

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

PolyPeptide reports weaker performance in 2022 – expects growth to recover in the second half of 2023

Baar, 14 March 2023 – PolyPeptide Group AG (SIX: PPGN), a focused global CDMO for peptide- and oligonucleotide-based active pharmaceutical ingredients, today announced its results for 2022:

- Revenue of EUR 281.0 million (down 0.4% compared to 2021, or 3.0% at constant currency rates, compared to 2021), including revenue associated with the coronavirus pandemic¹ of EUR 50.7 million (2021: EUR 63.2 million)
- Adjusted EBITDA² of EUR 38.7 million (2021: EUR 88.2 million); adjusted EBITDA margin of 13.8% (31.3%), reflecting effects of increased cost base ahead of planned growth, inflationary pressure and operational issues; result for the year of EUR 7.8 million (2021: EUR 47.3 million)
- Capital expenditure of EUR 83.0 million or 29.5% of revenue (2021: EUR 76.7 million or 27.2%), reflecting continued capital deployment to support active custom projects
- 220 active custom projects at end of December 2022 (2021: 196), with two commercial launches in 2022
- Nomination of Dorothee A. Deuring (Austrian, 1968) as a new member of the Board of Directors to be proposed to AGM 2023
- Comprehensive measures launched to deliver a recovery in performance in the second half of 2023
- For 2023, PolyPeptide currently expects high single-digit percentage revenue growth versus 2022, with an adjusted EBITDA margin in the mid-teens
- Audio webcast and conference call will take place today at 9.30am CET (details see page 5)

Dr. Peter Wilden, Executive Chairman of PolyPeptide, commented: “In 2022, as we scaled up for accelerated growth, we faced significant challenges. We have taken comprehensive measures to ensure improved delivery performance. In addition, we are working with customers to further optimize our commercial relationships. We are making good progress in the search for our new CEO, who will have the opportunity of leading PolyPeptide into a future with significant structural growth opportunities.”

Revenue, costs and profitability

PolyPeptide generated EUR 281.0 million in revenue in 2022, representing a decline of 0.4% versus 2021. At constant currency rates, the revenue decline was 3.0%. This revenue development reflects the lower contribution from the coronavirus pandemic-related business and

in particular the technical and manufacturing process issues during 2022 communicated in December 2022. The pandemic-related revenue contribution was EUR 50.7 million in 2022 (EUR 63.2 million in 2021); excluding this contribution in each of the periods, revenue grew by 5.2%.

Key figures¹

kEUR	2022	2021	Change
Revenue	280,978	282,126	-0.4%
Custom Projects	140,044	167,006	-16.1%
Contract Manufacturing	110,753	89,600	23.6%
Generics & Cosmetics	30,181	25,520	18.3%
EBITDA	38,670	84,848	-54.4%
Adjusted ² EBITDA	38,670	88,199	-56.2%
Adjusted ² EBITDA in % of revenue	13.8%	31.3%	-17.5 pts
Operating result (EBIT)	12,607	64,165	-80.4%
Operating results (EBIT) in % of revenue	4.5%	22.7%	-18.3 pts
Result for the year	7,767	47,258	-83.6%
Result for the year in % of revenue	2.8%	16.8%	-14.0 pts
Earnings per share (EUR), basic	0.24	1.47	-84.0%
Return on net operating assets (RONOA)	3.2%	21.0%	-17.8 pts
Cash and cash equivalents	37,528	136,303	-72.5%
Net cash flow from operating activities	5,460	57,352	-90.5%
Capital expenditures in % of revenue	82,985	76,652	8.3%
Capital expenditures in % of revenue	29.5%	27.2%	2.4 pts
Total assets	575,782	595,038	-3.2%
Equity ratio	73.2%	70.8%	2.5 pts
Employees (# of FTEs, average)	1,139	1,041	9.5%

The gross profit in 2022 was EUR 54.5 million, down 47.5% versus 2021 with a gross margin of 19.4%, down 17.4 pts. Adjusted EBITDA for the year was EUR 38.7 million, down 56.2% versus 2021 with an adjusted EBITDA margin of 13.8%, down 17.5 pts. The decline in the adjusted EBITDA was driven by the cumulative effect of several factors, including EUR 20.9 million in higher personnel costs due to the increase in average FTEs by 9.5% versus the end of 2021, mainly in Operations and Quality. Additional operational and maintenance costs of EUR 11.7 million reflected variations from production and delivery schedules. A decline of EUR 10.8 million was due to inflationary impacts, including wage adjustments. The increase

Footnotes

¹ 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 for 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 Annual Report 2022.

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

in other costs, including travel, insurance and marketing expenses, amounted to EUR 3.2 million. Lastly, EUR 3.1 million related to adverse product mix effects.

The result for the year was EUR 7.8 million, down by 83.6%, after a financial result of EUR -5.0 million (EUR -4.3 million in 2021) and income tax charges of EUR 0.2 million (EUR -12.6 million), reflecting the lower result and tax credits in the US.

Cash flow and changes in net working capital and cash position

2022 net cash flows from operating activities excluding the changes in net working capital were EUR 30.2 million. The net cash flow from the changes in net working capital was EUR -24.7 million, driven by higher inventories, reflecting the anticipated growth as well as higher safety stocks. With cash flows from acquisitions of intangible assets and property, plant, and equipment of EUR -78.8 million, the free cash flow in 2022 amounted to EUR -73.3 million.

Cash and cash equivalents declined to EUR 37.5 million (versus EUR 136.3 million at the end of 2021), also reflecting the purchase of treasury shares and the dividend payment in May 2022 in the form of a cash distribution in the aggregate amount of EUR 23.6 million. With total financial debt of EUR 31.7 million, the net cash position of the Group was EUR 5.8 million at the end of 2022.

Custom project pipeline and capital deployment

PolyPeptide remained strongly committed to supporting the R&D activities of existing and new customers. The custom projects pipeline included 220 active projects at the end of 2022, compared to 196 projects at the end of 2021. In 2022, the Group secured a total of 47 projects, including several oligonucleotide projects, and 25 new clients. The number of projects in phase III of clinical development remained stable at 30 projects, with two phase II projects moving into phase III and two commercial launches during the reporting period. Subsequent to the reporting period, one phase III project related to the treatment of cancer was terminated by the customer.

Given the anticipated future volume requirements from the active custom projects pipeline, PolyPeptide continued to invest in its infrastructure. Capital expenditure for the period increased by 8.3% to EUR 83.0 million or 29.5% of revenue, versus EUR 76.7 million or 27.2% in 2021. Investment projects in 2022 included the ongoing construction of large-scale solid phase synthesis capacity in Braine-l'Alleud (Belgium), large-scale downstream capacity in Malmö (Sweden) and freeze-drying capacity at several sites. Investments also included further efforts in relation to the implementation of the Group's green chemistry agenda, the ongoing strengthening of analytical capabilities as well as IT and digitalization efforts.

Strategy implementation and operational improvements

The Group continued to implement its integrated growth strategy throughout the year. The accelerated capital deployment program launched in 2021 continued in 2022, bringing the combined capital expenditure to EUR 159.6 million for the two-year period, and leaving the Group well positioned to capture future growth. One focal point for 2023 will be the finalization

of the new large-scale solid phase synthesis infrastructure that the Group plans to bring online in Braine-l'Alleud (Belgium) in early 2024.

In the wake of the technical and manufacturing issues that hindered the Group's progress in 2022, PolyPeptide is undertaking comprehensive remediation measures. This includes the strengthening of workforce capabilities to instil technical proficiency, operational best practice and rigor, with the support of external experts where needed.

The Group has taken steps to minimize the risk from unforeseen technical failures and launched a program to strengthen operational procedures and controls. This includes Group-wide processes for improved operations planning and execution. By optimizing the utilization of its resources, the Group aims to free up capacity while also enhancing productivity, including improvements to the management of its net working capital.

Beyond that and with a longer-term perspective, the Group plans to accelerate the standardization and integration of its operational processes across sites to leverage its manufacturing footprint to the benefit of customers and to strengthen its resilience in the face of unforeseeable developments.

The Group remains confident in the fundamentals of the peptides market and is experiencing strong customer demand. With production volume requirements growing, the Group continues to invest in its green manufacturing program and aims to continuously develop its commercial relationships.

CEO search and new Board member

Following Raymond De Vré's resignation at the end of January 2023, PolyPeptide is currently conducting a CEO search, and is working to identify a candidate who has the leadership skills and relevant experience to drive the Group's growth and expansion plans.

The Group is committed to ensuring that the Board of Directors is comprised of individuals who possess the skills, experience, and expertise necessary to guide the Company into the future. To this end it announces that Dorothee A. Deuring (Austrian, 1968) will be nominated as a new member of the Board of Directors at the AGM 2023, which will further strengthen diversity and independence within the Board. Ms Deuring is a corporate finance expert who brings more than 25 years of experience in the fields of manufacturing, biotech, pharmaceuticals and banking. Ms Deuring currently serves on the board of Elementis plc (listed), where she is member of the audit and remuneration committees, and Axpo Holding AG, where she is member of the audit committee. Ms Deuring previously served on the boards of, *inter alia*, Lonza Group AG (listed), Immofinanz AG (listed), Bilfinger SE (listed) and PIQUR Therapeutics AG. She received her Master of Science in Chemistry from Université Louis Pasteur, Strasbourg, France, in 1994. She later received her Master of Business Administration from INSEAD in Fontainebleau, France, in 1996.

Guidance for 2023 and dividend

With the enhancement of its workforce in 2022, the Group increased its fixed costs, and the improvement in profitability in 2023 largely depends on its ability to realize top-line growth. With the time required until the launched remediation measures yield results, the Group

expects revenue for the first half of 2023 to be comparable with the previous year, with profitability significantly lower. A marked recovery in revenue and profitability is expected thereafter in the second half.

For the full year of 2023, PolyPeptide currently expects high single-digit percentage revenue growth versus 2022, with an adjusted EBITDA margin in the mid-teens. Capital expenditure is planned to be around 10% of revenue, lower compared to 2022 (29.5% of revenue) and reflecting the planned completion of the accelerated capital deployment for growth launched in 2021.

The Group aims to provide an update of the mid-term outlook with the announcement of results for the first half of 2023 on 15 August 2023.

With the significant drop in profitability in 2022 and the ongoing efforts needed to restore revenue growth and profitability, PolyPeptide will not be proposing the payment of a dividend to the forthcoming AGM on 12 April 2023.

Results documentation, audio webcast and conference call

PolyPeptide Group will hold an audio webcast today at 9:30 am CET, where Executive Chairman Peter Wilden and CFO Jan Fuhr Miller will discuss business trends and results in more detail. Please [click here](#) to join the 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](#) after the results presentation.

All results documents, including the media release, the results presentation, the [Annual Report 2022](#) as well as the updated time series, will be available from around 7:00 am CET in the PolyPeptide [Results Center](#).

Note to shareholders about the Annual General Meeting

The annual General Meeting of PolyPeptide to approve, *inter alia*, the Annual Report 2022 will take place on 12 April 2023 at the Chollerhalle in Zug with the physical attendance of shareholders (the "AGM 2023"). In order to vote at the AGM 2023, shareholders must be registered in the Company's share register with voting rights by 3 April 2023, 5:00 pm (CET) at the latest.

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About PolyPeptide

PolyPeptide Group AG and its consolidated subsidiaries (“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 cGMP-certified facilities in Europe, the U.S. and India. PolyPeptide’s shares (SIX: PPGN) are listed on SIX Swiss Exchange. For more information, please visit 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 for 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 [Annual 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.