

Regulated information

Nazareth (Belgium)/Rotterdam (The Netherlands), 14 April 2020 – 7am CET

## Fagron realizes turnover growth of 16.4%

## Limited impact from COVID-19 pandemic

### Highlights

- Turnover increased by 16.4%<sup>1</sup> (+19.2% at constant exchange rates) to € 141.6 million
- Organic turnover growth of 9.2% at constant exchange rates
- Strong performance in all regions, in particular North and Latin America
- Impact of COVID-19 as yet limited and non-material
  - Fagron is fully operational in all markets where it is active
  - Virtually no disruption to supply chain
  - Temporary shift in demand for products
- Global uncertainty regarding impact of COVID-19 in 2020 requires cost control and disciplined capital allocation
- 2019 dividend proposal lowered to € 0.08 per share

**Rafael Padilla, CEO of Fagron:** *“Fagron showed an excellent performance across the board in the first quarter of 2020. Europe showed a good development of organic turnover growth, while North America and Latin America were able to continue their strong performance.*

*Whilst the impact of COVID-19 on our results is limited on balance, the outbreak has led to a new reality since the beginning of 2020, in terms of both the organization of our operations and the demand for and availability of our products.*

*The safety and well-being of our employees is our absolute top priority. At the same time our ability to supply our products at this time of growing scarcity of specific raw materials and medicines and pressure on the healthcare sector is more crucial than ever. At all our facilities we have introduced strict measures to provide optimum protection to our staff and at the same time guarantee the continuity of our activities.*

*At present it remains difficult to predict the final impact of COVID-19 on Fagron’s performance, given that many of the markets in which we are active are still in the midst of the virus outbreak and the measures to control it. On the one hand we are seeing exceptionally high demand for specific products, in particular at Brands and Essentials. Compounding Services plays an important role in providing solutions for bottlenecks, for example by preparing products that are scarce and by taking pressure off overstretched nurses and hospitals. This proves once more the added value of Compounding Services in these exceptional circumstances. On the other hand, Compounding Services is impacted by elective care being*

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<sup>1</sup> Excluding HL Technology, which was sold in Q4 2019.



*delayed or scaled back. On balance, we are convinced that the strategic position and the importance of compounding, both in the (hospital) pharmacy and by Fagron, will gain importance.*

*We have every confidence that our global team and network will enable us to respond effectively to the changed circumstances, allowing us to further strengthen our ties as a trusted partner for our customers, both now and in the future. COVID-19 is causing a great deal of uncertainty and at present it is still too soon to predict to what extent this will affect our activities. To ensure that Fagron's long-term potential is not compromised we are taking some precautionary measures, including a greater focus on cost control, disciplined capital allocation and strict cash flow management, so that we can continue to invest in our further development. As part of these measures the 2019 dividend proposal has been lowered to € 0.08 per share.*

*The current conditions are placing extremely high demands on our employees, who as frontline staff are making maximum efforts to optimize supplies to hospitals and pharmacies. It makes me very proud that thanks to all our committed and motivated employees we as an organization are contributing to a healthier future, also in these challenging times."*

## **COVID-19**

### *Supply chain*

Despite the outbreak of the coronavirus the Fagron supply chain has experienced virtually no disruption. Asia (especially China, India and Japan) is an important region for Fagron for the procurement of pharmaceutical raw materials. Thanks to our global network of suppliers we have several suppliers for each raw material, meaning that the lockdown in India, and in China earlier in the year, has had a limited impact on our supply chain. At present we are seeing limited availability or price increases for a limited number of products. Where necessary we will look to other countries or distributors for alternative sourcing of these products.

Fagron is closely monitoring its supply chain and product availability, for example through the usual strict organization of its supply systems and through proper preparation for alternative sourcing scenarios, with the extensive global network of approved suppliers making an important contribution in this respect.

### *Temporary shift in demand for products*

We are seeing a distinct temporary shift in demand as a result of the COVID-19 outbreak. On the one hand elective care is being delayed or scaled back, while on the other hand we are seeing exceptionally high demand for specific products, including alcohol gels and the raw materials to make them, products to support the immune system (vitamins, minerals and Fagron Brands like Imuno® TF and Wellmune®), hydroxychloroquine and chloroquine (used in experimental treatment of COVID-19), medicines used in intensive care units, paracetamol and paracetamol powder, and palliative care medicines. Overall, we do not currently expect this shift to have a notable impact on the gross margin.

We expect to see (temporary) shortages of a number of these products, which we will seek to mitigate through optimum use of our global supply and distribution network.

### *Measures*

In many of the markets where we are active the outbreak of the virus is not yet under control at this time and it is not clear how long the measures to combat the virus will remain in place. Although Fagron currently experiences a limited and non-material impact on its performance, there is growing economic uncertainty. In order to mitigate this risk, Fagron is taking a more critical look at its cost base, investments and cash flow management. For example, there is a temporary stop on hiring new employees for non-key



positions and investments will be deferred where this is possible and without restricting the further development of Fagron. In addition, the 2019 dividend proposal has been reduced from € 0.15 per share – as communicated on 14 February – to € 0.08 per share. This is just a precautionary measure to ensure that Fagron can continue to invest in further growth.

### Our contribution to society

Fagron wants to take its responsibility by doing everything it possibly can to give doctors, pharmacists and nurses maximum support during this crisis. Fagron will actively deploy its expertise, network and facilities wherever it can to help relieve shortages.

Fagron has been granted special permission by the Belgian authorities to produce hydroxychloroquine and chloroquine compounds and paracetamol drinks at the GMP sterile preparation facility in Bornem for Belgian hospitals which do not have the time or capacity for proprietary preparation of these products under the current circumstances. Fagron is providing this service at a minimal fee to cover the cost of the materials used and the transportation.

In the Netherlands Fagron is represented in the national medicines coordination center for ICU corona patients (*Landelijk Coördinatiecentrum Geneesmiddelen voor Coronapatiënten op de IC*). Fagron has furthermore donated 20,000 FFP2 face masks to the national switch point (*Landelijk Schakelpunt*) in the Netherlands.

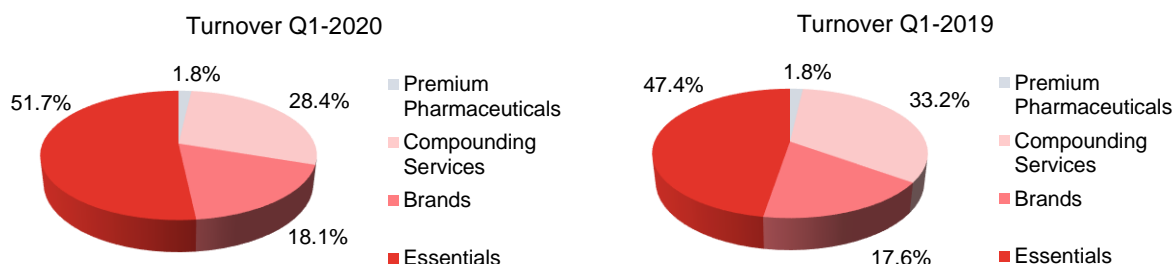
Fagron has donated 75,000 doses of chloroquine (used in experimental treatment of COVID-19) to hospitals in Spain.

The non-executive members of the Board of Directors have volunteered to waive 25% of their remuneration for the 2020 financial year with the money to be devoted to the fight against COVID-19.

### Key figures by segment

#### Fagron (excluding HL Technology)

(x € 1,000)	Q1-2020	Q1-2019	Total growth	Total growth CER	Organic growth	Organic growth CER
Turnover	141,621	121,681	+16.4%	+19.2%	+6.9%	+9.2%



Turnover at Fagron (excluding HL Technology) increased by 16.4% (+19.2% at constant exchange rates) to € 141.6 million in the first quarter of 2020. Organic turnover growth equaled 6.9% (+9.2% at constant exchange rates).

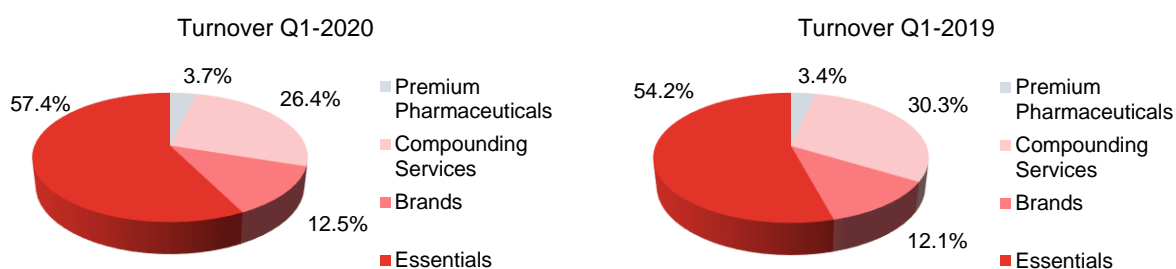


The table below shows the turnover development and exchange rate effects at Fagron (excluding HL Technology) in the first quarter of 2020.

(x € 1,000)	Impact
<b>Turnover Q1-2019</b>	<b>121,681</b>
Development Europe <sup>2</sup>	+2,213
Development Latin America	+3,759
Development North America	+5,248
Currency effect BRL/Euro	-3,748
Currency effect USD/Euro	+1,150
Currency effect other	-166
Contribution of acquisitions	+11,485
<b>Turnover Q1-2020</b>	<b>141,621</b>

### Fagron Europe<sup>3</sup>

(x € 1,000)	Q1-2020	Q1-2019	Total growth	Total growth CER	Organic growth	Organic growth CER
Turnover	68,074	63,499	+7.2%	+7.4%	+3.3%	+3.5%



The turnover of the Europe segment increased by 7.2% in the first quarter (+7.4% at constant exchange rates) to € 68.1 million. Adjusted for the acquisitions of Dr. Kulich Pharma (Czech Republic) and Gako (Germany), organic turnover growth was 3.3% (+3.5% at constant exchange rates).

Brands and Essentials in particular showed strong growth, while Compounding Services saw a slight decrease. The strong turnover growth at Brands and Essentials was partly driven by increased demand for corona-related products. In addition, Dr. Kulich Pharma, which was acquired in 2019, contributed to the growth at Essentials. At Compounding Services, the effect of the delay of elective care was offset by strong demand for sterile preparations used in intensive care and palliative care. Premium Pharmaceuticals also performed well.

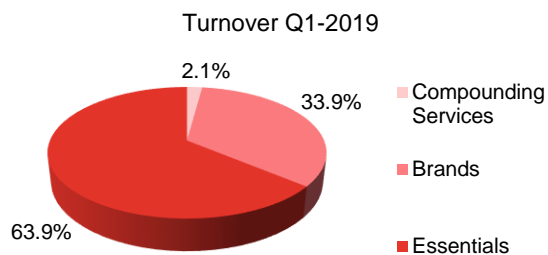
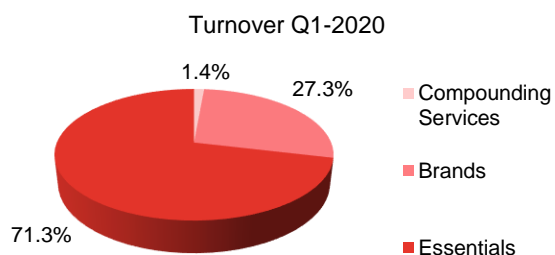
<sup>2</sup> The Europe segment comprises Fagron's activities in Europe, South Africa and Australia.

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### Fagron Latin America

(x € 1,000)	Q1-2020	Q1-2019	Total growth	Total growth CER	Organic growth	Organic growth CER
Turnover	34,176	25,210	+35.6%	+53.0%	-0.1%	+14.9%

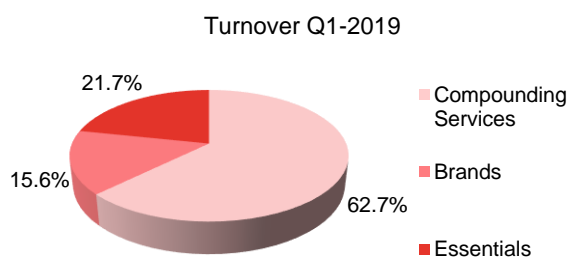
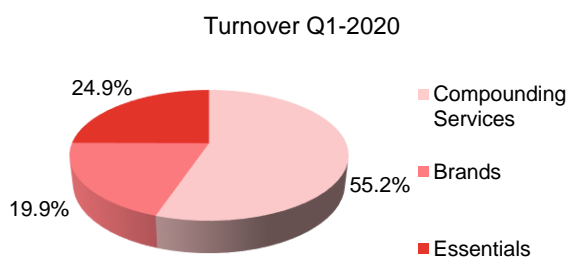


The turnover of the Latin America segment increased by 35.6% in the first quarter of 2020 (+53.0% at constant exchange rates) to € 34.2 million. Organic turnover growth at constant exchange rates was 14.9%.

The share of Essentials increased sharply as a result of both organic growth (partly driven by increased demand for corona-related products) and a strong contribution from the companies acquired in 2019. Brands also showed strong organic turnover growth across the board, to which the demand for corona-related products contributed as well.

### Fagron North America

(x € 1,000)	Q1-2020	Q1-2019	Total growth	Total growth CER	Organic growth	Organic growth CER
Turnover	39,371	32,973	+19.4%	+15.9%	+19.4%	+15.9%



The turnover of the North America segment increased by 19.4% in the first quarter of 2020 (+15.9% at constant exchange rates) to € 39.4 million.

The sterile activities of Fagron (Compounding Services) in the United States showed slight growth of 5.2% (+2.2% at constant exchange rates) but declined as a share of total turnover due to the strong increase at Brands and Essentials. Fagron Sterile Services realized turnover growth of 16.5% (+13.1% at constant exchange rates). AnazaoHealth saw a decline in turnover of 2.4% (-5.2% at constant exchange rates).



Turnover growth at Fagron Sterile Services was slowed by the temporary closure of some clinics and temporary delay of elective care. The sterile compounding facilities in Wichita are on track to meet the stated long-term turnover target although there may be a delay depending on the further development of COVID-19. AnazaoHealth saw a slight decrease in turnover in the first quarter of 2020 following the product focus implemented last year, as a result of which some low-margin nuclear products are no longer being prepared.

Brands and Essentials saw strong growth in the first quarter of 2020 (+39.0% at constant exchange rates) due to a strong overall performance, benefiting for example from the intensive collaboration between Fagron and Humco (acquired in April 2018), which led to the achievement of commercial synergies and benefits of scale. In addition, there was increased demand for a number of specific coronavirus-related products.

#### Conference call

Today at 9.30am CET there will be a conference call with Rafael Padilla (CEO) and Karin de Jong (CFO) on the trading update for the 2020 first quarter. The link ([click here to join](#)) for registering will open 15 minutes before the start of the call. The confirmation code is 543778.

If registration using the link is unsuccessful, you can use the numbers and confirmation code below as an alternative:

Belgium	+32 (0)2 400 1998
Netherlands	+31 (0)20 721 9250
Spain	+34 91 114 7292
United Kingdom	+44 (0)330 336 9104
United States	+1 929 477 0630
Confirmation code	543778

#### Financial calendar for 2020

11 May	Annual General Meeting of Shareholders*
6 August	2020 first-half results
13 October	Trading update, 2020 third quarter

Results and trading updates are published at 7am CET.

\* At Fagron everyone's health is our first concern. We therefore feel the responsibility to take some extraordinary measures in the framework of the recent COVID-19 (Corona-virus) pandemic, among which the request to participate in the annual shareholders meeting via audio/video conference, in order to safeguard your health to the greatest extent possible. The shareholders are requested to consult these measures on the website of Fagron.

*In the event of differences between the English translation and the Dutch original of this press release, the latter prevails.*

#### For further information

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### Profile Fagron

Fagron is a leading global company active in pharmaceutical compounding, focusing on delivering personalized medicine to hospitals, pharmacies, clinics and patients in 36 countries around the world.

The Belgian company Fagron NV is located in Nazareth and is listed on Euronext Brussels and Euronext Amsterdam under the ticker symbol 'FAGR'. Fagron's operational activities are driven by the Dutch company Fagron BV. Fagron BV's head office is located in Rotterdam.

### Important information regarding forward-looking statements

Certain statements in this press release could be considered to be forward looking. Such forward-looking statements are based on current expectations and are influenced by various risks and uncertainties. Consequently, Fagron cannot provide any guarantees that such forward-looking statements will, in fact, materialize and cannot accept any obligation to update or revise any forward-looking statement as a result of new information, future events or for any other reason.

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