

Press Release

EOS imaging Reports its Full Year 2019 Results and First Quarter 2020 Revenues

Paris, April 27, 2020, 6 pm CEST – EOS imaging (Euronext, FR0011191766 - EOSI - PEA-PME eligible), a leader in 2D/3D orthopedic medical imaging and software solutions for 3D anatomical modeling and surgical planning, today announces its consolidated annual results for the year to December 31, 2019 and its revenues for the first quarter of 2020, as approved by the Board of Directors on April 27, 2020.

- **A year 2019 marked by the new commercial cycle¹ and the launch of EOSedge**
 - Total revenues of €21.2 million generated in 2019, reduced by provisions and financial adjustments of €1.1 million, representing reported sales of €20.1 million
 - Order book of €14.4 million at end-December 2019, gradually built up over the year
 - Comparable commercial performance² of €35.7 million (up 1% over prior year)
 - Launch of EOSedge, the new generation imaging system, in December 2019
 - Annual cash consumption decreased by 19% compared to 2018
 - Significant improvement in working capital as a result of change in the commercial cycle
 - Cash position of €8.2 million at December 31, 2019, limited cash burn of €0.5 million in H2 2019

- **Increase in revenues in the first quarter of 2020**
 - Sales of €3.8 million, representing a 46% increase over the first quarter of the previous year
 - Q1 Sales momentum affected by the COVID-19 pandemic

Mike Lobinsky, CEO of EOS imaging, comments: *“2019 was a pivotal year for the Company. We started the year implementing the change on our commercial cycle which has aligned our model with industry standards and improved the management of our working capital which continues to benefit our organization. We ended the year with the launch of EOSedge, the new best-in-class imaging system which brings significant advantages to patients and customers. Based on the strong clinical and commercial interest we have received since its launch, we are confident EOSedge will be a big part of the Company’s future growth. Like many companies, the COVID-19 health pandemic impacted our Company’s activity in Q1. As the coronavirus began to shift our business, we quickly took necessary measures to adapt to the crisis while at the same time prepare for the market recovery.”*

¹ In order to better meet customer expectations and improve its working capital, EOS imaging made a change in its commercial cycle at the beginning of 2019 by organizing the delivery of EOS® systems at the start of the installation phase, and no longer at reception of the equipment order. This evolution has created a transition period during which (i) new received orders build an order book and (ii) sales are recorded according to the pace of delivery of the EOS® systems. As installations usually take place 3 to 12 months after the order, a similar lag is expected on deliveries. While 2019 revenues were temporarily impacted by the transition phase, this evolution will lead to improvements in production and logistics management and will help reduce working capital requirements.

² Commercial performance: Comparable indicator to previous years commercial model, resulting from the addition of recurring sales and equipment orders in the period

2019 FINANCIAL RESULTS

▪ Annual revenues of €20.1 million

- Excluding provision and financial adjustment, EOS imaging recorded revenues of €21.2 million in 2019, including:

- **€9.6 million in equipment revenues** from the billing of 24 systems. H2 2019 has marked the restart of equipment billing which increased in Q4.
- **€11.6 million in recurring revenues**, +30.5% growth over prior year fueled by the increase in Maintenance revenues to €10.4 million (+32%), and acceleration of Advanced Orthopedic Solutions (AOS).

- In addition, the Group recorded a provision of €0.98 million on trade receivables from previous years and a restatement of the financial portion of sales as financial income, which reduced sales by €0.16 million.

Overall, the reported sales figure for the 2019 financial year is therefore €20.1 million.

Over the 2019 fiscal year, EOS imaging booked orders for 56 systems compared with 64 in 2018, for a total value of €24.0 million. This decrease is mainly due to the one-off effect of the launch of EOSedge at the end of Q4, which led some customers to postpone their purchase decision in order to position themselves on the new offer.

At year-end 2019, the order book grew to €14.4 million, corresponding to equipment orders received in 2019 (€24.0 million) minus equipment delivered in 2019 (€9.6 million).

The commercial performance² thus came to €35.7 million in 2019 compared with €35.4 million in 2018, an increase of +0.8%.

The install base stood at 361 systems at the close of the year, representing annual growth of +17% compared to end December 2018.

Finally, EOS imaging is continuing to invest in Research & Development, enabling it to benefit from public subsidies and research tax credits totaling €2.1 million, booked as Other Income.

▪ Gross margin of €9.1 million

The gross margin was €9.1 million in 2019 compared with €17.8 million in 2018. Excluding exceptional items³, the margin rate slipped from 50.2% of sales in 2018 to 49.8% in 2019. This change was essentially the result of a geographical mix effect, as sales cycles are shorter in the Europe-Middle East (EMEA) and Asia-Pacific (APAC) regions than in North America (NAM), where average selling prices are higher than other regions.

³ Provision and adjustment on sales and provision for installation costs, recognized in 2019 corresponding to equipment sold in previous years

- **Expenses and Earnings**

Operating expenses totaled €27.9 million in 2019, an increase of 2% compared to 2018, marking a stabilization of the organization and expenses, during a year in which the Company launched EOSedge.

The operating loss for the year was -€16.7 million in 2019, compared with -€8.2 million in 2018. This decline is the result of the impact on sales of the transition from the commercial cycle.

The financial result was -€1.7 million at December 31, 2019, essentially corresponding to interest on the convertible bonds, versus -€4.8 million in 2018 where the Company had recorded non-recurring charges related to its refinancing.

All in all, the net loss was -€18.4 million in 2019 versus -€13.0 million in 2018. This deterioration was an automatic consequence of the transition to the new commercial cycle meaning that only a portion of the orders booked in 2019 were delivered in 2019.

- **Cash position at December 31, 2019: €8.2 million**

At December 31, 2019, EOS imaging had a cash position of €8.2 million, compared with €19.7 million at December 31, 2018 and €8.7 million at June 30, 2019, representing cash burn of €0.5 million over H2 2019. This preservation of cash is mainly the result of the gradual and structural reduction in operating working capital due to the change in the business cycle. Trade receivables, which amounted to €32.7 million at the end of 2018, decreased by €15.4 million after exchange rate effects to €17.7 million at the end of 2019. Inventories, on the other hand, represented €13.5 million compared to €8.8 million at the end of 2018 and €14.6 million at the end of the first half of 2019. Indeed, the change in the commercial cycle initially resulted in an increase in inventories due to the postponement of deliveries, which began to decrease during the second half of the year with the implementation of the new production schedule. These two items should continue to be reduced in 2020.

In total, net free cash flow for 2019 is -€10.3 million, marking a 19% improvement compared to -€12.7 million in 2018.

■ Consolidated income statement

<i>Income statement / Unaudited⁴ / € millions</i> <i>As of December 31</i>	FY 2019	FY 2018
Sales revenues	21.23	35.39
Provision for Accounts Receivable	0.98	-
Financial restatement	0.16	-
Turnover	20.09	35.39
Other income	2.13	1.43
Total Revenues	22.22	36.82
Direct cost of sales	-10.96	-17.62
Gross margin	9.12	17.77
<i>as a % of revenues</i>	<i>45.4%*</i>	<i>50.2%</i>
Indirect cost of production and services	-4.40	-3.87
Research & Development costs	-4.80	-4.43
Sales & Marketing expenses	-11.17	-10.87
Regulatory expenses	-1.02	-0.76
Administrative costs	-5.92	-6.76
Total operating expenses excluding share-based payments	-27.20	-26.68
Share-based payments	-0.74	-0,77
Total operating expenses	-27.95	-27.45
Operating profit/loss	-16.69	-8.24
Financial income/loss	-1.74	-4.79
Net profit/loss	-18.43	-13.04

*Excluding exceptional items, the gross margin was 49.8%

⁴ Audit procedures have been performed on consolidated annual accounts, but audit reports have yet to be issued

▪ Cash flow

<i>Cash Flow / Unaudited⁵ / € millions As of December 31</i>	FY 2019	FY 2018
Net income	-18.43	-13.04
Restatement of non-cash items	2.92	2.29
Restatement of cash items	-0.04	3.77
Inventories and work-in-progress	-4,73	-4,40
Trade receivables	15,38	-2,00
Other current assets	-0.95	0.88
Trade payables	-3.13	-0.79
Other current liabilities	1,43	4,61
Change in operating WCR	8,00	-1,70
Net cash flow from operating activities	-7,55	-8,69
Net cash flow from investment activities	-2,75	-4,06
Net free cash flow	-10.30	-12.74
Net cash flow from financing activities	-1,26	25,48
Cash and cash equivalents at end of period	8,19	19,72

Q1 2020 TRENDS

- In the first quarter of 2020, EOS imaging booked 6 equipment orders, including 4 EOSedge, for a total of €3.0 million, compared to 15 orders in the first quarter of 2019. Quarterly orders are mainly taken in the last month of the quarter and were therefore strongly impacted by the COVID-19 crisis.
- Q1 2020 revenue reached €3.8 million, an increase of +46% including forex impact, of which:
 - €0.7 million in equipment sales following the delivery of 2 systems, versus €0.1 million in Q1 2019 where no system had been delivered
 - €3.1 million in recurring revenues, up +21% thanks to the growth in Maintenance revenue (+23%), which are benefiting from the constant expansion of the installed base
- Order book up by a positive €2.3 million during the first quarter to reach €16.7 million at March 31, 2020 compared to €14.4 million at December 31, 2019
- As at 31 March 2020, EOS imaging had cash and cash equivalents of €7.2 million.

⁵ Audit procedures have been performed on consolidated annual accounts, but audit reports have yet to be issued

▪ **Q1 2020 orders and revenues by product line**

Equipment orders <i>Unaudited / including forex impact⁶ / € millions</i> <i>As of March 31</i>	Q1 2020	Q1 2019
Equipment orders received (over the period)	3.00	6.25
Equipment order book (end of period) ⁷	16.73	6.20

Revenues <i>Unaudited / including forex impact / € millions</i> <i>As of March 31</i>	Q1 2020	Q1 2019
Equipment	0.72	0.05
Maintenance	2.72	2.21
Consumables and associated services	0.33	0.32
Total quarterly revenues	3.77	2.58

▪ **Q1 2020 revenues by region**

Revenues <i>Unaudited / including forex impact / € millions</i> <i>As of March 31</i>	Q1 2020	Q1 2019
EMEA	1.74	1.26
APAC	0.63	0.17
NAM	1.40	1.15
LATAM	0.01	-
Total quarterly revenues	3.77	2.58

⁶ Forex impact in Q1 2020: +€0.11 million

⁷ Order book at the beginning of the period was 0 in Q1 2019 and €14.4m in Q1 2020.

▪ COVID-19 UPDATE

The various regions in which the company operates have been gradually affected by the health crisis linked to COVID-19. The initial commercial impact was observed in Asia early January, with a mid-March escalation in Europe and North America. In all regions the primary focus was the safety of employees and customers. Recommendations and directives given by the respective governments where the company operates were promptly implemented such as remote working and a restricting travel.

EOS fully trained field staff that were visiting customer sites, before travel restrictions went into effect, were provided with the required protection.

With the increasing number of patients being diagnosed with COVID-19, the healthcare systems are taking measures to deal with the increased COVID-19 admissions rates. Certain hospitals and private imaging centers have paused their orthopedic activity.

Installations that had been planned during the containment period were delayed and are being rescheduled after the end of the containment. This resulted in a temporary delay in deliveries and the corresponding sales.

Equipment orders were slowed down by the restricted access of sales representatives to hospitals, and by the postponement of investment decisions by our customers due to a lack of visibility. The impact on sales is difficult to assess at this stage.

Maintenance activities have been reduced to emergencies for open facilities. However, the company has annual flat-rate service contracts with the majority of its customers, including annual preventive maintenance and monitoring, and therefore believes that the impact of the pandemic on maintenance revenues will be limited.

Finally, the company modified its production program to align with the delays in its installation schedule. Consequently, the company has reviewed its supply schedule with its major suppliers. It should be noted that EOS imaging key suppliers are in France, Canada and other European countries and that the Company has not identified specific COVID-19 crisis supply related risks at this stage.

EOS imaging conducted a comprehensive assessment of the impact of the crisis and took the necessary corrective measures that provide cash visibility until the end of the year.

The Company has thus adapted the activity of its European and North American employees with partial unemployment or furlough. These measures will continue to be re-evaluated as the situation evolves. The Company is making full use of the measures to help alleviate the short-term cash pressure: shifting the payment of employer social charges, accelerating payments of research tax credits, and more generally, recourse to the support provided in the context of the health crisis by all the countries where EOS imaging operates. The Company has also implemented a large cost reduction plan.

EOS imaging is separately evaluating various operational and structural financing options in addition to the use of factoring already in place and not used since the beginning of 2020.

In this context, the Board of Directors' meeting of 27 April 2020 approved the financial statements while maintaining the going concern principle.

The Company issued a press release on April 27 at 07:00 a.m. CEST informing that Alphatec Holdings has decided to terminate the tender offer agreement with EOS imaging

Shareholders' Meeting: June 10, 2020 – The Company will publish details of how to participate at a later date

Next financial press release: Revenues for the first half of 2020, on July 21, 2020

ABOUT EOS imaging

EOS imaging is a global medical device company that designs, develops and markets innovative, low dose 2D/3D full body and weight-bearing imaging, rapid 3D modeling of EOS patient X-ray images, web-based patient-specific surgical planning, and integration of surgical plan into the operating room that collectively bridge the entire spectrum of care from imaging to post-operative assessment capabilities for orthopedic surgery. With a primary focus on hips, knees, and spine, EOS imaging is targeting a \$2 billion annual market opportunity. EOS imaging has over 350 system installations in more than 30 countries generating more than 1 million patient exams annually. EOS imaging has corporate locations in U.S., France, Canada, Germany, and Singapore, and engages more than 175 employees. For additional information, please visit www.eos-imaging.com.

EOS imaging is listed on Compartment C of Euronext Paris
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