RECIPHARM TAKES NEXT STEP TOWARDS GLOBAL LEADERSHIP
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Thomas Eldered, Jean-François Hilaire
RECIPHARM TAKES NEXT STEP TOWARDS GLOBAL LEADERSHIP

- Another step change in reach and scale for Recipharm
  - The businesses to be acquired had preliminary 2015 net sales of approximately SEK 745 million, 22% of reported 2015 total sales

- Adds US operational presence and provides improved access to the world’s largest pharma market
  - Strong development capabilities, enhanced technology base and broad customer portfolio
  - Penetrate vibrant life science industry and capitalise on new US ANDA¹ strength in India

- Significantly expanded position in emerging markets
  - Net sales exceeding SEK 800 million², mainly to fast-growing India market
  - Major extension of capabilities in India across development and manufacturing

- Further strengthening of synergistic business model by aligning development and manufacturing globally: US – India – Europe

Note 1. Abbreviated New Drug Application
Note 2. Preliminary figure including Nitin Lifesciences Ltd.
TRANSACTIONS STRONGLY IN LINE WITH M&A PRIORITIES

**Market**
- Direct access to US market
- Further strengthening India market presence
- Enhanced offering for Recipharm’s customers worldwide

**Technology**
- Competitive oral liquids and solid dose manufacture with US FDA/EU approved manufacturing
- Inhalation, nasal and transdermal delivery
- Clinical trial manufacturing

**Relationship**
- Several Big Pharma customers
- Strengthening of global generics customer base
- Broad portfolio of US customer relationships

**Financial impact**
- Substantial cost savings and synergy opportunities
- Potential sales synergies from enhanced customer offering and cross selling
- Expected to be accretive to EBITDA margin already from 2016
TRANSACTION TERMS AND FINANCING

• **Acquisition of US and Sweden operations** valued at approximately USD 85 million (SEK 693 million\(^1\)) on a cash and debt free basis

• **Consideration to the sellers** of approximately USD 30 million (SEK 243 million\(^1\)) in cash and class B shares in Recipharm corresponding to a value of USD 55 million (SEK 450 million\(^1\))\(^2\)

• **Acquisition of India operations** valued at USD 120 million (SEK 982 million\(^1\)) on a cash and debt free basis, paid in cash

• **Financed through a proposed rights issue** of approximately SEK 850 million and available funds and credit facilities
  – In aggregate, commitments and indications of intentions to subscribe for pro rata shares in the proposed rights issue has been obtained from current Recipharm shareholders controlling 58.2% of the share capital and 87.3% of the votes

Note 1. Translated at a USD/SEK rate of 8.18
Note 2. The share issue in kind requires that the Board of Directors receives the necessary authorization from Recipharm’s shareholders at an Extra General Meeting to be held on 10th May 2016
ATTRACTIVE FINANCIALS

- Transactions expected to be accretive to EBITDA margin already from 2016
- Strong combined cash flow generation expected to maintain financial profile in-line with financial targets

Note 1. Unaudited number according to local GAAP adjusted for non-recurring losses of approximately SEK 14m
Note 2. Preliminary unaudited according to Indian GAAP, exchange rate of INR/SEK of 0.13.
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Overview of acquired businesses

Rationale for the transactions

Transaction terms and financial overview

Concluding remarks

Q&A
US OPERATIONS, RESEARCH TRIANGLE PARK\textsuperscript{1}

- Located in Research Triangle Park, North Carolina, US
- Employs approximately 50 people
- Broad development service offering including formulation development of inhalation, nasal and transdermal products
- Emphasis on early formulation work as well as development of analytical methods and testing
- GMP suite for expansion into manufacturing of clinical trial material recently commissioned
- Has approximately 120 customers

Note 1. Cirrus Pharmaceutical Inc. through the acquisition of all the shares in its parent company Kemwell Biopharma Inc.
SWEDISH OPERATIONS, UPPSALA

• Located in Uppsala, Sweden
• Employs approximately 210 people
• Manufacturing of API, tablets, capsules and suppositories
• Two production sites of which one is a dedicated API facility with subsequent dosage form with manufacturing essentially to one Big Pharma customer
• Approved by the US FDA, EU and PMDA
• Supplies products to more than 60 markets including the US and Japan

Note 1. Kemwell AB
INDIA OPERATIONS, BANGALORE

- Located in Bangalore, India
- Expected to employ approximately 1,400 people
- Comprehensive development service offering including
  - Formulation development
  - Small scale manufacturing for clinical trials
  - Large analytical services business
- Manufacturing services offering
  - Solids
  - Semi-solids
  - Liquids
- State of the art manufacturing
  - Solid dose manufacturing approved by US FDA and EU

Note 1. Kemwell Biopharma Private Ltd´s India Pharma Division, which prior to access will be transferred to Dagny Pharma Private Ltd
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IMPROVING MARKET ACCESS FOR RECIPHARM AND ITS CUSTOMERS

- **Establishing operational presence**
  - Penetrate the largest and most innovative pharma market
  - Reach vibrant and well financed biotech customer universe
  - Capitalize on strong US ANDA capabilities in India

- **Emerging markets**
  - Emerging market offering further enhanced – sales of more than SEK 800 million (Nitin + Kemwell)
  - Majority of sales directly to the fast growing India market

- **Strengthening platform and market reach**

- **Globalizing Recipharm’s business**
  - Synergistic business model going global as new D&T hubs in US and India align with manufacturing base in India and Europe
  - New market access opportunities for current customers
STRONG ADDITIONS TO CUSTOMER RELATIONSHIP PORTFOLIO

- Uppsala and India businesses bring several important Big Pharma relationships, further reinforcing Recipharm’s position in this key customer group
- Strengthening of global generics customer base, underpinned by ANDA expertise and manufacturing strength in India
- Broad portfolio of relationships with US customers, including several high potential development partnerships served from US and India facilities
HIGH QUALITY TECHNOLOGY AND CAPABILITY BASE THAT COMPLEMENTS AND STRENGTHENS RECIPHARM’S OFFERING

New capabilities added...
- Inhalation technologies
- Nasal and transdermal delivery

...and existing priority areas strengthened
- GMP clinical trial manufacture
- Formulation expertise
- Large scale API manufacturing expertise
- Global regulatory capabilities
- India-based US FDA/EU approved manufacture
- US ANDA development expertise
- Significant, complementary manufacturing capacity
SIGNIFICANT SYNERGY OPPORTUNITIES

• Integration of Uppsala activities of the Swedish business with Recipharm’s broad manufacturing and overhead base in Sweden offers significant potential for cost savings and synergies
  – Asset rationalization in manufacturing operations
  – Savings in general and administration activities

• Overall potential estimated at more than SEK 25 million per annum when fully realized (expected by Q4 2017)

• In addition, significant potential for sales synergies from enhanced customer offering and cross selling opportunities are expected
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US AND SWEDISH OPERATIONS – TRANSACTION TERMS AND FINANCING

- Transaction valued at approximately USD 85 million (SEK 693 million\(^1\)) on a cash and debt free basis

- Consideration to the sellers, Kemfin Holdings Private Ltd. and, as regards the Swedish operations, a minor owner (“Minority Owner”), of approximately USD 30 million (SEK 243 million\(^1\)) in cash, financed through available funds and credit facilities, as well as through an issue in kind of class B shares in Recipharm corresponding to a value of USD 55 million (SEK 450 million\(^1\))\(^2,3\)

- Kemfin will become a meaningful shareholder in Recipharm. Kemfin and Minority Owner have committed to a 12 month lock up period for the shares received through the share issue in kind as well as undertaken to subscribe for their pro rata shares in the proposed rights issue\(^4\)

- Closing of the transaction is expected to take place during the second quarter of 2016, subject to review by the Swedish Competition Authority. The transaction is also subject to confirmation from a third party regarding certain commitments

Note 1. Translated at a USD/SEK rate of 8.18
Note 2. The share issue in kind requires that the Board of Directors receives the necessary authorization from Recipharm’s shareholders at an Extra General Meeting to be held on 10th May 2016
Note 3. The number of shares in the issue in kind will be based on an agreed subscription price, calculated as the average of the volume weighted average share price for (i) 20 trading days prior to the day for signing of the acquisition agreement and (ii) 20 trading days prior to the date for the EGM, adjusted for non-occurring dividend for the financial year 2015
Note 4. Subject to Kemfin and Minority Owner receiving the shares from the issue in kind prior to the record date of the proposed rights issue. Should the shares from the issue in kind not be registered prior to the record date of the proposed rights issue, the number of shares in the rights issue will be reduced and a subsequent directed share issue against cash payments to Kemfin and Minority Owner will be carried out
INDIA OPERATIONS – TRANSACTION TERMS AND FINANCING

• Transaction valued at USD 120 million (SEK 982 million\(^1\)) on a cash and debt free basis

• 100% cash consideration

• Closing is subject to governmental approvals, including approval from the Indian Foreign Investment Promotion Board (“FIPB”), and is anticipated before year end

• To be financed through a proposed new share issue with preferential rights for the Company’s shareholders and available funds and existing credit facilities

Note 1. Translated at a USD/SEK rate of 8.18
PROPOSED RIGHTS ISSUE

• Proposed rights issue of approximately SEK 850 million expected to be completed before the end of the second quarter

• Commitments and indications of intent
  – Thomas Eldered and Lars Backsell, who together control 33.4% of the share capital and 79.8% of the votes\(^1\), have committed to subscribe for their pro rata shares in the proposed rights issue
  – In addition, Lannebo Fonder, Första AP-fonden and Fjärde AP-fonden, who together control 24.8% of the share capital and 7.5% of the votes\(^1\), have indicated their intention to subscribe for their respective pro rata shares in the proposed rights issue
  – Thus, in aggregate, commitments and indications of intentions to subscribe for shares in the proposed rights issue has been obtained from current Recipharm shareholders controlling 58.2% of the share capital and 87.3% of the votes
  – Furthermore, Kemfin and Minority Owner have committed to subscribe for their pro rata shares in relation to any Recipharm shares received as consideration for the acquisition\(^2\)

• Further information will be provided in a separate press release regarding the summons to the Extra General Meeting to be held on 10\(^{th}\) May, 2016

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Note 1. The stated holdings are calculated as of 15\(^{th}\) April 2016 before the proposed issue in kind of class B-shares in Recipharm corresponding to a value of USD 55 million as stated earlier

Note 2. Subject to Kemfin and Minority Owner receiving the shares from the issue in kind prior to the record date of the proposed rights issue. Should the shares from the issue in kind not be registered prior to the record date of the proposed rights issue, the number of shares in the rights issue will be reduced and a subsequent directed share issue against cash payments to Kemfin and Minority Owner will be carried out
ATTRACTIVE FINANCIAL IMPACT FOR RECIPHERM

- Preliminary 2015 revenues of SEK 745 million\(^1\), 22% of Recipharm’s reported 2015 revenues
  - India operations had 2015 revenues of SEK 284 million, with significant growth and margin expansion expected in the coming years from project pipeline and the development business
  - US and Sweden operations had 2015 revenues of SEK 461 million

- Adjusted 2015 EBITDA, before cost savings and synergies, of SEK 108 million
  - India operations had EBITDA of SEK 47 million\(^2\)
  - US and Sweden operations had adjusted EBITDA of SEK 61 million\(^3\)

- Cost savings and synergies estimated at more than SEK 25 million per annum
  - Full implementation expected by Q4 2017
  - Implementation costs expected to amount to approximately SEK 7 million

- Implied aggregate adjusted EBITDA 2015 multiple of 16x, 13x including cost savings and synergies

- Transactions expected to be accretive to EBITDA margin already from 2016

- Transaction costs amounting to around SEK 26 million
  - Impact on operating profit of SEK 20 million (of which SEK 7 million in Q1 2016)
  - Additional financial costs of SEK 6 million

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Note 1. Preliminary combined 2015 revenue for the two businesses
Note 2. Preliminary unaudited according to Indian GAAP, exchange rate of INR/SEK of 0.13.
Note 3. Unaudited according to local GAAP adjusted for non-recurring losses of approximately SEK 14m
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RECIPHARM – FIRMLY ESTABLISHED GLOBAL CDMO
FOCUSED M&A STRATEGY TO DELIVER VALUE

What Recipharm’s M&A strategy has delivered

TECHNOLOGY

- Freeze dried ampoules
- Injectable hormones
- Effervescent tablets
- Ophthalmics
- Niche APIs
- Pre-clinical chemistry
- Coated pellets
- Cytotoxics
- Pre-filled syringes
- Niche dosage forms
- Niche development technology

MARKET

- Europe
- North America
- India
- Israel

RELATIONSHIP

- ~ 250 new customers gained since the IPO

Note 1. Empty boxes reflect gaps in current portfolio which can be the focus of M&A
Note 2. Completed on 11th April, 2016
Note 3. The acquisition of the US and Sweden operations is expected to be completed during the second quarter 2016 and the acquisition of the Indian operations is expected to be completed by the end of 2016
BECOMING A GLOBAL CDMO LEADER

• Global footprint established
  – Strong presence in all major European markets
  – Enhanced presence in India
  – Foothold established in attractive US market

• World wide market supply capabilities

• Diverse customer base

• Broad technology base

• High quality, high performance manufacturing facilities

• Access to competitive drug delivery technologies

• Technology and product development partnerships and joint projects

• Strong IP backed business
TRANSACTIONS STRONGLY ALIGNED WITH RECIPHARM’S FINANCIAL TARGETS

Financial targets

- **At least SEK 8bn in sales by 2020**
- **EBITDA margin of at least 16%**
- **Net debt to equity ratio of less than 0.8**
- **Dividend return of 30-50% of profit after tax**

Kemwell acquisitions

- **SEK 745\(^4\) million of preliminary 2015 net sales**
- **Expected to be accretive to EBITDA margin from 2016**
- **Strong cash flow and proposed rights issue expected to maintain leverage in line with target**
- **Maintaining proposed dividend for 2015 of SEK 1.50 per share (1.25 in 2014)**

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Note 1. Estimated value of Alcon outsourcing agreement for 2016
Note 2. Preliminary pro forma 2015 sales for Mitim Srl
Note 3. Preliminary 2015 January-December sales for Nitin Lifesciences Ltd
Note 4. Preliminary 2015 January-December sales for Kemwell
TRANSACTIONS STRONGLY ALIGNED WITH RECIPHARM’S KEY STRATEGIC PRIORITIES

- Build a broad network with critical mass across Europe
- IPO – Access to Capital Markets to enhance M&A fire-power
- Increase the breadth of offering in high margin Steriles and D&T
- Grow and establish presence in Emerging Markets
- Establish foothold in the North American market
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Q&A
CONTACT INFORMATION

Thomas Eldered
CEO & Managing Director
+46 (0)8-602 52 10

Jean-François Hilaire
EVP Strategy and Global Integration
+33 695 447507

Recipharm investor relations
ir@recipharm.com