

# TELA BIO: ADVANCING SOFT TISSUE RECONSTRUCTION

May 2020

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# TELA Bio Snapshot

*A commercial stage medical technology company marketing a new category of tissue reinforcement materials to address unmet needs in **soft tissue reconstruction***

- Differentiated portfolio of advanced reinforced tissue matrices addressing **hernia repair, abdominal wall reconstruction and plastic and reconstructive surgery**
- Headquartered: Malvern, Pennsylvania

~\$2B U.S Market Opportunity<sup>1</sup>

Innovative Products

Improve Clinical Outcomes

Reduce Overall Costs of Care

# OviTex: ~\$1.5 Billion Annual U.S. Total Addressable Hernia Market Opportunity

Complex, Moderate  
Ventral / Abdominal Wall  
Reconstruction

~\$350 million US market<sup>(1)</sup>

~58,000 total procedures per year

Simple Ventral Hernia  
Repair

~\$500 million US market<sup>(1)</sup>

~326,000 total procedures per year

Inguinal Hernia Repair

~\$650 million US market<sup>(1)</sup>

~711,000 total procedures per year

Hiatal Hernia Repair

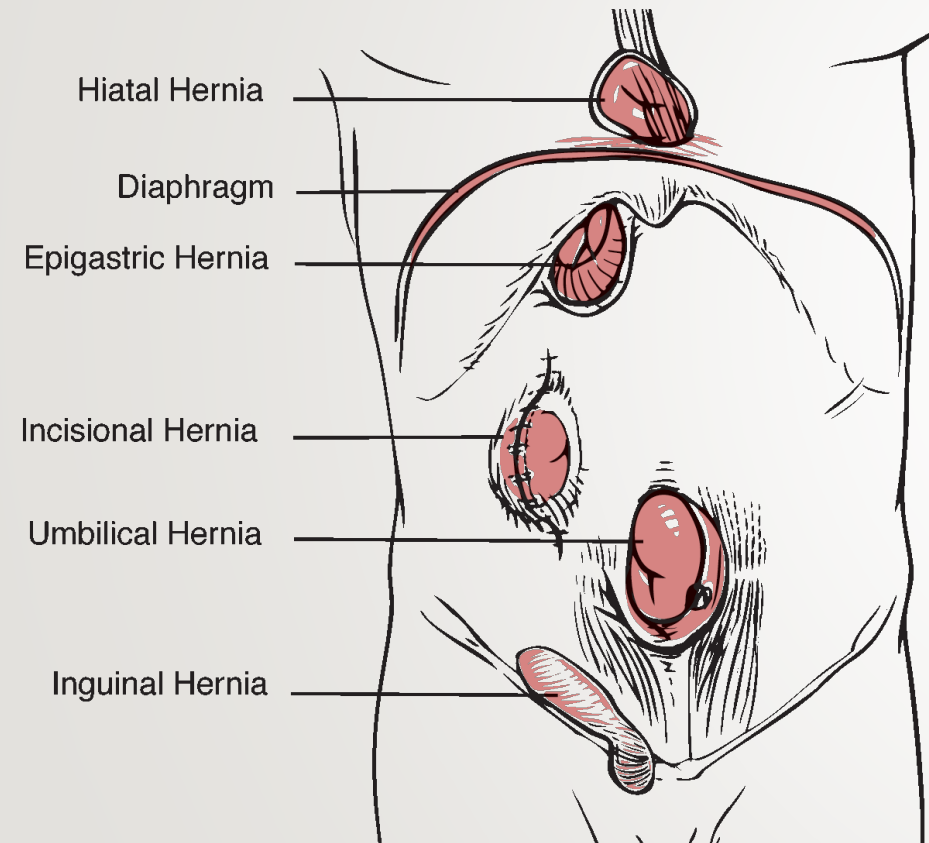
~\$40 million US market<sup>(1)</sup>

~40,000 total procedures per year

**OviTex**  
**~\$1.5 Billion TAM**  
**Opportunity**



# Hernias Occur Throughout the Abdomen



## What is a hernia?

- Occurs when an internal part of the body pushes through a weakness or hole in the muscle or surrounding tissue
- Natural occurring weakness
- Weakness from previous surgical incision
- Likelihood of developing a hernia increases with age & obesity

## Treating a hernia

- Surgical repair of a hernia with a reinforcing material (mesh) is standard of care
- ~90% of hernia patients receive a mesh repair<sup>1</sup>
- Mesh intended to reinforce the defect and provide long-term support

# Ventral Hernia: Complex Patient Population

## Ventral Hernia Complexity

| SIMPLE   | MODERATE   | COMPLEX   |
|--|--|---|
| <ul style="list-style-type: none"><li>• CDC Wound Class I (clean)</li><li>• Healthier patients - no co-morbidities</li><li>• Primary hernia repair</li></ul> | <ul style="list-style-type: none"><li>• CDC Wound Class II (clean-contaminated)</li><li>• Patient co-morbidities (i.e. obesity, diabetes, COPD)</li><li>• May have prior hernia repair failure</li></ul> | <ul style="list-style-type: none"><li>• CDC Wound Class III (contaminated) &amp; IV (infected)</li><li>• Large defects</li><li>• Infected synthetic mesh removals</li><li>• Multiple prior hernia repair failures</li></ul> |

**Objective is to give patient the best repair the first time to prevent the simple patient from becoming the complex**

# Current Ventral Hernia Treatment Options: No Perfect Product

| PERMANENT SYNTHETIC MESH   | RESORBABLE SYNTHETIC MESH  | BIOLOGIC MESH  |
|--|--|--|
| <div><br/>Baird<br/>Ventralight™</div> <div><br/>Medtronic<br/>ProGrip™</div> <div><br/>Medtronic<br/>Parietex™</div> <div><br/>Johnson &amp; Johnson<br/>PROCEED®</div> | <div><i>Natural Repair Products</i></div> <div><br/>Baird<br/>PHASIX™ Mesh</div> <div><br/>GORE<br/>GORE® BIO-A®</div> | <div><br/>LifeCell™<br/>Strattice™</div> <div><br/>ACell®<br/>Gentrix®</div> <div><br/>INTEGRA<br/>SurgiMend®</div> <div><br/>Baird<br/>XenMatrix™</div> |

Simple Ventral Hernia

Inguinal Hernia

Complex, Moderate Ventral Repair / Abdominal Wall Reconstruction

Hiatal Hernia Repair

# Limitations of Reconstruction Materials Used in Hernia Repair

## PERMANENT SYNTHETIC MESH

- Persistent inflammatory response
- Encapsulation of implant
- Chronic post operative pain
- Scar tissue / lack of remodeling
- Mesh infections
- Significant costs of re-operation
- Organ erosion or perforation
- 6,000 related U.S. lawsuits
- **Danish Hernia Database: ~17% reintervention at five years<sup>1</sup>**

## RESORBABLE SYNTHETIC MESH

- Inflammatory response until absorbed
- Encapsulation of implant or until absorbed
- Scar tissue / lack of remodeling
- Mesh infection until resorbed
- Organ erosion or perforation
- Lack of mid-term and long-term reinforcement
- **Recurrence rate of 12% at 18-months follow-up<sup>2</sup>**

## BIOLOGIC MATRICES

- Lack of strength or durability
- Prone to laxity and stretching
- Difficulty in surgeon handling
- Difficult using in robotic surgery / LAP
- High costs
- **RICH study: recurrence rates of 22% and 33% at 12-months and 24-months follow-up, respectively<sup>3</sup>**



# Our Solution: New Category of Tissue Reinforcement Materials

## Purposefully Designed Biologic & Polymer Solutions for Specific Clinical Needs

Biologic Tissue  
derived from sheep

Polymer Fibers

### Innovative Textile Engineering

Polymer fibers  
interwoven through  
layers of biologic  
material in unique  
embroidered patterns



Hernia & Ab Wall  
Reconstruction

Plastic  
Reconstruction

Surgeon Collaboration

# High Quality Biologic Material Drives Technology Platform

**TELA maintains a definitive license agreement with Aroa BioSurgery for the use of ovine rumen**



- Aroa has two issued patents protecting the use of ovine rumen for use as a source of extracellular matrix
- Exclusive license in North America and Europe for hernia repair, abdominal wall and breast reconstruction
- Ovine rumen is high quality biologic source material, sourced from New Zealand and subject to strict quality controls
  - Plentiful supply – ~27 million sheep in New Zealand
  - Low cost of goods
  - Homogenous, intact, minimally processed material – lends itself to be a good building block for fabrication into medical devices

## TELA

- Product development, commercial strategy & execution and clinical data generation
- Revenue sharing agreement based on net sales;  
**TELA retains 73% of net sales**

## Aroa BioSurgery

- Manufacturing and supply of product
- Aroa receives 27% of net sales

# Our Solution: A New Category of Soft Tissue Reinforcement Materials

## Improve Performance Over Existing Reconstruction Materials

- Designed in close collaboration with more than 100 surgeons
- Products designed with over 95% biologic material (<5% polymer/synthetic content)
- Benefits of both biologic materials and polymer materials
- Supports range of surgical techniques

## Improved Biologic Response

- Reduced foreign body inflammatory response
- Improved outcomes of soft tissue reconstructions
- Enhanced remodeling of soft tissue and rate of healing

## Lower Upfront Costs

- Customers realize ~20% to 40% cost-savings over leading biologic materials and resorbable synthetic mesh
- Provides benefits of advanced biologic repair to more patients

# OviTex: a New Approach to Soft Tissue Reconstruction for Hernia Repair and Abdominal Wall Reconstruction

An innovative reinforced tissue matrix designed to reduce stretch compared to biologic matrices and long-term complications experienced with resorbable and permanent synthetic meshes

## Unique permeable design

facilitates rapid fluid transfer and movement of cells through the device

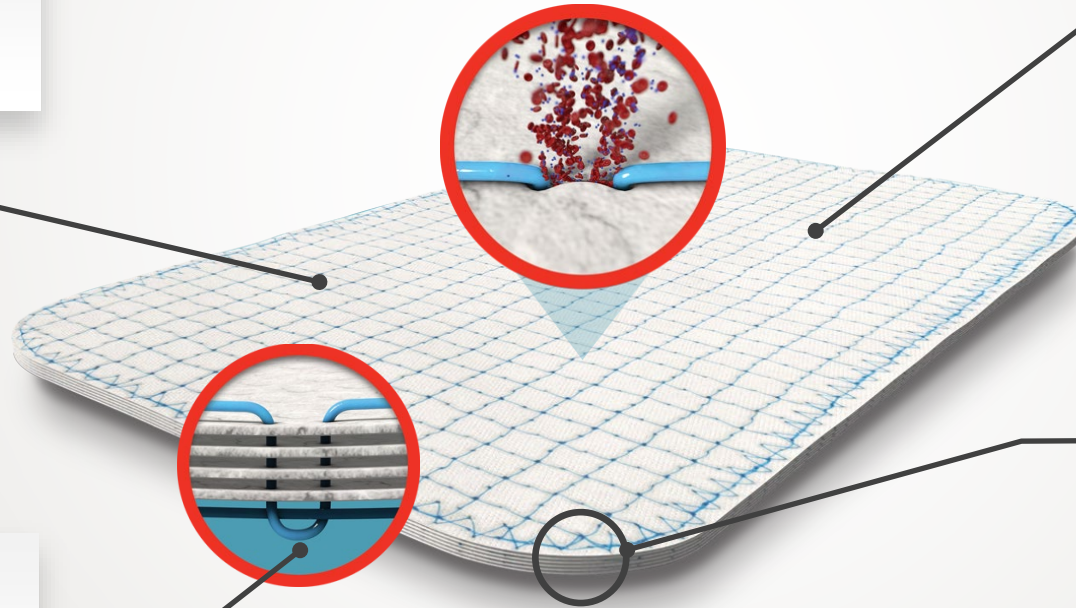
## Lockstitch embroidery pattern

creates a ripstop effect and prevents unraveling when cut

## Layers of biologic material

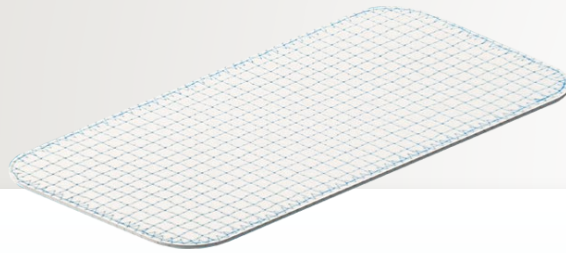
enable functional tissue remodeling

**Interwoven polymer** for added strength and improved handling



# Comprehensive Portfolio for a Range of Hernia Types & Surgical Techniques

Each configuration is available with either permanent (polypropylene) polymer or resorbable (polyglycolic acid) polymer reinforcing the same biologic material.

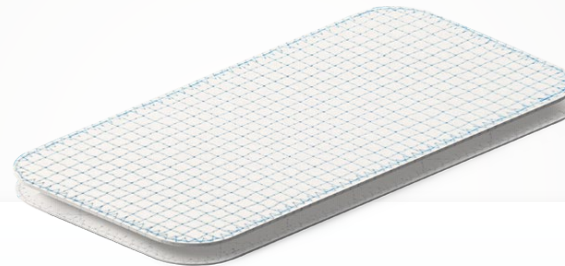


## OviTex

4-layer device, not intended for intraperitoneal placement

**Strength\*:** +

**Common Procedures:** Moderate ventral hernia (pre-peritoneal placement), inguinal hernia, hiatal hernia

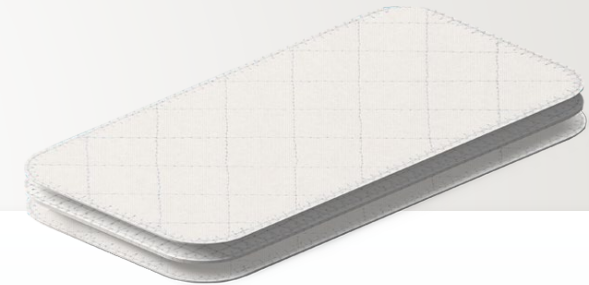


## OviTex 1S

6-layer device, with “smooth side” suitable for intraperitoneal placement

**Strength\*:** ++

**Common Procedures:** Moderate to complex ventral hernia



## OviTex 2S

8-layer device, with 2 “smooth sides” suitable for intraperitoneal placement

**Strength\*:** +++

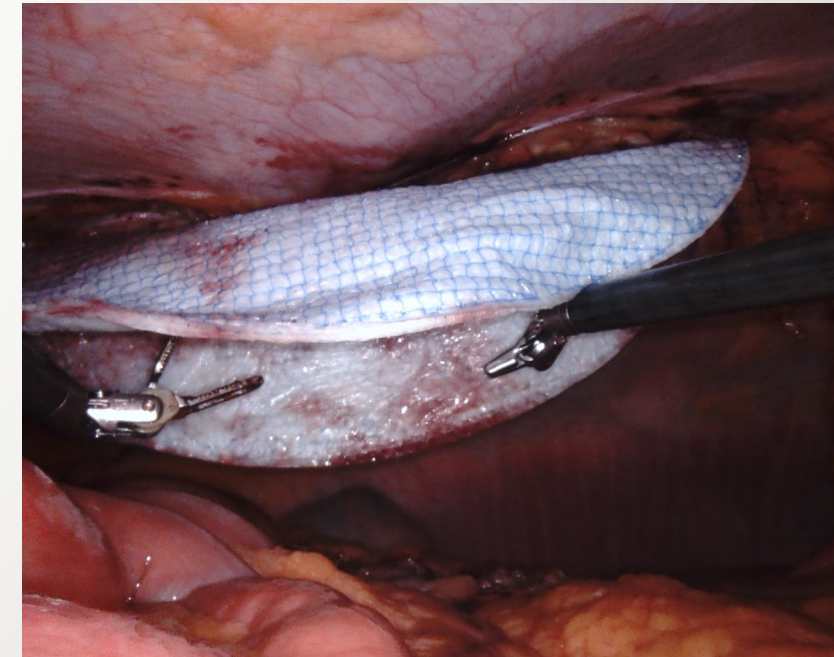
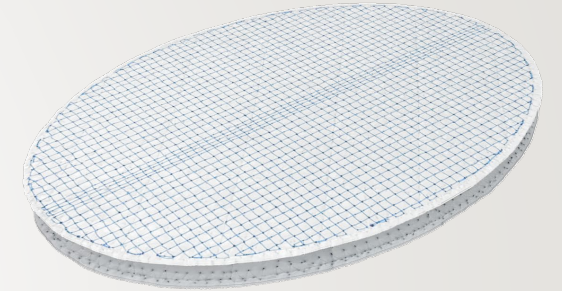
**Common Procedures:** Complex ventral hernia and abdominal wall reconstruction and can be used for bridging

CONFIGURATION



# OviTex LPR for Laparoscopic & Robotic-Assisted Repair

- OviTex LPR is specifically tailored for robotic-assisted hernia surgical repairs
- Significant increase in robotic hernia repairs in last few years
- Robotic-assisted hernia repair provides the benefits of laparoscopic repair
- Designed for improved surgical handling, access, and primary closure of hernia
- Designed for use with a trocar
- 4 total SKUs available, following commercial introduction of 3 additional SKUs in December 2019
- Products expected to be used most frequently in simple-moderate ventral hernia patients



# Disruptive Technology Supported by a Compelling Body of Clinical Evidence



## 91 Adult Patient, Prospective, Single Arm, Multicenter BRAVO Study

- 0 (0%) hernia recurrence in first 20 patients at 24-months
- 1 (2%) hernia recurrence in first 57 patients at 12-months

## More than 200 Non-Human Primates

- OviTex demonstrates more rapid tissue integration and revascularization compared to biologic matrices and lower inflammatory response and better functional tissue remodeling compared to permanent and resorbable synthetic mesh

## 12 clinical publications

- Strong clinical efficacy and low complication rates in range of hernias

## Continue to build clinical evidence

- Additional BRAVO data over time
- Plan to initiate a post-market study of OviTex in robotic-assisted hernia repair surgery



# Multiple Future Analyses of BRAVO Data Planned for 2020


BRAVO Study is fully enrolled (n=91) and characterizes OviTex performance in moderate-to-complex ventral hernia patients

| Q1 2020   | Q2 2020   | Q3 2020 | Q4 2020   |
|---|---|---------|---|
| <ul style="list-style-type: none"><li>• 20-patients at 24-months</li><li>• 57-patients at 12-months</li><li>• 84-patients at 3-months</li></ul> | <ul style="list-style-type: none"><li>• ~75 patients at 12-months</li></ul> |         | <ul style="list-style-type: none"><li>• ~50-patients at 24-months</li></ul> |




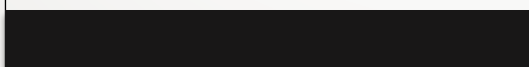

- Primary focus is hernia recurrence rate at each time point
  - Additional information on surgical site occurrence rate will also be analyzed
- Study design allows for robotic, laparoscopic and open implantation of OviTex 1S, allowing for sub-analyses by surgical technique
- Data will be submitted to medical journals and for presentation at key medical conferences throughout the year

# OviTex BRAVO Study Shows Low Recurrence Rate at 12 and 24-months

## OviTex BRAVO Study

| Product Name | Tissue Reinforcement Material | Hernia Recurrence Rate   | Number of Hernia Recurrence | Number of Patients who Completed Follow-up | Follow-up Period in Months |
|--------------|-------------------------------|--|-----------------------------|--|----------------------------|
| OviTex       | Reinforced Tissue Matrix      |  2% | 1                           | 57   | 12                         |
| OviTex       | Reinforced Tissue Matrix      | 0%   | 0                           | 20   | 24                         |

## Results from Post-Market Clinical Studies of Competitive Materials

| Product Name | Tissue Reinforcement Material | Hernia Recurrence Rate <sup>1</sup>  | Number of Hernia Recurrence <sup>1</sup> | Number of Patients who Completed Follow-up <sup>1</sup> | Follow-up Period in Months |
|--------------|-------------------------------|--|--|---|----------------------------|
| Phasix       | Resorbable Synthetic Mesh     |  5%     | 5  | 95  | 12                         |
| Phasix       | Resorbable Synthetic Mesh     |  12%   | 11                                       | 95  | 18                         |
| Phasix       | Resorbable Synthetic Mesh     |  23%  | 19                                       | 82  | 36                         |
| Strattice    | Biologic Matrix               |  22% | 15                                       | 69  | 12                         |
| Strattice    | Biologic Matrix               |  33% | 22                                       | 67  | 24                         |



# We believe Plastic and Reconstructive Surgery Represents a Significant Market Opportunity

- Use of biologic matrices validated by growing clinical literature
- Biologics provide the following clinical benefits:
  - Ability to define shape and position
  - Soft tissue reinforcement
  - Improvement of tissue quality
  - Aids in defining the pocket and allows for more immediate tissue expansion
  - Reduced inflammatory response
- Existing biologics are costly, prone to excessive stretch over time, and difficult for surgeons to handle



**~\$500 Million Annual  
U.S. Market Opportunity**

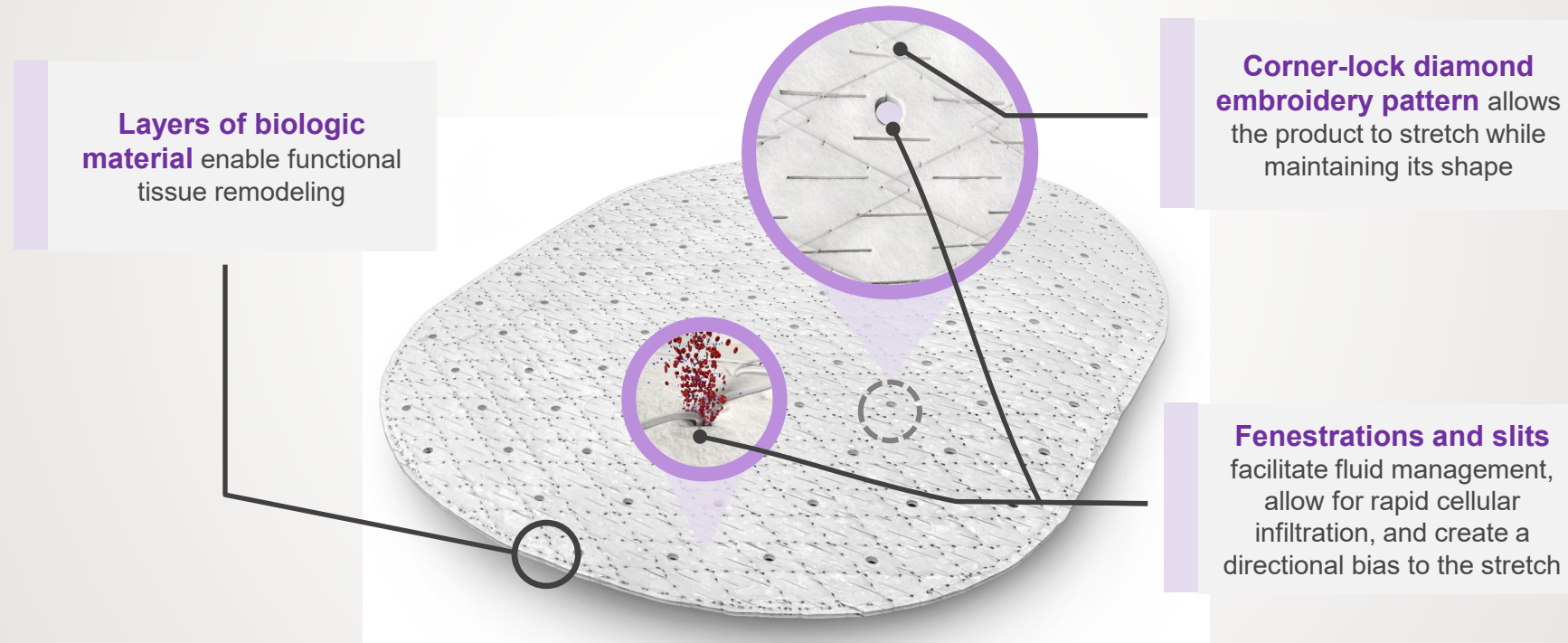
## Uses

- Breast reconstruction
- Head and neck surgery
- Chest wall reconstruction
- Pelvic reconstruction
- Extremities reconstruction



# OviTex PRS: Purposely Designed for Plastic and Reconstructive Surgery

An innovative reinforced tissue matrix designed to improve outcomes by facilitating fluid management and controlling degree and direction of stretch



510(k) cleared April 2019; limited launch ongoing with plans to expand launch in 1H 2020

# Commercial Organization

Recognize need for integrated approach to account management to meet the needs of all stakeholders (surgeons, supply chain & OR / materials management)



- ▣ Single direct sales effort calling on General, Plastic Recon, Colorectal & Trauma surgeons
- ▣ Supplement high volume territories with Associate Account Managers
- ▣ Model is scaled at a regional level, with span-of-control for Regional Managers at ~6-8 Account Managers

# Focused on Driving Utilization within Accessed Accounts



Contracts in place with multiple national and regional Group Purchasing Organizations (GPOs)



Current GPO contracts provide access to ~1,900 hospitals across the U.S., estimated to perform over ~135,000 addressable soft tissue reconstruction procedures<sup>1</sup>

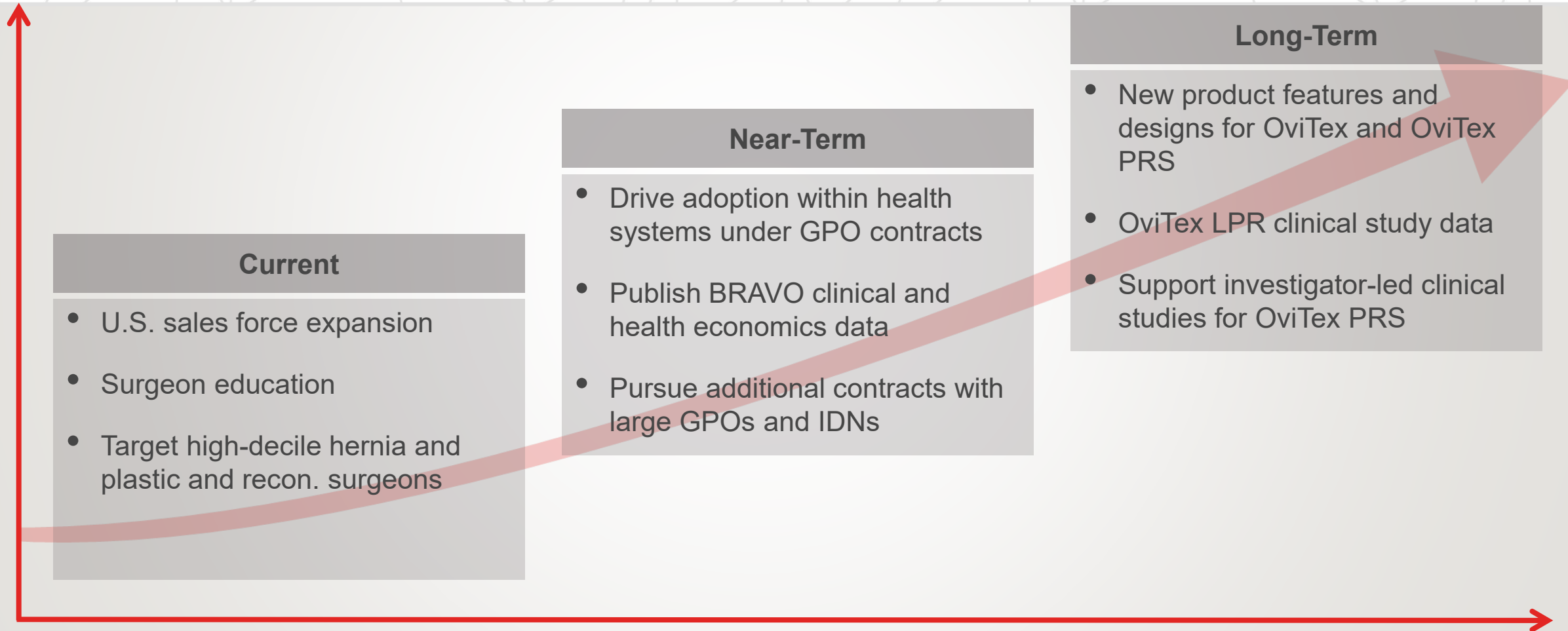


Data-driven, targeted implementation strategy



Account Manager hiring for new territories focused on areas with high concentrations of accessed accounts

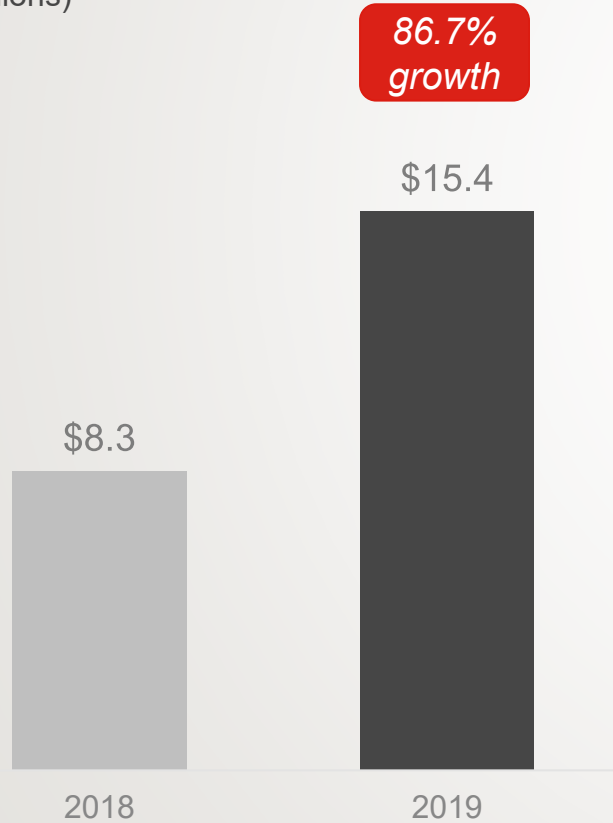
# Growth Strategy



# Revenue Growth

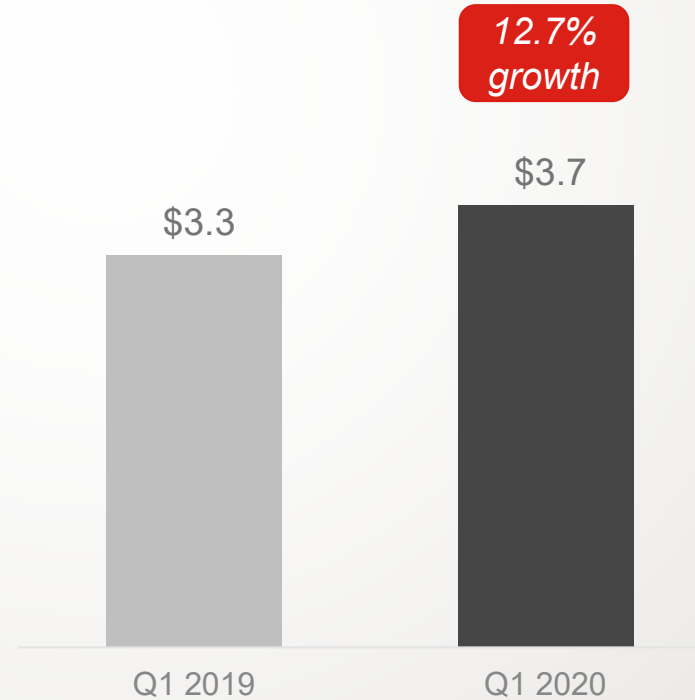
## Annual Results

(\$ millions)



## Quarterly Results

(\$ millions)



**Note:** Q1 2020 revenue impacted by COVID-19 pandemic beginning mid-March



# Statement of Operations

|                                   | Three months Ended March 31 |                |
|-----------------------------------|-----------------------------|----------------|
|                                   | 2020                        | 2019           |
| Revenue                           | \$3.7                       | \$3.3          |
| Cost of revenue                   | 1.5                         | 1.4            |
| Amortization of Intangible Assets | 0.1                         | 0.1            |
| <b>Gross profit</b>               | <b>\$2.2</b>                | <b>\$1.8</b>   |
| <i>Gross margin</i>               | <i>59%</i>                  | <i>54%</i>     |
| Operating expenses:               |                             |                |
| Selling and Marketing             | 5.3                         | 4.0            |
| General and Administrative        | 2.5                         | 1.3            |
| Research and Development          | 0.9                         | 1.7            |
| Gain on litigation settlement     | 0.0                         | 0.0            |
| Total operating expenses          | 8.7                         | 7.0            |
| <b>Loss from operations</b>       | <b>(\$6.5)</b>              | <b>(\$5.2)</b> |
| Other (expense) income, net       | (0.7)                       | (0.8)          |
| <b>Net loss</b>                   | <b>(\$7.2)</b>              | <b>(\$6.0)</b> |

# Managing Response to COVID-19 Pandemic

## Ensure Health & Safety

- Enabled employees to work remotely
- Limited non-essential travel
- Implemented increased sanitizing measures and protocols to promote physical distancing

## Maintain Operations

- Continue manufacturing at partner facility in New Zealand
- Provide uninterrupted customer support & order fulfillment
- Implement Virtual Selling Model to engage with and educate surgeon & hospital customers
- Launch virtual sales force education programs

## Manage Expenses

- Conserve cash of \$46.7 million
- Reduced consulting spend and temporary base salary reductions for all employees
- Implemented hiring freeze
- Deferred certain marketing and clinical activities

**Emerge from a position of strength to drive growth as surgical procedure volumes improve, leveraging the momentum experienced at the beginning of 2020**

# Investment Highlights



**Advanced reinforced tissue matrix portfolio supported by compelling clinical evidence**



**Focused on ~\$2.0 billion annual U.S. total addressable markets**



**Well-defined high-decile surgeon customers targeted by growing direct sales force**



**Long-term supply agreement that provides pricing flexibility—cost savings to healthcare systems**



**Established DRG-based reimbursement pathway for hernia repair**



**Recent product launches in growing categories: robotic hernia surgery + plastic and reconstructive surgery**



**Broad intellectual property portfolio**



**Industry leading executive team with proven track record**