

# Media and analysts' conference

9 March 2021

Welcome!



### **A difficult year managed with success & important course-setting for the future**

Marc Werner, CEO



### **Annual financial statements 2020**

Felix Burkhard, CFO



### **Q&A**

All

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# **A difficult year managed with success & important course-setting for the future**

Marc Werner, CEO

Media and analysts' conference, 9 March 2021

# COVID-19 Facts & figures 2020

## Higher volumes at Galenica

**+60%**

Logistics  
volumes in  
spring

**+200%**

Online  
Sales

**+550%<sup>1)</sup>**

Septoclean<sup>®</sup>

**+3,000%**

Masks

**> 10,000**

Rapid tests



<sup>1)</sup> Figures Copyright © 2021 IQVIA – Switzerland year-end data 2020

## Market declines also affected our business

**-30%<sup>1)</sup>**  
Anti-Brumm®

**-20%<sup>1)</sup>**  
Rhinitis & cold  
products

**-8%**  
Algifor®

**-30%**  
Customers in  
Galenica high-  
traffic locations



<sup>1)</sup> Figures Copyright © 2021 IQVIA – Switzerland year-end data 2020

Yet

we still successfully further developed the operational business!



+17 new pharmacies



Generic substitution rate increased



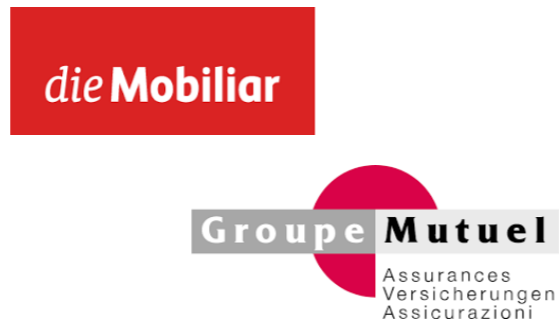
Mail-order pharmacies



Comeback of Vita-Merfen®



Expansion: new partner products, Hedoga acquisition



New partnerships

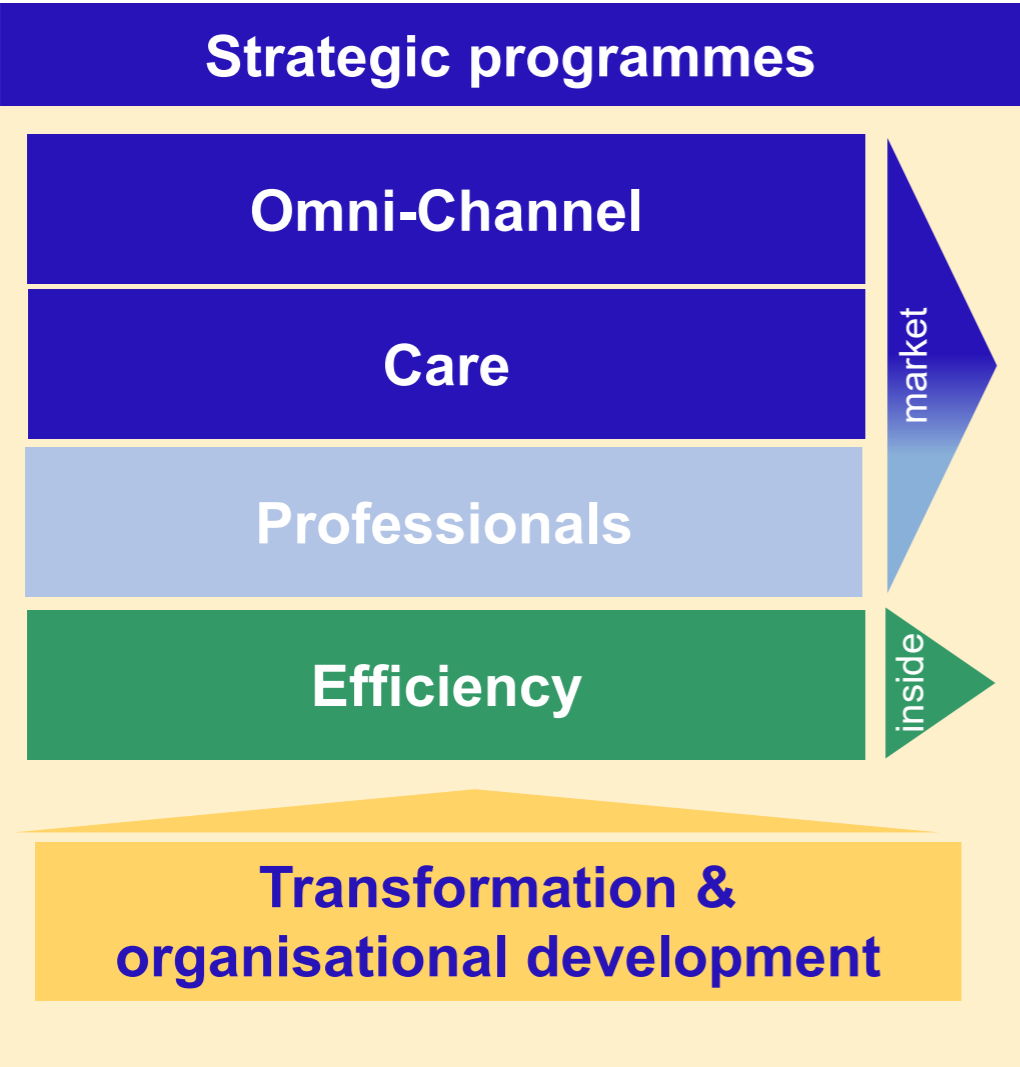


New ERP software



Modernisation of distribution centre in Lausanne

# Definition of strategic programmes



”  
IMPLEMENT  
STRATEGY IN A  
FOCUSED, TARGETED  
AND SWIFT MANNER.

# Strategic programmes

## Targets

### Omni-Channel



- Best customer experience, anytime and anywhere
- Online and offline channels
- Product range

### Care



- First point of contact
- Health services
- Preferred cooperation partner

### Professionals



- Partner of first choice
- Leader in e-health

### Efficiency



- Simple and efficient
- Process and cost optimisation

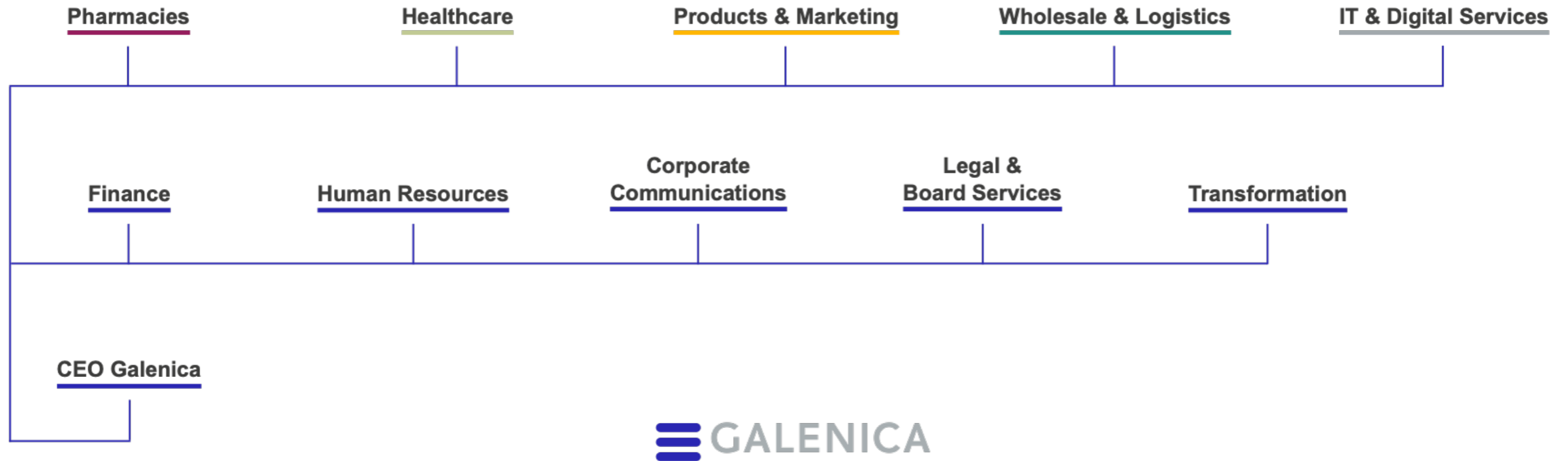
### Transformation



- Employees fit for the future
- Competent, agile teams



# Since 1 January 2021 Management structure of Galenica Group



1) Joint venture with Coop

# Management team

## Executive Committee



**Marc Werner**  
CEO



**Felix Burkhard**  
CFO



**Virginie Pache  
Jeschka**  
Chief Pharmacies  
Officer



**Daniele Madonna**  
Chief Healthcare  
Officer



**Thomas Szuran**  
Chief Products &  
Marketing Officer



**Andreas Koch**  
Head of Wholesale &  
Logistics

## Extended Executive Committee



**Lukas Ackermann**  
Chief IT & Digital  
Services Officer



**Marianne  
Ellenberger**  
Head of Human  
Resources



**Christina Hertig**  
Head of Corporate  
Communications



**Jürg Pauli**  
Chief Transformation  
Officer



**Barbara Wälchli**  
General Counsel  
& Secretary of the  
Board of Directors

## Omni-Channel



- Range, product portfolio, pharmacy network, online offering
- Interlinking of online and offline worlds

## Care



- E-prescription → Mail-order pharmacies
- Healthcare offers & partnerships

## Professionals



- Growth of care homes and doctors
- Digital networking
- Specialist retail offering

## Efficiency



- ERP & distribution centre in Lausanne

## Transformation



- Implementation of new organisation

## Our customer promise

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**We support people at every stage of life on their journey towards health and wellbeing.  
With personal and expert advice and a unique range of products and services.  
Anytime and anywhere in Switzerland.**

Vision



Health and wellbeing are at the heart of what we do. They are the reason we give our best every day.

Values



  
WE BUILD TRUST

  
WE SHOW RESPECT

  
TOGETHER, WE ARE STRONGER

  
WE ACT AS ENTREPRENEURS

  
WE PARTICIPATE WITH PASSION

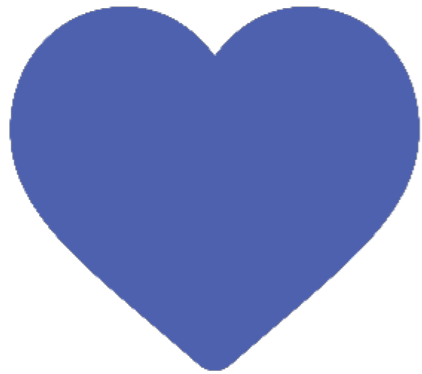
Customer promise



We support people at every stage of life on their journey towards health and wellbeing. With personal and expert advice and a unique range of products and services. Anytime and anywhere in Switzerland.

Strategic programmes





”

**If we correctly and consistently implement vision and customer promise, the fruits of our labour will drive the success of Galenica.**



# Galénica Group

## **Annual financial statements 2020**

Felix Burkhard, CFO

Media and analysts' conference, 9 March 2021

**Step by step upwards**  
2020: Break due to  
COVID-19

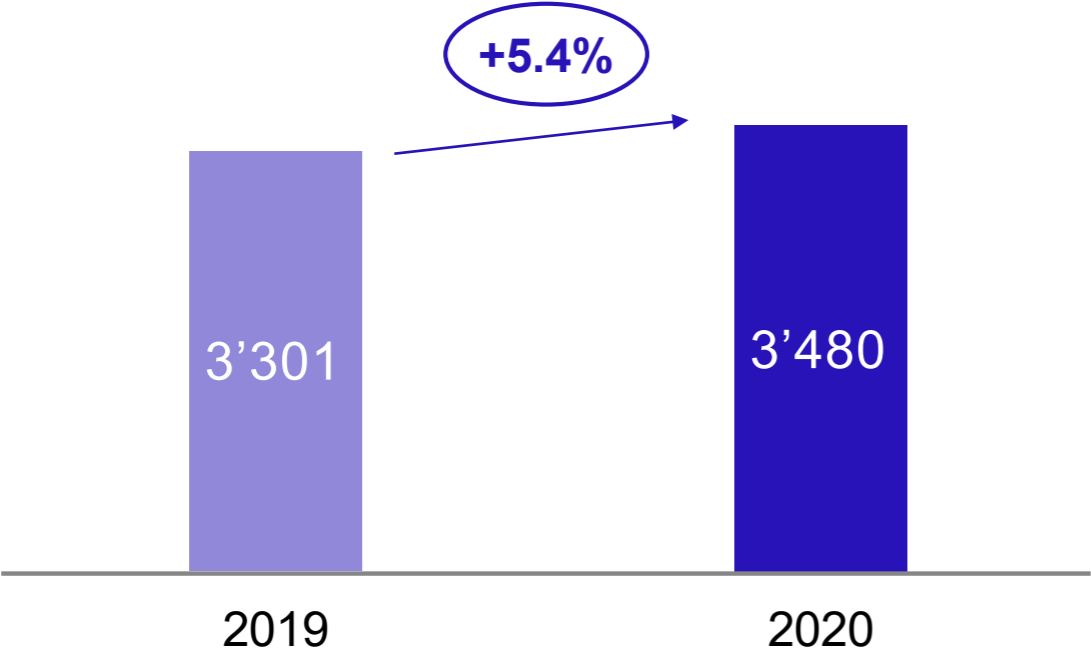




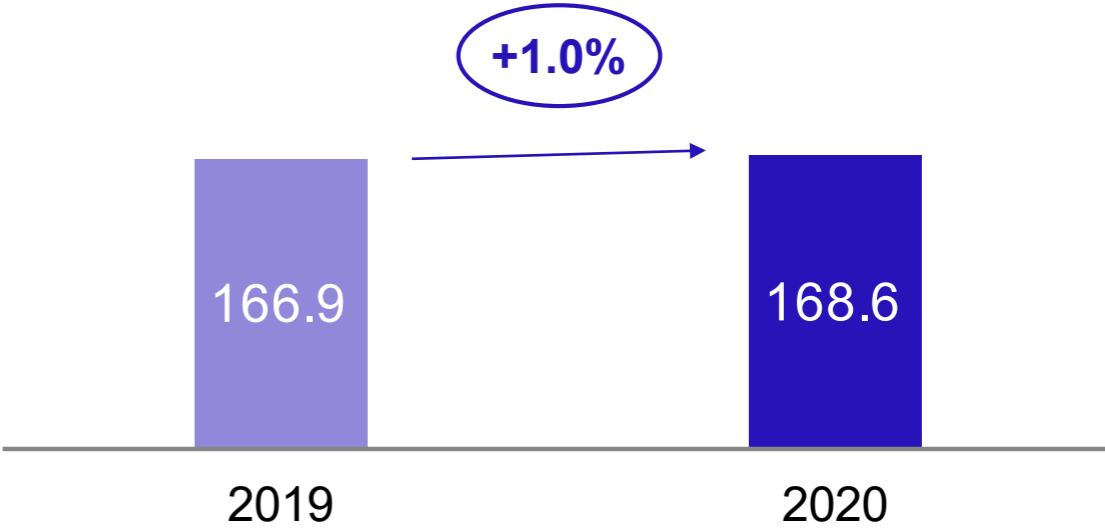
# Galenica Group

## Stable result despite COVID-19

**Net sales** (in million CHF)



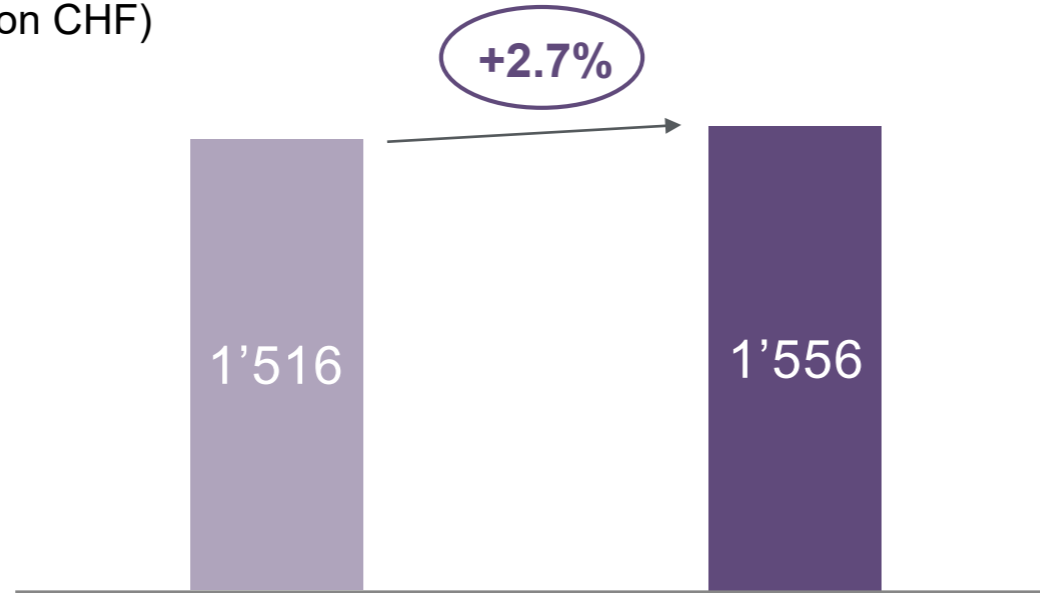
**EBIT adjusted<sup>1)</sup>** (in million CHF)



<sup>1)</sup> Details of the adjustments of IAS19 and IFRS16 effects, in the Annual Report 2020, pages 89 and 90

## Strong expansion of the pharmacy network

### Net sales (in million CHF)



### Expansion of the pharmacy network

	2019	2020
Pharmacies added	+19	+17
Pharmacies restructured	-8	-7
Net pharmacies added	+11	+10

### Elements of growth:

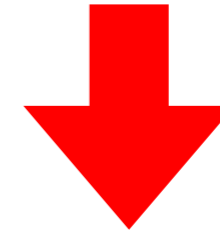
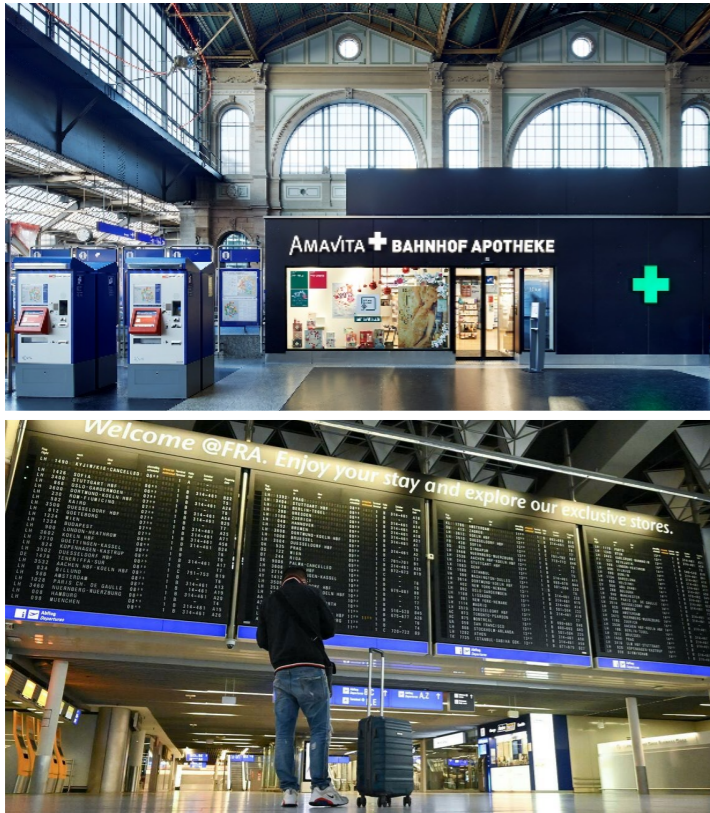
	2019	2020
<b>Expansion<sup>1)</sup></b>	<b>+5.6%</b>	<b>+3.2%</b>
<b>Organic<sup>2)</sup></b>	<b>+0.4%</b>	<b>-0.5%</b>
thereof one-time effect of process optimisation <sup>3)</sup>		-1.7%
thereof impact of price cuts <sup>4)</sup>	-1.8%	-1.6%
		<b>+1.2% Organic growth w/o one-time effect</b>

<sup>1)</sup> Calculated only including point of sales without a full year period comparison, Annual Report 2020, page 88

<sup>2)</sup> Consolidated net sales less expansion effect, Annual Report 2020, page 88

<sup>3)</sup> As a part of a process optimisation, various intersegmental sales transactions were discontinued at the beginning of 2020.

<sup>4)</sup> Mandatory price reductions of medications reimbursed by health insurers of the specialities list (SL/LS) released by the Federal Office of Public Health (FOPH), calculated based on volumes of previous period, Annual Report 2020, page 88



### Pharmacies in high-frequency locations strongly affected:

- Average fall in sales -23%
- Impact on organic sales growth of Retail business sector -1.9%

### Strong online growth:

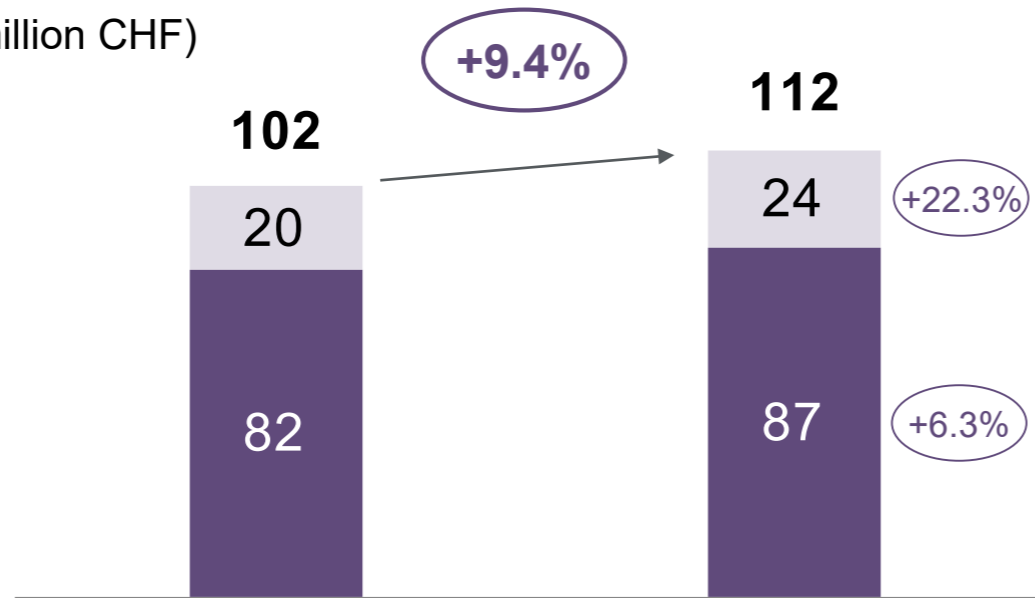
- Sales of webshops tripled
- Mediservice sales > CHF 300 Mio. (+5.7%)

### Absence of cough & colds:

Sales losses of cough & cold and travel-related products compensated by higher sales of nutrition, prevention, hygiene products

## Strong sales growth due to expansion of product portfolio

**Net sales** (in million CHF)



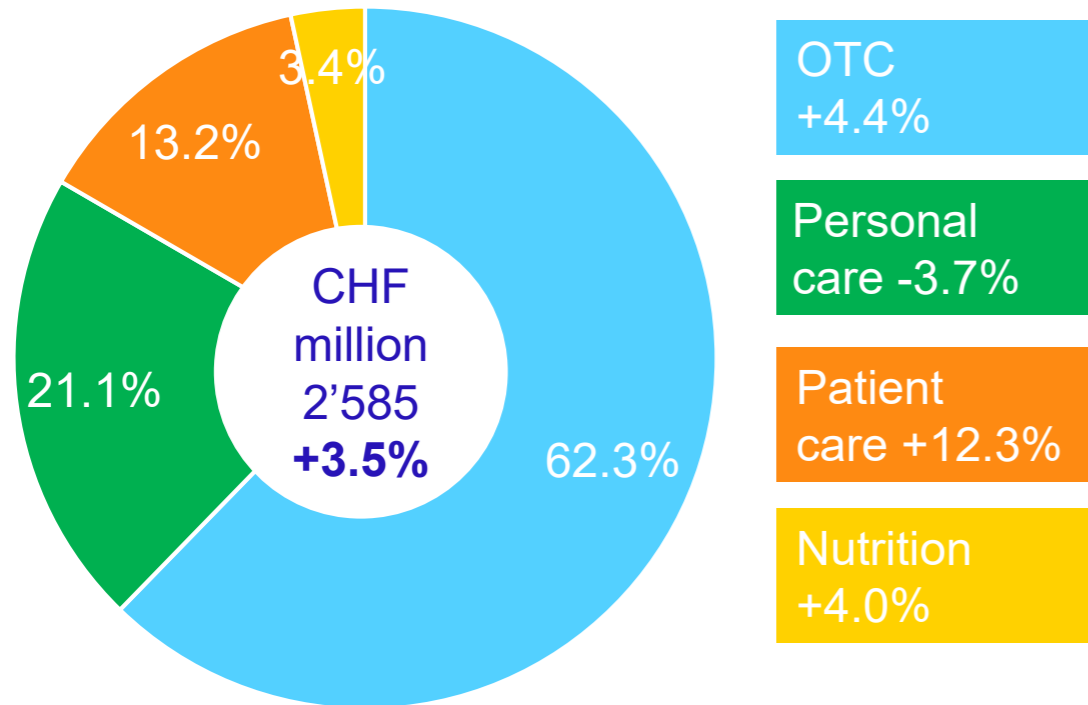
Elements of growth:	2019	2020
Expansion <sup>1)</sup> :	+9.2%	+17.3%
Organic <sup>2)</sup> :	+2.1%	-7.9%
thereof Swiss market:	-0.1%	-7.2%

International sales  
 Sales in the Swiss Market



# Growth of OTC market driven by prevention products

## Consumer Healthcare Market 2020



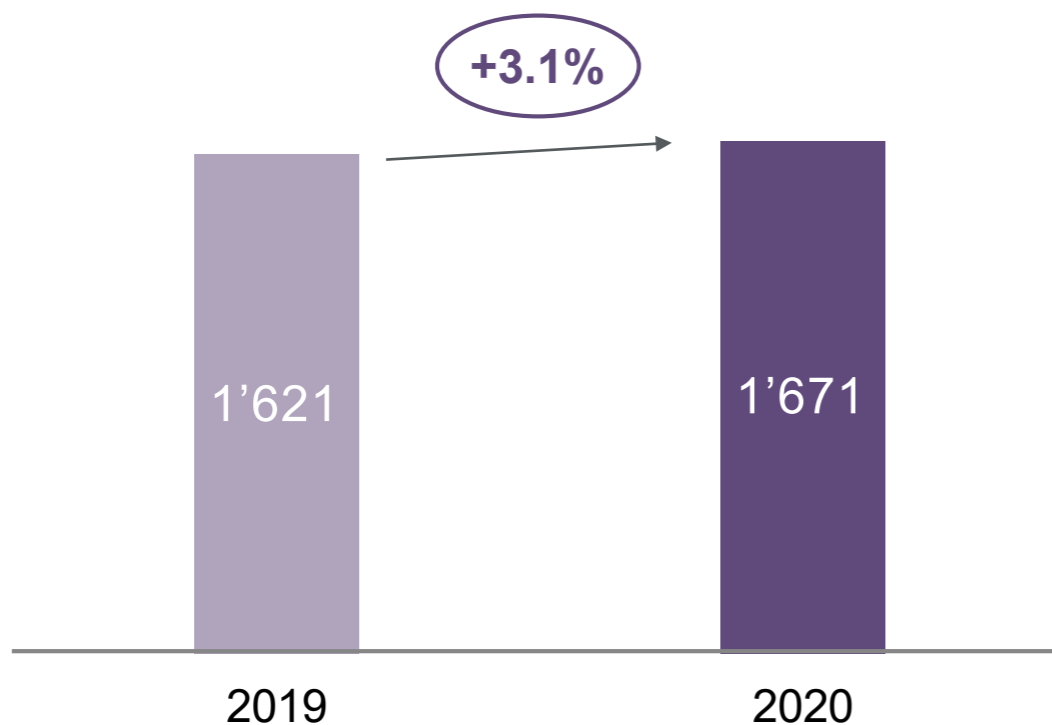
## Total cough & cold products part of OTC segment:

Top 10 markets in 01	Value streetprice 2020 in M CHF	Growth 2020
Total cough & cold, others	295.0	-4.5%
Immunostimulants	47.3	+135.3%
Nasal decongestants	43.8	-11.8%
Sore throat remedies	43.5	-16.3%
Cold remedies	40.5	-22.7%
Chesty Cough Products	29.5	-24.3%
Anti-allergics	22.9	+32.4%
Nasal saline solutions	21.2	-0.5%
Products for oth. resp. conditions	17.5	-12.6%
Dry cough products	15.6	-30.4%
Decongestant rubs& inhalants	12.3	-9.5%
Rest	1.0	-14.6%

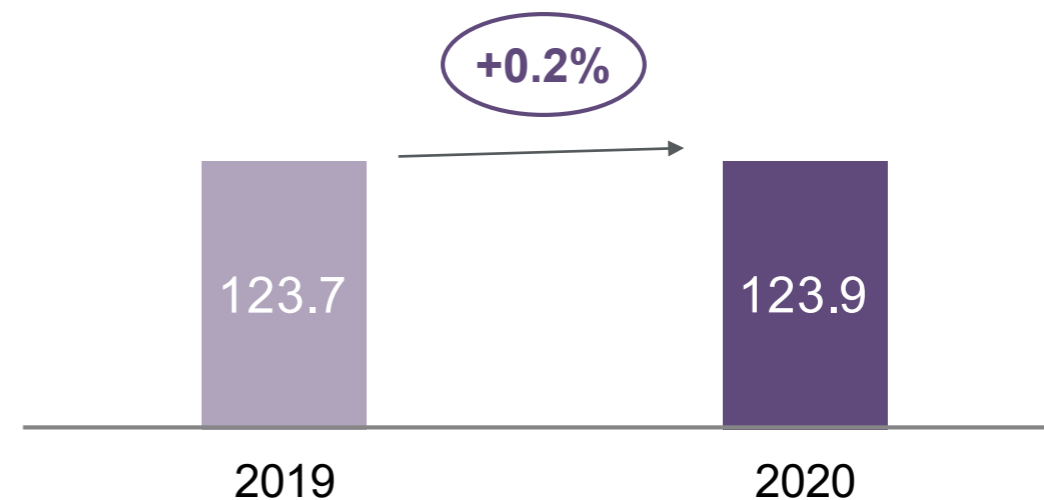
Source: IQVIA Pharamtrend for pharmacies and drugstores in Switzerland, streetprices

## Stable EBIT despite significant impact of COVID-19

**Net sales** (in million CHF)



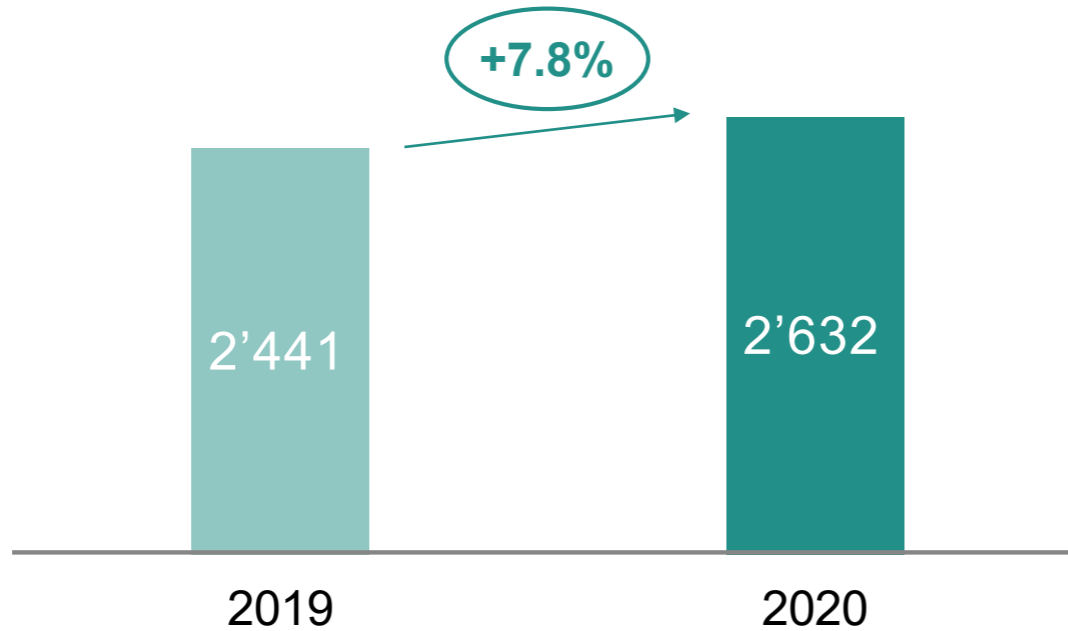
**EBIT adjusted<sup>1)</sup>** (in million CHF)



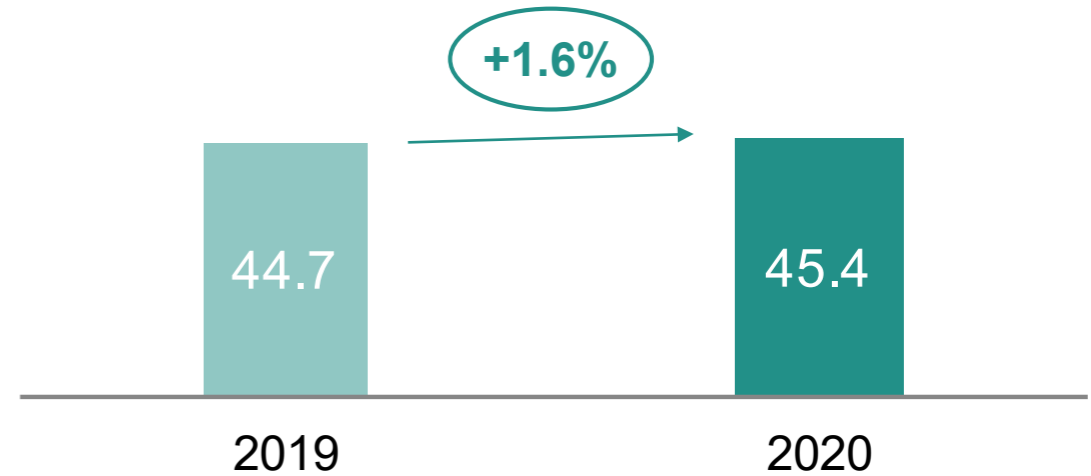
**Estimated impact of COVID-19:**  
– EBIT: negative impact of **CHF -8 to -10 million**

## Strong sales development due to market share gains

**Net sales** (in million CHF)



**EBIT adjusted<sup>1)</sup>** (in million CHF)



One-time effect of adapted invoicing models <sup>2)</sup> :	+2.3%
<b>Growth w/o one-time effect:</b>	<b>+5.5%</b>
impact of price cuts <sup>3)</sup> :	-2.3%
	-1.8%

**Estimated impact of COVID-19:**

- Net sales: **+1.4%**
- Neutral impact on EBIT: **additional sales compensated by additional costs**

<sup>1)</sup> Details of the adjustments of IAS19 and IFRS16 effects, in the Annual Report 20, pages 89 and 90

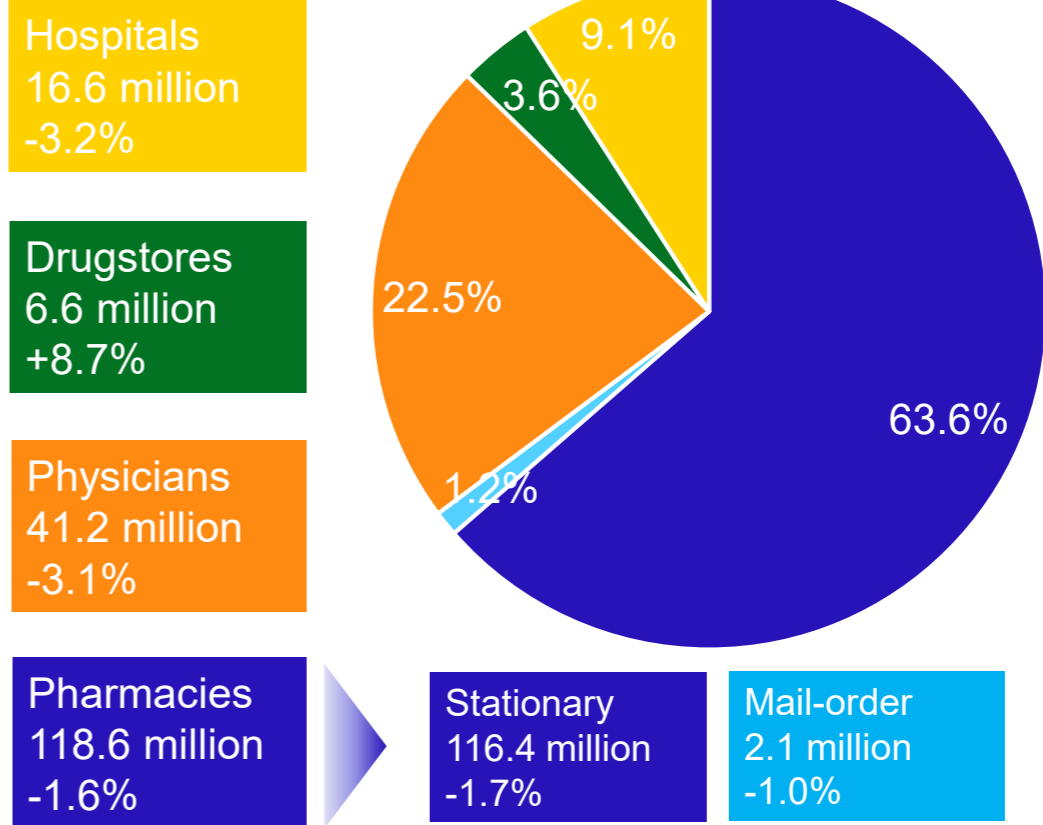
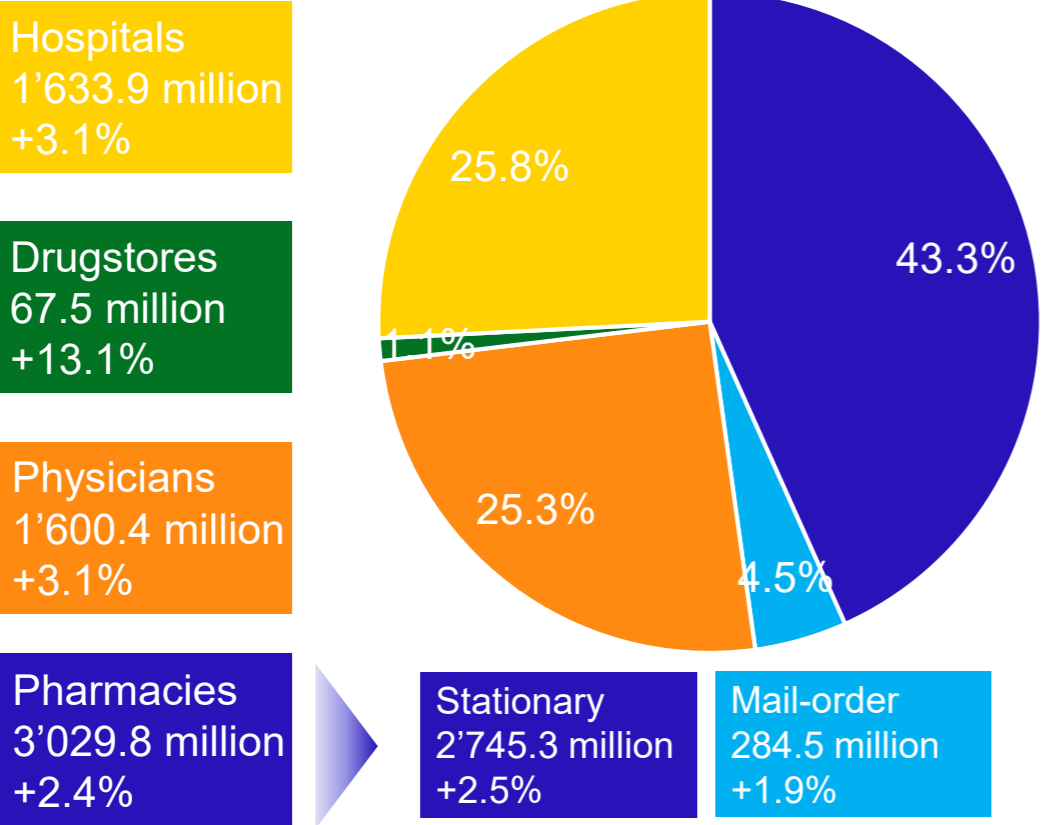
<sup>2)</sup> In the context of the new Ordinance on Integrity and Transparency in the Therapeutic Products Sector (OITTP), agreements with suppliers as well as invoicing models were adapted to the new transparency obligations, which influenced the sales development in the Services business sector.

<sup>3)</sup> Mandatory price reductions of medications reimbursed by health insurers of the specialities list (SL/LS) released by the Federal Office of Public Health (FOPH), calculated based on volumes of previous period, Annual Report 2020, page 88

# Swiss pharmaceutical market by channel 2020

**Value** (ex-factory): CHF 6,331.7 million  
 CHF +176.9 million / **+2.9%**

**Volume** (packs): 183.0 million  
 -3.3 million / **-1.8%**



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



# Galenica Group

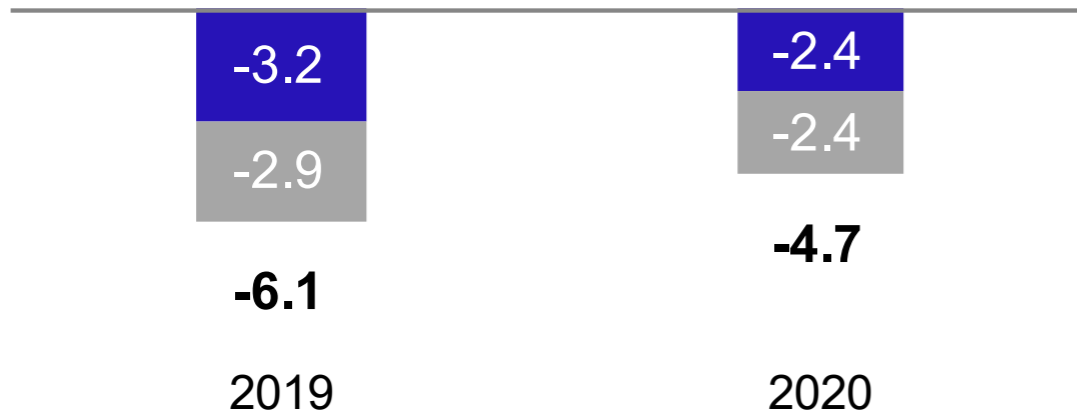
## EBITDA and EBIT adjustments<sup>1)</sup>

### EBITDA (in million CHF)

### EBIT (in million CHF)

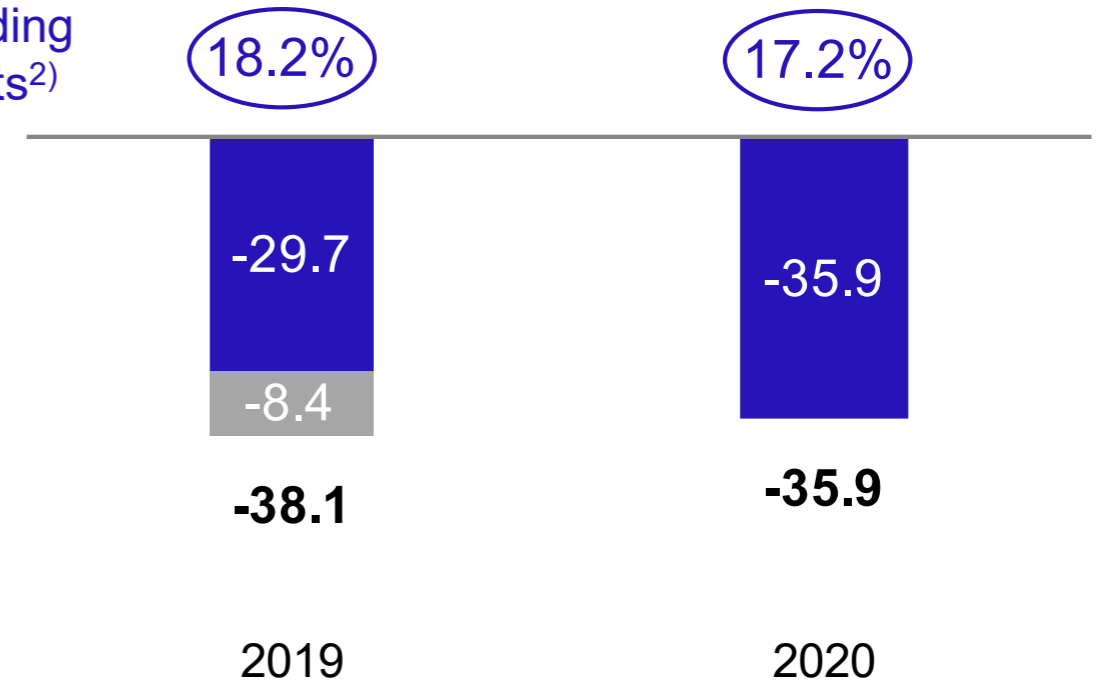
	2019	2020	in %		2019	2020	in %
<b>EBITDA adjusted</b>	<b>210.4</b>	<b>213.6</b>	<b>+1.5%</b>	<b>EBIT adjusted</b>	<b>166.9</b>	<b>168.6</b>	<b>+1.0%</b>
Adjustment IAS 19	-0.1	43.0		Adjustment IAS 19	-0.1	43.0	
Adjustment IFRS 16	50.0	52.9		Adjustment IFRS 16	2.7	1.8	
<b>EBITDA</b>	<b>260.3</b>	<b>309.5</b>	<b>+18.9%</b>	<b>EBIT</b>	<b>169.5</b>	<b>213.3</b>	<b>+25.9%</b>

### Financial result (in million CHF)



### Taxes (in million CHF)

Tax rate excluding one-time effects<sup>2)</sup>



- Financial result adjusted<sup>1)</sup>
- Effects of IAS19 and IFRS16<sup>1)</sup>

- Taxes excluding one-time effects
- One-time effects of deferred taxes 2019<sup>2)</sup>

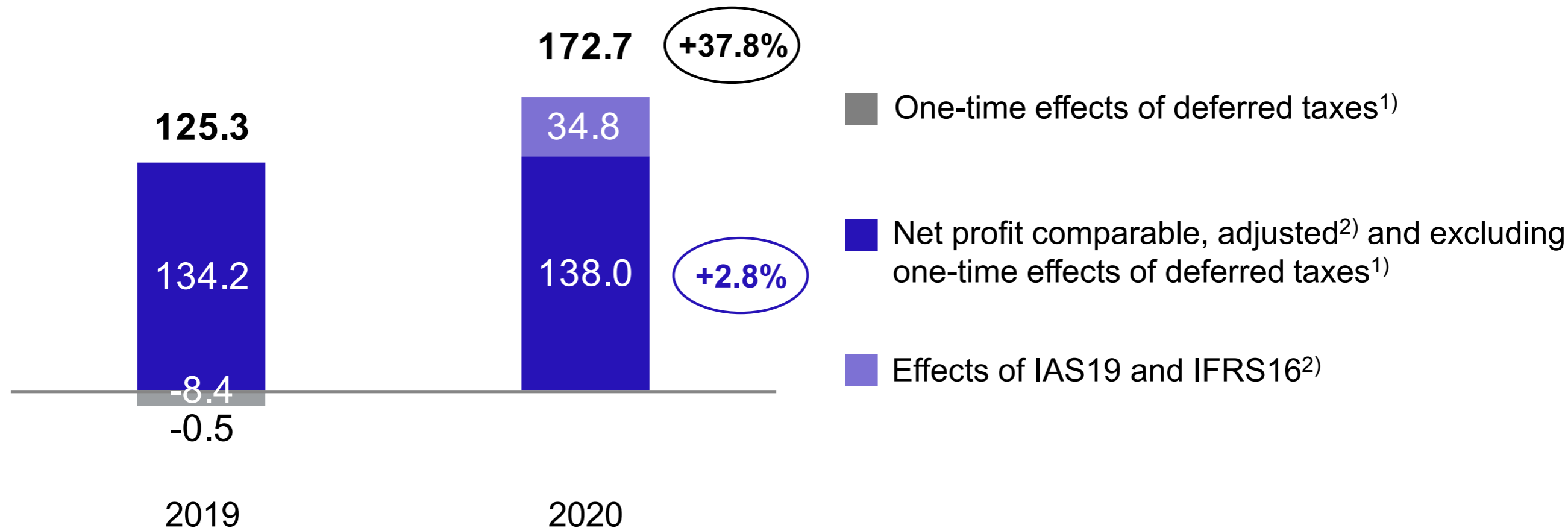
<sup>1)</sup> Details of the adjustments of IAS19 and IFRS16 effects, in the Annual Report 2020, pages 89 and 90

<sup>2)</sup> Details of one-time effects of deferred taxes, in the Annual Report 2020, pages 112

# Galenica Group

## Pleasing net profit growth

(in million CHF)

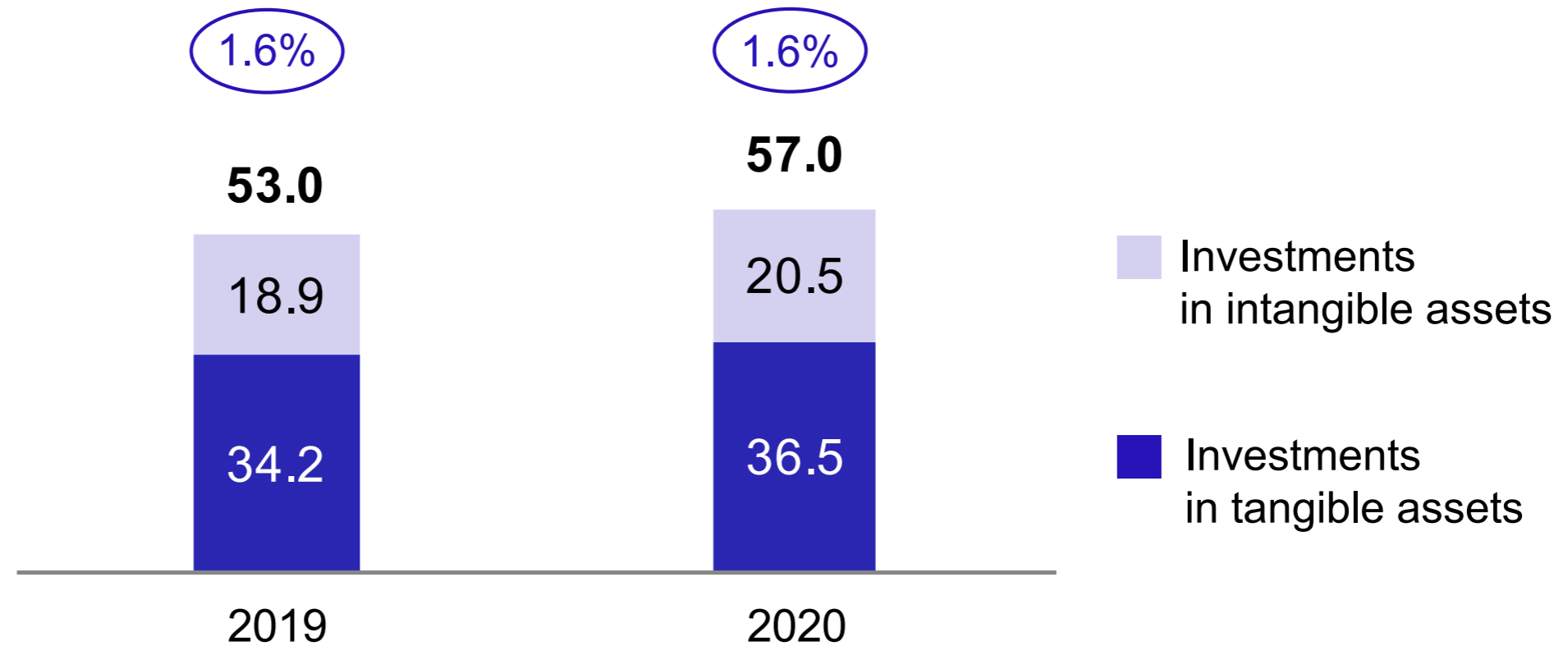


<sup>1)</sup> Details of one-time effects of deferred taxes, in the Annual Report 2020, pages 112

<sup>2)</sup> Details of the adjustments of IAS19 and IFRS16 effects, in the Annual Report, pages 89 and 90

(in million CHF)

% of net sales



### Ongoing investments in strategic efficiency projects :

- Replacement of the ERP system in Wholesale and pre-wholesale as well as renovation of distribution center Lausanne-Ecublens to be completed by 2023
- Remaining investments of ~CHF 44-48 million (investments in 2020: CHF 15.2 million)

# Galenica Group

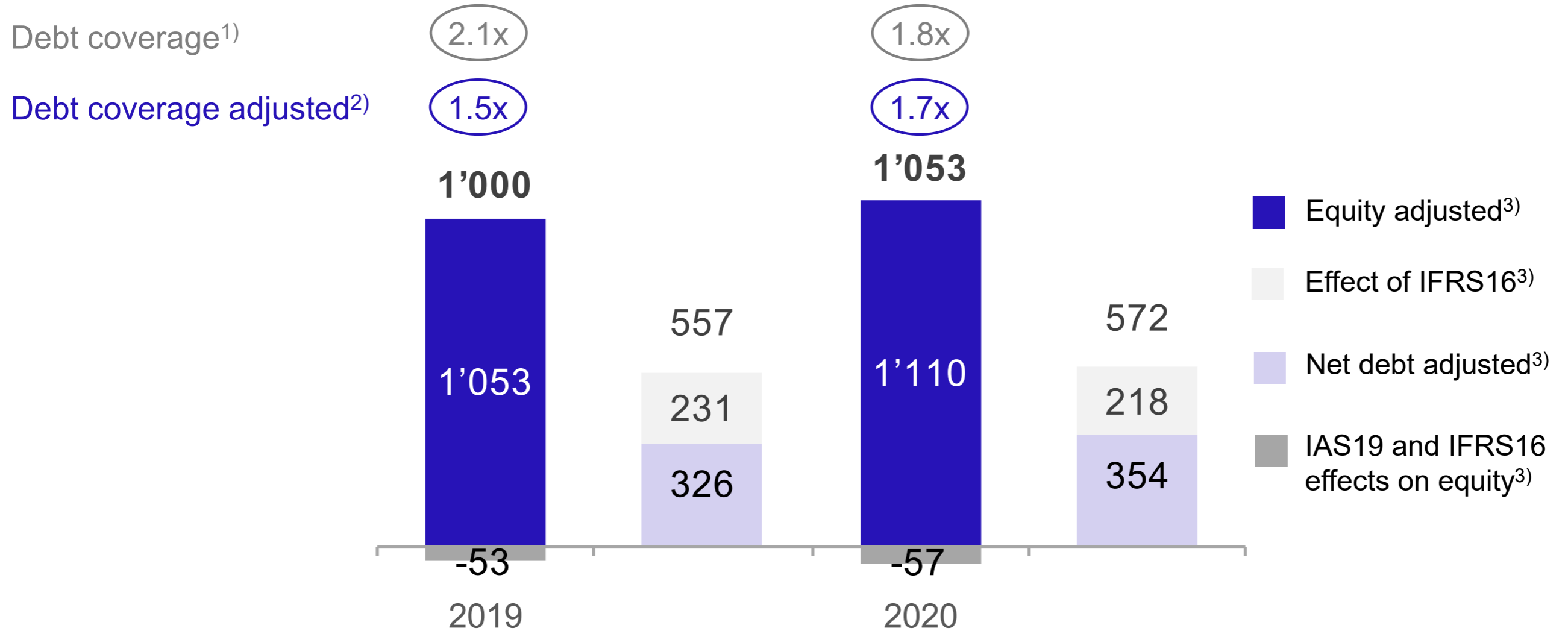
## Condensed Cash Flow Statement

in million CHF	2019	2020
<b>Cash flow from operating activities before working capital changes</b>	<b>237.4</b>	<b>238.8</b>
Payment of lease liabilities	-47.6	-49.1
<b>Cash flow from operating activities before working capital changes adjusted</b>	<b>189.8</b>	<b>189.7</b>
Working capital changes	13.0	-14.4
<b>Cash flow from operating activities adjusted</b>	<b>202.8</b>	<b>175.3</b>
Cash flow from investing activities without M&A	-57.8	-57.3
<b>Free cash flow before M&amp;A</b>	<b>145.0</b>	<b>118.0</b>
Cash flow from M&A	-77.1	-58.4
<b>Free cash flow</b>	<b>67.9</b>	<b>59.6</b>

# Galenica Group

## Solid balance sheet

(in million CHF)



<sup>1)</sup> Net debt / EBITDA, Annual Report 2020, page 93

<sup>2)</sup> Net debt adjusted / EBITDA adjusted excluding effects of IAS19 und IFRS16, Annual Report 2020, page 93

<sup>3)</sup> Detail of the adjustments in the Annual Report 2020, page 92

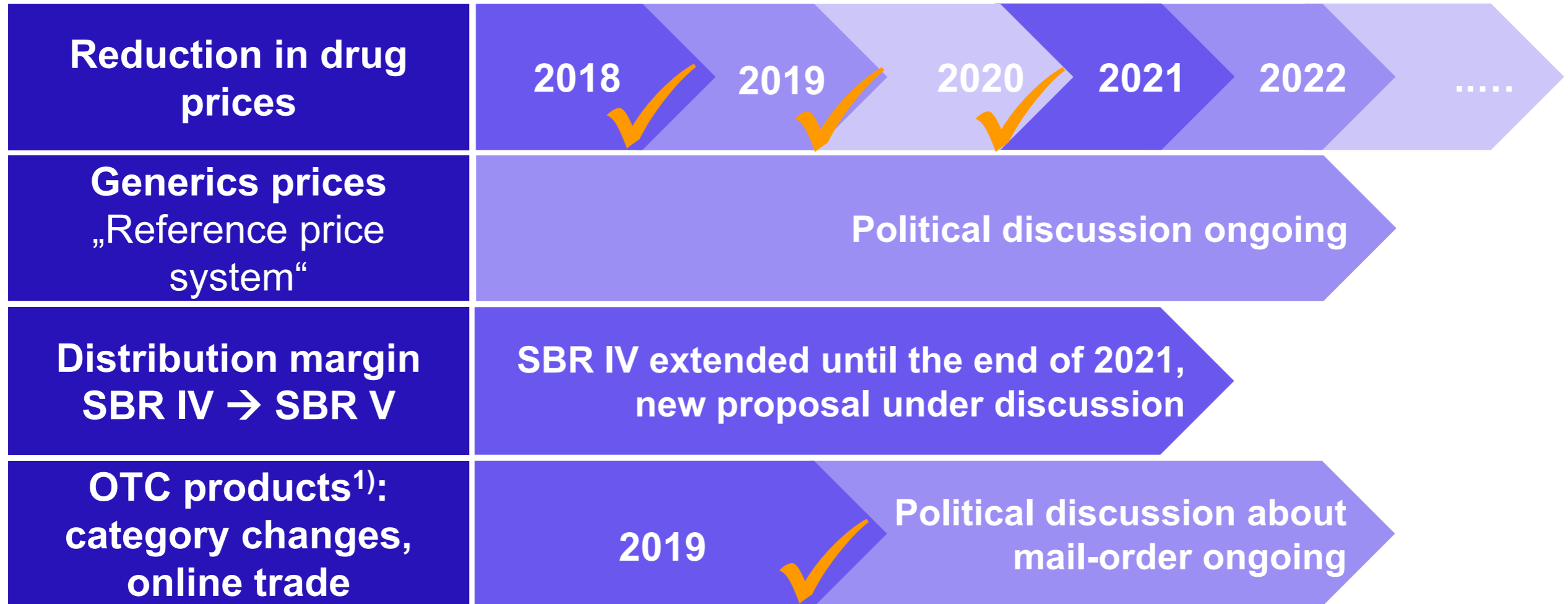
# Dividend 2020

## Proposal to the Annual General Meeting

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(in CHF)	2019	2020
<b>Gross dividend per share</b>	<b>1.80</b>	<b>1.80</b>
of which paid out from retained earnings	0.90	0.90
of which paid out from capital contribution reserves	0.90	0.90

# Outlook regulation





# New Segment structure as of 1st January 2021



- **No major changes** within the segments
- As in the past, **additional details on net sales** within the segments will be provided

## Guidance 2021

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### Assumptions:

- Persistent negative impact of COVID-19 in the first months of 2021.
- Lack of colds, absence of a seasonal flu epidemic and continued low mobility will continue to have a particularly strong impact on pharmacy sales in high-frequency locations and at Verfora.
- Significant improvement and normalisation of the situation from Q2 and especially in H2 of 2021.

### Guidance 2021:

- Galenica Group **net sales +1% to +3%**
- **EBIT** (excluding the effects of IAS 19 & IFRS 16) **+2% to +5%**
- **Dividend** for 2021 **at least at prior-year level.**

## Mid-term Guidance

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- Expected market growth in the next few years: **+1% to +2%**
- Galenica plans to **grow faster than the market** thanks to
  - consistent implementation of the strategic programs,
  - further expansion and optimisation of the pharmacy network and the Verfora product portfolio.
- Galenica expects to increase its return on sales (**ROS**) in the medium term, i.e. in three to five years (2024 – 2026),
  - to **over 8%** in the **Products & Care** segment
  - and to **up to 2%** in the **Logistics & IT** segment.
- Galenica continues to pursue a policy of **at least stable dividends** that grow in line with results and continues to aim for **net debt** in the order of **+/- 2 × EBITDA** (adjusted for leasing in accordance with IFRS 16) in the medium term.

**Step by step upwards**

**Determined despite  
persistent COVID-19  
headwinds**



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**QUESTIONS**

**Q & A**

**ANSWERS**

# Disclaimer

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