Recipharm to acquire Corvette Pharmaceutical Services Group

19th August 2014

Thomas Eldered, CEO
Björn Westberg, CFO
Recipharm is stepping up

Increased reach, capacity, capability, scale and profitability → more competitive than ever
Recipharm + Corvette

The transaction values Corvette to an enterprise value of EUR 120 million (SEK 1.1 billion)
With an estimated net debt of EUR 20 million (SEK 183 million)

Estimated equity consideration of EUR 100 million will be paid for by:
- 50% cash
- 50% in the form of a convertible bond
- No additional financing is required

Combined entity set to enhance Recipharm’s scale and profitability
Based on 2013 financials, combined entity proforma revenue and EBITDA would increase with 23.5% and 45.9% respectively
Strengthened European position

**Access to highly interesting geographical areas**
Including Italy and emerging markets, many which are new to Recipharm

**Stable and reputable customer base**
Little overlap with Recipharm thus significant cross-selling opportunities

**Expanded asset base**
Recipharm will have an asset base in each of the five largest European pharmaceutical markets

**Increased lyophilisation capacity**
Strengthens manufacturing capacity and capability in the highly sought after technology of lyophilisation

**Highly interesting Intellectual property (IP) portfolio**
Contributes to Recipharm’s IP backed manufacturing business as Corvette’s IP portfolio supports circa 40% of their sales.

**Accretive to profitability and EPS**
Both set to increase already in 2014
Transaction terms

• Consideration and financing
  – The equity consideration, estimated to EUR 100 million, is to be paid 50% in cash and 50% in the form of a senior unsecured convertible bond issued to the sellers.

  – Corvette will have approximately EUR 21 million in interest bearing debt which will be repaid after closing.

  – The cash for the transaction is already available and no additional external financing is required.

  – Closing expected on 1st October 2014.
Agenda

- Corvette overview
- Transaction rationale
- Financials and terms
- Time plan
- Concluding remarks
- Q&A
Corvette - A well established CDMO

• Well established and reputable pharma services group based in Milan providing:
  – API development and manufacturing
  – Secondary manufacturing of sterile injectables in both liquid and lyophilised vials and ampoules
  – Bulk lyophilisation of sterile beta-lactams

• Created in 2009
  – integration by PE group LBO Italia of three separate businesses going back almost 50 years
Corvette – A well established CDMO

- Supplying over 100 customers to 70 markets
  - Including big pharma, small mid-size speciality and global generics companies

- Some 40% of sales are supported by own IP portfolio.

- 265 employees

- Financials 2013 – Revenue EUR 57.7 million
  EBITDA: EUR 15 million (26.1% margin)
Well invested manufacturing facilities

• **Masate**
  – Sterile injectables manufacturing facility with capabilities for both lyophilisation and liquid filling of vials and ampoules including hormones supplied to numerous territories including Japan.

• **Paderno Dugnano**
  – API and finished dose form development and manufacturing facility with a number of own product rights including Erdosteine, an important mucolytic product. The facility supplies the global market including the US and Japan.

• **Lainate**
  – Bulk lyophilisation of sterile beta-lactam antibiotics supplied to numerous markets including Japan.
Global presence
An already established business in more than 40 countries
Proven development capabilities

• Development of new products/formulations and enhancement of manufacturing methods
  – Has substantial skills and knowledge to develop new sterile injectable products, both in terms of product formulation and registration dossiers.

• Development of new niche generic APIs.

• Recently updated several product dossiers for out-licensing
Erdosteine – an unique drug with growth potential

- A mucolytic drug for use in respiratory diseases
- Production of both API and finished dose forms
- Marketed in more than 40 countries worldwide through partners like
  - Rottapharm, Dexa Medica, Galen, Sandoz, Vifor and Daewoong
- License agreement with Alitair Pharmaceuticals, Inc. for development of Erdosteine as an orphan drug in the United States and Canada.
- Orphan drug designation from FDA in 2014 for the treatment of bronchiectasis, a rare respiratory condition in which the lungs produce excessive amounts of mucus.
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• **Access to new and highly interesting geographies including Italy and emerging markets.**
  – 45% of Corvette’s sales are in Italy.
  – 20% of sales are to Emerging Markets.
  – Recipharm will now have manufacturing assets in the five largest European pharmaceutical markets.
Attractive customer base

- Access to a new customer base presenting significant opportunities for cross selling
  - Approximately 80% of Corvette sales are to customers new to Recipharm
  - Mainly small- and midsize pharma companies, which are Recipharm’s main focus for new manufacturing projects
Increased lyophilisation capacity and capabilities

- Strengthens Recipharm’s leadership in lyophilisation.

- Addresses current and short term capacity shortage whilst new capacity comes on stream in Recipharm’s existing facility.

- Ability to handle both hormones and ampoules.
Corvette IP – foundation for further growth

• Some 40% of Corvette’s sales are backed by own IP
  – (including marketing authorisations, product rights and patents) with a promising pipeline of new products.

• Supports Recipharm’s ambition to include more IP in its offering.

• Future potential royalties of Erdosteine
  – from the possible approval of the product as an orphan drug in the US for the treatment of bronchiectasis.
Vertically integrated development

• Development and small scale manufacturing
  – niche active pharmaceutical ingredients integrated with finished dose form development.

• Provides access to new manufacturing contracts derived from development pipeline.
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Attractive financial impact

• **Good margins**
  – Corvette’s profitable business having 26% EBITDA margin will increase average combined margin.

• **Strong development**
  – Corvette has many years of positive development in both sales and EBITDA and will contribute to combined organic growth.

• **Accretive acquisition**
  – The acquisition is expected to be accretive to earnings and EPS

• **Commercial synergies and economies of scale**
  – Additional, non-quantified benefits from commercial synergies, cross-selling to customers and operational optimisation.
# Proforma Financial Summary

<table>
<thead>
<tr>
<th>2013 PF (mSEK)</th>
<th>Recipharm</th>
<th>Corvette ¹/</th>
<th>Total</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>2 125</td>
<td>499</td>
<td>2624</td>
<td>+23.5</td>
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<tr>
<td>EBITDA</td>
<td>283</td>
<td>130</td>
<td>413</td>
<td>+45.9</td>
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<tr>
<td>EBITDA margin</td>
<td>13.3%</td>
<td>26.0%</td>
<td>15.7%</td>
<td></td>
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</tbody>
</table>

¹ Based on 2013 average SEK to EUR of 8.65
Senior unsecured convertible bond terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>Issued to seller</td>
<td>LBO Italia Investimenti Srl.</td>
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<tr>
<td>Issue size</td>
<td>Preliminary EUR 50 million</td>
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<tr>
<td>Issue price</td>
<td>100% of PAR</td>
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<td>Coupon</td>
<td>None</td>
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<tr>
<td>Sep 30, 2015 Maturity date</td>
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<tr>
<td>Lock-up</td>
<td>until March 31, 2015</td>
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<tr>
<td>Conversion period</td>
<td>From closing until 9th September 2015</td>
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<td>Conversion terms</td>
<td>Partial or full conversion into new B shares</td>
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<tr>
<td>Conversion price</td>
<td>SEK 91.10 per share</td>
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<td>Redemption price</td>
<td>90% of par, equal to EUR 45 million.</td>
</tr>
<tr>
<td>Listing</td>
<td>None</td>
</tr>
</tbody>
</table>
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Speed and certainty to completion

• The closing of the transaction is expected to 1\textsuperscript{st} October 2014.
  – There are no material conditions to closing.

• Extraordinary General Meeting
  – Scheduled for 11\textsuperscript{th} September 2014 to obtain authorisation to issue the convertible bond.

• Written consent, lock-up
  – The joint lead managers in Recipharm’s IPO, Carnegie and SEB, have, for this transaction, given their written consent to release Recipharm from the lock-up on its shares.
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Recipharm – a full service provider

COMBINED OFFERING

DEVELOPMENT
- Selection of raw material and development of dosage forms
- Analytical development and stability control
- Regulatory support
- Material for clinical studies
- Selection of packaging

PRIMARY MANUFACTURING
- Intermediate
- Active pharmaceutical ingredients (API)

SECONDARY MANUFACTURING
- Formulation, dosing and packaging
- Quality assurance, product maintenance and regulatory support
- Logistic services

Recipharm’s current offering

ACTIVITIES THAT ARE TODAY USUALLY CARRIED OUT BY A CDMO

DISCOVERY AND PRECLINICAL DEVELOPMENT
- Discovery
- Preclinical development

CLINICAL STUDIES
- Development of formula
- Material for clinical studies

MANUFACTURING
- Clinical studies
- Manufacturing and packing

SALES & MARKETING
- Distribution
- Sales & marketing
Recipharm – a leading European CDMO
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
Accelerating the growth

2013PF is calculated by adding Corvette reported 2013 to Recipharm reported 2013, using an exchange rate of 8.65 SEK/EUR
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Q&A
Recipharm
good for business