Kepler S.p.A.
Q1-23 Results Presentation

Milan – June 10th, 2023

Biofarma group

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

Nicola Tedesco

Head of M&A and Corporate Development

- Joined Biofarma in 2022 as Head of M&A and Corporate Development
- 2019 to 2022: Head of M&A and Corporate Development at Datalogic
- Previous positions include roles at KHK & Partners, ADIA and Citi

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. 54 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

€305.3
Q1-23 LTM Total Revenues[1]

+14.3%
Total Revenues CAGR '2019 - Q1-23 LTM[1]

€73.5m
Q1-23 LTM (incl. synergies) (24.1% margin)

6
Manufacturing plants

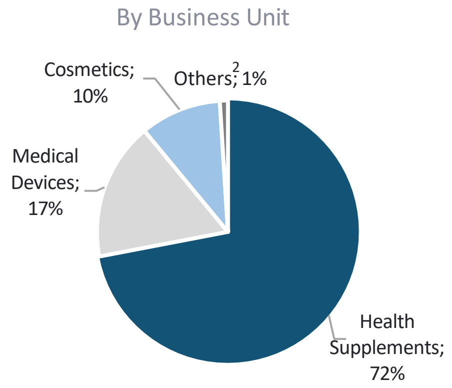
~78
FTEs of R&D & Regulatory processes

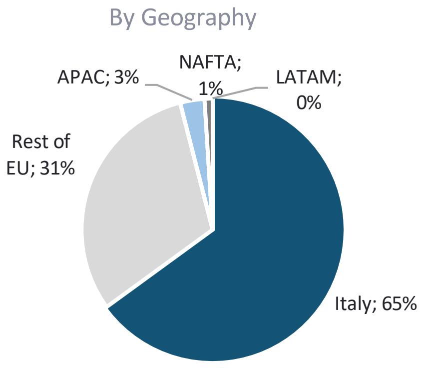
>500
Customers

>75
Countries served

Total Revenues breakdown

LTM Q1-23





#1 Nutra CDMO in Europe in terms of revenue

Notes: (1) Incl. IHS and Nutraskills Revenues for '19, '20, '21 , '22 and Q1-23; ((2) Mainly refers to government grants related to new products R&D.
All data presented at Kepler level.

YTD-23 Performance

TOPLINE

- **YTD-23 Revenues stood at €85.0m**, growing by c. +25.7% vs Q1-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

- **YTD-23 EBITDA margin at 22.3% or 18,9 Mil €,** increasing vs PY by 2,4 Mil €, mainly due to volume increase and production efficiencies, partially offset by the inflation impact on raw materials, labor & utilities costs (€2.8m cost increases), that the Company has been partially able to pass-through to customers with price increases.

FINANCIAL POSITION

- **Strong deleveraging trend with Net Leverage YTD-23 at 4.7x** (at Kepler level), versus 5.3x opening leverage at Bond issuance. The Net Leverage (at PIK Level) as of YTD-23 at 7.0x, in line with previous months.

OTHER UPDATES AND SHORT TERM OUTLOOK

- **Top line**, 2023 revenue are budgeted to continue growing double-digit and orders for Q2-23 are currently >10% higher vs. same time period of ’22 (iso-perimeter);
- **Marginality**, looking at 2023, there are some early 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**: scouting for potential M&A opportunities to support internationalization and acquisition of new complementary technologies. Signed on 18/05 the acquisition of USP, a fast-growing and highly innovative nutra CDMO generating ~€124.2 revenue in ‘22’
- **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.

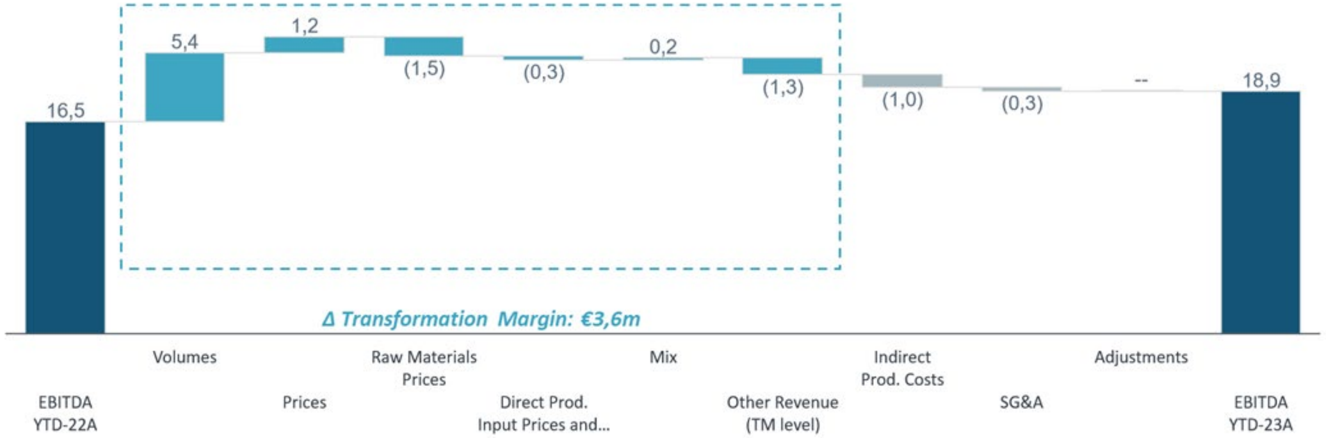
Notes: data presented at Kepler level.

Profit & Loss: Current Trading as of March 2023

Profit & Loss – Q1-23 vs Q1-22

YTD (€m)	mar-23A	mar-22A	Δ (%)	Δ
Net Sales	83,6	64,9	*28,8%*	*18,7*
Other Revenues	1,4	2,8	*(48,1%)*	*(1,3)*
Total Revenues	**85,0**	**67,7**	***25,7%***	***17,4***
Raw Material Costs	(43,2)	(33,0)	*30,9%*	*(10,2)*
First Margin	**41,9**	**34,7**	***20,7%***	***7,2***
First Margin (%)	*49,2%*	*51,2%*	*(201bps)*	
Third Party Works Costs	(4,3)	(3,2)	*31,4%*	*(1,0)*
Direct Personnel Costs	(6,4)	(4,9)	*30,2%*	*(1,5)*
Other Direct Production Costs	(4,5)	(3,4)	*30,1%*	*(1,0)*
Transformation Margin	**26,7**	**23,1**	***15,8%***	***3,6***
Transformation Margin (%)	*31,4%*	*34,1%*	*(268bps)*	
Indirect Personnel Costs	(2,2)	(1,9)	*13,9%*	*(0,3)*
Maintenance Costs	(1,2)	(0,9)	*30,4%*	*(0,3)*
Logistics and Storage Costs	(1,5)	(1,3)	*19,2%*	*(0,2)*
Other Indirect Production Costs	(0,6)	(0,5)	*31,6%*	*(0,2)*
Second Margin	**21,1**	**18,4**	***14,6%***	***2,7***
Second Margin (%)	*24,9%*	*27,3%*	*(240bps)*	
Total SG&A Costs	**(2,2)**	**(1,9)**	***16,7%***	***(0,3)***
% of revenue	*(2,6%)*	*(2,8%)*	*+20bps*	
EBITDA	**18,9**	**16,5**	***14,4%***	***2,4***
EBITDA Margin (%)	*22,3%*	*24,4%*	*(220bps)*	

EBITDA Bridge – Q1-23 vs Q1-22



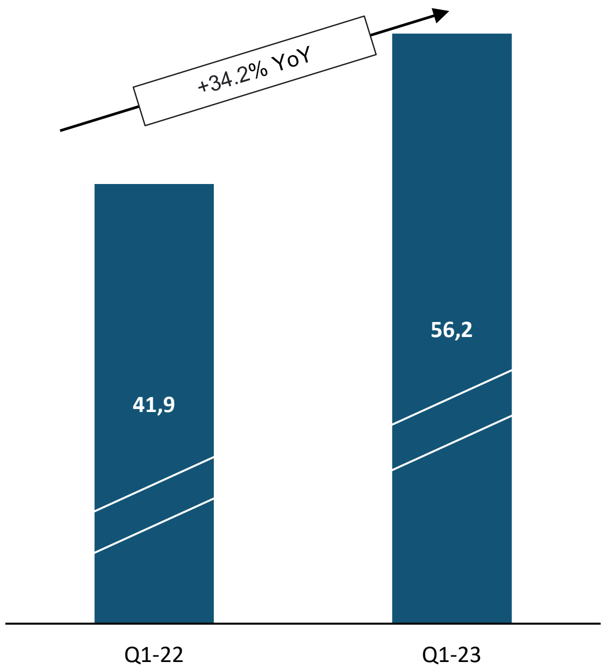
Commentary

- **Revenues:** €17.4m (+25.7%) higher if compared to PY thanks to the growth in all geographies and customers, driven by Innovation.
- **First margin**: 201 bps deterioration due to partial pass-through execution (gap of €0.3m).
- **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:** 240bps deterioration related to Transformation margin trend, partially offset by 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 €18.9m, €2.4m (+14.4%) higher if compared to previous year mainly off the back to higher volumes.

Revenues: Deep-dive by Business Unit

Health Supplements

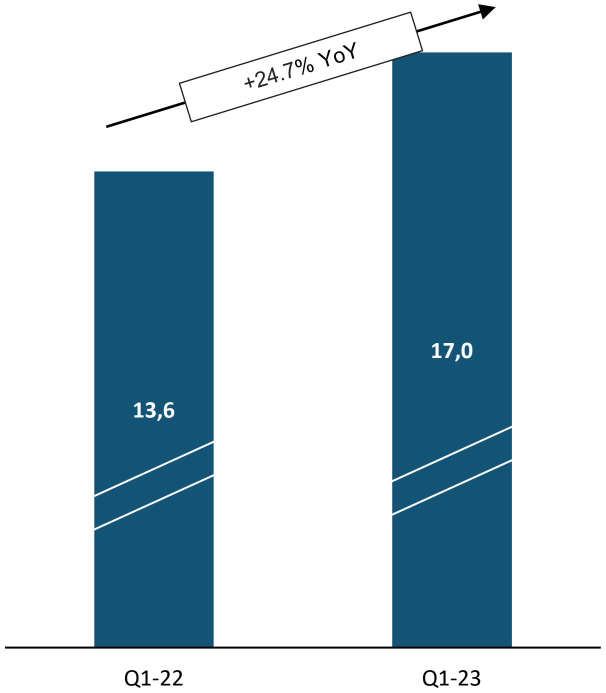
€m



Health Supplements total revenues stood at €56.2m in Q1-23 (+34,2% YoY), thanks to the growth in all Regions and the new project launches

Medical Devices

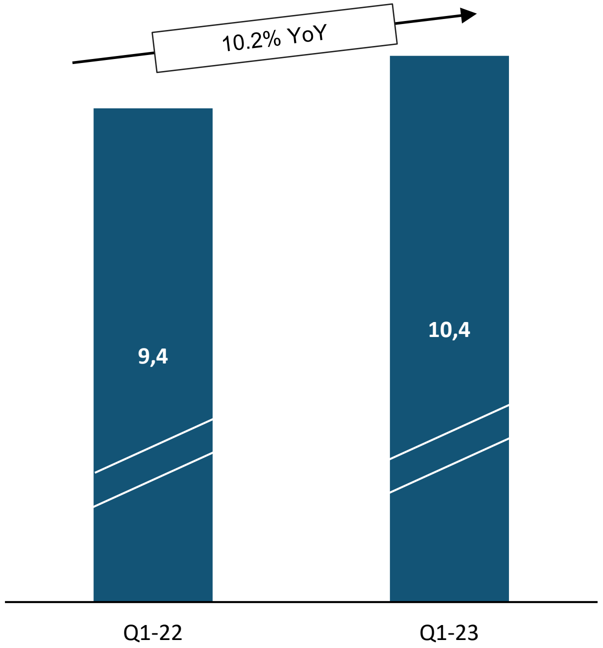
€m



Medical Devices total revenues stood at €17.0m in Q1-23 (+24.7% 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

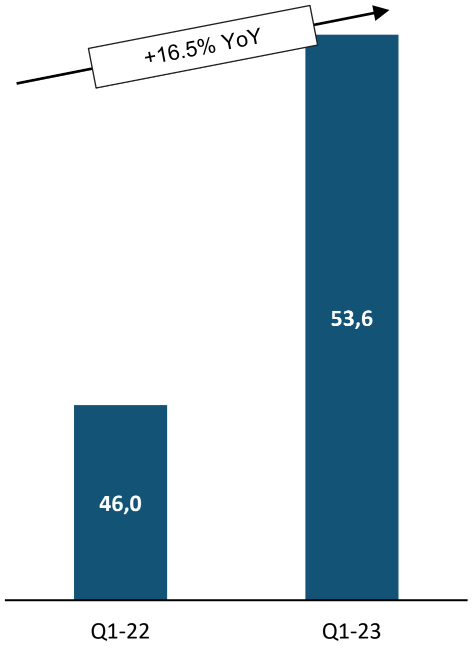


Cosmetics total revenues stood at €10.4m in Q1-23 (10.2% YoY), related to the successful solar-cream campaign and thanks to the BoV technology products and high tech projects. Relevant growth in Middle East and Europe.

Revenues: Deep-dive by Geography

Italy

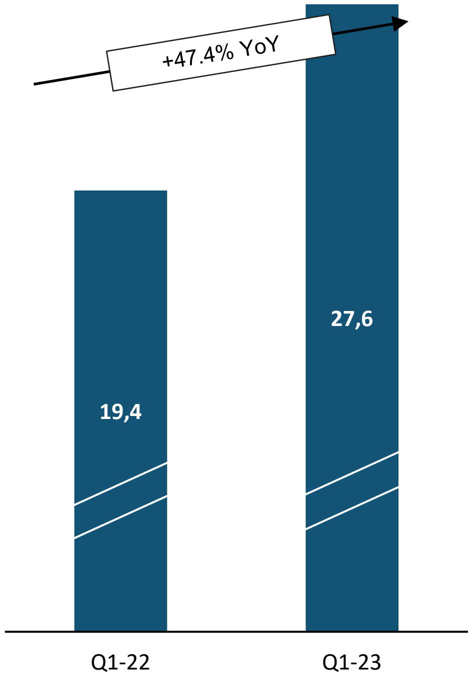
€m



Italy total revenues stood at €46.0m in Q1-23 (+16.5% YoY), with growth spread between new clients' acquisitions and existing clients.

Other EMEA countries

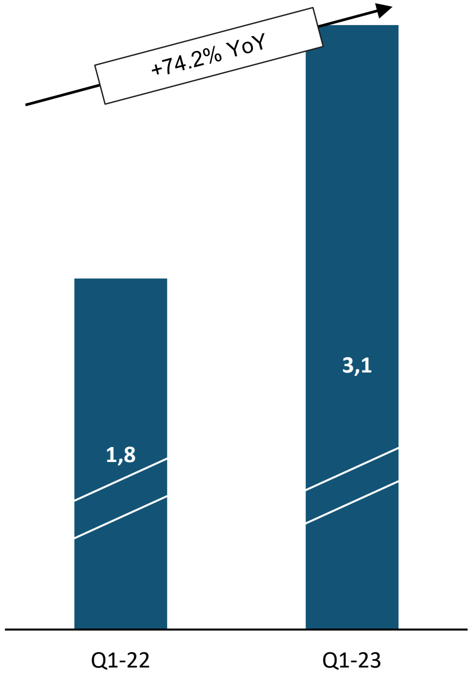
€m



Other EMEA countries total revenues stood at €27.6m in Q1-23 (+47.4% YoY), mainly on the back of higher revenues coming from Tier 1 consumer healthcare clients' volumes.

Asia and Pacific

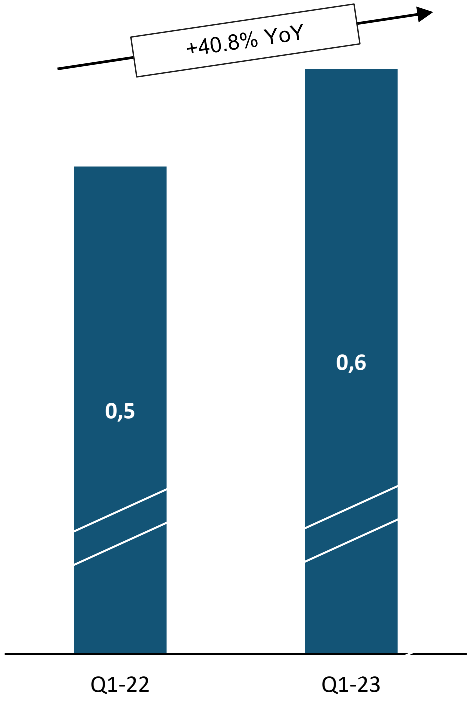
€m



APAC total revenues stood at €3.1m in Q1-23 (+74.2% YoY), mainly due to the main customer in the region, which built up an extraordinary stock level in 2021, generating low sales level in Q1 2022. In Q1 2023 completely recovered.

North America

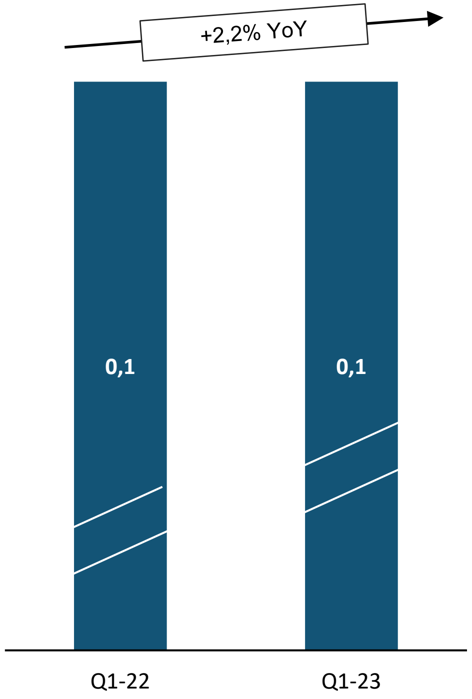
€m



NAFTA total revenues stood at €0.6m in Q1-23 (+40,8% YoY), mainly due to higher sales of VSL3 product.

Latin America

€m



LATAM total revenues stood at €0.1m in Q1-23 (+2,2% YoY), remaining broadly stable in terms of absolute value.

Cash Flow Q1-2023

Q1 (€m)	mar-23A
EBITDA	**18,9**
Δ Receivables	(4,9)
Δ Payables	(2,6)
Δ Inventory	(4,0)
Δ TWC	**(11,5)**
Δ Other Working Capital	(1,9)
Δ NWC	**(13,4)**
Maintenance Capex	(0,4)
Recurring Op. CF (pre-Tax)	**5,1**
Cash Conversion (%)	*26,9%*
Growth Capex	(2,2)
o/w Manufacturing Capex	(1,7)
o/w R&D Capex	(0,3)
o/w Other / IT Capex	(0,2)
Op. CF (pre-Tax)	**2,9**
Cash Conversion (%)	*15,3%*
Interests	(6,8)
Taxes	(0,6)
Other	(1,4)
Free Cash Flow (pre-M&A)	**(5,9)**
Cash Conversion (%)	*(31,3%)*

Normative level of TWC at -€2.6m (excl. €1.7m inventory build-up €2.2m delay in cash collection and 5 Mil € payables from YE 2022 paid in early 2023).

Normative level of Op. CF at +€13.1m (excl. €1.7m inventory build-up, €2.2m delay in cash collection, 5 Mil € payables from YE 2022 paid in early 2023 and €1.3m delay in collection of government grants).

Commentary

- **EBITDA at €18.9m**
- **Normative level of Net Working Capital change of -€2.6m** mainly driven by business volume growth experienced during three months of 2023. On top of that, c. €1.7m 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. €2.2m temporary delay in receivables settled within three weeks (fully recovered in April) , as well as €5.0m 2022 payables settled in 2023.
- **Total Capex amounted to €2.6m**, in particular:
  - **Maintenance capex of €0.4m**
  - **Growth capex** includes investments to further increase manufacturing capacity and to accelerate future growth of the business amounting to **€2.2m**, of which:
    - **Manufacturing capex of €1.7m** 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 €0.3m** 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.
    - **Other / IT Capex amounted to €0.2m** and were mainly related to ICT infrastructure, furniture for new areas in Monselice and reinforcement of MES ICT solutions.

Leverage as of Q1-2023

€m	As per OM	Q1-23
High yield bond	345.0	345.0
RCF		13.0
Cash and Cash Equivalent	(5.7)	(19.9)[1]
Total net secured debt	**339.3**	**338.1**
Other Debt	0.8	6.1[2]
Total net debt	**340.1**	**344.2**
LTM PF Ad. EBITDA	**64.0**	**73.5[3]**
Net Leverage	**5.3x**	**4.7x**

Commentary

- **Strong deleveraging trend with Net Leverage as of Q1 2023 at 4.7x**, versus 5.3x opening leverage at Bond issuance, mainly on the back of the strong performance at EBITDA level.
- **Total net Debt at €344.2m (or 4.7x Net Leverage)** as of March 23 on the back of c. €364.1m Gross Debt, €19.9m cash on balance sheet and €73.5m March23 LTM PF Adj. EBITDA.
- Solid **cash and cash equivalents** position of **€19.9m.**

Notes: (1) Cash and Cash Equivalents as of March 31, 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 €8.3m, Nutraskills QOE and 45% of Cura Beauty GmbH EBITDA.

Biofarma group

Acquistion US PharmaLab

Biofarma group

Investment Rationale

1

- U.S. Pharma Lab, Inc. ("U.S. Pharma Lab") is a **premium asset**, sharing **complementary DNA to that of Biofarma**, focused on innovation, pharma-like manufacturing quality and deep expertise in probiotics. Ideal opportunity to build the **only global CDMO fully focused on nutra** and has shown a **strong track record of historic growth**

2

- **Global footprint expansion** with significant opportunity to enter into **new target markets,** whilst offering significant additional benefits to **new and existing clients**

3

- Able to offer a **plethora of best-in-class technologies** to address all clients' needs

4

- **High quality and highly experienced management team**, with long-lasting tenure at the Company, and able to run the company relatively independently, thus limiting integration risk

5

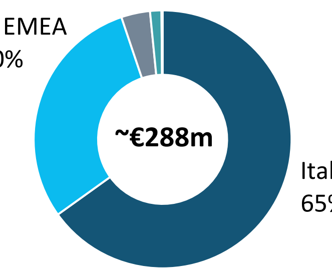
- The combination with Biofarma would **unlock significant synergies** from **cross-selling complementary technologies** on respective clients' bases as well as **cost synergies**

Ideal Opportunity to Create a Unique Global Partner in Nutra for Blue-chip CPGs (4/5)

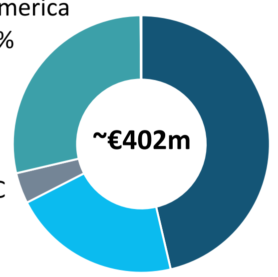
USPharmaLab
Innovative Natural Solutions

Revenue by Geography

Pre-Combination

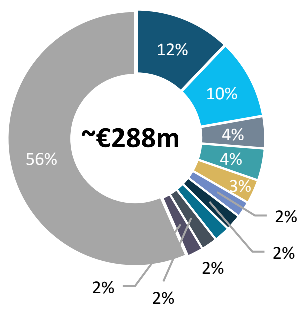


Post-Combination

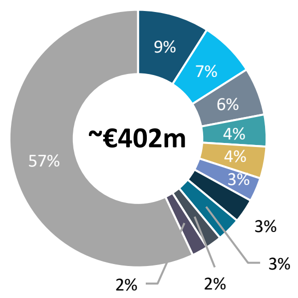


Revenue by Customer

Pre-Combination



Post-Combination

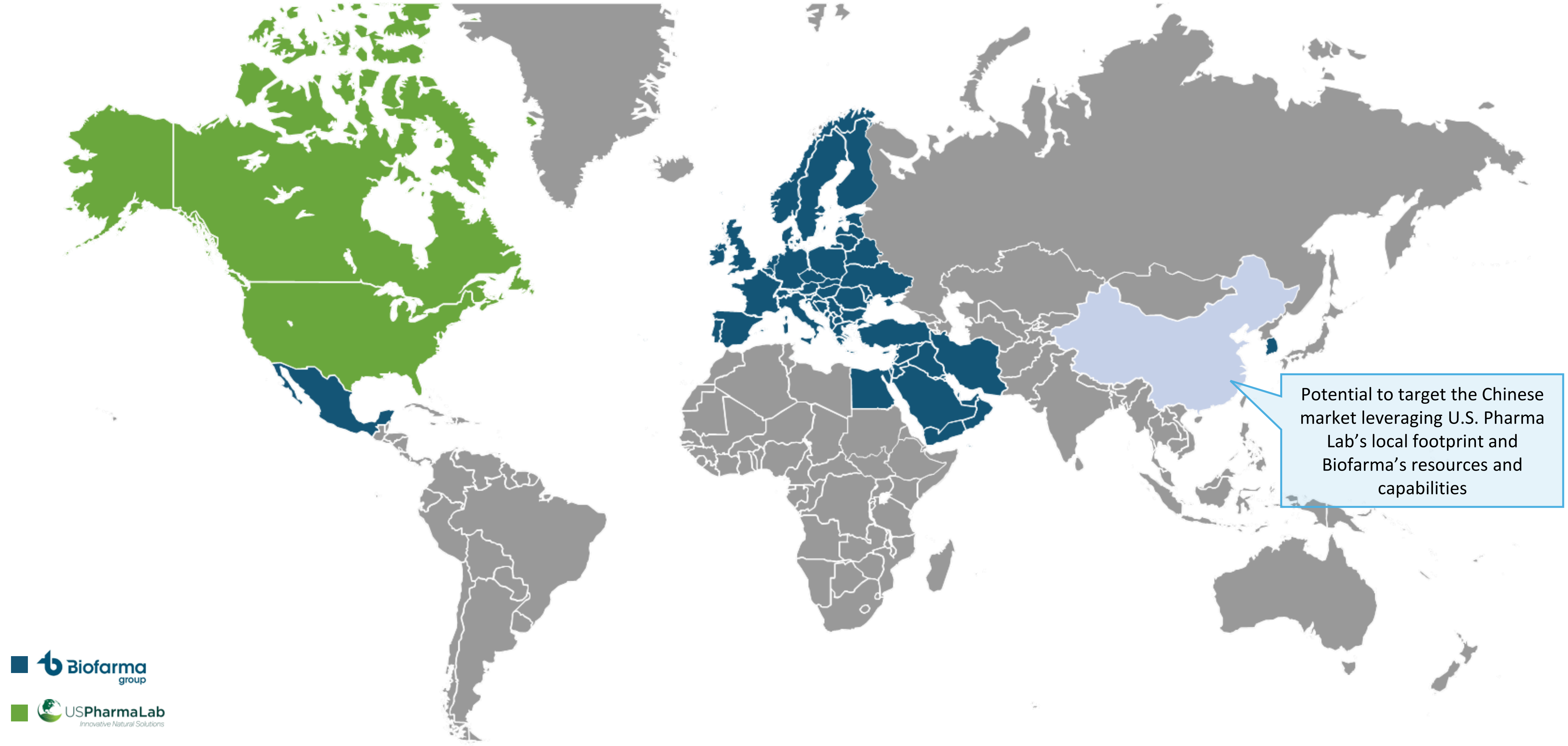


The combination of Biofarma and U.S. Pharma Lab would create a unique nutra-focused CDMO with a global geographic coverage partnering with innovative nutrition startups and large CPGs

Source: Management data, Advancy analysis

Biofarma group

② Global Footprint Expansion with Significant Opportunity to Enter Into New Target Markets (1/2)



Source: Expert interviews, Advancy analysis

Capital Structure – Current & Pro Forma

Pro Forma Capital Structure – Combined Group (€m, Dec y/e)	Dec-22A Existing	Mar-23A Existing	*PF for Issuance*	Mar-23PF Pro Forma
Existing Bond	345.0	*345.0*	--	345.0
Incremental Senior Secured Debt	**--**	--	*200.0*	200.0
Existing Super Senior RCF (drawn)[1]	13.0	*13.0*	*(13.0)*	--
Other debt-like Items	7.5	*6.1*	--	6.1
Senior Gross Debt	**365.5**	***364.1***	***187.0***	**551.1**
Cash on B/S	*(24.3)*	*(19.9)*	*(7.5)*	(27.4)
Senior Net Debt	**341.2**	**344.2**	**179.5**	**523.7**

Undrawn Facility (€m, Dec y/e)	Dec-22A Existing	Mar-23A Existing	*PF for Issuance*	Mar-23 Pro Forma
Existing Super Senior RCF (undrawn)[1]	*47.0*	*47.0*	*13.0*	60.0
Incremental Committed Acquisition Facility (undrawn)	--	--	*115.0*	115.0

Source: Company Information; Biofarma March-23 Balance Sheet aNotes: 1) Total existing super senior revolving credit facility commitments of €60.0m.

Q1-23 Performance Summary

TREND

- Good Q1 Performance, passthrough process fully focused on execution and inflation mitigation.

AREA OF IMPROVEMENT

- Product and Customer mix to improve, recovery actions taken.
- High Logistic cost, to be reduced by dedicated action plan.
- SG&A growth, however needed to face new Global setup and manage increased business compexity.

GLOBAL SETUP

- Actions for Global approach ongoing.
- Positive signs on market and financial trend in US company for Q1.
- Financial and Accounting alignment process in place with US Pharma Lab.

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Biofarma
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