

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

PolyPeptide with record revenue growth of 43% in H2 2023 versus H1 2023; operational improvements yielding increased profitability and cash flow

Baar, 12 March 2024 – PolyPeptide Group AG (SIX: PPGN), a focused global CDMO for peptide- and oligonucleotide-based active pharmaceutical ingredients, today announced its results for 2023 and guidance for 2024:

- Revenue of EUR 320.4 million; growth of 14.0% compared to 2022 (18.2% at constant currency rates) on the back of strong customer demand and peptide-driven momentum
- Operational progress in H2 2023 with revenue of EUR 188.5 million (+43.0% versus H1 2023); EBITDA improved to EUR 13.4 million (H1 2023: EUR -19.4 million) and net cash flows from operating activities increased to EUR 84.8 million (H1 2023: EUR -48.3 million)
- 2023 EBITDA of EUR -6.0 million (2022: EUR 38.7 million) with decline driven by the phase-out of the coronavirus-related business, the ongoing ramp-up of capacity, as well as the operational challenges
- Result for the year of EUR -51.4 million (2022: EUR 7.8 million), driven by foreign currency exchange losses of EUR 14.5 million (2022: EUR 1.6 million), most of which was offset in other comprehensive income
- 2023 capital expenditures of EUR 54.9 million (2022: EUR 83.0 million), or 17.1% of revenue (2022: 29.5%), bringing the cumulative capital deployment for the three-year period between January 2021 and December 2023 to EUR 214.5 million
- Three large commercial agreements concluded during 2023, complementing the one announced in December 2022, providing the potential to double PolyPeptide's revenue; evolution of commercial model evidenced by increase of customer prepayments; increase of contract liabilities by EUR 38.6 million in 2023
- Audio webcast and conference call will take place today at 10:30 am CET (details see page 5)

Juan José González, CEO of PolyPeptide, commented: “In H2 2023 we delivered record revenue growth, improved profitability and cash flow. The priority for 2024 is to meet the increasing customer demand, continue to strengthen our operations and profitability, while further expanding our capacity. Our recently concluded commercial agreements combined with our rich pipeline of over 250 peptides, of which 55 are for phase III of clinical development, position PolyPeptide for an exciting journey of growth.”

Key figures¹

kEUR	2023	2022	Change
Revenue	320,372	280,978	14.0%
Custom Projects	154,453	140,044	10.3%
Contract Manufacturing	135,385	110,753	22.2%
Generics & Cosmetics	30,534	30,181	1.2%
EBITDA	-5,999	38,670	-115.5%
EBITDA in % of revenue	-1.9%	13.8%	-15.6 ppts
Operating result (EBIT)	-36,468	12,607	-389.3%
Operating results (EBIT) in % of revenue	-11.4%	4.5%	-15.9 ppts
Result for the year	-51,440	7,767	-762.4%
Result for the period in % of revenue	-16.1%	2.8%	-18.8 ppts
Earnings per share (EUR), basic	-1.56	0.24	-763.3%
Return on net operating assets (RONOA)	-8.5%	3.2%	-11.7 ppts
Cash and cash equivalents (end of period)	95,706	37,528	155.0%
Net cash flow from operating activities	36,485	5,460	568.4%
Capital expenditures	54,890	82,985	-33.9%
Capital expenditures in % of revenue	17.1%	29.5%	-12.4 ppts
Total assets (end of period)	689,088	575,782	19.7%
Equity ratio (end of period)	55.3%	73.2%	-17.9 ppts
Employees (# of FTEs, average)	1,202	1,139	5.5%

Revenue

In 2023, PolyPeptide generated EUR 320.4 million in revenue, representing a 14.0% increase versus 2022 and 18.2% growth at constant currency rates. Excluding the contribution of revenue associated with the coronavirus pandemic, which amounted to EUR 5.8 million in 2023 versus EUR 50.7 million in 2022, revenue grew by 36.6%.

In H2 2023, revenue growth accelerated versus H1 2023 on the back of strong customer demand and operational progress to EUR 188.5 million, representing a substantial increase of 43.0% versus H1 2023 and 28.0% versus H2 2022.

Revenue in 2023 was underpinned by peptide-driven momentum emerging from PolyPeptide's active custom projects pipeline. Several of the phase II and phase III projects for drugs related to metabolic, rare diseases and oncology progressed in their clinical development, with some reaching commercial stage. The number of commercial projects supported during 2023, including those in Generics & Cosmetics, increased to 64, up from 60 in 2022.

Footnotes

¹ This media release and the key figures table include references to operational indicators 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 Annual Report 2023.

Revenue in Custom Projects increased by 10.3% in 2023 versus 2022, and by 22.2% in Contract Manufacturing. Excluding revenue associated with the coronavirus pandemic, revenue showed significant increases of 33.6% and 53.1% respectively. Revenue in Generics & Cosmetics, where no impact from the coronavirus pandemic was recorded, increased by 1.2% compared to the strong prior year.

kEUR	2023	2022	Change
Revenue not associated with the coronavirus pandemic	314,548	230,268	36.6%
Custom Projects	152,786	114,387	33.6%
Contract Manufacturing	131,228	85,700	53.1%
Generics & Cosmetics	30,534	30,181	1.2%

Within the strong revenue growth in 2023, the revenue shares related to metabolic diseases and large pharma customers increased to 39% and 58% respectively (up from 27% and 42% respectively in 2022), evidencing the ongoing transformation of the Group into a large-scale global CDMO.

Profitability

The gross profit in 2023 was EUR 9.1 million (versus EUR 54.5 million in 2022) and EBITDA was EUR -6.0 million (EUR 38.7 million).

The significant drop in profitability was mainly attributable to the phase-out of the high margin coronavirus-related business, the ongoing ramp-up of additional capacity, as well as the operational challenges that had become apparent towards the end of 2022, and which continued into 2023. Throughout the year, the Group implemented targeted measures for operational improvement, achieving increased profitability and cash flows in H2 2023. These measures included process optimizations related to production planning and execution, efforts to instill technical proficiency and best practice, as well as organizational changes. The Group also tightened its cost management and working capital discipline.

During 2023, the adverse impact on EBITDA from changes in the product mix was EUR 5.0 million, with the phase-out of the coronavirus-related business largely offset by benefits from the peptide-driven momentum. Operational costs increased by EUR 18.3 million, mainly reflecting the ongoing ramp-up for future growth combined with a temporarily lower utilization of assets, including the increase of average FTEs by 5.5%. Inventory write-downs were EUR 19.3 million higher, including a significant EUR 12.5 million write-down of obsolete inventory.

With the Group's measures for operational improvement beginning to bear fruit, profitability in H2 2023 increased to a gross profit of EUR 19.8 million (versus EUR -10.6 million in H1 2023 and EUR 16.6 million in H2 2022) and EBITDA of EUR 13.4 million (EUR -19.4 million in H1 2023 and EUR 12.0 million in H2 2022).

The financial result for 2023 was EUR -21.8 million (versus EUR -5.0 million in 2022), driven by foreign currency exchange losses of EUR 14.5 million (EUR 1.6 million). The majority of these losses relate to the currency translation of an intra-Group receivable with an offsetting

effect in other comprehensive income, resulting in a net impact on total equity of zero. Interest expenses amounted to EUR 5.6 million (EUR 2.1 million).

The 2023 result and deferred tax income resulted in an income tax benefit of EUR 6.8 million (EUR 0.2 million), bringing the result for the year to EUR -51.4 million (EUR 7.8 million).

Cash flow and cash position

During H2 2023, the Group significantly improved its cash position, benefiting from successful financing activities, working capital improvement initiatives and customer prepayments. The net cash flow from operating activities in H2 2023 totaled EUR 84.8 million versus EUR -48.3 million in H1 2023, with free cash flow in H2 2023 of EUR 59.4 million (H1 2023: EUR -79.7 million).

In 2023, net cash flows from operating activities reached EUR 36.5 million (2022: EUR 5.5 million). Within that amount, the net cash flow from changes in net working capital was EUR 46.2 million, including a EUR 38.8 million increase in contract liabilities and a EUR 15.5 million decrease in inventories.

This was partly offset by the EUR 29.9 million increase in trade receivables, reflecting the high share of revenue recognized towards the end of the reporting period, while trade payables increased by EUR 17.4 million.

With cash flows from acquisitions of property, plant and equipment as well as intangible assets of EUR -56.7 million (EUR -78.8 million), free cash flow totaled EUR -20.2 million (EUR -73.3 million).

Cash and cash equivalents reached EUR 95.7 million at the end of 2023 (versus EUR 37.5 million at the end of 2022 and EUR 9.0 million at the end of H1 2023). With total financial debt of EUR 124.8 million (H1 2023: 88.8 million), reflecting net proceeds of EUR 49.1 million from a three-year revolving credit facility (RCF) with a bank consortium and EUR 40.0 million from an unsecured short-term credit facility with the Group's main shareholder, the net cash position was EUR -29.1 million (EUR -79.8 million), with an equity ratio of 55.3% (73.2%).

Investments

Capital expenditure for 2023 reached EUR 54.9 million or 17.1% of revenue, versus EUR 83.0 million or 29.5% in 2022. The Group completed several investment projects at the manufacturing sites and brought additional capacity online. It largely completed the construction of its large-scale solid-phase synthesis capacity in Braine-l'Alleud, with the commissioning ongoing and the revenue ramp-up expected to start during H2 2024. In addition, the Group continued its initiatives in digitalization, enhanced analytical capabilities and green chemistry.

Guidance, outlook and dividend

In 2024, PolyPeptide's priority will be to meet the increasing customer demand and continue to strengthen operations and profitability, while further expanding capacity related to the GLP-1 opportunity.

As it will take some time to increase capacity utilization, it expects revenue growth in 2024 mid to high single-digit at constant currency rates versus 2023 with a positive EBITDA, operating at a net loss. Capital expenditure is expected to be between EUR 60 million and EUR 70 million.

Driven by the increasing capacity utilization, the Group expects a significantly stronger H2 versus H1 2024. For H1 2024, it expects revenue comparable with H1 2023, with improved EBITDA and a reduced net loss.

PolyPeptide is currently preparing its mid-term outlook, which it plans to publish on 13 August 2024, together with results for H1 2024. Taking into consideration market practice and key performance drivers, it will also at that point revisit its approach to certain disclosures around the development of its business.

With the net loss reported for 2023, the Group will not be proposing the payment of a dividend to the upcoming Annual General Meeting on 10 April 2024.

Results documentation, audio webcast and conference call

PolyPeptide Group will hold an audio webcast today, 12 March at 10:30 am CET, where CEO Juan José González and CFO Marc Augustin will discuss results and business trends 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 2023](#) as well as the updated time series, will be available from around 06:45 am CET in the PolyPeptide [Results Center](#).

Note to shareholders about the Annual General Meeting

The Annual General Meeting of PolyPeptide Group AG to approve, *inter alia*, the Annual Report 2023 will take place on 10 April 2024 at the Chollerhalle in Zug, Switzerland, with the physical attendance of shareholders (the “AGM 2024”). In order to vote at the AGM 2024, shareholders must be registered in the Company’s share register with voting rights by 2 April 2024, 5:00 pm (CET) at the latest.

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About PolyPeptide

PolyPeptide Group AG with its consolidated subsidiaries (“PolyPeptide”) is a focused Contract Development & Manufacturing Organization (CDMO) which specializes in the development and manufacturing of synthetic peptides and oligonucleotides used as active pharmaceutical ingredients (API) or intermediates in therapeutic products. It also produces a range of generic peptides and peptides used in cosmetics. The Group mainly serves pharmaceutical and biotech companies. By supporting its customers, PolyPeptide contributes to the health of millions of patients across the world. PolyPeptide provides its offering from pre-clinical through to commercial stages. Its active custom projects pipeline reflects the opportunities from novel drug therapies in development to fight both widespread and rare diseases. Established in 1952, PolyPeptide today runs a global network of six GMP-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, revenue (not) associated with the coronavirus pandemic, EBITDA, EBITDA margin, return on net operating assets, capital expenditures, equity ratio, net working capital, free cash flow, net cash and total financial debt. 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 2023](#).

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.