



# German Equity Forum 2014

Frankfurt/Main, November 25

***aap* Implantate AG**



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## 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 Company Overview

- German based international MedTech company
- Listed in Frankfurt, Germany, Prime standard (XETRA: AAQ.DE)
- 2013: sales €40 million, EBITDA ca. €7 million
- 224 employees
- Operating with two Centres of Excellence

## Center of Excellence Trauma, Berlin

- Comprehensive plates & screws portfolio
- R&D and manufacturing in-house
- B2C: direct Sales Force in Germany, International distributors, *aap* label
- Distributors worldwide with FOCUS on Europe, BRICS, SMIT, N10



### Products and Services

### Business Model

### Customer Base

## Center of Excellence Biomaterials, Dieburg

- Comprehensive Portfolio of bone cements and accessories as well as biomaterials
- Service value chain for third parties: R&D → approval & registration → supply
- B2B: OEM and private label
- Global orthopedic companies



# Highlights 9M/2014 – Sales performance

Sales in € million	9M/2014	9M/2013	Change
Trauma	8.4	6.5	29%
- thereof LOQTEQ®	5.3	3.1	68%
Biomaterials	12.7	9.0	42%
Projects	0.3	2.4	-89%
Other	0.6	1.1	-34%
<b>Sales from continued operations</b>	<b>22.0</b>	<b>19.0</b>	<b>16%</b>
Sales from discontinued operations	1.0*	9.5* <sup>2</sup>	
<b>Sales total</b>	<b>23.0</b>	<b>28.4</b>	

\* Sales revenues EMCM B.V. 01-02/2014: EUR 1.2 million less consolidation effects (EUR 0.2 million)

\*<sup>2</sup> Sales revenues EMCM B.V. 01-09/2013: EUR 10.1 million less consolidation effects (EUR 0.7 million)

Sales in € million	Q3/2014	Q3/2013	Change
Trauma	3.3	2.2	48%
- thereof LOQTEQ®	2.4	1.1	110%
Biomaterials	4.2	3.3	28%
Projects	0.1	0.5	84%
Other	0.2	0.3	-25%
<b>Sales from continued operations</b>	<b>7.8</b>	<b>6.3</b>	<b>23%</b>

# Highlights 9M/2014

## Financial Performance

- Sales\* +29% (€21.8 million) and EBITDA \* >+100% (€1.3 million)
- LOQTEQ® sales +68% (€ 5.3 million); in Q3/2014 +110% (€ 2.4 million)

## IP Portfolio extension

- LOQTEQ® system: two US patent/notice of allowance granted
- Silver technology: US patent granted

## Business extension

- Strong growth of trauma in strategic markets (BRICS, SMIT)
- Agreement signed with a leading US company to supply bone cement

## Evidence based clinical advantages

- Study on Osteotomy System: LOQTEQ® with outstanding characteristics
- Study on Cold Welding: LOQTEQ® so far with no cold welding

## Implementation of focusing strategy

- Remaining 50% of non-core dental business divested (€1.0 million in cash)
- Contract manufacturing subsidiary EMCM divested (€18 million in cash)
- *aap* Bio transaction expected to be completed in Q1/2015 at the latest

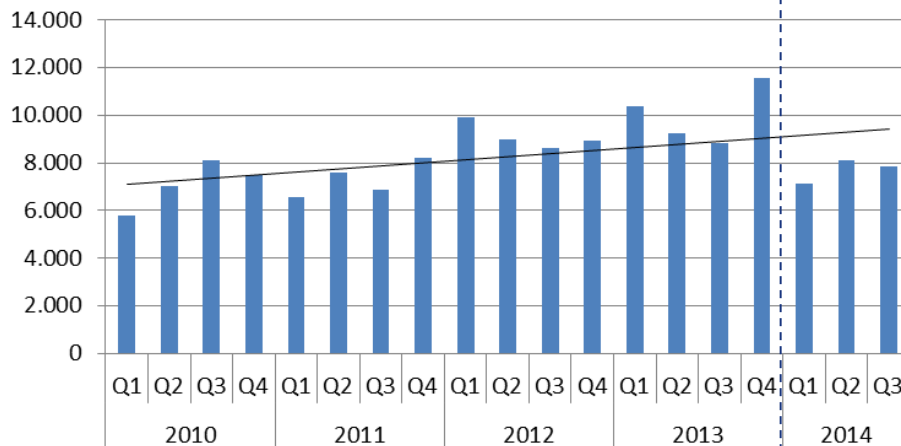
## Guidance 2014

- Sales expected € 30 - 34 million and EBITDA € 2.0 - 4.5 million

\*Normalized sales/EBITDA excluding one-off effects of equity disposals and one-off costs in connection with strategic measures and project proceeds and costs incurred in connection with them

# Continued profitable growth

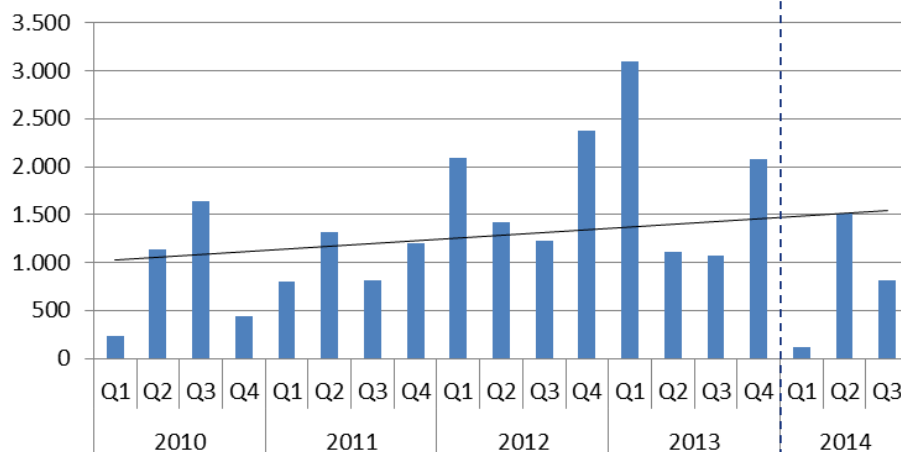
**Sales by quarter 2010 - 2014**



Sales CAGR 2010 – 2013: 12%

- **Full year projection more reliable**
- **Quarter sales volatile due to:**
  - Short life cycle of LOQTEQ® and the ordering behavior of customers and distributors
  - Less predictability of revenues from projects
- **Sales and EBITDA without EMCM as of Q1/2014**

**EBITDA by quarter 2010 - 2014**



EBITDA CAGR 2010 – 2013: 29%

# Development of Financial Figures

<b>Profit &amp; Loss*</b>					
in € million	2010	2011	2012	2013	9M/2014
<b>Sales</b>	<b>28.4</b>	<b>29.2</b>	<b>36.4</b>	<b>40.0</b>	<b>23.0</b>
<b>EBITDA<sup>1</sup> (normalized)</b>	<b>3.4</b>	<b>4.1</b>	<b>6.1</b>	<b>7.0</b>	<b>1.3</b>
<b>Cash-EBT<sup>2</sup> (normalized)</b>	<b>-2.1</b>	<b>-1.2</b>	<b>2.1</b>	<b>3.5</b>	<b>0.3</b>
<b>R&amp;D costs ratio</b>	<b>14%</b>	<b>12%</b>	<b>8%</b>	<b>8%</b>	<b>6%</b>
<b>Freshness-Index<sup>3</sup></b>	<b>13%</b>	<b>13%</b>	<b>15%</b>	<b>22%</b>	<b>&gt;22%</b>

<sup>1</sup> EBITDA: EBITDA without one-time effects from share disposal and costs involved as well as write-ups on intangible assets

<sup>2</sup> Cash-EBT normalized: EBT excluding capitalized development work, depreciation thereof and extraordinary effects

<sup>3</sup> 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.

<b>Balance Sheet*</b>					
in € million	12/2010	12/2011	12/2012	12/2013	9M/2014
<b>Total Assets</b>	<b>63.6</b>	<b>66.2</b>	<b>68.6</b>	<b>65.2</b>	<b>60.8</b>
<b>Intangible Assets</b>	<b>37.0</b>	<b>38.2</b>	<b>39.4</b>	<b>29.6</b>	<b>14.8</b>
<b>Intangible Assets ratio</b>	<b>58%</b>	<b>58%</b>	<b>57%</b>	<b>46%</b>	<b>24%</b>
<b>Equity ratio</b>	<b>70%</b>	<b>73%</b>	<b>74%</b>	<b>75%</b>	<b>79%</b>
<b>Net cash (interest bearing)</b>	<b>-9.3</b>	<b>-6.9</b>	<b>-4.3</b>	<b>-3.0</b>	<b>10.0</b>
<b>DCR rolling (last 4 quarters)</b>	<b>2.7</b>	<b>1.7</b>	<b>0.8</b>	<b>0.5</b>	<b>1.2</b>
<b>ICR rolling (last 4 quarters)</b>	<b>6.1</b>	<b>6.8</b>	<b>11.8</b>	<b>32.9</b>	<b>26.9</b>

\*incl. EMCM until 12/2013



# Transformation & Growth Path

Rebounding for focused & accelerated growth

Focus on core business								
	2008	2009	2010	2011	2012	2013	2014	2015
Dental	+							
Analytics	+	+						
Medical Aesthetics	+	+						
Recon	+	+	+	+	+			
Contract Manufacturing	+	+	+	+	+	+		
Biomaterials	+	+	+	+	+	+	(+)	(+)
Trauma	+	+	+	+	+	+	+	+

*aap* Trauma **LOQTEQ**  
Upside Catalysts Silver Coating  
Added value technologies

**LOQTEQ**  
Trauma Solutions



Locking Compression Technology by aap

*aap* Trauma  
**LOQTEQ**

Transformation from diversified to  
focused MedTech company

Focused growth as pure player in Trauma

2008 – 2014

2015 and beyond



# Global Trauma Market

## Key dynamics, trends and valuation

### Development Global Market

- Trauma is fastest growing segment in Orthopedics
  - Orthopedics: total: \$6 billion revenue, 3% growth
  - Relevant Trauma segment: \$3 billion revenue, 6-7% growth
- Emerging markets are the future major market players
- Industry consolidations will continue to reshape the trauma devices competitive landscape
- Mostly non-elective, hence, less price sensitive than other segments

### Technologies

- Innovation and differentiation remain key-factors for growth
- Growth driving: locking-plates, Minimal Invasive Surgery (MIS), small bone initiatives, nails
- Hybrid technologies: Implants with bio-active surfaces to address infection care (e.g. silver coating)
- Biodegradable implants to bolster growth in trauma fixation

Date	Buyer	Target firm	EV/ Sales	Transaction
2014	Wright Medical	OrthoPro	<b>5.50</b>	M&A
2014	Wright Medical	Solana Surgical	<b>5.50</b>	M&A
2013	Wright Medical	Biotech International	<b>5.33</b>	M&A
2013	LDR Holding		<b>2.97</b>	IPO
2013	Wright Medical	WG Healthcare	<b>n.a.</b>	M&A
2012	Globus Medical		<b>2.60</b>	IPO
2012	Tornier	OrthoHelix	<b>5.78</b>	M&A
2011	Tornier		<b>3.38</b>	IPO
2011	Stryker	Memometal	<b>5.40</b>	M&A
2010	China Kanghui		<b>5.55</b>	IPO
Mean			<b>4.67</b>	

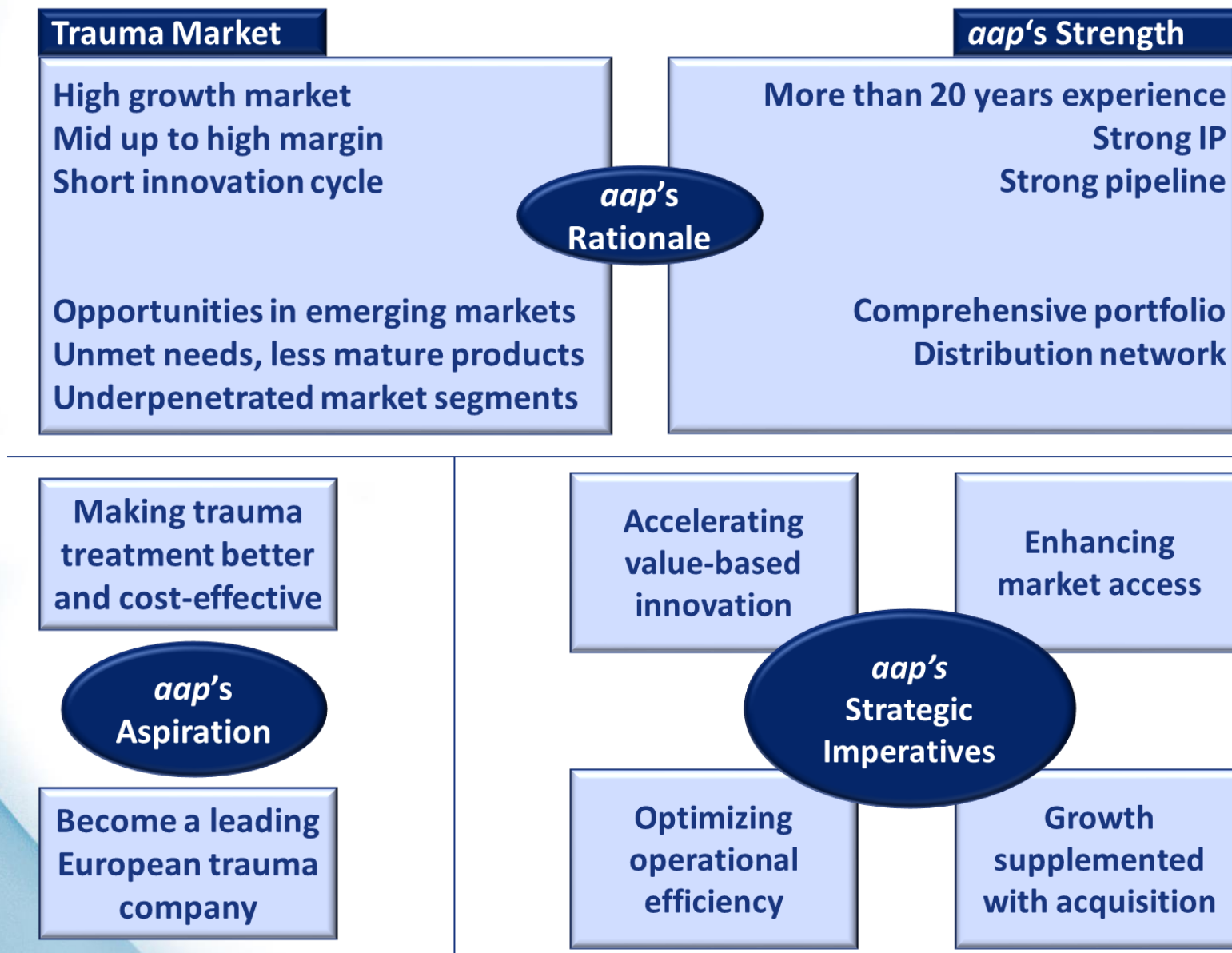


**Current valuation\* aap: 2.5x - 2.9x**

Source: Warburg Research

\*above mentioned companies are pure Trauma/extremities companies; aap is still a mixed company

# *aap's* Rationale, Aspiration & Strategic Imperatives



# Implementation of Strategic Imperatives

Accelerating value-based innovation – LOQTEQ®

## The Concept

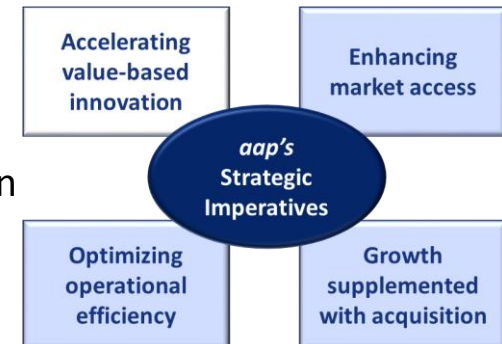


## The Applications



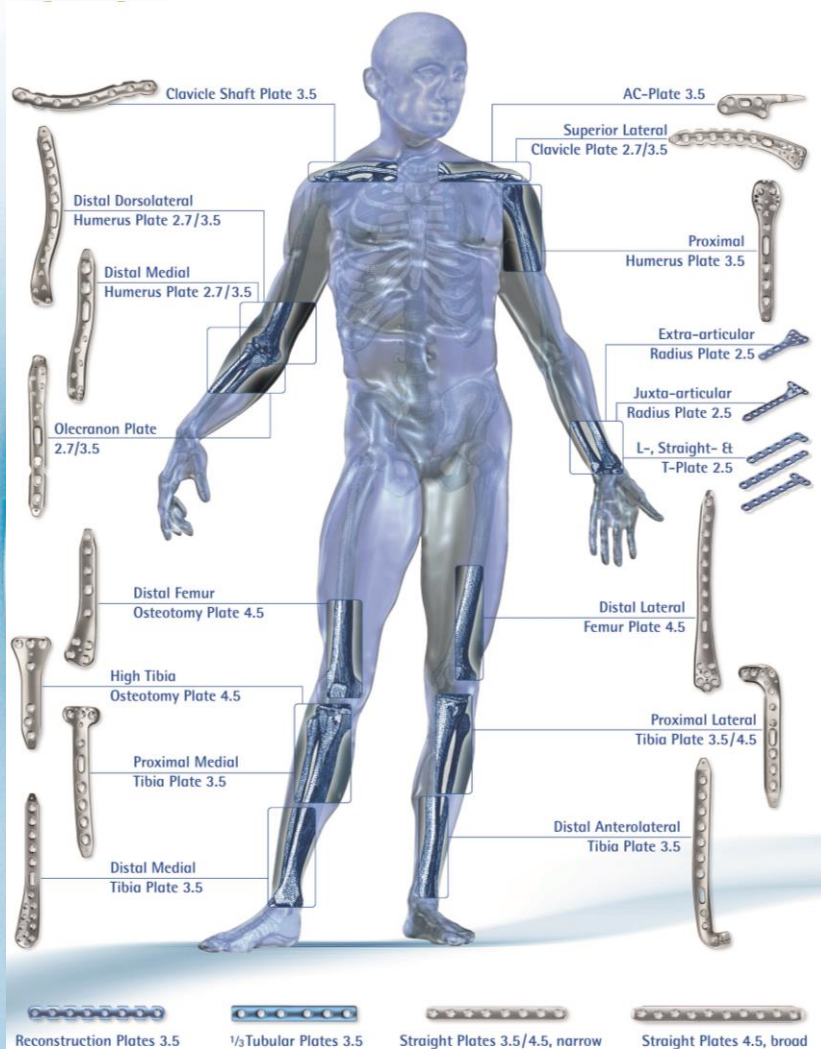
## The Value

- New locking-compression technology
- Patents issued and pending
- Genuine alternative to the gold standard
- Excellent anatomical fit, optimum instrumentation
- Strong indication for no cold-welding
- Competitive price

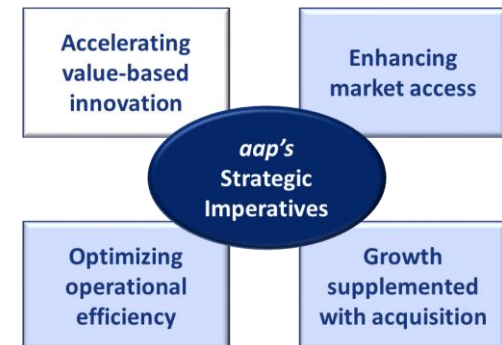


# Implementation of Strategic Imperatives

## Accelerating value-based innovation – Portfolio extension



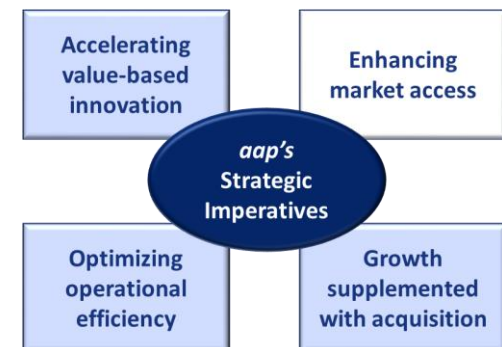
Phase	Value added	2012	2013	2014	2015	2016
I	Proximal Humerus Distal Femur Proximal Tibia Distal Tibia	One Step, One Hole, One Screw Flexible compression	✓			
II	Clavicle Osteotomy Elbow Tibia	One Step, One Hole, One Screw Flexible compression	✓			
III	Periprosthetic	Indication extension			X	X
IV	Polyaxial locking Radius PMMA Augmented LOQTEQ®	Unmet need, Integrative solution		X		X
V	Silver coated LOQTEQ®	Unmet need, infection prevention			X	
VI	Magnesium based LOQTEQ®	Unmet need, resorb. implants				X



# Implementation of Strategic Imperatives

## Enhancing market access

- **Achievements**
  - Continued strong commercial growth of LOQTEQ® in core markets in 2014
  - Substantial extension of Key Opinion Leaders (KOL) and Key Users
  - Successful international distributors meetings, training and education
- **Continued focus on capitalizing on emerging markets BRICS, SMIT and N10**
- **Initiatives to set our footprint in the US market**

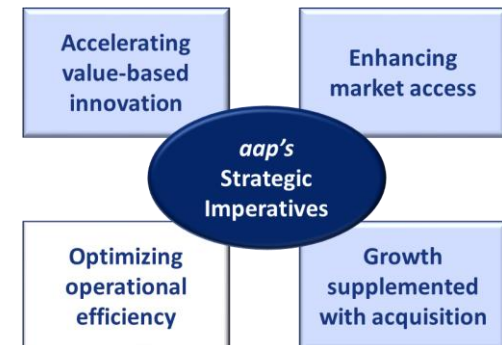




# Implementation of Strategic Imperatives

## Optimizing operational efficiency

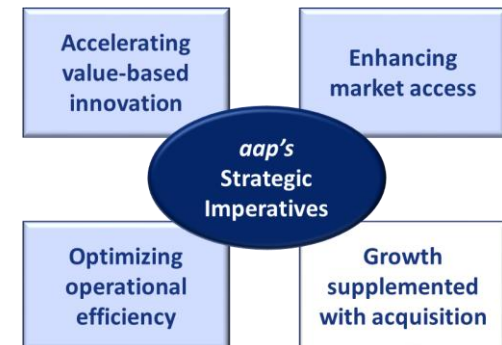
- **Supply chain improvement initiative with external professional support**
  - Faster product delivery and better inventory management
- **Product development and regulatory path improvement initiatives**
  - Shorter time-to-market and faster CE- and FDA-approvals
- **Sales effectiveness improvement initiatives**
  - Higher closing rates per sales rep and faster geographical expansion



# Implementation of Strategic Imperatives

## Supplementing organic growth with acquisition

- **Core acquisition rationales**
  - Extension of distribution channels and geographical coverage
  - Portfolio extension
  - Operational synergies
- **Preferred targets**
  - Small companies with lower multiples
  - Proven business model
  - Profitable, accretive
- **Disciplined reallocation of proceedings from divestitures**





# The New *aap* – 2015 and beyond

## Completely transformed business

### DIFFERENTIATION

*aap* with a unique position and opportunity for future growth

### GROWTH

*aap* with multiple drivers for delivering profitable growth

### VALUE CREATION

*aap* with a sound strategy to create value

Focused on most attractive, higher growth segments of the orthopedics market

Strong IP for all key platform technologies

Comprehensive product offering

Technologies address unmet needs of the industry

Continuous new product launches

International expansion

Growth catalyst anti-bacterial silver coating

Acquisition fuelled growth

Profitable growth 2-3 times faster than the market

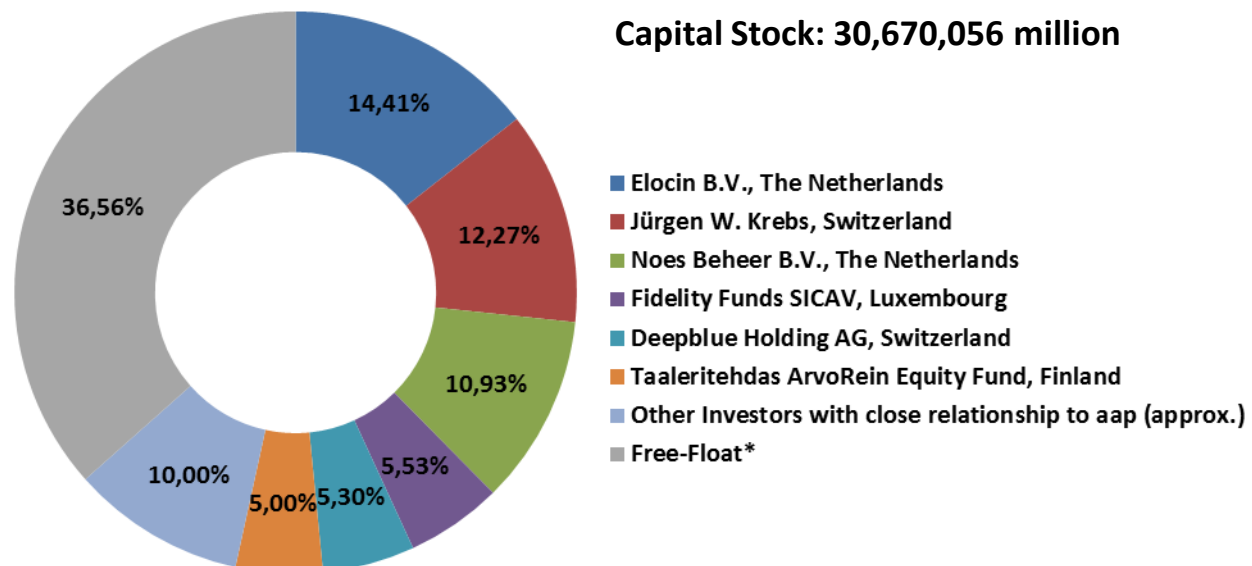
Attractive valuation as pure & fast-growing trauma player with strong IP

Striving for valuation of 5-6 times sales based on recent transactions

Hidden reserve due to broad application of silver coating outside trauma and ortho

# Stockholder Structure

- Growing interest in *aap*'s value driving strategy is also reflected in new shareholders:
  - December 2013: Taaleritehdas ArvoRein Equity Fund, Finland
  - March 2014: Ennismore Fund Management Limited, UK
  - April 2014: Fidelity Funds SICAV, Luxembourg
- Market Cap increased to over €75 million (2012: €41 million)



# Notes

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