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Ergoresearch Ltd. (TSX-V: ERG)

Corporate Presentation

May 2013



Disclaimer

Forward-looking statements

Certain statements in this Presentation contain forward-looking statements and information that may entail certain risks related to uncertainties. Such statements are based on management's expectations and no assurance can be given that potential future results or circumstances described in the forward looking statements will be achieved or will occur. Such risks factors include, but are not limited to, those related to the Corporation's ability to finance its activities, competition, ability to negotiate and maintain partnerships, the market acceptance of the said product, fluctuations in operating results, the impact of general economics, industry and market conditions, the ability to recruit and retain qualified employees, the success of research and development programs, fluctuations in cash flow, expectations regarding market demand for particular products, the strength of intellectual property, market dependence on new product development, the trust invested in sub-contractors or their core personnel, as well as other documents containing risks and uncertainties which are put forth every now and then by the firm to various Canadian securities and exchange commissions and made available at www.sedar.com.

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Executive Summary

Ergoresearch Ltd. (“Ergoresearch” or the “Company”) is a technology company manufacturing and developing intelligent orthotics, medical devices and software for the musculoskeletal system in the orthopedic industry.

Key Highlights

- Profitable (over 25 consecutive quarters) with annual sales exceeding \$9.1M (~\$17M on run-rate basis)
- Trailing 12-Month EBITDA of \$1.6M (~\$2.3M on run-rate basis)
- A business evolving in a field that is in full effervescence due to aging populations, related joint problems and high incidence of diabetes and obesity
- A non-invasive category 1 product offering that decreases patients’ reliance on pain medication providing strong plus values and a superior effect on pain reduction
- Strong profit margins due to patented technology and the Corporation’s vertical integration strategy
- A highly fragmented market with a vast potential for consolidation, and comprised of several regional orthopedic laboratories with traditional and artisan methods of manufacture
- Actively executing on roll-up strategy: 3 acquisitions consummated within last 6 months



Market Data

In millions except per share data

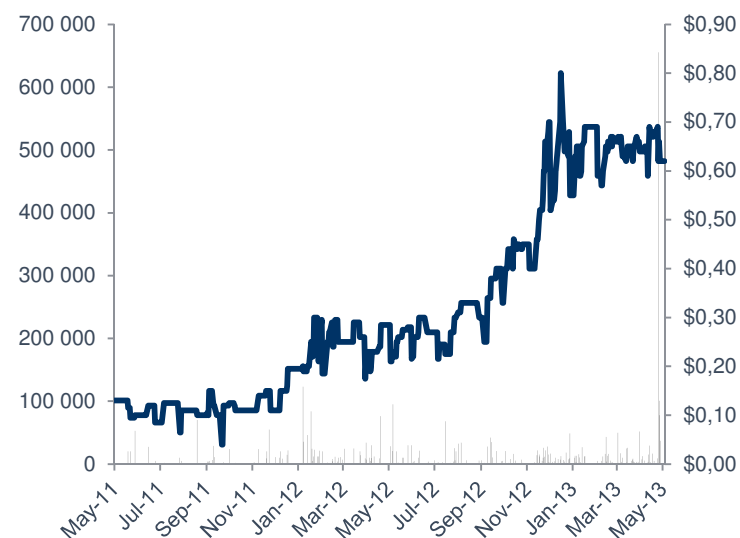
Ergoresearch

Shares Outstanding	69.9
Options (\$0.14 avg. price)	2.3
Shares Outstanding (f.d.)	72.2
Recent Price (C\$) (May 15, 2013)	\$0.62
Market Capitalization (C\$)	\$43.3
Net Cash (C\$)	\$0.9
Enterprise Value (C\$)	\$42.4

Significant Shareholders

Proteor SA	23.1%
Danielle Boucher	21.2%
Sylvain Boucher	21.2%

ERG 2-Year Share Price History



Source: Thomson ONE



Experienced Management Team & Board of Directors

Management

Sylvain Boucher	<i>Chief Executive Officer, President and Director</i>
Monique Lauzon,	<i>Vice President Finance</i>
Frederic Petit	<i>Vice President Operation</i>
Louis Desrosiers,	<i>Vice President R&D</i>
Philippe Rondeau	<i>Sales and development</i>

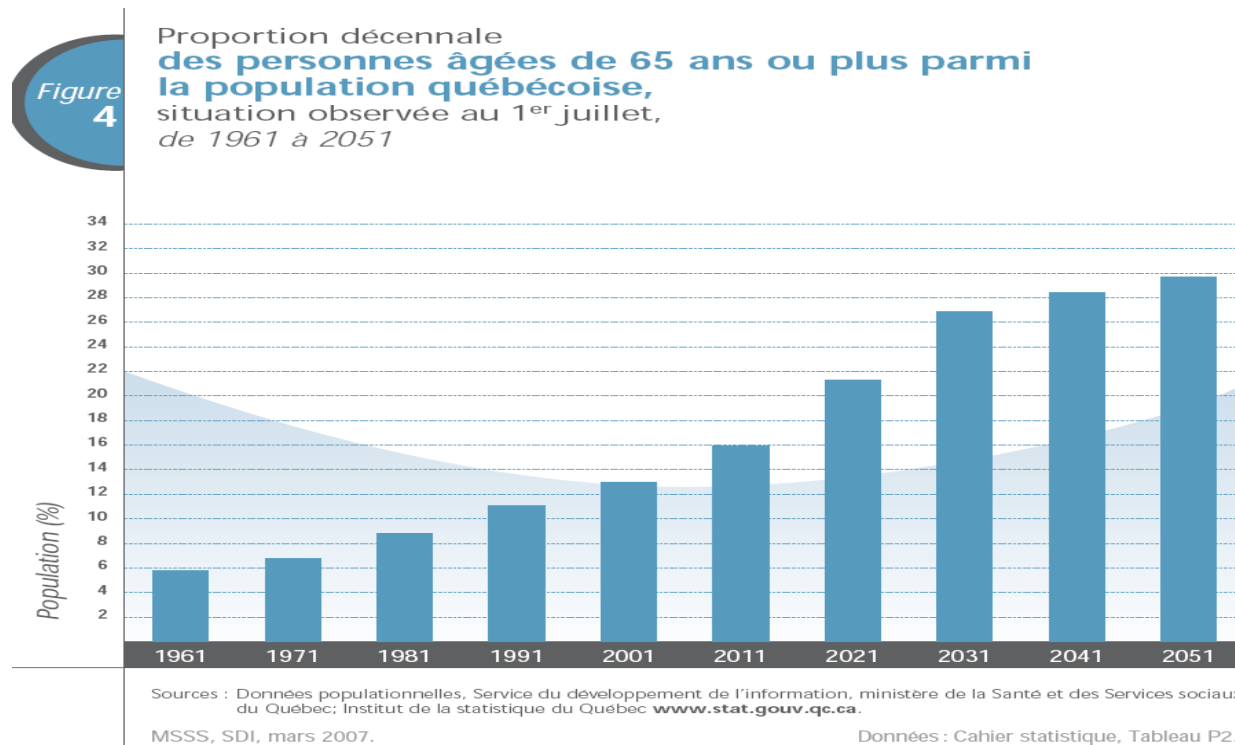
Board of Directors

Michel Pierron	<i>Director and President of Audit Committee</i>
François Tellier	<i>Director</i>
Catherine Chamouton	<i>Director</i>
Gilles Laporte	<i>Director</i>

Canadian Demographics

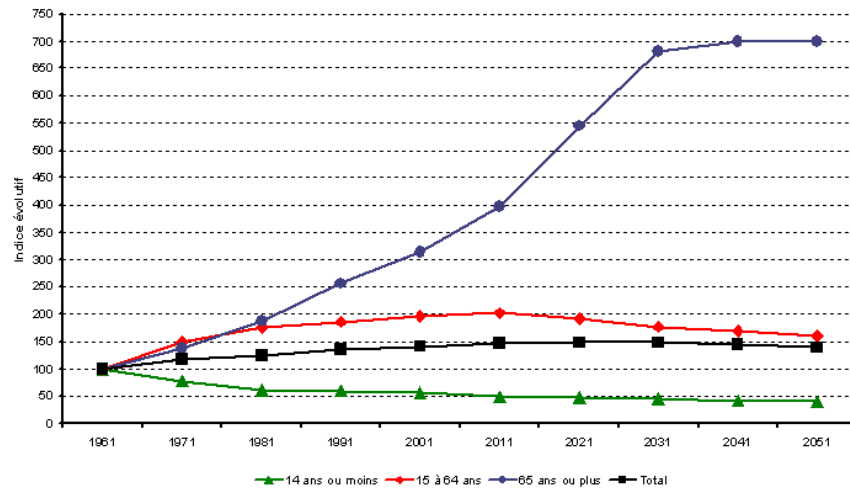
“Le marché orthopédique sera propulsé par le vieillissement de la population, le diabète et l’obésité.”

- E. Bitton

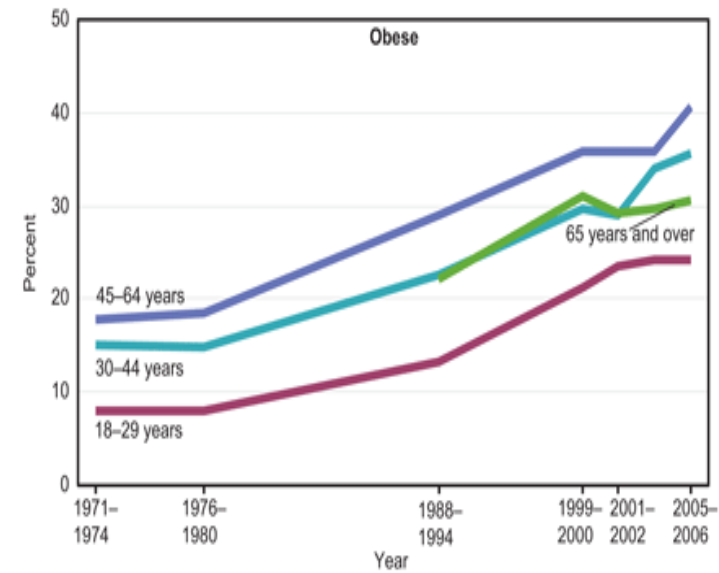


Canadian Demographics

Évolution de la population du Québec, selon certains groupes d'âge, de 1961 à 2051

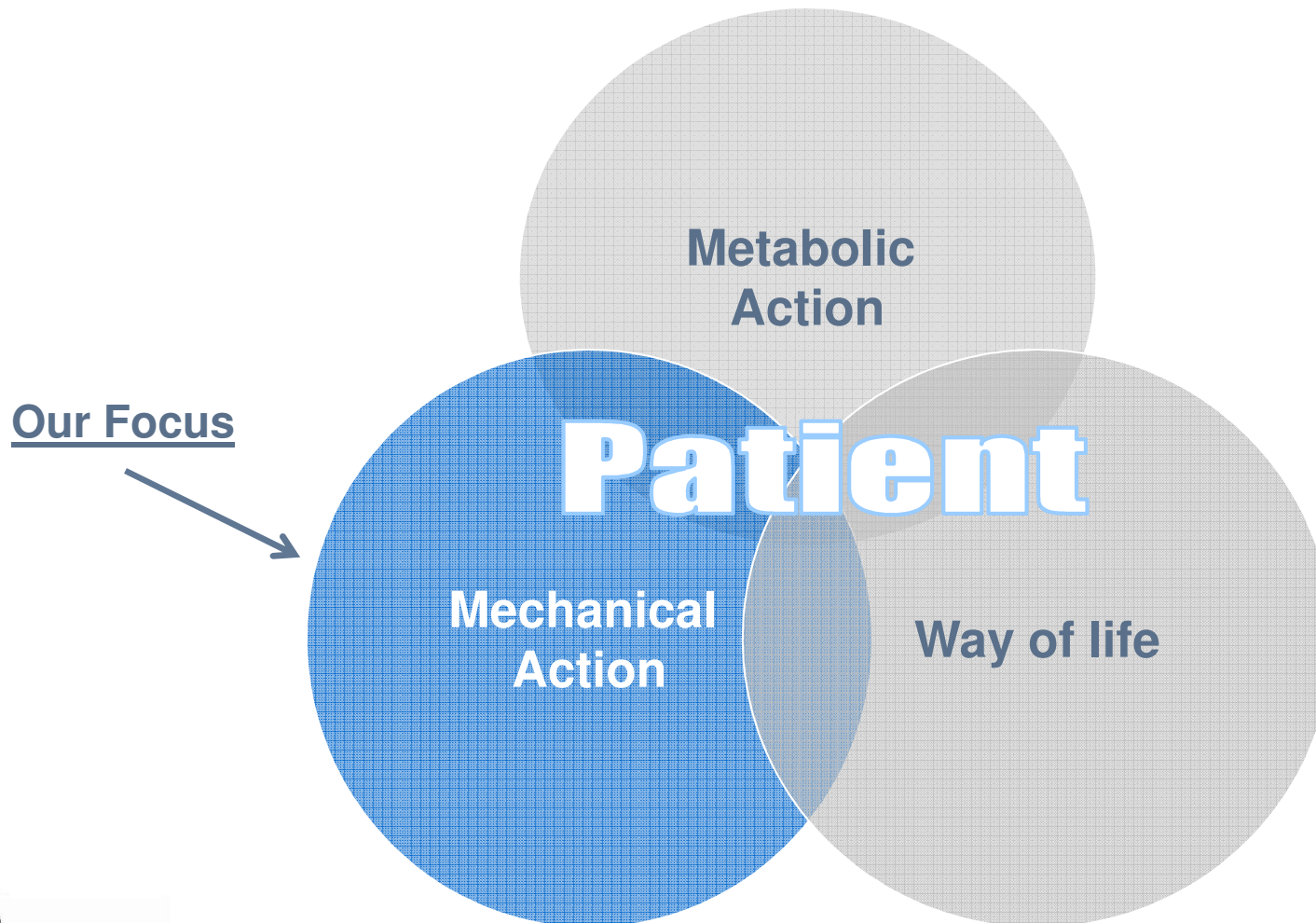


MSSS, SDI, septembre 2000.

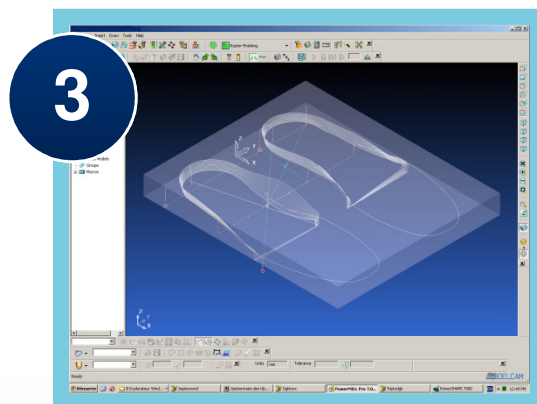
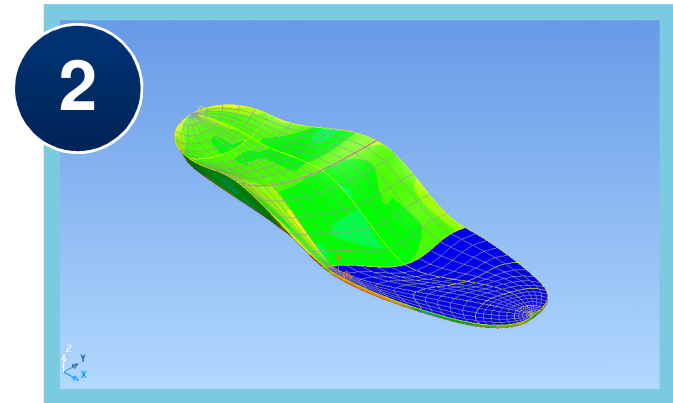
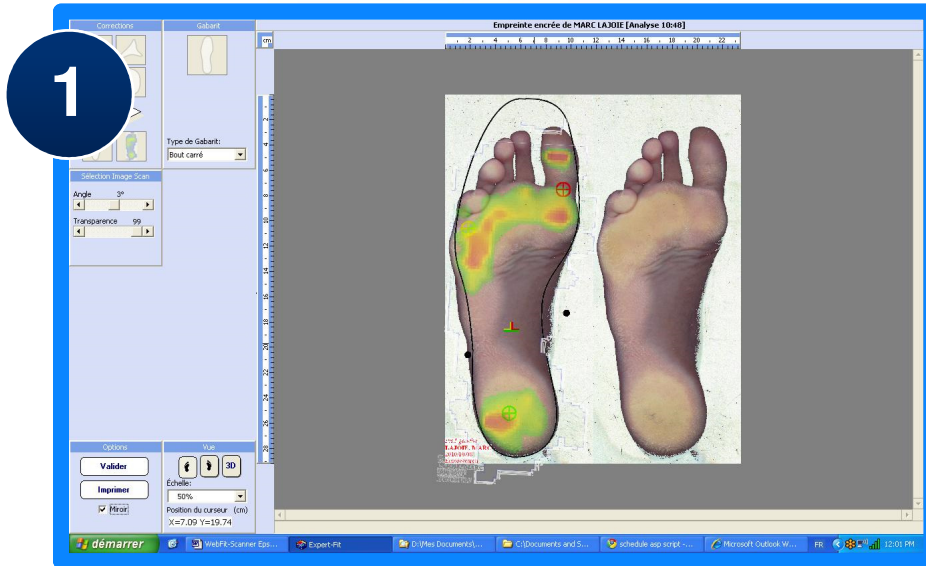


Our market is driven by an aging population and an increased prevalence of diabetes and obesity

Treatment Options

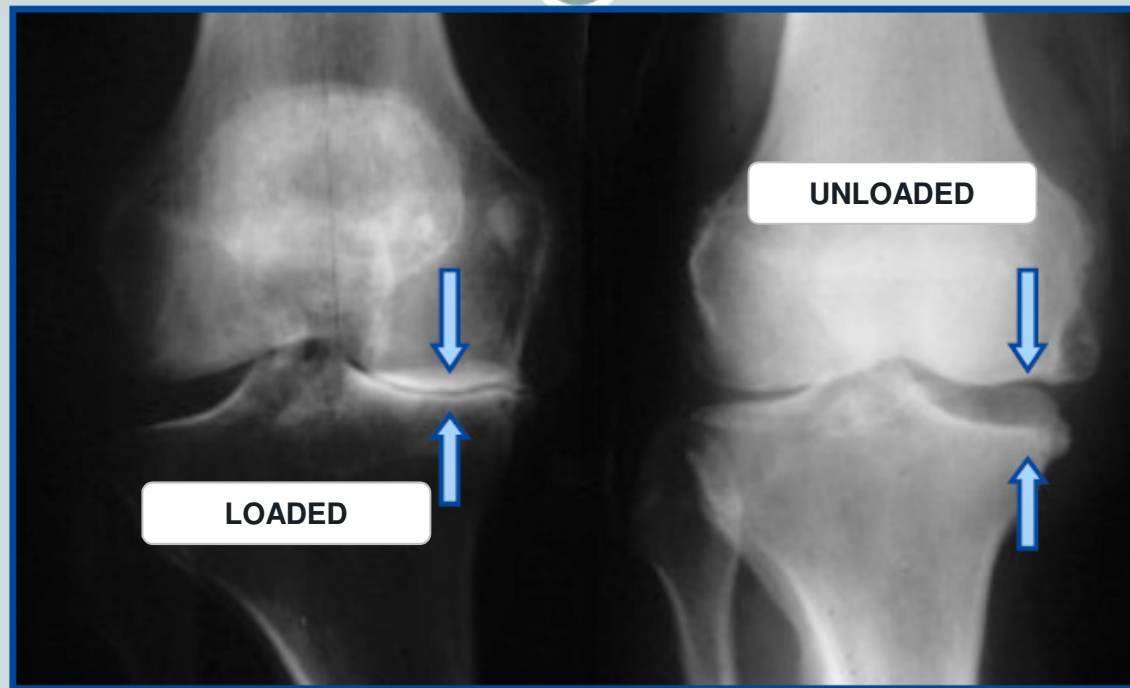


Products: Expert-Fit Foot Orthotics

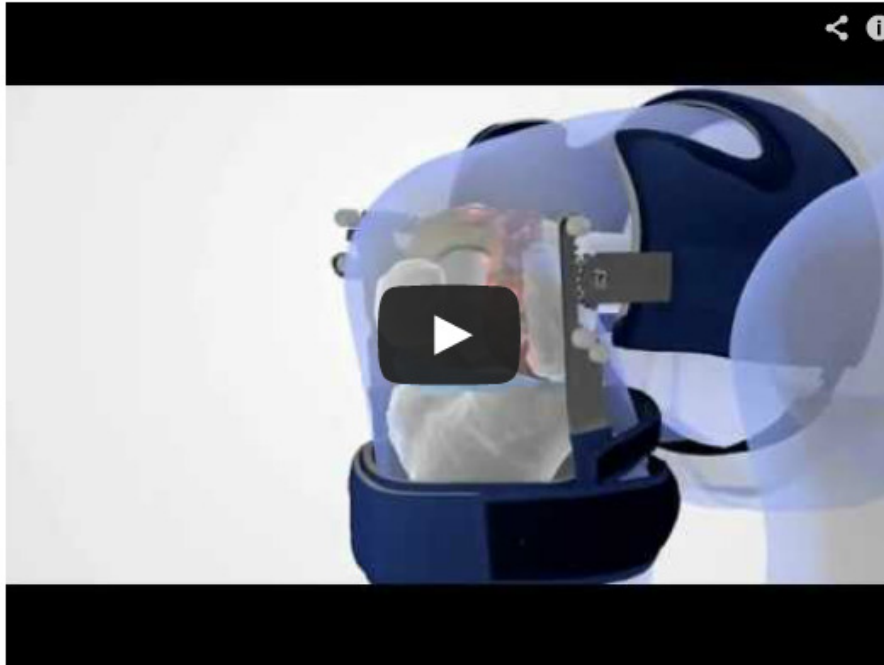


Major Healthcare Issue: Knee Osteoarthritis

Évaluation Radiologique



Products: OdrA Knee Brace



<http://odra.ca/en/>



Exclusive lifetime license for Canadian market

Ingenuity Drives Efficiencies

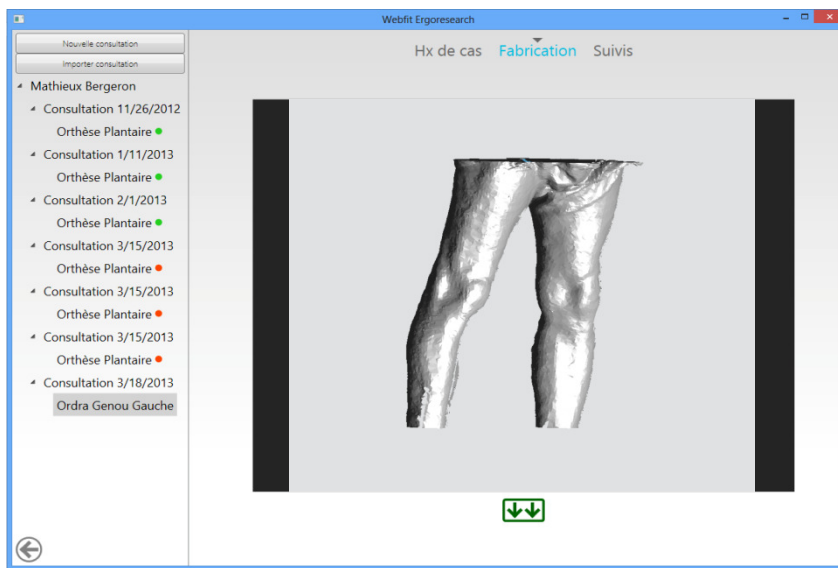


Image capture using Kinect



Mold after machining

Extensive Network of Clinics Across Quebec



Network of over 70 clinics located across Quebec

Our Clinics – (*Clinique du pied Equilibre*)



Clinique du pied
ÉQUILIBRE

**LE PLUS GRAND RÉSEAU
D'ORTHÉSISTES AU QUÉBEC.**
1 877 785-7433

Évaluation gratuite
» CLIQUEZ ICI «

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**TROUVEZ
LA CLINIQUE DU
PIED ÉQUILIBRE
LA PLUS PRÈS
DE CHEZ VOUS!**

ALLEZ!





Maux de pieds, de genoux ou de dos?
**FAITES CONFIANCE AU
PLUS GRAND RÉSEAU
D'ORTHÉSISTES
AU QUÉBEC**

VOUS SOUFFREZ?
NOS ORTHÈSES
PEUVENT VOUS AIDER.

[EN SAVOIR PLUS](#)



**ARTHROSE
DU GENOU?**
VOICI UNE NOUVELLE
ORTHÈSE
RÉVOLUTIONNAIRE.

[EN SAVOIR PLUS](#)



**LA CLINIQUE
DU PIED ÉQUILIBRE
A CHANGÉ MA VIE!**

*Marcel Bouchard
porte-parole*



PRENEZ RENDEZ-VOUS

NOUVELLES

TÉMOIGNAGES

Our Clinics – (Langelier)

Devenez fan de Langelier sur Facebook  J'aime 183

Langelier
ORTHÈSES • CHAUSSURES

Inscription Info-pied | Expérience client | Visiter le blogue

PRENDRE RENDEZ-VOUS

ACCUEIL | NOS SPÉCIALISTES | IDENTIFICATION DU PROBLÈME | PRODUITS ET SOLUTIONS | CONSEILS ET PRÉVENTION | NOUS JOINDRE

ON VOUS REMET SUR PIED



Derniers articles du blogue

- **Quelle est la différence entre un orthésiste / prothésiste et un podiatre??**
25 avril 2013
- **Arthrite? Arthrose?**
18 mars 2013
- **L'épicondylite (tennis elbow)**
19 février 2013

[VISITER LE BLOGUE](#)



EN SAVOIR +

À VOS PIEDS DEPUIS 45 ANS

Langelier est une entreprise familiale qui a pour mission d'améliorer la condition physique de ses clients à l'aide de son expertise et de sa technologie.

Notre site vise à vous faire découvrir les nombreuses possibilités permettant à votre corps d'être en équilibre.

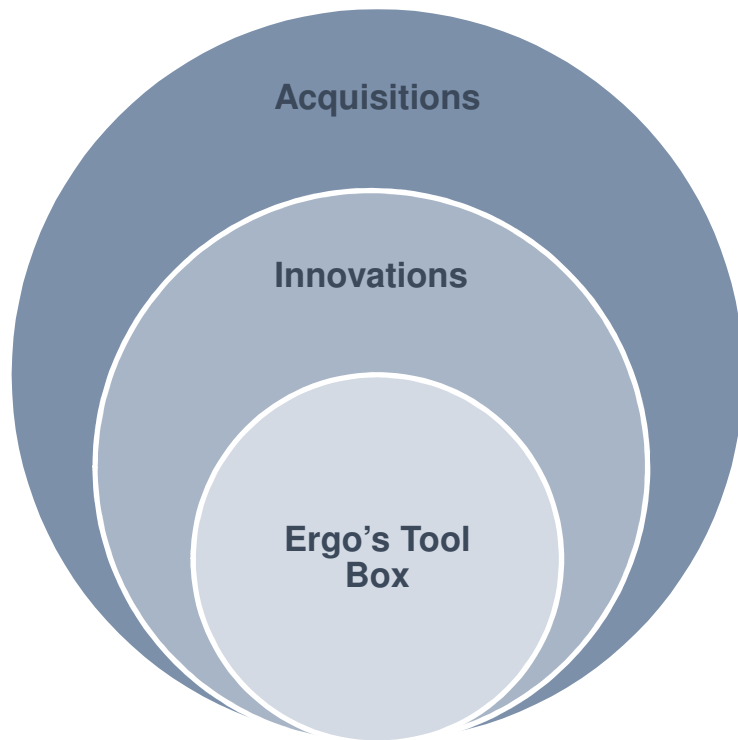
PRODUITS ET SOLUTIONS



Dernières nouvelles

- **Nouvel emplacement**
01 avril 2013
Afin de mieux vous servir, la clinique Langelier de Montréal a déménagé au RDC.
RDV au 10 652, rue Lajeunesse pour retrouver l'ensemble de nos services !
Au plaisir de vous voir !
- **Mal aux genoux?**
08 mars 2013
La toute nouvelle orthèse de genou OdrA qui soulage les douleurs liées à l'arthrose est enfin disponible chez Langelier. [odra.ca](#)

Growth Strategy



Acquisitions to complement and supplement organic growth

Acquisitions

- 40 – 50 potential targets in Canada
- Executing roll-up strategy
 - Podotech – *October 2012*
 - Laboratoire Langelier – *January 2013*
 - Victhom (TSX-V: VHB) – *April 2013*

Innovation

- New products under patent
- Evidence based medicine
- Licencing – OdrA



Consolidation Opportunity

Ergoresearch is seeking to capitalize on its competitive advantage through organic growth and the consolidation of the highly-fragmented custom orthotics industry

Management intends to use its proprietary software applications and technologies to improve overall operations (foot orthotics and distraction brace)

The foot orthotics market is a growing market; the knee osteoarthritis market is estimated at \$3 billion in Canada alone

Ergoresearch is actively executing on its roll-up strategy



Targeted Acquisition Strategy

Additional revenue through the operation of the business concept developed by Ergoresearch:

- Common Canadian banner
- Efficient training program; addition of knee osteo-arthritis arsenal
- Efficient internal and external marketing
- Exclusive / PATENTED products

Clinicians focus on clinical evaluations and advising patients with a centralized manufacturing process

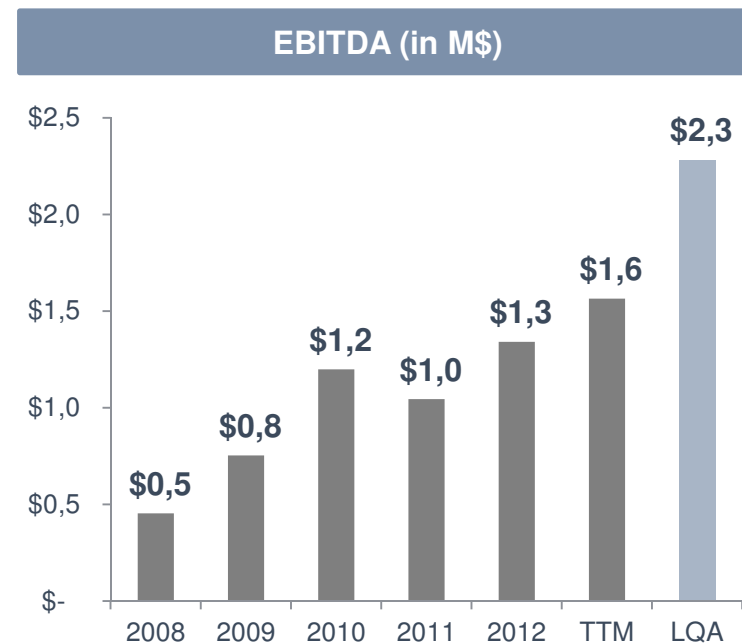
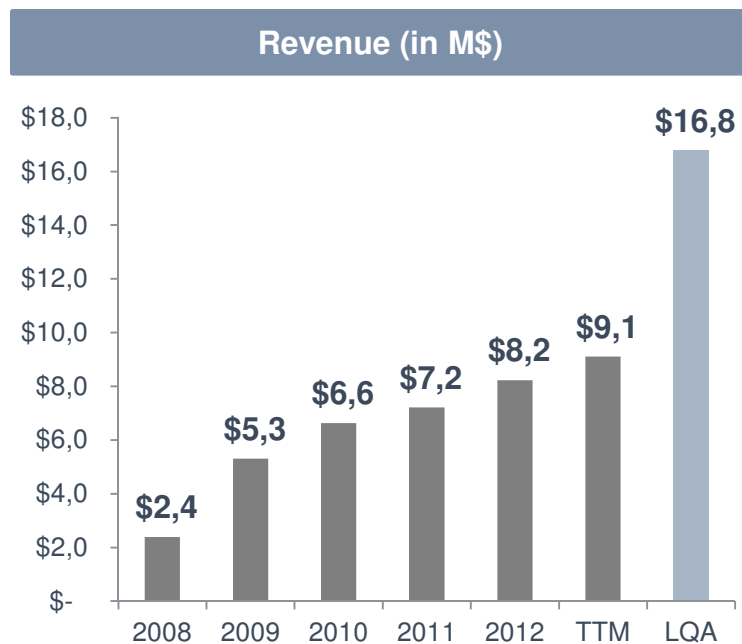
Use and integration of cutting edge technology

Increased margins:

- Productivity gain in clinical operations
- Decreasing losses by eliminating numerous remakes and adjustments
- Decrease in production costs
- Exclusive Canadian rights on the distraction knee brace



Strong Financial Track Record



Note: LQA represents Q2/2013 annualized and includes Laboratoire Langelier proforma

Ergoresearch has generated positive EBITDA and free cash flow since 2006



Acquisition Experience – Significant Advantage



Limited growth when acquired in 2005

- Sales of \$590k and profit of \$120k in 2006
- Sales of \$3.6M in 2012



Declining sales and earnings when purchased in 2008

- Sales of \$3.6M and a loss of (\$200k) in 2008
- Sales of \$4.5M in 2012

Ergoresearch has a higher margin relative to its competitors due in part to its manufacturing process, vertical integration strategy and innovative patented products.



Acquisition Experience – Significant Advantage



Acquired Podotech in Nov. 2012

- Sales of \$400k in 2012
- Purchase price of \$330k



Acquisition announced in Nov. 2012
(closed in Jan. 2013)

- Sales of \$6.3M in 2012
- Purchase price of \$4.6M

Ergoresearch has a higher margin relative to its competitors due in part to its manufacturing process, vertical integration strategy and innovative patented products.

Laboratoire Langelier

Acquired Laboratoire Langelier in January 2013

Laboratoire Langelier is primarily located on the Montreal South shore; family business of 40 years and #2 in foot orthotics in Quebec behind Ergoresearch

- 7 clinics; 1 recently opened in August 2012 near the Montreal Canadiens' training center in Brossard
- Over 40 satellite offices
- 1 franchisee

Fiscal 2012 financial data:

- Revenues of \$6.5M
- 70% in foot orthotics
- Adjusted EBITDA of ~\$550k



Laboratoire Langelier

Purchase Price		Financing	
Share purchase	\$3.8	Senior debt	\$3.2
Assumed debt	\$0.8	Assumed debt	\$0.8
Transaction fees	\$0.2	Promissory note	\$0.6
		Working capital	\$0.6
Total	\$4.8	Total	\$4.8

The purchase price was established based on active patient files (over 94k) and revenues

GAME PLAN :

- 1 – Administrative synergies: **Estimated to be at \$300k per year (~\$150k achieved to date)**
- 2 – New retail channel for Ergoresarch: **Launch of Odra at Langelier (April 2013)**
- 3 – Marketing synergies: **Product base marketing**



Victhom Human Bionics (TSX-V: VHB)

Acquired Victhom in April 2013

Victhom owns patents in the field of orthotics and prosthetics ("O&P"), including intellectual property used in the POWER KNEE, the world's first and only motor-powered prosthesis for above-knee amputees, a product distributed under license agreement by Ossur, a global leader in the O&P market.

Purchase price - \$4.2M

- Working capital delivered on closing: \$1.4M (cash on hand)

Reasons we like VHB:

- World renown biomechanics laboratory with a patents portfolio in human bionics
- Royalty stream based on existing product, worldwide licence agreement with OSSUR and third party reimbursement in the pipeline



Victhom Human Bionics (TSX-V: VHB)

POWER KNEE™



<http://usatoday30.usatoday.com/life/movies/news/story/2012-05-16/greg-gadson-battleship/55030538/1>

Key Takeaways from Power Knee Licensing Agreement

- Revenue stream from license with OSSUR
 - 12.5% of sales
- Current market
 - 5000 units sold in the US per year
 - Market in the US : \$200M
- Exclusive licence to OSSUR.
 - Existing distribution centers (accredited centers in the US)
- MILESTONE : September 2012 CMS awarded Medicare reimbursement code for the Power Knee

Investment Highlights

- ✓ **Strong Financial Track Record**
- ✓ **Patented Technologies**
- ✓ **Significant Cost Advantage**
- ✓ **Experienced Management Team**
- ✓ **Exciting and Growing Niche Market**
- ✓ **Targeted Acquisition Strategy**

Thanks !

Sylvain Boucher

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www.orthoconcept.com

www.OdrA.ca

