

Q1

Quarterly
result

2024



Vistin Pharma

Published 24 April 2024

Highlights

- MNOK 104 in revenue vs. MNOK 101 in Q1 2023. The 11% increased sales volume compared to the same quarter last year has resulted in higher revenue
- Unplanned “wear and tear” maintenance/repair on Line 2 has resulted in lower than planned production and sales volume in the quarter
- EBITDA MNOK 20 vs. MNOK 14 in Q1 2023. EBITDA positively affected by increased sales volume and product mix, partly offset by a one-time inventory adjustment of MNOK 7
- After unplanned maintenance/repair on line 2 in first quarter, the line has been producing according to plan from fiscal week 14
- Acquisition of 15% in CF Pharma completed and paid in March
- Additional dividend of NOK 0.75 per share paid in January 2024
- The Board of Directors will propose to the AGM an ordinary dividend of total NOK 1 per share, to be paid partly in June (NOK 0.5) and November (NOK 0.5)

1st quarter report for 2024

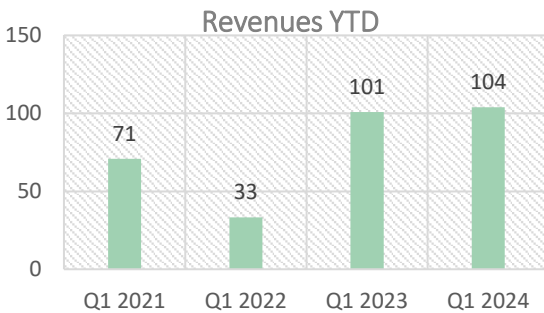
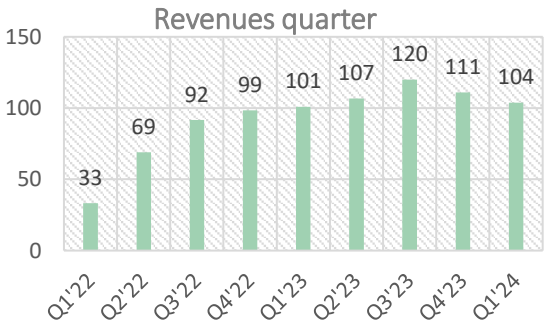
The financial report as per March 2024 has been prepared according to the IFRS (International Financial Reporting Standard) and follows IAS 34 for interim financial reporting, as do the comparable numbers for 2023.

Financial development

(Comparative numbers for 2023 in parenthesis)

Revenue

Revenue in the first quarter of MNOK 104 (MNOK 101), a 4% increase. The revenue increase was mainly driven by higher sales volume (+11%). Global Metformin prices have lowered during 2023 as raw material prices decreased from high post pandemic levels. The unplanned “wear and tear” maintenance/repair on Line 2 has resulted in lower than planned production and sales volume in the first quarter of 2024.

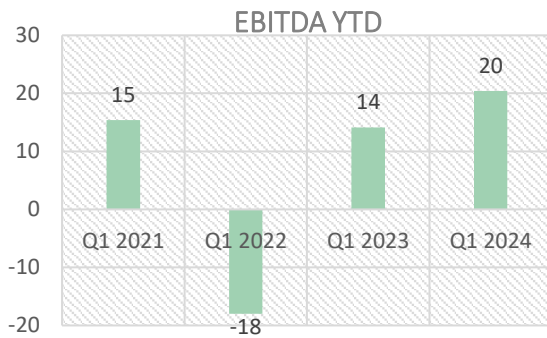
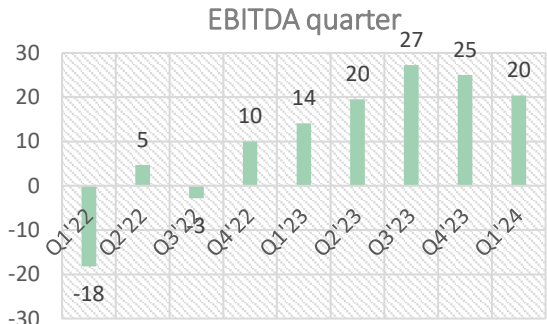


Cost of goods sold

Cost of goods sold (COGS) in the quarter ended at MNOK 83.4 (MNOK 88.4). Adjusted for the one-time write-off cost of MNOK 7, the cost of producing Metformin has decreased from the same quarter last year driven by lower raw material and freight costs. Raw material and freight prices stabilized in Q4 2023 after a decline in 1-3Q 2023. Volume leverage on costs is expected with increasing production volume.

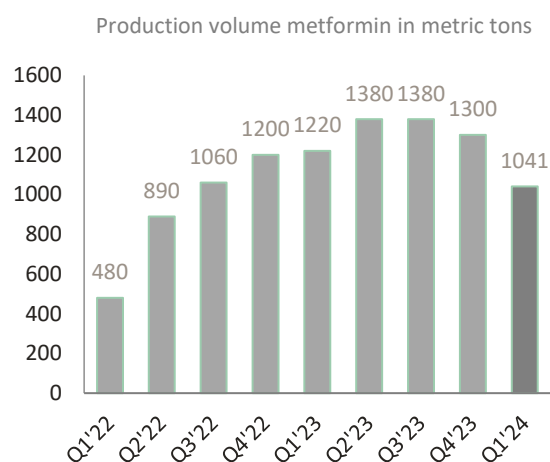
Earnings

EBITDA ended at MNOK 20.4 (MNOK 14.1) for the quarter. EBITDA was positively affected by increased sales volume and product mix. Decreased raw material and freight prices also contributed positively. On the negative side EBITDA was affected by the one-time inventory adjustment (write-off) of MNOK 7. Write-off driven by some material produced in Q1 not complying with Vistin's strict quality standards.



Production

Production output in the first quarter ended at 1 041MT produced metformin. The production volume reflects limited output from the second production line due to the unplanned maintenance/repair stop in the quarter. After the unplanned stop on line 2 in the first quarter, the line has been producing according to plan from fiscal week 14.



Financial items

Net finance ended negative with MNOK 5.9 for the first quarter of 2024, compared to negative with MNOK 13.8 in the same quarter of 2023. Finance income and loss is generally related to realized and unrealized FX losses from customers receivables, currency hedging contracts in EUR and interest expense from credit overdraft. Net finance expense in Q1 2024 was mainly related to unrealized loss of MNOK 3, and MNOK 2 of realized loss on FX hedging contracts. The unrealized loss in Q1 is driven by partly reversal of previously booked (Q4'23) unrealized gain for EUR FX hedging contracts for 2024 and 2025.

Cash flow

Q1 net cash flow from operating activities was positive with MNOK 10.6. Net cash flow from operating activities in same period of 2023 was positive with MNOK 24.7.

Net cash flow from investing activities in Q1 2024 was negative with MNOK 22.7, which represents capital expenditure, leasing repayments and acquisition of 15% in CF Pharma. Net cash flow from investing activities in the same period last year was negative with MNOK 1.3.

Net cash flow from financing activities in Q1 2024 was negative with MNOK 2.7, driven by dividend payment of MNOK 33.3, partly offset by utilizing the bank overdraft. Net cash flow from financing activities in the same period last year was negative with MNOK 21.8, reflecting repayment of the bank overdraft.

Change in cash and cash equivalents for Q1 2024 was negative with MNOK 14.8. In the same period last year, there was a net increase in cash equivalents of MNOK 1.6.

Balance sheet

Assets

Vistin Pharma had total assets of MNOK 400.4 as of 31 March 2024 (MNOK 387). The company has a deferred tax asset of MNOK 12.5 (MNOK 29.4). Based on the financial forecasts for the company the deferred tax asset is expected to be fully utilized, and thus the full amount has been included as carrying value in the balance sheet.

Equity

Equity by the end of March was MNOK 297.2 (MNOK 270.5). This equals an equity ratio of 74%.

Liabilities

The Company had net interest-bearing debt of MNOK 19.2 as of end March 2024, compared to net debt of MNOK 20.3 as of end March 2023. MNOK 3 (MNOK 3.7) in obligations related to lease contracts are recognized in the balance sheet according to IFRS 16.

Operational status

Market

The global Metformin market has a strong underlying demand and is by industry experts expected to grow by 5-6% annually (CAGR) in the foreseeable future. The global demand for metformin HCl is forecasted to increase by approx. 23.000MT to 87.000MT by 2028. Metformin is the standard first-line treatment of Type 2 Diabetes, which represents around 90% of the global diabetes cases. Vistin Pharma's key customers are well reputable pharmaceutical companies that use our API into innovative and generic metformin drug products to the end market. The product demand will therefore be dependent on the performance of these products in the market. Key drivers for future growth are the number of diabetes patients diagnosed and treated with metformin-containing products, continued growth in sales volume from existing international customers, as well as adding new customers to Vistin's portfolio. The company is currently experiencing strong demand for its products.

Strategy

After installation of the new second production line (MEP) in Q1 2022, the company has been focusing on ramping up volume from the two production lines. A significant part of the company's resources is involved in optimizing output and building efficient and robust processes to achieve up to 7000MT of annual Metformin HCl output.

Vistin's Metformin strategy is to grow with our existing and new customers, fulfilling their demands and gradually utilize all available production capacity by increasing our market share via active sales Business to Business (B2B).

Higher manufacturing and sales volumes going forward are expected to increase working capital requirements, however this

will fluctuate from quarter to quarter. In addition, Vistin's further growth ambitions will require some additional CAPEX to support the growth, increased production productivity and sustainability. Vistin has a strategy of keeping additional safety stock of critical raw materials, to secure future supply and support the MEP ramp-up plan. Such safety stock is planned to mitigate potential uncertainties or delays around delivery lead times of raw material from Asia and/or any negative effects from the ongoing war in Ukraine.

The company also has a strategic intent to become a European multiproduct Contract Development and Manufacturing Organization (CDMO) as part of the growth strategy.

Research and Development (R&D)

Vistin is positioned as a premium supplier in the market. To strengthen the position, Vistin is committed to invest in process and product quality development and take advantage of Best Available Techniques (BAT) in its production environment. Vistin has a separate department consisting of four highly competent engineers dedicated to work with process, productivity, and quality improvements.

Acquisition of 15% in CF Pharma

Vistin has acquired 15% of CF Pharma at a transaction price cap of MEUR 1.6, which consists of a base price and an earn-out-element. CF Pharma is an API CDMO located in Budapest, Hungary, with a broad customer base of recognized international pharmaceutical companies and has an extensive production site. CF Pharma has a proven track record in developing and commercializing Active Pharmaceutical Ingredients (APIs). The company currently has five commercial APIs on the market, with another eight APIs under development. CF Pharma has approximately 170 employees, and an extensive R&D department for development of new products and processes.

WHO:

Diabetes is a chronic, metabolic disease characterized by elevated levels of blood glucose (or blood sugar), which leads over time to serious damage to the heart, blood vessels, eyes, kidneys and nerves. The most common is type 2 diabetes, usually in adults, which occurs when the body becomes resistant to insulin or doesn't make enough insulin. In the past 3 decades the prevalence of type 2 diabetes has risen dramatically in countries of all income levels. For people living with diabetes, access to affordable treatment is critical to their survival

Source: Diabetes (who.int)

Vistin:

Metformin is the 1st-line treatment for type 2 diabetes and is expected to continue to be so in the foreseeable future, due to the cost-efficient treatment with limited side effects and long-term safety profile. Today Vistin Contributes to deliver Metformin diabetes type 2 medication to millions of patients every day.



No harm vision

- Our vision is to have no negative impact on environment, people, and local community by our presence
- Vistin is a green and environmentally friendly pharmaceutical company with a no harm vision and front runner ambition
- Our goal is to increase our manufacturing capacity without increased environmental impact on water, air, and soil



Vistin Pharma's 7 goals for achieving increased sustainability.

1

Aim to reduce the water consumption in the plant by 90% through recycling

2

Reduce emission of VOC to air by 95%

3

Reduce pharmaceutical content in waste

4

No increase in discharge to sea from doubled production capacity. Innovative process design in expansion project

5

Program for monitoring effluents in the environment and living species

6

Change of packaging material in DC granulate product that will reduce environmental footprint in fabrication of material, transportation and customer waste generation

7

Reduction of plant energy consumption by optimizing of steam and condensate system by heat integration

Corporate social responsibility, the environment and employees

Vistin Pharma aspires to achieve sustainable development by having a good balance between financial results, value creation, sustainability, and CSR. The Board of Directors have the overall responsibility for aligning Vistin's strategy and sustainability considerations, while the day-to-day responsibility lies with the CEO, supported by the Leadership Team. The statement of corporate social responsibility required under the Norwegian Accounting Act follows below

Corporate social responsibility

Vistin Pharma is committed to conduct its business in a manner that adheres to the highest industry standards within the pharmaceutical industry, and strictly in accordance with international and local laws and regulations. Vistin Pharma is a socially responsible company dedicated to promoting decent working and environmental conditions in the supply chains. Vistin Pharma has adopted the general principles of UN Global Compact with universally accepted principles for human rights, working conditions, environment, and anti-corruption. In pursuit of this the Company has developed a 'NO HARM VISION' consisting of:

- ***A vision to have no negative impact on environment, people, and local community by our presence***
- ***A «green» and environmentally friendly pharmaceutical company with a “no harm” vision and “front runner” ambition***
- ***A goal to increase our manufacturing capacity without increased environmental impact on water, air, and soil***

ESG achievements and initiatives

Vistin Pharma has during the last years invested in, completed, and implemented several projects that significantly reduce the environmental footprint. Building on this success, Vistin Pharma has several ESG initiatives ongoing:

- Vistin continues to use only hydro powered energy to minimize carbon footprint.
- Vistin completed in Q1 2024 an investment project with the aim of reducing the water consumption in the plant by >80% through recycling, incl. reusing the hot water for heating of plant.
- Vistin is working on a technology project where distillation will be fractionated into components that can be used as raw materials for other companies.
- Vistin has, since 2017, been part of a national program for surveillance of industrial impact on fjords and effluents. Surveillance program and ecotoxicology test confirm that Vistin do not impact the effluent negatively.
- Vistin has invested MNOK >10 in a cooling system to condense hydrocarbons. This has reduced the emission to air with more than 95%.

Risks and uncertainties

As a pharmaceutical manufacturing company, Vistin Pharma is exposed to several types of risk. Fluctuations in the price and availability of raw materials and the development in foreign exchange (USD and EUR) are among the most prominent. Majority of the sales are done in EUR, while all primary raw material purchases are in USD. In addition, risk related to potential regulatory changes, new medications for the treatment of diabetes II, and environmental issues connected to emission permits at the Company’s plant, represent central risk factors to the Company.

Basis of presentation

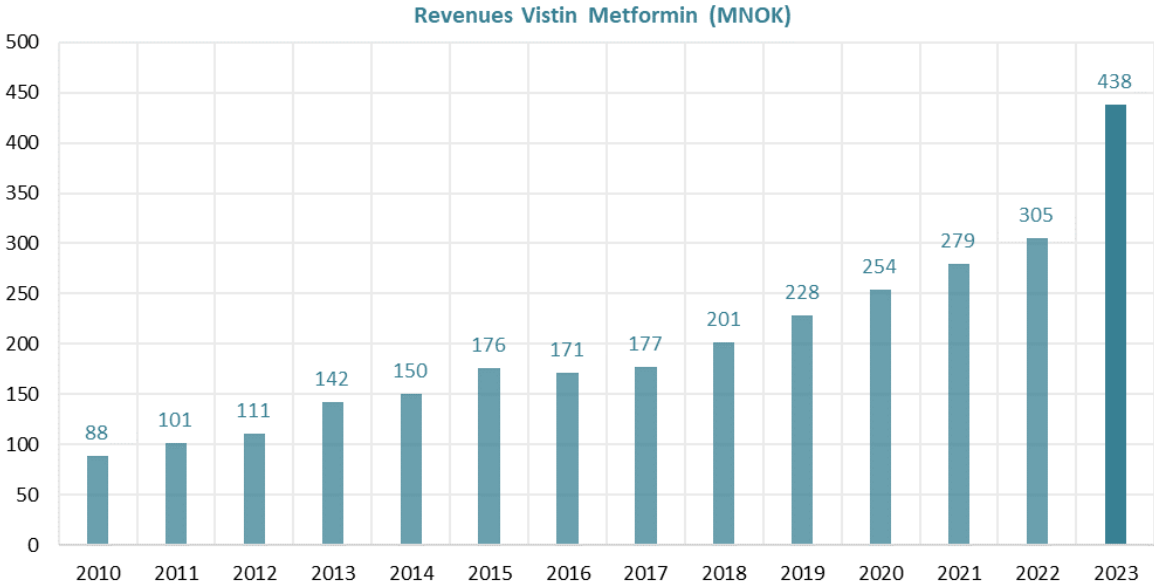
This financial information should be read together with the financial statements for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards (“IFRS”). The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements. Additional disclosures supplementing the financial statements are included in this report on pages 2–5. The figures are unaudited.

Events after the reporting date

There have not been events after the reporting date that affect the Company’s financials.

General market outlook

Diabetes is one of the largest global health crises of the 21st century, and the demand for Metformin medication is expected to continue to grow by 5-6% annually, as it remains the gold-standard treatment for type 2 diabetes. Global metformin HCl demand is forecasted to grow by approx. 23.000MT to 87.000MT by 2028. Most of Vistin Pharma’s key customers are international pharmaceutical companies that sell innovative and plain Metformin drug products to the end market. The demand for the Company’s Metformin will be dependent on the market performance of these companies. The demand for Metformin in the market has not been affected by the corona epidemic or the current situation in Ukraine. The vulnerability for drug supplies during both the corona epidemic and the Ukraine situation has been an eye opener for the authorities, and the need for ‘short, travelled medicines’ will be high on the agenda going forward. Vistin is strategically well positioned to benefit from the expected stronger demand for local supplies from Europe going forward.



Shareholder information

The Company had 44 344 592 issued shares as of 31 March 2024. The five largest shareholders were Intertrade Shipping AS with 12,575,000 shares, Holmen Spesialfond with 3,842 055 shares, Pactum Vekst AS with 2,991,773 shares, MP Pensjon PK with 1,719,848 shares, and Ferncliff Listed DAI AS with 1,234,280 shares.

The share price has moved from NOK 23.2 per share at 31 of December 2023, to NOK 22.3 as of 31 March 2024.

Dividend policy

The company has an ambition to pay out 50 percent of net annual profit as dividend. However, the size of the dividend will be dependent on the company's' financial capability and capital requirements for future growth.

Additional dividend of NOK 0.75 per share approved and paid in January 2024.

The Board of Directors will propose for the AGM an ordinary dividend of total NOK 1 per share, to be paid partly in June (NOK 0.5) and November (NOK 0.5 NOK).

Condensed financial statement (P&L) **Q1 2024** **Q1 2023** **FY 2023**

All numbers in NOK 1000

Total revenue and income	103 884	100 940	438 328
Cost of materials	44 064	45 081	176 644
Salary and social expenses	21 328	20 442	93 135
Other operating expenses	18 050	21 276	82 605
Total operating expenses	83 443	86 798	352 384
Operating result before depr. (EBITDA)	20 441	14 141	85 944
<i>Operating result before depr. %</i>	<i>19,7 %</i>	<i>14,0 %</i>	<i>19,6 %</i>
Depreciation	4 682	4 199	17 347
Operating result	15 759	9 942	68 597
<i>Operating result in %</i>	<i>15,2 %</i>	<i>9,8 %</i>	<i>15,6 %</i>
Financial income	1 647	6 297	20 841
Financial expenses	7 590	20 060	30 920
Net finance	-5 943	-13 763	-10 079
Pre tax profit	9 816	-3 821	58 517
Tax	2 159	-841	12 923
Result	7 656	-2 980	45 595
Comprehensive income			
Result after tax	7 656	-2 980	45 595
Other comprehensive income	-	-	3 690
Total comprehensive income	7 656	-2 980	49 284

Key figures	Q1 2024	Q1 2023	31.12.2023
Equity share	74 %	70 %	81 %
Earnings per share	0,17	-0,07	1,03
Average shares outstanding in 1000	44 345	44 345	44 345

**Condensed financial statement
(balance sheet)**

All numbers in NOK 1000

	31.03.2024	31.03.2023	31.12.2023
Assets			
Fixed assets	226 607	216 610	219 984
Financial assets	11 433	-	-
Deferred tax assets	12 478	29 442	14 638
Total tangible and fixed assets	250 518	245 052	234 622
Inventory	70 707	81 263	80 171
Trade receivables	61 082	56 808	47 023
Other receivables	6 674	-221	15 376
Cash	11 403	3 063	26 204
Total current assets	149 866	140 914	168 774
Total assets	400 384	386 966	403 397
Equity and liability			
Share capital	44 345	44 345	44 345
Share premium reserve	173 626	206 885	206 885
Retained earnings	79 197	19 275	71 540
Total equity	297 169	270 505	322 770
Pension liabilities	8 479	13 199	8 864
Other non-current liabilities	2 005	2 721	2 287
Total long term liabilities	10 484	15 920	11 151
Trade payables	16 665	20 671	18 916
Short term debt	30 613	23 384	-
Other current liabilities	45 453	56 485	50 558
Total short-term liabilities	92 732	100 540	69 473
Total equity and liability	400 384	386 966	403 397

Change in equity

All numbers in NOK 1000

	31.03.2024	31.03.2023	31.12.2023
Equity start of period	322 770	273 484	273 486
Result for the period	7 656	-2 980	45 595
Other comprehensive income	-	-	3 690
Dividend	-33 258	-	-
Equity end of period	297 169	270 505	322 770

Cash flow analysis YTD 31.03.2024 31.03.2023 31.12.2024
 All numbers in NOK 1000

Result for the period	9 816	-3 821	58 517
Depreciations	4 682	4 199	17 347
Working capital changes	-3 915	24 347	14 726
Cash flow from operation	10 583	24 725	90 592
Purchase of equipment and intangibles	-22 738	-1 340	-17 681
Cash flow from investments	-22 738	-1 340	-17 681
Finance activities	30 613	-21 757	-48 143
Dividend	-33 258		
Cash flow finance activities	-2 645	-1 134	-48 143
Change in cash for the period	-14 800	1 628	24 768
Cash at start of period	26 204	1 435	1 435
Cash by the end of period	11 403	3 063	26 204



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