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Ergoresearch Ltd. (TSX-V: ERG)

Corporate Presentation



ERGORESEARCH



Disclaimer

Forward-looking statements

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Investment Highlights

➤ #1 Integrated Orthotic / Orthopedic Retailer

- Integrated orthopedic solutions and products with over 63 locations across Québec
- #1 retailer in the Québec market with 20% market share⁽¹⁾

➤ Favourable Industry Trends

- Aging population with related joint problems and a high incidence of diabetes and obesity
- Largest segment of the population (Baby Boomers) will experience osteoarthritis ('OA'), with 50% of the 65+ population suffering from OA

➤ Robust Financial Performance & Growth

- Strong margins due to patented technology and the Corporation's vertical integration strategy
- No cash income taxes to be paid in the foreseeable future given large tax assets

➤ Highly Fragmented Market Ripe for Consolidation

- Comprised of several regional orthopedic laboratories with traditional and artisan manufacturing methods
- Actively executing on roll-up strategy:

➤ Strong and Experienced Management Team

- CEO responsible for ramping up Iris eye care clinics to 165 clinics

Company Overview

- Ergoresearch Ltd. (“Ergoresearch” or the “Company”) manufactures, markets, distributes, sells, and develops intelligent orthotics, medical devices and software in the orthopedic industry
- The Company has the #1 orthotics network in Québec, with over 63 clinics and satellite centres flying under the banners of Equilibre
- Leading manufacturer of “intelligent” foot orthotics and specialty orthotics distributed through the Company’s network of owned and affiliated clinics
 - Trend-setter in creating durable medical equipment and software for the orthopedics market
 - Through Victhom Human Bionics, the Company also owns patents in the field of bionics including intellectual property for the Power Knee, the world’s only motor-powered prosthesis for above-knee amputees which could provide upside over time
- The Company trades on TSX-V under the symbol “ERG” with a current market capitalization of \$20 million and a TEV of \$12 million

Significant Shareholders	
Proteor SA	22,3%
Sylvain Boucher	21,1%
Danielle Boucher (sister)	3.1%

Experienced Management Team & Board of Directors

Management

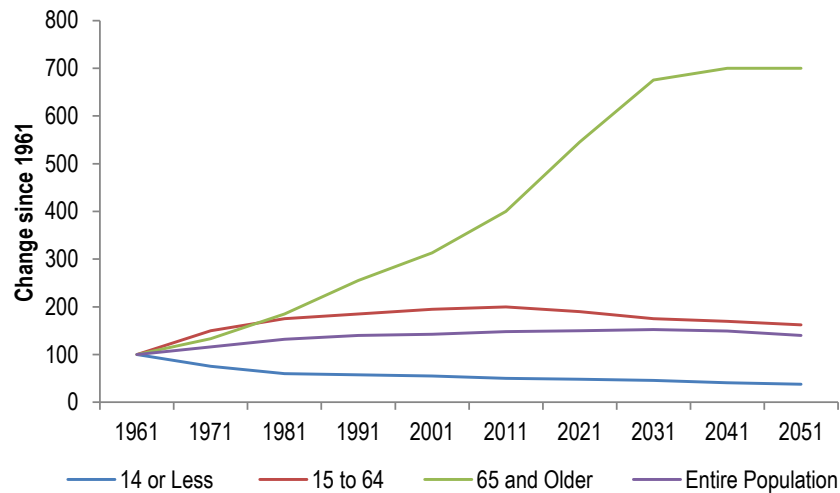
Sylvain Boucher	Chief Executive Officer, President and Director
Dominique Boudreau	Vice President Finance
Benoit De Villiers	Executive Vice President
Louis Desrosiers	Vice President R&D

Board of Directors

Michel Pierron	Director and President of Audit Committee
François Tellier	Director
Catherine Chamouton	Director
Sylvain Boucher	Chief Executive Officer, President and Director
Danielle Boucher	Director and Clinical Lab Director

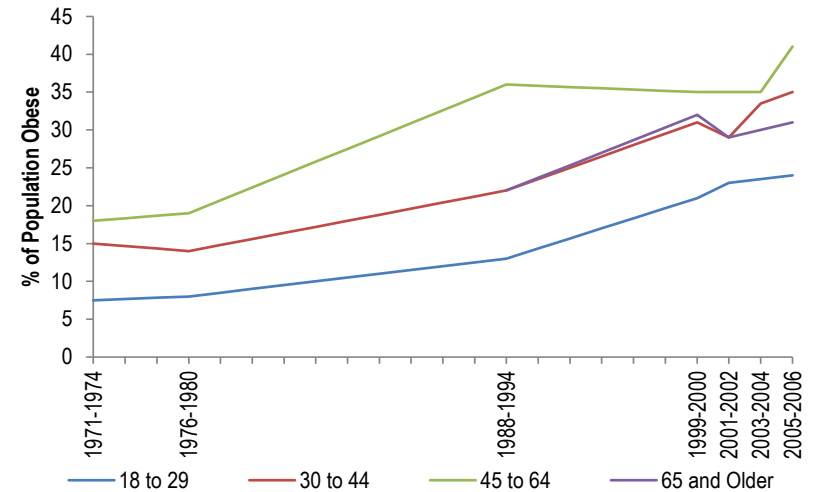
Favourable Industry Demographics

Historical and Forecasted Population Distribution



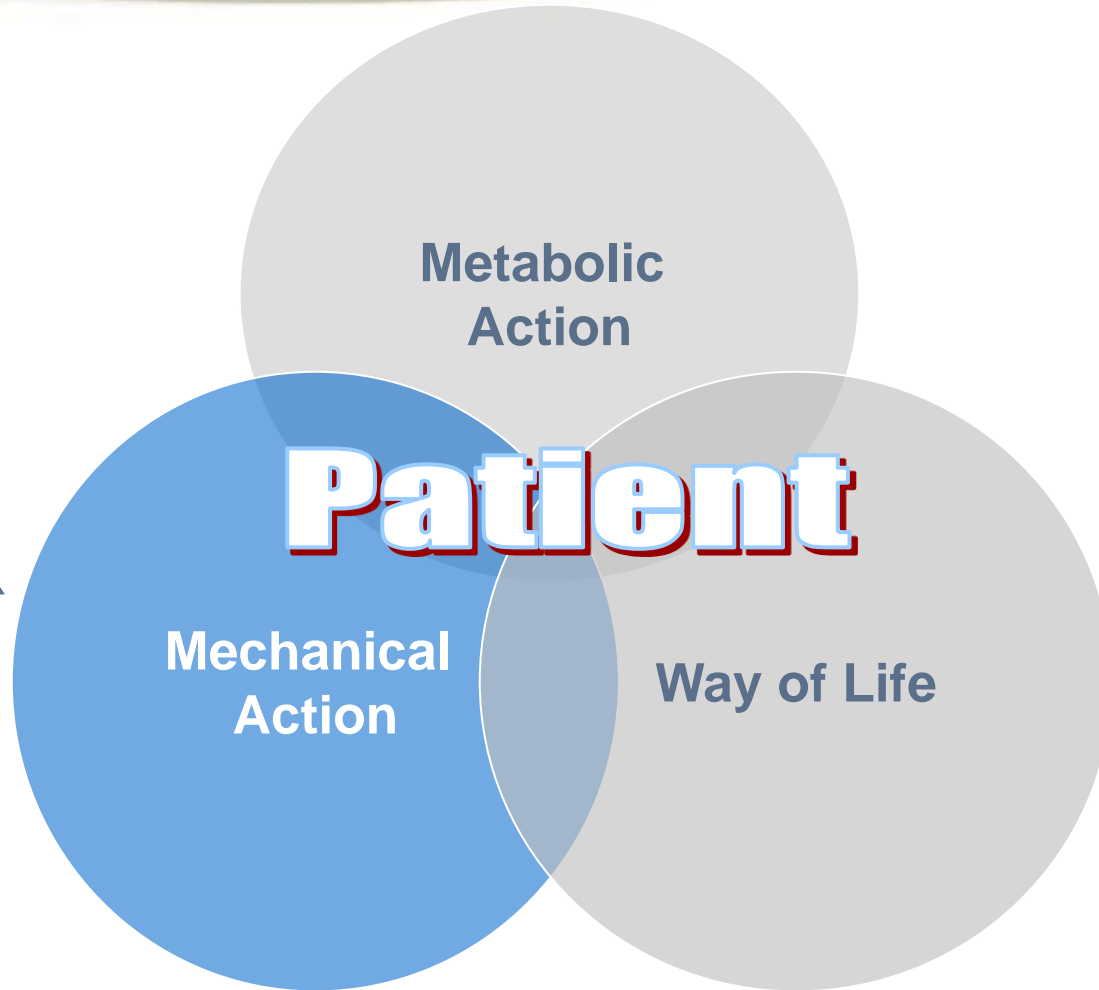
Source: MSSS, SDI

Historical Obesity Trending



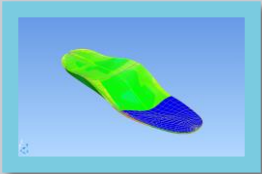

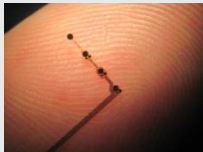
Market driven by an aging population and an increased prevalence of diabetes and obesity

Our Focus



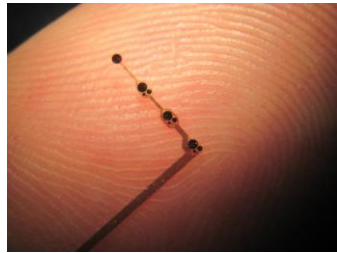
- Biomechanical-type products (class 1), non-invasive and non-toxic

Proprietary Product Overview

Product		Target	Royalty	Wholesale Price	Retail Price
Custom Made Medical Orthotic		Foot, knee, hip and lower back ailments	IP Ergo/ Licence Ergo France	95\$ - 125\$	380\$-600\$
OdrA		Medial knee osteoarthritis	IP (Japan) Exclusive Canadian licence	1,750\$	2,450\$
Power Knee		Above the knee amputees	IP Ergo/ licence Ossur	32,000\$ - 37,500\$	60,000\$ - 72,500\$
Neuro-stimulation		<ul style="list-style-type: none"> • Sleep apnea • Drop foot 	IP Ergo/ licence OttoBock	In process	In process

Business Overview

Summary



- Power Knee (Ossur)
- Sleep apnea

Royalties

Manufacturing

- Custom made
- Orthotics and braces

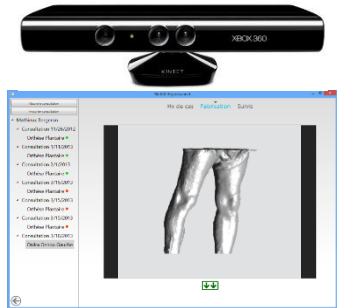
R&D

Clinics

- Knee centers
- Orthopedic labs
- apnea centers

- Medical devices

- 63 clinics



Products: Expert-Fit Foot Orthotics

Disruptive Orthotic Technology

- **Expert-Fit™** software → Has transformed the industry
 - First robotized orthotic manufacturing software (proprietary to the Company)
- Dramatically reduces turnaround times
 - Lower barriers to expansion by reducing number of orthopedists needed
 - Orthopedists used to spend 50% of time crafting soles
 - Now 100% dedicated to client evaluations

Before →



Now →



Products: 3D scanning device

Ingenuity driving orthopedics

- Dramatically reduces turnaround times
- Easy to use, Eco-friendly
- More accurate than traditional cast-making methods
- Non-invasive, 100% safe, eco-friendly
- Cost effective

BEFORE



AFTER



Products: OdrA Knee Brace

Game Changing Knee Brace

- Specially designed to relieve knee OA, the OdrA orthotic knee device is the first to feature a Distraction + Rotation mechanism
 - Ergo has exclusive, lifetime license for Canada
 - Complementary to product offering of orthotics clinics
- Clinically proven superior pain reduction
- Knee osteoarthritis is a \$3b market in Canada
 - Affects 300k people in Quebec, 3m in Canada
 - No cure, brace as alternative to expensive surgery
- Expanded in Ontario in 2016
- Looking to expand into U.S. by 2017
- Additional upside for third party distributors



Exclusive lifetime license for the Canadian market, estimated at \$3 billion

Products: Power Knee

Strong Royalty Stream Potential

POWER KNEE™



Power Knee

- The world's **only** motor-powered prosthesis with artificial intelligence designed for above-knee amputees
- Exclusive worldwide licence to OSSUR
 - OSSUR is the #2 global player in the orthotics – prostheses market with over \$400M in Sales and \$900M in Market Cap
 - The Company receives a royalty
 - Over 40 existing certified centers (accredited centers in the US) up from 12 a year ago
- MILESTONE : September 2012 CMS awarded Medicaid reimbursement code for the Power Knee
 - July 01 2013 : effective date (price list published)

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

Products: Power Knee

Market Opportunity

- Addressable market in US estimated at ~US\$60 – 80M
 - Global prosthetics market of ~US\$950M
 - US market of ~US\$200M
 - Above knee prosthetics estimated at 30% – 40% of US market
 - Ossur reports LTM sales of US\$25m for Bionics (as of Q3/13)
 - Power Knee is significant growth contributor
 - YoY growth in Bionics of 8 – 10% for LTM 2013 period
 - No superior competing products for above knee amputees
 - Approved for reimbursement under Medicaid as of early 2013
 - Should help accelerate sales growth in U.S.
- *“A very important milestone [US Medicaid reimbursement] and confirms the acceptance of Bionic products as the next generation of prosthetics”*
Ossur

Products: Neurostimulation

Licensed Technology

- Technology based on the neurostimulation platform developed by Victhom Human Bionics
 - Implantable medical device for recording and stimulation of peripheral nerves for treatment of obstructive sleep apnea
 - Detects sleep apnea and delivers therapy only when necessary
- Sleep apnea affects 18 million people in the US alone
- In 2014, Ergoresearch granted a license of their neurostimulation technology to a non-disclosed manufacturing company



LIBRE D'AVANCER

Keeping people active

Working closely with the medical profession and other healthcare professionals

- Orthopedic centers
- Sleep apnea centers
- Knee evaluation centers
- Multi-disciplinary clinic (POLYCLINIC Victhom)

Extensive Network of Clinics Across Québec

- The Company has 63 clinics across Québec flying under the banners Équilibre.
- The company also distributes its products to canadian licencees.
 - 15 larger size clinics in urban centers
 - 48 smaller size clinics in other regions



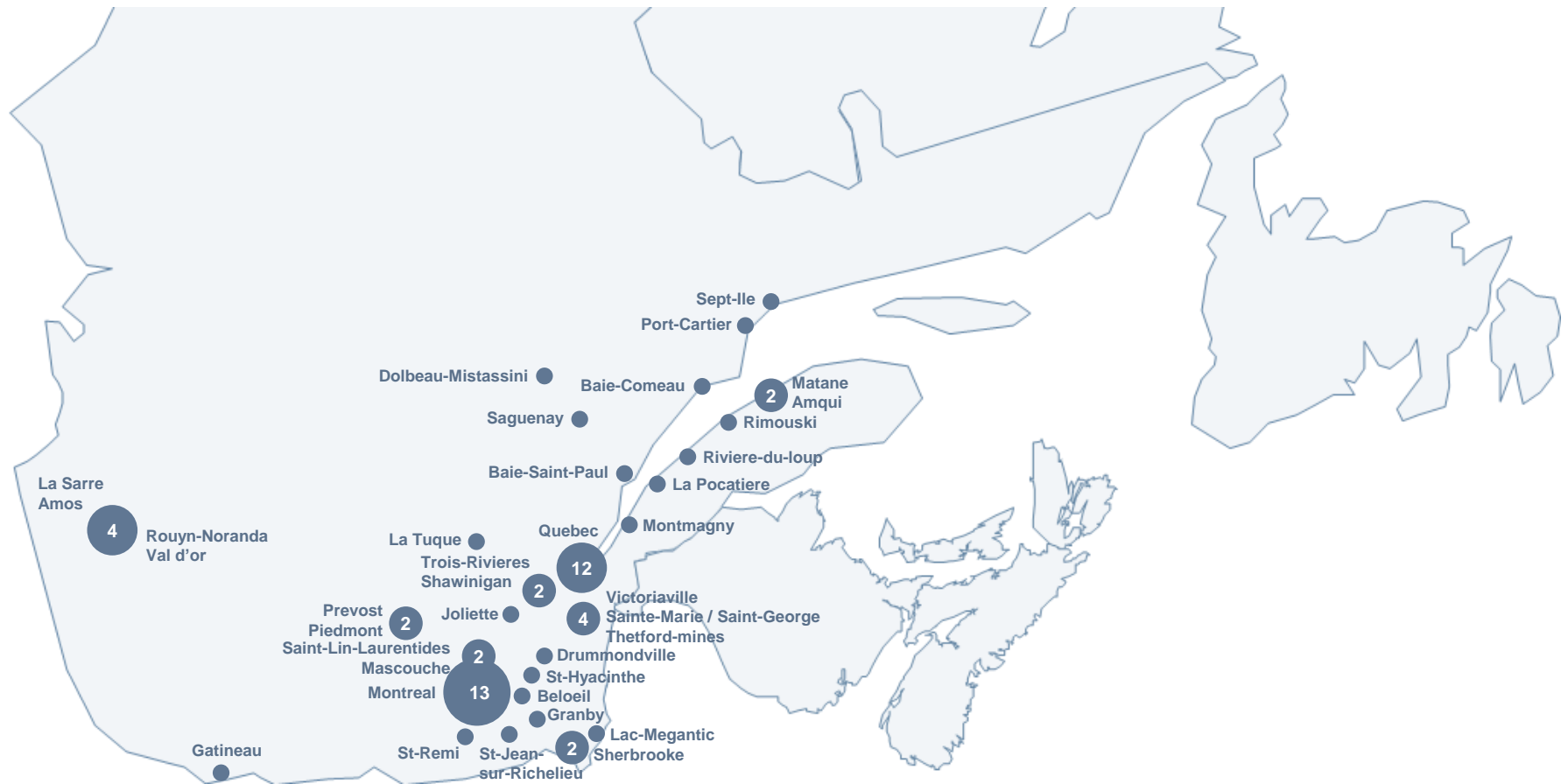
Broad network reaching across Québec

New Services Launched in 2017

- Sleep Apnea - Diagnostic, treatment, follow-up, CPAP and accessories sale.
- Available in 4 Quebec city area clinics: Ste-Foy, Saint-Nicholas, Lévis and Loretteville.
- Initial diagnostic to be offered free of charge.
- Respiratory therapists to join the team.



Substantial Footprint in the Province of Quebec



Growth Strategy: Next 3 Years

❶ Organic Growth Through Continued Innovation

- New products under patent (Distraction / rotation brace for OA and post surgery)
- Evidence based medicine – Patent application 2016
- Excluding Canadian distribution Licencing : OdrA – Custom made shoes –
- Deploy the "Equilibre" brand in a multidisciplinary and interdisciplinary concept through the opening or designation of the super-clinics in Quebec
- Continuing our investments in Research and Development (R&D)

❷ Royalty stream

- Power knee : U.S. market estimated at \$200M (bionic Devices)
 - ◆ *No superior competing product for above knee amputees*
 - ◆ *Approved for U.S. Medicaid reimbursement*
- Sleep apnea Technology (license sold in June 2014 to undisclosed international conglomerate)

❸ Acquisitions and partnership

- Highly-fragmented custom orthotics industry
 - ◆ *40 – 50 potential targets in Canada*
 - ◆ *The Company has a 5% market share of the Canadian orthotics market (valued at \$400m)*
- Proven ability to execute the roll-up strategy

Acquisitions to complement and supplement organic growth

Acquisition Track Record

Now Unified Under Equilibre Brand



Limited growth when acquired in 2005

- Sales of \$590k and profit of \$120k in 2006
- Sales of \$3.4M in 2013



Declining sales and earnings when purchased in 2008

- Sales of \$3.6M and a loss of (\$200k) in 2008
- Sales of \$5.5M in 2013



Acquired Podotech in Nov. 2012

- Sales of \$340K in 2012 and \$400k in 2013
- Purchase price of \$330k



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

- Sales of \$6.3M in 2012 and \$7.0M in 2013
- Purchase price of \$4.6M

Proven ability to identify acquisitions and integrate

Acquisition Track Record: 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 - \$2.1M (net of cash)
 - Also provided the Company with significant tax losses representing approximately \$60 million

Rationale:

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

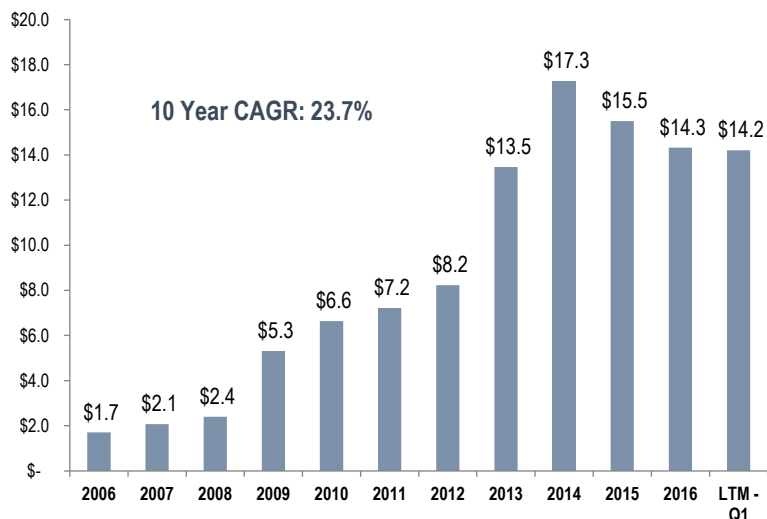


Financial Performance

- The Company has generated a 10 year sales and EBITDA CAGR of 24% and 13% respectively
 - Revenue declined in 2015 and 2016, impacted by regulatory issues encountered by a Quebec City competitor that has confused customers towards the Company's reputation and the inclusion of 3 smaller size clinics activities into existing larger size clinics for operational efficiency purposes.
 - As a TSXV listed company, Ergoresearch currently has significantly more expenses than it would as a private company

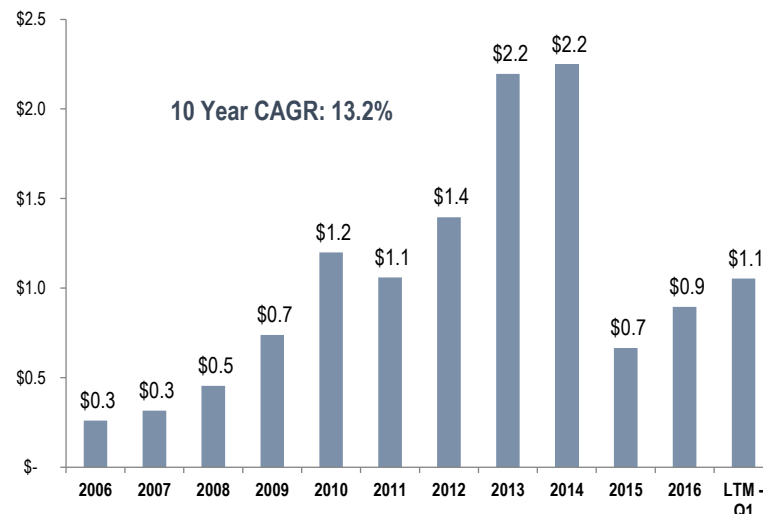
Revenue⁽¹⁾

In C\$ Millions



(1) Excluding non-recurring revenue of \$590K in 2014 related to the monetization of sleep apnea technology

EBITDA⁽¹⁾



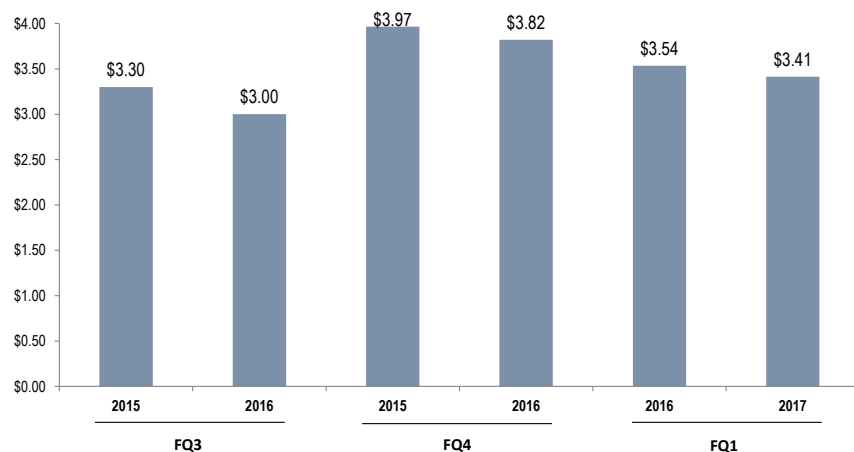
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Financial Performance (Cont'd)

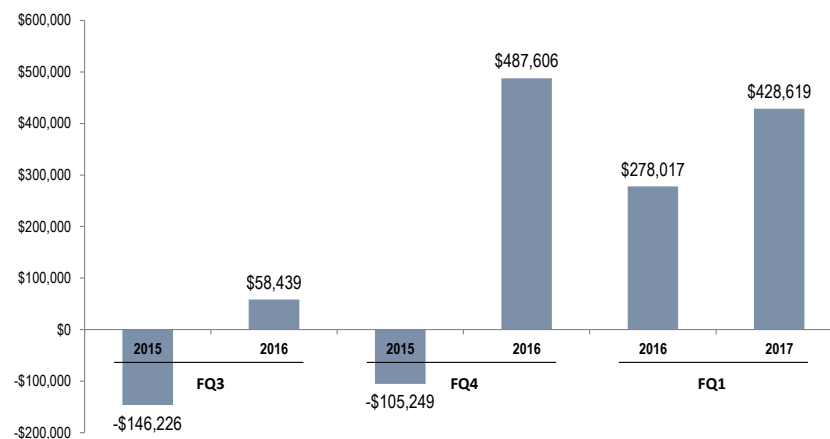
- Most recent quarters exhibit positive momentum in terms of revenue stabilization and return to profitability.
 - Impact of regulatory issues encountered by a Quebec City competitor has mostly extinguished.
 - The inclusion of 3 smaller size clinics activities into existing larger size clinics for operational efficiency purposes is starting to pay off.

Revenue

In C\$ Millions



EBITDA





ERGORESEARCH



ERNST & YOUNG
ENTREPRENEUR
OF THE YEAR®



FINALISTE

