



medartis®

PRECISION IN FIXATION

2019 Annual Report  
Highlights

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.

# Key financial figures

Sales in CHFm

130.1

7% growth in CHF

10% growth in local currencies

EBITDA in CHFm

20.3

16% EBITDA margin

15% adj. EBITDA margin<sup>(4)</sup>

Good sales growth above the market

10% sales growth in local currencies

Adj. EBIT at 5%<sup>(4)</sup> of sales

48 new jobs added over 12 months

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

<sup>1)</sup> Excl. capital market-related costs (IPO) of CHF 3.2 million.

<sup>2)</sup> Excl. positive effect from pension fund plan amendment of CHF 0.7 million.

<sup>3)</sup> Excl. a provision for possible price and commission agreements in Brazil of CHF 3.0 million and excl. positive effect from pension fund plan amendment of CHF 2.7 million.

<sup>4)</sup> Excl. a provision for possible price and commission agreements in Brazil of CHF 3.0 million and excl. positive effect from pension fund plan amendment of CHF 3.4 million.

<sup>5)</sup> Year-end figure as per 31.12.2019.



**Dr. h.c. Thomas Straumann**  
Präsident des Verwaltungsrates

**Dr. Christoph Brönnimann**  
Chief Executive Officer

# Dear Shareholders

2019 was a year characterized by change for the medical technology market. Due to the increasingly complex fracture patterns in our aging and ever more active society and the greater specialization of surgeons, industry demand for innovation will continue to rise in the future. At the same time, we are seeing a trend towards more region-specific treatment concepts.

The regulatory framework in the medical industry is also continuously evolving, especially in Europe. Last year, we made considerable preparations for the implementation of the new EU Medical Device Regulation (MDR). This binding regulation will come into force in May 2020 and provides for stricter requirements for the certification of products in Europe.

The operational management of Medartis also underwent a change. After over 20 years as CEO, Willi Miesch decided to hand over his operational responsibilities, and the Board of Directors appointed Christoph Brönnimann as the new CEO of Medartis effective 1 September 2019. Together with his team, Willi Miesch consistently implemented our strategy of focusing on innovative product solutions based on highly specialized technologies and firmly established Medartis as an innovation leader in the market. As a member of the Board of Directors and Chair of the newly created Strategy and Innovation Committee, Willi Miesch will continue to contribute his core competencies to the benefit of Medartis. With Christoph Brönnimann, a proven expert in medical technology has joined Medartis; he has enjoyed a successful international management career and brings extensive experience in the further development of growing organizations to his role as CEO.

In the 2019 financial year, Medartis reported good growth of 10% in local currencies in an overall challenging market environment. With this result, we once again exceeded market growth. EBITDA increased to CHF 20.3 million and the adjusted EBITDA margin was 15%, in line with our forecast. Net profit was CHF 2.1 million, compared with CHF 4.2 million in the previous year.

These results show that Medartis is well positioned in a growing market. Since our IPO in March 2018, we have not yet, however, been able to harness the market potential to the extent we had expected.

Focusing our expertise on innovative treatment solutions for the upper and lower extremities and head segments remains the key to our success. We must now increase our sales efficiency and speed in innovation, which we believe will give rise to significant market opportunities. To achieve the envisioned annual sales growth of over 15% in local currencies with a gradual increase of the EBITDA margin in the medium term, we have defined a program based on which we aim to further strengthen the Company's sales focus, market orientation particularly in the US, and our innovative strength, both internally as well as with partners and through acquisitions. This underscores our ambition to establish Medartis as a leading full service provider in the extremities segment.

For the current year, Medartis expects that due to the implementation of the program and in light of the mild winter with a low number of cases, sales growth will remain unchanged at 10% in local currencies with an adjusted EBITDA margin of 15%. This year, we will introduce five different innovative product systems to our upper and lower extremities as well as craniomaxillofacial (CMF) offering, thus taking a further step in rounding out the portfolio. In June 2020, we also plan to introduce to the market an expansion of the cannulated compression screws after a development time of only five months – this is one of the first results of the acceleration of internal development processes that have been initiated.

We thank all of our employees for the commitment they demonstrate every day. This commitment enables us to be the partner of choice for surgeons in treatment solutions for the well-being of their patients. At Medartis, we do our utmost to create sustainable value for our stakeholders and for you as shareholders.

In the name of the Board of Directors and our management, we thank you, esteemed shareholders, for the trust you place in Medartis.

Basel, February 2020



Dr. h.c. Thomas Straumann  
Chairman of the Board of Directors



Dr. Christoph Brönnimann  
Chief Executive Officer

## Medartis at a glance

# A painless return of the patient to everyday life without physical restrictions is the driving force behind Medartis' activities.

### Swiss DNA

Medartis' DNA is Swiss and the company stands for price-competitive Swiss quality. Its headquarters, research and development, and manufacturing facilities are all located under one roof in Basel. This results in efficient information and decision making pathways. All key products are manufactured in-house in Basel, where modern facilities and the use of robotics enable highly-automated manufacturing processes up to 24 hours a day, 7 days a week.

### Patient

Nobody wants to be a patient. But accidents with fractures happen, as do bone malpositions. The aim of fracture treatment with implants is to restore optimal anatomical conditions. The use of implants also allows early and safe mobilization and rehabilitation of the injured body part and the patient as a whole.

### Users

The surgeon is responsible for the patient's outcome of the bone fixation treatment. Medartis therefore supports with high-quality implant systems for existing surgical possibilities, offering new clinical solutions and provide best-in-class services to surgeons, operating room personnel und purchasing departments. The majority of Medartis' revenues are generated through the use of implants in surgery.

### Market potential and growth drivers

Medartis' markets – upper and lower extremities and the craniomaxillofacial (CMF) area – amount to around CHF 10bn and are the fastest growing segments of the orthopedic market. The main growth driver is the ageing of the more active population. Another factor is that obesity and diabetes, which often affect bone quality and require more complex fracture treatment, are on the rise.

### Technological advantages

Leading innovations have characterized Medartis since its founding. A new generation of technologies for bone fixation includes the TriLock® technology, which is used to lock screw heads and provides the smallest-size multidirectional locking system on the market; the HexaDrive® technology, which ensures that screws remain fixed to the screw driver; and the SpeedTip® technology, which features self-drilling screws that make pre-drilling unnecessary.

### Proven Track Record

Medartis has a number 1 or 2 position for hand and wrist solutions in Switzerland, Germany, Austria, France and Australia. In the highly competitive German market, Medartis' market share is 35% for the hand, 32% for the wrist and 25% for CMF (head). There is a huge potential for worldwide expansion of this success story.



**MODUS® Cranium**  
Burr hole cover plates 0.9 / 1.2

# Business review

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.



**APTUS® Foot**  
TMT-1 Medial Fusion Plates

## Development by regions

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

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.

**APTUS® Wrist**

TriLock Distal Radius Plates FPL 2.5



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
<b>Sales, CHFm</b>				
2019	92.6	18.3	19.2	<b>130.1</b>
2018	87.2	16.4	17.8	<b>121.3</b>
<b>Growth, %</b>				
in CHF	6%	12%	8%	<b>7%</b>
in local currencies	9%	16%	10%	<b>10%</b>

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 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 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).

# Information for investors

## Financial calendar

17 April 2020	Annual General Meeting
18 August 2020	Publication of 2020 half-year results
09 March 2021	Publication of 2020 full-year results

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