

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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Subject Company: Wright Medical Group, Inc.  
Commission File No.: 001-35823

Cautionary Note Regarding Forward-Looking Statements

2

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](http://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](http://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

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**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

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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

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A CLOSER LOOK AT KEY INITIATIVES

Strong Pipeline of New Product Introductions

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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

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Advancing Toward Our Goals

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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

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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