



AD HOC ANNOUNCEMENT PURSUANT TO ART. 53 LR

Medartis reports 20% sales growth and makes further progress in strengthening its US organisation

- Total net sales in the first half of 2022 increased by 20.1% or 18.0% excl. NSI (both in CER¹)
- Strong growth in EMEA led to further market share gains and dynamic LATAM accelerated APAC affected by Covid restrictions; US behind internal expectations
- NSI integration underway and US organisation further strengthened; first products to be launched in Q4
- Underlying² gross and EBITDA margin almost unchanged versus prior year; NSI related cost lead to dilution of reported margins in line with company's expectation
- The company revised its full-year outlook in light of the sales trend in H1, the prevailing economic environment and Covid-related constraints in hospitals

Half-year 2022 key financials

in CHF million, rounded	H1 2022			H1 2021	Change vs. 2021	
	reported	NSI effect	excl. NSI effect	restated ³	reported	excl. NSI at CER
Net Sales	88.4	1.5	86.9	75.4	17.2%	18.0%
Gross profit	73.9	0.4	73.5	63.3	16.7%	18.8%
Gross margin in %	83.7%	26.6%	84.7%	84.0%	(0.3 PP)	0.6 PP
EBITDA	9.9	(4.2)	14.1	13.8	(28.1%)	10.1%
EBITDA margin in %	11.2%		16.3%	18.3%	(7.1 PP)	(1.2 PP)
EBIT	1.3	(4.5)	5.8	5.9	(78.2%)	15.6%
EBIT margin in %	1.5%		6.6%	7.8%	(6.4 PP)	(0.1 PP)
Net profit	0.0			7.1	n/a	
Net profit margin %	0.0%			9.4%	n/a	
Basic EPS	0.0			0.60		
Cash & equivalents (end of period)	33.0			84.1		
Headcount (end of period)	832			649	28.2%	13.1%

¹ CER (=constant exchange rates) excludes currency effects between two reporting periods. Unless otherwise specified, the company generally shows growth rates at CER compared to the restated figures.

² For a better understanding of the operating performance, this release uses the term "underlying", which excludes the effects of the Nextremity Solutions Inc. (NSI) acquisition in May 2022. In addition to running costs, this mainly encompasses transaction, integration and US set-up costs.

³ In 2021, the company has reclassified sales agent commissions, which were historically deducted from net sales, into operating expenses. For detailed information, please see Note 2.1 of the Half-year Report.

Basel, 16 August 2022: Medartis Holding AG (SIX: MED), an orthopaedic company specialising in head and extremity surgery, today reported first half net sales growth of 20.1% (CER). Europe, the Middle East and Africa (EMEA) made the largest contribution to this growth with an increase of 21.4%, while Latin America grew the most (+47.1%). Sales in APAC (+6.0%) were still impacted by Covid-related restrictions. The US business grew 19.8% from a strong comparable base in the previous year, but did not reach internal expectations during the initial integration phase.

Medartis' underlying gross profit in H1 rose 18.8%, with the respective gross margin reaching almost 84%. The reported EBITDA margin stood at 11.2% and was impacted by M&A transaction, integration, and US set-up costs (–5.1 percentage points) as well as currency exchange rate effects (–0.8 percentage points). Excluding these, the underlying EBITDA of CHF 14.1 million resulted in a corresponding margin of 16.3%. Mainly due to these NSI costs and the related contingent consideration charges, the company reported only a modest net profit in the first half.

The company commented that the merger of its two US businesses and the transformation into a larger US organisation is proceeding according to plan. The first NSI products will be launched in Q4. Plans call for a limited market release of the 'Lapidus Cut Guide' for the surgical treatment of bunion deformity and 'CalcShift' for displacement osteotomies of the calcaneus. These technologies are just two of several new lower extremity products scheduled for launch in the US in 2023.

Medartis CEO Christoph Brönnimann commented: "In the first half of the year, I was particularly pleased with our performance in EMEA and LATAM. Thanks to the hard work and ingenuity of our production and logistics teams, we have not yet been affected by major supply chain disruptions or delivery bottlenecks.

In May, we concluded the acquisition of NSI, and integration work to build ONE-Medartis has successfully begun. We lost some growth momentum during the leadership transition, but I expect US sales to accelerate in H2. I am convinced that the talents and capabilities of our US sales and research teams will enable us to play an important role in the extremities market going forward. We will be launching our first NSI products in H2 and are continuing to expand our T&E capabilities to support these and further launches."

In 2022, Medartis continued to invest in its people and markets. Medartis' headcount increased by 28.2% over the year, from 649 to 832 employees. This not only affected the size and capabilities of the sales, T&E and customer service teams, but also other strategic functions. More than half of the employees joined the company as part of the NSI acquisition. In addition, 85 new positions were created, mainly in growth markets to drive future growth. At the company's headquarters in Switzerland, the number of employees remained largely unchanged at 295.

REGIONAL AND SEGMENT PERFORMANCE

In EMEA, Medartis reported H1 revenues of CHF 45.5 million, reflecting year-on-year growth of 21.4% (CER). Adverse currency effects reduced the increase in Swiss francs by more than 5 percentage points. All direct markets in the region recorded strong double-digit growth, meeting or even exceeding expectations. Growth in Spain, which was only established as a subsidiary at the beginning of 2021, was particularly impressive. The team on the Iberian peninsula were about to reinforce their organisation and processes. The regional distributor markets in EMEA lagged behind the strong trend in the subsidiaries mainly due to Covid-related restocking in the previous year. In most European countries, Covid-19 restrictions were largely lifted and did not have any significant impact on business. However, the relatively mild winter and staff shortages in the OR resulted in a lower case volume.

in CHF million, rounded	H1 2022	H1 2021 restated	H1 2021 reported	Change in CHF vs. PY ⁴	Change in CER vs. PY
EMEA	45.5	39.5	39.6	15.3%	21.4%
US	18.3	14.8	12.8	23.3%	19.8%
APAC	15.8	15.4	15.4	2.6%	6.0%
LATAM	8.8	5.8	5.8	53.1%	47.1%
Total Group	88.4	75.4	73.6	17.2%	20.1%

Overall performance in EMEA was driven by continued market share gains in the wrist segment, where Medartis claims to have the most comprehensive portfolio in the market. In hand indications, many new customers were attracted by the innovative KeriMedical portfolio, particularly the TOUCH® thumb prosthesis. The solutions for shoulder fractures and deformities were also well received by customers, while potential in the elbow category has not yet been fully exploited. Lower extremities saw dynamic growth, reflecting the recovery of elective surgery after the Covid lockdown period. The systematic roll-out of the latest CMF generation 'Modus 2' continued in 2022. In that year, sales also benefited from the introduction of 'Modus 2' in the UK. An important component of the overall solution is CMX, the digital service for patient-specific case planning and surgical aids.

In the first half of the year, sales in the US grew 19.8% at CER, lifting regional sales to CHF 18.3 million, which is slightly behind plan. This number includes a CHF 1.5 million sales contribution from the acquired NSI business. Organic growth faced strong comparatives in H1 2021 (+46.3%), when the

⁴ To facilitate the underlying comparison between two periods, percentage changes in these tables are always made using the restated values in 2021.

business benefitted from pent-up demand following the normalisation of the Covid-19 situation. While the general pandemic situation returned to greater normality over the course of 2022, many hospitals and outpatient care centres (ASCs) experienced staff shortages in the first six months due to Omicron infections or quarantine. Growth momentum eased as a result of this environment and the management transition, but the fundamental growth drivers remain intact.

Upper extremities, which represent the largest segment of the company's US business, grew at a double-digit pace, with strong contributions from wrist, forearm and shoulder products. In the meantime, the company has also received FDA approval for KERIFLEX®. Lower extremities only advanced at a mid-single digit rate. Growth in 'other products' was driven by cannulated screws. With the launch of NSI's lower extremity products and the increased focus on this segment, Medartis expects a significant acceleration and market share gains for lower extremities in 2023 and beyond.

As part of the NSI integration roles, responsibilities and the network of the independent sales agents were reviewed and partially adapted based on their performance. The new US management has also realigned sales execution to improve sales force productivity in future periods. Integration has begun following the merger of the two local organisations. The two R&D teams in Basel and Warsaw have consolidated their product development pipelines. R&A, quality assurance, T&E, logistics and IT processes are being aligned to prepare for the upcoming product launches. To support the many new product launches, training and education capacity has been increased and the regional marketing team has been strengthened to amplify brand awareness and to provide patient information. With the support of senior Group management, the new leadership spent a significant amount of time visiting key customers and KOLs of both companies.

Sales in the **Asia Pacific region (APAC)** expanded 6.0% (CER) in H1, lifting revenue to CHF 15.8 million. In Australia and New Zealand, the region's largest business, growth had been impressive in H1 2021, but significantly slowed thereafter due to Covid-related restrictions. Lockdown measures and contact restrictions led to fewer trauma-related accidents and a decrease in elective surgeries, especially in the private sector. As a result, Australia posted the same level of sales as in the same period a year ago. In Japan, the company grew both its direct and distribution business by more than 30% as it benefited from robust demand for hand and wrist products. In Q2, the company hired a dedicated sales manager for the regional distributor markets, who will support growth in APAC in H2 and beyond. In addition, the company also indicated that it will continue to invest in further growth initiatives.

After the Chinese government introduced a centralised procurement system (VBP) for medical device products in H1, selling prices on the market have dropped significantly and leaves Medartis little room to grow profitably in the future. In response, the company has carefully reviewed its strategic

positioning and decided to discontinue its local operations in Q3. This decision resulted in product returns from customers.

In APAC, growth in the upper extremities segment was also stronger than in the foot & ankle segment. As the majority of forefoot and metatarsal surgeries are elective procedures, the lower limb area was more affected by the postponement of surgeries than the wrist and upper limb area, where trauma procedures predominate. As a result, demand for elective midfoot and forefoot products in APAC declined compared to the same period last year. The mandible and orthognathic categories advanced rapidly, boosted by strong instrument and implant sales for the 'Modus 2' launch in Japan.

The **Latin American (LATAM)** region achieved another strong all-around performance in the first six months, with growth of 47.1% (CER). Positive currency effects lifted growth by an additional 6 percentage points, as revenue reached CHF 8.8 million. The performance was fuelled by Brazil and further impetus came from Mexico, where Medartis won an important public tender. In Brazil, the demand for CMF products was especially noteworthy. Regional performance was also characterised by strong orders in distributor markets, which indicates future growth potential.

in CHF million, rounded	H1 2022	H1 2021 restated	H1 2021 reported	Change in CHF vs. PY	Change in CER vs. PY
Upper extremities	61.1	54.1	52.8	13.1%	14.7%
Lower extremities	13.3	11.6	11.4	14.9%	16.7%
CMF & other products	13.9 ⁵	9.8	9.4	42.5%	44.4%
Total Group	88.4	75.4	73.6	17.2%	20.1%

FINANCIAL PERFORMANCE

In H1 2022, Medartis reported a **gross profit** of CHF 73.9 million, corresponding to a margin of 83.7%. This was 0.3 percentage points lower than in the prior year period mainly due to additional NSI production costs. Excluding NSI, the underlying margin would have been 84.7%, 0.6 percentage point higher than in 2021. Higher sales volumes and better capacity utilisation offset a more negative country and product mix effect.

⁵ Includes sales from NSI's third party manufacturing business amounting to CHF 1.5 million.

Operating expenses (OPEX) increased from CHF 57.6 million to CHF 72.6 million. One third or CHF 4.9 million of the change relates to NSI. As mentioned above, the acquisition of NSI resulted in one-time transaction and integration costs as well as a temporary margin dilution as the most important products will be launched in 2023, but the development and operating costs are frontloaded. CHF 0.7 million of the increased OPEX came from China and are related to the business discontinuation in Q3. Apart from this, general and administration-costs and R&D expenses remained more or less unchanged in terms of the percentage of sales. However, selling and distribution-costs increased because the company stepped up its physical customer contacts and invested more in training and education and marketing events following the normalisation of the Covid-19 situation. As a direct result of these activities, EMEA, LATAM and Japan saw positive progress. Medartis also maintained its investments in countries where sales development is temporarily subdued, namely Australia and the USA.

As a result of the aforementioned, reported earnings before interest, tax, depreciation and amortisation (**EBITDA**) decreased to CHF 9.9 million (margin: 11.2%) from CHF 13.8 million in the prior year (18.3%). Excluding NSI and its integration costs, EBITDA in H1 2022 would have been CHF 14.1 million (16.3%) or even CHF 15.1 million (17.3%), excluding the one-time effect from the China business termination. This corresponds to the previous year's level at CER and is in line with the company's full-year guidance.

Depreciation and amortisation charges (D&A) of CHF 8.6 million (H1 2021: CHF 7.9 million) include important investments in instruments and surgical sets, which are a pre-requisite for future growth. They also include expenditures for major R&D and IT projects, and since May, also take into account amortisation from NSI. After D&A, (reported) operating profit amounted to CHF 1.3 million compared CHF 5.0 million at CER in the previous year. Excluding the NSI acquisition, the underlying EBIT in H1 2022 would have increased by 16% to CHF 5.8 million and the margin would have remained more or less at the previous year's level.

The **net financial result** was CHF –0.1 million, compared to CHF 2.1 million in the same period last year, when the company benefited from a very positive foreign exchange result. A contingent liability of CHF 28.6 million was recognised in connection with the NSI acquisition. The respective fair value charge of CHF 0.3 million for the first two months was recognised in the financial result in H1⁶. Due to the higher net sales level, more income taxes were also incurred. At CHF 1.1 million, taxes were slightly higher than in the previous year, when they amounted to CHF 0.9 million. As a result of the above

⁶ For more details please refer to Note 6 in the Half-year report.

factors, net profit reached three thousand Swiss francs H1 2022 compared to CHF 7.1 million in the previous year.

In the first half of 2022, Medartis reported a cash **outflow from operations** of CHF 4.5 million compared to an inflow of CHF 9.0 million in the previous year. This includes an increase in working capital of CHF 14.0 million compared to an increase of CHF 6.4 million in the same period last year. **Capital expenditures** for property, plant and equipment (PPE) also increased from CHF 4.1 million in the previous year period to CHF 7.3 million in H1 2022, mainly for additional set investments. **Cash flow for investment activities** amounted to CHF 43.2 million and mostly reflects the upfront payment of the NSI acquisition of CHF 39.8 million, which also includes CHF 3.1 million cash from the acquired company. The total cash position at year-end amounted to CHF 33.0 million.

FULL-YEAR 2022 OUTLOOK

(barring any unforeseen circumstances)

In March 2022, Medartis issued guidance stating that it was expecting sales growth of 'around 20% (CER)' and an underlying EBITDA margin of approx. 18%, which excludes a negative NSI acquisition effect of 5–6 percentage points. In H1, Medartis reported results that were in line with expectations, both in terms of revenue growth and profitability.

Given the prevailing exceptional economic environment, Covid-related constraints in some hospitals, and despite an expected acceleration in US sales momentum in H2, the previous outlook has been revised. The company now expects full-year sales growth (at CER and incl. NSI) in the high-teens range. Although the company has established a plan to optimise its cost structure and is in its implementation phase, the lower sales level will impact reported and underlying EBITDA margins by about 1–2 percentage points.

The company's long-term growth and profitability objectives remain unchanged.

ANALYSTS' AND MEDIA CONFERENCE CALL

Medartis will present its 2022 half-year results to representatives of the financial community and media in a webcast conference call today at 1.30 pm Swiss time. The video webcast will be hosted by Christoph Brönnimann (CEO) and Dirk Kirsten (CFO) and can be accessed via the following link: [Webcast conference H1 2022 results](#). The webcast language will be English. A recording of the webcast will be available as an MP4 file on our website a few hours after the conference. If you wish to download the slide deck, we recommend that you download the presentation file under the following [link](#). The half-year report is available [here](#).

Participants may alternatively use the following phone numbers to connect to the call:

Switzerland/Europe	+41 (0) 58 310 50 00
UK	+44 (0) 207 107 06 13
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IMPORTANT DATES AND UPCOMING INVESTOR EVENTS

2022	Event	Broker	Destination
16 August	2022 half-year results publication		
17 August	Roadshow meetings	Credit Suisse	Geneva
18 August	Roadshow meetings	Octavian	Frankfurt
27 September	Roadshow meetings	Credit Suisse	New York
28 September	Roadshow meetings	Credit Suisse	Boston
02 November	ZKB Swiss Equities Conference	ZKB	Zurich
15 November	Jefferies Healthcare Conference	Jefferies	London
16 November	Credit Suisse Mid Cap Forum	Credit Suisse	Zurich
2023			
14 March	2022 full-year results publication		Headquarters
21 April	Annual General Meeting 2023		Headquarters

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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 approx. 830 individuals across its 14 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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