

Biofarma Kepler FY23 Results

May, 2024



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Presenters



Gianfranco Nazzi
Group CEO

- **Joined Biofarma in Mar-23 as CEO**
- 2021-2022: **Group CEO** and member of the BoD of **Almirall** (PharmaCo with ~€900m Revenue and ~1800 FTEs)
- 2014 to 2021: Held **several executive positions** at **Teva** (including EVP of the International Markets Region) and **member of the Group's Executive Committee**
- Previous positions include senior executive roles at **Eli Lilly**, **GSK** and **AstraZeneca**



Stefano Cavacini
Group CFO

- **Joined Biofarma in Mar-24 as Group CFO**
- **Over twenty years of experience in Finance**, Group CFO and CIO of large listed multinational groups:
 - 2021-2024: **Group CFO of ITELYUM**
 - 2018-2021: **Group CFO of SAIPEM**
 - 2015-2018: **Group CFO of Zambon**
 - 2012-2015: **Group CFO of Indesit**
- Previous positions include senior executive roles in FCA



Morris Maracin
CFO EMEA and APAC

- **Joined Biofarma in 2018 as CFO**
- Over 10 years of international experience
- 2015 to 2017: **CFO at IPI Coesia Group**
- 2004 to 2015: **Several Financial position** at **Electrolux**, including Sector Europe Finance Manager



Nicola Tedesco
Head of M&A, Corp. Dev. And Inv. Rel.

- **Joined Biofarma in Sep-22 as Head of M&A and Corporate Development**
- 2019-2022: **Head of M&A and Corporate Development at Datalogic** (Italian listed company with ~€700m Revenue)
- Previous positions include roles at **KHK & Partners**, **ADIA** and **Citi**

Agenda



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Opening Remarks



Opening Remarks



2023: Biofarma evolves into a global CDMO

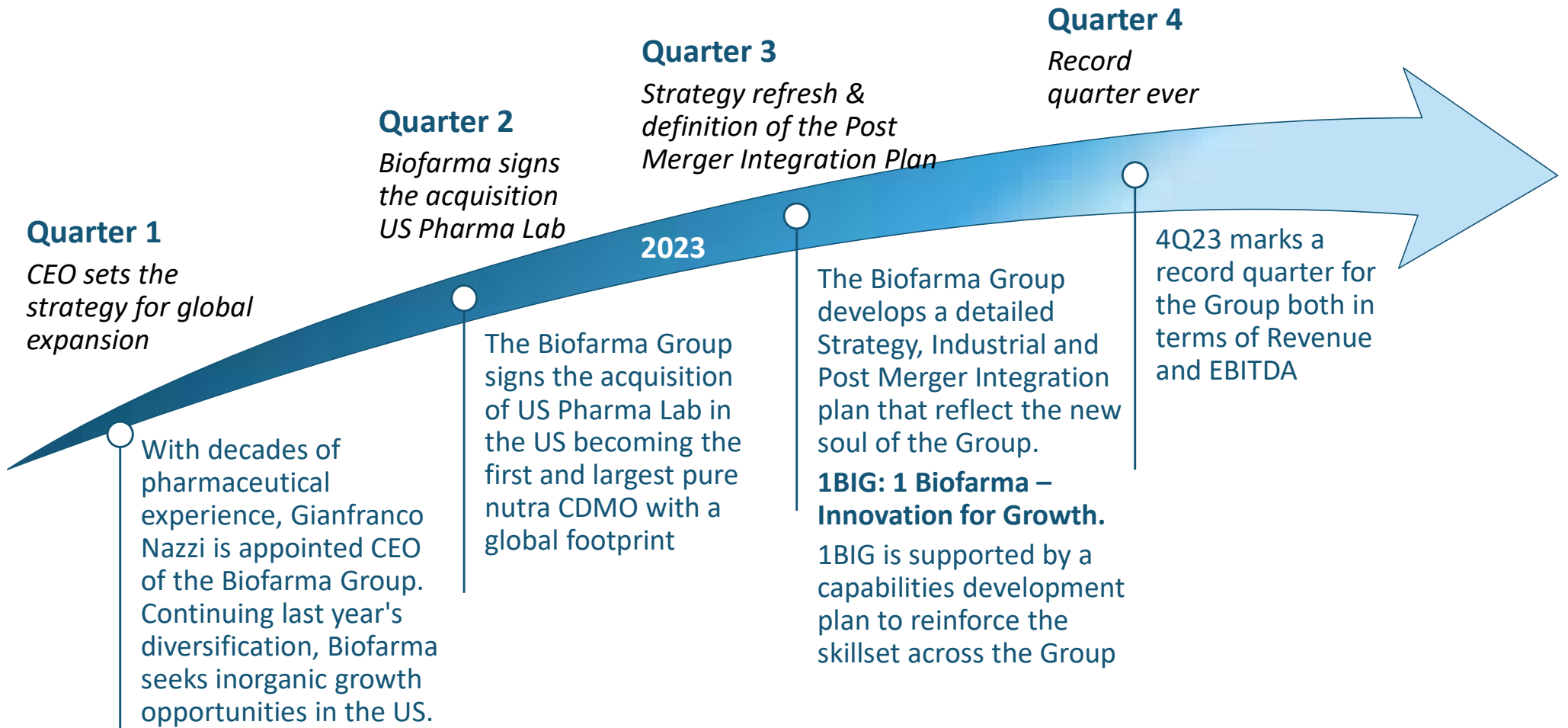
- The Biofarma Group entered **2023 with a strong position in the European nutraceutical market** and an untapped potential in the United States, which represents ca. 1.3x the value of Europe
- Within this market landscape, **our distinct focus on R&D and our ability to serve customers globally set us apart**, facilitating our accelerated growth
- In line with this approach, **we launched the 1BIG plan (1 Biofarma – Innovation for Growth) in 2023**, centered on organic growth by capitalizing on the significant value within our existing client base while exploring new opportunities
- To execute this strategy and ensure excellence across functions, we bolstered our team with the **addition of two executive roles and several sector experts**
- Furthermore, **we pursued inorganic growth through the acquisition of US Pharma Lab in the US**, which expanded our customer base and geographic reach. As a result, by the end of 2023, **we have positioned ourselves as a global CDMO with advanced R&D capabilities**, capable of elevating the nutraceutical sector to pharmaceutical standards.



2023: Biofarma delivered solid growth and overall margins expansion

- **2023 proved to be a successful year**, marked by a **5.6% revenue increase** and a **9.0% growth in EBITDA** year-over-year (YoY), culminating in a record-breaking fourth quarter in both revenue and EBITDA
- The **growth was primarily propelled by heightened sales in Europe**, with Italy experiencing an 8.4% YoY growth and the rest of the EU seeing a remarkable 24.1% YoY growth. Additionally, APAC recorded a 6.5% YoY increase. Revenue growth was evident across all business units, with particularly strong performance observed in the medical devices segment, which saw a 9.2% YoY increase.
- **EBITDA improvement was driven by pricing strategy, cost optimization measures and raw mat cost management**, resulting in a 7.2% YoY EBITDA increase in Europe and a 14.4% YoY EBITDA increase in the U.S.
- Regarding the balance sheet, the change in net working capital amounted to -€9.4 million, primarily driven by the growth in turnover. Total Capex reached €23.1 million, of which **€20.7 million was allocated to growth CAPEX**.
- The acquisition of US Pharma Lab was funded with a mix of equity and debt financing, which drove an increase in leverage, yet within comfortable levels.

Opening Remarks – 2023 Key facts by quarter



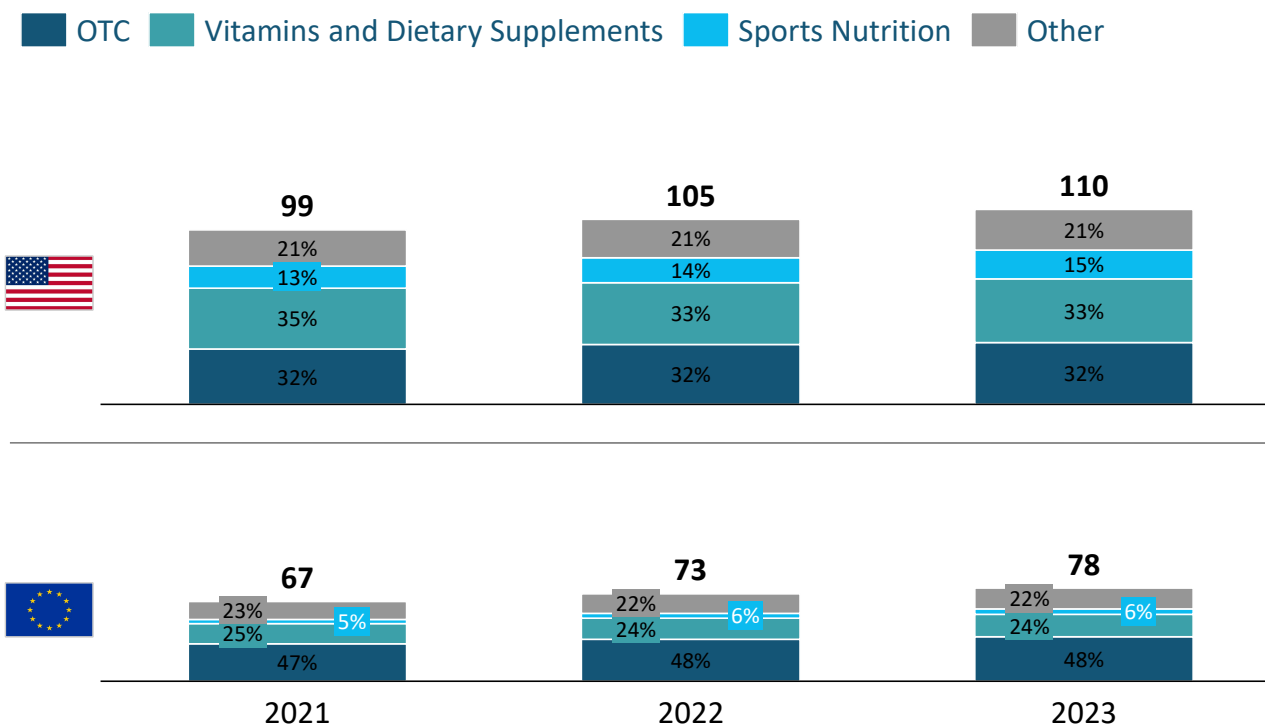
2023 Biofarma evolves into a global CDMO



The global nutraceutical market is strong

The US market is 1.3x the size of Europe: a growth and diversification opportunity for the Biofarma Group.

Consumer health market retail value by product category, USD Bn



Key insights

The Biofarma Group spotted an opportunity for growth and diversification in the United States, a larger market with solid fundamentals

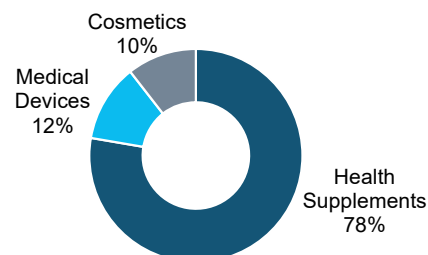
Biofarma is the sole and largest global nutraceutical CDMO (1/2)

We are a full-service Contract Development and Manufacturing Organization. Our core focus on R&D and capability to cater customers globally is what makes us different.

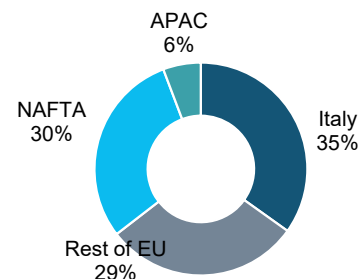
Business Overview

- > **Global leader** in the **development, manufacturing, and packaging** of **health supplements, medical devices and cosmetics**
- > **Partner-of-choice** at a global level of the **largest and most innovative pharma, nutrition and cosmetics clients**, thanks to:
 - **Innovation capabilities** leveraging on differentiated manufacturing technologies, delivery systems and formulation capabilities
 - **Deep expertise** in the complex **probiotics** segment and innovative portfolio of **medical devices** supported by clinical studies and protected by dossiers
 - **State-of-the-art manufacturing capabilities**, with several “pharma-like” manufacturing equipment and quality control systems
 - International regulatory know-how

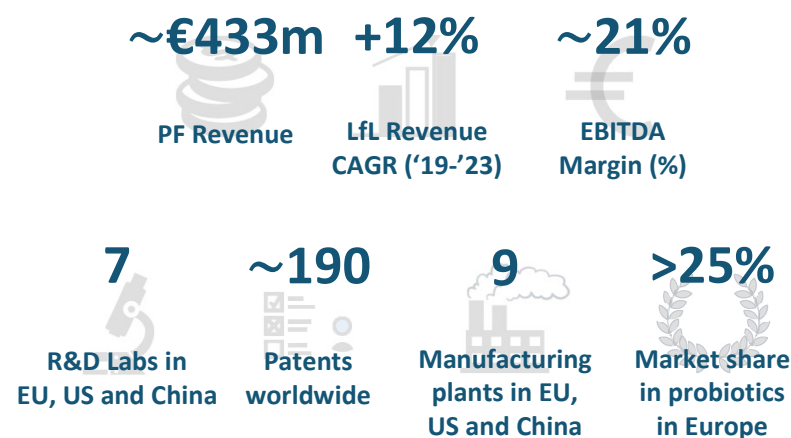
Breakdown by Business Unit



Breakdown by Geography



Main KPIs



Biofarma is the sole and largest global nutraceutical CDMO (2/2)

We are a full-service Contract Development and Manufacturing Organization. Our core focus on R&D and capability to cater customers globally is what makes us different.



In 2023, Biofarma Group made its foray into the US market through the acquisition of US Pharma Lab. Today, it stands as a prominent player in both the probiotic and VMS segments within the US market.

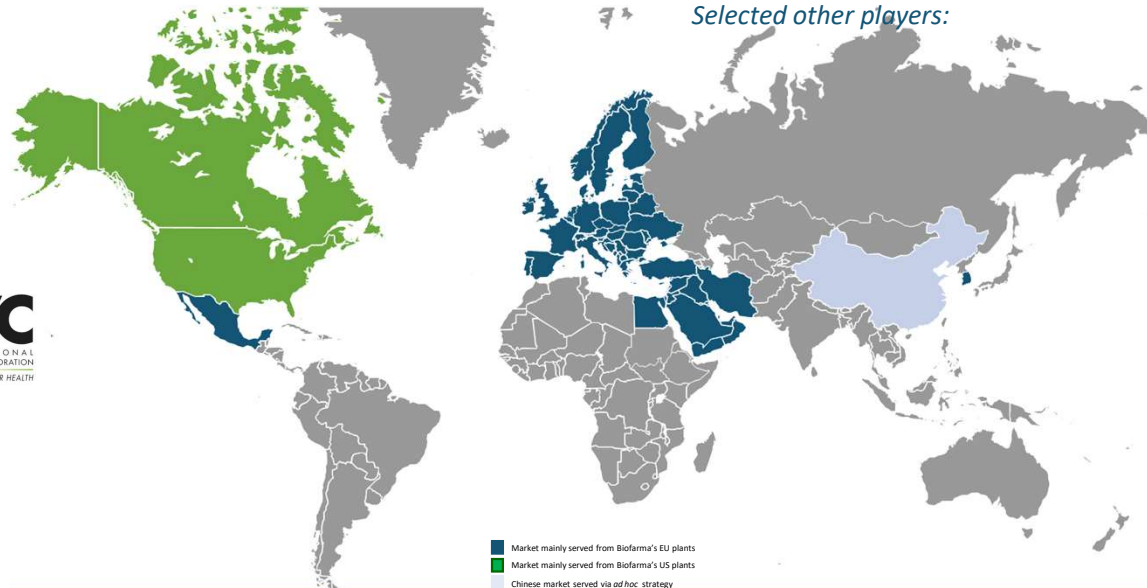


Biofarma Group competes in Europe against several local players, primarily catering to customers within their respective home countries. However, only a handful of these competitors have expanded their presence across multiple countries within the region.

Selected other players:



Selected other players:



■ Market mainly served from Biofarma's EU plants
■ Market mainly served from Biofarma's US plants
■ Chinese market served via ad hoc strategy

Consolidating a strong 2023

The 1BIG plan centers around organic growth, leveraging the significant value identified within our existing clientele and exploring new opportunities. This approach extends across both sides of the Atlantic and, opportunistically, in China



The One-Stop-Shop CDMO for
global CPGs and Pharma Customers



- **Increase penetration** of key existing **Therapeutic Areas** range
- **Cross-selling:** working together with our global customers on becoming the one-stop-shop for nutra & cosmetics

Grow existing
customers

Consolidate
our leading
position

Grow in
EU and US

White Space (New
Tech. and New
Markets)

- **Europe:** Focus on new white space to add **new key customers**
- **North America:** further penetrate existing customers with selected value-added products

- Enter **uncovered Therapeutic Areas** by expanding into **new technologies**
- Expand into **new geographies** leveraging existing **global customers' base**

A stronger team to execute our strategic plan

We strengthened the team with the addition of two executive roles plus a number of sector experts to execute our strategy and deliver excellence across functions.

Group CFO

20+Yr of experience as Group CFO and CIO at multinational groups, both PE backed and listed

Group CSO

Previously Head of Global ParaPharmaceutical Science at Viatrix

PMO & Strategy Implementation

Joined from Tier 1 Consulting Firm

Mereto Plant Manager

Previous experience at L'Oréal

Group Head of Engineering

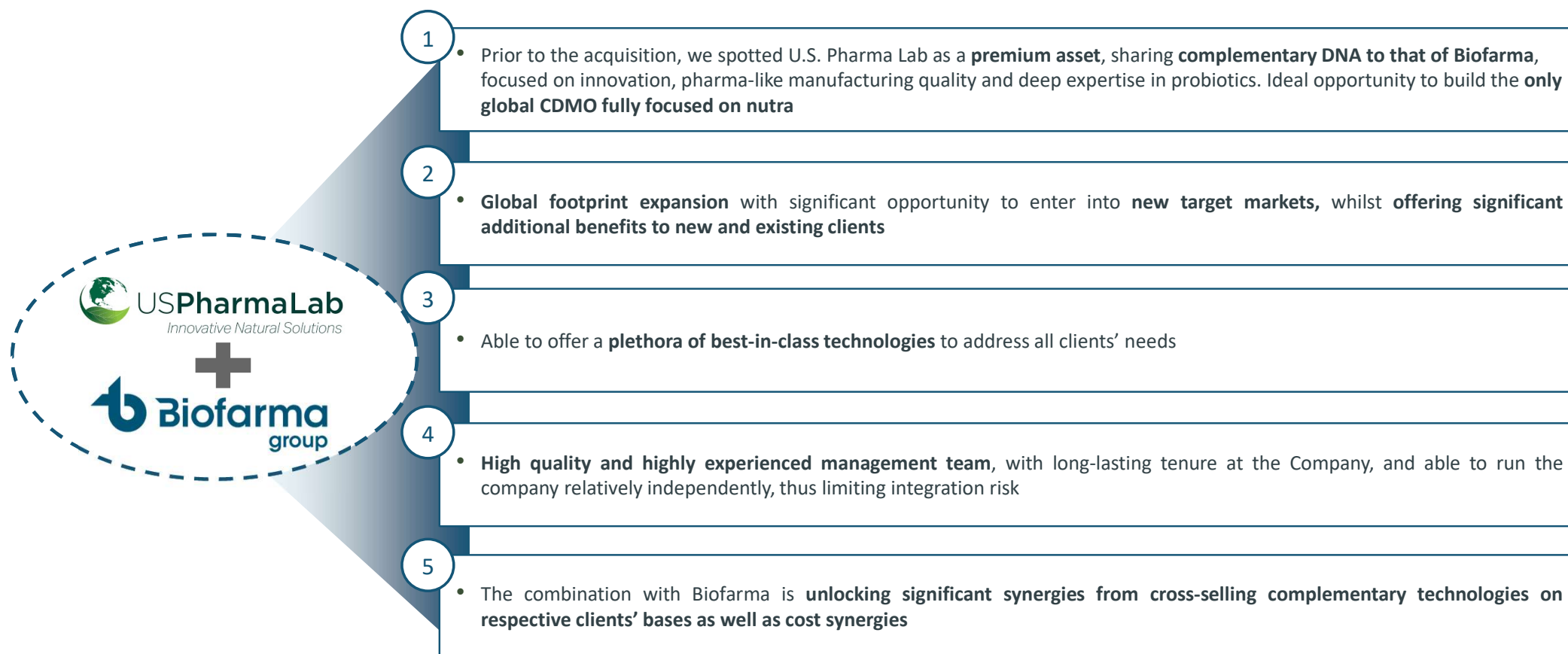
Previous experience at Wärtsilä

US Finance Manager

Previous experience at Teva

The investment thesis for USPL hold true

The Biofarma Group is benefitting from all opportunities that we identified in diligence. Being the largest pure nutra player globally is unlocking significant synergies at both top and bottom line levels.



Innovation is at our core

Our R&D team has a sophisticated skillset to drive the nutraceutical sector towards pharma standards. The “Scientific & Development Team” cooperate with the “Technical Team” for a 360° approach to innovation



R&D LABS

7
EUROPE
USA
CHINA

PATENTS

190
WORLDWIDE

EMPLOYEES

+ 1.500
PEOPLE
(~200 in R&D,
Quality & Regulat.)









- **Scientific & Technological skillsets**
- Dedicated **R&D labs** in the facilities, close to the **manufacturing area**
- Technological **development** on **production machinery**
- **Strong cooperation** with national and international research centers, Universities and start-ups
- **From idea to product**

2023 Financials



2023 in a Nutshell

The Biofarma Group recorded solid results in 2023, showing consistent growth across the board.

 <p>Revenues</p> <p>€432,5m</p>	 <p>Adjusted EBITDA</p> <p>€91,5m</p>	 <p>Recurring Op. Cash Flow</p> <p>€64,4m</p>	 <p>Adj Net Financial Indebt.</p> <p>€546,5m</p>
 <p>Customers</p> <p>>500</p>	 <p>Adj EBITDA Margin</p> <p>21,2%</p>	 <p>Total CAPEX</p> <p>€23,1m</p>	 <p>Leverage Ratio¹</p> <p>5.4X</p>

Profit & Loss: 2023 Full Year Results (Consolidated)

The Biofarma Group delivered top line growth and margin expansion during the year.

Profit & Loss¹ – 2023 vs 2022

YTD (€m)	Dec-23	Dec-22	Δ (%)	Δ
Net Sales	428,5	405,5	5,7%	23,0
Other Revenues	3,9	4,1	(4,0%)	(0,2)
Total Revenues	432,5	409,6	5,6%	22,9
Raw Material Costs	(213,9)	(201,5)	6,2%	(12,4)
First Margin	218,6	208,1	5,0%	10,5
First Margin (%)	50,5%	50,8%	(27bps)	
Third Party Works Costs	(19,7)	(17,6)	11,9%	(2,1)
Direct Personnel Costs	(34,5)	(32,5)	6,3%	(2,0)
Other Direct Production Costs	(18,5)	(20,9)	(11,6%)	2,4
Transformation Margin	145,9	137,2	6,4%	8,8
Transformation Margin (%)	33,7%	33,5%	+25bps	
Indirect Personnel Costs	(16,3)	(15,7)	4,2%	(0,7)
Maintenance Costs	(5,9)	(6,4)	(9,2%)	0,6
Logistics and Storage Costs	(5,7)	(5,8)	(1,5%)	0,1
Other Indirect Production Costs	(2,1)	(3,7)	(43,8%)	1,6
Second Margin	116,0	105,5	9,9%	10,4
Second Margin (%)	26,8%	25,8%	+105bps	
Total SG&A Costs	(28,1)	(25,2)	11,4%	(2,9)
% of revenue	(6,5%)	(6,2%)	(34bps)	
EBITDA	87,8	80,3	9,4%	7,6
EBITDA Margin (%)	20,3%	19,6%	+71bps	
Adjustments	3,7	3,7	--	-
Adj. EBITDA	91,5	84,0	9,0%	7,6
Adj. EBITDA Margin (%)	21,2%	20,5%	+66bps	

EBITDA Bridge – 2023 vs 2022



Key Performance Drivers

Revenues

+5.6% growth YoY

First Margin

Solid delivery in 2023 despite inflationary pressure

Transf. Margin

Improved thanks to operational efficiencies

Second Margin

Improvement mainly due to indirect manufacturing costs reduction

Adjusted EBITDA

+9.0%, sound performance due to higher volumes, full passthrough and operational efficiencies

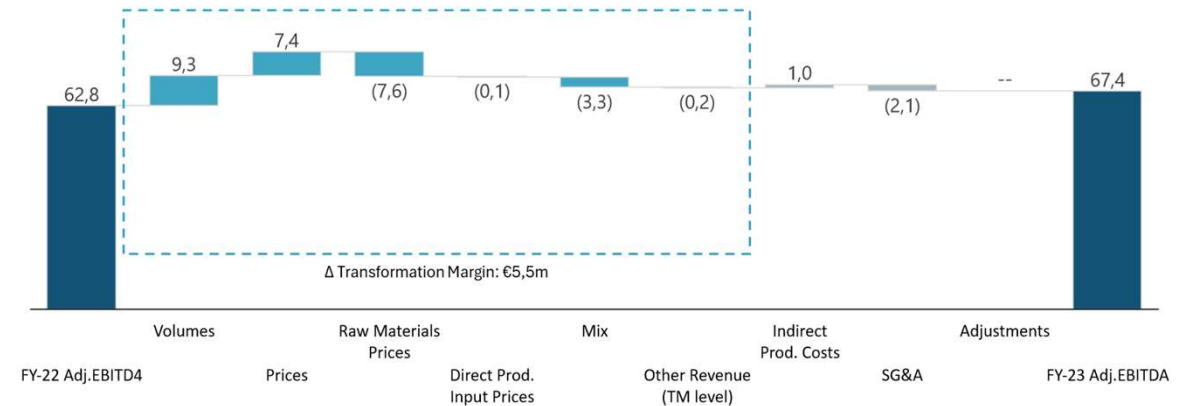
Profit & Loss: 2023 Full Year Results (Europe)

European operations delivered top-line growth across countries and product lines. This success can be attributed to a pervasive culture of operational excellence, which underpinned the implementation of efficient production processes.

Profit & Loss¹ – 2023 vs 2022

YTD (€m)	Dec-23	Dec-22	Δ (%)	Δ
Net Sales	306,7	283,8	8,1%	22,9
Other Revenues	3,9	4,1	(4,0%)	(0,2)
Total Revenues	310,7	287,9	7,9%	22,7
Raw Material Costs	(156,8)	(143,3)	9,4%	(13,4)
First Margin	153,9	144,6	6,4%	9,3
First Margin (%)	49,5%	50,2%	(68bps)	
Third Party Works Costs	(19,7)	(17,4)	13,1%	(2,3)
Direct Personnel Costs	(24,2)	(21,1)	14,8%	(3,1)
Other Direct Production Costs	(12,7)	(14,3)	(11,3%)	1,6
Transformation Margin	97,3	91,8	6,0%	5,5
Transformation Margin (%)	31,3%	31,9%	(55bps)	
Indirect Personnel Costs	(6,6)	(5,3)	23,4%	(1,3)
Maintenance Costs	(2,5)	(3,1)	(17,3%)	0,5
Logistics and Storage Costs	(4,4)	(4,4)	(0,9%)	0,0
Other Indirect Production Costs	(1,3)	(3,1)	(56,2%)	1,7
Second Margin	82,5	75,9	8,7%	6,6
Second Margin (%)	26,5%	26,4%	+19bps	
Total SG&A Costs	(15,7)	(13,7)	15,1%	(2,1)
% of revenue	(5,1%)	(4,7%)	(32bps)	
EBITDA	66,8	62,2	7,3%	4,5
EBITDA Margin (%)	21,5%	21,6%	(13bps)	
Adjustments	0,6	0,6	--	-
Adj. EBITDA	67,4	62,8	7,2%	4,5
Adj. EBITDA Margin (%)	21,7%	21,8%	(14bps)	

EBITDA Bridge – 2023 vs 2022



Key Performance Drivers

Revenues
+7.9% with growth across the spectrum of geographies and customers

First Margin
Solid delivery in 2023 despite inflationary pressure

Transf. Margin
Improved thanks to Insourcing and process automation

Second Margin
Improvement mainly due to lower cost of the overall operations

Adjusted EBITDA

+7.2%, sound performance due to higher volumes, manufacturing efficiencies and lower cost of the indirect costs structure

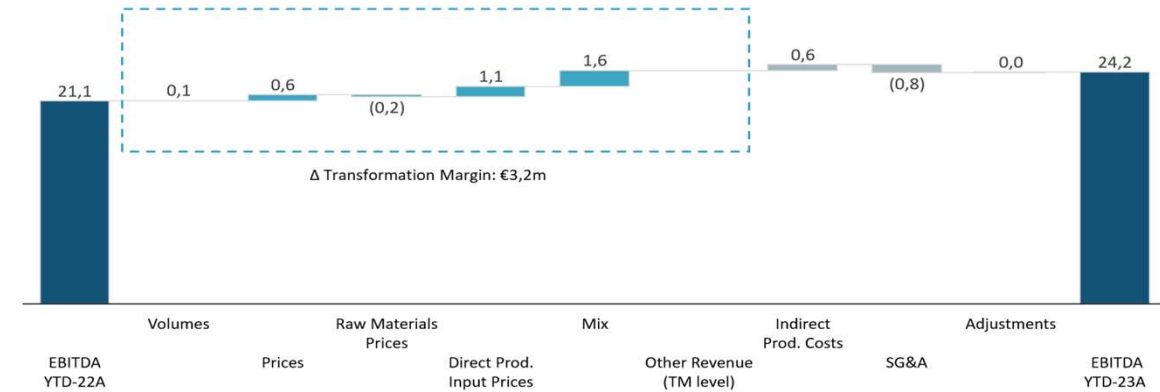
Profit & Loss: 2023 Full Year Results (US)

US Pharma Lab focused on operational efficiencies throughout the year. Cost optimization actions drove the ca. 2.5% EBITDA increase for the year.

Profit & Loss¹ – 2023 vs 2022

YTD (€m)	Dec-23	Dec-22	Δ (%)	Δ
Net Sales	121,8	121,6	0,1%	0,1
Other Revenues	--	--	-	-
Total Revenues	121,8	121,6	0,1%	0,1
Raw Material Costs	(57,1)	(58,1)	(1,8%)	1,0
First Margin	64,7	63,5	1,8%	1,2
First Margin (%)	53,1%	52,2%	+90bps	
Third Party Works Costs	--	(0,2)	(100,0%)	0,2
Direct Personnel Costs	(10,3)	(11,4)	(9,5%)	1,1
Other Direct Production Costs	(5,8)	(6,6)	(12,1%)	0,8
Transformation Margin	48,6	45,4	7,1%	3,2
Transformation Margin (%)	39,9%	37,3%	+261bps	
Indirect Personnel Costs	(9,7)	(10,3)	(5,8%)	0,6
Maintenance Costs	(3,3)	(3,4)	(1,8%)	0,1
Logistics and Storage Costs	(1,3)	(1,4)	(3,4%)	0,0
Other Indirect Production Costs	(0,8)	(0,7)	13,5%	(0,1)
Second Margin	33,5	29,6	13,0%	3,8
Second Margin (%)	27,5%	24,4%	+313bps	
Total SG&A Costs	(12,4)	(11,6)	6,9%	(0,8)
% of revenue	(10,2%)	(9,5%)	█ (65bps)	
EBITDA	21,1	18,0	16,9%	3,0
EBITDA Margin (%)	17,3%	14,8%	+248bps	
Adjustments	3,1	3,1	--	-
Adj. EBITDA	24,2	21,1	14,4%	3,0
Adj. EBITDA Margin (%)	19,9%	17,4%	+248bps	

EBITDA Bridge – 2023 vs 2022



Key Performance Drivers

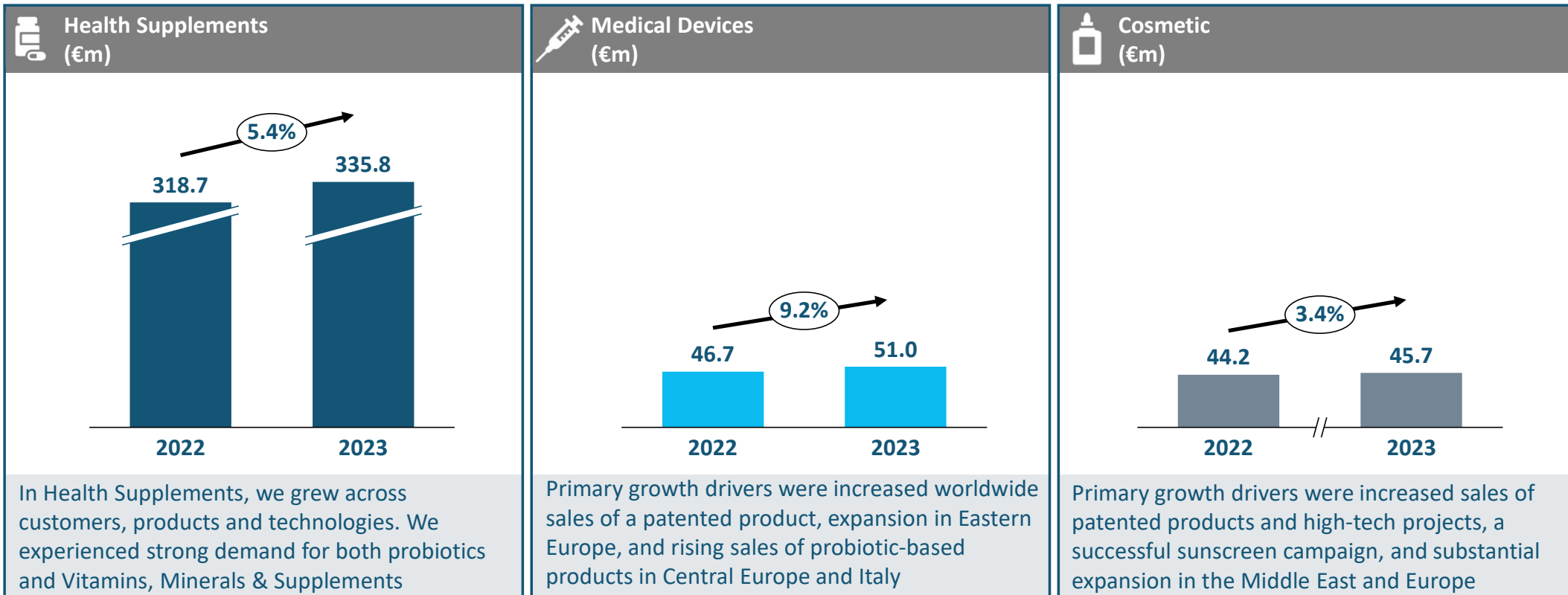
Revenues In line with 2022; growth areas identified in the integration plan	First Margin Raw Mat favorable pricing on the back of stronger purchasing power	Transf. Margin Improved thanks to manufacturing efficiencies	Second Margin Improvement mainly due to indirect manufacturing costs reduction
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Adjusted EBITDA

+14.4%, sound performance due to COGS management, operational efficiencies and transformation costs reduction

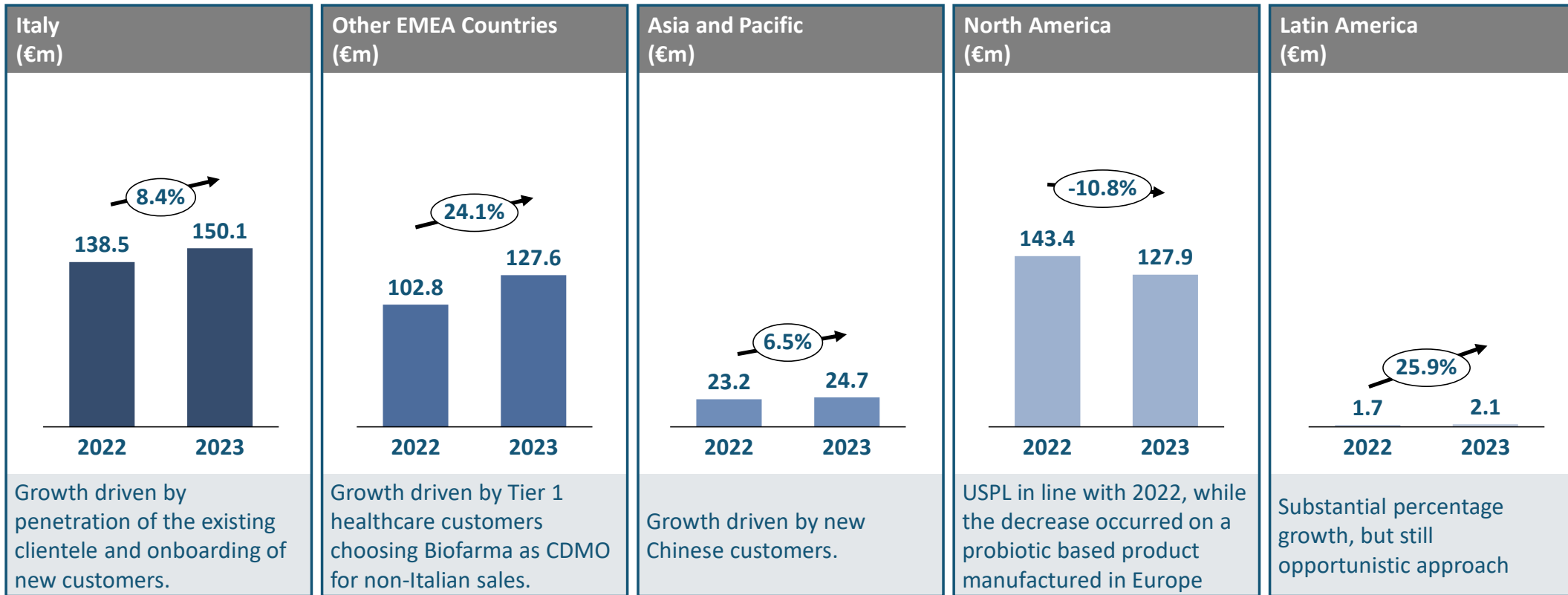
Top line: yearly evolution by Business Unit

All business units delivered a solid growth, with notable strength observed in the medical devices segment.



Top line: yearly evolution by Geography

Europe and APAC have been the primary contributors to the Group's growth.



2023 Cash Flow

Healthy cash flow generation funded capex and cost of the capital structure.

YTD (€m)	Dec-23A
EBITDA	87,8
(-) EBITDA acquired over the period	(11,6)
EBITDA	76,2
Δ Receivables	(14,3)
Δ Payables	6,5
Δ Inventory	(15,2)
Δ TWC	(23,0)
Δ Other Working Capital	13,6
Δ NWC	(9,4)
Maintenance Capex	(2,4)
Recurring Op. CF (pre-Tax)	64,4
Cash Conversion (%)	84,5%
Growth Capex	(20,7)
o/w Manufacturing Capex	(15,0)
o/w R&D Capex	(3,0)
o/w Other / IT Capex	(2,7)
Op. CF (pre-Tax)	43,7
Cash Conversion (%)	57,4%
Interests	(45,1)
Taxes	(4,5)
Other	
Free Cash Flow (pre-M&A)	(5,9)
Cash Conversion (%)	(7,7%)
M&A Capex	(369,2)
Free Cash Flow (post-M&A)	(375,1)
Cash Conversion (%)	n.m.
New Debt / Debt Repayments	194,3
Capital Contribution	189,9
Other Changes in Equity	
Δ Cash	9,1

Key Evidences

- **Net Working Capital:** The growth in **business volume drove the (€9.4m)** decrease
- **Total Capex** amounted to **€23.1m**, split as follows:
 - Maintenance capex of €2.4 m
 - Growth capex of 20.7m
- **Growth capex** related to investments aimed at expanding manufacturing capacity and accelerating future business growth:
 - **Manufacturing capex totaled €15.0m, primarily allocated to:**
 - Expansion of production lines in Gallarate
 - Establishment of new manufacturing lines in Gallarate, Monselice, and Mereto
 - **R&D capex amounted to €3.0m**, primarily dedicated to three R&D projects in the probiotics and cardio therapeutic areas. These projects are expected to hit market soon.
 - **Other/IT Capex totaled €2.7m**, primarily designated for ICT infrastructure, furniture for new areas in Monselice, and reinforcement of Manufacturing Execution System (MES) ICT solutions.

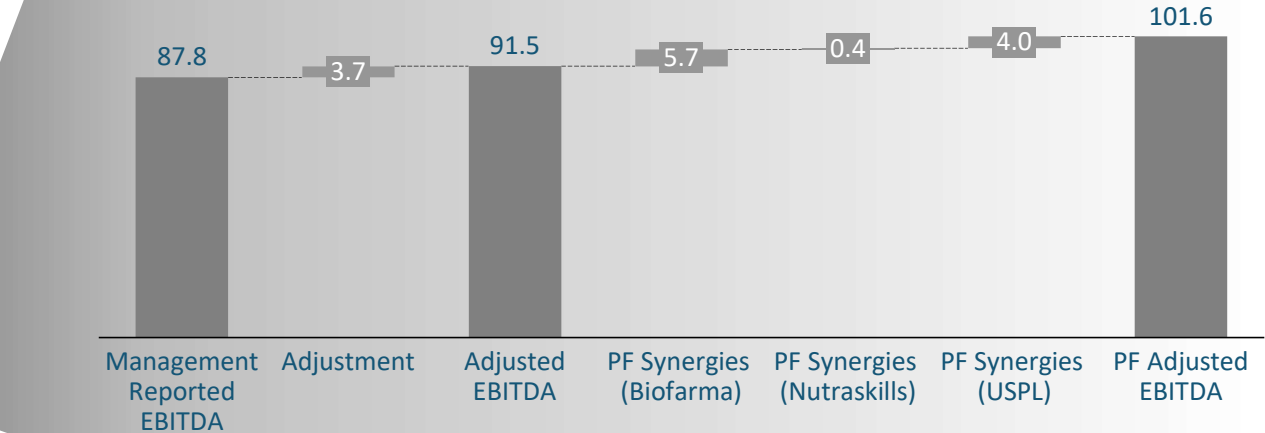
2023 Leverage

The acquisition of US Pharma Lab was financed through a combination of equity and debt, with the latter being the primary factor contributing to the increase in our leverage

Leverage – 2023 vs Opening

€m	As per OM	2023
High yield bond	345.0	345.0
Private Placement		200.9
Cash and Cash Equivalent	(5.7)	(33.4) ¹
Total net secured debt	339.3	512.5
Other Debt	0.8	34.0 ²
Adj net Fin. Position	340.1	546.5

EBITDA Bridge – Reported vs Adjusted



PF Adj. EBITDA	64.0	101.6 ³
Net Leverage	5.3x	5.4x

Key Evidences

Net Leverage

- Leverage stable vs Q3 2024, and slightly higher compared to the OM basically due to the financing for the Acquisition of USPL

Adjustments

Includes:

- €3.1m of ceasing cost in US
- € 0.6m of pro-rata portion of minorities

Synergies

(Biofarma and Nutraskills)

€5.7m on the back of:

- €3.2 m of procurement synergies on vitamins
- €1.9m of manufact. Improv.
- €1.0m of organization opt.

Synergies (USPL)

€4.0 m related to:

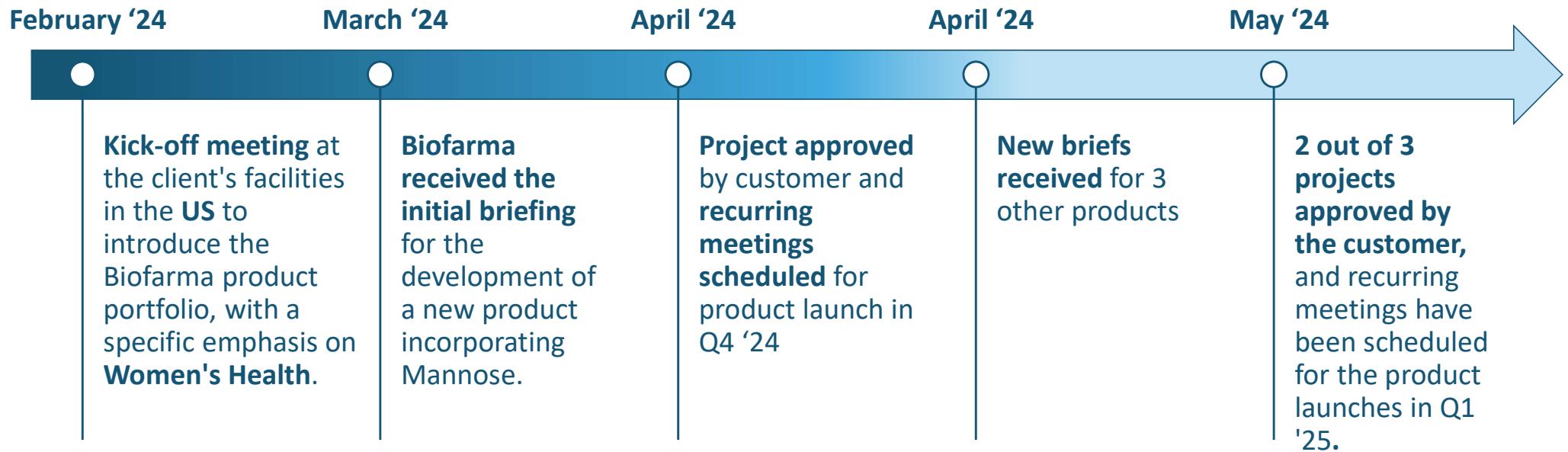
- €2.6m of procurement synergies in China
- €1.4m of packaging Efficiency

Closing Statements



Cross-Selling Success Story

The Biofarma Group is leveraging business opportunities for cross-selling with major global customers, a strategic move accelerated by the acquisition of US Pharma Lab.



These results were achieved thanks to the implementation of a new inter-organizational operating model aimed at maximizing cross-selling opportunities with major global customers. Additionally, other customers and opportunities are also integral parts of the program.

Closing Statements

About 2023

- **2023 was a strong year** marked by:
 - Becoming a global champion, well diversified across US and Europe (geographies, customers, currencies)
 - Continuous investments in the team, to strengthen our position as one-stop-shop for global CPGs and pharma clients
 - Solid delivery of top line growth and healthy margins

...and most importantly: we laid the foundation for the next chapter of growth...

About 2024

- **2024 will be the year of consolidation of our market leading position**
 - Integration: we are poised to solidify the integration of our operations across the globe, consolidating our market-leading position and expanding our business on both sides of the Atlantic, engaging with both existing and new customers
 - Global management of Key Accounts: we will continue the implementation of the 1BIG plan, dedicating senior resources to key global customers
 - Efficiency: Additionally, we are committed to implementing the Lean Six Sigma approach across all aspects of our operations, aiming to enhance efficiency and effectiveness company-wide

Q&A



