

# Biofarma Kepler Q1 2024 Results

June 2024



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# Presenters



## Germano Scarpa

*Founder, Chairman and CEO*

- **Germano Scarpa is Founder, Chairman and CEO of Biofarma Group**
- Dr. Scarpa has held various roles at both national and international levels, all connected to the development, promotion, and adoption of nutraceutical products
- Notably, he served twice as Chairman of Federsalus, the Italian association of manufacturers of health products.

## Stefano Cavacini

*Group CFO*

- **Joined Biofarma in Mar-24 as Group CFO**
- **Over twenty years of experience in Finance**, Group CFO and CIO of large listed multinational groups:
  - 2021-2024: **Group CFO of ITALYUM**
  - 2018-2021: **Group CFO of SAIPEM**
  - 2015-2018: **Group CFO of Zambon**
  - 2012-2015: **Group CFO of Indesit**
- Previous positions include senior executive roles in FCA

## Morris Maracin

*CFO EMEA and APAC*

- **Joined Biofarma in 2018 as CFO**
- Over 10 years of international experience
- 2015 to 2017: **CFO at IPI Coesia Group**
- 2004 to 2015: **Several Financial position at Electrolux**, including Sector Europe Finance Manager

## Nicola Tedesco

*Head of M&A, Corp. Dev. And Inv. Rel.*

- **Joined Biofarma in Sep-22 as Head of M&A and Corporate Development**
- 2019-2022: **Head of M&A and Corporate Development at Datalogic** (Italian listed company with ~€700m Revenue)
- Previous positions include roles at **KHK & Partners, ADIA and Citi**

# Agenda



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# Opening Remarks



# Opening Remarks



## 1Q 2024: Strategic Updates

- From an **operations** perspective, Biofarma Group is expanding and enhancing its global operations. In early 2024, we **started a greenfield project in Montaigu, France**, following the acquisition of our French subsidiary, Nutraskill, in 2022. We aim to **standardize production practices across our global footprint**, implementing rigorous standards in all locations
- **Commercially**, our management team conducted **roadshows in the US and Europe** to strengthen customer relationships and promote Biofarma as a premier, one-stop shop for nutral and cosmetic solutions. The response has been overwhelmingly positive
- Continuing with the One Biofarma – Innovation for Growth (1BIG) project, we are in the implementation phase, **empowering our teams to execute**. We are developing **Lean Six Sigma capabilities to embed efficiency and excellence into our corporate culture**



## 1Q 2024: Financial

- The global market was softer in Q1 2024 vs. Q1 2023, when we experienced volatility in response to disruption on the supply chain
- Our top line reveals two distinct trends between our European and US operations.
  - **Europe**: sustained moderate growth across products and geographies. We successfully defended our market-leading position
  - **US**: experienced a contraction in the top line compared to Q1 2023
- Adjusted EBITDA margin improved by 56 basis points, though it reflects a deterioration of (€0.6m) in euro terms. This decline is primarily attributed to lower sales. However, the impact was significantly mitigated by the implementation of strategic purchasing actions and operational efficiencies
- Our net leverage remains consistent with the previous quarter at 5.4x Adjusted EBITDA

# Opening Remarks – Q1 2024 Key updates



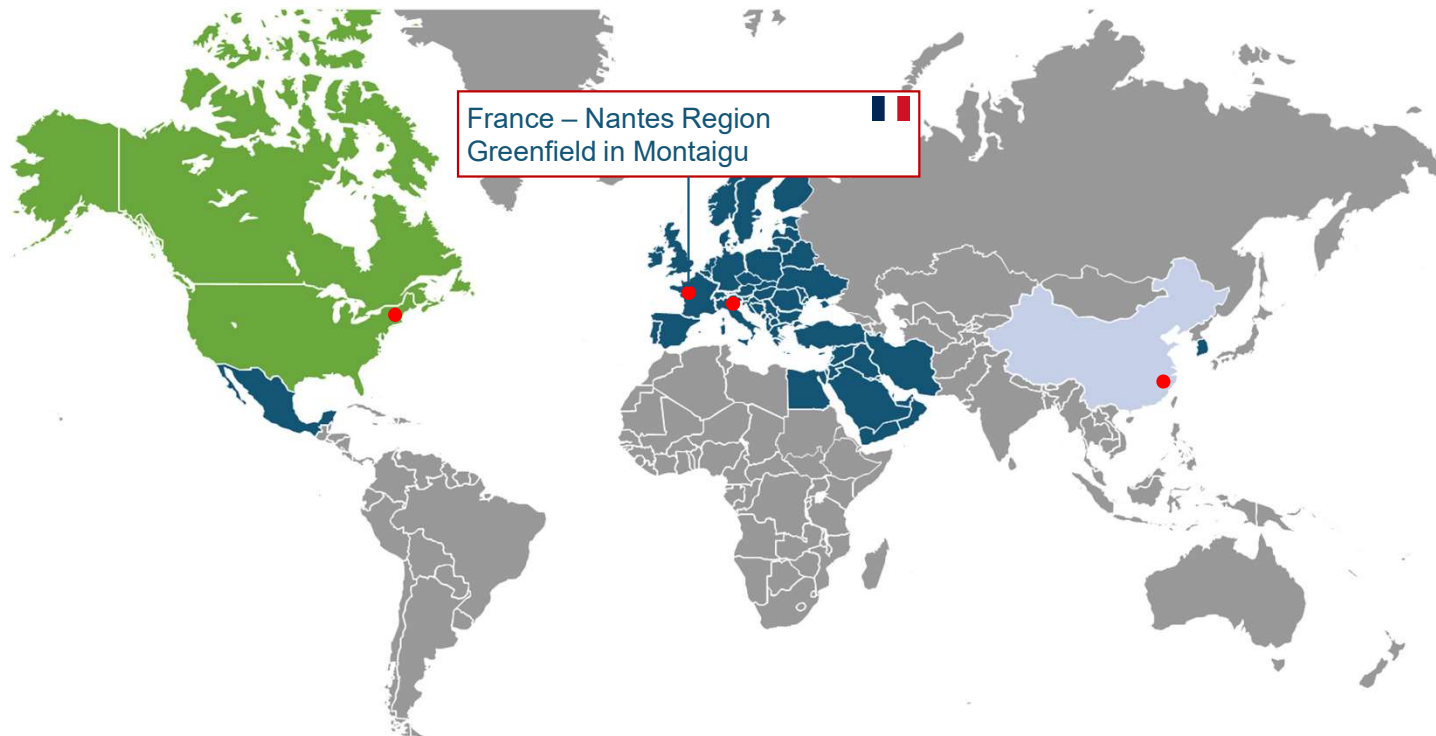
# Q1 2024 Strategic Update





# 1 – We are expanding our production footprint in France

Construction work has commenced to build a center of excellence in Montaigu, just outside of Nantes.



## Description

- **State-of-the-art greenfield project** aimed at standardizing R&D and production across our global footprint:
- **Approximately 8,000 sqm production floor**
  - Ground floor dedicated to production
  - Upper floor dedicated to offices space
- **Separate warehousing facility**

# 1 – Laying of the first stone in Nantes to better serve customers

Q1 2024 EVENTS

Work in progress to finish construction in 2025

## Current Status

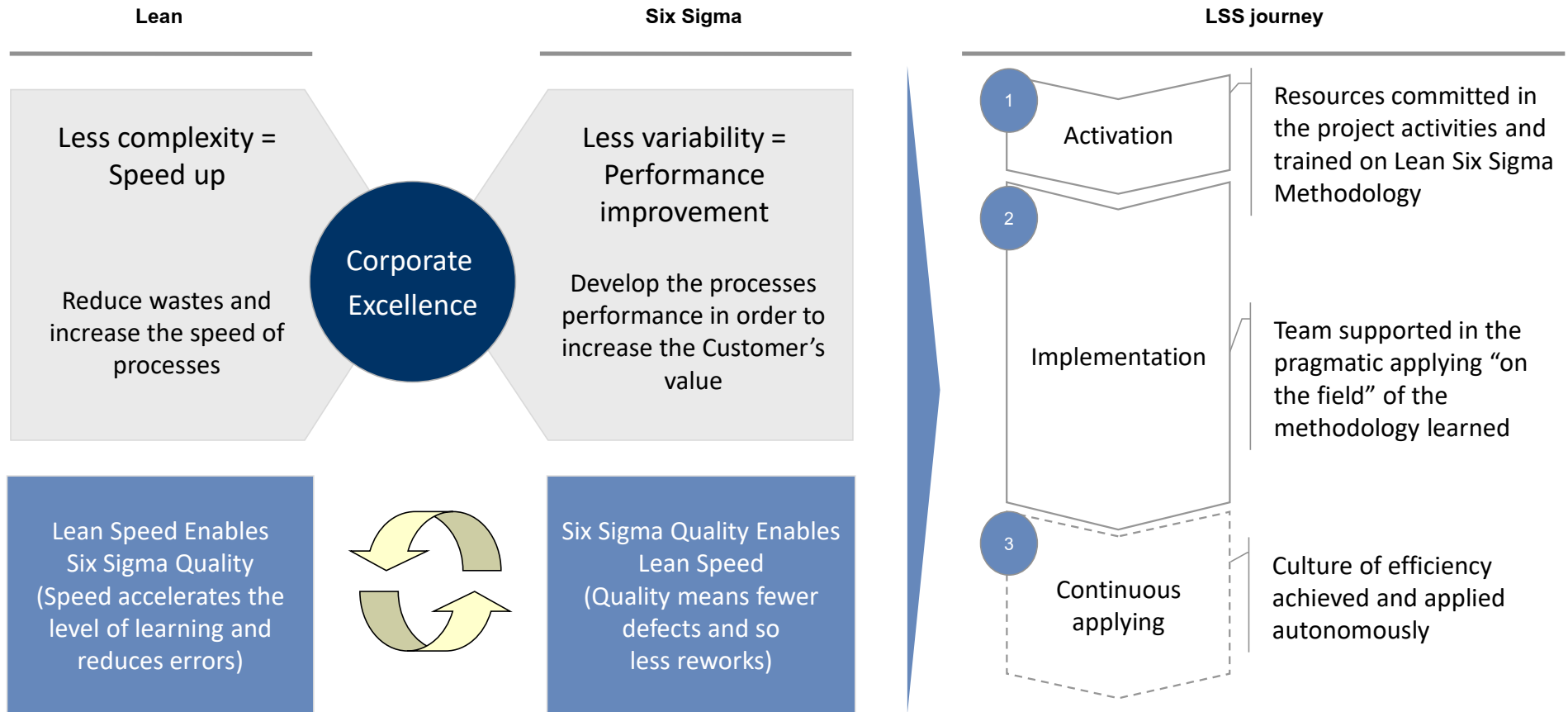


## Final Project



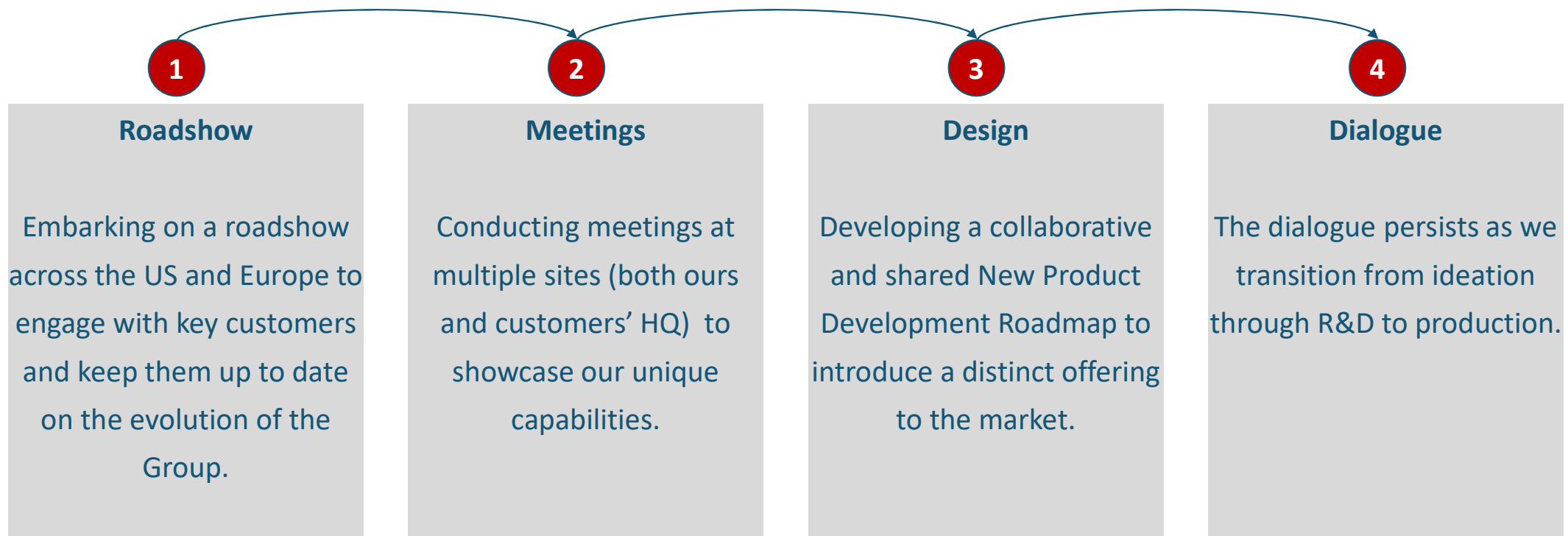
# 2 – Lean Six Sigma acts as a driver for Biofarma Corporate Excellence

We are empowering the team by training them on Lean Six Sigma, a Talent Development Program.



## 3 – Roadshows with key global customers continue

We've engaged with key customers through two roadshows spanning the US and Europe, resulting in a tangible pipeline of cross-selling opportunities.











# Q1 2024 Financials



# Q1 2024 in a Nutshell

The Biofarma Group achieved good results in the first quarter of 2024, defending its marginality through market volatility.

 <p>Revenues</p> <p><b>€110,5m</b></p>	 <p>Adjusted EBITDA</p> <p><b>€23,4m</b></p>	 <p>Recurring Op. Cash Flow (pre-Tax)</p> <p><b>€26,2m</b></p>	 <p>Adj Net Financial Indebt.</p> <p><b>€543,1m</b></p>
 <p>Customers</p> <p><b>&gt;500</b></p>	 <p>Adj EBITDA Margin</p> <p><b>21,2%</b></p>	 <p>Total CAPEX</p> <p><b>€8,9m</b></p>	 <p>Leverage Ratio<sup>1</sup></p> <p><b>5.4X</b></p>



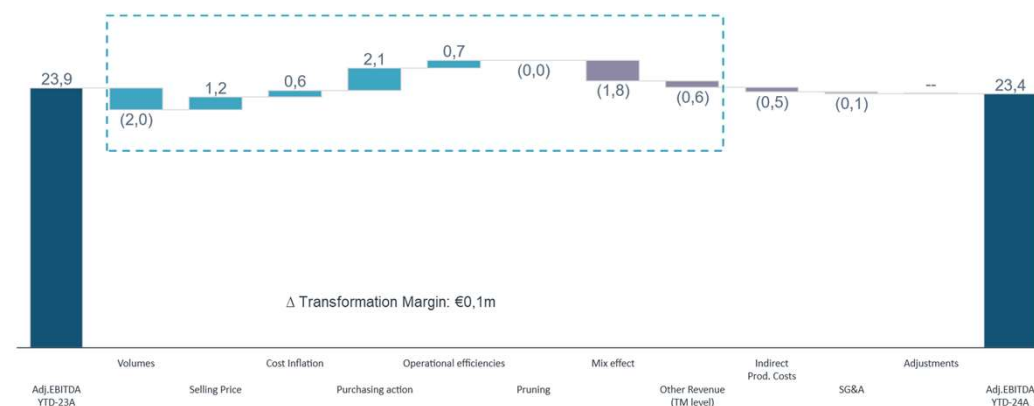
# Profit & Loss: Q1 2024 Results (Consolidated)

The Biofarma Group achieved a margin percentage improvement compared to Q1 2023, which sustained the Group's Adj. EBITDA for the quarter and offset the impact of lower sales compared to the previous year.

## Profit & Loss – Q1 2024 vs Q1 2023

YTD (€m)	Q1-24	Q1-23	Δ (%)	Δ
Net Sales	109,7	114,8	(4,5%)	(5,1)
Other Revenues	0,8	1,4	(42,9%)	(0,6)
<b>1 Total Revenues</b>	<b>110,5</b>	<b>116,2</b>	<b>(4,9%)</b>	<b>(5,7)</b>
Raw Material Costs	(48,8)	(52,6)	(7,1%)	3,7
<b>2 First Margin</b>	<b>61,6</b>	<b>63,6</b>	<b>(3,1%)</b>	<b>(2,0)</b>
First Margin (%)	55,8%	54,8%	+102bps	
Third Party Works Costs	(7,2)	(7,8)	(8,3%)	0,7
Direct Personnel Costs	(8,4)	(9,1)	(7,5%)	0,7
Other Direct Production Costs	(5,4)	(6,2)	(12,9%)	0,8
<b>3 Transformation Margin</b>	<b>40,7</b>	<b>40,6</b>	<b>0,3%</b>	<b>0,1</b>
Transformation Margin (%)	36,8%	34,9%	+192bps	
Indirect Personnel Costs	(4,3)	(4,1)	4,5%	(0,2)
Maintenance Costs	(2,1)	(2,7)	(20,7%)	0,6
Logistics and Storage Costs	(2,1)	(1,9)	13,5%	(0,3)
Other Indirect Production Costs	(1,4)	(0,8)	78,8%	(0,6)
<b>4 Second Margin</b>	<b>30,8</b>	<b>31,1</b>	<b>(1,2%)</b>	<b>(0,4)</b>
Second Margin (%)	27,9%	26,8%	+105bps	
<b>Total SG&amp;A Costs</b>	<b>(7,5)</b>	<b>(7,4)</b>	<b>2,6%</b>	<b>(0,2)</b>
% of revenue	(6,8%)	(6,3%)	(50bps)	
<b>EBITDA</b>	<b>23,2</b>	<b>23,8</b>	<b>(2,4%)</b>	<b>(0,6)</b>
EBITDA Margin (%)	21,0%	20,5%	+55bps	
Adjustments	0,2	0,2	--	-
<b>5 Adj. EBITDA</b>	<b>23,4</b>	<b>23,9</b>	<b>(2,4%)</b>	<b>(0,6)</b>
Adj. EBITDA Margin (%)	21,2%	20,6%	+56bps	

## EBITDA Bridge – Q1 2024 vs Q1 2023



## Key Performance Drivers

- 1 Revenues**  
Lower sales than previous year as shortages drove a spike in sales in Q1 2023
- 2 First Margin**  
Improved thanks to purchasing actions and deflationary trend on raw mat and packaging
- 3 Transf. Margin**  
Improved thanks to procurement and operational efficiencies
- 4 Second Margin**  
Improved, driven by enhanced operational efficiency and overall higher profitability.

- 5 Adjusted EBITDA**  
The Adjusted EBITDA for Q1 shows a deterioration of (€0.6m) compared to Q1 2023. This decline is primarily due to lower sales. However, the impact was significantly mitigated by the implementation of strategic purchasing actions and operational efficiencies

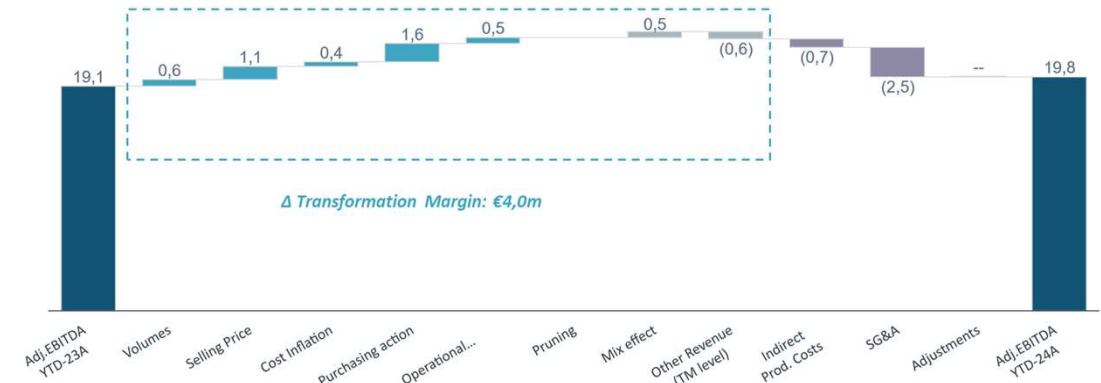
# Profit & Loss: Q1 2024 Results (Europe)

European operations maintained stable revenue and improved profitability across all Business Units, driven by a culture of operational excellence and efficient production processes.

## Profit & Loss – Q1 2024 vs Q1 2023

YTD (€m)	Q1-24	Q1-23	Δ (%)	Δ
Net Sales	85,1	83,6	1,8%	1,5
Other Revenues	0,8	1,4	(42,9%)	(0,6)
<b>1 Total Revenues</b>	<b>85,9</b>	<b>85,0</b>	<b>1,1%</b>	<b>0,9</b>
Raw Material Costs	(37,4)	(43,2)	(13,3%)	5,8
<b>2 First Margin</b>	<b>48,5</b>	<b>41,9</b>	<b>15,9%</b>	<b>6,7</b>
First Margin (%)	56,5%	49,2%	+724bps	
Third Party Works Costs	(7,2)	(4,3)	66,3%	(2,9)
Direct Personnel Costs	(6,6)	(6,4)	2,3%	(0,1)
Other Direct Production Costs	(4,2)	(4,5)	(6,7%)	0,3
<b>3 Transformation Margin</b>	<b>30,6</b>	<b>26,7</b>	<b>14,9%</b>	<b>4,0</b>
Transformation Margin (%)	35,6%	31,4%	+429bps	
Indirect Personnel Costs	(2,2)	(2,2)	--	-
Maintenance Costs	(1,2)	(1,2)	--	-
Logistics and Storage Costs	(1,7)	(1,5)	10,0%	(0,2)
Other Indirect Production Costs	(1,2)	(0,6)	93,5%	(0,6)
<b>4 Second Margin</b>	<b>24,4</b>	<b>21,1</b>	<b>15,4%</b>	<b>3,2</b>
Second Margin (%)	28,4%	24,9%	+351bps	
<b>Total SG&amp;A Costs</b>	<b>(4,7)</b>	<b>(2,2)</b>	<b>115,5%</b>	<b>(2,5)</b>
% of revenue	(5,5%)	(2,6%)		
<b>EBITDA</b>	<b>19,6</b>	<b>18,9</b>	<b>3,7%</b>	<b>0,7</b>
EBITDA Margin (%)	22,9%	22,3%	+58bps	
Adjustments	0,2	0,2	--	-
<b>5 Adj. EBITDA</b>	<b>19,8</b>	<b>19,1</b>	<b>3,7%</b>	<b>0,7</b>
Adj. EBITDA Margin (%)	23,0%	22,4%	+58bps	

## EBITDA Bridge – Q1 2024 vs Q1 2023



## Key Performance Drivers

- Revenues**  
+1,1% with growth across all BUs
- First Margin**  
Improved thanks to purchasing actions and deflationary trend on raw mat and packaging
- Transf. Margin**  
Improved thanks to insourcing and direct labor efficiencies
- Second Margin**  
Improved, driven by enhanced operational efficiency and overall higher profitability.
- Adjusted EBITDA**  
European operations delivered a solid performance in Adj. EBITDA with a 3.7% increase. This growth was driven by procurement and manufacturing efficiencies, effectively mitigating the negative volume trend and higher structural costs.



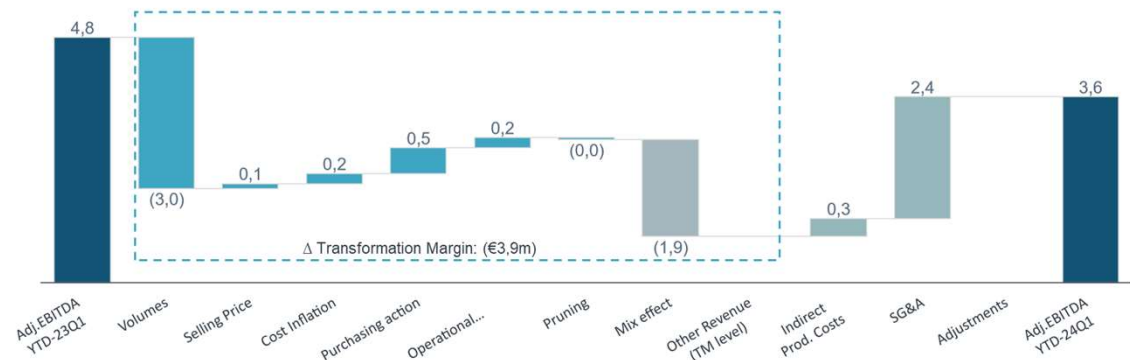
# Profit & Loss: Q1 2024 Results (US)

US operations saw a decline in top line vs. previous when we experienced robust demand from customers driven by concerns of shortages. However, the Group effectively offset the impact on profitability through strategic initiatives.

## Profit & Loss – Q1 2024 vs Q1 2023

YTD (€m)	Q1-24	Q1-23	Δ (%)	Δ
Net Sales	24,6	31,2	(21,3%)	(6,6)
Other Revenues	--	--		-
<b>1 Total Revenues</b>	<b>24,6</b>	<b>31,2</b>	<b>(21,3%)</b>	<b>(6,6)</b>
Raw Material Costs	(11,4)	(9,4)	21,5%	(2,0)
<b>2 First Margin</b>	<b>13,1</b>	<b>21,8</b>	<b>(39,8%)</b>	<b>(8,7)</b>
First Margin (%)	53,4%	69,8%	(1642bps)	
Third Party Works Costs	--	(3,5)	(100,0%)	3,5
Direct Personnel Costs	(1,8)	(2,7)	(30,8%)	0,8
Other Direct Production Costs	(1,2)	(1,7)	(27,5%)	0,5
<b>3 Transformation Margin</b>	<b>10,1</b>	<b>14,0</b>	<b>(27,9%)</b>	<b>(3,9)</b>
Transformation Margin (%)	41,0%	44,7%	(375bps)	
Indirect Personnel Costs	(2,1)	(1,9)	6,6%	(0,1)
Maintenance Costs	(0,9)	(1,5)	(37,3%)	0,5
Logistics and Storage Costs	(0,5)	(0,4)	27,9%	(0,1)
Other Indirect Production Costs	(0,2)	(0,2)	10,4%	(0,0)
<b>4 Second Margin</b>	<b>6,4</b>	<b>10,0</b>	<b>(36,0%)</b>	<b>(3,6)</b>
Second Margin (%)	26,1%	32,0%	(597bps)	
<b>Total SG&amp;A Costs</b>	<b>(2,8)</b>	<b>(5,2)</b>	<b>(45,8%)</b>	<b>2,4</b>
% of revenue	(11,4%)	(16,6%)		
<b>EBITDA</b>	<b>3,6</b>	<b>4,8</b>	<b>(25,4%)</b>	<b>(1,2)</b>
EBITDA Margin (%)	14,6%	15,4%	(80bps)	
Adjustments	--	--		-
<b>5 Adj. EBITDA</b>	<b>3,6</b>	<b>4,8</b>	<b>(25,4%)</b>	<b>(1,2)</b>
Adj. EBITDA Margin (%)	14,6%	15,4%	(80bps)	

## EBITDA Bridge – Q1 2024 vs Q1 2023

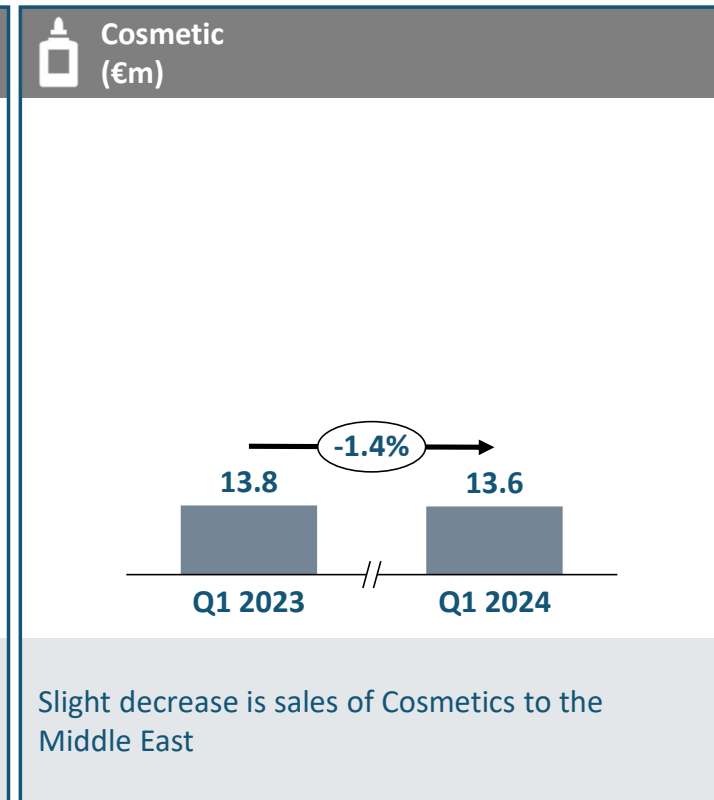
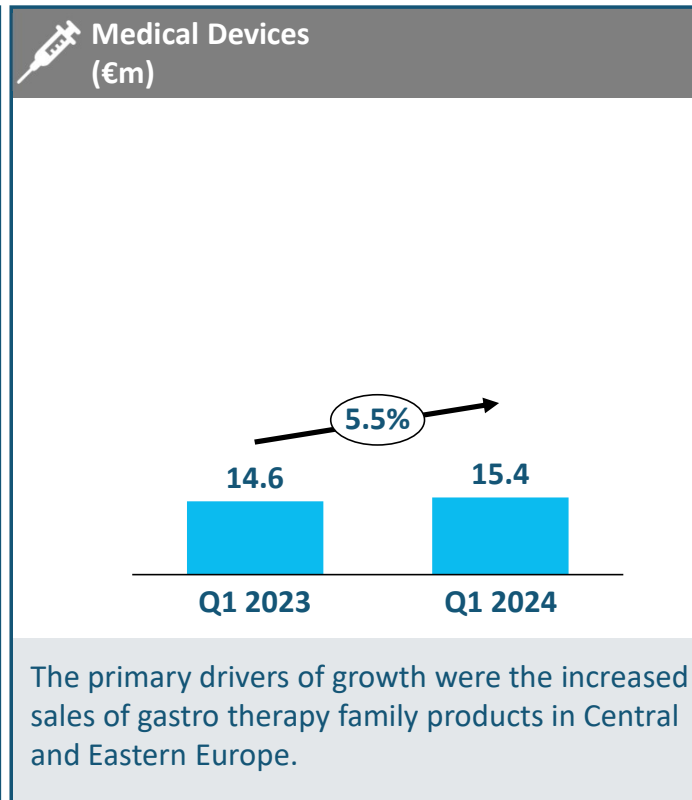
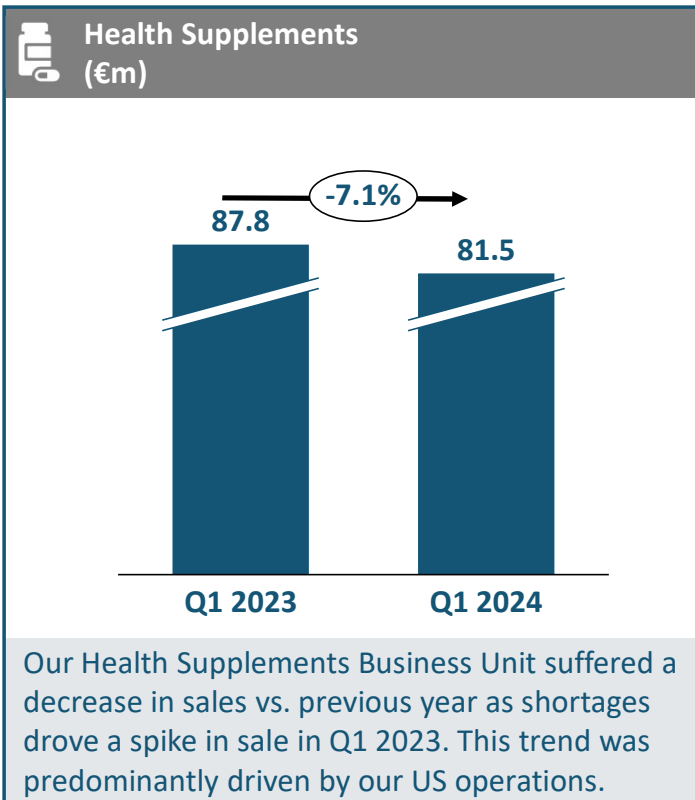


## Key Performance Drivers

- 1 Revenues**  
Lower sales than previous year as shortages drove a spike in sales in Q1 2023
- 2 First Margin**  
Deterioration due to negative product mix offset by purch. actions and deflationary trend
- 3 Transf. Margin**  
Deterioration due to first margin trend
- 4 Second Margin**  
Improved, driven by enhanced operational efficiency and overall higher profitability.
- 5 Adjusted EBITDA**  
Adj. EBITDA for the quarter declined by (€1.2m) due to a significant decrease in sales volumes and mix, partially offset by improvements in SG&A, procurement and manufacturing efficiencies

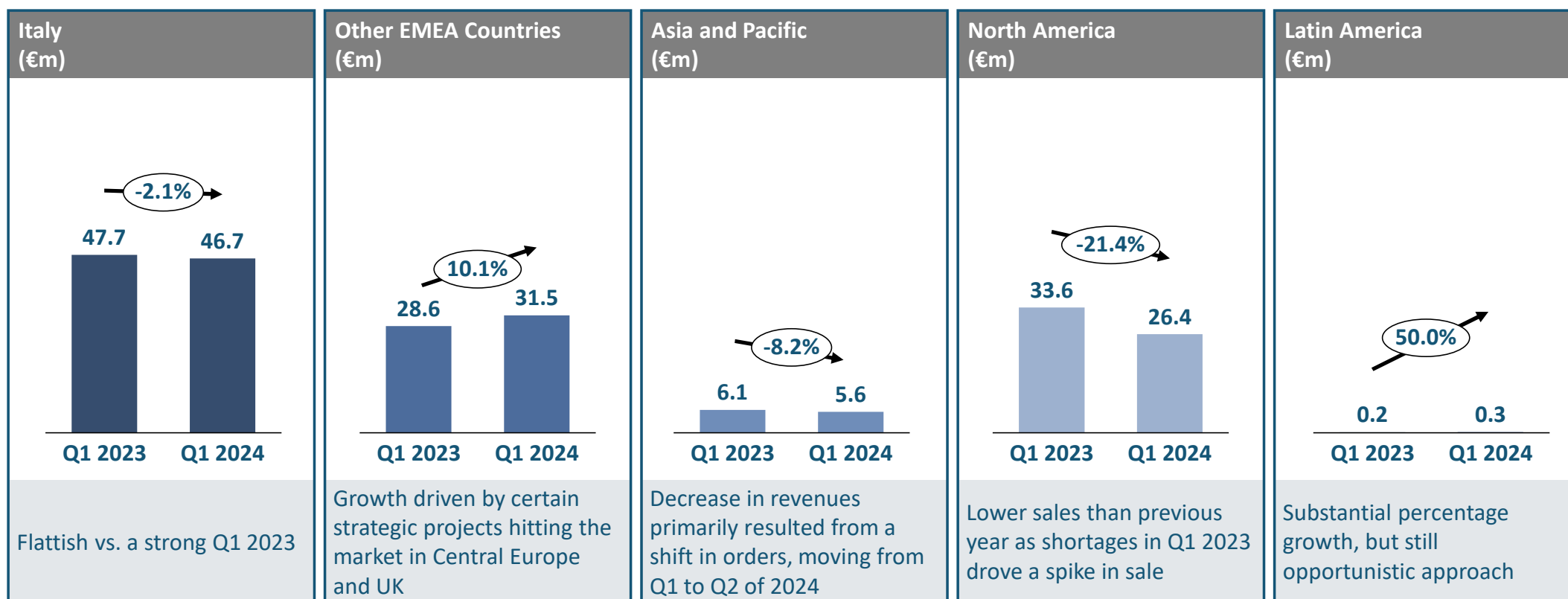
# Top line: yearly evolution by Business Unit

In Q1 2024, the Health Supplement Business Unit performed in line with the market but below the previous year, as the market normalized following a period influenced by concerns of shortages.



# Top line: yearly evolution by Geography

Europe has significantly contributed to defending the Group's topline, while North America was impacted by the market adjusting to normalized order levels.



# Q1 2024 Cash Flow

Cash flow generation funded capex and cost of the capital structure.

YTD (€m)	Q1-24
<b>Adjusted EBITDA</b>	<b>23,4</b>
(-) EBITDA Adjustment	0,2
<b>EBITDA</b>	<b>23,2</b>
Δ Receivables	(1,1)
Δ Payables	0,6
Δ Inventory	3,1
<b>Δ TWC</b>	<b>2,6</b>
Δ Other Working Capital	0,9
<b>1 Δ NWC</b>	<b>3,4</b>
<b>2 Maintenance Capex</b>	<b>(0,5)</b>
<b>Recurring Op. CF (pre-Tax)</b>	<b>26,2</b>
Cash Conversion (%)	112,7%
<b>3 Growth Capex</b>	<b>(8,4)</b>
<b>4 o/w Manufacturing Capex</b>	<b>(7,3)</b>
<b>5 o/w R&amp;D Capex</b>	<b>(0,6)</b>
<b>6 o/w Other / IT Capex</b>	<b>(0,5)</b>
<b>Op. CF (pre-Tax)</b>	<b>17,8</b>
Cash Conversion (%)	76,5%
<b>7 Interests</b>	<b>(7,9)</b>
<b>8 Taxes</b>	<b>(1,9)</b>
<b>9 Other</b>	<b>(0,4)</b>
<b>Free Cash Flow (pre-M&amp;A)</b>	<b>7,6</b>
Cash Conversion (%)	32,6%
<b>10 M&amp;A Capex</b>	<b>(4,2)</b>
<b>Free Cash Flow (post-M&amp;A)</b>	<b>3,4</b>
Cash Conversion (%)	14,5%
<b>11 New Debt / Debt Repayments</b>	<b>(7,4)</b>
Capital Contribution	
Other Changes in Equity	
<b>Δ Cash</b>	<b>(4,0)</b>
Cash 31.12.2023	(33,4)
Cash 31.03.2024	(29,4)

## Key Evidences

- 1 NWC improvement of €3.4m**
  - Total Capex amounted to €8.9m**
    - 2 Maintenance: €0.5m** related to the regular maintenance activity across the Group's 9 global plants
    - 3 Growth Capex: €8.4m** related to expanding manufacturing capacity and accelerate business growth
      - 4 Manufacturing capex totaled €7.3m** mostly related to the construction of the Green field in Montaigu, France. We also Expanded production lines in Mereto, Gallarate and the US
    - 5 R&D capex amounted to €0.6m**, primarily dedicated to three R&D projects in the gastro therapeutic area, pregnancy support solution and new multivitamin formulas
    - 6 Other/IT Capex totaled €0.5m**, primarily dedicated to ICT infrastructure, for cybersecurity and Manufacturing Enterprise System (MES) software
- 7 Interests equal to €7.9m**, of which €7.7m refer to the net interest amount settled in Q1 2024 for Senior Secured Note and €0.2m refer to other interests
- 8 €1.9m settled in taxes in Q1 2024**
- 9 €0.4m in other costs**, mostly related to management consulting services
- 10 €4.2m M&A Capex** related to the settlement of Transaction Cost for USPL in Jan-24 instead of Dec-23.
- 11 €7.4m reduction in Financial Debt** as the group reimbursed certain short term loans

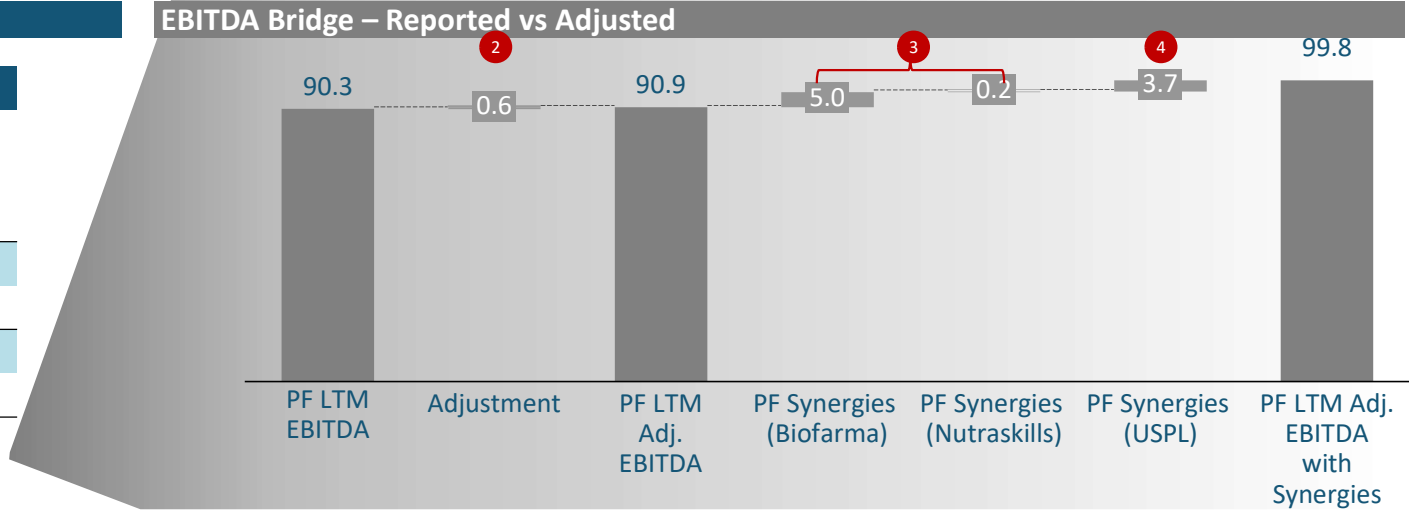
# Q1 2024 Leverage

The acquisition of US Pharma Lab was financed through a combination of equity and debt, with the latter being the primary factor contributing to the increase in our leverage

## Leverage – Q1-24 vs Opening

€m	As per OM	Q1-24
High yield bond	345,0	345,0
Private Placement	--	200,9
Cash and Cash Equivalent	(5,7)	(29,4) <sup>1</sup>
<b>Total net secured debt</b>	<b>339,3</b>	<b>516,5</b>
Other Debt <sup>2</sup>	0,8	26,6
<b>Adj. Net Fin. Position</b>	<b>340,1</b>	<b>543,1</b>
<hr/>		
PF LTM Adj. EBITDA with Synergies <sup>3</sup>	64,0	99,8
<sup>1</sup> Net Leverage	5,3x	5,4x

## EBITDA Bridge – Reported vs Adjusted



## Key Evidences

**1 Net Leverage**

Our leverage remained stable, albeit slightly higher than the levels observed in (OM), with the increase attributable to financing secured for the acquisition of USPL."

**2 Adjustments**

Includes:

- € 0.6m of pro-rata portion of minorities

**3 Synergies (Biofarma and Nutraskills)**

- €2.8 m of procurement synergies on vitamins
- €1.7m of manufact. improv.
- €0.7m of organization optimization

**4 Synergies (USPL)**

- €2.5m of procurement synergies in China
- €1.2m of packaging Efficiency

# Closing Statements



# Closing Statements

## To date...

- **2023 was a strong year and Q1 2024 confirmed a good trend for the Group** as we
  - Consolidated our position as a global champion, well diversified across US and Europe (geographies, customers, currencies)
  - Greenfield in France, Roadshow with customers and the Group-wide training on Lean Six Sigma are all testament to our ambition to ringfence our position as partners of choice of our customers

## Outlook for the Remainder of 2024

- **2024 will be the year of consolidation of our market leading position**
  - Integration: we are poised to solidify the integration of our operations across the globe, consolidating our market-leading position and expanding our business on both sides of the Atlantic, engaging with both existing and new customers
  - Global management of Key Accounts: we will continue the implementation of the 1BIG plan, dedicating senior resources to key global customers
  - Efficiency: Additionally, we are committed to implementing the Lean Six Sigma approach across all aspects of our operations, aiming to enhance efficiency and effectiveness company-wide

Q&A





# Appendix



## EBITDA detail from Reported to Proformed (Consolidated)

	Q1-23	Q1-24
(in thousand of Euro)	2023	2024
<b>Result for the period</b>	<b>(3,593)</b>	<b>(1,354)</b>
Depreciation and amortization	11,897	12,964
Corporate taxes	4,036	3,311
Financial income	(1,640)	(1,696)
Financial expenses	8,452	9,605
Accruals to provisions for risks	312	--
<b>EBITDA Statutory (Reported)</b>	<b>19,464</b>	<b>22,830</b>
US Acquisition (A)	4,755	--
Holdings accounting adjustments (B)	158	131
Non-recurring and certain M&A income and costs (C)	3	--
IFRS accounting impact and leasing (D)	--	--
Other Operating cost	(711)	223
Other adjustments (E)	234	200
<b>Adjusted EBITDA</b>	<b>23,903</b>	<b>23,384</b>

