



**eMOTION of MOTION.**

## Full Year 2020 Results – Investors' Presentation

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29 April 2021



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## Today's Presenters



**Luigi Ferrari**  
CEO since Nov-2012



**Michele Marin**  
CFO since Mar-2018

## Agenda

 **2020 Highlights & Strategic Focus Areas**

 Financial Overview

## Key 2020 Highlights



**Strong momentum pre-COVID, with double-digit growth trajectory** in H2 2019 continuing in Jan-Feb 2021, building on historical investments in the platform



**Highly resilient top-line performance in 2020**, despite impact from COVID-19, outperforming market. **Group sales down -11.5% vs. prior year at constant FX** (-12.9% at actual FX). Rebound in Q3 '20 (>3% YoY revenue growth) provide confidence on **post-COVID rebound, on the back of significant backlog of postponed elective surgeries**



**Industry-leading EBITDA margins** (26.6% in 2020 vs. 25.8% in 2019) on the back of structural cost saving measures having a **lasting beneficial effect on profitability** (Q3 2020 EBITDA margin 30.2%)



**Continued customer conversion** and market share gains, with **>250 customers added in 2020**



**Focus on innovation**, with 50+ product approvals in 2020, and **major strategic initiatives materializing**, including full approval of Smart SPACE shoulder suite, and inauguration of the ProMade Point of Care (PoC) Center at HSS



**Investments for growth** (incl. R&D, salesforce expansion and new instrument sets deployment) to capitalize on the **expected market rebound** and drive share gains once the pandemic subsides

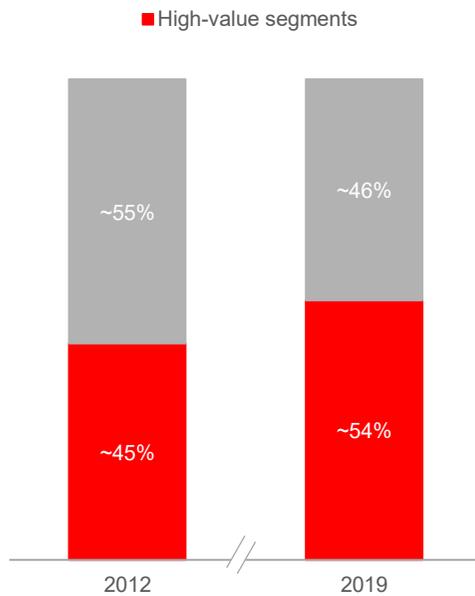
## Lima's Key Credit Highlights

- 1 Exposed to high-growth, high-value segments** underpinned by resilient fundamentals despite COVID-19 pandemic
- 2 Innovative Orthopedics portfolio** with superior shoulder platform and strong revision portfolio
- 3 Pioneers in 3D printing** supported by world's first 3D Point of Care center for complex custom implants through HSS partnership
- 4 Smart SPACE platform to drive digital transformation of portfolio**, with Smart SPACE shoulder suite complete and ready for controlled release in Q2 2021
- 5 Highly attractive financial profile**, supported by well-invested platform with global commercial reach, superior track-record of innovation and customer acquisition
- 6 ESG at the core of Lima's strategy**, with tangible initiatives across multiple dimensions (diversity & inclusion, support to communities over the COVID-19 emergency, renewable energy etc.)

# Lima Focuses on the Most Attractive Areas in Orthopedics

Strong exposure and continued strategic focus on high value segments

## Lima Revenue Split<sup>1</sup>



## Orthopedic Innovation

## Lima's Focus



**Product**  
innovation

**Shoulder & Extremities:** Lima at **forefront of innovation** with focus on even stronger growth reverse shoulder sub-segment

**Added value & high growth ortho segment**

**Hip and knee revision:** driving product portfolio completion with strong exposure to **higher priced** revision segment

**Premium pricing**



**Technology**  
innovation

**ProMade:** Lima as innovator in **custom-made** implant market with best-in-class product

**Attractive market niche**

**Trabecular Titanium:** **3D printing** and proprietary, differentiating technology

**Premium gross profit margins**



**Digital**  
innovation

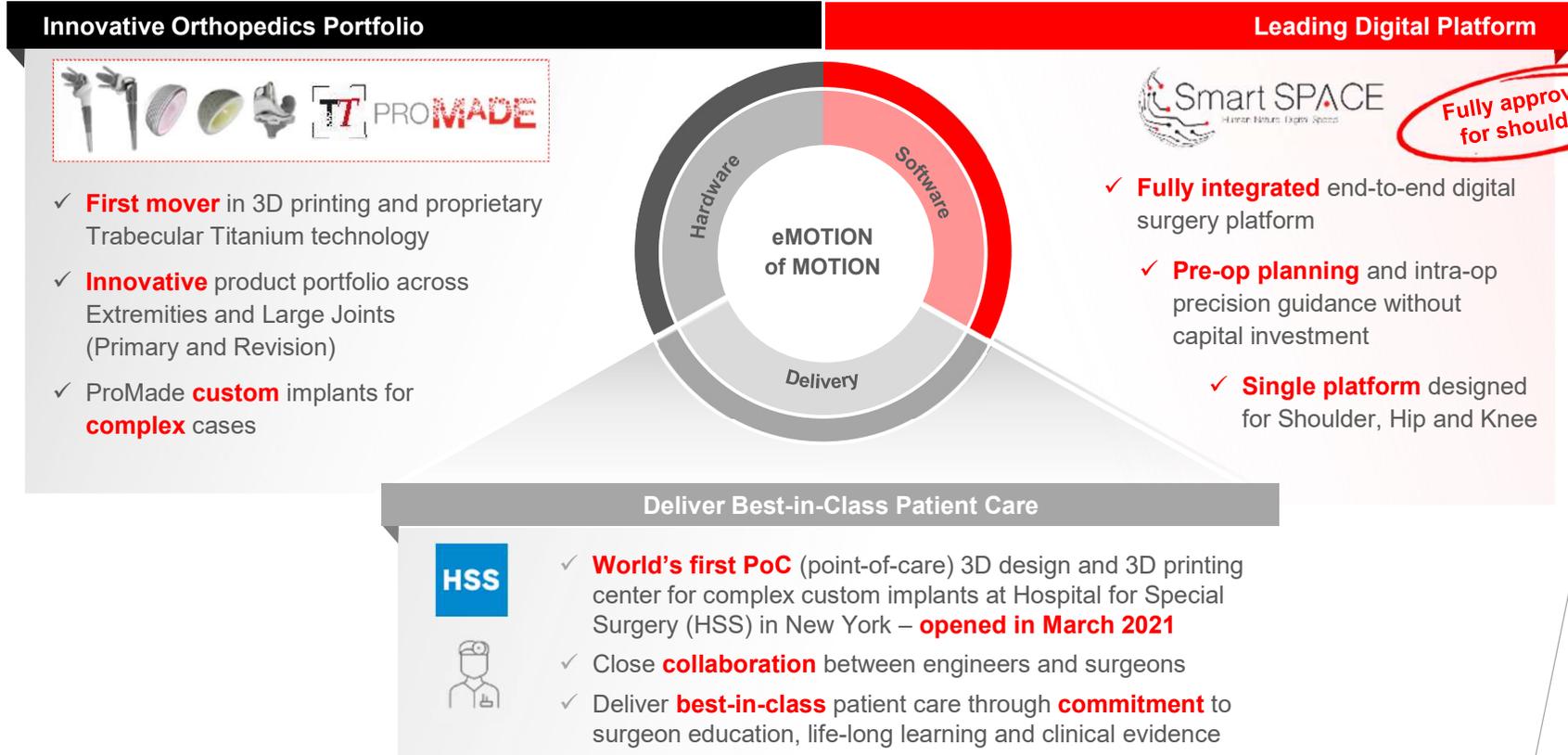
**Smart SPACE:** Lima driving innovation in orthopedics through its **digital ecosystem** with Smart SPACE

**Continued penetration of digital solutions in ortho surgery**

(1) High-value segments include: TT, Hip and Knee Revision, ProMade, Smart SPACE Hip & Knee and Shoulder / Extremities.

# Lima's Paradigm: Accelerating Technological Advancement in Orthopedics

Lima is at the forefront of hardware and digital transformation in the orthopedic sector



## Innovation Pipeline & Strategy Update

*Lima continuing to shape the future of orthopedics with major strategic initiatives*

### Innovation Update

#### Smart SPACE

- **Smart SPACE Shoulder Platform entirely FDA 510k approved** (Humeral 3DP approved in December 2020 and Shoulder Cubit Guidance 510k in Q1 2021) and first procedures successfully performed
- **3D Virtual Planner and 3DP Controlled Release is progressing well**
- In accordance with the existing agreements, TechMah Medical integration planning will see **Lima taking 100% ownership** by 30 June 2021



#### Pipeline

- With a final push of Regulatory approvals in Q4 2020, LimaCorporate has achieved **50+ regulatory approvals in 2020**. The last quarter contributed to 10+ approvals in 5 different countries

### ProMade PoC Center at HSS

- **The ProMade Point of Care (PoC) Center at HSS**, our groundbreaking partnership with the #1 US Orthopedic Hospital in New York, went live on 23 March 2021 with a global webcast event showcasing the technology and emphasising the power of collaboration between two world-leading organizations in the field of orthopedics



# ESG: A Core Value and at the Heart of Everything Lima Does

*Social responsibility as a guiding principle for Lima*

## Social

Upmost responsibility and duty towards employees wellbeing and society as a whole

Support and contributions during COVID-19 crisis

LimaCorporate INTERNATIONAL RED CROSS

Hospital support



- ✓ Donation of **equipment (car) & 3D printed masks/face shields**
- ✓ Support on **blood donation** efforts



Focus SDGs

**3** Good health and well-being

**8** Decent work and economic growth

**11** Sustainable cities and communities

## Environmental

Maintaining top environmental certifications and pushing forward climate friendly policies

- ✓ **Achieved the ISO 14000 certification for the Segesta plant** in Sicily in 2018
- ✓ **Introduced car sharing policies** for employees aimed at **reducing CO2 emissions**
- ✓ Built the company's new power plant via solar panels on the roof of the new facility



LimaCorporate  
Orthopaedic motion

## Corporate Governance

Highest Standards of Reporting and Transparency

- ✓ **Advisory Board** in place with leading industrialist in the orthopaedic sector
- ✓ **Frequent reporting** in place to Board, Rating Agencies and Lenders on financial, corporate and ESG matters
- ✓ **Continued focus on financial transparency**



## Agenda

 2020 Highlights & Strategic Focus Areas

 **Financial Overview**

## Full Year 2020 Performance

### FY20 Sales

- LimaCorporate serves a very resilient market where **fundamentals have remained unchanged** even through the COVID-19 pandemic; **significant sales backlog** is in place due to postponed/cancelled procedures because of lockdowns/restrictions
- Continued focus on new customer conversion, sales force expansion and new instrument sets deployment in order to capitalize on market share gains once the pandemic subsides
- **Strong momentum pre-COVID**, on the back of double-digit YoY growth in the second half of 2019 which continued in the first two months of 2020
- First wave of COVID-19 impacted Q1 and Q2, but then **sales picked up rapidly in Q3 exceeding prior year by >3%**, as restrictions were generally eased throughout the summer months; second wave then hit Q4, resulting in **FY performance of -11.5% vs. prior year at constant FX** (-12.9% at actual FX)
- APAC sales at +10.2% in Q4 2020 vs. Q4 2019 (at constant FX) bring confidence for recovery in all geographical regions, also considering the significant backlog accumulated

### FY20 Profitability

- Gross Margin down by 50bps in 2020 vs. 2019 as a result of country & product mix, inefficiencies in production due to lower fixed costs absorption and FX effects (EUR strengthening mainly vs. USD and GBP)
- EBITDA down -10.1% in 2020 vs. 2019 (in absolute terms) due to the -12.9% drop in sales because of COVID-19 restrictions; however, **EBITDA margin increased to 26.6%** vs. 25.8% previous year on the back of **structural cost savings measures** implemented over the year (**Q3 EBITDA margin 30.2%**)

### Capex and Free Cash Flow

- **LimaCorporate keeps investing in growth Capex** in order to support the business in **preparation of the expected rebound** post-COVID
- Capex for tangible and intangible assets in FY 2020 increased to €47.1MM (vs. €35.6MM in FY 2019) to support the medium-term plan of increased production capacity, the HSS 3D printing facility set-up and Smart SPACE investments; Instrument Sets Capex increased to €17.4MM (+17% vs. 2019), despite lower sales volumes, following clear management's decision aimed at sustaining the expected business recovery post-COVID
- Reduced NWC absorption due to lower receivables and stable payables, partially offset by higher inventories variation following management's **decision to keep higher stock during the pandemic** in order to be ready to **gain market share** during the business rebound expected post-COVID

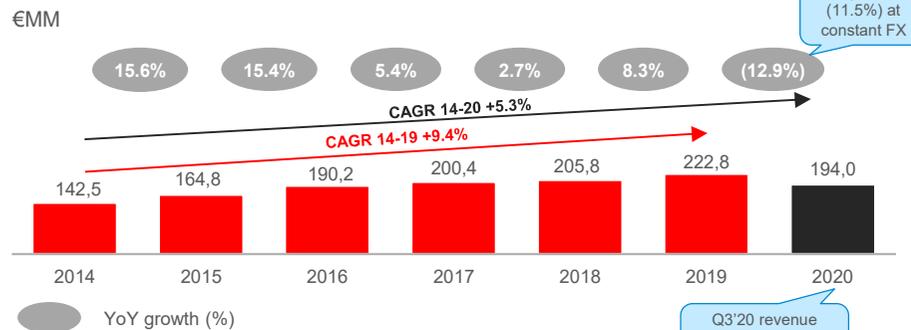
### Liquidity and Net Debt

- **Strong liquidity position** at year-end, also thanks to €20MM cash injection by shareholders in June (€15MM more committed if required) driven by solid confidence in market resilience, to **support continued investments** in key strategic focus areas and in preparation of the expected business rebound
- New Minimum Liquidity financial covenant in place until 30 September 2021; the Covenant Certificate delivered on 31 December 2020 reported about €46MM available liquidity; all strategic investments and long-term growth plans are very well secured by this strong liquidity position
- Consolidated IFRS **Net Debt as of 31 December 2020 equal to €320.5MM** (net of capitalized debt issuance costs) and **Net Debt leverage 6.2x**; Adjusted Net Debt (not considering TechMah outstanding payments) is €299.2MM, corresponding to an Adjusted Net Debt leverage of 5.8x

# Overview of Key Financials

Lima demonstrating resiliency and executing on structural cost measures resulting in industry leading profitability profile

## Revenue



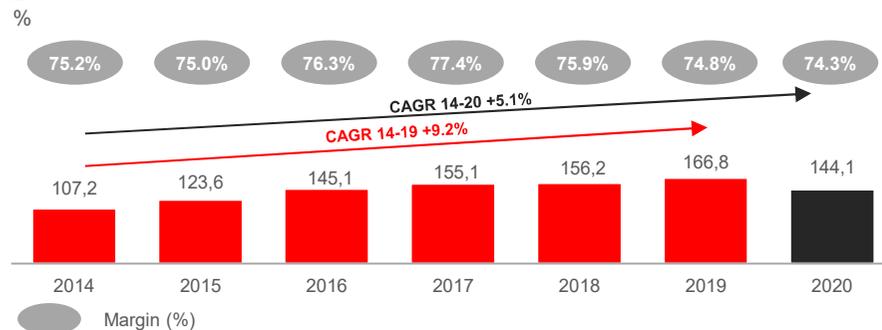
## Revenue:

- **2020 revenue resilient to COVID-19 restrictions** at -11.5% at constant FX
- Strong Q4 2020 sales in APAC (+10.2% vs. Q4 2019 at constant FX) bring confidence for recovery in all geographical regions as restrictions are gradually eased, also considering the **significant backlog accumulated**

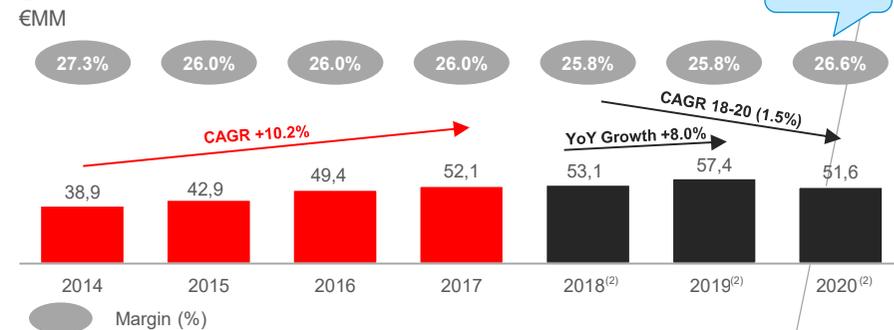
## Gross Profit and Adjusted EBITDA:

- 2020 Gross Profit -13.6% vs. 2019, impacted by drop in sales due to COVID-19
- Gross Margin -50 bps due to geographical/product mix, production inefficiencies and FX effect, however **EBITDA margin increased from 25.8% in 2019 to 26.6% in 2020 (30.2% achieved in Q3'20)**
- EBITDA down -10.1% with negative impact partially offset by spending reductions and **structural cost saving measures implemented over the year**

## Gross Profit (1)



## Adjusted EBITDA (1)



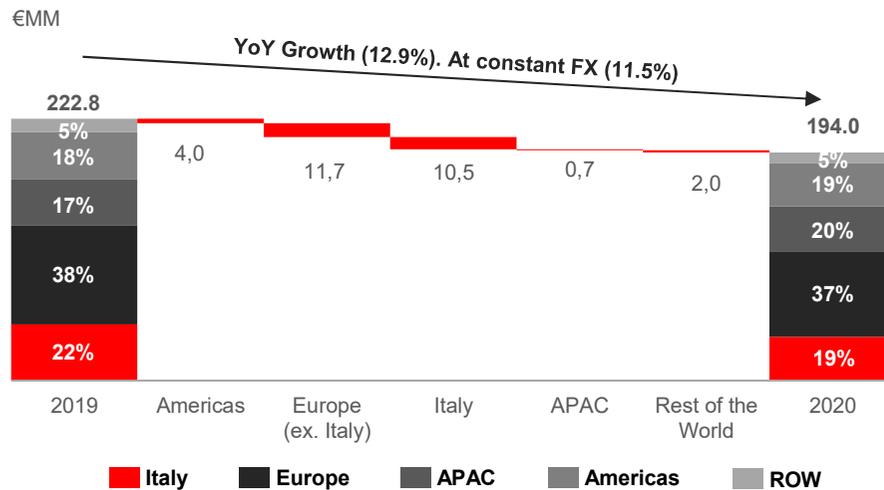
1) Gross margin and Adjusted EBITDA margin calculated based on revenue from sales and services  
2) Prepared under IFRS

## Deep Dive – Product and Geographic Mix

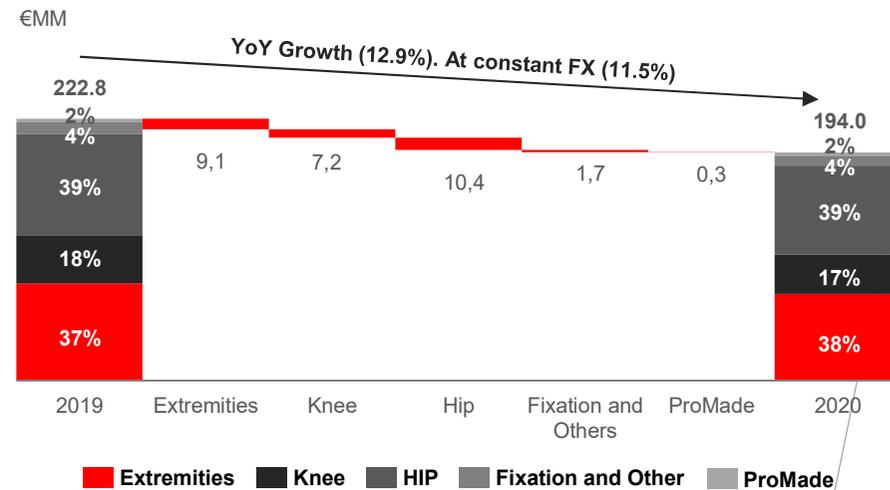
Lima demonstrating resiliency and is ready to capture rebound as the COVID-19 impact decreases

### Overall 2020 Full Year Sales Performance Affected by COVID-19

#### Revenue Bridge by Country



#### Revenue Bridge by Product



#### Commentary

Revenues -€28.8MM (or -12.9%) to €194.0MM Full Year 2020 from €222.8MM Full Year 2019 due to postponement or cancellation of elective surgeries as a consequence of COVID-19:

- Significant signs of rebound in APAC in Q4 2020, where COVID-19 cases are decreasing; sales still affected by COVID-19 restrictions in all other countries
- 2020 overall turnover behind 2019 due to pandemic crisis with most countries impacted with several lockdowns
- 2020 sales down in all Product Segments vs LY, Extremities being the least affected Product Segment

## Selected P&L Items

Lima's decisive structural cost measures protecting EBITDA and resulting in recurring benefit to profitability

(€MM)	2019	2020	Var. %
<b>1 Revenue</b>	<b>222.8</b>	<b>194.0</b>	<b>(12.9%)</b>
Cost of Goods Sold	56.1	49.9	(11.1%)
<b>Revenue (-) Cost of Goods Sold</b>	<b>166.8</b>	<b>144.1</b>	<b>(13.6%)</b>
<b>1 Gross Margin</b>	<b>74.8%</b>	<b>74.3%</b>	
<b>EBITDA</b>	<b>48.8</b>	<b>40.8</b>	<b>(16.5%)</b>
<i>EBITDA Margin</i>	<i>21.9%</i>	<i>21.0%</i>	
<b>3 Adjustments</b>	<b>8.6</b>	<b>10.8</b>	
<b>2 Adj. EBITDA</b>	<b>57.4</b>	<b>51.6</b>	<b>(10.1%)</b>
<i>Adjusted EBITDA Margin</i>	<i>25.8%</i>	<i>26.6%</i>	

**1 Revenue down by -12.9%** (at constant FX -11.5%); Gross Margin decrease by -13.6%, impacted by geographical/product mix and price effects

**2 Smaller decline in Adj. EBITDA** (-10.1% YoY) and **increase in Adj. EBITDA margin** to 26.6% vs. 2019 on the back of one-off and recurring cost saving measures during 2020; **structural cost savings (such as travel expenses, events, flexible work hours) are expected to remain and have continued beneficial effect on profitability**

- EBITDA includes impact related to IFRS 16 (leases) application: €4.2MM in 2020 and €3.3MM in 2019

**3 EBITDA Adjustments:**

- In 2020: €0.9MM non-recurring severance costs, €5.4MM non-recurring consultancies, services and set-up costs, €0.3MM non-recurring COVID-19 direct related costs, €1.9MM accruals for non-recurring personnel costs, €0.8MM one-off litigation and termination charges, €0.7MM other miscellaneous items and €0.8MM net accrual for provisions and write-down of assets

- In 2019: €1.8MM non-recurring severance costs, €3.0MM non-recurring services and set-up costs, €1.4MM accruals for non-recurring personnel costs, €0.3MM one-off termination charges, €0.6MM other miscellaneous items and €1.5MM net accrual for provisions and write-down of assets

## Capital Expenditure & Working Capital

Active decision to sustain investment in the business to capture post COVID-19 market rebound

### Gross Capital Expenditure (€MM)

(€MM)	2019	2020
<b>1</b> Instrument Sets	14.9	17.4
Intangibles	6.5	7.3
Smart SPACE	4.1	7.0
<b>2</b> Property, Plant & Equipment	10.1	15.4
<b>Total Gross Capital Expenditure</b>	<b>35.6</b>	<b>47.1</b>
<b>% on Revenue</b>	<b>16.0%</b>	<b>24.3%</b>

### Change in Working Capital (€MM)

(€MM)	2019	2020
Change in Trade Receivables	7.3	(3.2)
Change in Trade Payables	(3.8)	1.9
<b>3</b> Change in Inventories	8.3	9.9
Change in Other Receivables <sup>(1)</sup>	(0.5)	(0.3)
Change in Other Payables <sup>(1)</sup>	(2.3)	(1.3)
<b>Change in Working Capital</b>	<b>9.0</b>	<b>7.0</b>

1) "Other Payables" include (i) taxes payable (ex. income taxes payable), (ii) other payables, (v) social security payables, (vi) payments on accounts and (vii) accrued expenses and deferred income; "Other Receivables" include (i) tax receivables (ex. income tax receivables), (ii) other receivables and (iii) accrued income and prepaid expenses

### Commentary

- 1** Instrument Sets capex increased to €17.4MM in FY 2020 (9% on sales vs. 6.7% of prior year), following decision to sustain business recovery and prepare for expected rebound post-COVID and market share increase
  - Higher spending in Intangible assets mainly due to increased Smart SPACE digital platform investments
- 2** Higher 2020 capex for €5.3MM compared to 2019, aimed at increasing production capacity to support sales growth expected post-COVID as well as to the setup of the production facility at HSS, while €3.5MM net increase is related to new lease contracts of assets under RoU for IFRS16
  - Maintenance vs. growth capex split remains at about 20/80, in line with previous years, also driven by active decision by management to continue investing to anticipate business rebound post-COVID

### Commentary

- Net working capital amounts to €106.1MM as of 31 December 2020, with an increase of €7.0MM compared to 2019
- 3** Change in working capital was mainly due to increase in inventories of €9.9MM, following management's decision to keep higher stock during the pandemic to be ready for the business rebound expected in 2021
  - Net decrease of receivables was related to lower sales for the year, while lower payables are linked to the slowdown of purchasing in the last two months of the year following the second wave of the pandemic

## Summary Cash Flows

Active decision to sustain investment in the business to capture post COVID-19 market rebound

(€MM)	2019	2020
<b>Adjusted EBITDA</b>	<b>57.4</b>	<b>51.6</b>
% of Revenue	25.8%	26.6%
Change in Net Working Capital <sup>(1)</sup>	(9.0)	(7.0)
Other Operating Cash Flow <sup>(2)</sup>	(10.0)	(12.1)
<b>1 Cash Flow from Operations</b>	<b>38.4</b>	<b>32.5</b>
% Conversion <sup>(3)</sup>	66.8%	62.9%
<b>2 Net Capital Expenditure <sup>(4)</sup></b>	<b>(31.0)</b>	<b>(42.4)</b>
<b>Free Cash Flow</b>	<b>7.4</b>	<b>(10.0)</b>
% Conversion <sup>(3)</sup>	12.8%	(19.3%)
Net Interest Paid	(12.7)	(15.5)
Change in Financial Debt	1.1	12.2
<b>3 Capital Injection</b>	<b>-</b>	<b>20.0</b>
<b>Net Change in Cash</b>	<b>(4.2)</b>	<b>6.8</b>

- 1** 63% conversion from operations, driven by increase in inventories following management's decision to keep **higher stock during the pandemic to be ready for the business rebound expected in 2021**
- 2** Continued investment in capital expenditures (particularly instrument set) following decision to **sustain business recovery and prepare for expected rebound post-COVID**, as well as to support strategic initiatives (e.g. Smart SPACE)
- 3** €20 MM Capital injection to **support future growth plans and create operational flexibility**

1) "Net Working Capital" defined as (Trade Receivables + Inventories + Other Receivables) less (Trade Payables + Other Payables). See previous page for definition of "Other Receivables" and "Other Payables"

2) Includes taxes, other miscellaneous receivables/payables and non recurring items

3) Conversion defined as metric / Adjusted EBITDA

4) Net Capital Expenditure represents cash flow impact (delta vs. total capital expenditure presented in prior page mainly due to IFRS 16 and dismissal of assets)

## Net Debt & Liquidity

*Lima in comfortable liquidity position to sustain future investments and growth initiatives*

€MM	2019	2020
Cash and equivalents	(19.5)	(26.3)
Drawn Super Senior Revolving Facility	22.0	40.0
Senior Secured Floating Rate Notes <sup>(1)</sup>	271.1	272.4
Leasing debt as per IFRS16	10.7	10.0
Techmah outstanding milestones debt	23.3	21.3
Other <sup>(2)</sup>	2.1	3.1
<b>Net Debt<sup>(3)</sup></b>	<b>309.7</b>	<b>320.5</b>
<i>Undrawn New Super Senior Credit Facilities (€60MM)</i>	<i>38.0</i>	<i>20.0</i>
<b>Adjusted EBITDA</b>	<b>57.4</b>	<b>51.6</b>
<b>Net Debt / Adjusted EBITDA</b>	<b>5.4x</b>	<b>6.2x</b>

### Commentary

- 20M€ Capital Injection made in June 2020 (additional 15M€ committed if needed) driven by **solid confidence in market resilience, to support continued investments in key strategic focus areas and in preparation of the expected business rebound post-COVID**
- Net Debt from Consolidated Financial Statement<sup>(3)</sup> as of 31 December 2020 amounted to €320.5MM, compared to €309.7MM as of 31 December 2019
- The ratio of Net Debt to Adjusted EBITDA increased from 5.4x to 6.2x, mainly as a consequence of the COVID-19 related impact on sales; EBITDA and operating cash flows and the following additional drawdown of Senior Revolving Facility to sustain NWC and Capex

(1) Value of Floating Rate Notes is expressed at amortised cost (net of debt issuance costs) and includes accrued interests as of December 31, 2020.

(2) "Other" refers to local loans in Lima Japan, Lima SM, Lima France, Lima Austria, Lima Switzerland and Limacorporate and accrued interests on RCF, bank loans and overdrafts

(3) "Net Debt" defined as sum of bonds, bank loans and overdrafts, leasing debts and loans from other lenders (Techmah milestones) less cash and cash equivalents. Values from the Consolidated Financial Statement expressed at amortized cost

*Thank you!*

