

Medartis Holding AG
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PRESS RELEASE

Medartis achieves solid full-year 2020 result and nominates new Chairman of the Board of Directors for election

Basel, Switzerland, 10 March 2021 – Medartis Holding AG (SIX: MED) achieved sales growth of 9% in local currencies in the second half of 2020, driven by 13% growth in direct markets. Taking into consideration pandemic-related disruptions, Medartis has reached a solid full-year 2020 performance of 1% growth in local currencies, outperforming the market. The adjusted EBITDA margin increased to 16% compared to 15% year on year, thanks to cost discipline while continuing to invest in growth initiatives. The Board of Directors will propose Marco Gadola for election as the new Chairman of the Board of Directors at the next Annual General Meeting on 23 April 2021. Dr. h.c. Thomas Straumann will assume the role of Vice Chairman.

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

CHFm	2019 (reported)	2019 (adjusted) ⁽¹⁾	2020 (reported)	2020 (adjusted) ⁽²⁾	Change (adjusted)
Sales	130.1	130.1	124.7	124.7	-4%
<i>Sales at constant currencies*</i>			131.2	131.2	+1%
Gross profit	111.3	110.6	103.5	103.5	-6%
Opex	103.9	103.6	99.7	97.5	-6%
Operating profit (EBIT)	7.4	7.0	3.8	6.0	-14%
EBIT margin	6%	5%	3%	5%	0pp
EBITDA	20.3	20.0	19.7	20.2	+1%
<i>EBITDA at constant currencies*</i>			21.8	22.4	+12%
EBITDA margin	16%	15%	16%	16%	+1pp
<i>EBITDA margin at constant currencies*</i>			17%	17%	+2pp
Headcount	609	609	636	636	+4%

⁽¹⁾ 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.

⁽²⁾ Excluding extraordinary impairment on intangible assets of CHF 1.7 million and additional inventory provisions of CHF 0.6 million.

* 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 "at constant currencies" 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 full-year 2020 and not for the full-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 generated total sales of CHF 124.7 million in 2020 with growth of 1% in local currencies, thus outperforming overall market growth. Following the lifting of the first Covid-19-related lockdown measures in spring, Medartis was well prepared to ramp up its business again, and its direct markets with own subsidiaries returned to 13% growth in local currencies in the second half of the year. Overall, sales increased by 9% in local currencies in the second half of 2020, despite a slow-down in the fourth quarter. Reflecting a focus of resources on markets less affected by the pandemic, the sales increase in the second half of the year was in particular driven by the US subsidiary with 18% growth, by the APAC region with 23% growth and within the EMEA region by the German-speaking countries Switzerland, Germany and Austria, with growth of 12%, each in local currencies. Performance in the LATAM region and in global distributor markets continued to be affected by the pandemic and the related restraint with regard to investments in the second half of the year.

Operating expenses decreased by 4% to CHF 99.7 million in 2020. Adjusted for extraordinary impairment on intangible assets of CHF 1.7 million and additional inventory provisions of CHF 0.6 million, operating expenses decreased by 6% compared to adjusted operating expenses in the prior year. Year on year, headcount increased moderately by 27 positions to 636 employees, 15 of which were filled in the second half of the year. Although Medartis pursued strict cost management in the context of the pandemic and took early cost-saving measures, the company continued to invest in its strategic growth initiatives. The organization was strengthened, particularly in the US market, where further development and expansion remain a top priority. As planned, the product portfolio was expanded in all three business segments with the market launch of five innovative product systems.

Profitability at EBITDA level amounted to CHF 19.7 million, compared to CHF 20.3 million in 2019; the EBITDA margin remained unchanged at 16% compared to 2019. The adjusted EBITDA reached CHF 20.2 million versus CHF 20.0 million in 2019, and the adjusted EBITDA margin increased to 16% compared to 15% in the previous year.

The EBIT was CHF 3.8 million, compared to CHF 7.4 million in the previous year. The adjusted EBIT was CHF 6.0 million versus CHF 7.0 million. Compared to the net profit of CHF 2.1 million in 2019, the net loss for the period under review was CHF 0.9 million. On an adjusted basis, net profit was CHF 0.9 million compared to CHF 1.8 million in 2019.

In addition to the pandemic, 2020 was also impacted by a significant strengthening of the Swiss franc. On a CHF basis, Medartis reported a 4% decline in sales compared to the prior year, in particular reflecting the currency developments against the US dollar, the euro, the Australian dollar and the Brazilian real. Net profit was impacted by total currency losses of CHF 5.4 million (2019: CHF 2.4 million). Cash flow from operating activities was CHF 12.6 million, compared to CHF 9.0 million in 2019.

Christoph Brönnimann, CEO of Medartis: "Given the unforeseen challenges last year, we have reached a solid 2020 performance of 1% growth in local currencies. Following the lifting of the initial pandemic-related lockdown measures in spring, we were well prepared to recover our business and achieved strong growth rates in the second half of the year, particularly in the US, APAC and the DACH region. While mitigating the impact of the pandemic, we have refined our strategic framework and made significant progress in implementing our strategic priorities to better target regional growth opportunities and advance our innovation pipeline. The strategic investment in KeriMedical and the launch of our digital planning and 3D printing platform CMX underscores our ambition to establish ourselves as a leading full-range portfolio and solutions provider in the extremities and head segments. We will consistently pursue this path. I would like to thank our customers and our teams for their dedication and agility they have demonstrated throughout the year."

Development by region

	EMEA	APAC	LATAM	North America	Total
Sales, CHFm					
2020	68.2	25.4	9.7	21.3	124.7
2019	70.3	23.7	14.4	21.7	130.1
Growth, %					
in CHF	-3%	7%	-33%	-2%	-4%
in local currencies	0%	12%	-18%	4%	+1%

Medartis' largest region, EMEA, reported growth of 4% in local currencies in the second half of the year and overall, closed the year at the same sales level as in the previous year. The German-speaking direct markets achieved 12% sales growth in the second half of the year, while the other direct markets were slightly hindered by the more restrictive coronavirus measures that were introduced towards the end of the year. Due to the local pandemic restrictions, the UK was the only subsidiary that did not recover in the second half of the year. The distributor markets in the Netherlands, Finland, Ireland, Norway and Slovenia developed encouragingly. In general, however, sales development in the distributor markets remained significantly behind the direct markets due to coronavirus-related restraint with regard to investments. In Spain, Medartis has started with its own subsidiary beginning of 2021; during the phase of transferring the distributor business, sales temporarily declined in the second half of 2020.

North America achieved sales growth of 18% in local currency in the second half of the year and above 20% growth in the fourth quarter, following a pandemic-related decline of 10% in the first half of 2020. This resulted in overall growth of 4% in local currency for the full year. In addition to strengthening regional management and the sales organization, a strong focus was placed on expanding the largest segment, wrist, which recorded dynamic growth in the second half of the year. In addition, growth was supported by new collaborations with selected distributors. The encouraging acceleration of growth in the second half of 2020 further emphasizes the significant potential of the US market for Medartis.

The APAC region delivered growth of 23% in local currencies in the second half of the year, following a first half that remained at the prior-year level. The 12% annual growth in local currencies reflects that this market region was the least affected by the coronavirus impact. The subsidiary in Australia, Medartis' strongest market in the region in terms of sales, reported excellent performance of 27% sales growth in local currency in the second half of the year. The new lower extremity subsidiary in Japan performed well, and the distributor markets in South Korea, Thailand and Japan for upper extremities also developed positively. In China, distribution activities were launched as planned in the fourth quarter of 2020.

LATAM recorded a decline in sales in the second half of the year (-9% in local currencies) and reported a loss in sales of 18% in local currencies for the full year. Overall, the subsidiaries in Brazil and Mexico remained below the previous year's sales levels, although they recorded significant growth in the fourth quarter compared to the prior-year period. In the Costa Rican distribution market, Medartis won a major hospital tender. In the distribution markets Argentina, Chile and Colombia, sales were strongly affected by the difficult economic environment combined with the pandemic.

Development by business segments

	Upper Extremities	Lower Extremities	CMF and Others	Total
Sales, CHFm				
2020	89.2	18.8	16.6	124.7
2019	92.6	18.3	19.2	130.1
Growth, %				
in CHF	-4%	+3%	-13%	-4%
in local currencies	+1%	+8%	-8%	+1%

Unplanned operations in trauma remained unrestricted in 2020, case numbers nonetheless declined due to mobility restrictions for large segments of the population – for example, fewer sports-related accidents were recorded. Although the postponement of elective procedures due to lockdown measures to contain the coronavirus pandemic negatively impacted sales, particularly in April and May, the negative effect was less pronounced than initially expected over the whole year, despite renewed lockdowns towards the end of the year.

The largest segment, Upper Extremities, which has the highest proportion of trauma cases, achieved 8% growth in the second half of 2020, compared to a 5% decline in sales in the first half in local currencies (full year 2020: +1% in local currencies). Growth momentum was achieved in the largest area, wrist. In elbow, double-digit growth for the full year was reported despite Covid-19, thanks to a training and sales initiative. As planned, Medartis introduced the wrist spanning plates, initially developed for the US market, in Europe and APAC in June. It launched a forearm fracture system, also in June, and a clavicle system in September. Thanks also to good preparation during the initial lockdown phase, the planned sales of these newly launched products were significantly exceeded. With these additions, Medartis has further complemented its plates and screws portfolio in the upper extremities.

Lower Extremities, the newest business segment with the strongest growth potential for Medartis and with a higher proportion of elective procedures, recorded growth of 21% in the second half of the year after a decline in growth of 4% in local currencies in the first half (full year 2020: +8% in local currencies). The addition to the cannulated compression screw portfolio, developed in a period of five months, was launched in June as planned and reached expected sales in the second half of the year. However, due to the lack of elective cases, it was decided to postpone the launch of the two systems for midfoot and hindfoot corrections and fractures of the lower tibia and fibula until the first half of 2021.

The CMF and Others segment, which comprises solutions for the craniomaxillofacial region as well as instruments and containers, was most affected by the impact of the coronavirus pandemic. Sales growth in the second half of the year was 3%, following an 19% decline in local currencies in the first half (full year: -8% in local currencies). The shift in elective procedures had the most significant impact on sales in CMF because of its high proportion thereof; for the full year, sales for elective procedures were down by around a quarter compared to the previous year. In April, the new MODUS 2 product generation was launched in DACH as planned. In addition, the CMX digital planning and 3D printing platform for mandibular correction and fixation was introduced, and the first cases with patient-specific cutting guides and plates were performed in Germany and Switzerland.

Substantial progress made in growth initiatives

In 2020, Medartis made substantial progress in implementing the program initiated in early 2020 to accelerate growth with the priorities of sales focus on regional needs, building the US business and advancing the innovation pipeline.

In the US business, important cornerstones for the further acceleration of growth were implemented in 2020. An experienced management team has been established, led by Lisa Thompson, a member of Medartis' Executive Management Board and President of North America since April 2020. Also in the US market, the reallocation of regional sales territories to leverage more sales potential has been completed, and a new growth-oriented incentive system is being implemented.

Medartis demonstrated its innovative strength last year with the launch of five different innovative product systems. This further complemented the Medartis portfolio for plates and screws in the upper and lower extremities as well as in CMF. In order to exploit further market potential in the underserved market of small joint replacement in upper extremities, Medartis has acquired a minority share position in KeriMedical, a specialist for innovative implant solutions in the hand and wrist segment. KeriMedical has developed new standards in patient treatment, particularly in the treatment of osteoarthritis of the hand, which affects around 60 million people in Europe and the US. With KeriMedical's complementary offering, Medartis provides physicians with a comprehensive product portfolio in the hand and wrist segment, improving competitiveness and growth potential, particularly in the US.

Clear strategic direction

Medartis further refined its strategic direction in 2020 to support surgeons as a provider of complete solutions in the areas of extremities and head and to further accelerate growth. With this goal, Medartis is pursuing a growth strategy based on three pillars:

- **Comprehensive product portfolio:** The focus lies on the further completion of the plates and screws portfolio, aligned to regional needs, as well as the selective entry into new technologies such as small joint replacement and soft tissue management. The aim is to offer surgeons a comprehensive implant portfolio that covers all of their indication needs.
- **Solutions provider:** With the launch of our CMX platform, Medartis has entered the market for digital surgical planning, and patient-specific implants and instruments. Complementing the implants portfolio, Medartis will drive the expansion of the CMX platform and other individualized solutions and services to improve patient outcomes, shorten surgery time and reduce inventory.
- **Geographical expansion:** The top priority continues to be US market penetration and expansion. The focus also remains on consistently gaining market share in our key markets in Europe and APAC, and we will selectively expand our global footprint in distributors' markets. In the medium term, new direct markets such as Spain are also expected to contribute to growth.

Outlook

In the long term, Medartis sees no structural impact from the pandemic on market potential. In the first two months in 2021, Medartis experienced a positive sales momentum in line with expectations. For the full year 2021, Medartis targets a sales growth of at least 15% in local currencies and stable EBITDA margins – subject to any unforeseen events, specifically from Covid-19.

Change of Chairman of the Board of Directors

Dr. h.c. Thomas Straumann, who founded Medartis in 1997, has decided to hand over the leadership of the Board of Directors after having served as its Chairman for 23 years. The Board of Directors of Medartis will therefore propose Marco Gadola, Member of the Board of Directors since 2020, for election as Chairman of the Board of Directors at the Annual General Meeting on 23 April 2021. Dr. h.c. Thomas Straumann will remain committed to Medartis and will stand for re-election as a member of the Board of Directors, where he will assume the role of Vice Chairman.

Dr. h.c. Thomas Straumann, Chairman of the Board of Directors of Medartis: "I have always considered it a great privilege to lead Medartis on its growth path as Founder and Chairman, and I would like to thank you for the trust you have placed in me. Today – 23 years after its foundation and three years after our IPO in 2018 – Medartis has a very solid foundation that it can build on to realize further market opportunities. This is the right time for me to hand over the chairmanship. Marco Gadola has proven expertise in the international medical devices market, strong business acumen and strategic foresight, which he also demonstrated in his previous position as CEO and, since 2020, as a member of the Board of Directors of the Straumann Group. He is therefore the ideal candidate to lead Medartis to further growth. I wish Marco all the best and much success in his future role at our company. I will remain committed to Medartis in the long term as a significant shareholder and a member of the Board of Directors, where I will in future act as Vice Chairman – a set-up which has also proven very valuable at the Straumann Group."

Documents 2020 full-year results

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

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

[Presentation full-year 2020 results](#)

[Full-year report 2020](#)

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

Date: Wednesday, 10 March 2021

Time: 10:00 CET

Speakers: Christoph Brönnimann, CEO; Dominique Leutwyler, CFO

Participant's Link:

[Telephone conference full-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

For other international numbers please see media.choruscall.ch

Financial calendar

23 April 2021	Annual General Meeting
17 August 2021	Publication of 2021 half-year results
08 March 2022	Publication of 2021 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 640 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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