

# Kepler S.p.A. FY-22 Results Presentation

Milan – May 12<sup>th</sup>, 2023



# Today's presenters



**Gianfranco Nazi**  
*CEO*

- Joined in February 2023 as CEO of Biofarma
- Over 20 years of international experience
- 2021: CEO at Almirall
- 2014 to 2021: Several Top Management positions at Teva Pharmaceuticals
- 2007 to 2014: Several Top Management positions at AstraZeneca
- 2005-2007:BU Director Metabolic & CV at GlaxoSmithKline
- 2000-2005: Several management positions at Eli Lilly



**Morris Maracin**  
*CFO*

- Joined Biofarma in 2018 as CFO
- 2015 to 2017: CFO at IPI Coesia Group
- 2004 to 2015: Various roles at Electrolux, including Finance Manager EMEA



**Marco Subiaco**  
*Senior Finance Manager*

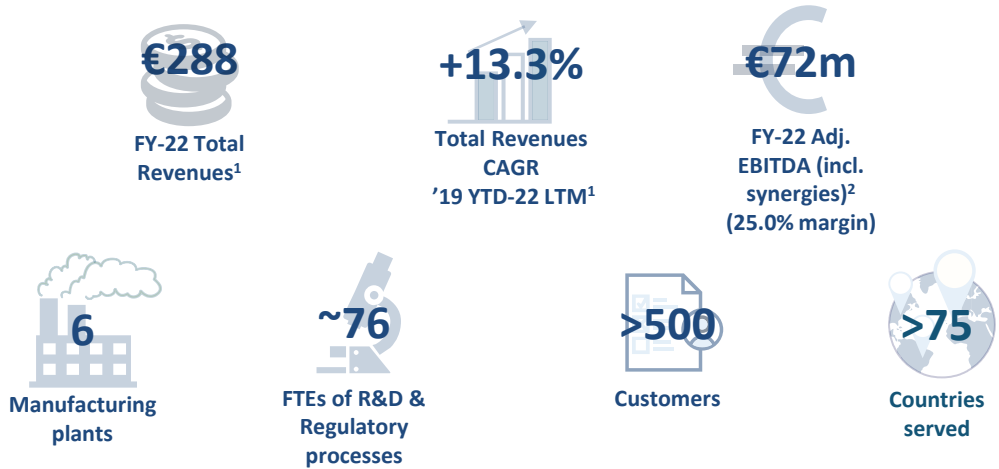
- Joined Biofarma in 2020 as Finance Project Manager
- 2016 to 2020: Senior Audit at Ernst & Young

# Biofarma Group at a glance

## Business overview

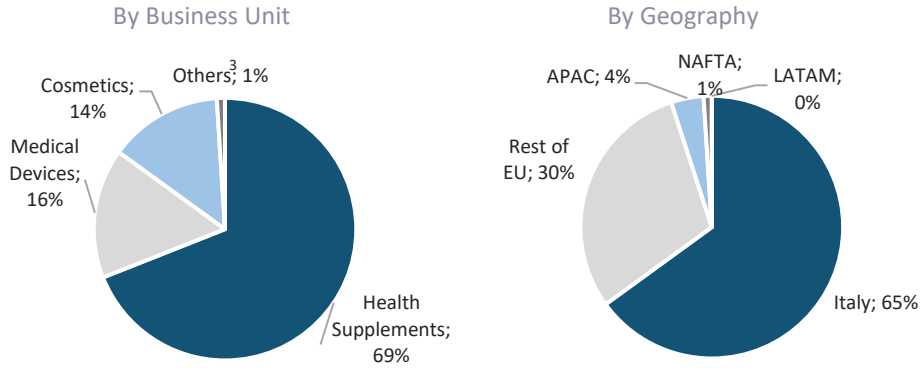
- Biofarma is a leading European CDMO fully focused on nutraceuticals, and the undisputed leader of the Italian market.
- Biofarma is the result of a “buy-and-build” story, that led to the creation of a leading player with a wide portfolio of technologies and solutions.
- The Company is large Pharmaceutical Companies’ (“PharmaCos”) and Consumer Health Clients’ (“CHCs”) manufacturing partner-of-choice for co-development projects thanks to:
  - An end-to-end CDMO proposition from market intelligence and R&D to finished dosage forms (“FDFs”) manufacturing and packaging.
  - A proactive offer of innovative solutions (“push innovation model”), trying to anticipate market trends and clients’ needs also leveraging on a strong R&D department and a solid portfolio of differentiated technologies (e.g., Microencapsulation, Dry-Cap, T-Win).
- Biofarma’s differentiated positioning is based on:
  - Strong in-house R&D capabilities and a team of c. 52 FTEs working on clinical studies to support products’ claims (over 87 patents and 70 trademarks).
  - Regulatory know-how with a dedicated team of c. 24 FTEs, supporting clients in registering product dossiers both at local and international level.
  - State-of-the-art manufacturing capabilities, with several “pharma-like” manufacturing equipment and quality control systems.
- In Sep-22, Biofarma acquired Nutraskills, a fast growing and one of the leading French CDMOs, generating ~€20m revenue in 2022.
- In Dec-22, Biofarma approved the transition to the IFRS GAAP for the FY22 closing.

## Main KPIs



## Total Revenues breakdown

FY-22



#1 Nutra CDMO in Europe in terms of revenue

Notes: (1) Incl. IHS and Nutraskills Revenues for FY 21 and 22; (2) Includes €9.3m of cost synergies and €1.9m adjustments for rent savings related to Mereto’s plant acquisition finalized in March 2022, pro-rata portion of Cura minority EBITDA and Nutraskills QoE adjustments; (3) Mainly refers to government grants related to new products R&D.  
All data presented at Kepler level, i.e., including Nutraskills as well.

# FY-22 Performance



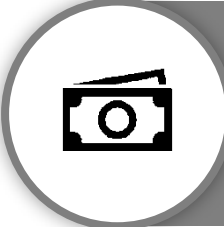
## TOPLINE

- **FY-22 Revenues stood at €287.9m**, growing by c. +14.5% vs PY on the back of positive contribution of all business lines and geographies, driven by the execution of the defined 3-pillar strategy: (i) key customer penetration (ii) geographical expansion and (iii) technological innovation.



## PROFITABILITY

- **FY-22 Adj. EBITDA margin at 62.8**, increasing vs PY (at 60.9), mainly due to business volume growth.
- The Company has been able partially to pass-through to customers the inflation impact on raw materials, labor and utilities (€11.3m cost increases), with price increases for over c. 70% (€ 8.0m price increases).



## FINANCIAL POSITION

- **Strong deleveraging trend with Net Leverage FY-22 at 4.8x** (at Bond level), versus 5.3x opening leverage at Bond issuance, mainly on the back of growth at Adj. EBITDA level, growing +3% vs PY.



## OTHER UPDATES AND SHORT TERM OUTLOOK

- Integration of recently acquired French company **Nutraskills** is proceeding very well and is starting to unlock meaningful synergies in terms of cross-selling (not included in leverage calculations) and cost synergies (procurement, insourcing of certain products, and SG&A).
- **Hedging** contract, closed on August 8<sup>th</sup> 2022, allowed to cap Euribor exposure on the overall HYB (€345m) at the rate of 1.52% for 3 years.
- **M&A activity**: scouting for potential M&A opportunities to support internationalization and acquisition of new complementary technologies.
- **Activated 3 new projects** of i) strategic review, ii) operational excellence to unlock further margin improvement opportunities, and iii) review of the global ICT setup.

Notes: data presented at Kepler level, i.e. including Nutraskills as well.

# Profit & Loss: Current Trading as of December 2022

## Profit & Loss – FY-22 vs FY-21

YTD (€m)	dic-22A	dic-21A	Δ (%)	Δ
Net Sales	283,8	247,9	14,5%	35,9
Other Revenues	4,1	3,6	14,2%	0,5
<b>Total Revenues</b>	<b>287,9</b>	<b>251,5</b>	<b>14,5%</b>	<b>36,4</b>
Raw Material Costs	(135,3)	(114,4)	18,3%	(20,9)
<b>First Margin</b>	<b>152,6</b>	<b>137,1</b>	<b>11,3%</b>	<b>15,5</b>
First Margin (%)	53,0%	54,5%	(151bps)	
Third Party Works Costs	(17,4)	(15,7)	11,1%	(1,7)
Direct Personnel Costs	(21,1)	(18,0)	17,0%	(3,1)
Other Direct Production Costs	(14,3)	(10,4)	37,8%	(3,9)
<b>Transformation Margin</b>	<b>99,8</b>	<b>93,0</b>	<b>7,3%</b>	<b>6,8</b>
Transformation Margin (%)	34,7%	37,0%	(233bps)	
Indirect Personnel Costs	(5,3)	(5,0)	6,9%	(0,3)
Maintenance Costs	(3,1)	(2,3)	36,0%	(0,8)
Logistics and Storage Costs	(5,7)	(4,2)	35,7%	(1,5)
Other Indirect Production Costs	(3,1)	(2,0)	58,8%	(1,1)
<b>Second Margin</b>	<b>82,6</b>	<b>79,6</b>	<b>3,7%</b>	<b>3,0</b>
Second Margin (%)	28,7%	31,7%	(298bps)	
<b>Total SG&amp;A Costs</b>	<b>(21,7)</b>	<b>(20,5)</b>	<b>5,6%</b>	<b>(1,2)</b>
% of revenue	(7,5%)	(8,2%)	+63bps	
<b>EBITDA</b>	<b>60,9</b>	<b>59,1</b>	<b>3,1%</b>	<b>1,8</b>
EBITDA Margin (%)	21,2%	23,5%	(234bps)	
Adjustments	1,9	1,9	--	-
<b>Adj. EBITDA</b>	<b>62,8</b>	<b>60,9</b>	<b>3,0%</b>	<b>1,8</b>
Adj. EBITDA Margin (%)	21,8%	24,2%	(244bps)	

## EBITDA Bridge – FY-22 vs FY-21



## Commentary

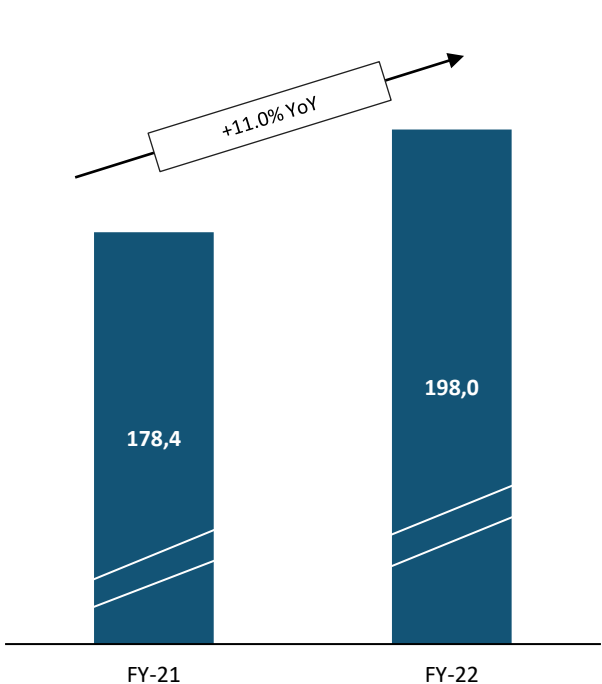
- **Revenues:** €36.4m (+14.5%) higher if compared to PY thanks to the growth in all geographies and customers, driven by Innovation.
- **First margin:** 151 bps deterioration due to partial pass-through execution (gap of €3.3m).
- **Transformation margin:** the negative First Margin trend and inflation on Utilities have been partially reverted by manufacturing efficiencies related to insourcing activities and automation.
- **Second Margin:** 298bps deterioration related to Transformation margin trend.
- **SG&A cost:** increase related to further structuring of the organization to be ready for the next phase of the company growth.
- **Adj. EBITDA:** reached €62.8m, €1.8m (+3%) higher if compared to previous year mainly off the back to higher volumes.

Note: (1) Related to Rental savings (connected to the acquisition of Mereto Plant ), Nutraskills QoE and 45% of Cura Beauty GmbH EBITDA.

# Revenues: Deep-dive by Business Unit

## Health Supplements

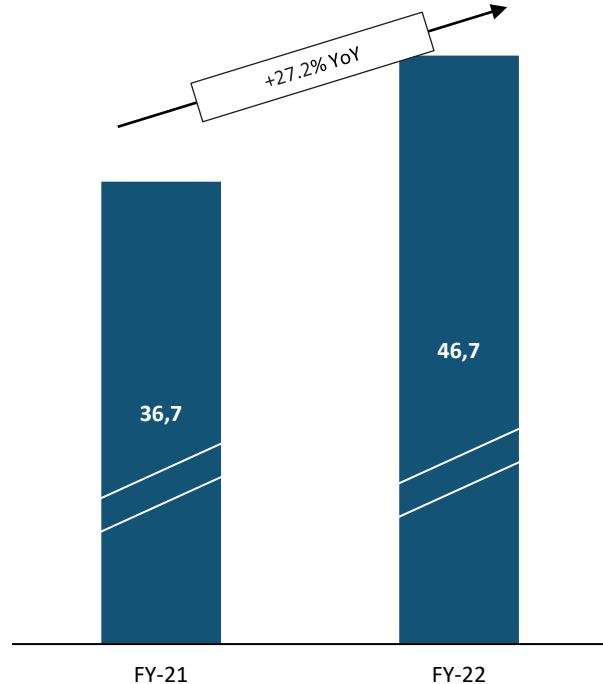
€m



Health Supplements total revenues stood at **€198.0m in FY-22 (+11,0% YoY)**, mainly thanks to new customer wins. Within existing customers, there is an important increase of the Tier 1 consumer healthcare clients' volumes.

## Medical Devices

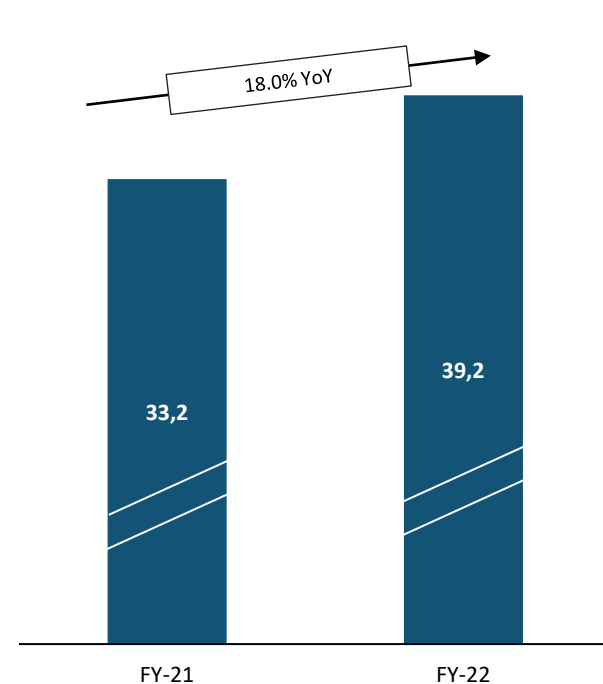
€m



Medical Devices total revenues stood at **€46.7m in FY-22 (+27.2% YoY)**, supported by the increase in sales of Esoxx products worldwide, BU growth in Eastern Europe and Enterogermina product sales increase in Italy.

## Cosmetics

€m

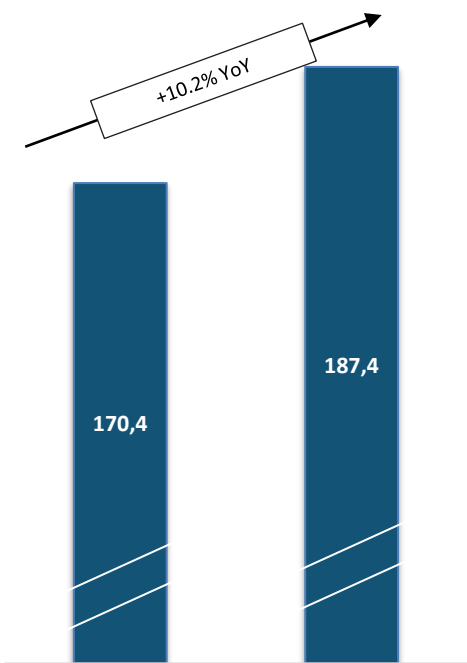


Cosmetics total revenues stood at **€39.2m in FY-22 (18.0% YoY)**, related to the successful solar-cream campaign and thanks to the BoV technology products in Northern Europe. In addition, we established an important customer relationship with a leader player in pedicure.

# Revenues: Deep-dive by Geography

## Italy

€m

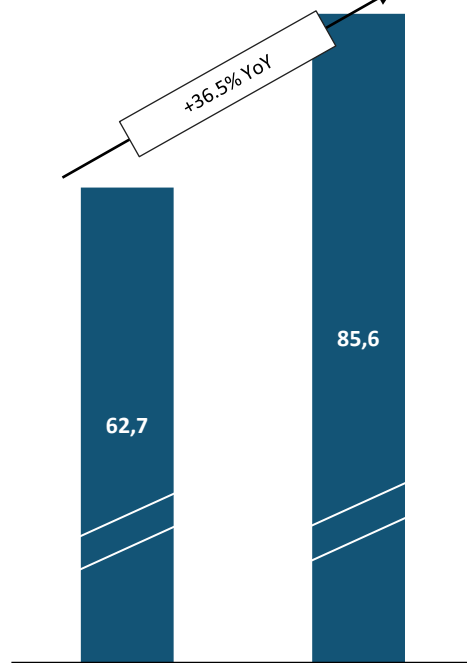


FY-21 FY-22

Italy total revenues stood at **€187.4m in FY-22** (+10.2% YoY), with growth spread between new clients' acquisitions and existing clients.

## Other EMEA countries

€m

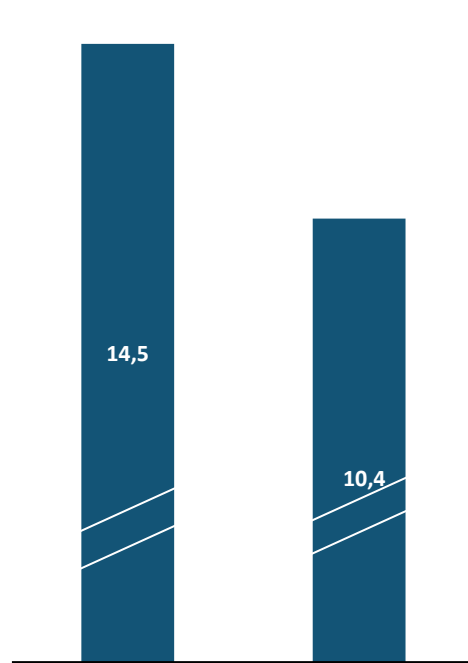


FY-21 FY-22

Other EMEA countries total revenues stood at **€85.6m in FY-22** (+36.5% YoY), mainly on the back of higher revenues coming from Tier 1 consumer healthcare clients' volumes.

## Asia and Pacific

€m

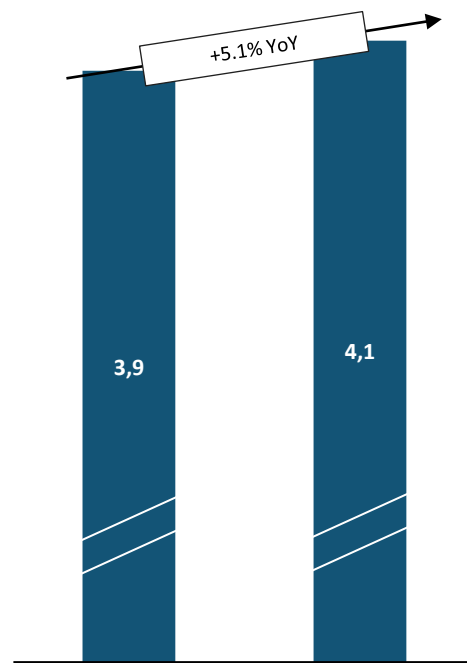


FY-21 FY-22

APAC total revenues stood at **€10.4m in FY-22** (-28.3% YoY), mainly due to the main customer in the region, which built up an extraordinary stock level in 2021 in order to prevent potential delivery disruptions due to Covid19 effects. In Q1 2023 completely recovered.

## North America

€m

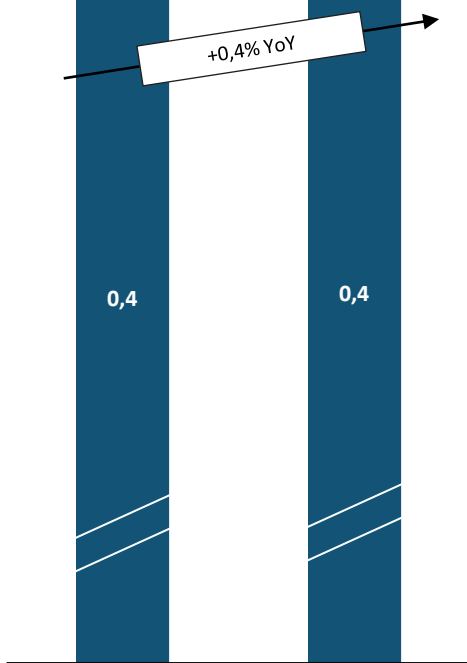


FY-21 FY-22

NAFTA total revenues stood at **€4.9m in FY-22** (+5,1% YoY), mainly due to higher sales of VSL3 product.

## Latin America

€m



FY-21 FY-22

LATAM total revenues stood at **€0.4m in FY-22** (+0,4% YoY), remaining broadly stable in terms of absolute value.

## Cash Flow FY 2022

YTD (€m)	dic-22A
<b>Adjusted EBITDA</b>	<b>62,8</b>
Adjustments	(1,9)
<b>EBITDA</b>	<b>60,9</b>
Δ Receivables	(11,6)
Δ Payables	27,9
Δ Inventory	(30,7)
<b>Δ TWC</b>	<b>(14,4)</b>
Δ Other Working Capital	1,8
<b>Δ NWC</b>	<b>(12,6)</b>
Maintenance Capex	(1,2)
<b>Recurring Op. CF (pre-Tax)</b>	<b>47,2</b>
Cash Conversion (%)	77,4%
Growth Capex	(24,4)
o/w Manufacturing Capex	(17,3)
o/w R&D Capex	(4,5)
o/w Other / IT Capex	(2,6)
<b>Op. CF (pre-Tax)</b>	<b>22,8</b>
Cash Conversion (%)	37,4%
Interests	(23,5)
Taxes	(4,9)
Other	(1,5)
<b>Free Cash Flow (pre-M&amp;A)</b>	<b>(7,1)</b>

**Normative level of TWC at -€6.0m** (excl. €4.1m inventory build-up and €4.3m delay in cash collection).

**Normative level of Op. CF at +€32.2m** (excl. €4.1m inventory build-up, €4.3m delay in cash collection and €1.0m delay in collection of government grants).

### Commentary

- **Adjusted EBITDA at €62.8m**
- **Normative level of Net Working Capital change of -€6.0m** mainly driven by business volume growth experienced during twelve months of 2022. On top of that, c. €4.1m cash absorption linked to extra inventory build up in order to avoid further raw material and packaging price increases as well as potential supply chain disruptions. In addition, c. €4.3m temporary delay in receivables settled within three weeks, completely recovered in Q1 2023.
- **Total Capex amounted to €25.6m**, in particular:
  - **Maintenance capex of €1.2m**
  - **Growth capex** includes investments to further increase manufacturing capacity and to accelerate future growth of the business amounting to **€24.4m**, of which:
    - **Manufacturing capex of €17.3m** and were mainly related to (i) production lines expansion in Gallarate, (ii) advance payment for the microencapsulator in Mereto and (iii) new manufacturing lines in Gallarate, Monselice and Mereto.
    - **R&D capex amounted to €4.5m** and were mainly related to 8 R&D projects in the gastro, CNS (central neuro system) and cardio therapeutic areas. All these new projects are expected to be commercialized during 2023.
    - **Other / IT Capex amounted to €2.6m** and were mainly related to SAP new modules and ICT infrastructure, furniture for new areas in Mereto, Monselice and Gallarate and reinforcement of CRM solutions.



## Leverage as of FY 2022

€m	As per OM	FY-22
High yield bond	345.0	345.0
RCF		13.0
Cash and Cash Equivalent	(5.7)	(24.3) <sup>1</sup>
<b>Total net secured debt</b>	<b>339.3</b>	<b>333.7</b>
Other Debt	0.8	14.2 <sup>2</sup>
<b>Total net debt</b>	<b>340.1</b>	<b>347.9</b>
<b>LTM PF Ad. EBITDA</b>	<b>64.0</b>	<b>72.0<sup>3</sup></b>
<b>Net Leverage</b>	<b>5.3x</b>	<b>4.8x</b>

### Commentary

- **Strong deleveraging trend with Net Leverage as of Dec22 at 4.8x**, versus 5.3x opening leverage at Bond issuance, mainly on the back of the strong performance at EBITDA level.
- **Total net Debt at €347.9m (or 4.8x Net Leverage)** as of Dec22 on the back of c. €372.2m Gross Debt, €24.3m cash on balance sheet and €72.0m Dec22 LTM PF Adj. EBITDA.
- Solid **cash and cash equivalents** position of **€24.3m**.

Notes: (1) Cash and Cash Equivalents as of December 31, 2022. (2) Incl. the Other Debt is related to the short-term bank-loan for invoices on cash, leasing debt and to the long-term banks' financing of Nutraskills Group; (3) Incl. run rate cost synergies for an amount of €9.3m and €1.9m related to rental savings in connection with Mereto's plant, Nutraskills QOE and 45% of Cura Beauty GmbH EBITDA.

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