



# Roadshow London 2014

## *aap* Implantate AG

Biense Visser, CEO  
Marek Hahn, CFO

March 6-7, 2014



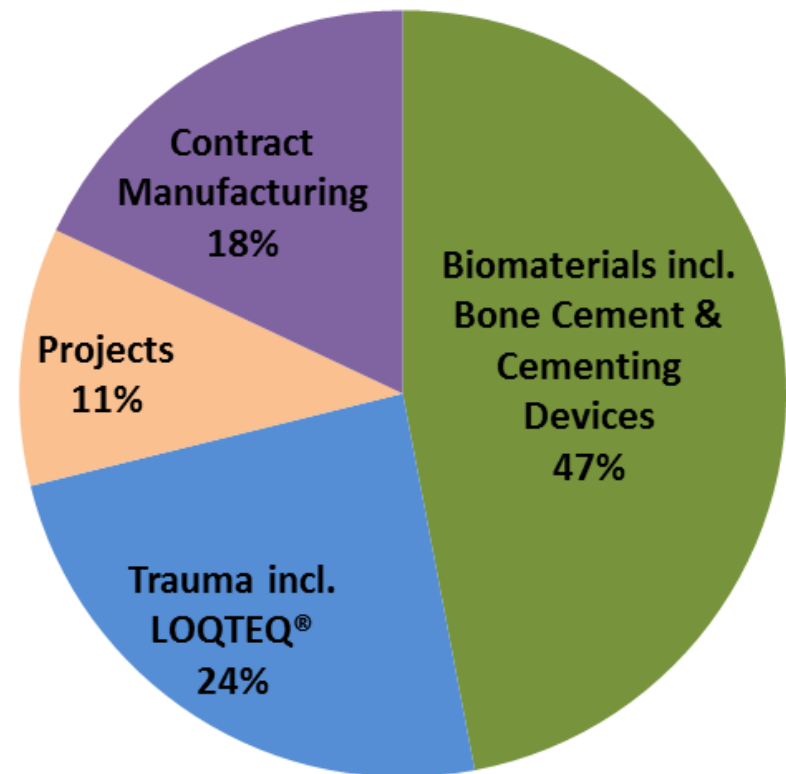
## Safe Harbor Statement

*Our publication may include predictions, estimates or other information that might be considered forward-looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this presentation. Please keep in mind that we are not obligating ourselves to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events. Throughout today's discussion, we will attempt to present some important factors relating to our business that may affect our predictions.*

# aap Overview

**Sales 2013e: €40 million (+10%)**

- German based international MedTech company
- Focus on Trauma and PMMA cement business
- LOQTEQ®: Sales of €5 million (+150%) in 2013
- EBITDA 2013e approx. €7.2 million (+18%)
- Strategy: Profitable growth with IP-protected products under own label
- Sales: Focus on markets in Europe, U.S., BRICS and SMIT countries
- Quotation in Germany
  - XETRA: AAQ.DE, public since 1999
  - Market Cap: approx. €90 million (as of 2/2014)
  - Average Volume/day: 63k (pieces)
- 290 employees (Heads as of 31.12.2013)



## NEWS: EMCM sold for €18 million

- Contract Manufacturing Business sold to Private Equity company
- Purchase prize: €18 million in cash
- Sales of EMCM in 2013: €12 million
- Transaction will impact EBIT for 2013:
  - Balance Sheet: Goodwill and Intangible Assets will decrease by approx. €20 million, positive development
  - Non-cash deconsolidation loss of €4 million - €4.5 million → Goodwill impairment
  - Stopping of all ongoing development projects in Biomaterials results in no further capitalization of development costs → Extraordinary depreciation of capitalized development costs of €2.3 million
  - Presentation in annual report 2013 as discontinued operations
- The closing of this divestment represents a significant milestone in the strategic and financial progress. It will allow us to build a broad based platform that can address the fundamental challenges in trauma healthcare enabling new standards for infection prevention and resorbable implants

# aap's Strategy: Fit for the Future



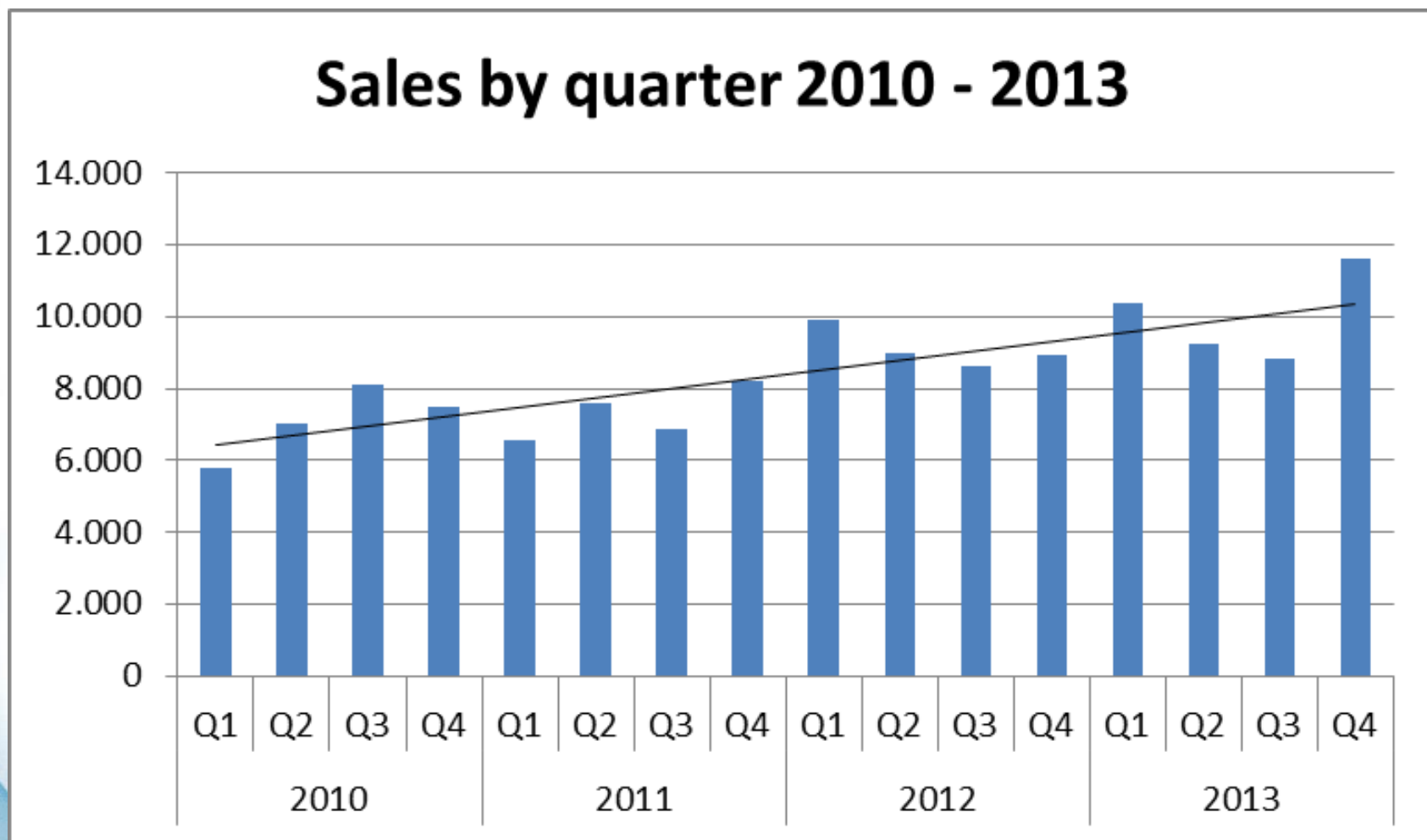
**In 2013 we delivered financially and strategically while setting stage for further profitable growth**

- Generated attractive revenue and EBITDA growth
- Strong commercial growth of LOQTEQ® in core markets
- Advanced our development pipeline for LOQTEQ®, Silver-coating and Magnesium Traumaimplants

## Significant Strategic Progress in 2013

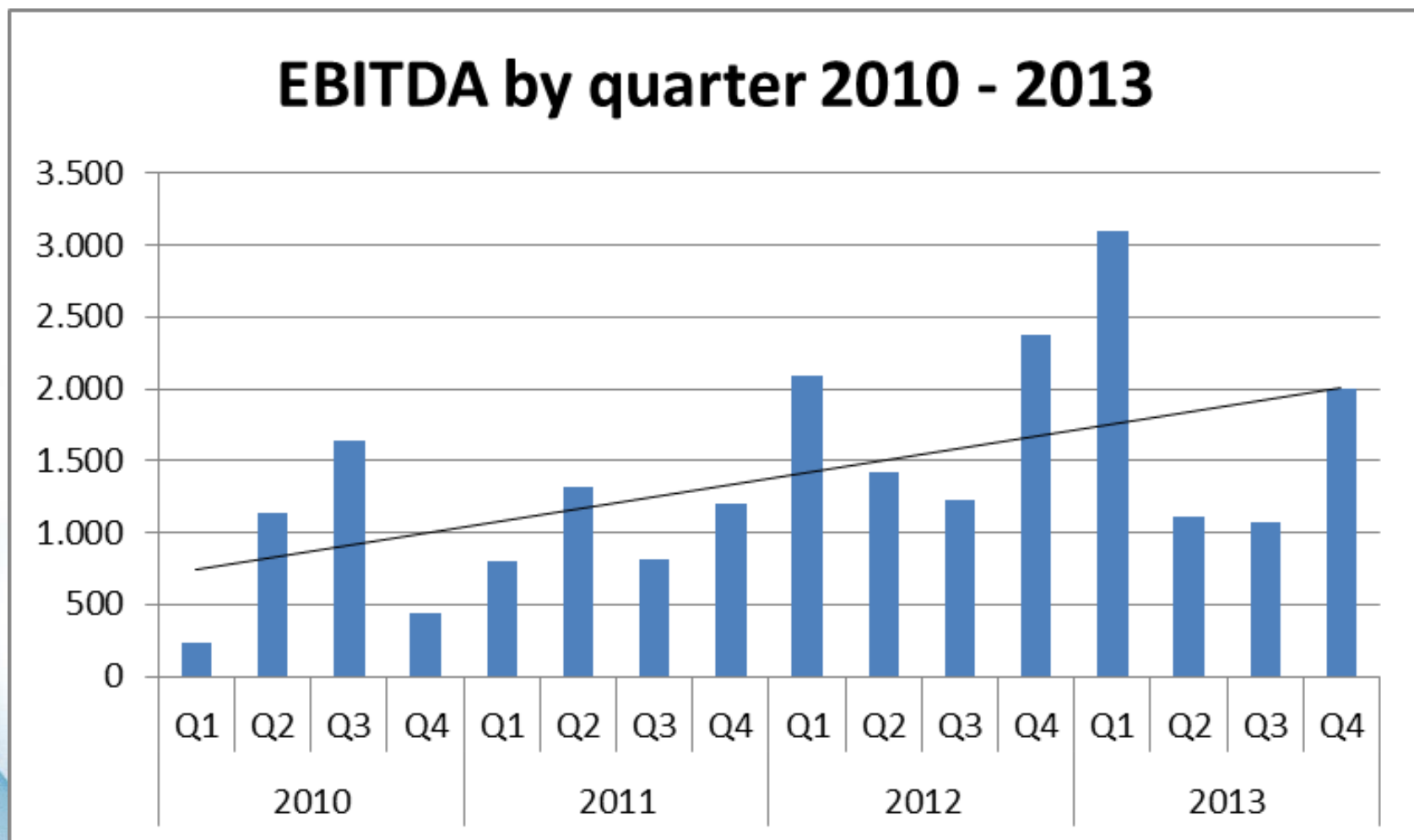
- Spun off Recon activities into *aap* Joints GmbH, a joint venture with a Chinese partner
- Announced the divestment of the contract manufacturing activities, closed in Q1/2014
- Risk profile reduced because of strong improvement of balance sheet: more cash and less intangible assets
- Shareholder value increased by strong performance of share
  - Development of Market capitalization
    - » 1.1.2013: € 41 million
    - » 31.12.2013: € 66 million
    - » Today: € 90 million

## Sales CAGR 2010 – 2013: 12%





## EBITDA CAGR 2010 – 2013: 28%



# The Transformation Process

- Strategic focussing ongoing -

Focus on core business							
	2008	2009	2010	2011	2012	2013	2014
Dental	+						
Analytics	+						
Medical Aesthetics	+						
Recon	+	+	+	+	+		
Contract Manufacturing	+	+	+	+	+	+	
Biomaterials	+	+	+	+	+	+	+
Trauma	+	+	+	+	+	+	+

# The Transformation Process\*

## - Development of financial figures -

Profit & Loss				
in € million	2010	2011	2012	2013e
Sales	28.4	29.2	36.4	40.0
EBITDA	3.4	4.1	6.1	7.2
Cash-EBT <sup>1</sup> (normalized)	-2.1	-1.2	2.1	3.5
R&D costs ratio	14%	12%	8%	8%
Freshness-Index*	13%	13%	15%	>20%

- <sup>1</sup> Cash-EBT normalized: EBT excluding capitalized development work, depreciation thereof and extraordinary effects
- \* The Freshness Index is the percentage share of product sales achieved by products newly approved in the United States and Europe in the past three years.

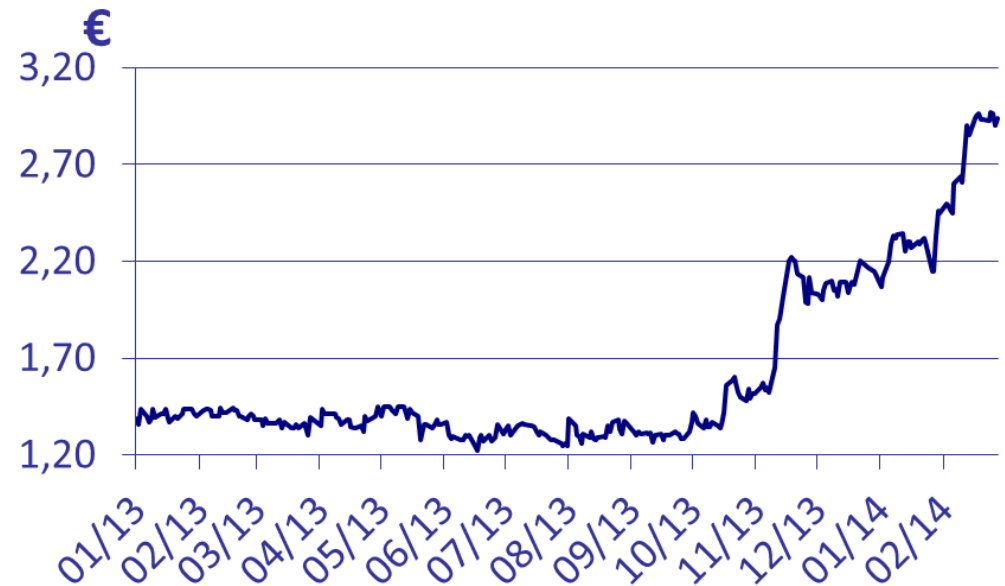
Balance Sheet				
in € million	12/2010	12/2011	12/2012	09/2013
Total Assets	63.6	66.2	68.6	69.5
Intangible Assets	37.0	38.2	39.4	35.9
Intangible Assets ratio	58%	58%	57%	52%
Equity ratio	70%	73%	74%	77%
Net debt (interest bearing)	9.3	6.9	4.3	3.0
DCR rolling (last 4 quarters)	2.7	1.7	0.8	0.6
ICR rolling (last 4 quarters)	6.1	6.8	11.8	24.9

# The Transformation Process

## - Value creation development -

Shares*	28.02.2014	2012	Change
Total amount of shares in millions	30.7	30.7	0%
Share price (closing) (€)	2.94	1.34	119%
Market Capitalisation (€ million)	90.0	41.1	119%
Share price (average) (€)	2.53	1.02	148%
Share price (high) 52 weeks (€)	3.05	1.45	110%
Share price (low) 52 weeks (€)	1.15	0.7	64%
Average Volume/day (pieces)	63,281	29,029	118%

\*XETRA closing prices



# Trauma Products



LOQTEQ® Anatomical plating system



Autodynamic Plating System



Cannulated Screws



LOQTEQ® Small & Large fragments

## Plates, Screws, LOQTEQ®



AcroPlate©



Radius Set 2.5



LOQTEQ® Humerus



Standard Osteosynthesis

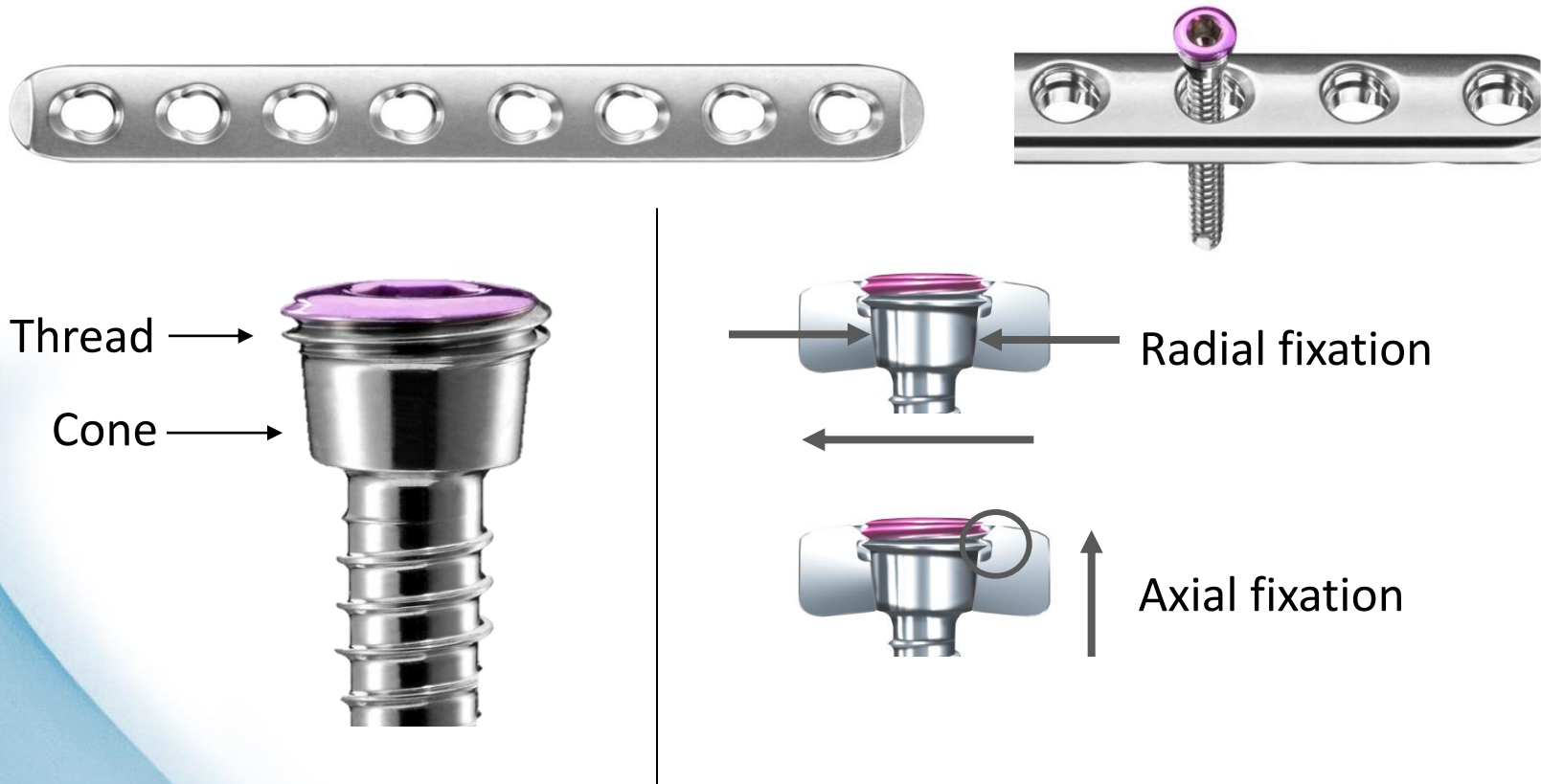
**Forecast**

Sales (incl. LOQTEQ®) 2013: €10 million

Sales (incl. LOQTEQ®) 2014: >€16 million

# Locking-Compression Technology

- Higher Stability: Combination of two fixation principles
  - » Tapered connection
  - » Thread in circumferential holding structure



# LOQTEQ® Benefits

## Health benefits

- Surgeon: With 1 screw in 1 hole, 1 step-locking and compression
- Patient: Affordable price, no cold welding, less infection risk, only 1 operation
- Hospital: Economic benefits (cost efficient)



## Innovation

- 2014: New patented technology to treat periprosthetic fractures
- 2015: Silver-coated implants
- 2016: Magnesium-based resorbable implants

## Growth

- Shipments: Into 20 countries in 2013 (2012: 15)
- Drivers in 2014 and beyond: more countries, more systems
- 2012: 6 systems approved
- 2013: 12 systems approved
- 2014: Extending existing systems and launching new system



# LOQTEQ® Value Proposition

- of the \$6.1 billion market, growing 6% per annum -

## Innovative Technology

- LOQTEQ®-technology (1 hole, 1 step-locking and compression)
- Based on propriety *aap* intellectual property

## Customer Benefits

- Cost advantages
- Broad portfolio will cover 80% of Trauma plating indications



## Product Enhancements

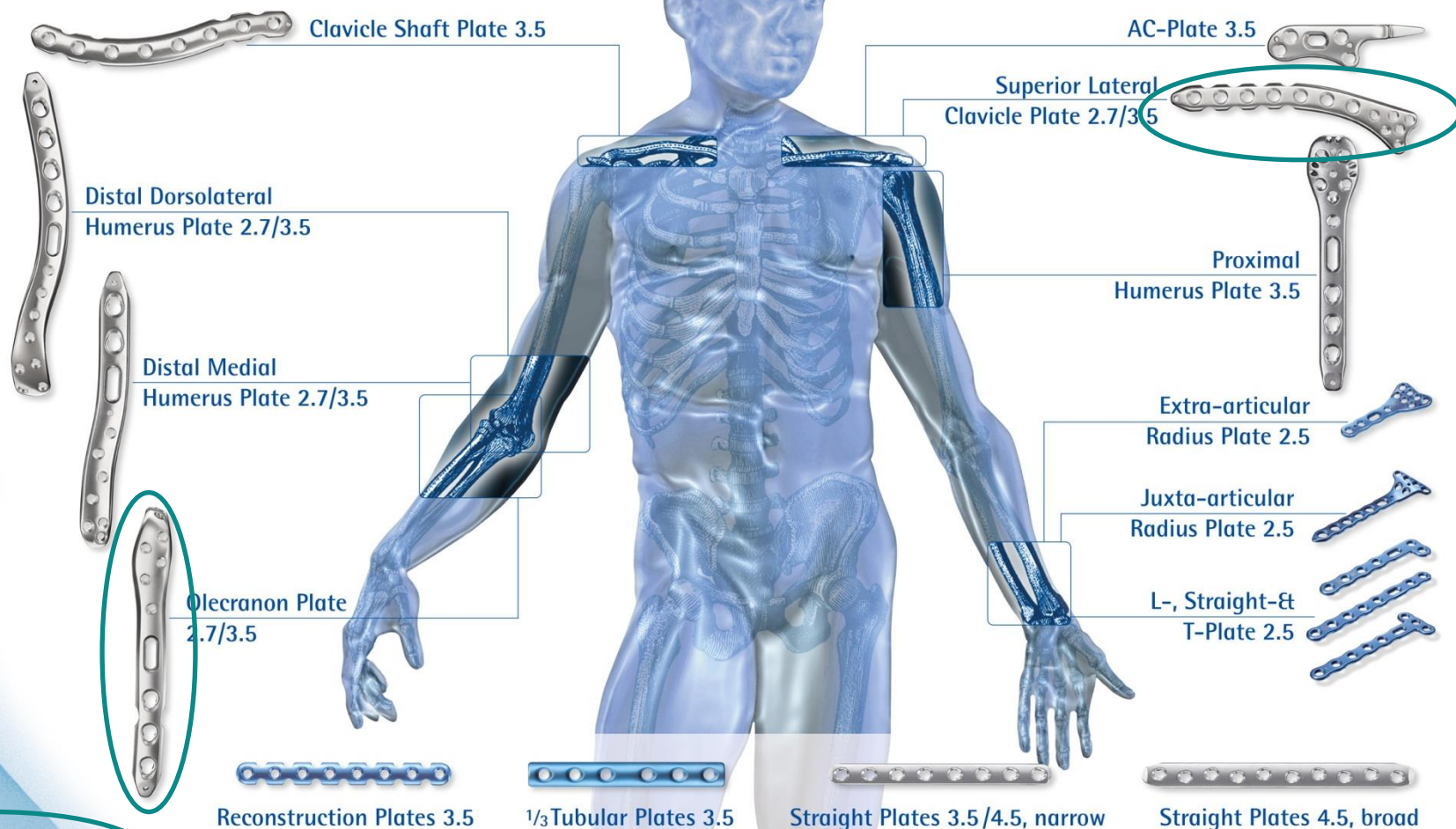
- Silver-coated implants → infection prevention
- Magnesium-based implants → resorbable implants

## Operational Excellence

- Internal programs to improve gross margin and supply chain management
- Building strong customer relationships



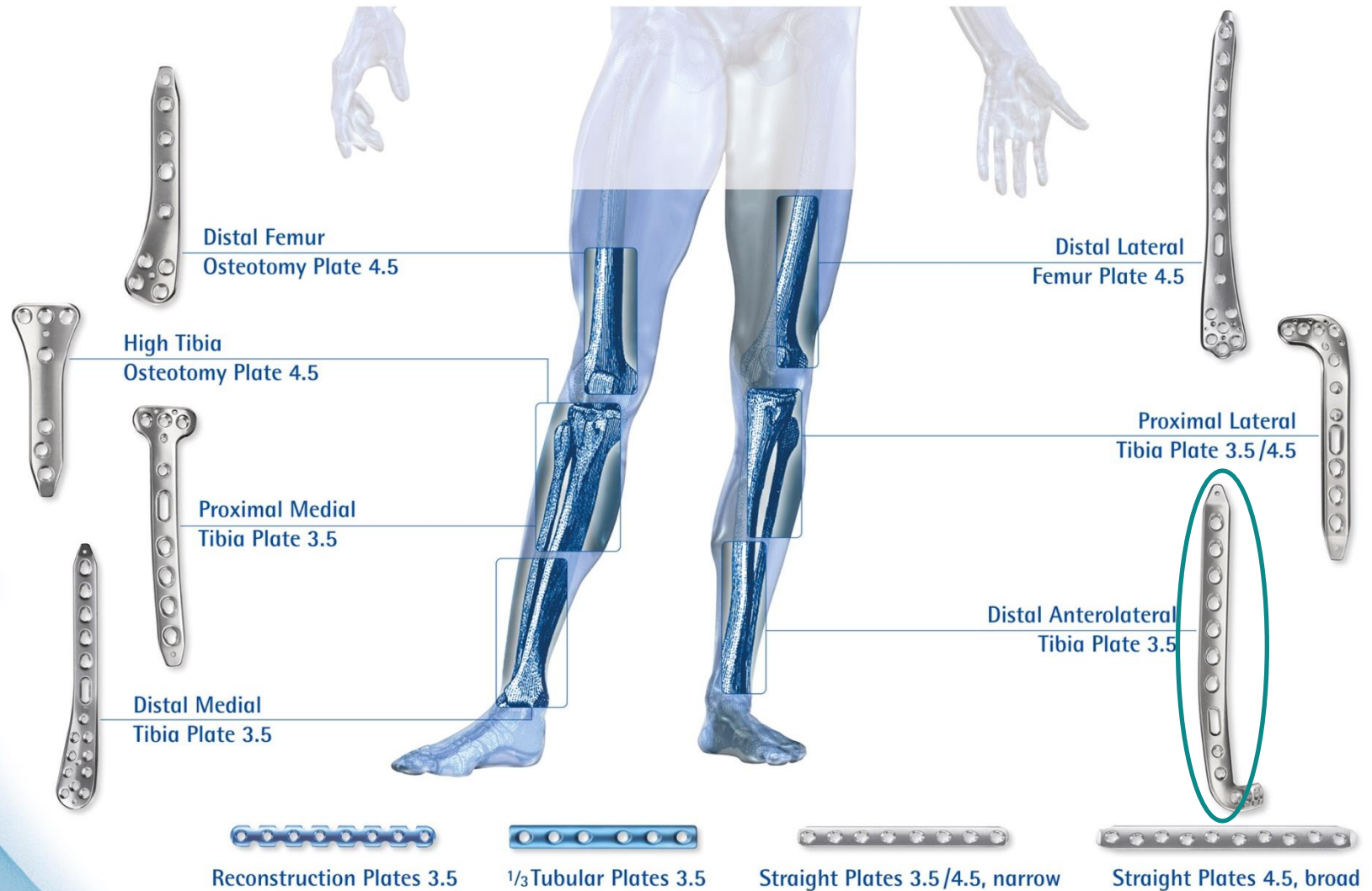
# Upper Extremities - Plates 2013



2013

→ LOQTEQ®-portfolio will cover approx. 80% of the most common indications

# Lower Extremities - Plates 2013

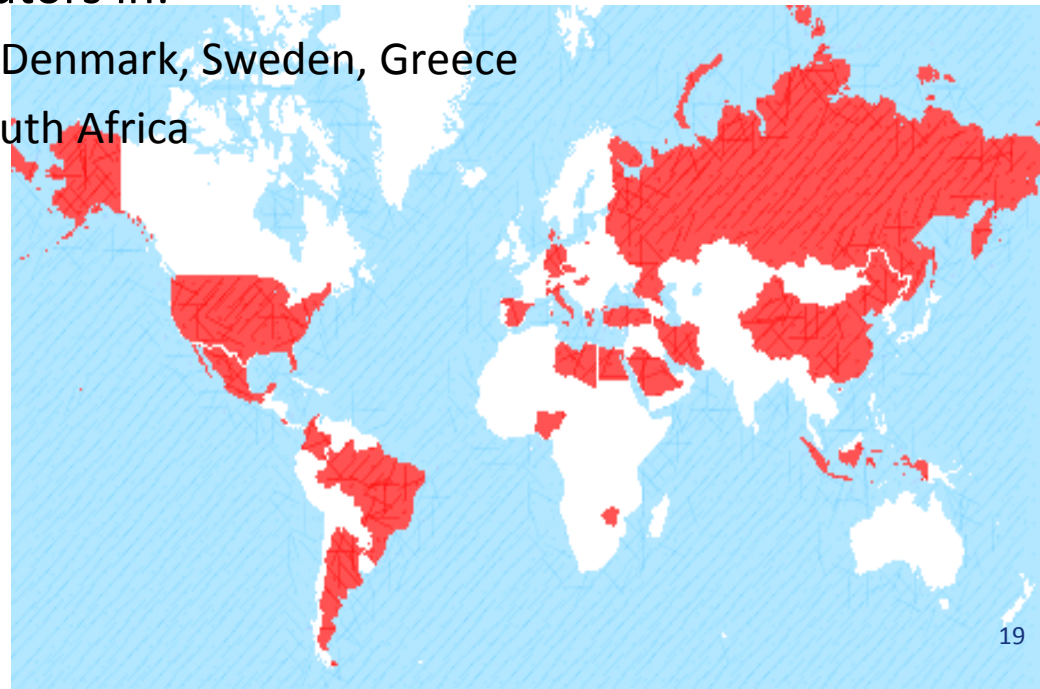


2013

→ LOQTEQ®-portfolio will cover approx. 80% of the most common indications

# Why we are confident in our growth outlook for LOQTEQ®

- After launch in Q4/2011 – Sales in more than 30 countries in 2014
- Further expansion of portfolio (anatomical regions) → 2014: >90% indication coverage
- Introduction into new markets as a consequence of anticipated regulatory approval like Brazil & Mexico
- Introduction by new distributors in:
  - Europe: UK, Netherlands, Denmark, Sweden, Greece
  - Africa: Nigeria, Angola, South Africa
  - Latin America: Argentina





# Biomaterials



**Sales driver**

**PMMA-Bone Cements**

**Forecast**

Sales 2013 (Products and Projects): €23.0 million; w/o EMCM: €17.5 million

Sales 2014 (Products and Projects) w/o EMCM: €18 million

# Global Partnerships

## Global Ortho League

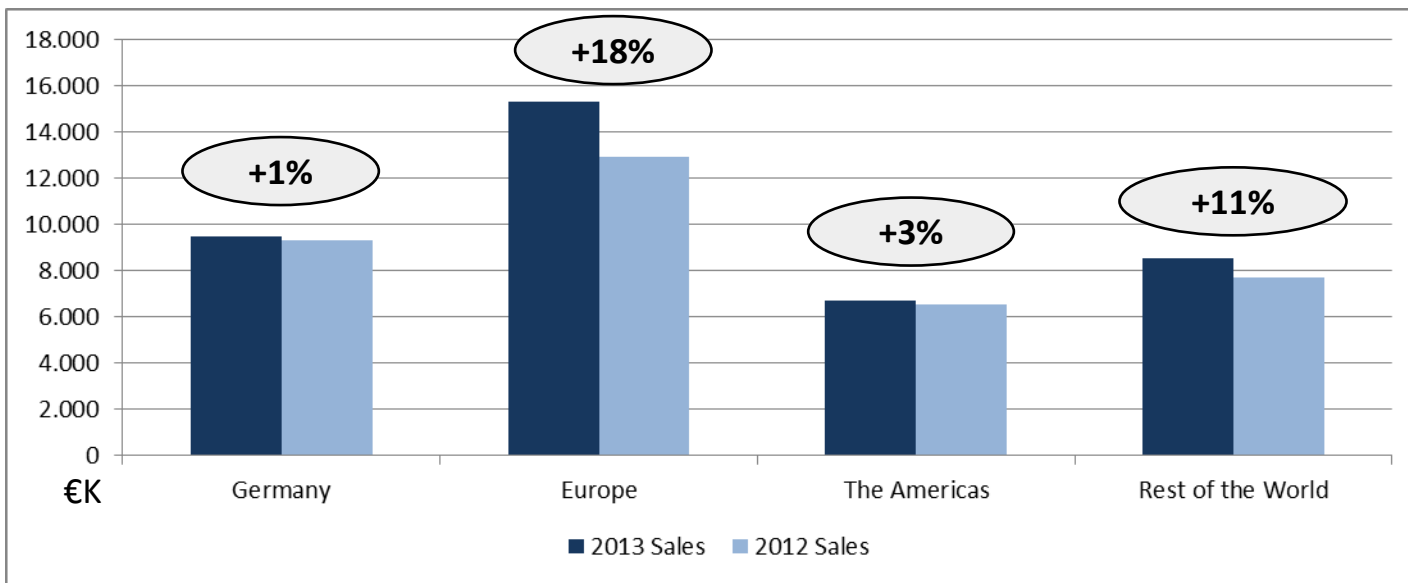
2004



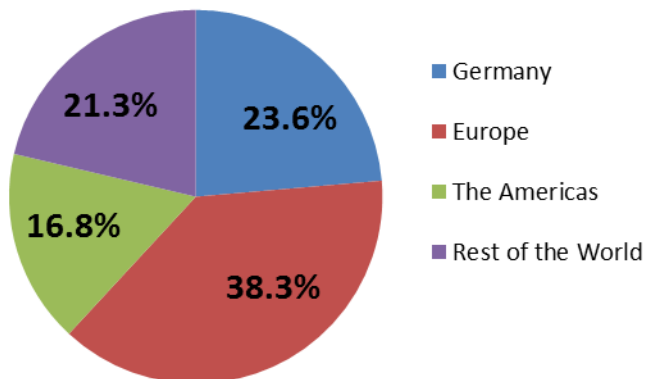
2013



# Sales Distribution 2013 vs. 2012

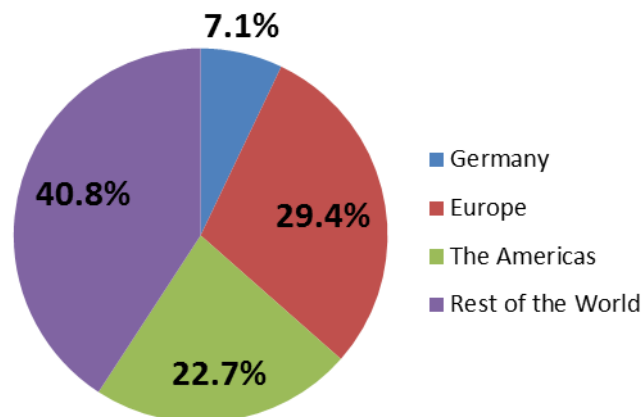


**Total sales 2013**



Total sales 2013: €40 million

**LOQTEQ® sales 2013**



Total LOQTEQ® sales 2013: €5.04 million

# Outlook 2014

- **Management Agenda 2014:**

Customer
Growing Trauma sales to EUR >16 million (>60%); driven by LOQTEQ®
Expanding the LOQTEQ® portfolio; striving for >90% indication coverage
Appointing a distributor in the USA and further expansion of distribution network beyond BRICS- and SMIT-countries
Appointing a new global Partner for a bone cement

Innovation
Sustain Freshness index of at >20%
Accelerate the development of silver-coated Trauma products; aiming for market introduction in 2015
Extend co-development network for resorbable magnesium products; aiming for market introduction in 2-3 years
Interim analysis of the LOQTEQ® study for phase 1 products in the second quarter of 2014

# Outlook 2014

- **Management Agenda 2014:**

Financials
Profitable growth: Forecast to be published by the end of March
Working capital ratio to sales > 2.4
Strengthening the balance sheet by ongoing reduction of the percentage of intangible assets as of the balance sheet total
DCR < 3 and ICR > 8

Organisation/IT
Further improvements of the ERP functionality
Optimization of supply chain management with a focus on Trauma products
Divestment/out licensing of non-core products and IP



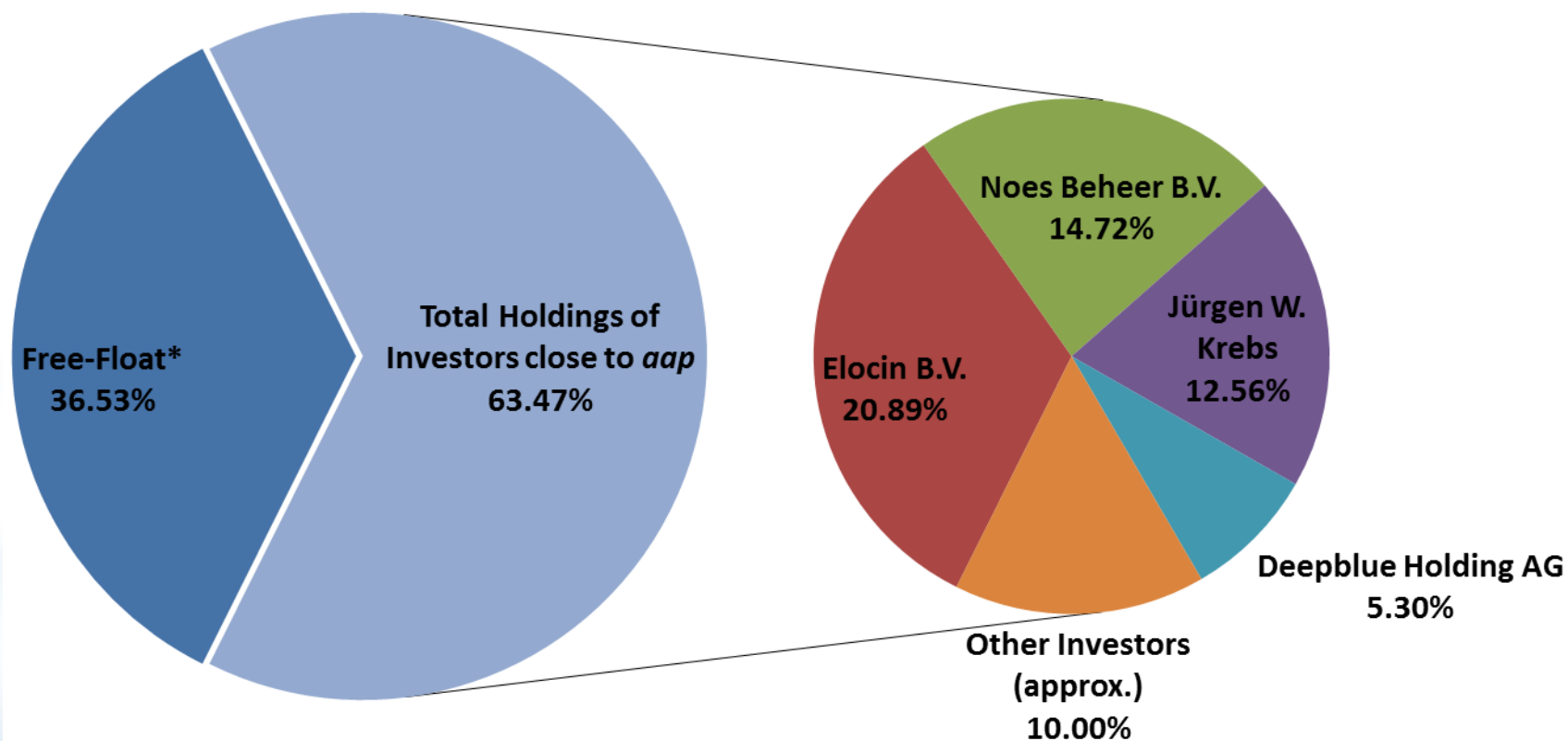
# Share Development (2Y) compared to “Peers”



Legend: **aap** Implantate AG / **Exactech** / **Orthofix** / **Wright Medical** / **Tornier**

Source: <http://finance.yahoo.com/>

# Stockholder Structure



**December 2013, new investor reached 3% threshold:**  
 Taaleritehdas ArvoRein Equity Fund, Finland

# Notes

# Contact



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