Kepler S.p.A.
H1-22 Results Presentation

Mereto di Tomba – October 11°, 2022

Biofarma group

Today's presenters

Maurizio Castorina

CEO

- Joined in September 2017 as CEO of Nutrilinea
- Over 30 years of experience in Pharma
- 2017: CEO at Italfarmaco
- 2012 to 2016: CEO at Zambon
- 2002 to 2012: CEO of Takeda Italy and Regional VP for Southern Europe

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

Biofarma group

Biofarma 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. 44 FTEs working on clinical studies to support products' claims (over 85 patents and 70 trademarks)
  - **Regulatory know-how** with a dedicated team of c. 20 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

Main KPIs

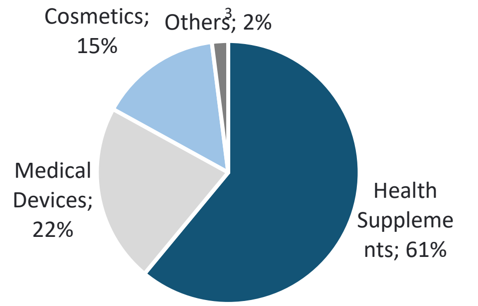
€252m Jun22 LTM Total Revenues	**+16%** Total Revenues CAGR '19-Jun22 LTM[1]	**€66,7m** Jun22 LTM Adj. EBITDA (incl. synergies)[2] (26.5% margin)

4 Manufacturing plants	**~64** FTEs of R&D & Regulatory processes	**>500** Customers	**>75** Countries served

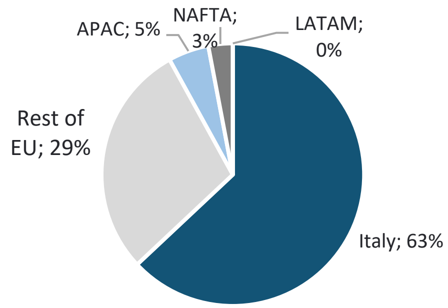
Total Revenues breakdown

LTM Jun22

By Business Unit



By Geography



#1 Nutra CDMO in Europe in terms of revenue

Notes: (1) Incl. IHS Revenue for '19, '20, '21 and Jun22 YTD; (2) Includes €6.2m of cost synergies and €4.6m adjustments for rent savings related to Mereto's plant acquisition and Cura EBITDA; (3) Mainly refers to government grants related to new products R&D and charge back to clients for lab tests and graphic services.

H1-22 Performance

TOPLINE

- **Jun-22 Revenues stood at €137.3m**, growing by c. +15.7% vs 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

- **Jun-22 Adj. EBITDA margin at 21.4%,** in line vs Jun-21 (at 22.0%), mainly due to (i) volumes growth, (ii) favourable product mix, (iii) cost efficiency measures related to insourcing activities and manufacturing processes, being offset by (iv) cost increase at SG&A level to support the business growth and (v) raw materials cost increase.

FINANCIAL POSITION

- **Strong deleveraging trend with Net Leverage as of Jun22 at 5.0x** (at Kepler level), versus 5.3x opening leverage at Bond issuance, mainly on the back of the strong performance at Adj. EBITDA level, growing +12.2% vs PY.

OTHER UPDATES AND SHORT TERM OUTLOOK

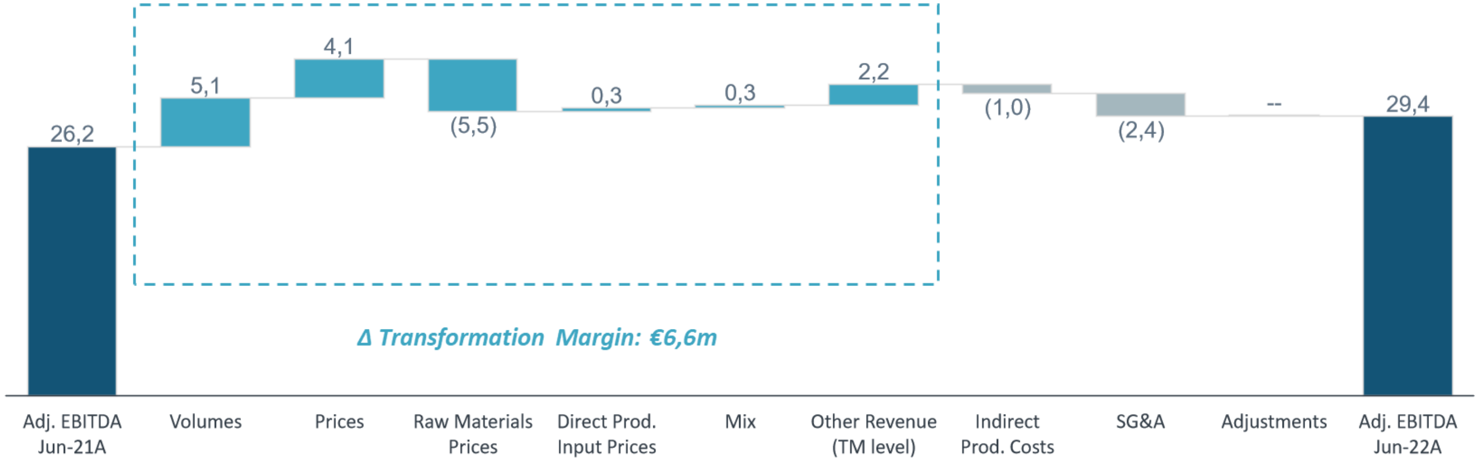
- Biofarma has recorded a strong growth in the first 6 months of 2022. **As of Sept22 YTD, total revenues and order backlog are up by over +20% vs. PY** thanks to a very positive order collection activity during Q3-22.
- **Despite the strong inflationary environment**, Biofarma Group has been able to **pass on to customers mostly (about 75%) of the higher raw material prices by increasing selling prices**.
- On the 15th September 2022, the Group finalized the **acquisition of Nutraskills**, a French nutraceuticals CDMO generating c. €20m Revenue, to further penetrate the French market.

Profit & Loss: Current Trading as of June – YTD 2022a vs. YTD 2021a

Profit & Loss – YTD 2022A vs 2021A

YTD (€m)	giu-22A	giu-21A	Δ (%)	Δ
Net Sales	134,3	117,9	*13,9%*	*16,4*
Other Revenues	3,0	0,8	*n.m.*	*2,2*
Total Revenues	**137,3**	**118,7**	***15,7%***	***18,6***
Raw Material Costs	(64,6)	(55,7)	*16,0%*	*(8,9)*
First Margin	**72,7**	**63,0**	***15,4%***	***9,7***
First Margin (%)	*52,9%*	*53,1%*	*(13bps)*	
Third Party Works Costs	(8,4)	(7,8)	*7,6%*	*(0,6)*
Direct Personnel Costs	(9,6)	(8,2)	*16,3%*	*(1,3)*
Other Direct Production Costs	(6,0)	(4,8)	*24,4%*	*(1,2)*
Transformation Margin	**48,7**	**42,1**	***15,6%***	***6,6***
Transformation Margin (%)	*35,5%*	*35,5%*	*(2bps)*	
Indirect Personnel Costs	(2,5)	(2,4)	*5,9%*	*(0,1)*
Maintenance Costs	(2,0)	(1,7)	*18,1%*	*(0,3)*
Logistics and Storage Costs	(2,8)	(2,4)	*19,1%*	*(0,4)*
Other Indirect Production Costs	(1,1)	(1,0)	*13,2%*	*(0,1)*
Second Margin	**40,3**	**34,7**	***16,0%***	***5,6***
Second Margin (%)	*29,3%*	*29,3%*	*+8bps*	
Total SG&A Costs	**(12,2)**	**(9,9)**	***24,0%***	*(2,4)*
% of revenue	*(8,9%)*	*(8,3%)*	*(60bps)*	
EBITDA	**28,1**	**24,9**	***12,8%***	***3,2***
EBITDA Margin (%)	*20,4%*	*21,0%*	*(52bps)*	
Adjustments	1,3	1,3	--	-
Adj. EBITDA	**29,4**	**26,2**	***12,2%***	***3,2***
Adj. EBITDA Margin (%)	*21,4%*	*22,1%*	*(67bps)*	

EBITDA Bridge

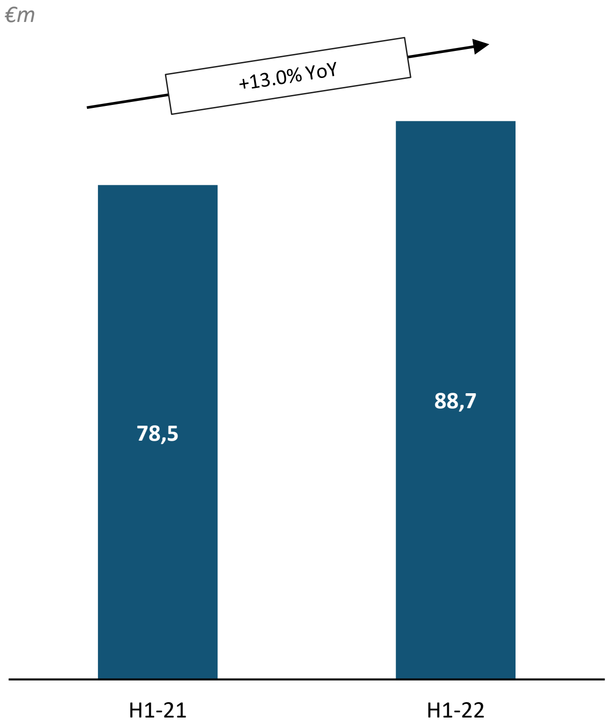


Commentary

- Sales volume EBITDA impact: improvement of 5,1 Mil € due to the growth with Top 10 and Strategical Clients, as well as due to the growth in all Regions excluding APAC (due to the Cosmax sales delay);
- positive mix of 0,3 Mil € mainly driven by the higher Medical Devices' sales;
- Partial pass through executed, 4,1 Mil € Price increase, more than negatively offset by 5,5 Mil € cost increase;
- Other Sales improved by 2,2 Mil € due to higher R&D Grants;
- Transformation margin 6,5 Mil € higher, where 4,4 Mil € of core business improvement has been reinforced by 2,1 Mil € higher R&D Government grants;
- Higher Maintenance, Logistic cost and Other Indirect costs reduce the positive Transformation margin effects;
- SG&A 2,4 Mil € are higher due to the managerial structure growth (0,7 Mil €), higher Commercial activities and Personnel cost (1,1 Mil €) and higher R&D expenditure (0,6 Mil €).

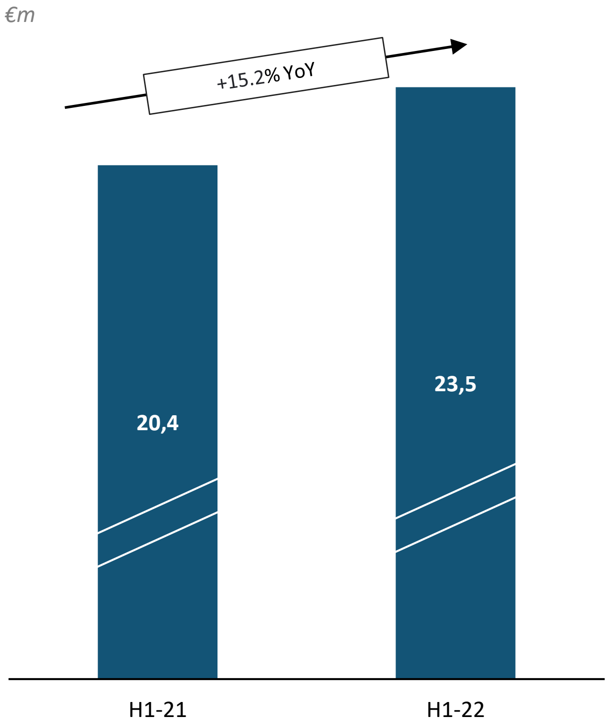
Revenues: Deep-dive by Business Unit

Health Supplements



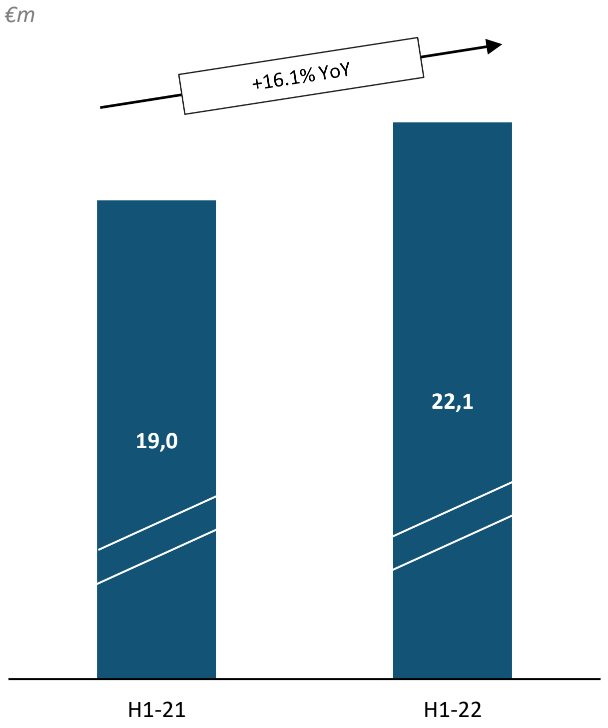
Health Supplements total revenues stood at €88.7m in H1-22 (+13.0% YoY), mainly thanks to new customers wins as well as growth with all existing customers with long-lasting relationships. Within existing customers, there is an important increase of the Tier 1 consumer healthcare clients' volumes.

Medical Devices



Medical Devices total revenues stood at €23.5m in H1-22 (+15.2% YoY), supported by the increase in sales of Ziverex (Esoxx family) in Eastern Europe and Enterogermina in Italy.

Cosmetics



Cosmetics total revenues stood at €22.1m in H1-22 (+16.1% YoY), thanks to new clients wins as well as increased business with existing clients. Furthermore, we highlight an important new client win in Israel (accounting for c. €0.9m) and strong performance of BoV technology products in Northern Europe.

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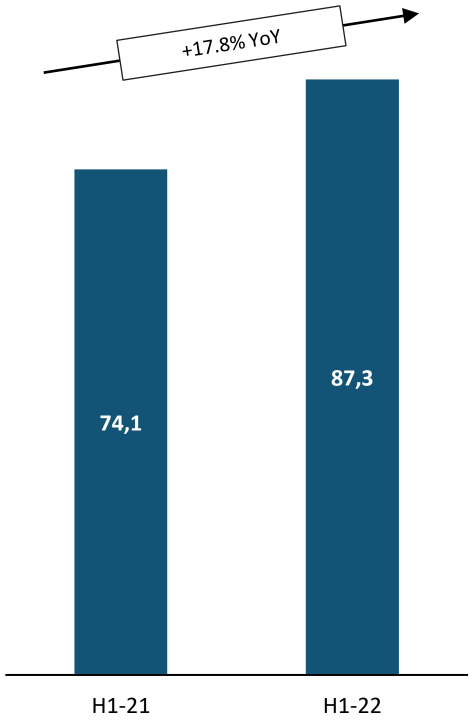
Revenues: Deep-dive by Geography

Italy

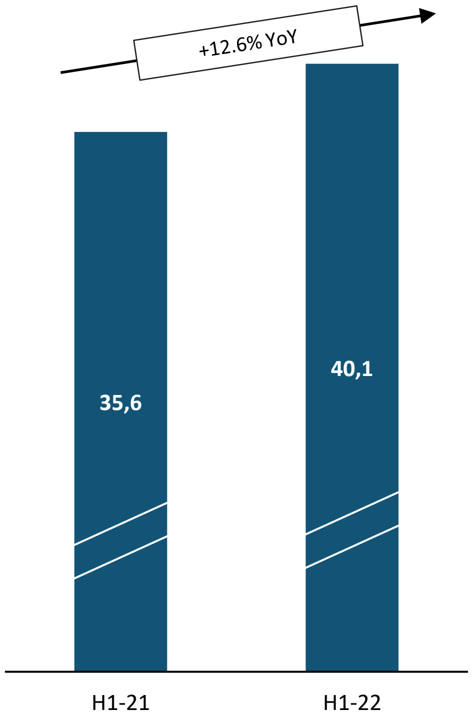
€m



Italy total revenues stood at €87.3m in H1-22 (+17.8% YoY), with growth spread between new clients' acquisitions and existing clients.

Other EMEA countries

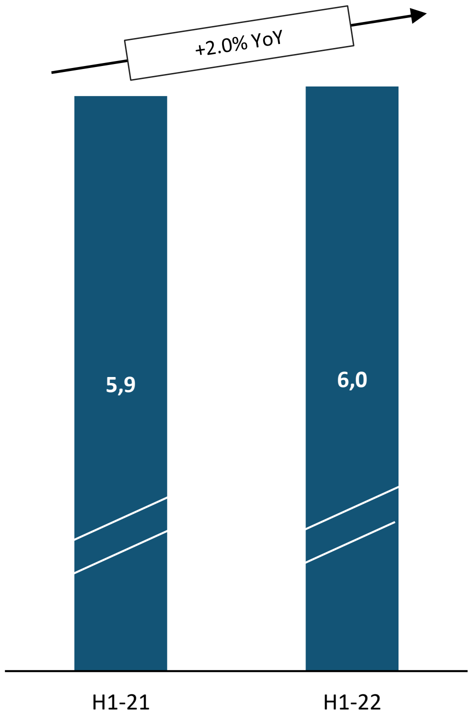
€m



Other EMEA countries total revenues stood at €40.1m in H1-22 (+12.6% YoY), mainly on the back of higher revenues coming from Tier 1 consumer healthcare clients' volumes.

Asia and Pacific

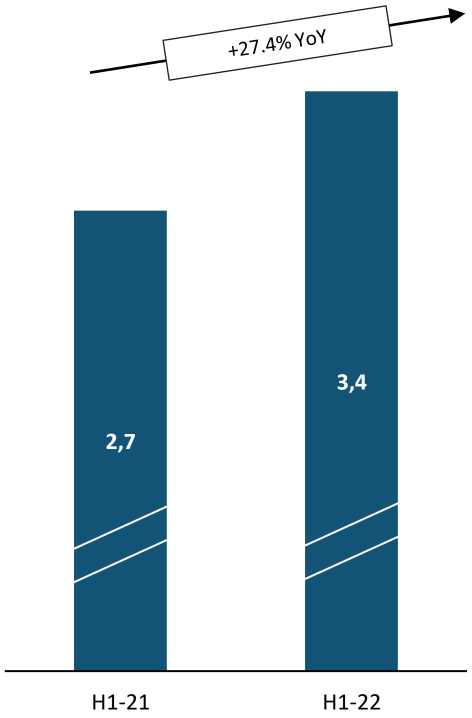
€m



APAC total revenues stood at €6.0m in H1-22 (+2.0% YoY), mainly thanks to new customer wins and selling prices increase.

North America

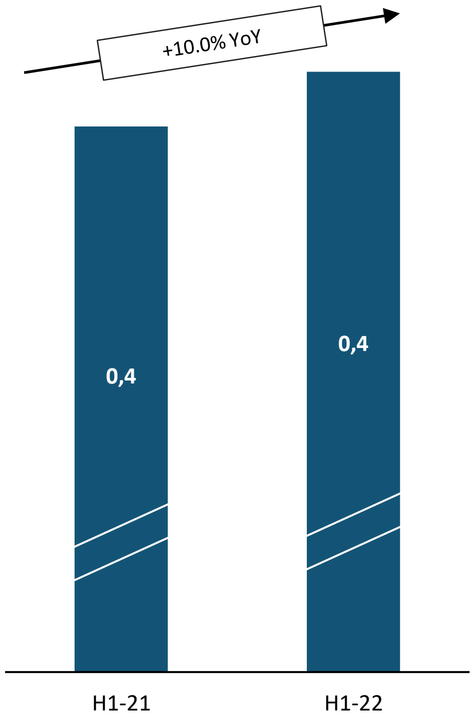
€m



NAFTA total revenues stood at €3.4m in H1-22 (+27.4% YoY), mainly due to higher sales of VSL3 product.

Latin America

€m



LATAM total revenues stood at €0.4m in H1-22 (+10.0% YoY), remaining broadly stable in terms of absolute value.

Cash Flow YTD as of June 22

€m	H1-22
Adjusted EBITDA	**29,4**
Adjustments	(1,3)
EBITDA	**28,1**
Δ Receivables	(22,1)
Δ Payables	37,5
Δ Inventory	(16,9)
Δ TWC	**(1,5)**
Δ Other Working Capital	(1,4)
Δ NWC	**(2,9)**
Maintenance Capex	(0,6)
Recurring Op. CF (pre-Tax)	**24,6**
Cash Conversion (%)	*87,7%*
Growth Capex	(8,8)
o/w Manufacturing Capex	(5,5)
o/w R&D Capex	(2,7)
o/w Other / IT Capex	(0,5)
Op. CF (pre-Tax)	**15,9**
Cash Conversion (%)	*56,5%*

Normative level of inventory at €9.3m (excl. €7.6m of extraordinary inventory build-up).

Commentary

NWC

- **Receivables**: 22,1 Mil € increase is mainly linked to the volumes and minorly to delay in cash collection of 0,8 Mil € recovered in August. No relevant pending overdues;
- **Payables**: 37,5 Mil € increase related to higher volumes and to negotiated payment terms extension;
- **Inventory:** 16,9 Mil € increase is related for 9,3 Mil € by volume growth and for 7,6 Mil € related to extra-stock built up to avoid shortages and further cost increases;
- **Other WC items**: 1,4 Mil € negative impact mainly due to Tax credit increase;

Capex

- **Maintenance**: 0,6 Mil € related to Gallarate and Mereto plants in order to maintain the production continuity;
- **Growth**: 8,8 Mil € linked to:
  - **Manufacturing Capex**: 5,5 Mil € are related to: a) 0,5 Mil € to advance payment for extension of Gallarate plant, b) 4,0 Mil € for new machines and lines (basina, microencapsulator in Mereto, two new Sachet machines and others) c) 1,0 Mil € related to Gallarate plant extension;
  - **R&D Capex**: 2,7 Mil € investments in development of Scholl, Nestleé, Cooper and Pharmaton formulas;
  - **Other / IT Capex**: 0,5 Mil €, of which 0,3 Mil € investment in SAP new modules and ICT infrastructure, as well as 0,2 Mil € related to furniture for new areas in Mereto and Gallarate;

Leverage as of June 22

€m	H1-22
High yield bond	345,0
Cash and Cash Equivalent[1]	(19,6)
Total net secured debt	**325,4**
Other Debt[2]	6,0
Total net debt	**331,4**
LTM PF Adj. EBITDA[3]	**66,7**
Net Leverage	**5,0x**

Commentary

- **Strong deleveraging trend with Net Leverage as of Jun22 at 5.0x**, versus 5.3x opening leverage at Bond issuance, mainly on the back of the strong performance at EBITDA level, growing +12.2% vs PY alongside with a cash generation reporting the available cash and cash equivalents;
- **Total net Debt at €331.4m (or 5.0x Net Leverage)** as of Jun22 on the back of c. €351.0m Gross Debt, €19.6m cash on balance sheet and €67.1m Mar22 LTM PF Adj. EBITDA;
- Solid **cash and cash equivalents** position of **€19.6m**.

Notes: (1) Cash and Cash Equivalents are PF for the transaction costs related to the Acquisition, the Apharm minority interest acquisition, and the cash-outs related to the bond issuance and the consequent Bridge Facilities repayment. (2) Incl. leasing (€0.8m as of March 31, 2022) and Advanced Payments ("anticipi su fatture" c. €4.5m as of March 31, 2022); (3) Incl. run rate cost synergies for an amount of €6.5m and €4.6m related to rental savings in connection with Mereto's plant and 45% of Cura Beauty GmbH EBITDA

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