

PRESS RELEASE

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Subject Galenica Group half-year results 2019

Galenica: Improved sales and profitability

Significantly stronger growth than the market

The Galenica Group increased consolidated net sales by 2.2% to CHF 1,600.4 million in the first half of 2019. Although sales growth continued to be affected by the ongoing effects of the federal price reduction measures from 2018, Galenica posted significantly stronger growth than the market (+0.9%, IQVIA, Pharmaceutical Market Switzerland, first half of 2019), thanks, among other things, to strong expansion. All Business sectors contributed to this development.

Improvement of profitability and earnings

The operating result (EBIT) increased by 18.1% to CHF 82.8 million. On a comparable basis, that is excluding the impact of the new lease accounting standard IFRS 16 and of IAS 19 (Pension Fund), adjusted EBIT increased by 8.3% to CHF 81.1 million. Adjusted return on sales (ROS) improved from 4.8% to 5.1%, and adjusted net profit rose by 7.6% to CHF 65.0 million. Details on the adjusted key figures are provided in the half-year report of the Galenica Group from page 17 onwards.

2019 forecast slightly raised

Due to the good half-year results, the sales and earnings forecast for the current financial year 2019 as a whole has been raised slightly: Galenica expects consolidated net sales for the Group as a whole to grow by between +1% and +3%, with sales growth of between +4% to +6% in the Health & Beauty segment and at the prior-year level up to +2% in the Services segment. The adjusted operating result (EBIT; excluding the effects of IAS 19 and IFRS 16) should increase by +5% to +7%. Due to the adoption of the new lease accounting standard IFRS 16, Galenica expects an additional increase in EBIT of CHF 2 million to 3 million. Proposal of a dividend of at least the same level as the prior year (CHF 1.70 per share) to the 2020 Annual General Meeting is planned.

Strong expansion

With 8 additional points of sale, the Retail Business sector expanded its pharmacy network considerably in the first half of 2019. In addition, the Galenica Group was able to further strengthen its position in the home care market through the acquisitions of the Bichsel Group and Curarex Swiss.

Verfora is expanding its product portfolio not only with its new own derma-cosmetic brand Dermafora®, but also with additional partner brands such as Vicks® and Metamucil®.

The companies in the Services Business sector reached some milestones in the first half of 2019 in strategic key projects: at Alloga, the first pharma customer was migrated to the new ERP system, and the building application for the planned modernisation and renovation of the distribution centre of Galexis in Lausanne-Ecublens was approved.

Key figures for the Galenica Group, first half of 2019

(in million CHF)	1 st half-year 2019	1 st half-year 2018	Change
Net sales			
Health & Beauty segment	781.4	745.7	+4.8%
- Retail	726.1	695.8	+4.3%
- Products & Brands	54.1	48.7	+11.1%
Services segment	1,192.4	1,177.1	+1.3%
Corporate and eliminations	(373.4)	(356.7)	
Galenica Group	1,600.4	1,566.1	+2.2%
EBIT adjusted¹⁾			
Health & Beauty segment	60.3	54.3	+11.0%
Services segment	22.6	22.3	+1.2%
Corporate and eliminations	(1.8)	(1.7)	
Galenica Group	81.1	74.9	+8.3%
Net profit adjusted¹⁾	65.0	60.4	+7.6%

¹⁾ Excluding the effects of IAS 19 and IFRS 16. Details on the adjusted key figures are provided in the [half-year report](#) of the Galenica Group from page 17 onwards.

Galenica Group

Significantly stronger growth than the market

The Galenica Group increased consolidated net sales by 2.2% to CHF 1,600.4 million in the first half of 2019. Although sales growth continued to be affected by the ongoing effects of the federal price reduction measures from 2018, Galenica posted significantly stronger growth than the market (+0.9%, IQVIA, Pharmaceutical Market Switzerland, first half of 2019), thanks, among other things, to strong expansion. All Business sectors contributed to this development.

Improvement of profitability and earnings

The operating result (EBIT) increased by 18.1% to CHF 82.8 million. EBIT increased by CHF 1.4 million due to the impact of the new lease accounting standard IFRS 16 and by CHF 0.3 million due to the impact of IAS 19 (Pension Funds). On a comparable basis, that is excluding these effects, adjusted¹⁾ EBIT increased by 8.3% to CHF 81.1 million. Adjusted¹⁾ return on sales (ROS) improved from 4.8% to 5.1%, and adjusted¹⁾ net profit rose by 7.6% to CHF 65.0 million.

Investments totalled CHF 24.7 million (first half of 2018: CHF 21.4 million), and were made, among other things, in the Services Business sector to introduce the new ERP system and to modernise the distribution centre in Lausanne-Ecublens, and in the Retail Business sector for the rebuilding and renovation of pharmacies.

2019 forecast slightly raised

Due to the good half-year results, the sales and earnings forecast for the current financial year 2019 as a whole has been raised slightly: Galenica expects consolidated net sales for the group as whole to grow by between +1% and +3%, with sales growth of between +4% to +6% in the Health & Beauty segment and at the prior-year level up to +2% in the Services segment. The adjusted operating result (EBIT; excluding the effects of IAS 19 and IFRS 16) should increase by +5% to +7%. Due to the application of the new lease accounting standard IFRS 16, Galenica expects an additional increase in EBIT

of CHF 2 million to 3 million. Proposal of a dividend of at least the same level as the prior year (CHF 1.70 per share) to the 2020 Annual General Meeting is planned.

Health & Beauty segment

The Health & Beauty segment increased net sales in the first half of 2019 by 4.8% to CHF 781.4 million, CHF 726.1 million of which was accounted for by the Retail Business sector and CHF 54.1 million by the Products & Brands Business sector. The sales growth was due primarily to the acquisition of "Bahnhof Apotheke Zurich" in July 2018, to the strong expansion of the pharmacy network in the first half of 2019 and to the acquisition of the Bichsel Group in May 2019.

The adjusted¹⁾ operating result (EBIT), that is excluding the effect of the new lease accounting standard IFRS 16, increased by 11.0% to CHF 60.3 million. The first-time adoption of IFRS 16 additionally increased EBIT by CHF 1.3 million to CHF 61.6 million.

Adjusted¹⁾ return on sales (ROS) improved 0.4 percentage points to 7.7% (first half of 2018: 7.3%). This very good development is testament, on the one hand, to the effectiveness of the ongoing efficiency improvements in the segment, which include, for example, the intensive collaboration between the Retail and Products & Brands Business sectors, and on the other hand, to the expansion of the business activities, such as the continuing development of the pharmacy network and of the product portfolio.

Investments in the Health & Beauty segment totalled CHF 8.6 million (first half of 2018: CHF 5.4 million) and were principally used for the rebuilding and renovation of pharmacies as well as for IT projects.

Retail

The Retail Business sector increased net sales in the first half of 2019 by 4.3% to CHF 726.1 million (excluding Coop Vitality).

The number of own pharmacies as of the end of June 2019 was 353 locations (+8 compared to the end of 2018). The increase in the number of pharmacies accounted for 5.1% of the sales increase. On a comparable basis, the sales performance was slightly negative at -0.7%, as it was not possible to fully offset the effects of the federal price reduction measures introduced in 2018. The government-mandated price reduction measures for medications had a negative impact of 1.9% on sales growth. Excluding these price reductions, organic growth (excluding expansion effects) would have amounted to a pleasing 1.2%. Generic substitution, which is actively promoted by Galenica, also curbed sales because of the lower medication prices.

By way of comparison, medication sales (Rx and OTC products) in the Swiss pharmacy market declined by 2.1% over the same period (IQVIA, Pharmaceutical Market Switzerland, first half of 2019). Sales of other products (non-medications) declined only slightly at 0.4% (IQVIA, Personal, Patient Care and Nutrition, first half of 2019).

Strong expansion of the pharmacy network

Retail was again extremely active in terms of further optimisation of the pharmacy network in the period under review: 13 pharmacies were added compared to the end of 2018, comprising 4 new openings and 9 acquisitions. The latter included the ideally located pharmacy in Interlaken from the acquisition of the Bichsel Group on 1 May 2019. At the same time, 5 locations were closed down as part of optimisation measures. Together with the independent Amavita and Winconcept partner pharmacies, the Galenica pharmacy network comprised 508 points of sale throughout Switzerland as of the end of the first half of 2019.

Expansion in home care services

On 1 May 2019, the Galenica Group acquired a majority stake in the Bichsel Group, a specialised Swiss company with a strong focus on the manufacture of individual medicines and medical devices as well as home care services in the field of home nutrition and home dialysis. Mediservice also expanded, acquiring the company Curarex Swiss in April 2019: a Swiss organisation specialising in the provision of home-based therapy support for patients with advanced Parkinson's disease and enabling them to live independent day-to-day lives. These transactions strengthened Galenica's leading position in the attractive and growing market of home care for patients.

New ownership for Aprioris

Galenica launched the Aprioris walk-in clinic in 2017 as a pilot project to break new ground in emergency medical assistance. The evaluation of the pilot has shown that the concept would only be successful in the long term if it were able to depend on close collaboration and support from other involved players in the healthcare market. To make it possible to establish such partnerships outside of the Galenica Group, Galenica transferred the majority shareholding in Aprioris to an independent company in May 2019. Galenica continues to have a minority stake and will support the company wherever possible and reasonable.

Expansion of the online range

The range in the Amavita, Sun Store and Coop Vitality online shops with the integrated online ordering and pick-up service "Click & Collect" was further expanded in the period under review: as of the end of June 2019, more than 40,000 products were available. Together with HCI Solutions, the e-mediplan module, which was previously only included in the Amavita smartphone app, was also incorporated into the Sun Store and Coop Vitality apps in the period under review.

Products & Brands

The Products & Brands Business sector, which mainly comprises the business activities of Verfora, posted net sales of CHF 54.1 million, a pleasing rise of 11.1% compared to the prior-year period. This performance was attributable, among other things, to the strong market position of Algifor® and Trioфан®, which improved further in the period under review, and to the responsibility for the distribution in Switzerland of the well-known Vicks® products (for colds, flu and coughs), and of Metamucil®, which was successfully taken over from Procter & Gamble in early 2019. The advertising campaign launched in autumn 2018, including TV ads to position Verfora, had a positive impact on sales growth for the products featured. The flu season was average compared to previous years, and the 2019 hay fever season was milder than the prior year.

Products & Brands increased net sales in the Swiss market by 13.6% to CHF 42.4 million, thereby exceeding the growth of 0.1% in the Swiss consumer healthcare market (IQVIA, Consumer Health Market Switzerland, first half of 2019). Thus Verfora, which became the number one company in the total Swiss consumer healthcare market in the third quarter of 2018, was able to successfully expand this position in the period under review (IQVIA, Consumer Health Market Switzerland, first half of 2019).

Export sales were CHF 11.7 million, 3.0% more than in the first half of 2018 – primarily due to strong sales of Perskindol® in Asia and Anti-Brumm® in Europe.

Successful launch of Dermafora®

The launch of the new own derma-cosmetic brand Dermafora®, which has been available in Amavita and Sun Store pharmacies since the beginning of 2019 as well as in selected Coop Vitality pharmacies since the second quarter of 2019, was particularly important for Verfora in the period under review. The launch of Dermafora® and the related training for employees were designed and implemented in close collaboration and consultation with the Retail Business sector.

Good demand for complementary medicine

The good collaboration with Retail also proved its worth with the strategic partnership that began in 2018 between Verfora and Spagyros, a Swiss GMP-certified manufacturer of complementary medicinal products. The Adler Schüssler mineral salts portfolio, which is distributed by Products & Brands, also performed positively.

Services segment

The Services segment generated net sales of CHF 1,192.4 million in the first half of 2019, an increase of 1.3% compared to the prior-year period. The federal price reduction measures mandated in 2018 continued to impact negatively on sales in the period under review. Excluding the effect of the price reduction measures for medications by the authorities (-2.6%), sales growth would have amounted to a pleasing 3.9%. This was achieved in an overall market whose slight growth (+0.9% IQVIA, Pharmaceutical Market Switzerland, first half of 2019) was driven especially by the positive sales performance of hospitals (+4.2%, IQVIA, Pharmaceutical Market Switzerland, first half of 2019) as well as by high-priced special medications that are usually not supplied via wholesale but directly to specialist doctors (doctors: +3.7%, IQVIA, Pharmaceutical Market Switzerland, first half of 2019).

The adjusted¹⁾ operating result (EBIT), that is excluding the effects of the new lease accounting standard IFRS 16, was CHF 22.6 million (+1.2%). The impact of CHF 0.1 million from the first-time adoption of IFRS 16 had no significant effect on the EBIT of CHF 22.7 million (+1.6%, first half of 2018: CHF 22.3 million). Adjusted¹⁾ return on sales (ROS) remained stable at 1.9%. Investments in the first half of 2019 amounted to CHF 16.3 million and were used in particular for the new enterprise resource planning (ERP) software that is being rolled out progressively at Alloga and Galexis and for the modernisation and renovation project at the Galexis distribution centre in Lausanne-Ecublens.

Alloga achieved a milestone in the switch to the new enterprise resource planning (ERP) system in the period under review: successful migration of the first pharma customer took place in June 2019. Preparations for the transfer of further business partners are in progress.

Galexis in Ecublens: Contribution to ensuring security of supply

The Galexis distribution centre in Lausanne-Ecublens will be extensively renovated and modernised to significantly increase the level of automation and correspond to the even more stringent regulations in the future. By investing some CHF 30 million in this project, the Galenica Group is also making an important contribution to the availability of medications across Switzerland and to the security of supply to patients. The relevant building application was approved in July 2019. Construction work is scheduled to begin in the third quarter of 2019.

Growth at UFD and Medifilm

Thanks in particular to gaining further customers, Unione Farmaceutica Distribuzione (UFD) posted extremely pleasing growth in the first six months of 2019.

As of the end of June 2019, Medifilm had more than 10,000 patients benefiting from its services for the first time. In doing so, Medifilm is making a significant contribution to correct administration and taking of medications, and thus to patient treatment compliance and easing the burden on carers.

Digital development

HCI Solutions created a complete set of images for all products available in the Amavita, Sun Store and Coop Vitality online shops to a uniform standard. In addition, the e-medication solution Documedis® is being gradually integrated into the e-health platforms of various healthcare networks.

Outlook for 2019

The newly acquired Bichsel Group will be integrated gradually into the Retail Business sector; the companies will continue to operate in the market under their existing names. At the same time, the development and expansion of the three business-to-consumer channels – pharmacies, online and home care – will be purposefully continued.

Verfora will again prove itself to be a strong partner for specialist retailers in the second half, and continually expand and optimise both its own product portfolio and the partner and licensed products offering. Digital communication channels will increasingly be used in sales activities, which will also support specialist trade.

The new ERP system and the modernisation of the distribution centre in Lausanne-Ecublens will continue to be the highest priority in the Services Business sector in the second half of 2019. HCI Solutions will further establish the e-medication solution Documedis® in the market and also incorporate it into the local systems of service providers (e.g. hospitals, doctors). HCI Solutions is planning to launch “Quickshop”, an online shop for independent pharmacies via which they can, for example, offer among other things their house specialties.

For further details, please see the Galenica Group half-year report 2019. The PDF version is available on the Galenica website at:

[Download half-year report 2019](#)

Live conference call and webcast

Galenica will host a conference call and webcast today, Tuesday, 6 August 2019 at 2.00 p.m. CEST.

You can access the webcast directly via [this link](#) or via the company website www.galenica.com in the “[Investors](#)” section.

To access the conference call (the call will be held in English), please dial

- Switzerland: +41 44 580 65 22
- Other European countries: +49 6920 174 42 10
- Rest of world: +18 77423 0830

The pass code for the live call is 90404440#.

The webcast will be available from 6.00 p.m. CEST on 6 August 2019 for a period of three months at www.galenica.com, in the “[Investors](#)” section.

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Galenica is the leading fully integrated healthcare provider in Switzerland. With over 500 own, joint venture and independent partner pharmacies, Galenica operates the largest network of pharmacies in Switzerland. In addition, Galenica further develops and offers well-known own brands and products, exclusive brands and products from business partners as well as a variety of on-site health services and tests for customers. Galenica is also the leading provider of pre-wholesale and wholesale services as well as database services in the Swiss healthcare market. Galenica is listed on the Swiss Stock Exchange (SIX Swiss Exchange, GALE, security number 36,067,446).

Additional information concerning Galenica can be found at www.galenica.com.