

YOUR FIRST CHOICE IN EXTREMITIES AND BIOLOGICS

Manufacturing Improvement the Wright Way:

Next Steps Towards Operational Excellence

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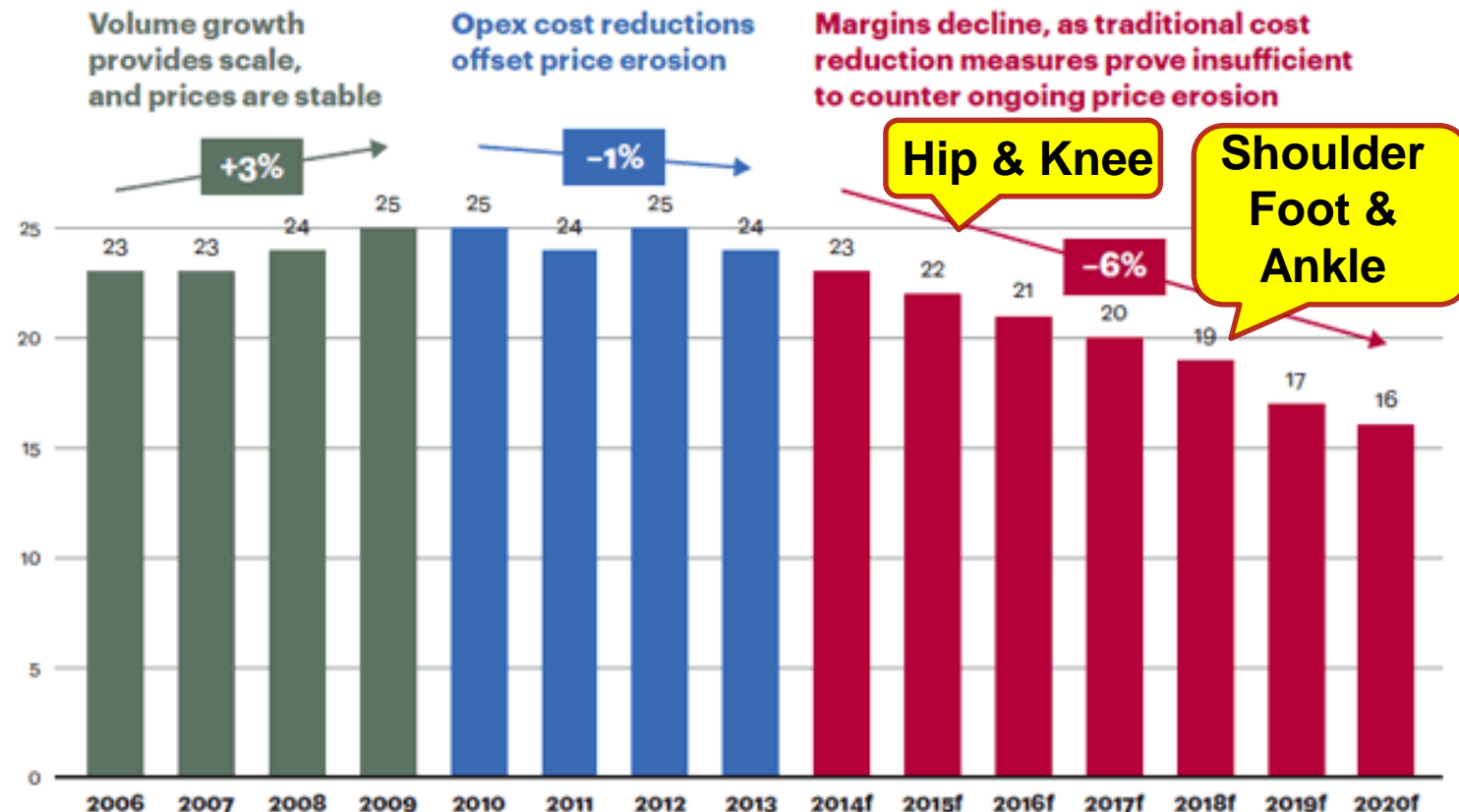
About Wright Medical Group N.V.



- Incorporated in the Netherlands with US headquarters in Memphis, Tennessee
- 2,500 global employees
- Leader in three of the fastest growing areas of orthopedics – Upper Extremities, Lower Extremities and Biologics
- 3 principal manufacturing plants: Tennessee, France, Ireland

Challenging Business Environment

Medical device industry margins
(% of sales, 2006–2020f)



Sources: GlobalData, Medical eTrack, Medical Equipment Markets Database, Espicom Business Intelligence, Factiva; A.T. Kearney analysis

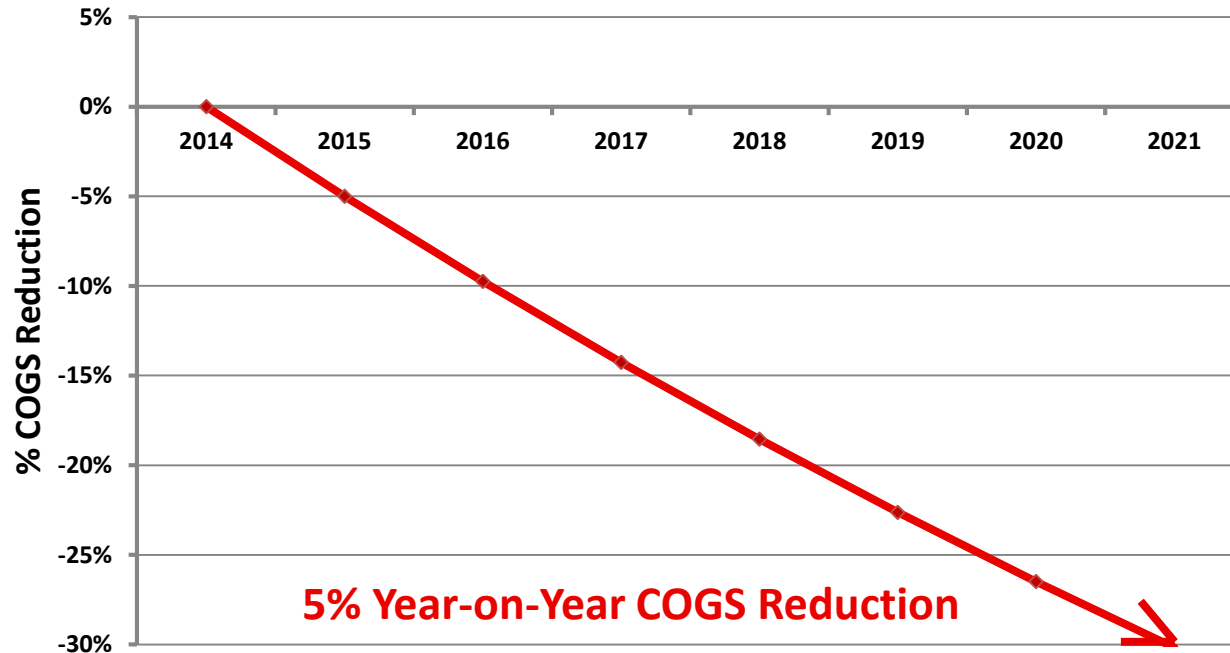
Medical Device industry margins pressured due to challenging healthcare environment

Beginning to see Sales Price Pressure on Orthopaedic Extremity Products

How can we maintain & even INCREASE margins?

Challenging Business Environment

Profile of COGS Reduction Necessary to Maintain Existing Margins in the Medical Device Sector



Epicom data translates into a **5% year-on-year COGS reduction--*just to stand still!***

Need to focus on both variable cost & OPEX (G&A expenses)

Breakdown of COGS Numbers

Breakdown	%
Material	40%
Direct Labour	20%
Indirect Labour	20%
Other Indirect Costs	20%
Total	100%



Use simple bar stock where possible



Re-engineer processes to take out direct labour



Back-office Process Improvement



Internal & External benchmarking

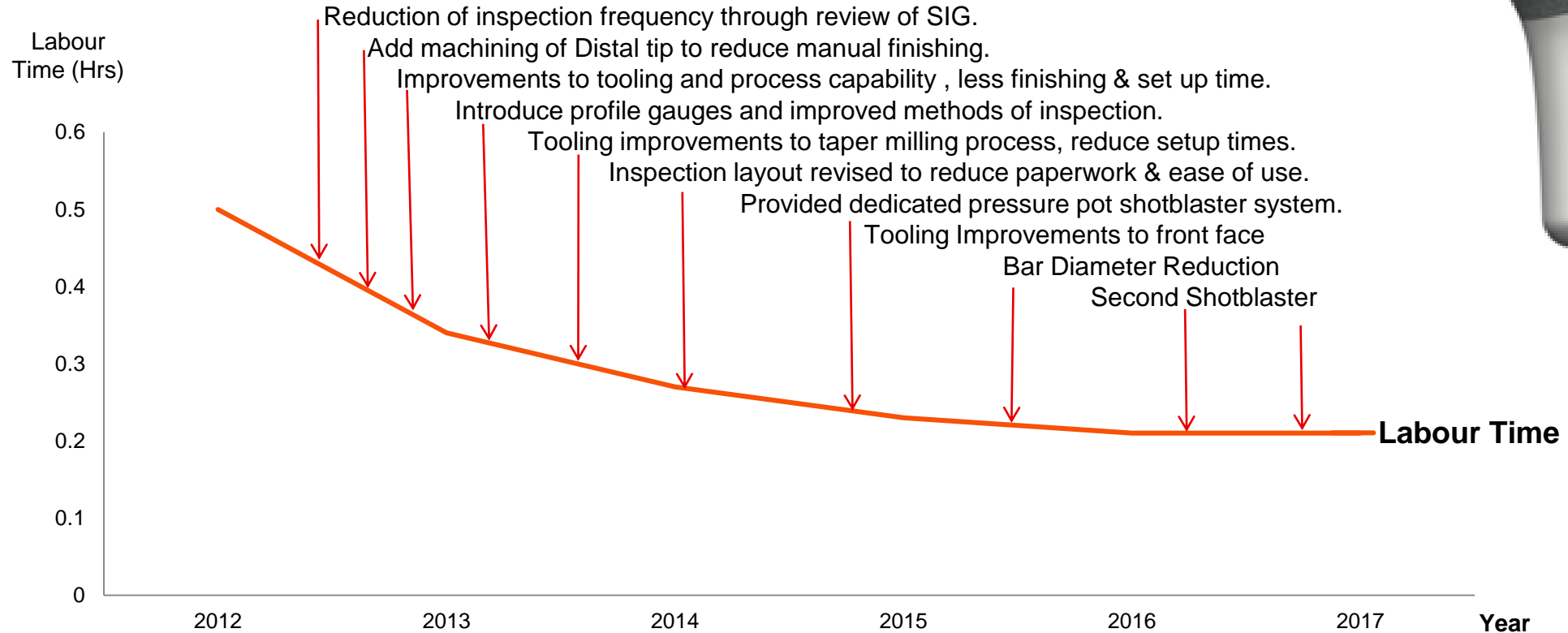
Machine Cost (Depreciation) is 7% of the total COGS

Machining Process Improvement Example: Shoulder Stem

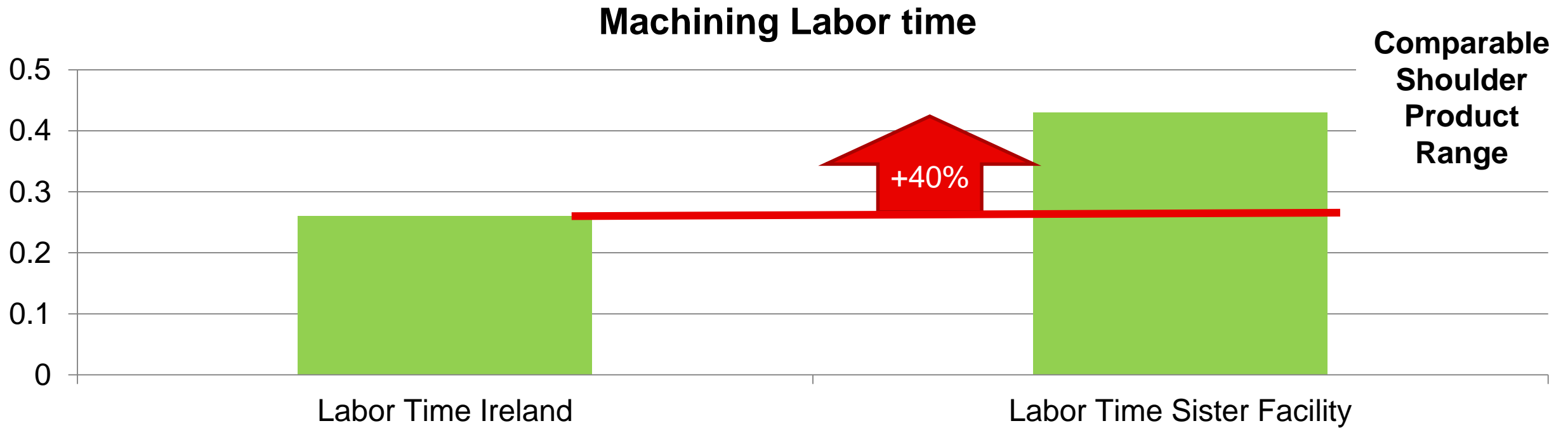
Taking out Direct Labour



Ascend Flex Shoulder Stem Process Improvements

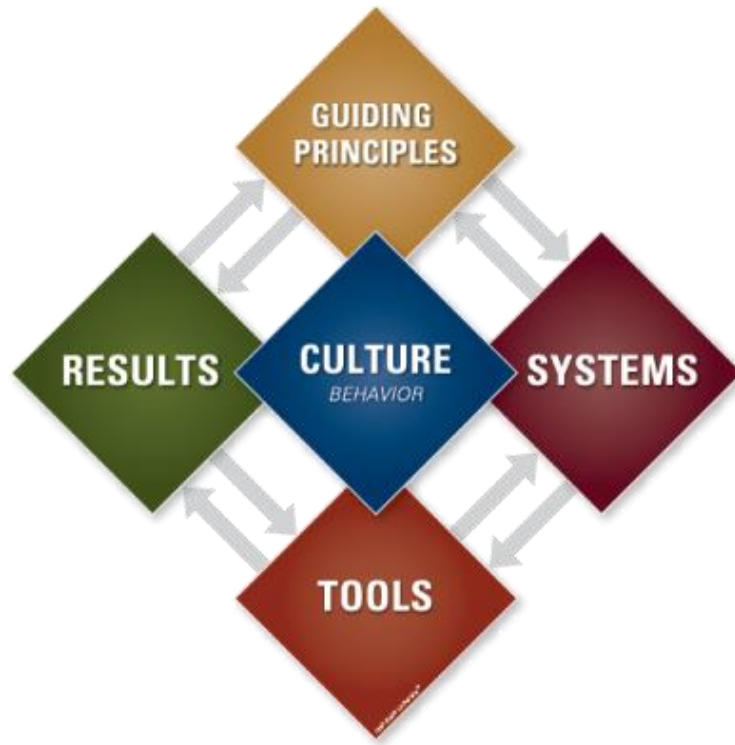


Labor Time Comparison with Sister Manufacturing Facility



Action: Leverage Audit Findings to Reduce COGS

The Way Forward: A More All-Embracing Approach



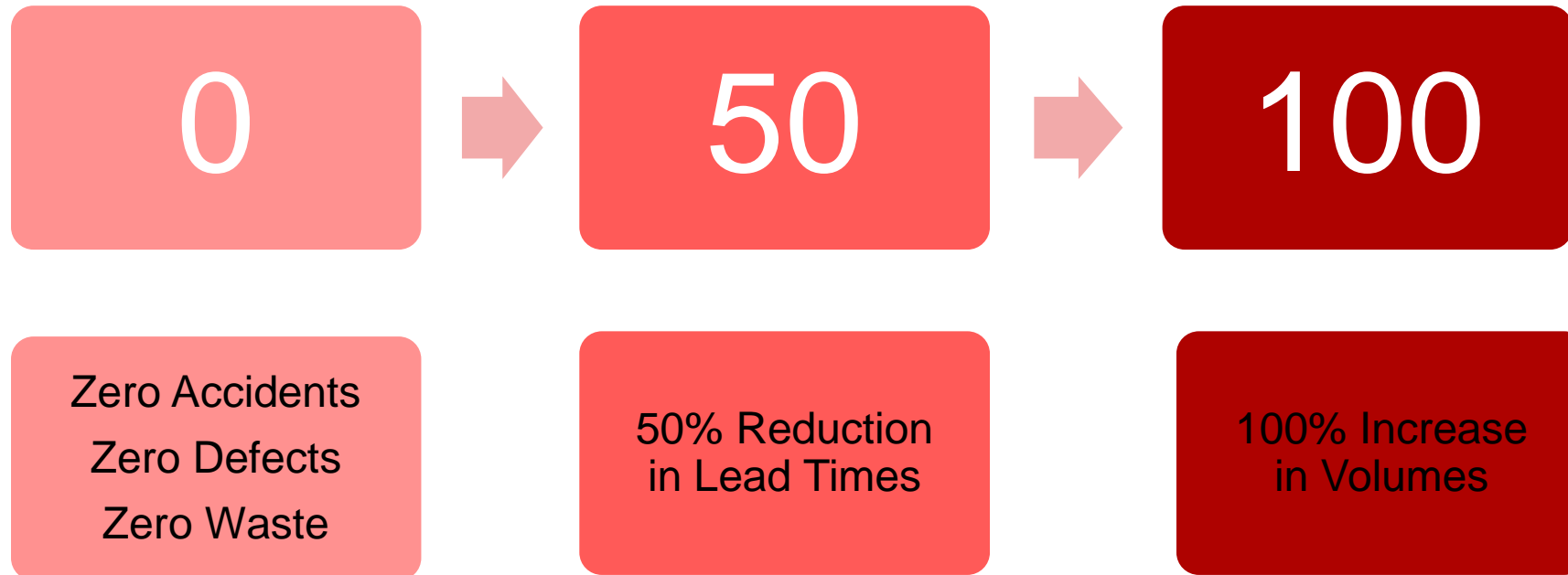
**The Shingo Model
for Enterprise Excellence**

- To date, improvement effort has focused on direct manufacturing & necessary Engineering & Quality support
- Trend in direct labour optimization has helped keep COGS in check
- We need to do more!
- Utilize Continuous Improvement across manufacturing site to improve volume leverage with minimal increase in indirect headcount & manufacturing admin costs
- The Shingo Enterprise Excellence model will help us achieve this goal

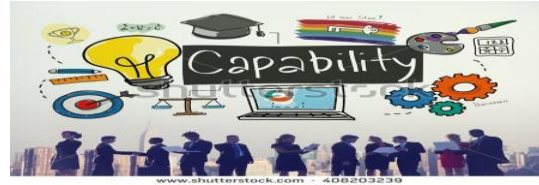


**Mór Benchmark
Model**

Strategy Tag Line



Critical Success Factors (“CSFs”)



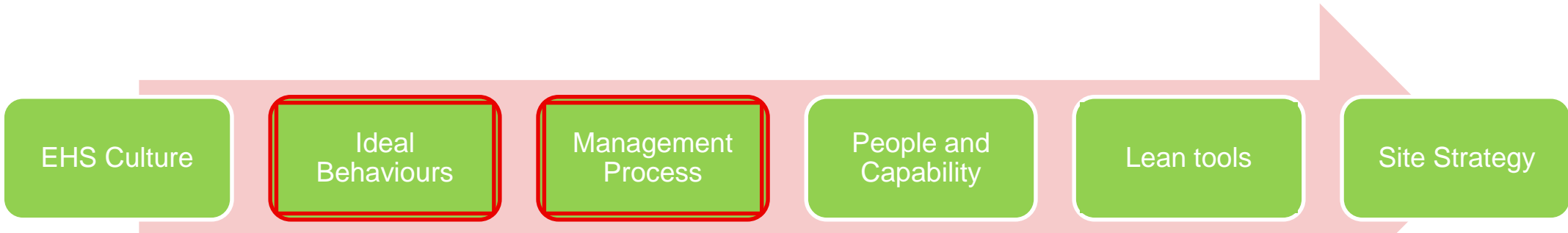
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50



100



Ideal Behaviours

Wright Values

Think Customer – Drive simplified solutions.

Embrace Change – Comfortable being uncomfortable.

Alignment – One Team. One Direction.

eMpowerment – Own it. Do it.

Sustainability – Consistently profitable.

Shingo Guiding Principles



Ideal Behaviours

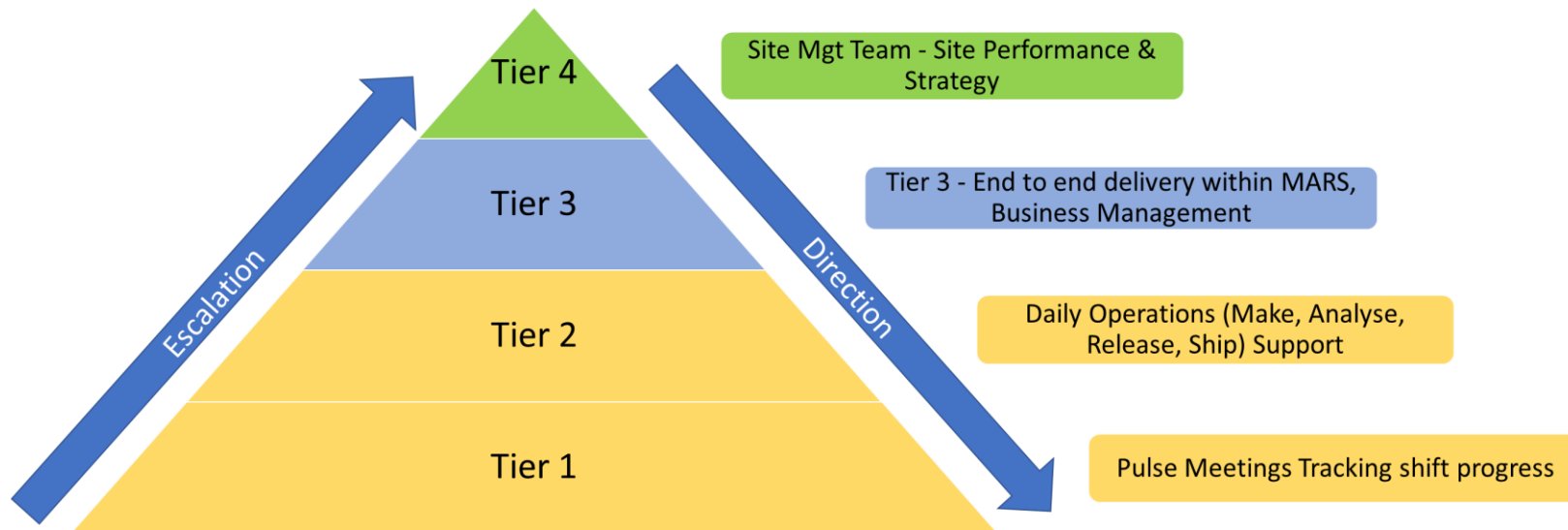
1. Respect for all
2. Can do attitude
3. Lead by example
4. Understand the why
5. Deliver on your promises

Management Process (Visual Factory)

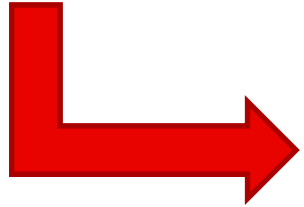
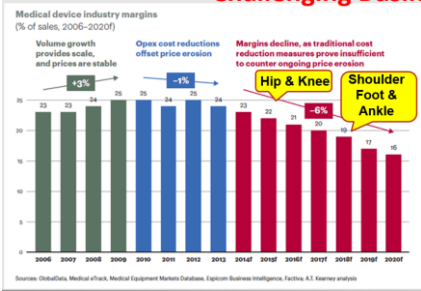
DEFINITION:

A visual process for **ALL AREAS** that allows simple and clinical focus & engagement on our key deliverables around EHS, Quality and Site Performance - getting them **Right First Time** all the time.

- Two categories in Management Process:
 - Site Project List: Generated for review and prioritisation
 - Key Performance Indicators (KPIs): 4 tiers will align with 0-50-100



To summarise....



5% reduction in COGS year-on-year





Thank you

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