

# **Galenica Group Half-year results 2019**

**Conference call  
6 August 2019  
2 p.m. CEST**

# Galenica Group – 1<sup>st</sup> HY results 2019

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**Summary 1<sup>st</sup> half year 2019 and outlook**  
Jean-Claude Cléménçon, CEO



**Group financial results 1<sup>st</sup> half year 2019  
and guidance 2019**  
Felix Burkhard, CFO



**Q&A session**  
All

# Based on the good 1<sup>st</sup> HY results: Guidance 2019 slightly increased

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## → Increase of

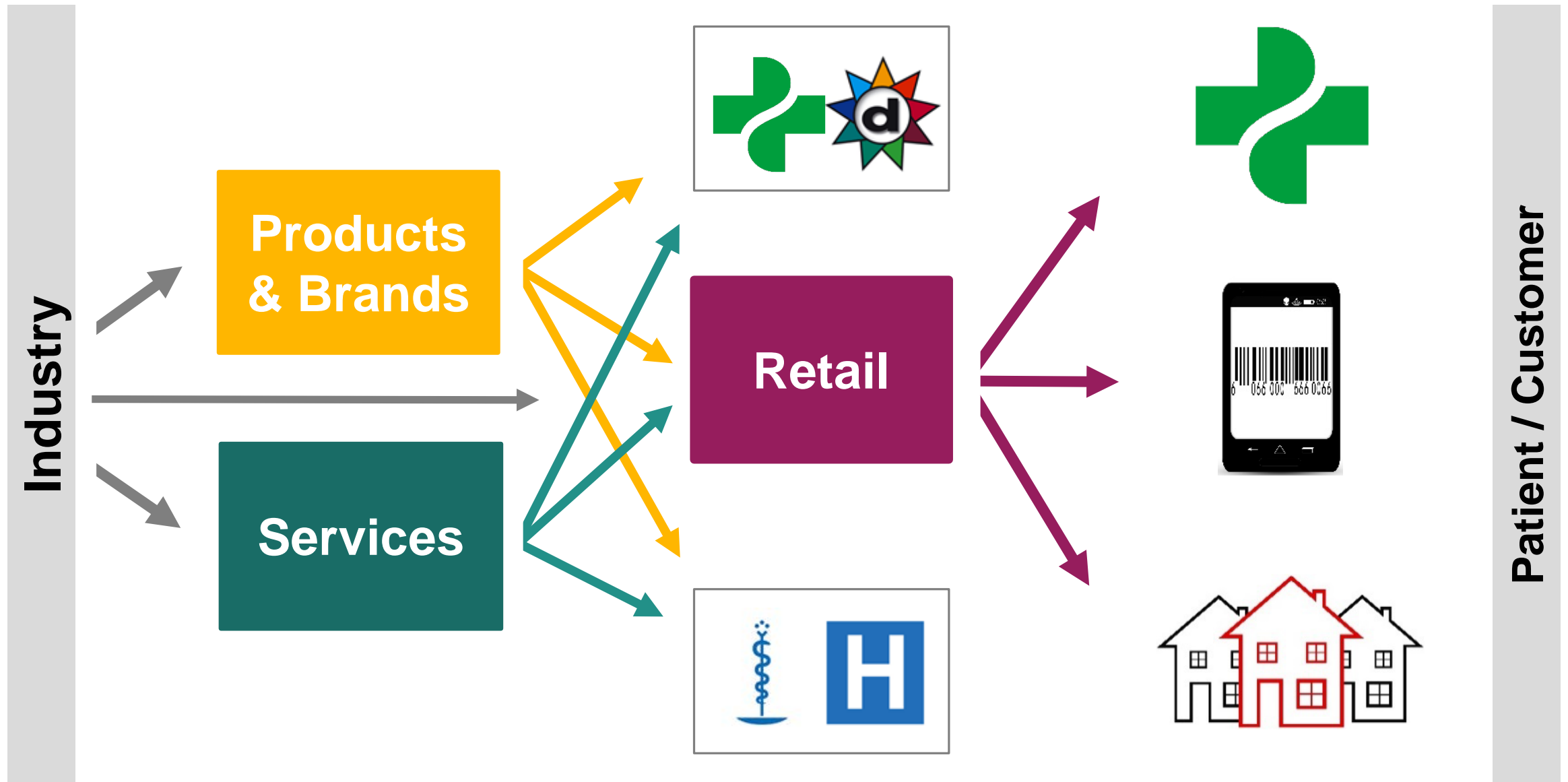
- net sales: + 2.2%
- EBIT<sup>1)</sup>: + 8.3%

- sustainable sales growth above market
- strong improvement of profitability
- progress in efficiency and synergy projects

<sup>1)</sup> adjusted: on a comparable basis,  
excluding the effects of IAS 19 and IFRS 16

Networked with all healthcare market players

All Business sectors contributed to the good results



# Highlights 1<sup>st</sup> HY 2019

## Retail: Strong expansion activities



→ + 8 additional own pharmacies  
→ network of total **508 POS**



→ new services  
→ more than 40,000 products



→ Bichsel acquisition  
→ Curarex acquisition



## Products & Brands: Expansion of partnerships and portfolio



→ New own derma-cosmetic brand



→ National advertising campaign



→ Expansion of partnerships and product portfolio



## Services: Pleasing progress with key strategic projects

→ Introduction new ERP system on track



→ Modernisation logistic centre on track

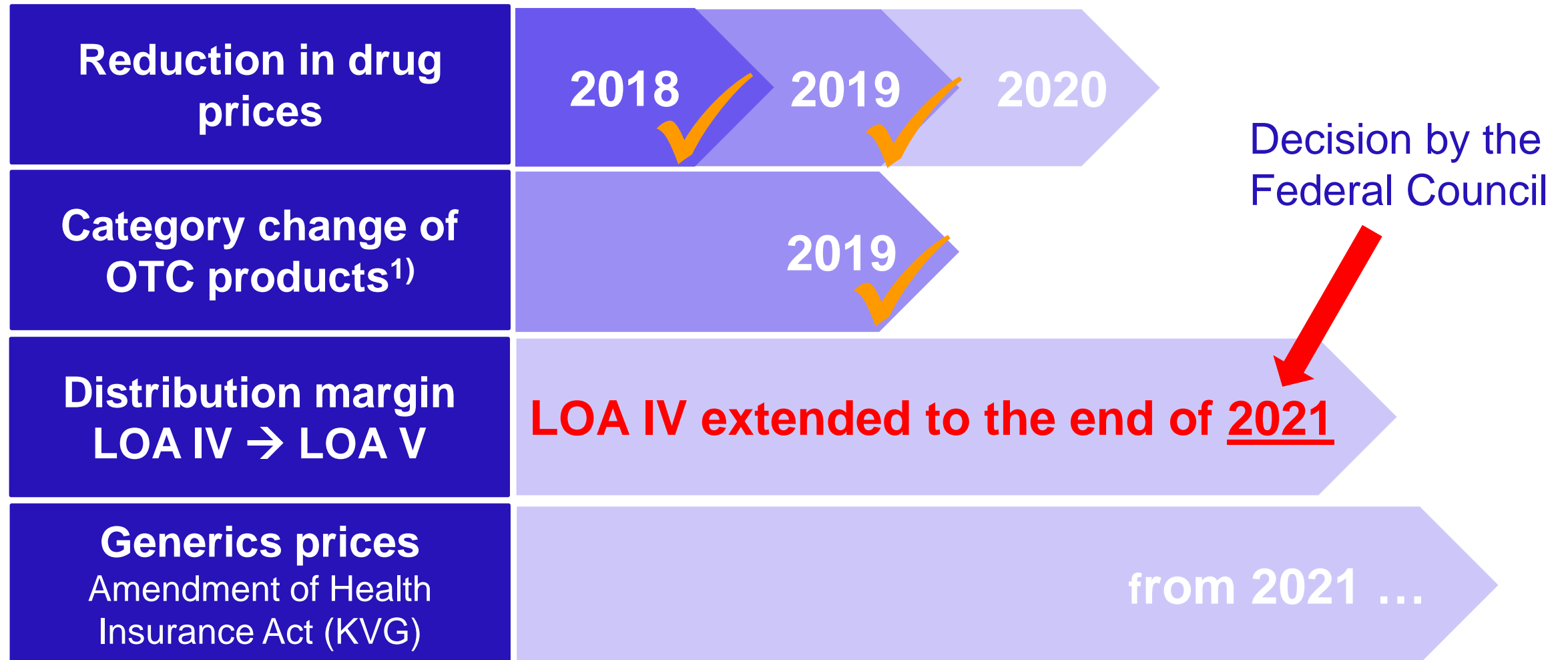


→ New products and services



# Regulatory update

## Positive signal from authorities



1) Swissmedic categories C, D



## Focus on our 3 strategic axes

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**Expansion**

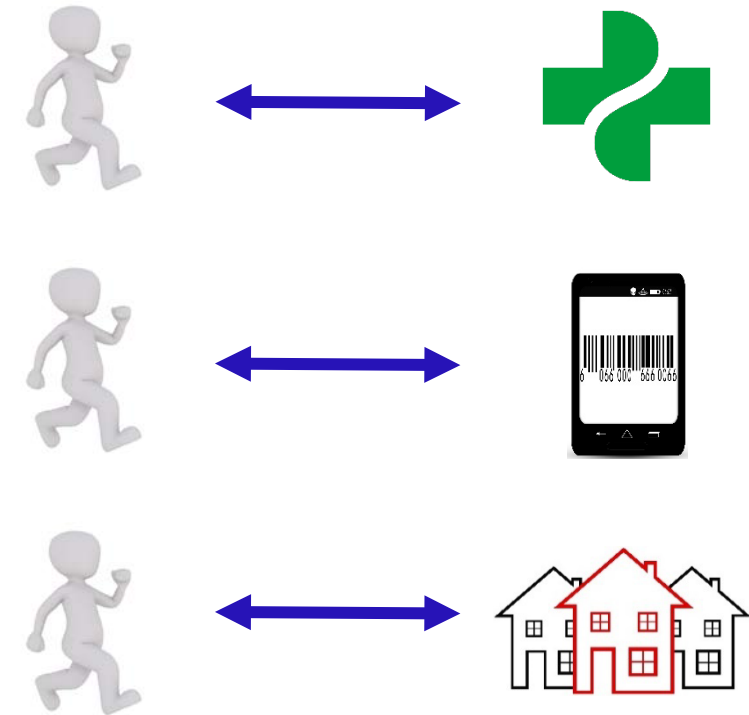
**Innovation**

**Efficiency**

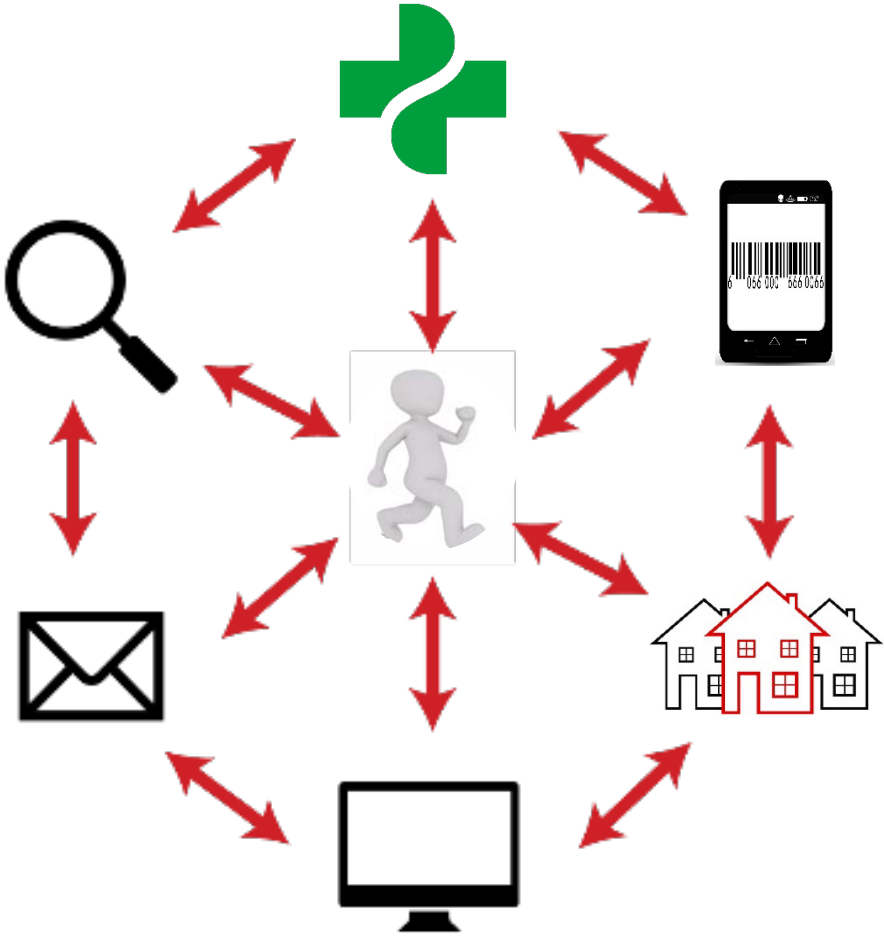
- Further strengthening the three B2C channels
- New services and products
- New partnerships
- Continue the positive momentum of the strategic projects
  - ERP system
  - logistic centre Lausanne

# Long-term outlook

## From multi-channel to omni-channel ...



**multi-channel**



**omni-channel**

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## **Summary 1<sup>st</sup> half year 2019 and outlook**

Jean-Claude Cléménçon, CEO



## **Group financial results 1<sup>st</sup> half year 2019 and guidance 2019**

Felix Burkhard, CFO



## **Q&A session**

All

# Swiss pharmaceutical market by channel YTD June 2019

## Modest growth marked by price reductions

Value (ex-factory): CHF 2,984.9 million  
(CHF +26,8 million / **+0.9%**)

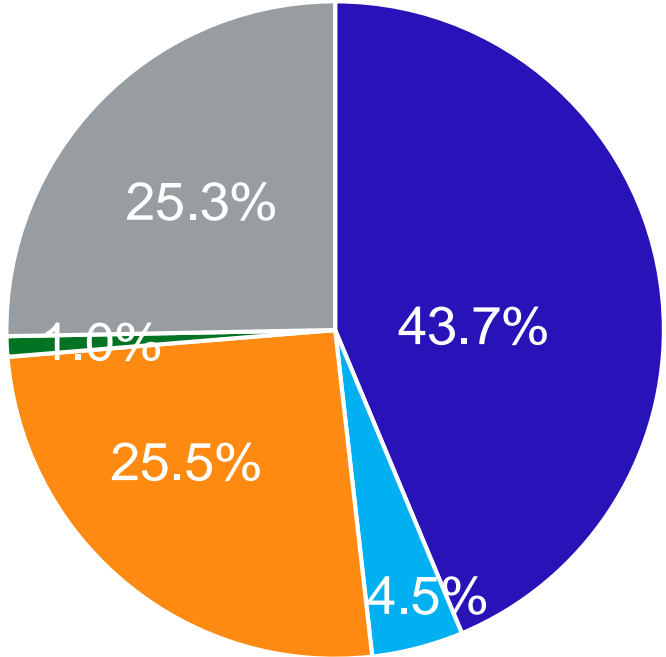
Volume (packs): CHF 93,2 million  
(CHF -0.9 million / **-0.9%**)

Hospitals  
753.6 million  
+4.2%

Drugstores  
30.1 million  
+0.8%

Physicians  
762.5 million  
+3.7%

Pharmacies  
1,438.7 million  
-2.1%



Stationary  
1,304.2 million  
-0.9%

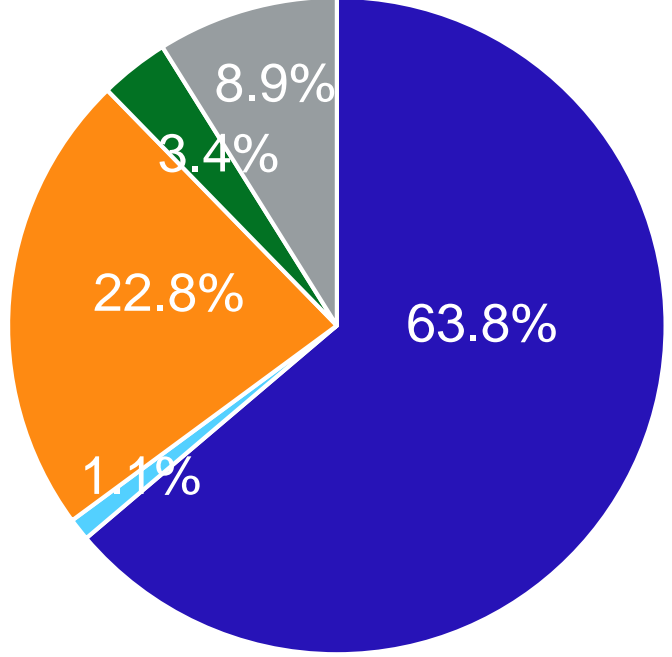
Mail order  
134.5 million  
-12.9%

Hospitals  
8.3 million  
-4.3%

Drugstores  
3.1 million  
-0.1%

Physicians  
21.3 million  
+0.0%

Pharmacies  
60.4 million  
-0.8%



Stationary  
59.4 million  
-0.7%

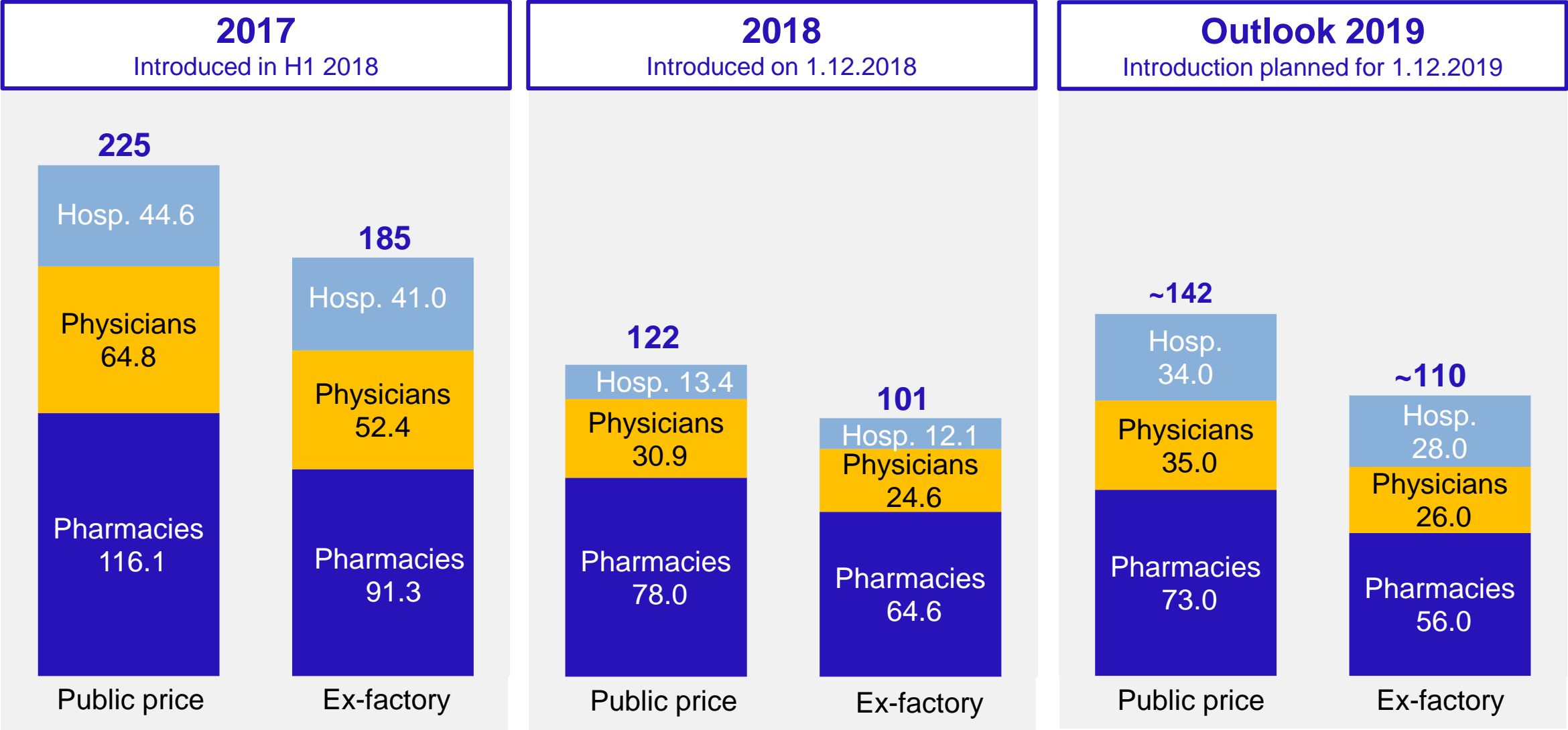
Mail order  
1.0 million  
-5.6%

Source: APO/SD/DRO/SPI Index  
Medicines Swissmedic A, B, C, D, sold from suppliers and wholesalers to hospitals, physicians, pharmacies and drugstores



# Price reductions 2017, 2018 and outlook 2019

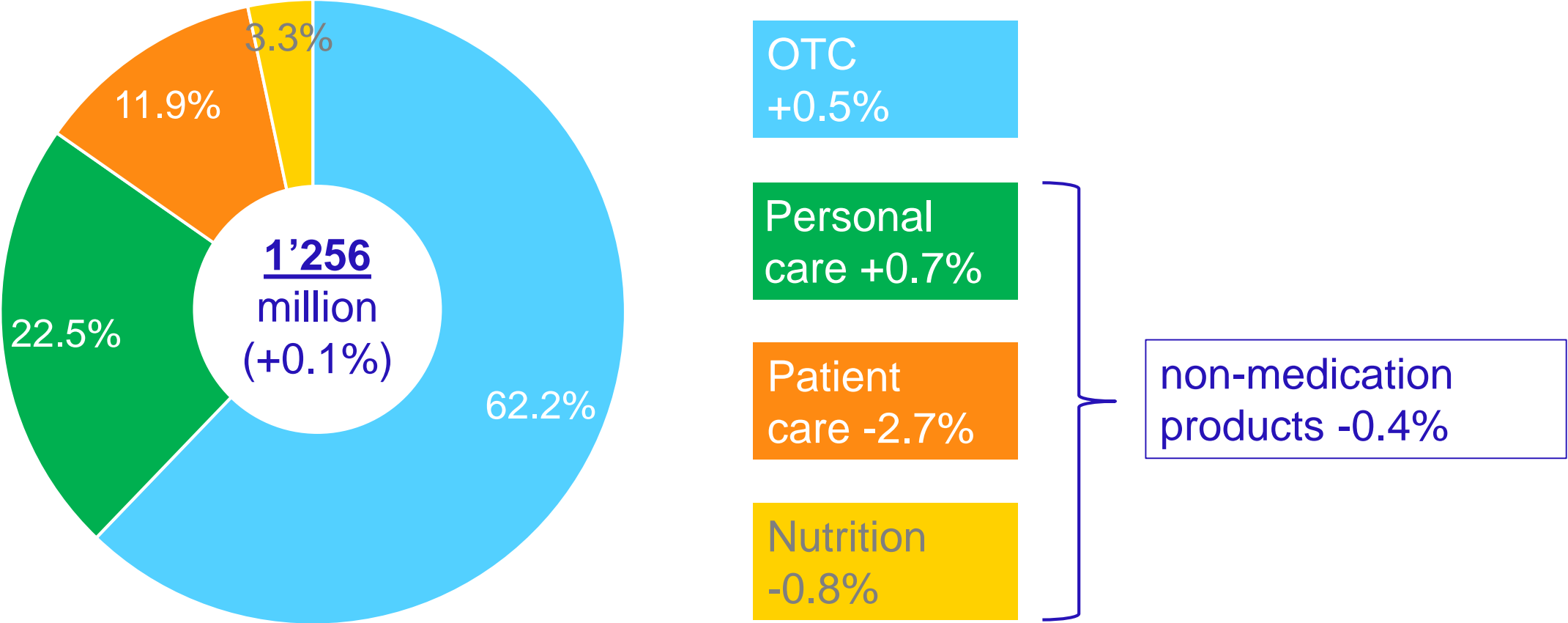
## Annual savings per channel at public price and ex-factory in million CHF



Source: IQVIA calculations, based on Federal Office of Public Health FOPH

# Consumer healthcare market in the specialist trade YTD June 2019

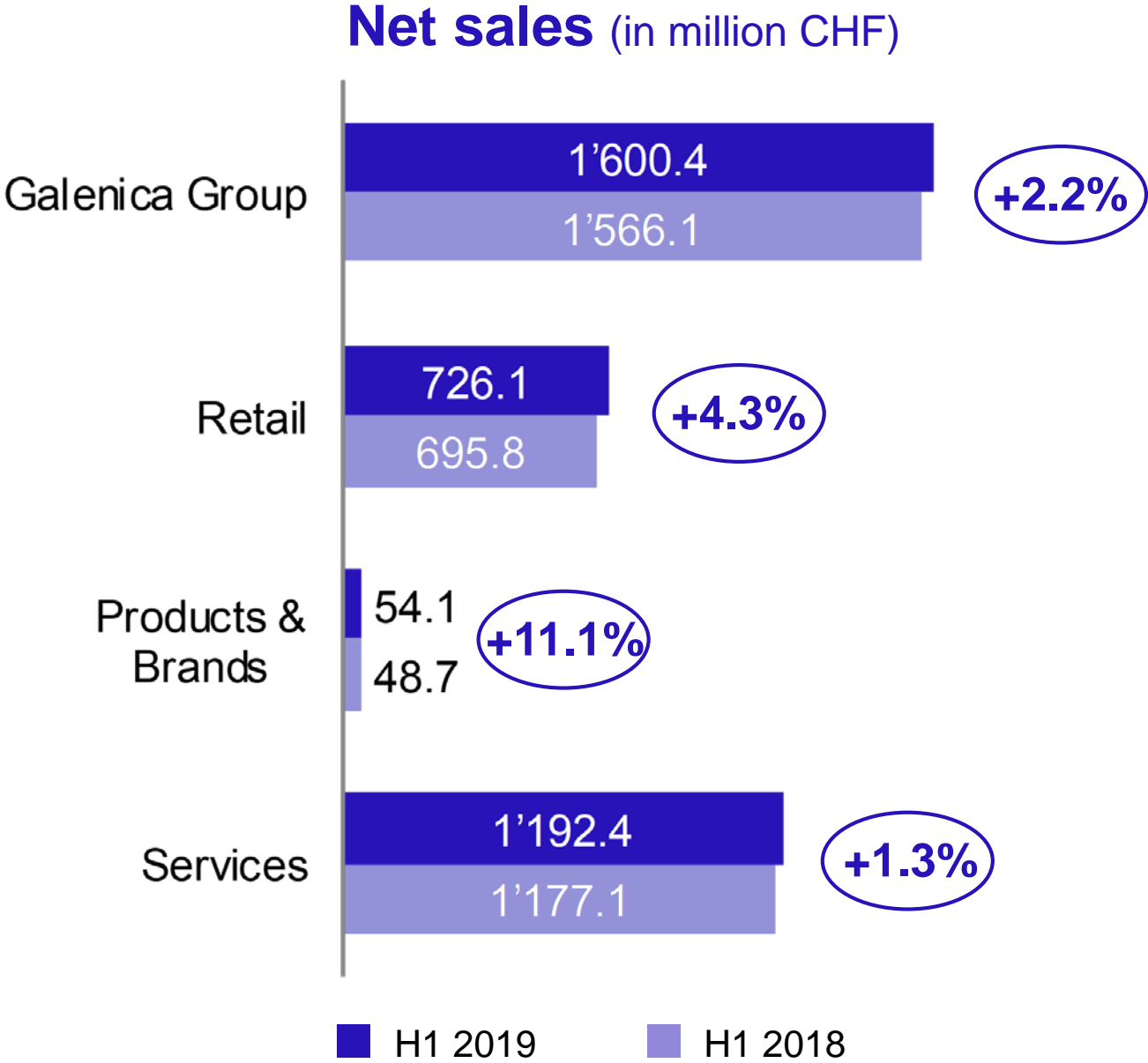
## Stable market development



Source: PharmaTrend for pharmacies and drugstores in Switzerland, sales to streetprices

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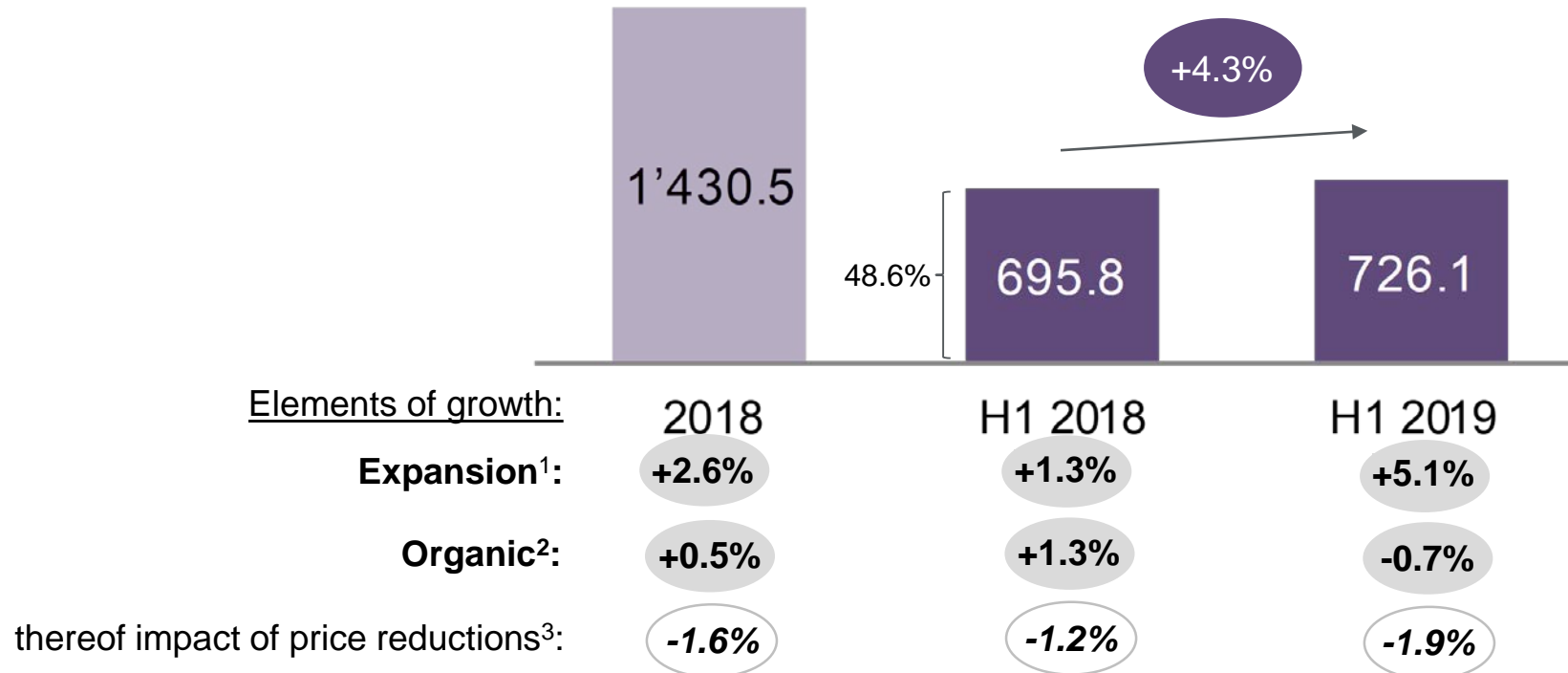
## Sales growth above market



# Retail Business sector

## Important sales growth driven by expansion

**Net sales** (in million CHF)



- Strong expansion of pharmacy network: 13 pharmacies added, 5 restructured , net + 8
- Thereof: + 6 Amavita/SunStore and + 2 Coop Vitality
- Significant growth of generics (+4.3% like-for-like)

1 Calculated for points of sale without a full year period comparison, half-year report on page 19

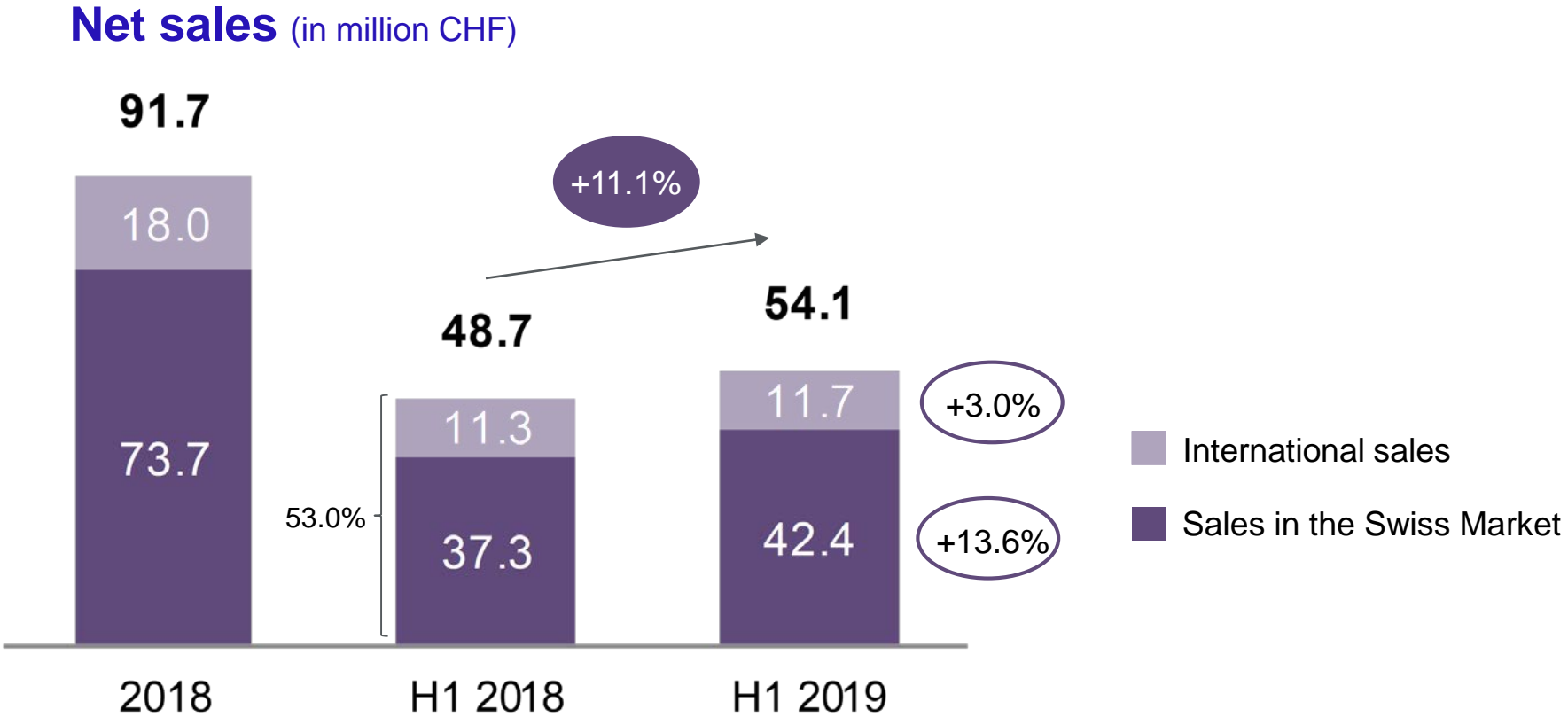
2 Consolidated net sales minus expansion effect, half-year report on page 19

3 Mandatory price reductions of reimbursed medications of the specialities list, calculated based on volumes of previous period, half-year report on page 19



# Products & Brands Business sector

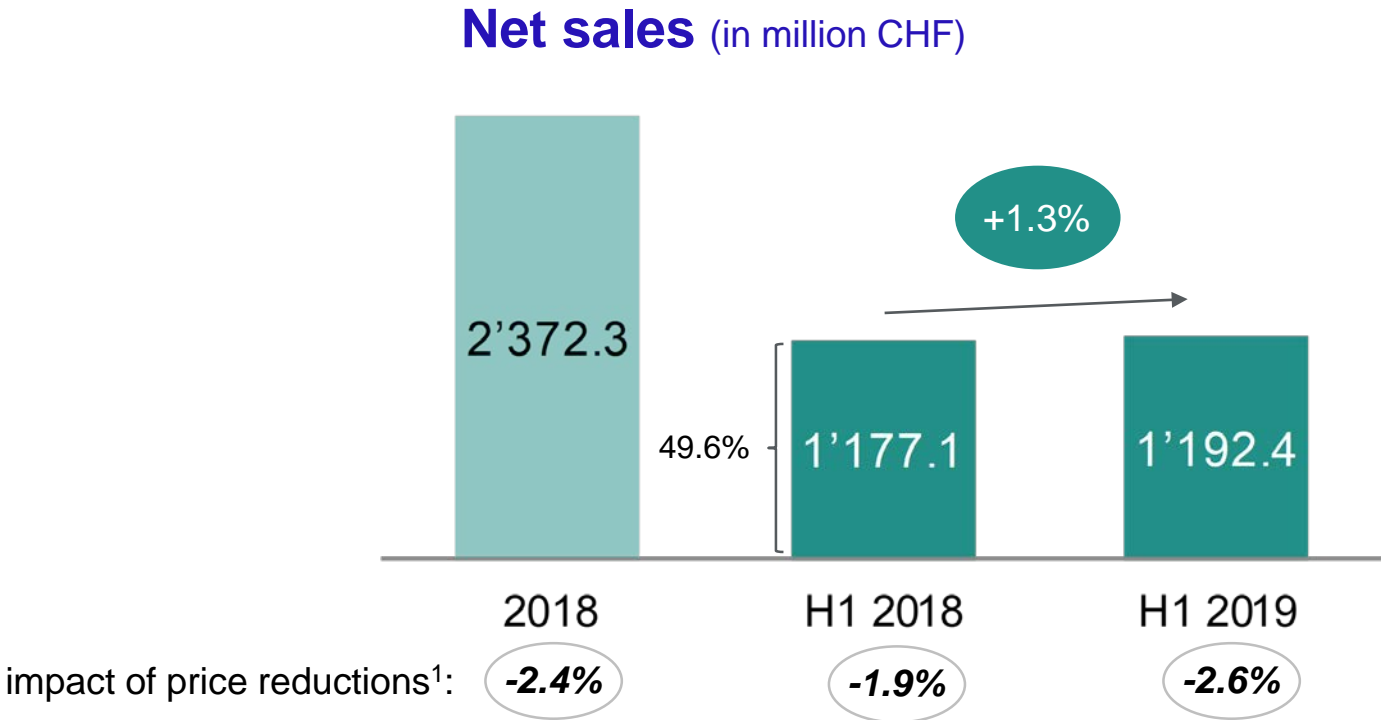
## Consolidation of leading position in the Swiss Consumer Healthcare market



→ Distribution of P&G brands Vicks® and Metamucil® and launch of Dermafora® with ~ 10% impact on sales growth in the Swiss Market.

# Services Business sector

## Gain of market shares in the pharmacy market



→ Pleasing growth of ~ 2.2% in the pharmacy wholesale market (portion ~ 65%) outweighs slight decline of ~ 0.8% in the physician wholesale market (portion ~ 25%).

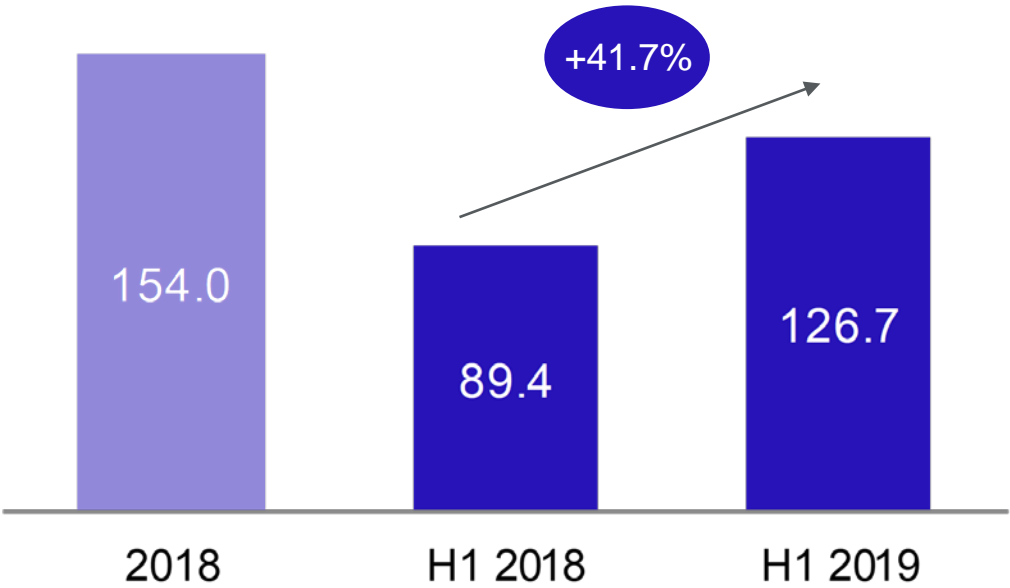
→ Gain of market shares also with independent pharmacies. ~ 0.7% of the ~ 2.2% growth in the pharmacy wholesale market comes from the expansion of the Retail Business sector.

<sup>1</sup> Mandatory price reductions of reimbursed medications of the specialities list, calculated based on volumes of previous period, half-year report on page 19

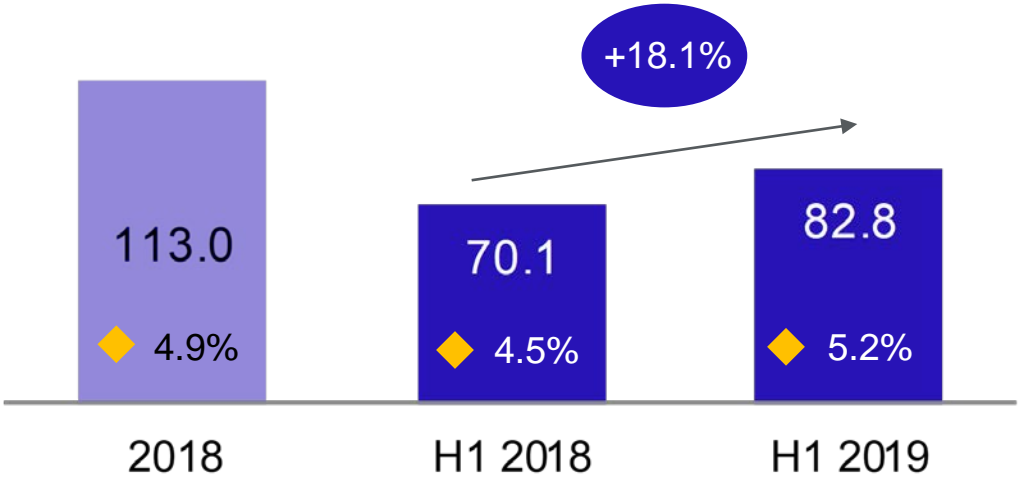
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## Results and profitability improved

**EBITDA** (in million CHF)



**EBIT** (in million CHF)



◆ EBIT Margin (ROS)

# Galenica Group

## EBITDA and EBIT adjustments<sup>1</sup>

### EBITDA (in million CHF)

### EBIT (in million CHF)

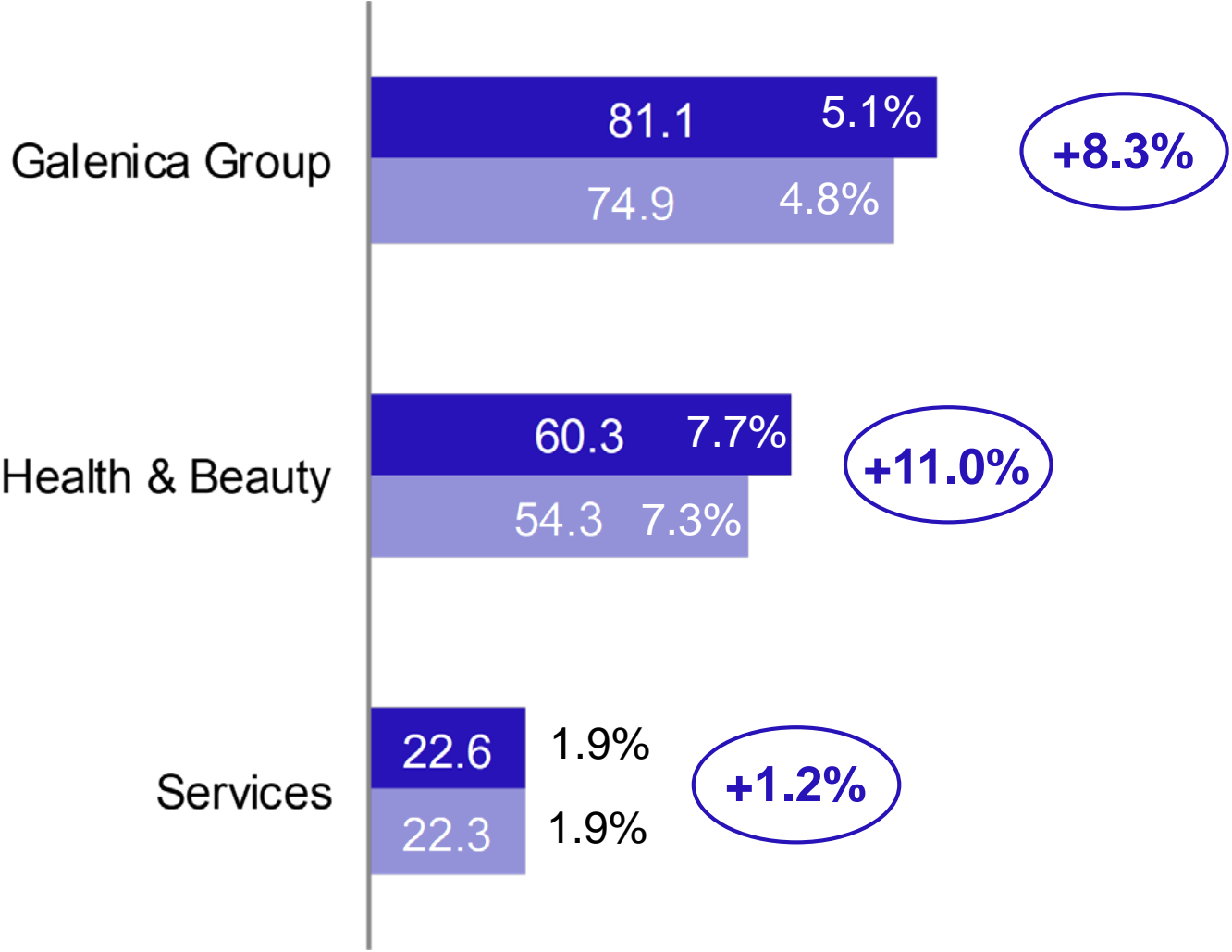
	H1 2019	H1 2018		H1 2019	H1 2018
EBITDA	126.7	89.4	EBIT	82.8	70.1
Adjustment IAS 19	-0.3	+4.8	Adjustment IAS 19	-0.3	+4.8
Adjustment IFRS 16	-24.6	-	Adjustment IFRS 16	-1.4	-
<b>EBITDA adjusted</b>	<b>101.8</b>	<b>94.2</b>	<b>EBIT adjusted</b>	<b>81.1</b>	<b>74.9</b>

<sup>1</sup> Details of the adjustments in the half-year report on pages 20 and 21

## Results and profitability improved

### EBIT / EBIT margin adjusted <sup>1</sup>

(in million CHF / %)



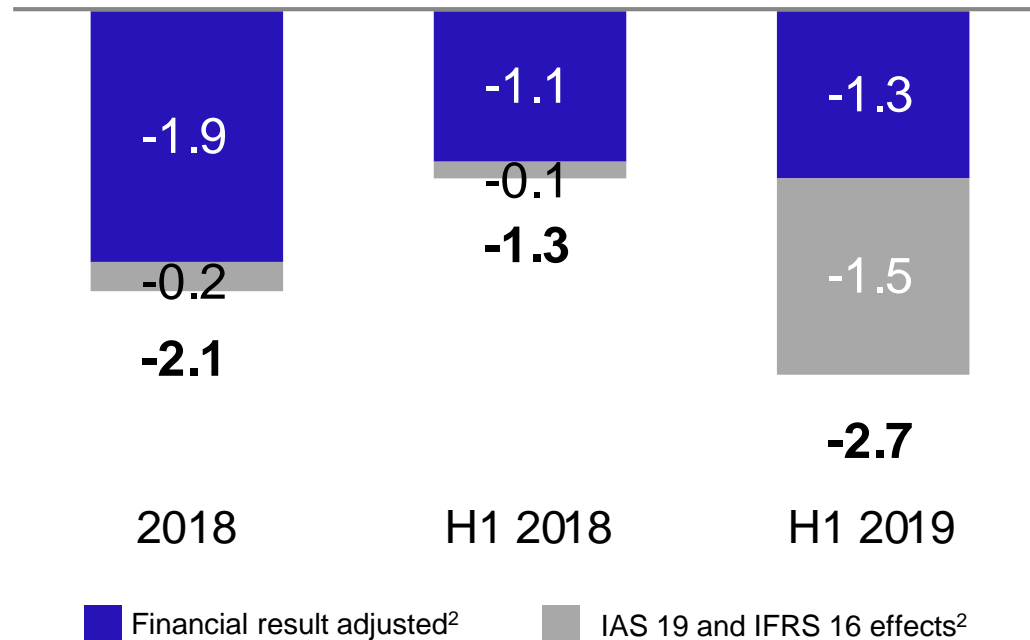
■ H1 2019    ■ H1 2018

<sup>1</sup> Excluding effects of IAS 19 and IFRS 16, half-year report on pages 20 and 21

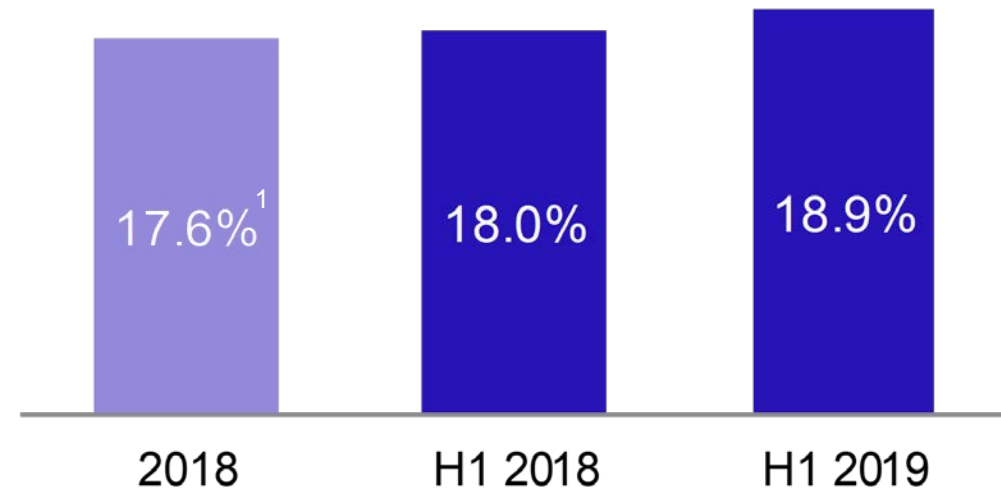
# Galenica Group

## Stable financial and tax costs

**Financial result** (in million CHF)



**Tax rate**



→ The Swiss Tax Reform has had no material impact on income taxes

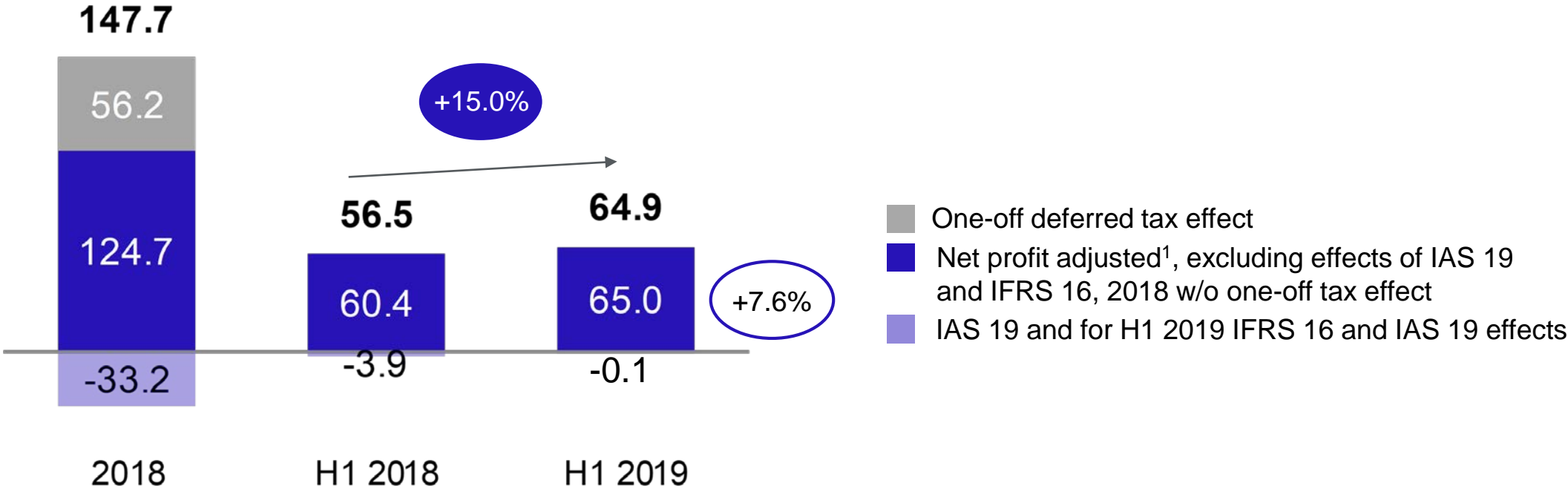
1 Effective tax rate excluding one-off effect of CHF 56.2 million for the release of provisions for deferred taxes

2 Details of the adjustments in the half-year report on pages 20 and 21

# Galenica Group

## Pleasant net profit evolution

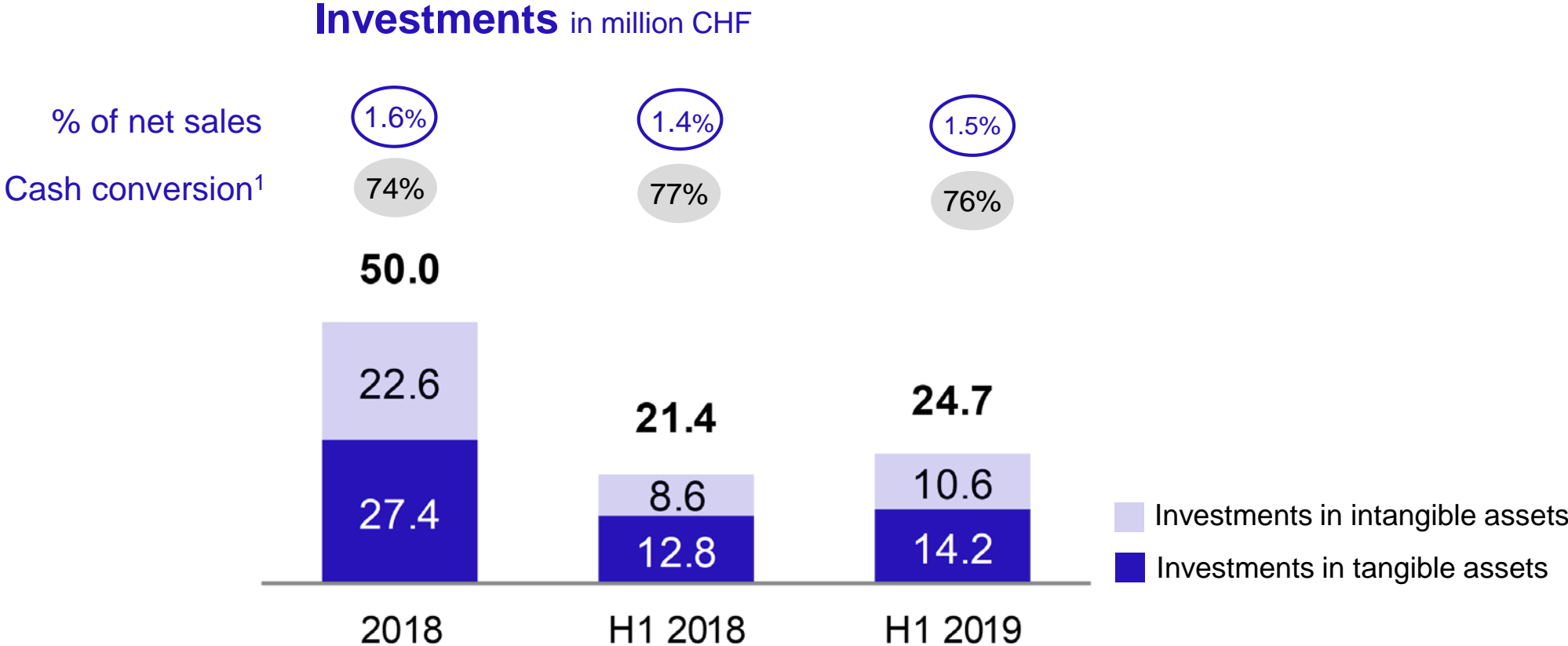
### Net profit (in million CHF)



<sup>1</sup> Details of the adjustments in the half-year report on pages 20 and 21

# Galenica Group

## Investments in efficiency projects



<sup>1</sup> Calculated as (EBITDA adjusted-CAPEX)/EBITDA adjusted, EBITDA adjusted excluding effects of IAS 19 and IFRS 16, CAPEX includes investments in tangible and intangible assets, half-year report on page 22



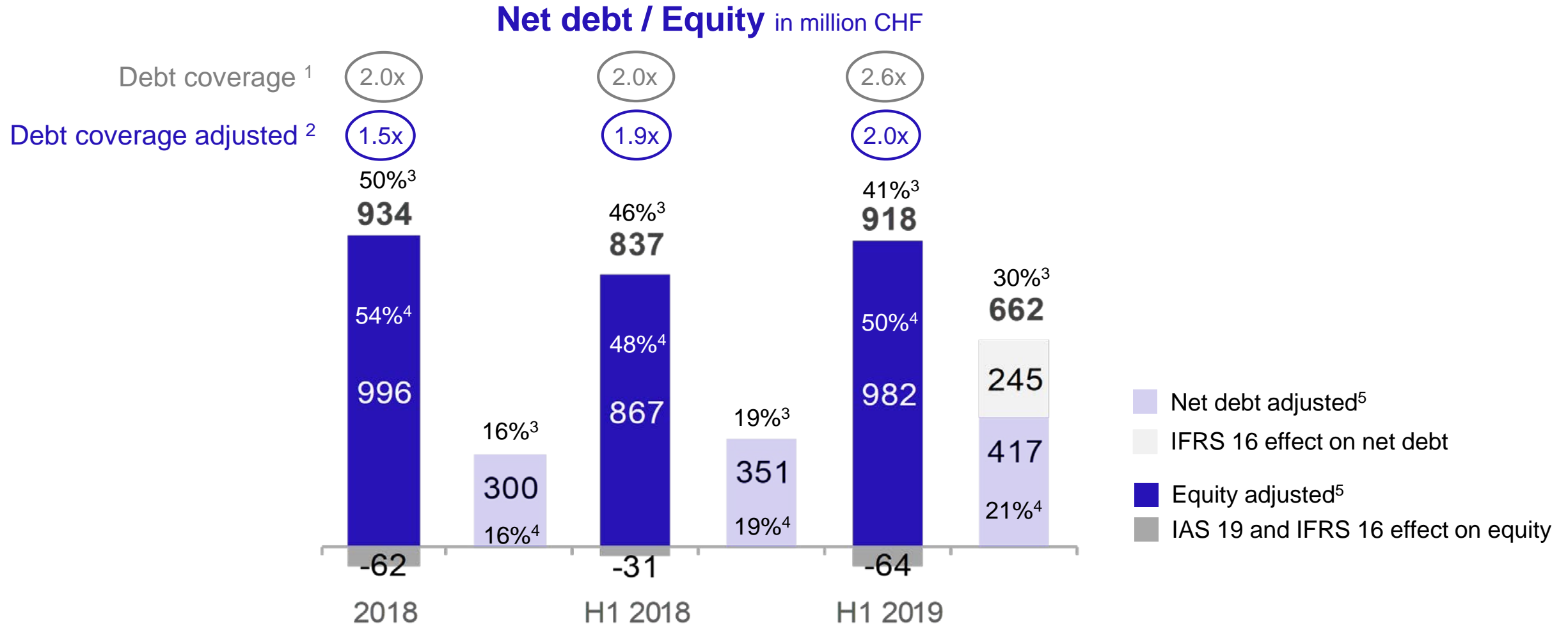
## Free cash flow impacted by working capital, investments and acquisitions<sup>1</sup>

in million CHF	H1 2019	H1 2018
Cash flow from operating activities before working capital changes	116.0	87.0
Payment of lease liabilities	-23.4	-
<b>Cash flow from operating activities before working capital changes adjusted</b>	<b>92.6</b>	<b>87.0</b>
Working capital changes	-41.2	-5.4
<b>Cash flow from operating activities adjusted</b>	<b>51.5</b>	<b>81.6</b>
Cash flow from investing activities without M&A	-24.6	-21.4
<b>Free cash flow before M&amp;A</b>	<b>26.8</b>	<b>60.2</b>
Cash flow from M&A	-54.6	-21.0
<b>Free cash flow</b>	<b>-27.8</b>	<b>39.2</b>

<sup>1</sup> Details in the half-year report on page 22

# Galenica Group

## Strong balance sheet



1 Calculated as net debt divided by EBITDA and for H1 net debt divided by 2x half year EBITDA, half-year report on page 23

2 Calculated as net debt adjusted divided by EBITDA adjusted and for H1 net debt adjusted divided by 2x half year EBITDA adjusted, w/o effects of IAS 19 and IFRS 16, half-year report on page 23

3 % of total liabilities and shareholders' equity

4 % of total liabilities and shareholders' equity adjusted

5 Details of the adjustments in the half-year report on page 23

# Summary

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- **Market development marked by**
  - **Price reductions**
  - **Growth of high-priced medications**
- **Sales growth above market in all Business sectors**
- **Strong improvement of results and profitability**
- **Important business expansion**
- **Outlook for 2019 slightly raised**

## Outlook for 2019

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- **Galenica Group net sales +1% to +3% above prior-year level**
  - **Health & Beauty: +4% to +6%**
  - **Services: up to +2%**
- **EBIT adjusted (excluding the effects of IAS 19 and IFRS 16) +5% to +7%, plus 2 to 3 million CHF due to IFRS 16**
- **2019 dividend at least at prior-year level, 50% out of the capital contribution reserve**

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