

Regulated information – inside information

Nazareth (Belgium)/Rotterdam (The Netherlands), 3 August 2023 – 7AM CET

Fagron delivers strong performance with 13% topline growth and 14% increase in REBITDA for first half of 2023

Fagron, the leading global player in pharmaceutical compounding today publishes its first half results for the period ending 30 June 2023.

Key Highlights

- **Strong topline performance with 13.1% reported revenue growth (12.1% at CER) and 8.4% organic revenue growth at CER**
- **Organic revenue performance reflects impressive growth in North America supported by continued solid performance in EMEA**
- **14.0% REBITDA increase translates in 10bps REBITDA margin uplift to 19.4%, reflecting completion of pricing pass-through in EMEA and operational excellence benefits**
- **Operating cash flow increased by 12.1% to €43.3 million and leverage ratio of 1.9x**
- **Net earnings per share of €0.46**
- **FY '23 outlook of high single digit organic sales growth and improvement in profitability and one-off capex in repackaging capacity in North America announced**

Rafael Padilla, CEO of Fagron:

“In a market that remains very dynamic, Fagron has maintained momentum to post an excellent performance in the first half of the year, with organic revenue growth of 8.4% at CER year-on-year and margin improvement supported by successful strengthening of our operational and commercial pillars. Our performance reflects the strength of Fagron’s diversified business model allied to improved execution capabilities and supportive long-term fundamentals for the industry.”

EMEA has shown continued organic revenue growth as we capitalized on strong demand across most of our markets. In Latin America, we have diligently focused on driving internal efficiencies resulting in a stronger performance towards the end of the second quarter, and though competitive pressures remain, we are seeing signs of improving customer demand. We remain confident about the prospects for the region going forward. North America demonstrated the strongest growth, driven by outstanding performance at FSS and Anazao, as demand for outsourcing services continues to grow and our customer base expands.

While the business fundamentals of strong cash generation remain intact, it is essential to acknowledge the prudent one-off investment we are making this year at Anazao. Additionally, achieving market leadership in the B&E segment in North America remains a key strategic priority, and to that end, we are announcing an investment in a new cGMP repackaging facility.

While our first semester investments trended towards organic growth, we continue to look for attractive growth opportunities that support our strategic ambitions and meet our disciplined acquisition criteria.

For the full year, we expect high single digit organic revenue growth and profitability to improve YoY. Although macro-economic conditions remain uncertain, we are confident in delivering to our full year and mid-term objectives.”

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H1 2023 Key Financial Figures

(€ '000)	Revenue per region					
	H1 '23	H1 '22	Δ	Δ CER	Δ Organic	Δ Organic CER
EMEA	146,084	137,709	6.1%	6.5%	4.4%	4.7%
Latin America	80,450	78,561	2.4%	-0.2%	2.4%	-0.2%
North America	145,039	112,294	29.2%	27.7%	20.4%	19.2%
Group	371,573	328,565	13.1%	12.1%	9.3%	8.4%

(€ '000)	Revenue per segment					
	H1 '23	H1 '22	Δ	Δ CER	Δ Organic	Δ Organic CER
Essentials	166,847	167,306	-0.3%	-1.9%	-2.4%	-3.9%
Brands	60,597	55,434	9.3%	8.6%	7.4%	6.7%
Compounding Services (CS)	144,130	105,826	36.2%	36.1%	28.8%	28.7%

(€ '000)	Group		
	H1 '23	H1 '22	Δ
REBITDA	72,183	63,322	14.0%
REBITDA margin	19.4%	19.3%	10bps
Net EPS (€)	0.46	0.48	-4.2%
Free cash flow ¹	30,072	31,906	-5.7%

Outlook

Assuming no significant changes in current market conditions, we expect high single digit organic revenue growth and an increase in profitability for 2023.

To facilitate further growth and enhance operational excellence of our repackaging activities in North America (B&E, Decatur), we will invest a total of US\$20 million, with the majority spent in 2024, on top of our regular maintenance capex spend of around 3 to 3.5% of revenue.

We remain committed to our disciplined acquisition strategy in all regions where we are active as part of Fagron's growth strategy.

Our medium-term objectives remain unchanged.

Webcast

Rafael Padilla (CEO) and Karin de Jong (CFO) will discuss the first half 2023 results in a webcast starting at 9.30 AM CET. Registration to the webcast is available via this [link](#). The presentation for the call will be available to download from the Fagron [website](#) around 8.00 AM CET.

Interim financial statements

Fagron's interim financial statements (unaudited) for the six-month period ended 30 June 2023 have been made available on Fagron's [website](#) together with the publication of this press release.

¹ Adjusted for one-offs. Including one-offs: €22.3 million



Business Review

EMEA

(€ '000)	H1 '23	H1 '22	Δ	Δ CER	Δ Organic	Δ Organic CER
Essentials	79,180	77,104	2.7%	2.3%	2.3%	1.9%
Brands	24,886	23,003	8.2%	8.3%	1.5%	1.7%
CS	42,018	37,603	11.7%	13.9%	10.4%	12.3%
Total revenue	146,084	137,709	6.1%	6.5%	4.4%	4.7%

(€ '000)	H1 '23	H1 '22	Δ
REBITDA	33,091	28,929	14.4%
REBITDA margin	22.7%	21.0%	170bps

Revenue development in the EMEA region was supported by growth across all segments with Compounding Services as the main contributor. The successful implementation of our pricing pass-through and of our commercial and operational initiatives has been the key driver of our performance in the region.

Brands and Essentials revenue was supported by strong demand across most of our markets, successful innovative product launches and the improved product availability driven by the completed transition to our Polish cGMP repackaging facility.

In Compounding Services, we saw solid performance across our markets driven by the enforcement of our registration business, stock compounding and drug shortages in some markets.

The REBITDA margin for the region improved satisfactorily, supported by the operational benefits of the Polish repackaging facility and the pricing pass-through.

Latin America

(€ '000)	H1 '23	H1 '22	Δ	Δ CER	Δ Organic	Δ Organic CER
Essentials	54,867	55,482	-1.1%	-4.7%	-1.1%	-4.7%
Brands	24,027	21,695	10.7%	9.4%	10.7%	9.4%
CS	1,557	1,385	12.4%	30.4%	12.4%	30.4%
Total revenue	80,450	78,561	2.4%	-0.2%	2.4%	-0.2%

(€ '000)	H1 '23	H1 '22	Δ
REBITDA	12,654	13,683	-7.5%
REBITDA margin	15.7%	17.4%	-170bps

Revenue development in the Latin American region reflected growth in Brands and Compounding Services, offset by the performance in Essentials.

Essentials revenue development reflects our continued effort to maintain our market leading position in a still heightened competitive environment, partially offset by signs of strengthening customer



demand. The Brands segment showed solid revenue growth supported by product launches, reflecting the competitive advantage of our innovative power.

Compounding Services (Colombia) continued its strong revenue growth, supported by customer wins, increasing orders from existing customers and product launches.

As anticipated, the region's REBITDA and REBITDA margin showed the impact of our focus on maintaining market share in a heightened competitive environment. The completion of the centralization of our distribution and warehousing in combination with our state-of-the-art cGMP repackaging facility in Brazil is expected to support product availability and efficiency in the second half of the year and enable a stronger performance.

North America

(€ '000)	H1 '23	H1 '22	Δ	Δ CER	Δ Organic	Δ Organic CER
Essentials	32,799	34,720	-5.5%	-6.6%	-15.1%	-15.6%
Brands	11,684	10,736	8.8%	7.6%	13.7%	12.5%
CS	100,556	66,838	50.4%	48.8%	39.5%	38.0%
Total revenue	145,039	112,294	29.2%	27.7%	20.4%	19.2%

(€ '000)	H1 '23	H1 '22	Δ
REBITDA	26,438	20,710	27.7%
REBITDA margin	18.2%	18.4%	-20bps

Organic revenue growth in the North American region is reflecting the continuing strong performance at Wichita (FSS) and Anazao.

Organic revenue growth of the Essentials segment continued its recovery through the semester and is expected to accelerate going forward now that all our API repackaging activities have been transferred to our Letco facility, and the sales forces have been integrated. Operations at the St. Paul facility will be phased out and the facility will be closed by the end of the year. At the Brands segment we saw continued positive organic revenue development, supported by customer demand, and increased product availability. Our investment in a new cGMP repackaging facility in Decatur is scheduled to be finalized in 2025.

Organic revenue of Compounding Services retained its strong growth trajectory, driven by excellent performance at both our sterile outsourcing business (Wichita and Boston) and Anazao. Increasing orders from existing customers, new customer wins, and drug shortages supported the segment's performance. The combined run rate of the Wichita and Boston sterile outsourcing facilities was US\$135 million (annualized). Integration of our Boston facility is progressing satisfactorily, along with obtaining new licenses, and we remain well on track to achieve the break-even point in the second half of the year. Investment in the Anazao site in Tampa is also developing as planned.

The REBITDA margin for the first half of the year improved sequentially compared to 16.8% at FY 2022 and coming in just below the level of the first semester of 2022. This improvement compared to FY 2022 margin is mainly driven by the progression of the Letco and Boston acquisition integration and supported by improved operational efficiency at our Wichita facility.

M&A Developments

The integration of our FY 2022 and Q1 2023 acquisitions is progressing in line with expectations.



ESG Developments

In the first half of the year, Fagron made further progress with our ESG targets. We realized a 28.8% reduction of our greenhouse gas intensity compared to 2019, well ahead of the targeted 15% reduction. We are expecting the validation by the Science Based Targets initiative of the science-based emission reduction targets that we submitted in Q4 2022, during the second half of the year. By realizing these targets, we strive to meet the goals of the Paris Agreement of limiting global warming to 1.5°C.

Climate impact (Scope 1, 2 and business travel)	H1 '23 ²	2019 ³	Δ	Unit
Greenhouse gas intensity (location based)	18.3	25.7	28.8%	Kt CO ₂ eq per €m revenue at CER

Launch share buyback program

On 14 August 2023, Fagron will start the repurchase of up to 138,372 Fagron shares to fulfill its obligations under Fagron's long term incentive scheme as approved at the last shareholders meeting. At the closing price of 2 August 2023, the program will cost €2.2 million. The share buy-back program will end on 31 December 2023, or sooner if the maximum number of repurchased shares has been acquired before then. Fagron has retained KBC Securities to execute the share buy-back program and KBC Securities will make its trading decisions independently. Weekly updates on the share buy-back program will be announced in press releases and be available on Fagron's website.

² Preliminary results: reviewed FY numbers will be published in annual report.

³ All environmental targets are versus financial year 2019.



Financial Review

Income statement

(€ '000)	H1 '23	H1 '22	Δ
Net revenue	371,573	328,565	13.1%
Gross margin	225,600	190,571	18.4%
As % of net revenue	60.7%	58.0%	270bps
Operating expenses	151,821	126,170	20.3%
As % of net revenue	40.9%	38.4%	250bps
Share-based payments and LTI	1,596	1,079	47.8%
EBITDA before non-recurrent result	72,183	63,322	14.0%
As % of net revenue	19.4%	19.3%	10bps
Non-recurrent result	-497	-800	37.9%
EBITDA	71,686	62,522	14.7%
As % of net revenue	19.3%	19.0%	30bps
Depreciation and amortization	18,958	15,720	20.6%
EBIT	52,728	46,801	12.7%
As % of net revenue	14.2%	14.2%	-
Financial result excl. hedge	-9,187	-6,039	-52.1%
Hedge result	-1,359	3,853	-135.3%
Financial result	-10,546	-2,186	-382.4%
Profit before income tax	42,182	44,615	-5.5%
Taxes	-8,901	-9,317	4.5%
Net profit (loss)	33,282	35,299	-5.7%
Net profit (loss) per share (€)	0.46	0.48	-4.2%
Average number of outstanding shares	72,966,465	72,860,319	

Consolidated revenue increased by 13.1% (12.1% at CER) compared to the first half of 2022 to €371.6 million. Organic revenue growth was 9.3% (8.4% at CER) compared to the first half of 2022.

Gross margin increased by 18.4% to €225.6 million. Gross margin as a percentage of revenue increased 270 basis points compared to the first half of 2022 to 60.7%.

REBITDA (EBITDA before non-recurring result) increased by 14.0% (13.3% at CER) compared to the first half of 2022 to €72.2 million. **REBITDA margin** increased 10 basis points compared to the first half of 2022 to 19.4%. The non-recurring result amounted to -€0.5 million and related mainly to legal fees and relocation costs. **EBITDA** increased by 14.7% compared to the first half of 2022 to €71.7 million.

Depreciation and amortization increased by 20.6% compared to the first half of 2022 to €19.0 million.

EBIT increased by 12.7% compared to the first half of 2022 to €52.8 million. **EBIT margin** remained flat compared to the first half of 2022 at 14.2%.

Profit before income tax decreased by 5.5% compared to the first half of 2022 to €42.2 million. The effective tax rate as a percentage of profit before income taxes was 21.1% compared to 20.9% in the first half of 2022. The effective cash tax rate was 26.5% compared to 19.6% in the first half of 2022.



Net profit decreased by 5.7% compared to the first half of 2022 to €33.3 million. **Earnings per share** decreased by 4.2% compared to the first half of 2022 to €0.46.

Balance sheet

(€ '000)	30-06-2023	31-12-2022
Intangible assets	477,628	463,401
Property, plant, and equipment	149,007	143,596
Deferred tax assets	26,735	24,785
Financial assets	4,252	4,210
Financial instruments	7,455	13,277
Other non-current assets	3,651	3,731
Operational working capital	84,809	71,203
Other working capital	-30,746	-30,347
Equity	440,526	410,518
Provisions and pension obligations	4,927	4,763
Financial instruments	1,357	181
Deferred tax liabilities	2,694	4,352
Net financial debt	273,285	274,042

Operating working capital as a percentage of revenue amounted to 11.6%, a decrease of 50 basis points compared to the first half of 2022, mostly driven by improved payment terms in EMEA and North America.

Net financial debt decreased by €0.8 million to €273.3 million as of 30 June 2023. The **net financial debt/REBITDA ratio** was 1.9x at 30 June 2023 compared to 1.9x at year-end 2022.

Net operational capex increased by 214.1% compared to the first half of 2022 to €21.0 million (5.6% of revenue). Corrected for investment in the Anazao facility in Tampa and in the registration and exclusive license and distribution rights announced at the first quarter trading update, maintenance capex was 3.5% of revenue, in line with our regular 3 to 3.5% level.

Free cash flow decreased by 5.7% compared to the first half of 2022 to €30.1 million adjusted for above-mentioned one-off capex.



Financial calendar 2023

12 October 2023 Trading update third quarter 2023

Results and trading updates are published at 7.00 AM CET.

Further information

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About Fagron

Fagron is a leading global company active in pharmaceutical compounding, focusing on delivering personalized medicine to hospitals, pharmacies, clinics, and patients in more than 30 countries around the world.

The Belgian company Fagron NV has its registered office in Nazareth and is listed on Euronext Brussels and Euronext Amsterdam under the ticker symbol 'FAGR'. Fagron's operational activities are managed by the Dutch company Fagron BV, which is headquartered in Rotterdam.

Important information regarding forward-looking statements

Certain statements in this press release may be deemed 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 guarantee 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.

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