

ORTHOFIX INTERNATIONAL N V
Form DEFA14A
March 12, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

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ORTHOFIX INTERNATIONAL N.V.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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The following presentation materials were used by the Company on March 12, 2009.

Investor Presentation

March 12, 2009

Orthofix International NV

Jim Gero - Chairman of the Board

Maria Sainz - Independent Director

Alan Milinazzo - President & CEO, Director

Bob Vaters - EVP and CFO

Brad Mason - Group President of North America, Blackstone

Michael Finegan - President, Biologics

Safe Harbor Statement

Except for historical information contained herein, the statements made in this presentation constitute 'forward looking statements' that involve certain risks and uncertainties. Certain factors may cause actual results to differ materially from those contained in the forward looking statements, including those risks detailed from time to time in the Company's reports on file at the Securities and Exchange Commission.

Introductions

Jim Gero - Chairman of the Board

Director since 1995. Chairman since 2005. He currently is a Director of Drew Industries, Intrusion, Inc., and a member of Suntex Capital. Previous Director of REI, American Medical Electronics, DF&R, Spar Aerospace, and numerous private companies. 19 years of total healthcare experience.

Maria Sainz - Independent Director

Director since 2008. Extensive experience with sales, marketing, and distribution with substantial international experience. 6 years as divisional President and CEO roles with full financial responsibility and driving businesses to growth & profitability including merger and acquisition activity. 20 years of total healthcare experience.

Alan Milinazzo - President & CEO, Director

CEO since 2006, Director since 2007. Prior executive management experience with Medtronic, Boston Scientific, and American Hospital Supply. 27 years of total healthcare experience.

Bob Vaters - EVP and CFO

CFO since September 2008. Prior experience as CFO, Strategy and Corporate Development at Inamed Corporation. Partner and co-founder at healthcare private equity firm Med Opportunity Partners. 9 years total healthcare experience.

Brad Mason - Group President of North America, President of Blackstone

President of Sports Medicine division for Orthofix. Co-founded Breg Inc. and DonJoy Orthopedics. 28 years total healthcare experience.

Michael Finegan - President, Biologics

President of Biologics division of Orthofix. Prior executive management experience with Boston Scientific. 21 years of total healthcare experience.

Agenda
Company Overview & Strategy
Blackstone Progress & Update
Financial Performance & Debt Covenants
Corporate Governance
Q&A

Current Orthofix Board is driving progress

- Blackstone Medical has achieved significant milestones and is poised for success;
 - Orthofix's core businesses continue to perform very well;
 - Orthofix current operating plan provides for ample debt service and covenant compliance;
 - Ramius' slate is not in the best interest of the Orthofix shareholders
 - Ramius' candidates diminish the caliber of, or are redundant to, the Orthofix Board;
 - Orthofix maintains a strong board with relevant credentials and best practices in corporate governance.
- Positive Momentum
-

The Ramius Agenda Raises Serious Questions

- Ramius, a holder for less than six months, owns just over 5% of OFIX common stock but seeks 4 of 10 board seats
 - Ramius initially proposed removal of our Company's CEO from the Board, then reversed course, demonstrating poor judgment on corporate governance matters
 - Ramius has repeatedly stated that the company needs to engage a strategic financial advisor, while being unaware or otherwise ignoring that we have been working with Morgan Stanley since June 2008.
 - We have contrasting standards. "It is fairly commonplace for companies who rely on government reimbursement to be investigated from time to time..." -Ramius Letter to Orthofix Shareholders, March 9, 2009.
 - Ramius first stated that it was committed to a sale or shutdown of Blackstone Medical and now it states that "its nominees have no present plans to pursue [any] specific strategies."
-

Breg
acquisition
Blackstone
acquisition
(\$ in millions)
Orthofix Sales Growth

- Spine: Market-leading spinal bone growth stimulators, including only FDA-approved cervical spine stimulator; spine implants & biologics
- Orthopedics: Internal and external fixation, deformity correction and long bone stimulation
- Sports Medicine: Focus on knee bracing and cold therapy with recent expansion into soft goods, back bracing, etc.

Other Products

Vascular

3%

Sports Medicine

Orthopedic

25%

Spine

49%

2008 Revenue

Orthofix Product Profile

5%

Spine
Sports Medicine
Orthopedics
'08 revenue
= \$252 million
Gross margin of
high-70%
'08 revenue
= \$129 million
Gross margin of
approx. 70%
'08 revenue
= \$94 million
Gross margin of
mid-60%
2008 Vascular and Other revenue = \$44 million
Core Business Segments

- Increasingly aging population
(with more orthopedic disorders)
 - Sedentary and obese
population
- Growing acceptance of bone
grafts and bone growth
substitutes
- Increased R&D investments and
acceptance of novel
technologies

Growth Drivers

\$ 4.7 B

2006

\$ 5.1 B

2007

\$ 5.7 B

2008

\$ 6.2 B

2009

\$ 6.9 B

2010

\$ 7.6 B

2011

\$ 8.6 B

2012

Fusion Technologies
Spinal Bone Graft Substitutes
Non-Fusion Technologies
VCF Treatment

+11%

Millennium Research Group, 2007-8

U.S. Spinal Implant Market

Spinal Implant market is complementary to our spinal stimulation business

Spine Implant Strategy & Opportunity

- Blackstone Acquisition
 - Platform acquisition
 - Rapid revenue growth
 - Broad product portfolio
 - Strong engineering talent
 - 14 product introductions preceding the acquisition
 - Distribution scale and upside
 - Substantial US footprint
 - Complementary international opportunities
 - Cross-selling between stim and implant
 - Due diligence process
 - Integration challenges
-

Maria Sainz, Independent Director

Brad Mason, Group President, North America and President of Orthofix
Spine

Bob Vaters, Executive Vice President and Chief Financial Officer

Jeff Hammel, Orthofix VP of Finance inserted into Blackstone Medical Inc.

Denise Pedulla, VP of Corporate Compliance

Key Leadership Changes during 2008

“Orthofix is in a position where it must execute its current strategy through 2009 to achieve its guidance. Ramius, an investment management firm with a stake in OFIX, has made an aggressive push to hold a special shareholders meeting to call into questions the suitability of the Blackstone acquisition, and is attempting to appoint four new individuals to the Orthofix board of directors. We believe any attempt to divest the Blackstone business in a fire sale would disrupt Orthofix’s current strategies and limit the company’s near-term and long-term potential.”

Canaccord Adams, February 18, 2009

“On one hand, we agree that the Ramius proposal to sell the Blackstone unit would likely result in an immediate increase in shareholder value, but this may not necessarily be the best long-term strategic move for the company. We believe management is taking appropriate steps to successfully turn around its spine business.”

Susquehanna International Group, February 24, 2009

“In our opinion, OFIX's decision to judiciously employ improving cash flows to pay down debt is sound. OFIX has steadily made prepayments to reduce the principle amount owed and the strategy to further delever as cash flows improve is crucial to avoid a covenant breach as the leverage ratio will come down to 3.25x in Q4:09 and 2.85 in Q1:10. OFIX's projection of an improving EBITDA run rate is consistent with our model, and we do not expect OFIX to break any covenants.”

Jefferies & Company, Inc, February 18, 2009

Analysts Agree: We Have Made Progress

Recent comments from the reports of three separate industry analysts covering Orthofix:

\$ 200 M

\$ 210 M

\$ 220 M

Apr 08

\$ 240 M

\$ 270 M

Dec 08

May 08

Jun 08

Jul 08

Aug 08

Sep 08

\$ 230 M

Nov 08*

Mar 08

\$ 0 M

\$ 260 M

\$ 250 M

Feb 08

Jan 08

Dec 07

Oct 08

Orthofix Working Capital

Jul 08

Aug 08

Sep 08

Oct 08

Nov 08

Dec 08

USA

\$ 0.0 M

\$ 6.5 M

\$ 7.0 M

\$ 7.5 M

\$ 8.0 M

\$ 8.5 M

\$ 9.0 M

Jan 08

Feb 08

Mar 08

Apr 08

May 08

Jun 08

Blackstone Recovery

Monthly US Revenue, Blackstone

BM

promotion

MTF

announced

Acquisition Strategy and DD efforts
Brad Mason

North America Strategy
Secure core businesses
 § Spine Stimulation
 § Orthopedics
 § Sports Medicine
Assess Blackstone business
 § Entrepreneurial
§ Public Company Acquisition
 § OIG Investigation

Blackstone Priorities
Secure, Stabilize and Improve
§ Distributors
§ Surgeons
§ Management
Focus on Fundamentals
§ Leadership and Culture
§ Customers
§ Financial Discipline
§ Business Processes
§ New Product Pipeline

Healthy and Robust Pipeline

Path To Profitability at Blackstone
Margins
§ Trinity Evolution
§ Vendor management
§ Centralized price management
§ New higher margin products
Reduce Sales & Marketing Expenses
§ Discount sharing
§ Reduced commissions
§ Leverage (Sales Mgt, Trade Shows, MarCom, etc.)
Consolidation
§ Projected savings of \$2M in 2010
§ Projected savings of \$5M in 2011 and beyond

Jan

2008

Feb

2008

Mar

2008

Apr

2008

May

2008

Jun

2008

Jul

2008

Aug

2008

Sep

2008

Oct

2008

Nov

2008

Dec

2008

USA

\$ 0.0 M

\$ 6.5 M

\$ 7.0 M

\$ 7.5 M

\$ 8.0 M

\$ 8.5 M

\$ 9.0 M

Blackstone Recovery
Monthly US Revenue, Blackstone
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announced