Ergoresearch Ltd. (TSX-V: ERG)

Corporate Presentation
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

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\(^1\) Management estimate
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.

<table>
<thead>
<tr>
<th>Significant Shareholders</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proteor SA</td>
<td>22.3%</td>
</tr>
<tr>
<td>Sylvain Boucher</td>
<td>21.1%</td>
</tr>
<tr>
<td>Danielle Boucher (sister)</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Source: Company filings and FactSet
# Experienced Management Team & Board of Directors

## Management

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sylvain Boucher</td>
<td>Chief Executive Officer, President and Director</td>
</tr>
<tr>
<td>Dominique Boudreau</td>
<td>Vice President Finance</td>
</tr>
<tr>
<td>Benoit De Villiers</td>
<td>Executive Vice President</td>
</tr>
<tr>
<td>Louis Desrosiers</td>
<td>Vice President R&amp;D</td>
</tr>
</tbody>
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## Board of Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michel Pierron</td>
<td>Director and President of Audit Committee</td>
</tr>
<tr>
<td>François Tellier</td>
<td>Director</td>
</tr>
<tr>
<td>Catherine Chamouton</td>
<td>Director</td>
</tr>
<tr>
<td>Sylvain Boucher</td>
<td>Chief Executive Officer, President and Director</td>
</tr>
<tr>
<td>Danielle Boucher</td>
<td>Director and Clinical Lab Director</td>
</tr>
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</table>
Favourable Industry Demographics

Historical and Forecasted Population Distribution

Historical Obesity Trending

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

Source: MSSS, SDI
Treatment Options

Our Focus

- Biomechanical-type products (class 1), non-invasive and non-toxic
## Proprietary Product Overview

<table>
<thead>
<tr>
<th>Product</th>
<th>Target</th>
<th>Royalty</th>
<th>Wholesale Price</th>
<th>Retail Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Custom Made Medical Orthotic</td>
<td>Foot, knee, hip and lower back ailments</td>
<td>IP Ergo/Licence Ergo France</td>
<td>95$ - 125$</td>
<td>380$-600$</td>
</tr>
<tr>
<td>OdrA</td>
<td>Medial knee osteoarthritis</td>
<td>IP (Japan) Exclusive Canadian licence</td>
<td>1,750$</td>
<td>2,450$</td>
</tr>
<tr>
<td>Power Knee</td>
<td>Above the knee amputees</td>
<td>IP Ergo/licence Ossur</td>
<td>32,000$ - 37,500$</td>
<td>60,000$ - 72,500$</td>
</tr>
<tr>
<td>Neuro-stimulation</td>
<td>• Sleep apnea</td>
<td>IP Ergo/licence OttoBock</td>
<td>In process</td>
<td>In process</td>
</tr>
<tr>
<td></td>
<td>• Drop foot</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• Power Knee (Ossur)
  • Sleep apnea

• Custom made
  • Orthotics and
    braces

Royalties

Manufacturing

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**

![Before images](image1)

**AFTER**

![After images](image2)
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

- 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)

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

Source: Management estimates and company filings
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
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)
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
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

1. 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)

2. 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)

3. 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
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

Excluding non-recurring revenue of $590K in 2014 related to the monetization of sleep apnea technology
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.