

Siegfried Reports Profitable Growth



- The Siegfried Group reports sales of 833.5 million Swiss francs for the 2019 financial year, corresponding to a growth of 4.9 percent in Swiss francs (6.9 percent in local currencies)
- Earnings before interest, taxes, depreciation and amortization (core EBITDA) grew by 11.3 percent to 140.7 million Swiss francs. This corresponds to a core EBITDA margin of 16.9 percent, a plus of 1.0 percentage point compared to the previous year
- Core net profit of 65.7 million Swiss francs is also reported above that of the previous year (55.4 million), an increase of 18.5 percent
- The Siegfried Group has signed a new syndicated loan, which offers better commercial terms and enhances financial flexibility
- The Board of Directors will recommend to the Annual General Meeting a higher distribution to shareholders of 2.80 Swiss francs per registered share (previous year: CHF 2.60). This is done by reducing the nominal value within the framework of a capital reduction

Key Figures Overview

	2019	2018	Change CHF (LC)
Net sales (million CHF)	833.5	794.3	+4.9% (+6.9%)
Gross profit (million CHF)	172.7	156.5	10.3%
Gross profit margin (%)	20.7%	19.7%	
Core results¹			
Core EBITDA (million CHF)	140.7	126.5	11.3%
Core EBITDA margin (%)	16.9%	15.9%	
Core EBIT (operating result) (million CHF)	89.2	76.9	16.0%
Core EBIT margin (%)	10.7%	9.7%	
Core Net profit (million CHF)	65.7	55.4	18.5%
Core Net profit-margin (%)	7.9%	7.0%	
Non-diluted core earnings per share (CHF)	15.88	13.31	19.3%
Diluted core earnings per share (CHF)	15.48	12.90	20.0%
Cash flow from operating activities before change in current assets (million CHF)	135.6	134.9	0.5%
Cash flow from operating activities (million CHF)	65.6	106.0	-38.1%
Free cash flow (million CHF)	3.8	46.0	-91.7%
Investment in property, plant and equipment and intangible assets (million CHF)	61.9	60.1	3.1%
December 31, 2019			
Equity (million CHF)	691.7	678.8	1.9%
Total assets (million CHF)	1 168.7	1 103.1	5.9%
Equity ratio (%)	59.2%	61.5%	
Employees (number of FTEs)	2 407	2 294	4.9%

¹ For more information and reconciliation of Swiss GAAP FER to core Results see Financial Report «Investor Information», pages 57-59.

SIX: SFZN. The Siegfried Group looks back on a successful 2019 financial year. Sales amounted to 833.5 million francs which, compared to the previous year, represents growth of 6.9% in local currencies (LC) and 4.9 percent in Swiss francs. The result is therefore clearly higher than in previous years. Drug substances represent more than three quarters of sales and drug products slightly less than one quarter.

Core EBITDA (earnings before interest, tax and depreciation, and amortization) grew by 11.3 percent to 140.7 million Swiss francs. This corresponds to a core EBITDA margin of 16.9 percent, 1 percentage point above the previous year's value. Thus, core EBITDA increased disproportionately. Core net profit of 65.7 million francs is also clearly higher than in the previous year (CHF 55.4 million), representing an increase of 18.5 percent. The Board of Directors will recommend to the 2020 Annual General Meeting a distribution to shareholders of 2.80 francs per registered share (previous year: CHF 2.60).

Strong Growth of Exclusive Synthesis

In the drug substances business (+9.0% in LC), especially exclusive synthesis developed very favorably. With regard to portfolio APIs, various special effects led to a slight decline compared to the previous year, particularly affected were drug substances used in pain treatment. Sales of drug products grew marginally compared to the previous year (+0.5% in LC).

Focus on our Global Site Network

Besides robust organic growth, the further expansion of our technological skills was an important focus. In the year under review, the Siegfried Group made investments at several sites that will benefit research & development and operations. At our headquarters in Zofingen, we initiated the construction of an additional multi-purpose plant, which will serve specialized chemical technology and be completed and put into operation in 2020. At the Hameln site, Siegfried worked on increasing capacity and skills required in aseptic filling of biologically produced drug substances and inaugurated new research & development laboratories in July 2019. In Evionnaz, a new micronization plant for pharmaceutical drug substances is currently under construction and will go into operation in 2020. Besides these investments in buildings and facilities, Siegfried started the "Siegfried Academy", which pools and strengthens all of the company's training and continued education measures for employees at all levels.

Successfully Completed Inspections by Regulatory Authorities

Never before in the history of the company have so many inspections by regulatory authorities been carried out as in the year under review. The US American regulatory authority FDA alone paid Siegfried six visits in 2019. The results were extremely gratifying, and they confirm that Siegfried's site network meets the highest quality standards. In this connection, the US-FDA inspection in Nantong – the first ever at the site – was particularly positive. It concluded with the rating of "no action indicated".

Isabelle Welton Proposed for Election to Board of Directors

On the occasion of the Annual General Meeting in April 2020, the Board of Directors will propose Isabelle Welton for election as an additional Board member. Isabelle Welton, who holds a degree in law, runs a consulting company with a focus on corporate culture and change processes. She serves on the boards of directors of NZZ Mediengruppe and Avobis Group and the foundation boards of Swisscontact, SOS Children's Villages Switzerland and Lucerne Festival. Dr. Andreas Casutt (Chairman), Ulla Schmidt, Colin Bond, Prof. Dr. Wolfram Carius, Reto Garzetti and Dr. Martin Schmid will stand for reelection. Following the transfer of his responsibilities as CEO to his successor, Dr. Wolfgang Wienand, and ten years of successful activity on behalf of Siegfried, Dr. Rudolf Hanko will not stand for reelection.

Positive Outlook

Despite the insecure market environment owing to the spread of the coronavirus, the Siegfried Group expects sales for the 2020 financial year to increase in the low single-digit percentage range (in local currencies) and a further, moderate improvement of the operating margin (core EBITDA). Siegfried confirms mid-term expectations: growth in line with the market, with the ambition to exceed it (in local currencies). This is to be implemented by means of robust organic growth as well as by acquiring other companies, sites and business.

Note

In view of the insecure situation concerning coronavirus, the Board of Directors decided to schedule a provisional alternate date for the Annual General Meeting of Shareholders currently to take place on 17 April 2020. Should the Meeting of Shareholders be postponed, 26 June 2020 has been scheduled as its substitute date. The Board of Directors will inform shareholders in due time.

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This media release on the web

www.siegfried.ch/media-releases

Annual Report microsite

report.siegfried.ch

About Siegfried

The Siegfried Group is a global life sciences company with sites in Switzerland, the USA, Malta, China, Germany and France. In 2019, the company achieved sales of 833.5 million Swiss francs and currently employs about 2500 people at nine sites on three continents. Siegfried Holding AG is publicly listed on SIX Swiss Exchange (SIX: SFZN).

Siegfried is active in manufacturing pharmaceutical APIs (and their intermediates) as well as drug products (tablets, capsules, sterile vials, ampoules, and cartridges) for the pharmaceutical industry and provides development services.

Cautionary Statements Regarding Forward-Looking Statements

This media release includes statements concerning the future. They are based on assumptions and expectations that may prove to be wrong. They should be considered with due caution as, by definition, they contain known and unknown risks, insecurities and other factors which could result in a difference in the actual results, financial situation, developments or the success of Siegfried Holding AG or Siegfried Group from the explicit or implicit assumptions made in these statements.

Consolidated Income Statement

In 1000 CHF (for the years ended December 31)	Notes*	2019	2018
Net sales	25	833 514	794 297
Cost of goods sold		-660 791	-637 768
Gross profit		172 723	156 528
Marketing and sales costs		-16 644	-16 122
Research and development costs		-33 297	-27 471
Administration and general overhead costs		-70 216	-43 350
Other operating income	18	4 504	6 733
Income of associated companies		-27	-38
Operating result		57 042	76 280
Financial income	19	29	74
Financial expenses	19	-3 153	-3 661
Exchange rate differences	19	-2 485	-2 529
Profit before income taxes		51 433	70 164
Income taxes	5	1 713	-13 854
Net profit		53 147	56 310
Non-diluted earnings per share (CHF)	20	12.85	13.52
Diluted earnings per share (CHF)	20	12.53	13.10

* The Notes on pages 11–39 are an integral part of the Group Financial Statements.

Consolidated Balance Sheet

In 1000 CHF (as of December 31)	Notes*	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	2	518 379	520 597
Intangible assets	3	8 467	10 625
Investments in associated companies and joint ventures	4	378	416
Financial and other non-current assets		595	579
Employer contribution reserves	16	9 362	8 617
Deferred tax assets	5	41 539	28 402
Total non-current assets		578 720	569 236
Current assets			
Inventories	6	256 958	227 546
Trade receivables	7	245 415	217 009
Other current assets		48 555	38 566
Accrued income and prepaid expenses		7 522	6 373
Current income taxes		5 342	3 992
Securities		30	30
Derivative financial instruments	8	726	477
Cash and cash equivalents		25 443	39 880
Total current assets		589 991	533 873
Total assets		1 168 711	1 103 109
Liabilities and equity			
Equity			
Share capital	10	116 262	8 514
Treasury shares	9	-77 005	-56 139
Capital reserves		48 818	79 668
Hybrid capital		255 985	255 985
Retained earnings		347 619	390 749
Total equity		691 679	678 777
Non-current liabilities			
Non-current financial liabilities	11	-	110 000
Non-current provisions	12	14 972	28 917
Deferred tax liabilities	5	11 959	8 559
Other non-current liabilities	13	1 783	1 576
Non-current pension liabilities	16	146 790	123 986
Total non-current liabilities		175 504	273 038
Current liabilities			
Trade payables		78 915	69 344
Other current liabilities	15	43 743	31 887
Accrued expenses and deferred income	14	31 052	34 548
Other current financial liabilities	11	135 000	-
Current pension liabilities	16	506	499
Current provisions	12	9 503	10 598
Current income tax liabilities		2 809	4 418
Total current liabilities		301 528	151 294
Total liabilities		477 032	424 332
Total liabilities and equity		1 168 711	1 103 109

* The Notes on pages 11–39 are an integral part of the Group Financial Statements.

Consolidated Statement of Cash Flows

In 1000 CHF (for the years ended December 31)	Notes*	2019	2018
Net profit		53 147	56 310
Depreciation and impairment of PP&E and intangible assets	2,3	51 557	49 607
Change in provisions	12	-9 732	336
Other non-cash items ²		28 787	1 118
Share-based payments	17	7 901	7 382
Exchange rate differences	19	2 485	2 529
Financial income	19	-29	-73
Financial expenses	19	3 153	3 661
Income taxes	5	-1 713	13 854
Income of associated companies	4	27	38
Net result on disposal of property, plant and equipment		-7	187
Cash flow from operating activities before change in NWC		135 576	134 949
Change in net working capital:			
Trade receivables		-29 852	-27 274
Other current assets and accruals		-12 255	-4 487
Inventories		-34 492	19 849
Trade payables		14 143	-1 406
Other current liabilities and accruals		9 586	2 651
Payments out of provisions and pension liabilities		-5 325	-6 581
Income taxes paid		-11 738	-11 700
Cash flow from operating activities		65 643	106 001
Purchase of property, plant and equipment	2	-61 627	-58 779
Proceeds from disposal of property, plant and equipment		50	9
Purchase of intangible and other assets	3	-274	-1 274
Acquisition of Group companies	2, 3, 26	-	-4 754
Investments in financial fixed assets		-24	2 895
Interest received		25	38
Dividend received		4	36
Cash flow from investing activities		-61 846	-61 829
Free cash flow¹		3 792	45 956
Capital increase	10	800	2 025
Change in financial liabilities	11	25 000	10 000
Change in other non-current liabilities		-91	-166
Purchase/Disposal of treasury shares, net		-22 922	-29 439
Interest paid and bank charges		-9 814	-10 390
Dividend to the shareholders of Siegfried Holding AG		-10 793	-9 964
Cash flow from financing activities		-17 820	-37 934
Net change in cash and cash equivalents		-14 022	6 238
Cash and cash equivalents 1/1/		39 880	34 137
Net effect of exchange rate changes on cash		-415	-495
Cash and cash equivalents 31/12/		25 443	39 880

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¹ Calculation Free Cashflow: Operating Cashflow +/- Investment in PPE +/- Investment in Intangible Assets.

² Other non-cash effective changes include mainly the effect of the discount rate change on foreign pension plan obligations.