Regulated information
Nazareth (Belgium)/Rotterdam (The Netherlands), 6 August 2020

Fagron turnover up 9.1%; REBITDA increased 13.2% to € 62.9 million

Limited impact from COVID-19 pandemic

Highlights H1 2020 – Financial

- **Turnover increased 9.1% to € 278.8 million (+14.0% CER[1]); organic growth of 7.2% CER**
- **REBITDA[2] up 13.2% to € 62.9 million (+18.6% CER)**
- **REBITDA margin improved to 22.6% (H1 2019: 21.8%)**
- **EBIT up 14.0% to € 46.2 million**
- **Net profit increased to € 31.6 million (+144.0%)**
- **Operating cash flow of € 27.2 million**
- **Net financial debt /REBITDA ratio of 2.35 at 30 June 2020**

Strategic and operational highlights

- **All regions developed strongly**
- **The impact of the COVID-19 pandemic remained limited in the second quarter of 2020:**
  - **Shift in demand from elective care to care related to COVID-19**
  - **All facilities are fully operational**
  - **Virtually no disruptions in the supply chain**
- **Higher strategic inventories due to COVID-19**
- **Disciplined cost control in view of ongoing global uncertainty about the impact of COVID-19**

Rafael Padilla, CEO of Fagron: *"For Fagron, like many other companies, the first half of 2020 was characterized by the COVID-19 pandemic. Our strong results show the strength of our diversity, both regionally and product-wise. We are proud of our team and their utmost commitment in these times that are challenging for everyone. Our resilience and the entrepreneurship that is present throughout the organization enable us to respond well to the situation.*

On the one hand Fagron benefited from higher demand for COVID-19-related products, as reflected in the turnover growth in Brands and Essentials. We have made every effort to safeguard the availability of our products to continue to serve our customers as best we can. Our comprehensive global network of suppliers and solid setup of our supply chain were beneficial to this.

On the other hand, we faced lower demand for elective care, a development that particularly affected Compounding Services. Clinics were temporarily closed in many regions and non-critical operations were postponed. Also, there was a clear decline in visits to the doctor. We managed the costs of our activities

[1] Constant Exchange Rates
[2] EBITDA before the non-recurring result

that were affected by this in a very disciplined way, without losing our focus on strengthening our position in the long term.

All regions developed strongly. In North America and Latin America higher turnover thanks to strong demand in Brands and Essentials combined with effective cost management resulted in a strong improvement in the REBITDA margin.

In the coming half year, we will continue to pursue our policy aimed at making the most of opportunities while being critical of our costs. The COVID-19 pandemic is developing differently in every region and there are vast differences even within regions. In a number of regions, we saw a slight recovery in elective care in June, albeit not yet to the level recorded before the outbreak of COVID-19. In other regions the rate of contamination is still growing. Thanks to our diversified product range and proven strategy we are well-positioned to respond to this evolving situation."

Update on COVID-19

Supply chain

There have been virtually no disruptions to Fagron's supply chain thanks to our global network of suppliers, which provides us with multiple suppliers of each raw material.

Product availability is a critical success factor in the current situation, particularly with respect to products that are facing a shortage due to the sudden increase in demand. Inventory levels are being closely monitored and mitigated by keeping higher inventories of specific products. In addition, Fagron is well-prepared for alternative sourcing scenarios, due in part to its extensive global network of approved suppliers.

Temporary shift in demand for products

The temporary shift in demand as a result of COVID-19 was also evident in the second quarter of 2020. Even though the timing and intensity of COVID-19 related measures differ in the various regions, generally speaking elective care is being postponed or scaled back while demand for specific products in aid of COVID-19 care is exceptionally high. June saw a pickup in demand for elective care in a number of regions, albeit not yet to the level seen before the outbreak of COVID-19. On balance the impact of these shifts on the gross margin was very limited.

Outbreak control measures

The outbreak of the COVID-19 pandemic, along with the measures taken to try to control the spread of the virus, is developing differently in each region. A number of countries where the measures were eased at the start of the summer have reintroduced restrictions. In some regions, particularly in a number of states in the United States and in Brazil, the number of cases is still rising sharply. The picture is therefore extremely varied with a continued high level of uncertainty.

Despite the fact that Fagron currently expects this to have a limited and non-material impact on its performance, the economic uncertainty persists. To mitigate this risk Fagron will continue to manage its cost base, investments and cash flow in a critical and disciplined way. In the past few months Fagron has successfully kept its operating costs under control, for example by temporarily refraining from hiring new staff in non-key positions and slowing down investments. This policy will remain in place throughout the COVID-19 pandemic.

Update on buy-and-build

In the first half of 2020 Fagron completed the acquisition of German company Gako and entered into a partnership with Azelis for the Australian market. Potential acquisitions have not been a priority for the past few months but the focus on possible takeovers is slowly returning. Fagron is keeping an eye on potential acquisition opportunities that may arise in the current market dynamics.

Gako - Germany

Fagron completed the acquisition of the activities of German company Gako at the end of January 2020. Gako is a leading global developer, manufacturer and supplier of mixing equipment that pharmacists can use for the compounding of semi-solid dermatological formulations (primarily creams and ointments) directly in the final packaging or in bulk packaging. The transaction includes all the technologies, scientific data and patents and trademarks, as well as the Gako production facility in Bamberg (Germany). In 2019 Gako realized a turnover of € 4.5 million and an EBITDA margin of approximately 15%.

Azelis partnership - Australia

At the beginning of February 2020 Fagron entered into a partnership with Azelis Australia for the distribution of Essentials and Brands in Australia and New Zealand to strengthen their combined position in the competitive Australian market.

Operational update

Start of construction at new repackaging facility in Poland

Due to the COVID-19 pandemic, the construction of the new GMP facility in Krakow, Poland, for the repackaging of raw materials has been slightly delayed. The new facility is expected to be operational in early 2021 and result in a structural annual margin improvement of € 2 million.

Income statement and balance sheet

Income statement (x € 1,000)	H1 2020	H1 2019	Δ
Net turnover	**278,750**	**255,399**	**+9.1%**
Gross margin	166,557	155,934	+6.8%
As % of net turnover	*59.8%*	*61.1%*	
Operating costs	103,623	100,344	+3.3%
As % of net turnover	*37.2%*	*39.3%*	
EBITDA before non-recurrent result	**62,934**	**55,590**	**+13.2%**
As % of net turnover	*22.6%*	*21.8%*	
Non-recurrent result	-1,654	-1,397	-18.4%
EBITDA	**61,280**	**54,193**	**+13.1%**
As % of net turnover	*22.0%*	*21.2%*	
Depreciation and amortization	15,084	13,663	+10.4%
EBIT	**46,196**	**40,530**	**+14.0%**
As % of net turnover	*16.6%*	*15.9%*	
Financial result	-7,172	-7,045	-1.8%
Profit before taxes	39,024	33,485	+16.5%
Taxes	-7,466	-6,714	-11.2%
Net profit from continued operations	**31,559**	**26,771**	**+17.9%**
Result from discontinued operations	0	-13,839	
Net profit	**31,559**	**12,932**	**+144.0%**
Recurrent net profit[3]	32,822	28,006	+17.2%
Net profit from continued operations per share (€)	0.44	0.37	
Recurrent net profit per share (€)	0.46	0.39	
Average number of outstanding shares	72,075,277	71,740,277	

Balance sheet (x € 1,000)	30-06-2020	31-12-2019
Intangible fixed assets	394,526	418,137
Property, plant and equipment	117,635	121,208
Deferred tax assets	20,133	18,420
Financial assets	3,676	4,287
Operational working capital	60,846	44,763
Other working capital	-55,076	-63,251
Equity	231,326	246,440
Provisions and pension obligations	9,450	11,431
Financial instruments	548	507
Deferred tax liabilities	1,942	339
Net financial debt	298,476	284,847

[3] Recurring net profit is defined as profit before non-recurring items and the revaluation of financial derivatives, adjusted for tax

Notes to the consolidated results

Income statement

Consolidated turnover amounted to € 278.8 million, an increase of 9.1% (+14.0% at constant exchange rates) compared to the first half of 2019. Organic growth equaled 3.1% (+7.2% at constant exchange rates). More detailed information on turnover development by region can be found under 'Key figures by segment'.

The **gross margin** increased by 6.8% to € 166.6 million. The gross margin as a percentage of turnover decreased 130 basis points compared to the first half of 2019 to 59.8% but improved by 30 basis points compared to the second half of 2019.

Operating costs as a percentage of turnover were 37.2% in the first half of 2020. This is a drop of 210 basis points compared to 39.3% in the first half of 2019.

EBITDA before the non-recurring result (REBITDA) rose 13.2% to € 62.9 million in the first half of 2020. EBITDA before the non-recurring result as a percentage of turnover increased by 80 basis points to 22.6%.

The **non-recurring result** was a negative € 1.7 million and related amongst other to restructuring costs and acquisition costs.

EBITDA increased 13.1% to € 61.3 million. EBITDA as a percentage of turnover was up 80 basis points to 22.0%.

Depreciation and amortization equaled € 15.1 million, an increase of 10.4% compared to € 13.7 million in the first half of 2019.

EBIT was € 46.2 million, a rise of 14.0% compared to the first half of 2019. EBIT as a percentage of turnover increased by 70 basis points to 16.6%.

The **financial result** was a negative € 7.2 million compared to a negative € 7.0 million in the first half of 2019.

The **effective tax rate** as a percentage of the profit before taxes was 19.1% in the first half of 2020 (H1 2019: 20.1%). The **effective cash tax rate** was 25.4% in the first half of 2020 (H1 2019: 25.4%).

Net profit was € 31.6 million, an increase of 144.0% compared to the first half of 2019. **Recurring net profit** amounted to € 32.8 million, a rise of 17.2% compared to € 28.0 million in the first half of 2019.

Balance sheet

The **operational working capital** as a percentage of turnover amounted to 10.8%, an increase of 270 basis points compared to 31 December 2019. This increase was mainly the result of maintaining higher inventories in Europe aimed at safeguarding the availability of a number of specific products. For strategic reasons Fagron is also keeping higher inventories in North America and Latin America.

Net financial debt increased € 13.6 million in the first half of 2020 to € 298.5 million. The net financial debt/REBITDA ratio was 2.35 at 30 June 2020 (2.33 at 31 December 2019).

The table below shows the development of net financial debt in the first half of 2020.

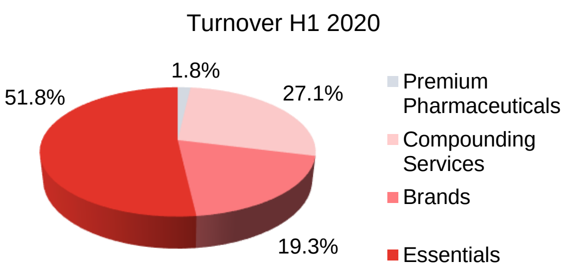
(x € 1,000)	
Net financial debt on 31 December 2019	**284,847**
Operational cash flow	-27,167
Acquisitions	8,888
Investments	9,991
Paid dividend	3,638
Net interests	8,242
Exchange rate differences	7,130
Impact IFRS 16	2,907
Net financial debt on 30 June 2020	**298,476**

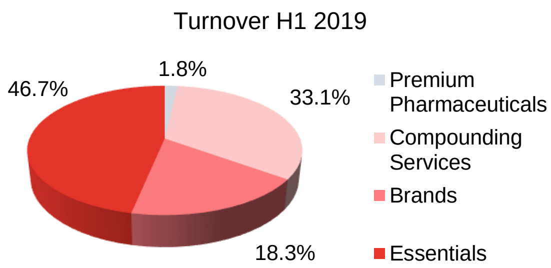
Net operational capex was € 10.0 million (3.6% of turnover) in the first half of 2020, a decline compared to the level reported in the same period in 2019 (€ 10.3 million, 4.0% of turnover). Capex consisted mainly of investments in a new repackaging facility for raw materials in Poland, existing facilities in the United States and Brazil, the automation of logistics processes, and software implementations.

Key figures per segment

Fagron (excluding HL Technology)

(x € 1,000)	H1 2020	H1 2019	Δ
Turnover	278,750	251,019	+11.0%
REBITDA[4]	62,934	54,777	+14.9%
REBITDA margin	22.6%	21.8%	





[4] EBITDA before non-recurring result.

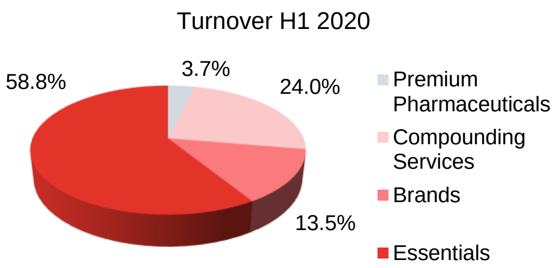
The turnover of Fagron (excluding HL Technology, which was sold in October 2019) increased 11.0% in the first half of 2020 (+16.0% at constant exchange rates) to € 278.8 million. Organic turnover growth equaled 3.1% (+7.2% at constant exchange rates). REBITDA was up 14.9% to € 62.9 million. REBITDA as a percentage of turnover increased by 80 basis points to 22.6%.

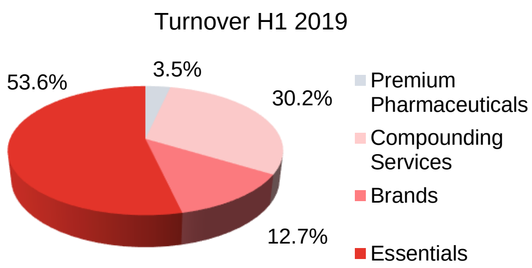
The table below shows the turnover development and exchange rate effects at Fagron (excluding HL Technology) in the first half of 2020.

(x € 1,000)	Impact
Turnover in H1 2019	**251,019**
Development Europe[5]	+4,873
Development Latin America	+5,071
Development North America	+8,244
Currency effect BRL/euro	-11,361
Currency effect US$/euro	+1,987
Currency effect other	-910
Contribution of acquisitions	+19,828
Turnover in H1 2020	**278,750**

Fagron Europe[6]

(x € 1,000)	H1 2020	H1 2019	Δ
Turnover	137,549	128,677	+6.9%
REBITDA[7]	33,448	34,591	-3.3%
REBITDA margin	24.3%	26.9%	





The turnover of the Europe segment increased 6.9% (+7.6% at constant exchange rates) in the first half of 2020 to € 137.5 million. Adjusted for the acquisitions of Dr. Kulich Pharma (Czech Republic) and Gako (Germany), organic turnover growth was 3.2% (+3.8% at constant exchange rates). REBITDA as a percentage of turnover decreased by 260 basis points to 24.3%.

Brands and Essentials showed strong growth in the first half of the year while Compounding Services posted a sharp decline. Increased demand at Brands and Essentials for COVID-19-related products contributed to the strong growth of turnover. The acquisitions of Dr. Kulich Pharma in 2019 and Gako in 2020 also contributed to the growth of Brands and Essentials.

[5] The Europe segment comprises the Fagron activities in Europe, South Africa and Australia
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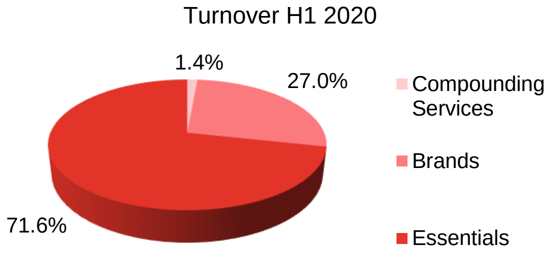
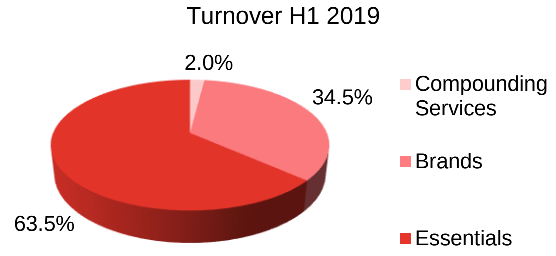
[7] EBITDA before non-recurring result

At Compounding Services the impact of the postponement of elective care and doctor's visits was only partly offset by strong demand for sterile compounds used in intensive care units and in palliative care. Elective care slowly started to resume in most markets in early June, but the volumes have not yet returned to the levels seen before the outbreak of COVID-19. The Premium Pharmaceuticals segment performed well in the first half of 2020 despite a delay in several product registrations as a result of COVID-19.

Fagron Latin America

(x € 1,000)	H1 2020	H1 2019	Δ
Turnover	61,045	52,417	+16.5%
REBITDA[8]	12,758	10,385	+22.8%
REBITDA margin	20.9%	19.8%	





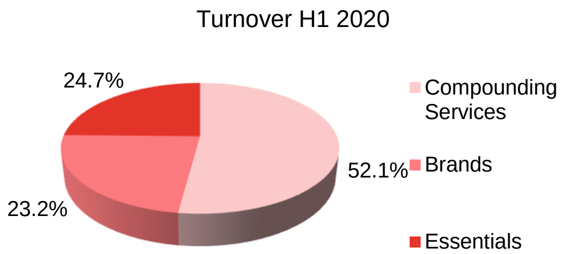
The turnover of the Latin America segment increased by 16.5% in the first half of 2020 (+42.3% at constant exchange rates) to € 61.0 million. Adjusted for the acquisition of Cedrosa in Mexico and Ortofarma, Levviale and Apace (Brazil) turnover decreased 12.2% (+9.7% at constant exchange rates). REBITDA increased 22.8% to € 12.8 million. REBITDA as a percentage of turnover increased by 110 basis points to 20.9%, mainly due to well-managed operating costs.

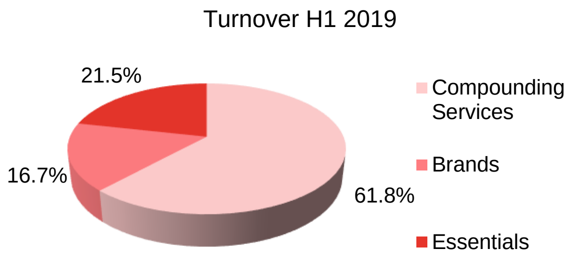
The share of Essentials rose sharply as a result of both organic growth, largely due to demand for COVID-19-related products, and a strong contribution from the companies acquired in 2019. Brands reported organic turnover growth across the board despite a lower level of activity among prescribers. Some clinics and practices have closed (temporarily) and doctor's visits have been postponed. On balance this was offset by an increase in demand for COVID-19-related products. The activities of Compounding Services in Colombia, a relatively small portion of the total turnover of Latin America, showed a decline in turnover due to the fact that most prescribers are closed due to government measures.

[8] EBITDA before non-recurring result

Fagron North America

(x € 1,000)	H1 2020	H1 2019	Δ
Turnover	80,156	69,924	+14.6%
REBITDA[9]	16,729	9,801	+70.7%
REBITDA margin	20.9%	14.0%	





The turnover of the North America segment increased by 14.6% in the first half of 2020 (+11.8% at constant exchange rates) to € 80.2 million due to a strong performance of Brands and Essentials. REBITDA increased 70.7% to € 16.7 million. REBITDA as a percentage of turnover was up 690 basis points to 20.9% compared to the first half of 2019, mainly as result of strict cost control, the phasing out of a number of loss-making nuclear products at AnazaoHealth, a changed product mix and the utilization of economies of scale and synergy benefits following the integration of Humco.

Fagron's sterile activities (Compounding Services) in the United States reported a slight decline of 3.3% (-5.7% at constant exchange rates) and accounted for a lower share of total turnover due to the strong growth of Brands and Essentials. Fagron Sterile Services realized a 2.3% increase in turnover (-0.2% at constant exchange rates). AnazaoHealth reported a 7.3% decline in turnover (-9.6% at constant exchange rates).

The increased turnover of Fagron Sterile Services was hampered by the (temporary) closure of clinics, the postponement of elective care, and a decline in doctor's visits due to COVID-19. The sterile compounding facilities in Wichita are still on track to achieve the stated long-term turnover target. The pace at which this happens may, however, be delayed depending on the further development of COVID-19. At AnazaoHealth the (temporary) closure of clinics resulted in a decline in turnover in the first half of 2020. Furthermore, a number of nuclear products with low margins are no longer being compounded as a result of the product refocus we introduced at the end of 2019.

Brands and Essentials were able to continue to achieve strong turnover growth in the second quarter of 2020. This resulted in an increase in turnover of 43.6% (+40.0% at constant exchange rates) in the first half of 2020. The activities performed strongly across the board and the commercial synergies and economies of scale as a result of the intensive cooperation between Fagron and Humco, which it acquired in April 2018, contributed to this positive development. In addition, demand for a number of specific COVID-19-related products was higher.

[9] EBITDA before non-recurring result.

Subscription rights plan 2020

On 4 August 2020, the board of directors of Fagron approved Subscription rights plan 2020, intended for employees of the company and its subsidiaries, within the framework of the authorized capital. Under the new Subscription rights plan, 2,600,000 subscription rights were created, subject to acceptances, and will be offered to the beneficiaries of the plan. The subscription rights have an exercise term of ten years as of the date of the offer. The subscription rights are not transferable and in principle cannot be exercised prior to August 2023. Each subscription right gives the right to subscribe to one new Fagron share. Should the subscription rights be exercised, Fagron will apply for the listing of the resulting new shares on Euronext Brussels/Amsterdam. The subscription rights as such will not be listed on any stock market.

The total share capital of Fagron currently amounts to € 496,496,586.18; the total number of voting securities is 72,178,904, which is also the total number of voting rights (the “denominator”). The total number of subscription rights to subscribe to not yet issued securities is 1,247,500 under several outstanding employee warrant and subscription right plans, which equals 1,247,500 voting rights that may result from the exercise of those warrants/subscription rights. This excludes the 2,600,000 subscription rights of Subscription rights plan 2020, which were created subject to acceptance. Fagron does not have any convertible bonds or shares without voting rights outstanding.

Conference call

Fagron is organizing a conference call today to elaborate on the results for the first half of 2020. The conference call will begin at 9.30 am CET. You will be able to call in using the following numbers and the confirmation code 10 minutes prior to the start of the conference call:

Belgium/Europe	+32 2 404 0659
The Netherlands	+31 20 703 8211
Spain	+34 91 419 2307
United Kingdom	+44 330 336 9128
United States	+1 323 794 2575
Confirmation code	8266351

The conference can be played back or downloaded from the Fagron website (http://investors.fagron.com/) from Friday 7 August 2020.

Financial calendar 2020

13 October	Trading update on third quarter of 2020

The trading update will be published at 7.00 am CET.

Further information

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Fagron profile

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

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 managed 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.

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