

Press Release

EOS imaging reports its 2020 half-year financial results

Strong increase in revenues, growth of EOSedge sales, improvement in the cost structure and strengthened cash position

Paris, September 23, 2020, 6pm 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 unaudited consolidated results for the first half of 2020 ended 30 June 2020.

FIRST SEMESTER 2020 HIGHLIGHTS

- H1 2020 net revenues of €9.8m (+63%), fueled by increased equipment sales and a continued growth in maintenance revenue
- Growing adoption of EOSedge™ and first commercial installations in Europe and in the U.S.
- Decreased operational expenses (-16.5%) thanks to structural reductions in costs and added tactical savings realized during the pandemic
- Strong reduction in net loss at €4.9m, halved vs. H1 2019
- Cash position strengthened from €8.2m on December 31, 2019 to €9.9m as of June 30, 2020, as the Company continues to take advantage of its new business cycle

Mike Lobinsky, CEO of EOS imaging, comments: *“The first half of 2020 was marked by the COVID-19 pandemic which temporarily impacted the Company's momentum. However, we are pleased with the restart of system installations end of the first semester and the growing interest and adoption of our new EOSedge system. The growth in maintenance revenues fuels our recurring revenues which we continue to develop. These favorable trends helped deliver a strong reduction in net loss. In addition, the change to our new commercial cycle continues to contribute to the reduction of our working capital leading to a strengthened cash position. This, paired with the structural transformational efforts we've made, allows us to plan for the future with greater confidence and visibility.”*

H1 2020 FINANCIAL RESULTS

- **Half year revenues of €9.8 million**
 - Equipment sales amounted to €3.6m, of which:
 - €5.7m from the sales of 12 units in H1 2020 vs. €0.8m in H1 2019 (which had been impacted by the implementation of the new commercial cycle)¹.
 - -€2.2m from provisions on aged receivables².
 - €5.8m of maintenance revenues, up +24% compared with H1 2019, thanks to the continued growth of the install base. These revenues are not impacted by the pandemic as they come from annual contracts.
 - €0.4m of Consumables and Advanced Orthopedic Services, (-0.1 vs. H1 2019) due to the temporary delays of elective surgeries during the global pandemic.

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 just after receiving the equipment order. Therefore, (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 occurs on deliveries. While 2019 equipment revenues were temporarily impacted by the transition phase, this evolution leads to improvements in production and logistics management and helps reduce working capital requirements.

² Provisions for risks and returns on aged receivables were adjusted vs prior Revenue communication on July 21st (-2.2m€ vs -0.9m€)

In the first half of 2020, EOS imaging booked a total of 10 equipment orders for a total value of €5.0m. This compares to 30 orders for a total value of €12.8m in H1 2019. Equipment orders were slowed by the restricted access of sales representatives to hospitals during the lock-down and by the postponement of investment decisions by EOS' customers in a context of uncertainty.

The significant increase in average selling price is driven by the new platform, EOSedge, which represented 60% of orders in H1 2020 and 86% of the orders in the countries where EOSedge is registered.

The order book value was €13.7m at the end of the first semester compared to €14.4m at the end of December 2019.

■ H1 2020 orders and revenues by product line

Equipment orders <i>Unaudited / including forex impact / €m</i> <i>As of June 30</i>	Q2 2020	Q2 2019	H1 2020	H1 2019
Equipment orders received (over the period)	2.00	6.57	4.97	12.82
Equipment order book (end of period)	13.69	12.05	13.69	12.05

Revenues <i>Unaudited / including forex impact³ / €m</i> <i>As of June 30</i>	Q2 2020	Q2 2019	H1 2020	H1 2019
Equipment	2.83	0.72	3.56	0.77
Maintenance	3.04	2.45	5.76	4.66
Consumables and associated services	0.14	0.26	0.47	0.57
Total revenues	6.01	3.42	9.78	6.00

■ H1 2020 revenues by region

Revenues <i>Unaudited / including forex impact³ / €m</i> <i>As of June 30</i>	Q2 2020	Q2 2019	H1 2020	H1 2019
EMEA	2.03	1.66	3.75	2.92
APAC	1.32	0.18	1.96	0.35
NAM	2.65	1.58	4.05	2.74
LATAM	0.01	0.00	0.02	0.00
Total revenues	6.01	3.42	9.78	6.00

³ including forex impact of +€0.1m

▪ **H1 2020 Gross margin of €5.5m**

The gross margin stood at €5.5m in H1 2020 (56.7% of sales) compared with €3.0m in H1 2019 (50.5% of sales). The improvement of the gross margin as a percentage of sales is due to the reduction of the number of maintenance interventions during the lock-down while associated revenues were not affected.

▪ **Other income**

€1.3m other income consist in €0.7m from subventions and grants on R&D (vs. €0.9m in H1 2019, which reflected the higher R&D spend ahead EOSedge launch), and exceptional government support measures for COVID-19, composed of US Paycheck Protection Program forgiveness, French partial unemployment and other countries' support for a total of €0.6m.

▪ **Decrease in Operating Expenses and strong reduction in Net Loss**

Operating expenses totaled €11.0m in the first half of 2020, a decrease of 16.5% compared to the first half of 2019. During the pandemic, several expenses were reduced such as cancelled trade shows in line with the rest of the industry. Travel and marketing event expenses were thus lowered by more than one million euros. On a more structural level, the company has suspended its recruitment and significantly reduced the number of external contractors.

As a result of higher sales, improved gross margin rate, and lower operating expenses, the Operating Loss for the first half was -€4.1m in 2020, compared with -€9.1m in H1 2019.

The Financial Result was -€0.8m at June 30, 2020, versus -€0.9m at June 30, 2019.

All in all, Net Loss was -€4.9m in the first half of 2020 versus -€10.0m in the first half of 2019.

▪ **30 June 2020 cash position strengthened to € 9.9m**

As of end-June 2020, EOS imaging's cash position totaled €9.9m, compared to €8.2m at 31 December 2019. The increase in cash continues to be the result of the gradual and structural reduction in operating working capital thanks to the change in the commercial cycle.

Trade receivables, which amounted to €17.7m at the end of December 2019, decreased by €3.8m to €13.9m at the end of H1 2020. Furthermore, deposits on customer orders increased by €2.2m⁴ vs. Dec. 2019 thanks to the implementation of improved payment terms.

In addition, the Company has made good use of applicable Covid-19 measures to help alleviate the short-term cash pressure:

- Shifting the payment of employer social charges (€0.9m);
- Accelerating payments of research tax credits (€1.9m);
- Obtaining partly forgivable loans in the U.S. (USD 816k) and in Canada (CAD 40k);

In total, the company has increased its cash position by €1.7m over H1 2020.

EOS imaging will continue to reduce its operational working capital and carefully manage its expenses and investments while it monitors the market evolution. EOS currently has cash visibility over 2021 and has additional financing opportunities options such as the France State Sponsored Loan (PGE).

⁴ Accounted in other liabilities

Consolidated income statement

<i>Income statement / Unaudited⁵ / € millions As of June 30</i>	HY 2020	HY 2019
Net sales	9.78	6.00
Other income	1.29	1.00
Total Revenues	11.07	7.01
Direct cost of sales	-4.24	-2.97
Gross margin (excl.other income)	5.55	3.03
<i>as a % of net sales</i>	<i>56.7%</i>	<i>50.5%</i>
Indirect cost of production and services	-2.06	-2.03
Research & Development costs	-2.58	-2.29
<i>of which amortization</i>	<i>-0.55</i>	<i>-0.42</i>
Sales & Marketing expenses	-3.22	-5.32
Regulatory expenses	-0.33	-0.44
Administrative costs	-2.75	-2.59
Total operating expenses excluding share-based payments	-10.94	-12.68
Share-based payments	-0.02	-0.44
Total operating expenses	-10.96	-13.12
Operating profit/loss	-4.13	-9.07
Financial income/loss	-0.79	-0.90
Net profit/loss	-4.92	-9.97

COVID-19 update and outlook

As it did for many companies, the COVID-19 pandemic impacted EOS imaging in the first half of 2020.

During this time, EOS management continued to monitor closely the situation and made timely decisions to ensure the safety of employees and customers while continuing to meet the needs of hospitals and caregivers.

The company benefitted from Government programs, designed to provide support during the pandemic.

EOS imaging implemented a cost management plan in H1 which the company intends to continue, sustainably lowering expenses and contributing to the good management of cash.

During the lock-down EOS Marketing and Sales teams made full use of digital technologies to engage with their customers. The Sales team have regained access to their customers and congresses have resumed virtually. Therefore, the Sales and Marketing activities continue to generate leads and grow the sales pipeline, leveraging the unique benefits of the new EOSedge platform.

Next financial press release: 2020 third quarter revenues, on October 14, 2020

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

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 40 countries generating more than 1 million patient exams annually. EOS imaging has corporate locations in U.S., France, Canada, Germany, and Singapore, with more than 165 employees. For additional information, please visit www.eos-imaging.com.

EOS imaging is listed on Compartment C of Euronext Paris
ISIN: FR0011191766 - Ticker: EOSI



CONTACTS:

EOS imaging

Valérie Worrall

CFO

investors@eos-imaging.com

(+33) 1 55 25 60 60

NewCap

Investor Relations

Thomas Grojean

eos-imaging@newcap.eu

+33 1 44 71 94 94

FP2COM

Press Relations

Florence Portejoie

fportejoie@fp2com.fr

(+33) 6 07 76 82 83

APPENDIX

■ Cash flow

<i>Cash Flow / Unaudited⁵ / € millions</i> <i>As of June 30</i>	HY 2020	FY 2019
Net income	-4.92	-9.97
Restatement of non-cash items	1.3	1.21
Restatement of cash items	-0.07	-0.01
Change in inventories and work-in-progress	-0.89	-5.80
Change in trade receivables	3.79	12.28
Change in other current assets	1.69	-2.27
Change in trade payables	-0.30	-1.50
Change in other current liabilities	2.65	-3.00
Change in operating WCR	6.94	-0.29
Net cash flow from operating activities	3.26	-9.05
Net cash flow from investment activities	-1.77	-1.51
Net free cash flow	1.49	-10.56
Net cash flow from financing activities	0.24	-0.50
Cash and cash equivalents at end of period	9.89	8.69

■ Balance Sheet

<i>Balance Sheet / Unaudited⁵ / € millions</i> <i>As of June 30</i>	HY 2020	FY 2019
Intangible assets	14.02	13.62
Rights of use	4.25	4.39
Tangible assets	1.87	2.07
Inventories and work in progress	14.40	13.51
Trade receivables	13.91	17.70
Other current assets	3.72	5.41
Cash and cash equivalents	9.89	8.19
Total Assets	62.06	64.88
Total equity	7.21	12.08
Financial liabilities	25.63	24.65
Lease liabilities	4.33	4.44
Provisions	0.91	1.14
Trade payables	3.62	3.97
Other current liabilities	20.36	18.60
Total Liabilities	62.06	64.88

