



## 1H 2021 Financial Results

10 September 2021

A thick, dark blue wave-like graphic that starts near the bottom left and curves upwards towards the right, spanning the width of the slide.

# Disclaimer

This presentation (the “Presentation”) has been prepared by Medacta Group SA (“Medacta” and together with its subsidiaries, “we”, “us” or the “Group”). The information contained in the Presentation does not purport to be comprehensive. Please refer to the financial reports available on our website at <https://www.medacta.com/EN/investors>.

## Unaudited Financial Results

The financial information contained in this Presentation is unaudited.

## Forward-looking information

This Presentation 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 Presentation. 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

This Presentation 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 our Half-Year 2021 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 2021 Half-Year Report.

The 2021 Half-Year Report is available at <https://www.medacta.com/EN/financial-reports>.

**THIS PRESENTATION IS NOT AN INVITATION TO PURCHASE SECURITIES OF MEDACTA OR THE GROUP.**



# FRANCESCO SICCARDI

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Chief Executive Officer

# 1H 2021 Highlights\*

## REVENUES

EUR 177.5M

+35.4% growth before FX effects from prior period<sup>1</sup>  
+31.7% reported growth

<sup>1</sup> Is calculated as the difference between the current and historical period results translated using the current period exchange rates.

## ADJUSTED EBITDA MARGIN <sup>2</sup>

31.9%

28.2% Reported EBITDA Margin  
EUR 56.6M Adjusted EBITDA<sup>3</sup>

<sup>2</sup> Adjusted EBITDA margin, is calculated as adjusted EBITDA as a percentage of Revenue for the period.

<sup>3</sup> Is calculated as EBITDA, adjusted for non-recurring items: provisions on litigations and extraordinary legal expenses.

## ADJUSTED EBIT MARGIN <sup>4</sup>

21.4%

17.8% Reported EBIT Margin  
EUR 38.1M Adjusted EBIT<sup>5</sup>

<sup>4</sup> Adjusted EBIT margin, is calculated as adjusted EBIT as a percentage of Revenue for the period.

<sup>5</sup> Is calculated as EBIT, adjusted for non-recurring items: provisions on litigations and extraordinary legal expenses.

## PROFIT FOR PERIOD

EUR 29.7M

16.8% on Revenues  
EUR 1.49 EPS<sup>6</sup>

<sup>6</sup> There is no a material effect of dilution, and diluted earnings per share equals basic earnings per share.

## ADJUSTED FREE CASH FLOW <sup>7</sup>

EUR 13.4M

<sup>7</sup> Adjusted Free Cash Flow is calculated as IFRS cash flow from operating activities plus IFRS cash flow from investing activities and adjusted for certain non-recurring items.

## NUMBER OF EMPLOYEES

1'246

63 new jobs added in H1 2021

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# 1H 2021 Highlights

- **1H 2021 revenue increased to Euro 177.5 million, or 35.4% at constant currency (31.7% reported)** vs 1H 2020 thanks to a significant carry-over and customer acquisition, in addition to normalization of surgery activities, **with positive contributions from all business lines and geographies**
- **Gross Profit margin** improved to **72.5%** (69.7% in 1H 2020) **and adjusted EBITDA** increased to **Euro 56.6 million**, corresponding to **31.9% margin** (23.8% in 1H 2020)
- **Adjusted Free Cash Flow of Euro 13.4 million**, up Euro 18.1 million compared to 1H 2020
- **50+ new products registered** across all our business lines, continued hiring of personnel to support the **operation and the salesforce expansion and investment in additional surgical instruments to serve new customers**
- **Ongoing Marketing & Education** activities and, **since June, international travel and congresses have restarted**

# Deployment of the NextAR™ AR Surgical Platform



- In June 2021, the **first surgeries** based on our NextAR Augmented Reality (AR) Surgical Platform were performed **in Europe**, following the **CE-marking** of the **Knee, Shoulder and Spine Applications**
- Also, in May 2021, the NextAR **Shoulder Application** received **FDA clearance**, further expanding the U.S. NextAR offering, which already included the Knee Application, FDA-cleared in 2020
- NextAR enhances our **MySolutions Ecosystem**, empowering **our holistic approach to personalized medicine**, and has the potential to **improve surgical accuracy**
- Thanks to its **limited upfront capital investment and reduced cost per case** compared to other technologies, the platform enhances healthcare system sustainability worldwide. The engineered design has the great advantage of utilizing a **single platform for all procedures for both joint replacement and spine applications**, allowing for a lean logistics and hardware management. These are key **benefits in many markets and in particular for US Ambulatory Surgery Centers (ASCs)**.

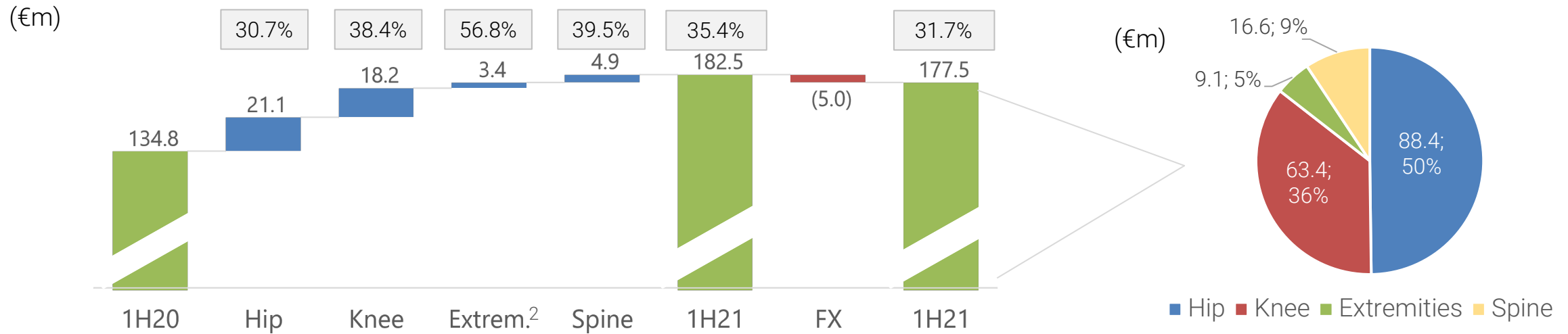


# CORRADO FARSETTA

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Chief Financial Officer

# 1H 2021 Revenue<sup>1</sup> Bridge by Product Line



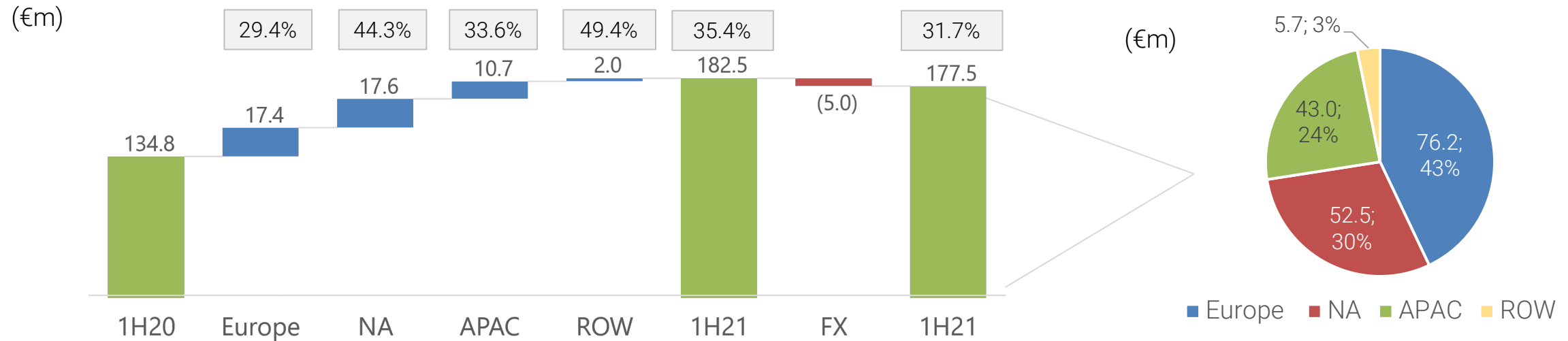
- The good momentum of **Hip** was generated by the acquisition of new customers through the AMIS strategy supported by the roll-out of new products
- The **Knee** growth was due to the continuous customer acquisition on personalized solutions and GMK Sphere platform
- The **Extremities** delivered a positive performance thanks to the completeness of the Medacta Shoulder System supported by personalized solutions and the expansion of the Sports Med product offer
- The **Spine** performance was driven by newly launched products, innovative technologies, and salesforce expansion

## Notes

1. Unaudited
2. Extremities include Shoulder and Sports Med revenue



# 1H 2021 Revenue<sup>1</sup> Bridge by Geographic Area



- In **Europe**, France, Italy and Belgium, the countries most affected by Covid-19 in 1H 2020, recorded the strongest growth, followed by the “DACH” countries
- **North America** delivered an outstanding performance thanks to our customer acquisition, salesforce expansion and increased activity level in ASCs
- In **Asia Pacific**, the increase was driven by the attainment of new customers through the expansion of our salesforce in 2020
- In **RoW**, the growth was reported thanks to restart of purchases from stocking distributors and the creation of new distributors in the Middle East and Eastern Europe

Notes:  
1. Unaudited

# 1H 2021 P&L: Remarkable Profitability<sup>1</sup>

PROFIT & LOSS STATEMENT (€m)	1H 2020 A	1H 2021 A
Revenues	134.8	177.5
Cost of Sales	(40.9)	(48.9)
<b>GROSS PROFIT</b>	<b>93.9</b>	<b>128.6</b>
<i>GROSS PROFIT MARGIN</i>	69.7%	72.5%
Research and Development expenses	(3.3)	(4.5)
Sales and Marketing expenses	(54.4)	(61.0)
General and Administrative expenses	(23.0)	(31.4)
Other income	0.4	0.6
Other expenses	(0.6)	(0.8)
<b>TOTAL OPEX</b>	<b>(80.8)</b>	<b>(97.1)</b>
<b>OPERATING PROFIT(EBIT)</b>	<b>13.1</b>	<b>31.6</b>
<i>EBIT MARGIN</i>	9.7%	17.8%
Depreciation and Amortization	18.8	18.5
<b>Reported EBITDA</b>	<b>31.9</b>	<b>50.1</b>
<i>EBITDA MARGIN</i>	23.6%	28.2%
<b>Adjusted EBITDA<sup>2</sup></b>	<b>32.1</b>	<b>56.6</b>
<i>ADJUSTED EBITDA MARGIN<sup>3</sup></i>	23.8%	31.9%
Financial Results	(3.8)	0.0
<b>PROFIT BEFORE TAXES</b>	<b>9.3</b>	<b>31.6</b>
Income Taxes	0.4	(1.9)
<b>PROFIT FOR THE PERIOD</b>	<b>9.7</b>	<b>29.7</b>
<i>PROFIT MARGIN</i>	7.2%	16.8%

## Notes:

1. For a reconciliation of Alternative Performance Measures please refer to section headed "Alternative Performance Measures" of the 2021 Half-Year Report. The Half-Year Report is available at <https://www.medacta.com/EN/financial-reports>.

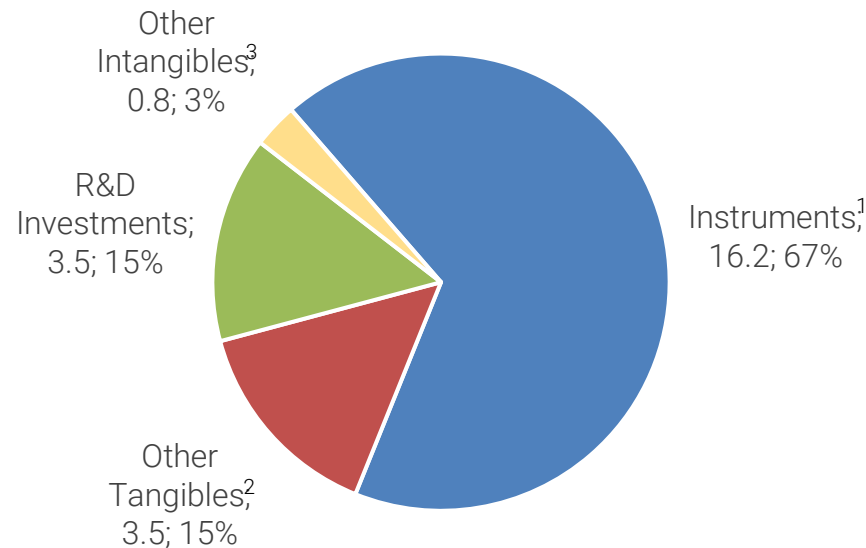
2. Adjusted EBITDA is calculated as EBITDA adjusted for non-recurring items: provisions on litigations and extraordinary legal expenses.

3. Adjusted EBITDA margin is calculated as adjusted EBITDA as a percentage of Revenue for the period.

# 1H 2021 Investments for Future Growth

1H 2021 Investments	EUR 24.1m
% of Revenues	13.6%

(€m)



- **Investments in instruments and in the development of new implants and surgical instruments** to feed new customers started in 2021 and sustain the growth
- Other tangible investments include Euro 1.9 million to create **new offices in our Rancate site**. This investment is expected to be completed in the course of 2021.

## Notes:

1. Instruments are netted by proceeds from sale of tangible assets
2. Other Tangibles include plant & machinery, fixture and fittings, tools & equipment (except instruments)
3. Other Intangibles include trademarks, license and other intangible assets

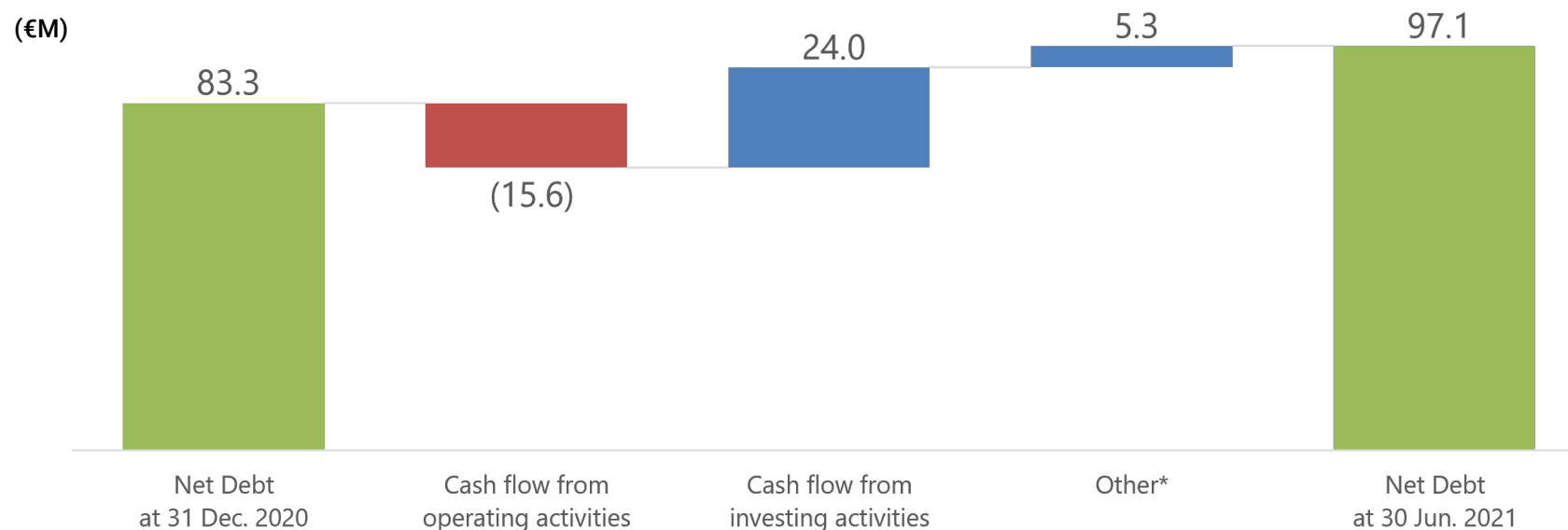
# 1H 2021 Positive Free Cash Flow<sup>1</sup> Generation after Investments for Future Growth

ADJUSTED FREE CASH FLOW (€m)	1H 2020 A	1H 2021 A
<b>PROFIT FOR THE PERIOD</b>	9.7	29.7
P&L Adjustments:		
Income tax expenses	(0.4)	1.9
Depreciation and amortisation	18.8	18.5
Other P&L non-cash transactions	1.0	5.6
Movements in working capital and other	(16.5)	(40.2)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>12.5</b>	<b>15.6</b>
Adjustments to the operating activities:		
Legal costs	1.7	2.0
Incremental taxes paid in 2021 <sup>2</sup>		18.0
<b>ADJUSTED CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>14.2</b>	<b>35.6</b>
CAPEX	(20.4)	(24.1)
Other investments	(0.0)	0.0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(20.5)</b>	<b>(24.0)</b>
Adjustments to the operating activities:		
Rancate Investments	1.5	1.9
<b>ADJUSTED CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(18.9)</b>	<b>(22.1)</b>
<b>ADJUSTED FREE CASH FLOW</b>	<b>(4.7)</b>	<b>13.4</b>

**Notes:**

- For a reconciliation of Alternative Performance Measures please refer to section headed "Alternative Performance Measures" of the 2021 Half-Year Report. The Half-Year Report is available at <https://www.medacta.com/EN/financial-reports>.
- In 2021 Medacta International paid income taxes for a total amount of CHF 23'238 thousand (Euro 21'235 thousand) out of which CHF 19'728 thousand (Euro 18'028 thousand) are related to the settlement of 2017 and 2018 fiscal years.

# Net Financial Debt: Strong Liquidity and Well Funded for Future Growth



- Other includes Euro 2.9 million repayment lease liabilities, Euro 0.3 million purchase of treasury shares, Euro 2.5 million non cash transactions and Euro -0.3 million exchange rate effect. As part of the share purchase plan program to fund the 2021 share-based compensation award cycle, Medacta as of June, 30, 2021 repurchased 2'633 shares. Non-cash transactions includes the incremental contractual liabilities for the acquisition of exclusive rights to use and develop technologies from an external supplier for a total amount of Euro 1'977 thousand and the change in fair value of financial derivatives for Euro 572 thousand.



# FRANCESCO SICCARDI

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Chief Executive Officer

# 2021 Outlook Confirmed

- The **second semester 2021 revenue growth is expected to normalize** as the 2020 comparative period already benefited from previous pent-up demand in certain geographic areas
- We confirm our 2021 **guidance** of **revenue**, revised upward last July, within a range of **Euro 355 million to Euro 375 million** at constant currency and **an adjusted EBITDA margin largely in line with 2020**, subject to any unforeseen events, specifically from the Covid-19 pandemic

# Q&A

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# APPENDIX

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# Interim Consolidated Statement of Profit or Loss

	Unaudited 30.06.2021	Unaudited 30.06.2020
(Thousand Euro)		
Revenues	177'488	134'808
Cost of Sales	(48'851)	(40'862)
<b>GROSS PROFIT</b>	<b>128'637</b>	<b>93'946</b>
Research and Development expenses	(4'550)	(3'265)
Sales and Marketing expenses	(60'981)	(54'404)
General and Administrative expenses	(31'369)	(22'992)
Other income	632	393
Other expenses	(790)	(562)
<b>OPERATING PROFIT(EBIT)</b>	<b>31'579</b>	<b>13'116</b>
Financial income	4'902	1'775
Financial costs	(4'892)	(5'616)
<b>PROFIT BEFORE TAXES</b>	<b>31'589</b>	<b>9'275</b>
Income taxes	(1'851)	409
<b>PROFIT FOR THE PERIOD</b>	<b>29'738</b>	<b>9'684</b>
<b>ATTRIBUTABLE TO</b>		
Equity holders of the parent	29'738	9'684
Non-controlling interests	-	-
<b>BASIC EARNINGS PER SHARE</b>	<b>1.49</b>	<b>0.48</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>1.49</b>	<b>0.48</b>

# Interim Consolidated Statement of Financial Position

ASSETS	Unaudited	Audited
(Thousand Euro)	30.06.2021	31.12.2020
Property, plant and equipment	138'247	131'642
Right-of-use assets	21'004	21'722
Goodwill and intangible assets	50'743	48'797
Other non-current financial assets	473	488
Deferred tax assets	25'839	21'588
<b>TOTAL NON-CURRENT ASSETS</b>	<b>236'306</b>	<b>224'237</b>
Inventories	121'726	114'187
Trade receivables	58'749	45'782
Other current financial assets	-	1'297
Other receivables and prepaid expenses	9'542	8'364
Cash and cash equivalents	31'328	48'068
<b>TOTAL CURRENT ASSETS</b>	<b>221'345</b>	<b>217'698</b>
<b>TOTAL ASSETS</b>	<b>457'651</b>	<b>441'935</b>

LIABILITIES AND EQUITY	Unaudited	Audited
(Thousand Euro)	30.06.2021	31.12.2020
Share capital	1'775	1'775
Capital contribution reserve	21'227	21'227
Retained earnings and other reserves	169'999	139'409
Foreign currency translation reserve	(1'019)	2'306
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>191'982</b>	<b>164'717</b>
Non-controlling interests	-	-
<b>EQUITY</b>	<b>191'982</b>	<b>164'717</b>
Non-current financial liabilities	61'665	65'044
Other non-current liabilities	2'789	3'197
Non-current provisions	6'907	1'237
Retirement benefit obligation	12'470	13'023
Deferred tax liabilities	36'202	36'269
Non-current lease liabilities	13'110	13'642
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>133'143</b>	<b>132'412</b>
Trade payables	21'523	16'477
Other current liabilities	9'303	24'329
Current financial liabilities	66'721	66'339
Current provisions	7'592	8'399
Accrued expenses and deferred income	22'109	23'861
Current lease liabilities	5'278	5'401
<b>TOTAL CURRENT LIABILITIES</b>	<b>132'526</b>	<b>144'806</b>
<b>TOTAL LIABILITIES</b>	<b>265'669</b>	<b>277'218</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>457'651</b>	<b>441'935</b>

# Interim Consolidated Statement of Cash Flows

	Unaudited 30.06.2021	Unaudited 30.06.2020
(Thousand Euro)		
<b>PROFIT FOR THE PERIOD</b>	<b>29'738</b>	<b>9'684</b>
Adjustments for:		
Income taxes	1'851	(409)
Depreciation, amortisation and impairment of tangible, intangible and right-of-use assets	18'518	18'756
(Gain) / loss on disposal of tangible and intangible assets	530	267
Foreign exchange result	(1'650)	659
Interest expenses	844	982
Change in Provisions and Retirement benefit obligations *	5'731	(912)
Share-based payments expense	166	
Income taxes paid	(22'485)	(1'825)
Interest paid	(844)	(982)
(Increase) / decrease in trade receivables	(13'098)	2'572
(Increase) / decrease in other receivables and prepaid expenses	(1'280)	264
(Increase) / decrease in inventories	(8'726)	(9'907)
Increase / (decrease) in trade payables	5'272	(118)
Increase / (decrease) in other liabilities and accruals	994	(6'520)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>15'561</b>	<b>12'511</b>
Purchase of tangible assets	(21'180)	(17'065)
Purchase of intangible assets **	(4'274)	(4'722)
Proceeds from disposal of tangible assets	1'398	1'377
Changes in financial assets	15	(40)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(24'041)</b>	<b>(20'450)</b>
Proceeds from borrowings	-	4'540
Repayment of borrowings	(4'853)	(194)
Repayment of lease liabilities	(2'891)	(3'077)
Purchase of treasury shares	(286)	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(8'030)</b>	<b>1'269</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(16'510)</b>	<b>(6'670)</b>
Cash and cash equivalents at the beginning of the period	48'068	27'241
Net effect of currency transaction on cash and cash equivalent	(230)	3'414
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>31'328</b>	<b>23'985</b>

\* "Change in Provisions and Retirement benefit obligations" includes non-monetary movements that, as of June 30, 2020, were presented within the line items: "(increase) / decrease in trade receivables" amounting in H1 2020 to Euro 2'599 thousand; "(increase) / decrease in inventories" amounting in H1 2020 to Euro (9'733) thousand; "(increase)/(decrease) in other payables, accruals and provisions" amounting in H1 2020 to Euro (7'633) thousand.

\*\* "Purchase of intangible assets" excludes unpaid acquisitions of intangible assets.