

# Allegra Orthopaedics Limited Business Update

30 November 2016

**COMMERCIAL IN CONFIDENCE**

# Agenda

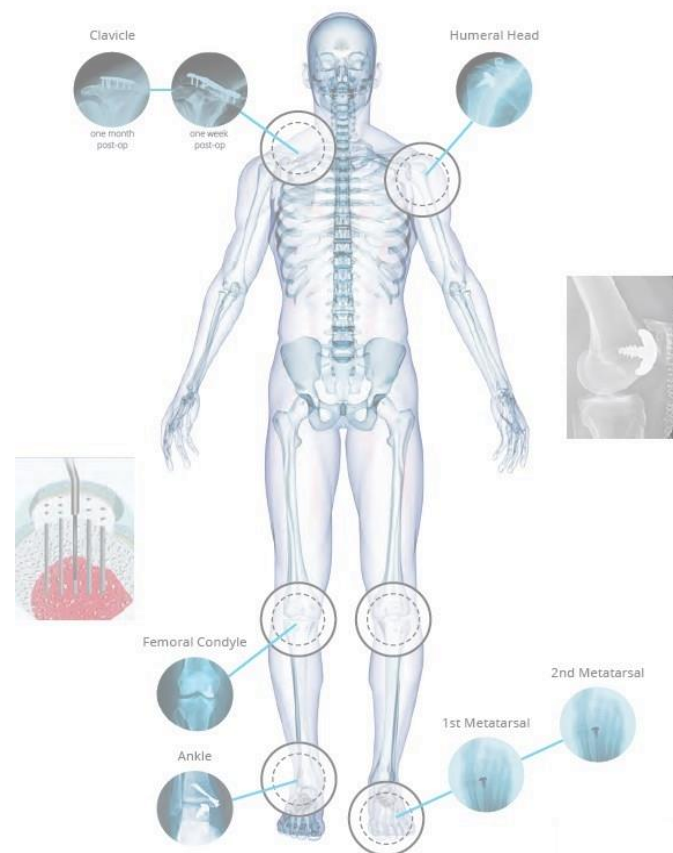
1. Company Overview
2. Orthopaedic Product Group
3. Innovation Ventures Group
4. Strategic Priorities FY2017
5. Financial Summary

# 1. Company Overview

Presenter:

Jenny Swain

Chief Executive Officer

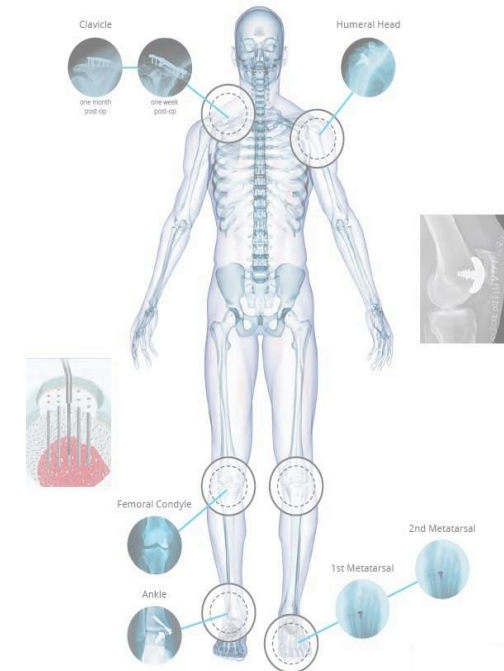


# 1. Company Overview

## History of Allegra Orthopaedics

Allegra Orthopaedics, until recently was Australia's only fully integrated orthopaedic manufacturer. In 2015 Allegra outsourced manufacturing, to focus on sales, support and distribution.

- Company established in 1994
- Head Office located in Sydney, Australia
- Listed on the Australian Securities Exchange Dec 2007
- ASX code: AMT
- Therapeutic Goods Administration Certified
- The Quality Management system is certified to ISO13485
- National Sales Channel - coverage incl. New Zealand
- Commercialising a synthetic bone substitute



# 1. Company Overview

## Company Mission

To help bring the freedom and happiness of pain-free movement to people's lives. We achieve this through providing the best possible solutions for patients, from world-wide industry leading orthopaedic products through to Australian innovations.

## Operational Structure

Allegra Orthopaedics is organised into two operational groups:

- i. Orthopaedic Products
- ii. Innovation Ventures

# 2. Orthopaedic Group

## Orthopaedic Products

- Upper Limb
- Allegra
  - Arthrosurface
  - Carbofix
  - Integra
  - KLS Martin
  - MatOrtho



- Lower Limb
- Allegra
  - Arthrosurface
  - Carbofix
  - Integra
  - MatOrtho
  - Signature Orthopaedics



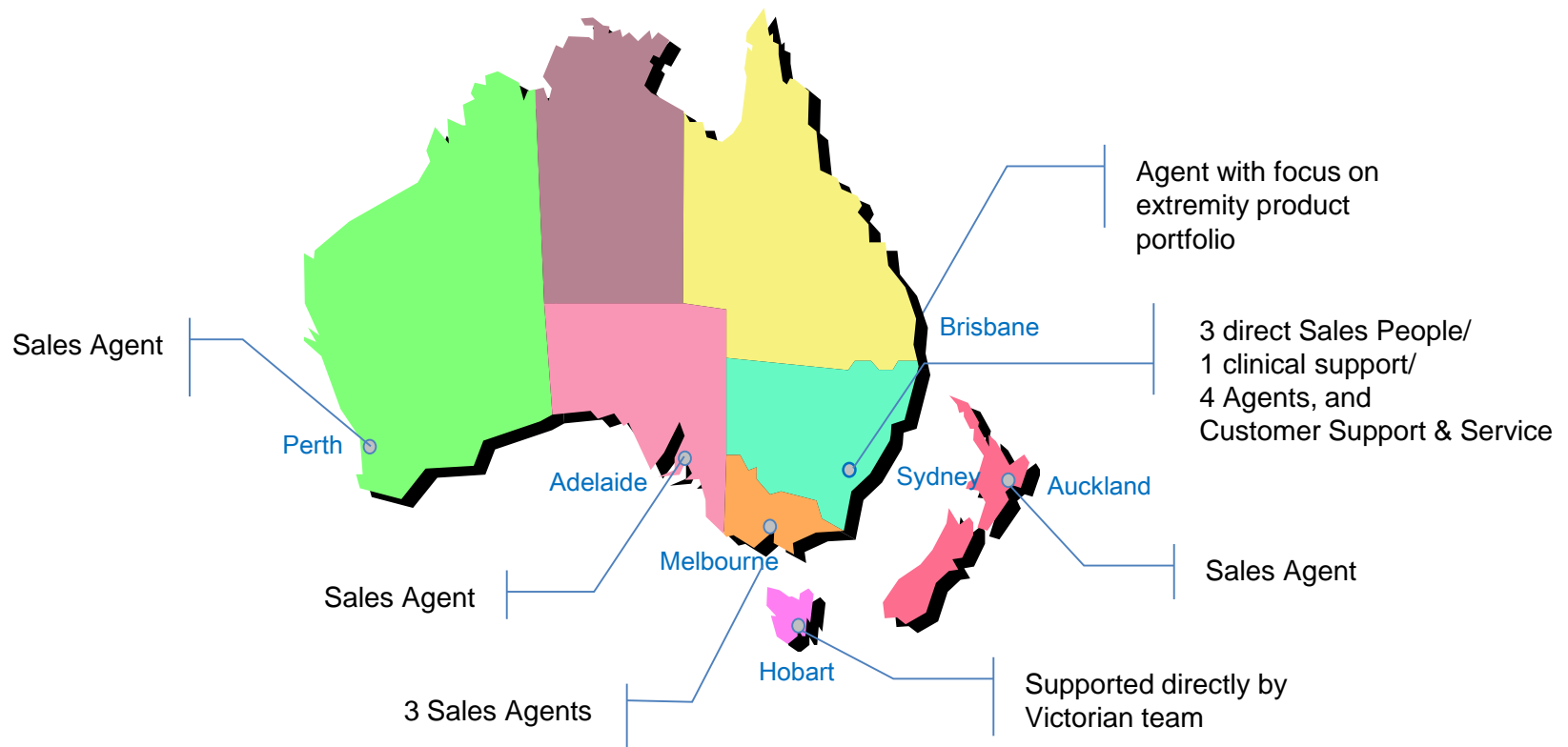
## Therapeutic Products

RYU Casts and Splints



# 2. Orthopaedic Group: Market Presence

**Allegra has a strong national sales and support network in Australia and New Zealand, servicing our customers and distribution partners.**

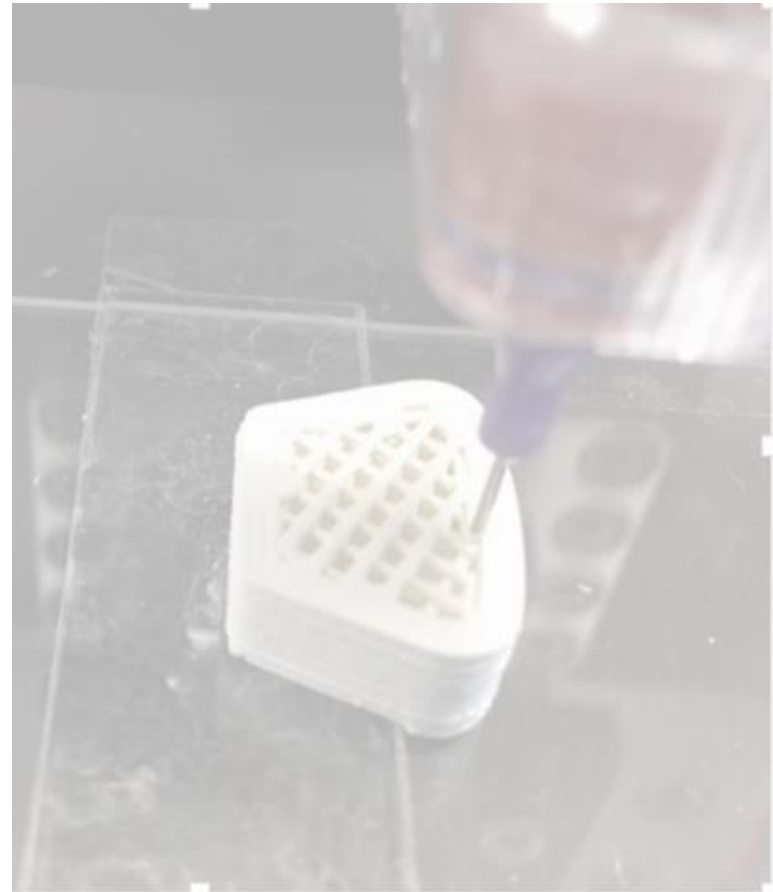


# 3. Innovation Ventures Group

Presenter:

Ameneh Sadeghpour

Project Manager and  
Innovation Ventures





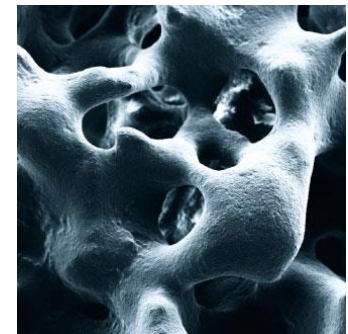
# 3. Innovation Ventures Group

## Sr-HT-Gahnite Bone Project - Opportunity

- Allegra is commercialising a synthetic bone graft medical device, Sr-HT Gahnite bone substitute
- Allegra has licensed the Sr-HT-Gahnite Intellectual Property from The University of Sydney
- The medical device is a bioceramic scaffold with outstanding potential for supporting bone regeneration in load bearing applications.
- Current synthetic bone substitutes, of over 150 products, either regenerate bone or weight-bear.

Sr-HT-Gahnite is capable of doing both.

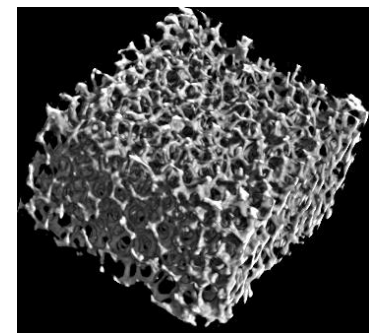
*(Please refer to video on Allegra website [www.allegraorthopaedics.com](http://www.allegraorthopaedics.com))*



# 3. Innovation Ventures Group

## Sr-HT-Gahnite Bone Project

- Completed optimisation of Sr-HT powder and ink for 3D printing
- Pre-clinical animal studies, due for completion in November 2016, show great bone growth
- Regulatory planning and compliance:
  - FDA classified the product as Class II medical device
  - Engaged quality expert to perform gap analysis study for regulatory submission
- Manufacturing planning:
  - Approached a number of local & international Contract Manufacturing Organisations
  - Determined equipment and processes used for Sr-HT powder and ink manufacturing
  - Engaged with Australian National Fabrication Facility (ANFF), University of Wollongong for design and development of a suitable 3D printer



# 3. Innovation Ventures Group

## Sr-HT-Gahnite Bone Project

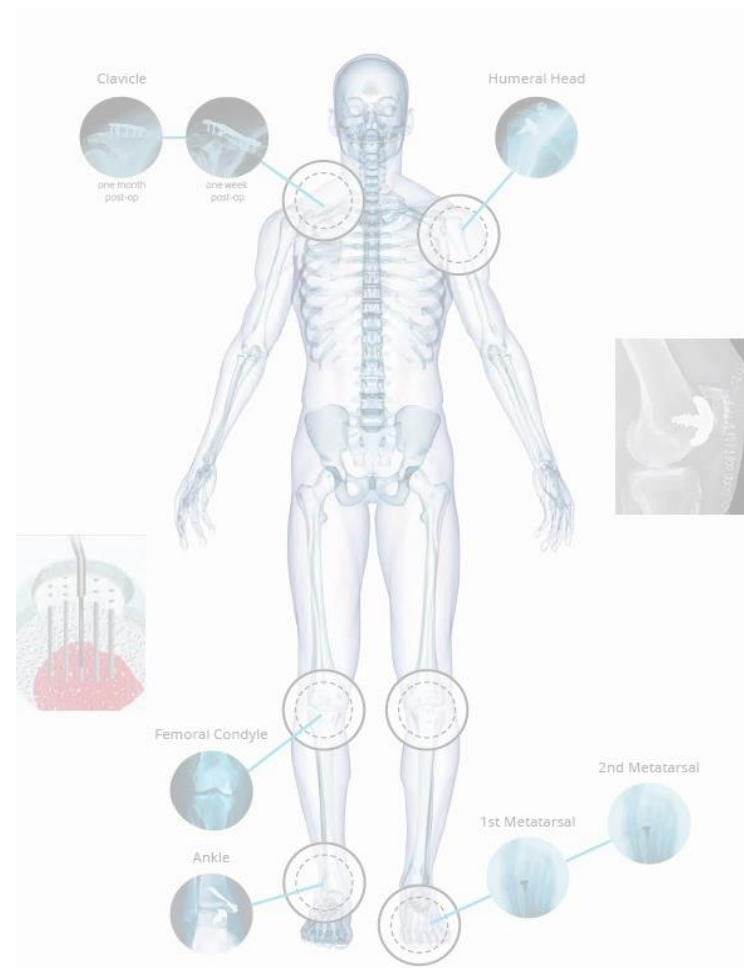
### Video Presentation

# 4. Strategic Priorities – FY2017

Presenter:

Jenny Swain

Chief Executive Officer



# 4. Strategic Priorities – FY2017

## Orthopaedic Product Group

### Growing revenues

- Increase the number of personnel in sales, clinical support & sales agents
- Introduction of complementary products to be marketed to existing/new customers

### Improve organisational efficiency

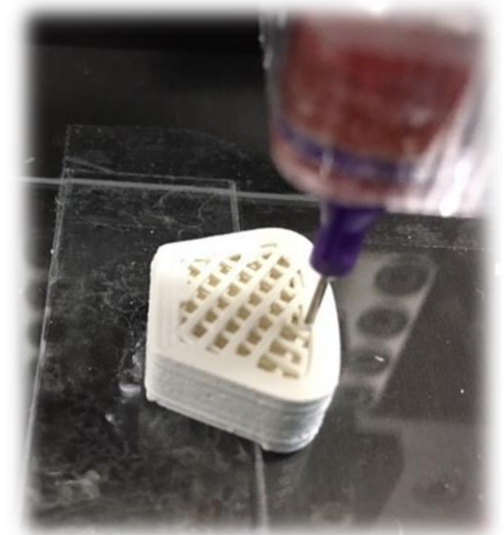
- Employee training programs, freight logistics and warehouse automation (*eg: barcode scanning*)
- Better alignment of IT systems to improve processes & business knowledge

# 4. Strategic Priorities – FY2017

## Innovations Ventures Group

### Commercialisation of the Synthetic Bone Substitute

- Creation of a surgeon advisory panel
- Conclude & evaluate results from 12 month animal trial
- Identify opportunities for collaboration with suitable companies to accelerate the commercialisation process
- Explore opportunities for additional funding to underpin this project (eg; development grants)

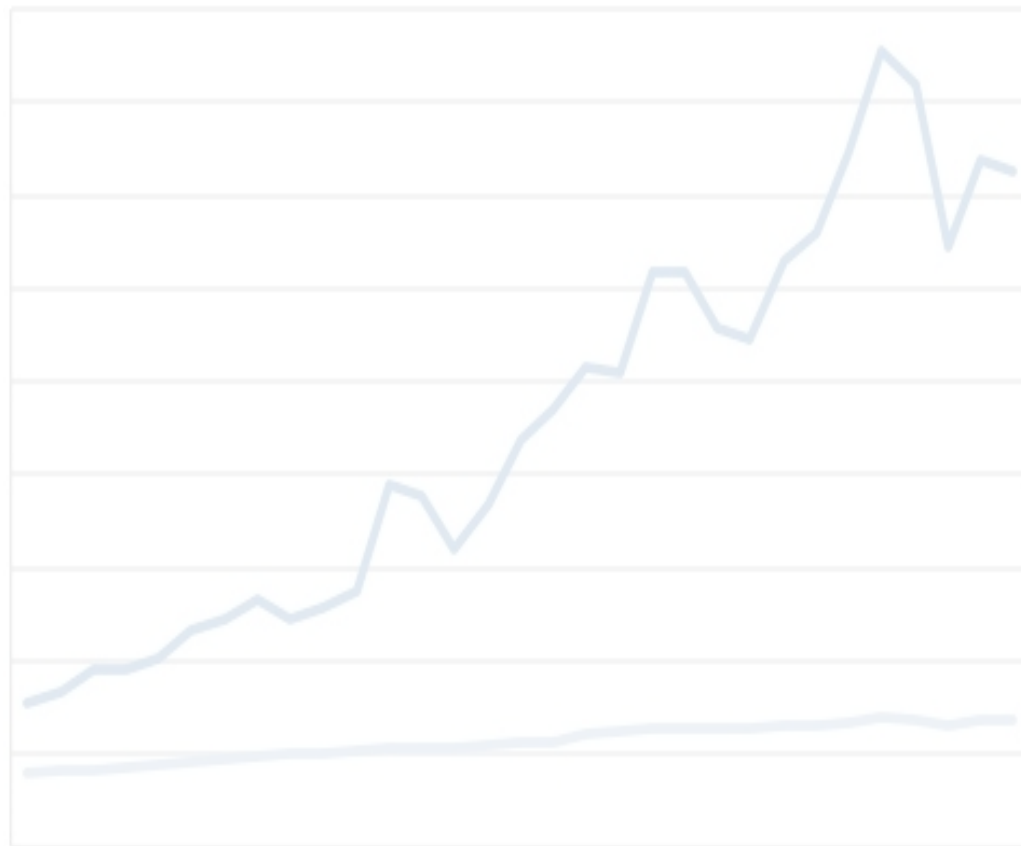


# 5. Financial Summary

Presenter:

Rob Truscott

Chief Financial Officer



# 5. Financial Summary

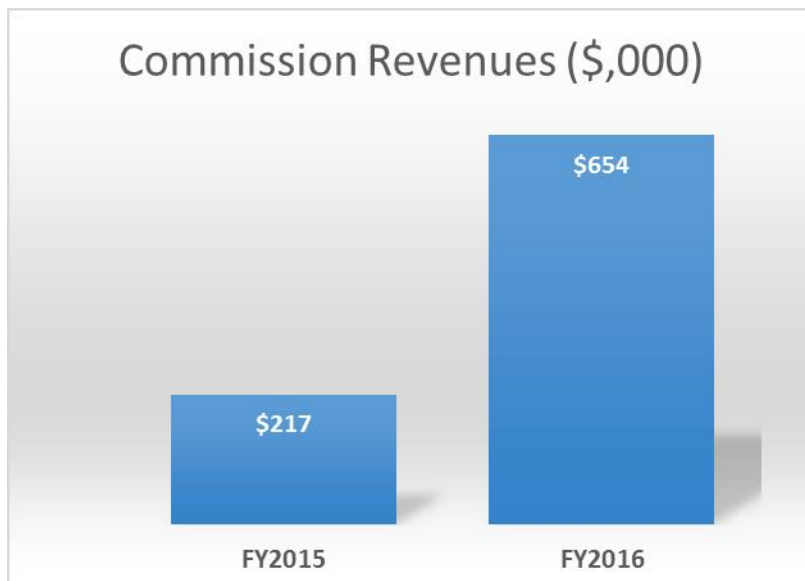
## FY2016 – a transition year for Allegra

- During FY2016, Allegra incurred significant 'one off' and non recurring restructuring costs of \$810,992 as it executed on its strategic plan to simplify its operating activities, including outsourcing manufacture of its orthopaedic products.
- Consequently, employee numbers reduced significantly as various functions were no longer required in-house. These included manufacturing, design and development staff.
- Allegra relocated to a new efficient office space in Lane Cove West, as it no longer required the vast 1,850 sqm office/manufacturing facility previously occupied.
- New senior management were appointed, including CEO, CFO and Project Manager for Innovation Ventures.

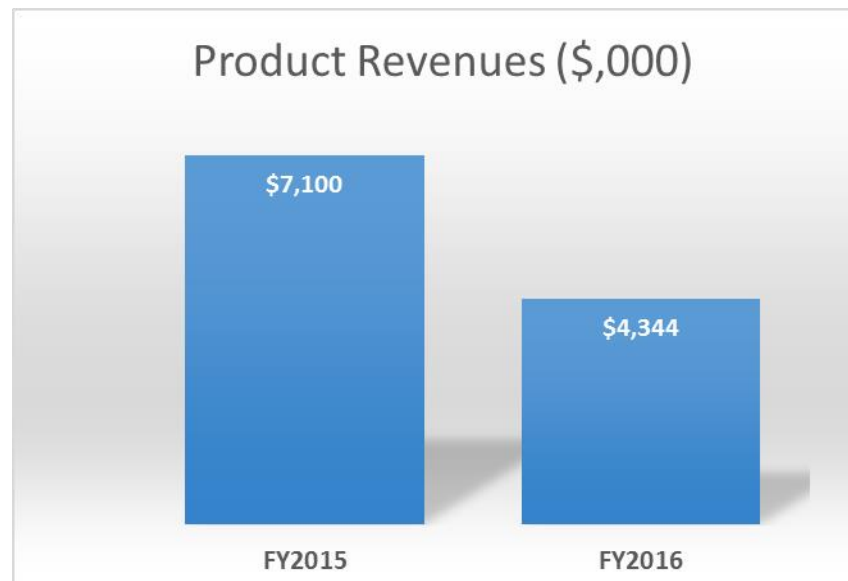


# 5. Financial Summary

## FY2016 Product Revenue & Commission Agent Revenues



Exceptional growth in sales where Allegra receives commission based income, as a 'commission agent' of various orthopaedic products.



Reduced product revenues primarily driven by loss of key Surgeons, due to retirement or a move to a product with a different design philosophy. FY2017 has already seen the addition of 2 new surgeons (as at Nov 2016).

# 5. Financial Summary

## FY2016 Financial Summary (\$,000)

	<b>FY2015</b>	<b>FY2016</b>	<b>Q1-2017*</b>
Revenue**	\$7,327	\$5,019	\$1,259
Other Income	\$1,503	\$ 976	\$ 203
EBITDA (Normalised)	\$ 70	(\$ 663)***	\$ 170
EBITDA	\$ 70	(\$1,474)	\$ 170
Net Loss	(\$ 855)	(\$2,036)	\$ 61
Cash Balance	\$1,083	\$1,155	\$ 732

\* The summary of financial results (unaudited) for the first quarter of FY 2017 (i.e.: 1<sup>st</sup> July to 30<sup>th</sup> September 2016).

\*\*Includes revenues from product sales, sales agency commissions earned and interest income

\*\*\*EBITDA figure is normalised by excluding the one time non recurring restructure costs of \$811 incurred in FY2016

# 5. Financial Summary

## FY2017 – Outlook

- Material decrease in Operating Costs (including staff costs, facility costs, product development costs)
- Material improvement in EBITDA & NPAT
- Improvement expected in Revenues
- An increased number of total knee replacement surgeons have come on board which will positively impact revenues in Q2 onward





**Allegra**   
**ORTHOPAEDICS**  
Human Movement Technology

Thank you

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