

Medartis Holding AG
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PRESS RELEASE

Medartis reports good sales growth above market levels in 2019

Basel, Switzerland, 3 March 2020 – **Medartis Holding AG (SIX: MED)**, a leading manufacturer and provider of medical devices for surgical fixation of bone fractures, reported a solid sales increase of 10% in local currencies for 2019, once again exceeding market growth. EBITDA increased to CHF 20.3 million and the adjusted EBITDA margin was 15%. For 2020, Medartis expects unchanged sales growth of 10% in local currencies with an adjusted EBITDA margin of 15%.

Today, Medartis will hold a conference (in German) for the media, analysts and investors at Hotel Widder, Rennweg 7, Zurich, at 9:30 CET, as well as a telephone conference (in English) at 14:00 CET.

CHFm	2018 (reported)	2018 (adjusted)	2019 (reported)	2019 (adjusted)	Change (adjusted)
Sales	121.3	121.3	130.1	130.1	7%/10% LC
Gross profit	101.0	101.2 ⁽¹⁾	111.3	110.6 ⁽²⁾	9%
Opex	95.0	91.9 ⁽¹⁾	103.9	103.6 ⁽³⁾	13%
Operating profit (EBIT)	6.1	9.3 ⁽¹⁾	7.4	7.0 ⁽⁴⁾	-25%
EBIT margin	5%	8%	6%	5%	-3pp
EBITDA	14.4	17.6 ⁽¹⁾	20.3	20.0 ⁽⁴⁾	14%
EBITDA margin	12%	15%	16%	15%	0pp
Headcount	561	561	609	609	9%

⁽¹⁾ Excluding capital market-related costs (IPO) of CHF 3.2 million.

⁽²⁾ Excluding positive effect from pension fund plan amendment of CHF 0.7 million.

⁽³⁾ 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 2.7 million.

⁽⁴⁾ 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.

In the 2019 financial year, Medartis reported sales of CHF 130.1 million. This corresponds to solid year-on-year growth of 10% in local currencies, compared with 8% in the first half of 2019, and is within the upper range of the forecasted 8-10% growth rate. On a CHF basis, sales in 2019 rose by 7%, which in particular reflects the exchange rate developments against the euro, the Brazilian real and the Australian dollar.

Medartis' subsidiaries in the core European, Australian and US markets continued to develop significantly above market levels, while development in the distributor markets was mixed. In terms of products, hand and wrist, which are the strongest sales lines, continued their previous growth path. The Lower Extremities segment experienced dynamic but less-than-expected growth.

In line with the company's growth strategy, adjusted operating expenses rose by 13% in the 2019 financial year. Important areas of investment included preparations for the entry into force of the EU Medical Device Regulation (MDR), enhanced training initiatives with Medartis' scientific partner International Bone Research Association (IBRA), build-up investments in Japan and China, the expansion of the supply chain as well as the recruitment of additional employees. Headcount increased from 561 at the end of 2018 to 609 at year-end 2019.

Profitability at the EBITDA level increased from CHF 14.4 million in the previous year to CHF 20.3 million in the 2019 financial year, including an effect of CHF 3.6 million resulting from the first-time application of the IFRS 16 accounting standard.

Adjusted for the CHF 3.0 million provision for possible price and commission agreements at former distributor Extera in Brazil announced in December 2019, as well as a positive effect of CHF 3.4 million arising from pension fund plan amendment, EBITDA for 2019 was CHF 20.0 million. This compares with an EBITDA adjusted for CHF 3.2 million in IPO costs of CHF 17.6 million in 2018. The reported EBITDA margin was 16% versus 12% in 2018. The adjusted EBITDA margin remained unchanged at 15% compared to 2018.

EBIT in 2019 was CHF 7.4 million versus CHF 6.1 million one year ago, and net profit was CHF 2.1 million compared to CHF 4.2 million in 2018. Cash flow from operating activities was CHF 8.1 million compared to CHF 6.5 million in 2018.

Development by region

	EMEA	APAC	LATAM	North America	Total
Sales, CHFm					
2019	70.3	23.7	14.4	21.7	130.1
2018	66.4	22.8	12.9	19.3	121.3
Growth, %					
in CHF	6%	4%	12%	12%	7%
in local currencies	9%	9%	16%	11%	10%

Medartis' biggest region, EMEA, recorded sales of CHF 70.3 million in 2019, which corresponds to growth of 9% in local currencies compared with 2018. The subsidiaries in the UK, France and Poland reported dynamic growth above expectations, while the other subsidiaries developed solidly. The important distributor markets Italy and Spain remained below expectations, which is in part attributable to more cautious investment behavior in light of the new MDR, but reported improved trends in the second half of the year. The Netherlands, a leading European market for sterile products, achieved dynamic growth supported by investments made by the distributor. Medartis is well prepared for the MDR when it comes into force at the beginning of May 2020.

In North America, sales experienced strong growth of 11% in local currency, increasing to CHF 21.7 million. This is mainly attributable to the hand, wrist and elbow segments. An innovative wrist plate developed specifically for the US market was introduced in the fourth quarter of 2019, meeting with very good customer feedback. Thanks to various initiatives currently underway to further build up the US business, the subsidiary continued to see significantly above-market growth, but has not yet achieved the envisioned growth momentum.

Sales in APAC increased 9% in local currencies to CHF 23.7 million. The subsidiary in Australia, Medartis' strongest sales market in the region, recorded solid growth with a strong increase in case numbers despite a nation-wide reduction to all reimbursements in the health care system of 7%. The

new subsidiary in Japan, which began operations in the Lower Extremities segment at the end of 2018, significantly increased sales in the second half of the year and developed according to plan. The distributor business in Japan in Upper Extremities did not meet expectations despite an improved second half of the year. In contrast, the two larger distributors in South Korea and Thailand grew dynamically. As expected, the new subsidiary in China obtained product authorization in 2019 and will begin to develop the market in 2020.

In LATAM, Medartis reported sales of CHF 14.4 million, which corresponds to growth of 16% in local currencies. In a persistently challenging market environment, the subsidiary in Brazil achieved dynamic growth exceeding that of the previous year (on an organic basis). In contrast, the subsidiary in Mexico was below expectations. In terms of distributor markets, Chile also grew dynamically, and Columbia further expanded its sales as a result of a strong rise in hand and wrist cases.

Development of business segments

	Upper Extremities	Lower Extremities	CMF and Others	Total
Sales, CHFm				
2019	92.6	18.3	19.2	130.1
2018	87.2	16.4	17.8	121.3
Growth, %				
in CHF	6%	12%	8%	7%
in local currencies	9%	16%	10%	10%

Upper Extremities, Medartis' largest business segment, recorded a sales increase of 9% to CHF 92.6 million in local currencies in the 2019 financial year. Medartis gained further market share in many core markets with an established market position in the hand and wrist segment. The segments wrist, which is the strongest sales segment, and elbow saw continued strong growth in local currencies, while the hand segment reported solid growth. Sales growth in the shoulder segment almost doubled, at a low level, compared with 2018. In mid-2020, Medartis will complement the existing plates and screws portfolio with the introduction of a forearm fracture system and an innovative clavicle system to the market.

Lower Extremities, Medartis' youngest business segment, recorded sales of CHF 18.3 million in 2019, which corresponds to growth in local currencies of 16% and was below expectations. With a view to further rounding out the plates and screws portfolio, and as a foundation for more dynamic growth, additional innovative systems for corrections in the mid- and hindfoot and for fractures of the lower tibia and fibula are planned to be introduced to the market in mid-2020.

The CMF and Others segment, which comprises solutions for the craniomaxillofacial region as well as instruments and containers, recorded sales growth in local currencies of 10% to CHF 19.2 million in the 2019 financial year. Medartis experienced above-market growth in the CMF segment. The introduction of a new generation of the CMF product line is planned for April 2020.

Outlook

Since its founding in 1997, Medartis has stood for innovative strength and technological leadership. Building on these strengths, the sales focus, market orientation, especially in the US, and the speed in innovation are to be strengthened in line with the existing growth strategy.

- **Sales focus:** Targeted focus on regional market requirements by anchoring the EMEA, North America and LATAM/APAC regions at the executive management level
- **US business:** Building and expanding the US business as a top priority through recruitment of a new leadership team, expansion of sales (direct and via distributors) and build-up of US-focused product development capabilities
- **Innovative strength:** Accelerated expansion of innovation pipeline by shortening development times as well as through partnerships and M&A
 - Rollout of expanded range of cannulated compression screws scheduled for June 2020 after shortened development time of five months; a total of six innovations are planned to be brought to the market in 2020
 - Two projects for complementary technologies and indications being implemented with partners
 - M&A longlist with over 200 potential targets, five due-diligence reviews conducted

The organizational changes necessary to implement this program have been initiated and will be completed within the current year. Over the medium term, Medartis wants to achieve annual sales growth of over 15% in local currencies with a gradual increase in the adjusted EBITDA margin.

For 2020, as the program is being implemented and in light of the mild winter with lower case numbers, Medartis expects unchanged sales growth of 10% in local currencies with an adjusted EBITDA margin of 15% (barring unforeseen circumstances).

Christoph Brönnimann, CEO Medartis: “We achieved good growth above the market in 2019, but we have not yet met our own expectations. Medartis stands for innovative strength, and the next step is now to further increase our speed in innovation and efficiency in sales. Another key focus is the accelerated building of our business in the US, the biggest market for our industry. 2020 will be an important year for strengthening our organization, where we will also continue to invest while bringing innovations to the market. This positions us well for further substantial growth over the medium term and a gradual increase in profitability over the coming years.”

Documents 2019 full-year results

The following documents pertaining to the 2019 full-year results are available online:

Press release:

[Press release 2019 results](#)

Presentation:

[Presentation 2019 results](#)

Annual Report:

[2019 Annual Report](#)

Media, analyst and investor conference in Zurich (in German)

Date: Tuesday, 3 March 2020

Time: 9:30 CET

Location: Hotel Widder, Rennweg 7, Zurich

Speakers: Christoph Brönnimann, CEO; Dominique Leutwyler, CFO

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

Date: Tuesday, 3 March 2020

Time: 14:00 CET

Speakers: Christoph Brönnimann, CEO; Dominique Leutwyler, CFO

Join with PC, Mac, Linux, iOS or Android: <https://medartis.zoom.us/j/991600792>

Dial-in numbers by telephone:

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UK +44 203 051 2874

US +1 669 900 6833

For other international numbers go to: <https://medartis.zoom.us/u/acjCfpd2Sy>

When dialling in by telephone, questions may be asked during the call via e-mail to corporate.communication@medartis.com.

Meeting ID: 991 600 792

Financial calendar

17 April 2020	Annual General Meeting
18 August 2020	Publication of 2020 half-year results
9 March 2021	Publication of 2020 full-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 600 individuals across its 13 locations, with products offered in over 50 countries globally. Medartis is committed to providing surgeons and operating theater 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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