Kepler S.p.A.
Q2-23 Results Presentation

Milan – September 6th, 2023

Today's presenters

Gianfranco Nazzi

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. Dry-Cap, T-Win);
- Biofarma's differentiated positioning is based on:
  - **Strong in-house R&D capabilities** and a team of c. 55 FTEs working on clinical studies to support products' claims (over 87 patents and 70 trademarks);
  - **Regulatory know-how** with a dedicated team of c. 25 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 Jul-23,Biofarma have reached the closing agreement with US PharmaLab, a fast growing and one of the leading US CDMOs, present also in China, generating USD 124m revenue in 2022;
- In June-23 Biofarma continued with legal entity structure optimisation by merging Apharm, IHS and Pasteur i Biofarma Srl legal entity.

Main KPIs

€312.5
H1-23 LTM Total Revenues[1]

+13.9%
Total Revenues CAGR '2019 - H1-23 LTM[1]

€75.5m
H1-23 LTM (incl. synergies) (24.2% margin)

6
Manufacturing plants

~80
FTEs of R&D & Regulatory processes

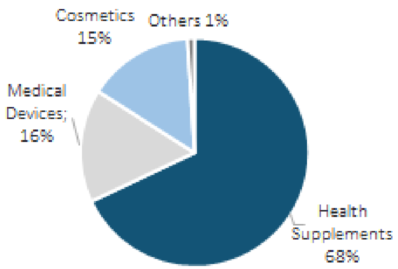
>500
Customers

>75
Countries served

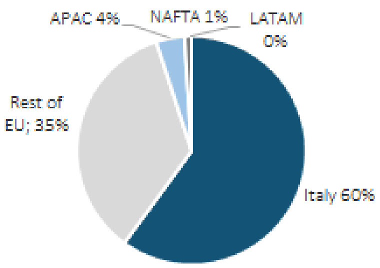
Total Revenues breakdown

LTM H1-23

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 , '22 and H1-23; ((2) Mainly refers to government grants related to new products R&D.
All data presented at Kepler level.

H1-23 Performance

TOPLINE

- **H1-23 Revenues stood at € 171.3m**, growing by c. +16.7% vs H1-PY 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

- **H1-23 EBITDA margin at 19.5% or 33,4 Mil €,** increasing vs PY by 5,0 Mil €, mainly due to volume increase, complete pass-through to the customers of the cost increases and production efficiencies , partially offset by product mix deterioration and the growth on Operation and SG&A cost structure (increased to manage both manufacturing and business worldwide complexity).

FINANCIAL POSITION

- **Strong deleveraging trend with Net Leverage H1-23 at 4.6x** (at Kepler level), versus 5.3x opening leverage at Bond issuance in May-22.

OTHER UPDATES AND SHORT TERM OUTLOOK

- **Top line**, 2023 revenue are budgeted to continue growing double-digit and orders for Q3-23 are currently >11% higher vs. same time period of ’22 (iso-perimeter);
- **Marginality**, looking at 2023, there are some further signs of improvements. From a macro perspective, gas prices felt significantly in the last few months and also certain raw materials’ prices are starting to decrease; in parallel, the company is working on several initiatives to improve marginality, including: i) further price increases for ’23, ii) further synergies’ extraction (incl. legal-entities’ streamlining), and iii) a dedicated operational improvement plan for the Gallarate plant;
- **M&A activity**: continuation of scouting for potential M&A opportunities to support internationalization and acquisition of new complementary technologies, as well as strong focus on current wordlwide structure optimisation, also thanks to new facilities in US and China.
- **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.

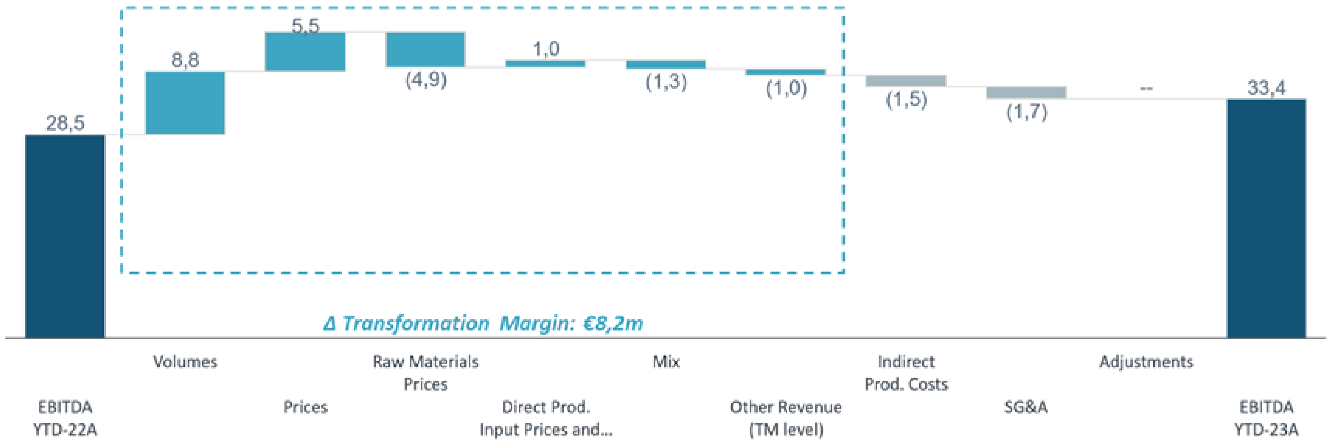
Notes: data presented at Kepler level.

Profit & Loss: Current Trading as of June 2023

Profit & Loss – H1-23 vs H1-22

YTD (€m)	giu-23A	giu-22A	Δ (%)	Δ
Net Sales	169,3	143,8	*17,7%*	*25,5*
Other Revenues	2,0	3,0	*(33,3%)*	*(1,0)*
Total Revenues	**171,3**	**146,8**	***16,7%***	***24,5***
Raw Material Costs	(85,0)	(71,7)	*18,5%*	*(13,3)*
First Margin	**86,3**	**75,1**	***14,9%***	***11,2***
First Margin (%)	*50,4%*	*51,2%*	*(78bps)*	
Third Party Works Costs	(9,8)	(9,2)	*7,4%*	*(0,7)*
Direct Personnel Costs	(12,7)	(11,1)	*14,2%*	*(1,6)*
Other Direct Production Costs	(7,5)	(6,8)	*10,0%*	*(0,7)*
Transformation Margin	**56,3**	**48,0**	***17,2%***	***8,2***
Transformation Margin (%)	*32,9%*	*32,7%*	*+14bps*	
Indirect Personnel Costs	(4,8)	(3,8)	*27,3%*	*(1,0)*
Maintenance Costs	(2,3)	(2,1)	*13,8%*	*(0,3)*
Logistics and Storage Costs	(3,4)	(2,8)	*23,0%*	*(0,6)*
Other Indirect Production Costs	(2,4)	(2,8)	*(15,2%)*	*0,4*
Second Margin	**43,3**	**36,6**	***18,3%***	***6,7***
Second Margin (%)	*25,3%*	*24,9%*	*+35bps*	
Total SG&A Costs	**(9,9)**	**(8,2)**	***21,3%***	***(1,7)***
% of revenue	*(5,8%)*	*(5,6%)*	*(22bps)*	
EBITDA	**33,4**	**28,5**	***17,5%***	***5,0***
EBITDA Margin (%)	*19,5%*	*19,4%*	*+13bps*	
Adjustments	0,3	0,3	--	-
Adj. EBITDA	**33,7**	**28,8**	***17,3%***	***5,0***
Adj. EBITDA Margin (%)	*19,7%*	*19,6%*	*+10bps*	

EBITDA Bridge – H1-23 vs H1-22



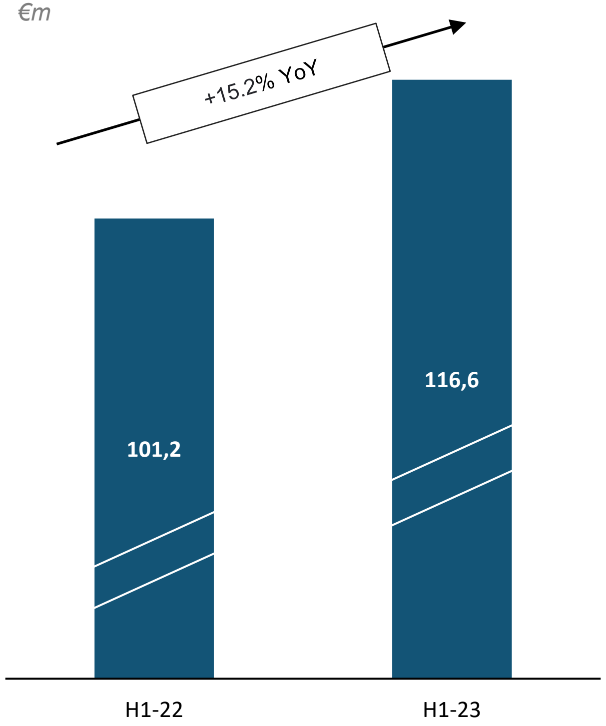
Commentary

- **Revenues:** €24.5m (+16.7%) higher if compared to PY thanks to the growth in almost all geographies and customers, driven by Innovation.
- **First margin**: 78 bps deterioration, in strong recovery vs. Q1, due to negative product mix effect (€1.3m).
- **Transformation margin**: the negative First Margin trend has been reverted by manufacturing efficiencies related to insourcing activities and automation.
- **Second Margin:** 35bps improvement related to Transformation margin trend and higher efficiencies on Operation structure cost control.
- **SG&A cost**: increase related to further structuring of the organization to be ready for the next phase of the company growth.
- **EBITDA:** reached €33.4m, €5.0m (+17.5%) higher if compared to previous year mainly off the back to higher volumes and to Operations efficiencies.

Revenues: Deep-dive by Business Unit

Health Supplements

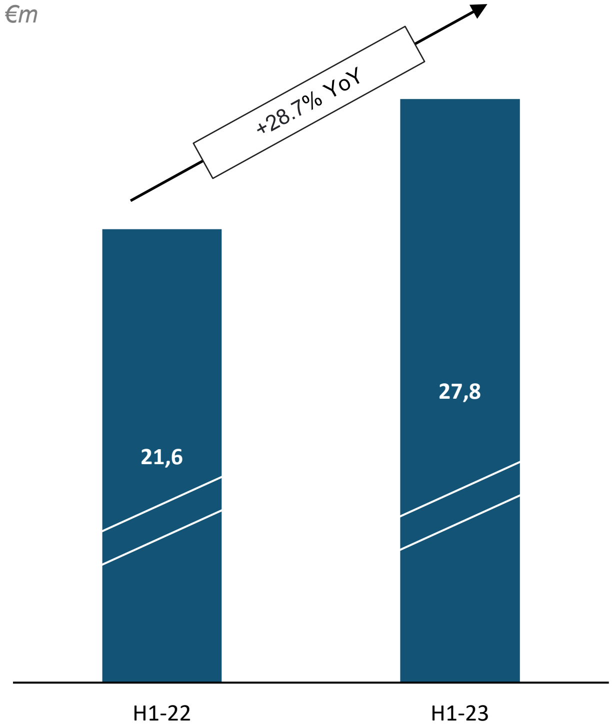
€m



Health Supplements total revenues stood at €116.6m in H1-23 (+15,2% YoY), thanks to the growth in all Regions and the new project launches

Medical Devices

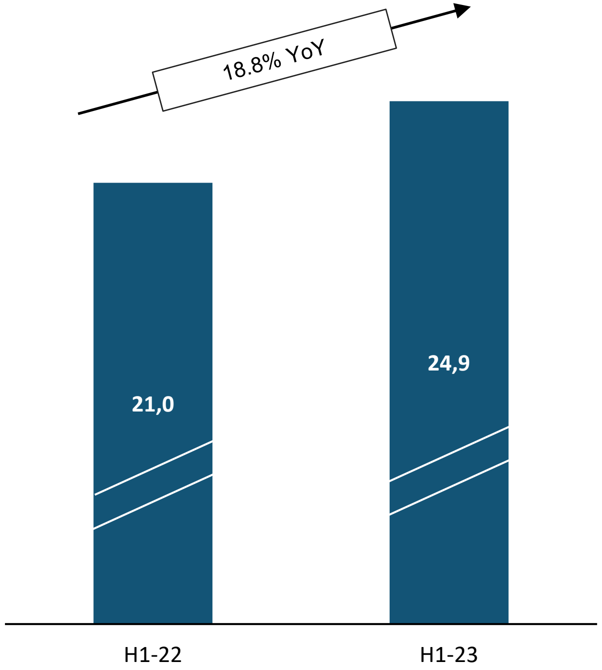
€m



Medical Devices total revenues stood at €27.0m in H1-23 (+28.7% YoY), supported by the increase in sales of Esoxx products worldwide, BU growth in Eastern Europe and Enterogermina gonfiore product sales increase in Central Europe and Italy.

Cosmetics

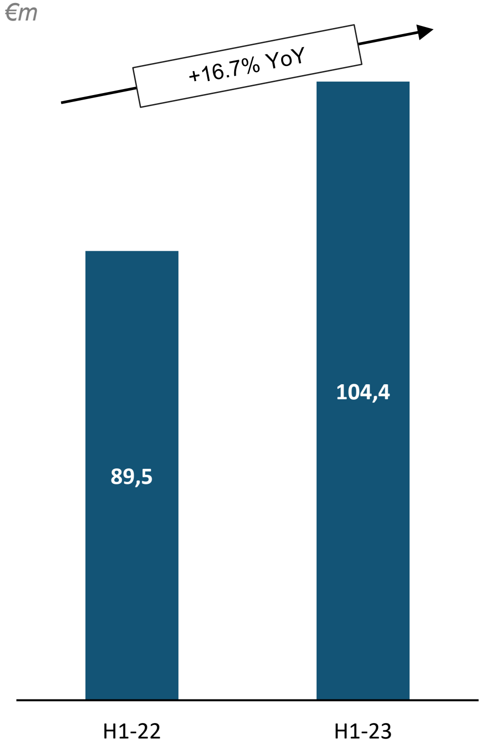
€m



Cosmetics total revenues stood at €24.9m in H1-23 (18.8% YoY), related to the successful solar-cream campaign and thanks to the BoV technology products and high tech projects. Relevant growth in Middle East and Europe.

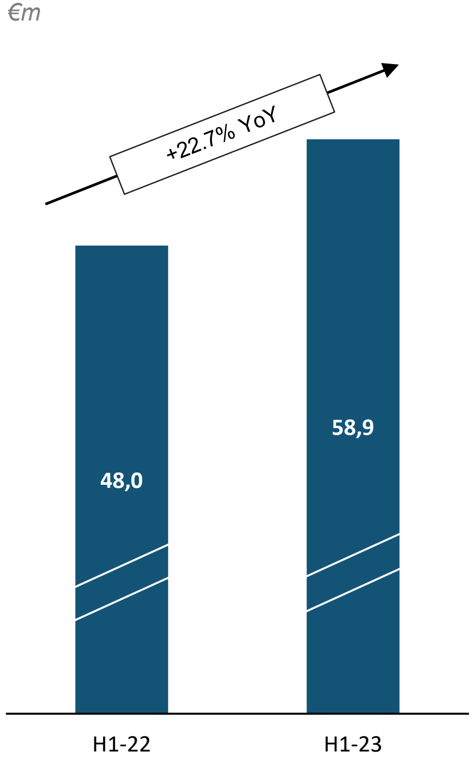
Revenues: Deep-dive by Geography

Italy



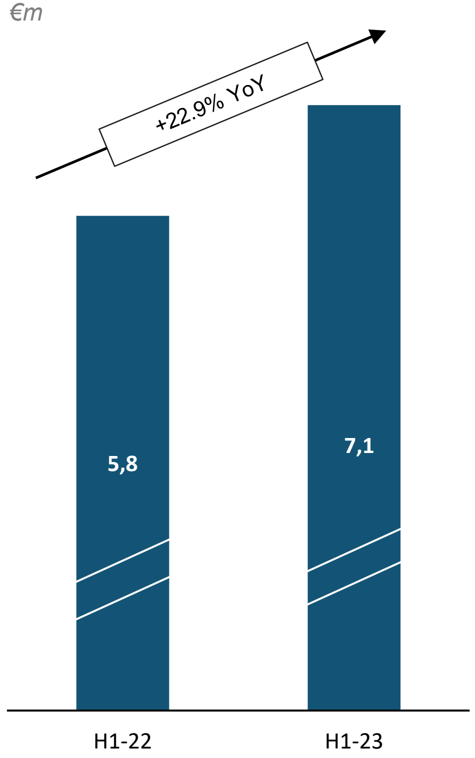
Italy total revenues stood at €104.4m in H1-23 (+16.7% YoY), with growth spread between new clients' acquisitions and existing clients.

Other EMEA countries



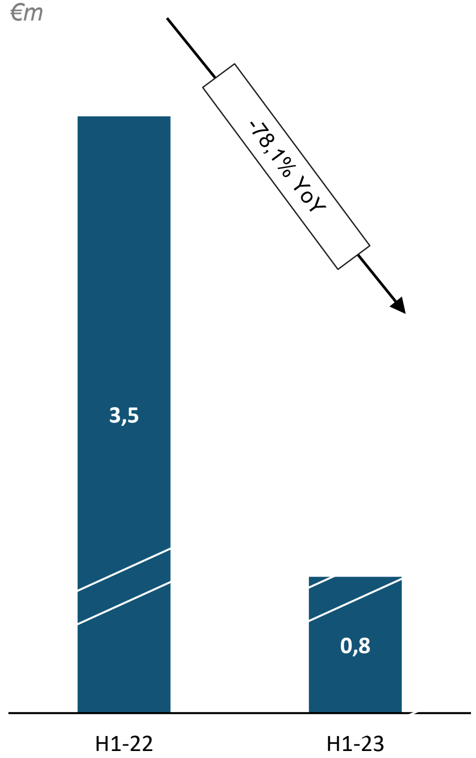
Other EMEA countries total revenues stood at €27.6m in H1-23 (+22.7% YoY), mainly on the back of higher revenues coming from Tier 1 consumer healthcare clients' volumes.

Asia and Pacific



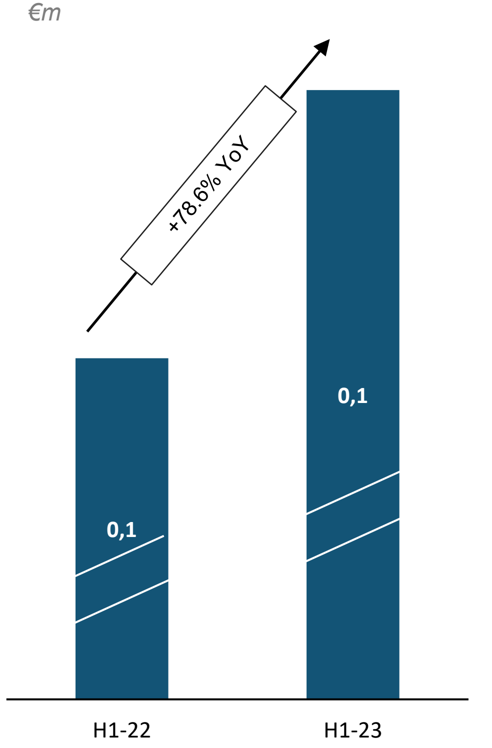
APAC total revenues stood at €7.1m in H1-23 (+22.9% YoY), mainly due to the sales recovery to the main customer in the region.

North America



NAFTA total revenues stood at €0.8m in H1-23 (-78,1% YoY), mainly due to 3 Mil € sales of VSL3 product moved to Q3 2023.

Latin America



LATAM total revenues stood at €0.1m in H1-23 (+78,6% YoY), still an area to improve.

Cash Flow H1-2023

YTD (€m)	giu-23A
Adjusted EBITDA	**33,7**
Adjustments	(0,3)
EBITDA	**33,4**
Δ Receivables	(1,4)
Δ Payables	(0,4)
Δ Inventory	(2,7)
Δ TWC	**(4,5)**
Δ Other Working Capital	0,9
Δ NWC	**(3,6)**
Maintenance Capex	(1,4)
Recurring Op. CF (pre-Tax)	**28,4**
Cash Conversion (%)	*85,1%*
Growth Capex	(9,1)
o/w Manufacturing Capex	(7,1)
o/w R&D Capex	(1,3)
o/w Other / IT Capex	(0,7)
Op. CF (pre-Tax)	**19,3**
Cash Conversion (%)	*57,9%*
Interests	(15,5)
Taxes	(0,5)
Other	(2,5)
Free Cash Flow (pre-M&A)	**0,8**
Cash Conversion (%)	*2,3%*
M&A Capex	
Free Cash Flow (post-M&A)	**0,8**
Cash Conversion (%)	*n.m.*
New Debt / Debt Repayments	(4,8)
Capital Contribution	
Other Changes in Equity	
Δ Cash	**(4,0)**

Normative level of TWC at -€1.9 m (excl. €0.5m inventory build-up €2.1m delay in cash collection.

Normative level of Op. CF at 21,9m (excl. €0,5m inventory build-up, €2.1m delay in cash collection).

Commentary

- **EBITDA at €33.7m**
- **Normative level of Net Working Capital change of -€3.6m** mainly driven by business volume growth experienced during six months of 2023. On top of that, c. €0.5m 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. €2.1m temporary delay in receivables settled, however recovered in July.
- **Total Capex amounted to €10.5m**, in particular:
  - **Maintenance capex of €1.4m**
  - **Growth capex** includes investments to further increase manufacturing capacity and to accelerate future growth of the business amounting to **€9.1m**, of which:
    - **Manufacturing capex of €7.1m** and were mainly related to (i) production lines expansion in Gallarate and (ii) new manufacturing lines in Gallarate, Monselice and Mereto.
    - **R&D capex amounted to €1.3m** and were mainly related to 3 R&D projects in probiotics and cardio therapeutic areas. All these new projects are expected to be commercialized during Q4 2023 or Q1-2024.
    - **Other / IT Capex amounted to €0.7m** and were mainly related to ICT infrastructure, furniture for new areas in Monselice and reinforcement of MES ICT solutions.

Leverage as of H1-2023

€m	As per OM	H1-23
High yield bond	345.0	345.0
RCF		13.0
Cash and Cash Equivalent	(5.7)	(20.3)[1]
Total net secured debt	**339.3**	337.7
Other Debt	0.8	7.3[2]
Total net debt	**340.1**	**345.0**
LTM PF Adj. EBITDA	**64.0**	**75.5**[3]
Net Leverage	**5.3x**	**4.6x**

Commentary

- **Strong deleveraging trend with Net Leverage as of H1 2023 at 4.6x**, versus 5.3x opening leverage at Bond issuance, mainly on the back of the strong performance at EBITDA level.
- **Total net Debt at €345.0m (or 4.6x Net Leverage)** as of June 23 on the back of c. €365.3m Gross Debt, €20.3m cash on balance sheet and €75.5m March23 LTM PF Adj. EBITDA.
- Solid **cash and cash equivalents** position of **€20.3m.**

Notes: (1) Cash and Cash Equivalents as of June 30, 2023. (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 €7.7m, Nutraskills QOE and 45% of Cura Beauty GmbH EBITDA.

Acquistion US PharmaLab

Combined Performance with USPharmaLab as of H1-2023

Pro Forma Financials - Combined Group (€m)	LTM-June23 Combined	EUR Biofarma	USD UsPharma Lab	EUR UsPharma Lab
Total Net Revenues	430,0	312,5	128,3	117,5
Gross Profit	131,1	89,2	45,8	41,9
Gross Margin (%)	**30,5%**	**28,5%**	**35,7%**	**35,7%**
EBITDA	83,6	67,1	18,0	16,5
EBITDA Margin (%)	**19,4%**	**21,5%**	**14,1%**	**14,1%**
Adjustments	6,1	0,6	6,0	5,5
Adjusted EBITDA	89,7	67,7	24,0	22,0
Adjusted EBITDA Margin (%)	**20,9%**	**21,7%**	**18,7%**	**18,7%**
Synergies Biofarma	7,7	7,7		
Synergies USA	3,94		4,3	3,9
PF Adjusted EBITDA	101,5	75,5	28,3	26,0
Pro Forma Adjusted EBITDA Margin (%)	**23,6%**	**24,2%**	**22,1%**	**22,1%**

€m	H1-23
High yield bond	345.0
Incremental Senior Debt	200.5
Cash and Cash Equivalent	(20.3)[1]
Total net secured debt	525.2
Other Debt	7.3[2]
Total net debt	**532.5**
LTM PF Adj. EBITDA	**101.5[3]**
Net Leverage	**5.25x**

Commentary

- **LTM Net revenue 430 Mil €, with Pro Forma Adjusted EBITDA equal to 101,5 Mil € (23,6%).**
- **RCF completely reimbursed on 25° of July**
- **New Incremental senior debt of 200,5 Mil €**
- **Leverage for Bond Holders 5.25x**

Notes: (1) Cash and Cash Equivalents as of June 30, 2023. (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 €7.7m in Europe and of €3.9m in US, Nutraskills QOE, 45% of Cura Beauty GmbH EBITDA and €5.5 m adjustments in USA.

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Biofarma
group