Recipharm

PRESS RELEASE 9 November 2017

# Interim report January - September 2017

## July – September 2017

- Net sales amounted to SEK 1,200 million (1,138), an increase of 5.5%
- EBITDA amounted to SEK 103 million (144) corresponding to an EBITDA margin of 8.6% (12.6)
- Operating profit (EBIT) amounted to SEK -17 million (44)
- Profit after tax amounted to SEK -54 million (12) corresponding to a net margin of -4.5% (1.0)
- Earnings per share amounted to SEK -0.89 (0.14) before dilution and SEK -0.89 (0.14) after dilution
- Recipharm signed collaboration agreement with Roche

## January – September 2017

- Net sales amounted to SEK 3,929 million (3,346), an increase of 17.4%
- EBITDA amounted to SEK 504 million (520) corresponding to an EBITDA margin of 12.8% (15.6)
- Operating profit (EBIT) amounted to SEK 151 million (263)
- Profit after tax amounted to SEK 23 million (121) corresponding to a net margin of 0.6% (3.5)
- Earnings per share amounted to SEK 0.26 (2.13) before dilution and SEK 0.26 (2.13) after dilution
- Net debt to Equity was 0.7 (0.4)

## Significant events after the period end

- Recipharm to end operations in two facilities in Sweden

Key figures

| | Jul – Sep | | | Jan – Sep | | | Oct 16 – Sep 17 | Jan - Dec |
|---|---|---|---|---|---|---|---|---|
| SEK million | **2017** | 2016 | Change in % | **2017** | 2016 | Change in % | **2017** | 2016 |
| Net sales | 1,200 | 1,138 | +5.5 | 3,929 | 3,346 | +17.4 | 5,262 | 4,678 |
| EBITDA[1/] | 103 | 144 | -28.5 | 504 | 520 | -3.1 | 733 | 749 |
| EBIT[1/] | -16.9 | 44.3 | -138.2 | 151 | 263 | -42.5 | 273 | 384 |
| EBITDA margin (%)[1/] | 8.6 | 12.6 | | 12.8 | 15.6 | | 13.9 | 16.0 |
| Earnings per share (SEK)[1/] | -0.89 | 0.14 | | 0.26 | 2.13 | | 1.57 | 3.32 |
| Return on equity (%)[1/] | | | | 2.0 | 3.8 | | 2.0 | 5.0 |
| Equity per share (SEK)[1/] | | | | 72.4 | 73.5 | | 73.0 | 75.7 |
| Equity ratio (%)[1/] | | | | 44.3 | 52.7 | | 44.3 | 52.2 |
| Net debt[1/] | | | | 3,252 | 1,867 | | 3,252 | 1,894 |
| Net debt to Equity[1/] | | | | 0.7 | 0.4 | | 0.7 | 0.4 |
| Net debt to EBITDA[1/] | | | | 4.4 | 3.0 | | 4.4 | 2.5 |

1/ APM: Alternative Performance Measures, see financial definitions on page 23

Recipharm

Thomas Eldered, CEO:

*Difficult quarter, as expected*

” We continue to execute on our focused strategies in order to reach our overall targets. There remains a lot to do but we see very encouraging business events and a strong development in the underlying business. The result for the third quarter was as usual strongly affected by scheduled maintenance and temporary shutdown in our manufacturing facilities. In addition to this comes the effect from specific challenges communicated in the previous interim report and underperforming operations in Sweden. We are meeting this with powerful intiatives.

Net sales adjusted for comparable units and currency effects decreased by 0.8 per cent compared to the same period last year. In the interim report for the second quarter we identified factors, mainly delays, with negative effect on the result for the rest of the year. This resulted in us believing that it will be challenging to reach our overall EBITDA-margin target for the current year. This quarter suffered the full negative impact of these factors. Moreover, the weak development within Solids & Others as well as phasing of orders had a further negative effect. In the short term we therefore see decreased margins, and for the quarter EBITDA-margin was 8.6 per cent.

Operating cash flow for the period was positively affected by reduced working capital and amounted to SEK 149 million. Investments in increased capacity and new possibilities constituted a larger part of the total investments for the quarter of SEK 153 million. As such, almost the entire investment program was financed internally by operating cash flow.

In order to improve profitability we will increase focus on synergies and reduce our exposure to low-margin products. The intended discontinuing of the manufacturing facilities in Stockholm and Höganäs and transfer of production to other facilities within the group is an important step in this process. We expect positive effects on EBITDA and EBITDA-margin already in 2018 and long-term we will have a more efficient structure at the same time as we eliminate negative EBITDA. We continue to explore further possibilities to improve the use of our resources and the efficiency in our total structure going forward.

Another important part of our overall strategies is the consolidation and coordination of our development business. We will accelerate and streamline the introduction of new products, from the development phase to commercial production. In order to achieve this we will among other things increase the use of our Indian development business. We are also exploring strategic possibilities for some of our own products and technologies.

The long-term manufacturing agreement with Roche that was signed during the quarter will contribute to our achievement of our overall target for net sales. We estimate that we will start to deliver full volumes from next year. The ambition is to go ahead with similar agreements with other customers and we see good opportunities to do so within the near future.

During the next year all our ongoing expansion investments will be finalised and we will start commercial operations. We will see positive effects from optimising and changes in our facility base. New agreements, where the new agreements with Roche currently is the largest, will contribute to growth and profitability. In India we will gradually implement agreements already signed and eliminate the delays we experienced during the year. Finally we will re-organise our development business and optimise the use of resources which also is expected to contribute positively to our profitability.

We continue to work hard to deliver on our strategies and to meet our targets. We invest heavily to take leadership in markets where demand is expected to be high. We perform optimisation and improvements of our structure in order to increase profitability and offer our customers attractive solutions. We receive positive feedback from our customers both in terms of our long-term strategy and of our current work. We see good opportunities to initiate and deepen important long-term relations with key customers. I therefore feel confident that we will reach our overall financial targets and be a leading global CDMO."

*The complete interim report is attached through the link at the end of the press release.*

The company invites investors, analysts and media to a web conference (in English) on 9 November at 10:00 am CET, where CEO Thomas Eldered and CFO Henrik Stenqvist will present and comment on the report as well as answer questions.

The report will be available on Recipharm's website www.recipharm.com/investor-relations from 07:45 am CET the same day and the presentation from the webcast will be uploaded during the day on the 9 November.

To participate in the web conference, please use the below link:

http://edge.media-server.com/m/p/s9iighaa

Questions may be submitted by dialling below telephone numbers or by typing them in the Q&A box during the conference. If you don't wish to ask questions by telephone you only need to participate through the link above.

From Sweden: + 46 8 566 426 51
From the UK: + 44 333 300 08 04
From the USA: +1 631 913 14 22

Pin code for participants:
78642485#

## For more information, please visit www.recipharm.com or contact:

Thomas Eldered, CEO, +46 8 602 52 10

Henrik Stenqvist, ir@recipharm.com, +46 8 602 52 00

*This information is published in accordance with the EU Market Abuse Regulation, the Swedish Securities Market Act, the Swedish Financial Instruments Trading Act and/or the regulations of NASDAQ Stockholm. This information was submitted for publication on 9 November 2017 at 07:45 am CET.*

## About Recipharm

Recipharm is a leading Contract Development and Manufacturing Organisation (CDMO) in the pharmaceutical industry employing around 5 000 employees. Recipharm offers manufacturing services of pharmaceuticals in various dosage forms, production of clinical trial material and APIs, and pharmaceutical product development. Recipharm manufactures several hundred different products to customers ranging from big pharma to smaller research and development companies. Recipharm's turnover is approximately SEK 5.3 billion and the company operates development and manufacturing facilities in France, Germany, India, Israel, Italy, Portugal, Spain, Sweden, the UK and the US and is headquartered in Stockholm, Sweden. The Recipharm B-share (RECI B) is listed on Nasdaq Stockholm.

For more information on Recipharm and our services, please visit www.recipharm.com