

FULL YEAR 2019 FINANCIAL RESULTS

Bond Investor Call

30th April 2020

KEDRION
B I O P H A R M A

Keep Life *Flowing*

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1. BUSINESS UPDATE

2. FINANCIAL REVIEW

3. Q&A

PEER HANSEN
Global Chief Financial Officer

MAIN EVENTS OF 2019



FEBRUARY

FDA approval for the **fractionation plant** in Melville, which allowed the processing of 480.000 liters of plasma

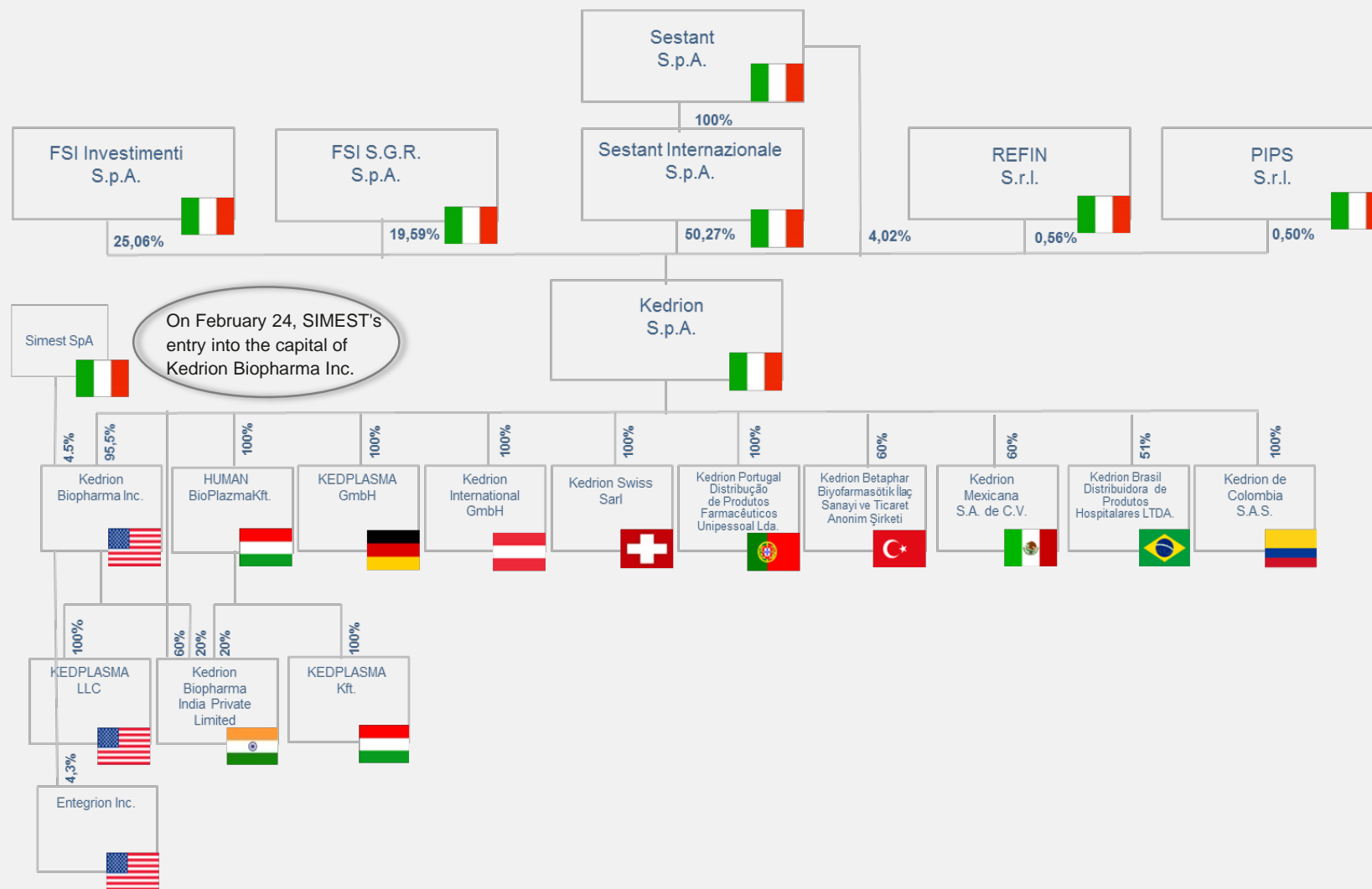
MARCH

FDA approval for the **filling and packaging** line of RhoGAM product;

NOVEMBER

Entry of a **new shareholder in Kedrion's share capital** followed by a **net capital increase contribution** from FSI SGR and CDP Equity of EUR 63.4 million.

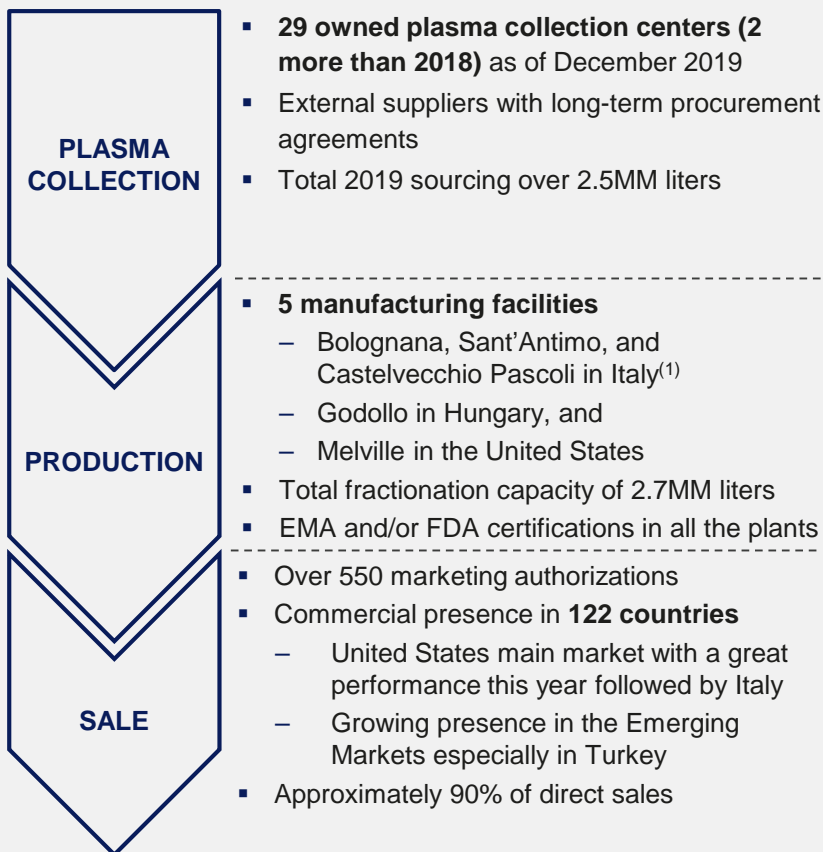
KEDRION S.P.A – CORPORATE STRUCTURE



KEY FIGURES

A LEADING GLOBAL SPECIALTY PHARMACEUTICAL COMPANY, SPECIALIZED IN THE DEVELOPMENT, PRODUCTION & DISTRIBUTION OF A WIDE RANGE OF PROTEIN PRODUCTS DERIVED FROM HUMAN PLASMA

Fully integrated business model



Notes:

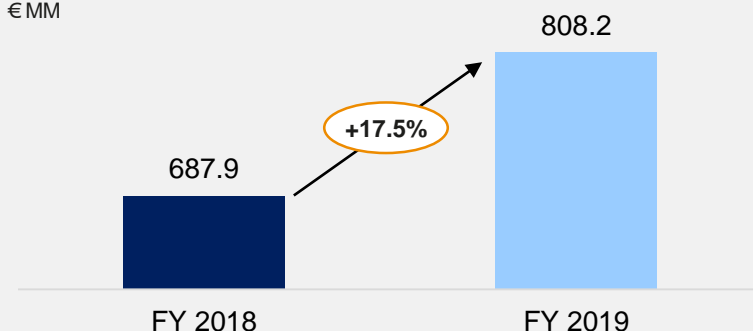
1. The Castelvechio Pascoli plant, which will be dedicated to the purification of the 10% immunoglobulin (Klg10), is currently being completed.

* Of which IFRS16 9.5MM

Financial highlights

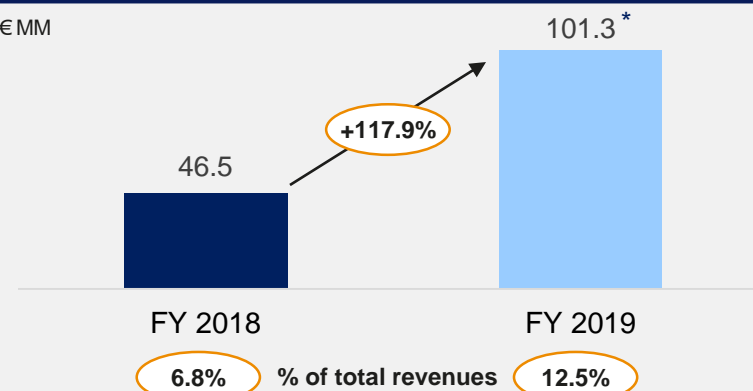
REVENUES

€ MM









REPORTED EBITDA









€ MM



SEGMENT PERFORMANCE

SEGMENT	REVENUES (€MM)	% OF TOTAL	VS PY %	HIGHLIGHTS
PRODUCTION AND SALE OF PLASMA DERIVATIVES	FY 2018  513.9	74.7%		<ul style="list-style-type: none"> ▪ €63.6 MM increase in sales ▪ US market up by 28% vs 2018: <ul style="list-style-type: none"> – Increase IG both in volumes and prices – New Anti-rabies IG ▪ Turkey, India, Austria, Poland and Russia drive growth in the other strategic markets
	FY 2019  577.5	71.5%	+12.4%	
COLLECTION AND SALE OF PLASMA	FY 2018  155.1	22.6%		<ul style="list-style-type: none"> ▪ 35.2% sales increase thanks to combination of plasma sell-price increase and of greater volumes sold compared to 2018
	FY 2019  209.6	25.9%	+35.2%	
OTHER ACTIVITIES	FY 2018  18.9	2.7%		<ul style="list-style-type: none"> ▪ Sale of synthetic products, of which NUWIQ revenues (recombinant Factor VIII distributed in Italy on behalf of Octapharma) accounting for €11.6MM; ▪ Contrat manufacturing in Melville and Godollo for €7.6MM (vs €4.8MM in 2018)
	FY 2019  21.1	2.6%	+11.7%	

GEOGRAPHIC AREAS

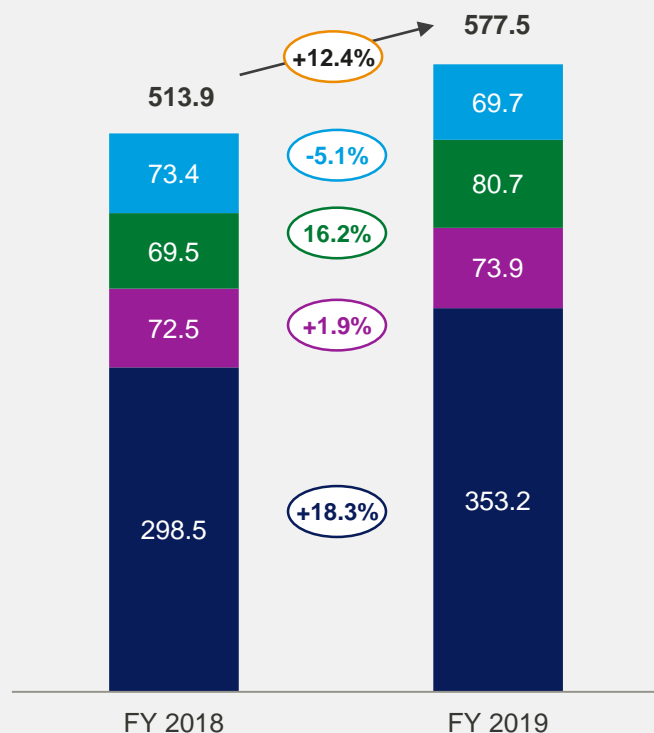
REGION	REVENUES (€MM)	% OF TOTAL	VS PY %	HIGHLIGHTS
UNITED STATES	FY 2018  282.1	41.0%	+24.7%	<ul style="list-style-type: none"> ▪ Increase in revenue driven by: <ul style="list-style-type: none"> - IG (standard and hyperimmune); - Higher volumes of plasma available for sale to third parties; - IG anti-rabies and Albumin - Despite decrease on FVIII
	FY 2019  351.8	43.5%		
ITALY	FY 2018  174.2	25.3%	-8.3%	<ul style="list-style-type: none"> ▪ The reduction is mainly due to the decrease in volumes of the contract manufacturing for the National Health System.
	FY 2019  159.8	19.8%		
EUROPEAN UNION	FY 2018  75.2	10.9%	+26.0%	<ul style="list-style-type: none"> ▪ Wide increase due to higher sales of plasma to third parties and to higher sales of plasma derivatives (IG) ▪ Germany, Hungary, Poland, Austria and Portugal are the main European markets
	FY 2019  94.7	11.7%		
REST OF THE WORLD	FY 2018  156.4	22.8%	+29.0%	<ul style="list-style-type: none"> ▪ Turkey first market in this area (€39.4MM), followed by Switzerland* (€38.1MM) and Mexico (€28.8MM) ▪ Together with Russia, India and Saudi Arabia account for 71% of the revenue of the area
	FY 2019  201.8	25.0%		

PLASMA DERIVATIVES SEGMENT

TOP 3 PRODUCT FAMILIES ACCOUNT FOR 88% OF FY 2019 PLASMA DERIVATIVES REVENUES

Revenues by product family

€MM



Legend

STANDARD IVIG AND HYPERIMMUNE IG (61% OF FY 2019 PD REVENUES)

Standard IVIG:

- Purified immunoglobulin, used to treat disorders of the immune systems, such as overactive or inappropriate immune responses, deficient immune responses, auto-immune responses
- Represents the highest demand of the market

Hyperimmune IG:

- Obtained from immunized donors and containing specific antibodies such as anti-tetanus, anti-HB, anti-D
- RhoGAM: a human anti-D immunoglobulin used for the prevention of the “haemolytic disease of the new-born”
- KEDRAB

ALBUMIN (13% OF FY 2019 PD REVENUES)

- Used to treat hypovolemia (low blood volume) to maintain tissue oxygenation in critically ill patients suffering from shock, sepsis or hypoalbuminemia and in the treatment of burns, severe hemorrhage, hemodialysed patients with hypotension, kidney disease and necrotizing pancreatitis

COAGULATION FACTORS (14% OF FY 2019 PD REVENUES)

- Used to help the body to control the blood flow. Typically given to patients who are deficient in these factors:
 - **Factor VIII**, used to treat haemophilia A
 - Factor IX, used to treat haemophilia B
 - Prothrombin complex and Antithrombin III

OTHER PRODUCTS (12% OF FY 2019 PD REVENUES)

- Mainly related to plasma fractionation for Italian contract manufacturing and to the sales of intermediates, inactivated plasma and other materials

PLASMA SOURCING

HIGH PLASMA AVAILABILITY BOTH FROM OWN CENTERS AND SUPPLIED BY THIRD PARTIES AND REPLACEMENT OF FOUR MATURE CENTERS

Plasma sourcing⁽¹⁾

Million liters

■ Third-party procurement (long-term agreements)

■ Own centers

Collection of plasma stable during 2019 with respect to previous year



Number of own collection centers⁽²⁾

26

28

% of internal collection

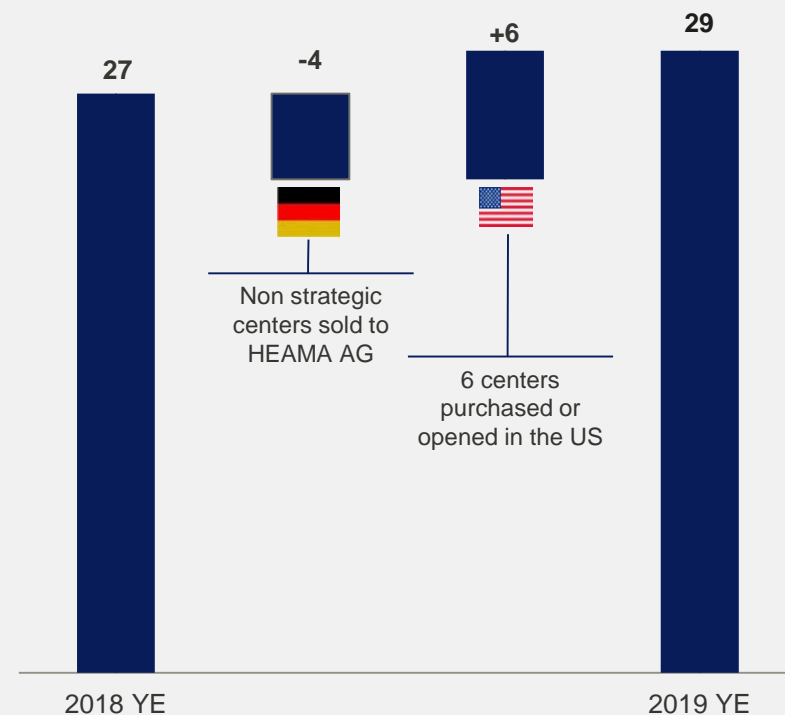
37.5%

36.3%

Notes:

1. Not including hyperimmune plasma and excluding Italian contract manufacturing.
2. Based on collection as at 31 December, excluding Buffalo (NY) plasma center, which is fully dedicated to the collection of anti-D plasma.
3. Based on the collection and including Buffalo (NY) plasma center.

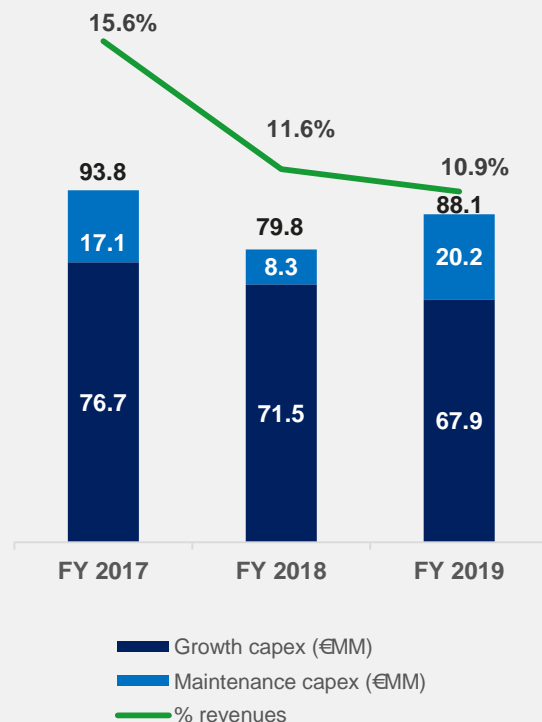
Collection centers network⁽³⁾



GROSS CAPEX

SIGNIFICANT INVESTMENTS TO ENSURE GROWTH SUSTAINABILITY TOWARDS SECTOR'S RANGE

Capital expenditures



Key projects

MELVILLE REFITTING

- Major refitting of the fractionation line from April 2016, with the goal of achieving full integration and standardization with the other Kedrion facilities. Construction phase completed in 2017, production started in early 2018 and with the FDA approval in February 2019 for the fractionation plant 480.000 liters of plasma processed;
- Project includes also a new fractionation and purification line for the anti-D immunoglobulin (RhoGAM)
- 2019 investments: €6.3MM

CASTELVECCHIO PASCOLI COMPLETION (KIG10)

- New facility fully dedicated to the purification of 10% immunoglobulin (Klg10) with the chromatographic method
- Project aimed at insourcing significant production processes which are currently being outsourced
- Melville refitting finalization led to the industrial start-up of the plant
- 2019 investments: €24.7MM (€8.2MM in 2018)

PLASMA COLLECTION INCREASE

- Aimed at increasing the incidence of internal collection on the total plasma supply
- Main focus on US plasma to provide higher flexibility in product allocation
- Thanks to the partnership with ImmunoTek, Kedrion expects to double the number of plasma collection centers in the US over the period 2017-2022
- 2019 investments: €35.2MM (€47.0MM in 2018)

AGENDA

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SIMONE BOAGLIO
Chief of Central Services

CONSOLIDATED PROFIT AND LOSS

Reclassification of profit and loss statement

(In thousands of Euro)	2019	% of total revenues	2018	% of total revenues	Difference 2019/2018
Revenues	808,209	100.0%	687,939	100.0%	17.5%
Cost of goods sold ⁽¹⁾	(569,322)	70.4%	(456,131)	66.3%	24.8%
ADJUSTED GROSS MARGIN⁽²⁾	238,887	29.6%	234,396	34.1%	1.9%
Other income	41,809	5.2%	34,262	5.0%	22.0%
General and administrative expenses	(70,021)	8.7%	(68,255)	9.9%	2.6%
Sales and marketing expenses	(49,863)	6.2%	(45,217)	6.6%	10.3%
Research and development costs	(19,367)	2.4%	(19,697)	2.9%	(1.7%)
ADJUSTED EBITDA⁽²⁾	166,090	20.6%	148,685	21.6%	11.7%
One-off items	(64,766)	8.0%	(102,181)	14.9%	(36.6%)
EBITDA	101,324	12.5%	46,504	6.8%	117.9%
Net amortisation	(40,942)	5.1%	(25,939)	3.8%	57.8%
EBIT	60,382	7.5%	20,565	3.0%	193.6%
Financial management	(18,253)	2.2%	(12,291)	1.8%	48.5%
EBT	42,129	5.2%	8,274	1.2%	409.2%
Taxes	(3,963)	0.5%	3,367	0.5%	(217.7%)
NET PROFIT	38,166	4.7%	11,641	1.7%	227.9%

Notes:

1. Of which amortisation: €24.6MM in 2019 and 15.7MM in 2018 .
2. Adjusted by the management by removing non-recurring items.

Highlights

- **Adjusted Gross Margin** for 2019 increases in absolute value thanks to the record sales performance. The decrease in % is mainly related to the higher weight of the plasma segment and to plasma cost increase
- **Other income** for 2019 shows an increase compared to 2018 mainly due to a reimbursement received by a supplier for the failed delivery of plasma and includes also proceeds from the sale of 4 German plasma collection centers and grants
- **Opex:** Lower incidence on revenues thanks to procurement excellence and rightsizing activities
- **Ebitda adjusted increases by 11.7% while Ebitda reported is more than double** respect to 2018 thanks to one off costs decrease
- **One-off items** in fact have a strong reduction (36.6%) in 2019 and includes mainly:
 - Non-recurring costs related to the Melville operations restart for €31.9MM (vs €76.0MM in 2018) between unabsorbed costs and inventory write-down
 - Start-up/development costs of €23.0MM related to Klg10 and Plasminogen projects and to the new plasma centers
- **Net financial charges** increase of €5.9MM mainly due to the fluctuation of currencies that generated a foreign exchange losses and the increase in interest expense arising from the application of IFRS 16.
- **Net profit reached € 38.2MM** representing 4.7% on the revenues

CONSOLIDATED BALANCE SHEET

Reclassification of statement of financial position

(in thousands of Euro)	31.12.2019		31.12.2018	
INVESTMENTS				
Net working capital (*)	286,852	28.6%	296,452	33.7%
Fixed assets and other long-term assets	716,823	71.5%	587,591	66.8%
Short-term liabilities	(1,680)	(0.2%)	(1,450)	(0.2%)
Long-term liabilities	534	0.1%	(2,694)	(0.3%)
Net Invested capital	1,002,529	100.0%	879,899	100.0%
SOURCES				
Net Financial Position (**)	516,455	51.5%	496,396	56.4%
Shareholder's equity	486,074	48.5%	383,503	43.6%
Total sources of financing	1,002,529	100.0%	879,899	100.0%

Notes:

(*) Net working capital is calculated as current assets net of current liabilities, except for overdrafts and loans maturing within 1 year and financial assets and liabilities.

(**) Net financial position is calculated as the sum total of overdrafts and loans maturing within one year and non-current financial liabilities, net of cash and cash equivalents, current and non-current financial assets and fair value of financial derivatives. **The NFP includes €74.3MM of IFRS16**

Highlights

- **Net working capital** decreases from €296.5 MM in 2018 to €286.8MM in 2019 reducing the incidence on revenues from 43.1% to 35.5%.
 - Inventory decreased by €19.2MM thanks to the optimization of plasma stock and finished products;
 - Payables to suppliers increased by €4.2MM due to a phasing on plasma purchases;
 - Receivables from customers increased by €24.4MM due to a peak on turnover achieved at the end of the year;
- **Fixed assets** increased as a result of the amount of investments during the year (plasma centers and plants) and the impact of IFRS16 of about €72.4MM
- **Net financial position** €442.1MM excluding the impact of IFRS16 substantially improved compared to previous year thanks to the reduction of net working capital and to the positive contribution of the capital increase.

CONSOLIDATED CASH FLOW STATEMENT

Reclassification of cash flow statement

	Year ended 31 December	
(in thousands of Euro)	2019	2018
Net cash flow from operating activities	107,554	36,309
Net cash flow from investment activities	(83,325)	(65,226)
Net cash flow from financing activities	(19,396)	40,478
TOTAL NET CASH FLOW	4,833	11,561
Cash and Cash equivalents at the beginning of the year	116,323	104,522
Net effect of conversion of foreign currencies on cash and cash equivalents	295	240
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	121,451	116,323

Highlights

- 2019 **operating cash flow** was €107.6MM in sharp increase compared to 2018 (€36.3MM) thanks to the optimization of NWC and despite the increase of inventory related to the Melville restart
- Free cash flow after investments** grew from a negative amount of €28.9MM to a positive of €24.2MM
- Investments** in addition to the normal level of investment necessary to make periodic efficiencies to ensure maximum safety standards, two main projects:
 - Immunoglobulin 10%(KIG10);
 - self-sufficiency of raw material by completing the acquisition of six plasma collection centers
- Financing activities** absorbed total cash of €19.4MM due to the repayment of the portion of the 2019 Bond still outstanding (about €58.2MM), the payment of net interest of €24.4MM, dividends paid of €3.2MM. All these elements are partially offset by a net capital increase of €63.4MM

LEVERAGE AND OTHER CREDIT RATIOS

Net financial position and credit ratios

(in thousands of Euro)	31.12.2019	31.12.2018
Medium/Long-term debt towards banks and other lenders- current portion	12,217	64,915
Current financial liabilities towards banks and other lenders	68,103	68,001
Current borrowing	80,320	132,916
Medium/Long-term debt towards banks and other lenders - non current portion	569,048	490,126
Other non-current financial liabilities	396	515
Non-Current borrowing	569,444	490,641
TOTAL GROSS BORROWING	649,764	623,557
Cash and cash equivalents	(121,468)	(116,325)
Other current financial assets	(1,912)	(712)
Other non-current financial assets	(9,929)	(10,124)
NET FINANCIAL POSITION	516,445	496,396
IFRS 16	74,345	-
NET FINANCIAL POSITION - PRO FORMA	442,100	496,396

Highlights

- Leverage ratios shows a marked improved moving from 3.34X in 2018 to 2.82X in 2019
- Cash at the end of the period was €121.5MM. In addition, €117.9MM of available undrawn credit lines increase YE **liquidity** position to €239.3MM
- **Current borrowing as of Dec 2019:**
 - €30MM RCF (exp. April 2022);
 - €30.5MM short term banks loans;;
 - €7.6MM other financial liabilities;
 - €5MM financial leases
 - €7.2MM IFRS16 impact
- **M/L Term Debt as of Dec 2019 :**
 - €350MM 3% notes due July 2022;
 - €118MM RCF due April 2022;
 - €30MM RCF due December 2021;
 - €7.6MM financial leases
 - €67.1MM IFRS 16 impact
- Weighted average maturity of M/L term debt of 2y3m at 2019 YE
- Compared to 2018, the current portion of debt decreased thanks to the repayment of the residual of the bond issued in 2014

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Global Chief Financial Officer

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PASQUALE FRAIESE
Corporate Finance & Treasury