

Recipharm AB publishes its report for the fourth quarter and full year 2018

October – December 2018

- Net sales amounted to SEK 1,739 million (1,403), an increase of 24%
- EBITDA^{1/} increased by 24% to SEK 280 million (226) corresponding to an EBITDA^{1/} margin of 16.1% (16.1)
- Operating profit (EBIT) amounted to SEK -2 million (-160)
- Profit after tax amounted to SEK -41 million (-183) corresponding to a net margin of -2.3% (-13.0)
- Earnings per share amounted to SEK -0.59 (-2.96) before dilution and SEK -0.59 (-2.96) after dilution. Adjusted for non-recurring items earnings per share amounted to SEK 1.07 (0.83)
- Recipharm announced the intention to end operations in Ashton-under-Lyne, United Kingdom
- The acquisition of the Inhalation CMO business in United Kingdom was completed

January – December 2018

- Net sales amounted to SEK 6,374 million (5,332), an increase of 20%
- EBITDA increased by 35% and amounted to SEK 987 million (730) corresponding to an EBITDA margin of 15.5% (13.7)
- Operating profit (EBIT) amounted to SEK 405 million (-9). Adjusted for non-recurring items EBIT was SEK 425 million
- Profit after tax amounted to SEK 160 million (-160) corresponding to a net margin of 2.5% (-3.0)
- Earnings per share was SEK 2.43 (-2.70) before dilution and SEK 2.43 (-2.70) after dilution. Adjusted for non-recurring items earnings per share amounted to SEK 2.73 (1.10)
- Net debt to Equity was 0.7 (0.7) Non-recurring items had a SEK 20 million negative impact on EBIT and profit before tax
- Proposed dividend is SEK 1.25 (0) per share

KEY FIGURES

| SEK million | Oct – Dec | | | Change in % | Jan - Dec | | |
|--|-----------|-------|------|----------------|-----------|------|----------------|
| | 2018 | 2017 | | | 2018 | 2017 | Change in % |
| Net sales | 1,739 | 1,403 | 24.0 | 6,374 | 5,332 | 19.5 | |
| EBITDA ^{1/} | 280 | 226 | 23.9 | 987 | 730 | 35.3 | |
| EBIT adjusted ^{1/} | 127 | 80 | 58.8 | 425 | 231 | 83.9 | |
| EBIT ^{1/} | -2 | -160 | 98.8 | 405 | -9 | | |
| EBITDA margin (%) ^{1/} | 16.1 | 16.1 | | 15.5 | 13.7 | | |
| Earnings per share adj. (SEK) ^{1/} | 1.07 | 0.83 | | 2.73 | 1.10 | | |
| Earnings per share (SEK) ^{1/} | -0.59 | -2.96 | | 2.43 | -2.70 | | |
| Return on equity (%), adjusted ^{1/} | | | | 3.4 | 1.6 | | |
| Return on equity (%) ^{1/} | | | | 3.1 | -3.2 | | |
| Equity per share adj. (SEK) ^{1/} | | | | 80.6 | 75.7 | | |
| Equity per share (SEK) ^{1/} | | | | 78.7 | 71.9 | | |
| Equity/assets ratio, adj. (%) ^{1/} | | | | 42.1 | 43.4 | | |
| Equity/assets ratio (%) ^{1/} | | | | 42.0 | 41.5 | | |
| Net debt ^{1/} | | | | 3,791 | 3,422 | | |
| Net debt to Equity ^{1/} | | | | 0.7 | 0.7 | | |
| Net debt to EBITDA ^{1/} | | | | 3.8 | 4.7 | | |

^{1/} APM: Alternative Performance Measures



Thomas Eldered, CEO:

Strong finish to a successful year

"In the fourth quarter, net sales increased by 24 per cent to SEK 1,739 million, driven by solid organic growth, acquisitions and currency tailwinds. Organic growth in continuing operations was 8.3 per cent, mainly driven by Solids and Others. While we continued to grow sales from our recently expanded capacities, sales were negatively affected by phasing as well as technical issues and supply delays in France and UK. The market conditions remained generally favourable in all reporting segments.

Sales and EBITDA were the highest ever for a fourth quarter, even excluding acquisitions.

EBITDA increased by 24 per cent to SEK 280 million and the EBITDA-margin remained at 16.1 per cent. The increased profit was mainly due to acquisitions. We saw temporary negative effects from technical issues and supply delays. Adjusted Earnings per share in the quarter increased by 29 per cent to SEK 1.07.

In line with the strong sales growth and seasonal build-up of working capital, cash flow from operating activities for the quarter decreased by SEK 49 million to SEK 25 million.

October 1st Recipharm completed the acquisition of an inhalation CMO business in Holmes Chapel, UK. This acquisition adds new technologies to our offering to customers and we already see a great level of interest from current as well as new customers. Integration has progressed well ahead of plan and we recorded sales of SEK 170 million already in the quarter. While we benefitted from material one-time effects following the completion, the underlying business performed in line with our expectations. Sales and EBITDA-margin in the quarter was higher than the expected annual run-rate.

We have now made the decision to end operations in our Ashton-under-Lyne, UK, facility. This caused an accrual of related non-recurring costs of SEK 117 million, whereof SEK 54 million relate to non-cash items. Sales from this unit have gradually decreased over several years and the facility would require substantial capex in order to become competitive and be able to provide services to our customers according to our standards and policies. Group EBITDA was materially negatively affected by the performance in this unit. This business will be reported in the discontinued business segment from Q1 2019.

I'm pleased with our achievements during 2018 and we are well positioned to explore further opportunities. Leverage ratios are good and will continue to improve during 2019, following improved profit and decreased capex. The temporary effects we saw during the fourth quarter will disappear during coming quarters and we expect to see a steady development going forward. Net sales grew by 20 per cent in 2018 and with current structure we expect to continue to show good growth in 2019, towards reaching our SEK 8 billion sales target by 2020. At 15.5 per cent in 2018 we didn't quite reach our EBITDA-margin target of at least 16 per cent while for 2019 we expect to reach our target."

The complete 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 21 February at 10:00 am CET, where CEO Thomas Eldered and CFO Tobias Hägglov will present and comment on the report as well as answer questions.

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

https://webinars.on24.com/EMEA/RecipharmQ4_2018



Questions may be submitted by dialling below telephone numbers. If you don't wish to ask questions you only need to participate through the link above.

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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 21 February 2019, at 07:45 CET.

About Recipharm

Recipharm is a leading Contract Development and Manufacturing Organisation (CDMO) in the pharmaceutical industry employing around 6,000 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 6.0 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