medmix Dental: 2-component system 5 mL cartridge

Financial and business review


medmix Surgery: ErgoSyringe

Financial review

Solid underlying business momentum in H1 2023 restrained by transitory factors

In the first half of 2023, medmix generated revenues of CHF 248.1 million, essentially matching the record first-half 2022 revenues, with organic revenue growth slightly up year-on-year (+1.3%). Strong double-digit growth in Beauty (29.6%), Surgery (27.7%) and Drug Delivery (18.0%) market segments offset the temporary impacts of reduced production capacity in Industry market segment as we ramp up our new factory in Spain (–8.3%) and persistent high customer inventory levels in Dental market segment (–23.9%).

The acquired plastics business of Universal de Suministros, S.L. in Valencia, Spain, contributed 100 basis points to group revenue growth, while currency exchange rates accounted for a negative impact of –320 basis points.

A comparison of first-half 2023 with second-half 2022 provides a clearer picture of current revenue trends, with group organic revenues growing 12.2%. On the same basis, the Industry market segment confirmed its continued recovery by ramping up production outside Poland, with organic revenue growth of 5.9% while the Dental market segment grew slightly by 1.1%. Beauty, Drug Delivery and Surgery all grew double digits organically vs. the second half of 2022, at 20.6%, 21.4% and 42.0% respectively, confirming the strong year-on-year growth trends.

Unless otherwise indicated, revenue-changes from the previous year are based on organic figures and all other changes are based on nominal figures. The numbers as of June 30, 2022, have been adjusted following the deconsolidation of medmix Poland and all comments in the financial review are based on these adjusted numbers. A reconciliation to the previously published numbers is provided in note 14.

"medmix matched its record first-half 2022 revenue despite volume challenges in two of its market segments, demonstrating the strength of our business model. Our half-year 2023 margin and profit reflect the impact of the transitory headwinds we currently face. However, compared with second-half 2022, we observe clear signs of recovery. Excellent progress in the ramp-up of our new facility in Spain is an indication of what to expect for the remainder of 2023."

Jennifer Dean Chief Financial Officer

Record-matching revenue generation

In the first half of 2023, medmix generated revenues of CHF 248.1 million, essentially matching the record first-half 2022 revenues, with organic revenue growth slightly up year-on-year (+1.3%). The market segments presented a mixed organic growth picture.

In the first half of 2023, as in second-half 2022, Healthcare business area revenues were constrained by persistently high customer inventories within the Dental market segment. On an organic basis, revenues in the Dental market segment declined by –23.9% year-on-year, offsetting the robust growth delivered by the two smaller market segments, Drug Delivery (18.0%) and Surgery (27.7%).

The Dental market segment faced tough comparisons in the first six months given organic growth of 15.7% in the first half of 2022 when underlying industry growth is typically around 2% to 3%. The high growth seen in 2021 and H1 2022 was driven initially by a post-Covid surge in patient treatments, and subsequently by customers' concern about supply chain bottlenecks as global markets reopened and geopolitical tensions increased, as well as by customers purchasing ahead of successive inflation-driven price increases. These combined factors created abnormally high customer inventories. We had previously assumed that these inventories would be depleted by the middle of this year, but recent market intelligence suggests that destocking could continue into the second half, possibly until year end. Regardless of these timing issues, we expect to see good second-half Dental growth.

The solid growth at Drug Delivery reflects our strong device and project pipeline while Surgery is benefitting from the conversion of tissue banks to our products . Both market segments registered all-time high half-year revenues.

By contrast, the Consumer & Industrial business area grew high single-digit due to a strong performance by the Beauty segment.

The Beauty market segment, with 29.6% organic growth, benefitted in the first half of the year from several new product launches, resulting in the highest half-year revenues since 2018. Several of our global customers launched new products that had long been in the pipeline but delayed due to Covid restrictions. Our own innovation, the Micro Bristle Applicator, successfully gained footholds in new cosmetic fields outside our core eyelash applications. We expect market segment growth to moderate in the second half after these first-half customer launches.

As expected, half-year 2023 revenues in the Industry market segment were lower year-on-year, –8.3% organically, given that group-wide production is still not operating at full capacity. However, compared with the second half of 2022, the market segment grew organically by 5.9% demonstrating that a recovery is well advanced. The acquisition of Universal de Suministros, S.L. in Spain contributed 310 basis points to market segment adjusted revenue growth and 170 basis points to business area adjusted revenue growth. Despite capacity constraints, the market segment was able to gain new business, leveraging supply chain and quality issues faced by certain competitors. In the meantime, production trials have been ongoing since April at our new production facility in Spain and a total of 20 machines installed as of the end of June. Equipment previously in our Polish factory was shipped to Spain, where we plan to be at full production capacity before the end of the year.

Revenue by market segment

January 1 - June 30

millions of CHF	2023	2022[2]	Change in +/–%	+/–% adjusted[3]	+/–% organic[4]
Revenue Dental	53.7	71.3	–24.8	–23.9	–23.9
Revenue Drug Delivery	26.9	23.8	12.8	18.0	18.0
Revenue Surgery	8.6	6.7	27.7	27.7	27.7
Total revenue Healthcare[1]	**89.2**	**101.9**	**–12.5**	**–10.7**	**–10.7**
Revenue Industry	72.7	79.2	–8.3	–5.2	–8.3
Revenue Beauty	86.3	69.5	24.2	29.6	29.6
Total revenue Consumer & Industrial[1]	**158.9**	**148.7**	**6.9**	**11.1**	**9.4**
Total revenue	**248.1**	**250.6**	**–1.0**	**2.2**	**1.3**

1) Revenue from external customers.
2) The numbers as of June 30, 2022, have been adjusted following the deconsolidation of medmix Poland. A reconciliation to the previously published numbers is provided in note 14.
3) Adjusted for currency effects.
4) Adjusted for acquisition and currency effects.

Profit impacted by transitory factors

Business area gross profit declined by –9.5% year-on-year to CHF 108.6 million, generating a margin of 43.8%, a decrease of –413 basis points. This decline was due to an adverse product mix, as Healthcare business area gross margins are significantly higher than the group average, compounded by one-off expenses in the Industry market segment relating to the higher cost of temporary production outside Poland and the ramp-up of our new factory in Spain. A comparison of the first half of 2023 with the second half of 2022 demonstrates a profit turnaround similar to the one seen in revenues, with business area gross profit up 10.8% in absolute terms and a margin increase of +52 basis points.

Healthcare first-half business area gross profit declined by –15.2% year-on-year as a result of an adverse product mix, driven primarily by lower Dental volumes. Compared with the second half of 2022, first-half 2023 gross profit increased by 10.4%, slightly faster than the comparable 9.7% organic revenue growth, delivering a gross margin increase of 161 basis points.

Consumer & Industrial first-half business area gross profit declined by –3.1% year-on-year faced with ongoing production cost headwinds, that include lower volumes and high-cost manual assembly for Industry market segment products, as well as an adverse product mix within the business area. However, compared with the second half of 2022, gross profit increased by 11.3%, slightly slower than the comparable 13.6% organic revenue growth.

Business area gross profit margin by business area

January 1 - June 30

	Healthcare		Consumer & Industrial		Total medmix	
millions of CHF	2023	2022	2023	2022[1)]	2023	2022[1)]
Revenue[2)]	**89.2**	**101.9**	**158.9**	**148.7**	**248.1**	**250.6**
Business area cost of goods sold	–35.1	–38.1	–104.4	–92.4	–139.5	–130.6
Business area gross profit	**54.1**	**63.8**	**54.5**	**56.3**	**108.6**	**120.0**
Business area gross profit margin	60.6%	62.6%	34.3%	37.8%	43.8%	47.9%

1) The numbers as of June 30, 2022, have been adjusted following the deconsolidation of medmix Poland. A reconciliation to the previously published numbers is provided in note 14. The complete deconsolidation adjustment is related to the Consumer & Industrial business area.
2) Revenue from external customers.

Adjusted EBITDA declined by –17.3% to CHF 49.7 million, with an adjusted EBITDA margin of 20.0% compared with 24.0% in the first half of 2022 (–400 basis points). This negative trend was driven primarily by an adverse product mix due to lower Dental customer orders and volume impact of transition of production in the Industry segment from Poland to Spain, partly offset by an increase in contribution from the Beauty segment.

A comparison of first-half 2023 with second-half 2022 shows that adjusted EBITDA grew by +9.5% with an unchanged 20.0% margin.

Bridge from operating income (EBIT) to adjusted EBITDA

January 1 - June 30

millions of CHF	2023	2022[1)]
Operating income (EBIT)	**14.5**	**16.9**
Depreciation	14.9	14.6
Amortization	10.7	10.2
EBITDA	**40.0**	**41.7**
Restructuring expenses	0.1	0.5
Non-operational items[2)]	9.5	17.9
Adjusted EBITDA	**49.7**	**60.1**

1) The numbers as of June 30, 2022, have been adjusted following the deconsolidation of medmix Poland. A reconciliation to the previously published numbers is provided in note 14.
2) 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.

Adjusted EBITDA margin

January 1 - June 30

millions of CHF	2023	2022[1)]
Adjusted EBITDA	49.7	60.1
Revenue	248.1	250.6
Adjusted EBITDA margin	**20.0%**	**24.0%**

1) The numbers as of June 30, 2022, have been adjusted following the deconsolidation of medmix Poland. A reconciliation to the previously published numbers is provided in note 14.

Financial income and expenses

Interest expenses on borrowings and lease liabilities increased from CHF –3.0 million in the first half of 2022 to CHF –4.2 million in 2023, due to higher interest rates on borrowings.

Other financial income and expenses amounted to CHF –1.6 million in 2023, compared with CHF –0.2 million in 2022, mostly driven by negative fair value changes on derivative financial instruments.

Income tax expenses

The effective income tax rate is 19.0% in 2023, compared with 32.8% in 2022. The effective income tax rate for 2022 was impacted by extraordinary one-time effects related to the deconsolidation of medmix Poland. Income tax expenses decreased to CHF 1.7 million in 2023, from CHF 4.5 million in 2022, as a result of the lower effective income tax rate.

Net income

Net income declined by CHF 1.9 million to CHF 7.3 million from CHF 9.2 million in the prior period and more than trebled compared with CHF 2.3 million in the second half of 2022.

Key balance sheet positions

Total assets as of June 30, 2023, amounted to CHF 971.6 million, a decrease of CHF 134.3 million from December 31, 2022. All balance sheet movements are compared with the year-end balances as of December 2022, unless stated otherwise.

Non-current assets increased CHF 14.1 million to CHF 631.1 million, mainly driven by the increase in property, plant and equipment of CHF 23.0 million. As previously communicated, this increase is primarily the result of the investments in our new Industry production facility in Spain.

Current assets decreased by CHF 148.6 million to CHF 340.4 million, mainly resulting from the repayment of the syndicated revolving credit facility in the amount of CHF 150.0 million. In line with our decision to hold high levels of inventories to ensure continuity of supply, Inventory increased by CHF 5.6 million. Trade accounts receivable increased by CHF 7.0 million.

Equity amounted to CHF 486.9 million on June 30, 2023, down by CHF 17.9 million. The dividend of CHF 20.5 million, currency translation differences of CHF 3.2 million and acquisition of treasury shares of CHF 1.0 million reduced equity. Net income for the period added CHF 7.3 million to equity.

Non-current liabilities increased by CHF 7.0 million to CHF 337.0 million.

Current liabilities decreased by CHF 123.5 million to CHF 147.6 million, mostly due to the repayments of current borrowings. As of June 30, 2023, the syndicated revolving credit facility was undrawn and as of December 31, 2022, the facility was fully drawn for an amount of CHF 150.0 million.

Free cash flow

Cash flow from operating activities was CHF 15.4million, down from CHF 26.1 million in the first half of 2022. Trade accounts receivable increased by CHF 7.3 million and inventory grew by CHF 6.4 million.

Cash out from investing activities was CHF 13.0 million, mostly related to purchase of property, plant and equipment.

Cash out from financing activities was CHF 168.6 million, including shareholders' dividend of CHF 7.9 million. During the period, current borrowings in the net amount of CHF 154.8 million were repaid.

The lower year-on-year first-half 2023 EBITDA and the elevated capital expenditure, combined with our decision to hold high levels of inventories to ensure continuity of supply, delivered a negative free cash flow of CHF –4.9 million vs. a positive CHF 14.2 million in the first half of 2022.

Bridge from cash flow from operating activities to free cash flow

January 1 - June 30

millions of CHF	2023	2022[1)]
Cash flow from operating activities	**15.4**	**26.1**
Purchase of intangible assets	–1.4	–0.7
Purchase of property, plant and equipment	–18.9	–12.0
Sale of property, plant and equipment	0.0	0.8
Free cash flow (FCF)	**–4.9**	**14.2**

1) The numbers as of June 30, 2022, have been adjusted following the deconsolidation of medmix Poland. A reconciliation to the previously published numbers is provided in note 14.

Outlook

Reference is made to the letter to the shareholders.

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 medmix annual report 2022, chapter alternative performance measures.


medmix Drug Delivery: Re-Vario™ A

Healthcare review

Healthcare business area revenue limited due to high customer inventories in Dental

Our Healthcare business area comprises the Dental, Drug Delivery and Surgery segments, which produce and market a broad range of products such as dispensers, cartridges, mixers, tips, syringes, pen injectors for subcutaneous delivery of biologicals, and delivery devices for bone repair and tissue treatment. These devices are used in a variety of applications by our end-customers. In the Dental business, our products are used for prosthetics, restoratives, anesthetics and aesthetics. The pen injectors produced and marketed by our Drug Delivery segment are used in fertility and growth hormone treatments, and to deliver medical substances to treat diabetes, osteoporosis and rare diseases. The delivery devices produced and marketed by our Surgery segment are used by tissue banks for bone repair and bone cement in trauma surgeries, and by pharma customers in other medical substances for internal and external wound healing.

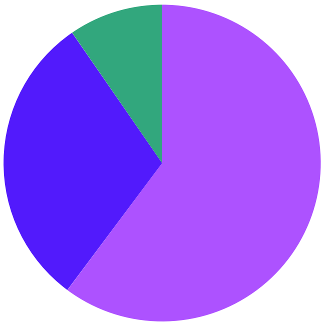
Key figures Healthcare

January 1 - June 30

millions of CHF	2023	2022	Change in +/–%	+/–% adjusted[2]	+/–% organic[3]
Revenue Dental	53.7	71.3	–24.8	–23.9	–23.9
Revenue Drug Delivery	26.9	23.8	12.8	18.0	18.0
Revenue Surgery	8.6	6.7	27.7	27.7	27.7
Total revenue Healthcare[1]	**89.2**	**101.9**	**–12.5**	**–10.7**	**–10.7**
Business area cost of goods sold	–35.1	–38.1	8.0		
Business area gross profit	**54.1**	**63.8**	**–15.2**		
Business area gross profit margin	60.6%	62.6%			

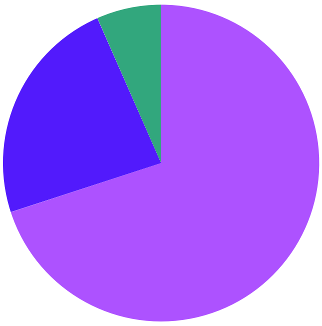
1) Revenue from external customers.
2) Adjusted for currency effects.
3) Adjusted for acquisition and currency effects.

Revenue by market segment
H1 2023



- **60.2%** Dental
- **30.2%** Drug Delivery
- **9.6%** Surgery

Revenue by market segment
H1 2022



- **70.0%** Dental
- **23.4%** Drug Delivery
- **6.6%** Surgery

Ongoing high customer inventories within Dental

The Dental segment generated a revenue of CHF 53.7 million, an organic decrease of 23.9% year-on-year. The remarkable growth witnessed in 2021 and 2022 can be attributed to a surge in orders following the Covid pandemic, with customers concerned about supply chain bottlenecks as markets reopened, and to customers purchasing ahead of successive inflation-driven price increases. These factors combined to create abnormally high customer inventories and therefore a slowdown in new orders starting in the second half of 2022 and only now starting to reverse.

Strong Drug Delivery performance

The Drug Delivery segment achieved CHF 26.9 million in revenue, which corresponds to an organic increase of 18.0% compared with the same period last year.

We have achieved further success with our autoinjector platform PiccoJect through successful feasibility studies with customers and cooperation partners like Nipro.

In June 2023, the Drug Delivery team and DCA Design International received a Red Dot Award for PiccoJect in the product design category. This is the second design award that medmix and DCA Design International Limited have received for PiccoJect™.

We look forward to the second half of 2023 as our D-Flex injector pen prepares for its highly anticipated launch. The first D-flex devices will then reach patients, marking a significant step towards future success and growth.

Strong double-digit growth in Surgery

Revenue in our Surgery segment was CHF 8.6 million in the first half of 2023, a double-digit organic growth of 27.7% compared with the same period last year. The growth in revenue with tissue bank customers surpassed expectations, driven by the increasing acceptance of human tissue utilization in trauma surgeries. Moreover, Surgery benefited from successful co-creation projects with global orthopedic companies.

medmix Industry: MIXPAC™ greenLine™ 50 mL system

Consumer & Industrial review

Industry: All assets shipped from Poland to Spain with full production by the end of the year. Beauty: Double-digit growth.

In our Consumer & Industrial business area, we provide our customers with high-quality products and services specifically tailored to our customers' needs. In the Industry segment we design, develop and market a broad range of products such as dispensers, cartridges and mixers for two-component adhesives and sealants for use in construction, transportation, electronics, infrastructure and general industrial sectors, as well as in the Do-It-Yourself 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 regional to global brands and includes the most iconic names in the beauty industry.

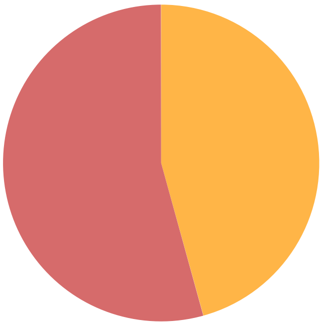
Key figures Consumer & Industrial

January 1 - June 30

millions of CHF	2023	2022[2]	Change in +/–%	+/–% adjusted[3]	+/–% organic[4]
Revenue Industry	72.7	79.2	–8.3	–5.2	–8.3
Revenue Beauty	86.3	69.5	24.2	29.6	29.6
Total revenue Consumer & Industrial[1]	**158.9**	**148.7**	**6.9**	**11.1**	**9.4**
Business area cost of goods sold	–104.4	–92.4	–13.0		
Business area gross profit	**54.5**	**56.3**	**–3.1**		
Business area gross profit margin	34.3%	37.8%			

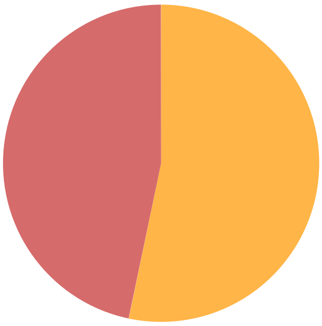
1) Revenue from external customers.
2) The numbers as of June 30, 2022, have been adjusted following the deconsolidation of medmix Poland. A reconciliation to the previously published numbers is provided in note 14.
3) Adjusted for currency effects.
4) Adjusted for acquisition and currency effects.

Revenue by market segment
H1 2023



45.7% Industry
54.3% Beauty

Revenue by market segment
H1 2022



53.3% Industry
46.7% Beauty

Industry – full production efficiency to uplift profitability

Revenue in our Industry segment was CHF 72.7 million, a decrease of 8.3% organically year-on-year, given that production in the new facility in Valencia, Spain, will ramp up only in the second half of the year. Despite production constraints, the segment gained additional business by meeting emerging demands from our customers. Significant progress has been made in the new production facility in Spain, where all relevant assets from the former Poland site, including machines, molds and inventories, have been successfully transferred to Spain (with 20 machines installed), paving the way for full production before the end of the year. All operations of Universal de Suministros, S.L., acquired in H2 2022, continue to operate at full capacity and will be transferred to the new plant, ensuring a streamlined and efficient consolidation of activities by year end.

In June 2023, the innovative MIXPAC™ 30 mL PUR HT™ 1k cartridge kit was introduced, heralding a significant advancement in the industrial bonding of smartphone screens. This cartridge kit enhances performance and efficiency in the growing hot melt adhesives market, propelled by the demand for advanced consumer electronic products. This innovative solution serves as a confirmation of medmix' commitment to delivering stable and scalable hot melt bonding solutions for diverse applications, meeting the requirements of global end-users.

Strong performance in Beauty

Our Beauty segment delivered revenue of CHF 86.3 million, an organic growth of 29.6% compared to H1 2022. In the first half of 2023, the Beauty segment capitalized on exciting new initiatives: several global customers successfully launched long-awaited products that had previously been delayed due to Covid restrictions. Additionally, our key innovation, the Micro Bristle Applicator, was successfully introduced into new cosmetic domains beyond our primary focus on eyelash applications. Furthermore, the expansion of our production facility in Germany has enabled us to attract and serve new customers, contributing to our growth in the market.

In line with our local-for-local growth strategy in China, we have acquired Guangdong Qiaoyi Plastic Co. Ltd, a beauty manufacturing business in Shantou, solidifying our position as a leading provider of innovative solutions in the region. This latest acquisition will strategically position medmix as a player in the Chinese beauty sector (the second biggest market in the world) and allow us to extend our global footprint in Asia.