

medartis

# Restoring quality of life.



**Dirk Kirsten, CFO**

16 November 2022, Credit Suisse Equity Forum Switzerland



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# Medartis in numbers<sup>1</sup>



 **159.9**  
million sales in FY 2021  
(88.4 mn in H1 2022)


 **1997**  
year of foundation

 **+/-20%**  
sales growth post  
Covid-19

 **832**  
employees  
worldwide (July)

 **84.7%**  
Underlying gross profit  
margin<sup>1</sup> H1 2022

 **13**  
subsidiaries and products  
offered in >50 countries

 **16.3%**  
Underlying EBITDA  
margin in H1 2022

 **>350,000**  
Our products and services play an  
important part in restoring the quality  
of life of thousands of patients p.a.


<sup>1</sup> The term "underlying", which excludes the effects of the Nextremitry Solutions Inc. (NSI) acquisition in May 2022. In addition to running costs, this mainly encompasses transaction, integration and US set-up costs. The reported EBITDA margin stood at 11.2% in H1 2022.


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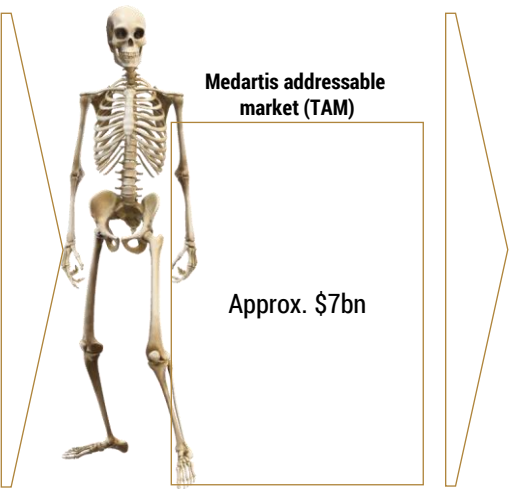
# Addressing an attractive sub-segment of the global orthopaedic market

**Global CMD and extremities  
market<sup>1</sup> worth est. USD 11 bn**

 **\$1.5 billion**

 **\$6.2 billion**

 **\$3.7 billion**



**Main competitors**

DePuy Synthes, KLS Martin,  
Zimmer Biomet, Stryker

DePuy Synthes, Stryker, Zimmer Biomet,  
Smith & Nephew, Acumed, Arthrex,  
Skeletal Dynamics

Stryker, DePuy Synthes, 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 bone and tissue regeneration, endoprosthesis 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..

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# Financial & Business Review

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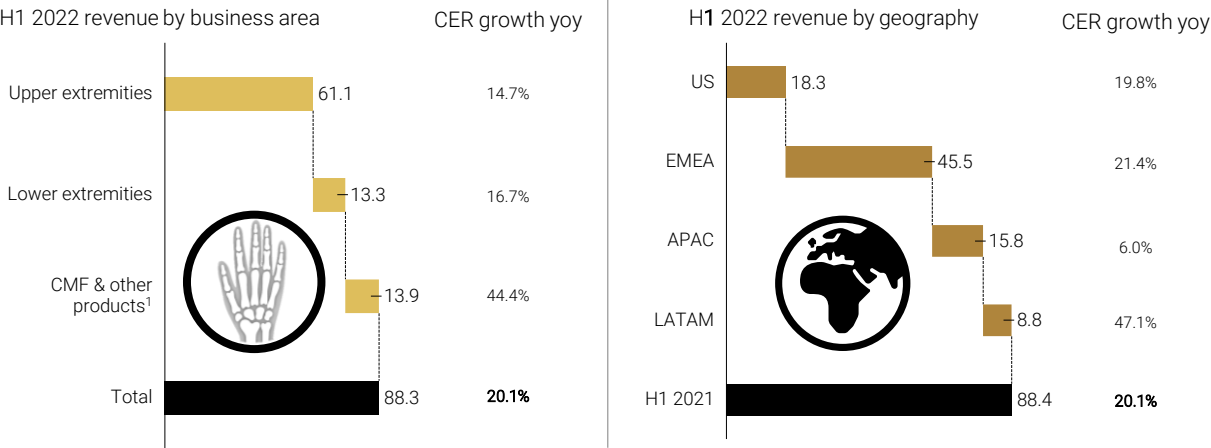
## 2022 | Half-year highlights



- We are particularly pleased with our performance in EMEA and LATAM
- All direct markets in the EMEA region recorded strong double-digit growth, meeting or even exceeding expectations
- APAC region most affected by COVID in H1
- OR staff shortages experience worldwide
- Following our strategic review and assessment of the Chinese market, we have decided to discontinue our local operations in Q3
- The US has lost some growth momentum during initial integration phase; H1 sales did not meet our internal expectations; we are very confident that sales momentum will accelerate under the new leadership in H2 and beyond
- Based on the US sales gap in H1 and despite the anticipated acceleration, we have revised our FY 2022 outlook

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# Sales growth by segment and region

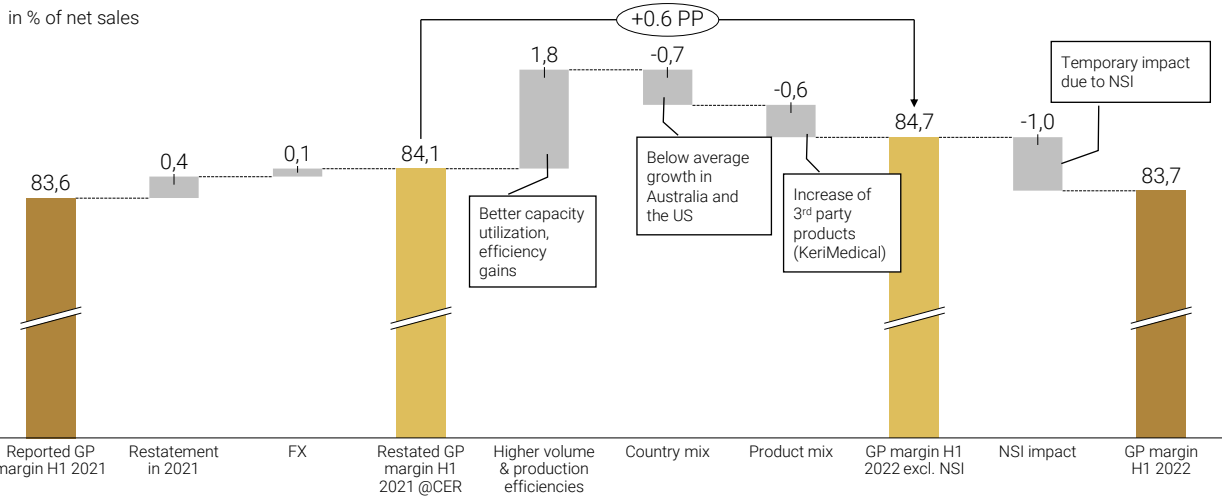


<sup>1</sup> Includes sales from NSI's third party manufacturing business amounting to CHF 1.5 million.

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# Underlying gross margin improved by 0.60 PP – no impact yet from rising inflation



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# Further improve efficiency in our production



**New automated central warehousing**  
→ efficiency and optimized storage space

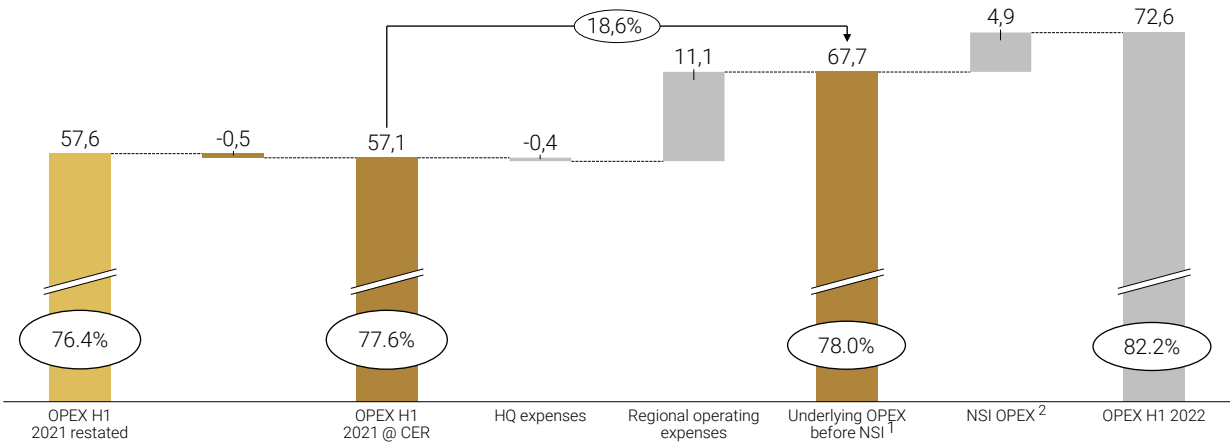
**...and inhouse packaging and labeling in cleanroom**  
→ shorter production times and less transportation for sterile and non-sterile implants.

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## Balanced cost management: Underlying OPEX increased 19% in line with top line after normalisation of Covid-19 situation

in CHF million and  
% of net sales



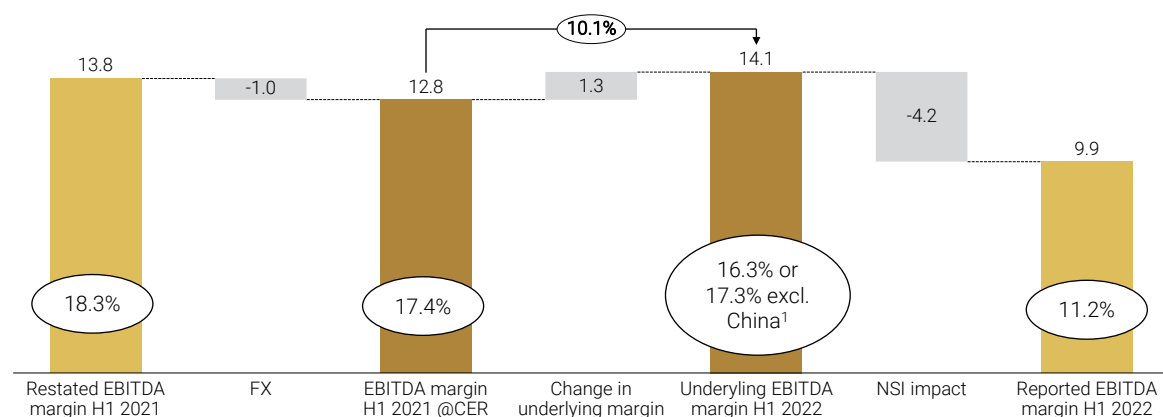
<sup>1</sup> Excluding one-off of discontinuation of local operations in China, otherwise 76.9%  
<sup>2</sup> Includes CHF 2.8m non-recurring transaction and integration costs

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## Underlying EBIT and EBITDA margin improved; reported EBITDA reduced mainly due to NSI and adverse currency effect

in CHF million and  
% of net sales



<sup>1</sup> Excluding one-off items from China discontinuation, EBITDA improved CHF 2.3m (+18%) and respective EBITDA margin would have reached (17.3%) prior year level at CER

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## The current environment also poses great challenges for the profitable medtech industry



Central banks are pursuing a restrictive monetary policy to bring inflation back under control. Rising interest rates make debt financing of growth projects more expensive. Rising energy prices (>2x in 2023) in winter and the wage round in 2023 will further boost price pressure and further weaken the €.

=> Sales price increase will partly offset the cost pressure. Price contracts with purchasing groups or price tenders limit our "pricing power" in the short term.



Delivery capacity for raw material or semi-finished products has decreased

=> Multi-year stocks for titanium G4 and forward contracts for certain raw materials dampen the effect

=> Lead times for milling and turning machinery have doubled

=> Regional supply chains and multi-supplier strategy pays off

=> We have brought forward the CAPEX investments, e.g. in the USA (2024).



Changeover from the old MDD to the Medical Device Regulation (MDR) has tied up a lot of development resources; specialists are in demand and concentration on fewer notified bodies leads to delays

=> Cooperation with TÜV Rheinland intensified, and a partnership with a 2nd notified body has been established

=> Regulatory specialists recruited at an early stage.



Switzerland is downgraded to a "third country" by the EU

=> We have upgraded our subsidiary in Umkirch (D) to an EU authorised representative and importer.

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# Update on our 2022 priorities

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## Our strategy and key priorities 2022 remain unchanged

Favorable demographics

Enhance sales focus

Become innovation leader in key indications

Addressing regional market needs

Targeted investments in key growth markets

STRATEGY

Worldwide extremities market expected to grow by c4-6% p.a

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**INNOVATION**  
Accelerate and broaden R&D platform

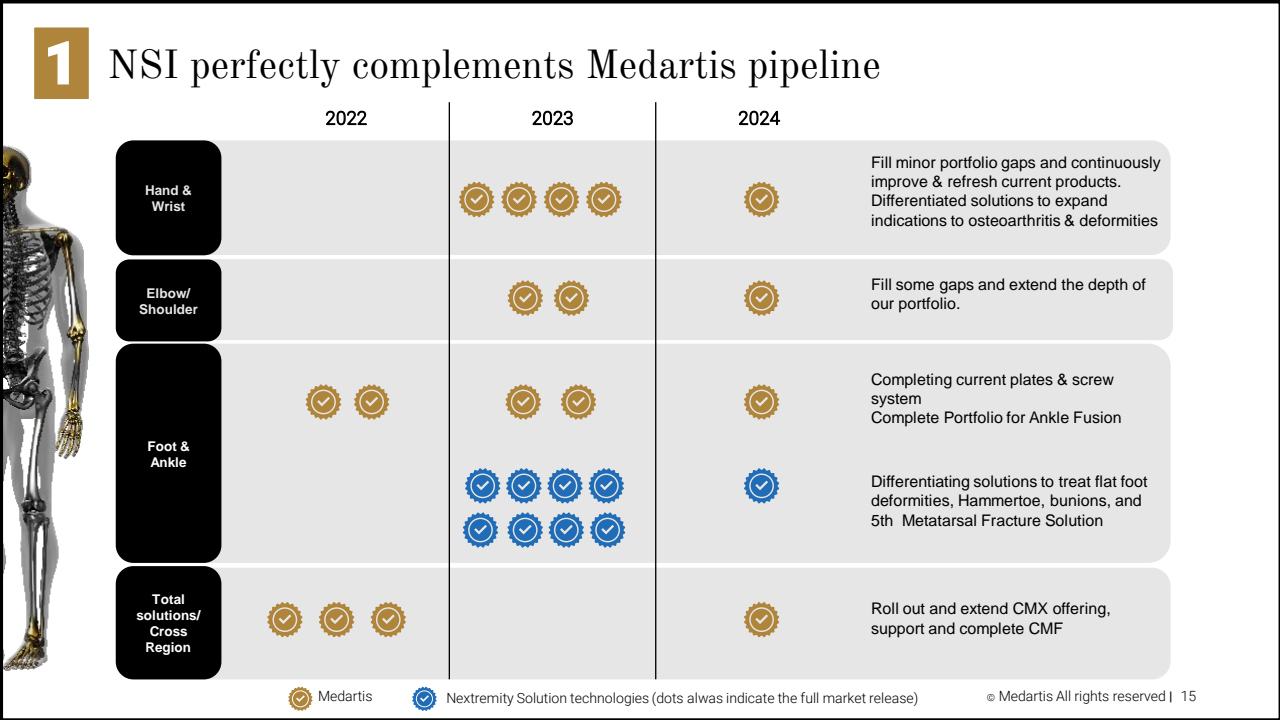
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**GROWTH**  
Exploit the US market potential by taking our US business to the next level

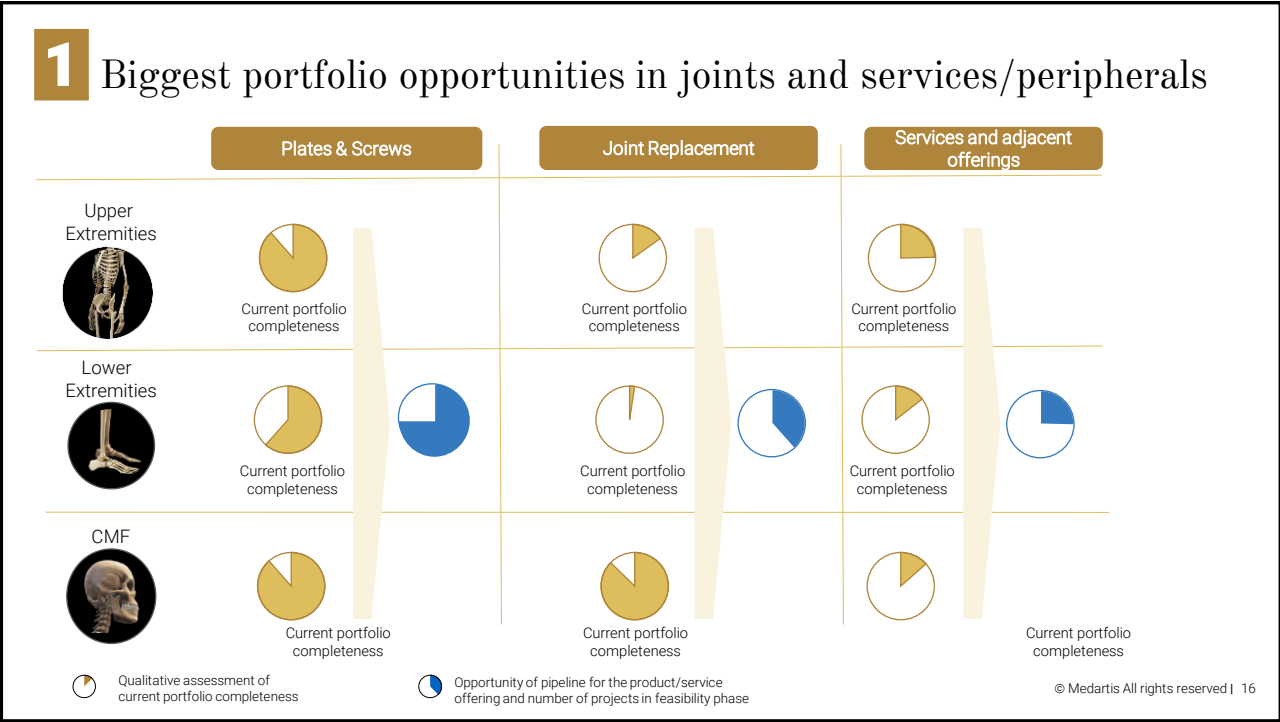
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**CULTURE**  
Evolving the Medartis corporate culture

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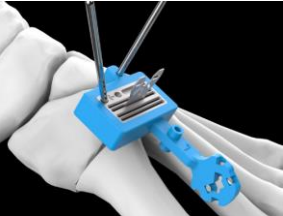


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**2** Exciting new lower limb pipeline for the US market with first products in Q4 in limited release

Lapidus Cut Guide




Launched in Q3 after first clinical use in June

StealthFix System




Beta Launch in Q4

LapiPrep System



Beta Launch in Q4

CalcShift™  
(Calcaneal Osteotomy)



FDA 510(k) Clearance in June  
Beta launch in Q1 2023

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**2** How to correct a deformed big toe?



Foot with hallux



Hallux before correction



X-ray post-correction (case 1)



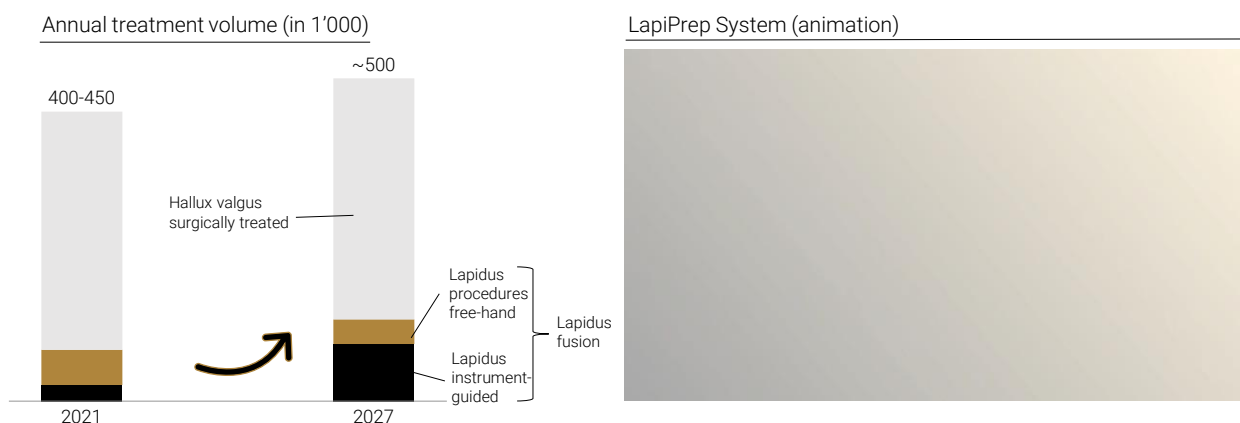
(case 2)

Pictures with the courtesy of Hirslenden-Gruppe and Prof. Dr. Victor Valderrabano

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## 2 Lapidus procedures market represents 15%-20% (approx. 80k procedures annually) of the US hallux valgus market



Lapidus bunionectomy procedure<sup>1</sup> market is worth approx. USD 400 million 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. **Smart instrumentation and guided surgery** is a key trend and has been adapted quickly by podiatrists (approx. half of the 15K DPMs in the US are surgically active) and outpatient surgical centers (approx. 5.8K ASCs in the US perform orthopaedic surgeries).

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

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## 2 Strategic Alliance with Field Orthopaedics

- We have entered into an exclusive global distribution partnership with the Australian-based Field Orthopaedics in Q3
- Additional growth opportunities in the US extremities market and potentially in additional markets
- The NX Nail system addresses the growing need of surgeons for an efficient, less invasive treatment that enables rapid recovery of patients after a finger fracture
- NX Nail is the most comprehensive hand nailing system on the market, and it perfectly complements our APTUS hand plate and screw portfolio



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Outlook: Full-year 2022



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Mario Della Casa joins EMB as Chief Operating Officer



Christoph Brönnimann  
CEO



Dirk Kirsten  
CFO



Mareike Loch  
VP EMEA



Mario Della Casa  
COO



Manuel Schär  
CTO



Anthony Durieux-Menage  
CHRO

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## Outlook

(barring any unforeseen circumstances)

### 2022

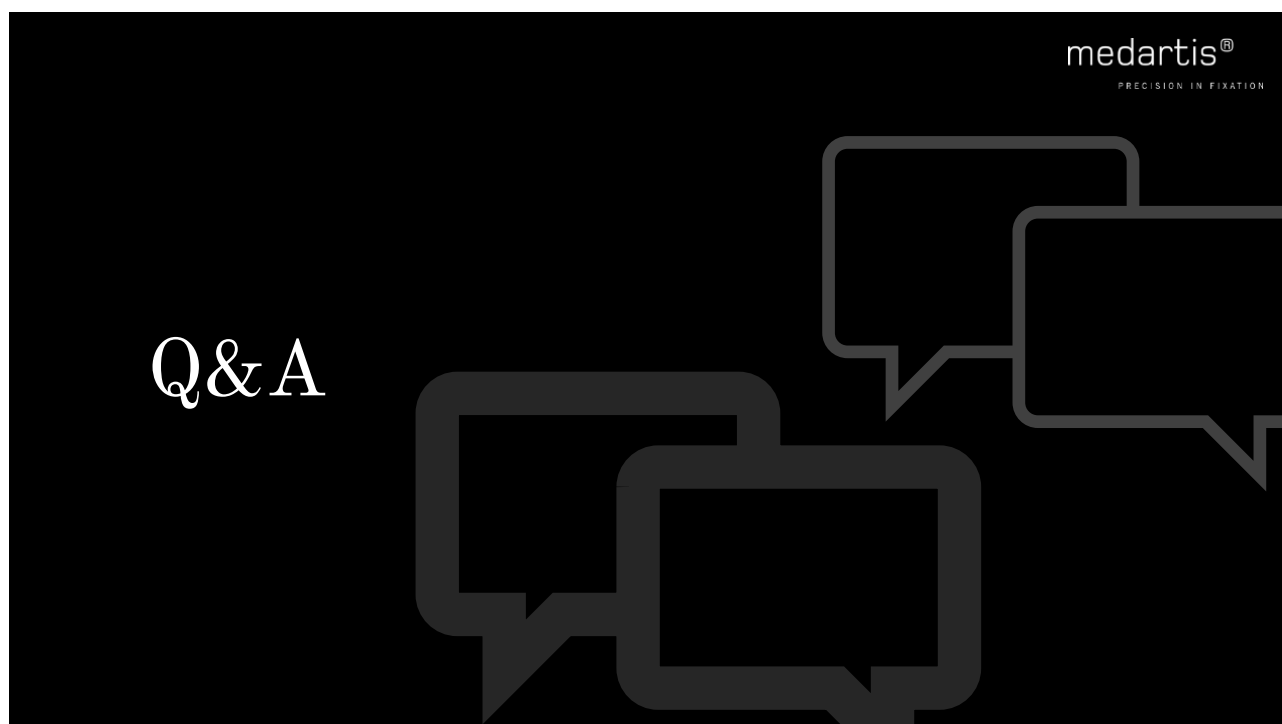
- Full-year sales growth (at CER and incl. NSI) in the high-teens range  
*Initial guidance: CER sales growth at CER of around 20%*
- The lower sales level will impact reported and underlying EBITDA margins by about 1–2 PP  
*Initial guidance: Underlying EBITDA margin of approx. 18%, which excludes a negative NSI acquisition effect of 5–6 percentage points*

### Medium to long term

- Long-term growth and profitability objectives remain unchanged

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# Upcoming investor events

2022	Event	Broker	Destination
2 November	ZKB Swiss Equities Conference	ZKB	Zurich
16 November	Credit Suisse Mid Cap Forum	Credit Suisse	Zurich
2023			
02 January	Quiet period		
14 March	2022 full-year results publication		Headquarters
21 April	Annual General Meeting 2023		Headquarters



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