Company presentation
Avanzadagen May 27, 2014
Recipharm – a leading CDMO on the global arena

• **Founded** by Lars Backsell and Thomas Eldered in **1995**
• Annual sales of **SEK 2.1 bn**
• Approximately **1,500 FTEs**
• More than **100 customers** characterized by long relationships
Recipharm – a leading CDMO on the global arena

Sales per segment 2013

- Development & Technology 8%
- Manufacturing Sweden 41%
- Manufacturing Europe 51%

- Secondary manufacturing
- 9 manufacturing sites
- Pharmaceutical development
- Intellectual property
Different from other outsourcing industries

- **Long product lifecycles**
  - +100 years
  - +70 years
  - +60 years

- **Strict regulatory environment**
  - Heavily regulated industry

- **High switching costs**
  - 18-24 months by product

- **High barriers to entry**
  - New entrants need significant initial capital outlay
The global CDMO market is expected to grow rapidly

Global CDMO market growth 2011-2015 (CAGR): 12%
Loyal and strong customer base

Why do customers choose Recipharm?

• **19 years** of pharma contract manufacturing experience

• **Highly reliable** with a solid reputation as a high quality supplier

• **Full service provider** with broad range of capabilities and ability to offer customized solutions

• **Value added development** services offering

• **Financial stability** and transparency
Loyal and strong customer base

2013 customers sales split by segment

- **Big Pharma**
  - large portfolio contracts (including site)

- **Small- and midsized Specialty Pharma**
  - focus for Sales force
A highly fragmented competitive landscape

Number of market players

- Globally: >1,000
- In US and Europe alone: >300

Top ten companies combined market share

~25%
Vision, mission and objectives

**Vision**
To be acknowledged as the **best in class provider** of contract development and manufacturing solutions to the pharmaceutical industry as judged by our customers, employees and other stakeholders

**Mission**
Recipharm offers its expertise and facilities in the development, production and supply of pharmaceuticals to demanding customers for global use

Recipharm’s goal is to be a world leading supplier of CDMO-services
Strategy

**Financial targets**

- **Sales growth**
  - Double sales within five years

- **Return on operating capital**
  - >15%

- **Dividend policy**
  - 30-50% of net profit
The Recipharm model

- Strategically aligned
- Decentralised and scalable
- Key business functions centralised
Manufacturing Services – the backbone of Recipharm

Stockholm
Strängnäs
Karlskoga
Höganäs

Wasserburg
Fontaine
Monts
Parets
Ashton

Broad offering of technologies
1. SOLIDS
2. SEMI-SOLIDS
3. GRANULATES AND POWDER
4. BETA-LACTAMS
5. INHALORS
6. STERILES
7. LYOPHILISATES

200 products
1,200 SKUs
Development & Technology – strategic and important growth driver

**Current**

- **Development** 17%
  - 35 employees
  - 5 PhDs
  - Projects in the development stage

**Technology** 83%

- Mature portfolio of 22 branded generics

**Growth initiatives**

- Market extensions
- Line extensions
- New product entry
# Growth initiatives

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<th>Growth initiatives</th>
<th>Cost of growth</th>
<th>Impact on future margins</th>
<th>Impact on growth</th>
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<tr>
<td>Growth in existing manufacturing footprint</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
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<td>High growth in strategic important D&amp;T</td>
<td>Low/Medium</td>
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<td>Low/Medium</td>
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<td>New production agreements</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
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<tr>
<td>Acquisition of CDMOs</td>
<td>High</td>
<td>Low/Medium</td>
<td>High</td>
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Clear target priorities define the acquisition strategy

- Technology focus
  - Cytotoxics
  - Pre-filled syringes

- Market focus
  - North America
  - India
  - Europe
Q1 in brief

- **Strongest first quarter** ever
- All segments **improved sales** and EBIT, especially D&T
- Strengthened sales organisation support sales growth

- Net sales amounted to **SEK 578 million** (517), an **increase of 11.7%** (9.4 in constant FX rates)
- EBIT amounted to **SEK 78 million** (38), giving a EBIT margin of 13.5% (7.2)
- Cash flow from operating activities was **SEK 57 million** (-23)
A highly attractive investment proposition

1. Attractive market with strong underlying fundamentals and long-term growth prospects

2. Leading Pan European CDMO with broad manufacturing capabilities and a clear road-map to double sales within five years (new contracts and acquisitions)

3. Strategic high-growth D&T division

4. High visibility on locked-in revenues and a strong customer base

5. Stable non-cyclical, highly cash generative business with impressive financial performance

6. Highly experienced and proven management with a successful track record

Sales growth

Double sales within five years

Return on operating capital

>15%

Dividend policy

30-50% of net profit
A highly attractive investment proposition

Existing stable business + Growth opportunities