



## **Surgical Science has entered into an agreement to acquire Simbionix**

**Surgical Science Sweden AB (publ) (“Surgical Science” or the “Company”) has entered into a conditional agreement to acquire all shares outstanding of Simbionix USA Corp. (“Simbionix”) for a consideration of USD 305 million (approximately SEK 2,650 million) on a cash and debt-free basis. The consideration will be paid through cash and the Company intends to complete a directed share issue to finance the acquisition. Through the acquisition Surgical Science further strengthens its position within robotic surgery simulation and broadens its offering to new application areas. Simbionix reported sales of USD 41 million in 2020. The acquisition of Simbionix is expected to be completed in the end of August provided all conditions are met.**

### **Background and acquisition of Simbionix**

#### *Long history within simulation for training of surgeons*

Simbionix, founded in 1998 and with operations based primarily in Tel-Aviv, Israel, works with simulation for training of surgeons and other medical specialists within a broad number of areas. The business generates income partly from its proprietary simulators in areas such as general surgery, endovascular procedures, endoscopy, urology, orthopedics, ultrasound and robotic surgery as well as from collaborations with medical technology companies, within for example robotic surgery. The company has a portfolio of approximately 40 patents and has an installed base of over 5,000 simulators. Simbionix has approximately 120 employees, of which approximately 100 employees are based in Israel and approximately 20 are based in the US, working primarily with sales.

Customers within the area of robotic surgery – where surgical robotics manufacturers license the Simbionix's software for simulation – include Intuitive and Medtronic. Intuitive is today the world's leading provider of surgical robots, with both Simbionix and Surgical Science supplying the embedded simulation software. Simbionix's revenue model comprises both a license fee per sold simulation software package as well as an annual subscription fee on the installed base. The subscription fee accounts for the largest portion of revenues. Similarly, Medtronic – which submitted its Hugo robotic system for CE-mark approval during Q1 2021 – is supplied simulation software by both Simbionix and Surgical Science. Simbionix has a number of additional niche robotic surgery customers of which one was recently contracted.

In 2019, Simbionix reported sales of USD 45.6 million and EBIT of USD 8.1 million. During 2020, sales of above all proprietary simulators were affected by Covid-19. Simbionix reported sales in 2020 of USD 40.8 million and EBIT of USD 5.8 million. For the first quarter of 2021, sales amounted to USD 9.7 million (10.5) and EBIT to USD 1.4 million (1.0). Service contracts on its installed base of simulators provide a significant and steady income stream. For 2019 the sales split between the business areas Educational Products and Industry/OEM, as defined by Surgical Science, amounted to 77% and 23% respectively. For 2020, the corresponding sales split amounted to 72% and 28% respectively. Sales to customers within robotic surgery has seen the strongest growth. Simbionix has no external bank financing arrangements.

### *Broadened product offering and strengthened position within robotic surgery*

Simbionix complements and strengthens Surgical Science's position in both the Educational Products and Industry/OEM business areas. Simbionix has a broader portfolio of simulators within Educational Products than Surgical Science, including areas such as endovascular procedures, urology, orthopedics, and ultrasound. Further, Simbionix collaborates with several key medical associations within its different product areas. Simbionix also has a simulator for robotic surgery that is marketed to university hospitals.

*"This acquisition should be viewed as a merger of two leading players to accelerate the ability to deliver the next generation simulation solutions for patient safety and value to our customers. We have a great respect for Simbionix's know-how and look forward to this important step in the consolidation of our growing niche market",* says Gisli Hennermark, CEO, Surgical Science.

*"Simbionix has been part of 3D Systems since 2014 and has demonstrated growth and success during this time",* said Dr. Jeffrey Graves, President & CEO, 3D Systems. *"By divesting this business, we are not only enabling its enhanced success, we are sharpening our focus – delivering on our strategic purposes as the leader in enabling additive manufacturing solutions for applications in growing markets that demand high-reliability products."*

*"We are impressed by Surgical Science's ability to execute on a clear strategy and look forward to joining the team and playing a large part in its future. With Simbionix's leadership position in the medical simulation field, I see great opportunity in delivering excellent value to both medical technology companies as well as educational customers with Surgical Science",* says Ran Bronstein, Chief Research & Operation Officer, 3D Systems Healthcare.

### *The new group*

The new group will have a very strong position as the leading company within simulation for robotic surgery, both in terms of technology and market share. Surgical Science's software will be embedded on all known robotic surgery platforms that have sourced soft tissue simulation. Further, there are strong growth opportunities for use of the simulation technology within other areas of healthcare, as the sector is digitalized. The group will, post-acquisition, comprise approximately 210 employees of which approximately 75 software developers. Simbionix will be integrated into Surgical Science to form a shared organization.

For the combined income statements, concerning the financial years of 2019 and 2020, as well as the first quarter of 2020 and 2021, please see the Appendix, which is an integrated part of this press release.

Ran Bronstein, who has been at Simbionix since 1998, will upon completed acquisition transition into a global role within the Surgical Science group, joining Surgical Science's management team. Additionally, Boaz Tal, CFO Simulation, 3D Systems Healthcare, Inbal Mazor, VP Product Management and Marketing Medical Simulation, 3D Systems Healthcare and Doron Zilberman, VP International Sales and Business Development, 3D Systems Healthcare will have leading roles in the new group.

## **Terms of the transaction and financing**

The seller of Simbionix is 3D Systems Corporation, an American company listed on the New York Stock Exchange (NYSE: DDD). The companies included in the acquisition are the Israeli company Simbionix Ltd and its American parent Simbionix USA Corp.

As an integrated part of the acquisition, a number of key individuals at Simbionix will acquire shares from Surgical Science's two largest shareholders – Marknadspotential AB and Semelin Kapitalförvaltning AB. The price per share and number of shares will be determined in connection with the directed new share issue in Surgical Science to finance the acquisition of Simbionix.

The consideration for Simbionix constitutes a cash and debt-free value of USD 305 million (approximately SEK 2,650 million) and will be funded through cash. Surgical Science intends to conduct a directed share issue to institutional investors with deviation from the shareholders' pre-emption rights to finance the consideration.

The acquisition is subject to the Company's board of directors resolving on the directed new share issue and subsequent authorization at an Extraordinary General Meeting of Surgical Science. Additional information regarding the directed share issue will be announced shortly after the publishing of this press release. The acquisition of Simbionix is expected to be completed in the end of August provided that all conditions are met. Simbionix will be consolidated into Surgical Science upon closing of the acquisition.

Pro forma the new group had for the financial year 2020 (combined, unaudited) sales of approximately SEK 480 million with EBIT of approximately SEK 73 million (corresponding to approximately USD 52 million and USD 8 million respectively). Structural investments in IT-systems etc. will be required for adaptation to Surgical Science's existing systems. The goodwill attributed to the group through the acquisition will in part be classified as customer contracts and in part as technology, amortized over an expected period of 10 years. The amounts will be determined in connection with the finalization of the acquisition value. Provisional figures will be provided in the interim report for the third quarter.

Surgical Science's current financial targets of achieving sales of SEK 400 million by 2024 and an EBITDA-margin of at least 40% will be revised and presented once the review is complete and the integration of Simbionix has begun.

Surgical Science has appointed Pareto Securities AB as Sole Manager and Bookrunner in connection with the directed share issue which will commence through an accelerated book building procedure shortly after the publishing of this press release.

## **Advisers**

Surgical Science has appointed Pareto Securities AB as financial advisor. Winston & Strawn LLP, Erdinast, Ben Nathan, Toledano & Co, Forssander Sonander Advokat AB and Advokatfirman Vinge KB are acting as legal advisers to Surgical Science and Baker McKenzie Advokatbyrå KB acts as legal adviser to Pareto Securities AB in connection with the transaction. PwC acts as due diligence adviser to Surgical Science in connection with the transaction.

Gothenburg, Sweden, 28 July 2021  
Surgical Science Sweden AB (publ)

**This press release, in its entirety, is available through the attachment or via:**

<https://surgicalscience.com/aktien/pressmeddelanden/>

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This is a translation of the Swedish version of the press release. When in doubt, the Swedish wording prevails.

**About Surgical Science Sweden AB (publ)**

One of the biggest challenges within healthcare globally is how injuries during care can be reduced. Medical education and training are key, as a large part of the training today can be performed outside the operating room. Surgical Science is a world leader in the manufacture of virtual reality simulators for evidence-based laparoscopic and endoscopic training. The simulators enable surgeons and other medical specialists to train and improve their psychomotor skills and instrument handling before entering the operating room. In parallel with its own products, Surgical Science works with simulation solutions for medical technology companies that develop surgical instruments for clinical use, such as robotic surgery.

Surgical Science is headquartered in Gothenburg, Sweden and present in Stockholm, Sweden, as well as in Seattle, Washington, in the US. Through sales offices in the US, France, China and UAE as well as a global network of distributors, Surgical Science maintains a presence in most markets around the world. Surgical Science Sweden AB (publ) is traded on Nasdaq First North Growth Market. Certified Adviser is Erik Penser Bank (Telephone: 08-463 83 00; E-mail: [certifiedadviser@penser.se](mailto:certifiedadviser@penser.se)).

## Appendix

### Combined Income Statements – FY 2019 and FY 2020

(SEK thousand)	Surgical Science <sup>1</sup>		Symbionix <sup>2,3</sup>		Combined	
	<i>Audited</i>	<i>Audited</i>				
	<b>FY2019</b>	<b>FY2020</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2019</b>	<b>FY2020</b>
<b>Revenue</b>						
Educational Products	65,978	47,668	335,052	270,786	410,030	318,454
Industry/OEM	35,537	57,131	97,767	106,513	133,304	163,644
<b>Total revenue</b>	<b>101,515</b>	<b>104,799</b>	<b>432,819</b>	<b>377,299</b>	<b>534,334</b>	<b>482,098</b>
<b>Gross profit</b>	<b>83,580</b>	<b>88,364</b>	<b>259,961</b>	<b>213,977</b>	<b>343,541</b>	<b>302,341</b>
<i>Margin</i>	<i>82%</i>	<i>84%</i>	<i>60%</i>	<i>57%</i>	<i>64%</i>	<i>63%</i>
<b>OPEX</b>	(53,203)	(51,490)	(174,301)	(152,405)	(227,504)	(203,895)
<b>EBITDA</b>	<b>30,377</b>	<b>36,874</b>	<b>85,660</b>	<b>61,572</b>	<b>116,037</b>	<b>98,446</b>
<i>Margin</i>	<i>30%</i>	<i>35%</i>	<i>20%</i>	<i>16%</i>	<i>22%</i>	<i>20%</i>
<b>EBIT</b>	<b>15,177</b>	<b>19,974</b>	<b>77,104</b>	<b>53,527</b>	<b>92,281</b>	<b>73,501</b>
<i>Margin</i>	<i>15%</i>	<i>19%</i>	<i>18%</i>	<i>14%</i>	<i>17%</i>	<i>15%</i>

**Note:** (1) Audited financial statements, ie. previously acquired units are included from the first consolidation date. (2) Symbionix simplified P&L statement is when it is included in 3D Systems, meaning extra costs to be added on standalone basis. Management estimates these costs to be USD 0.2m on an annual basis. In addition, Quality of Earnings adjustments have been estimated to USD -0.3m to +0.4m on an annual basis; (3) USD/SEK of 9.50 and 9.26 for 2019 and 2020, respectively.

## Combined Income Statements – Q1 2020 and Q1 2021

(SEK thousand)	Surgical Science <sup>1</sup>		Symbionix <sup>3,4</sup>		Combined	
	Q1 2020	Q1 2021 <sup>2</sup>	Q1 2020	Q1 2021	Q1 2020	Q1 2021 <sup>3</sup>
<b>Revenue</b>						
Educational Products	7,375	12,926	64,259	48,230	71,634	61,156
Industry/OEM	12,279	24,277	37,693	33,110	49,972	57,387
<b>Total revenue</b>	<b>19,654</b>	<b>37,203</b>	<b>101,952</b>	<b>81,339</b>	<b>121,606</b>	<b>118,542</b>
<b>Gross profit</b>	<b>16,462</b>	<b>31,163</b>	<b>56,632</b>	<b>45,713</b>	<b>73,094</b>	<b>76,876</b>
<i>Margin</i>	84%	84%	55%	56%	60%	65%
<b>OPEX</b>	(12,734)	(17,543)	(45,311)	(32,699)	(58,045)	(50,242)
<b>EBITDA</b>	<b>3,728</b>	<b>13,620</b>	<b>11,321</b>	<b>13,014</b>	<b>15,049</b>	<b>26,634</b>
<i>Margin</i>	19%	37%	13%	16%	12%	22%
<b>EBIT</b>	<b>(807)</b>	<b>8,274</b>	<b>9,271</b>	<b>11,395</b>	<b>8,464</b>	<b>19,669</b>
<i>Margin</i>	-4%	22%	9%	14%	7%	17%

**Note:** (1) Audited financial statements, ie. previously acquired units are included from the first consolidation date. (2) Less acquisition costs for Mimic Technologies, SEK 6m; (3) Symbionix simplified P&L statement is when it is included in 3D Systems, meaning extra costs to be added on standalone basis. Management estimates these costs to be USD 0.2m on an annual basis. In addition, Quality of Earnings adjustments have been estimated to USD -0.3m to +0.4m on an annual basis and; (4) USD/SEK of 9.67 and 8.39 for Q1 2020 and Q1 2021, respectively.