



AD HOC ANNOUNCEMENT PURSUANT TO ART. 53 LR

Strong sales growth and further margin improvements – important acquisition to accelerate the US extremities business

- Total net sales increased by 24.8% year-on-year at CER¹
- All regions grew by more than 20% CER – 29% growth in the US and 22% in EMEA
- Strong growth led to higher margins at all levels – EBITDA and EBIT margins improved by 2.3 and 3.8 percentage points (PP)
- Net profit increased to CHF 6.9m (basic EPS 0.58) after a small loss of CHF -0.9m in 2020
- Product portfolio further strengthened and KeriMedical successfully rolled out
- Medartis to acquire privately held Nextremity Solutions Inc. to accelerate its extremities business in the US
- The 2022 outlook foresees “sales growth of around 20% (CER)” and an improvement in the EBITDA margin of 1 percentage point excl. the aforementioned acquisition

Full-year 2021 key financials

In CHF million	FY 2021	FY 2020 restated ²	FY 2020 reported	Change vs. 2020 (CHF)	Change vs. 2020 (CER)
Net sales	159.9	127.6	124.7	25.3%	24.8%
Gross profit	134.1	106.5	103.5	25.9%	25.4%
Gross margin in %	83.9%	83.4%	83.0%	+0.4PP	+0.4PP
EBITDA	27.4	19.0	19.7	44.3%	38.5%
EBITDA margin in %	17.2%	14.9%	15.8%	+2.3PP	+1.7PP
Operating profit (EBIT)	11.1	3.1	3.8	253.1%	180.1%
EBIT margin in %	6.9%	2.5%	3.0%	+4.4PP	+3.8PP
Net profit	6.9	-0.9	-0.9	n/a	
Net profit margin in %	4.3%	-0.7%	-0.8%	5.0PP	
Basic EPS	0.58	-0.08	-0.08	n/a	
Cash & equivalents (year-end)	82.6	82.7		-0.1%	
Headcount (year-end)	684	636		+7.5%	

¹ CER (=constant exchange rates) excludes currency effects between two reporting periods. Unless otherwise stated, the company generally shows growth rates at CER.

² As part of a review of the finance processes, Medartis challenged the presentation of commissions paid to certain third party sales agents. Furthermore some early payment discounts, which had previously been reported as financial expenses are now deducted from gross sales. As a result the company has reclassified distributor sales commissions which were historically deducted from net sales into operating expenses. For 2020 the reclassified commission amounted to CHF 3.6m, for 2021 it amounted to CHF 4.7m. Early payment discount reclassifications were CHF 0.6m in 2020 and CHF 0.7m in 2021. For detailed information, please see Note 2.3 of the 2021 Finance report.

Basel, 7 March 2022: Medartis Holding AG (SIX: MED), a specialized orthopaedic company for head and extremity surgery, registered strong 2021 sales growth across all its regions. At constant exchange rates, net sales climbed 24.8% year-on-year. The US region registered strong growth of 28.9% while Europe, the Middle East and Africa (EMEA) surged 21.5% and contributed almost half of total growth. Fuelled by this strong sales growth, the company improved its EBITDA margin by 2.3 percentage points to 17.2%. Medartis also announced today that it has signed an agreement to acquire Nextremity Solutions Inc., which develops and commercializes orthopaedic solutions for the treatment of bone fractures and deformities.

Founded in 2010, the privately held Nextremity Solutions Inc. (NSI) is a highly regarded US MedTech company that has specialized in the design, development and manufacturing of indication specific technologies for the treatment of fractures and deformities in lower and upper extremities. NSI is an excellent strategic fit to Medartis and will create significant new growth opportunities in the US extremities market. Based on external market research, the USD 5 billion US extremities market is among the fastest growing areas in orthopaedics due to new treatment concepts and demographic trends.

With this acquisition, Medartis will gain 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, product knowledge and a modern regional manufacturing base.

Thanks to the acquisition, Medartis will be able to further accelerate and scale its current US expansion plans. It views this transaction as a catalyst for its extremities business in the US and possibly elsewhere. To fully exploit the growth potential, Medartis US will significantly expand its distribution network and its training and education offering. Its North American research and development centre will be established in Warsaw (Indiana), where NSI is located. NSI has built a brand-new manufacturing plant for instruments and implants. The modern 6 500m² (69,500 square-foot) production area is expandable and will be used to serve regional market needs. This will improve the natural currency hedge of the company and provide design transfer opportunities.

First products with significant sales potential to be launched in early 2023

The first products with significant sales potential are expected to be launched in early 2023 and will therefore not have a material impact on the company's sales guidance in 2022.

The total purchase price will be up to USD 70 million. Besides an initial cash payment of USD 40 million at closing, the purchase agreement includes milestone and earn-out payments of up to USD 30 million linked to the success of product launches. The transaction is expected to be completed in the first-half of 2022. This shared risk profile will allow Medartis to invest significant additional amounts in a dedicated foot & ankle franchise to be built over the next 3 years. The funding of the acquisition can be financed from existing cash resources and future cash flow. Additional financing options are also being examined.

Medartis CEO Christoph Brönnimann commented: "2021 was a successful year for us and I am pleased with the full-year results across all regions and business segments, which exceeded our expectations. EMEA remains our largest region and, with the successful commercialization of the innovative KeriMedical

portfolio, we have further strengthened our hand & wrist business in Germany, Austria and the UK. We have increased our R&D investments and started initial development projects with KeriMedical. In the US we have strengthened our sales distribution and invested in training and education capabilities. The acquisition of Nextremity Solutions is a great strategic and cultural fit. The new R&D centre and production facility in the US will be a catalyst to accelerate our extremities business in the US and potentially elsewhere. Last year, we also started our cultural journey. I am convinced that an entrepreneurial spirit and a growth mindset will be the foundation of a high-performance culture and our means to long-term success.”

REGIONAL PERFORMANCE

in CHF million, rounded	FY 2021	FY 2020 restated	FY 2020 reported	% change in CHF vs. PY ³	% change in CER vs. PY
EMEA	83.4	68.0	68.2	22.6%	21.5%
US	30.8	24.5	21.3	25.6%	28.9%
APAC	32.0	25.4	25.4	26.0%	21.6%
LATAM	13.7	9.7	9.7	41.1%	47.0%
Total Group	159.9	127.6	124.7	25.3%	24.8%

Total sales increased by 24.8% (CER) year-on-year in 2021. When compared with the pre-pandemic period in 2019, sales growth amounted to 26.3% at CER. The growth momentum was maintained even though the comparison base in H2 2020 was 15% higher compared to H1 2020. While there were still pandemic constraints in many countries, the general business climate improved versus 2020. As vaccination rates increased in most countries, elective treatments also grew; the surgical case volume in hospitals was estimated to be over 90% at the end of the year.

In **EMEA**, Medartis reported 21.5% (CER) growth versus 2020. Germany and Austria bolstered their market position by turning in another strong performance across all business segments. Customer conversions, cross-selling opportunities and strong growth in hand and lower extremities were the main reason for market share gains. The rollout of the differentiated KeriMedical hand products in Germany and Austria was successful. The customer reactions to the Touch® prosthesis have been very positive, and customer acquisition has exceeded our expectations. France and the UK achieved very strong growth after being hit hard at the beginning of the pandemic. The new Medartis subsidiary in Spain has reached full operations and is quickly growing and expanding its new customer base. The regional distributor markets in EMEA grew solidly, albeit not as fast as the direct sales markets. The overall contribution margin across the region improved during 2021 in spite of further investments in the sales force, increasing market activities (e.g. training and education) and additional costs in connection with the new Medical Device Regulation (MDR) requirements.

³ To facilitate the underlying comparison between two periods, percentage changes in these tables are always made using the restated values.

The Medartis **US** business posted strong growth of 28.9% (CER) compared to the same period a year ago. The headline growth in H2 was lower than in the preceding semester, but mainly reflects the stronger comparative baseline in the prior year caused by the timing and the development of the pandemic. The local management began to expand the sales force, mainly by hiring independent distributors. In addition, the newly formed national IBRA Section successfully launched and provided scientific training and education to many US surgeons. In 2021, the Medartis sales team was able to gain new customers in the hand & wrist business, expand its business with existing customers and achieve strong growth in lower extremities driven by new product introductions.

In the **APAC region**, Medartis reported 21.6% CER growth year-on-year. After impressive development, momentum eased somewhat in the second half of the year, mainly as a result of the pandemic in Australia and New Zealand, which slowed down hospital activities in the second half of the year. Following further Covid-19 outbreaks in Medartis' largest regional market, Australia, elective procedures were either delayed or stopped. The situation improved slightly towards year-end. In Japan, the company made further progress with its newly established lower extremity franchise. While the country was significantly affected by the COVID restrictions in the first half of the year, the situation improved in the second half. Combined with its upper extremity distributor business, Medartis Japan grew more than 35% and benefitted from its strong customer relationships and the launch of the new CMF distribution business. Sales in China developed well, but remained at a still relatively low level. All other distributor markets grew in line with overall market levels.

The **LATAM** region increased its momentum in H2 and posted strong full-year growth of 47.0% (CER). The main contributor was Brazil, which accelerated the pace in H2. This dynamic growth is even more impressive against the backdrop of relatively strong Covid measures in Brazil and Mexico, which were relaxed after the summer. Compared to 2019, growth amounted to 20%, which shows the first successes of the strengthened local management teams, especially in Brazil. As in other regions, distributor growth lagged slightly behind direct market growth.

BUSINESS SEGMENT PERFORMANCE

in CHF million, rounded	FY 2021	FY 2020 restated	FY 2020 reported	% change in CHF vs. PY	% change in CER vs. PY
Upper extremities	112.0	91.6	89.2	22.4%	22.0%
Lower extremities	24.6	19.1	18.8	28.8%	28.3%
CMF & other products	23.2	17.0	16.6	36.8%	35.6%
Total Group	159.9	127.6	124.7	25.3%	24.8%

One of Medartis' strengths is its dedicated focus on the extremity and cranio-maxillofacial (CMF) market segment. While the company has been historically stronger in upper extremities, it has recently taken various measures to improve the mix and balance its portfolio more effectively through specific growth initiatives in lower extremities and CMF. In lower extremities, the foot & ankle product group benefitted from additional product launches in 2021. After the release of the latest Modus generation in 2020, the CMF

business was fuelled by the continuing rollout of Modus II. This expands the portfolio breadth and allows it to be integrated more effectively into digital case planning, i.e. CMX.

Especially in times when hospitals have to limit and postpone surgery, the business dynamics in the different segments may vary. While 60-70% of treatments in upper extremities are trauma cases, the larger part in CMF and lower extremities are elective procedures. Elective procedures were affected more by lockdowns, but benefitted from deferred treatments and pent-up demand in 2020.

The large **upper extremities segment**, which accounts for 70% of total sales, grew 22.0% (CER) compared to 2020. Elbow and shoulder implants were the strongest growth drivers together with the large hand & wrist segment. Countries with especially strong growth in this area were the US and Brazil, as well as the UK, Germany and Austria. The latter countries also benefitted from additional contributions from the newly launched KeriMedical products.

Foot & ankle, as well as cannulated CCS screws, were the main drivers for the strong growth in **lower extremities** (+28.3% CER). Countries with substantial growth (>50%) in this product group were the US, France, Japan and Brazil. As mentioned earlier, some of this growth reflects a certain level of pent-up demand caused by the pandemic. At the same time, several countries successfully conducted sales activities to acquire new customers in this segment.

Within **CMF and other products** (+35.6% CER), Midface, Mandible and Orthognathic advanced rapidly, boosted by strong instrument sales for the new Modus 2 system. In Japan and Brazil, the demand for the new Modus system was especially noteworthy. The digital service CMX is specialized in case planning and surgical aids. Based on CT data, patient-specific cutting and drilling guides as well as bone models are created using computer-aided design and additive manufacturing. Originally developed for CMF, more and more hand and lower extremity surgeons are using the service to plan their surgery to achieve more predictable outcomes. This trend also benefits Medartis. The interest in this area is increasing, although case volumes are still limited. This additional service also serves to attract new customers and underpins Medartis' reputation as a technology leader.

FINANCIAL PERFORMANCE⁴

In 2021 Medartis increased its **gross margin** by 0.4 percentage points to 83.9%. The increase was mainly due to a favourable country mix (above-average growth in countries with higher contribution margins). This, together with strict pricing discipline, helped to offset the effect of the negative product mix (more lower extremity sales and an increasing contribution of KeriMedical⁵ products). From a production perspective, a

⁴ Gross margin also increased (2020: 83.4% instead of 83.0% / 2021: 83.9% instead of 83.5%). On the other hand, due to higher OPEX, the EBITDA margin (2020: 14.9% instead of 15.8% / 2021: 17.2% instead of 18.1%) and EBIT margin (2020: 2.5% instead of 3.0% / 2021: 6.9% instead of 7.6%) technically decreased. Net profit remained unaffected as a result of the above reclassifications. Detailed information is given in Note 2.3 of the Annual Report.

⁵ Medartis is a distribution partner for KeriMedical and does not capitalize the entire product margin.

slight positive impact was achieved, mainly due to better capacity utilization and the absence of MDR implementation costs.

Based on its strong growth, Medartis improved its cost efficiency by more than 4 percentage points compared to last year. The reported OPEX-to-sales ratio reached 77.0% (74.1% excluding distributor commissions). At the start of the pandemic in 2020, the company acted cautiously and reduced spending to a minimum. During 2021, this spending (including distributor commissions) increased again. The respective investments in **selling, marketing, training and education** increased by CHF 11.6 million year-on-year. In the USA in particular, substantial investments were made in the further expansion of sales and support functions.

Medartis stepped up its investment in **research & development (R&D)** to prepare for future product launches and new pipeline projects. R&D spending increased by 24% to CHF 20.0 million. Due to the easing of the coronavirus measures, the education activities of the education and academic partner IBRA also increased year-on-year.

General and administration expenses increased by CHF 4 million to CHF 26 million in 2021 but decreased slightly relative to sales. These expenses also include various one-time expenses related to the implementation of MDR, the set-up of a European logistic hub, as well as supply chain and IT investments in its new subsidiaries (e.g. Japan and Spain). In addition, G&A includes an increasing amount for business development. Various projects in this area were initiated during 2021 and can potentially generate M&A transactions and strategic partnerships in the medium term.

As a result of a higher top line, gross margin improvements and better operating leverage, **earnings before interest, taxes, depreciation and amortization (EBITDA)** increased to CHF 27.4 million, with the corresponding margin reaching 17.2% (+2.3 percentage points year-on-year). Depreciation and amortization charges of CHF 16.4 million (2020: CHF 15.9 million) resulted from targeted surgical set investments in growth markets and partnerships with new clinics. The company has initiated various projects to improve its set efficiency. Investment in new sets is a crucial factor in the context of new customer conversions (e.g. in the US, Japan and Spain) as well as for the rollout of new products. **Operating profit (EBIT)** soared by CHF 8 million to CHF 11.1 million and the corresponding EBIT margin by 3.8 percentage points (CER) to 6.9% compared to the previous year.

The net financial result amounted to CHF -2.8 million (2020: CHF -6.4 million). This includes foreign exchange losses of CHF 1.4 million, mainly resulting from high intercompany exposures and a weakening EURO. Various measures were taken during 2021 to reduce the currency risk. **Income taxes** of CHF 1.5 million were reported in 2021 resulting in an effective tax rate of 18%.

As a result of the above factors, **net profit** reached CHF 6.9m in 2021 compared to a loss of CHF 0.9 million in 2020. Basic EPS increased to CHF 0.58 per share (2020: CHF -0.08 per share).

In 2021, Medartis generated **cash flow from operations** of CHF 21.0 million compared to CHF 12.6 million in the previous year. This includes an increase in working capital of CHF 5.5 million. Relative to sales, net

working capital decreased compared to last year, despite an increasing number of direct markets. After deduction of capital expenditure for property, plant and equipment (PPE) of CHF 8.0 million, mainly for additional set investments, the total **cash position** at year-end amounted to CHF 82.6 million (28% of the total balance sheet), which underlines the strong financial position of the company.

FULL-YEAR 2022 OUTLOOK

(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, Medartis anticipates organic sales growth (CER) of around 20% in 2022 and an improvement of the underlying EBITDA margin of approximately 1 percentage point⁶.

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 percentage points. After 2022, profitability will improve and from 2025 onwards, the acquisition will have a positive effect on the company's profitability.

Medartis' management will discuss its most recent results, including the acquisition, and provide a business outlook for 2022 during an investor and media conference call today starting at 10:00 a.m. CET. The login and download details are available below.

ANALYSTS' AND MEDIA CONFERENCE CALL

Medartis will present its 2021 full-year results to representatives of the financial community and media in a webcast conference call today at 10.00 a.m. Swiss time. The audio webcast will be hosted by Christoph Brönnimann (CEO) and Dirk Kirsten (CFO) and can be accessed via the following link: [Webcast conference FY 2021 results](#). The webcast language will be English. A recording of the webcast will be available as an MP3 file on our website a few hours after the conference. If you wish to download the slide deck, we recommend that you download the presentation file under the following [link](#). The Annual Report is available [here](#).

Participants may alternatively use the following phone numbers to connect to the call:

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, see media.choruscall.ch

⁶ Excluding currency effects

IMPORTANT DATES AND UPCOMING INVESTOR EVENTS

2022	Event	Broker	Destination
07 March	2021 full-year results presentation		
08 March	Roadshow	Credit-Suisse	Zurich
09 March	Virtual roadshow	Credit-Suisse	US
09 March	Virtual roadshow	Bryan Garnier	UK, France, Germany
20 May	Reverse roadshow	Mirabaud	Basel
15 March	AGM invitation		
28 March	AGM registration deadline		
06 April	Annual General Meeting 2022		Written and online ballot
16 August	2022 half-year results publication		

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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 approx. 700 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.

About Nextremity Solutions, Inc.

Nextremity Solutions, Inc. is a privately held Strategic Commercialization Organization (SCO) with a focus on lower and upper extremity, trauma, sports medicine and joint preservation, offering innovative solutions and Revenue Ready® products for various extremity musculoskeletal applications and for the benefit of our industry partners. The Company's procedure-ready, sterile implant systems include uniquely precise, proprietary technology designed to achieve repeatable and superior clinical outcomes.

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