

Press Release - Publication of 2020 Annual Results

Medacta reports strong profitability and cash flow in 2020

- Revenues equal to Euro 302.5 million, down only 2.1% on constant currency basis¹, significantly above market decline², after growth of 7.6% on a constant currency basis in 2H driven by both pent-up demand and new customers acquired
- Adjusted EBITDA of Euro 88.1 million, corresponding to 29.1% margin
- Profit for the year equal to Euro 37.1 million, 12.3% on revenues
- Euro 31.9 million Adjusted Free Cash Flow, up 43% vs prior year
- Continued strategic investment in salesforce expansion, new product launches and additional surgical instruments to serve new customers
- Strong balance sheet with leverage equal to 0.95
- In light of ongoing global uncertainty caused by Covid-19 pandemic, Company proposes no dividend distribution to the Annual General Meeting to reinvest in future growth plan
- We are targeting 2021 revenue in the range of Euro 333 million to Euro 348 million at constant currency and adjusted EBITDA margin to be largely in line with the previous year, subject to any unforeseen events, specifically from Covid-19 pandemic

CASTEL SAN PIETRO, 31 March 2021 – Medacta Group SA (“Medacta”, SIX:MOVE) today reported financial results for the full year ended 31 December 2020 and provided a corporate update.

Commenting on 2020 results Francesco Siccardi, CEO of Medacta, said: *“During an unprecedented year affected by the global Covid-19 pandemic, we were nevertheless able to deliver a very positive performance with an increase of our market shares as well as strong profitability and cash flow, while remaining committed to investing in our future growth. I would like once more to thank all Medacta employees for the strong results we have been able to deliver. We are confident that the impact of Covid-19 vaccines and potential subsidence of the pandemic can enable us to build upon our 2020 achievements and return to a path of growth in 2021.”*

¹ **Alternative Performance Measures:** This press release contains certain financial measures of historical performance that are not defined or specified by IFRS, such as “constant currency”, “EBITDA”, “Adjusted EBITDA” or “CORE EBITDA”, “Free Cash Flow”, “Adjusted Free Cash Flow”, “Net Debt” and “Leverage”. Reconciliation of these measures as well as “CORE” financial measures is provided in the “Alternative Performance Measures” (APM) section of the 2020 annual report. These Alternative Performance Measures (APM) should be regarded as complementary information to, and not as a substitute for the IFRS beginning performance measures. For definitions of APM, together with reconciliations to the most directly reconcilable IFRS line items, please refer section headed “Alternative Performance Measures” of the 2020 annual report. The 2020 annual report is available at <https://www.medacta.com/EN/financial-reports>.

² Orthopedic industry is expected to decline in the low double digits in 2020. Source [ORTHOWORLD®](#), April 2021 Bulletin.

Our Achievements

In 2020 we were able to continue to gain market share based on executing our strategy of innovation, medical education and healthcare sustainability.

During the year over 30 new products across our business lines were cleared (CE or FDA), including the FDA clearance on **NextAR™**, our Augmented Reality-Based Surgical Platform with its first application for Total Knee Replacement. This surgical platform has a limited upfront capital investment and reduced cost per case compared with other technologies. NextAR aims to improve surgical accuracy and efficiency via advanced 3D personalized planning tools, unique soft tissue assessment and accurate surgical execution. First surgeries were successfully performed in Australia and in the US, and the number of reference centers supporting future worldwide expansion is increasing.

In the Knee business line, of particular note is the launch of our new **SensiTiN™** coating with low metal ion release designed to reduce the exposure of patients to metallic ions. In the Hip product line we completed the renewal of our primary implant offering and expanded our revision product range. We launched two solutions for 3D pre-operative planning and intra-operative verification in primary total hip replacement, **MyHip® Planner and MyHip® Verifier**, which can deliver a personalized approach to optimize the surgical experience. In the Spine and Shoulder businesses new implants were launched to complete our portfolio, while in Sports Med we have been working on the expansion of our product portfolio and initial market introduction in selected countries.

Our **Marketing and Medical Education Programs** continued through the year, including the implementation of tactical changes and new initiatives designed to maintain existing customers and reach new ones. In 2020 over 2,900 surgeons attended our online and digital education programs, and our Medacta TV achieved more than 22,000 visits. The “M.O.R.E. Surgeon to Surgeon” meetings together with classic Learning Centers were redesigned at national and local levels.

We continued to invest strategically, resulting in significant salesforce expansion across all geographies and development of additional surgical instruments to serve new customers.

KEY FINANCIAL FIGURES

(Million Euro)	31.12.2020	31.12.2019
Revenues	302.5	310.6
Gross Profit	214.3	223.7
Profit for the year	37.1	11.9

Alternative Performance Measures:

EBITDA	86.5	53.3
Adjusted EBITDA*	88.1	91.5
Adjusted EBITDA margin*	29.1%	29.5%
Free Cash Flow	25.4	0.6
Adjusted Free Cash Flow**	31.9	22.3

(Million Euro)		
Total Assets	441.9	412.6
Total Equity	164.7	123.2
Equity Ratio	37.3%	29.9%
Number of employees	1,183	1,101

* Adjusted for provisions on litigations (Euro 0.7 million), extraordinary legal expenses (Euro 3.1 million) and gains realized through the release of prior years provisions (Euro 2.1 million). The reconciliation is provided in the "Alternative Performance Measures" section of the Annual Report.

** Adjusted for extraordinary legal expenses (Euro 3.1 million) and non-recurring investments (Euro 3.4 million). Please see the "Alternative Performance Measures" section of the Annual Report.

Revenue Analysis

Revenue was EUR 302.5 million in 2020 compared to EUR 310.6 million in 2019, a decrease of 2.6% on a reported currency basis and 2.1% on a constant currency basis. In the second half of the year revenue was EUR 167.7 million, an increase of 7.6% on a constant currency basis, largely compensating the first half results. The second half acceleration was sustained by both pent-up demand and the addition of new customers, despite the imposition of further restrictions from the pandemic resurgence starting in the end of October.

The various levels of restrictions imposed during the year across our geographies and diverse patterns of momentum in pre-Covid sales growth resulted in different impacts on our product lines and geographies.

In the core business Medacta reported sales of EUR 153.1 million and EUR 106.2 million in the **Hip and Knee** lines, respectively. The product lines' growth declined compared to 2019 (Hip -6.1% and Knee -4.1% at constant currency) due to postponement of elective procedures in the first half, partially compensated by an effective backlog recovery since June, limited by the second wave starting in October. The **Spine** business line reported revenue of EUR 28.9 million, an increase of 14.6% at constant currency driven by newly launched products, salesforce expansion and a gain in market share, particularly in the US. The **Extremities** business line, made by Shoulder and Sports Med, was able to achieve 46.6% growth at constant currency and reported revenue of EUR 14.3 million. The business line grew in all geographies despite the Covid-19 impact, thanks to the strong sales momentum carried over by expansion of our product portfolio, with an increase of our market share, especially in Europe.

Europe registered a negative growth of 6.0% at constant currency and reported sales of Euro 129.3 million with a significant recovery in the second half of the year. The **North America** market reported sales of Euro 92.7 million, substantially unchanged at constant currency compared with the previous year (-1.0%). **APAC** delivered a positive performance of 9.2% at constant currency and reported Euro 72.0 million, thanks to a limited pandemic impact in Japan and Australia together with a gain of new customers through the expansion of our salesforce. **RoW** recorded negative growth of 29.2% at constant currency and reported sales of Euro 8.5 million due to stocking distributors reducing purchases in response to the Covid-19 pandemic.

Gross Profit Performance

The gross profit was EUR 214.3 million compared to EUR 223.7 million in the previous year. The gross profit margin was equal to 70.8% compared to 72.0% in 2019. The change was primarily due to incremental depreciation of new surgical instruments to sustain future growth in a year with declining sales, expected price reductions in certain countries and negative currency impact.

Strong Adjusted EBITDA Margin of 29.1%

The adjusted EBITDA amounted to EUR 88.1 million (EUR 91.5 million in 2019), corresponding to a margin of 29.1% compared to 29.5% in 2019. Management's discretionary cost-containment initiatives, along with the savings in sales and marketing costs due to Covid-19 restrictions, allowed the Group to maintain the profitability largely in line with the prior period. Fixed costs savings, derived primarily from reduced travel and participation in congresses, as well as voluntary pay cuts decided by management contributed to preserving the Group's profitability.

Solid Balance Sheet

Medacta's balance sheet remains robust, with total assets increasing to EUR 441.9 million and an equity ratio of 37.3% at the end of the reporting period (29.9% in 2019). The adjusted free cash flow generated in 2020 amounted to EUR 31.9 million after significant investments in new instruments and research and development to sustain the future growth of Medacta. During 2020, in a prudent effort to strengthen our balance sheet and continue to invest in our Group's future growth, and in light of uncertainty due to the pandemic, our Board of Directors decided not to propose to the Annual General Meeting any distribution of the dividend for the 2020 financial year.

2021 Outlook

We will continue to monitor the evolution of the Covid-19 pandemic and impact on our reference market, while remaining committed to our future growth. Despite uncertainty remaining in some geographies, we believe Medacta is well positioned to deliver growth as a result of our global geographic presence and product mix, continued innovation with several new product introductions expected during the year, hiring plans for expansion in all geographies, and a focus on the US market. We are targeting 2021 revenue in the range of Euro 333 million to Euro 348 million at constant currency and adjusted EBITDA margin to be largely in line with the previous year, subject to any unforeseen events, specifically from Covid-19 pandemic.

Detailed Reporting

Medacta's Annual Report 2020 can be downloaded via this link:

<https://www.medacta.com/EN/financial-reports>

Forward Financial Calendar

- 25 May 2021 Annual General Meeting
- 20 July 2021 Publication of 2021 Half-year unaudited top-line figures
- 10 September 2021 Half-year results 2021

Webcast Today at 3:00 pm (CEST)

Medacta Group SA will present its Full Year 2020 Financial Results during a webcast today at 3:00 pm (CEST). The results call will be headed by Francesco Siccardi (CEO) and Corrado Farsetta (CFO). The conference will be held in English.

Live-Link: <https://www.webcast-egs.com/medactaint20210331>

For participants to the conference call (slides only):

<https://www.webcast-egs.com/medactaint20210331/no-audio>

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About Medacta

Medacta is an international company specializing in the design, production, and distribution of innovative orthopaedic products, as well as in the development of accompanying surgical techniques. Established in 1999 in Switzerland, Medacta is active in joint replacement, spine surgery, and sports medicine. Medacta is committed to improving the care and well-being of patients and maintains a strong focus on healthcare sustainability. Medacta's innovation, forged by close collaboration with surgeon leaders globally, began with minimally invasive surgical techniques and has evolved into personalized solutions for every patient. Through the M.O.R.E. Institute, Medacta supports surgeons with a comprehensive and tailored program dedicated to the advancement of medical education. Medacta is headquartered in Castel San Pietro, Switzerland, and operates in over 40 countries.

Disclaimer

This press release has been prepared by Medacta Group SA ("Medacta" and together with its subsidiaries, "we", "us" or the "Group"). The information contained in the press release does not purport to be comprehensive and is not to be taken as containing any securities advice, recommendation, offer or invitation to subscribe for, purchase or redeem any securities regarding Medacta. The information contained in the press release does not purport to be comprehensive. Please refer to the Medacta 2020 Annual Report available on our website at <https://www.medacta.com/EN/investors>.

Forward-looking information

This press release has been prepared by Medacta and includes forward-looking information and statements concerning the outlook for our business. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates”, “targets”, “plans”, “outlook” or similar expressions. There are numerous risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this press release. Currently, it is very difficult to provide a meaningful prediction on how the Swiss governmental action in response to the ongoing outbreak of a novel coronavirus disease (Covid-19) will affect the Medacta's operations and how long such measures will remain in place. The Covid-19 outbreak has caused, and may continue to cause, economic instability and a significant decrease of total economic output in the affected areas and globally. The impact of the Covid-19 outbreak on the general economic environment in the markets in which Medacta operates remain uncertain and could be significant. In addition, other important factors that could cause such differences include: changes in the global economic conditions and the economic conditions of the regions and markets in which the Group operates; changes in healthcare regulations (in particular with regard to medical devices); the development of our customer base; the competitive environment in which the Group operates; manufacturing or logistics disruptions; the impact of fluctuations in foreign exchange rates; and such other factors as may be discussed from time to time. Although we believe that our expectations reflected in any such forward-looking statement are based upon reasonable assumptions, we can give no assurance that those expectations will be achieved.

Alternative Performance Measures

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