

WRIGHT MEDICAL GROUP INC

Form 425

February 27, 2015

Investor Presentation

February 25, 2015

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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

expected

financial

results

for

2015;

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, uncertainties as to the timing of the Tornier transaction; uncertainties as to whether Tornier shareholders and Wright Medical Group shareholders will approve the transaction; the risk that competing offers will be made; the possibility that various closing conditions

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
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 synergistic
savings from the transaction or delay in realization thereof; the businesses of Wright and Tornier may not be combined successfully
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,
which

was
filed
with
the
SEC
on
February
26,
2015,
and
Tornier's
Annual
Report
on
Form
10-K,
filed
with
the
SEC
on
February
24,
2015,
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 consid
reliance on the forward-looking statements contained in this presentation. You are encouraged to read Wright's and Tornier's
with the SEC, available at www.sec.gov, for a discussion of these and other risks and uncertainties. The forward-looking statemen
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.

Cautionary Note Regarding Forward-Looking Statements

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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

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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.

Important Additional Information and Where To Find It

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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, 2014, which was filed with the SEC on February 26, 2015, 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 28, 2014, which was filed with the SEC on February 24, 2015, 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.

Recent Updates

Completed successful \$632.5 million convertible debt offering:

Maturity: February 15, 2020

Coupon: 2.00%

Effective conversion price: \$40.00

Added ~\$275 million in cash to balance sheet

Received Second Request from FTC in connection with proposed merger with Tornier:

All products identified are lower extremity products and accounted for, in the aggregate, global revenue ~\$21 million / U.S. revenue ~\$14.9 million

Time to close is important, so Company has begun taking steps to explore divestiture option for lower extremity products

Economics and strategic rationale of transaction will not materially be affected

2Q 2015 close possible, but best-case scenario

5

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

position in
Extremities market
post Tornier merger
Wright Medical
growth rate
vs. the market
#1
~2X
6

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

Strategic Priorities
Global leader
in
Extremities
Improve sales force productivity
Customer conversion process
International expansion

Rapid
Augment

®
adoption
(once
approved)

1.
Accelerate
Global
Revenue
Growth
World class supply chain
(cost & inventory)

2.
Improve
Gross
Margin and
Inventory

Successful merger integration

Leverage corporate costs

Leverage U.S. sales and
marketing investments

3.
Improve
EBITDA

Key Priorities
Execute an effective compliance program and
continue to successfully execute CIA
= 2015 Vital Few Initiative

9

Focused on Higher Growth Segments of the
Orthopedics Market

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

Tornier

10

10%

7-8%

7%
8-9%
6%
3-4%
3%
2-3%
Foot &
Ankle
Sports
Medicine
Biologics
Upper
Extremities
Trauma
Knee
Spine
Hip

RESULTS:

Created Extremities Pure Play with Strong Momentum

Primary Focus: Foot & Ankle

(Breakdown of 2014 Sales)

Foot &

Ankle

Upper

Extremity

Biologics

Other

66%

9%

22%

3%

Growth in line with goals

Strong Sales Momentum

(Continuing Operations)

~20%

CAGR

11

\$214M

\$242M

\$298M

2012

2013

2014

Agenda

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®

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The Future: Outperforming

in Growth Markets
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Augment
®
Bone Graft
A Breakthrough Product

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

13

Augment

®

A High Potential Platform Technology

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

Approval anticipated 1H of 2015

Company's
2015

guidance
includes

U.S.
Augment

®
revenue of \$10 million to \$12 million assuming approval
of Augment

®
Bone Graft by mid-2Q 2015

Future
rh-PDGF

Clinical
Study
Opportunities

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Strong Performance Record
Augment
®
Approval: A Game Changer
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The Future: Outperforming

in Growth Markets
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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, including:

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

Wright and Tornier shareholder approval

Second quarter 2015 closing still possible, but best-case scenario

16

Tornier at A Glance

Extremities company with leadership
position in Upper Extremities

NASDAQ: TRNX

HQ in Netherlands; operations run out of

U.S., France and Ireland

2014 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

Sports Med

& Biologics

Upper

Extremity

62%

17%

17%

4%

Lower

Extremity

Large

Joint

Primary Focus: Upper Extremity

(Breakdown of 2014 Sales)

17

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E #

1

Combination Creates Most Comprehensive
Upper and Lower Extremity Product Portfolio

Upper Extremities

Upper Extremities

Lower Extremities

Lower Extremities

9%

of revenue

62%

of revenue

66%

of revenue

17%

of revenue

Complementary Product

Portfolios

Market leading

positions

in high-growth

markets

18

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E #

2

Combining Two Innovative Companies Enhances
Future Growth Prospects

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

19

Dedicated R&D will power innovation across combined portfolio

A
D
V
A
N
T
A

G

E #

3

Accelerates Growth Opportunities in Three Large,

Fast Growing Markets

Market Growth

(2014-2018 CAGR)

Upper

Extremity

Lower

Extremity

Biologics

~\$7.9B

\$5.5B

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

8-9%

8-10%

20

5-6%

2014

2018

A
D
V
A
N
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A
G

E #4

Creates Mid-Size Growth Company with Stronger
Financial Profile

Scale and scope to accelerate path to profitability

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

Solid Financial Profile

Revenue Breakdown

(2014 revenue)

*Excludes Augment

®

Bone Graft

21

Once integrated:

Accretive to combined

adj.

EBITDA

in

2

nd

full

year

post merger

Annual cost synergies of

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

Adj. EBITDA margins

approaching 20% in

3-4 years

High 70s% gross margin

Mid-teens revenue growth

Unique Positioning Will Continue to Set Us Apart
VISION
Premier High-Growth Extremities-Biologics Company
SPECIALIZED
SALESFORCES
TECHNOLOGY
LEADER
GLOBAL

FOOTPRINT

Dedicated to serving the needs of specialty surgeons

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Agenda

Strong Performance Record

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in Growth Markets
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Longer Term

Continue to Execute Proven Strategy

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

Sustainable, high-growth

Extremities market growing

in 8-10% range

Time

\$

24

Priorities Next 1-2 years

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.

-

Subject to FDA approval

25

Close merger with Tornier

-

2Q 2015 close possible, but best-case scenario

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Strong Pipeline of New Product Introductions

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

26

Physician testing anticipated in 2015

Pending FDA clearance

INVISION

Revision System

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

27

Advancing Toward Our Goals

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Goals

Once Integrated With Tornier

Sales growth

Mid teens

Gross Margin

High 70s% range
Adj. EBITDA margin
Adj. EBITDA margins approaching
20% in 3 to 4 years

Revenue

(1, 2)

Adj. EBITDA

(1)

\$325M to \$335M

\$(27M) to \$(22M)

2015 Guidance for Wright Standalone Company

29

1

Guidance range communicated on 2/25/2015. The fact that we include these projections in this presentation should not be taken to mean that these amounts continue to be our projections as of any subsequent date.

2

Guidance range is on standalone Company basis and assumes final approval of Augment[®] Bone Graft by mid-Q2 of 2015. Represents constant currency growth of 13% to 16% from 2014. Range assumes U.S.

Augment
®
revenue
of
\$10
million
to
\$12
million
and
a
negative
impact
from
currency
of
approximately
\$12
million,
or
4%,
reflecting
the
recent
strengthening
of
the
U.S.
dollar
as
compared
to 2014,
and excludes any potential dis-synergies from the pending merger with Tornier.

IN
SUMMARY
The New Wright Medical: Global Leader in Extremities
30
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

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