

With strong momentum through turbulent times:

# **Siegfried** significantly increases sales and profits despite challenging environment

Media and analyst conference on half-year 2022



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# All businesses growing

## Driving organic investments

# Creating opportunities

# All margins expanding

M&A  
always on

Strong cash generation

# Building the strongest team

## Significant financing capacity

# Sustainability – walking the talk

# With strong momentum through turbulent times



In the first half of 2022, Siegfried significantly increases sales and profits despite challenging environment

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- Strong profitable growth: Net sales up to CHF 586.7m (+25.7% and +29.9% in LC)
- Core EBITDA of CHF 130.2m (+61.8%) at an expanded margin of 22.2%
- Core net profit CHF 65.2m
- Significant increase of operating cash flow before changes in Net Working Capital

## **Outlook for full-year 2022 upgraded – macro uncertainty:**

- Growth in net sales expected to be above 15% at constant currencies
- Core EBITDA margin expected to be in the range of the profitability of H1 2022

# With strong momentum through turbulent times

In the first half of 2022, we continue the implementation of our strategy, geared towards long-term profitable growth

- > **Proactive Management:** Mitigation of negative effects from macroeconomic challenges through our robust business model, good customer relations, foresight and planning
- > **Mission accomplished:** Successful integration of acquired Drug Products sites in Spain
- > **Investments across the network** to support long-term growth: Center of Excellence in Barcelona and new large-scale production plant in Minden
- > Continued appetite for **M&A**
- > **ESG journey on track:** MSCI increased Sustainability Rating from «A» to «AA»



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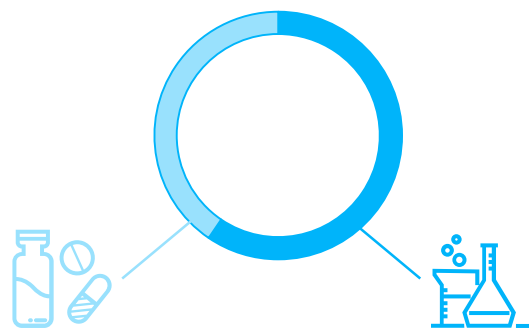
Significant  
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# Significant growth delivered

Net sales split H1 2022



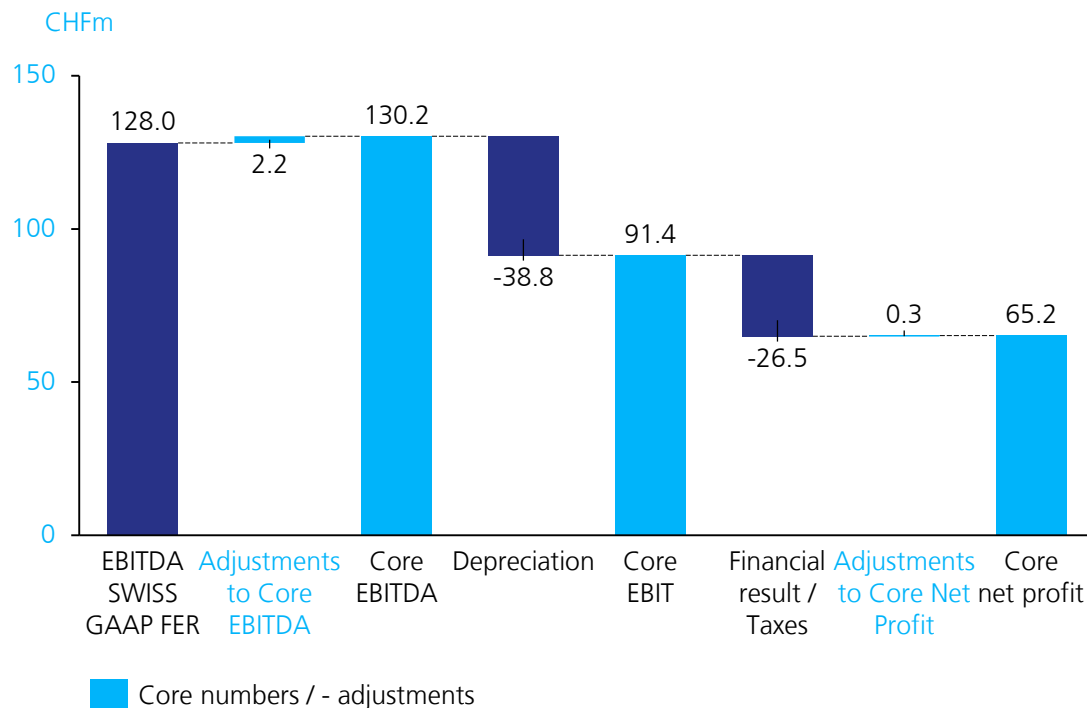
**42.1%**  
Drug Products

**57.9%**  
Drug Substances

CHF million	H1 2022	H1 2021	Change
Drug Substances	339.5	274.5	↗ +23.7%
Drug Products	247.2	192.3	↗ +28.5%
<b>Total</b>	<b>586.7</b>	<b>466.9</b>	↗ <b>+25.7%</b> (+29.9% in LC)

- > Net sales grew by +29.9% in Local Currencies (LC)
- > Both businesses, DS and DP, significantly contributed
- > Strong Fx headwind

# Reconciliation from Swiss GAAP FER to core results



## Comments

### Adjustments to Core EBITDA

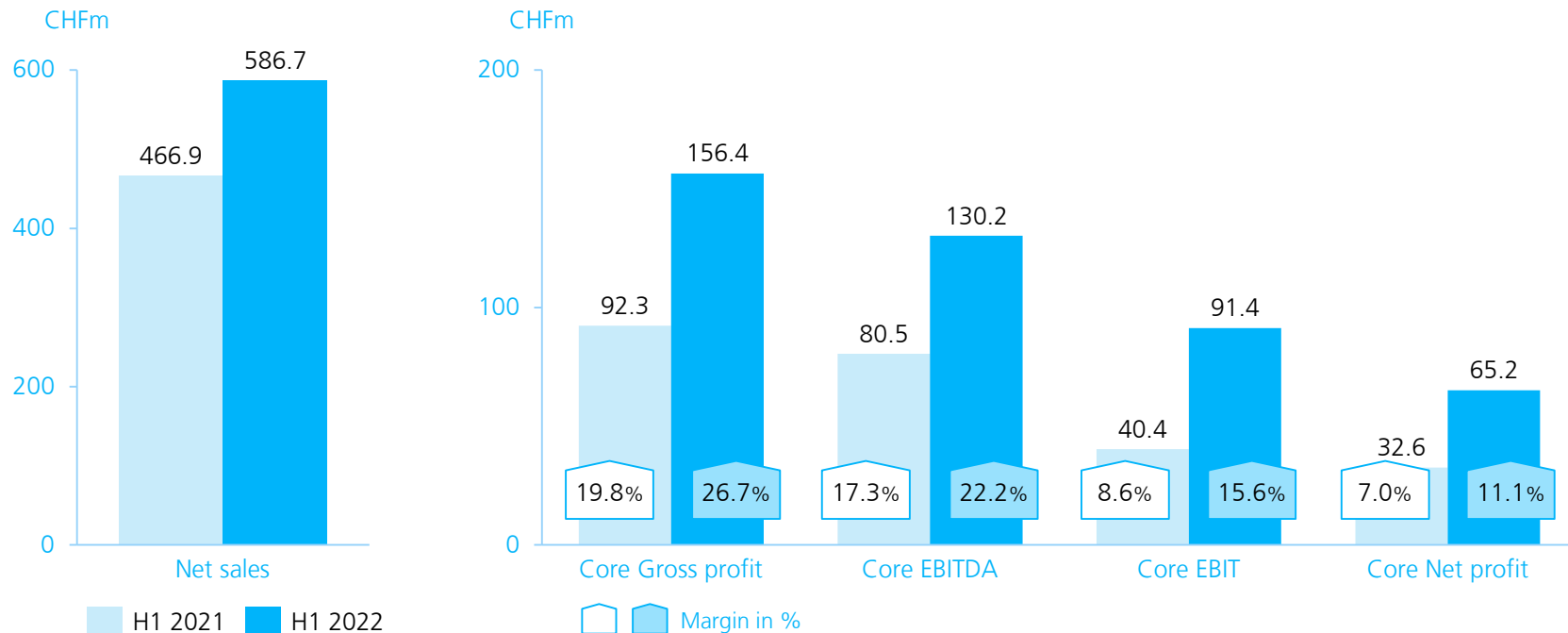
- Current net interest foreign pension plan (CHF 0.6m)
- Restructuring costs (CHF 1.6m)

### Adjustments to Core Net profit







- Current net interest on foreign pension plans (-CHF 0.6m)
- Step-up DTA (CHF 0.9m)



# Expanding profit margins on all levels



# Profitable growth delivered

CHF million	H1 2022	H1 2021
<b>Core results</b>		
<b>Net sales</b>	 <b>586.7</b>	<b>466.9</b>
Core Cost of goods sold	-430.4	-374.6
<b>Core Gross profit</b>	 <b>156.4</b>	<b>92.3</b>
Core Marketing and sales costs	-9.5	-7.5
Core Research and development costs	-21.3	-19.3
Core administration and general overhead costs	-36.7	-26.6
Other operating income	2.6	1.5
<b>Core EBIT</b>	 <b>91.4</b>	<b>40.4</b>
Core financial result (loss)	-3.5	-2.4
Exchange rate differences (loss)	-2.6	2.8
<b>Core profit before income taxes</b>	 <b>85.2</b>	<b>40.9</b>
Core income taxes	-20.0	-8.3
<b>Core net profit</b>	 <b>65.2</b>	<b>32.6</b>
Depreciation	-38.9	-40.2
<b>Core EBITDA</b>	 <b>130.2</b>	<b>80.5</b>

Notes: Each number is rounded individually

## Comments

- Expansion of Core Gross profit and Core Gross profit margin
- SG&A as a total stable relative to Net Sales; Admin costs trending higher due to lower comparable base H1 2021

# Improvement in operating cash flow before investments in NWC

CHF million	H1 2022	H1 2021
Operating cash flow before changes in NWC	128.1	85.7
Change in NWC	-51.9	11.2
<b>Operating cash flow</b>	<b>76.3</b>	<b>96.9</b>
Purchase of PPE and intangibles (net)	-60.7	-62.0
Acquisitions	-	-137.8
Other investing activities	-	-0.2
<b>Cash flow from investing activities</b>	<b>-60.7</b>	<b>-200.0</b>
<b>Free cash flow</b>	<b>15.5</b>	<b>34.9</b>
<b>Cash flow from financing activities</b>	<b>-43.5</b>	<b>107.6</b>
<b>Net change in cash</b>	<b>-28.0</b>	<b>4.4</b>

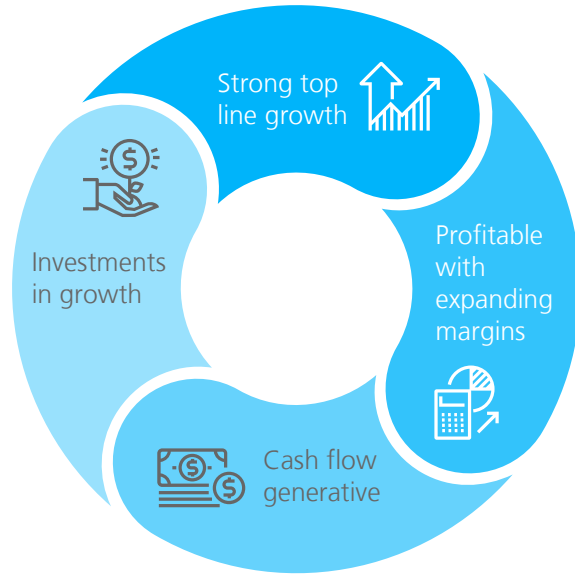
Note: Each number is rounded individually; Free cash flow is calculated as Operating cash flow minus Purchase of PPE and intangibles (net).

## Comments

- > Significant increase of Operating cash flow before changes in Net Working Capital
- > Substantial investment into inventory position to de-risk the supply chain
- > CapEx in line with guidance

Operating cash flow is the foundation for investments into further growth

# Capital allocation framework: A strong balance sheet provides the financial flexibility required to execute our EVOLVE strategy



## Invest in organic growth – in line with strategy

- › Expansion CapEx in capacity and technologies
- › Investments in capabilities and our people

## M&A – Core and beyond

## Deleverage and optimize funding cost

- › Continuous reduction of leverage by repayment of the RCF

## Pay-out policy

- › Distributions expected to step-by-step grow in absolute terms
- › Disciplined pay-out ratio

**Support  
Strategy  
EVOLVE**

Investments in growth create the readiness to seize our opportunities and further create value

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# Mission accomplished: Successful carve-out and integration of acquired Drug Products sites in Spain



## On time

- › Separation and PMI executed as planned before Closing
- › Carve-out and IT separation of the sites from Novartis successful or underway:
  - » April 2022 (El Masnou)
  - » August 2022 (Barberà del Vallès)
- › First projects won and already in execution, noticeable new business expected for 2023 or 2024

## In full

- › Both sites now fully integrated into our network
- › Alignment of all core processes, including Finance, Quality, Supply Chain Management
- › Increasing number of global functions and responsibilities transferred to Barcelona

## On budget

- › Integration cost within initial budget, despite very complex IT carve-out
- › Increased level of cost flexibilization at both sites



# Staying focused in order to stay ahead of the wave



## Covid-19

- > Continued focus on the protection of our employees
- > Uninterrupted operations despite high absenteeism



## War in the Ukraine

- > No direct exposure in terms of sales and supply



## Supply chain disruption

- > Offer of internal backup options within our global network as second sources
- > Mitigation through increased redundancy in our supply chain and inventory build-up



## Inflation

- > Stringent cost control plus active management of portfolio and prices to mitigate inflation effects



## Energy crisis

- > Implementation of various technical measures to switch to alternative energy sources and to reduce consumption
- > Working towards priority status in case of shortages due to our systemic relevance as a manufacturer of essential pharmaceutical products

# We will continue to strengthen our core by continued organic investments and use M&A to enter into adjacencies and beyond



## Grow existing core

- › Enhance value proposition to our customers and outgrow the market

- › Small molecule drug substances
- › Oral / inhalation solid dosage forms
- › Aseptic fill & finish
- › Integrated DS and DP development services



## Add adjacencies

- › Diversification into new CDMO market segments

- › Large molecule formulation
- › Particle technologies
- › Encapsulation / DP delivery systems
- › Antibody drug conjugates (ADC)



## Enter new areas

- › Long-term expansion into high growth areas within CDMO business model

- › Antibodies
- › Cell & Gene therapy
- › Viral vectors
- › Bioengineered vaccines
- › Data analytics

Present

2025+

# Expanding our capabilities and capacities to support long-term profitable growth



## Organic investments

- > New large-scale production plant in Minden
- > Center of Excellence in Barcelona
- > Additional filling line in Hameln
- > R&D Center in Evionnaz
- > Digitalization



## Portfolio management

- > Allocate high value capacity to margin accretive products
- > Free up and de-risk bottlenecks
- > Pricing and operational excellence



## Mergers & Acquisitions

- > Acquire idle capacity with attractive business within core – or beyond
- > Onboard new technologies and capabilities

We are creating opportunities for long-term profitable growth by adding capabilities and expanding capacities – for the benefit of our customers, stakeholders and shareholders

# Siegfried's ambition: Consistently deliver profitable growth by investing in the global network and executing value adding M&A

- > Growth of underlying business at least in line with CDMO market
- > Active portfolio management
- > Operational and pricing excellence
- > Investments in global network – adding capabilities and capacities
- > M&A in core areas and beyond



- > Further evolve as a global leader in the CDMO space
- > Be the strongest team running the most competitive network
- > Have critical size in all segments
- > Be the most trusted partner of the pharmaceutical industry

## Outlook for full-year 2022 upgraded – macro uncertainty:

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**expect  
more**



Full-year Reporting  
22 February 2023



Annual General Meeting  
20 April 2023