medmix Dental: 2-component system 5 mL cartridge

Business review

medmix Dental: 1-component system 5mL cartridge

Financial review

Resilience and growth in 2022

medmix closed the financial year 2022 with a revenue of CHF 477.1 million, an increase of 5.7% compared to the previous year, despite significant geopolitical headwinds. All segments delivered accelerated revenue growth except for the Industry segment that was impacted by the closure of the plant in Poland. Profitability was adversely impacted by global cost inflation, where we successfully secured price increases but with some time lag, and the significant additional costs arising from our Industry mitigation plan. Overall, we delivered 22.1% adjusted EBITDA margin, down from 25.0% in 2021. We generated free cash flow of CHF 10.3 million in 2022, heavily impacted by the Industry market segment volume shortfall and additional one-off costs of the mitigation plan resulting from the Polish sanctions and higher inventory levels and capital investments to ensure compensate for minimal supply chain disruptions.

If not otherwise indicated, changes from the previous year are based on currency-adjusted figures.

> "Our employees demonstrated resilience, resourcefulness and customer centricity to deliver 6% growth and 22% profitability during a turbulent year impacted by geopolitical events and the erroneous sanctioning of our Polish legal entity."
>
> **Jennifer Dean** Chief Financial Officer

Revenue growth and commercial success despite geopolitical headwinds

In 2022, medmix delivered revenue of CHF 477.1 million, an increase of CHF 19.8 million (5.7% organically) compared to the previous year. Without the impact of the Poland shutdown (circa CHF 30 million) year-on-year growth would have been circa 11.8%.

The Healthcare business area grew 9.2% to deliver CHF 184.9 million in revenue, capitalizing on the recovery in scheduled treatments and elective surgeries. Our Dental market segment grew 5.8% to CHF 125.1 million as demand normalized after the COVID-19 recovery. Our Drug Delivery market segment recorded CHF 47.0 million revenue, an impressive growth of 21.4% derived from product and project sales. The Surgery market segment revenue grew 1.3% to CHF 12.8 million, with strong tissue bank sales growth compensating the impact of overstocking of a key customer in the prior year. The Healthcare business now represents 38.8% of medmix' revenue, up from 37.1% in the prior year.

The Consumer & Industrial business area grew 3.6% to deliver CHF 292.3 million in revenue. Our Beauty market segment showed strong growth as expected, increasing 18.6% to CHF 144.1 million, as the restrictions in retail and travel due to COVID-19 were lifted and product launches resumed. Our Industry market segment was impacted by the temporary headwinds generated by the sanctions on our factory in Poland. Revenue was down 8.2% to CHF 148.2 million after an impressive start to 2022 that indicated high single digit growth would be achieved.

Business area gross profit impacted by Polish sanctions

The business area gross profit margin was 45.7% in 2022, a decline of 250 basis points versus the previous year, driven primarily by the impact of the sanctions on our Poland legal entity and cost inflation due to geopolitical uncertainty.

The Healthcare business area gross profit margin was stable year-on-year at 61.0% due to successful prices increases to compensate for cost inflation and improvements in operational efficiency.

The Consumer & Industrial business area gross profit margin was 36.0%, down 470 basis points. Price increases were secured in both segments to address cost inflation. The decrease is driven by higher costs in the Industry segment resulting from mitigation actions to address the loss of production in Poland.

Profitability impacted by geopolitical events

medmix delivered profitability of 22.1% adjusted EBITDA margin in 2022, a good result given the headwinds we faced, although 290 basis points lower than the previous year. Geopolitical events and uncertainty lead to global cost inflation, for which secured price increases were slightly lagging in time. Mix in the second half was somewhat unfavourable. The primary driver of the decrease, however, was the higher costs incurred to relocate production and ensure that we continued to serve our customers despite the unforeseen and immediate cessation of production in Poland.

Bridge from operating income (EBIT) to adjusted EBITDA

millions of CHF	2022	2021
Operating income (EBIT)	**19.6**	**59.9**
Depreciation	28.8	28.7
Amortization	20.8	22.2
Impairments on tangible and intangible assets	1.5	0.9
EBITDA	**70.7**	**111.7**
Restructuring expenses	1.1	0.3
Non-operational items[1)]	33.6	2.5
Adjusted EBITDA	**105.4**	**114.5**

1) Non-operational items include significant acquisition-related expenses, gains and losses from the sale of businesses or real estate (including release of provisions), and certain non-operational items that are non-recurring or do not regularly occur in similar magnitude. In 2022, CHF 30 millions of non-operational costs are related to the sanctions on our Polish plant in the form of additional costs to relocate production and deconsolidation of the entity from the consolidated financial statements.

Adjusted EBITDA margin

millions of CHF	2022	2021
Adjusted EBITDA	105.4	114.5
Revenue	477.1	457.3
Adjusted EBITDA margin	**22.1%**	**25.0%**

Financial income and expenses

Interest expenses on borrowings and lease liabilities were CHF 6.5 million, down from CHF 8.1 million in 2021 as a result of the group establishing new funding arrangements after the spin-off from the Sulzer group. Other financial expenses amounted to CHF 1.6 million in 2022, compared to CHF 0.5 million in 2021.

Income tax expenses

The effective income tax rate in 2022 is 5.1%, compared to 14.3% in 2021. The lower income tax rate in 2022 is mainly the result of tax-deductible impairments of foreign subsidiaries, partly offset by deconsolidating the net assets of medmix Poland. Without the effects of foreign subsidiaries impairments and deconsolidating the net assets of medmix Poland, the effective income tax rate would have been 14.2%.

Key balance sheet positions

Total assets as of December 31, 2022 amounted to CHF 1'105.9 million, an increase of CHF 131.5 million.

Non-current assets decreased from CHF 634.7 million in 2021 to CHF 617.0 million in 2022. Purchases of property, plant and equipment of CHF 36.4 million and higher lease assets of CHF 5.9 million were more than offset by depreciation (CHF 28.8 million), amortization (CHF 20.8 million) and the deconsolidation of medmix Poland (CHF 20.0 million). Negative currency translation effects on non-current assets amounted to CHF 21.7 million.

Current assets increased by CHF 149.3 million to CHF 489.0 million, mainly due to higher cash and cash equivalents (CHF 103.7 million). Besides regular cash flow generation and investing activities, the increase in cash and cash equivalents is also the result of higher borrowings after drawing the revolving credit facility in the amount of CHF 150.0 million. Inventories increased by CHF 12.6 million to secure supply availability for our customers despite the unforeseen cessation of production in Poland. Trade accounts receivable increased by CHF 31.1 million driven by 5.7% higher revenue.

Equity amounted to CHF 504.8 million in 2022, compared to CHF 533.9 million in 2021. The dividend distribution of CHF 20.5 million, currency translation differences of CHF 11.9 million, acquisition of treasury shares of CHF 6.1 million and remeasurement of defined benefit plans of CHF 4.7 million reduced equity. Net income for the year added CHF 11.6 million to equity.

Non-current liabilities increased by CHF 6.9 million to CHF 330.0 million. The main driver were higher borrowings of CHF 8.0 million, higher lease liabilities of CHF 4.7 million linked to the new Healthcare site in Atlanta, USA, partly offset by lower deferred income tax liabilities of CHF 3.5 million and lower income tax liabilities of CHF 1.7 million.

Current liabilities increased from CHF 117.4 million in 2021 to CHF 271.1 million in 2022. The increase is mostly related to higher borrowings since the group drew the syndicated credit facility amounting to CHF 150.0 million in 2022 to secure liquidity for current and future growth.

Net debt increased in 2022 by CHF 45.8 million to CHF 156.7 million. Net debt to adjusted EBITDA ratio was 1.49 in 2022, compared to 0.97 in 2021.

Solid free cash flow generation

Cash flow from operating activities was CHF 47.6 million, down from CHF 87.3 million in 2021, mainly as a result of lower net income and higher net working capital. Net income was impacted by non-operational costs related to the sanctions on our Polish plant, in the form of additional costs to relocate production and deconsolidation of the entity from the consolidated financial statements. Higher revenues and securing lead times following the unforeseen cessation of production in Poland resulted in an increase in working capital. Trade accounts receivable increased by CHF 37.9 million and inventory grew by CHF 30.5 million.

Cash out from investing activities was CHF 57.0 million, mostly related to the purchase of property, plant and equipment (CHF 36.4 million) and the acquisition of subsidiaries (CHF 14.7 million). Deconsolidating medmix Poland resulted in a cash out of CHF 2.0 million.

Cash flow from financing activities was CHF 116.1 million, mainly related to net proceeds from borrowings of CHF 149.0 million. Dividends paid to shareholders amounted to CHF 15.0 million. The group further purchased treasury shares of CHF 6.1 million to cover its exposure related to share-based payment plans and paid lease liabilities of CHF 8.9 million.

Free cash flow in 2022 was CHF 10.3 million, a decrease of CHF 45.3 million from 2021, mainly related to lower operating cash flow.

Bridge from cash flow from operating activities to free cash flow

millions of CHF	2022	2021
Cash flow from operating activities	**47.6**	**87.3**
Purchase of intangible assets	–2.2	–2.1
Purchase of property, plant and equipment	–36.4	–29.8
Sale of property, plant and equipment	1.3	0.2
Free cash flow (FCF)	**10.3**	**55.6**

Outlook

In 2023, we anticipate continued revenue growth above market rates across all our segments. With demand expected to normalize as the post COVID-19 recovery continues, we target a 5% to 7% growth in revenue. Return to full capacity and a more normalized cost base in Industry and an improved revenue mix overall will result in an adjusted EBITDA margin of 23%.

With our new production facilities in Spain and the US and exciting investments in R&D, we expect an elevated capital expenditure level at 14% of revenue in 2023 (9% excluding the investment in Spain). For the financial year 2022, we intend to pay a dividend of CHF 0.50 per share.

Our medium-term ambition remains unchanged with revenue growing at a compound annual growth rate (CAGR) of 8% and an adjusted EBITDA margin of 30%, a target delayed in the short term by the closure of our site in Poland but reinforced in the medium term by our new set-up in Valencia. This increase in profitability will be achieved through an increased share of revenue in the Healthcare business area, which is expected to grow faster and with higher margins than the Consumer & Industrial business area, as well as an increase in operational leverage.

Our 2023 priorities:

- Continue on our path of innovation and sustainability.
- Deliver to our Industry customers from the new plant in Valencia.
- Operationalize the new Healthcare production site in Atlanta, with FDA certification.
- Leverage our Chinese Beauty acquisition for local-for-local growth in the second-largest cosmetic products market in the world.
- Continue to pursue acquisition opportunities whenever they create strong value.

Abbreviations and definition of alternative performance measures (APMs):

CAGR: Compound annual growth rate
EBIT: Earnings before interest and taxes
EBITDA: Earnings before interest, taxes, depreciation and amortization
For the definition of the alternative performance measures, please refer to the chapter alternative performance measures.

medmix Drug Delivery: Re-Vario™ A

Healthcare review

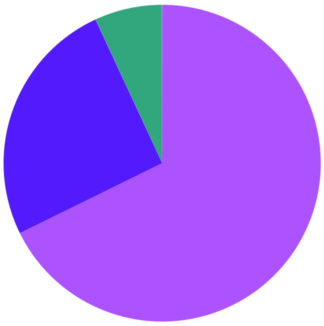
Our Healthcare business area comprises the Dental, Drug Delivery and Surgery segments. They develop, produce and market a broad range of products, such as dispensers, cartridges, syringes, needles, mixers and tips for dental applications, syringes, pen injectors and autoinjectors for subcutaneous delivery of biomaterials, and delivery devices for bone repair and tissue treatment.

Key figures

millions of CHF	2022	2021	Change in +/–%	+/–% adjusted[2]	+/–% organic[3]
Revenue Dental	125.1	116.3	7.5	5.8	5.8
Revenue Drug Delivery	47.0	40.8	15.1	21.4	21.4
Revenue Surgery	12.8	12.6	1.3	1.3	1.3
Total revenue Healthcare[1]	**184.9**	**169.8**	**8.9**	**9.2**	**9.2**
Business area cost of goods sold	–72.1	–66.6	–8.4		
Business area gross profit	**112.7**	**103.2**	**9.2**		
Business area gross profit margin	61.0%	60.8%			

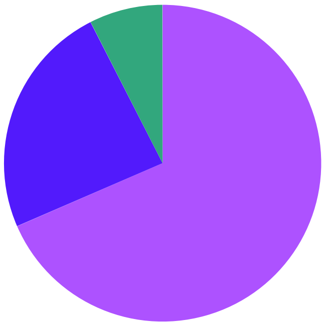
1) Revenue from external customers.
2) Adjusted for currency effects.
3) Adjusted for acquisition and currency effects.

Revenue by market segment 2022



- **67.7%** Dental
- **25.4%** Drug Delivery
- **6.9%** Surgery

Revenue by market segment 2021

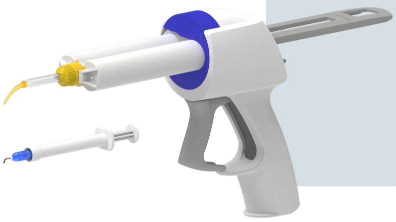


- **68.5%** Dental
- **24.0%** Drug Delivery
- **7.5%** Surgery

Dental – Strong growth after full recovery from the pandemic slowdown

Revenue in our Dental segment was up to CHF 125.1 million in 2022 compared to CHF 116.3 million in 2021, an increase of 5.8% year-on-year reflecting the high order backlog in the beginning of 2022 as the markets recovered from the pandemic slowdown. Business is now at pre-pandemic levels even though dental occupancy rates have not yet recovered in all markets, especially the US.

Our Dental segment offers innovative dental delivery solutions and value-added services with a view to providing an ideal user experience. Key to our growth ambition in Dental is our focus on product expansion, the development of new products for adjacent applications and the entry into new markets.



Our MIXPAC™ original two- and one-component system solutions are meticulously matched to ensure safe and reliable compatibility between all components as well as an efficient time-saving workflow.

We conducted numerous collaborative development and ideation meetings together with our customers in 2022. As a result, we grew our product development pipeline substantially. The resulting first launches are already planned for Q1 2023.

Our growth in this area is fueled by a focus on innovation, sustainability, the creation of new products, and numerous collaborative developments. As we look towards the future, innovation remains a top priority, fueling our commitment to delivering game-changing solutions and continued growth.

Drug Delivery – Profiting from key trends and new products

The revenue in our Drug Delivery market segment was CHF 47.0 million, growing by an impressive 21.4% compared to the 2021 revenue of CHF 40.8 million.

In May 2022, medmix launched PiccoJect™, an innovative, highly compact and customizable two-step autoinjector, a small device designed for high performance. This new product will address a market projected to grow by more than 10% CAGR due to strong growth in biologics and biosimilars. In December 2022, we signed the first customization order for PiccoJect, signaling its strong attractiveness for pharma customers.

In 2022, medmix Drug Delivery (Haselmeier™) and the AARDEX® Group announced joining forces to improve the self-administration of injectable drugs in clinical trials. Given the AARDEX Group's and Haselmeier´s decades long experience in the pharma industry, the collaboration comes naturally. It complements the offering of both companies in clinical testing. This evidence-based approach can make the difference between failed and successful clinical trials.

Surgery – Strong growth from the tissue bank market

In 2022, our Surgery segment delivered revenue of CHF 12.8 million, a 1.3% increase over the prior year revenue. The segment recovered strongly from the pandemic-induced reduction in elective surgeries in 2021. The year-on-year growth rate was negatively impacted by overstocking by a large customer in 2021 even though the tissue bank revenue recorded impressive growth rates of 52.3%.

Our Surgery segment is specialized in the design and production of surgical delivery devices of biomaterials for trauma, bone repair and tissue regeneration. Its portfolio includes the new Ergosyringe for dental and maxillofacial surgeries. We continued to focus on growing our business by collaborating with tissue banks and large original equipment manufacturer (OEM) customers on designing and developing tailormade solutions for managing their biomaterials. In 2022, we signed a co-development agreement with a major global OEM that will support our growth for the next years. For the benefit of US customers of all three segments in Healthcare, we signed a lease in January 2022 for a new production facility in Atlanta, USA. We will invest CHF 20 million and create 200 jobs in this 300,000 square feet facility. Commercial production should commence towards the end of 2023.

Definition of alternative performance measures (APMs):
For the definition of the alternative performance measures, please refer to the chapter alternative performance measures.

medmix Industry: MIXPAC™ greenLine™ 50 mL system

Consumer & Industrial review

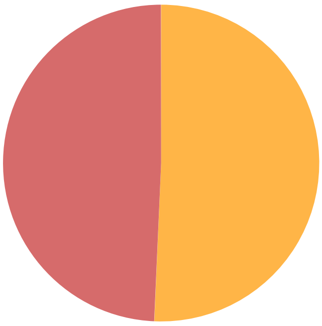
In our Consumer & Industrial business area, we provide our customers with high-quality products and outstanding services adapted to our customers' needs. The Industry segment designs, develops and markets a broad range of products such as dispensers, cartridges and mixers for two-component adhesives and sealants for use in the construction, transportation, electronics, infrastructure and general industrial sectors, as well as in the DIY market. Micro-brushes and applicators for eyes, eyelashes, lips and facial make-up are the most important products of our Beauty segment. They are sold to a broad customer base that ranges from the most iconic names in the beauty industry to independent ("Indie") labels and regional brands.

Key figures

millions of CHF	2022	2021	Change in +/–%	+/–% adjusted[2]	+/–% organic[3]
Revenue Industry	148.2	160.5	–7.7	–8.2	–8.2
Revenue Beauty	144.1	126.9	13.6	18.6	18.6
Total revenue Consumer & Industrial[1]	**292.3**	**287.5**	**1.7**	**3.6**	**3.6**
Business area cost of goods sold	–187.0	–170.3	–9.8		
Business area gross profit	**105.3**	**117.1**	**–10.1**		
Business area gross profit margin	36.0%	40.7%			

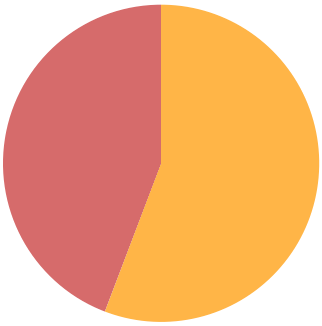
1) Revenue from external customers.
2) Adjusted for currency effects.
3) Adjusted for acquisition and currency effects.

Revenue by market segment 2022



50.7% Industry
49.3% Beauty

Revenue by market segment 2021

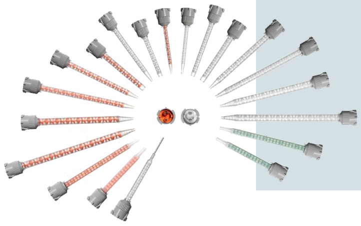


55.8% Industry
44.2% Beauty

Strong performance in the Industry segment despite the impact from sanctions

In our Industry segment, we achieved a revenue of CHF 148.2 million compared to CHF 160.5 million in 2021. This decrease of 8.2% is driven by the erroneous sanctions imposed by the Polish government on the medmix manufacturing site in Poland. Although medmix swiftly increased manufacturing capabilities in other locations after the suspension, it was not possible to fully compensate for the impact. The adoption of adhesives and sealants continues to increase across multiple industries, especially in the automotive sector due to the ongoing strong sustainability trend accelerating demand for electric vehicles. Before the imposition of sanctions, we were on track for a year of high single digit growth in 2022.

In October, we acquired the plastics business of Universal de Suministros, a Spanish manufacturer of cartridges, mixers and accessories for construction and industrial adhesives. The team and the know-how in Valencia (Spain) will enable medmix to rapidly scale up production for its Industry segment, accommodating the growing demand from European and global customers, beyond securing existing customer commitments. medmix will invest CHF 20 million to ramp up production at this site with 110,000 square feet, creating approximately 180 new jobs in the Valencia region.



Our premium quality precision mixing tips and cartridges are designed and engineered in Switzerland, offering optimal, reproducible results.

The Industry segment delivered significant innovation milestones in 2022 as we look to the future despite the turbulence caused by the Polish sanctions: the launch of the first cartridge with 100% recycled materials with our MIXPAC™ greenLine™ B-System, the upgrade of our F-System with a 100% recycled greenLine™ bayonet ring and the launch of the first MK dispenser on a post-consumer recycled (PCR) basis as a sustainable option.

With the acquisition of a new plant in Spain, the launch of cutting-edge, innovative products, and a resurgence in the Beauty segment, 2022 was a hallmark year that reinforced our status as a dominant player in the market.

Strong recovery spurs growth in Beauty

Our Beauty segment recovered strongly from the pandemic, delivering revenues of CHF 144.1 million compared to 126.9 million in 2021 18.6% year on year. Compared to other segments, Beauty was impacted longer by the pandemic due to continuing travel and retail restrictions in most parts of the world. The double-digit revenue growth achieved confirms that the market recovery is back to pre-pandemic levels.

In terms of innovation we launched several successful products in our new micro-bristle applicator range in 2022, with more in the pipeline for 2023. Applications range from lash serums to skincare, in line with our strategy of stepping beyond mascara, our historical core, and are with customers new to GEKA and medmix.

GEKA micro-bristle applicators allow exact matching to the application, product, and customer requirements while offering pure pharma-grade plastic with no use of glues, fibers, metal or additives, thereby reducing product waste.

Our Beauty segment had every reason to celebrate its pursuit of its sustainability goals in 2022. GEKA was awarded a B Supplier Engagement Rating (SER) by CDP for reducing the impact of its supply chain on the climate in February. The Bechhofen facility received an EcoVadis Platinum sustainability rating for the third time in a row, placing it in the top 1% of companies within the same industry. GEKA also released its first Sustainability report, further outlining the commitment to and progress towards the company's sustainability goals. The Beauty segment plays a leading role in medmix with respect to the development of sustainable designs, materials and production processes. Products can contain up to 93% of PCR and bio-based material.

Definition of alternative performance measures (APMs):
For the definition of the alternative performance measures, please refer to the chapter alternative performance measures.