

Medartis Holding AG
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PRESS RELEASE

Medartis announces half-year 2020 results and a change in the Executive Management Board

Basel, Switzerland, 18 August 2020 – Medartis Holding AG (SIX: MED), a leading manufacturer and provider of medical devices for surgical fixation of bone fractures, achieved a sales result of CHF 57.0 million in the first half of 2020, which was marked by the Covid-19 pandemic. This corresponds to a decline of 7% in local currencies compared with the same period of the previous year. EBITDA amounted to CHF 5.2 million and the currency-adjusted EBITDA margin remained largely stable at 12%. In addition, the Board of Directors has appointed Manuel Schaer as Chief Technology Officer and Member of the Executive Management Board effective 1 November 2020.

Medartis will today hold a telephone conference (in English) for the media, analysts and investors at 10:00 CEST.

CHFm	H1 2019	H1 2020	Change
Sales	64.5	57.0	-12%
<i>Sales FX adjusted*</i>		60.0	-7%
Gross profit	54.0	46.7	-13%
Opex	51.7	48.4	-6%
Operating profit (EBIT)	2.4	-1.7	-170%
EBIT margin	4%	-3%	-7pp
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
Headcount	588	621	+6%

Medartis generated sales of CHF 57.0 million in the first half of 2020, corresponding to a decline of 7% in local currencies compared with the same period last year. After a good start to the year, March closed slightly below the prior-year level due to the global restrictions in connection with the coronavirus pandemic. A sharp decline in sales was recorded in April and May as elective procedures were not permitted in most countries and trauma cases also declined due to mobility restrictions. In June, most key markets were already showing growth in local currencies compared with the previous

* 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.

year. In addition to coronavirus, the first half of 2020 was also marked by a significant strengthening of the Swiss franc.

On a CHF basis, the decline in sales in the first half of the year was equivalent to 12%; the difference compared with the decline of 7% in local currencies reflects in particular the currency developments against the US dollar, the euro, the Australian dollar and the Brazilian real.

On the cost side, Medartis initiated comprehensive cost-cutting measures at an early stage following the outbreak of the pandemic, including short-time work, not filling positions, and salary and bonus decreases for the Board of Directors and the Executive Management Board. With a view to future growth, however, the company continued to invest in innovation, strengthening the organization and strategic initiatives. Total operating expenses decreased by 6% to CHF 48.4 million in the first half of 2020; on a currency-adjusted basis, operating expenses decreased by 3%. Since the end of 2019, the workforce has been moderately increased by 12 positions to 621 employees.

Profitability at EBITDA level amounted to CHF 5.2 million, compared with CHF 8.7 million in the first half of 2019. The EBITDA margin was 9%, compared with 13% in the same period last year. The currency-adjusted EBITDA margin remained largely stable at 12%. EBIT was CHF -1.7 million, compared with CHF 2.4 million a year ago. Compared with the net profit of CHF 0.7 million in the first half of 2019, the net loss for the period under review was CHF -5.8 million after taking into account total currency losses of CHF 4.3 million (H1 2019: CHF 0.9 million). Cash flow from operating activities was CHF -0.2 million, compared with CHF 0.8 million in the first half of 2019.

Christoph Brönnimann, CEO of Medartis: “Our organization adapted very quickly to the corona situation and our production and supply chains functioned seamlessly. Thanks to the pace of growth at the beginning of the year and a well-prepared return after the lockdown, we were able to largely compensate for the corona-related sales decline and achieve an encouraging half-year result. In June, we already achieved year-on-year growth, and this trend continued in July. The newly launched products are providing momentum for the further course of business. We are confident that most of our key markets will achieve the planned growth rates during the second half of the year, provided the corona pandemic does not intensify again.”

Development by region

	EMEA	APAC	LATAM	North America	Total
Sales, CHFm					
H1 2020	31.9	10.8	4.9	9.3	57.0
H1 2019	34.7	11.5	7.6	10.7	64.5
Growth, %					
in CHF	-8%	-7%	-35%	-13%	-12%
FX adjusted	-4%	0%	-26%	-10%	-7%

Medartis' largest region, EMEA, reported a moderate decline in sales of 4% in local currencies to CHF 31.9 million, with higher single-digit growth rates being achieved again in June. In July, the growth trend continued at all subsidiaries except the UK. Overall, distributors were slightly below the previous year, recording a good performance in June and July. Spain again failed to meet expectations, resulting in Medartis' decision to establish its own subsidiary in the country starting in 2021.

North America achieved sales of CHF 9.3 million in the first half of 2020, a decline of 10% in local currency, with a strong start to the year being sharply slowed by Covid-19. However, double-digit

growth rates were achieved again in June and July. In April, Lisa Thompson assumed her position as President North America and new Member of the Executive Management Board. She will continue to build and expand the US market as a top priority for Medartis, with a focus on strengthening sales (directly and through distributors) and establishing US-oriented product development capabilities.

In the APAC region, sales in local currencies amounted to CHF 10.8 million, remaining at the same level as in the first half of 2019. The impact on the sales trend was therefore the smallest in this region. The subsidiary in Australia, Medartis' strongest market in the region in terms of sales, slowed down slightly but was on budget in July. The new subsidiary in Japan performed well, recording very dynamic growth. In China, initial clinical cases were conducted in preparation for the start of sales activities planned for the fourth quarter of 2020.

In the first half of 2020, LATAM was the region that was affected most severely and for the longest period by Covid-19, reporting negative growth from March to June. Sales decreased by 26% in local currencies to CHF 4.9 million. The Brazilian subsidiary closed significantly below the previous year. The subsidiary in Mexico achieved a solid result with a lower sales loss, and sales in July were above the prior year.

Development by business segments

	Upper Extremities	Lower Extremities	CMF and Others	Total
Sales, CHFm				
H1 2020	41.4	8.2	7.4	57.0
H1 2019	45.9	9.0	9.6	64.5
Growth, %				
in CHF	-10%	-10%	-22%	-12%
FX adjusted	-6%	-5%	-18%	-7%

Although unplanned operations in trauma remained possible without restrictions during the lockdowns, these too declined in the reporting period due to mobility restrictions for large segments of the population – for example, fewer sports-related accidents were recorded.

The largest segment, Upper Extremities, which has the highest proportion of trauma cases, made the biggest contribution to the overall result with CHF 41.4 million (-6% in local currencies). Medartis benefited from its established position in its core markets and the good, long-standing cooperation with hospitals and surgeons. In the elbow segment, dynamic growth was achieved despite Covid-19 thanks to a training and sales offensive. As planned, Medartis introduced the wrist spanning plates for internal fixation of complex comminuted fractures, initially developed for the US market, in Europe and Asia in June and also launched a new forearm fracture system. The limited market launch of the clavicle system also began in June. With these additions, Medartis has now completed its plate and screw portfolio in the upper extremities.

Lower Extremities, Medartis' newest business segment with a higher proportion of elective procedures, recorded a 5% decline in growth in local currencies after a dynamic start to the year, and generated sales of CHF 8.2 million. Sales in June were again slightly above the prior year and a double-digit growth rate was recorded in July. The addition to the cannulated compression screw portfolio, developed in a period of five months, was launched in June as planned. However, due to the lack of elective cases, a decision was reached to extend the limited market release of the two systems for midfoot and hindfoot corrections and for fractures of the lower tibia and fibula; the full market launch of the two systems is now planned for the first quarter of 2021.

The CMF and Others segment, which comprises solutions for the craniomaxillofacial region as well as instruments and containers, recorded an 18% decline in sales in local currencies to CHF 7.4 million in the first half of 2020. The postponement of elective procedures had the most significant impact on sales in the CMF segment, which has a high proportion of elective procedures. In April, the new MODUS 2 product generation was launched as planned. It includes patient-specific drill and cutting guides and patient-specific implants for mandibular reconstruction, and for the first time, also a digital planning tool for surgeons.

Change in the Executive Management Board

The Board of Directors of Medartis has appointed Manuel Schaer as Chief Technology Officer and Member of the Executive Management Board effective 1 November 2020. Following Lisa Thompson's appointment as President North America and Mareike Loch's appointment as Vice President EMEA, effective April and August 2020, respectively, Manuel Schaer will be the third expert in the field of osteosynthesis to join Medartis' Executive Management Board this year.

Manuel Schaer has more than twenty years of international experience in the development of medical devices. He joins Medartis from DePuy Synthes Johnson & Johnson, where he held various management positions. Most recently, he was Senior Director responsible for the MDR readiness of the commercial organization. In previous management roles, he was involved in product development, R&D innovation, design quality and supply chains. Manuel Schaer is a Swiss citizen and holds a Master of Science in Mechanical Engineering and Biomechanics from the Swiss Federal Institute of Technology (ETH) in Zurich.

Manuel Schaer succeeds Thomas Tribelhorn, who has decided to take on a new challenge after 16 years at Medartis. The Board of Directors thanks Thomas Tribelhorn for his important, long-standing contributions, which have helped to shape the product development and success of Medartis, and wishes him all the best for the future.

Outlook

Medartis will continue to pursue its announced medium-term priorities – stronger sales focus on regional needs, acceleration in building the US business and acceleration of the 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).

Documents 2020 half-year results

The following documents pertaining to the 2020 half-year results are available online:

[Press release half-year 2020 results](#)

[Presentation half-year 2020 results](#)

[Half-year report 2020](#)

Telephone conference for the media, analysts and investors (in English)

Date: Tuesday 18 August 2020

Time: 10:00 CEST

Speakers: Christoph Brönnimann, CEO; Dominique Leutwyler, CFO

Participant's Link: [Telephone conference half-year 2020 results](#)

Participants may call the following numbers, 10-15 minutes before the conference start:

Switzerland/Europe +41 (0) 58 310 50 00, UK +44 (0) 207 107 06 13, US +1 (1) 631 570 56 13

Other international numbers see [media.choruscall.ch](#)

Financial calendar

10 March 2021 Publication of 2020 full-year results

23 April 2021 Annual General Meeting

17 August 2021 Publication of 2021 half-year results

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About Medartis

Founded in 1997 and headquartered in Basel, Switzerland, Medartis is one of the world's leading manufacturers and providers of medical devices for surgical fixation of bone fractures for upper and lower extremities as well as for the craniomaxillofacial region. Medartis employs over 620 individuals across its 13 locations, with products offered in over 50 countries globally. Medartis is committed to providing surgeons and operating theatre personnel with the most innovative titanium implants and instruments as well as best in class service. For more information, please visit www.medartis.com.

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