

# 2018 FIRST-HALF RESULTS

PRESENTATION FOR INVESTORS, ANALYSTS & MEDIA

Basel, 22 August 2018



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# Conference Overview

## Medartis 2018 First-Half Results



### 2018 First-Half Highlights

Willi Miesch, Chief Executive Officer



### 2018 First-Half Financials

Dominique Leutwyler, Chief Financial Officer

### Business Development and Priorities

Willi Miesch, Chief Executive Officer



# 2018 First-Half Highlights





# Medartis Remains Well on Track

## SALES <sup>(1)</sup>

**+23%**

+21% in local currencies

## EMPLOYEES <sup>(1)</sup>

**510 (+31%)**

158 (+18%) Headquarters

75 (+10%) Operations

277 (+48%) Subsidiaries

## EBITDA MARGIN

**15%** (excl. IPO costs<sup>(2)</sup>)

10% (reported)

(1) H1 2017 vs H1 2018

2) Excl. capital market-related costs (IPO) of CHF 3.2 million in H1 2018

## 2018 First-Half Financials



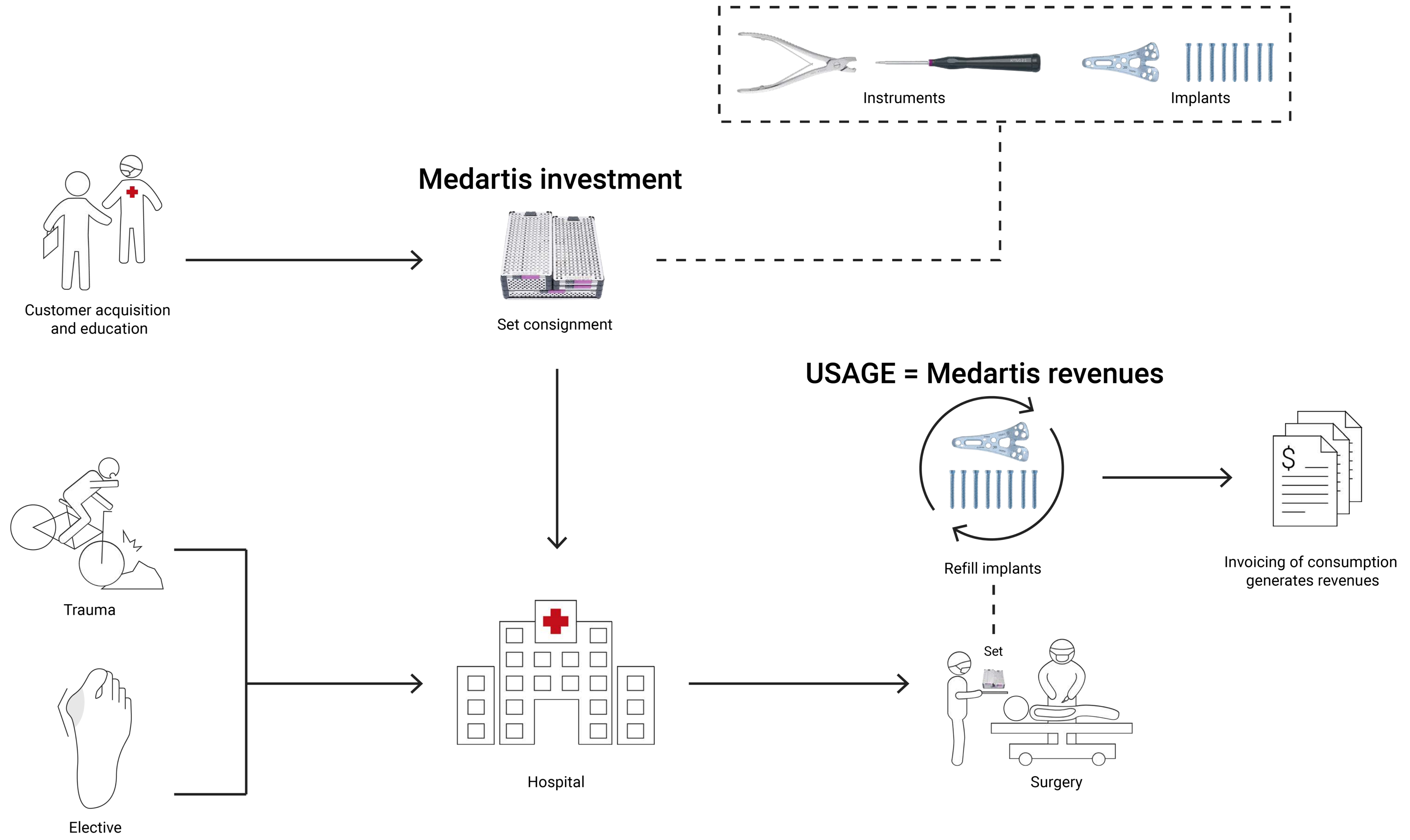
# Consolidated Financial Statements

## P&L

CHF	H1 2018	H1 2017
Sales	61 035 215	49 606 056
Cost of goods sold	-10 941 371	-8 731 129
<b>Gross profit</b>	<b>50 093 844</b>	<b>40 874 928</b>
Selling and distribution	-29 827 347	-21 163 590
Administration	-11 590 846	-9 107 465
Research and development	-6 862 733	-5 474 511
<b>Operating profit</b>	<b>1 812 918</b>	<b>5 129 363</b>
Finance income	89 632	15 121
Finance expense	-1 031 814	-3 133 576
<b>Income before taxes</b>	<b>870 737</b>	<b>2 010 907</b>
Income tax	311 094	490 649
<b>Net profit</b>	<b>1 181 831</b>	<b>2 501 557</b>
Attributable to Medartis Holding AG shareholders	1 181 831	2 501 557
<b>Basic earnings per share in CHF</b>	<b>0.12</b>	<b>1.72</b>

There is no dilution effect

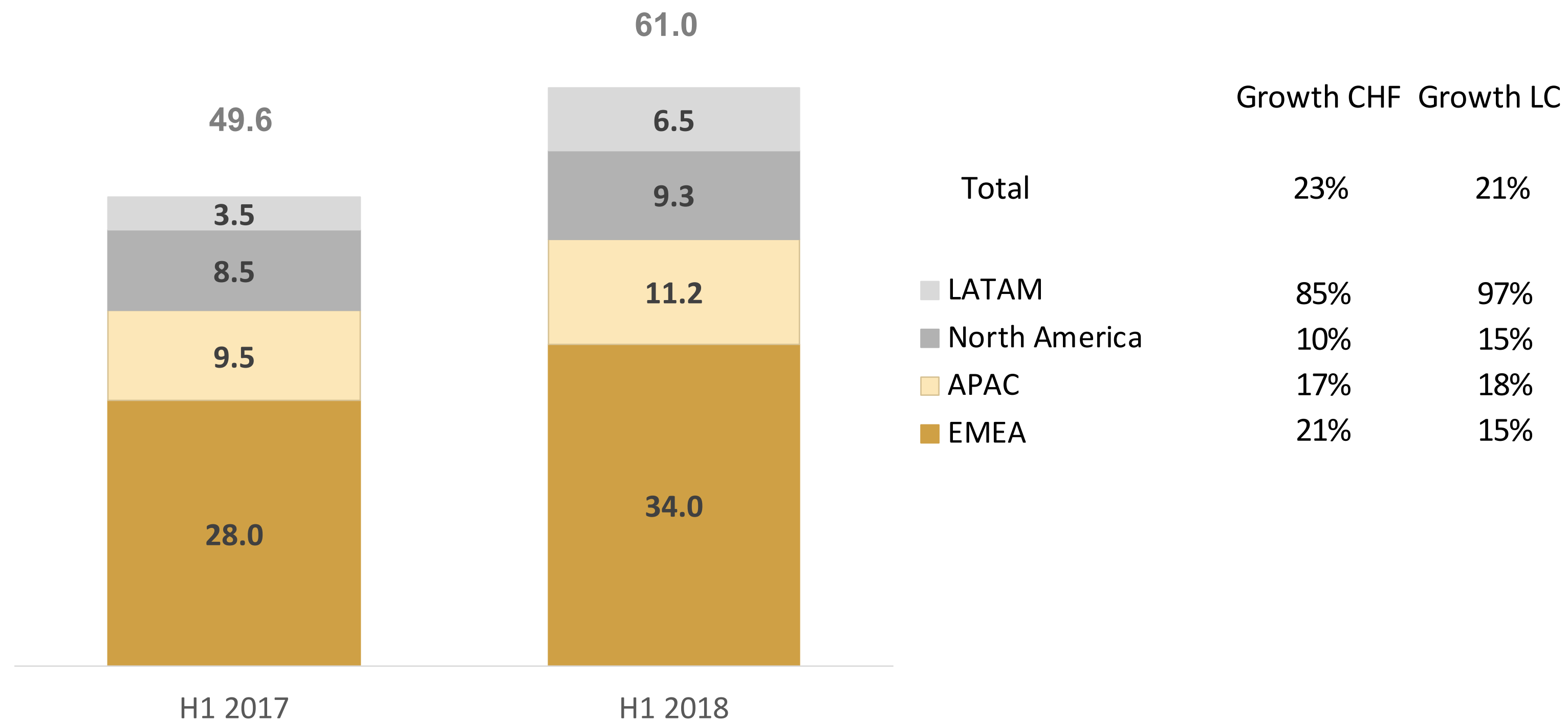
# Medartis Revenue Flows





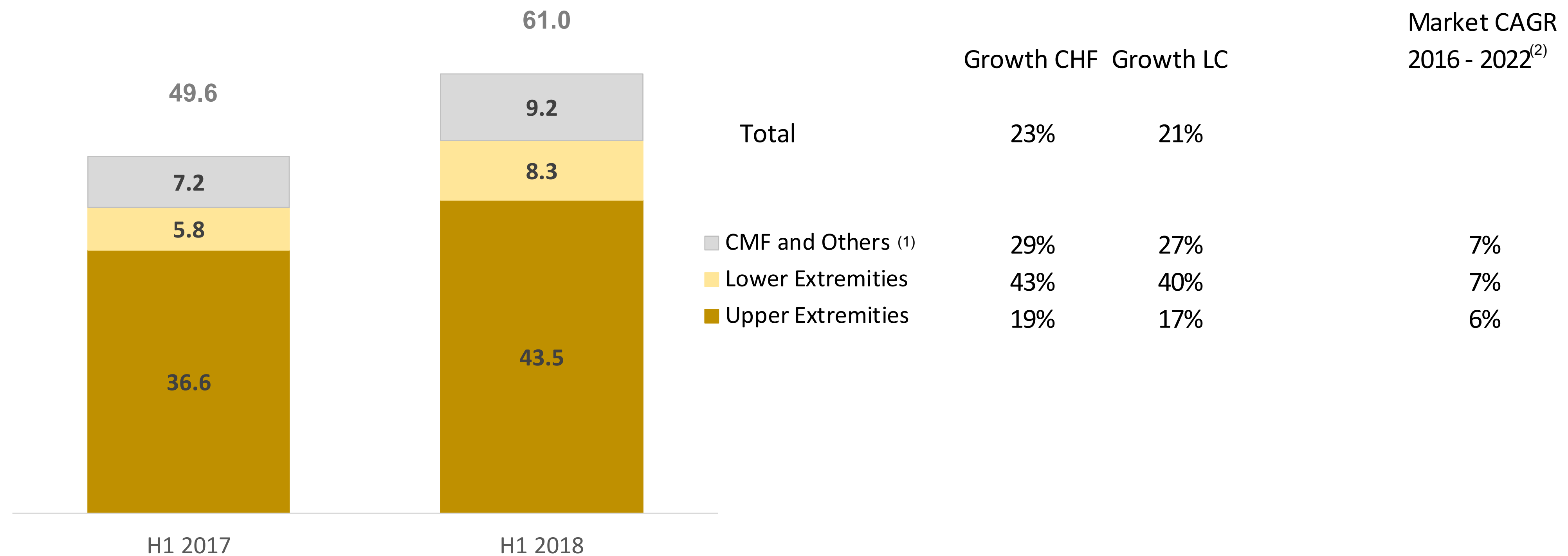
# Product Penetration Across Geographies Driving Top-Line Growth

Sales breakdown / regions, in CHFm



# All Business Segments with Growth Significantly Above the Market

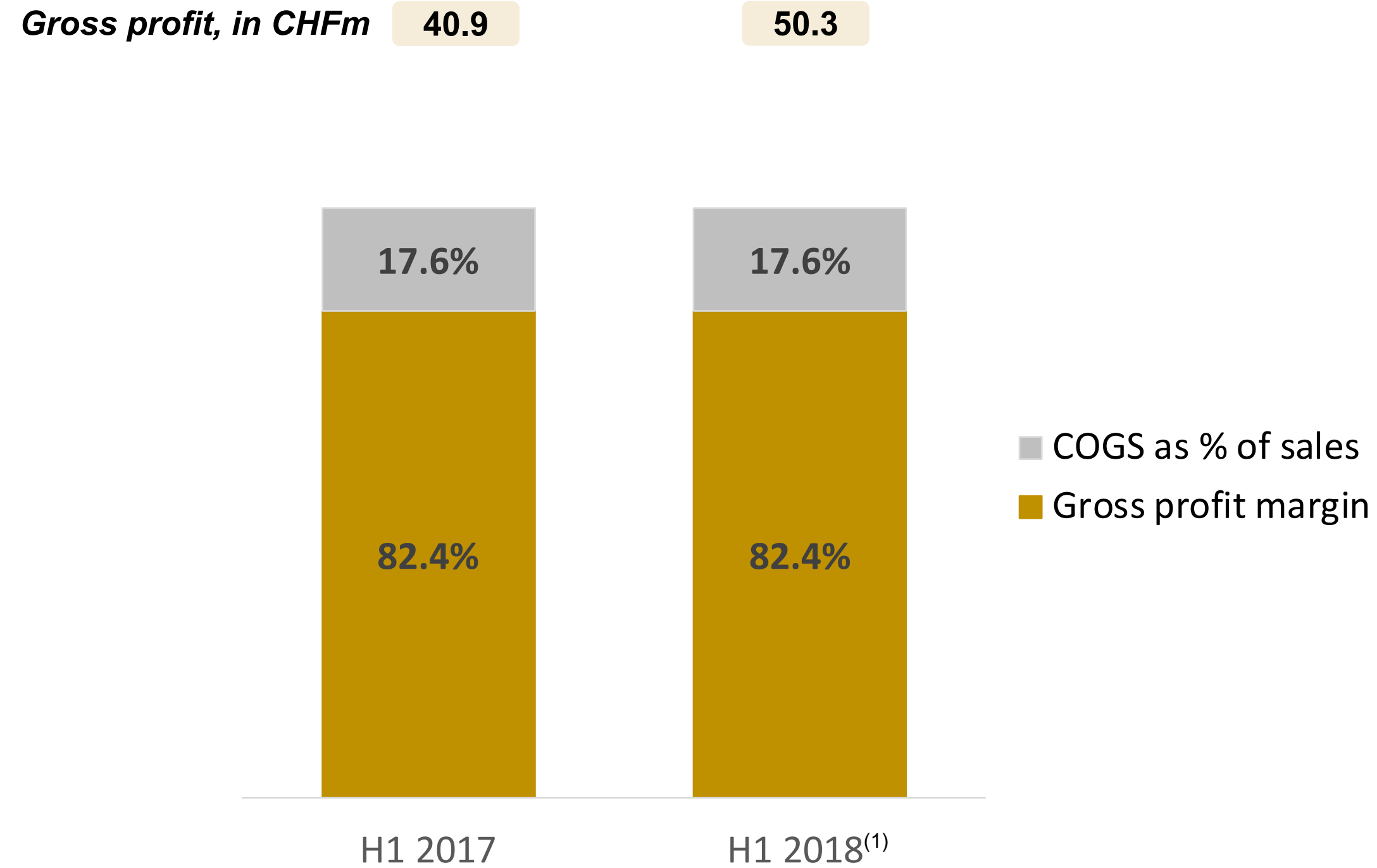
Sales breakdown / business segments, in CHFm



(1) 'CMF and Others' business segment comprises Medartis' product line for craniomaxillofacial (CMF) region, as well as instruments, containers and others  
 (2) Source Technavio data





# Gross Margin Remaining Stable

## Gross margin and COGS



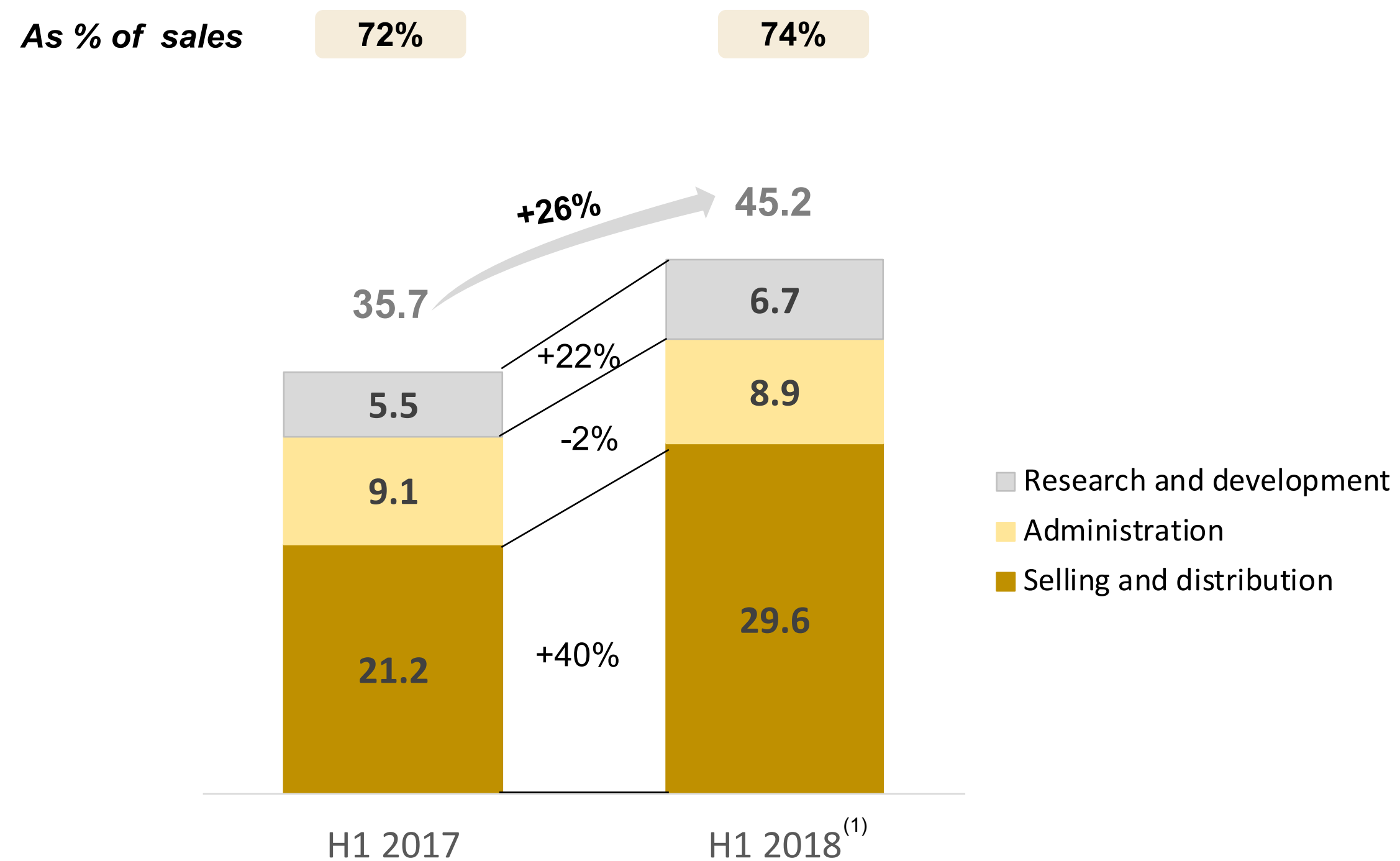
(1) Excl. capital market-related costs (IPO) of CHF 3.2 million in H1 2018

## Main drivers

- Growth in higher priced markets 
- Continued higher priced product innovation 
- Lean program in manufacturing 
- Higher purchasing volume due to growth 

# Significant Investments to Support Growth

## Adjusted operating expenses, in CHFm



## Main drivers

### Research and development

- Reflects higher development efforts to upgrade product portfolio
- Higher cost efforts due to new registration requirements

### Selling and distribution

- Overall strong investments in sales force
- Cost of new subsidiary in Brazil reflected in H1 2018
- Investments in Japan and China

(1) Excl. capital market-related costs (IPO), mainly in administration, of CHF 3.2 million in H1 2018



# Focus on OPEX alongside further Business Investments

## Adjusted EBITDA, in CHFm

As % of sales

17%

15%

+5%



9.0

■ EBITDA

H1 2017

H1 2018<sup>(1)</sup>

## Main drivers

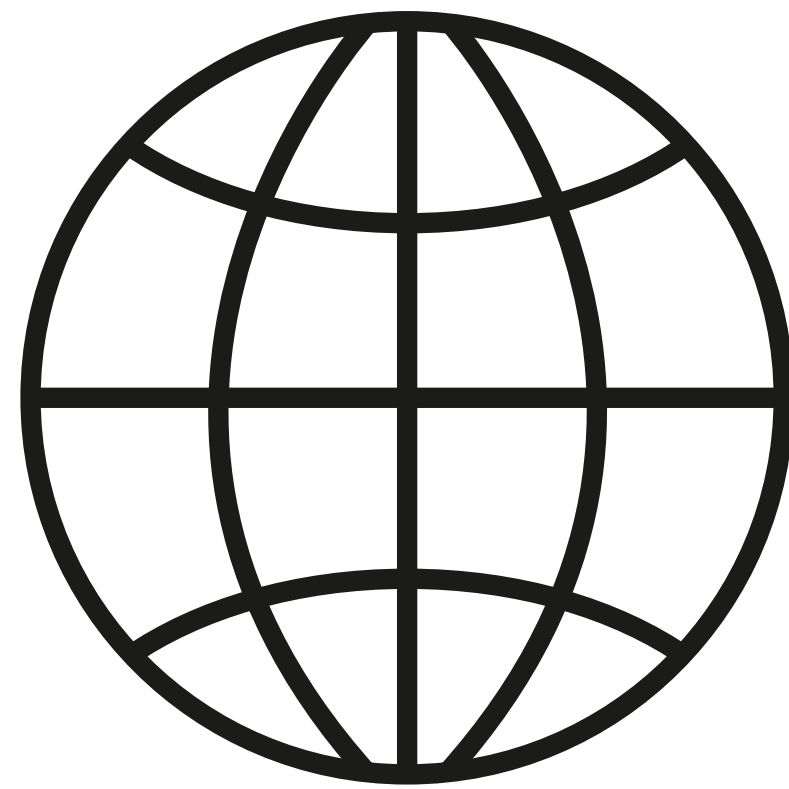
- Double-digit sales growth across regions and business segments
- OPEX reflecting growth strategy

(1) Excl. capital market-related costs (IPO) of CHF 3.2 million in H1 2018

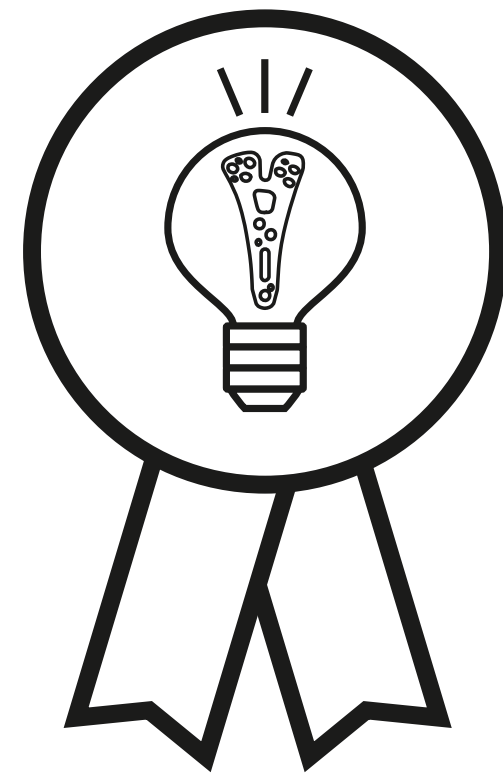
# Business Development and Priorities



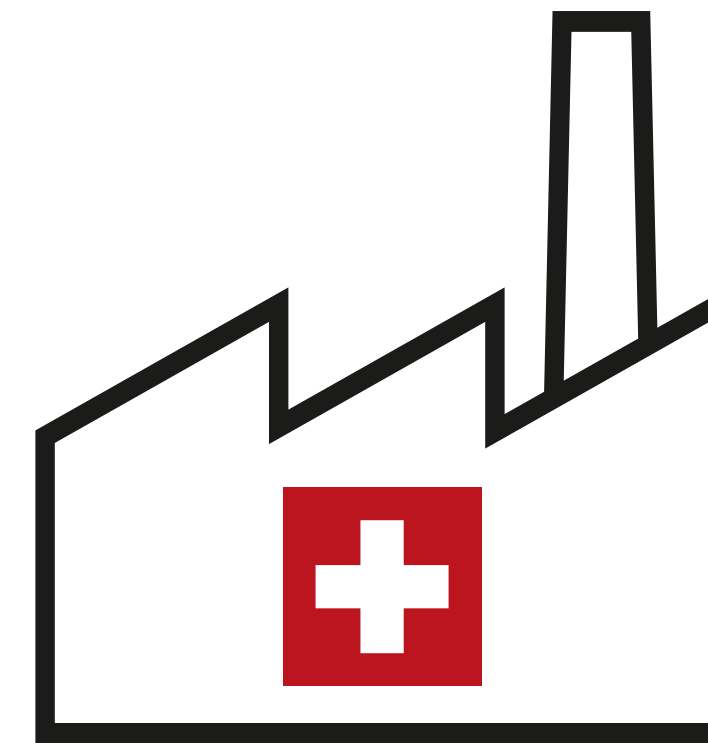
# Becoming a Global Top 3 Player in Major Small Bone Markets



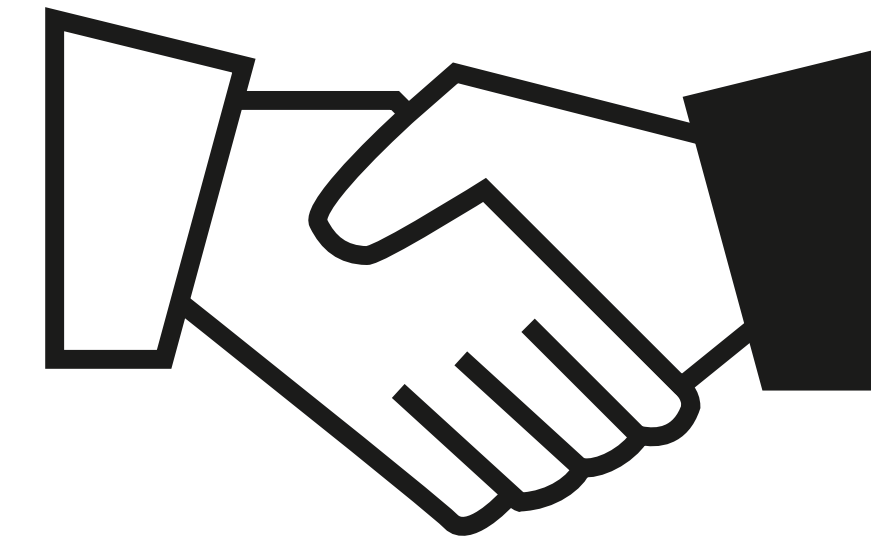
Expand sales and marketing efforts to increase revenues



Remain the innovation leader for products and new surgical approaches and the preferred partner for customers

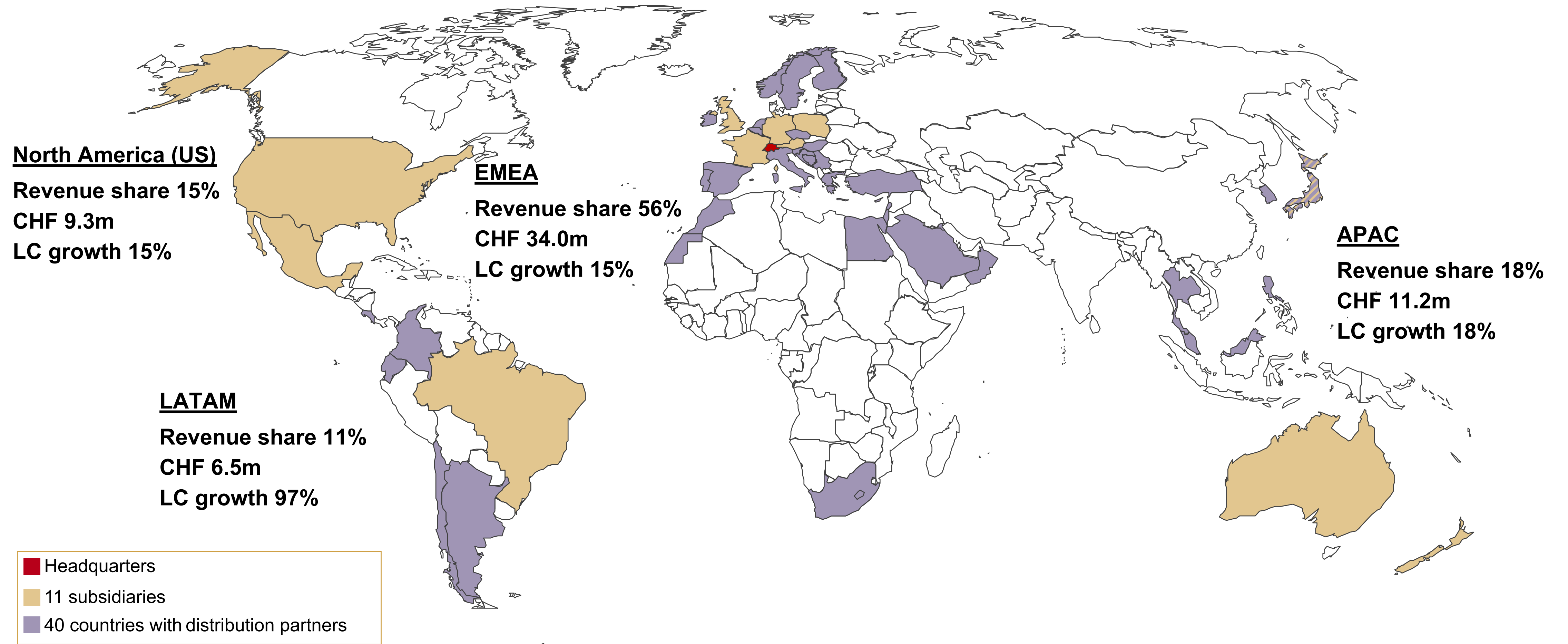


In-house manufacturing of Swiss-made quality products priced at competitive levels



Maintain and establish long-term relationships

# Globally Diversified Business



Revenue share direct sales / distributor sales: 86% / 14%





# EMEA: Continued Strong Growth

## 2018 first-half results

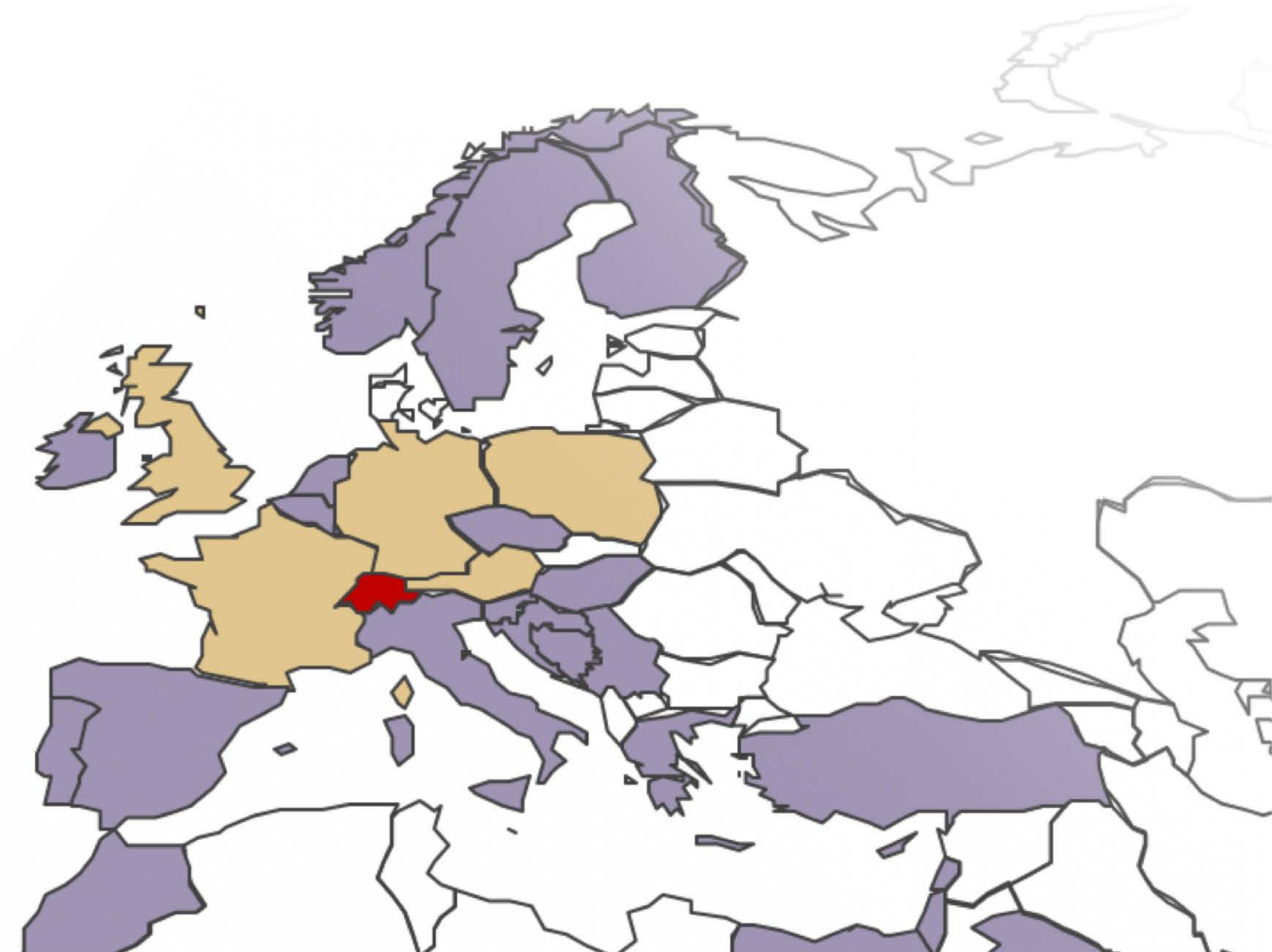
- CHF 33.97 million (+21% in CHF / +15% in local currencies)

## Highlights and observations

- Strong growth of subsidiaries
- Strong performance in existing distributor markets and new market entries
- Successful introduction of new products in Upper Extremities
- Potential in UK not yet reached due to increased sterilization requirements

## H2 2018 priorities

- Launch preparation for sterile portfolio roll-out in selected markets



- Headquarters
- Subsidiaries
- Countries with distribution partners





# North America: Investments Beginning to Pay Off

## 2018 first-half results

- CHF 9.34 million (+10% in CHF / +15% in local currency)

## Highlights and observations

- Expansion of direct and indirect sales forces in key areas
- Establishment of professional relationships with leading universities and associations

## H2 2018 priorities

- Recruitment and training of qualified sales representatives
- Strengthen education in cooperation with IBRA (scientific partner)
- Increase sales investments in fast growing lower extremities business



■ Subsidiary



# APAC: Strong Performance in Established Markets

## 2018 first-half results

- CHF 11.16 million (+17% in CHF / +18% in local currencies)

## Highlights and observations

- Strong performance in Australia and other established markets
- Expansion of market presence in existing and new countries

## H2 2018 priorities

- Start of operations with subsidiary in Japan planned by end-2018
- Prepare market entry in China



- Subsidiaries
- Countries with distribution partners





# LATAM: Successful Distributor Integration in Brazil

## 2018 first-half results

- CHF 6.55 million (+85% in CHF / +97% in local currencies / 32% excl. acquisition effect)

## Highlights and observations

- Successful distributor integration in new subsidiary in Brazil
- Direct cooperation with health insurance societies in Brazil
- Strong distributors growth in South America

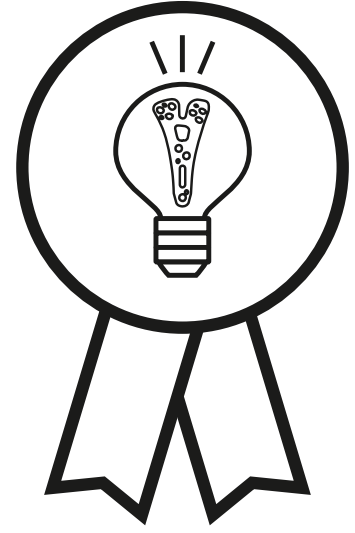
## H2 2018 priorities

- Further expand presence in Brazil with own sales forces



■ Subsidiaries  
■ Countries with distribution partners





# Upper Extremities: Strong Results in Hand, Wrist and Elbow

## 2018 first-half results

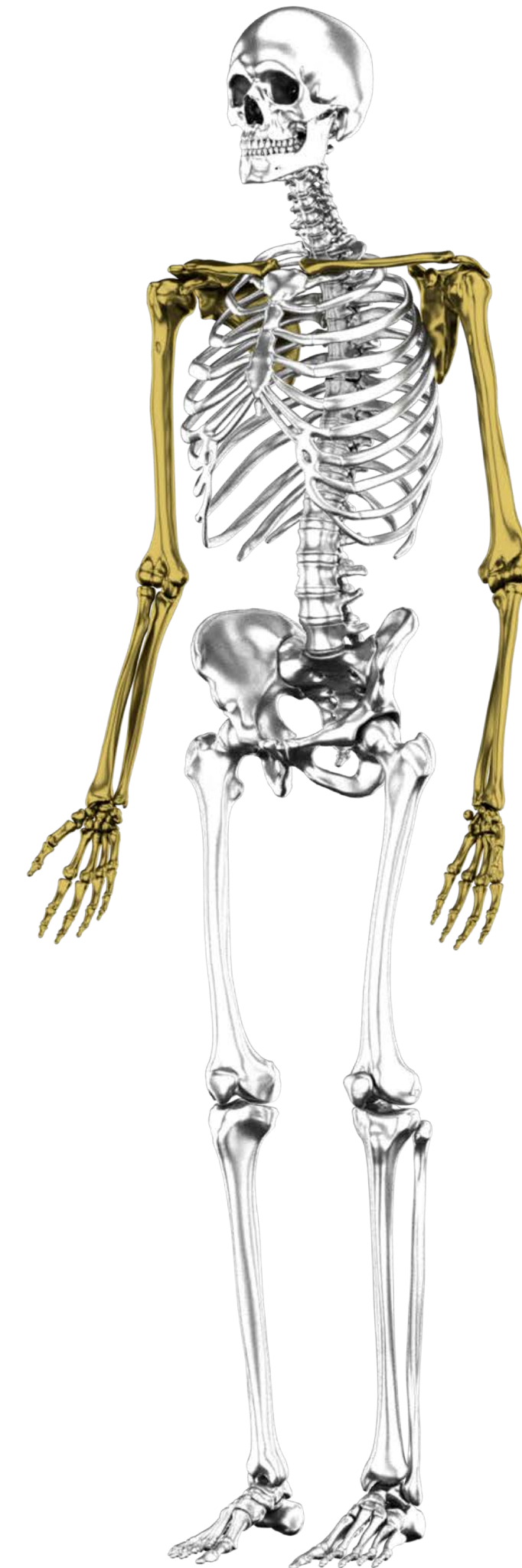
- CHF 43.47 million (+19% in CHF / +17% in local currencies)

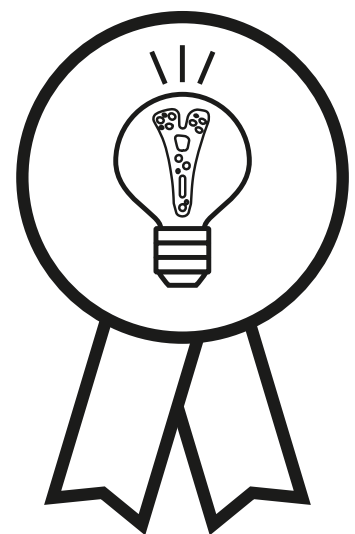
## Highlights and observations

- Hand, wrist and elbow implants all contributed to the strong result
- Launch of additional wrist plates to address specific fracture patterns

## H2 2018 priorities

- Use strong position and network in EMEA to increase growth worldwide (i.e. education, design groups)





# Upper Extremities: Launch of Shoulder System

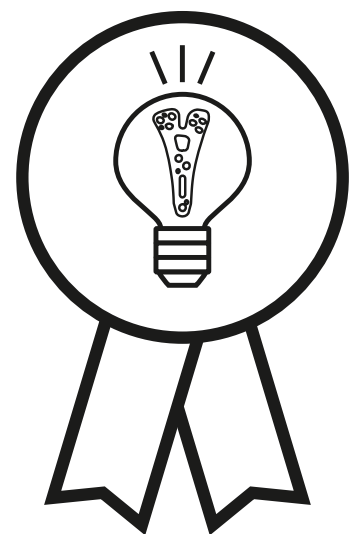
## Highlights and observations

- Advanced preparation for market entry
- Optimization of screws (based on experience in lower extremities implant development with higher load bearing requirements)
- Start of investments in implants sets in distribution markets after implementation of optimized screws

## H2 2018 priorities

- Prepare full release planned for Q1 2019





# Lower Extremities: Dynamic Growth

## 2018 first-half results

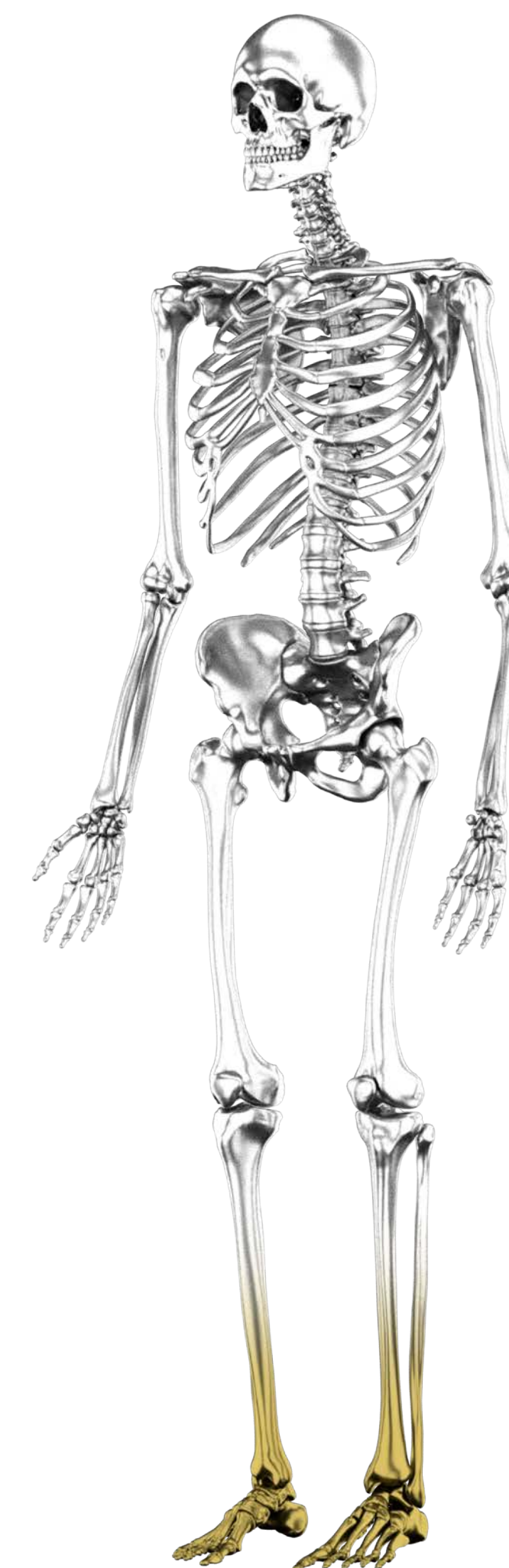
- CHF 8.32 million (+43% in CHF / +40% in local currencies)

## Highlights and observations

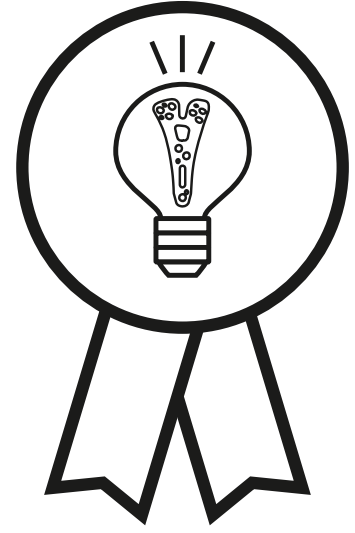
- Continued growth of subsidiaries with strong market position
- Strong international KOL group to help build and grow the business
- Ongoing developments to fill product portfolio gaps

## H2 2018 priorities

- Build strong education programs for surgeons together with scientific partner IBRA
- Increase networking with Foot and Ankle Societies







# CMF and Others: CMF Growth Above the Market

## 2018 first-half results

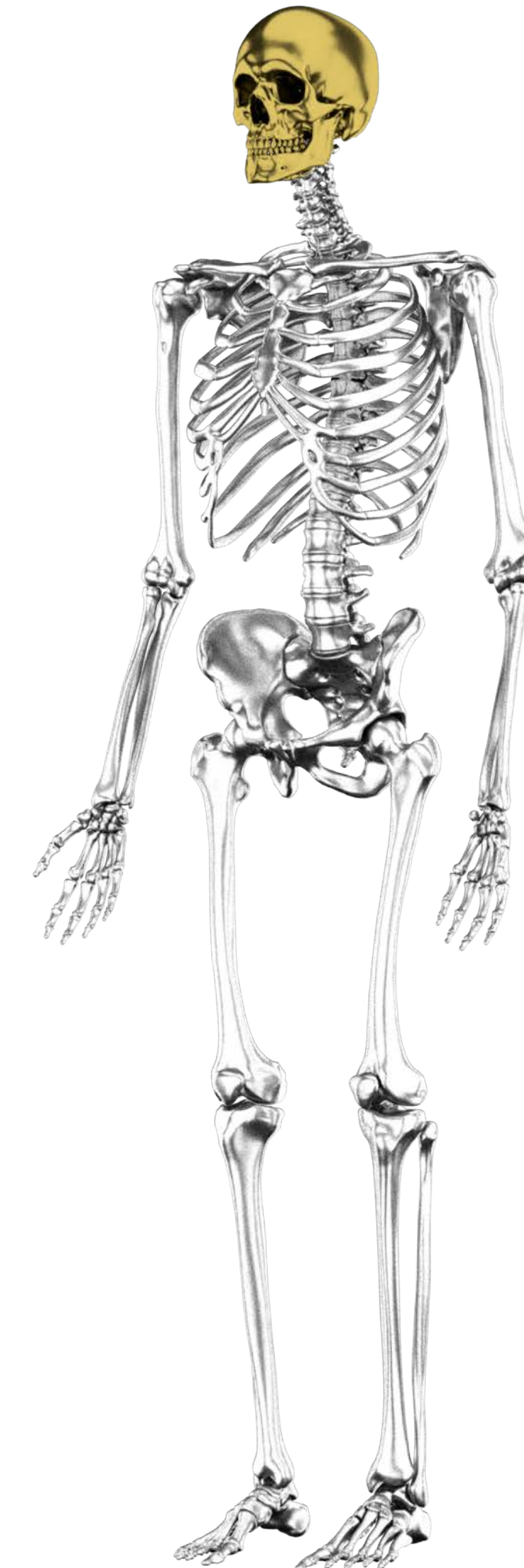
- CHF 9.24 million (+29% in CHF / +27% in local currencies)

## Highlights and observations

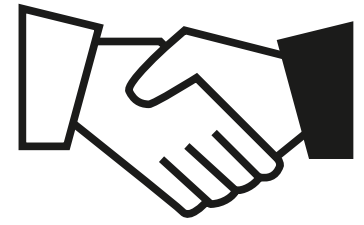
- Growth above the market in craniomaxillofacial line
- Strong growth in instruments

## H2 2018 priorities

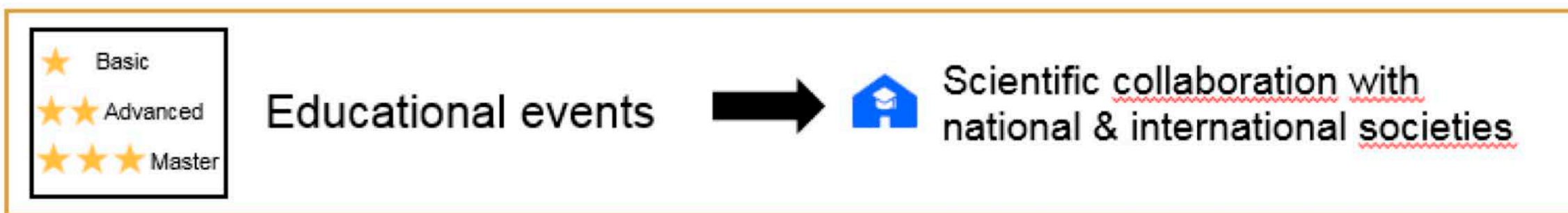
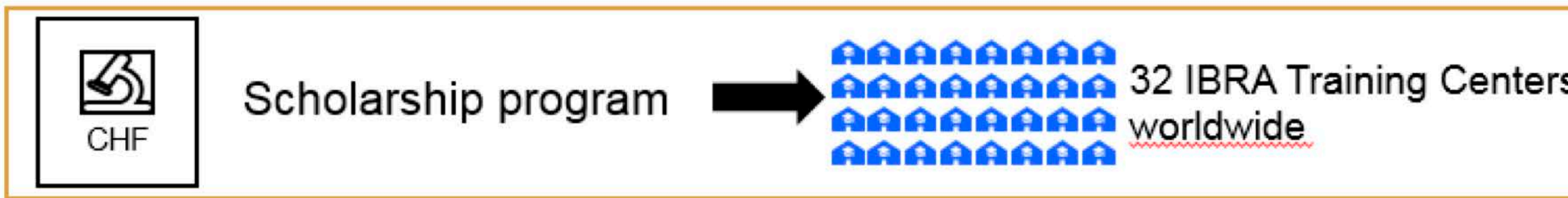
- Develop next CMF generation, launch expected in 2020







# Long-term Partnership



## Leading position

Medartis and IBRA with major presence at Europe's largest Hand and Wrist congress (FESSH)



## Japan

5th IBRA hand and wrist course, 1st foot and ankle course



## LATAM

24th to 27th courses to be held in H2 2018



## US

16th to 19th courses to be held in H2 2018

# Summary and Outlook

- 2018 first-half performance:
  - Double-digit sales growth across regions and business segments
  - Continued investments in market presence and business in key countries
  
- 2018 full-year outlook <sup>(1)</sup> :
  - Sales growth in local currencies in the high teens
  - EBITDA margin of 15% to 16% (excl. IPO costs)
  
- Cashflow will be reinvested to drive further growth

(1) Barring unforeseen circumstances

# Appendix





# Medartis Success Factors

1

**Accelerating global roll-out and momentum**



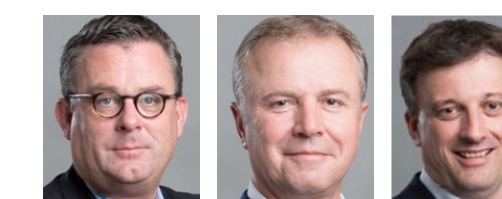
2

**Disciplined capital management and strong financial profile**



3

**Entrepreneurial and experienced management team**



4

**Fully-fledged organisation under one roof**



5

**Intense collaboration with key medical professionals worldwide**



6

**Price-competitive Swiss-made products**



7

**Best-in-class fracture fixation technology**



# Interim Consolidated Balance Sheet

CHF	Unaudited 30 Jun 2018	Audited 31 Dec 2017
Assets		
Current assets:		
Cash & cash equivalents	122 815 884	1 973 308
Accounts receivable trade	21 003 548	19 368 250
Accounts receivable other	495 404	1 323 939
Income tax receivables	2 286 036	3 217 140
Inventories	36 166 882	35 029 849
Prepaid expenses and accrued income	1 222 095	1 153 080
<b>Total current assets</b>	<b>183 989 850</b>	<b>62 065 566</b>
Non-current assets:		
Property, plant and equipment	34 631 843	32 743 881
Intangible assets	8 188 848	8 368 814
Financial assets	1 064 098	1 005 637
Deferred tax assets	27 732 122	26 308 429
<b>Total non-current assets</b>	<b>71 616 911</b>	<b>68 426 760</b>
<b>TOTAL ASSETS</b>	<b>255 606 761</b>	<b>130 492 326</b>



# Interim Consolidated Balance Sheet

Liabilities and equity		
Current liabilities:		
Accounts payable trade	5 919 796	6 661 031
Accounts payable other	9 817 761	10 342 162
Accrued expenses	1 221 831	1 259 973
Current financial debt and other financial liabilities	2 222 714	12 417 442
Provisions	627 702	628 405
<b>Total current liabilities</b>	<b>19 809 804</b>	<b>31 309 014</b>
Non-current liabilities:		
Financial debt and other non-current liabilities	2 230 133	62 161 179
Provisions	2 238 101	2 214 311
Employee benefit obligation	13 268 455	14 057 558
Deferred tax liabilities	3 732 005	3 711 994
<b>Total non-current liabilities</b>	<b>21 468 694</b>	<b>82 145 042</b>
<b>Total liabilities</b>	<b>41 278 498</b>	<b>113 454 056</b>
Shareholders' equity:		
Issued share capital	2 348 201	1 457 897
Capital reserves	252 451 944	58 717 103
Currency translation adjustment	2 282 796	3 065 622
Retained earnings	-42 754 678	-46 202 350
<b>Total shareholder's equity</b>	<b>214 328 263</b>	<b>17 038 271</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>255 606 761</b>	<b>130 492 326</b>



# Medartis Board of Directors



**Dr. h.c. Thomas Straumann**

**Chairman of the Board of Directors, Medartis Founder**

- Vice Chairman, past Chairman, past CEO & largest shareholder of Straumann Holding AG
- Co-Founder of the International Bone Research Association (IBRA)
- Honorary doctorate of the University of Basel, Switzerland



**Willi Miesch**

**Chief Executive Officer, Member of the Board of Directors, Medartis Co-founder**

- 30 years experience in orthopaedic and medical device companies, including 20 years at Medartis
- 3-year experience as Head of Operations at Stratec Medical / Synthes
- Board Member International Bone Research Association (IBRA) and member of the Investment Advisory Committee MTIP



**Dr. med. Daniel B. Herren**

**Member of the Board of Directors**

**Member of the Remuneration Committee**

- Former head of hand surgery department and now Chief Medical Officer at Schuthess Clinic in Zurich
- Former board member of the National Federation of Medical Doctors in Switzerland
- Former President of the Swiss Society for Surgery of the Hand



**Roland Hess**

**Member of the Board of Directors**

**Chairman of the Finance and Audit Committee**

- Former board member of Straumann Holding and chairman of the audit committee
- Various managerial positions at Schindler and Nestlé
- Degree in BA from Lucerne Business school and Harvard Business School



**Dominik Ellenrieder**

**Vice-Chairman of the Board of Directors**

**Chairman of the Remuneration Committee**

**Member of the Finance and Audit Committee**

- 13 years as Business Units Manager at Stratec Medical
- Venture Partner at Endeavour Vision SA & Director of Straumann Holding AG from 2001 to 2014, company specialized in dental implants manufacturing and distribution
- Degree in economics from the University of Basel and an MBA from GSBA



**Damien Tappy**

**Member of the Board of Directors**

**Member of the Finance and Audit Committee**

- Co-Founder and Managing Partner of Endeavour Vision
- Served among others Director of Symetis, Chairman of Bitplane, Chairman of Genesystems, and Director of Cirpack
- Graduated at EPFL as a Engineer in Micro-Technology



**Dr. Jürg Greuter**

**Member of the Board of Directors**

**Member of the Remuneration Committee**

- Founding partner of Dietrich Wunder Klingler Horni, a law firm in Basel
- Board members at numerous small and mid-sized companies including MedTech, construction, tourism, shipping and aviation
- PhD. From University of Basel



# Medartis Executive Management Board



**Willi Miesch**

- **Chief Executive Officer, Member of the Board of Directors, Medartis Co-founder**
- 30 years experience in orthopaedic and medical device companies, including 20 years at Medartis
- Investment Advisory Committee MTIP, International Bone Research Association (IBRA)



**Axel Maltzen**

- **Chief Production Officer, Member of the Executive Management Board**
- 20 years executive experience in technical and manufacturing companies, including 9 years at Medartis
- Stryker Leibinger, tesa Werk, AB Umwelttechnik



**Thomas Tribelhorn**

- **Chief Technology Officer, Member of the Executive Management Board**
- 20 years experience in leading product management and sales positions, including 13 years at Medartis
- Hoffmann-La Roche, Stratec Medical



**Dominique Leutwyler**

- **Chief Financial Officer, Member of the Executive Management Board**
- 20 years experience as CFO, including 15 years at Medartis
- Saab, Scancars



**Oliver Marx**

- **Chief Sales Officer, Member of the Executive Management Board**
- 20 years experience in leading sales management positions, including 5 years at Medartis
- Weinmann Medical, Biosense Webster (Johnson & Johnson), Medicon, KLS Martin, Kugler Feinmechanik