

WRIGHT MEDICAL GROUP INC

Form 425

January 12, 2015

J.P. Morgan Healthcare Conference
Investor Presentation
January 12, 2015
Filed by Wright Medical Group, Inc.
pursuant to Rule 425 under the Securities Act of 1933

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Cautionary Note Regarding Forward-Looking Statements

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This
presentation
includes
forward-looking
statements.
These

forward-looking
statements
generally
can
be
identified
by
the
use
of
words
such
as
anticipate,
expect,
plan,
could,
may,
will,
believe,
estimate,
forecast,
goal,
project,
and
other
words
of
similar
meaning.
Forward-looking
statements
in
this
presentation
include,
but
are
not
limited
to,
statements
about
our
outlook
for
our
expected
financial
results

for
the
fourth
quarter
and
full
year
2014;
statements
about
the
approvable
status
and
anticipated
final
PMA
approval
of
Augment
®
Bone
Graft
and
the
anticipated
positive
effects
of
such;
and
statements
about
the
timing
and
anticipated
benefits
of
the
previously
announced
merger
with
Tornier.
Each
forward-looking
statement
contained
in

this presentation is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statement. Applicable risks and uncertainties include, among others, quarter end closing adjustments that could cause actual financial results to differ from anticipated results; uncertainties as to the

timing
of
the
Tornier
transaction;
uncertainties
as
to
whether
Tornier
shareholders
and
Wright
shareholders
will
approve
the
transaction;
the
risk
that
competing
offers
will
be
made;
the
possibility
that
various
closing
conditions
for
the
transaction
may
not
be
satisfied
or
waived,
including
that
a
governmental
entity
may
prohibit,
delay
or

refuse
to
grant
approval
for
the
consummation
of
the
transaction,
or
the
terms
of
such
approval;
the
effects
of
disruption
from
the
transaction
making
it
more
difficult
to
maintain
relationships
with
employees,
customers,
vendors
and
other
business
partners;
the
risk
that
shareholder
litigation
in
connection
with
the
transaction
may
result

in
significant
costs
of
defense,
indemnification
and
liability;
other
business
effects,
including
the
effects
of
industry,
economic
or
political
conditions
outside
of
Wright s
or
Tornier s
control;
the
failure
to
realize
synergies
and
cost-savings
from
the
transaction
or
delay
in
realization
thereof;
the
businesses
of
Wright
and
Tornier
may
not
be

combined
successfully,
or
such
combination
may
take
longer,
be
more
difficult,
time-consuming
or
costly
to
accomplish
than
expected;
operating
costs
and
business
disruption
following
completion
of
the
transaction,
including
adverse
effects
on
employee
retention
and
on
Wright s
and
Tornier s
respective
business
relationships
with
third
parties;
transaction
costs;
actual
or
contingent

liabilities;
the
adequacy
of
the
combined
company's
capital
resources;
failure
or
delay
in
ultimately
obtaining
FDA
approval
of
Wright's
Augment
®
Bone
Graft
for
commercial
sale
in
the
United
States,
failure
to
achieve
the
anticipated
benefits
from
approval
of
Augment
®
Bone
Graft,
and
the
risks
identified
under
the
heading

Risk
Factors
in
Wright s
Annual
Report
on
Form
10-K,
filed
with
the
SEC
on
February
27,
2014,
and
Tornier s
Annual
Report
on
Form
10-K,
filed
with
the
SEC
on
February
21,
2014,
as
well
as
both
companies
subsequent
Quarterly
Reports
on
Form
10-Q
and
other
information
filed
by
each
company

with
the
SEC.
Investors
should
not
place
considerable
reliance
on
the
forward-looking
statements
contained
in
this
presentation.
You
are
encouraged
to
read
Wright's
and
Tornier's
filings
with
the
SEC,
available
at
www.sec.gov,
for
a
discussion
of
these
and
other
risks
and
uncertainties.
The
forward-looking
statements
in
this
presentation
speak
only

as
of
the
date
of
this
release,
and
Wright
undertakes
no
obligation
to
update
or
revise
any
of
these
statements.
Wright's
business
is
subject
to
substantial
risks
and
uncertainties,
including
those
referenced
above.
Investors,
potential
investors,
and
others
should
give
careful
consideration
to
these
risks
and
uncertainties.

Wright
and
Tornier
use
non-GAAP
financial
measures,
including

EBITDA,
as
adjusted.
Their
respective
management
teams
believe
that
the
presentation
of
these
measures
provides
useful
information
to
investors
and
that
these
measures
may
assist
investors
in
evaluating
their
respective
company s
operations,
period
over
period.
EBITDA
is
calculated
by
adding
back
to
net
income
charges
for
interest,
income
taxes
and

depreciation
and
amortization
expenses.
While
it
is
not
possible
to
reconcile
the
adjusted
EBITDA
forecast
in
this
presentation
to
the
nearest
metric
under
U.S.
generally
accepted
accounting
principles
(GAAP)
of
the
combined
business
without
unreasonable
effort,
the
adjusted
EBITDA
forecast
excludes
non-cash
stock
based
compensation
expense
and
non-operating
income
and

expense,
as
well
as
the
expected
impact
of
such
items
as
transaction
and
transition
costs,
impacts
from
the
sale
of
Wright's
OrthoRecon
business
and
costs
associated
with
distributor
conversions
and
non-competes,
all
of
which
may
be
highly
variable,
difficult
to
predict
and
of
a
size
that
could
have
substantial
impact

on
the
combined
company's
reported
results
of
operations
for
a
period.
Investors
should
consider
these
non-
GAAP
measures
only
as
a
supplement
to,
not
as
a
substitute
for
or
as
superior
to,
measures
of
financial
performance
prepared
in
accordance
with
GAAP.

Note on Non-GAAP Financial Measures

3

In
connection
with
the
proposed
merger,
Tornier
has

filed
with
the
U.S.
Securities
and
Exchange
Commission
(SEC)
a
registration
statement
on
Form
S-4
that
includes
a
preliminary
joint
proxy
statement
of
Wright
and
Tornier
that
also
constitutes
a
preliminary
prospectus
of
Tornier.
The
registration
statement
is
not
complete
and
will
be
further
amended.
Wright
and
Tornier
will
make

the
final
joint
proxy
statement/prospectus
available
to
their
respective
shareholders.
Investors
are
urged
to
read
the
final
joint
proxy
statement/prospectus
when
it
becomes
available,
because
it
will
contain
important
information.
The
registration
statement,
definitive
joint
proxy
statement/prospectus
and
other
documents
filed
by
Tornier
and
Wright
with
the
SEC
will
be

available
free
of
charge
at
the
SEC's
website
(www.sec.gov)
and
from
Tornier
and
Wright.
Requests
for
copies
of
the
joint
proxy
statement/prospectus
and
other
documents
filed
by
Wright
with
the
SEC
may
be
made
by
contacting
Julie
D.
Tracy,
Senior
Vice
President
and
Chief
Communications
Officer
by
phone
at
(901)

290-5817
or
by
email
at
julie.tracy@wmt.com,
and
request
for
copies
of
the
joint
proxy
statement/prospectus
and
other
documents
filed
by
Tornier
may
be
made
by
contacting
Shawn
McCormick,
Chief Financial
Officer by phone at (952) 426-7646 or by email at shawn.mccormick@tornier.com.
Wright,
Tornier,
their
respective
directors,
executive
officers
and
employees
may
be
deemed
to
be
participants
in
the
solicitation
of
proxies

from
Wright s
and
Tornier s
respective
shareholders
in
connection
with
the
proposed
transaction.
Information
about
the
directors
and
executive
officers
of
Wright
and
their
ownership
of
Wright
stock
is
set
forth
in
Wright s
annual
report
on
Form
10-K
for
the
fiscal
year
ended
December
31,
2013,
which
was
filed
with
the

SEC
on
February
27,
2014
and
its
proxy
statement
for
its
2014
annual
meeting
of
stockholders,
which
was
filed
with
the
SEC
on
March
31,
2014.
Information
regarding
Tornier's
directors
and
executive
officers
is
contained
in
Tornier's
annual
report
on
Form
10-K
for
the
fiscal
year
ended
December
29,
2013,

which
was
filed
with
the
SEC
on
February
21,
2014,
and
its
proxy
statement
for
its
2014
annual
general
meeting
of
shareholders,
which
was
filed
with
the
SEC
on
May
16,
2014.
These
documents
can
be
obtained
free
of
charge
from
the
sources
indicated
above.
Certain
directors,
executive
officers
and

employees
of
Wright
and
Tornier
may
have
direct
or
indirect
interest
in
the
transaction
due
to
securities
holdings,
vesting
of
equity
awards
and
rights
to
severance
payments.
Additional
information
regarding
the
participants
in
the
solicitation
of
Wright and
Tornier shareholders will be included in the joint proxy statement/prospectus.
Important Additional Information and Where To Find It

4

Wright Medical Group, Inc. Announces Preliminary Fourth Quarter and Full Year 2014 Revenue

Full year 2014 sales expected to increase ~23% to \$298M

Gross margin for 4Q 14 expected to be ~77%

U.S. foot and ankle business grew ~39% as reported, up significantly from 28%

in 3Q 14

U.S. foot and ankle grew ~16.5% pro forma same sales day basis in 4Q 14, up from ~11.5% in 3Q 14

Global total ankle growth expected to be ~38% for 4Q 14, driven primarily by ongoing launch of INFINITY

®

total ankle

Achieved U.S. sales force productivity goal of exiting 2014 at over \$1M per rep

Some progress in increasing visibility into the international supply chain

Continued to experience some negative impact in distributor markets while direct markets performed well

Total company growth rate negatively impacted by softness in Upper Extremity and Biologics business, which is expected to be addressed by pending merger with Tornier and anticipated final FDA approval of Augment

®

Bone Graft

Continue to focus on improving execution

5

The New Wright Medical:
Global Leader in Extremities-Biologics
6
Global
Extremities-
Biologics
market
~\$8B

Wright Medical
position in
Extremities market
post Tornier merger
Wright Medical
growth rate
vs. the market
#1
~2X

Agenda
Strong Performance Record
Augment
®
Approval: A Game Changer
Pending Transaction Creates Premier
High-Growth Extremities-Biologics Company

The Future: Outperforming
in Growth Markets

7

Entering a New Growth Era

2012

2014

Future

2011

Multiple markets,
slow growth

Repositioned as
high growth, pure
play in Extremities
Transformational merger,
global powerhouse in
Extremities-Biologics
8

Strategy We Have Been Executing

Global leader

in

Extremities

On track to meet all our goals

Improve sales force productivity

Optimize customer conversion

process

International expansion

World class supply chain
(cost & inventory)

Pricing

Targeted M&A

Leverage corporate costs

Leverage U.S. sales and
marketing investments

Execute an effective compliance program and
continue to successfully execute CIA

= 2014 Vital Few Initiative

1.

Accelerate

Global

Revenue

Growth

2.

Improve

Gross

Margin and

Inventory

3.

Improve

EBITDA

Key Priorities

9

Strong Record of Execution

10

Transformational Initiatives

Transitioned U.S. Foot & Ankle sales force to 80+% direct

Expanded global distribution network with 2 acquisitions in Europe

-

WG Healthcare (United Kingdom)

-

Biotech International (France)

Expanded Extremities product / technology portfolio with 2 U.S. acquisitions

-

Solana Surgical

-

OrthoPro

Divested slow growing OrthoRecon business

Acquired

breakthrough

Biologics

platform

and

pipeline

Augment

®

Bone

Graft

-

BioMimetic Therapeutics

Received approvable letter from FDA for Augment

®

Bone Graft

RESULTS:

Focused on Higher Growth Segments of the
Orthopedics Market

11

Source: 2014 iData Research Inc., 2013 Millennium Research Group, 2012 Life Science Intelligence, Management Estimates

10%

7-8%

7%

8-9%

6%

3-4%

3%

2-3%

Foot &

Ankle

Sports

Medicine

Biologics

Upper

Extremities

Trauma

Knee

Spine

Hip

Wright Medical focus

Tornier

RESULTS:

Created Extremities Pure Play with Strong Momentum

12

Primary Focus: Foot & Ankle

(Breakdown of 2014 Sales*)

Growth in line with goals

Strong Sales Momentum

(Continuing Operations)

* Preliminary 2014 revenue, unaudited

\$

214M

\$

242M

\$298M*

2012

2013

2014E*

Foot &

Ankle

Upper

Extremity

Biologics

Other

66%

22%

3%

~20%

CAGR

9%

Agenda

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Strong Performance Record

Augment

®

Approval: A Game Changer

Pending Transaction Creates Premier

High-Growth Extremities-Biologics Company

The Future: Outperforming
in Growth Markets

Augment
®
Bone Graft
A Breakthrough Product
14

First clinically proven, cost-effective alternative
to autograft for ankle and/or hindfoot fusion indications

Demonstrates equivalent safety & efficacy with less pain

Only synthetic growth factor to market in last 10 years

Bone repair

Soft tissue indications

(tennis elbow & rotator cuff repair)

Recombinant human platelet-derived growth factor

(rh-PDGF) stimulates bone formation

Provides a scaffold for new bone growth

Avoids unwanted bone formation in surrounding tissues
observed with BMP-based products

Unique

Solution

Breakthrough

Biologic

Platform for

Future

Growth

Augment

®

Delivers Unmatched Advantages

Augment

®

Bone Graft

Bone

Morphogenetic

Protein (BMP)

Stem

Cells

Demineralized

Bone Matrix

(DBM)

FDA approvable for ankle and/or
hindfoot fusion indications

YES

Level I evidence

YES

Demonstrated safety

YES

?

Reliable / consistent quality

YES

?

?

Available off-the-shelf

YES

Cost effective

(relative to autograft)

YES

15

Augment

®

A High Potential Platform Technology

16

Bone

Soft Tissue

Market potential (US)

\$300M
Market potential (US)
\$1B+

Ankle Fusion

Hindfoot Fusion

Chronic
Tendinopathy
(Tennis Elbow)

Rotator Cuff
Repair
1
st
Target
Market

Two pre-approval facility inspections indicated necessary by
FDA
for
final
Augment
®
approval

One inspection complete with no 483 by inspectors; one
inspection in process. Final audit reports pending.

Based
on
this,
final
FDA
approval
for
Augment
®
could
potentially
come as early as late 1Q 2015
Future
rh-PDGF
Clinical
Study
Opportunities

Agenda

17

Strong Performance Record

Augment

®

Approval: A Game Changer

Pending Transaction Creates Premier

High-Growth Extremities-Biologics Company

The Future: Outperforming
in Growth Markets

Transaction Overview

All stock
combined equity value of ~\$3.3B at announcement

combined entity will be incorporated in the Netherlands

combined company ownership: 52% Wright / 48% Tornier

Transaction is subject to customary closing conditions

Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended

Wright and Tornier shareholder approval

Expected to close in first half of 2015

18

Tornier at A Glance
19

Extremities company with leadership
position in Upper Extremities

NASDAQ: TRNX

HQ in Netherlands; operations run out of
U.S., France and Ireland

2014E revenue*: ~\$345M

Products sold in 45 countries

~42% of revenue outside U.S.

1,076 employees globally

Aequalis Ascend

Flex Shoulder System

Latitude EV Elbow

Prosthesis

Salto Talaris Total

Ankle Prosthesis

CannuLink Intraosseous

Fixation System

Primary Focus: Upper Extremity

(Breakdown of 2014 Sales*)

* Preliminary 2014 revenue, unaudited

Sports Med

& Biologics

Upper

Extremity

62%

17%

17%

4%

Lower

Extremity

Large

Joint

ADVANTAGE #1

Combination Creates Most Comprehensive
Upper and Lower Extremity Product Portfolio
20

* Preliminary 2014 revenue, unaudited

9%

of revenue*

62%

of revenue*

66%

of revenue*

17%

of revenue*

Complementary Product

Portfolios

Market leading

positions

in high-growth

markets

Upper Extremities

Lower Extremities

ADVANTAGE #2
Combining Two Innovative Companies Enhances
Future Growth Prospects
21
INFINITY
®
Total Ankle
Replacement System

Recent

Product

Launches

PRO-TOE

®

offering for Hammertoe

correction

Recent

Product

Launches

Aequalis

Ascend Flex

convertible shoulder

platform

Phantom Fiber

high strength

resorbable suture

Reverse

Threaded

Baseplate

Dedicated R&D will power innovation across combined portfolio

ADVANTAGE #3

Accelerates Growth Opportunities in Three Large,
Fast Growing Markets

22

Augment

®

Bone Graft launch;

Cross-sell Biologics across
expanded Extremities portfolio

Leverage scale across
geographies and categories

Expanded Opportunities

Wright Medical enters

Upper Extremities market with
leadership position in shoulder

2014

2018

Market Growth

(2014

-2018 CAGR)

Upper

Extremity

Lower

Extremity

Biologics

~\$7.9B

\$5.5B

8-9%

8-10%

5-6%

ADVANTAGE

#4

Creates Mid-Size Growth Company with Stronger
Financial Profile

23

Scale and scope to accelerate path to profitability

Once integrated:

Solid Financial Profile

*

Excludes

Augment

®

Bone

Graft

Upper

Extremity

Lower

Extremity

Biologics &

Sports Med

Large Joints

& Other

~\$298M

~\$345M

Combined Sales

\$600M+

37%

Upper

Extremity

40%

Lower

Extremity

12%

Bio*

11%

Lg Joints

Revenue Breakdown

(Preliminary 2014 revenue, unaudited)

Mid-teens revenue growth

High 70s% gross margin

Adj. EBITDA margins

approaching 20% in

3-4 years

Annual cost synergies of

\$40M-\$45M by year 3

Accretive to combined

adj.

EBITDA

in

2

nd

full

year

post merger

Unique Positioning Will Continue to Sets Us Apart

V I S I O N

Premier High-Growth Extremities-Biologics Company

Dedicated to serving the needs of specialty surgeons

24

SPECIALIZED

SALESFORCES

TECHNOLOGY

LEADER
GLOBAL
FOOTPRINT

Agenda

25

Strong Performance Record

Augment

®

Approval: A Game Changer

Pending Transaction Creates Premier

High-Growth Extremities-Biologics Company

The Future: Outperforming
in Growth Markets

Longer Term

Continue to Execute Proven Strategy

26

Completely focused:

Extremities-Biologics technology leader

1

Specialized sales forces:

Drive productivity

2

International expansion:

Key market focus, drive adoption

3

New product launches:

Augment

®

breakthrough product

4

Time

\$

Sustainable, high-growth

Extremities market growing

in 8-10% range

Priorities Next 1-2 years
Close merger with Tornier

anticipated 1
st
Half of 2015
Ensure smooth integration

integration planning is underway
Continue to execute our operating initiatives

including sales productivity, new product
launches, medical education

Launch Augment

®

Bone Graft in U.S.

anticipated 1

st

Half of 2015

27

28

A CLOSER LOOK AT KEY INITIATIVES

Strong Pipeline of New Product Introductions

28

AUGMENT

®

Bone Graft

Proven therapeutic option

\$300M U.S. market opportunity

Pending FDA approval

2014

2015

2016

INFINITY

®

Total Ankle System

Third generation design

Further penetrate end-stage ankle
arthritis market opportunity

SIMPLICITI

Will be first minimally invasive shoulder
option in U.S.

\$200M-\$250M market opportunity

In rollout

2017

Launch Date

INVISION

Revision System

Physician testing anticipated in 2015

Pending FDA clearance

A CLOSER LOOK AT MERGER:

Clear Line of Sight to Deliver Cost Synergies from Merger

Public company expenses

Overlapping support functions

Overlapping systems

Vendor consolidation

Process improvement

Key Synergy Areas

Year 3

Annual Cost

Synergies:

\$40M-\$45M

29

Advancing Toward Our Goals

30

Adj. EBITDA margin

Gross Margin

Sales growth

Mid teens

Adj. EBITDA margins approaching

20% in 3 to 4 years

Goals

Once Integrated With Tornier

High 70s% range

IN SUMMARY

The New Wright Medical: Global Leader in Extremities

31

Solid Performance Record

Augment

®

Approval:

A Game Changer

Pending Transaction
Creates Premier Extremities-
Biologics Company
The Future: Outperforming
in Growth Markets

Unmatched capabilities,
unique mid-cap growth asset

Built market leader

Multiple growth drivers,
accelerated path to profitability

High potential platform technology

J.P. Morgan Healthcare Conference
Investor Presentation
January 12, 2015