

2019 | Full-Year Results

Presentation for investors, analysts and the media



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2019 Highlights

Christoph Brönnimann, Chief Executive Officer

2019 Financial Review

Dominique Leutwyler, Chief Financial Officer

Focus & Priorities

Christoph Brönnimann

Summary & Outlook

Christoph Brönnimann

Q & A



Precision in Fixation

Medartis: Specializes in technical high-precision implant systems for surgical fixation of bone fractures and osteotomies

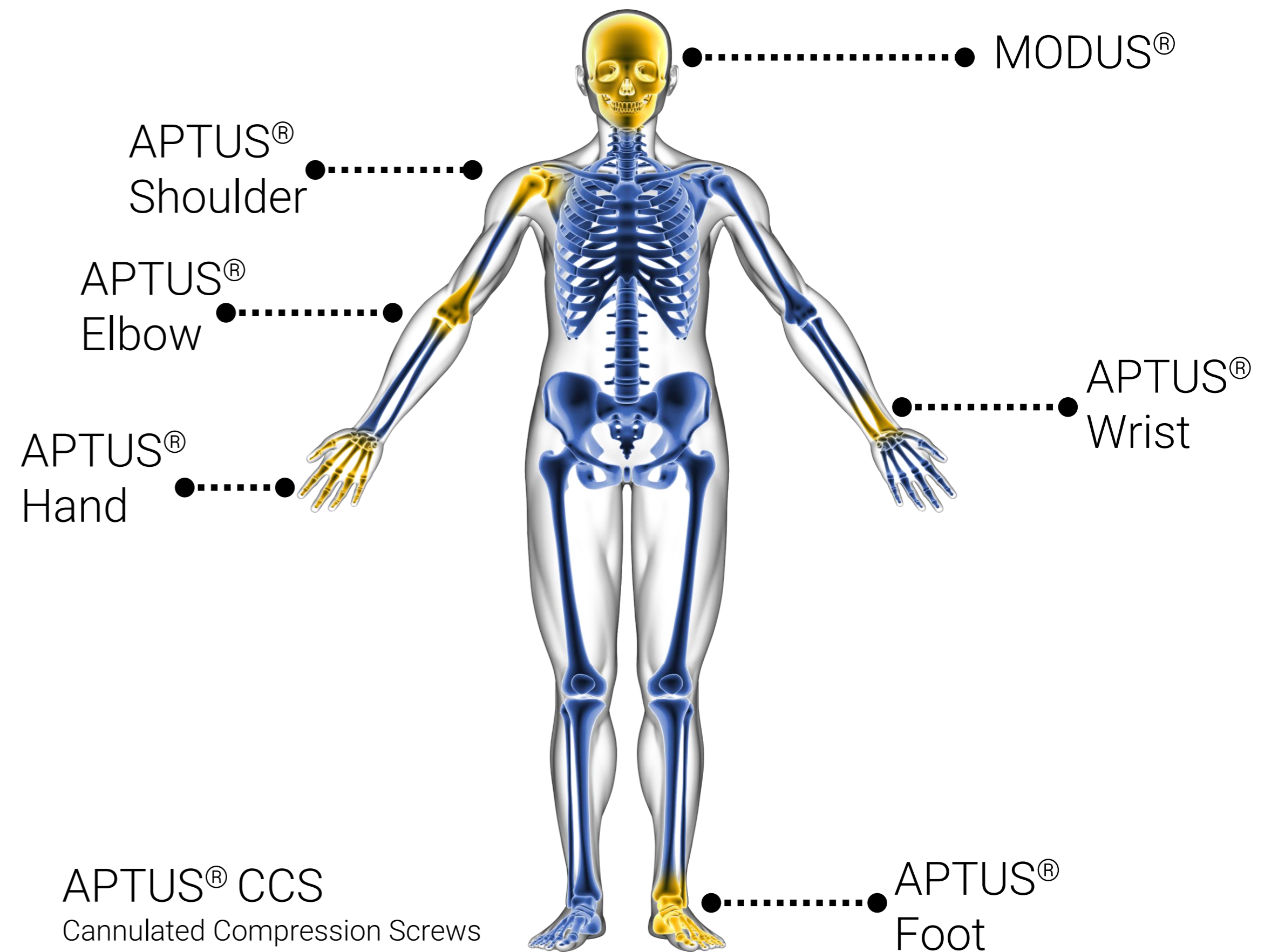
Founded: 1997

Headquarters: Basel, Switzerland

Subsidiaries: Germany, Austria, France, UK, Poland, USA, Mexico, Brazil, Australia, New Zealand, Japan, China

Distributors: Europe, Asia, Latin America, Africa

Employees: about 600



Medartis continued to execute its strategy in 2019


- Continued growth path above market levels and made further investments in growth
- Continued to build markets
 - US business with growth above market
 - Developed and launched wrist spanning plate for US market –fully focused on regional needs
 - First year of business in Japan
 - Achieved product authorization in China
 - Established new leadership in Brazil and Mexico subsidiaries
- Ongoing expansion of product portfolio
 - Strong sales in highest-revenue product line wrist
 - Further developed new product areas: shoulder (doubled sales but still at low levels), elbow (strong growth)
 - Made progress in completing plates and screws portfolio
- Completed smooth CEO handover
- Established new Strategy & Innovation Committee at Board of Directors-level

Medartis achieved 2019 results in line with guidance

Sales

CHFm 130.1


+7% in CHF
+10% in local currencies

 Guidance:
Sales growth of 8-10% in local currencies

EBITDA

CHFm 20.3

16% EBITDA margin reported
15% EBITDA margin adjusted⁽¹⁾

 Guidance:
EBITDA margin of 13%

Employees

609

+9%
48 new jobs created

(1) Excl. a provision for possible price and commission agreements in Brazil of CHF 3.0 million and excl. positive effect from pension fund plan amendment of CHF 3.4 million.

2019 | Financial Review



Key financial figures 2019

CHFm	2018	2019	2018 adjusted ⁽¹⁾	2019 adjusted ⁽²⁾	Change adjusted
Net sales	121.3	130.1	121.3	130.1	7%
Gross profit	101.0	111.3	101.2	110.6	9%
Opex (including depreciation and amortization)	95.0	103.9	91.9	103.6	13%
Operating profit (EBIT)	6.1	7.4	9.3	7.0	-25%
EBITDA	14.4	20.3	17.6	20.0	14%
EBITDA margin	12%	16%	15%	15% ⁽³⁾	0PP
Net Profit	4.2	2.1	7.0	1.8	-74%
Operating cashflow	6.5	8.1	8.6	8.1	26%
Capital expenditure ⁽⁴⁾	14.5	19.4	14.5	19.4	34%
Net working capital	48.0	55.1	48.0	55.1	21%
Headcount	561	609	561	609	48

(1) Adjusted 2018 – excluding capital market-related costs (IPO) of CHF 3.2 million.

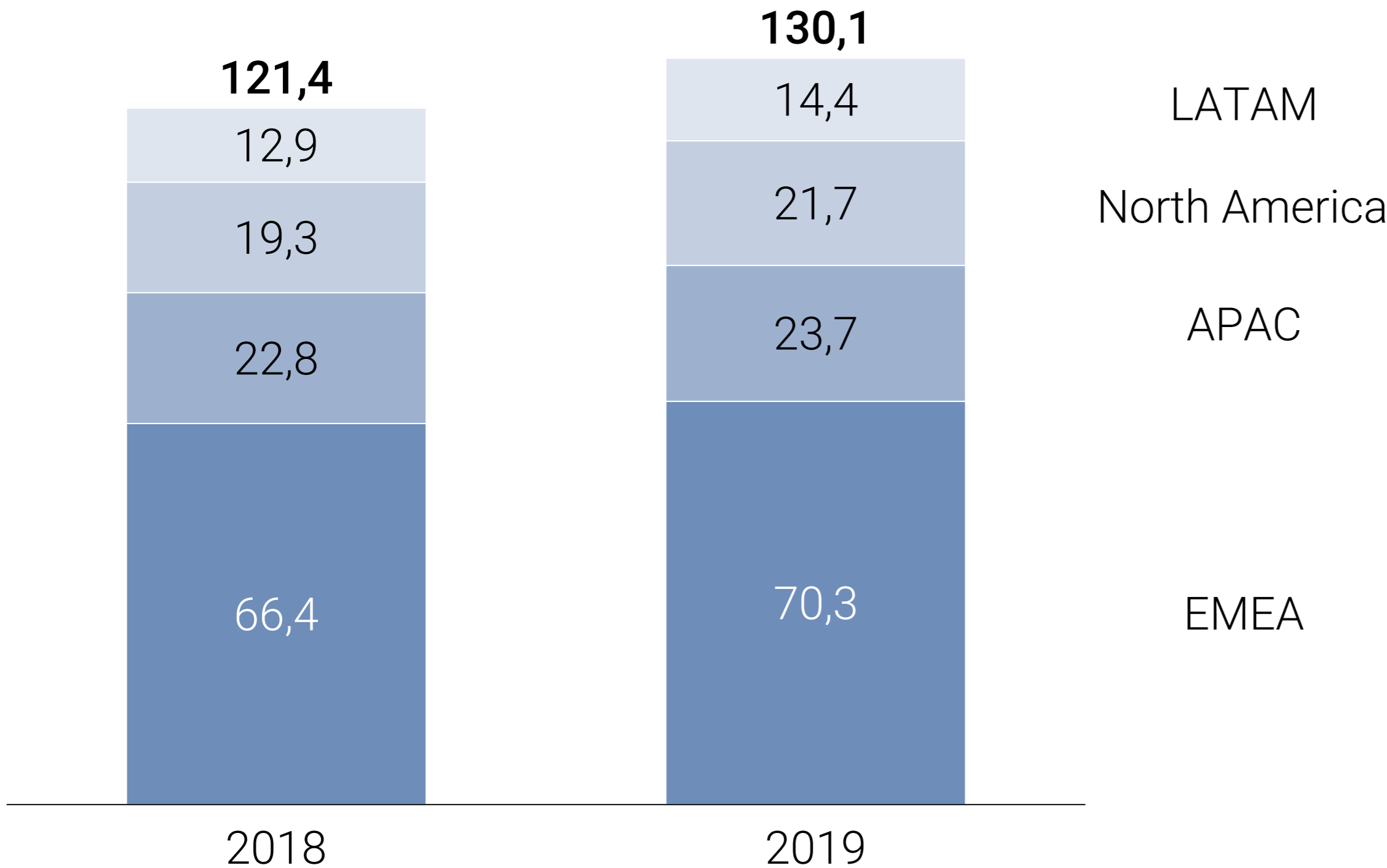
(2) Adjusted 2019 – excluding a provision for possible price and commission agreements in Brazil of CHF 3.0 million and excluding positive effect from pension fund plan amendment of CHF 3.4 million.

(3) Positive effect of CHF 3.6 million on EBITDA and 3 percentage points on EBITDA margin due to first-time application of IFRS 16.

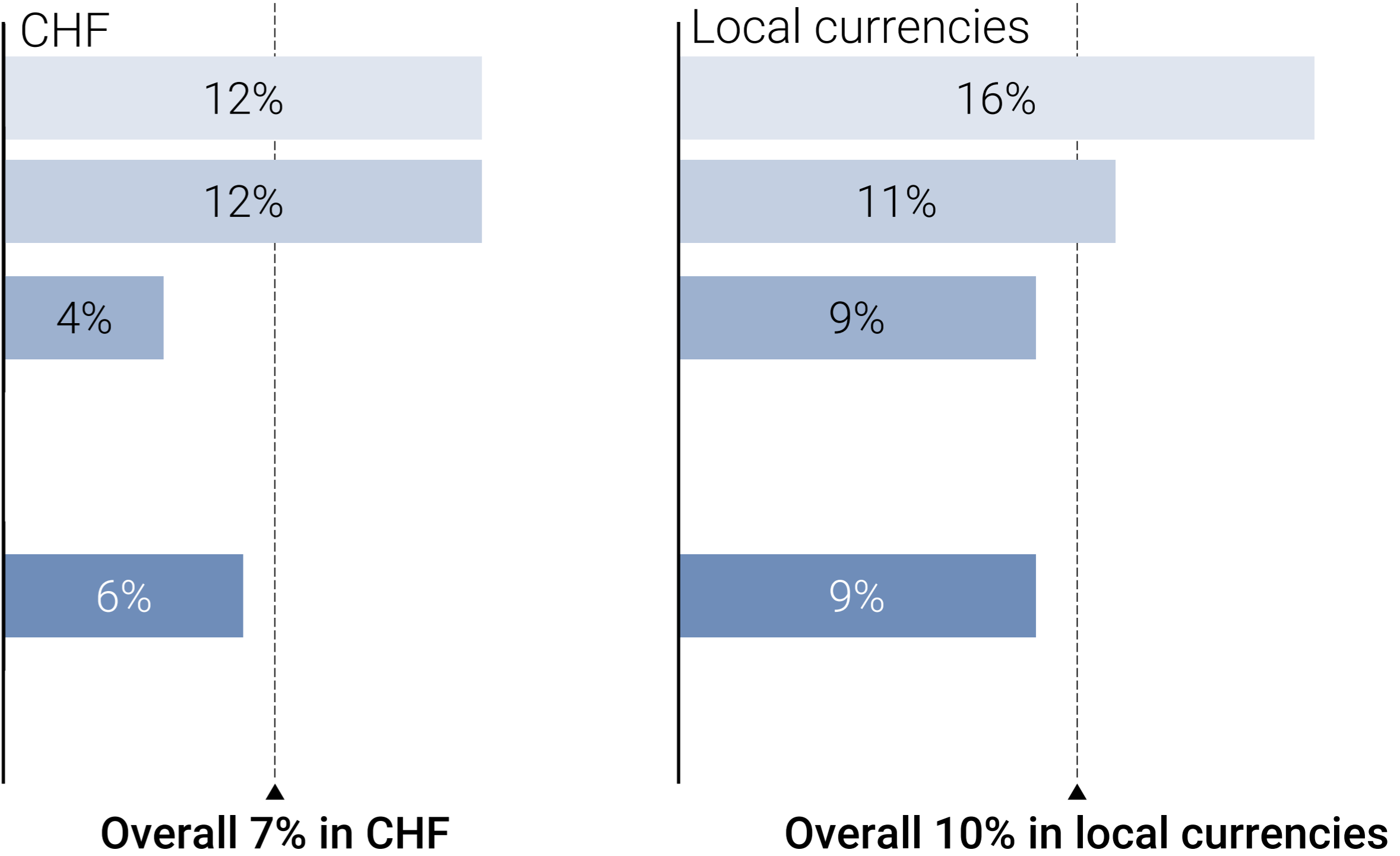
(4) Capex include all PPE and Software.

Regional review:
 Overall solid but decelerated growth compared to 2018

Sales breakdown / regions in CHFm



Growth / regions 2019 vs. 2018



Direct sales vs. distributor sales: 85% vs. 15%
 (2018: 84% vs. 16%)

Regional review: EMEA



2019 sales

CHF 70.3 million (+6% in CHF / +9% in local currencies)

Highlights and observations

- Subsidiaries:
 - Overall good performance above market level
 - Dynamic growth in UK, France and Poland
 - Solid development in other subsidiaries
- Distributor markets:
 - Mixed performance, partly due to limited investments ahead of MDR introduction
 - Italy and Spain below expectations, but with encouraging trends in H2
 - Dynamic investments in Netherlands sterile pioneer market
- Dynamic growth in lower extremities; strong growth in elbow
- Medartis ready for MDR due to come into force in the EU in May 2020

Regional review: North America



■ Subsidiary

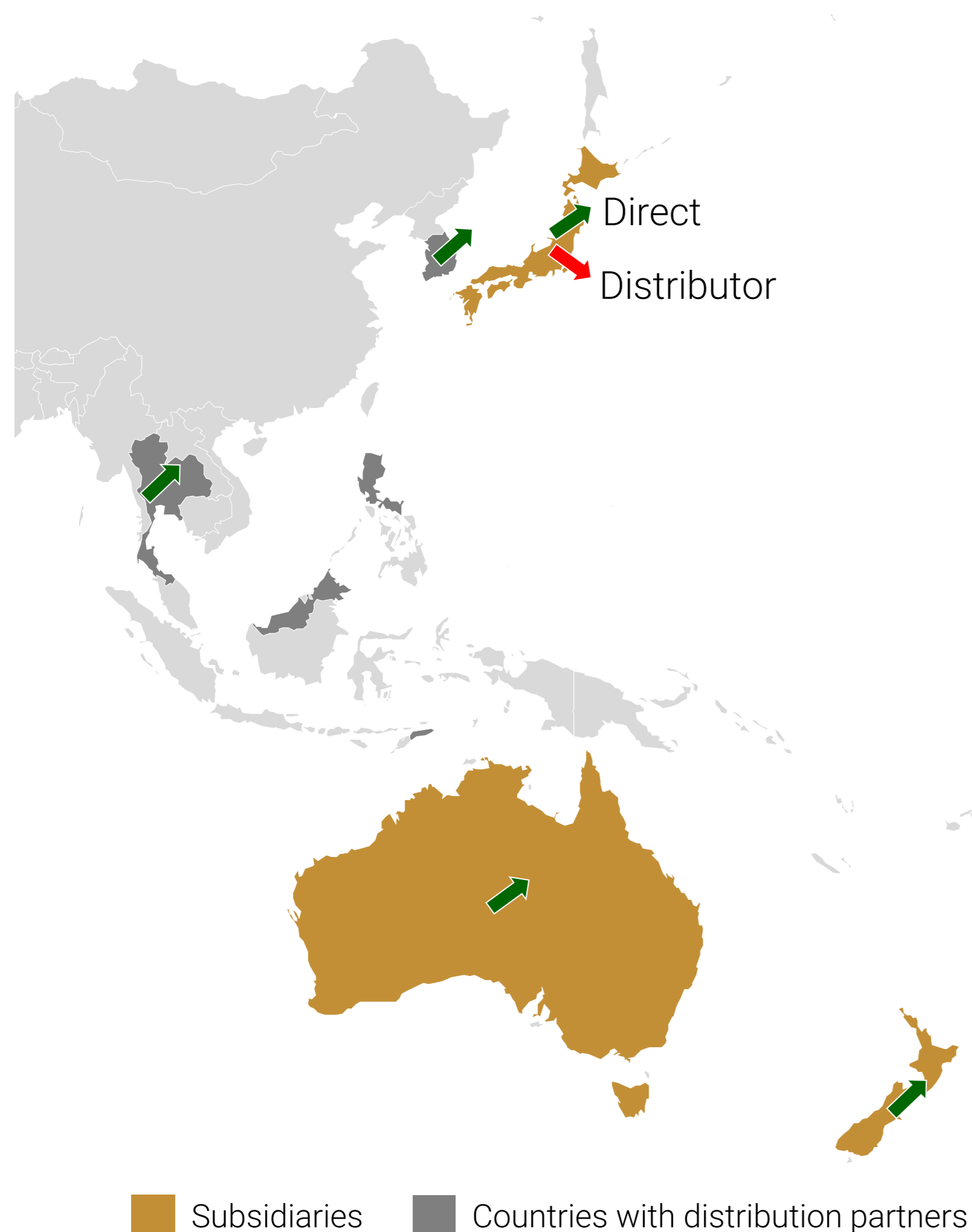
2019 sales

CHF 21.7 million (+12% in CHF / +11% in local currencies)

Highlights and observations

- Strong growth above market level, but not yet in management's target area
- Dynamic growth in wrist
- New wrist spanning plate developed specifically for US market launched in Q4
- Strengthened collaboration with distributors
- Expanded professional relationships with leading universities and associations
- Started regional cooperation with International Bone Research Association (IBRA) as scientific partner

Regional review: APAC



2019 sales

CHF 23.7 million (+4% in CHF / +9% in local currencies)

Highlights and observations

- Strong case growth in Australia, but impacted by country-wide 7% reduction of healthcare reimbursements (another 5% due in 2020)
- Japan:
 - New subsidiary for lower extremities on plan in its first year of business
 - Upper extremity distributor business below expectations, but improved in H2
- China:
 - Product approval received in H2 as envisaged
 - Preparations underway for sales activities launch planned in 2020
- Dynamic growth in South Korea and Thailand distributor markets

Regional review: LATAM



2019 sales

CHF 14.4 million (+12% in CHF / +16% in local currencies)

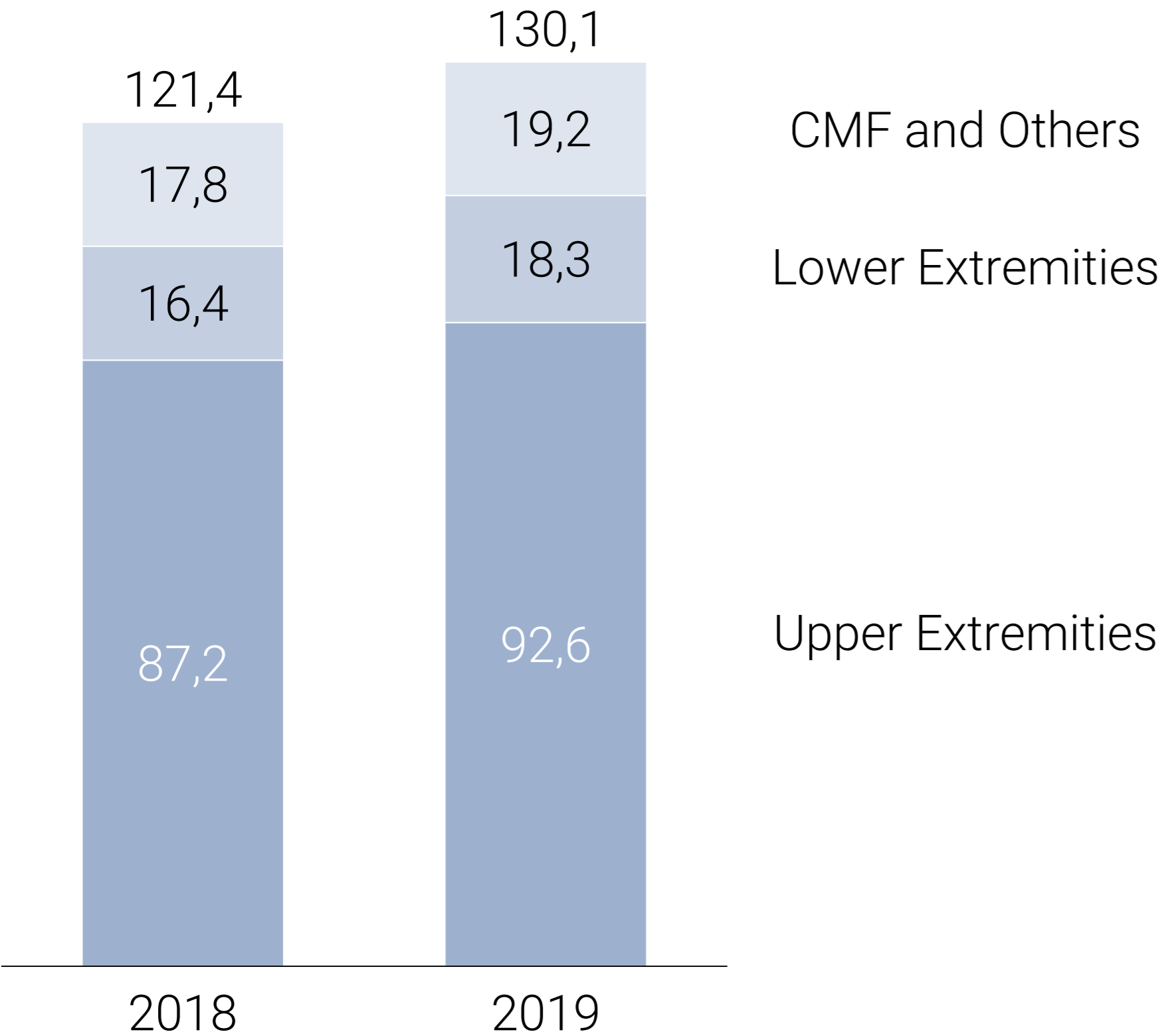
Highlights and observations

- Double-digit sales increase above organic growth in 2018, but below management's expectations
- Subsidiaries:
 - Dynamic growth in Brazil despite challenging market environment
 - Mexico below expectations
 - Brazil and Mexico strengthened with new general managers
- Distributor markets:
 - Dynamic performance in Chile
 - Strong case growth hand and wrist in Colombia

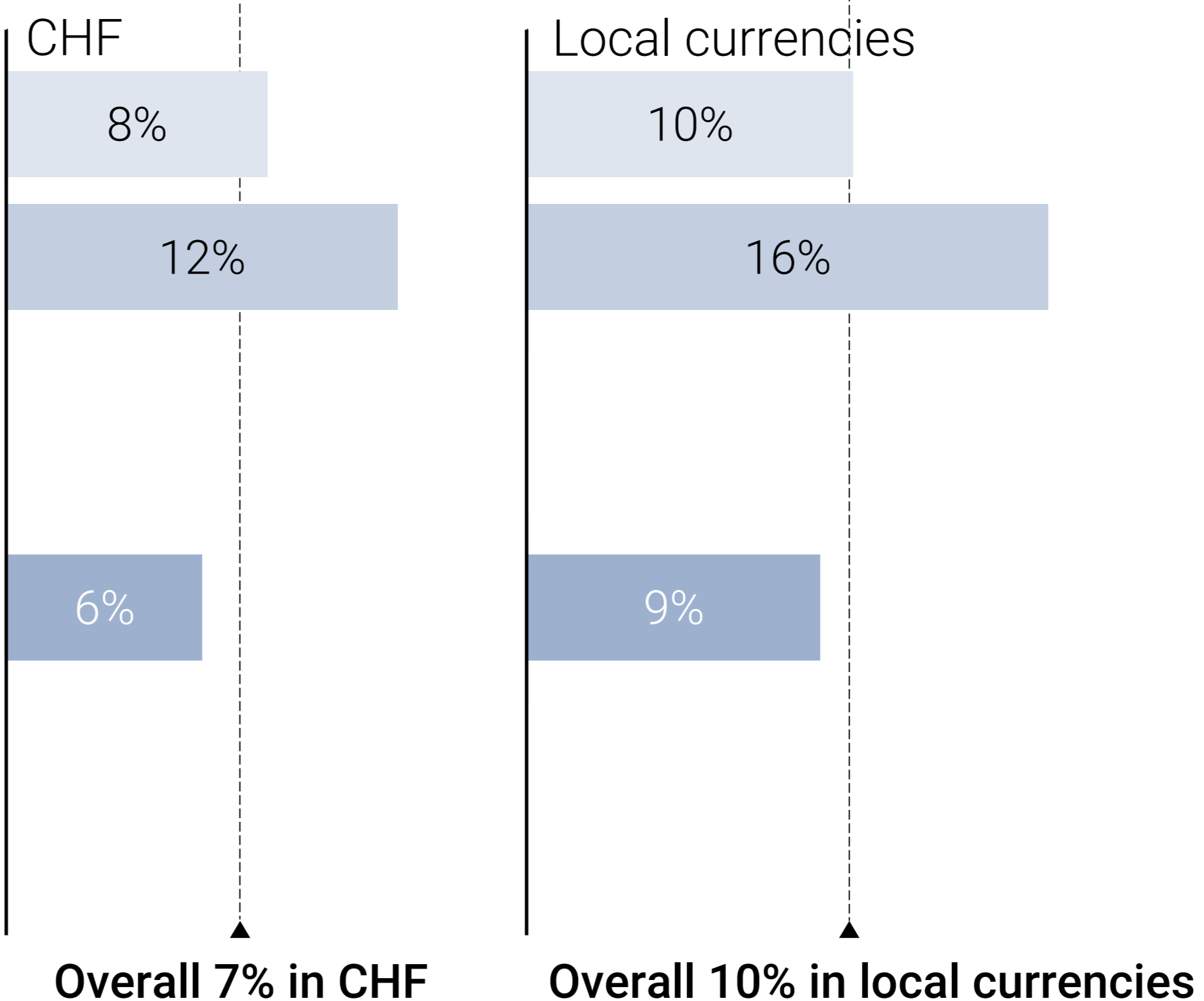
Segment review:

Continued growth above market levels in all segments

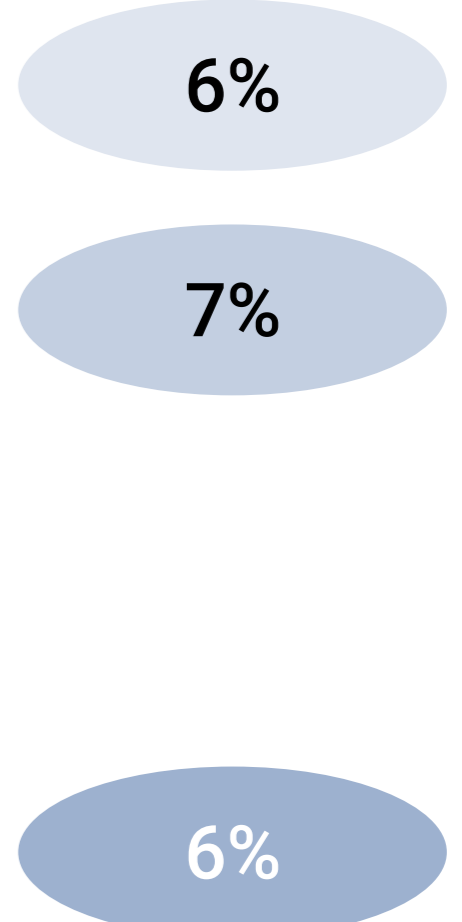
Sales breakdown / segments in CHFm



Growth / segments 2019 vs. 2018



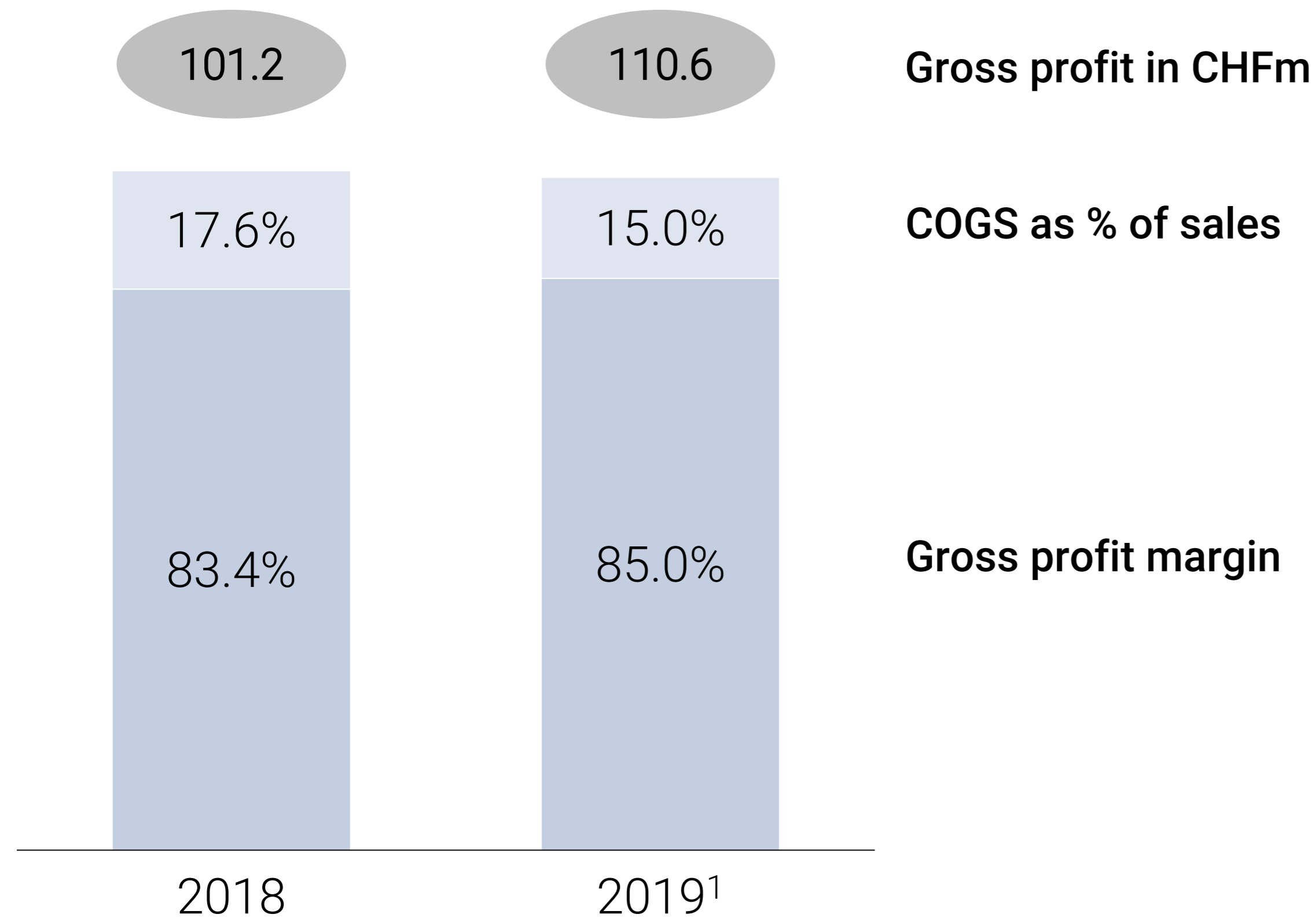
Market CAGR 2016-2022⁽¹⁾



(1) Source: Technavio data.

Gross margin development: Reflects innovation and growth in higher-priced markets

Gross margin and COGS (adjusted)



Main drivers

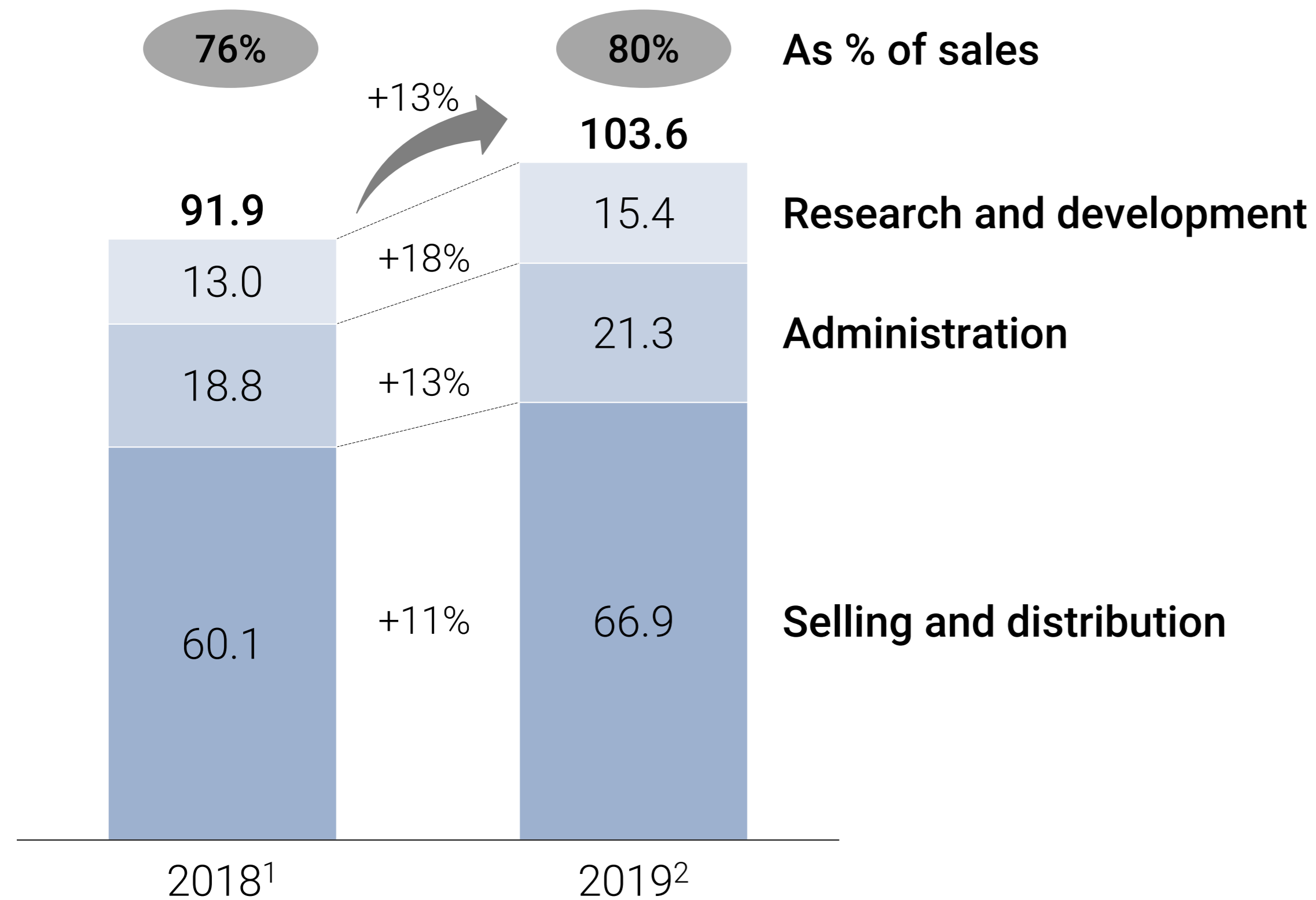
- Growth in higher-priced markets
- Continued higher-priced product innovation
- Lean manufacturing and automation program
- Higher purchasing volume due to growth
- Continued price pressure from customers and purchasing organizations

(1) Adjusted – excl. positive effect from pension fund plan amendment of CHF 0.7 million.

Cost development:

Higher cost-income ratio reflects ongoing controlled investments in growth

Operating expenses in CHFm (adjusted)



Main drivers

Research and development

- Investments in MDR readiness
- Enhanced education efforts with IBRA

Administration

- Customer service & supply chain capability-build in subsidiaries
- One-time building maintenance

Selling and distribution

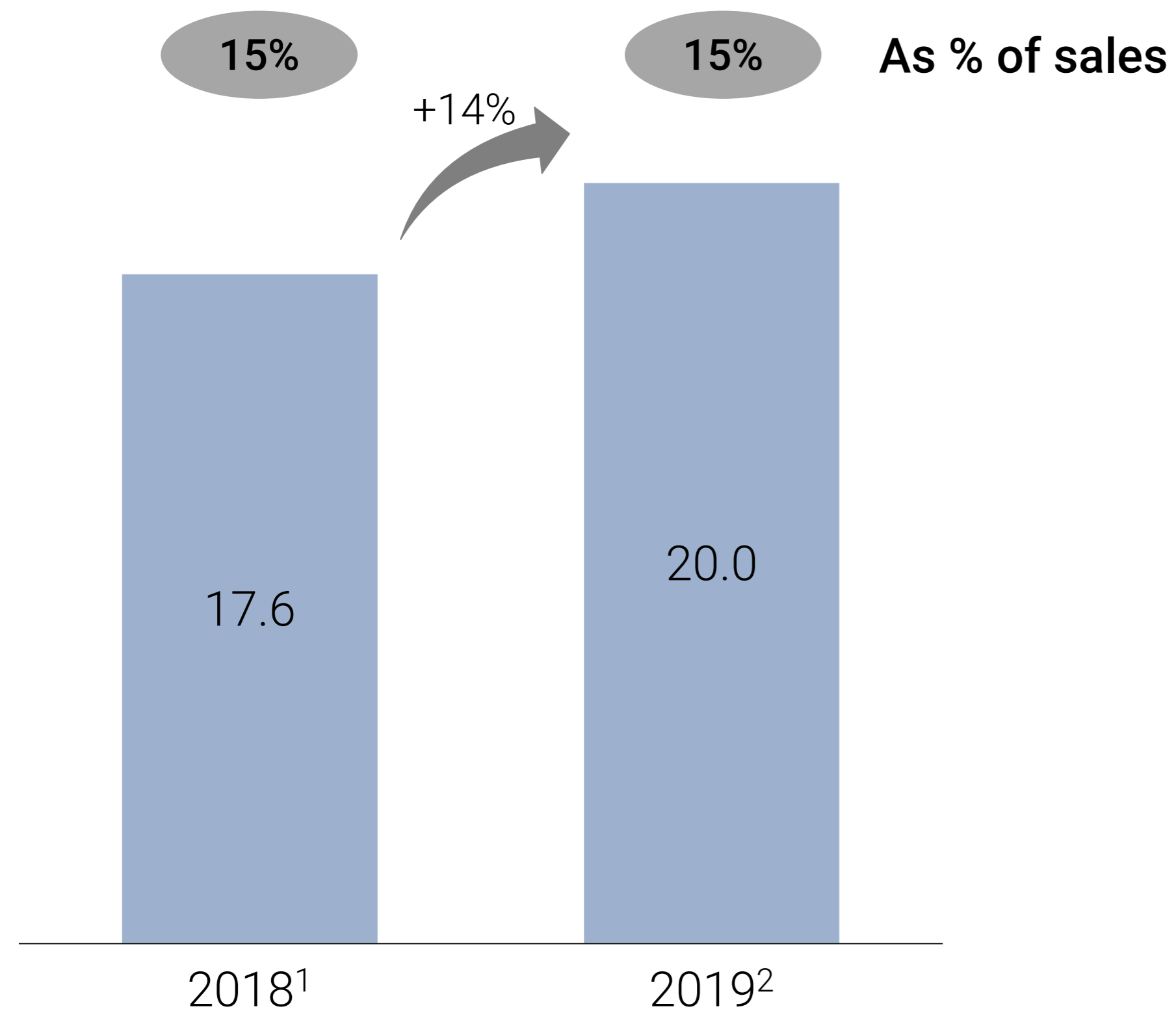
- Further investments in sales force
- Investments in new markets Japan and China
- Driving end-to-end supply chain

(1) Adjusted – excl. capital market-related costs (IPO) of CHF 3.2 million.

(2) Adjusted – excl. a provision for possible price and commission agreements in Brazil of CHF 3.0 million and excl. positive effect from pension fund plan amendment of CHF 3.4 million.

EBITDA development: Unchanged margin vs 2018 as growth strategy was further executed

EBITDA in CHFm (adjusted)



Main drivers

- Double digit growth in local currencies
- OPEX and investments reflecting growth strategy
- Positive effect of CHF 3.6 million due to first-time application of IFRS 16 in 2019

(1) Adjusted – excl. capital market-related costs (IPO) of CHF 3.2 million.

(2) Adjusted – excl. a provision for possible price and commission agreements in Brazil of CHF 3.0 million and excl. positive effect from pension fund plan amendment of CHF 3.4 million.

Focus & Priorities

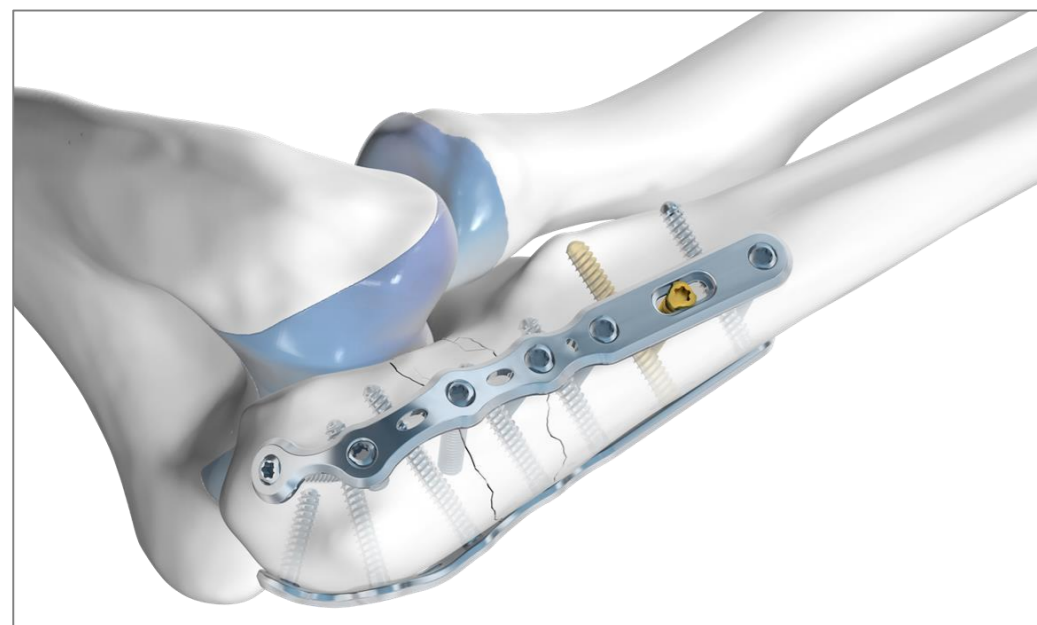


We keep executing our strategy

Attractive market



Growing market with new clinical needs requiring innovation

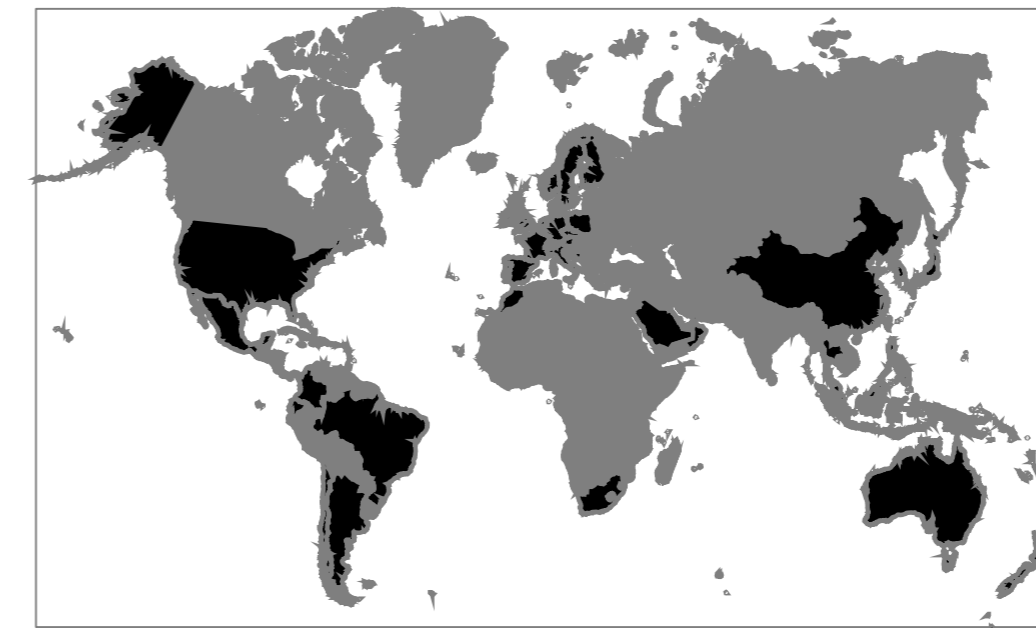


Well positioned to fill prevailing innovation gap

Clear priorities



Enhance sales focus addressing regional needs

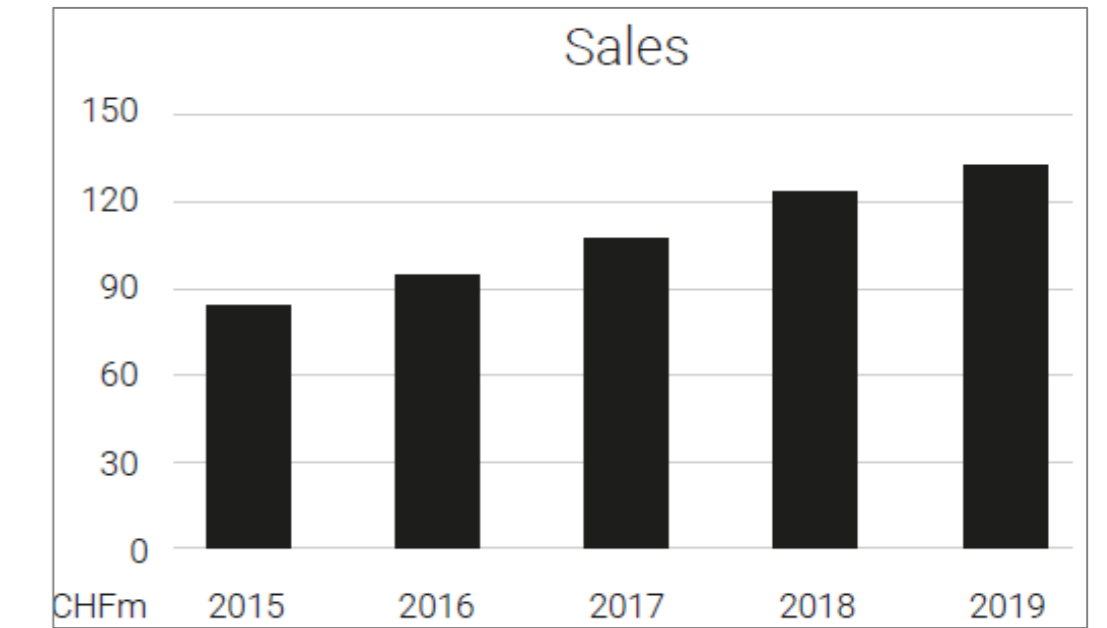


Top priority to build-up US business



Accelerate innovation pipeline and time to market

Ambitious goals



Accelerate sales and margin growth

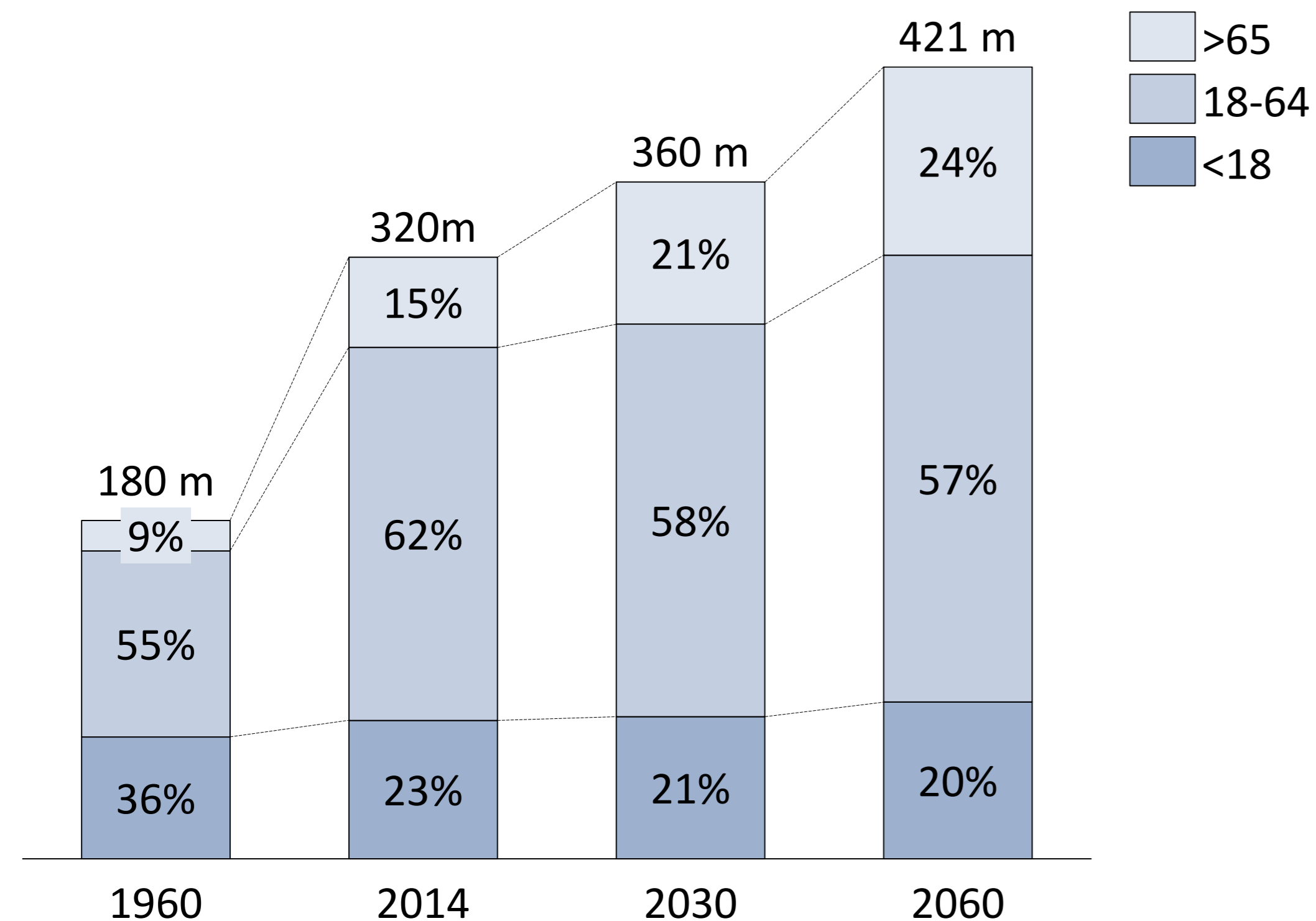


Become innovation leader in global extremities



Medartis operates in a growing market with new clinical needs

Growing and ageing population, example US⁽¹⁾



Main drivers

- Growing, ageing and more active population leading to increase in trauma incidents
 - e.g. US >65 increase from 19% in 2005 to 31% in 2015⁽²⁾
- Increasing prevalence of diabetes and obesity leading to more complex fractures
- Ongoing specialization of surgeons, leading to more treatments



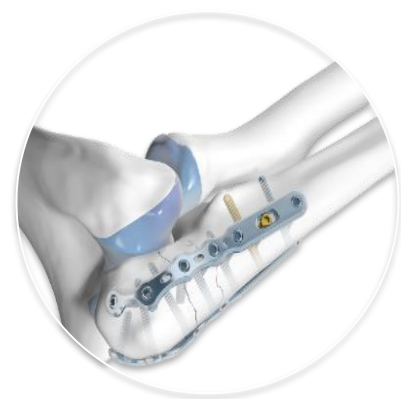
Significantly growing demand for innovation

2019 extremities and CMF market worth USD 10bn, with expected CAGR of 4-6%⁽³⁾

(1) Source: PRB analysis, US Census Bureau.

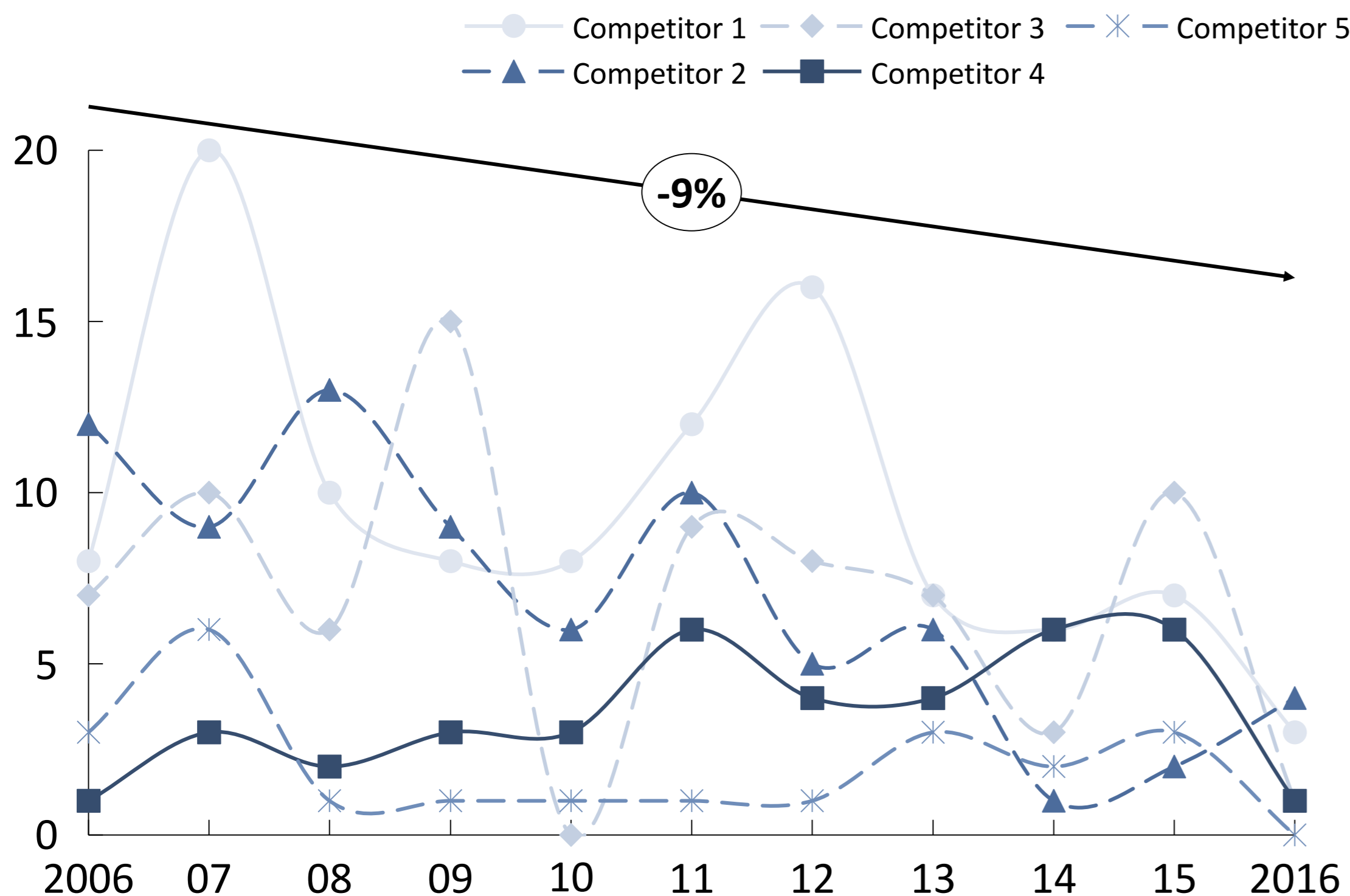
(2) Source: National Trauma Data Bank.

(3) Source: Technavio data; iData Research.



Growing demand for innovation presents additional opportunities for Medartis

Decline in new product launches by leading competitors (1)



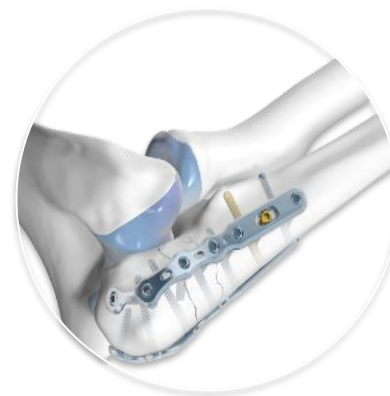
Opportunities

- Fill the prevailing innovation gap
- Provide surgeons around the world with solutions to their clinical needs beyond plates and screws
- Set new standards of care

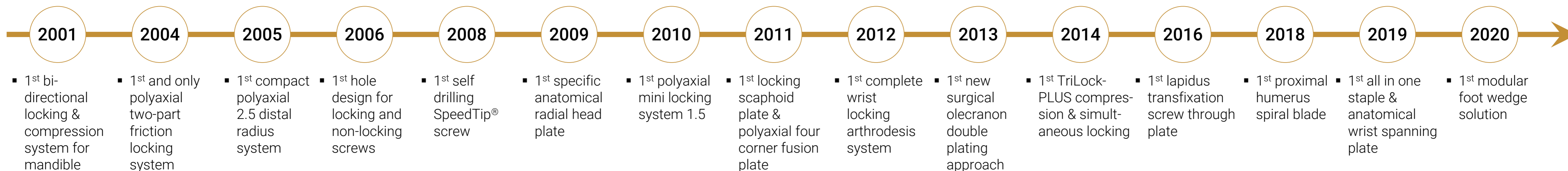
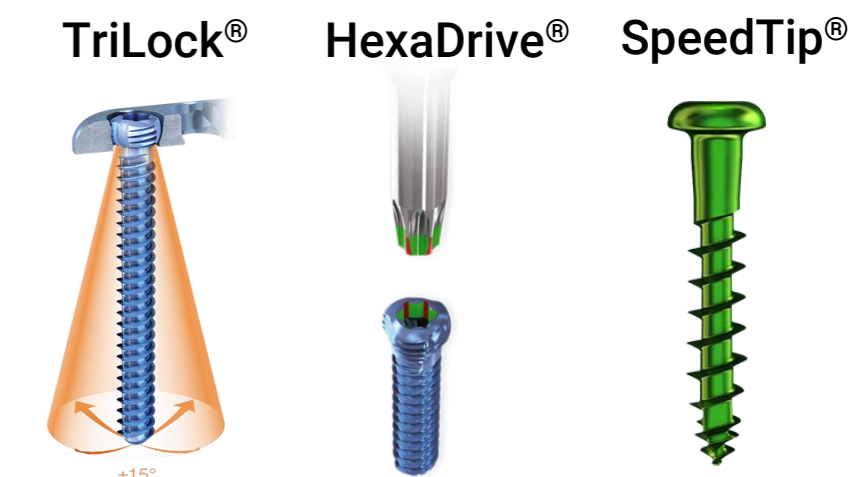
Success factors

- Innovative strength
- Proximity to surgeons across regions
- Time to market

(1) Source: Evaluate R&I data and financial model Includes 510k and PMA, all product types (implants, instruments, cases & trays), all systems (hip, knee, spine, etc.).



With its innovation track record, Medartis is well positioned to fill the prevailing innovation gap



We have set clear priorities to capture existing opportunities, building on our innovational strength



Enhance sales focus addressing regional needs



As top regional priority, accelerate build-up and expansion of US business



Accelerate expansion of innovation pipeline and time to market



Enhance sales focus addressing regional needs

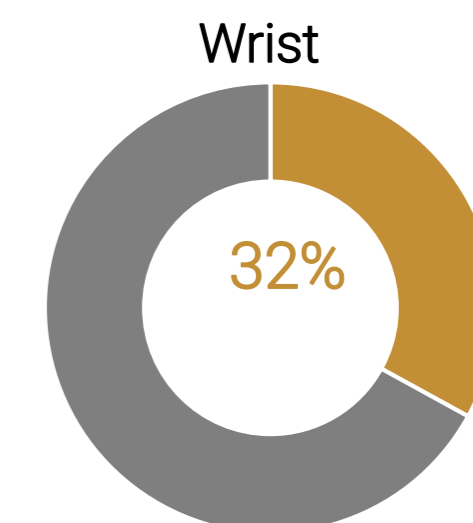
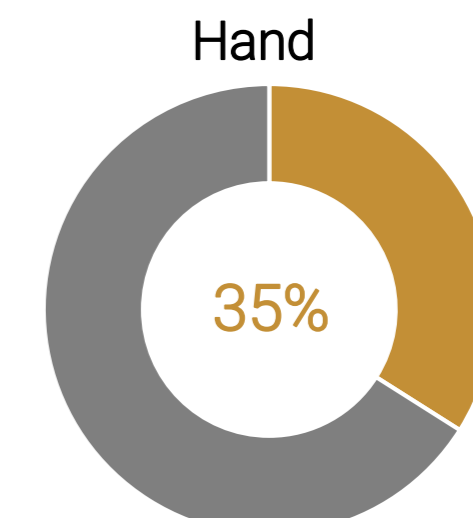
Ongoing initiatives

- Better address regional market requirements by anchoring the EMEA, North America and LATAM/APAC regions at executive management level
- Enhance sales execution, measured by scorecard, through:
 - Faster customer conversion
 - Training curricula for sales force and distributors
 - More effective performance measurement
 - Incentives overproportionate to growth
- Simplified structures and more efficient processes along the entire value chain, supporting sales efforts

Ambition: significantly strengthened market position

- Transfer successful market development strategies to other markets and product segments
- Become top 3 in all direct markets in hand, wrist & elbow
- Build foot & ankle business with new portfolio
- Expand and build key opinion leader network

Medartis Germany: example of success



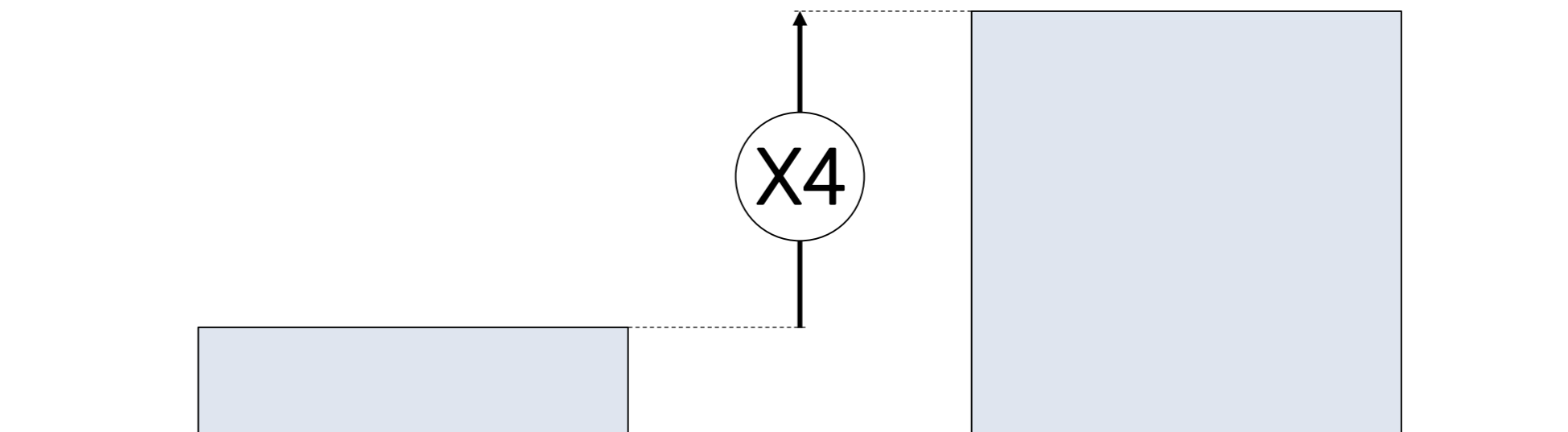


Accelerate build-up and expansion of US business

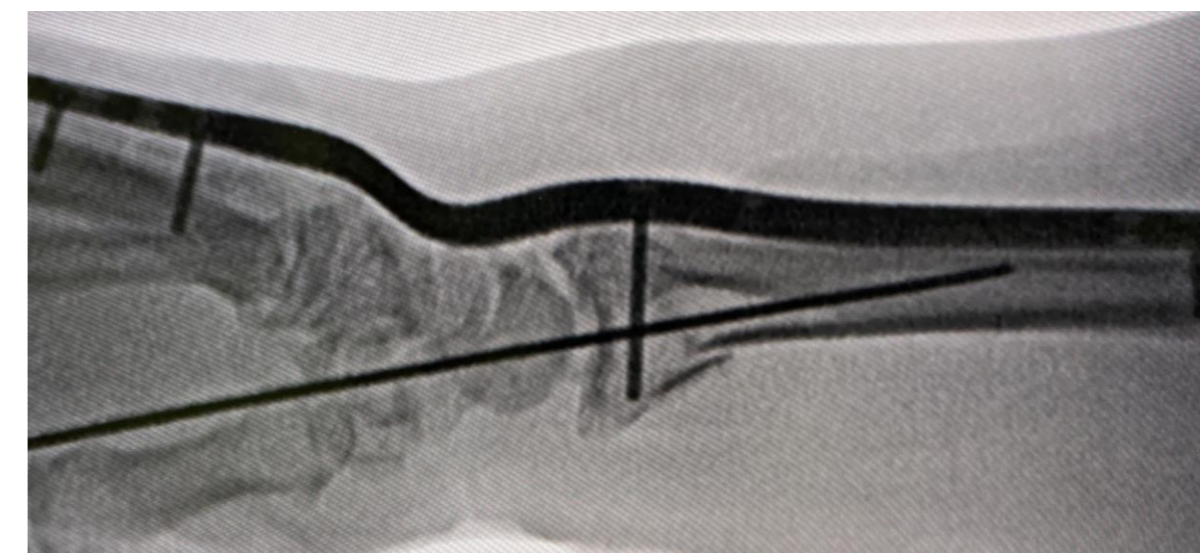
Ongoing initiatives

- Recruitment of new leadership team
- Analysis of and focus on US specific needs
- Expansion of sales force (direct and via distributors)
- Building of US-focused product development capabilities
- Further build-up of surgeons' network in lower extremities, expansion of network in upper extremities
- Enhancement of partnership with scientific partner IBRA
- M&A focusing on innovation to complement upper and lower extremities portfolio

Ambition: significant growth until 2024



Innovation focused on US needs (2019)



Surgeon testimonial on new US-specific wrist spanning plate:
«I love the innovative design of the spanning plate and the ease of use compared to competition»



Accelerate expansion of innovation pipeline and time to market

Innovation

Focus

Envisaged acceleration

Proof of concept

Medartis in-house

- Plates & screws, staples

- Launch of product extensions within 4-6 months
- Launch of new systems within up to 24 months

- CCS screws developed in 5 months (launch expected in June 2020)
- Spanning plate for US market developed and launched in 2019



Partnerships

- Complementary technologies and indications

- Based on individual agreements in less than 24 months

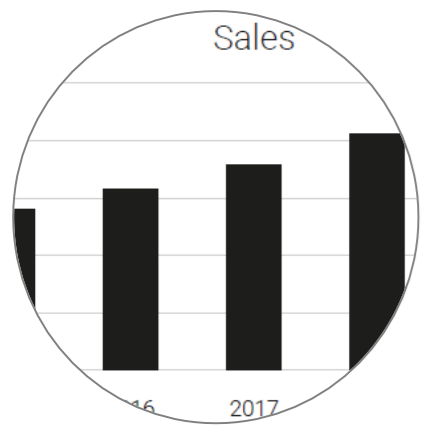
- 2 projects underway

M&A

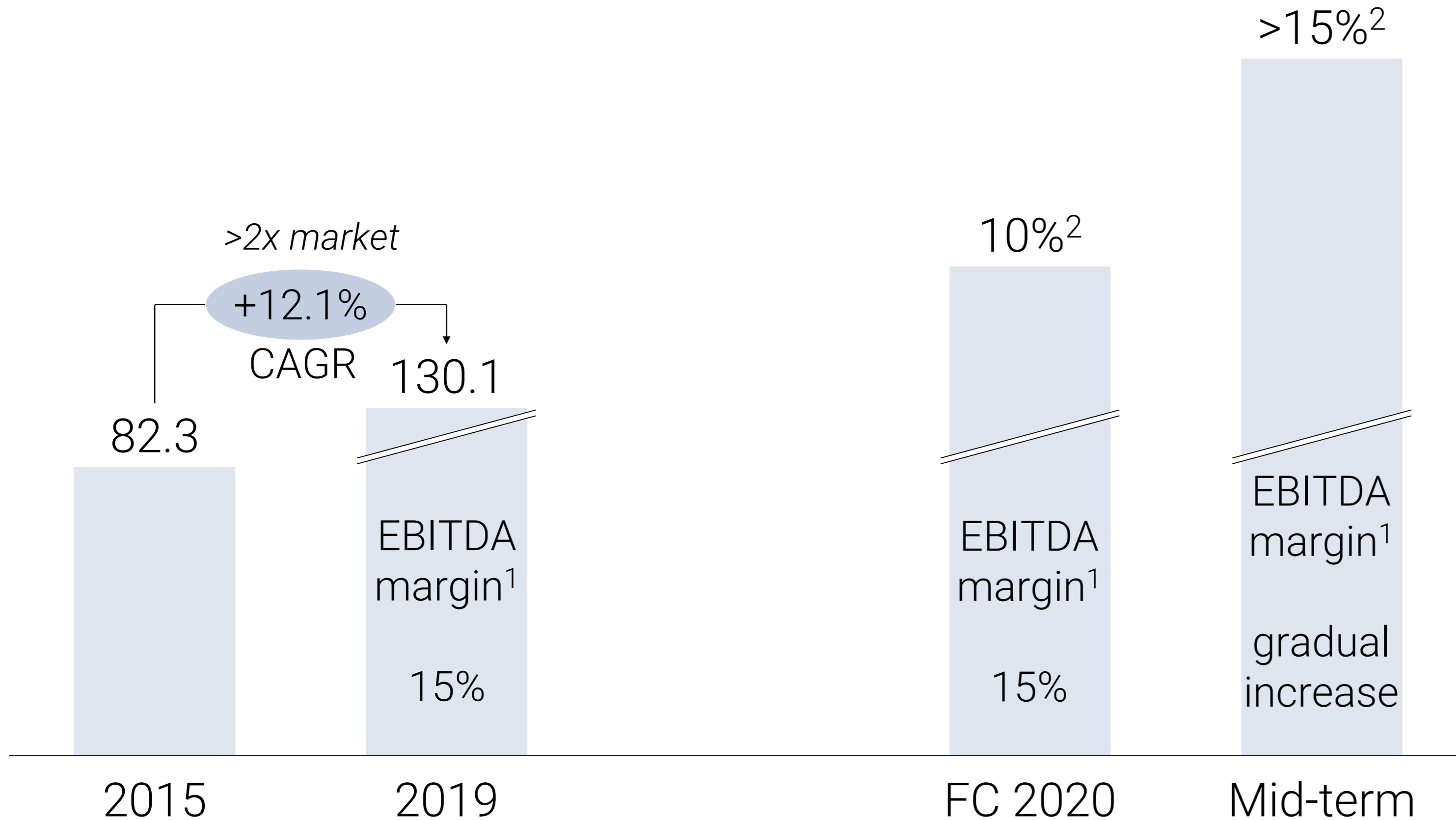
- US-based
- UE/LE technology with potential to become standard of care

- Ready to complete a transaction when a target meets the criteria

- Longlist 200+, 5 DD conducted



Envisaged acceleration of mid-term sales growth with continuous EBITDA margin increase



Growth investments

- Build-up US business
- New subsidiaries China & Japan
- Launch of portfolio extensions
- Potential M&A

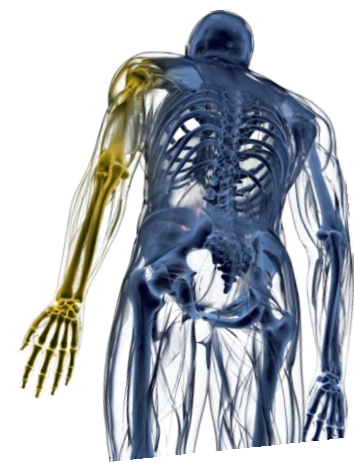
Investment criteria

- Focus on additional solutions for existing customer segments
- Accretive to growth and margin over max. 5 to 8 years

(1) Adjusted.
(2) Local currencies.



Establish Medartis as a global extremities company leading in technology and innovation



Key launches 2020

Full launch

Limited release

Forearm fracture system

June

-

Clavicle system

-

June

CCS compression screw extension

June

-

Mid-hindfoot correction system

July

Ongoing

Distal ankle fracture system

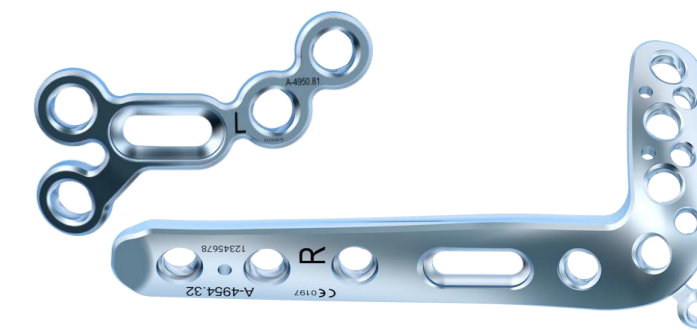
July

Ongoing

New generation CMF incl. 3D planning software & cutting guides

April

Ongoing



Outlook beyond 2020

Further progress towards becoming a comprehensive portfolio provider for extremities

Product launches with regional focus, especially US

Complementary technology innovations through partnerships

Summary & Outlook



Summary & Outlook

Summary

- Continued to execute growth strategy with further investments to build business
- In 2019, achieved solid 10% sales growth in local currencies, above market levels, and adj. EBITDA margin of 15%
- Clear mid-term priorities: enhanced sales focus, accelerated US business, accelerated innovation

2020 outlook

- Full-year sales growth expected of 10% in local currencies, considering the mild winter with lower case numbers
- Adj. EBITDA margin expected at around 15% reflecting further investments in growth initiatives

Cash-flow will be reinvested to drive further growth

medartis®

PRECISION IN FIXATION

Q & A



Appendix

Consolidated financial statement

 <small>PRECISION IN FIXATION</small>		2018 Consolidated CHF	2019 Consolidated CHF
Net Sales		121'324'703	130'143'937
Costs of goods sold		-20'312'871	-18'877'007
Gross profit		101'011'832	111'266'930
Gross Profit Margin		83.3%	85.5%
Selling and Distribution		-60'294'262	-65'906'239
Administration		-21'432'993	-23'460'076
Research and Development		-13'227'611	-14'545'811
Operating Profit (EBIT)		6'056'965	7'354'805
Operating Profit Margin		5.0%	5.7%
Finance result		-3'687'853	-4'035'758
Profit before Taxes		2'369'112	3'319'047
Tax Expenses	Income	1'832'795	-1'172'527
Net profit		4'201'907	2'146'521
Net Profit Margin		3.5%	1.6%
Amortization and Depreciation		-8'457'131	-12'988'776
EBITDA		14'514'096	20'343'581
EBITDA Margin		12.0%	15.6%

Consolidated balance sheet

(CHF)	31 December 2019	31 December 2018
Assets		
Current assets:		
Cash & Cash equivalents	99'571'993	116'262'594
Accounts receivable trade	26'385'413	20'965'687
Accounts receivable other	5'921'483	3'059'692
Income tax receivables	412'437	2'744'249
Inventories	47'159'848	37'952'389
Prepaid expenses	1'433'277	1'741'834
Total current assets	180'884'451	182'726'444
Non-current assets:		
Property, plant and equipment	39'029'309	37'042'454
Right-of-use assets	28'650'878	-
Intangible assets	12'449'208	9'201'408
Financial assets	1'041'804	1'090'363
Deferred tax assets	26'454'701	25'743'645
Total non-current assets	107'625'900	73'077'870
Total assets	288'510'351	255'804'314

(CHF)	31 December 2019	31 December 2018
Liabilities and equity		
Current liabilities:		
Accounts payable trade	10'735'393	6'631'406
Accounts payable other	9'685'700	9'350'971
Income tax payables	643'968	580'546
Accrued expenses	1'983'534	1'624'537
Current financial debt and other financial liabilities	3'924'159	1'723'269
Provisions	3'132'168	266'276
Total current liabilities	30'104'922	20'177'005
Non-current liabilities:		
Financial debt and other non-current liabilities	22'504'040	1'654'647
Provisions	2'321'122	2'241'454
Employee benefit obligation	17'912'443	13'325'519
Deferred tax liabilities	96'213	172'702
Total non-current liabilities	42'833'818	17'394'322
Total liabilities	72'938'740	37'571'327
Shareholders' equity:		
Issued share capital	2'350'105	2'348'201
Retained earnings	-42'433'846	-39'765'125
Capital Reserves	252'451'944	252'451'944
Currency translation adjustment	3'203'408	3'197'967
Total shareholder's equity	215'571'611	218'232'987
Total liabilities and equity	288'510'351	255'804'314