Kepler S.p.A.
3Q-22 Results Presentation

Mereto di Tomba – December 6°, 2022

Biofarma group

Today’s presenters

Maurizio Castorina

CEO

- Joined in September 2017 as CEO of Nutrilinea
- Over 30 years of experience in Pharma
- 2017: CEO at Italfarmaco
- 2012 to 2016: CEO at Zambon
- 2002 to 2012: CEO of Takeda Italy and Regional VP for Southern Europe

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

Matteo D’Antuono

VP Finance

- Joined Biofarma in 2022 as Group Head of Finance
- 2018 to 2022: Finance & Supply-Chain Director at Mundipharma
- 2009 to 2018: Various roles at Snam, FlixBus and Deloitte

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. 50 FTEs working on clinical studies to support products' claims (over 85 patents and 70 trademarks);
  - **Regulatory know-how** with a dedicated team of c. 23 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.

Main KPIs

€282m — YTD-22 LTM Total Revenues[1]

+19% — Total Revenues CAGR '19 YTD-22 LTM[1]

€75m — YTD-22 LTM Adj. EBITDA (incl. synergies)[2] (26.6% margin)

6 — Manufacturing plants

~73 — FTEs of R&D & Regulatory processes

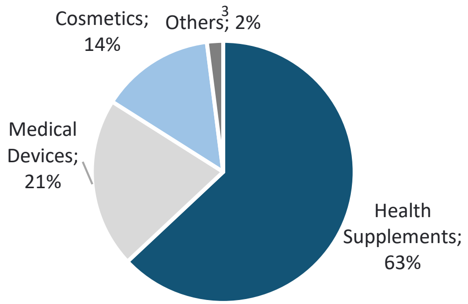
>500 — Customers

>75 — Countries served

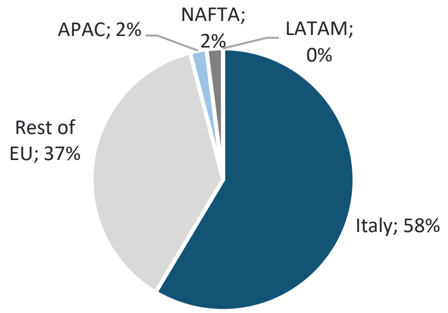
Total Revenues breakdown

LTM YTD-22

By Business Unit



By Geography



#1 Nutra CDMO in Europe in terms of revenue

Notes: (1) Incl. IHS and Nutraskills Revenues for '19, '20, '21 and 2022 YTD; (2) Includes €5.7m of cost synergies and €2.9m adjustments for rent savings related to Mereto's plant acquisition finalized in March 2022, Cura 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.

3Q-22 Performance

TOPLINE

- **YTD-22 Revenues stood at €215.9m**, growing by c. +16.6% vs PY (on a Like-for-Like basis) on the back of positive contribution of all business lines and geographies, driven by the execution of the defined 3-pillars strategy: (i) key customer penetration (ii) geographical expansion and (iii) technological innovation.

PROFITABILITY

- **YTD-22 Adj. EBITDA margin at 21.8%,** increasing vs PY (at 20.7%), mainly due to (i) volumes growth, (ii) cost efficiency measures related to insourcing activities and manufacturing processes, being offset by (iii) cost increase at SG&A level to support the business growth and (iv) raw materials cost increase.

FINANCIAL POSITION

- **Strong deleveraging trend with Net Leverage as of Sept22 at 4.5x** (at Kepler level), versus 5.3x opening leverage at Bond issuance, mainly on the back of the strong performance at Adj. EBITDA level, growing +22.7% vs PY.

OTHER UPDATES AND SHORT TERM OUTLOOK

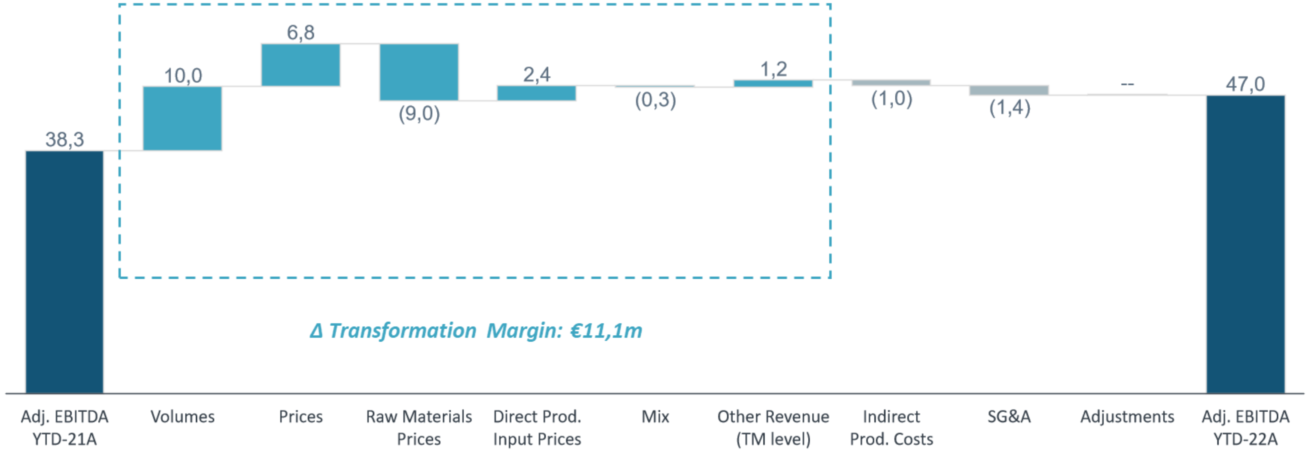
- Biofarma has recorded a **strong growth** in the first 9 months of 2022 (+16.6% vs. PY on a LfL basis), thanks to both key customers' penetration and new blue-chip client wins. As of today, this growth dynamic is continuing to be reflected in order collection of Q4-22;
- Despite the strong **inflationary** environment, Biofarma Group **has been able to pass on to customers** most (c. 70%) of the higher raw material prices by increasing selling prices, on the back of a constant dialogue and long-lasting relationships with customers. In addition, **hedging** contract recently closed allowed to cap Euribor exposure at an all-in rate of 1.52% for 3 years;
- Started **integration** activity of recently acquired French company **Nutraskills**, aiming at unlocking cross-selling in France and generate cost savings on procurement, insourcing of certain products, and SG&A.

Profit & Loss: Current Trading as of September – YTD 2022a vs. YTD 2021a (on a Like for Like basis)

Profit & Loss – YTD 2022A vs 2021A

YTD (€m)	set-22A	set-21A	Δ (%)	Δ
Net Sales	211,9	182,3	*16,2%*	*29,5*
Other Revenues	4,0	2,8	*42,9%*	*1,2*
Total Revenues	**215,9**	**185,1**	***16,6%***	***30,7***
Raw Material Costs	(103,0)	(88,7)	*16,1%*	*(14,3)*
First Margin	**112,9**	**96,5**	***17,0%***	***16,4***
First Margin (%)	*52,3%*	*52,1%*	*+19bps*	
Third Party Works Costs	(12,9)	(12,3)	*4,8%*	*(0,6)*
Direct Personnel Costs	(15,6)	(13,2)	*18,3%*	*(2,4)*
Other Direct Production Costs	(10,1)	(7,7)	*30,1%*	*(2,3)*
Transformation Margin	**74,3**	**63,2**	***17,5%***	***11,1***
Transformation Margin (%)	*34,4%*	*34,2%*	*+27bps*	
Indirect Personnel Costs	(3,7)	(3,8)	*(0,9%)*	*0,0*
Maintenance Costs	(3,2)	(2,6)	*20,7%*	*(0,5)*
Logistics and Storage Costs	(4,2)	(3,4)	*22,1%*	*(0,8)*
Other Indirect Production Costs	(1,2)	(1,5)	*(20,0%)*	*0,3*
Second Margin	**62,1**	**52,0**	***19,5%***	***10,1***
Second Margin (%)	*28,8%*	*28,1%*	*+70bps*	
Total SG&A Costs	**(16,7)**	**(15,3)**	***9,3%***	***(1,4)***
% of revenue	*(7,7%)*	*(8,3%)*	*+52bps*	
EBITDA	**45,4**	**36,6**	***23,8%***	***8,7***
EBITDA Margin (%)	*21,0%*	*19,8%*	*+122bps*	
Adjustments[1]	1,6	1,6	--	-
Adj. EBITDA	**47,0**	**38,3**	***22,7%***	***8,7***
Adj. EBITDA Margin (%)	*21,8%*	*20,7%*	*+109bps*	

EBITDA Bridge



Commentary

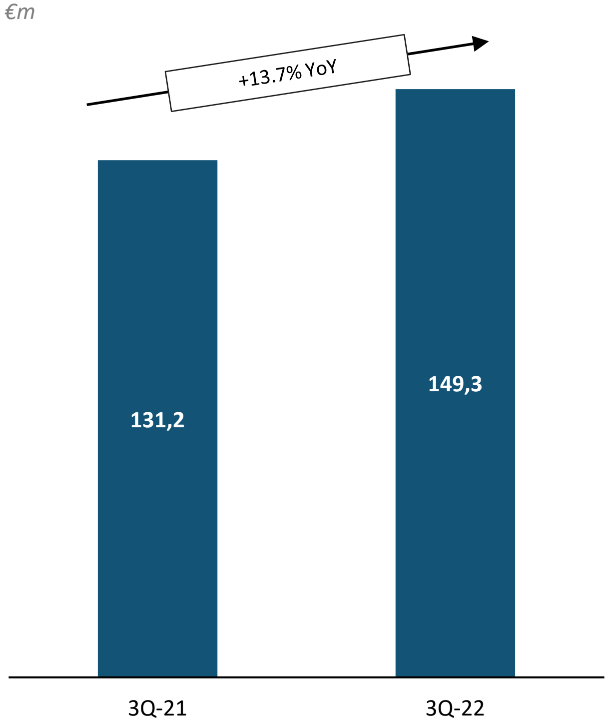
- Sales volume EBITDA impact: improvement of 10,0 Mil € due to the growth with Top 10 and Strategical Clients, as well as due to the growth in all Regions excluding APAC;
- Negative mix of 0,3 Mil € mainly due to lower level of Microincapsulation;
- Partial pass through executed, 6,8 Mil € Price increase, more than negatively offset by 9,0 Mil € cost increase;
- Other Sales improved by 1,2 Mil € due to higher R&D clinical-studies;
- Transformation margin 11,1 Mil € higher, where 9,9 Mil € of core business improvement has been reinforced by 1,2 Mil € higher R&D clinical-studies;
- Higher Maintenance, Logistic cost and Other Indirect costs reduce the positive Transformation margin effects;
- SG&A 1,4 Mil € are higher mainly due to higher Commercial activities (0,3 Mil €), Personnel cost (0,6 Mil €) and higher R&D expenditure (0,5 Mil €) to further structure the company and propel future growth.

Notes: (1) Adjustments include the rent savings related to Mereto's plant acquisition finalized in March 2022, Cura EBITDA and Nutraskills QoE adjustments. All data presented at Kepler level, i.e. including Nutraskills as well.

Biofarma group

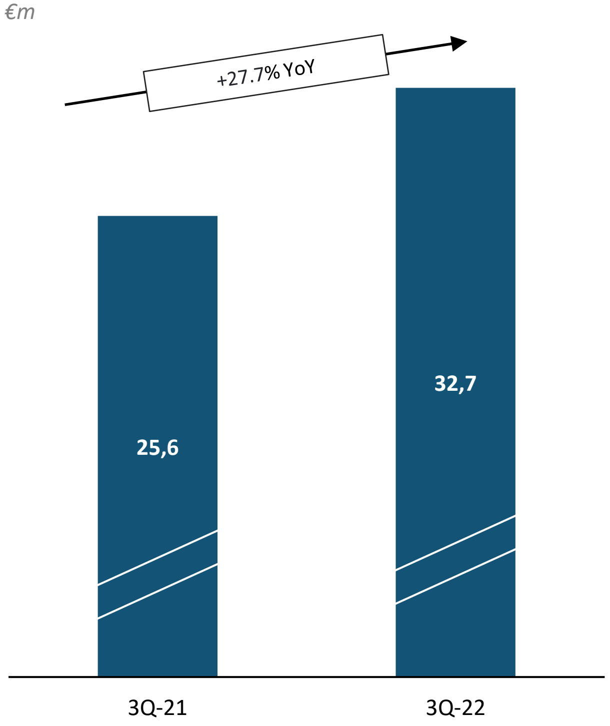
Revenues: Deep-dive by Business Unit

Health Supplements



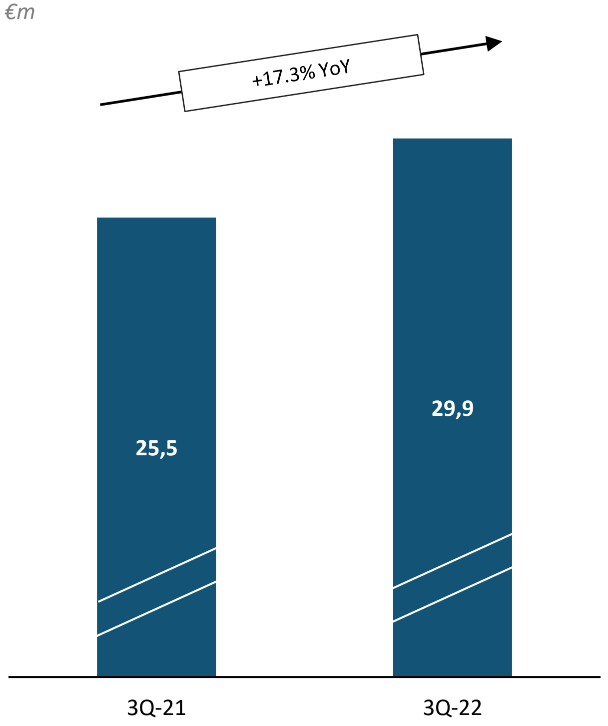
Health Supplements total revenues stood at €149.3m in 3Q-22 (+13.7% YoY), mainly thanks to new customers wins as well as growth with all existing customers with long-lasting relationships. Within existing customers, there is an important increase of the Tier 1 consumer healthcare clients' volumes.

Medical Devices



Medical Devices total revenues stood at €32.7m in 3Q-22 (+27.7% YoY), supported by the increase in sales of Ziverex (Esoxx family) in Eastern Europe and Enterogermina in Italy.

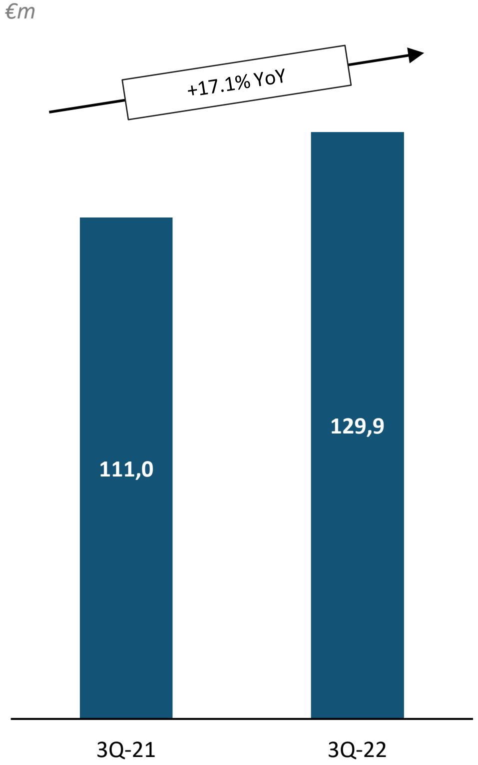
Cosmetics



Cosmetics total revenues stood at €29.9m in 3Q-22 (+17.3% YoY), mainly thanks to new clients wins as well as increased business with existing clients. Furthermore, we highlight an important new client win in Israel and strong performance of BoV technology products in Northern Europe. Lastly, we established an important customer relationship with a leader player in pedicure treatment.

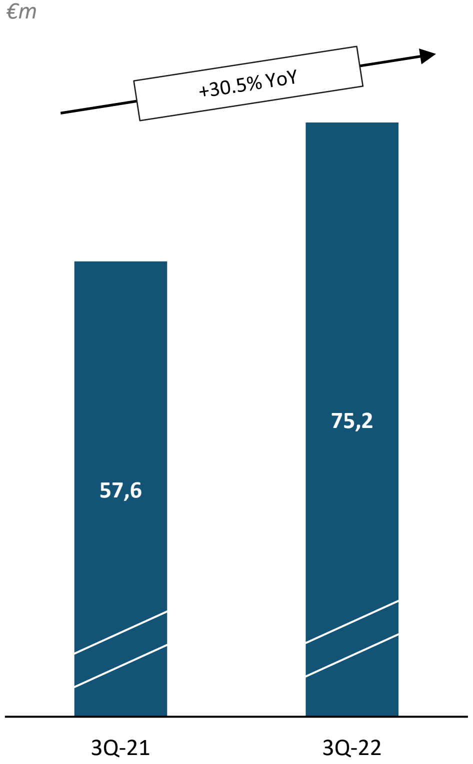
Revenues: Deep-dive by Geography

Italy



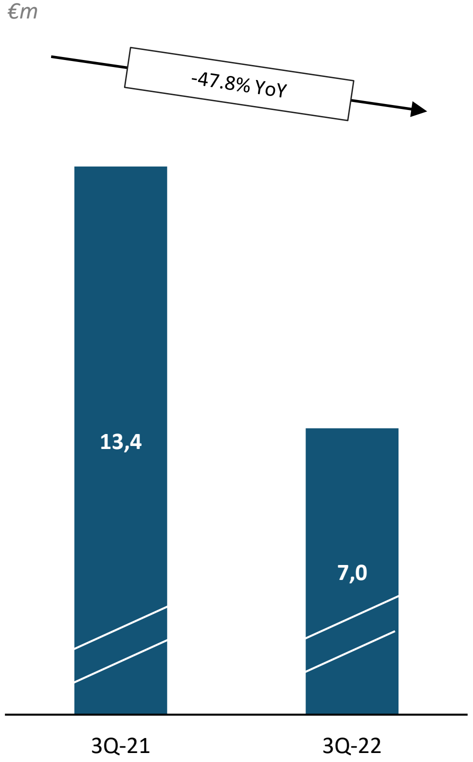
Italy total revenues stood at €129.9m in 3Q-22 (+17.1% YoY), with growth spread between new clients' acquisitions and existing clients.

Other EMEA countries



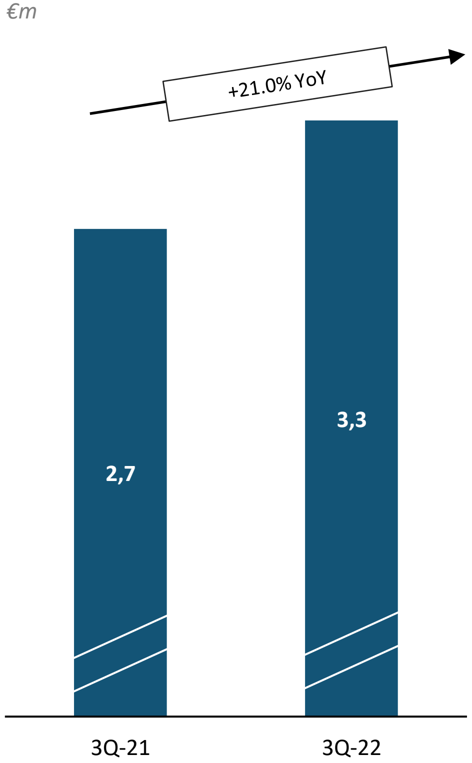
Other EMEA countries total revenues stood at €75.2m in 3Q-22 (+30.5% YoY), mainly on the back of higher revenues coming from Tier 1 consumer healthcare clients' volumes.

Asia and Pacific



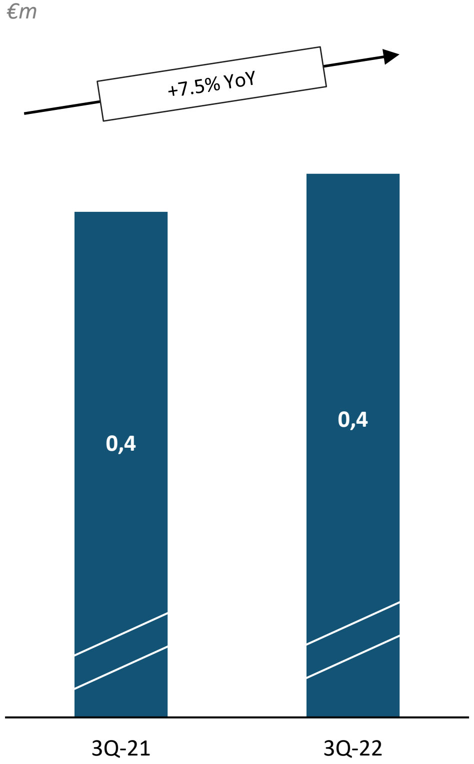
APAC total revenues stood at €7.0m in 3Q-22 (-47.8% YoY), mainly due to the stock build-up activity in 2021 of a large client.

North America



NAFTA total revenues stood at €3.3m in 3Q-22 (+21.0% YoY), mainly due to higher sales of VSL3 product.

Latin America



LATAM total revenues stood at €0.4m in 3Q-22 (+7.5% YoY), mainly due to the growth of a tier-1 pharma client.

Cash Flow YTD as of September 22

€m	Q3-22
Adjusted EBITDA	**47,0**
Adjustments	(1,6)
EBITDA	**45,4**
Δ Receivables	(18,8)
Δ Payables	23,2
Δ Inventory	(21,3)
Δ TWC	**(16,9)**
Δ Other Working Capital	1,4
Δ NWC	**(15,5)**
Maintenance Capex	(0,8)
Recurring Op. CF (pre-Tax)	**29,1**
Cash Conversion (%)	*64,2%*
Growth Capex	(14,9)
o/w Manufacturing Capex	(10,6)
o/w R&D Capex	(3,0)
o/w Other / IT Capex	(1,3)
Op. CF (pre-Tax)	**14,2**
Cash Conversion (%)	*31,3%*

Normative level of TWC at -€8.7m (excl. €5.1m inventory build-up and €3.1m delay in cash collection).

Normative level of Op. CF at +€23.6m (excl. €5.1m inventory build-up, €3.1m delay in cash collection and €1.2m delay in collection of government grants).

Commentary

NWC

- **Receivables**: 18,8 Mil € increase is mainly linked to the volumes and minorly to delay in cash collection of 3,1 Mil € that will be recovered after the month-end closing;
- **Payables**: 23,2 Mil € increase related to higher volumes and to negotiated payment terms extension;
- **Inventory:** 21,3 Mil € increase is related for 16,2 Mil € by volume growth and for 5,1 Mil € related to extra-stock built up to avoid shortages and further cost increases;
- **Other WC items**: mainly related to the taxes and non-trade WC-items of which 1,2€ Mil € related to government-grants cash-in postponed in early Q422;

Capex

- **Maintenance**: 0,8 Mil € related to Gallarate and Mereto plants in order to maintain the production continuity;
- **Growth Capex**: 14,9 Mil € linked to:
  - **Manufacturing Capex**: 10,6 Mil € are related to: a) 0,6 Mil € to advance payment for extension of Gallarate plant, b) 8,0 Mil € for new machines and lines (basina, microencapsulator in Mereto, two new Sachet machines and others) c) 2,0 Mil € related to Gallarate plant extension;
  - **R&D Capex**: 3,0 Mil € investments in development of Scholl, Nestleé, Cooper and Pharmaton formulas;
  - **Other / IT Capex**: 1,3 Mil €, of which 0,8 Mil € investment in SAP new modules and ICT infrastructure, as well as 0,5 Mil € related to furnitures for new areas in Mereto, Monselice and Gallarate;

Leverage as of September 22

€m	Q3-22
High yield bond	345,0
Cash and Cash Equivalent[1]	(16,4)
Total net secured debt	**328,6**
Other Debt[2]	13,4
Total net debt	**342,1**
LTM PF Adj. EBITDA[3]	**75,2**
Net Leverage	**4,5x**

Commentary

- **Strong deleveraging trend with Net Leverage as of Sept22 at 4.5x**, versus 5.3x opening leverage at Bond issuance, mainly on the back of the strong performance at EBITDA level, growing +22.7% vs PY alongside with a cash generation;
- **Total net Debt at €342.1m (or 4.5x Net Leverage)** as of Sept22 on the back of c. €358.4m Gross Debt, €16.4m cash on balance sheet and €75.2m YTD22 LTM PF Adj. EBITDA;
- Solid **cash and cash equivalents** position of **€16.4m**.

Notes: (1) Cash and Cash Equivalents as of September 30, 2022 is PF for the transaction costs related to the Acquisition. (2) Incl. leasing for €0.7m, Advanced Payments ("anticipi su fatture") for €10.2m and long-term bank loans arisen from Nutraskills' acquisition for €2.4m,; (3) Incl. run rate cost synergies for an amount of €5.7 and €2.9m related to rental savings in connection with Mereto's plant, 45% of Cura Beauty GmbH EBITDA and former Nutraskills QoE adjustments.
All figures include Nutraskills Group.

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