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2024 | Half-year results

Christoph Brönnimann CEO | Dirk Kirsten CFO

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Opening remarks

Christoph Brönnimann, CEO

H1 | Key figures & business summary



13.1%

Underlying global growth



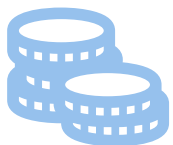
21% & 18%

Growth in US and EMEA



80.3%

Gross margin as reported



17.2%

Underlying EBITDA margin
excl. one-offs

- Underlying global growth of 13.1% with strong regional performance from US & EMEA but weaker than expected growth in LATAM & APAC
- Underlying EBITDA margin improved – strengthened gross margin and tight cost management
- Slower than expected NSI product commercialization caused CHF 9.6m one-off depreciation, which is partially compensated by release of earnout provisions
- Cash flow strengthened – total cash reserves increased after successful issuance of convertible bond at attractive terms
- Commercialization ramped up in US through focused channel building and training & education
- New innovations launched in both upper and lower extremities
- Organization strengthened – attraction and reallocation of talent



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Operational and financial review

Dirk Kirsten, CFO

Summary

1 Growth

- Underlying net sales increased 13.1% at CER, amounting to CHF 107.6m
- 3rd party business declining – in line with planning
- CER sales growth incl. 3rd party manufacturing was 10.8% YoY

2 Gross margin

- Reported gross margin improved to 80.3% – up 310 bps
- Improvement results from higher volumes, increasing manufacturing efficiency in Basel, and lower stake in 3rd-party manufacturing business

3 Cost management

- Opex ratio of 77%, excl. one-offs of 75.4%
- Continued investments into growth markets while keeping high cost-discipline elsewhere

4 Profitability

- Underlying EBITDA incl. one-offs was 14.6% – up 260 bps
- Underlying EBIT incl. one-offs improved to 4.9%
- Underlying EBITDA and EBIT excl. one-offs was 17.2% respectively 7.5%
- Intangibles amortization from NSI – partially compensated by release of milestone earnout provision

5 Balance sheet

- Only moderate increase of accounts receivables and set investments
- Higher inventory levels in line with accelerated growth of selected products and new product introduction

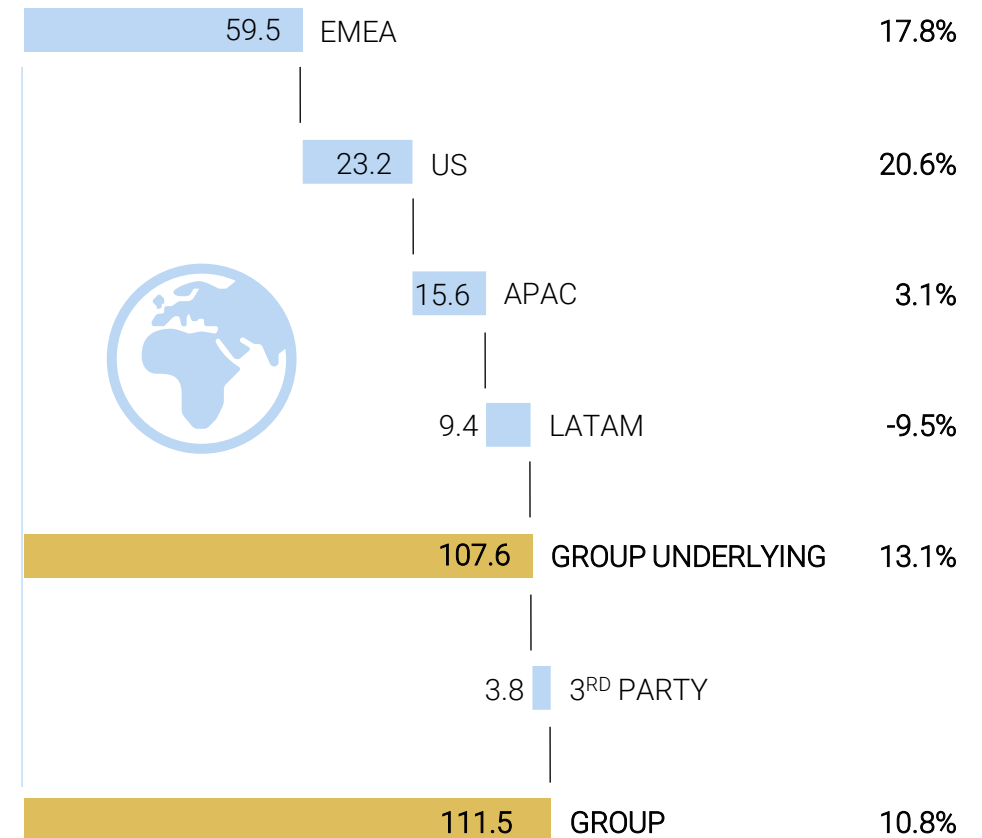
6 Cash flow & cash position

- Cash flow before M&A and financing improved from CHF -12m in previous year to CHF 2m
- Successful issuance of ~CHF 115m convertible bond strengthens strategic M&A flexibility

Underlying Group growth of 13.1% at CER

- **US:** Up 20.6% – mainly driven by upper extremities; underlying market growth assumption at 10-12%
- Current monthly run rate ranges from USD 4.5 to 5m, up 60% since NSI acquisition
- **EMEA:** Very strong growth of 17.8%, boosted by Keri and transition from Modus 1 to Modus 2; strong DACH region, increasing momentum from UK & France; Spain and Poland gaining visibly in absolute size
- **APAC:** Only moderate growth of 3.1% – mostly driven by Japan and distributor markets; Australia flattish in value terms following further price cuts but growing 6% in volume
- **LATAM:** -9.5% growth, caused by Brazilian sales decline in elective procedures; solid growth in Mexico and distributor markets
- **NSI 3rd party** business: Decline from CHF 5.7 to 3.8m – in line with planning and strategy

H1 2024 revenue by region/territory
CHF m

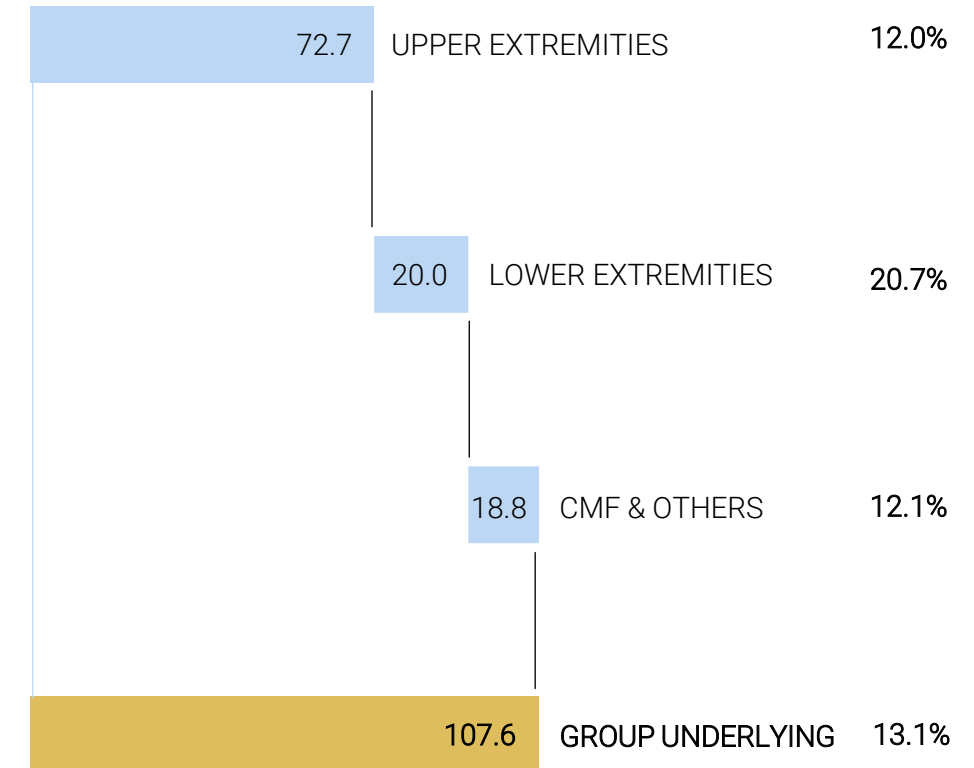


Diversified product portfolio with balanced segment growth

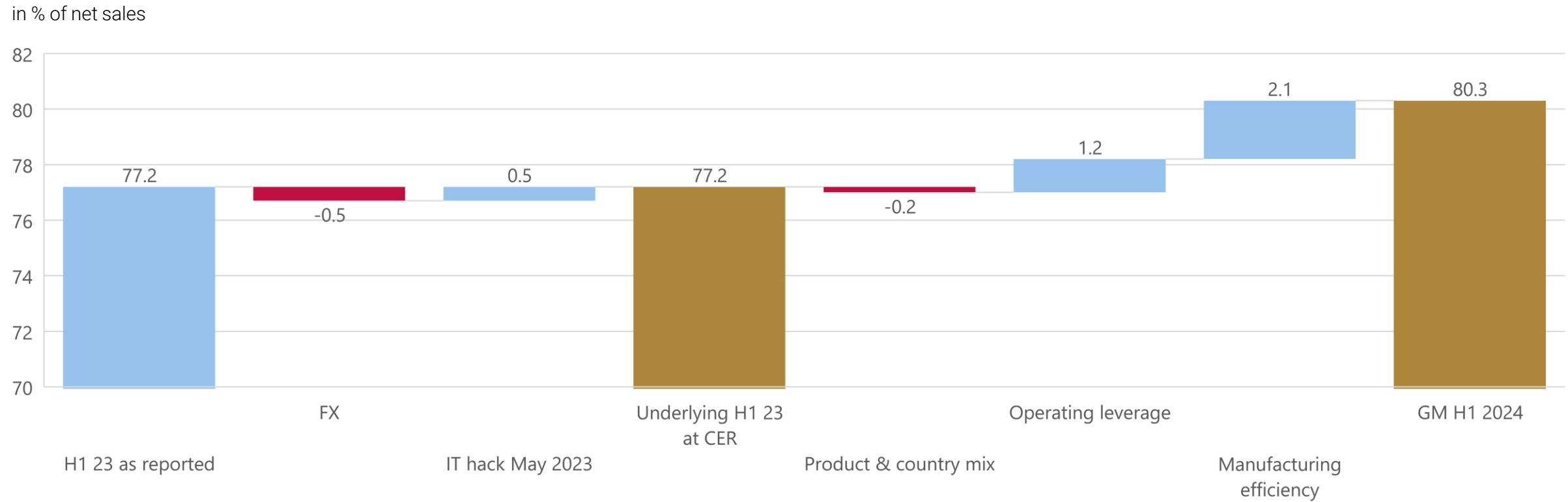
- **Upper extremities** business grew 20% in US and 15% in EMEA; EMEA even increased its already strong market share in Hand & Wrist, boosted by KeriMedical sales
- **Lower extremities** growth of 25% in Europe – also including new innovations in the Foot segment; US growth lower than expected due to modest uptake of NSI technology
- **CMF** business with 27% growth in EMEA (Modus transition in accordance with MDR), while LATAM faced strong decline in this segment due to changes in insurance sector
- **Broad portfolio** availability and global market position allows Medartis to diversify during temporary softness in individual markets or segments

H1 2024 revenue by product segment excl. 3rd parties
CHF m

YoY CER growth %

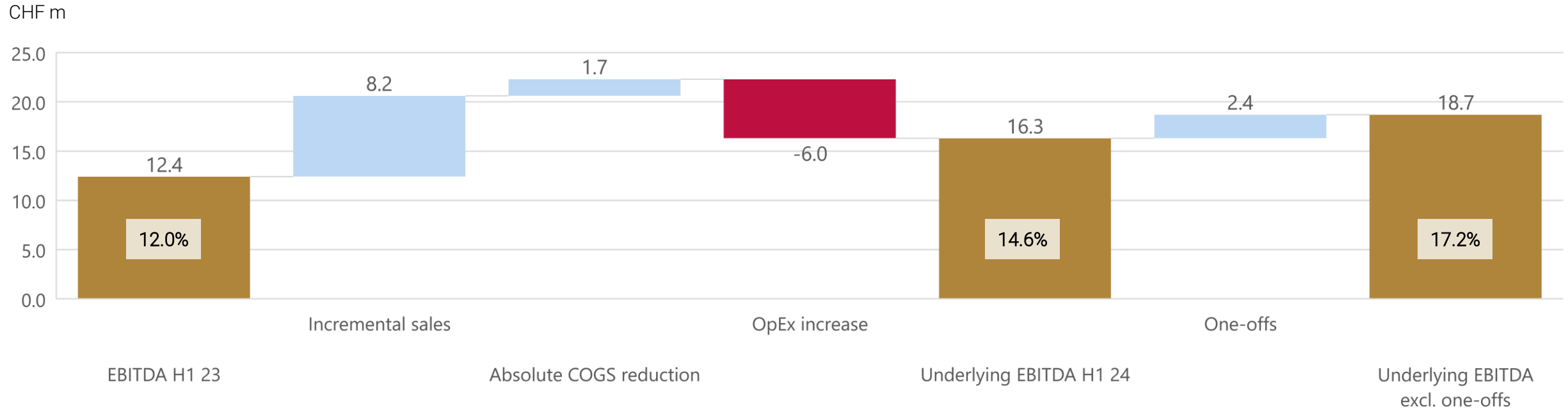


Gross margin | Returning back to normal levels after lower 2023



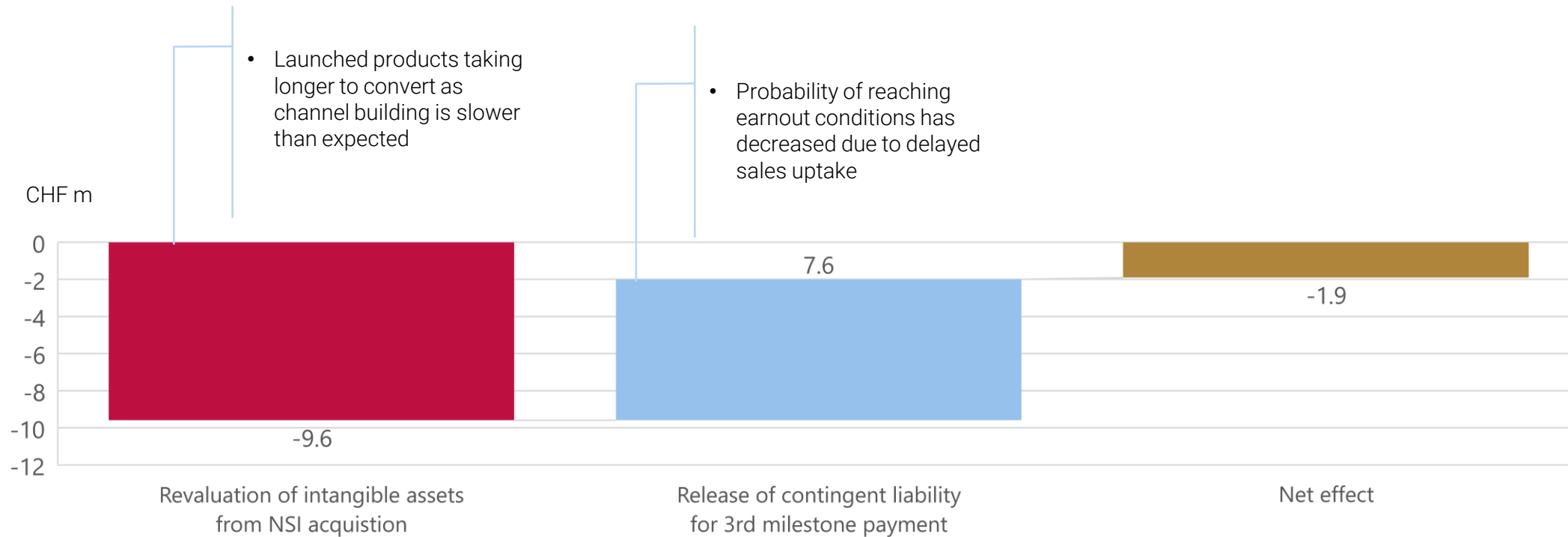
- In general, strong pricing discipline, but less favorable country and product mix
- Higher capacity utilization, improved manufacturing efficiency and lower stake of low-margin 3rd party manufacturing business

EBITDA margin | Gradual improvement and continued investment into growth



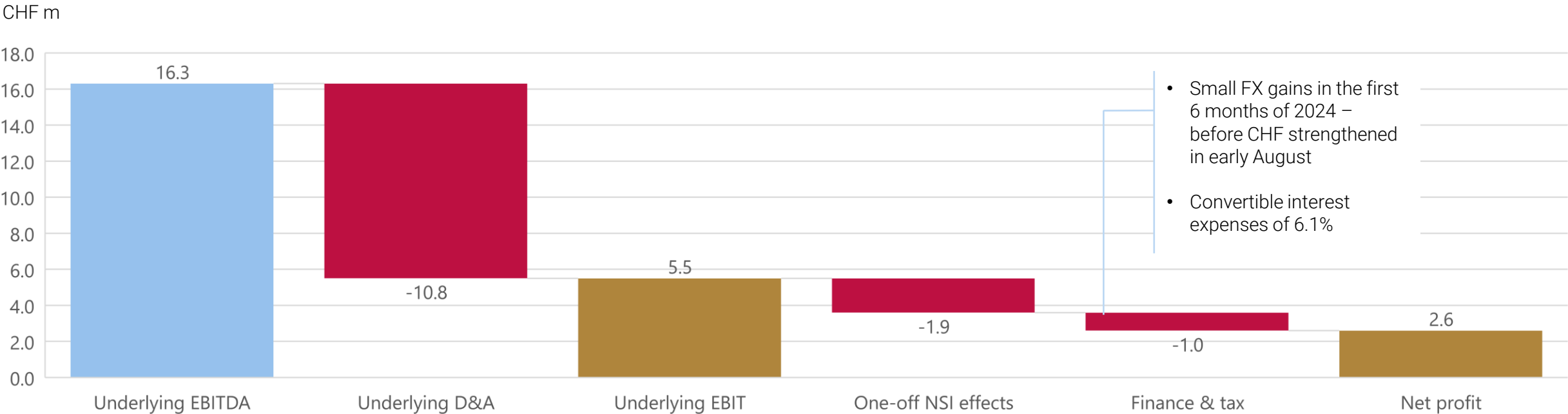
- US cost management starting to improve – efficiency gains after NSI integration
- EMEA and APAC with good cost management; material investment into Japan to gain absolute size
- HQ cost management discipline maintained
- Overall group & specifically US: investment into new talent and internal talent development

Accounting impacts from NSI revaluation remain cash neutral



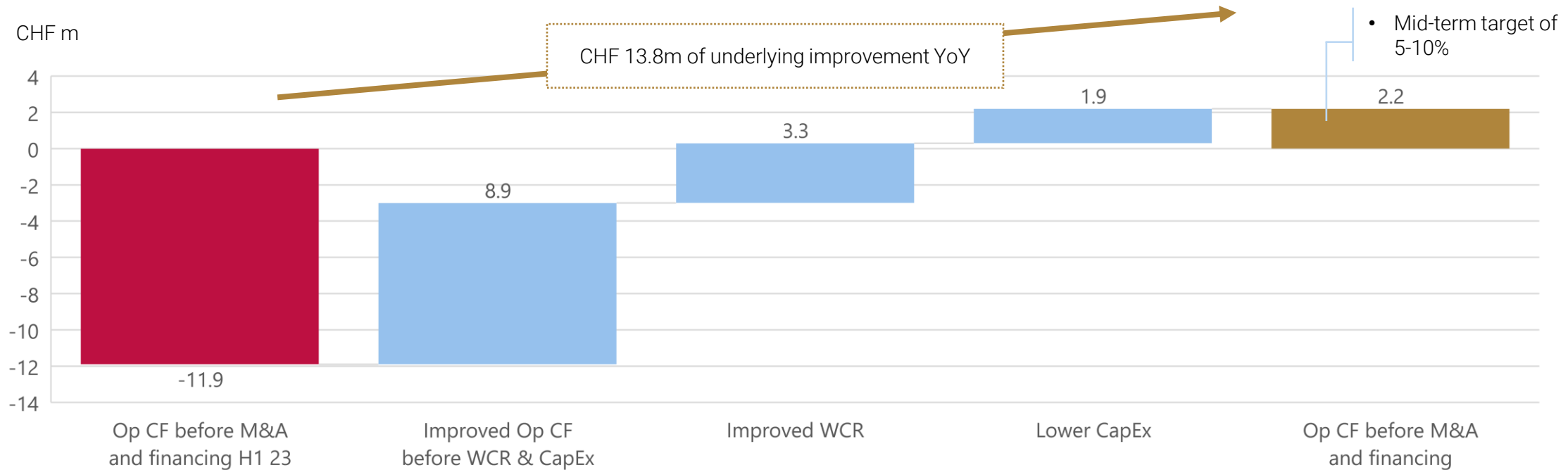
- Revaluation of intangible assets from NSI acquisitions triggered by lower sales growth than expected
- Related release of contingent liability for milestone earnout mostly compensates asset depreciation
- No cash effect from both one-off bookings

Net result | Returning to net profit again



- Slightly positive FX result in H1 '24, but new accounting interest expenses from convertible bond
- Net P&L effect of NSI-related one-offs amounts to CHF -1.9m
- Underlying net profit margin of 4.1% vs -0.8% in H1 23

Cash | Improving sales-to-cash conversion & successful convertible bond issue



- Operating CF before M&A and financing improved from CHF -11.9m to CHF 2.2m YoY; improvement results from profitability gains, better working capital management as well as lower CapEx following better set efficiency
- Successful convertible issuance of CHF 112.4m net – boosting Medartis' cash position towards CHF 127.1m cash reserves – prepared for M&A



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Business update

Christoph Brönnimann, CEO

H1 2024 | Progression of strategic must-wins

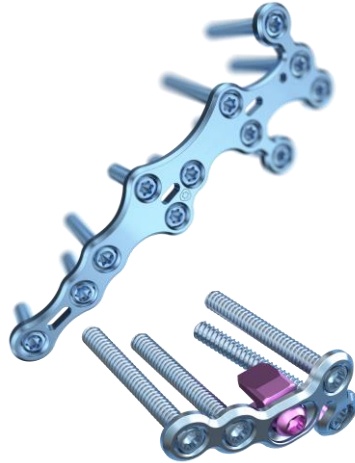
Status	Must Win	Details
●	Winning in distal radius	Progressing (8.3% growth global, 18.4% in US, EMEA a remarkable 10%)
●	Increasing share on foot and ankle	Good progress– ankle up 43%, foot increased by 20%
●	Drive KeriMedical growth	Strong growth in all key markets, recently launched in Australia
●	Expand sales channel & launch NSI products	Behind expectations – measures implemented to accelerate commercialization
●	Go direct in Japan	Initiated, timeline approx. 2 years
●	Protect gross margin	Improved 300 bps YoY
●	Improve capital efficiency	Gradual improvement – cautious increase in set investments, focus on innovation and high-growth products
●	Implement SAP Hana	Completed
●	Drive forward our culture journey	Good progress – various global initiatives in progress and key talent hired across the firm
●	Introduction of a value strategy	To be addressed by new CEO with his experience in launching a value line

H1 2024 | Innovation

While our comprehensive portfolio covers key Upper Extremities and Lower Extremities elective and trauma indications, we continually innovate to improve products and cover more indications and anatomies. In H1 2024 we launched the following products:

Foot 2 System

- Hallux and Midfoot System 2.8 – enhanced flexibility, precision and adaptability, more options for corrections
- Mid- and Hindfoot System 2.8/3.5 – unparalleled precision and control through unique independent plate and wedge positioning
- Fusion 3.5 System – excellent precision in compressing individual joints and versatile range of adaptable plates



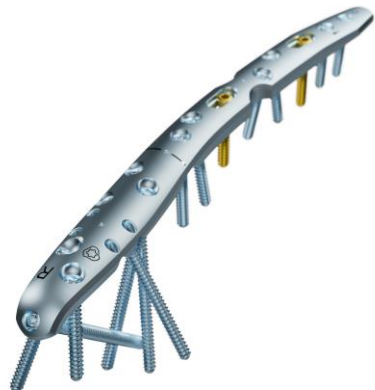
CCS line extensions

- Additional fully threaded screws, new lengths and improved thread design
- Optimized screw tip and thread design minimize insertion torque, allowing precise screw placement and enhancing user experience



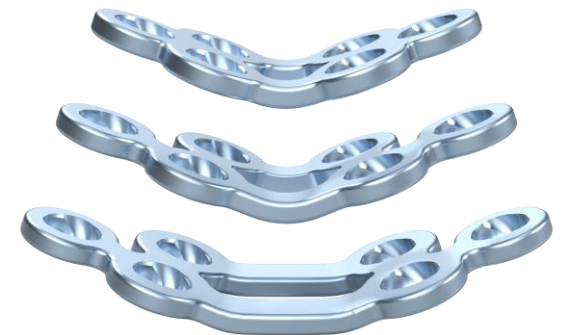
Dorsal olecranon plates

- Limited rollout – full launch in H1 2025
- Complementing the existing elbow portfolio to close an indication gap – the design is set apart by its anatomical shape, soft tissue protection and solid fixation of the coronoid
- Dual plating system can cover much broader range of elbow solutions, also for trauma



Scaphoid plates

- Unique scaphoid plate portfolio was extended with two additional sizes to better cater for differences in scaphoid size and shape



H1 2024 | Products – case study LapiPrep

LapiPrep is a superior technology driving the shift from non-guided to guided bunion surgery, leading to higher-quality and more predictable outcomes.

Case details:

- 21-year-old female
- Juvenile bunion deformity on both feet
- Initially just fixed right foot – patient is so pleased with outcome that she has already scheduled LapiPrep surgery for the left foot
- She is just 4 weeks into her recovery but walking and working at a new job with an air walker boot

Patient before LapiPrep surgery



Patient following LapiPrep surgery

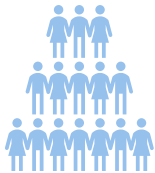


H1 2024 | Sharpening US commercialization



Diversified and balanced portfolio

Hand and Wrist is our core business and shows an impressive adoption rate of >60%; our portfolio in Foot and Ankle is attractive – but procedures are more complex



Expanding commercial team

Investment in expanding field trainer team, Marketing, Training & Education, surgeon relationship management and medical education



Our highest priority

Build a focused Upper Extremities sales channel;
strengthen existing Lower Extremities channel first

- We have shifted our investments towards **accelerating share gains in Hand and Wrist** through our portfolio in that segment, KeriMedical (KeriFlex) and Field Orthopedics (Nx Nail)
- Focus on **expanding and strengthening Upper Extremities distributors** – shift towards focused distributors where Medartis is main business, and increased investment in training their sales reps – YTD growth of new distributors at 46% vs 16% for unfocused distributors
- **Strengthening of existing Lower Extremities distributors** in selected markets – train and build over next years; more complex Foot & Ankle procedures require more intense sales rep training and surgeon education
- Building **dedicated team of field trainers** in Lower Extremities and Upper Extremities to support training of reps, surgeon education and surgeon conversion
- **Ramping up T&E for surgeons** – # of surgeons trained YTD in labs, IBRA and 'Lapidus Your Way' on track, 50% of incentivization program achieved, "Bunions Bootcamp" carried out; impressive adoption rate in Upper Extremities of >60%

Other regional priorities

EMEA

- Accelerate sales of **Keri Medical**
- Increase **cross-selling** of Keri Medical products with Medartis products
- Continue focus on **fast-growing markets** such as Spain and distributors

APAC

- Continue successful **business transfer** from the former distributor to Medartis in Japan
- Implement new **processes for sterile products** – this positions us as an innovator
- Continue **Keri launch** in Australia and foster our leadership position in this segment in the next 6-12 months

LATAM

- Finalize required **negotiations** with Brazilian hospitals
- Further prepare the **launch of new products** so we can accelerate once we have regulatory approval
- Support expected **growth in Mexico and distributors** in the region

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Outlook 2024

Christoph Brönnimann, CEO



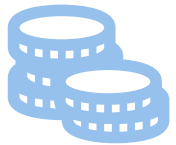
FY 2024 Outlook

(barring any unforeseen circumstances)



12-15%

CER growth



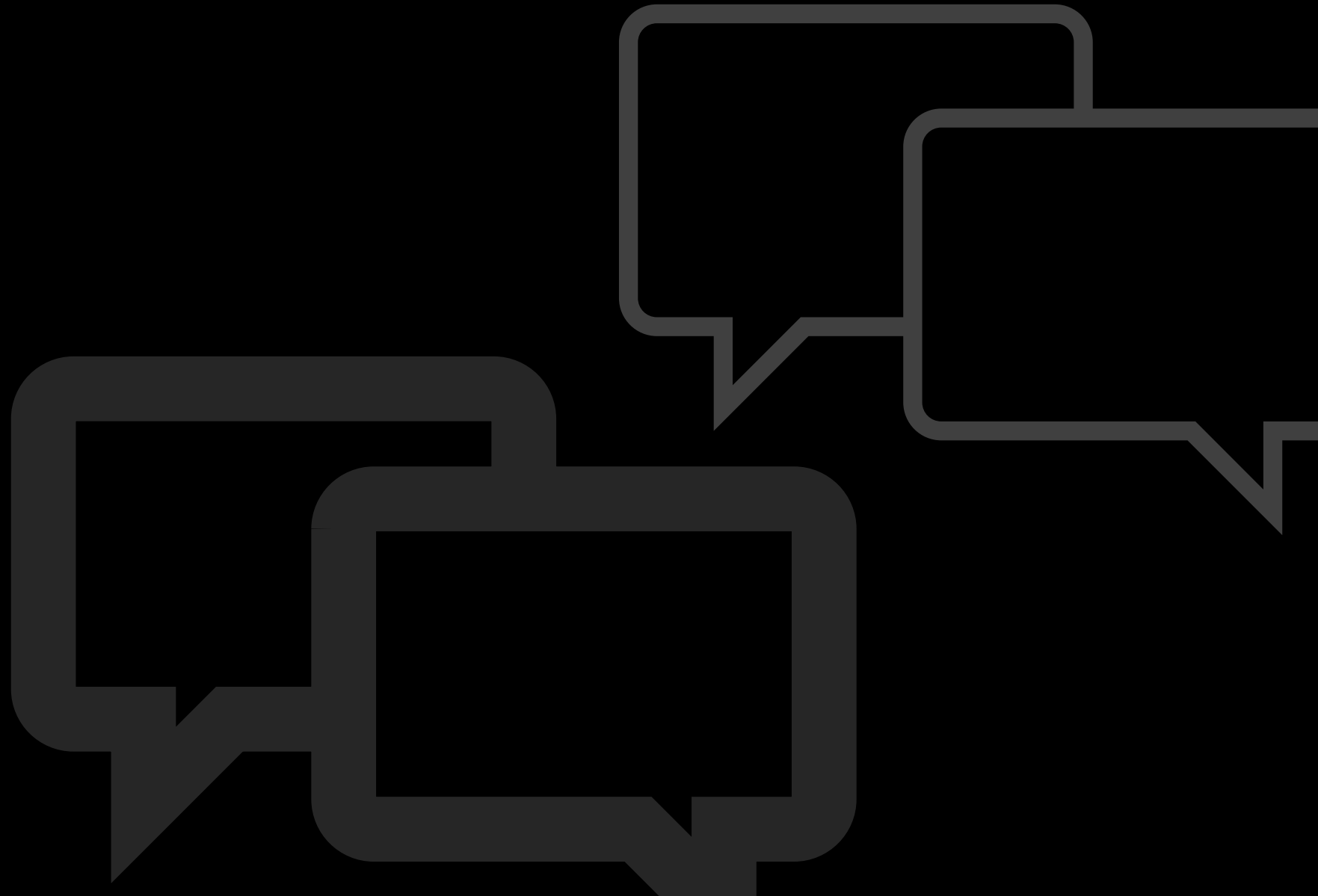
~15%

Expected EBITDA
margin at CER

- Based on H1 growth below expectations mainly in LATAM & APAC, Medartis reduces the top line guidance for FY 2024
- While the Group remains confident that it will outperform the underlying market, it is adjusting its outlook for **CER growth to 12-15% for the FY**
- Absolute run rates should further increase in the second half of 2024 – at the same time, adjusted guidance also reflects a higher comparison based on H2 2023
- **EBITDA margin expectation of around 15% at CER**

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Q&A



Upcoming corporate events

Date	Event	Broker	Destination
2024			
2 September	Octavian Healthcare Trip Reverse Roadshow	Octavian	Basel
11 September	UBS Best Of Switzerland	UBS	Ermatingen
06-08 November	Swiss Equity Conference	ZKB	Zurich
19-21 November	Healthcare Conference	Jefferies	London
2025			
18 March	2024 full-year results publication		
25 April	Annual General Meeting 2025		



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