

1H 2019 *Financial results*

3rd September 2019



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Unaudited Financial Results

The financial information contained in this Presentation is unaudited.

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Alternative Performance Measures

This Presentation may contain information regarding alternative performance measures. Definitions of these measures and reconciliations between such measures and their IFRS counterparts if not defined in the Presentation may be found on pages 9 to 12 of the Medacta Half Year 2019 Report available on our website at <https://www.medacta.com/EN/investors>.

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Agenda

- Business update
- 1H 2019 results
- Outlook



Medacta expands further achieving strong revenue growth and profitability

Sales growth in all regions and business lines

- Revenues up by 13.8% to €151.6 million (+11.0% in CC¹)
- Growth significantly above the market
- Adjusted and Normalized EBITDA margin of 31.0% ⁽²⁾
- Substantial progress in the US (+17.7%)
- Joint (Hip, Knee, Shoulder) outperforming 1H 2018 results
- Important contribution from shoulder launch
- Temporarily softened growth in spine business line due to reorganisation

M.O.R.E. congress in April: roughly 900 surgeons for several days in Lugano

- Excellent feedback with new customers already contributing to 2H results

Outlook FY 2019 confirmed

- Strong growth in core joint products with a good acceleration across other business lines
- Mid teens revenue growth (13-17%)
- Adjusted EBIDTA margin of 32% (+/- 100bps)

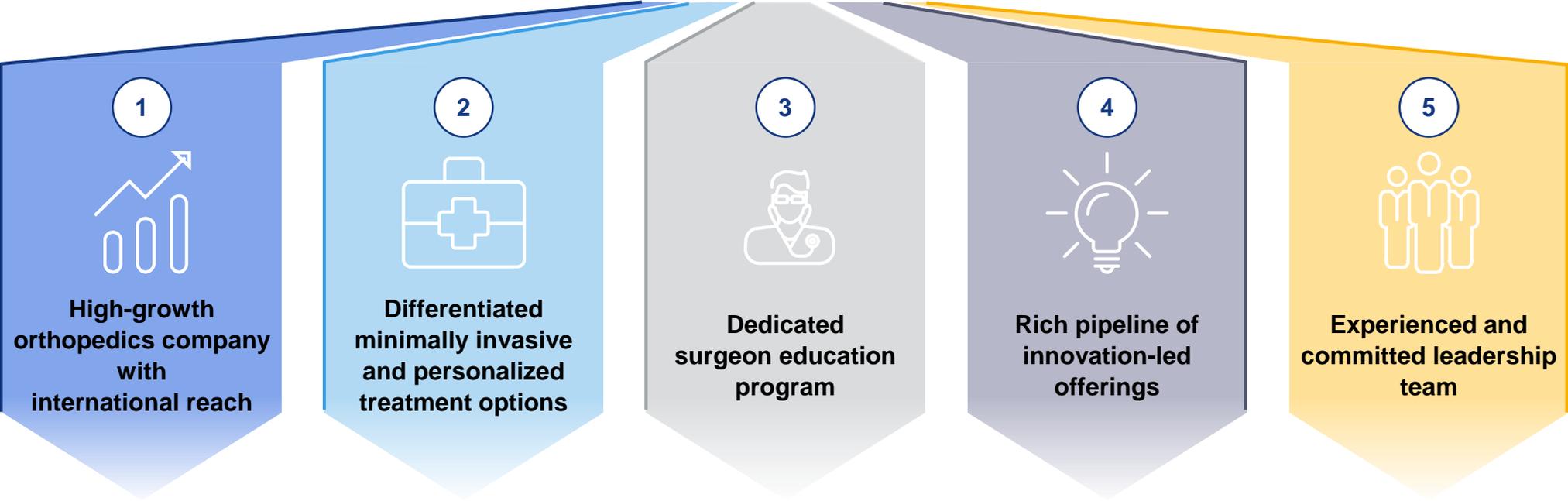
Notes:

1. CC: Constant Currency
2. For a reconciliation to Reported EBITDA, see page 17 of this presentation or pages 9 to 12 of the Half-Year Report 2019

Business update



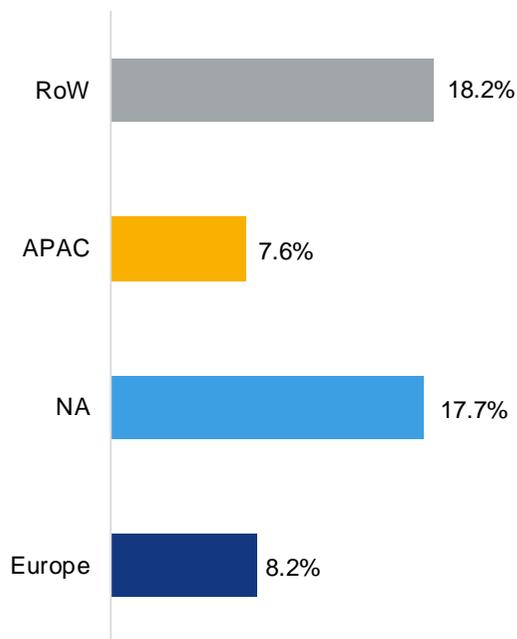
An international high-growth platform with a new approach to orthopedics



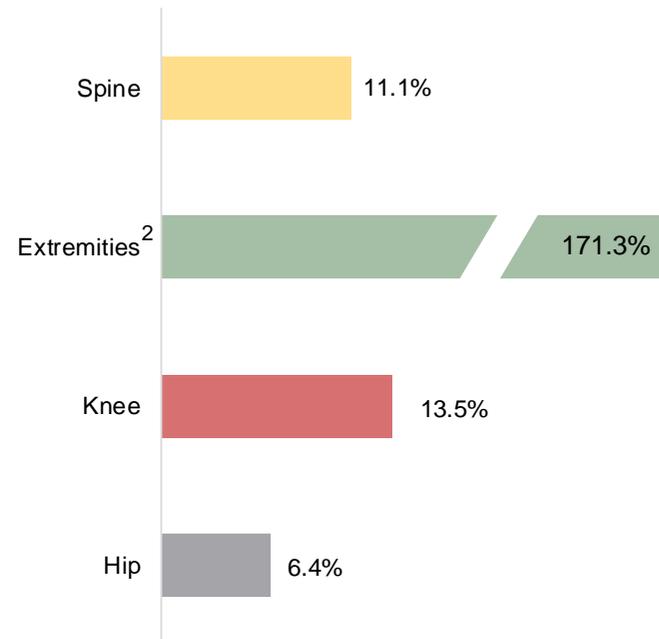
Unique profile combining teens growth with high profitability

Sales growth in all regions and business lines: Revenues up by 13.8% to €151.6 million (+11.0% in CC)

Growth by regions (%)¹



Growth by products (%)¹



Commentary

- Recorded strong organic growth in the first half of 2019 and Medacta sales increased by 13.8% compared to the same period last year
- In a market showing an average growth rate of about 3-4%⁽³⁾, Medacta has outgrown the market in all regions
- The growth was driven by increased sales in all regions and business lines

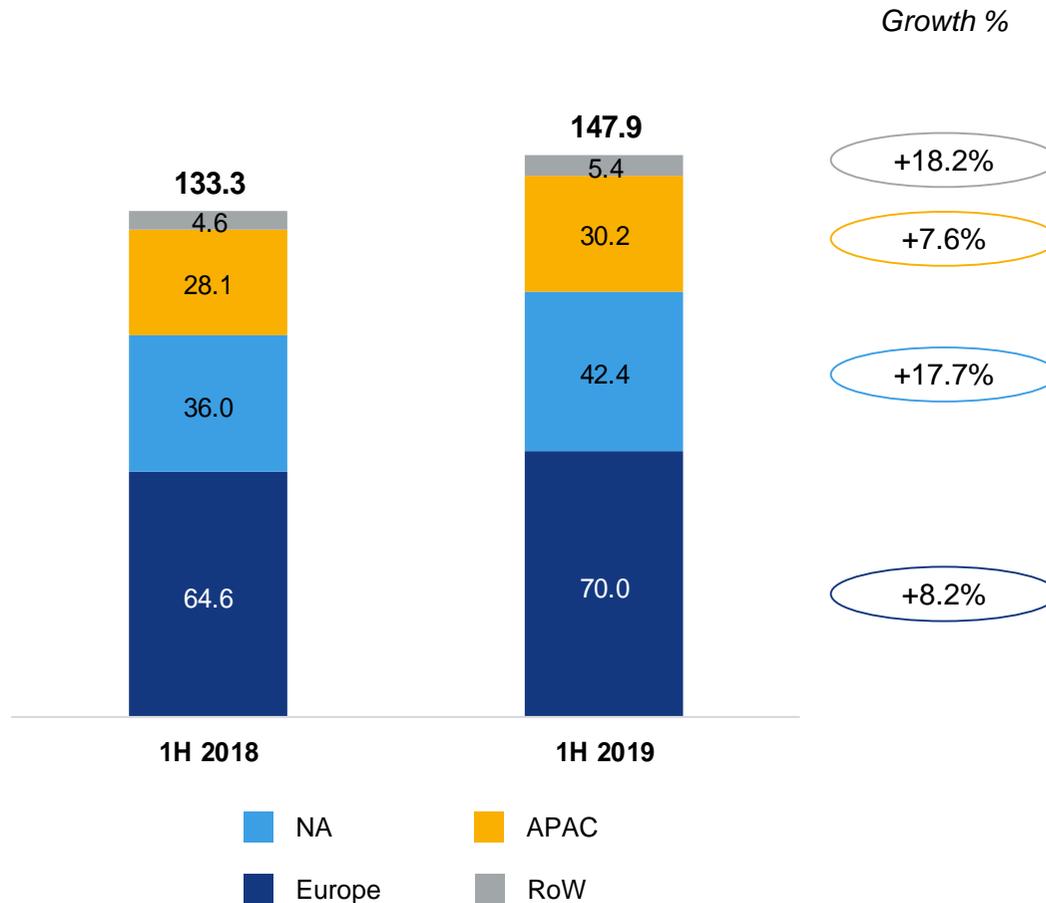
Notes:

- On a constant currency basis
- Extremities include Shoulder and Sports Med sales

3. Source: "Orthoworld: The Orthopaedic Industry Annual Report", published in May 2018. Content republished with permission from ORTHOWORLD, www.orthoworld.com

Regional segments 1H 2019 vs 1H 2018

Revenue by regions (€m)¹

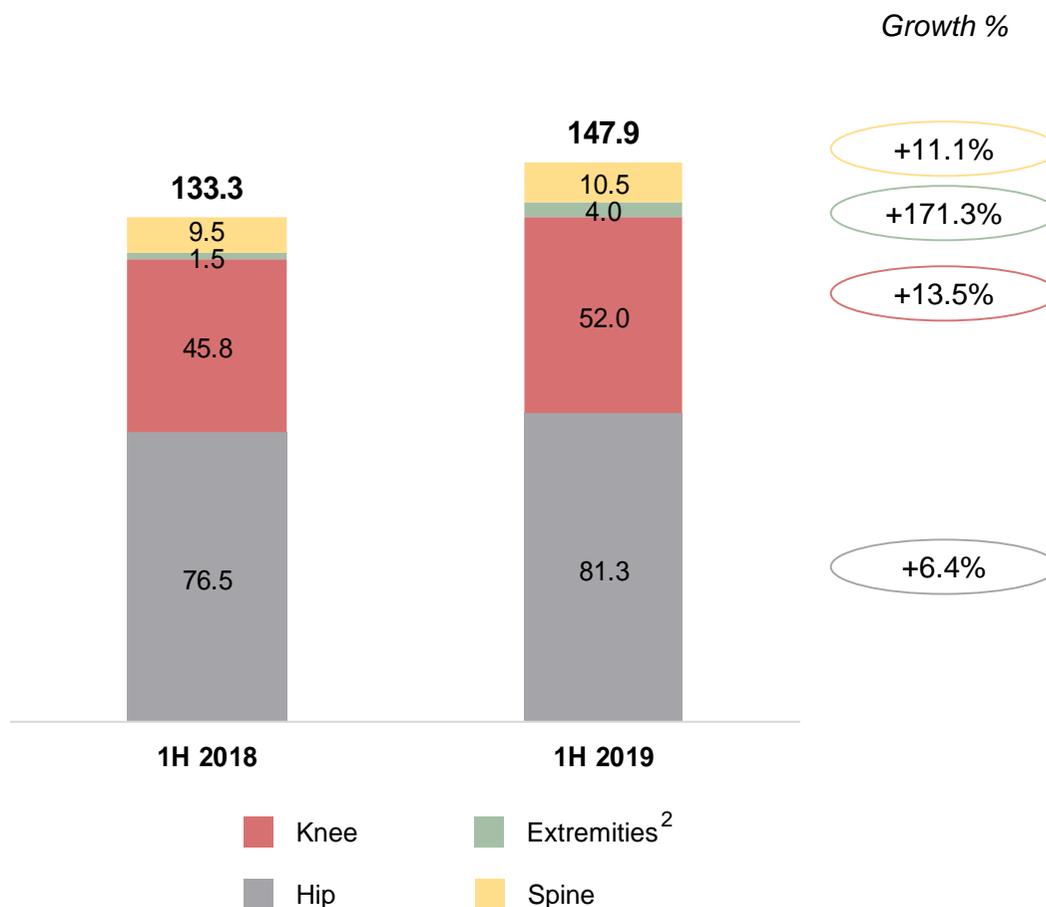


Commentary

- In Europe, the largest region in terms of revenue, sales increased by 8.2% to €70.0 million, in line with last year's growth
- The growth in the US was particularly high despite the slow performance of spine, and higher than prior period performance thanks to the effective expansion of the sales force
- In the APAC region, the sales increase was 7.6% at constant currency, with sales of €30.2 million, as a result of strong growth in Japan and a temporarily weaker development in Australia

Business segments 1H 2019 vs 1H 2018

Revenue by products (€m)¹



Commentary

- Revenue growth above market averages across all business lines
- In Hip, the AMIS approach continued to drive growth due to better operating room efficiency, better accuracy and ultimately better patient well-being
- In Knee, growth was driven by successful geographic expansion supported by a best in class product portfolio, educational programs on GMK Sphere, Kinematic Alignment and single use instruments
- In Extremities, the shoulder business has been successfully launched on a global basis and is steadily growing in line with management expectations, reaching a growth rate around 170% at CC
- In Spine, the growth was lower than expectations, especially in the US, due to the reorganization of the spine sales department

Notes:

- Before FX effects
- Extremities include Shoulder and Sports Med sales

Impactful Lugano Congress highlights Medacta's innovation leadership

9th M.O.R.E. international symposium

- Focus on the growing trend of personalized medicine and the impact of customizable tools and patient-matched solutions in various orthopedic disciplines
- 1,500 attendees, 900 orthopedic surgeons, 130 faculty members, 25 sessions over 3 days
- Special sessions on a variety of orthopedic disciplines, including hip, knee, spine, shoulder and sports med, each highlighting personalized surgical approaches and technology innovations
- Boost in sales expected in 2H 2019, with new customers already contributing to revenue growth



MySpine MIS Midline Cortical (MC) Platform awarded Best Healthcare Navigation / Robotics Solution

Next generation healthcare navigation and robotics solution

- MedTech Breakthrough Awards recognize game-changing technologies throughout the medical industry
- MySpine MIS¹ MC is a minimally invasive, patient-matched, 3D printed solution in the midline cortical approach, tailored to the patient's anatomy to allow for greater accuracy in pedicle screw positioning through pre-operative planning and intra-operative guidance tools
- MySpine MIS MC combines Medacta's expertise in 3D planning tools with its industry-leading patient-matched guides to create a seamless, start-to-finish platform perfect for orthopedic surgeons looking to enter the personalized spine surgery space in the outpatient or inpatient setting
- The key advantages of MIS include reduced risk of damage to soft tissue, faster recovery time and reduced post-operative pain


MySpine MC
PATIENT-MATCHED TECHNOLOGY
IN SPINE SURGERY

Minimally Invasive
Patient-Matched
Solutions



Sustained growth of the shoulder business underlined by the launch of new products

Medacta Shoulder System: An innovative modular shoulder replacement system

- Successfully rolled out the Medacta Shoulder System in the US, Australia and Japan
- Continued introduction of key technologies across global markets, with MyShoulder Placement Guides for shoulder arthroplasty launched in Japan and expected to be launched in the US in 1Q 2020
- Shoulder product range already fully sustained by the Education platform as part of the global rollout

MEDACTA SHOULDER SYSTEM

Tailored Platform for Individual Patient Needs



1H 2019 Financial performance

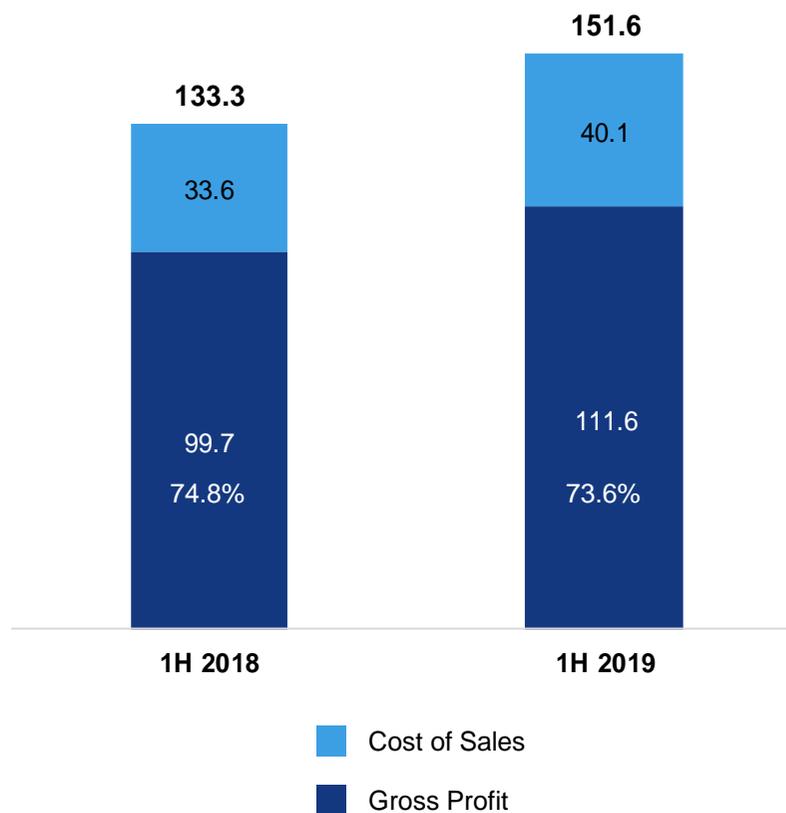


Key figures 1H 2019

Revenue (€m)	Gross profit (€m)	Adjusted and Norm. ⁽¹⁾ EBITDA (€m)
151.6	111.6	47.0
Revenue growth	Adjusted and Norm. ⁽¹⁾ EBITDA growth	Adjusted and Norm. ⁽¹⁾ EBITDA margin
+13.8% +11.0% cc	+8.8%	31.0%

Gross profit 1H 2019 vs 1H 2018

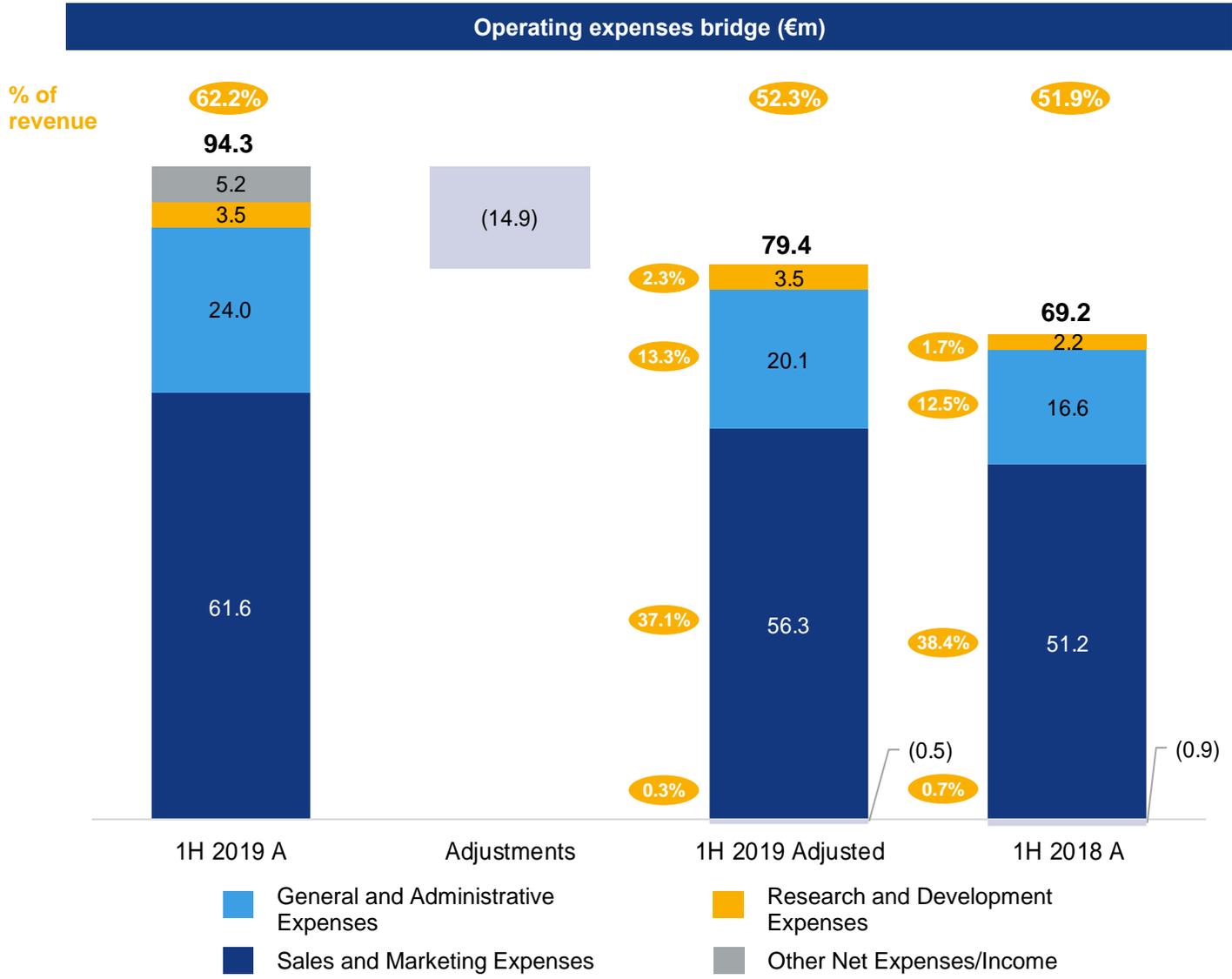
Reported Revenue vs. gross profit (€m)



Commentary

- Strong levels of profitability
- Variation between periods are normal due to phasing of some industrial costs
- 1H 2019 reduction driven by:
 - Expected price reductions occurring in the second semester of 2018 in certain European countries
 - Lower than targeted growth in the Spine business, which only partially offset price reductions in other product areas
 - Amortization effect of instruments due to slower sales growth

Operating expenses 1H 2019 vs 1H 2018

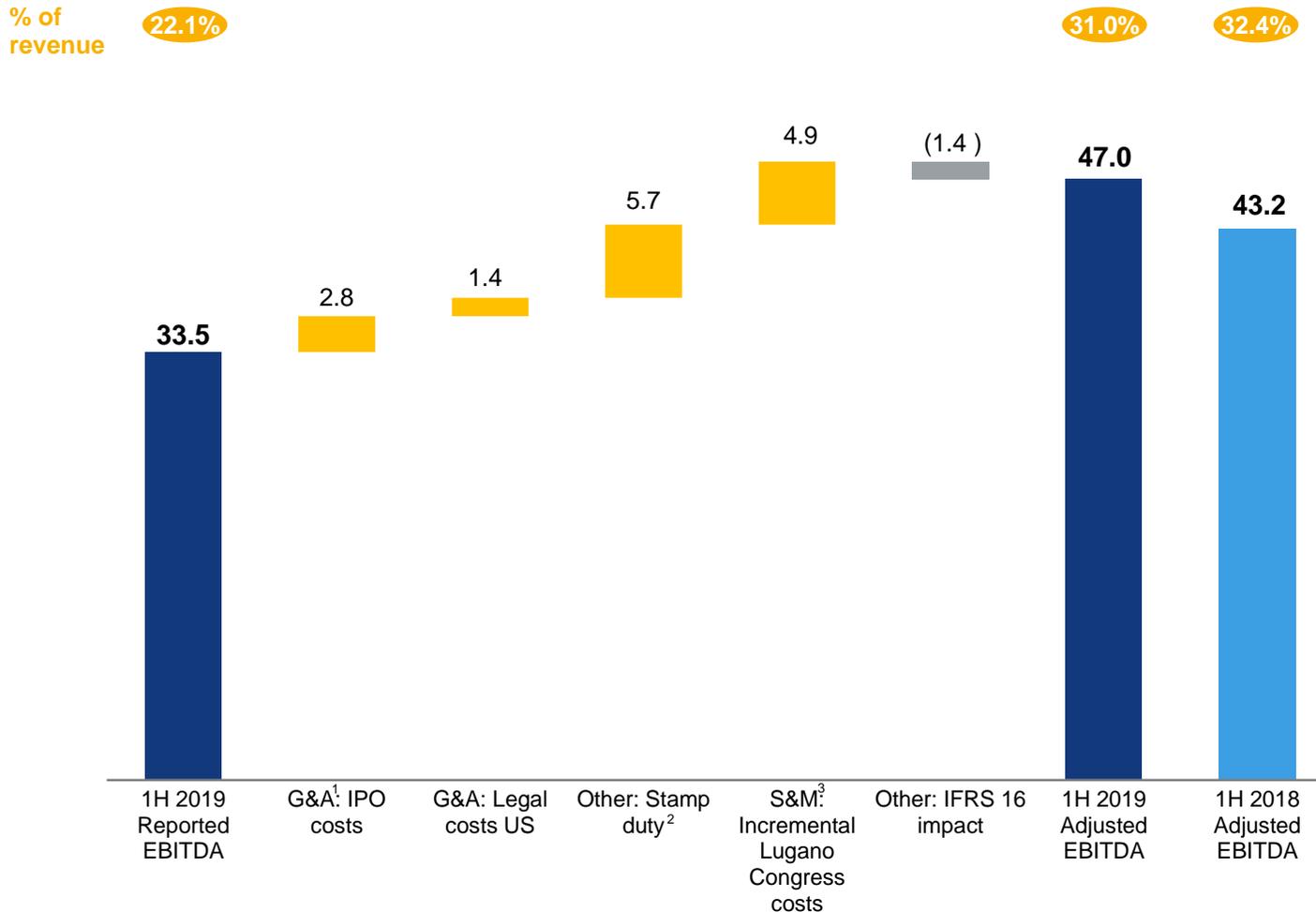


Commentary

- Non-recurring expenses of €14.9m:
 - Other Net Expenses/Income include one-time stamp duty costs of €5.7m related to the change of ownership structure
 - General and administrative expenses include €2.8m IPO costs and €1.1m extraordinary legal costs in the US
 - Sales and Marketing expenses include €4.9m incremental Lugano congress costs and €0.4m extraordinary legal costs in the US
- Business related expenses grew at the same pace as sales excluding extraordinary items (52.3% in 1H 2019 vs. 51.7% in 1H 2018)
 - Strengthened administrative department after IPO
 - Strengthened logistics and regulatory department to sustain growth
 - Sales and marketing as planned and in line with sales force expansion and education activity targets

Adjusted and Normalized EBITDA margin of 31.0% ⁽⁴⁾

EBITDA bridge (€m)



Commentary

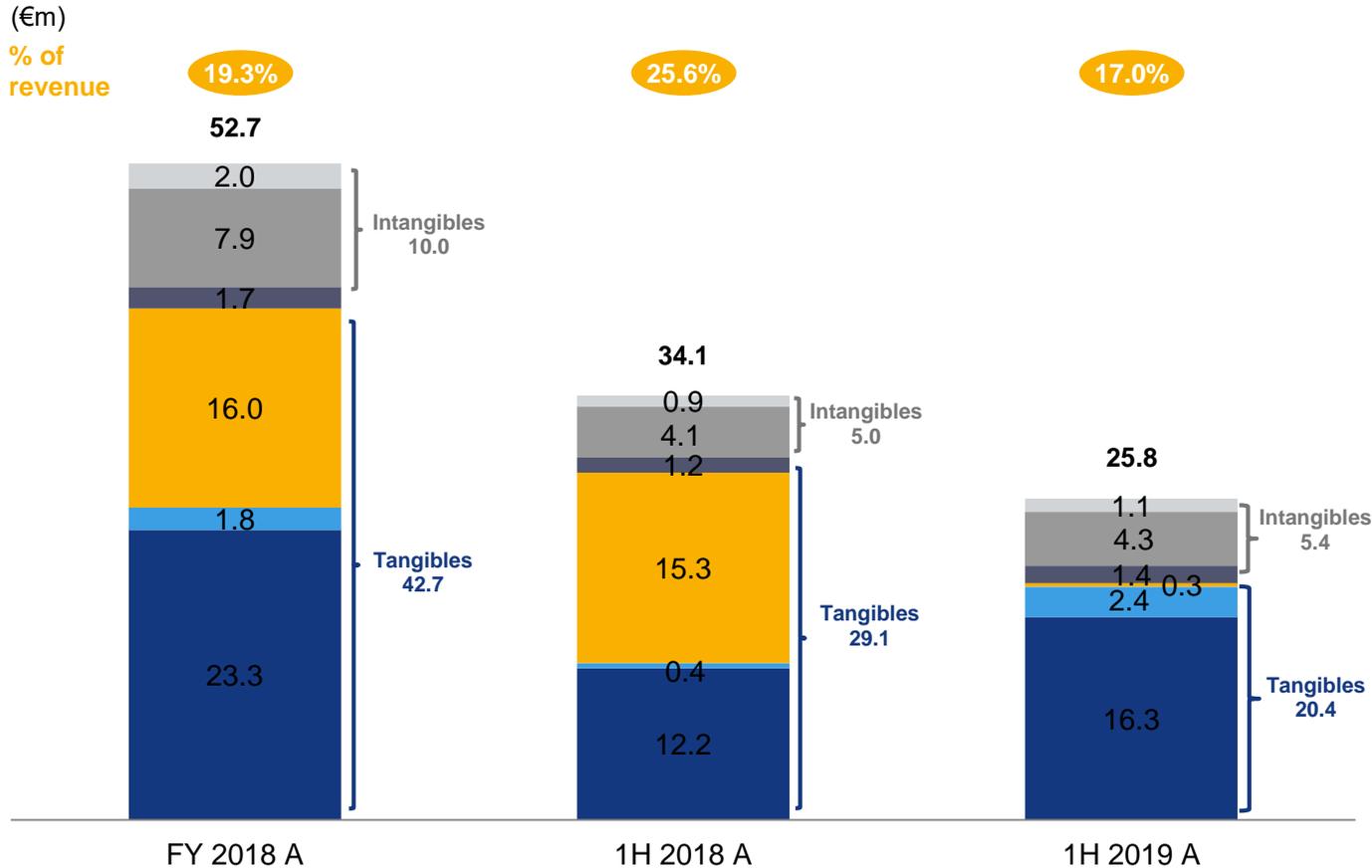
- Adjusted and Normal. EBITDA of €47.0m, corresponding to a margin of 31.0% on revenue compared to 32.4% in 1H 2018
- For the Lugano 9th M.O.R.E. Symposium in April 2019, more than 1,500 attendees took part in tailor-made orthopedic training sessions on Medacta's innovative surgical techniques and implants. This successful event generated non-recurring, incremental costs of €4.9m to be excluded for comparison purposes with 1H 2018 results. The year end results will not be normalized
- Non-recurring/one-time expenses include IPO costs (€2.8m), extraordinary legal costs in the US for Microport lawsuit and patent rights (€1.4m) and stamp duty costs related to the change in ownership structure (€5.7m)
- IFRS 16 adoption impacted for (€1.4m) on the Adjusted EBITDA

Notes:

- G&A: General and administrative
- Stamp duty amounts have been returned to the Company by shareholders
- S&M: Sales and marketing
- For a reconciliation to Reported EBITDA, see also pages 9 to 12 of the Half-Year Report 2019

1H 2019 Results - Capital expenditures

Investments in tangible and intangible assets



Commentary

1H 2019:

- Capex less than 1H 2018 (€8.3m) mainly due to:
 - Land & Building, (€15.0m), for new plant in Rancate bought in 2018
 - Instruments, +€4.0m, to support sales growth
 - Plant & Machinery, +€2.0m, to increase production capacity
- Instruments higher than 1H 2018 due to ramp up investments to sustain the growth and fulfill request from the market

Notes:

1. Instruments are netted by proceeds from sale of tangible assets
2. Land and building, plant and machinery and fixture and fittings do not include investments in leasing

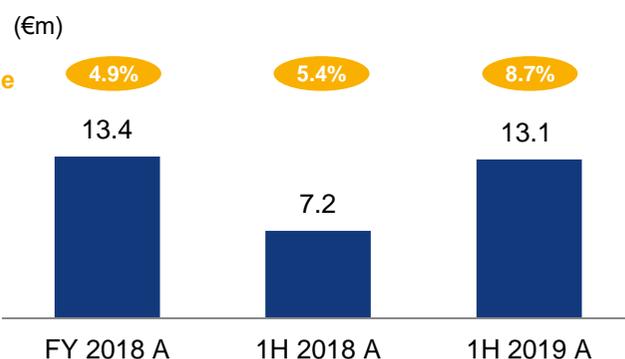
1H 2019 Results – Adjusted and Normalized Cash flow⁽⁴⁾ and working capital

Consolidated cash flow		
(€m)	1H 2019	1H 2018
Cash flow from operating activities	14.8	31.2
Cash flow from investing activities	(26.2)	(37.9)
Free cash flow	(11.4)	(6.7)
Abnormals	13.5	14.7
Free cash flow adjusted and normalized	2.0	8.0

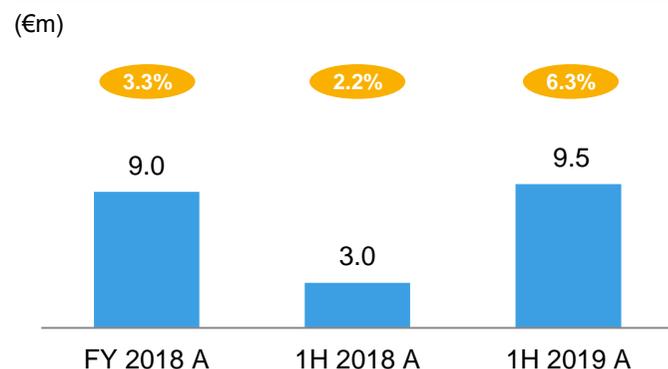
Commentary

- Reduction in adjusted free cash flow due to higher investments in instruments in 1H 2019 along with an increase in working capital and inventory
- Evolution in inventory driven by both realized and expected growth
- Increase in working capital and inventory in 1H 2019 reflects the normal trend of business, as the company had undergone optimization in 1H 2018

Change in net working capital



...out of which change in inventory



Notes:

1. Adjustments in 1H 2019 include IPO costs of €2.8m, legal expenses of €1.4m, stamp duty of €5.7m and IFRS 16 impact of (€1.4m)
2. Adjustments in 1H 2018 include IPO costs of €0.3m and an investment in the Rancate plant of €14.4m
3. Normalization in 1H 2019 includes incremental costs of the Lugano congress of €4.9m
4. For a reconciliation to Reported Cash Flow, see pages 9 to 12 of the Half-Year Report 2019

Outlook



Priorities 2H 2019

- **Follow-up on the M.O.R.E. activities of 1H to have a notable impact on 2H sales**
- **Expansion of core joint products in key markets**
- **Increase market penetration in key geographies and innovation in product portfolio to accelerate growth in the knee segment**
- **Continue to drive spine sales force reorganization**
- **Full rollout of MySpine MIS MC and M.O.R.E education in all key regions to accelerate spine growth**
- **Launch of additional shoulder products and expand shoulder sales in all geographies**
- **Entry into sports med markets in the US and Australia**
- **Continue to apply strong operating cost discipline**
- **Improve sales / instrument ratio**

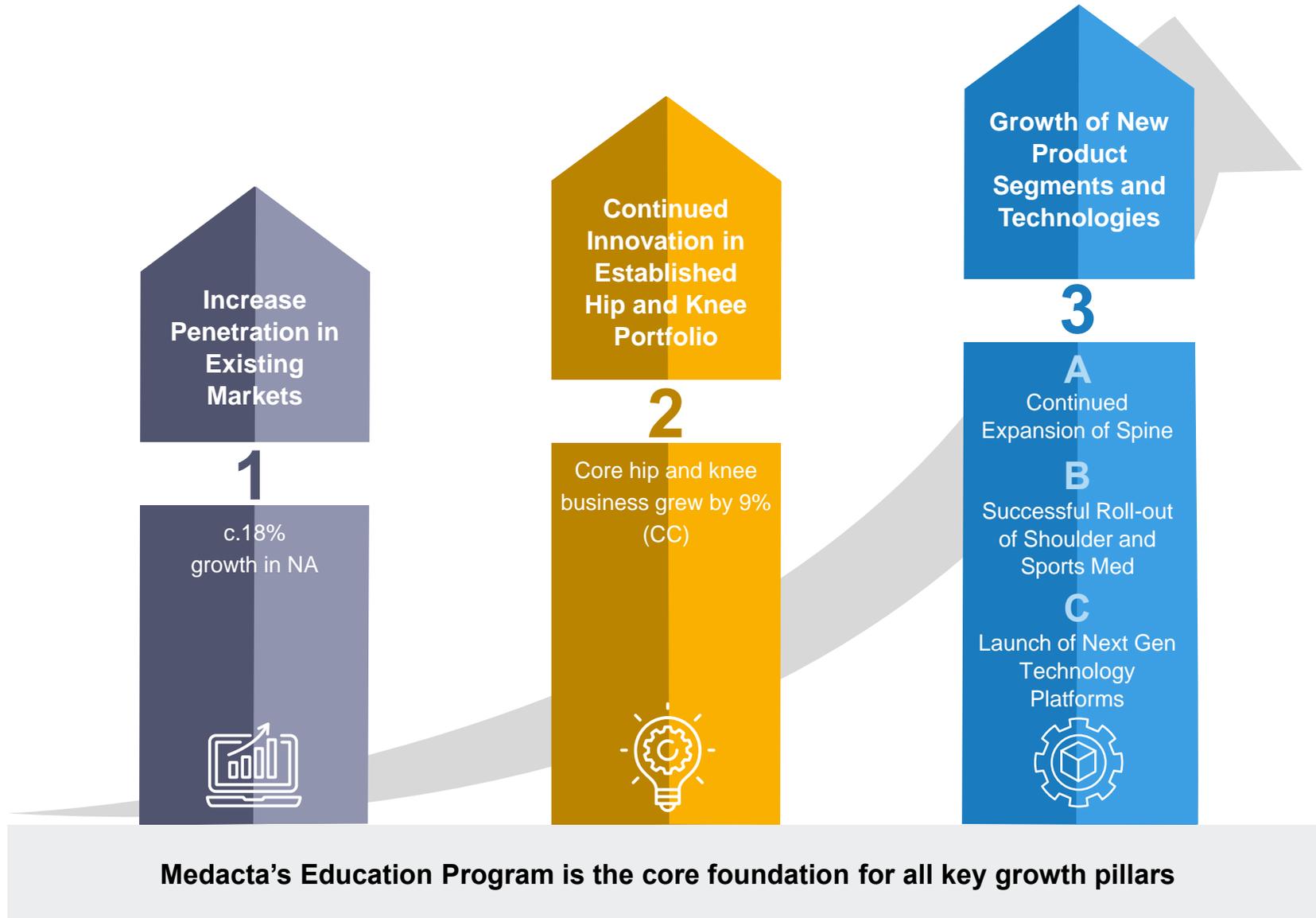
Outlook: Financial Targets

Metric	2019 Target	Commentary
Revenue growth	Mid teens	On track / low-end
Adjusted EBITDA margin ¹	32% +/- 100bps	On track / low-end
Capex	~10-12% of total revenue	Above target
Change in Net Working Capital	~5-7% of total revenue	On track
Tax rate	~21%	Better than target
Dividend pay-out	20-30% of net income	Stable

Notes:

1. For the financial year ended 31 December 2019, EBITDA will be adjusted for certain IPO related costs, including, among others, SIX listing fees, share registrar fees, advisor fees, auditor fees and a one time duty in the range of approximately 0.25% to 0.4% of the total market capitalization in accordance with applicable tax rulings
2. Potential upside subject to Swiss tax reform

Key Pillars of Medacta's Growth Strategy



Appendix



Consolidated financial statements (unaudited)

Profit & loss statement (€m)		
(€'000)	1H 2019	1H 2018
Revenues	151,638	133,271
<i>Growth (%)</i>	13.8%	
COGS	(40,059)	(33,588)
Gross profit	111,579	99,683
<i>Margin (%)</i>	73.6%	74.8%
R&D expenses	(3,502)	(2,231)
Sales and Marketing expenses	(61,566)	(51,235)
General and Admin expenses	(24,009)	(16,619)
Other income	1,172	1,114
Other expenses	(6,365)	(230)
EBIT	17,309	30,482
<i>Margin (%)</i>	11.4%	22.9%
Financial income	1,227	1,991
Financial costs	(5,132)	(2,209)
Profit before taxes	13,404	30,264
Income taxes	(2,108)	(6,055)
Net Income	11,296	24,209
Note		
Adjusted EBITDA	46,955	43,158