



## MEDICREA REPORTS THIRD QUARTER 2019 FINANCIAL RESULTS

- **GROSS MARGIN RATE IMPROVEMENT TO 82%**
- **€1.6M POSITIVE EBITDA (1)**
- **OPERATING INCOME IMPROVEMENT BY 1.3 M€ YTD 2019**
- **77% INCREASE IN UNiD® SURGERIES IN THE UNITED STATES SINCE BEGINNING OF 2019**

**Lyon and New-York, November 13, 2019** — The Medicea Group (Euronext Growth Paris: FR0004178572-ALMED ; OTCQX Best Market –MRNTF), pioneering the digital transformation of spinal surgery through artificial Intelligence, predictive modeling and patient specific implants with its UNiD™ ASI (Adaptive Spine Intelligence) proprietary software platform, services and technologies, reports its unaudited results for the third quarter of 2019.

€'million	H1 2019	Q3 2019	YTD 09-2019	YTD 09-2018 (2) Restated
Sales	16.1	8.2	24.3	24.3
<b>Gross margin - % of sales</b>	<b>77%</b>	<b>82%</b>	<b>79%</b>	<b>70%</b>
<b>EBITDA (1)</b>	<b>0.6</b>	<b>1.6</b>	<b>2.1</b>	<b>0.2</b>
<b>Operating income</b>	<b>(3.4)</b>	<b>(1.1)</b>	<b>(4.5)</b>	<b>(5.8)</b>
Other operating income and expense	(0.5)	(0.1)	(0.6)	(0.5)
Share-based payments	(1.0)	(0.5)	(1.5)	(0.6)
Cost of net financial debt	(2.0)	(2.3)	(4.3)	(2.0)
Income before taxes	(6.9)	(4.0)	(10.9)	(8.9)
<b>Net Income</b>	<b>(7.0)</b>	<b>(4.4)</b>	<b>(11.4)</b>	<b>(8.7)</b>

(1) : Earnings before interest depreciation and amortization

(2) : After IFRS 16 "Leases" adjustments applicable since January 1, 2019

Sales for the third quarter of 2019 amounted to € 8.2 million, up 20% (+17% at constant exchange rates) versus the third quarter of 2018, on a comparable basis, driven mainly by strong sales growth of +22% in the United States, the primary market for Medicea and main gross margin contributor. Cumulative sales at the end of September 2019 amounted to € 24.3 million and increased by +13% on a comparable basis compared to the same period last year (+10% on a constant currency basis). As a reminder, at the beginning of 2019, the Group discontinued two non-strategic distribution activities of bone substitutes and surgical material repairs that had contributed € 2.6 million to revenue from January to September 2018.

Gross margin increased to 82% in the third quarter of 2019 and 79% on a cumulative basis, a remarkable increase of 9 points compared to the end of September 2018. This high rate is the result of a combination of several factors: the change in the sales mix with 60% of sales generated in the United States in the 3<sup>rd</sup> quarter, compared to 54% in the 1<sup>st</sup> half of 2019, better industrial efficiencies boosted by a decrease in subcontracting, and a favorable exchange rate effect linked to the strengthening of the dollar. The Group has thus achieved its highest level of gross margin since the transfer of its plant to Lyon in early 2017, and approaches the normative threshold of 80%.

Operating expenses amounted to € 23.7 million over the first 9 months of the year, a decrease of € 0.7 million at constant exchange rates compared to the same period last year excluding sales commissions in the United States. The increased revenue in the United States led to an increase in commissions (+€ 1 million at constant exchange rates compared to the end of September 2018).

Operating income before interest depreciation and amortization (EBITDA), after taking into account IFRS 16 changes, was positive at € 2.1 million at the end September 2019 while at break even for the same period in 2018. Given these elements, operating income improved by €1.3 million at -€4.6 million at the end of Q3 2019.

Share-based payments arising from free shares and stock options granted in the last quarter of 2018 amounted to €1.5 million (no cash impact).

The cost of net financial debt increased by € 2.3 million directly related to the \$ 30 million bond issued in December 2018 and to a new \$6 million stake drawn in September. It includes the interest expense itself for the period (€2.5 million) and an unrealized foreign exchange loss of €1.4 million related to the revaluation of the nominal value of the loan following the strengthening of the dollar. The evolution of the euro/dollar exchange rate over the coming quarters is likely to have a significant impact on the cost of financial debt, both upward and downward, as the Group has not yet been able to hedge the exchange rate and interest rate risk on its dollar borrowings. As an illustration, the change in euro/dollar parity at October 31, 2019 generates an unrealized exchange gain of € 0,7 million in October, cutting down by half the unrealized exchange loss accounted at the end of September.

Cash on hand amounted to € 5.4 million at September 30, 2019.

## Outlook

« Our positioning has changed significantly in recent years. Medicrea had anticipated in 2011 that the added value would migrate very quickly from standardized implantable products to expert services and patient-specific implants. Thanks to the development of our technological platform UNiD ASI™, we are now positioned as a unique player in "augmented" spinal surgery. We are once again seeing a growth of more than 70% in the number of personalized surgeries performed in the United States in October and we are now confident that 5,000 UNiD® surgeries will be completed before the end of the year," commented Denys Sournac, President and CEO of Medicrea.

"It is almost certain that the main players in our business will have to react if they want to participate in the radical transformation that our sector will undergo, however, we have taken such a step forward, particularly in the characterization of post-operation compensatory mechanisms thanks to the artificial intelligence tools that we have developed, that we are becoming unavoidable in an environment where we have also ensured that our intellectual property is very well protected. Other projects are in progress, including the use of sensors to improve intraoperative navigation. In 2020, we will continue to invest in our proprietary technologies to manufacture our patient-specific implants and also in the AI component of our UNiD platform ASI™ with the strengthening of the team of data scientists and the recruitment of additional talents with highly specialized skills in image recognition and surgical planning process automation," continues Denys Sournac.

**Next publication:** 2019 Annual Sales: January 14. 2020 after market.

## About Medicrea ([www.medicrea.com](http://www.medicrea.com))

Through the lens of predictive medicine. Medicrea leverages its proprietary software analysis tools with big data and machine learning technologies supported by an expansive collection of clinical and scientific data. The Company is well-placed to streamline the efficiency of spinal care. reduce procedural complications and limit time spent in the operating room.

Operating in a \$10 billion marketplace. Medicrea is a Small and Medium sized Enterprise (SME) with 180 employees worldwide. which includes 40 who are based in the U.S. The Company has an ultra-modern manufacturing facility in Lyon. France housing the development and production of 3D- printed titanium patient-specific implants.

For further information. please visit: [Medicrea.com](http://Medicrea.com).

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