

Surgical Science Announces Recommended Offer to Acquire Intelligent Ultrasound

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The respective board of directors of Surgical Science Sweden AB (publ) (“**Surgical Science**”) and Intelligent Ultrasound Group PLC (“**Intelligent Ultrasound**”) today announced that they have reached agreement on the terms of a recommended cash acquisition to be made by Surgical Science for the entire issued and to be issued ordinary share capital of Intelligent Ultrasound (the “**Intelligent Ultrasound Acquisition**”). The Intelligent Ultrasound Directors intend to recommend unanimously that Intelligent Ultrasound Shareholders vote in favour of the Scheme (as defined below). Through the Intelligent Ultrasound Acquisition, Surgical Science will further strengthen its portfolio of simulation products, broadening its offering within this application area and establishes a direct presence in the UK market. The Scheme is expected to become effective in the first quarter of 2025, provided all the conditions are satisfied.

Transaction Summary:

- The Intelligent Ultrasound Acquisition values the entire issued and to be issued ordinary share capital of Intelligent Ultrasound at approximately GBP 45.2 (approximately SEK 629.7 million¹) million on a fully diluted basis, implying an enterprise value of GBP 4.7 million (approximately SEK 64.8 million¹). Under the terms of the Intelligent Ultrasound Acquisition, Intelligent Ultrasound Shareholders shall be entitled to receive GBP 0.13 in cash for each Intelligent Ultrasound share held.
- The Intelligent Ultrasound Acquisition represents:
 - an implied enterprise value to sales multiple of approximately 0.5 times Intelligent Ultrasound's sales from its continuing business² (“**Continuing Business**”) for the financial year 2023 of GBP 10.0 million; and
 - a premium of approximately 16.9% to the Closing Price per Intelligent Ultrasound Share of 11.125 pence on 18 December 2024 as traded on AIM.
- The Intelligent Ultrasound Acquisition is to be carried out by way of a scheme of arrangement under Part 26 of the UK Companies Act 2006 (the “**Scheme**”). In order to become effective, the Scheme must be approved by a majority in number of the Intelligent Ultrasound Shareholders voting at the Court Meeting, either in person or by proxy, representing at least 75% in value of the Intelligent Ultrasound Shares voted. In addition, a special resolution implementing the Scheme must be passed by Intelligent Ultrasound Shareholders representing at least 75% of votes cast at the General Meeting.

The Intelligent Ultrasound Directors intend unanimously to recommend that Intelligent Ultrasound Shareholders vote in favour of the Scheme. It is expected that the Scheme will become effective in the first quarter of 2025.

- Surgical Science has received irrevocable undertakings as well as letters of intent from certain Intelligent Ultrasound Shareholders holding, in aggregate, 155,494,429 Intelligent Ultrasound Shares representing approximately 47.5% of the existing issued ordinary share capital of Intelligent Ultrasound as at 18 December 2024 (being the last Business Day prior to

¹ GBP/SEK = 13.9246 as of 18 December 2024.

² Continuing Business comprises the ultrasound simulation business as well as the NeedleTrainer product.

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publication of this announcement) to vote, procure that their nominees vote, or stating their intentions to vote, in favour of the Scheme at the Court Meeting and the resolution to be proposed at the General Meeting.

- To provide additional liquidity for Surgical Science, Surgical Science entered into a promissory note, with special terms and conditions attached, with Danske Bank on 5 December 2024 (the "DB Facility"), under which Danske Bank agreed to provide up to GBP 17.0 million to Surgical Science. Surgical Science has drawn down under the DB Facility prior to the date of this announcement and intends to pay the consideration for the Intelligent Ultrasound Acquisition out of the cash on its balance sheet, including the funds drawn down under the DB Facility.

Intelligent Ultrasound - a leading ultrasound simulation company

Intelligent Ultrasound is an established and respected specialist of medical ultrasound simulation, founded in 2004 and with operations based primarily in Cardiff, UK. Intelligent Ultrasound works with ultrasound simulation for training of clinicians as well as other medical specialists within a broad number of areas and has a portfolio of innovative products and has an installed base of over 1,700 systems in over 800 medical institutions across the world.

Intelligent Ultrasound generates income primarily from its proprietary simulators in areas such as cardiac anatomy, echocardiography, point-of-care ultrasound (PoCUS), emergency medicine, critical care, neonatal care and the NeedleTrainer product. Intelligent Ultrasound's revenue model comprises direct sales, hardware and software upgrades as well as support packages. Intelligent Ultrasound has direct operations in the UK and US and distributors that are responsible for sales in other geographies.

In October 2024, Intelligent Ultrasound completed the sale of its Clinical AI business to GE Healthcare for GBP 40.5 million. From its Continuing Business, Intelligent Ultrasound generated in 2023 sales of approximately GBP 10.0 million and gross profit of approximately GBP 6.0 million. Intelligent Ultrasound has currently 48 employees, of which 38 are based in the UK, 9 in the US and 1 is based in China.

However, trading in 2024 has been difficult in the UK and North America, with previously announced NHS spending issues significantly reducing UK simulation revenues, and unexpected pressure on sales in North America. For the first half of 2024, sales for Continuing Business amounted to GBP 4.5 million and gross profit to GBP 2.6 million. As such, 2024 Continuing Business revenue is expected to be c. 13.0% down at GBP 8.7 million.

Background to and reasons for the Intelligent Ultrasound Acquisition

Surgical Science has closely monitored the developments at Intelligent Ultrasound for some time. Following Intelligent Ultrasound's strategic decision to sell its Clinical AI Business to GE Healthcare, this moment presents a unique opportunity for both companies to join forces in a way that can significantly benefit both companies' long-term goals. In Surgical Science's view, Intelligent Ultrasound's ultrasound simulation business is particularly attractive due to its strong reputation for delivering high-quality training solutions that improve the skills of healthcare professionals. Despite its strong reputation and innovative products, however, Intelligent Ultrasound has historically faced challenges in achieving sustainable growth of the ultrasound simulation business as a standalone entity, with the primary obstacles in Surgical Science's view being the niche offering and the lack of organisational scale. In the competitive landscape of medical simulation, having a diverse portfolio of products is crucial for cross-selling opportunities, attracting a wider customer base and enhancing customer value.

On this basis, and considering that Intelligent Ultrasound's focus on ultrasound simulation aligns strongly with Surgical Science's strategic goal to expand its simulation offering, Surgical Science intends to acquire Intelligent Ultrasound. Through the Intelligent Ultrasound Acquisition, Surgical Science will establish a firm footprint in the UK, with a new research and development site as well as a comprehensive commercial organisation and can leverage its existing expertise in medical simulation while integrating Intelligent Ultrasound's specialised knowledge in ultrasound training. This

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strategic alignment not only enhances the product portfolio but also positions the combined entity to address the growing demand for advanced training solutions in the healthcare sector.

The Combined Group

The integration of Intelligent Ultrasound into Surgical Science's larger global operations is expected to benefit the Combined Group's offering, with synergies in product bundling and cross-selling to customers, and in future development by improving operational efficiencies and leveraging shared resources and functions. Surgical Science believes that Intelligent Ultrasound's volumetric ultrasound technology is highly complementary to Surgical Science's existing simulated ultrasound technology and the combination of the two will lead to end-products with greater depth of functionality that will drive higher end-market penetration. Surgical Science envisages that Intelligent Ultrasound's Cardiff-based research and development team will become one of Surgical Science's five global research and development hubs, complementing the existing teams in Tel Aviv, Gothenburg, Seattle and Stockholm. Surgical Science further intends to utilise and expand Intelligent Ultrasound's existing direct sales capabilities in the UK, to establish a comprehensive commercial organisation for Surgical Science in the market and enhance the competitive position for the full Surgical Science product range, in a geography where it would otherwise have to invest significant capital and effort to develop commercially.

"We have followed Intelligent Ultrasound for many years and are impressed with the position that the team has managed to build in the ultrasound simulation market" comments Tom Englund, CEO of Surgical Science. "The ultrasound market is developing rapidly with a strong increase in the number of systems sold, highlighting the need for simulation training that will enable practitioners to utilise the systems to their full potential. Through the acquisition of Intelligent Ultrasound, we further diversify our product portfolio and expand our geographical reach and sales network, enabling us to provide a comprehensive suite of ultrasound simulation products across the world, benefitting customers and reinforcing our market leadership. We look forward for the Intelligent Ultrasound team to join us and to start working together towards our high ambitions in the growing medical simulation market."

Surgical Science's ultrasound simulation business is expected to grow over 2x, on a pro-forma basis for 2023, from sales of approximately SEK 90 million to approximately SEK 222 million. Surgical Science intends, following completion of the Intelligent Ultrasound Acquisition, to carry out a review of the operations of Intelligent Ultrasound. Subject to completion of that review, Surgical Science envisages that efficiencies gained from Intelligent Ultrasound transitioning to a private company, enhanced alignment of corporate costs and a review of resource requirements are expected to result in annual cost savings of GBP 1.5 - 2.0 million (SEK 20.9 - 27.8 million³).

For the combined income statements, concerning the financial year of 2023 as well as the first half of 2024, please see the Appendix, which is an integrated part of this press release.

Conference call

Surgical Science will host a conference call and presentation regarding the Intelligent Ultrasound Acquisition. The presentation will be held in English.

Time: Thursday, December 19 at 14:00 p.m. CET / 13:00 p.m. GMT

If you wish to participate via webcast, please use the link below.
<https://surgical-science-sweden.events.inderes.com/press-conference-2024>

If you wish to participate via teleconference, please register on the link below. After registration you will be provided phone numbers and a conference ID to access the conference. You can ask questions verbally via the teleconference.
<https://conference.financialhearings.com/teleconference/?id=5005814>

³ GBP/SEK = 13.9246 as of 18 December 2024.

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Participants from Surgical Science are:
Tom Englund, CEO
Anna Ahlberg, CFO

This summary should be read in conjunction with, and is subject to, the full text of the full announcement which has been issued by Surgical Science through the UK's Regulatory News Service (RNS) under Rule 2.7 of the UK's City Code on Takeovers and Mergers, together with the appendices to the full announcement (the "2.7 Announcement"). Capitalised terms used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them in the 2.7 Announcement. A copy of the 2.7 Announcement will be available on Surgical Science's website, subject to certain restrictions relating to persons resident in certain restricted jurisdictions, by no later than 12:00 GMT on the business day following this announcement.

Surgical Science has appointed Pareto Securities AB as Financial Advisor and Strand Hanson Limited as UK Financial Advisor for the Intelligent Ultrasound Acquisition (jointly "**Joint Financial Advisors**"). Baker McKenzie LLP is acting as legal adviser to Surgical Science, and PwC acts as due diligence adviser to Surgical Science in connection with the Intelligent Ultrasound Acquisition.

Gothenburg, Sweden, December 19, 2024

Surgical Science Sweden AB (publ)
The Board of Directors

The press release, in its entirety, is available through the attachment or via:
<https://surgicalscience.com/investor-relations/#press-releases>

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About Surgical Science Sweden AB (publ)

One of the biggest challenges within healthcare globally is reducing injuries incurred during care. Medical education and training are key, especially as a large part of the training can now be performed outside the operating room. Surgical Science is a world leader in the development of virtual reality simulators for evidence-based training. The simulators enable surgeons and other medical specialists to train and improve their psycho-motor skills and instrument handling before entering the clinical environment. Alongside its own products, Surgical Science works with simulation solutions for medical device companies that develop instruments for clinical use, such as robotic surgery.

Surgical Science has approximately 270 employees. The company is headquartered in Gothenburg, Sweden and also has operations in Tel Aviv, Israel, as well as in Stockholm, Sweden and in Seattle and Cleveland, US. Through sales offices in the US and China as well as a global network of distributors, Surgical Science maintains a presence in most markets. Shares in Surgical Science Sweden AB (publ) are traded on Nasdaq First North Growth Market. Certified Adviser is Carnegie Investment Bank AB (publ).

This information is information that Surgical Science Sweden AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 2024-12-19 08:02 CET.

Appendix
Financial overview - FY 2023 and H1 2024

<i>(SEK, thousands)</i>	Surgical Science		Intelligent Ultrasound¹		Combined	
	H1 2024	FY 2023	H1 2024	FY 2023	H1 2024	FY 2023
Revenues	400,709	882,853	60,455	132,005	461,164	1,014,858
Education	189,175	518,433	60,455	132,005	249,630	650,438
Industry	211,534	364,420	0	0	211,534	364,420
Gross profit	266,809	612,879	34,418	78,659	301,227	691,538
<i>Gross Margin</i>	<i>66.6%</i>	<i>69.4%</i>	<i>56.9%</i>	<i>59.6%</i>	<i>65.3%</i>	<i>68.1%</i>
OPEX	-207,403	-423,727	-51,343	-102,482	-258,746	-526,209
EBITDA	88,700	244,800	-5,765	-5,385	82,935	239,415
<i>EBITDA margin</i>	<i>22.1%</i>	<i>27.7%</i>	<i>-9.5%</i>	<i>-4.1%</i>	<i>18.0%</i>	<i>23.6%</i>
EBIT	59,406	189,152	-16,925	-23,822	42,481	165,330
<i>EBIT margin</i>	<i>14.8%</i>	<i>21.4%</i>	<i>-28.0%</i>	<i>-18.0%</i>	<i>9.2%</i>	<i>16.3%</i>

Note: These pro-forma financials do not include any potential synergies or cost savings. (1) Intelligent Ultrasound figures derive from H1 2024 report. Figures represent continued operations (Simulation business + NeedleTrainer). Actual figures might marginally differ due to allocation of costs of the divested Clinical AI business and the simulation business. 2023; GBP/SEK=13.1979. For H1 2024; GBP/SEK=13.3271.