



# ***aap* Implantate AG**

## **Q2/H1 2019 Report Conference Call**

Rubino Di Girolamo, CEO  
Marek Hahn, CFO

**Berlin, August 14, 2019**

## Safe Harbor Statement

*Our publication may include predictions, estimates or other information that might be considered forward-looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this presentation. Please keep in mind that we are not obligating ourselves to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events. Throughout today's discussion, we will attempt to present some important factors relating to our business that may affect our predictions.*

# Key results and progress Q2/H1 2019 (1/2)

## ➤ Sales and Earnings

- Q2 sales of EUR 2.5 million (Q2/2018: EUR 2.7 million) and EBITDA of EUR -2.1 million (Q2/2018: -1.5 million) at the lower end of the guidance
- H1 sales up by +10% to EUR 6.0 million, EBITDA at EUR -3.1 million (H1/2018: -3.1 million)
- EBITDA in Q2 burdened by significant one-time effects (~EUR 0.8 million), recurring EBITDA in Q2 unchanged at EUR -1.3 million and in H1 significantly up by +18% to EUR -2.2 million
- H1 sales: Good growth rates in all regions with Germany (+6%), international business (+9%) and North America (+10%)

## ➤ Gross margin and costs

- Improvement of gross margin<sup>1</sup> to 83% in Q2 (Q2/2018: 76%) and 84% in H1 (H1/2018: 77%)
- Declining cost level (adjusted for one-time effects)

## ➤ Cash flow and balance sheet

- Cash need in H1 totaled EUR 4.0 million with positive effects of working capital reduction (EUR 1.7 million)
- Cash holdings of EUR 7.6 million<sup>2</sup>; first-time application of IFRS 16 – Leasing and concluded factoring agreement lead to shifts in balance sheet, income statement and cash flow

<sup>1</sup> Relating to sales revenues, changes in inventories of finished and unfinished products and cost of materials / purchased services.

<sup>2</sup> In the consolidated balance sheet of 30/06/2019 EUR 5.2 million is stated as cash and cash equivalents, while cash with banks totaling EUR 2.4 million is shown under current and non-current other financial assets as it was pledged to secure financial liabilities respectively cash payments were made to secure bank guarantees granted to third parties.

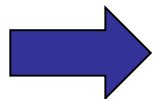
# Key results and progress Q2/H1 2019 (2/2)

## ➤ LOQTEQ®

- FDA approval for polyaxial LOQTEQ® VA foot system – Launch in US and further markets planned for beginning of 2020
- Continuous focus on adaptation of processes and documents to new regulatory requirements of MDR and development of sterile packaging for implants (will continue to be key focal points)

## ➤ Silver coating technology

- Continued intensive exchange with BfArM on application to conduct the human clinical study  
→ **BfArM granted approval for study at the beginning of August**
- Preparation of application for FDA to conduct the human clinical study in the US  
→ **Application submitted to FDA at the beginning of August**
- Training of participating doctors and preparation of silver-coated implants for hospitals



**For the start of the human clinical study in Germany now only the approval of the ethics commissions is missing, which has already been applied for**

## ➤ Measures to strengthen financial base

- Successful completion of subscription right capital increase with gross issuing proceeds of around EUR 3.5 million
- Total net inflows from capital increase and two further external financings of around EUR 5.2 million to finance planned sales growth and further development of silver coating technology

# Financial Figures Q2/2019

(in KEUR)

Sales	Q2/2019	Q2/2018	Change
<b>Trauma</b>	<b>2,490</b>	<b>2,678</b>	<b>-7%</b>
Germany	728	735	-1%
North America	620	621	0%
<i>North America distributors</i>	614	584	+5%
<i>North America global partners</i>	6	37	-84%
International (without North America)	1,142	1,322	-14%
<i>Europe (without Germany)</i>	451	493	-9%
<i>BRICS states</i>	192	187	+3%
<b>Total key markets</b>	<b>643</b>	<b>680</b>	<b>-5%</b>
<i>Rest</i>	499	642	-22%
Other	-17	-24	+29%
<b>Sales</b>	<b>2,473</b>	<b>2,654</b>	<b>-7%</b>

EBITDA	Q2/2019	Q2/2018	Change
<b>EBITDA</b>	<b>-2,146</b>	<b>-1,530</b>	<b>-40%</b>
One-time effects	853*	227**	>+100%
<b>Recurring EBITDA</b>	<b>-1,293</b>	<b>-1,303</b>	<b>-4%</b>

\* Includes cost of personnel measures, termination of legal disputes (net effect) and external staff.

\*\* Includes cost of external staff and project Quality First / Fit-4-MDR.

# Financial Figures H1/2019

(in KEUR)

Sales	H1/2019	H1/2018	Change
<b>Trauma</b>	<b>5,941</b>	<b>5,473</b>	<b>+9%</b>
Germany	1,480	1,391	+6%
North America	1,266	1,149	+10%
<i>North America distributors</i>	1,244	1,095	+14%
<i>North America global partners</i>	22	54	-59%
International (without North America)	3,195	2,933	+9%
<i>Europe (without Germany)</i>	1,105	995	+11%
<i>BRICS states</i>	1,013	925	+10%
<b>Total key markets</b>	<b>2,118</b>	<b>1,920</b>	<b>+10%</b>
<i>Rest</i>	1,077	1,013	+6%
Other	+33	-37	>+100%
<b>Sales</b>	<b>5,974</b>	<b>5,436</b>	<b>+10%</b>

EBITDA	H1/2019	H1/2018	Change
<b>EBITDA</b>	<b>-3,144</b>	<b>-3,118</b>	<b>-1%</b>
One-time effects	943*	425**	>+100%
<b>Recurring EBITDA</b>	<b>-2,201</b>	<b>-2,693</b>	<b>+18%</b>

\* Includes cost of personnel measures, external staff and termination of legal disputes (net effect).

\*\* Includes cost of external staff and project Quality First / Fit-4-MDR.

# Highlights Q2/H1 2019 (Balance Sheet)

- Total assets 30/06/2019: EUR 43.4 million (31/12/2018: EUR 42.2 million) → +3%
  - Non-current assets: Increased, but countervailing effects
    - Capitalized development costs: EUR +0.5 million; mainly silver project
    - First-time application IFRS 16 – Leasing: Presentation in separate asset position – rights of use – EUR 1.1 million
    - Share of intangible assets in total assets: 32%
    - Tangible assets: EUR -0.3 million → lower investment against usual depreciation in H1/2019
    - Other financial assets: unchanged → reduction of cash blocked as security for non-current financial liabilities balanced out by other collateral provided in Q2/2019 under sale and rent back agreement
  - Current assets: Change EUR -0.2 million
    - Inventories: EUR -0.6 million → sales partly realized from stock
    - Trade receivables: strong decrease as per reporting date (EUR -1.1 million); consistent debtor management and effect from concluded factoring agreement; improved DSO of 71 days in H1/2019 (avg. 2018: 85 days)
    - Cash and cash equivalents: EUR +0.9 million to EUR 5.2 million
  - Equity: EUR 33.9 million (31/12/2018: EUR 34.9 million)
    - Net result H1/2019: EUR -4.4 million
    - Subscription right capital increase in Q2/2019: EUR +3.4 million
    - Equity ratio: 78% (31/12/2018: 83%)
  - Liabilities: Change EUR +2.1 million
    - Financial liabilities: EUR +1.1 million → First-time application IFRS 16 – Leasing
    - Other financial liabilities: EUR +0.4 million → recognition of sale and rent back agreement
    - Other liabilities: EUR +0.5 million → recognition obligations to employees

# Highlights Q2/H1 2019 (Cash Flow)

- Operating Cash Flow H1/2019: EUR -1.8 million (H1/2018: EUR -2.3 million)
  - Unchanged operating result (EBITDA)
  - Positive contribution from working capital of EUR 1.7 million → reduction of inventory (EUR +0.6 million), strongly decreased receivables (EUR +1.1 million) and increase in payables (EUR +0.1 million)
  - Effect from increase in other assets (EUR -0.6 million): security deposits for concluded factoring and sale and rent back agreement; claim for reimbursement from successfully concluded legal disputes
  - Decreased reduction in provisions
- Investing Cash Flow H1/2019: EUR -1.5 million (H1/2018: EUR -1.3 million)
  - Limited investments in H1/2019 in tangible assets of EUR 0.3 million
  - Investments of EUR 0.8 million in R&D-projects; mainly silver project
  - EUR 0.4 million repayment of investment allowances
- Financing H1/2019: EUR +4.2 million (H1/2018: EUR -0.1 million)
  - Inflow from subscription right capital increase (net): EUR +3.4 million
  - Inflow from sale and rent back agreement: EUR +1.4 million
  - First-time disclosure for repayments of lease liabilities of EUR -0.3 million as a result of first-time application of IFRS 16 – Leasing
  - Ordinary redemption of finance lease net of release of securities for finance lease: EUR -0.1 million
- Cash on hand per B/S: EUR 5.2 million (31/12/2018: EUR 4.3 million)
- Total Cash (incl. restricted cash granted for securities): EUR 7.6 million (31/12/2018: EUR 7.2 million)
- Net Cash per B/S: EUR 1.9 million (31/12/2018: EUR 4.0 million)
- Net Cash (incl. restricted cash): EUR 4.6 million (31/12/2018: EUR 6.6 million)



# Outlook FY/2019

## ***FY/2019***

- **Sales:** EUR 11.0 million – EUR 13.0 million  
*(FY/2018: EUR 10.8 million)*
- **EBITDA:** EUR -6.0 million – EUR -5.0 million  
*(FY/2018: EUR -6.4 million)*

# Many thanks for your attention!



**aap Implantate AG**

Lorenzweg 5 • 12099 Berlin • Germany

[www.aap.de](http://www.aap.de)

**Fabian Franke**

**Manager Investor Relations**

Tel.: +49 30 750 19 – 134

Fax: +49 30 750 19 – 290

E-Mail: [ir@aap.de](mailto:ir@aap.de)

IR-app:

