

# Siegfried continues to deliver profitable growth

Full-Year Results 2023

Zofingen, 20 February 2024

**expect  
more**



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# Siegfried continues to deliver profitable growth

Strong growth of underlying business – overcompensating for the phasing-out of vaccines business



- Net sales CHF 1.272 billion (+6.3% increase versus prior year in local currencies, LC)
- Core EBITDA of CHF 273.3 million ahead of prior year (CHF 272.5 million) with a margin of 21.5% (prior year 22.2%)
- Core net profit of CHF 128.1 million (prior year CHF 127.8 million)
- Strategy EVOLVE well on track:
  - Significant investments in existing network to enable future profitable growth
  - Successful entry into cell & gene therapy (CGT) through acquisition of DINAMIQS – on track to create mid to long-term opportunities in a new high-growth CDMO segment

→ Outlook 2024: Siegfried expects a sales growth in the low single-digit percentage range in LC and a core EBITDA margin at or above the level of 2023 – implying a growth of underlying business at or above market

# Siegfried benefits from sustainable fundamental trends and our strong focus on execution – beating temporary headwinds

Pricing  
& cost  
discipline



Inflation

Energy  
savings



Energy  
crisis

Capital  
discipline



Financing  
cost

Portfolio  
diversifi-  
cation



Destocking

Increased cost  
awareness in the  
pharma industry

Focus on R&D,  
marketing and  
distribution in the  
pharma industry

Breakthrough  
innovations from  
small and mid-size  
pharma

Increasing  
complexity of  
new molecular  
entities

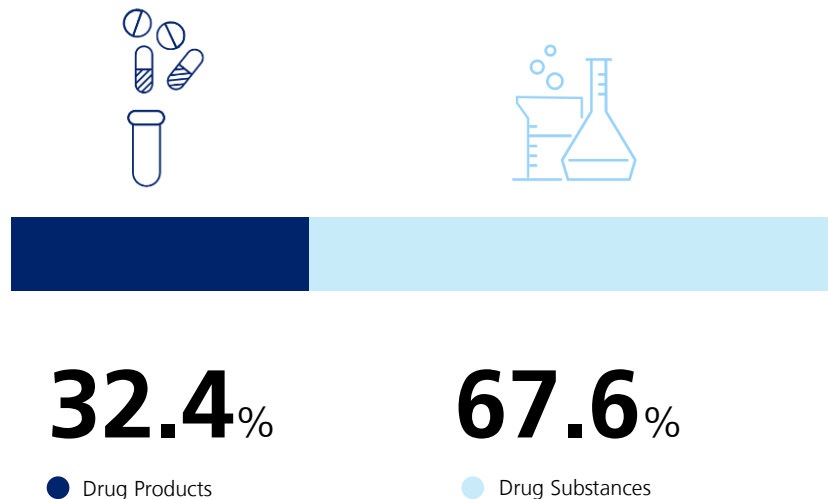
A woman with dark hair, wearing a white lab coat, safety glasses, and blue gloves, is holding a small glass vial containing a blue liquid. She is looking at the vial with a slight smile. The background is a blurred laboratory setting with other people and equipment.

# Financial Update

# FY 2023: Profitable growth – delivered

Strong growth of underlying business – overcompensating for the phasing-out of vaccines business

## Net sales split FY 2023



Note: Net sales split FY 2022: 38.7% Drug Products, 61.3% Drug Substances

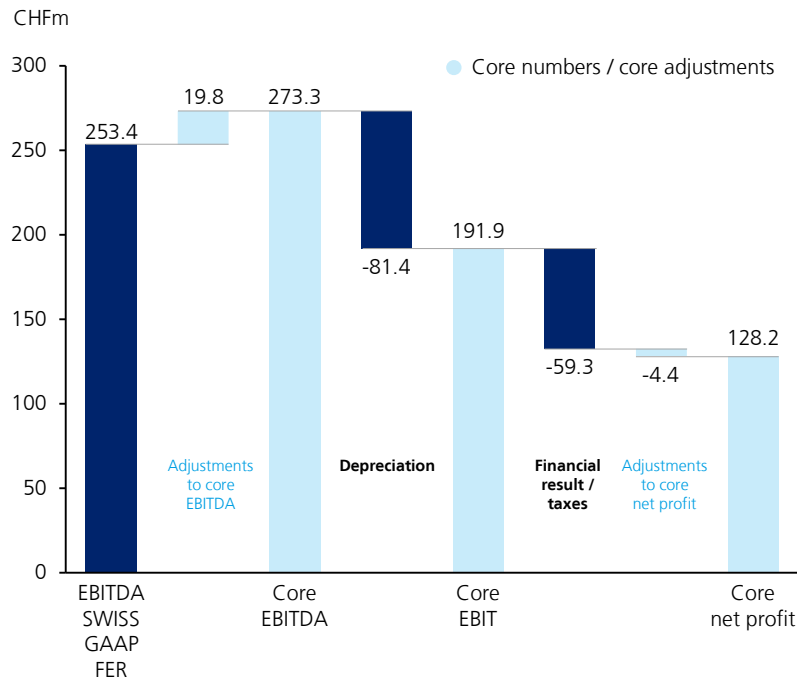
## Change FY 2023 vs FY 2022

CHF million	FY 2023	FY 2022	Change
Drug Substances	860.0	753.7	+14.1% (+16.8% in LC)
Drug Products	411.5	475.8	-13.5% (-10.4% in LC)
Total	1 271.5	1 229.5	+3.4% (+6.3% in LC)

- Net sales grew by 6.3% in local currencies (LC), strong FX headwind across all currencies
- 37% sales recorded in CHF, 50% in EUR, 13% in USD
- Mid to high single-digit percentage growth (LC) of underlying Drug Products business

# Reconciliation for FY 2023

## From Swiss GAAP FER to core results



### Adjustments to core EBITDA

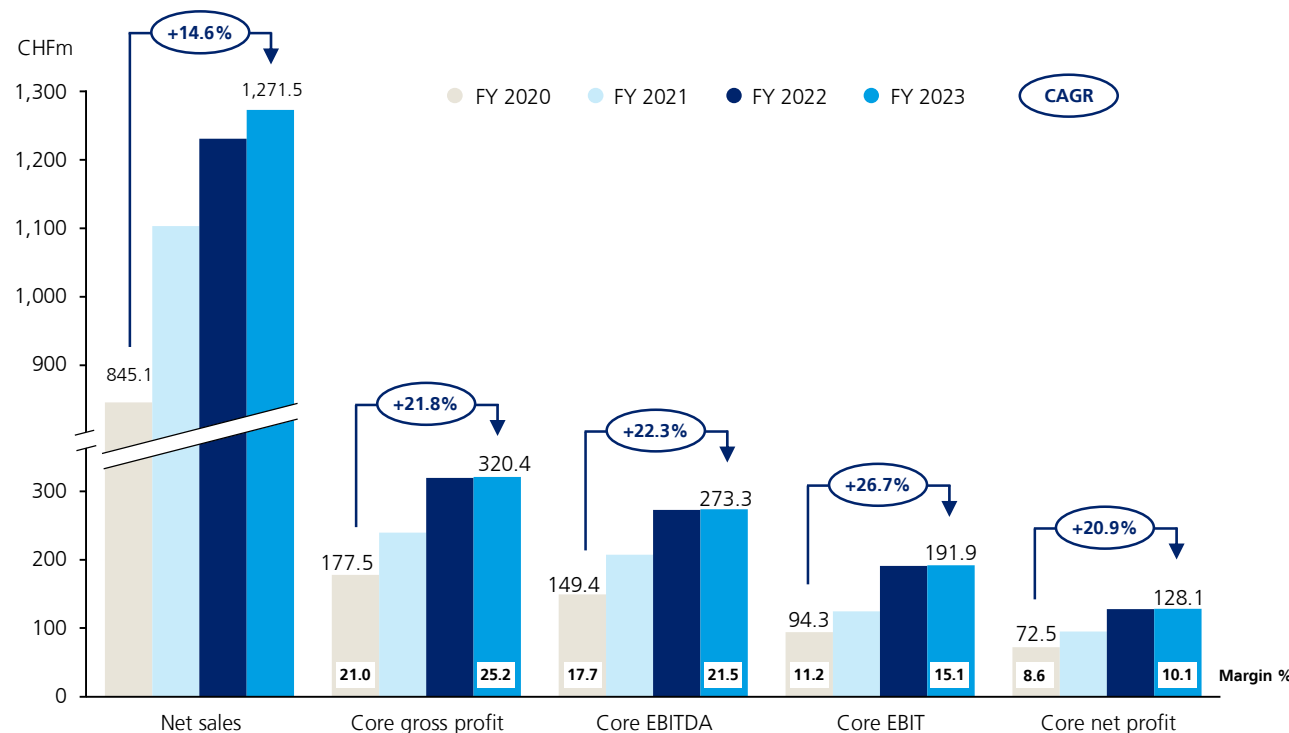
- Transactional costs (CHF 1.4m)
- Restructuring projects costs (CHF 2.1m)
- Discount rate effect on foreign pension plan (CHF 11.9m)
- Current net interest foreign pension plan (CHF 3.0m)
- Jubilee 150 years cost (CHF 1.4m)

### Adjustments to core net profit

- Current net interest foreign pension plan (CHF -3.0m)
- Tax effect on core EBITDA adjustments (CHF -4.4m)
- Step up DTA release (CHF 3.0m)

# Continued profitable growth in a challenging macro environment

Resilience supported by business model, portfolio diversification and operational management



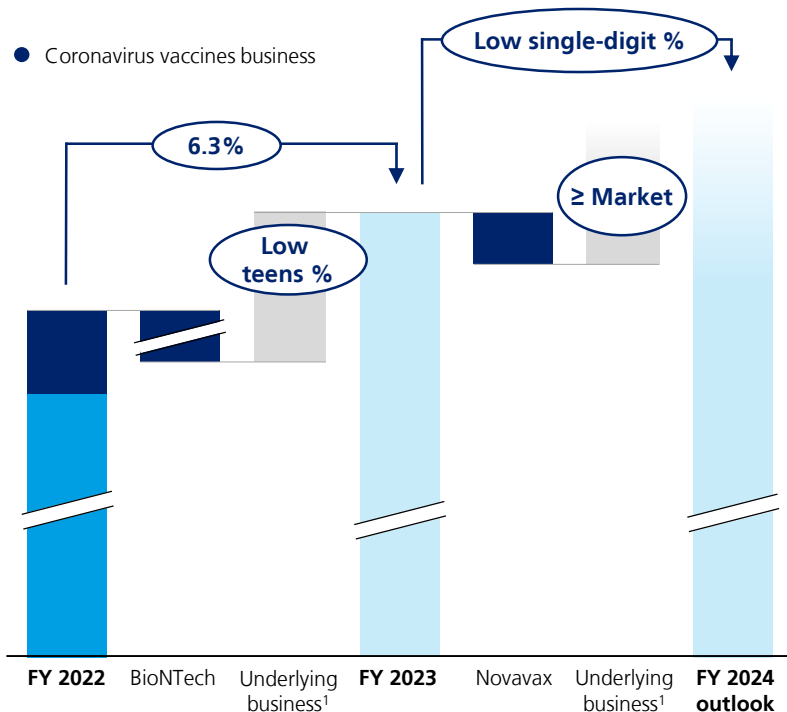
## Comments

- High growth rate for net sales – even higher in LC (17.0%)
- Sustainable structural growth drivers
- Macro challenges:
  - Pandemic
  - Supply chain interruptions
  - Inflation and interest rates
  - Energy crisis
  - FX volatility
- Keys to success:
  - Active portfolio optimization
  - Continuous efficiency initiatives
  - Strict cost discipline
  - Pricing



# Strong underlying business growth

Vaccines business not only compensated but overcompensated



<sup>1</sup> Underlying business excludes coronavirus vaccines

\* Shape and size of boxes do not reflect actual values; all growth rates mentioned are local currency growth rates

## FY 2023 vs FY 2022

- Growth of net sales of 6.3% confirms the overcompensation of the phased-out vaccines business with BioNTech
- Adjusting for BioNTech impact, growth is low teens %

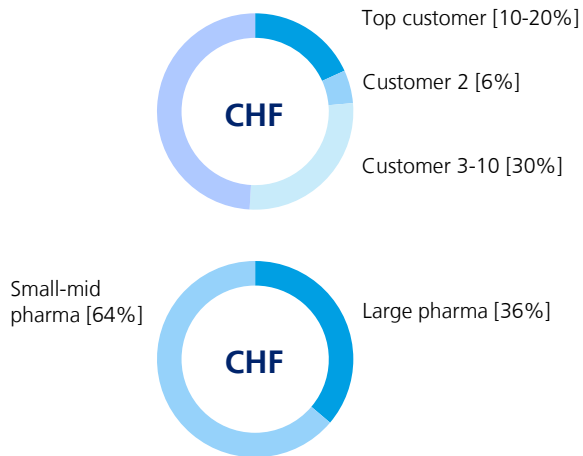
## Outlook FY 2024 vs FY 2023

- Adjusting for Novavax impact, the growth outlook of net sales of low single-digit % translates into growth of underlying business at or above market
- For 2024, we expect:
  - Portfolio optimization: Consciously sacrificing mid teens million sales from tail-end products for profitability
  - Currency headwind
  - Stronger H2 vs H1

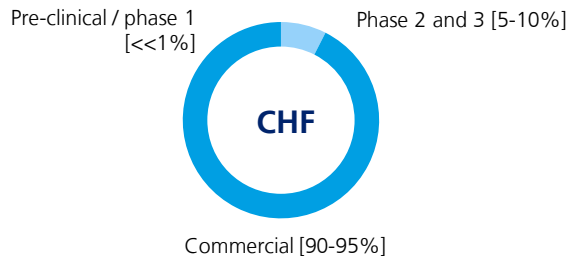
# Resilience through diversification

Diversity of our customer and revenue bases promotes stability and future growth

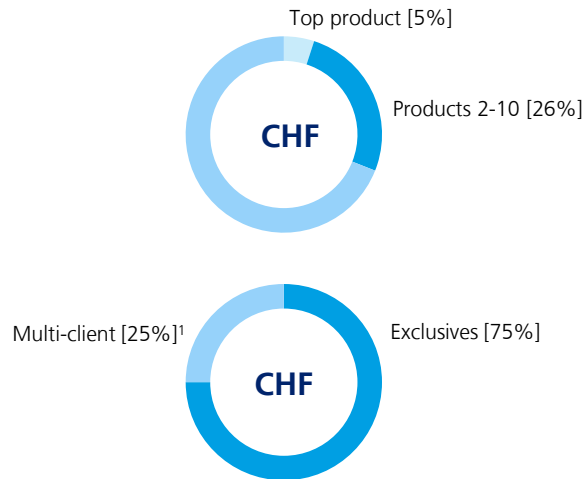
## Customer diversification



## Life-cycle diversification



## Product diversification



<sup>1</sup> Drug substances only

→ Siegfried offers its breadth of products and services to a variety of customers in different development phases

# FY 2023: Strong profitability protected

Despite phasing out of above-average profitable vaccines business

CHF million	FY 2023	FY 2022
<b>Net sales</b>	<b>1 271.5</b>	<b>1 229.5</b>
Core cost of goods sold	-951.1	-910.6
<b>Core gross profit</b>	<b>320.4</b>	<b>318.9</b>
Marketing and sales costs	-19.4	-18.1
Core research and development costs	-43.4	-43.2
Core administration & general overhead costs	-70.7	-71.1
Other operating income	5.0	4.3
<b>Core EBIT</b>	<b>191.9</b>	<b>190.8</b>
Core financial result (loss)	-11.9	-8.9
Exchange rate differences (loss)	-12.8	-4.3
<b>Core profit before income taxes</b>	<b>167.2</b>	<b>177.6</b>
Core income taxes	-39.1	-49.8
<b>Core net profit</b>	<b>128.2</b>	<b>127.8</b>
Depreciation	-81.4	-81.7
<b>Core EBITDA</b>	<b>273.3</b>	<b>272.5</b>

Note: Each number is rounded individually

## Comments

- Total absolute SG&A stable at CHF 133.5m (2022:132.3m), decline relative to net sales
- Absolute and relative decline of core G&A
- Core financial expenses higher than prior period, including non-cash interest on pension liabilities (CHF 3.0m, CHF 1.8m higher than prior period)
- Non-cash exchange rate differences higher than last year, due to FX rates at year end

# Significant improvement in operating cash flow

CHF million	FY 2023	FY 2022
Operating cash flow before changes in NWC	255.0	276.1
Change in NWC	-46.4	-133.8
<b>Operating cash flow</b>	<b>208.6</b>	<b>142.3</b>
Purchase of PPE and intangibles (net)	-136.8	-115.1
Acquisitions	-10.5	11.2
Other investing activities	0.4	0.2
<b>Cash flow from investing activities</b>	<b>-146.9</b>	<b>-103.7</b>
<b>Free cash flow</b>	<b>71.8</b>	<b>27.2</b>
<b>Cash flow from financing activities</b>	<b>-94.7</b>	<b>-18.6</b>
<b>Net change in cash</b>	<b>-33.0</b>	<b>20.1</b>

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

<sup>1</sup> Technically, a repayment of capital

## Comments

- Substantial increase of operating cash flow and free cash flow
- Capital expenditures at lower end of guidance
- Cash flow from financing includes repayment of bank loans and dividend<sup>1</sup> to shareholders

→ Pay-out proposal to the AGM on 18 April 2024: Increase by 20 cent to CHF 3.60 per share

# Sustainability is one of our five core values

Good progress with ambitions to be an ESG leader in the CDMO market

## Steps towards our ambition



Energy target

**-10%**

Target achieved: total energy consumption reduction in 2023<sup>1</sup>



Renewable electricity

**71%**

71% of our electricity comes from renewable energy sources



Lost time accidents

**-11%**

Lost time injuries rate was reduced by 11% compared to 2022



Carbon footprint commitment<sup>3</sup>

**-50%**

Carbon footprint to be reduced by 50% until 2030<sup>2</sup>

## Our most important distinctions

**MSCI**  
ESG RATINGS



CCC B BB BBB A AA AAA

Confirmed on  
12.2.23

Member of  
**Dow Jones**  
**Sustainability Indices**

Powered by the S&P Global CSA



## Further planned activities

Improve ESG audit and 3<sup>rd</sup> party recognition / scoring

Collaborate with customers to reduce the environmental footprint of the production process

Add strengthened KPIs for water, resources and waste

Verify scope 3 emissions in full detail as part of CDP reporting in 2024

# Capital allocation framework for long-term value creation

A strong balance sheet provides the financial flexibility required to execute our strategy



## **Invest in organic growth – in line with EVOLVE strategy:**

- Expansion investments in capacity and technologies
- Investments in capabilities and people

## **M&A – Core and beyond in line with EVOLVE strategy**

## **Deleverage and optimize funding cost:**

- Continuous reduction of leverage by repayment of the RCF

## **Pay-out policy:**

- Disciplined pay-out ratio

→ Outlook for capital expenditures 2024: Elevated due to projects in Minden, Evionnaz and at DINAMIQS – mid teens percentage of sales

A woman with dark hair and glasses is wearing a white full-body protective suit with a clear face shield. She is smiling and looking directly at the camera. The background is a blurred laboratory or industrial setting with white equipment and blue accents.

# Outlook

# Strategy EVOLVE: We strengthen our core and open doors beyond

Further growth opportunities through organic investments and M&A

## Grow existing core

- Small molecule DS and DP
- Complex chemistry
- Oral / inhalation solid dosage forms
- Aseptic liquid dosage forms
- Integrated offering of DS and DP services

## Add adjacencies

- Formulation and aseptic fill & finish of large molecules
- Particle technologies
- DP delivery systems
- Antibody drug conjugates (ADC)

## Enter and grow new areas

- DS Antibodies
- Cell & gene therapy (CGT)
- Viral vectors
- Synthetic biology
- Data analytics

Acquisition of two DP sites from Novartis in Barcelona (ES)

New large-scale production plant for high-value DS in Minden (DE)

High-potency capacity for DS and DP

Expansion of pre-filled syringe capacity for biologics in Hameln (DE)

Expansion of high-potency micro-nization capacity in Evionnaz (CH)

Acquisition of DINAMIQS and build-out of commercial capacities in Zurich (CH)





# Delivering upon our strategy EVOLVE: Grow existing core

Expanding our development and manufacturing capacities and capabilities



## Minden (DS, Germany)

New large-scale, world-class production plant for high-value DS

Construction start in August 2022,  
first revenues expected in 2025



## Evionnaz (DS, Switzerland)

New Center of Excellence for high-end DS development services

Construction start in April 2023,  
first revenues expected in 2024



## Barcelona (DP, Spain)

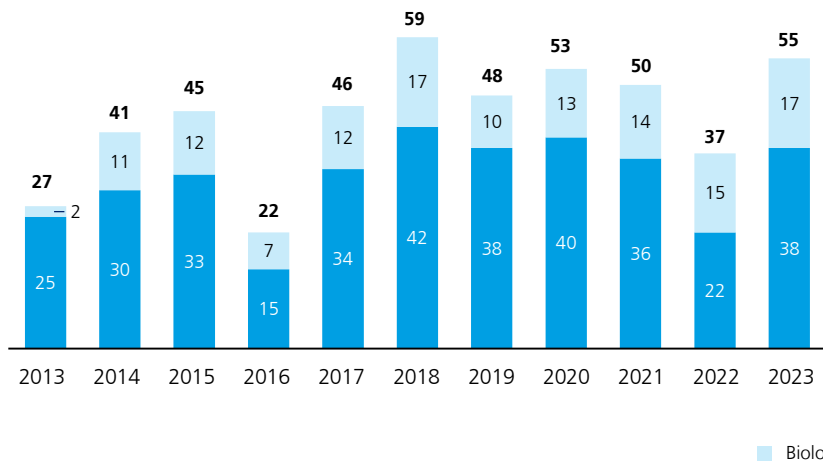
New Center of Excellence for high-end DP development services

Completed and operational  
since March 2023

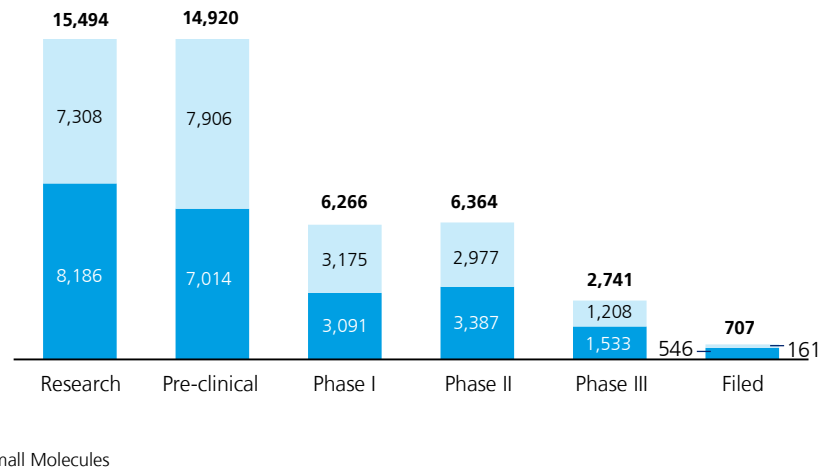
→ Siegfried further builds out its globally leading position in small molecules to fully exploit attractive market dynamics today and to enable long-term profitable growth in the future

# Siegfried's organic growth is well supported by a strong development pipeline and healthy approval numbers of small molecules

## New drug approvals by US FDA

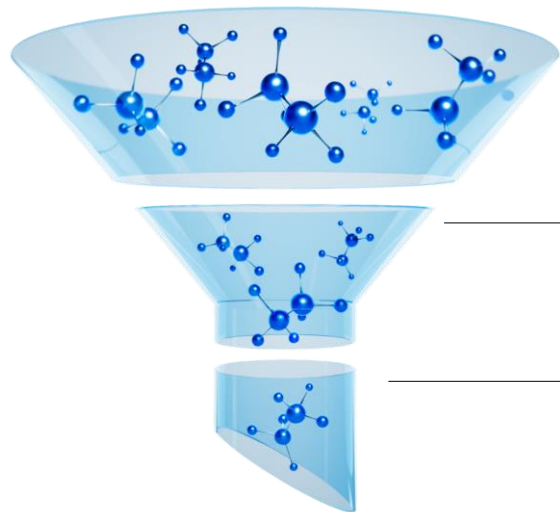


## Development candidates in pipeline<sup>1</sup>



→ Small molecules continue to experience sustainable tailwind – with an increasing share of small and mid-size companies innovating and developing new molecular entities

# Siegfried's technological breadth supports a rich funnel of attractive new business opportunities for organic growth



## Strong small molecules pipeline of innovative drug candidates (Rx and Gx)

- More than **10'000 small molecules** ("NCE") in development (pre-clinical to pre-approval)
- Increased share of **small to mid-size innovators** with a strong preference for outsourcing



## ~80% of small molecules pipeline accessible for Siegfried

- Very broad **technology portfolio** suitable for almost any customer needs
- Well above **100 "live" projects** at any given point in time – spanning from **early phase developments to commercial launch volumes**



## Go-to-market approach based on flexibility and scale

- With our pharma heritage of 150 years, reputation and customer closeness we qualify for **strategic partnerships** – rather than purely transactional relationships
- Strategic supplier status at key customers gives Siegfried a **right to quote**
- Attractive **integrated offering** based on scope and size of the global network

→ Based on our strong position and competitive offering, we continuously acquire attractive pipeline projects and convert them into large-scale commercial wins

# Delivering upon our strategy EVOLVE: Enter and grow new areas

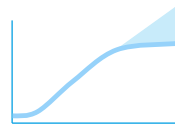
Acquisition of DINAMIQS as nucleus for mid to long-term growth in the cell & gene therapy CDMO segment

## Bio-Technopark Zurich-Schlieren



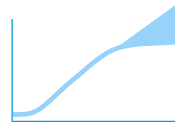
## Investment platform to be built out in line with market and technology trends

- Attractive AAV vector development manufacturing platform
- Build-out of a state-of-the-art GMP facility at 500L commercial scale underway – to be operational in 2025
- First successes with small and large pharma companies who value DINAMIQS' profound expertise



### Capacity

Expansion of GMP capacity for commercial-scale manufacturing



### Technology

Expansion of technology offering, e.g., LV, LNP, mRNA, non-viral technologies



### Network footprint

Geographical expansion of development and manufacturing services (US, EU)

→ Integration and build-out of both, the DINAMIQS team and the commercial facility, well on track

# Siegfried's journey goes on: Continuously delivering profitable growth

By investing in the global network and executing value-adding M&A

Positive mid-term outlook confirmed: Continued profitable growth at or above market (excluding M&A), while stepwise expanding profitability – capital expenditures of low teens percentages of sales over the cycle

- Translate the many opportunities available to us into growth while optimizing our portfolio of projects, products and assets
- Focus on execution along commercial, operational and organizational excellence
- Further deliver upon our strategy EVOLVE:
  - Investments in global network, adding capacities and differentiating technologies
  - M&A in core areas and beyond



→ Outlook 2024: Siegfried expects a sales growth in the low single-digit percentage range in LC and a core EBITDA margin at or above the level of 2023 – implying a growth of underlying business at or above market



# Q&A



Thank you for  
your attention



18 April 2024

## **Annual General Meeting**

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22 August 2024

## **H1 Results**

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24 October 2024

## **Capital Markets Day**

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