

## AD HOC ANNOUNCEMENT PURSUANT TO ART. 53 LR

Basel, 20 August 2024

### **Medartis reports 13% revenue growth on Group level, driven by strong regional growth in the US (21%) and EMEA (18%) – improvement of EBITDA\* margin to 17%**

- Underlying group sales growth of 13.1% CER; growth including 3<sup>rd</sup> party manufacturing of 10.8% CER resulting in reported net sales of CHF 111.5m
- The underlying US business achieved YoY growth of 20.6%, followed by EMEA with 17.8%; growth in APAC and LATAM lower than expected with 3.1% and -9.5% YoY respectively – Australia was affected by further government-imposed price cuts while Brazil faced a change in the private insurance sector that caused a decline in elective procedures
- Improved gross margin of 80.3% (H1 2023: 77.2%), driven mainly by better manufacturing efficiency in Basel and higher volumes
- EBITDA margin excluding 3<sup>rd</sup>-party manufacturing and further non-recurring items improved to 17.2% (H1 2023: 13.2%), without compromising ongoing investments into key growth markets; underlying EBIT margin doubled to 4.9%
- Reported profitability was 21.4% on EBITDA level and 3.1% on EBIT, impacted by a one-off amortization of intangible assets and the related release of a contingent liability
- Cash position strengthened following the issuance of a convertible bond in April 2024 – financing for potential acquisition of Keri Medical secured
- Successful global launch of Foot 2 System, CCS line extensions and Scaphoid plates; further launches planned for H2 2024
- Continuous strengthening of key functions through hiring, internal development and transfer of talents into US
- Guidance revised for FY: 12-15% CER growth for the underlying business; around 15% underlying EBITDA margin at CER

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CEO **Christoph Brönnimann** said: “I am happy to share that our two largest markets have once again delivered strong growth in H1 2024. We faced some market challenges in APAC and LATAM but our weakness there is being addressed and we expect better performance in both regions in H2. We have also maintained profitability and cash management discipline – and so I feel that this is a good moment for me to hand over to my successor, Matthias Schupp, later this year and wish him and the Medartis team all the best going forward.”

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\*excluding 3<sup>rd</sup>-party business and further non-recurring items

## SELECTED KEY FIGURES\*

in CHF m	H1 2024 as reported	H1 2024 excl. one-off items*	<i>Ad info:</i> H1 2023 as reported	YoY growth as reported %
Group Net Sales	111.5	111.5	103.3	7.9%
<b>Group Net Sales excl. 3rd Party Manufacturing</b>	<b>107.6</b>	<b>107.6</b>	<b>97.6</b>	<b>10.2%</b>
EMEA	59.5	59.5	51.5	15.5%
US	23.2	23.2	19.9	16.6%
APAC	15.6	15.6	15.8	-1.3%
LATAM	9.4	9.4	10.5	-10.5%
<b>Gross Profit</b>	<b>89.6</b>	<b>89.6</b>	<b>79.7</b>	<b>12.4%</b>
%of net sales	80.3%	80.3%	77.2%	
<b>Operating Profit (EBIT)</b>	<b>3.5</b>	<b>5.5</b>	<b>2.1</b>	<b>63.1%</b>
%of net sales	3.1%	4.9%	2.1%	
<b>Net Profit</b>	<b>2.6</b>	<b>4.6</b>	<b>-0.8</b>	n/m
%of net sales	2.3%	4.1%	-0.8%	
<b>EBITDA</b>	<b>23.9</b>	<b>16.3</b>	<b>12.4</b>	<b>92.7%</b>
%of net sales	21.4%	14.6%	12.0%	
<b>Operating &amp; Investment CF before M&amp;A and Financing</b>	<b>2.2</b>	<b>2.2</b>	<b>-11.9</b>	n/m
%of net sales	2%	2%	-11.5%	

\*resulting from impairment of NSI product technology and milestone payment contingent liability

## REGIONAL PERFORMANCE

In **EMEA** Medartis continued to perform very well, achieving overall growth of 17.8% and double digits in all countries. The DACH region grew 17%, led by Germany with 19%. Southern Europe, composed of France and Spain, grew more than 21%. The UK achieved almost 20% growth, while Poland and the 29 distributor markets attained 19%. EMEA benefited from the solid performance of Keri Medical products, which Medartis sells as a distributor in Germany, Austria and the UK and which fit perfectly into the hand and wrist portfolio, allowing cross-selling in both directions.

In the **US** Medartis grew by 20.6%. Monthly run rates have increased consistently, generated by the direct sales force and 57 independent distributors with 276 sales agents. The key growth driver in the US was the hand and wrist segment, driven mainly by Medartis' flagship distal radius plates, as well as the distribution of KeriFlex and Field Orthopedics products. Growth of acquired NSI products has been slow as it is taking longer than expected to convert customers to instrument-guided Lapidus procedures. The US is building up commercial channels as a priority, focusing on fostering sales excellence by further bolstering the team with new additions in product management, marketing and medical education, and also by intensifying training and education activities.

In **APAC** Medartis grew +3.1% YoY, with significant impacts from additional price cuts in Australia's private insurance sector in H1. While volume growth was around 10%, value growth was fairly flat. The impact on reimbursements placed increasing strain on the hospital sector, patient waiting lists and the medical technology market. In late H1, Medartis prepared for the launch of Keri Touch in Australia, for which it recently received regulatory approval, and an initial cad lab was conducted with Medartis' and Keri Medical's worldwide faculty members. Dedicated field trainers and the sales force are currently being built up to support the launch. In Japan, the direct business more than doubled YoY, while the transition from the former distributor business to direct sales with a parallel switch into sterile products is ongoing and

expected to further accelerate growth. Japanese surgeons have also shown very strong interest in the education offering from Medartis' alliance with IBRA. Although the absolute size of the distributor markets (excl. Japan) remains small, they achieved solid growth, despite some headwind due to Korean surgeon strikes.

Finally, in **LATAM** Medartis declined -9.5% YoY after facing some notable challenges. In Brazil, the largest health insurers in the private insurance sector merged, which means that since February Medartis has had to re-negotiate pricing with hospitals directly. This has led to a decline in elective procedures that are subject to a complex pre-approval process. Furthermore, there have been delays in the regulatory approval of new products. These factors have significantly affected performance, with negative growth of 27% in H1. Mexico also grew slower than expected, largely because of a reduction in government purchases around the election period. Distributor markets, however, were up 13% – despite challenges in Colombia and Argentina due to healthcare system changes and government adjustments – with strong growth in Costa Rica, in particular.

## BUSINESS SEGMENT PERFORMANCE

Growth H1 2024 @CER (excl. 3rd Parties)	EMEA	APAC	LATAM	North America	Total
Upper Extremities	14.7%	-3.5%	4.8%	20.0%	12.0%
Lower Extremities	25.4%	21.1%	4.0%	10.8%	20.7%
CMF and Others	26.6%	8.0%	-30.9%	35.4%	12.1%
<b>Total</b>	<b>17.8%</b>	<b>3.1%</b>	<b>-9.5%</b>	<b>20.6%</b>	<b>13.1%</b>

In the first half of 2024, Medartis generated CHF 72.8m net sales through the upper extremities business, amounting to 68% of total revenues. 19% of sales (CHF 20.0m) were generated with products in the lower extremities segment, with cranio-maxillofacial and other products and services accounting for the remaining 14%.

**Upper extremities:** Buoyed by Keri Medical, in EMEA the hand and wrist segment contributed 33% to overall sales. Upper extremities, which also includes clavicle, shoulder, forearm and elbow, continued to grow by a further 15% YoY despite already having a high share of the market. In the US, KeriFlex, which was introduced about one-and-a-half years ago, grew significantly and boosted overall sales in the hand segment to 26%. Medartis' US wrist business accelerated to almost 20% growth, driven mainly by distal radius products. In APAC, the negative growth in upper extremities was driven by distributor markets and Australia, where the distal radius portfolio's underlying volume growth remained at almost 10% but was affected in value terms by further price cuts. Meanwhile, growth in upper extremities amounted to over 500% in Japan, but the absolute size of this business is still small.

**Lower extremities:** The launch of a new foot system accelerated sales in EMEA and APAC, where CCS screws also bolstered performance. The US performed below expectations in this segment, growing just under 11%. Feedback from surgeons on the acquired NSI technology remains positive, but conversion of new doctors is taking longer than planned while channel building is also progressing slower than expected. Medartis US will continue to invest in training and education as well as marketing to better address these challenges. Japan meanwhile recorded strong growth in lower extremities.

**CMF:** The transition from Modus 1 to Modus 2 according to MDR requirements in EMEA has accelerated sales and led to 28% CMF growth in the region. Meanwhile, the CMF business in LATAM declined 31% as a result of the changes in the Brazilian insurance system.

**3<sup>rd</sup> party manufacturing:** This business, which was taken over as part of the acquisition of NSI, is decreasing according to plan. While Medartis will fulfill existing contracts, it will make use of available capacity to gradually increase production of its own products.

## **PRODUCT DEVELOPMENT AND INNOVATION**

Medartis continuously innovates in order to further deepen its product portfolio across core strategic segments in extremities and CMF. During the first six months in 2024, the company launched a number of new products and line extensions.

**Midfoot 2.8, Mid- and Hindfoot 2.8/3.5 & Fusion 3.5 System:** Medartis launched new additions to its foot portfolio, including a unique sales kit with comprehensive training content and promotional material for three different indications.

The expansion of the Hallux and Midfoot System 2.8 offers surgeons enhanced flexibility, precision, and adaptability with coverage of several new indications and a variety of plate sizes. The Mid- and Hindfoot System 2.8/3.5 provides an unparalleled level of surgical precision and control through unique independent plate and wedge positioning. The Fusion 3.5 System not only empowers surgeons with excellent precision in compressing individual joints but also offers a tailored and versatile range of adaptable plates.

**CCS Extensions:** In May, the CCS System was extended with additional fully threaded screws, new lengths and an improved thread design, offering a technologically advanced solution. The screw can now also be used as an intramedullary fixation solution for the metacarpals – a procedure that is trending in many markets – offering surgeons an alternative to external plate fixations both for upper as well as lower extremity fractures.

**Scaphoid plate:** In June, Medartis' successful and unique scaphoid plate portfolio was extended with two additional sizes to better cater for differences in scaphoid size and shape.

**Dorsal olecranon plates:** In July the company started a limited rollout of its new dorsal olecranon plates, 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. The full launch is planned for H1 2025.

## **STRENGTHENING OF KEY FUNCTIONS THROUGH NEW HIRES AND TRANSFERS IN THE US AND GLOBALLY**

Over the last six months, Medartis has hired and also relocated a number of key talents to further accelerate US growth and continue to professionalize and build a stronger and more agile organization. In March Inge Maes joined Medartis as its new CHRO, bringing exceptional expertise and experience of leading global HR functions to the Executive Management Board. Moreover, various senior positions in Global Surgeon Relations and Market Development, Marketing, Training and Education, Field Training as well as Global Supply Chain, Purchasing, PMO Management, Finance and IT were filled. In addition, some employees with

deep knowledge and long-standing experience have relocated from Basel to the US to support product management, operations and manufacturing.

## **OPERATIONAL AND FINANCIAL PERFORMANCE**

In H1 Medartis achieved a gross margin of 80.3%, an improvement of 310 bps compared with H1 2023. This improvement mostly stems from increased operating efficiency in Basel's production, including the introduction of new sterile and non-sterile packaging, bringing significant unit cost savings, a reduction in scrapping expenses as well as higher agility and lower lead time in the supply chain. The gross margin was also positively affected by the reduction in volume of the 3<sup>rd</sup> party manufacturing business which Medartis took over from NSI as part of the acquisition. Excluding the 3<sup>rd</sup>-party manufacturing business, the gross margin was 83.4%. As planned, this business, which has a much lower gross margin than Medartis, is phasing out over the next 12-18 months and will therefore have less dilution impact on the blended gross margin going forward. Approx. 50 bps of the improvement is due to the non-repetition of one-off costs following the IT hack in May 2023. These positive effects were partially reduced by an increase in Keri Medical product sales, which – as long as Medartis remains only a distributor of this business – have a lower margin than its own products.

Operating expenses were managed through continued strong cost discipline across the company. The US has started to gain better cost efficiency as it grows, while management continues to invest in improving sales channels, training and education and back-office process stability. Set management has further improved YoY and will allow better capital efficiency going forward. In Japan, Medartis has incurred a significant spend of around CHF 3.5m in taking over the business of a former distributor. While cost efficiency in EMEA remained high, the cost ratios for LATAM and APAC decreased slightly following the unexpected top line decline in Brazil and Australia due to the insurance merger and price cuts respectively. Medartis will monitor the situation carefully over the next six to 12 months before implementing any potential cost reduction measures.

The reported EBITDA margin of 21.4% temporarily increased due to a one-off effect related to the acquisition of the former NSI technology portfolio. As the launch of certain products is taking longer than expected, the value of some intangible assets had to be impaired, resulting in a one-off non-cash expense of CHF 9.6m. This was partially offset by the release of a contingent liability relating to a milestone payment to former NSI shareholders for NSI products sales in 2025. Excluding these items, the underlying EBITDA margin was 14.6%. Adjusted for further non-core and one-off items it even reached 17.2%. On an EBIT level, the Group achieved 4.9% for the underlying excl. NSI revaluation and 7.1% excluding other non-core and one-off items. Underlying profitability is in line with management expectations and guidance which assumed a higher top line in LATAM and APAC.

Medartis achieved a net profit of CHF 2.6m in H1 vs a reported net loss of CHF 0.8m in H1 2023. The net profit also includes interest expenses of about 6.1% from the issuance of the CHF 115.8m convertible bond in April, of which only 3% is cash effective.

Operating cash flow before M&A and financing improved significantly year-on-year and finished at CHF 2.2m vs CHF -11.9m in H1 2023. The NSI related re-valuation of contingent liabilities as well as intangible asset values in H1 2024 had no cash impact. As of June 2024, Medartis' cash position is CHF 127.1m, allowing for a potential full acquisition of Keri Medical in the next 12 months. Any decisions regarding this acquisition

will be made by Medartis' Board of Directors based on Keri Medical's operative and financial performance during 2024.

## **GUIDANCE FOR THE FULL YEAR**

Given that growth in the first half-year in LATAM and APAC was lower than expected, Medartis is adjusting its guidance for the full year 2024. While the Group remains confident in its ability to outperform the underlying market, full-year growth is expected to be between 12-15% at CER.

Profitability levels of the underlying EBITDA should further improve in the second half of the year and thus allow Medartis to achieve around 15% at current exchange rates for the full year, depending on top line development.

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### **Audio webcast with Q&A**

Today at 11.00 a.m. there will be an audio conference to present the half-year results 2024. The speakers will be CEO Christoph Brönnimann and CFO Dirk Kirsten. The conference language is English. The presentation, the half-year report and later the recording of the event will be available on the [Medartis website](#). The presentation will be followed by a Q&A session.

Please use the [webcast link](#) to follow the slide presentation and submit questions in writing. To participate directly in the conference call and ask questions verbally, you will need to [register](#) to receive the telephone number, a passcode and a personal PIN.

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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. 860 individuals across its 13 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](http://www.medartis.com).

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