

## Press Release - Publication of 2020 Half Year Results

### Medacta navigates successfully COVID-19 challenges in the first semester 2020.

- Medacta Half-year 2020 revenue at Euro 134.8 million, down 11.1% over the prior year due to COVID-19 related deferrals of orthopedic elective surgeries;
- Good backlog recovery in June, July and August with double digit growth but we remain very cautious about the second semester;
- Reported EBITDA at 23.6%, adjusted at 23.8%<sup>1</sup>;
- Over 25 new products cleared. Innovation continued, culminating with the FDA approval on our proprietary NextAR™ Augmented Reality platform technology in July;
- Retained 100% of workforce;
- 2020 guidance remains withdrawn due to continuing uncertainty regarding impact of COVID-19.

CASTEL SAN PIETRO, 7 September 2020 – Francesco Siccardi, CEO of Medacta, says “In these unprecedented times, Medacta was able to navigate the COVID-19 crisis, serving at its best healthcare professionals and patients, continuing innovating, protecting jobs, launching new key products and redesigning our marketing and medical education programs. Despite COVID-19 restrictions, education continued through redesigned online Marketing and Medical Education Programs, with over 1’800 surgeons attending our marketing initiatives and education programs. R&D activity continued as planned, with clearance on over 25 new products among our business lines.

We are very proud of the way our employees were able to face this extraordinary situation and it is thanks to their engagement and commitment that we are highly encouraged on the execution of our long-term business strategy”.

#### Overview of H1 2020 results

After closing the first quarter 2020 with a single digit growth, we registered for the first time in the company's history a negative growth rate in the second quarter, resulting in a decrease of revenue of 11.1% in the first semester compared to the same period last year, from Euro 151.6 million to Euro 134.8 million. Currency effects had a positive impact on reported results, mainly

---

<sup>1</sup> **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 2019 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 2019 annual report. The 2019 annual report is available at <https://www.medacta.com/EN/financial-reports>

due to the development of the US dollar and the Swiss Franc against the Euro, with total negative sales growth of 12.2% at constant currency.

This reduction is due to the deferral of elective procedures from local governments and health care authorities worldwide to respond to the COVID-19 pandemic, which impacted significantly on our operations and sales volume.

#### KEY FINANCIAL FIGURES

| (Million Euro) | 30.06.2020 | 30.06.2019 |
|----------------|------------|------------|
| Revenues       | 134.8      | 151.6      |
| Gross Profit   | 93.9       | 111.6      |

#### Alternative Performance Measures:

|  |       |        |
|--|-------|--------|
| EBITDA                                   | 31.9  | 33.5   |
| EBITDA margin                            | 23.6% | 22.1%  |
| Adjusted and normalized EBITDA*          | 32.1  | 48.4   |
| Adjusted and normalized EBITDA margin*   | 23.8% | 31.9%  |
| Free Cash Flow                           | (7.9) | (11.4) |
| Adjusted and normalized Free Cash Flow** | (4.7) | 3.5    |

| (Million Euro)      | 30.06.2020 | 31.12.2019 |
|---------------------|------------|------------|
| Total Assets        | 427.8      | 412.6      |
| Total Equity        | 135.3      | 123.2      |
| Equity Ratio        | 31.6%      | 29.9%      |
| Number of employees | 1'123      | 1'101      |

\* Adjusted for extraordinary legal expenses (Euro 1.7 million) and positive effect from the release of provisions on litigation (Euro 1.6 million). In this report we have changed the June 30, 2019 Adjusted and normalized EBITDA by removing the IFRS 16 normalization since moving forward it will not be necessary to provide any normalization with prior periods given the adoption since January 1, 2019. This normalization was used to enable investors to compare H1 2019 with H1 2018. In H1 2019, this change increased the depreciation of right-of use assets by Euro 1.4 million, improving the Adjusted and normalized EBITDA margin to 31.9% from the 31.0% reported in the 2019 Half-Year Report, corresponding to Euro 47 million.

\*\* In the comparative period, the change in deleting the IFRS 16 normalization, improved also the Adjusted and normalized Free Cash Flow by Euro 1.5 million. Please see the "Alternative Performance Measures" section for the reconciliation of the "Adjusted and normalized Free Cash Flow".

#### Lower Gross Profit margin affected by lower revenue

Medacta reached Euro 93.9 million of Gross Profit, approximately 15.8% or Euro 17.6 million lower than the first semester of 2019. As a result of the decline in revenue during the lockdown months, the Gross Profit margin showed a reduction of 3.9%, from 73.6% to 69.7%, in comparison to the previous year, primarily due to the significant higher instruments depreciation and amortization as a percentage of revenue. A minor impact was registered from the expected negative price trends in almost all markets.

## **Resilient profitability and adjusted EBITDA margin of 23.8%<sup>2</sup>**

Reported EBITDA was equal to 23.6%, and Adjusted EBITDA amounted to Euro 32.1 million (H1 2019: Euro 43.5 million), corresponding to a margin of 23.8% (H1 2019: 31.9%). The reduction in Adjusted EBITDA margin by approximately 11% reflects the COVID-19 impact on the topline, with the reduction in volumes and in GP margin.

The loss of margin generated by the reduction in volumes was partially offset by Management discretionary initiatives in cost containment efforts, deriving primarily from travels, events, freezing of new hires. Also, we obtained in some countries government grants for Euro 2.2 million, mainly related to short-term working subsidies.

## **Tax rate reduction, positive contributes to Medacta's half-year earnings**

Net profit amounted to Euro 9.7 million, compared to Euro 11.3 million in the previous year. The net profit for the period had a positive contribution of Euro 0.4 million from income taxes, primarily due to the impact of the Tax Reform enacted at the beginning of 2020 that reduced the corporate tax rate applicable to the Swiss operating company. This allowed us to recognize in the 2020 half-year financials, a positive impact deriving from the change in tax rate applicable to deferred tax assets and liabilities amounting to around Euro 2.3 million. In addition, the tax rate applicable to Medacta International S.A. for 2020 decreased from 18.6% to 17.3% and this resulted in lower current income tax in the half year 2020.

## **Solid Balance Sheet**

Cash flow and financial performance is a priority of the company. Thanks to the performance delivered Medacta's balance sheet remains robust, with total assets of Euro 427.8 million and an equity ratio of 31.6% at the end of the reporting period. The free cash flow generated in the first semester 2020 had a negative balance of Euro 8 million, after recognizing significant investments in new instruments and development projects to sustain the future growth of Medacta and extraordinary legal expenses for Euro 1.7 million and investments for the new Rancate building for Euro 1.5 million. Total net debt as of 30 June 2020 amount Euro 115.2 million, versus committed lines for Euro 179 million.

## **Commitment to Long-term value creation continues**

Innovation, medical education and healthcare sustainability remain fundamental pillars of our long-term value creation strategy. We maintained investments in R&D and accelerated our innovation process, culminated with the with the FDA approval on our proprietary NextAR™ Augmented Reality platform technology in July. The NextARTM TKA Application represents an important milestone on our healthcare sustainability pillar, since improve efficiency and precision in total knee replacement and deliver personalized planning, with low upfront capital investment required by clinics and hospitals, as well as economic benefits to the healthcare system through OR efficiency and low cost per procedure.

---

<sup>2</sup> We changed the June 30, 2019 Adjusted and normalized EBITDA by deleting the IFRS 16 normalization since moving forward it will not be necessary to provide any normalization with prior periods given the adoption since January 1, 2019. This change increased the depreciation of right-of use assets by Euro 1.4 million, improving the Adjusted and normalized EBITDA margin to 31.9% from the 31.0% reported in the 2019 Half-Year Report, corresponding to Euro 47 million.

Also, we continued educating our clients, during the first semester, Medacta was able to redesign most of its Marketing and Medical Education Programs, implementing several online based initiatives, that allowed to reach over 1800 Surgeons.

## **OUTLOOK 2020**

The double digit growth of sales in June, July and August confirms that backlog recovery can occur quickly if the environmental conditions allow. Even if these performances are encouraging, speed and size of recovery in the second semester depend on the evolution of the COVID crisis in key markets, which remain unpredictable due to stop-and-go and possible additional slow-down of activities. Given the inability to forecast future developments we are not able to provide a short-term outlook.

Overall, we believe that mid and long-term fundamentals have not changed and several activities are in place to regain full momentum in the second semester and beyond: we restarted the MORE institute activities, we repristinated the hiring plans to expand sales force, we continued to focus on ASC in the US and we are planning the appropriate investments to support the expected reacceleration.

## **Detailed reporting**

Medacta's 2020 Half-Year Report can be downloaded via this link:

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

## **Webcast today at 3:00 pm (CEST)**

Medacta Group SA will present its 2020 Half-Year 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://webcasts.eqg.com/medacta20200907>

For participants to the conference call (slides only):

<https://webcasts.eqg.com/medacta20200907/no-audio>

Dial-in numbers for conference call function only:

Switzerland: +41 44 580 6522

Germany: +49 692 0174 4220

UK: +44 203 009 2470

US: +1 877 423 0830

Code PIN participants: 31552386#

## **Financial Calendar**

- 21 January 2021 Publication of 2020 full year unaudited top-line figures
- 31 March 2021 Publication of 2020 full year results

**Contact**

Medacta Group SA

Gianna La Rana, Head of Investor Relations

Phone: +

41 91 696 14 95

[investor.relations@medacta.ch](mailto:investor.relations@medacta.ch)

**About Medacta:**

*Medacta is an international company specializing in the design and production of innovative orthopaedic products and the development of accompanying surgical techniques for joint replacement, spine surgery, and sports medicine. Established in 1999 in Switzerland, Medacta's products and surgical techniques are characterized by innovation. Medacta is a pioneer in developing new offerings on the basis of minimally invasive surgical techniques, in particular its Anterior Minimally Invasive Surgery ("AMIS") technique for hip replacements. Medacta has leveraged its orthopaedic expertise and comprehensive understanding of the human body to develop the sophisticated "MySolutions" technology, which offers surgeons highly personalized pre-operative planning and implant placement methodologies by creating advanced personalized kinematic models and 3D planning tools for use in hip, knee, shoulder and spine procedures.*

**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. Please refer to the Medacta 2020 Half-Year 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 its business. These statements are based on current expectations, estimates and projections about the factors that may affect its 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. Although Medacta believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved*

**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", "Adjusted and normalized 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 our 2020 Half-Year 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 Half-Year report.*

*The 2020 Half-Year report is available at <https://www.medacta.com/EN/financial-reports>.*