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# Results 2016 of the Galenica Group

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Media Conference, 14 March 2017

# Disclaimer

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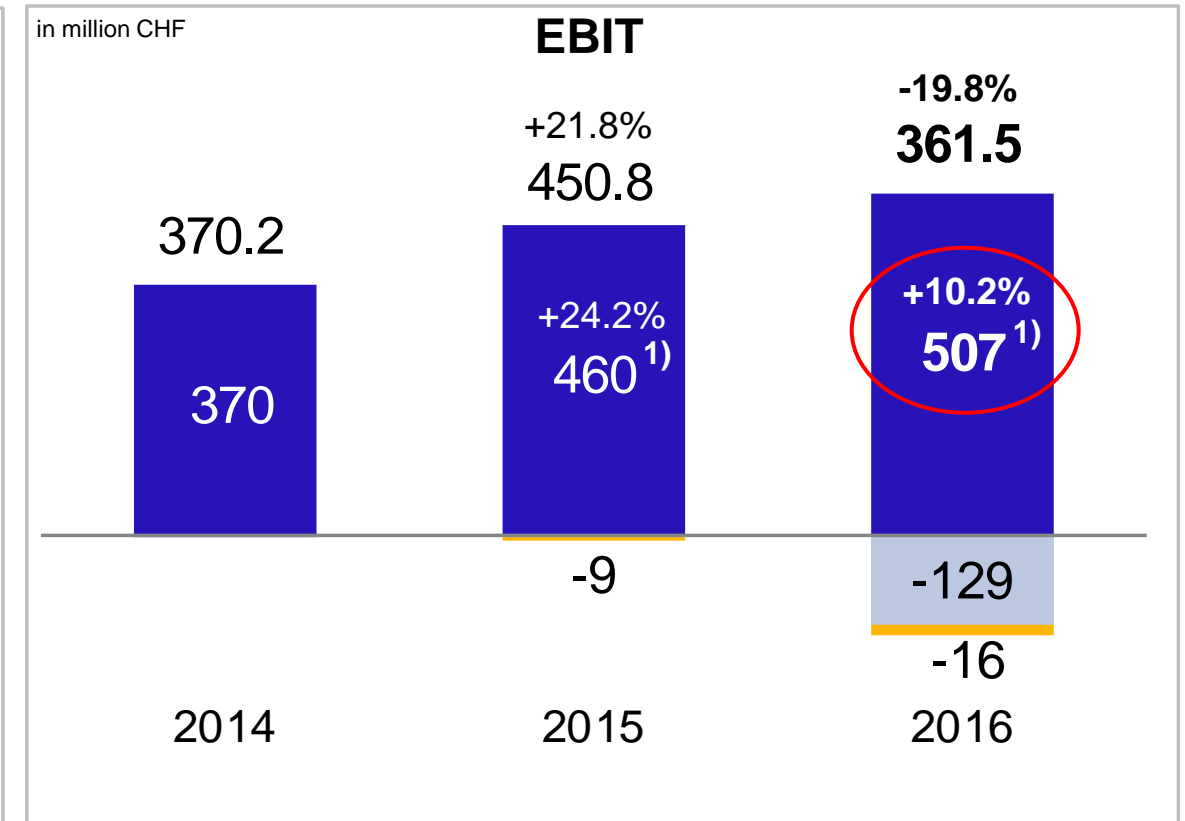
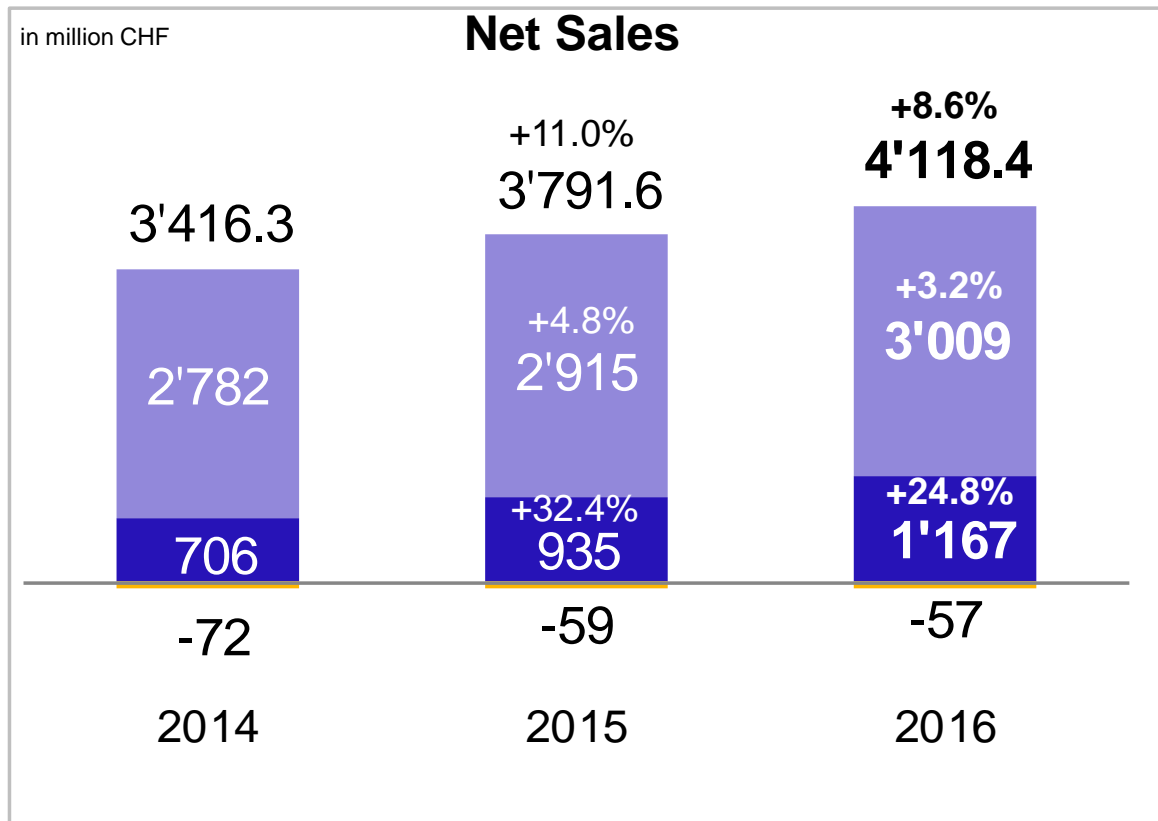
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# Galenica Group

## Strong evolution of operating results



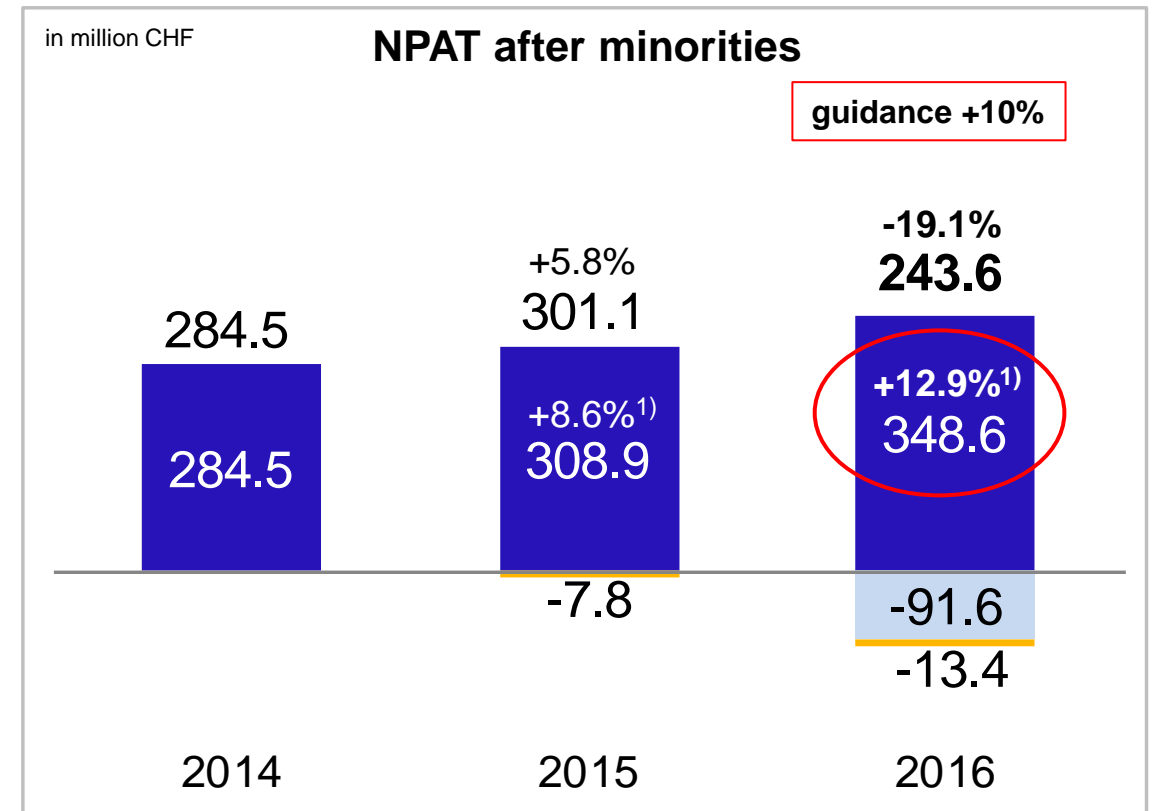
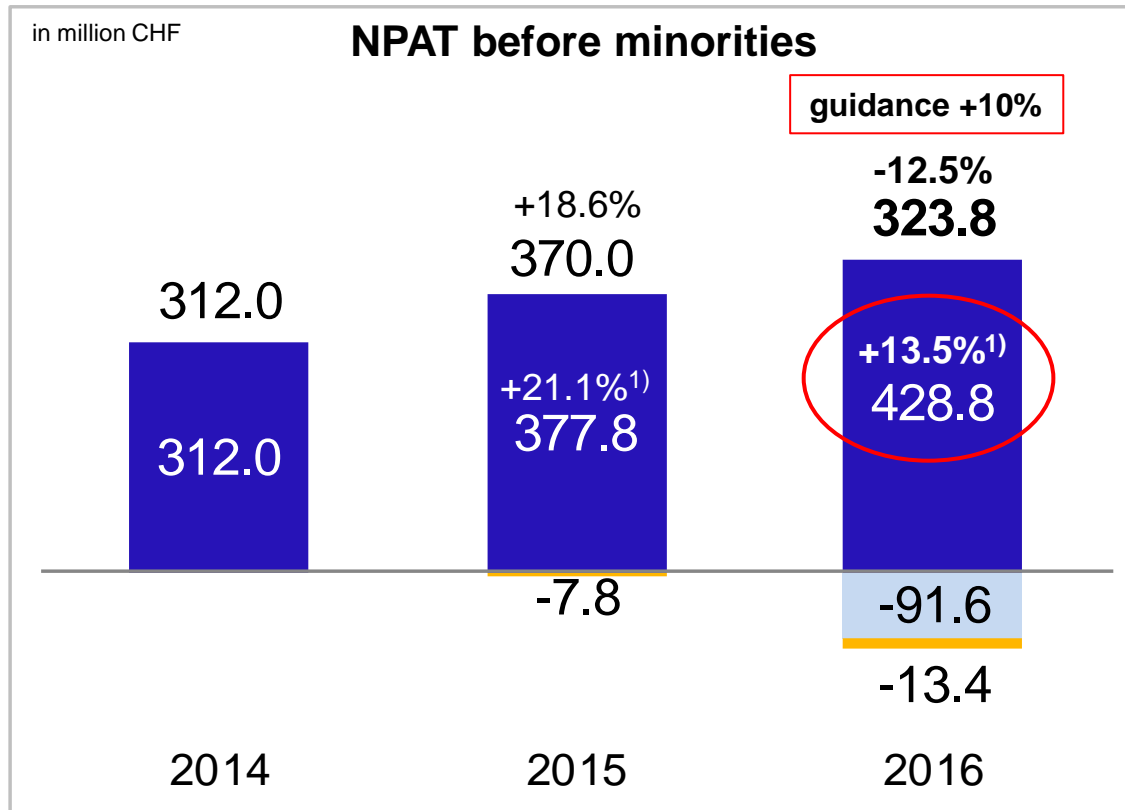
- Galenica Santé
- Vifor Pharma
- Net sales with other Business units

- EBIT w/o IAS19 & Relypsa
- Relypsa
- IAS19

<sup>1)</sup> EBIT comparable w/o Relypsa & IAS19 effect

# Galenica Group

## Profit before and after minorities



■ NPAT before and after minorities w/o IAS19 & Relypsa

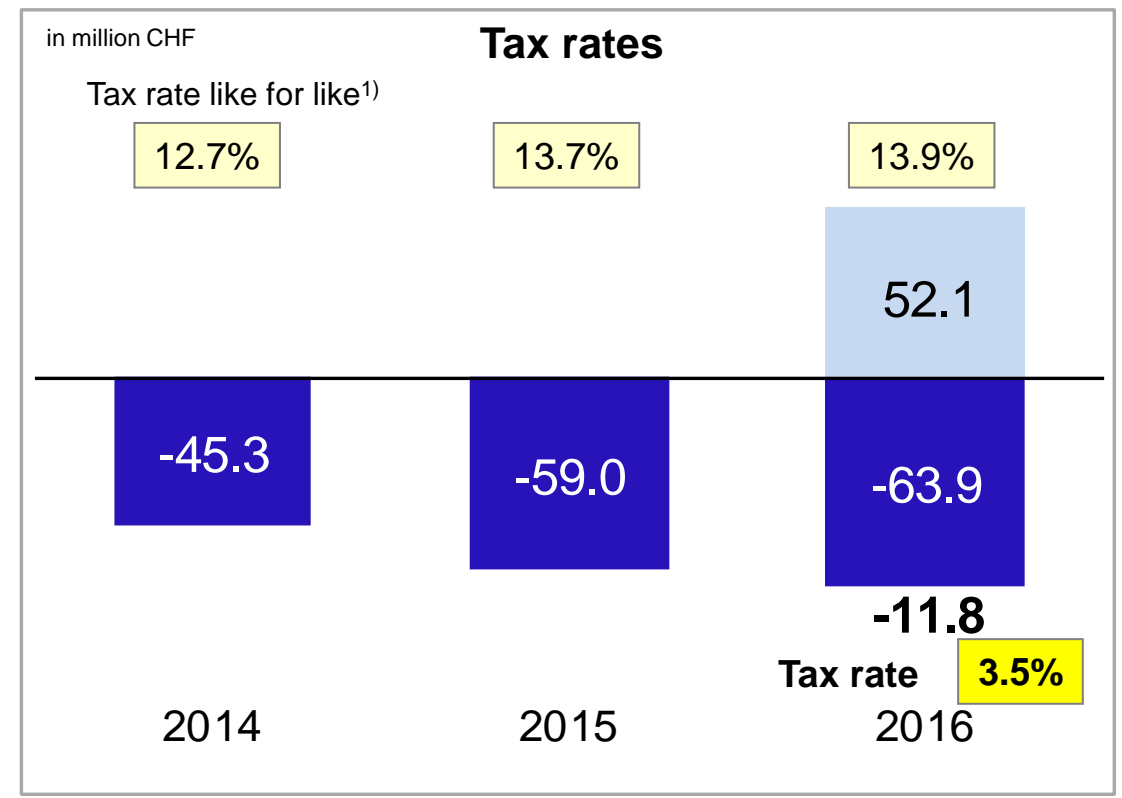
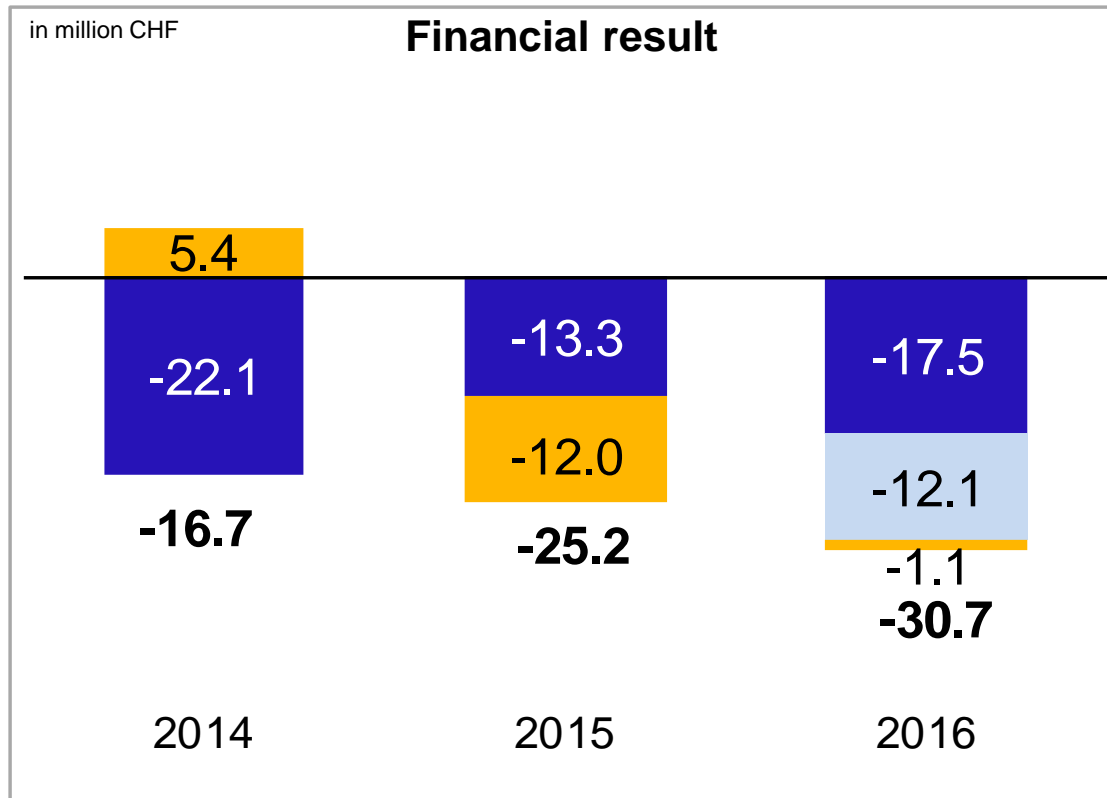
■ Relypsa

■ IAS19

1) w/o Relypsa & IAS19

# Galenica Group

## Financial result / taxes

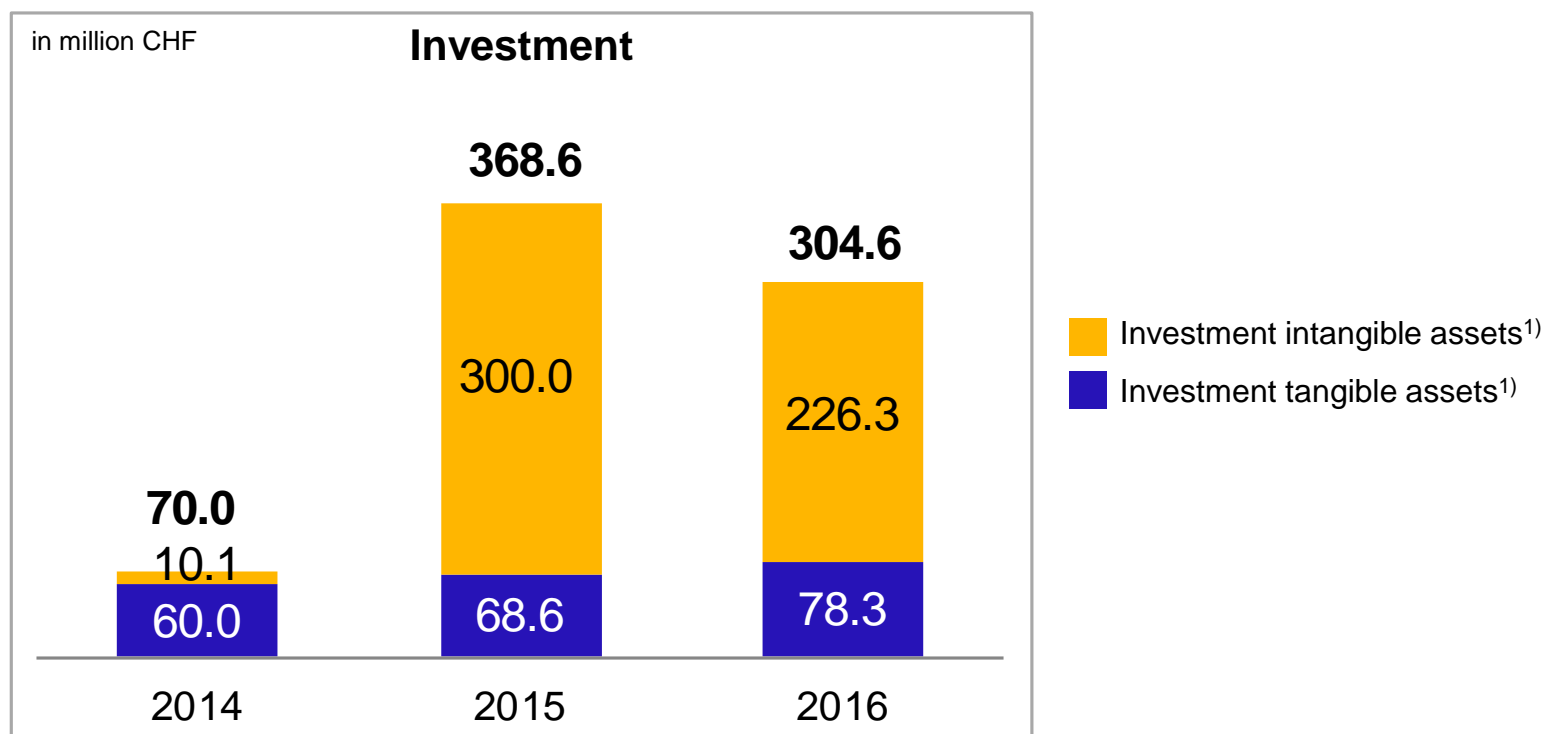


- Financing cost Relypsa
- Fx gain/loss
- Net financial result w/o fx impact

- Deferred tax Relypsa
  - Taxes w/o Relypsa
- <sup>1)</sup> w/o Relypsa

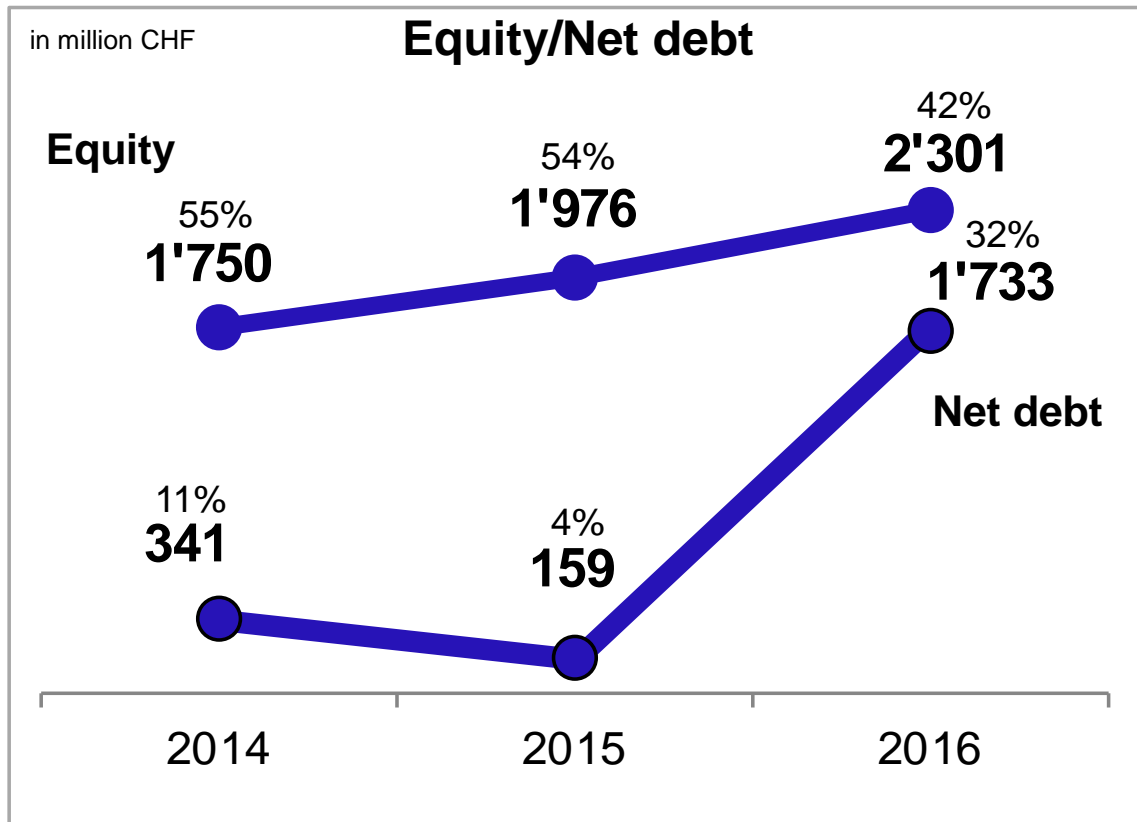
# Galenica Group

## Free cash flow and investments



in million CHF	2014	2015	2016
Cash flow from operating activities	355.8	522.2	257.9
+ <b>Proceeds</b> from property, plant and equipment, investment properties, intangible assets, financial assets, securities and subsidiaries	12.9	52.2	7.2
- <b>Investments</b> in property, plant and equipment, investment properties and intangible assets	-69.9	-164.9	-283.2
- <b>Investments</b> in financial assets, associates and subsidiaries	-102.0	-49.4	-1'265.6
<b>Free Cash flow</b>	<b>196.8</b>	<b>360.1</b>	<b>-1'283.5</b>

<sup>1)</sup> without business combinations, e.g. acquisition of Relypsa



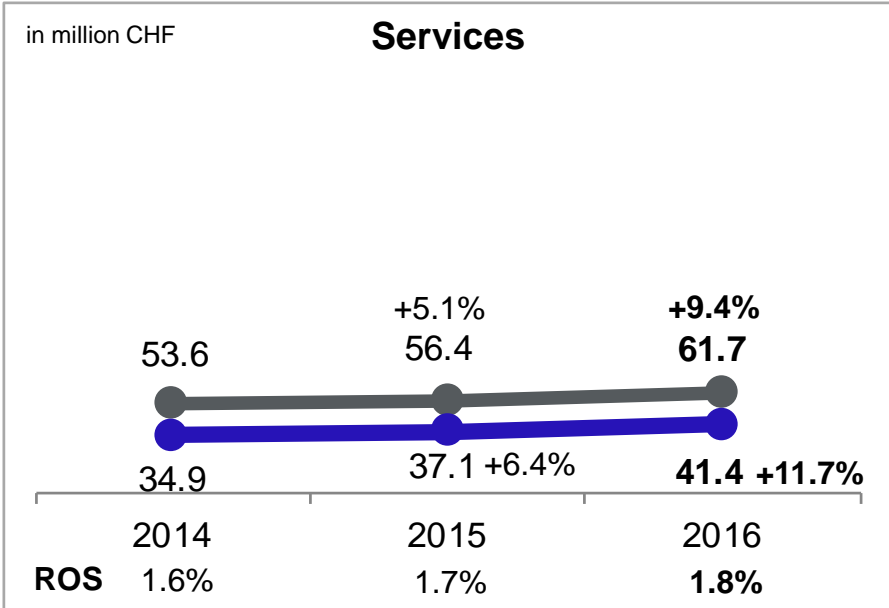
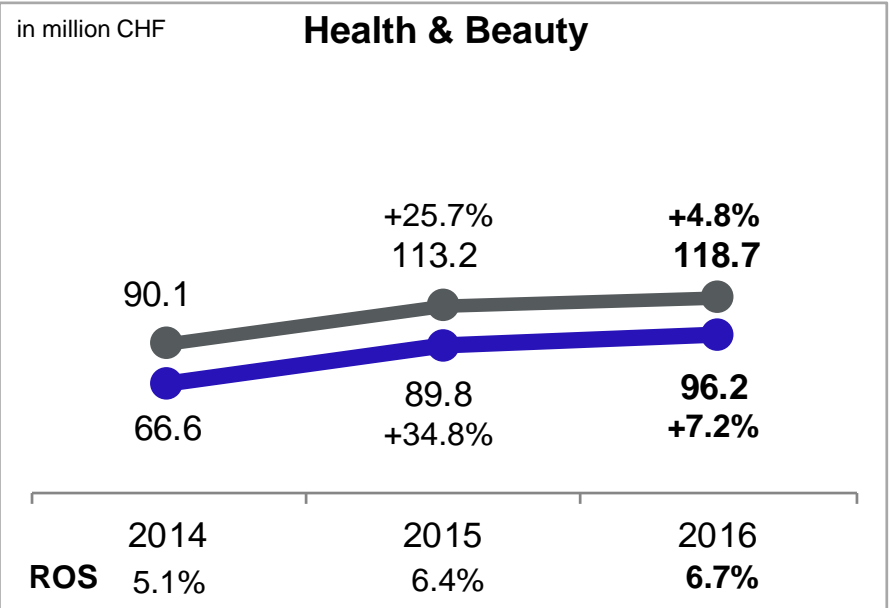
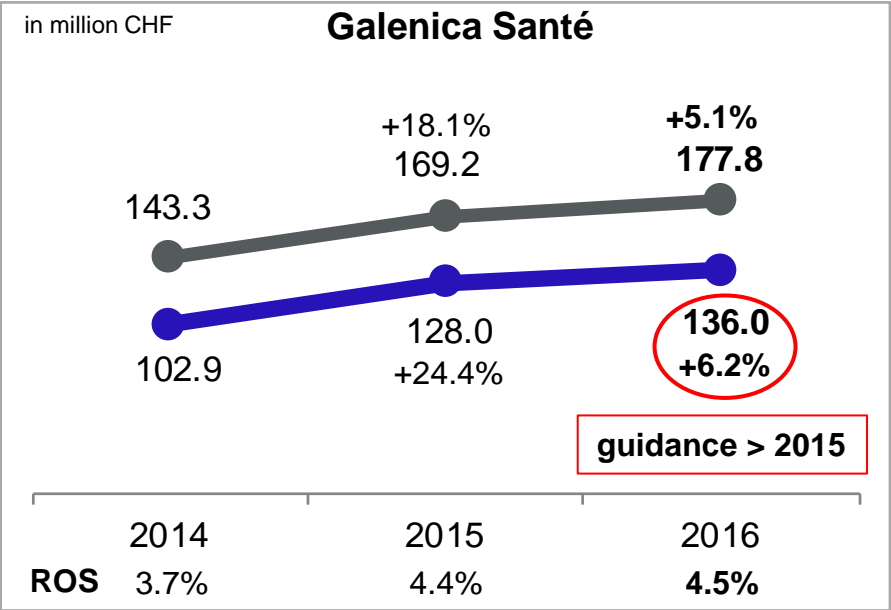
% of Total liabilities and shareholders' equity

in million CHF/%	Actual 2014	Actual 2015	Actual 2016
Interest coverage	17.1	24.6	14.8
<b>Net debt/EBITDA</b>	<b>0.76</b>	<b>0.30</b>	<b>3.54</b>
Gearing	19.5%	8.1%	75.3%
Operating net working capital	536	563	634 <sup>1)</sup>

<sup>1)</sup> trade accounts receivable + inventories ./ trade accounts payable

# Galenica Santé

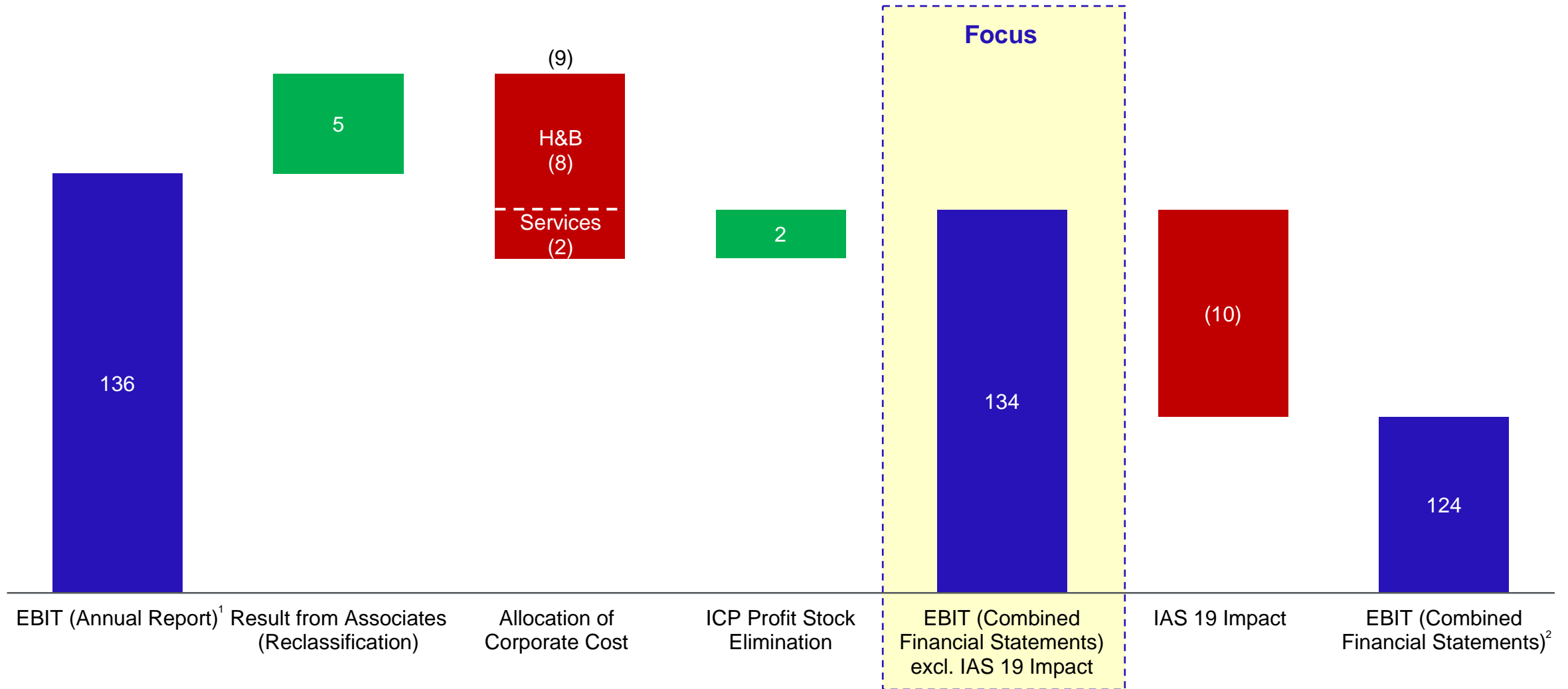
## EBITDA/EBIT





## EBIT bridge between reported and combined financials

**Galenica Santé (2016A)**  
(CHFm)



Notes:

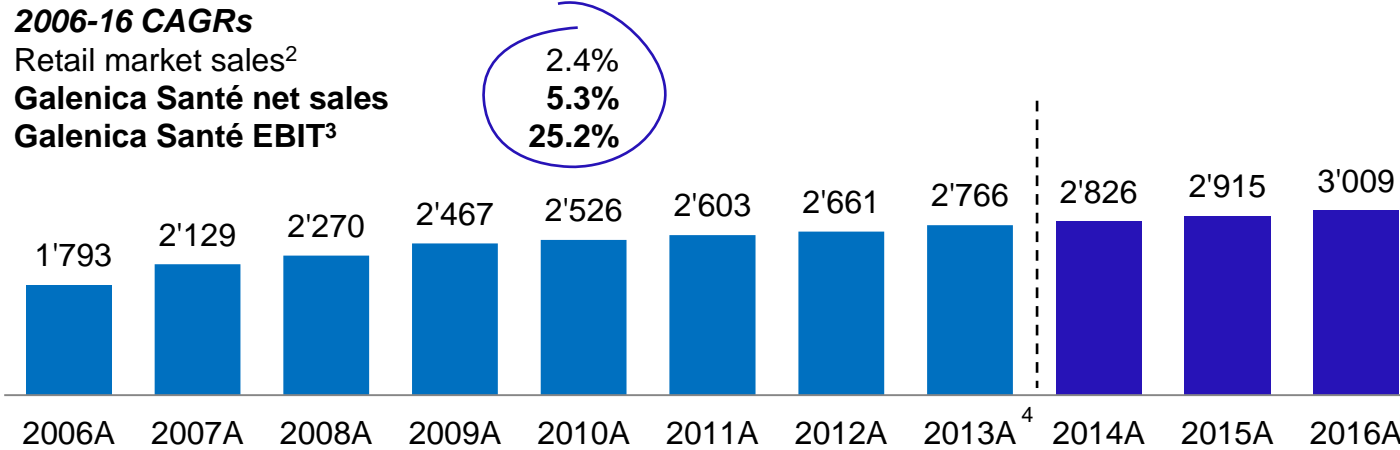
- 1 EBIT of Galenica Santé as disclosed in Annual Report of parent company Galenica Ltd
- 2 EBIT of Galenica Santé as disclosed in Combined Financial Statements of the Galenica Santé Group

# Long-term track record of stable growth and strong margin improvement...

## Logistics, HealthCare Information & Retail<sup>1</sup>

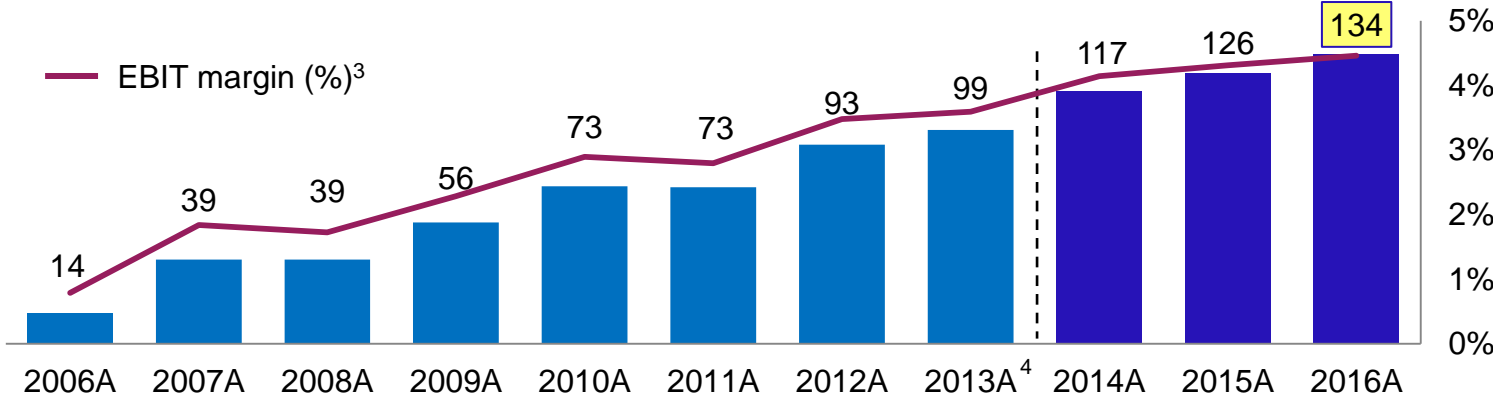
## Galenica Santé

Net sales (CHFm)



✓ Above market growth

Reported EBIT (CHFm)<sup>3</sup>

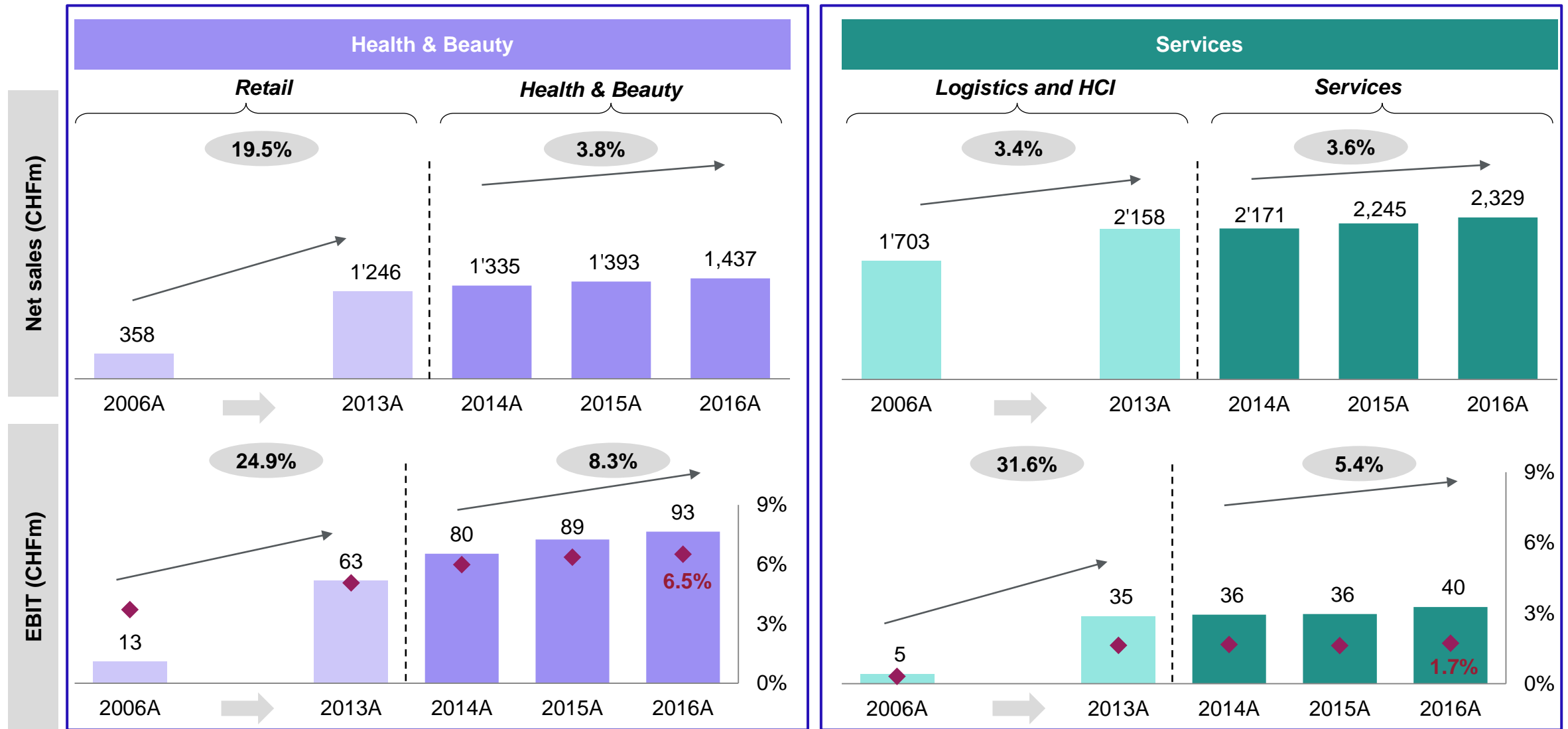


✓ Track record of margin improvement

Source: Company information, Galenica Annual Reports, IMS Health  
 Notes: The financial information presented with respect to the financial years ended 31 December 2006 through 2013 have been derived from the audited consolidated financial statements of Galenica Ltd. and represent its Logistics, Retail and Other (Healthcare Information) businesses, excluding the Pharma business. For the financial year ended 31. December 2014 through 2016 financial information have been derived from the Combined Financials Statements of the Galenica Santé Group.

1 Not including Vifor Consumer Health  
 2 Retail market includes direct and indirect pharmaceutical sales through retail pharmacies, self-dispensing doctors and mail-order services  
 3 2014-16 EBIT includes corporate costs, excludes IAS 19 expense  
 4 2013 financials as per 2014 financial statements due to changed segment structure (Galenica Santé is reported as a separate segment since 2014). Financials not adjusted to include Products & Brands

# Driven by strong performance in both segments



Source: Company information, Galenica Annual Reports

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# Guidance 2017 and midterm outlook

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## Sales

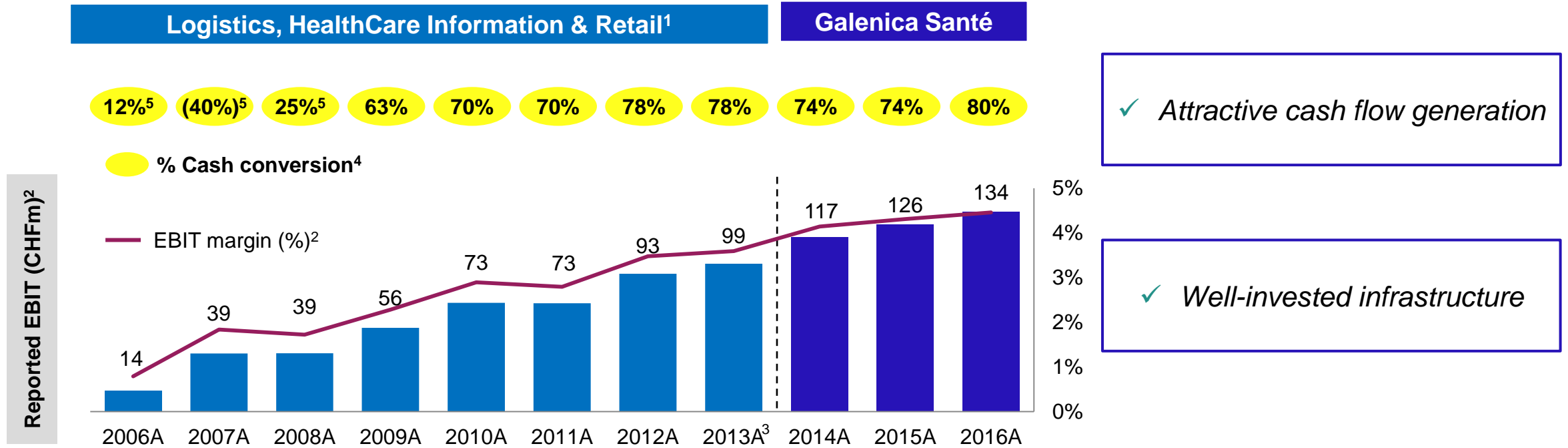
- **2017 targeted sales growth similar to 2016**
- **In addition, expected impact from the acquisition of Pharmapool, which generated sales of more than CHF 100 million in the past**
- **Midterm target to grow above the Swiss healthcare market (expected growth +1% to +2%, IMS Health forecast)**

## EBIT<sup>1)</sup>

- **2017 EBIT<sup>1)</sup> growth target slightly lower than sales growth target, given the impact on sales mix of Pharmapool acquisition with a wholesale EBIT margin**
- **Targeted EBIT<sup>1)</sup> growth > sales growth after 2017, driven by operational efficiencies and expected growth increase of the Products & Brands Business sector with higher margins**

<sup>1)</sup> Excludes IAS 19 expense

# Long-term track record of strong margin improvement and attractive cash generation...



Source: Company information, Galenica Annual Reports, IMS Health

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4 Calculated as (EBITDA-capex)/EBITDA. 2014-16 EBITDA excludes IAS 19 adjustment; capex includes investments in tangible and intangible assets

5 Cash conversion impacted by high Capex due to construction of Niederbipp logistic centre

## Strong balance sheet and attractive dividend policy

### Net Debt

- About CHF 350 million Net Debt (as of 1.1.17)<sup>1)</sup>
- Around 2 X EBITDA net leverage
- No intention to deleverage the balance sheet over the time

### Equity

- About CHF 745 million Equity (as of 1.1.17)<sup>1)</sup>
- Equivalent to ca. 45% of total assets
- Whereof about CHF 560 million Capital Contribution Reserve
  - Dividend payments exempt from withholding tax and for Swiss resident individuals exempt from income tax

### Dividends

- Intention to pay out a dividend in 2018 of at least CHF 75 to 80 million
- Targeted pay-out ratio midterm > 65% of net profit (without IAS 19 impact)
- Dividends will be paid out of the Capital Contribution Reserve as first priority

<sup>1)</sup> Figures derived from the pro forma balance sheet in the Galenica Santé investor presentation (available on Galenica homepage)

# Investment proposal

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## Proven track record of

- above market growth,
- strong margin improvement and
- attractive cash flow generation



## combined with

- a strong balance sheet
- with a target midterm net leverage of 2 x EBITDA and
- CHF 560 million capital contribution reserves for tax free dividends



**... provides investors with attractive returns and potential for upside**