

Press Release

Medacta expands further achieving strong revenue growth and profitability

Castel San Pietro, 3 September 2019 – Medacta Group SA (“Medacta”, SIX:MOVE), a high-growth, pure play orthopedics company, published its semi-annual report today. Medacta continued to outperform the market and achieved revenues of EUR 151.6 million, up by 13.8% in comparison to the previous year (+11.0% at constant currency). Sales increased in all regions and across all business lines. The adjusted and normalized EBITDA (as defined below) reached EUR 47.0 million, corresponding to a margin of 31.0%. Guidance for the full-year 2019 is confirmed, and Medacta expects sales growth in the teens range (13-17%) at constant currency and an adjusted EBITDA margin of 32% +/- 100 basis points.

Francesco Siccardi, CEO of Medacta, commented on the successful first half-year 2019: “I am pleased with the pace of expansion and the solid results achieved. Our core business continues to prosper, well sustained by the global accelerated growth, in particular in the US market. The new Shoulder business line has been successfully launched on a global scale, while the Spine growth, especially in the US, did not fully meet our expectations. We are committed to reach our communicated growth and margin targets and exploit market opportunities in the best interest of the company and its shareholders.”

Key financial figures (Euro million)	30.06.2019	30.06.2018
Revenues	151.6	133.3
Gross profit	111.6	99.7
OPEX	94.3	69.2
EBITDA	33.5	42.8
Adjusted and normalized EBITDA*	47.0	43.2
Adjusted and normalized EBITDA margin*	31.0%	32.4%
Free Cash Flow	(11.4)	(6.7)
Adjusted and normalized Free Cash Flow*	2.0	8.0

* Adjusted for IPO costs and extraordinary legal expenses (Euro 4.3 million), one-time tax duty (Euro 5.7 million), and normalized for the M.O.R.E. Symposium Lugano (Euro 4.9 million incremental costs) and positive effect from IFRS 16 adoption (Euro 1.4 million).

Strong organic growth in all the key markets

Medacta is growing significantly faster than the global orthopedics market. This trend continued in the first half of 2019 as Medacta sales increased by 13.8% compared to the same period last year, from Euro 133.3 million to Euro 151.6 million. The solid growth was driven by increased sales in all regions and business lines. Currency effects had a positive impact on reported results, mainly due to the development of the US Dollar and the Swiss Franc against the Euro, with total sales growth of 11.0% YoY at constant currency.

In a market showing an average growth rate of about 3–4%, Medacta has outgrown the market in all regions, recording a strong organic growth.

The growth in the US, equal to 17.7% YoY at constant currency and reported revenue for Euro 45.2 million, was particularly high and higher than prior period performance thanks to the effective expansion of the sales force in a country with a low market penetration, supported by a strong execution. In the course of the first semester, the new US headquarters in Franklin/Tennessee was inaugurated, with planned investments of around Euro 2.5 million.

In Europe, the largest region in terms of revenues, sales increased by 8.2% YoY at constant currency to Euro 70.6 million, in line with last year's growth.

In the APAC region the sales increase was 7.6% YoY at constant currency, with reported sales of Euro 30.3 million, as a result of a strong growth in Japan and a temporary weaker development in Australia.

In the other minor markets, the increase of 18.2% YoY at constant currency was notable due to the revenues generated by successful distributors.

Core business prospering and successful entry in the shoulder market

Overall, Medacta's surgical approach is predominantly seen as a substitute for standard procedures because it offers better operating room efficiency, better accuracy and ultimately better patient well-being.

The pioneering technology is AMIS (Anterior Minimally Invasive Surgery), a hip replacement technique that follows both an intermuscular and internervous path to greatly decrease damage to periarticular structures while preserving tissue, and which is supported by the industry's most detailed surgeon training protocol. In May 2019, the AMIS procedure was successfully applied worldwide for the 350,000th time. As a result of this strategy, the largest Medacta's Joints product line, Hip, continues growing significantly faster than the market, achieving sales growth of 6.4% YoY at constant currency and reported sales of Euro 82.9 million.

In the Knee product line, there was strong growth of 13.5% YoY at constant currency, with reported sales of Euro 53.7 million. These were mainly driven by successful geographic expansion, supported by a best-in-class product portfolio and educational programs on GMK Sphere, Kinematic Alignment and single-use instruments. The core Hip and Knee business grew by 9% YoY at constant currency in the reporting period, in line with the previous year's growth.

The Shoulder business has been successfully launched on a global scale and is steadily growing in line with management expectations, reaching a growth rate of around 170% YoY at constant currency and reported revenue of Euro 4.2 million. The whole Joint business grew by 11% YoY at constant currency, slightly better than last year's performance.

Sales in the Spine business line increased by 11.1% YoY at constant currency to Euro 10.9 million, but has not yet fully met the company's expectations. We continue to invest in R&D to support our strategy, and we are glad to inform you that in 2019 the Minimally Invasive MySpine Midline Cortical (MC) platform has

been recognized as this year's "Best Healthcare Navigation/Robotics Solution" by MedTech Breakthrough. Medacta is confident that the reorganization of its Spine sales department that has been initiated, along with investments to develop its product portfolio, will yield positive results, especially in the US. This business line is expected to grow significantly faster in the second half of the year, which we expect will have a noticeable effect on operating profit.

High profitability

For the first time in Medacta's history, Gross Profit exceeded the Euro 100 million threshold. It increased by 11.9% YoY from Euro 99.7 million in the previous year to Euro 111.6 million in the reporting period due to the revenue growth achieved. The Gross Profit margin showed a reduction of 1.2 percentage points to 73.6% in comparison to the previous year, due to expected price reductions that occurred in the second semester of 2018 in certain European countries, and to the limited growth in the Spine business line, which only partially offset the negative price trend in the core business.

Normalized EBITDA of 31.0%

Medacta continued to invest in the growth of the company, and this is reflected in an increase in business-related costs. Operating expenses increased by Euro 25.1 million, from Euro 69.2 million in the previous year to Euro 94.3 million in the first semester of 2019. These included onetime expenses associated with the IPO and extraordinary legal costs of around Euro 10 million. Excluding IPO costs and pre-IFRS 16, operating expenditures increased by Euro 15 million, of which approximately Euro 6 million were related to the 9th M.O.R.E. Symposium in Lugano. The Symposium was a successful event where more than 1,500 attendees took part in tailor-made orthopedic training sessions on Medacta's innovative surgical techniques and implants.

Adjusted for IPO and non-recurrent costs, EBITDA amounted to Euro 43.5 million (H1 2018: Euro 43.2 million), corresponding to a margin of 28.7% (H1 2018: 32.4%). In addition to the adjustments we normalized the June 30, 2019 EBITDA to ensure comparability with prior period. The normalization adjustments are related to the abnormal concentration of costs for the Symposium event in Lugano, for an amount of approximately Euro 4.9 million out of the total Euro 6 million, and the adoption of the IFRS 16 effective January 1, 2019, which resulted in a positive impact of Euro 1.4 million.

Adjusted and normalized EBITDA, comparable to the previous year, was Euro 47.0 million, equal to 31.0% as a percentage of revenue (H1 2018: Euro 43.2 million or 32.4%). The reported operating income at EBITDA level amounted to Euro 33.5 million, corresponding to a margin of 22.1%.

Tax rate reduction

Net profit amounted to Euro 11.3 million, compared to Euro 24.2 million in the previous year. The reduction in net profit is mainly due to the above-mentioned exceptional costs of around Euro 14.9 million, and to net financial costs of Euro 3.9 million, out of which Euro 3.3 million are related to unrealized exchange rate losses. The tax rate for the first semester is significantly lower than the previous year, shifting from 20% to about 16%. This reduction is due to the revision of the communal tax rate where the Group has its registered office, Castel San Pietro (CH) and resulted in approximately 1% reduction in the

nominal tax rate at consolidated level. Further to this reduction we had a one-off additional positive effect given by the update of Medacta's deferred tax assets and liabilities.

Operating Cash Flow

Cash flow from operating activities amounted to Euro 14.8 million, after investments in operating working capital of Euro 13.1 million, mainly due to additional goods in stock to sustain the revenue growth. Adjusted for exceptional costs, Cash Flow from operating activities was equal to around Euro 28.3 million.

Outlook 2019

Surgeons are at the heart of the Medacta system. Since the technology used – “how to implant the implant” – is of great importance for realizing the added value of Medacta solutions, Medacta offers comprehensive education and training programs for surgeons. It is therefore particularly gratifying that the positive feedback after the 9th M.O.R.E. Symposium in Lugano is already generating new customers, which we expect will contribute to further increase sales growth in the second semester across all our existing business lines and key markets.

For the full-year 2019, Medacta confirms its guidance with sales growth at constant currency in the mid-teens range (13–17%) and an adjusted EBITDA margin of 32% (+/- 100 basis points).

Detailed reporting

Medacta's half-year report 2019 can be downloaded via the following link:
<https://www.medacta.com/EN/financial-reports>

Conference call today at 02.30 pm (CEST)

Medacta will present its half-year results 2019 during a conference today at 02:30 pm (CEST). Francesco Siccardi (CEO) and Corrado Farsetta (CFO) will present the results followed by a question and answer session. The call will be held in English.

Conference ID: EV00094358

Dial-in numbers: CH: +41 445806522
DE: +49 69201744220
UK: +44 2030092470
USA: +1 8774230830

PIN: 70034258#

To follow the presentation, please use the below webcast link (no audio signal):
<https://webcasts.eqs.com/medactaint20190903/no-audio>

The conference call can also be followed live as a webcast with audio signal and presentation via the following link: <https://webcasts.eqs.com/medactaint20190903>

Financial Calendar

6 April 2020	Full-year results 2019
19 May 2020	Annual General Meeting

Contact

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About Medacta

Medacta is an international orthopedics company specializing in the design and production of innovative orthopedic products and the development of accompanying surgical techniques. 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 orthopedic 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. Medacta is headquartered in Castel San Pietro, Switzerland, and employs 1'041 people. To learn more about Medacta, please visit www.medacta.com

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 Half-Year Report 2019 available on our website at <https://www.medacta.com/EN/investors>.

Unaudited Financial Results

The financial information contained in this press release is unaudited.

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. The 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

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