

PRESS RELEASE

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Subject 2020 annual results of the Galenica Group

Galenica successfully manages the challenges posed by 2020 and sets course for the future

Stable result despite COVID-19

The Galenica Group achieved strong sales growth of +5.4% in 2020 and defied the challenging environment to post a stable operating result, adjusted¹⁾ EBIT of CHF 168.6 million, +1.0% compared to the previous year.

COVID-19 negatively impacted operating profit (EBIT) by an estimated CHF 8 million to 10 million overall, particularly with sales declines in pharmacies in high-frequency locations and lower sales of cold and flu medicines and travel-related products. These losses were more than offset by positive factors such as market share gains in the Services segment, a three-fold increase in online sales and the successful expansion of the pharmacy network and product portfolio.

Due to an accounting profit related to IAS 19 in the amount of CHF 43.0 million, mainly attributable to the adjustment of conversion rates in the Galenica Pension Fund, reported EBIT increased by 25.9% to CHF 213.3 million (previous year: CHF 169.5 million). Net profit was up 37.8% year-on-year to CHF 172.7 million, influenced heavily by the aforementioned IAS 19 gain. On a comparable basis, adjusted¹⁾ net profit amounted to CHF 138.0 million (+2.8%).

Accordingly, the Board of Directors of the Galenica Group will propose to the Annual General Meeting on 12 May 2021 a dividend on the same level as previous year of CHF 1.80 per share.

Guidance for 2021

Galenica expects the negative effects of COVID-19 to persist in the first few months of financial year 2021. The absence of seasonal colds and flu infections and continued low mobility will continue to have a particularly strong impact on the sales of pharmacies at high-frequency locations and at Verfora. Galenica assumes that the situation will significantly improve and normalise from the second quarter onward and in particular in the second half of the year.

On this basis, and in spite of a challenging first half year, Galenica forecasts a net sales growth for the year 2021 as a whole between +1% and +3%, as well as an improved adjusted¹⁾ operating result (EBIT) between +2% and +5%. Accordingly, Galenica plans to propose a dividend of at least at previous year's level to the 2022 Annual General Meeting.

Mid-term Guidance

Galenica expects a market growth of between 1% and 2% in the next few years and plans to grow faster than the market thanks to consistent implementation of the strategic programmes, further expansion and optimisation of the pharmacy network and the Verfora product portfolio. After recovering from the effects of COVID-19 and implementing strategic efficiency projects, in the mid-term, i.e. in three to five years, Galenica expects to increase return on sales in the new Products & Care segment to over 8%, and in the new Logistics & IT segment to up to 2%.

Galenica continues to pursue a policy of at least stable dividends that grow in line with results, and continues to aim net debt in order of approximately 2× EBITDA (adjusted for leasing according to IFRS 16) in the medium term.

2020 key figures of the Galenica Group

(in CHF million)	2020	2019	Change
Net sales			
Health & Beauty segment	1,671.4	1,620.8	+3.1%
- Retail	1,556.1	1,515.7	+2.7%
- Products & Brands	111.7	102.1	+9.4%
Services segment	2,631.7	2,441.0	+7.8%
Corporate and eliminations	(823.3)	(760.8)	
Galenica Group	3,479.8	3,301.0	+5.4%
EBIT adjusted¹⁾			
Health & Beauty segment ¹⁾	123.9	123.7	+0.2%
Services segment ¹⁾	45.4	44.7	+1.6%
Corporate and eliminations	(0.7)	(1.5)	
Galenica Group¹⁾	168.6	166.9	+1.0%
Comparable net profit²⁾	138.0	134.2	+2.8%

¹⁾ Excluding the effects of IFRS 16 and IAS 19 (details of the adjusted key figures from page 86 onwards in the full version of the Annual report 2020)

²⁾ Adjusted net profit, excluding the effects of IFRS 16 and IAS 19 (details of the adjusted key figures from page 86 onwards in the full version of the Annual report 2020); in 2019, additional adjustment for the one-time effect resulting from the change to provisions for deferred taxes of CHF –8.4 million due to the Swiss tax reform (STAF)

GALENICA GROUP

Strong increase in sales and solid EBIT

The Galenica Group generated consolidated net sales of CHF 3,479.8 million in 2020, representing a strong increase of +5.4%.

The adjusted¹⁾ operating result (EBIT) amounted to a solid CHF 168.6 million and at +1.0% was up on the previous year (CHF 166.9 million). Due to an accounting profit related to IAS 19 of CHF 43.0 million, mainly attributable to the adjustment of conversion rates in the Galenica Pension Fund, reported EBIT increased by 25.9% to CHF 213.3 million (previous year: CHF 169.5 million).

Adjusted¹⁾ return on sales (ROS) declined slightly to 4.8% in the reporting year (previous year: 5.1%). This development was influenced by the strong sales growth with lower margins in the Services Business sector and COVID-19 effects.

Net profit increased by 37.8% year-on-year to CHF 172.7 million, heavily influenced by the IAS 19 effect mentioned above. On a comparable basis, adjusted¹⁾ net profit amounted to CHF 138.0 million (+2.8%).

The Galenica Group's balance sheet remains very strong: adjusted¹⁾ net debt, i.e. excluding lease liabilities, increased by CHF 27.6 million and amounted to CHF 353.7 million at the end of 2020, corresponding to 1.7× adjusted EBITDA (end-2019: 1.5×).

The Swiss pharmacy market grew by 2.9% (IQVIA, Pharmaceutical Market Switzerland 2020) in 2020, despite government-mandated price reductions. Given slightly declining volumes (–1.8%, IQVIA, Pharmaceutical Market Switzerland 2020), this is a clear indication that market growth was driven by increasing sales of high-priced medications.

Progress on major projects

Investments in the financial year totalled CHF 57.0 million (previous year: CHF 53.0 million). They were used in particular for the roll-out of the new ERP system at Alloga and Galexis and for the renovation and modernisation of the Galexis distribution centre in Lausanne-Ecublens. These strategic efficiency projects will require further investments of CHF 44 million to 48 million until the planned completion of both projects by end-2023.

Galenica prepares for the future

In order to create the optimal conditions for rapid and effective implementation of the strategy, Galenica adapted its organisational and management structure as of 1 January 2021. The new structure has not influenced Galenica Group reporting for financial year 2020, which is based on the structure of the segments and Business sectors up to 31 December 2020.

As from financial year 2021, the previous Health & Beauty and Services segments will be replaced by the segments Products & Care and Logistics & IT. This change will have only a minimal impact on the financial reporting. The reporting will be based on the new structure for the first time in the 2021 half-year report.

2021 Annual General Meeting

The current situation due to the coronavirus and the measures ordered by the authorities have prompted the Board of Directors to change the format of the Annual General Meeting on 12 May 2021. Physical attendance at the Annual General Meeting will not be possible for health protection reasons. Therefore, the Annual General Meeting will be conducted digitally and with a reduced programme.

Philippe Nussbaumer has decided not to stand for re-election as a member of the Board of Directors at the 2021 Annual General Meeting. The Board of Directors will inform the shareholders and the public in due course about its composition going forward.

HEALTH & BEAUTY SEGMENT

The Health & Beauty segment recorded net sales of CHF 1,671.4 million in 2020 (+3.1%). The growth was driven in particular by strong dynamic expansion activities such as acquisitions in the pharmacy network and product portfolio. In spite of the persistent negative impact of COVID-19, the Health & Beauty segment managed to increase its adjusted¹⁾ operating result (EBIT) by 0.2% to CHF 123.9 million in the year under review. However, adjusted¹⁾ return on sales (ROS) decreased from 7.6% to 7.4%. Investments in the Health & Beauty segment totalled CHF 25.1 million (previous year: CHF 22.5 million). These were used in particular for pharmacy renovations, the ERP rollout at Mediservice and a new filling facility at Bichsel, as well as for the further development and implementation of the Omni-Channel strategy.

Retail

The Retail Business sector increased net sales in 2020 by 2.7% to CHF 1,556.1 million (excluding Coop Vitality). By comparison, medications sales (prescription [Rx] and OTC products) in the Swiss pharmacy market as a whole grew by 2.4% (IQVIA, Pharmaceutical Market Switzerland 2020). The positive sales performance is primarily attributable to the acquisition of the Bichsel Group in 2019 and the significant expansion of the pharmacy network. The expansion (including the Bichsel Group) accounted for +3.2% of the sales growth. On a comparable basis (excluding expansion effects), net sales decreased by 0.5%.

Sales were adversely impacted by a one-time effect in 2020, which saw various intra-Group goods transactions discontinued at the beginning of 2020 as part of ongoing process optimisations. This negatively affected sales in the Retail Business sector by 1.7% compared to the previous year. Excluding this one-time effect, organic growth would have amounted to +1.2%. This one-time effect has no impact on the Group's consolidated sales.

Strong online business

The decline in sales in pharmacies at high-frequency locations in railway stations and airports due to COVID-19 had a negative impact of 1.9% on the development of sales in the Retail Business sector in 2020. On the other hand, the three-fold increase in sales by the Amavita and Sun Store online shops coupled with the pleasing 5.7% growth by the Mediservice specialty pharmacy were able to practically compensate for the COVID-19-related decline in sales with an impact of 1.7% by the end of the year. In 2020, the Retail Business sector further linked the online and offline worlds, for example by combining the Click & Collect offering with the home delivery service. Furthermore, the new mail-order pharmacy of Coop Vitality was launched in spring 2020, with Amavita following in the second half and Sun Store in January 2021.

Products & Brands

The Products & Brands Business sector, which mainly comprises the business activities of Verfora, realised net sales of CHF 111.7 million in 2020. The year-on-year sales growth of 9.4% could be achieved thanks to new distribution agreements and the strong expansion of the product portfolio, with an expansion effect of +17.3%. Sales in the core market Switzerland increased by 6.3% to CHF 87.3 million thanks to the expansion activities. Due to COVID-19-related declines in sales of Algifor® (ibuprofen) as well as cold and travel-related products, sales fell 7.2% on a comparable basis (excluding expansion effect). Additional sales of hygiene and prevention products were only partially able to compensate for these losses.

Export sales totalled CHF 24.4 million, +22.3% year-on-year – primarily as a result of the acquisition of the Hedoga Group.

By comparison, the performance of the overall Swiss consumer healthcare market was +3.5% (IQVIA, Consumer Health Market Switzerland, 2020).

Strong expansion of Verfora

Verfora secured the rights to various strong brands that ideally complement the portfolio in 2020. These include Bucco Tantum® and Thermacare® from Angelini Pharma, the pro- and prebiotic Omni Biotic® products from Allergosan and, with the acquisition of the Hedoga Group, the brands Osa®, Osanit® and Carmol®. In addition, the popular ointment Vita-Merfen® was relaunched on the Swiss market at the end of 2020.

SERVICES SEGMENT

The Services segment generated net sales of CHF 2,631.7 million in 2020, representing a strong increase of 7.8% compared to the previous year. Services therefore clearly exceeded the growth of the overall market of +2.9% (IQVIA, Pharmaceutical Market Switzerland, 2020). The adjusted¹⁾ operating result (EBIT) was increased by 1.6% to CHF 45.4 million. However, adjusted¹⁾ return on sales (ROS) decreased slightly from 1.8% to 1.7%.

Investments totalled CHF 32.3 million in the year under review (previous year: CHF 31.0 million), and were largely used for the modernisation and renovation of the Galexis distribution centre in Lausanne-Ecublens as well as for the gradual roll-out and implementation of the new ERP software (enterprise resource planning) software at Alloga and Galexis.

COVID-19 presents challenges for logistics

The positive effects of COVID-19 on sales were offset by considerable additional costs. Overall, COVID-19 did not have a significant impact on EBIT in the Services segment. The extra costs generated by the coronavirus included protective measures for employees and additional staff resources to manage the high additional volume and to compensate for risk groups who were unable to come to work during the lockdown. EBIT was also affected by additional expenses in distribution in 2020 due to the renovation of the Galexis distribution centre in Lausanne-Ecublens.

Logistics plays important role in vaccine distribution

At Alloga, deep-freeze and ultra-deep-freeze logistics were expanded in anticipation of a COVID-19 vaccine becoming available at some point. The first deliveries of the COVID-19 vaccine Comirnaty[®] from Pfizer/BioNTech were delivered to Alloga at the end of 2020. In order for the designated vaccine centres to be able to commence vaccination in January 2021 as planned, the ampoules – which are stored in ultra-deep freezers at minus 70°C – were picked and distributed directly to the vaccine centres in temperature-controlled boxes together with the requisite vaccination equipment (syringes, cannulas and swabs).

OUTLOOK FOR 2021

Reporting for financial year 2021 will follow the new organisational structure and will now be divided into the two segments “Products & Care” and “Logistics & IT”.

Products & Care: Services and products via all sales channels

Galenica will link the online and offline worlds more closely. This includes expanding the service offering of the new mail-order pharmacy of Amavita, Sun Store and Coop Vitality.

The product range in the online shops and the services offered in the pharmacies as well as to patients at home will likewise be further optimised and expanded.

- With that in mind, Amavita is continuing a pilot project started at the end of 2020 with the online-based dermatologist network onlinedoctor.ch to provide its customers with even better and easier access to dermatology services.
- A collaboration is being launched with health insurer CSS in the area of prevention services, for example diabetes and allergy tests, for patients covered by supplementary insurance.
- Bichsel's production capacities at Unterseen near Interlaken will be increased at the start of the second half of 2021 with a new and modern filling facility for solutions in plastic bottles.
- Medifilm wants to gain more individual patients as new customers via the pharmacies.
- Verfora will further expand sales promotion services and launch new products in 2021, both through new licensing and distribution agreements as well as with upgrades to its own brand portfolio and product range.

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- Finally, with its companies Medifilm, the Bichsel Group, Galenicare and Galexis, Galenica also wants to promote interprofessional cooperation for comprehensive support for patients and care home residents, thereby better serving the growth market of care homes.

Logistics & IT: Efficiency gains and expansion of logistics and digital offerings

- At Alloga, logistics capacities will be expanded, particularly in view of the nationwide required logistics related to the coronavirus vaccines. The rollout of the ERP system will also be continued and various projects to improve the efficiency of in-house processes will be launched.
- Galexis will begin the realisation phase of replacing the ERP software in 2021. The strategy of supporting customers in establishing group practices and medical centres will be continued.
- Certification of a first reference community by the federal government is expected in 2021, whereupon this reference community will be able to offer the first electronic patient record under federal legislation, which will also integrate Documedis®.

Further information can be found in the Annual report 2020 of the Galenica Group. The PDF version is available on the Galenica website at: [Download Annual report 2020](#)

Live webcast at 10.00 a.m. and conference call at 2.00 p.m.

Today, Tuesday, 9 March 2021, at 10.00 a.m. (Central European Time, CET) Galenica will be holding a live webcast on the 2020 annual results. This will be followed at 2.00 p.m. by a conference call on the 2020 annual results in English.

Live webcast at 10 a.m.: To watch the webcast, click on the [live webcast](#) link. If you would like to ask the speakers questions afterwards, also click on the [conference call](#) link.

The conference will be held in German. The documents will also be available in French and English from the [website](#) on 9 March 2021 from 9:30 a.m.

Conference call at 2.00 p.m.: To watch the webcast, click on the [audio webcast](#) link. If you would like to ask the speakers questions afterwards, also click on the [conference call](#) link.

The conference will be held in English. The documents will be available from the [website](#) on 9 March 2021 from about 9:30 a.m.

Afterwards, the webcasts will be available to watch on-demand.

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DATES FOR THE DIARY:

12 May 2021: Annual General Meeting of Galenica Ltd.

18 May 2021: Publication of the sustainability report 2020 of the Galenica Group

3 August 2021: Publication of the half-year report 2021 of the Galenica Group

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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 distribution 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.