



# Episurf Medical: Strategy update to take the next commercial steps and improve financial results

**Episurf Medical (Nasdaq: EPIS B) today announces that the company is implementing a strategic focus that brings an increased focus on the US market, as well as a transition to a distributor model for other key markets. The company sees great opportunities for continued commercialization within selected market segments.**

The strategic focus means:

- Operational measures to significantly improve the company's financial position and running costs.
- Accelerate the path towards, and increase transparency for, operational profitability.
- Increased focus on distributor sales and collaborations.

*"After the pandemic, with clinical results available, we wanted to give our international efforts the highest priority, largely through a direct sales model. However, following the establishment of our technology in the market, we must take the next steps at larger scale through a larger distribution network. We have also made rapid progress in our product development activities with a focus on the US. Overall, we believe that the company's opportunities to quickly achieve commercial success, which significantly changes the company's financial profile in the short term, comes from increased focus on distributors and partnerships in all our markets. That is why we are implementing this strategic focus. We also believe that we owe our shareholders greater clarity around the path to profitability, something that was challenging during the research and development phase, and which continues to be challenging given the clinical acceptance we must drive. This clarity is best achieved through our updated strategy, which also will enable an increased focus on the US and the products we have, or are in the process of developing, for the US market," says Pål Ryfors, CEO of Episurf Medical.*

Going forward, the company's strategy is based on the following main activities:

- Launch of the Episealer® Patellofemoral System on the US market. The product is already cleared for the US market and approx. 20 distributors are contracted in the USA. Launch activities are ongoing, and the company believes that reception among orthopaedic surgeons and distributors is very positive, and the company sees good opportunities for continued commercialization.
- Complete and submit the 510(k) application for Episurf's big toe implant system, the Episealer® MTP-System, to the US FDA shortly, with the goal of a rapid launch in 2024. The company believes that this product and this market segment are the commercially most attractive for the company in the short term.
- Continue to drive sales for Episealer® Knee and Episealer® Talus in several countries outside the US, primarily through distributor channels. The company is now showing strong growth in this market segment, and the company believes that a distributor model is most suitable and efficient to achieve larger scale over time.

The updated strategy means that the company becomes more cost-effective, and that product launches better match the company's financing. The company will focus on a combination of established markets within the osteoarthritis segment, where the company considers that the commercialization opportunities are very attractive in the short term, and within the segment for focal cartilage and bone lesions through Episealer® Knee and Episealer® Talus, which represent significant opportunities in the slightly longer term. With these initiatives, the company will have access to a significant part of the addressable market well in excess of 2 billion dollars already in the near term, and the company will work to ensure strong market positions in all segments. The EPIC-knee study continues, but as we said before, patient recruitment has been challenging. The study continues, and costs are incurred mainly when surgeries take place.

In connection with the strategic focus, the company announces that the plan is to make several positions redundant. Overall, these measures are expected to reduce operational costs by approximately SEK 25 million on an annual basis. A one-time expense of SEK 4m related to the strategic focus will be charged in the company's Q2 2023 report. The Company expects that current funding will be sufficient to launch both the Episealer® Patellofemoral System and the Episealer® MTP System with good commercial success in the US market. Given that the company is implementing the strategy for the US market, the company also believes that profitability can be achieved more quickly, and the capital requirements are significantly less, than what the previous cost level indicated.

*"Episurf Medical has developed a unique technology, and we are convinced that over time we will play an important role in the orthopedic industry on a global basis. The reception of the Episealer® Patellofemoral System by orthopedic surgeons and distributors exceeds our expectations. But now we want to focus the commercial activities further to create the best possible conditions for growth. We are more established, and we are able to attract high quality distributors and we are ready to take the next step within sales and distribution. A distributor model is more cost effective, and it will allow us to commercialize our technology at larger scale. In summary, this makes us more focused, efficient and transparent. We also want to show that we are disciplined even though a lot is going in the right direction with strong growth in all our important key figures. In this context, we will have to terminate the employment of several highly valued colleagues, who have built great trust with both customers, patients and colleagues within and outside Episurf for several years, to whom I would like to extend a big thank you for a great contribution to Episurf", concludes Pål Ryfors, CEO of Episurf Medical.*

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**About Episurf Medical**

*Episurf Medical is endeavoring to bring people with painful joint injuries a more active, healthier life through the availability of minimally invasive and individualised treatment alternatives. Episurf Medical's Episealer® individualised implants and Epiguide® surgical drill guides are developed for treating localised cartilage injury in joints. Episurf Medical's µFidelity® system enables implants to be cost-efficiently tailored to each individual's unique injury for the optimal fit and minimal intervention. Episurf Medical's head office is in Stockholm, Sweden. Its share (EPIS B) is listed on Nasdaq Stockholm. For more information, go to the company's website: [www.episurf.com](http://www.episurf.com).*

*This information is information that Episurf Medical AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.15 CEST on 14 July 2023.*