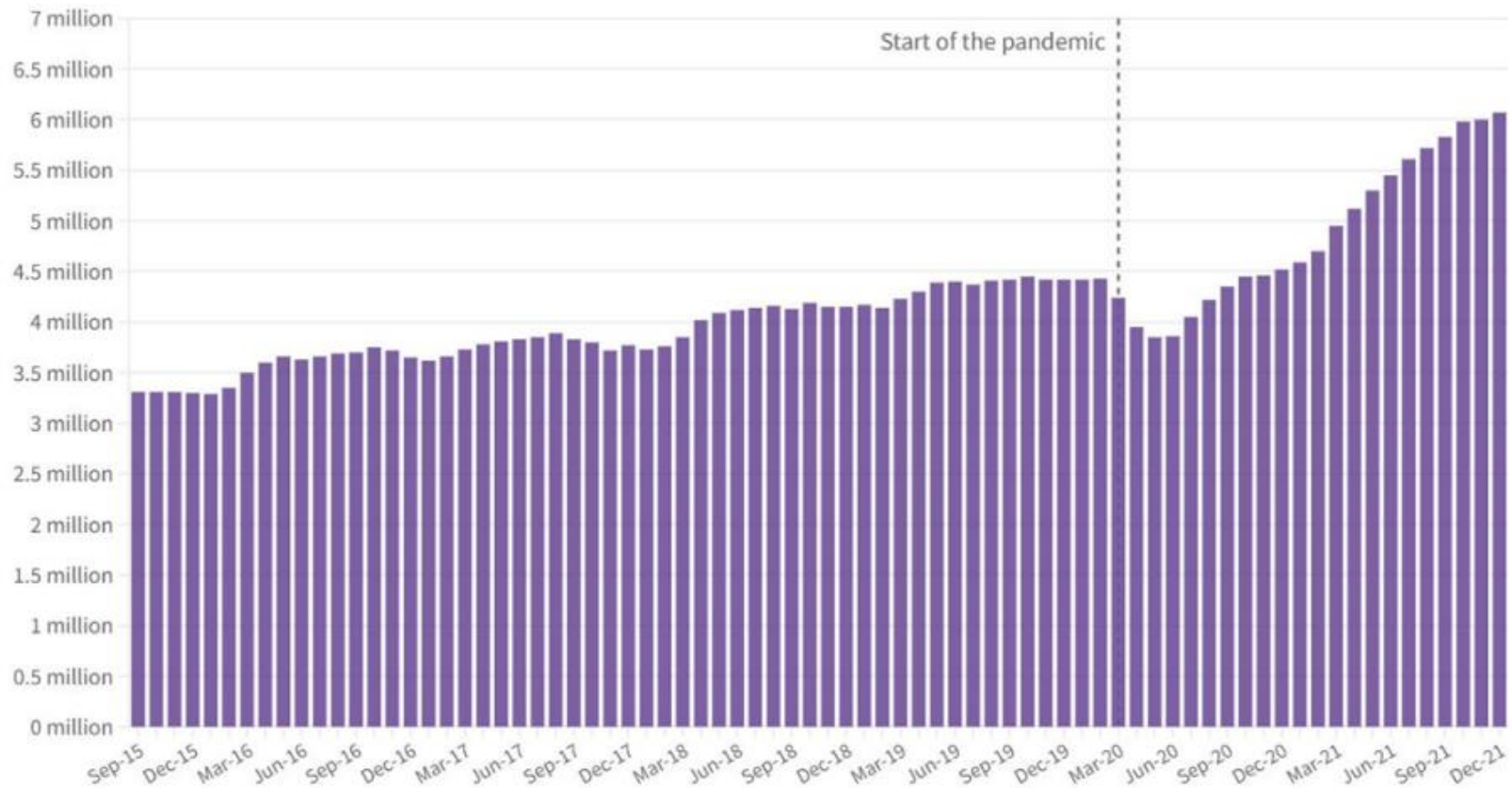


The effect of COVID-19 is not yet over but we are looking forward to seeing the business grow robustly once the pandemic abates

COVID-19 - impact on elective care (hence surgery) in NHS

Number of people on NHS waiting lists for consultant-led elective care

September 2015 to December 2021



Source: [BMA analysis of NHS England Consultant-led Referral to Treatment Waiting Times statistics](#)

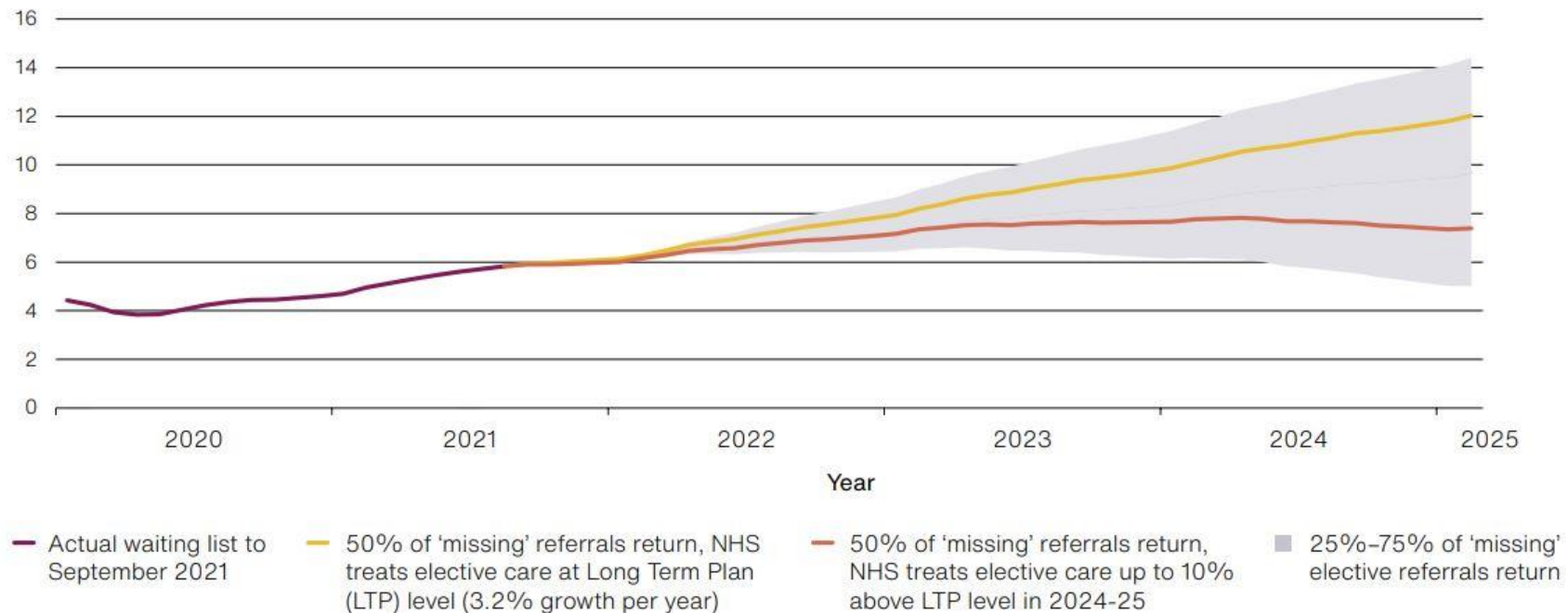


COVID-19 - impact on elective care (hence surgery) in NHS

Figure 25: Actual and projected elective care waiting list to March 2025, monthly

Under two plausible scenarios, the elective care waiting list will be longer in 2025 than it is today

Elective care waiting list, millions of patient pathways



Source: National Audit Office projection based on published referral-to-treatment statistics and assumptions as listed in Appendix One

Next generation monitor - TrueVue

Next generation TrueVue monitor is unique:

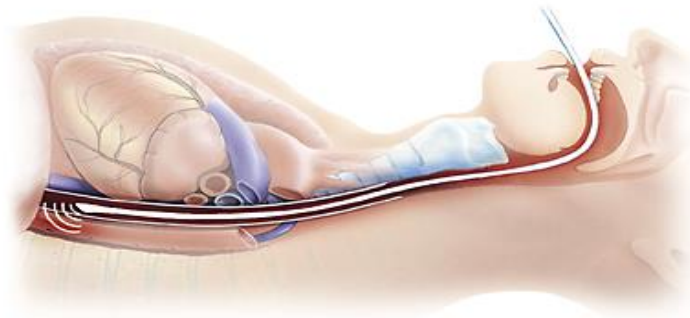
- Combines independent measurements of blood flow and blood pressure across each heartbeat in real time
- Has significantly broader applications: awake patients - A&E, wards, paramedics
- Immediate assessment of haemodynamic instability: e.g. ICU patients with Covid, sepsis, heart failure

State-of-the-art, market-leading, monitor :

- Portable multi-technology device
- Monitors currently in-build at Chichester HQ for final external regulatory testing



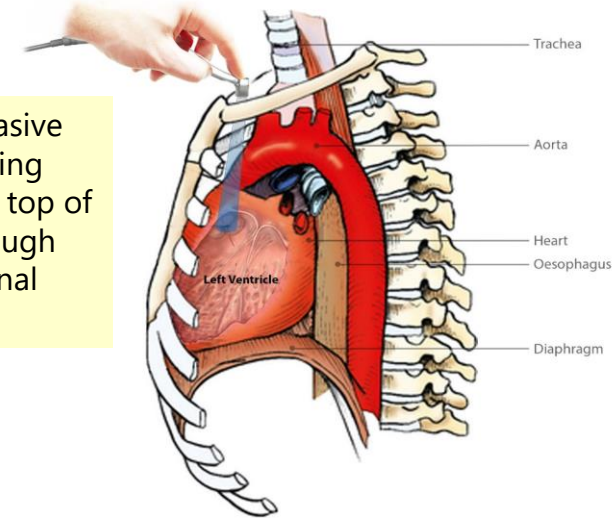
Next generation TrueVue – ODM vs non-invasive



ODM probe inserted down the oesophagus of a sedated patient (e.g., elective surgery) to generate extremely high-quality data, which is used to provide rapid, optimised treatment

- Established 'Gold Standard' device for use on sedated patients
- Utilises Deltex's proprietary algorithm which has been clinically proven over many years
- High margin product - built on the substantial published evidence, including 24 RCTs
- Existing user base in over 40 countries worldwide
- Focused on elective surgery and ventilated ICU patients

New non-invasive device detecting blood flow at top of rib cage (through the suprasternal notch)



- Quick and easy to use – provides immediate snapshot of awake patient's haemodynamics
- Developed in collaboration with the UK's National Physical Laboratory
- Similar high margins to the ODM and can utilise the same evidence base
- Introduces awake patient applications (Covid, sepsis, A&E, ward)
- Complementary technology, generating an additional revenue stream

Market size and drivers for growth

As hospitals return to elective surgery post Covid, Deltex expects to grow its high margin revenues

DEMG's ODM 'gold standard' technology has been clinically proven in 24 randomised controlled trials to:

- Reduce avoidable complications (c. 50%) including Acute Kidney Injuries and Surgical Site Infections
- Reduce critical care demand and hospital length-of-stay
- Reduce healthcare costs

NICE: c.800,000 elective surgical patients in the UK would benefit from ODM haemodynamic monitoring

- Our non-invasive Doppler device suitable for all of the c.8 million in-hospital procedures carried out annually in the NHS*

ODM is recommended and reimbursed internationally including in the UK, USA, France and Spain

c. 3,000 ODM devices in hospitals in over 40 countries present an immediate opportunity to access hospitals' capital replacement budgets

* Frequency of surgical treatment and related hospital procedures in the UK: a national ecological study using hospital episode statistics - <https://academic.oup.com/bja/article/119/2/249/4049141>

Sector-based consolidation

Increasing interest from major healthcare companies resulting in sector-based consolidation and elevated marketing-spend in haemodynamic monitoring, which we expect to raise clinical awareness and increase adoption

Company	Year	Acquiror	Price
LiDCO	2021	Masimo	£32m
Cheetah Medical	2019	Baxter Healthcare	\$230m
Pulsion	2014	Getinge	€139m
BMEYE	2012	Edwards Lifesciences	€32m

Key territories

COVID-19 morphing to become endemic in the community

Patients presenting with CV-19 as a co-morbidity

The next substantial challenge relates to addressing the elective surgery backlog

Parts of our International business are performing strongly as elective surgery starts to increase

USA

- Key target market - highest ASPs
- Hospitals adopting haemodynamic protocols quicker than in Europe
- Greater focus on costs including length-of-stay and complications by the 'payers' and the regulators

UK

- TrueVue Doppler was originally developed in a London ICU
- Most developed and competitive country for haemodynamic monitoring
- Access to hospitals in 2021 severely restricted but improving now

International

- Sell into overseas territories via network of c. 40 distributors
- Some distributors growing strongly as the elective surgery returns
- New capital contracts worth c.\$0.2 million in Americas announced in January 2022 will help drive further probe revenue contracts



The US remains the key market for Deltex Medical but we are increasingly positive about some international markets for 2022

Conclusion and prospects



Revenues are beginning to increase as the volume of elective surgical procedures starts to increase

- As access to hospitals improves for our direct UK and US sales forces, we expect our business to begin to normalise
- We expect our International business to grow: the US\$0.2M equipment order (with contracted probe revenues on top) from the Americas is a good example of the potential of our distributor network

The launch of the new monitor and its new, broad application, non-invasive haemodynamic technology is key for the Group

- This new, non-invasive device has a substantially larger addressable market (cf. minimally invasive ODM)

Our initial focus is to drive activity levels back up to those achieved by the Group prior to the pandemic...

... thereafter there is clear scope to grow the business