RECIPHARM ACQUIRES SANOFI INHALATION CMO IN THE UK

THOMAS ELDERED, CEO
14th June 2018
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RECIHPHARM + HOLMES CHAPEL

AN IDEAL OPPORTUNITY IN THE GROWING RESPIRATORY DRUG MARKET

• Combined entity set to enhance Recipharm’s scale and revenue
  – Holmes Chapel LTM revenues of SEK 597 million\(^1\) and EBITDA\(^2\) of SEK 100 million\(^1\)
  – Pro forma LTM revenues set to reach SEK 6,113 million (+11%)
• Transaction valued at GBP 45 million (SEK 527 million\(^1\)) on a debt and cash free basis
• Attractive market segment and valuation
• Accretive to EBITDA margin and EPS from Q1 2019
• Integrates with Recipharm’s US inhalation development business and provides attractive differentiating capabilities

\(^1\) Exchange rate SEK/GBP 11.71
\(^2\) Pro forma EBITDA adjusted for non-recurring items
DIRECTED EQUITY ISSUE

• In order to maintain its financial flexibility and accommodate investments in organic as well as additional acquisition opportunities Recipharm has, in connection with the acquisition of Holmes Chapel, resolved to carry out a directed share issue of 4,000,000 Class B shares at subscription price of SEK 127 per share.

• The subscription price has been determined through an accelerated book build procedure.

• The subscription price represents a premium of approximately 1.4 percent compared to the last 10 trading days volume weighted average price prior to the Board of Directors’ resolution.¹

• Recipharm will receive proceeds amounting to SEK 508 million before transaction costs. The issue entails a dilution of 6.0 percent of the capital in relation to the number of shares in Recipharm through an increase in the number of outstanding shares to 66,726,871 (divided into 15,222,858 shares of Class A and 51,504,013 shares of Class B).

• The directed issue was substantially oversubscribed with several Swedish and international institutional investors participating.

¹ SEK 125.2, volume weighted average closing price for 10 trading days prior to 14 June, 2018.
AGENDA

1. Holmes Chapel
2. Transaction rationale
3. Transaction terms
4. Financials
5. Concluding remarks
HOLMES CHAPEL
A HIGH QUALITY INHALATION MANUFACTURING SITE IN THE UK

• The Holmes Chapel manufacturing facility is located close to Manchester and is one of the leading sites of its type in Europe providing CDMO manufacturing services
  – Site covers 125,000 m² and is home to more than 450 specialist employees
  – Privately owned by Sanofi
• Prime technologies of Holmes Chapel are metered dose inhalers and nasal sprays
• The facility houses development areas for dry powder inhalation technologies
• The site is well invested, attractively located and benefits from strong manufacturing know-how in its areas
• The site is scalable to accommodate additional volumes
ACCESS TO PRIME CLIENTS AND PRODUCTS

• Several Prime clients serviced from the facility
  – Long-term supply agreement entered into by Sanofi and Recipharm for the products currently manufactured at the facility (primarily Nasacort)
  – Other Prime clients include Vectura, for whom flutiform® is manufactured
• Several other products, some of which still in their launch phase, are supplied from the site
• Products in growth phase expected to contribute to good growth going forward
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**ATTRACTION MARKET**

ACCESS TO NEW CUSTOMERS AND HIGHER MARGIN NICHE TECHNOLOGIES

**Attractive niche market**
- Market growth is primarily driven by increased incidence of asthma and COPD
- Complex production process of inhalators implies significant barriers to entry

**Enhanced offering and stronger customer relationships**
- Adds new capabilities to group in niche area and complements existing capabilities
- Top tier client base including Sanofi
- Manufactures a number of recently launched products currently in growth phase
- High potential to expand relationships

**Operational benefits and attractive financials**
- Well-maintained facility with strong management and staff
- Geographically close to Recipharm’s other UK facility providing potential operational synergies
- Accretive to growth, margin and EPS
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TRANSACTION TERMS

• Recipharm will acquire the assets and business for a consideration of GBP 45 million (SEK 527 million\(^1\)) on a debt and cash free basis payable at closing
  – Corresponding LTM multiple is 0.9x revenue or 5.3x EBITDA\(^2\)
  – Net debt at closing is estimated to SEK 47 million

• Certain working capital, determined at closing, will be paid between six and 12 months following closing

• Certain performance payments (up to GBP 9 million in total) may be made in 2020 and 2021, subject to superior development of the business

• Transaction costs affecting operating profit are estimated to approximately SEK 21 million

• The transaction will close after customary licences have been obtained (Q4 2018)

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\(^1\) Exchange rate SEK/GBP 11.71
\(^2\) Based on pro forma EBITDA LTM March 2018 adjusted for non-recurring items
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ENHANCED SCALE, REVENUE AND PROFITABILITY

• Combined entity set to enhance Recipharm’s scale, revenue and profitability
• Holmes Chapel has LTM March 2018 revenues of SEK 597 million\(^1\) and EBITDA of SEK 100 million\(^2\) which represents an increase of 10.8% on Recipharm’s total LTM revenues and of 12.2% on Recipharm’s total LTM EBITDA

Pro forma REVENUES

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<td>Recipharm</td>
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<tr>
<td>Holmes Chapel</td>
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<td>Total</td>
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\(+11%\)

Pro forma EBITDA

<table>
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<th>SEKm</th>
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<tbody>
<tr>
<td>Recipharm</td>
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</tr>
<tr>
<td>Holmes Chapel</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>800</td>
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</tbody>
</table>

\(+12%\)

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\(^1\) Exchange rate SEK/GBP 11.71
\(^2\) Pro forma EBITDA LTM March 2018 adjusted for non-recurring items
FINANCIALS

PROFORMA ADJUSTED LTM MARCH 2018
PROFORMA ACQUISITION AND EQUITY ISSUE AS OF APRIL 1, 2017

Recipharm LTM March 2018 EPS as reported but adjusted for non-recurring provision
Holmes Chapel contribution to EPS based on Company estimated depreciations post closing and expected tax rate
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RECI PHARM – BECOMING A GLOBAL LEADER

USA
Research
Triangle Park

EUROPE
UK
Ashton
Holmes Chapel
GERMANY
Wasserburg

FRANCE
Fontaine
Kaysersberg
Monts
Pessac

ITALY
Brescia
Lainate
Masate
Paderno Dugnano

PORTUGAL
Odivelas
Queluz

SPAIN
Leganés
Parets

ISRAEL
Ness Ziona

SWEDEN
Stockholm
Hooganas
Karlskoga
Solna
Strängnäs
Uppsala

INDIA
Bengaluru
Karnal & Paonta Sahib

Manufacturing services
Development services
STRONG EUROPEAN POSITION WITH EMERGING MARKETS PLATFORM

- Presence in all major European markets and India
- Global supply
- 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
CUSTOMER FOCUSED M&A STRATEGY TO DELIVER VALUE

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
- India
- North America
- Israel

RELATIONSHIP
- ~ 250 new customers gained since the IPO
ON TRACK TO REACH OUR TARGETS

Financial targets

At least SEK 8bn in sales by 2020

EBITDA margin at least 16%

Net debt to equity ratio of less than 0.8

Dividend 30-50% of net profit

Note. Q1 LTM is adjusted proforma combined Recipharm and Holmes Chapel
Q&A

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