

Amplitude Surgical – Marked improvement in operational performances in H1 2019-20

- Consolidated Sales of €49.8 million, +5.7% at constant exchange rates
- Strong increase in EBITDA (+41.2%) to €11.3 million, giving a margin of 22.7%
- Recurring Operating Profit of +€0.8 million
- Cash and Cash Equivalents of €19.1 million at December 31, 2019

Valence, March 25, 2020, 6:00 pm CET – Amplitude Surgical (ISIN: FR0012789667, Ticker: AMPLI, eligible for PEA-PME plans) (“**Amplitude**” or the “**Group**”), French leader on the global surgical technology market for lower-limb orthopedics, today announces its results for the first half of its 2019-20 financial year to the end of December 2019.

Olivier Jallabert, Chairman and CEO of Amplitude Surgical, states: *“In the first half of our 2019-20 financial year, the pursuit of our strategy aimed at delivering profitable growth continued to bear fruit. The control of our costs combined with the allocation of resources to our strategic projects enabled us to generate an EBITDA growth of more than 40% to €11.3 million and a Recurring Operating Profit of €0.8 million. Moreover, in the face of the complex situation caused by the COVID-19 pandemic, we firmly believe that the solidity of our financial structure will enable us to cope with the challenges of the coming months.”*

In the first half of its 2019-20 financial year, Amplitude Surgical continued to roll-out its strategy and recorded sales of €49.8 million, up 5.8% in actual terms and 5.7% at constant exchange rates, and EBITDA of €11.3 million, an improvement of 41.2%, giving a significant increase in the margin to 22.7%.

Financial summary – actual exchange rates:

€k - IFRS (*)	H1 2019-20	H1 2018-19	Δ
Sales	49,833	47,102	+5.8%
Gross margin	36,277	35,035	+3.5%
<i>as a % of sales</i>	<i>72.8%</i>	<i>74.4%</i>	<i>-160 bps</i>
Sales & Marketing costs	17,582	19,337	-9.1%
General & Administrative costs	5,161	5,648	-8.6%
Research & Development costs	2,223	2,039	+9.0%
EBITDA	11,311	8,011	+41.2%
<i>as a % of sales</i>	<i>22.7%</i>	<i>17.0%</i>	<i>+570 bps</i>

Recurring Operating Profit	826	-1,454
Non-recurring operating income/expenses	7,524	-1,130
Operating profit/loss	8,350	-2,584
Financial profit/loss	-2,831	-3,792
Net profit/loss - Group share	5,300	-7,223
Net financial debt	107,691	106,294
Net cash position at end of period	19,108	18,046

EBITDA up 41.2% with a margin of 22.7%

Over the first half of the 2019-20 financial year (from July to December), Amplitude Surgical recorded sales of €49.8 million, up 5.8% in actual terms and 5.7% at constant exchange rates.

- **In France**, the Group recorded sales of €30.4 million, a further increase (+1.1%) despite the 2.93% average decrease in reimbursement rates in May and June 2019. France accounted for 61% of total sales;
- The Group's **international activity** continued to grow, and was up +13.9% at constant exchange rates to €19.4 million in the first half of the year, notably boosted by the Group's key markets of Brazil, South Africa and the United States for Novastep's activity. This performance was driven by the contribution of both its distributors and its international subsidiaries. Over the semester, the Group's distributors recorded strong growth of 16.1% to €5.1 million, thus accounting for 26% of international sales, and the Group's subsidiaries recorded sales growth of +13.2% to €14.4 million;
- Amplitude Surgical's **direct business** (French market and international subsidiaries), accounting for almost 90% of the Group's total sales, recorded growth of 4.7% at constant exchange rates;
- The sales generated by **Novastep**, innovative solutions for foot and ankle surgery, continued to record buoyant growth in the first half and totaled €4.8 million (+36.2% at constant exchange rates), driven by the United States (+98.0% at constant exchange rates). The proportion of Novastep sales generated abroad exceeds 62%, and Novastep's activity now accounts for 10% of total Group sales.

Amplitude Surgical generated a gross margin of 72.8% over the first half, down 160 bps compared with the first half of 2018-19, mainly due to the fall in reimbursement tariffs in France in May and June 2019 and a negative mix effect in international distribution.

The Group's overall operating expenses totaled €25.0 million, down 7.6% compared with the end of December 2018, reflecting good cost control and the allocating of resources solely to the Group's main projects and strategic developments. Sales & Marketing costs and General & Administrative costs were thus down by 9.1% and 8.6% respectively.

Research & Development costs increased by 9.0% to €2.2 million as a result of Novastep's R&D spending. During the semester, Research & Development costs represented 4.5% of sales, compared with 4.3% in the first half of 2018-19.

Amplitude Surgical had a workforce of 426 staff at the end of December 2019, versus 436 at the end of June 2019 and 455 at the end of December 2018. Personnel costs were down 4.8% compared with the first half of 2018-19 as a result of the efforts undertaken to optimize the organization, notably in Sales & Marketing and General & Administrative.

EBITDA was thus €11.3 million, up 41.2%, giving a margin of 22.7%, up 570 bps compared with the first half of 2018-19.

The Group generated a Recurring Operating Profit of €0.8 million and Operating Profit of €8.4 million, compared with a loss of €2.6 million in the first half of 2018-19, bolstered by the €8.6 million reversal of the provision relating to “Taxation on Medical Devices” for the period to June 30, 2014.

With respect to the period from July 1, 2014, at December 31, 2019 the Group booked an additional provision of €1.1 million with respect to “Taxation on Medical Devices”, and will continue to provision the entire risk associated with its dispute with URSSAF despite the favorable ruling in the first dispute.

The Financial Result was -€2.8 million, and primarily consisted of an interest expense of €3.1 million and the booking of net currency exchange gains and losses of €0.2 million.

Financial Structure: cash of €19.1 million at end-2019

The net cash flow generated by operating activity amounted to €7.4 million over the semester, compared to net cash burn of €1.1 million in the first half of 2018-19, notably taking into account a €2.4 million improvement in operating cash flow and the change in working capital requirements, generating cash of €0.3 million thanks to inventory reduction efforts versus cash burn of €4.5 million in H1 2018-19.

Investments were down in the first half of 2019-20 compared with the same half of 2018-19, totaling €5.2 million (vs. €9.4 million) thanks to a better rationalization of the rotation of ancillary equipment.

At the end of December 2019, the Group had Cash & Cash Equivalents of €19.1 million. Net Financial Debt amounted to €107.7 million, giving gearing (Net Financial Debt over Shareholders’ Equity) of 1.19, versus 1.20 at the end of June 2019. Restated for the first application of IFRS 16, leading to a booking of a €4.3 million debt, the Net Financial Debt was €103.4 million, versus €104.7 million at June 30, 2019.

Key first-half events

- **Amplitude wins its dispute with URSSAF for the period to June 30, 2014**

Following the decisions of the *Cour de Cassation* on November 29, 2018, the Valence High Court on October 10, 2019 and the Grenoble Court of Appeal on October 29, 2019, as well as the URSSAF letter of November 7, 2019 indicating its decision not to appeal these decisions, Amplitude Surgical, has won its dispute with URSSAF for the period to June 30, 2014.

The accounting consequence of this decision in H1 2019-20 accounts is the €8.6 million partial reversal of the provision that totaled €19.0 million at June 30, 2019.

- **Novastep signs an exclusive distribution agreement with Carbon22**

The exclusive distribution agreement signed with Carbon22, an American company specialized in developing innovative foot and ankle implant solutions, will allow Novastep, Amplitude subsidiary and a recognized player in the field of medical devices for lower-limb surgery, to incorporate an innovative range of solutions within its product offering and thus accelerate its growth opportunities in the USA.

Impact of the COVID-19 pandemic on the Group's activity

As previously announced¹, Amplitude Surgical's activity will be substantially reduced over the coming weeks given the postponement of surgical procedures as well as the suspension of air links and the closing of land borders, making it impossible to deliver products.

Within this context, the Group has already taken measures to control its costs and get through this period of uncertainty, and will also adopt all necessary measures to be ready for a resumption in activity when the sanitary situation allows operating rooms to reopen.

With a solid cash position and a buoyant level of activity in recent weeks, the Group is confident that activity will rapidly take off again once the current sanitary crisis comes to an end.

Next press release

Q3 2019-20 sales, on Thursday April 23, 2020, after market.

About Amplitude Surgical

Founded in 1997 in Valence, France, Amplitude Surgical is a leading French player on the global surgical technology market for lower-limb orthopedics. Amplitude Surgical develops and markets high-end products for orthopedic surgery covering the main disorders affecting the hip, knee and extremities, and notably foot and ankle surgery. Amplitude Surgical develops, in close collaboration with surgeons, numerous high value-added innovations in order to best meet the needs of patients, surgeons and healthcare facilities. A leading player in France, Amplitude Surgical is developing abroad through its subsidiaries and a network of exclusive distributors and agents distributing its products in more than 30 countries. Amplitude Surgical operates on the lower-limb market through the intermediary of its Novastep subsidiaries in France and the United States. At June 30, 2019, Amplitude Surgical had a workforce of 436 employees and recorded sales of c.103 million euros.

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¹ See press release of March 18, 2020.

