

## Recipharm expands inhalation capabilities with GBP 45 million acquisition of Sanofi CMO business located in UK

### Highlights

- Acquired business will enhance Recipharm's scale and provide access to new customers and higher margin specialised technologies
- Combined entity LTM March 2018 proforma revenue SEK 6,113 million, an increase of 10.8% and EBITDA SEK 920 million, an increase of 12.2%
- The business had LTM March 2018 proforma revenue of GBP 51 million<sup>3</sup> (SEK 597 million<sup>1</sup>) and proforma EBITDA<sup>2</sup> of GBP 8.5 million<sup>3</sup> (SEK 100 million<sup>1</sup>)
- Expected business revenue growth rate of 7-11% per year from 2019<sup>3</sup>
- Recipharm will acquire the assets and business for a consideration of GBP 45 million (SEK 527 million<sup>1</sup>). Supplementary considerations may be made in 2020 and 2021, subject to superior development of the business
- Transaction is expected to be accretive to EBITDA-margin and EPS already from Q1 2019

The acquisition of Sanofi's manufacturing centre and business located in Holmes Chapel provides Recipharm with a solid platform to take further advantage of the growing respiratory drug market. It also adds additional inhalation commercial drug product manufacturing capabilities, complementing services already offered by Recipharm's inhalation development facility in the US.

Thomas Elderred, CEO of Recipharm, commented: "Holmes Chapel brings Recipharm an ideal opportunity to accelerate its offering to customers with access to novel of respiratory products. As an already successful CMO with several clients, we look forward to introducing new contracts to Holmes Chapel by utilising our growing franchise in development services. Treatments for asthma and chronic obstructive pulmonary disease (COPD) are growing at a fast rate and we see many opportunities. The experienced management team and staff have already successfully attracted new customers and we look forward to building on this from the well invested facility".

### Transaction rationale

- Market
  - Attractive end market – the respiratory drug market enjoys a higher growth rate and profitability for CMOs in relation to the general CMO market
  - Market growth is primarily driven by increased incidence of asthma and COPD
  - Complex production process of inhalators implies significant barriers to entry
- Enhanced offering
  - Adds new capabilities to group in attractive technology area
  - Provides differentiation from competitors
  - Complements existing development capabilities
- Strong customer relationships
  - Top tier client base including Big Pharma
  - Manufactures several recently launched products in growth phase
  - High potential to expand relationships
- Operational benefits
  - Well invested facility with strong management and staff



- Geographically close to Recipharm's other UK facility providing potential operational synergies
- Attractive financials
  - Accretive to growth, margin and EPS
  - Strong cash flows

### About Sanofi Holmes Chapel

The Holmes Chapel manufacturing facility is located close to Manchester and is one of the leading sites of its type in Europe providing CMO manufacturing services. Several clients are serviced from the facility and a number of products, some of which that are still in their launch phase, are supplied. One such client is Vectura Group plc, for whom flutiform® is manufactured. As part of the transaction Sanofi have also entered into a long-term supply agreement for the products currently manufactured at the facility.

The prime technologies of Holmes Chapel are metered dose inhalers and nasal sprays. The facility houses development areas for dry powder inhalation technologies.

The site covers 125,000 m<sup>2</sup> and is home to a team of more than 450 specialist employees.

### Additional financial information

- The consideration for the assets and business is GBP 45 million (SEK 527 million<sup>1</sup>) on a debt and cash free basis payable at closing. Preliminary net debt of Sanofi Holmes Chapel amount to SEK 47 million<sup>1</sup>
- Certain performance payments (up to GBP 9 million in total) may be made in 2020 and 2021, subject to superior development of the business
- Certain working capital, determined at closing, will be acquired and will be paid between six and 12 months following closing
- Transaction costs affecting operating profit are estimated to approximately SEK 21 million
- The transaction is estimated to close during Q4 2018 after customary licences and permissions have been obtained

1/ Exchange rate SEK/GBP 11.71

2/ Proforma EBITDA LTM March 2018 adjusted for non-recurring items

3/ Company estimate, based on due diligence

Recipharm invites investors, analysts and media to a web conference (in English) on June 14 at 10:00 am CET, where CEO Thomas Eldered will comment on the acquisition as well as answer questions.

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

<https://webinars.on24.com/EMEA/RecipharmWebcast>

Questions may be submitted by dialing 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:

94455236#



For more information please visit [www.recipharm.com](http://www.recipharm.com) or contact:

Thomas Eldered, CEO, telephone: +46 8 602 52 10

Mark Quick, Executive Vice President Corporate Development, telephone: +44 7785 387 583  
[ir@recipharm.com](mailto:ir@recipharm.com)

*This information is information that Recipharm AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 13 June 2018, at 17:31 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](http://www.recipharm.com)

Recipharm has retained Crédit Agricole Corporate & Investment Bank, Hurst Corporate Finance, Rambaud - Le Goater and Turner Parkinson LLP as advisors for this transaction.