

# Unlocking our growth potential

**Dirk Kirsten, CFO**  
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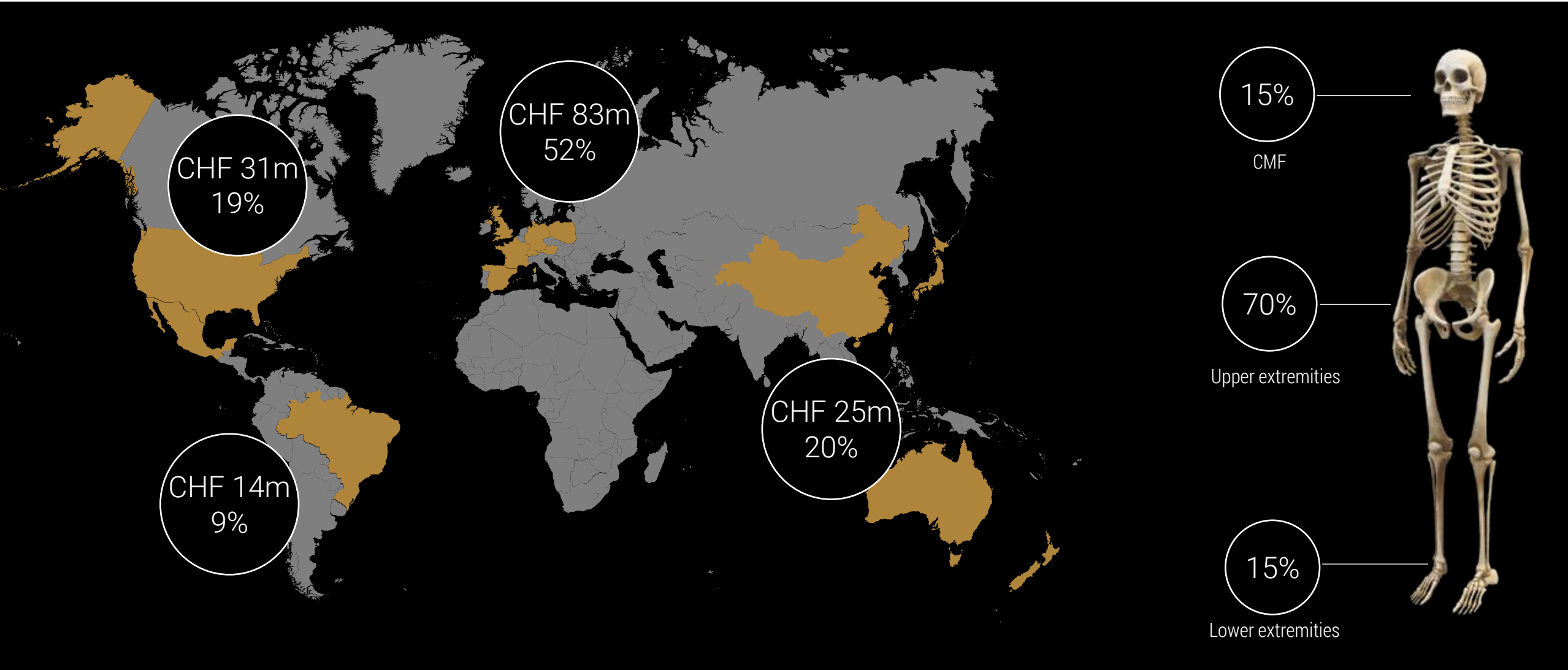
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# Medartis in brief

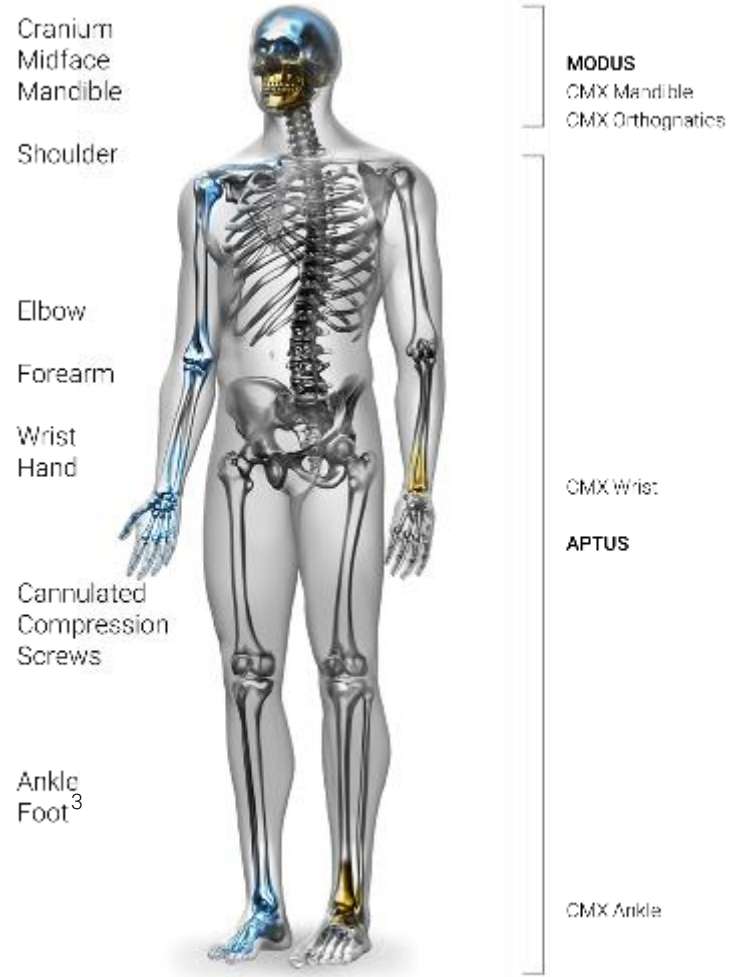
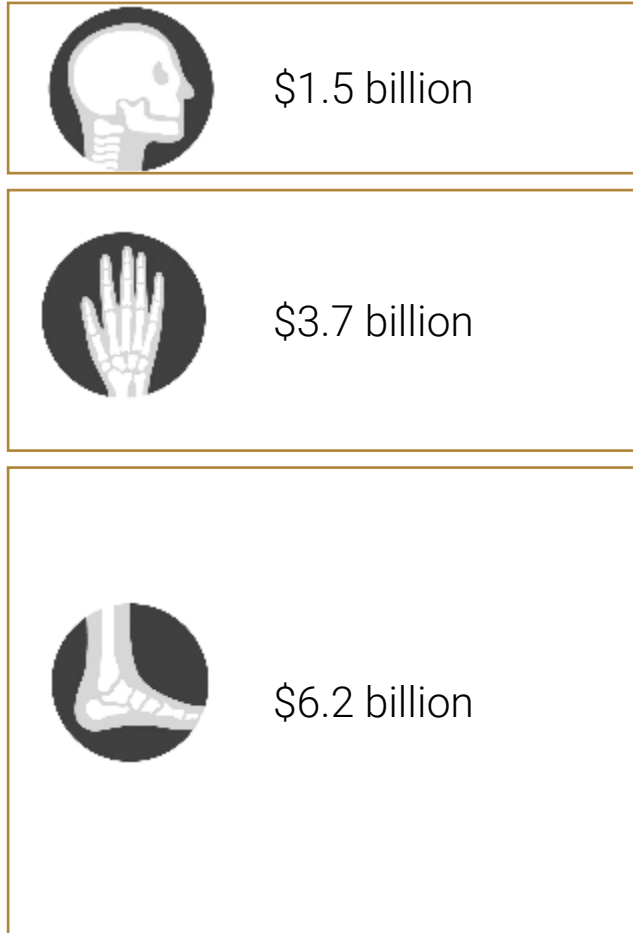


# Medartis is direct in 14 locations and offers products in over 50 countries worldwide



# Focused on upper/lower extremities and CMF<sup>1</sup>

Medartis' market segments<sup>1</sup>



DePuy Synthes, KLS Martin,  
Zimmer Biomet, Stryker,  
Medtronic

DePuy Synthes, Stryker, Zimmer  
Biomet, Smith & Nephew,  
Acumed, Arthrex, Integra

Stryker, DePuy Synthes, Integra,  
Zimmer Biomet, Acumed,  
In2Bones, Smith&Nephew,  
Paragon28, Arthrex,  
Treace Medical

<sup>1</sup> CMF = Cranio-maxillofacial surgery involves the correction of congenital and acquired conditions of the head and face. <sup>2</sup> DRG Report Orthopedic Extremity Devices 2018, Technavio data and Global Orthopedic Devices market, out of the USD 11bn, Medartis currently addresses a USD 7bn market as we don't offer biologics, arthroplasty and sport medicine. <sup>3</sup> Medartis acquired a 25% stake in KeriMedical in November 2020 and distributes their products in selected markets. Please note that not all products or product categories are available in every Medartis direct or distribution market..

# Investment rationale

## US growth plan

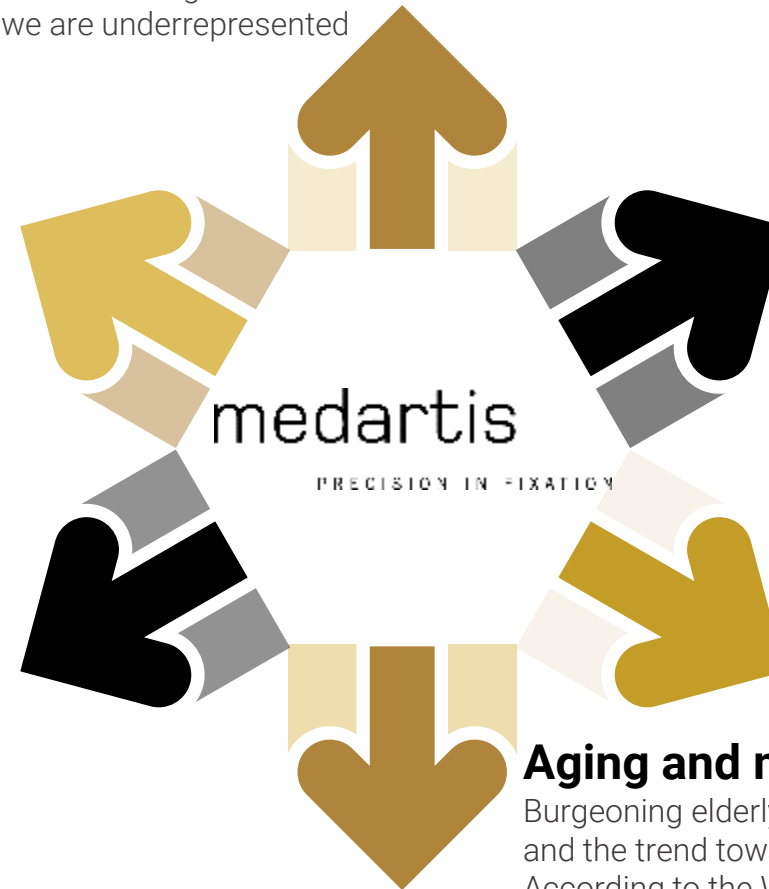
Clearly defined growth plan in the world's largest market (60% of WW market), where we are underrepresented

## Focused approach

We own attractive technologies in extremities incl. patient specific solutions in one of the fastest growing orthopedic segment, i.e. 4-6% (in comparison to low single-digits for large joint replacements)

## Increase penetration in lower extremities

Through increased sales focus and targeted product expansions (i.e. NSI), we want to strengthen our presence in the attractive foot and ankle market, which grows approx. 6-8% annually



## Surgeon specialization & differentiated education model

Unsolved clinical problems and surgeon specialization lead to market expansion; through the Medartis KOL management and thanks to our partnership with our academic and clinical partner [IBRA](#)<sup>1</sup>, we support, train and educate surgeons and OP staff

## Defensive growth story

The majority of our products and solutions are used in trauma / emergency surgeries. The business model is largely independent of economic cycles.

## Aging and mobile population

Burgeoning elderly population, coupled with the rising prevalence of diabetes and the trend towards a more active lifestyle stimulates procedure growth. According to the WHO about 20-33% of people around the world suffer from musculoskeletal conditions

<sup>1</sup> The International Bone Research Association (IBRA) is an independent non-profit organization particularly for specialized surgeons and research scientists.

# Performance and trends



# Full-year highlights

## TOTAL SALES

CHF **159.9** million<sup>1</sup>

- H1 growth momentum was maintained
- Hospital surgical capacity at ~90%-level

## REVENUE GROWTH

**+24.8%** CER<sup>2</sup> vs. PY

- >20% growth in all regions
- EMEA contributes almost half of the total growth; LATAM fastest growing territory (+47% vs. PY)

## EBITDA MARGIN

**17.2%**

- Driven by gross margin expansion and OPEX leverage
- Both sales and profitability exceeded internal expectations and guidance

## HEADCOUNT

**684** (+7.5% vs. PY)

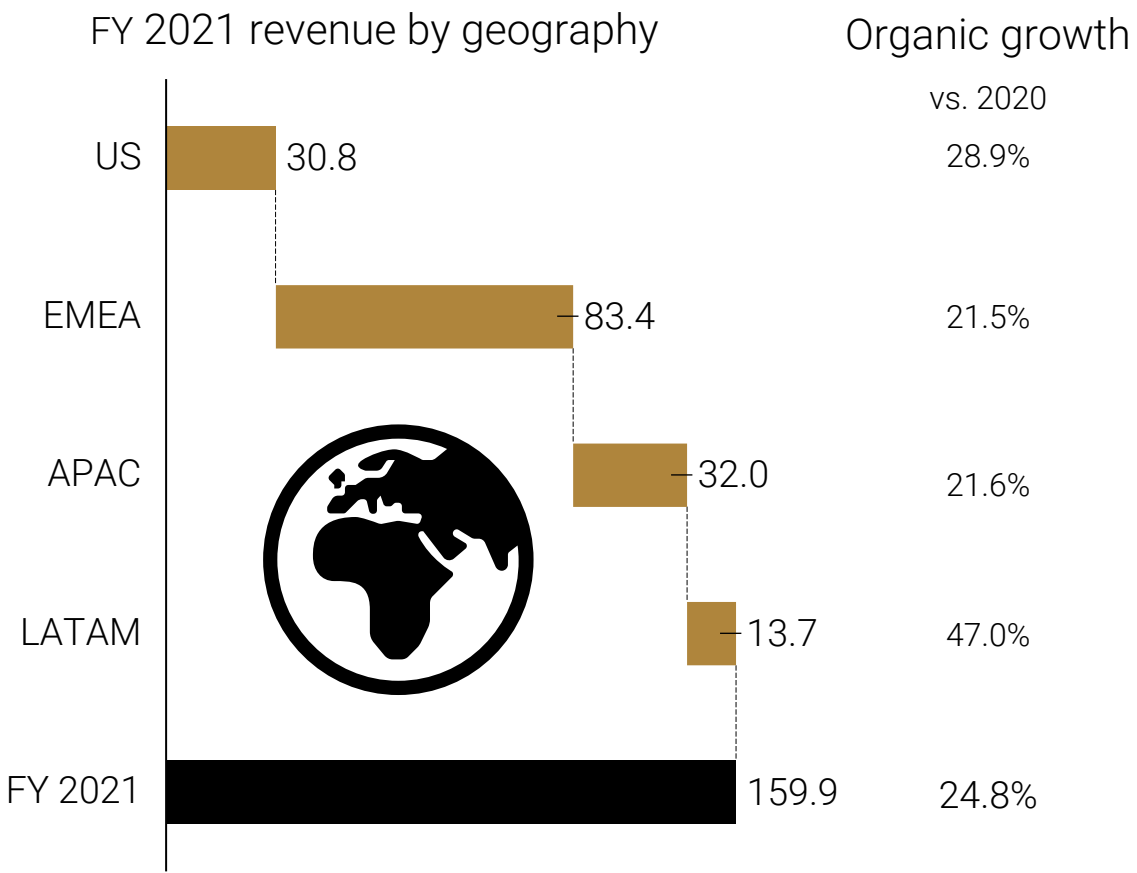
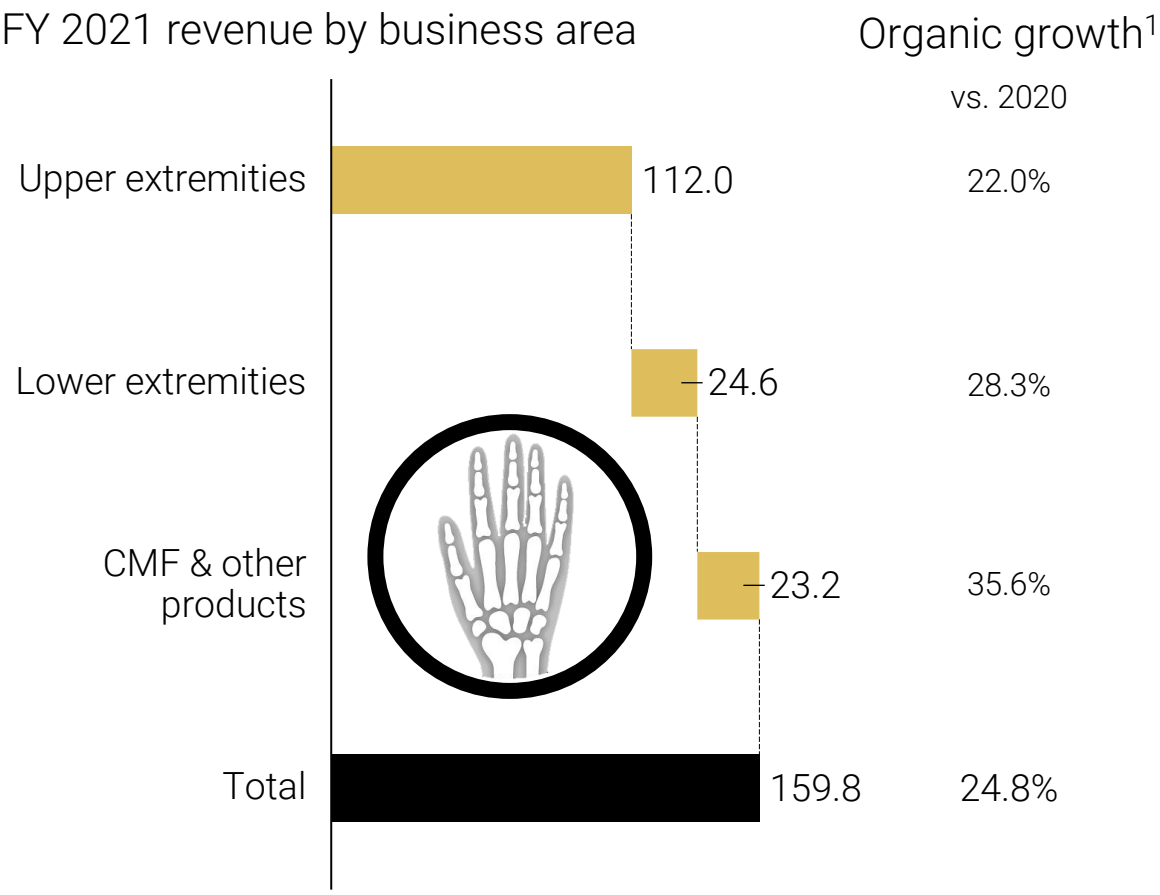
- New sales jobs created in growth markets
- Additional R&D positions to drive innovation

<sup>1</sup> Restated figures in PY. Distributor sales commission of CHF 3.6mn (2020: CHF 4.7mn) reclassified into operating expenses (historically deducted from net sales). For detailed information, please see Note 2.3 of the 2021 Annual report.

<sup>2</sup> CER (constant exchange rates) excludes currency effects between two reporting periods. PP = Percentage Points PY = Previous Year



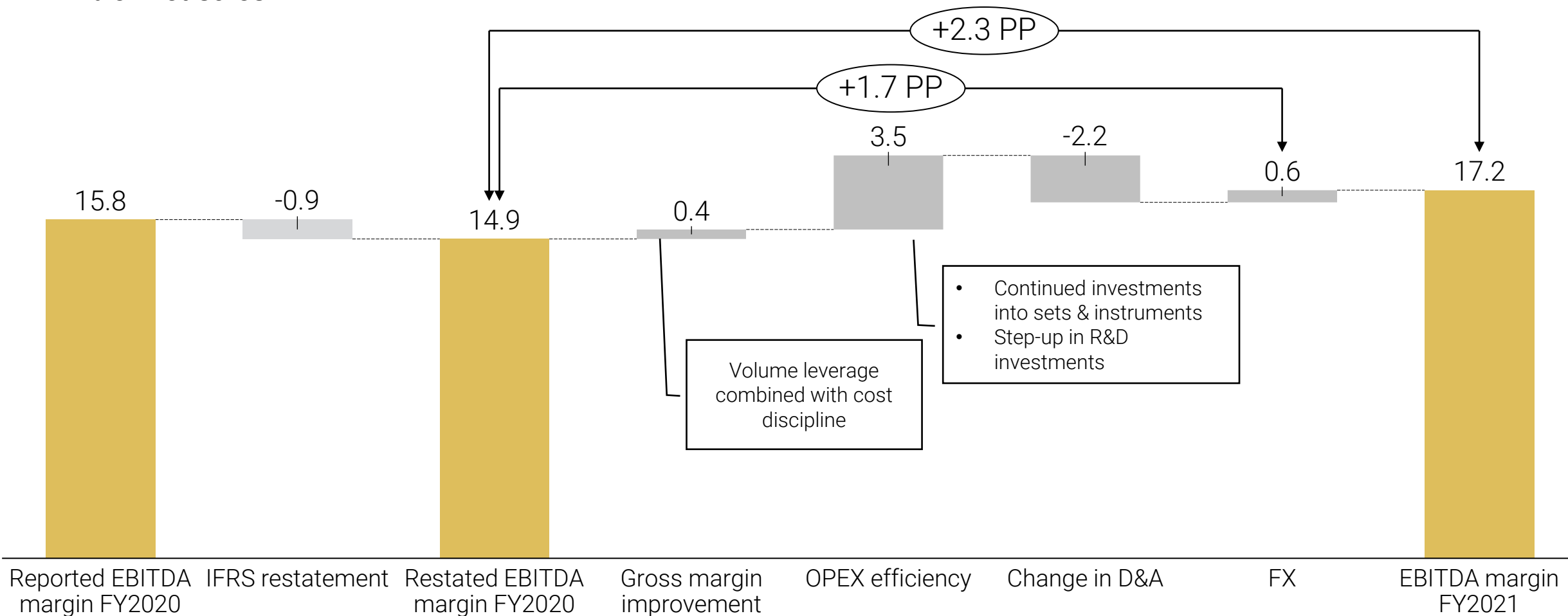
# All regions and businesses grew more than 20% in 2021



<sup>1</sup> Organic growth excludes currency and M&A effects

# EBITDA margin improved to 17.2% (+2.3PP)

in % of net sales



# Strategic partnerships



# Our strategy remains unchanged – Key priorities 2022

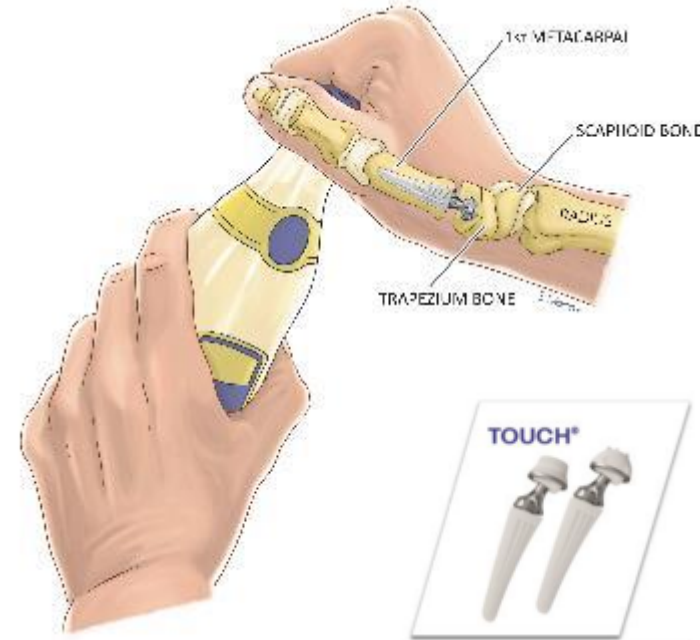
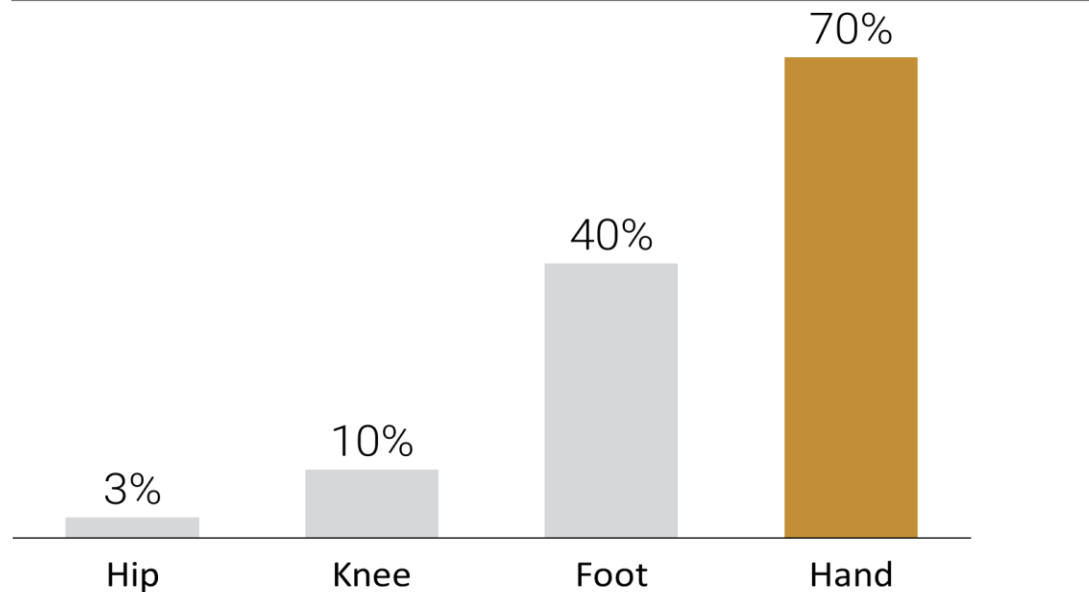


<b>1</b>	Take US business to the next level
<b>2</b>	Accelerate and broaden innovation
<b>3</b>	Evolving the corporate culture

# High growth potential in underserved osteoarthritis market





## Prevalence of Osteoarthritis by Joint

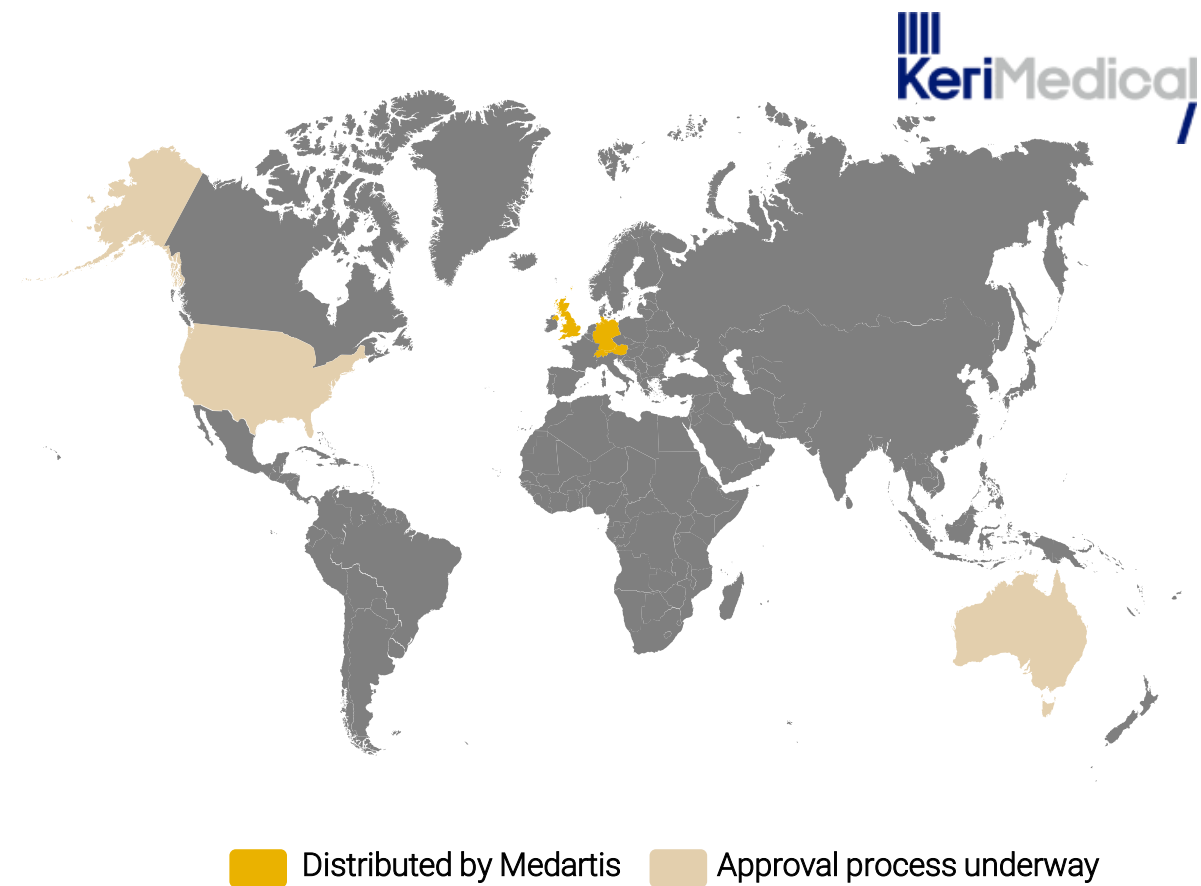
% of population suffering from arthritis in the 55-74 years old age group



- Osteoarthritis of the Hand is a very frequent problem; women more affected
- Manifestation of osteoarthritis in the hand is significantly higher than in other joints
- Prevalence in EU approx. ~39m and in the US ~20m people
- Total US market is approx. USD 300m if 100% of the cases would be converted and undergo treatment

# Successfully launch of the KeriMedical distribution

Product	Product feature / advantage
	<b>Touch</b> Fast recovery time compared to the gold standard (trapezectomy) and attractive outcomes in terms of mobility and strength
	<b>KeriFlex</b> Next generation version of silicone implants re-designed with team of international leading hand surgeons
	<b>Reaxon</b> Flexible, transparent, and resorbable device with improved clinical outcomes of nerve regeneration based on clinical studies
	<b>KeriFix &amp; KeriLock</b> Specifically designed for the needs of small bone surgery



# Two complementary businesses

medartis®



Scope & Reach	Global presence in more than 50 countries with direct presence in 14 countries	Dedicated development and commercialization organization with a focus on the extremity musculoskeletal space; no direct distribution
DNA	<ul style="list-style-type: none"> <li>• Swiss manufacturing reputation for 'excellence in precision'</li> <li>• Longstanding relationships with surgeon O-US in product development and commercialization activities</li> </ul>	<ul style="list-style-type: none"> <li>• Proven track record of developing revenue-generating solutions</li> <li>• Strong relationship with US design surgeons and industry thought leaders</li> <li>• Focus on lower extremity, but teams has &gt;300 industry experience in trauma to build upon</li> </ul>
Founded	1997	2007
Employees	684	87
Product development	Global R&D center	<ul style="list-style-type: none"> <li>• Proven track record of developing innovative products with over 120 patents</li> <li>• Development center to support US specific market needs</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li>• 3 500 m<sup>2</sup> highly automated plate and screw production in Switzerland</li> <li>• Patient specific drill templates (additive manufacturing)</li> </ul>	<ul style="list-style-type: none"> <li>• New ISO 13485 certified 6 500 m<sup>2</sup> (69,500 ft<sup>2</sup>) implant and instrument production incl. prototyping in Warsaw (US)</li> </ul>

# Nextremity acquisition is a catalyst for our US business

It provides access to ...

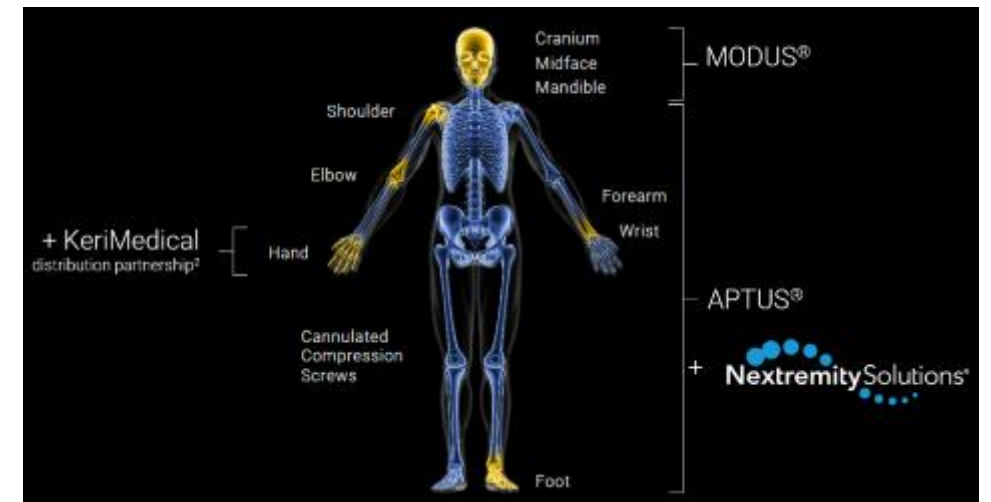
- a highly dedicated and experienced R&D team
- strong relationships to US design surgeons and industry thought leaders
- a complementary product pipeline
- IP portfolio (proven track record with over 120 patents)
- product knowledge and
- a modern, expandable production base

It will allow us...

- to accelerate our US business, especially in lower extremities
- the R&D centre will broaden our portfolio and allow us to strengthen our innovation power
- US manufacturing will provide us with additional capacity for future growth and provide a natural currency hedge



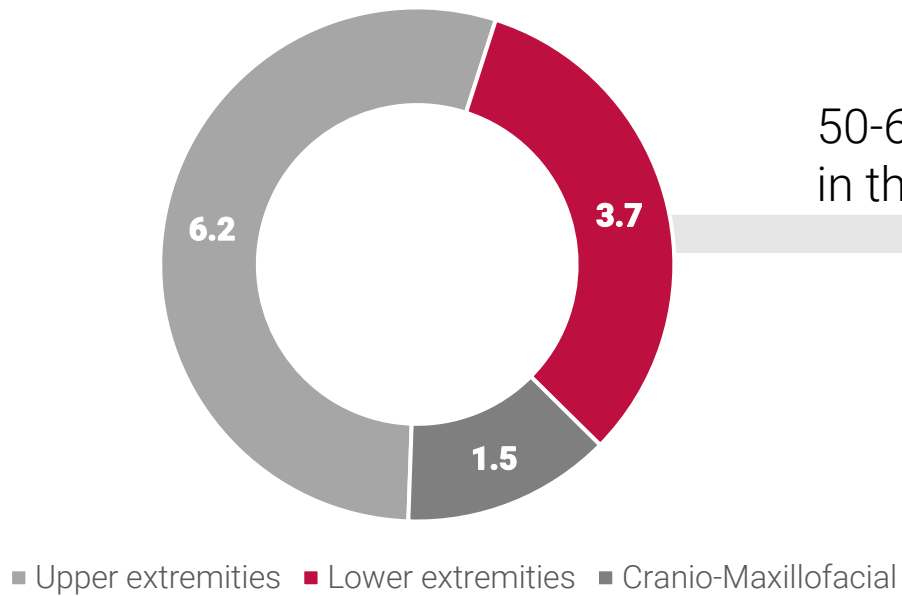
Nextremity HQ, Warsaw (Indiana) Technology Park





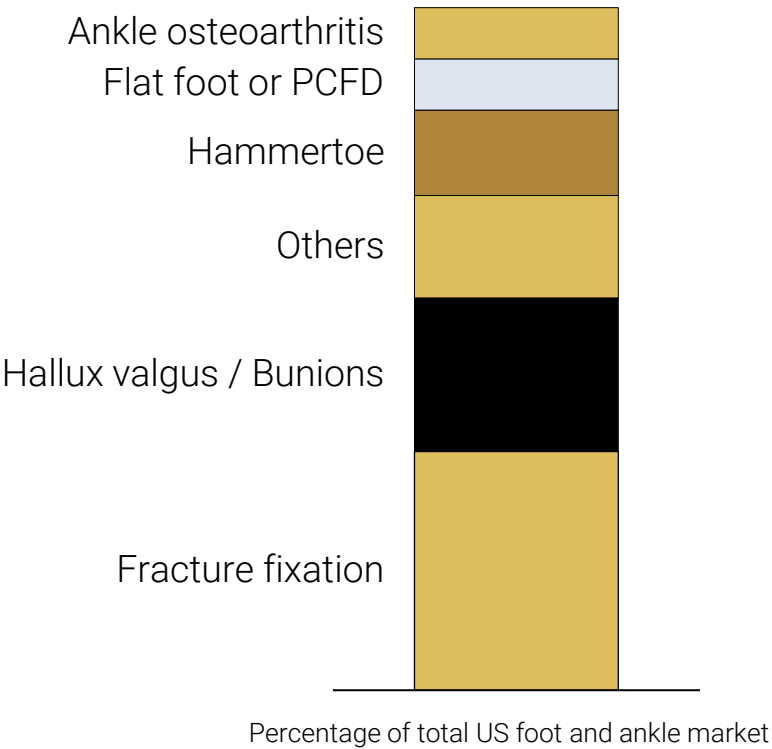
# The US market opportunity

Worldwide market segment worth USD 11 bn USD<sup>1</sup>



50-60%  
in the US

Breakdown of the USD 2 billion US foot and ankle market<sup>2</sup>



<sup>1</sup> Based on DRG Report Orthopedic Extremity Devices and Medartis estimates

# Transaction structuring and financing

## Purchase consideration

- Total purchase price consideration of up to USD 70 million
- Thereof an up-front payment of USD 40 million and earn-out payments of up to USD 30m in tranches until 2025
- Earn-out payments are dependent on the fulfilment of certain performance conditions such as product delivery and commercial performance
- Structured equity incentives are in place to retain top management and other key employees

## Financial impact

- Expected sales of around USD 150m in year 5 after the initial launch (2028)
- First product launches to be expected in Q1 2023
- Acquisition will be supported with significant investment into US commercial platform
- From 2025 onwards, the acquisition will have a positive effect on the company's profitability

## Approvals and timing



























- Transaction is expected to be completed in H1 2022; no anti-trust or other approvals required
- Integration of NSI into existing Medartis processes and infrastructure until end of 2022
- Complementary management skills; strengthens combined team

## Financing

- Initial payment can be fully funded out of existing cash
- Future milestone payments only due if milestone and performance become realized – can be financed intrinsically
- Additional financing options considered

# NSI perfectly complements Medartis pipeline



	2022	2023	2024	
Hand & Wrist		   		Fill minor portfolio gaps and continuously improve & refresh current products. Differentiated solutions to expand indications to osteoarthritis & deformities
Elbow/ Shoulder		 		Fill some gaps and extend the depth of our portfolio.
Foot & Ankle	 	         	 	Completing current plates & screw system Complete Portfolio for Ankle Fusion  Differentiating solutions to treat flat foot deformities, Hammertoe, bunions, and 5th Metatarsal Fracture Solution
Total solutions/ Cross Region	  			Roll out and extend CMX offering, support and complete CMF



Medartis



NSI (current projects)

# How to correct a deformed big toe?



Foot with hallux



Hallux before correction

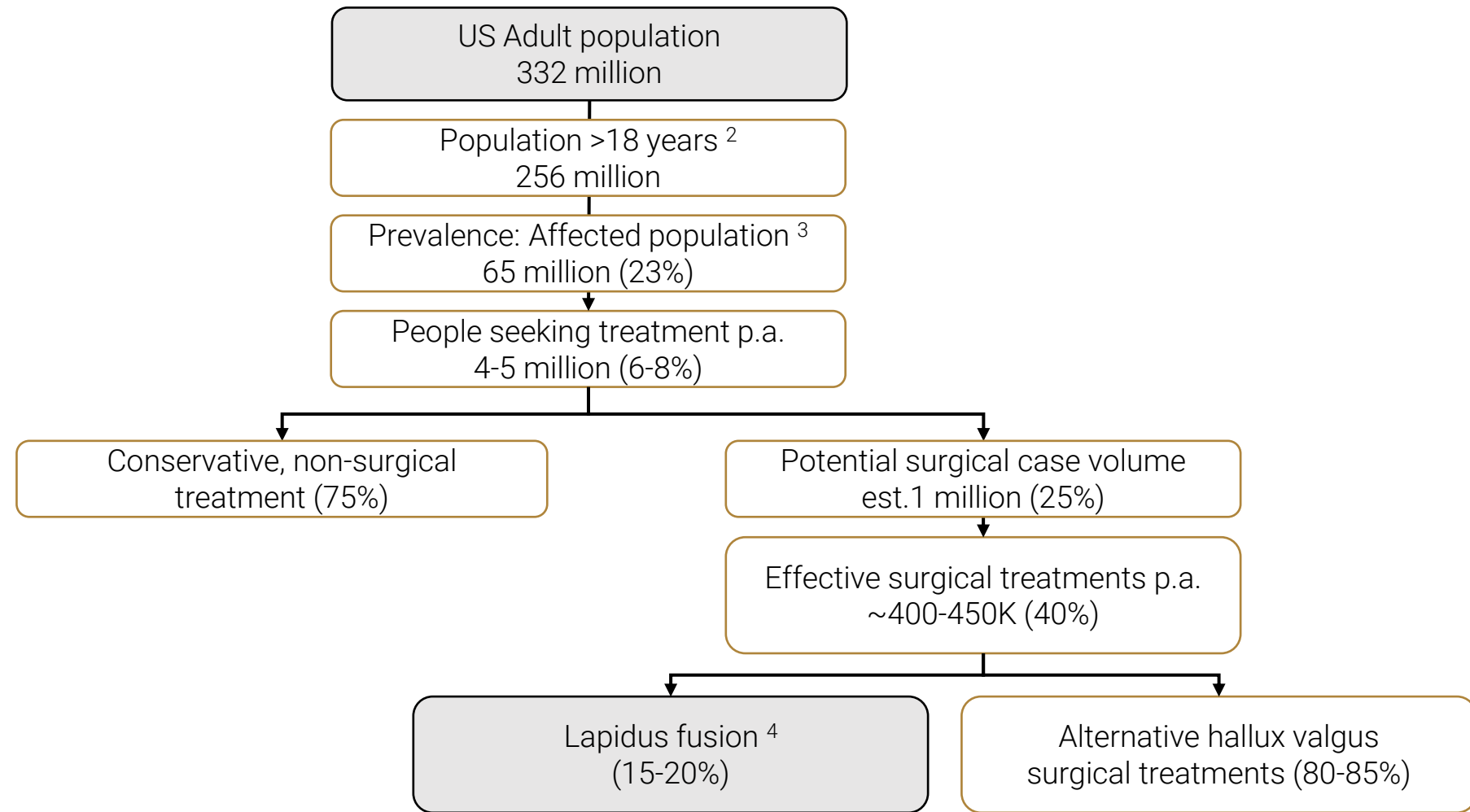


X-ray impression post-correction



Foot after hallux correction

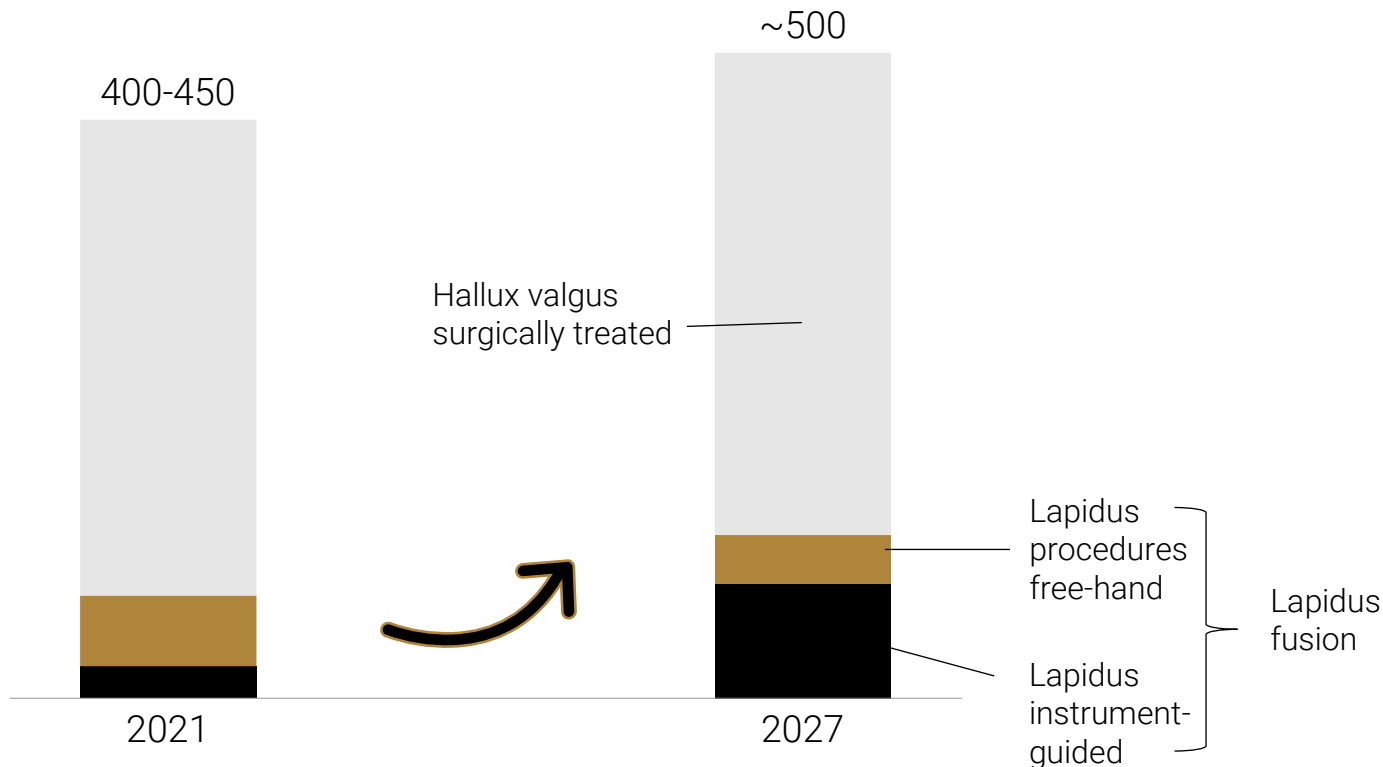
# The “Bunion”<sup>1</sup> is a widespread disease and one of the most common foot problems



<sup>1</sup> Bunion deformity, also known as hallux abducto valgus. This foot deformity occurs from years of pressure on the big toe joint (the metatarsophalangeal, or MTP, joint). Eventually, the toe joint gets out of alignment, and a bony bump forms. The foot problem is more common in older adults, especially women. Bunions can form on one or both feet. <sup>2</sup> US Census Bureau 2021 <sup>3</sup> 23% in adults aged 18-65 years and 35.7% in elderly people aged over 65 years are affected according to “Prevalence of hallux valgus in the general population: a systematic review and meta-analysis” by Sheree, Smith and Vicenzino, J Foot Ankle Res, 2010. <sup>4</sup> Arthrodesis of the first metatarsocuneiform joint

# Together with NSI we will play in the fast-growing instrument-guided hallux valgus reconstruction

Annual treatment volume (in 1'000)



- Lapidus procedures<sup>1</sup> market represents 15%-20% (approx. 80k procedures annually) of the US hallux valgus market and is worth approx. USD 400 million
- The Lapidus bunionectomy procedure market is driven by favorable US reimbursement and enabling technologies such as cutting guides to make treatments reproducible and lower the psychological barriers to entry for physicians.



Lapidus procedure<sup>1</sup> is a surgical procedure used to treat a bunion deformity, also known as hallux valgus. It involves fusing the joint between the first metatarsal bone and one of the small bones in your midfoot

# Strengthening of commercial organization with own sales force and independent distributors



## Sales network

- H2: initiated significant sales force expansion
- Support strong growth momentum & launch of combined product pipeline with the acquisition of NSI

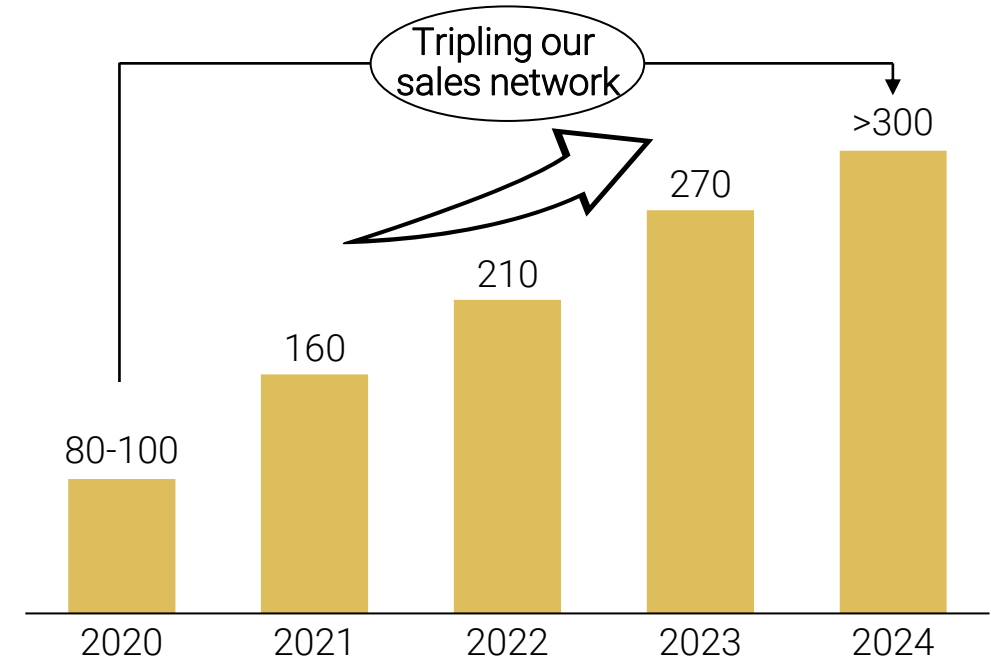
## Training and education

- Regional IBRA chapter founded, and faculty onboarded
- Close cooperation with global and local KOL's in clinical research and technology validation
- Investments into Training & Education and IBRA courses

## Product Development

- Establish R&D centre with an experienced development team in upper & lower extremities through acquisition of NSI
- Access to a complementary and differentiated product pipeline with key technologies creating significant growth opportunities
- Leveraging the strength of 2 dedicated innovation driven companies

## Direct and indirect sales representatives





# Full-year guidance 2022

(barring any unforeseen circumstances)

- Although the timing of a full recovery from the pandemic is still uncertain in some geographies, Medartis expects the business environment to continue to improve and most economies to return to more normal business conditions in the coming months.
- Based on these assumptions and excluding the NSI acquisition and currency effects, Medartis anticipates organic sales growth (CER) of around 20% in 2022 and an improvement of the underlying<sup>1</sup> EBITDA margin of approximately 1 PP.
- The new NSI pipeline products are projected to generate annual sales of around USD 150 million in year 5 after the initial launch. For 2022, the planned investments in connection with the NSI acquisition will temporarily reduce the EBITDA margin by 5-6 PP. After 2022, profitability will improve and from 2025 onwards, the acquisition will have a positive effect on the company's profitability.

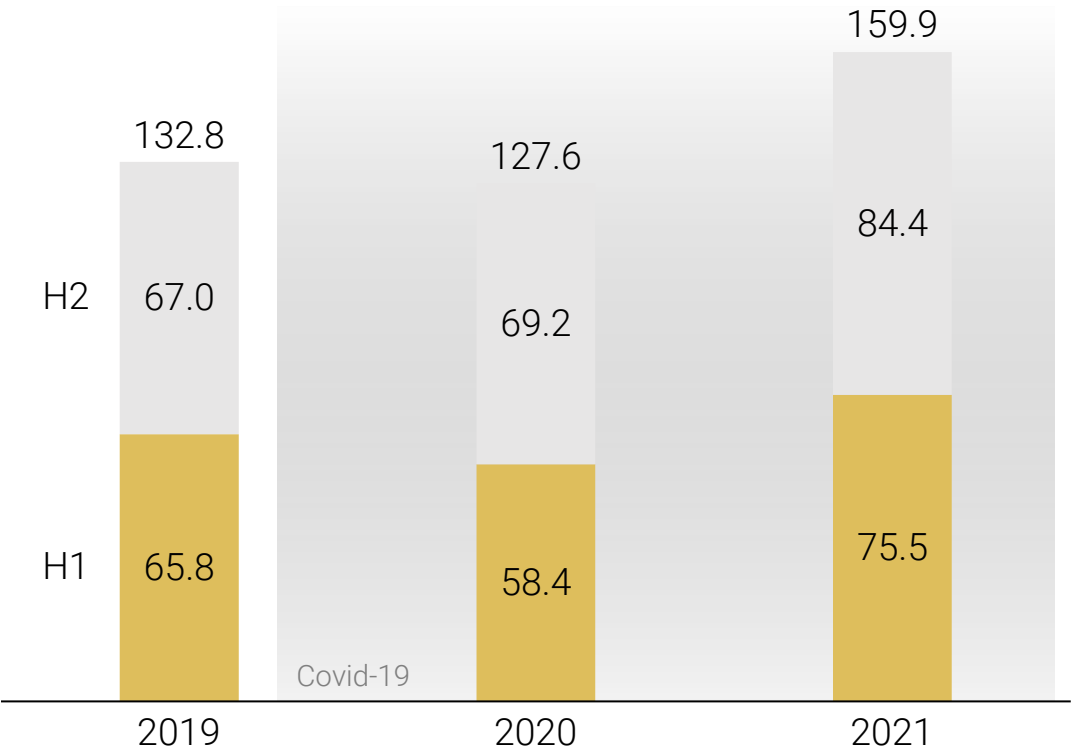


# Q&A

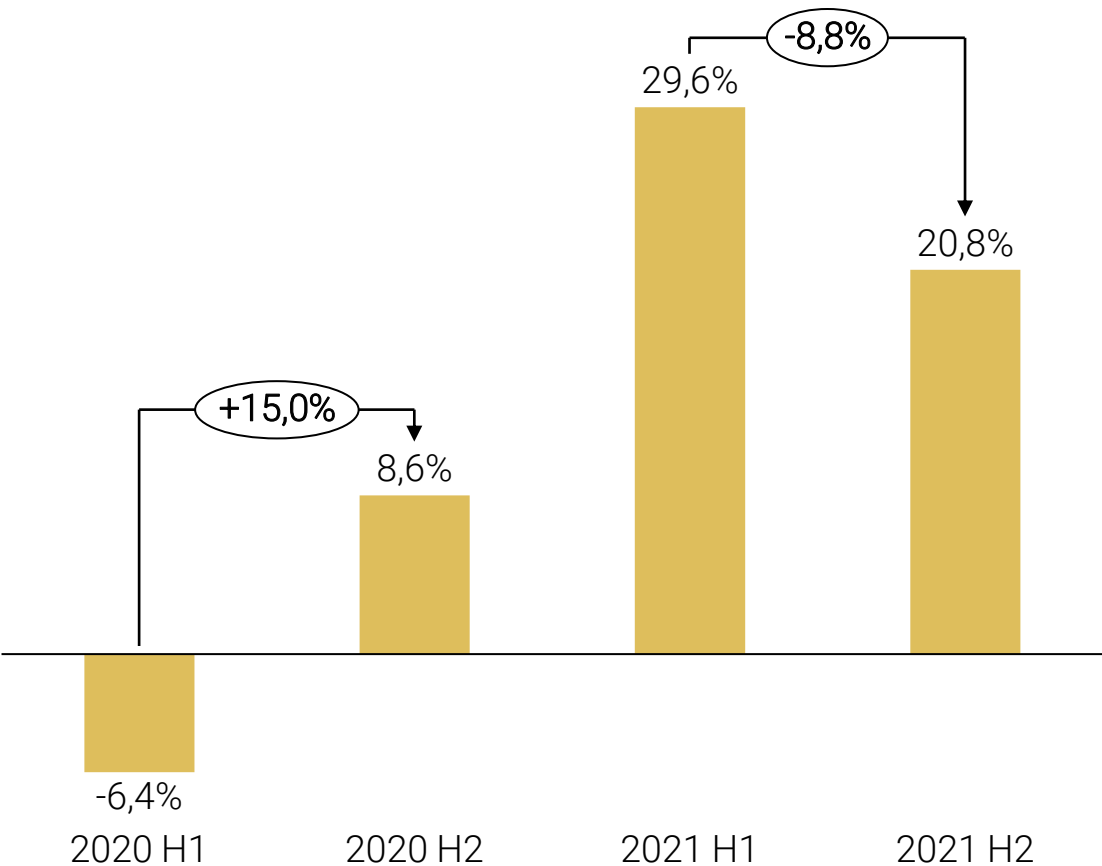


# Growth momentum maintained in H2 despite 15% higher comparison base

Net sales in CHF million  
2019 and 2020 restated



Year-on-year growth at CER



# Medartis executive management board (EMB)



Christoph Brönnimann  
CEO



Dirk Kirsten  
CFO



Mareike Loch  
VP EMEA



Axel Maltzen  
CPO



Manuel Schär  
CTO



Anthony Durieux-Menage  
CHRO

