

2020 | Half-Year Results

Presentation for investors, analysts and the media



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2020 Half-Year Key Developments

Christoph Brönnimann, Chief Executive Officer

2020 Half-Year Financial Review

Dominique Leutwyler, Chief Financial Officer

Focus & Priorities

Christoph Brönnimann

Summary & Outlook

Christoph Brönnimann

Q & A



2020 half-year at a glance

Sales

CHFm **57.0**

-12% in CHF
-7% in local currencies

EBITDA

CHFm **5.2**

9% EBITDA margin in CHF
12% EBITDA margin FX-adjusted

Employees

621

+33 vs 30 June 2019
+12 vs 31 December 2019

2020 half-year key developments

- Performance during Covid-19 crisis with sales down 7% in local currencies compared to H1 2019
 - After strong start to the year, overall sales heavily impacted by pandemic in April and May in particular
 - Monthly sales back to growth since June
- FX-adjusted EBITDA margin largely stable at 12% compared to 13% in H1 2019
- Net profit hampered by CHF 4.3 million negative currency impact, compared to CHF 0.9 million impact in H1 2019
- Implementation of strategic initiatives well on track
 - Executive Management Board strengthened to better address regional market requirements
 - Launch of several key product innovations as scheduled, completing upper extremity systems and further expanding lower extremity portfolio
 - Launch of wrist spanning plate, originally developed for US market, also in EMEA and APAC
 - Pre-launch of business in China with first clinical cases
 - Continued process optimization along entire value chain, including go live of new HQ organization in April

Covid-19 impacts



- Capacity alignment focusing on Covid-19 pandemic
- Partial tightening of regulations leading to fewer operations per day, e.g. UK (NHS) with stricter cleaning regulations
- Continued care of trauma cases, but less cases during lockdowns
- Postponement of elective cases



- Strong restrictions during lockdowns across regions
 - No or limited access to hospitals
 - No physical meetings, in-person education events, congresses
 - Acquisition of new customers more difficult
 - Introduction of new products severely limited
- Many of these restrictions continue to apply despite lockdown relaxations



- Focus on health protection, including work-from-home arrangements
- Massive decline in elective procedures and clearly noticeable decrease in trauma
- No interruption of production, well functioning supply chains
- Disciplined liquidity and cost management

Covid-19 strategy

- Early establishment of Covid-19 task force ensuring health-protection and business continuity, while preparing return to post-lockdown environment
- Implementation of revised business scenario to address expected significant temporary sales drop during lockdowns:
 - Cost cutting and cost avoidance such as postponement of certain investments and new hires
 - Short-time work
 - Salary and bonus waivers by the Board of Directors and Executive Management Board
 - Continuation of product launches and strategic projects, such as clean room and MDR implementation
 - Use of lockdowns to prepare for new product introductions, training of sales representatives and surgeons (webinars, digitalization)
 - Ongoing investment in strengthening management capability build
- Return to sales growth in June and July reflects Medartis' strong position in key markets, established product lines and effective preparation for return to post-lockdown environment
- Further sales push in H2 2020 expected from newly-launched products and time spent for sales and surgeons training during lockdowns

2020 | Half-Year Financial Review



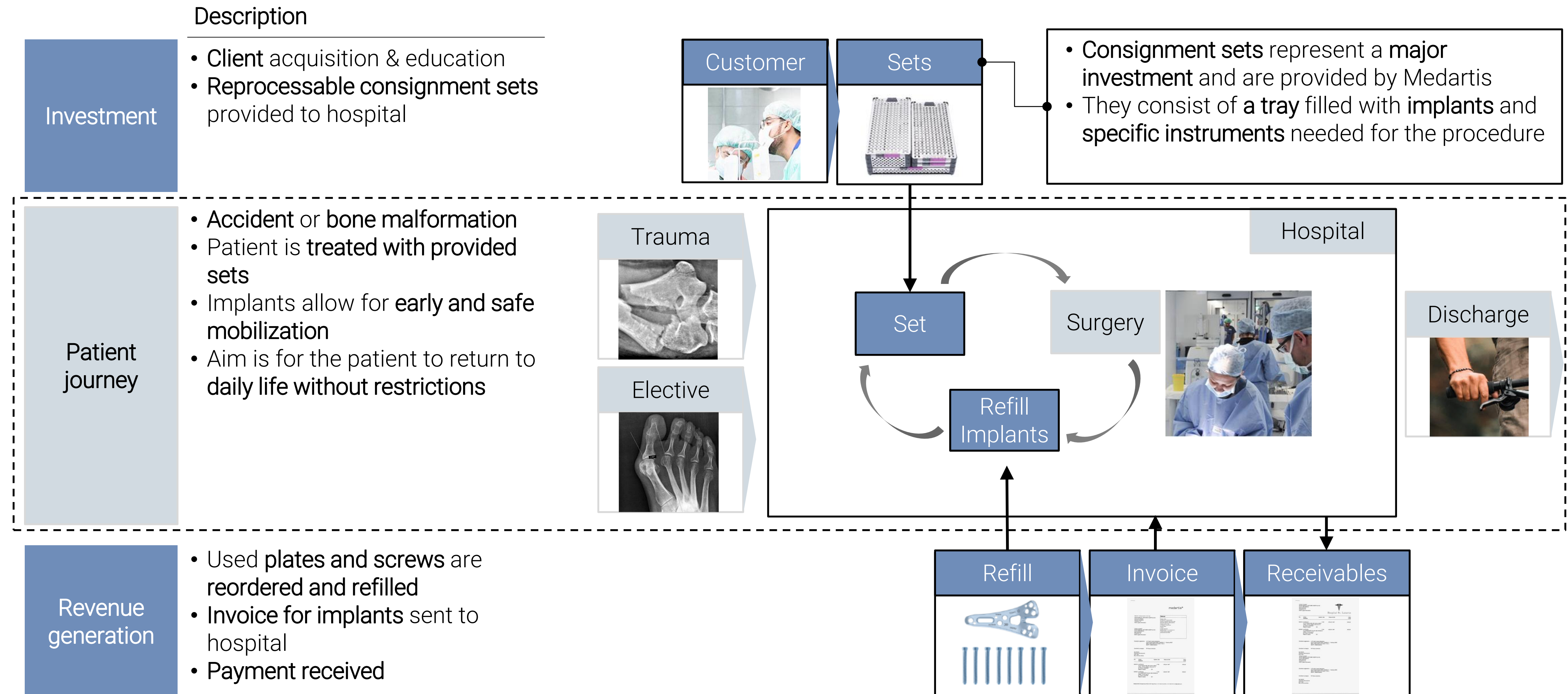
2020 half-year key financial results

CHFm	H1 2019	H1 2020	Change
Net sales	64.5	57.0	-12%
<i>Net sales FX adjusted*</i>		60.0	-7%
Gross profit	54.0	46.7	-13%
Opex (including depreciation and amortization)	51.7	48.4	-6%
Operating profit (EBIT)	2.4	-1.7	-170%
EBITDA	8.7	5.2	-40%
<i>EBITDA FX adjusted*</i>		6.9	-21%
EBITDA margin	13%	9%	-4pp
<i>EBITDA margin FX adjusted*</i>		12%	-1pp
Net Profit	0.7	-5.8	-
Operating cashflow	0.8	-0.2	-119%
Capital expenditure	9.1	7.2	-21%
Net working capital	54.2	57.3	+6%
Headcount	588	621	+6%

* Alternative Performance Measure

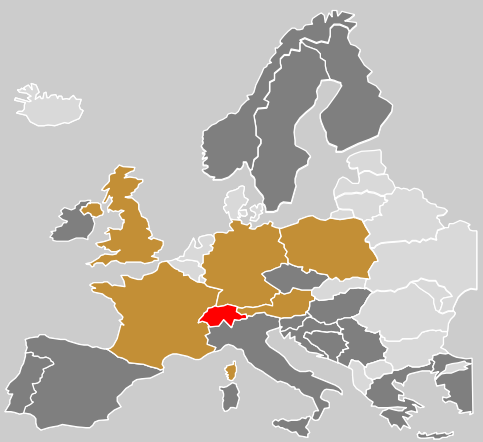



Due to the latest economic developments, several currencies in which we also operate (mainly EUR, USD, AUD and BRL) have lost value compared to our reporting currency (CHF). We therefore show "FX adjusted" performance measures, calculated with a consistent currency FX rate for 2019 and 2020 (2019 monthly FX rates applied to 2020 figures), whereby Cost of Goods Sold is primarily production costs incurred in CHF. These alternative performance measures are only shown for the half-year 2020 and not for the half-year 2019, as the sole reason for these alternative performance measures is to show the operating performance in 2020 with no major FX influence, which only existed for the period under review.

Medartis revenue flows – based on refill of consignment sets



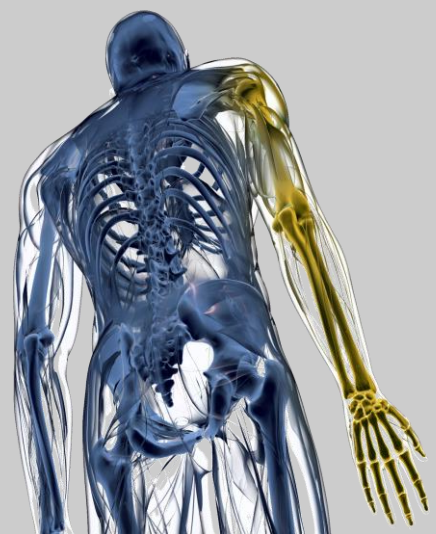

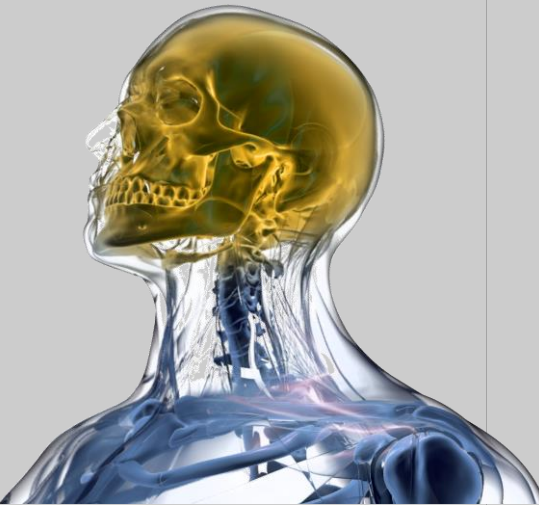
Regional review:

Robust sales in EMEA and APAC amid challenging conditions marked by pandemic

Sales in CHFm	H1 2019	H1 2020	% in LC	Key Points
	34.7	31.9	-4%	<u>EMEA</u> <ul style="list-style-type: none"> • Strong Covid-19 impact in April and Mai with high single-digit recovery in June • All subsidiaries on budget in July except UK • Distributors overall slightly below H1 2019 with good recovery in June and July • Spain still below expectations – own subsidiary planned to start in 2021
	10.7	9.3	-10%	<u>North America</u> <ul style="list-style-type: none"> • Strong start to the year, followed by heavy impact in April (halved sales) and May • Significant recovery in June and July with double digit growth rate • New President's visiting program with re-commitment of distributors and sales force • Select territories continued surgeon hands-on product training
	11.5	10.8	0%	<u>APAC</u> <ul style="list-style-type: none"> • Smallest Covid-19 impact; sales on H1 2019 level, with mid-single digit growth rate in June • Strongest market Australia only slightly behind H1 2019 and on budget in July • Dynamic growth of subsidiary in Japan for lower extremities • Pre-launch of business in China with first clinical cases, full launch planned in Q4 2020
	7.6	4.9	-26%	<u>LATAM</u> <ul style="list-style-type: none"> • Highest and most sustainable impact with significant decline from March to June • Subsidiary in Mexico only 10% decline in H1 and sales in July above previous year • In Brazil continued decline in sales, newly listed at large health insurance company Unimed and with most renowned hospital in Latin America as new IBRA center

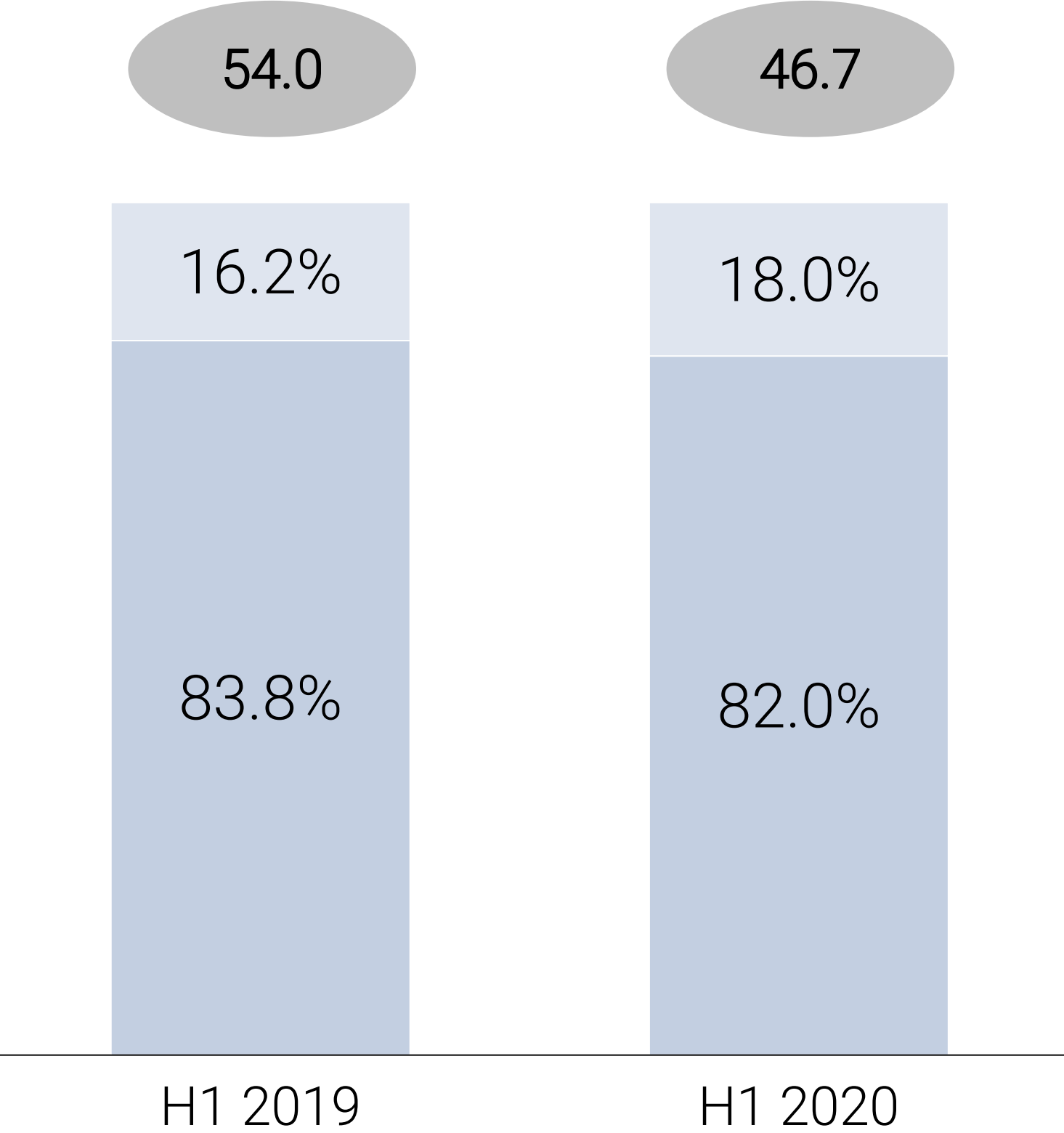
Business segment review:

Robust sales in Extremities despite pandemic-related postponement of elective cases

Sales in CHFm	H1 2019	H1 2020	% in LC	Key Points
	45.9	41.4	-6%	<u>Upper Extremities</u> <ul style="list-style-type: none"> • Relatively small decline due to high trauma rate • Fast recovery of sales in established hand and wrist segment • Dynamic elbow growth despite Covid-19 thanks to a training and sales offensive • Launch of forearm fracture system and wrist spanning plate in EMEA/APAC in June
	9.0	8.2	-5%	<u>Lower Extremities</u> <ul style="list-style-type: none"> • Dynamic start to the year, followed by strong impact in April (halved sales) and May • After elective restart significant recovery with double digit growth rates in June and July • Launch of the cannulated screw portfolio extension in June, developed in five months • Launch Foot&Ankle systems postponed to Q1 2021 due to insufficient elective cases
	9.6	7.4	-18%	<u>CMF and Others</u> <ul style="list-style-type: none"> • After good start to the year, most significant effect due to postponement of elective cases • Sales in July and June still well behind previous year • Launch of new generation CMF incl. 3D planning software & cutting guides in April; for the first time, Medartis offers surgeons a digital planning tool

Gross margin development:
 Reflects temporary decline in production capacity utilization due to Covid-19

Gross profit margin and COGS



Gross profit in CHFm

COGS as % of sales

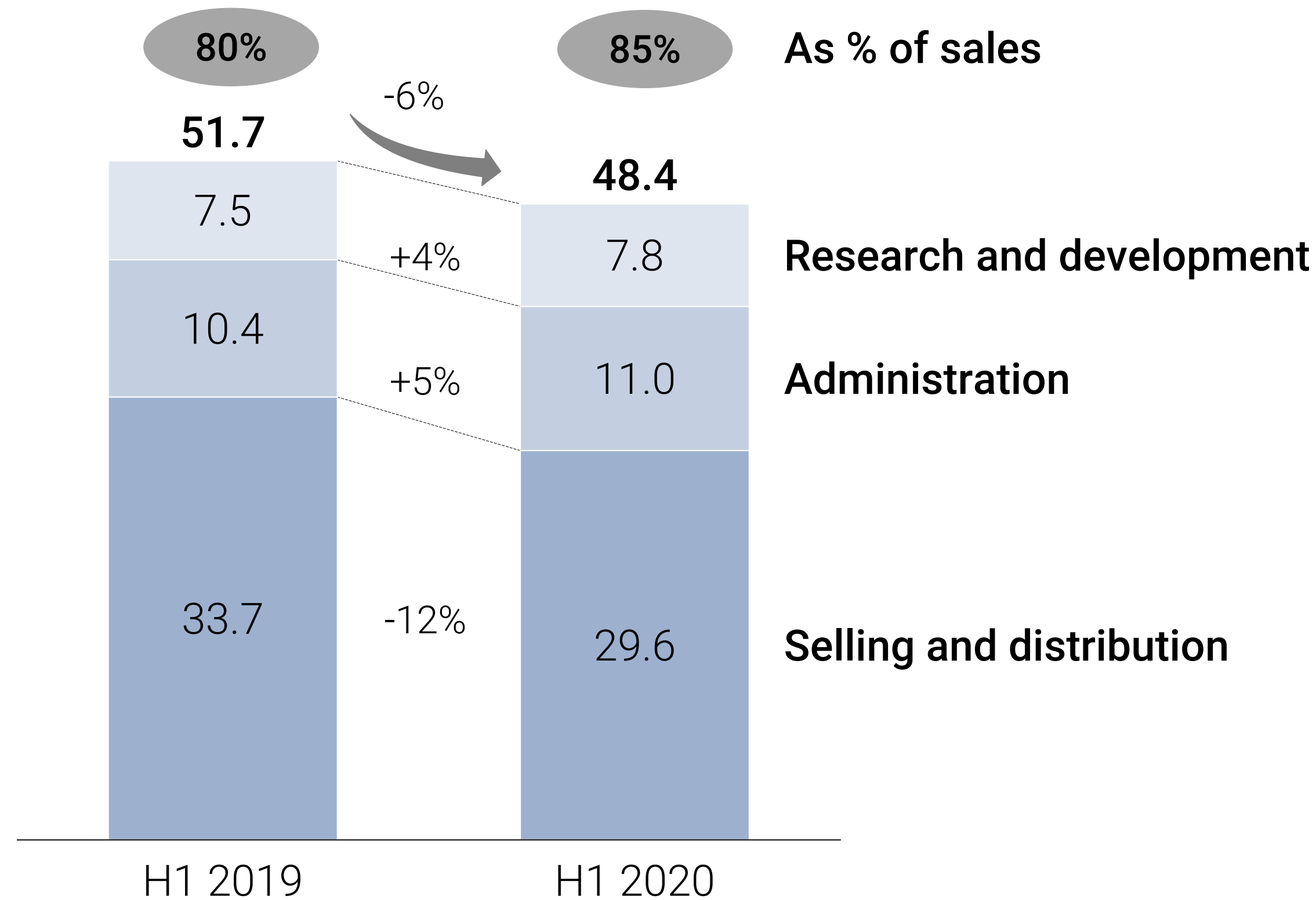
Gross profit margin

Main drivers

- FX adjusted gross profit margin at 82.9%
- Corona-related decline in demand and introduction of short-time work led to temporary decline in production capacity utilization
- Split teams ensured delivery capability at all times

Cost development: Lower OPEX reflect disciplined cost management

Operating expenses in CHFm



Main drivers

Overall OPEX

- Down 6% in CHF and 3% FX adjusted

Research and development

- Ongoing investments in innovation and MDR readiness
- Cost savings through reduced activities due to COVID-19
- Costs up 4% vs H1 2019 but down 1% vs H2 2019

Administration

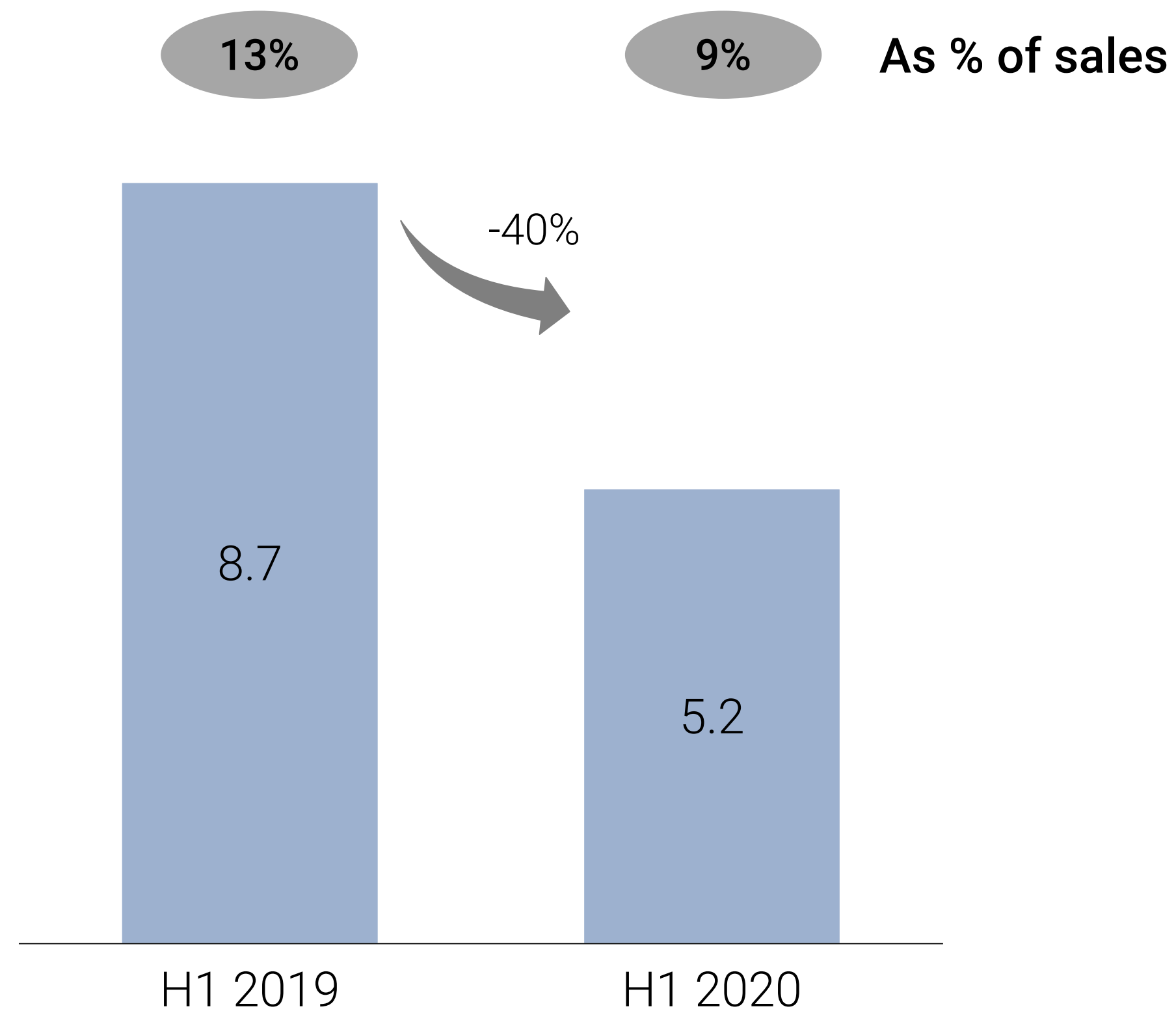
- Expenses for ICT capability-build, incl. software customizing
- Maintained due diligence capacity for M&A projects
- Costs up 5% vs H1 2019 but flat vs H2 2019

Selling and distribution

- Cost reduction in events, marketing and expenses due to COVID-19
- Reduced costs due to short-time work and lower bonuses
- Ongoing investments in new markets Japan and China
- Costs down 12% vs H1 2019 and down 11% vs H2 2019

Profitability development: Heavily impacted by Covid-19 and FX developments

EBITDA in CHFm



Main drivers

EBITDA

- Revenue loss of CHF 7.5m vs H1 2019 partially compensated by OPEX reduction of CHF 3.5m
- FX adjusted EBITDA margin largely stable at 12% vs 13% in H1 2019

Net profit

- H1 2020 net loss of CHF 5.8m compared with net profit of CHF 0.7m in H1 2019
- Main impact: FX loss of CHF 4.3m vs CHF 0.9m in H1 2019

Focus & Priorities

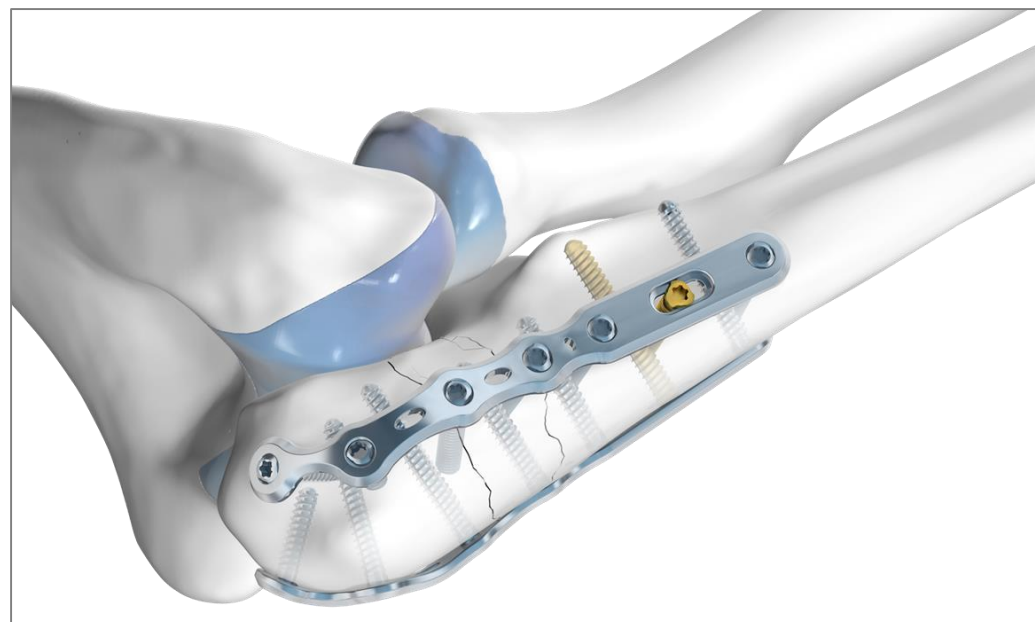


We keep executing our strategy despite the Covid-19 impact

Attractive market



Growing market with new clinical needs requiring innovation

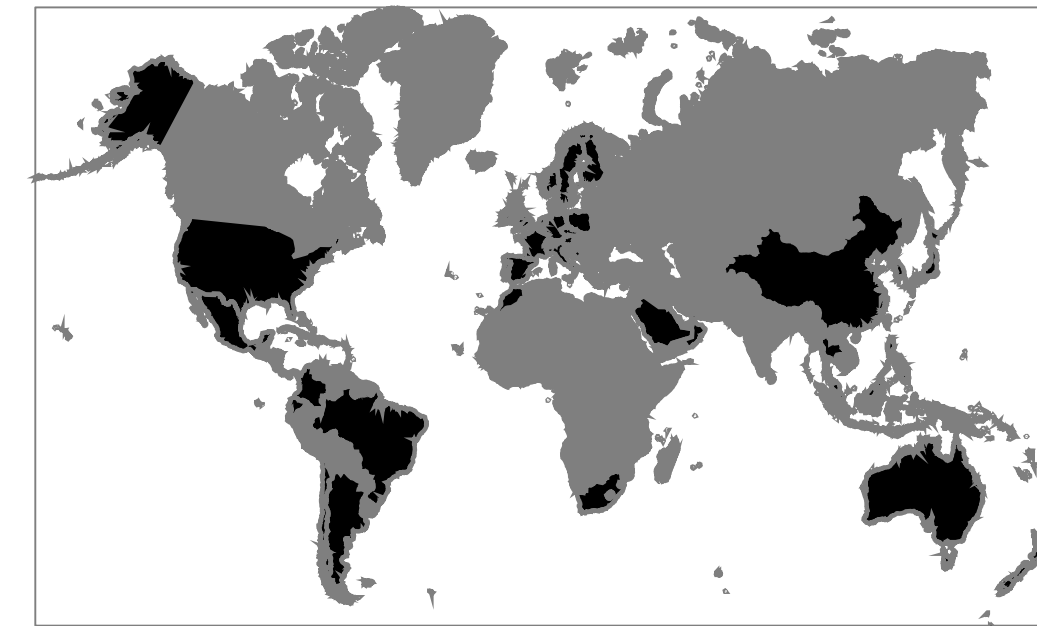


Well positioned to fill prevailing innovation gap

Clear priorities



Enhance sales focus addressing regional needs

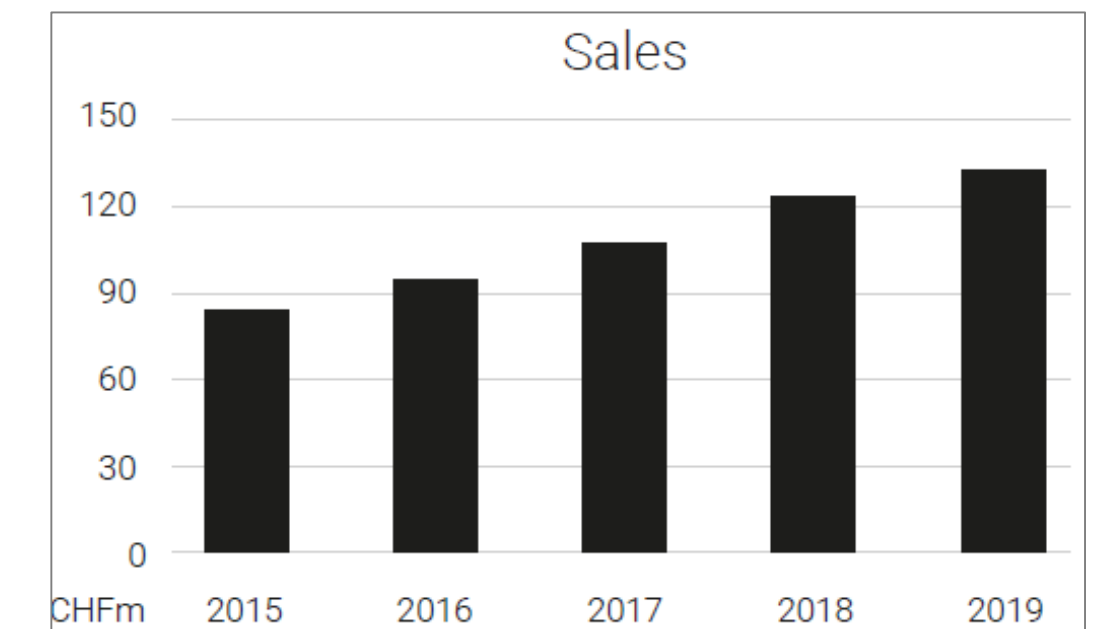


Top priority to build-up US business



Accelerate innovation pipeline and time to market

Ambitious goals



Accelerate sales and margin growth



Become innovation leader in global extremities

Progress on strategic initiatives in the first-half 2020

Enhance sales focus addressing regional needs

- Regional sales focus at Executive Management Board level strengthened with appointment of Lisa Thompson (North America) as of April and Mareike Loch (EMEA) as of August
- Reinforced sales execution through incentivization for growth, new product launches and customer conversion
- Increased focus on sales force training with appointment of Peter Cologna as Head Education as of June
- Go live of new HQ organization in April, while continuing to optimize processes along entire value chain

Accelerate build-up and expansion of US business

- Selected territory expansions and distributor and sales force adaptations as a result of review of sales heat-map and performance
- New President's visiting program with re-commitment of distributors and sales force, and increased focus on sales quota
- Defined further pipeline expansion tailored to market needs

Accelerate expansion of innovation pipeline and time to market

- Appointment of Manuel Schaer (Chief Technology Officer) as member of Executive Management Board as of November
- Completion of plate and screw portfolio in the areas of upper extremities and head, further enlargement in lower extremities
- Ongoing internal and external extension of portfolio beyond plates and screws, including digitalization

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



Key launches 2020

Forearm fracture system
Clavicula system

Full launch

June
Q3 2020

Limited release

June

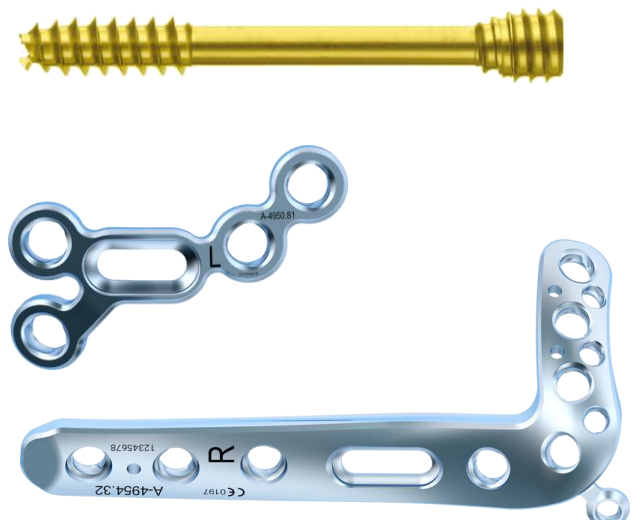


CCS compression screw extension
Mid-hindfoot correction system*
Distal ankle fracture system*

*Prolongation of Limited Release due to COVID-19 impact on elective surgeries

June
Q1 2021
Q1 2021

-
Ongoing
Ongoing



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

April



Priorities for second-half 2020

- Ongoing management of Covid-19 situation, taking into account specific regional developments
 - Continued focus on health protection and business continuity
 - Continued cost discipline while driving sales execution to capture market opportunities

- Continued focus on execution of regional initiatives
 - Further strengthening of regional management teams following appointment of new heads for US and EMEA
 - US: ongoing sales execution, incl. heat-map completion, training plan and performance-based incentivization
 - Japan: continue expansion of subsidiary market presence in lower extremities
 - China: preparing full launch of sales activities planned for Q4 2020
 - Spain: preparing of start with own subsidiary planned in 2021

- Further expand product portfolio and pipeline
 - Full launch of clavícula system planned in Q3 2020
 - Full launch foot & ankle systems planned in Q1 2021
 - Ongoing pipeline extension and assessment of potential M&A opportunities

Summary & Outlook



Summary & Outlook

- Stringent management of Covid-19 pandemic while continuing to focus on growth initiatives resulted in largely stable FX-adjusted EBITDA margin in first-half 2020
- Monthly sales back to growth since June; new product launches, strengthening of Executive Management Board and organizational changes expected to further stimulate sales in second-half 2020
- Medartis adheres to stated priorities: enhanced sales/regional focus, accelerated build-up of US business, accelerated innovation pipeline and time-to-market
- As a result of the current uncertainty caused by the Covid-19 pandemic, Medartis is not providing any guidance for the full year 2020
- From today's perspective and without a worsening of the corona pandemic or other unforeseen circumstances, Medartis confirms its medium-term goals (annual sales growth of over 15% in local currencies, gradual increase of the adjusted EBITDA margin)

Q & A



Appendix

Precision in Fixation

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

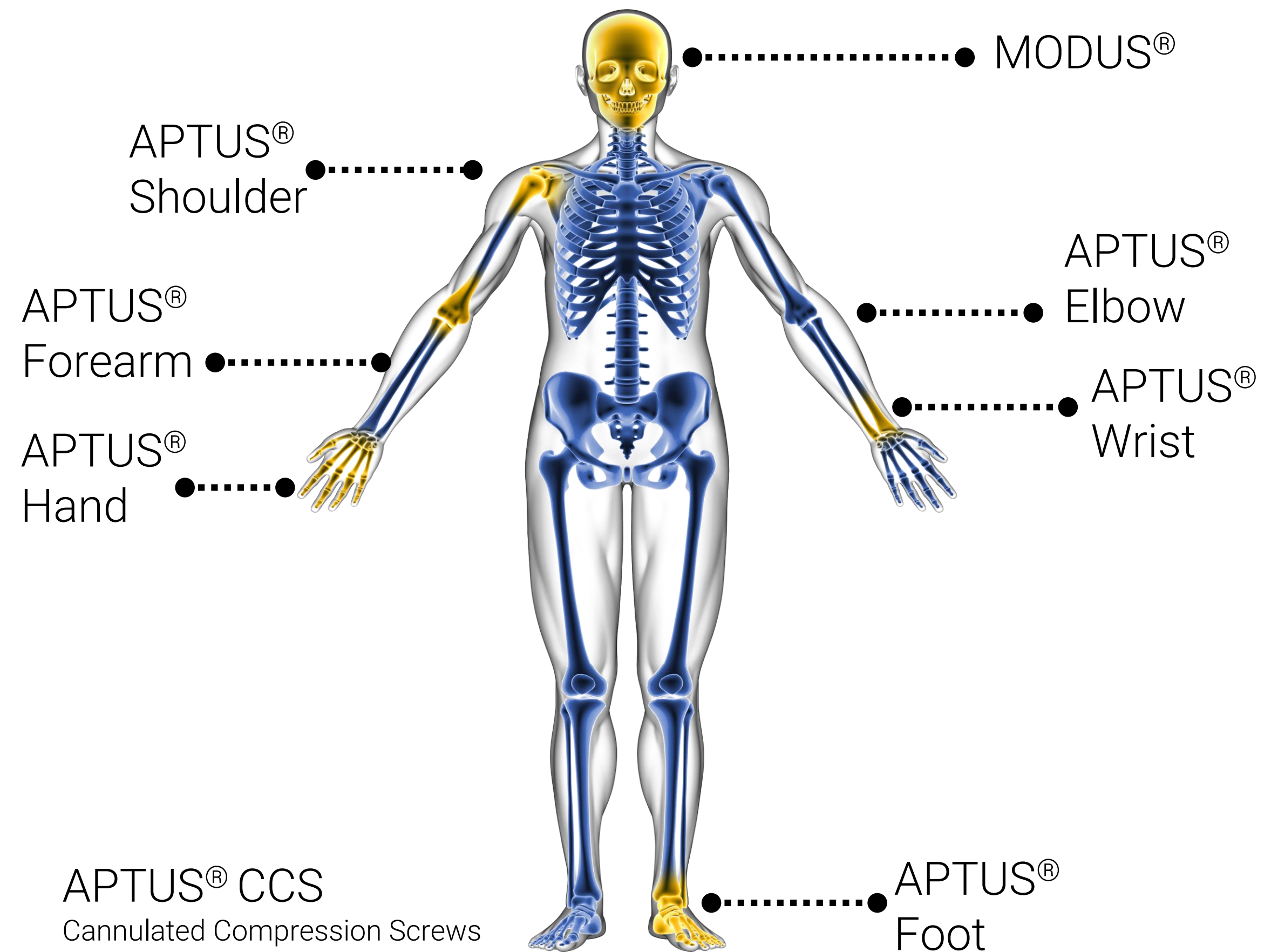
Founded: 1997

Headquarters: Basel, Switzerland

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

Distributors: Europe, Asia, Latin America, Africa

Employees: 621



Medartis value chain

Product development

- Medartis strives to advance existing surgical possibilities and find new clinical solutions.
- Development begins with an in-depth discussion of clinical cases for which there have either been no or only unsatisfactory treatment possibilities to date.
- Clinical experts and medical professionals collaborate with Medartis' teams to design and develop products for advanced or new treatment options.
- All key products are manufactured in-house

Customer acquisition

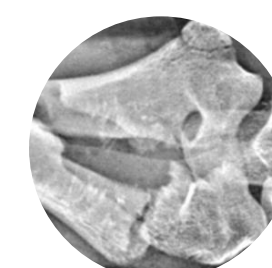
- Involves multiple channels:
- Sales representative's direct interaction with customers
 - Surgeons education programs
 - Scientific & clinical studies on product benefits
 - Involvement in product development
 - Lectures at medical congresses
 - Surgeons peer to peer network



Customer

Patient journey

- Starts with an accident or bone malformation
- Continues with the treatment using provided sets in the hospital
- Improved outcomes due to early and safe mobilization are made possible by our implants
- Aim is for the patient to return to daily life without restrictions



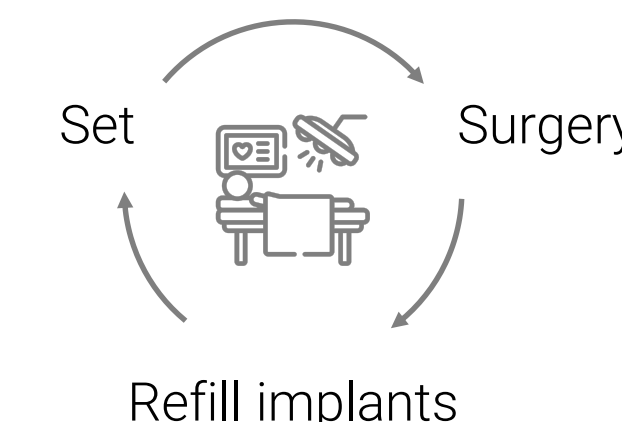
Trauma



Elective

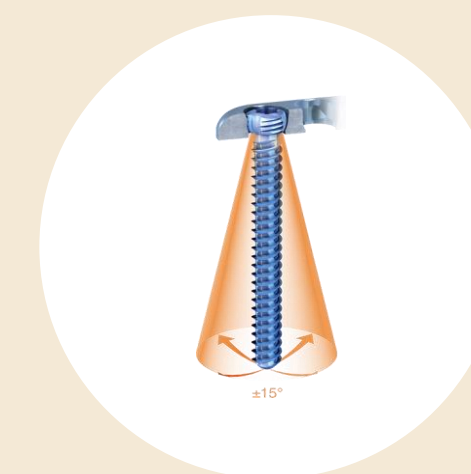
Revenue generation

- Reprocessable consignment sets provided by Medartis to hospital
- After surgery used plates and screws are reordered, refilled and invoiced
- Medartis receives payment

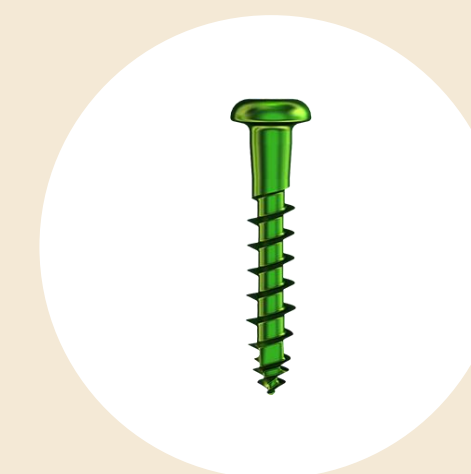


Key factors of Medartis success:

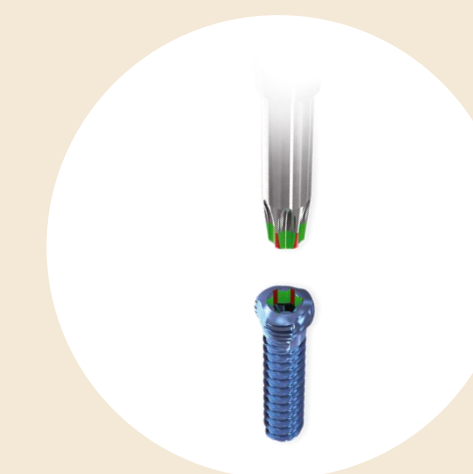
- Best-in-class fracture fixation technologies
- Innovative implant solutions developed with surgeons
- Dedicated experienced sales representatives
- Sophisticated surgeon education and training programs
- Providing the highest level of service to hospitals, surgeons and their support staff



TriLock®




SpeedTip®



HexaDrive®

Consolidated financial statement

 PRECISION IN FIXATION	H1 2020 Consolidated CHF	H1 2019 Consolidated CHF
Net Sales	56'993'999	64'478'879
Costs of goods sold	-10'272'285	-10'444'987
Gross profit	46'721'714	54'033'892
Gross Profit Margin	82.0%	83.8%
Selling and Distribution	-29'628'788	-33'698'806
Administration	-10'971'981	-10'436'110
Research and Development	-7'792'984	-7'519'040
Operating Profit (EBIT)	-1'672'039	2'379'935
Operating Profit Margin	-2.9%	3.7%
Finance result	-4'975'146	-1'936'541
Profit before Taxes	-6'647'185	443'394
Tax Expenses	818'856	221'921
Net profit	-5'828'329	665'315
Net Profit Margin	-10.2%	1.0%
Amortization and Depreciation	6'909'966	-6'337'272
EBITDA	5'237'927	8'717'208
EBITDA Margin	9.2%	13.5%

Consolidated balance sheet

(CHF)	30 June 2020	31 December 2019
Assets		
Current assets:		
Cash & Cash equivalents	88'093'188	99'571'993
Accounts receivable trade	21'286'679	26'385'413
Accounts receivable other	5'266'453	5'921'483
Income tax receivables	686'707	412'437
Inventories	50'641'107	47'159'848
Prepaid expenses	1'865'069	1'433'277
Total current assets	167'839'204	180'884'451
Non-current assets:		
Property, plant and equipment	40'530'560	39'029'309
Right-of-use assets	26'919'310	28'650'878
Intangible assets	12'869'873	12'449'208
Financial assets	842'852	1'041'804
Deferred tax assets	27'918'819	26'454'701
Total non-current assets	109'081'415	107'625'900
Total assets	276'920'619	288'510'351

(CHF)	30 June 2020	31 December 2019
Liabilities and equity		
Current liabilities:		
Accounts payable trade	8'582'050	10'735'393
Accounts payable other	9'099'798	9'685'700
Income tax payables	625'074	643'968
Accrued expenses	1'136'690	1'983'534
Current financial debt and other financial liabilities	3'738'301	3'924'159
Provisions	3'089'967	3'132'168
Total current liabilities	26'271'880	30'104'922
Non-current liabilities:		
Financial debt and other non-current liabilities	21'378'733	22'504'040
Provisions	2'356'840	2'321'122
Employee benefit obligation	18'180'082	17'912'443
Deferred tax liabilities	54'725	96'213
Total non-current liabilities	41'970'380	42'833'818
Total liabilities	68'242'259	72'938'740
Shareholders' equity:		
Issued share capital	2'355'629	2'350'105
Retained earnings	-47'677'919	-42'433'846
Capital Reserves	252'451'944	252'451'944
Currency translation adjustment	1'548'705	3'203'408
Total shareholder's equity	208'678'359	215'571'611
Total liabilities and equity	276'920'619	288'510'351