

Media Release – ad hoc announcement pursuant to Art. 53 LR

## **PolyPeptide with encouraging progress within custom projects pipeline – however with lower profitability in the first half of 2022**

**Baar, 19 August 2022 – PolyPeptide Group AG (SIX: PPGN), a focused global CDMO for peptide- and oligo-nucleotide-based active pharmaceutical ingredients, today announced its detailed results for the first half of 2022, following the market update provided on 12 July 2022:**

- Revenue of EUR 133.7 million in H1 2022 (down 1.1%, or 3.3% at constant currency rates, compared to H1 2021), including revenue associated with the coronavirus pandemic of around EUR 33 million (broadly stable versus H1 2021)
- Adjusted EBITDA<sup>1,2</sup> of EUR 26.7 million (H1 2021: EUR 43.2 million), with adjusted EBITDA margin of 20.0% (32.0%), reflecting the combined impact of an increased cost base ahead of planned growth and a more demanding operating environment; result for the period of EUR 10.2 million (EUR 24.6 million)
- Capital expenditures of EUR 37.9 million or 28.4% of revenue (EUR 25.0 million or 18.5% of revenue), reflecting capacity requirements to support active custom projects pipeline
- 218 active custom projects at the end of June 2022 (compared to 181 at 30 June 2021 and 196 at 31 December 2021), with several new oligonucleotide projects
- Updated guidance for 2022, driven by a shift of a portion of the coronavirus pandemic-related business on order for H2 into 2023 and by continued inflationary pressure: revenue growth now expected at between 8% to 10% with adjusted EBITDA margin of between 22% and 25%; growth and partial margin recovery in H2 driven by peptides business
- Updated mid-term outlook: business expected to grow with a revenue CAGR in the low-teens with varying growth rates year-by-year and a continuous progression of the adjusted EBITDA margin towards 30%
- Results presentation with live audio webcast and telephone conference followed by Q&A to take place today at 9.30am CET (details see page 4)

### **Raymond De Vré, Chief Executive Officer of PolyPeptide, commented:**

“In the first half of 2022, we experienced the combined impact of an increased cost base ahead of planned growth and a more demanding operating environment, including a surge of inflation in the second quarter. Compared to the strong previous-year period, this resulted in a substantial and larger-than-expected drop in profitability. On the positive side, we continued to see encouraging progress in our active custom projects pipeline and consistently executed on our late-stage phase III pipeline. For the second half of 2022, we expect revenue growth and a partial margin recovery to be driven by our peptides business.”

### **Revenue, costs and profitability**

PolyPeptide generated EUR 133.7 million of revenue in the first half of 2022, representing a decline of 1.1% versus the strong period in 2021. At constant currency rates, the revenue decline was 3.3%. While the Group had expected broadly

<sup>1</sup> This media release and the Key figures table include references to operational indicators, such as customer projects, and alternative financial performance measures (APM) that are not defined or specified by IFRS. These APM should be regarded as complementary information to and not as substitutes of the Group's consolidated financial results based on IFRS. For the definitions of the main operational indicators and APM used, including related abbreviations, as well as for selected reconciliations to IFRS, please refer to the section “Definitions and reconciliations” of the Half-year Report 2022.

<sup>2</sup> For H1 2022, no EBITDA adjustments were recognized. Adjusted EBITDA for H1 2021 excludes one-off IPO costs of EUR 5.7 million, partly offset by US government loans of EUR 2.4 million waived in context of the coronavirus pandemic.

stable revenue and a lower margin for the first half of 2022, it faced challenges with a more demanding market environment. As a result, several deliveries slipped into the second half of the year. The contribution from revenue associated with the coronavirus pandemic was broadly stable compared to the prior-year period at around EUR 33 million.

### Key figures<sup>1</sup> (unaudited)

kEUR	H1 2022	H1 2021	Change
Revenue	133,656	135,136	-1.1%
Custom Projects	72,613	76,207	-4.7%
Contract Manufacturing	48,398	45,765	5.8%
Generics & Cosmetics	12,645	13,164	-3.9%
EBITDA	26,706	39,889	-33.1%
Adjusted EBITDA <sup>2</sup>	26,706	43,240	-38.2%
Adjusted EBITDA in % of revenue <sup>2</sup>	20.0%	32.0%	-12.0 ppts
Operating result (EBIT)	15,482	30,803	-49.7%
Operating result (EBIT) in % of revenue	11.6%	22.8%	-11.2 ppts
Result for the period	10,247	24,623	-58.4%
Result for the period in % of revenue	7.7%	18.2%	-10.6 ppts
Earnings per share (EUR), basic	0.31	0.79	-60.9%
Return on net operating assets (RONOA)	14.3%	25.6%	-11.4 ppts
Cash and cash equivalents	66,436	187,362	-64.5%
Net cash flow from operating activities	-7,659	41,048	-118.7%
Capital expenditures	37,926	24,989	51.8%
Capital expenditures in % of revenue	28.4%	18.5%	9.9 ppts
Total assets	579,253	571,950	1.3%
Equity ratio	73.8%	67.4%	6.3 ppts
Employees (# of FTEs, average)	1,156	1,026	12.7%

The gross profit was EUR 37.8 million (versus EUR 51.2 million in the previous-year period) with a gross margin of 28.3% (37.9%). Adjusted EBITDA for the period was EUR 26.7 million (EUR 43.2 million), with an adjusted EBITDA margin of 20.0% (32.0%). The result for the period was EUR 10.2 million (EUR 24.6 million).

The drop in adjusted EBITDA was driven by the cumulative effect of several factors, including an impact of EUR 13.3 million due to a 12.7% increase in average FTEs since 30 June 2021, mainly in Operations and Quality to manage growth; EUR 8.0 million due to higher than expected input costs amplified by the surge of inflation in the second quarter, including wage adjustments; EUR 2.7 million due to higher than expected maintenance costs; and EUR 3.1 million from other costs, including travel, insurance, marketing and scrap. The drop in profitability was partly offset by EUR 2.1 million reflecting a change in product mix compared to the prior-year period as well as the build-up of inventory for work in progress with an impact of EUR 8.4 million, the latter reflecting the growth aspirations for the second half of the year.

### Cash flow and changes in net working capital and cash position

The free cash flow for the period amounted to EUR -48.9 million, with net cash flows from operating activities (excluding the changes in net working capital) of EUR 17.0 million and net cash flows from investing activities of EUR -41.2 million.

The net cash flow from the changes in net working capital was EUR -24.7 million, driven by the build-up of inventory (EUR -27.2 million) and reduced contract liabilities (EUR -12.8 million), partly offset by lower trade receivables

(EUR 18.8 million). Inventories were increased to meet customer requirements for the second half of the year and to ensure sufficient safety stocks given a challenging global supply chain environment. The reduced contract liabilities related to the manufacturing of batches that were pre-paid by customers in context of earlier volume commitments.

With total financial debt of EUR 31.1 million, the net cash position of the Group was EUR 35.4 million as at 30 June 2022, with an equity ratio of 73.8%.

### **Custom project pipeline and capital deployment**

PolyPeptide operates in a market with significant opportunities, and it aims to be the preferred partner for its customers, building on its strong position in peptides and its full commitment to develop its oligonucleotides offering. In the first half of 2022, PolyPeptide made further progress in growing its custom projects pipeline, which resulted in a total of 218 active projects as at 30 June 2022, compared to 181 projects at the end of June 2021 and 196 projects at the end of 2021.

The number of projects in phase III of clinical development remained stable at 30 projects, with two phase II projects moving to phase III and two commercial launches during the reporting period. Newly acquired projects are typically in early-stage development and included several oligonucleotide projects. Around half of the projects in PolyPeptide's active custom projects pipeline are in the fast-growing therapeutic areas of metabolic disorders (including diabetes and obesity) and oncology. Given the expected dynamics emerging from its custom projects pipeline, PolyPeptide is preparing for a significant growth of manufacturing volumes that is projected to outpace its anticipated revenue growth.

In the first half of 2022, PolyPeptide continued its infrastructure investments with capital expenditures for the reporting period reaching EUR 37.9 million or 28.4% of revenue, versus EUR 25.0 million or 18.5% in the previous-year period. Investment projects included the continued construction of large-scale solid phase synthesis capacity in Braine-l'Alleud (Belgium), large scale downstream capacity in Malmö (Sweden) and freeze-drying capacity in Malmö and Torrance (California). They also included further efforts related to the implementation of the Group's green chemistry agenda, the ongoing strengthening of analytical capabilities as well as numerous IT and digitalization efforts.

### **Guidance for 2022 and mid-term outlook**

PolyPeptide undertook considerable efforts in 2020 and 2021 to support the global fight against the coronavirus pandemic, also by making its core purification process capabilities available at large scale. In 2021, around EUR 63 million of revenue was associated with the pandemic. Consistent with the market update provided on 12 July, an agreement was reached to shift a portion of the pandemic-related business that was on order for the second half of 2022 into 2023. For 2022, PolyPeptide therefore now expects revenue growth of between 8% to 10% (reduced from the earlier expectation of 12% to 14%), which implies healthy growth from the peptides business. The adjusted EBITDA margin is now expected at between 22% and 25% (reduced from "around 30%"), given continued inflationary pressure. The level of capital expenditures as a percentage of revenue remains unchanged at over 25% of revenue.

To protect profitability within a more inflationary environment, the Group launched measures to pass-through higher input costs to customers more effectively. The effort is consistent with its "cost plus" approach and is expected to incrementally materialize in the coming months, as the Group executes on a significant number of purchase orders with previously fixed prices, some of which are committed up until the second half of 2023. For new projects, however, updated rates and terms are being implemented with immediate effect. Under its integrated strategy, the Group continuously strives for innovation, including to improve productivity, for example by optimizing manufacturing and analytical processes and harmonizing systems.

PolyPeptide recognizes that the nature of the pandemic is changing, that the macroeconomic environment has become more demanding and that geopolitical developments are unpredictable. However, it has confidence in the structural growth opportunities in its market and more specifically in the potential of its pipeline of customer projects. For the mid-term, PolyPeptide expects to grow its business with a revenue CAGR in the low-teens, though with varying growth rates year-by-year. It also expects to continuously progress the adjusted EBITDA margin towards 30%. This updates the previous mid-term outlook, which anticipated year-on-year low-teens revenue growth with an adjusted EBITDA margin of approximately 30%.

## Results documentation, audio webcast and conference call

PolyPeptide Group will hold an audio webcast today at 9.30 am CEST, where CEO Raymond De Vré and CFO Jan Fuhr Miller will discuss business trends and results in more detail. Please [click here](#) to join live audio webcast.

To ask questions during the Q&A session, you must dial in to the moderated telephone conference. Participants may [pre-register here](#) and will receive dedicated dial-in details to easily access the call. Please dial-in 5-10 minutes prior to the start.

A replay of the event will be available in the [Results Center](#) soon after the results presentation.

All results documents, including the media release, the results presentation, the Half-Year Report 2022 as well as the updated time series, will be available from around 7.00 am CEST in the PolyPeptide [Results Center](#).

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## About PolyPeptide

PolyPeptide is a focused Contract Development & Manufacturing Organization (CDMO) for peptide- and oligonucleotide-based active pharmaceutical ingredients. By supporting its customers mainly in pharma and biotech, it contributes to the health of millions of patients across the world. PolyPeptide offers products and services from pre-clinical through to commercial stages, including generics. Its active custom projects pipeline reflects the opportunities from novel drug therapies in development to fight both widespread and rare diseases. Dating back to 1952, PolyPeptide today runs a global network of six GMP-certified facilities in Europe, the U.S. and India with around 1,200 employees as per the middle of 2022. PolyPeptide's shares (SIX: PPGN) are listed on SIX Swiss Exchange.

For more information, please visit [polypeptide.com](http://polypeptide.com).

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## Disclaimer

This media release has been prepared by PolyPeptide Group AG and includes forward-looking information and statements concerning the outlook for the Group's business. These statements are based on current expectations, estimates and projections about the factors that may affect its future performance. These expectations, estimates and projections are generally identifiable by statements containing words such as 'expects', 'believes', 'estimates', 'targets', 'plans', 'projects', 'outlook' or similar expressions. There are numerous risks, uncertainties and other factors, many of which are beyond PolyPeptide Group AG's control, that could cause the Group's actual results to differ materially from the forward-looking information and statements made in this media release and that could affect the Group's ability to achieve its stated targets. The important factors that could cause such differences include, among others: relationships with employees, customers and other business partners; strategies of competitors; manufacturing capacity and utilization; quality issues; supply chain matters; legal, tax or regulatory disputes; and changes in the political, social and regulatory framework in which the Group operates, or in economic or technological trends or conditions. Although PolyPeptide Group AG believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

### **Alternative financial performance measures (APM)**

This media release contains references to operational indicators, such as customer projects, and APM that are not defined or specified by IFRS, including revenue at constant currency rates. EBITDA, adjusted EBITDA, adjusted EBITDA margin, return on net operating assets, capital expenditures, equity ratio, net working capital, free cash flow, net cash, total financial debt and revenue associated with the coronavirus pandemic. These APM should be regarded as complementary information to and not as substitutes of the Group's consolidated financial results based on IFRS. These APM may not be comparable to similarly titled measures disclosed by other companies. For the definitions of the main operational indicators and APM used, including related abbreviations, as well as for selected reconciliations to IFRS, refer to the section "Definitions and reconciliations" in PolyPeptide Group AG's Half-year Report 2022.

For the purposes of this media release, unless the context otherwise requires, the term "the Company" means PolyPeptide Group AG, and the terms "PolyPeptide", "the Group", "we", "us" and "our" mean PolyPeptide Group AG and its consolidated subsidiaries. In the key figures table, the use of "-" indicates not meaningful or not applicable.