

AD HOC ANNOUNCEMENT PURSUANT TO ART. 53 LR

## Medartis increases sales by 21% (CER) and improves its underlying EBITDA margin to 16%

- Demonstrating further market share gains, full-year 2023 sales rose by 20.5%(CER) to CHF 212.0 million
- Internal sales growth<sup>1</sup> of 17.4% (H2: 18.6%) reached the upper end of the company's forecasts, with three out of four regions growing by around 20%
- The EMEA region was the driving force with strong growth of 19.8%, exceeding the CHF 100 million mark for the first time
- The US continued its momentum in H2 and achieved internal sales growth of 20.5% (CER) for the year as a whole
- Tight cost management led to a reduction in OpEx of 8%-points (PP), which increased the company's underlying<sup>2</sup> EBITDA margin to 15.9% and strengthened cash flow and cash reserves
- In 2024, Medartis expects internal sales growth in the mid-teens range and a further increase in the underlying EBITDA margin of around 1 PP

### FULL-YEAR 2023 KEY FINANCIALS

in CHF million, rounded	FY 2023			FY 2022			Underlying YoY change	
	Reported	One-off costs <sup>2</sup>	Underlying	Reported	One-off costs <sup>2</sup>	Underlying	in CHF	at CER
Total net sales	212.0			182.8			16.0%	20.5%
Internal net sales <sup>1</sup>	201.2			177.8				17.4%
Gross profit	167.6	(0.5)	168.1	149.5	(0.2)	149.6	12.3%	17.7%
EBITDA	31.9	(1.8)	33.6	16.2	(7.2)	23.4	43.4%	54.6%
EBIT	9.1	(1.8)	10.9	(1.9)	(7.2)	5.3	103.8%	237.8%
Net profit / loss	0.6			(5.8)				
Headcount (31 Dec)	829			866				(4.3%)
Margins in % of sales							Change in %-points (PP)	
Gross profit	79.0%		79.3%	81.8%		81.9%	(2.6 PP)	(1.9 PP)
EBITDA	15.0%		15.9%	8.9%		12.8%	3.0 PP	3.6 PP
EBIT	4.3%		5.1%	(1.1%)		2.9%	2.2 PP	3.3 PP
Net profit / loss	0.3%		1.1%	(3.2%)		0.8%	0.3 PP	

<sup>1</sup> "Internal growth" denotes the increase in sales at constant exchange rates (CER), excluding the impact of mergers, acquisitions, and divestments. The NSI's contract manufacturing business is classified as non-strategic and is therefore excluded from this calculation. Internal growth serves as a crucial performance indicator for management.

<sup>2</sup> The one-off costs in 2023 are related to the costs of remediating an IT attack in May. The figures for 2022 exclude the one-off M&A costs for the NSI acquisition and the discontinued China business in order to facilitate an assessment of the underlying operational performance.

**Basel, 12 March 2024: Medartis Holding AG (MED:SW), a leading orthopaedic company specialising in head and extremity surgery, today reported sales of CHF 212.0 million for the full year 2023, representing growth of 20.5% (CER). Internal growth of 17.4% was driven by strong performance in EMEA, LATAM and the US. The EMEA business made the largest contribution to growth with an increase of 19.8%, further expanding its strong market position in both upper and lower limb. In line with its growth strategy, the company is aiming for mid-teens sales growth in 2024.**

The company's sales grew due to the strong performance of existing products and the successful launch of new products for the upper and lower extremities. The conversion from the first generation to the 'Modus 2'-system in the head segment (cranio-maxillofacial) additionally contributed to growth. The remarkable acceleration of KeriMedical, and in particular the strong demand for the TOUCH saddle joint prosthesis, played a significant role in the company's success in EMEA. In the important US market, the expansion of the distribution channel and the launch of the Field Orthopaedics hand products as well as KeriFlex were the most important factors.

Thanks to this strong sales growth, Medartis also achieved higher profitability in 2023. EBITDA totalled CHF 31.9 million, which corresponds to a margin of 15.0%. In May, Medartis faced an IT attack. This was swiftly resolved, but the resulting one-off costs lowered the EBITDA margin by 0.9 percentage points. Excluding non-recurring effects in both periods, the underlying EBITDA margin increased from 12.8% to 15.9%. The decline in the gross margin was attributable to a less favourable product mix, characterised by increased third-party business and a higher proportion of distribution products. However, this was more than offset by strong operating leverage and effective cost control measures. After taking financial expenses and taxes into account, net profit totalled CHF 0.6 million.

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Medartis' **CEO Christoph Brönnimann** commented: "In 2023, we completed another successful business year marked by further share gains and improved profitability and cash flow. Sales in three out of four regions soared in the 20% range. In Europe, we exceeded the CHF 100 million milestone thanks to the rollout of new products and the high acceptance of the KeriMedical portfolio. In the US, we maintained our momentum and we are heading towards our medium-term target of USD 80 million by 2025. The groundwork of the past two years is yielding initial results and provides strong foundations for our acceleration in 2024. Our focus for 2024 remains on expanding and strengthening our US sales channel, improving profitability, reinforcing our commercial teams and capitalising on the partnerships with Keri Medical and Field Orthopaedics".

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## PERFORMANCE BY REGION AND PRODUCT CATEGORY

Table: Revenue development by region and year-on-year changes:

in CHF million, rounded	FY 2023	FY 2022	Change in CHF	Change in CER	Internal growth (CER)
EMEA	106.5	91.4	16.5%	19.8%	19.8%
US	51.9	41.0	26.4%	34.1%	20.5%
APAC	31.5	32.1	-2.0%	5.6%	5.6%
LATAM	22.2	18.3	21.0%	19.4%	19.4%
<b>Total Group</b>	<b>212.0</b>	<b>182.8</b>	<b>16.0%</b>	<b>20.5%</b>	<b>17.4%</b>

The largest region, **EMEA**, showed a strong all-round performance and achieved year-on-year growth of 19.8% at CER. This allowed the company to surpass the CHF 100 million regional sales threshold for the first time. The important DACH region (Germany, Austria, Switzerland) grew significantly and exceeded expectations despite already holding a significant market share. France and the United Kingdom in particular grew rapidly over the course of the year. The performance in the UK was driven by strong demand across all businesses and by new customers, many of whom were attracted by the Keri Medical portfolio. Medartis acquired the distribution rights for Keri Medical products in the UK in H2 2021. In the third year since the Spanish subsidiary was founded, the company continued the dynamic growth trajectory of the previous years and delivered again an impressive increase. Poland and the distributor markets also saw significant expansion. From a financial perspective, the traditional EMEA subsidiaries generate strong cash flow that enables the company to strategically develop new markets, expand further in existing markets and acquire new customers.

Keri Medical played a pivotal role in the growth of the German, Austrian, and British subsidiaries and contributed half of the growth in the upper extremities segment. In addition, the overall growth in the upper extremities segment was further bolstered by the recent launches of Clavicle, Ulna Shortening, and Forearm, as well as significant market growth in Medartis' largest business – the wrist. In 2023, Medartis introduced several solutions aimed at broadening its product portfolio and strengthening its position as a leading pure-play extremity company. Enhancing its upper extremities portfolio, the 'APTUS Distal Ulna System 2.5' offers surgeons a versatile and anatomical solution for treating a range of distal ulna fractures, from simple extraarticular to complex intraarticular head fractures. It integrates seamlessly with the company's distal radius system, the company's best-selling product.

The lower extremities business enjoyed an impressive surge of 41% in EMEA with strong contributions from the 'Ankle Trauma' and the 'CCS compression screw' products, especially in Spain and the distributor markets. The implant portfolio is complemented by the digital and patient-specific functions of the CMX foot and ankle applications, which has been available in selected markets since August 2023. Medartis attaches great strategic importance to the area of lower extremities and aims to increase its market share in the coming years. Three systems were launched in 2023 and more will follow in 2024, targeting the treatment of flatfoot deformities and arthritic feet. The momentum gained from these launches is expected to fuel further growth in 2024.

In CMF, Medartis continued to successfully migrate existing customers from 'Modus 1' to the next-generation 'Modus 2' system, resulting in an increased market share. Many countries also sent customers to the new 'IBRA Institute' in Basel, where participants were able to benefit from real-life training modules with pre-fractured human bone models. Positive feedback from attending surgeons confirmed both the necessity and the success of these training courses.

## **More than a quarter of growth contributed by new sales agents**

Medartis' **US business** grew by 34.1% (CER) and generated full-year sales of CHF 51.9 million, including CHF 10.8 million from contract manufacturing orders for third-party customers. Excluding these, internal sales growth saw a positive trend and surged by 20.5%. According to independent market data, this is 3-4 times higher than the market average. More than a quarter of this growth was contributed by the new independent sales agents who have joined the Medartis network over the last two years.

The 20.5% growth was recorded across all product categories, but demand was particularly strong in foot and ankle, wrist, and hand. The contributions from KeriFlex and Field Orthopaedics supported this positive trajectory. In the US, the addition of Field Orthopaedics' intramedullary nail portfolio seamlessly complemented Medartis' hand portfolio. These products, distributed alongside Medartis' own product portfolio, give surgeons the option of using different fixation technologies. The company also launched LapiPrep in Q2 2023, a technology acquired with the former NSI. LapiPrep offers hands-free, triplanar correction-angle correction for bunion / hallux valgus treatment cases, promising repeatable treatment results. While customer feedback is promising, initial experiences underscore the significance of medical training and education as well as clinical research and feedback. These elements will continue to be key focal points for the company in 2024 in order to strengthen its market position in the lower extremities segment and promote surgeon engagement. In view of current and upcoming product launches, Medartis plans to further expand its sales network, which currently boasts 247 sales agents and representatives. In 2024, the company aims to broaden its sales channels even more while enhancing its medical training capabilities. The recruitment of new talent in crucial commercial areas, including marketing, training and education, and sales, underscores the company's commitment to developing the organisation further.

Following the successful integration of NSI and Medartis US over the past year and a half, the company has strategically realigned key functions such as manufacturing, logistics, quality, R&D and finance under global oversight. Preparations for the production technology transfer from Basel to Warsaw have concluded. Following validation tests, the inaugural production of screws began in February 2024, with plates and surgical guides set to follow later in the spring. This strategic move is aimed at leveraging the manufacturing and engineering expertise housed in the modern 6,500-square-meter (69,500-square-foot) production facility in Warsaw. The commercial and R&D departments are now seamlessly integrated into global functional metrics, bundling capabilities and enhancing mutual support for both current and upcoming product launches.

As part of early succession planning, the current US President, Rod K. Mayer, has decided to retire following the completion of the integration of NSI into Medartis. The company is well advanced in its search for a

new President of Sales & Marketing and sees this as an opportunity to further expand its commercial footprint in the US market.

In the **APAC region**, full-year sales increased by 5.6% (CER) and reached CHF 31.5 million. In Swiss francs, however, sales decreased by 2.0% due to unfavourable currency effects. The Australian market underwent a transformative phase in 2023. The local authorities have imposed price cuts of 12 % (affecting H1) and a further 5% (affecting H2), which had a significant impact on the industry. Thanks to strong volume growth in the mid-teens percentage range, Medartis Australia was able to compensate for the effects of the price adjustments and further improve its market position. To reflect the new pricing landscape, Medartis Australia has adjusted its organisation and implemented a more adaptable sales model, wherein certain sales representatives now operate as exclusive independent agents.

In Japan, Medartis strengthened its direct organisation, achieving high double-digit growth in the lower extremities segment. This development will require additional set investments and the recruitment of new sales representatives, but enables systematic expansion of its market presence under one single management, with robust backing from IBRA and a significantly strengthened franchise covering both lower and upper extremities. Responding to local market needs, the company has also expanded its in-house capacity for sterile packaging at its headquarters.

## PERFORMANCE BY PRODUCT CATEGORY

Table: Revenue development by product category<sup>3</sup> and year-on-year changes:

in CHF million, rounded	FY 2023	FY 2022	Change in CHF	Change in CER	Internal growth (CER)
Upper extremities	137.2	123.8	10.8%	15.5%	15.5%
Lower extremities	35.4	28.2	25.5%	31.8%	31.8%
CMF & other products	39.4	30.8	27.8%	33.7%	15.3%
<b>Total Group</b>	<b>212.0</b>	<b>182.8</b>	<b>16.0%</b>	<b>20.5%</b>	<b>17.4%</b>

Sales in the **LATAM region** reached CHF 22.2 million, corresponding to a strong increase of 19.4% at CER. Compared to the very strong growth in 2022, Brazil experienced a more moderate growth rate in 2023 on the back of alterations to the Brazilian Health Regulatory Agency (ANVISA) registration processes and political uncertainty in H1 2023. The regulatory changes led to a delay in new product approvals which extended into H2 2023. Conversely, Medartis reported significant growth in Mexico, primarily as a result of the acquisition of new tenders, selective price increases, and the continuous optimisation of both direct and distributor sales channels.

Sales in the distributor markets Colombia and Costa Rica grew strongly, reflecting a more systematic management approach marked by clear key performance indicators (KPIs) and a strong emphasis on building customer relationships. In Q4, the newly inaugurated IBRA Institute in Basel welcomed a delegation of 65 surgeons from Brazil, who took part in intensive CMF training courses. The region further reinforced

<sup>3</sup> CMF & other product sales in 2023 include a CHF 10.8 million contribution from NSI's third party manufacturing business.

its relationships with regional business partners by inviting 45 sales representatives to the Medartis HQ in Basel, providing updates on Medartis' strategy, and conducting thorough training sessions for both existing and new products. In addition, Medartis Brazil and Mexico received the employer branding label 'Great Place to Work', underscoring the positive workplace environment.

## **New CHRO appointed in March**

Following the merger of Nextremity Solutions Inc. with Medartis US and the consolidation to a single location, the company has harnessed synergies and enhanced its regional profitability. Consequently, Medartis' workforce saw a 4% reduction in 2023, resulting in a total of 829 employees. In Switzerland, where Medartis has its headquarters and main production facility, the number of employees remained relatively stable and totalled 330 at year-end.

There was also a change at top management level a few days ago, as the Chief Human Resources Officer (CHRO), Anthony Durieux-Menage, has decided to leave the company by the end of March 2024 to pursue a new professional challenge outside the orthopaedics industry. He will be seamlessly succeeded by Inge Maes, who brings over 20 years of experience in the life sciences industry from her work in clinical development as well as leading HR positions at Sandoz and Novartis.

## **FINANCIAL PERFORMANCE**

### **Improving profitability and cash management as basis for future growth investments**

In 2023, Medartis began enhancing its financial key performance indicator (KPI) management, shifting towards a more cash-centric framework that balances sales growth, profitability, and the optimisation of capital employed. While sustainable growth remains a primary value driver in all regions, awareness of total cash flow generation has increased in all countries and functions of the organisation. This has resulted in the optimisation of inventory levels and improved accounts receivable management. At the same time, investments in new surgical kits were made primarily for the launch of new products and customer acquisition. The financial impact of these proactive measures can be seen in the income statement, cash flow statement and balance sheet for 2023.

In 2023, the **gross margin** decreased by 2.6PP to 79.0% due to a combination of various factors. In addition to unfavourable exchange rate effects, which accounted for 0.8 PP, the largest impact (2.4 PP) was due to the higher share of NSI's third-party business, which generates low margins. Excluding third-party manufacturing, Medartis' gross margin would have remained stable compared to the previous year at around 82.5%. Demand for NSI's low-margin contract manufacturing business is expected to decline in 2024.

Medartis is using the acquired manufacturing capacities at its new plant in Warsaw opportunistically as long as the ramp-up for Medartis own products is not yet complete. Another factor diluting the margin is the very strong growth of Keri Medical and Field Orthopaedic's products, which are distributed by Medartis under a distribution agreement. Selective price increases, a positive country mix and efficiency gains in

manufacturing protected the gross margin despite higher supplier costs. The IT attack reported in H1 and the brief business interruption had a minor impact of 0.3 PP on the gross margin.

The reported OpEx ratio of 74.7% has improved by more than 8 PP compared to the previous year. This reflects the initial cost efficiency improvements already achieved in the US just one and a half years after the NSI acquisition. Cost efficiency at the headquarters was also further improved in 2023. Medartis continued to invest in sales and marketing as well as medical education in all regions. In 2023, investments totalling 46% of sales (or 62% of total OpEx) were made for customer-facing activities. A further 12% of sales (or 16% of total OpEx) was dedicated to product development, R&D and IBRA education. This reflects the company's commitment to delivering continuous innovation to its customers worldwide.

Earnings before interest, taxes, depreciation and amortisation (**EBITDA**) almost doubled to CHF 31.9 million, resulting in a reported EBITDA margin of 15.0%. Excluding the one-off costs of CHF 1.8 million in connection with the IT attack, the adjusted EBITDA margin would have been 15.9% – 3.0 PP higher than in the prior year.

The underlying operating profit (EBIT) improved from CHF 5.3 million in 2022 to CHF 10.9 million, corresponding to a margin of 5.1% (2022: 2.9%). The share attributable to the associate Keri Medical was slightly negative (CHF -0.6 million), reflecting the additional growth expenses and the expansion of Keri Medical's production capacity in Archamps, France.

Medartis reported a positive net result of CHF 0.6 million compared to a net loss of CHF 5.8 million in the previous year. This includes a financial result of CHF -7.3m (2022: CHF -5.2m), mainly driven by adverse currency movements as well as interest expenses from the NSI acquisition (contingent consideration of CHF 1.4 million). Earnings per share increased from -0.49 to 0.05.

The measures implemented with a view to optimising capital efficiency yielded positive results in 2023, particularly in the enhancement of set and trade receivables management. Despite strong double-digit growth, trade receivable saw only a marginal increase of CHF 0.3 million compared to a CHF 7.5 million increase in the previous year. In addition, inventories were reduced by CHF 1.6 million. Together with improved accounts payable management and a better operating result, this contributed to the improvement in cash flow.

Cash flow from operating activities increased by CHF 23.2 million in 2023 and totalled CHF 20.0 million. In 2023, investments in property, plant, and equipment (CapEx) of CHF 14.9 million included CHF 8.7 million in consignment set investments to drive future procedure volumes. Set investments mainly related to the upgrade from Modus 1 to Modus 2 in CMF and to the expansion of the Keri Medical and Field Orthopaedics products. The changes in cash outflow used for investing and financing activities was mainly due to an increase in Medartis' ownership in Keri Medical SA (current: 47.0%) for CHF 18.1 million, which was financed by net proceeds of CHF 29.7 million from a capital increase in March. At year-end, Medartis reported a cash position of CHF 25.2 million, which represents an increase of CHF 4.6 million compared to one year previously.

## **CHANGES TO THE BOARD PROPOSED**

After seven years serving on the Board of Directors at Medartis, Dr. med. Daniel B. Herren has decided not to stand for re-election as Board member at the Annual General Meeting 2024. The Board of Directors will propose **Martha Shadan** and **Jennifer Dean** as new members. Both will be appointed as Independent Non-Executive Directors at the upcoming Annual General Meeting on 17 April 2024, subject to shareholder approval. Mrs Shadan, who was previously CEO of the US medical technology companies Miach Orthopaedics and Rotation Medical (acquired by Smith & Nephew), and has held senior positions at Zimmer Biomet and Covidien. With her extensive experience of the US orthopaedic market, she will be very valuable in supporting the management and the board in the further US expansion. Mrs Dean, on the other hand, is currently CFO at medmix, a medical technology company listed on the Swiss stock exchange. She gained valuable international management experience at Sulzer, GE and Alstom and is currently a Board member of the Australian Swiss Chamber of Commerce. With her wide international financial experience, she will be a natural addition to the company's Finance and Audit Committee. They will both join the Board of Directors as independent members.

## **FULL-YEAR 2024 OUTLOOK**

*(BARRING ANY UNFORESEEN CIRCUMSTANCES)*

Medartis is confident that it will continue to gain market share and make significant progress in the US and its other core markets in 2024. Management expects market conditions to remain challenging in Australia, where it will face a further 5% price cut in July due to government intervention. Taking all this into account, the company is aiming for global internal growth in the mid-teens (15-17%). The underlying EBITDA margin at CER is to be improved by around 1 PP in 2024 by striking a balance between further operational efficiency improvements and strategic investments.

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## **INTEGRATED ANNUAL REPORT 2023 AVAILABLE**

The Medartis Annual Report 2023 including the audited condensed financial statements and a comprehensive sustainability report was published today on the company's website. [Download PDF.](#)

## **ANALYSTS' AND MEDIA CONFERENCE CALL**

Medartis will present its 2023 full-year results to representatives of the financial community and media in an audio webcast today at 10.30 am Swiss time. A webcast of the event will be available at <https://event.choruscall.com/mediaframe/webcast.html?webcastid=aHE9aLN9>. The webcast will be hosted by Christoph Brönnimann (CEO) and Dirk Kirsten (CFO) and the webcast language will be English. [Download the presentation here.](#)

An alternative option for anyone experiencing technical problems is to use these telephone numbers:

Switzerland / Europe: +41 (0) 58 310 50 00  
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Please dial in five minutes before the start of the conference to register.

## IMPORTANT DATES AND UPCOMING INVESTOR EVENTS

Date	Event	Broker	Destination
12 March	2023 full-year results publication		Webcast
13 March	Investor meetings (virtual)	Stifel	US / UK
14 March	Investor meetings	Octavian	Zurich, CH
17 April	Annual General Meeting 2024		HQ Basel, CH
14 May	Investor meetings	ZKB	London, UK
15 May	Pan European Small and Mid-Cap Conference	UBS	London, UK
06 November	Swiss Equity Conference	ZKB	Zurich, CH
20 November	Healthcare Conference	Jefferies	London

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### About Medartis

Founded in 1997 and headquartered in Basel, Switzerland, Medartis is one of the world's leading manufacturers and providers of medical devices for surgical fixation of bone fractures for upper and lower extremities as well as for the craniomaxillofacial region. Medartis employs approx. 830 individuals across its 13 locations, with products offered in over 50 countries globally. Medartis is committed to providing surgeons and operating theatre personnel with the most innovative titanium implants and instruments as well as best-in-class service. For more information, please visit [www.medartis.com](http://www.medartis.com).

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