



PolyPeptide Group AG (SIX: PPGN)

H1 2022 results & business update

19 August 2022

GLOBAL SUPPORT FOR A QUALITY SOLUTION

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Unaudited Financial Results

The financial information contained in this Presentation is unaudited.

THIS PRESENTATION IS NOT AN INVITATION TO PURCHASE SECURITIES OF POLYPEPTIDE OR THE GROUP.

Agenda

1	Introduction	Raymond De Vré, CEO
2	H1 2022 financial results	Jan Fuhr Miller, CFO
3	Conclusion & outlook	Raymond De Vré, CEO
4	Q&A	All

Introduction

H1 results in line with trading update provided on 12 July – expected H2 growth driven by peptides

- **Revenue of EUR 133.7 m in H1 2022 (down 1.1% vs strong H1 2021)**
- **Larger than expected drop in adjusted EBITDA¹ to EUR 26.7 m with adjusted EBITDA margin of 20.0%**
 - Reflecting the combined impact of an increased cost base ahead of planned growth and a more demanding operating environment
- **Capital expenditures of EUR 37.9 m or 28.4% of revenue**
 - To meet capacity requirements from active custom projects pipeline
- **Active custom projects pipeline at 218 projects at the end of June 2022**
 - Continuous growth in Q1 and Q2 of 2022 with two commercial launches in H1
- **Revenue associated with coronavirus pandemic of around EUR 33 m in H1 2022 and around EUR 63 m in 2021**
 - Agreement reached to shift portion of pandemic-related business on order for H2 2022 into 2023
- **Updated guidance for 2022, following shift of pandemic-related business and given continued inflationary pressure**
 - Now expecting revenue growth of 8% to 10% with adjusted EBITDA margin of 22% to 25%
- **Updated mid-term outlook: expected revenue CAGR in the low-teens**
 - With varying growth rates yoy and a continuous progression of the margin towards 30%

¹ 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.

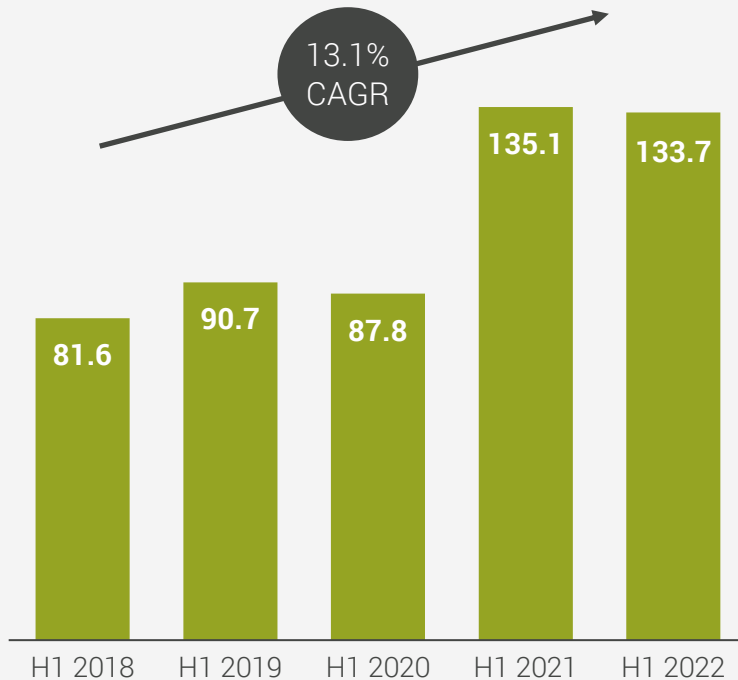
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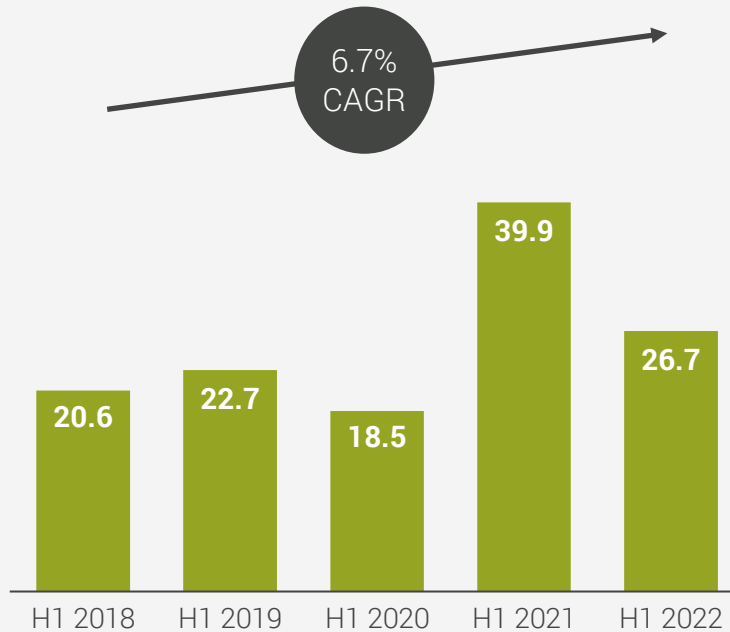
Revenue and reported EBITDA

H1 2022 results in the context of historical trends, partly affected by the coronavirus pandemic

Revenue € m



Reported EBITDA € m



H1 2022 revenue of € 133.7 m, YoY -1.1% or -3.3% at constant currency rates

- Original plan for broadly stable revenue
- Challenges within a more demanding market environment, with several deliveries slipping into H2

H1 2022 EBITDA of € 26.7 m, YoY -33.1%

- Larger-than-expected drop, driven mostly by amplified inflationary pressure but also by operational challenges
- Strong PY period
- Increased personnel cost ahead of growth

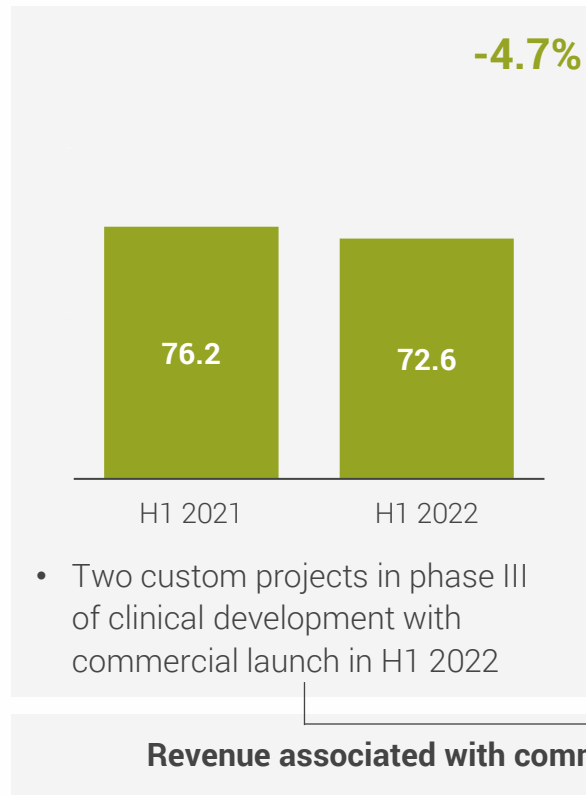
Revenue by business area

Reported Group revenue broadly stable across business areas

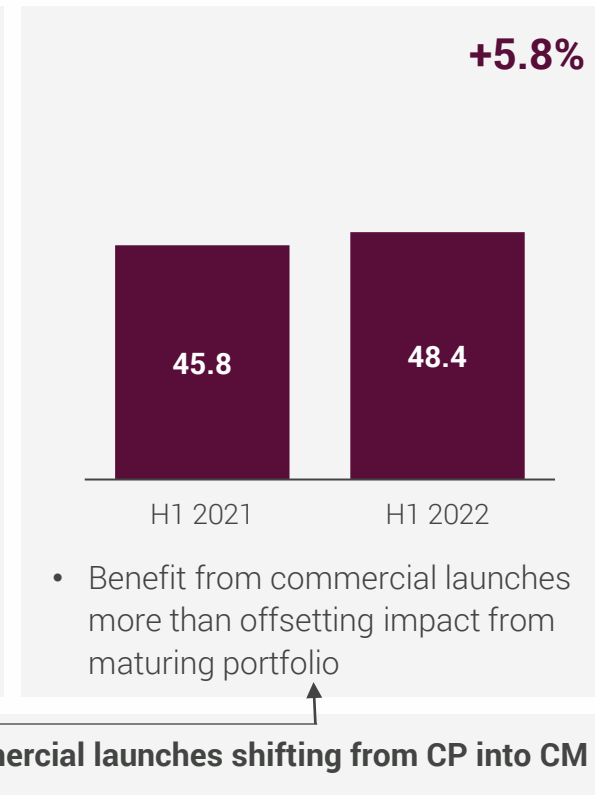
Composition of Group revenue



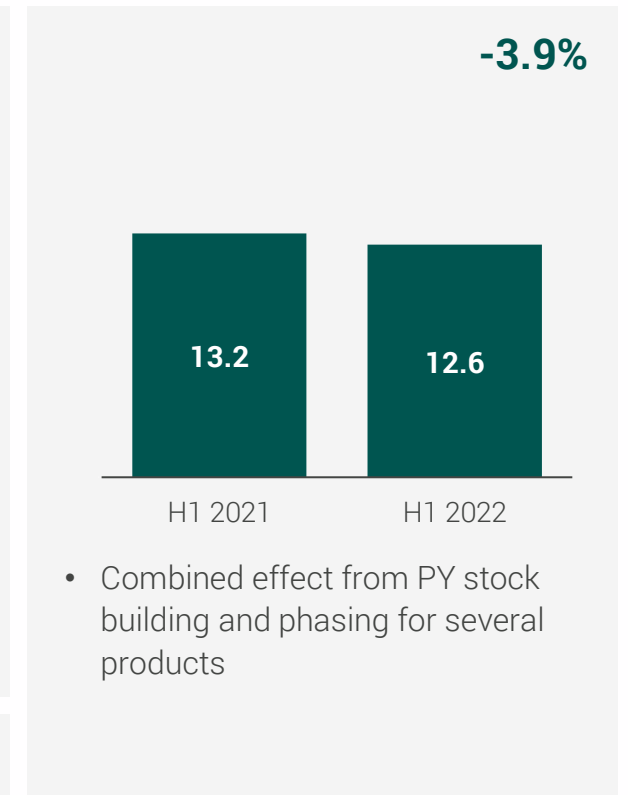
Custom Projects € m



Contract Manufacturing € m



Generics & Cosmetics € m

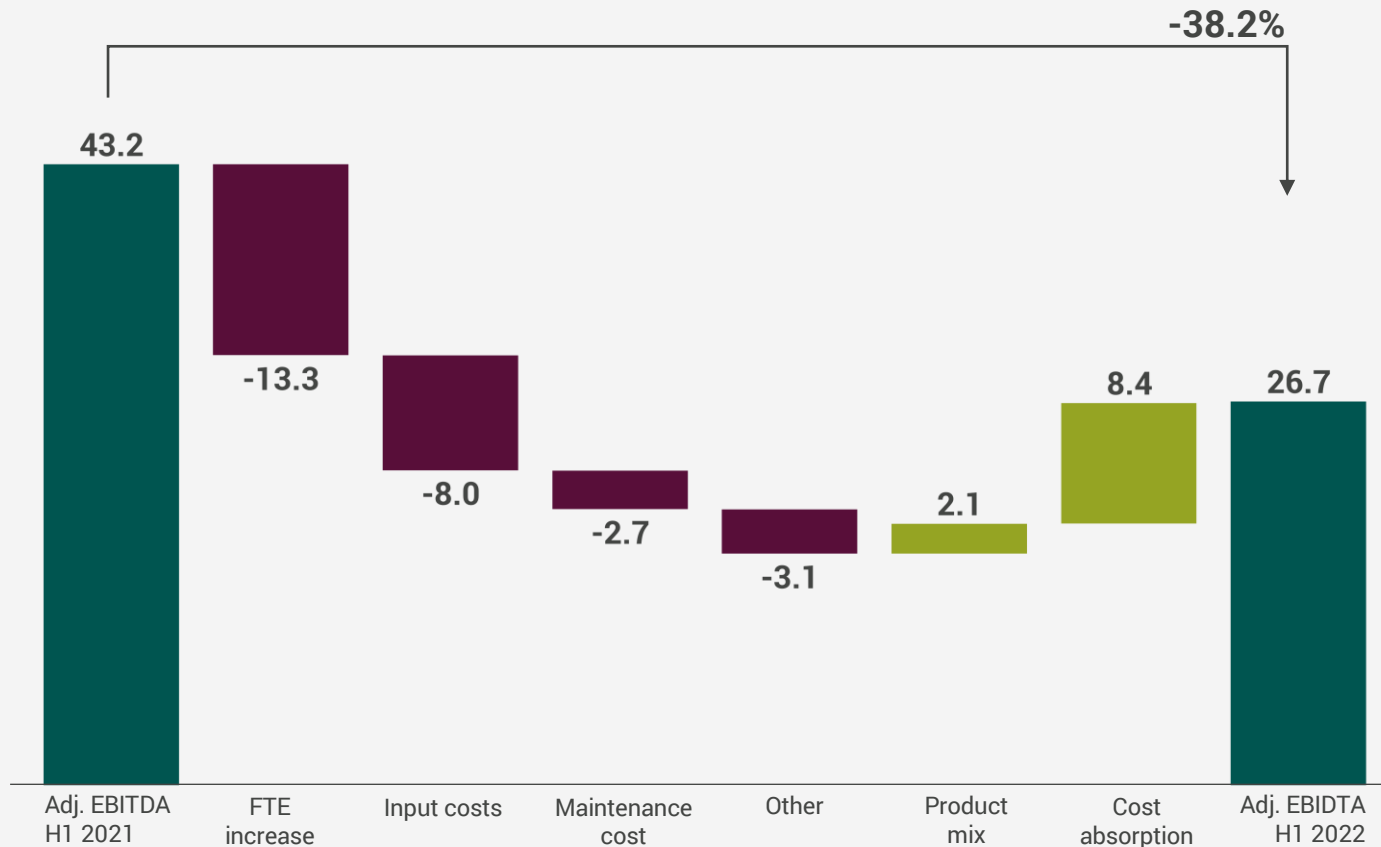


Revenue associated with commercial launches shifting from CP into CM

Adjusted EBITDA¹

Drop driven by cumulative effect of several factors

€ m



H1 2022 adjusted EBITDA¹ of € 26.7 m, -38.2% YoY

- Adjusted EBITDA margin of 20.0%
- Average full-time equivalents up by 130 or 12.7% ahead of expected growth

Drop larger than expected

- Inflationary pressure, amplified in 2nd quarter
- Variations from production and delivery schedules

Initiated mitigating measures

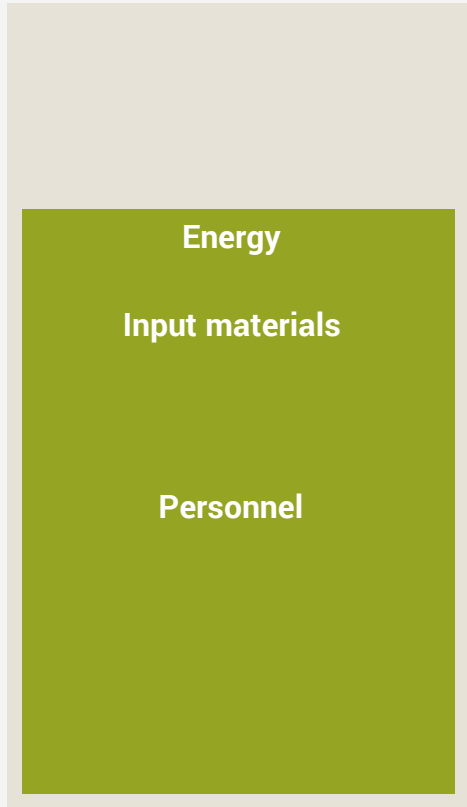
- Adjusting “cost plus” pricing model
- Strengthening internal processes

¹ 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.

Adjusting «cost plus» pricing model to cope with inflation

Enhanced flexibility expected to materialize incrementally over coming months

PolyPeptide cost base



YoY impact of € 8.0 m, amplified by surge of inflation in Q2

- General input cost increase
 - Planned as part of earlier FY guidance
- Surge of inflation in Q2
 - Accelerated increase across categories
 - Significant increase particularly in solvents
 - Triggering of automatic wage indexation mechanism

Implementation of new rates and terms in purchase orders and commercial agreements

- For new orders with immediate effect
- Ongoing customer engagement to discuss commitments on order
 - Some of which with duration until the middle of 2023
- Full benefits to come through over the coming months

EBIT and result for half year

Result for the period down by 58.4% with basic EPS of € 0.31

Summary P&L € m

	H1 2018	H1 2019	H1 2020	H1 2021	H1 2022
Revenue	81.6	90.7	87.8	135.1	133.7
EBITDA	20.6	22.7	18.5	39.9	26.7
margin %	25.2%	25.0%	21.1%	29.5%	20.0%
D&A	-6.8	-7.5	-8.4	-9.1	-11.2
Operating result	13.8	15.2	10.2	30.8	15.5
margin %	16.9%	16.8%	11.6%	22.8%	11.6%
Net financial result	-0.6	-0.9	-0.9	-1.3	-2.6
Income tax charges	-2.8	-2.9	-1.5	-4.9	-2.6
Result for the period	11.6	11.4	7.8	24.6	10.2
margin %	14.2%	12.6%	8.9%	18.2%	7.7%

H1 2022 margins

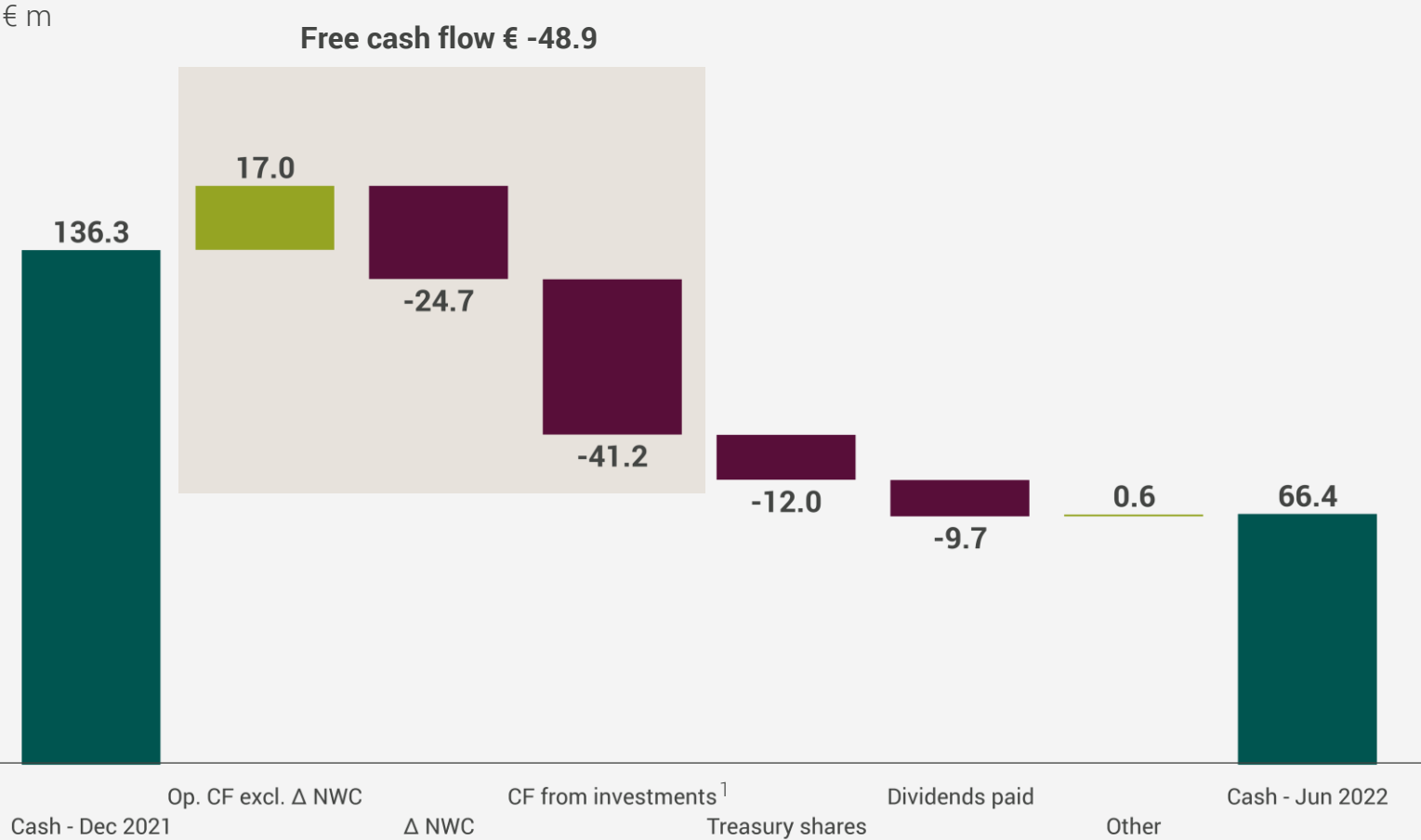
- EBITDA margin of 20.0%
- EBIT margin of 11.6%
- Net profit margin of 7.7%

H1 2022 tax rate of 20.2%

Basic earnings per share (EPS) of € 0.31

Cash flow and cash position

Cash utilization driven by investments and stock building for planned growth



Net cash flows from Δ NWC of € -24.7 m, incl.

- Higher inventory (€ -27.2 m) ahead of growth
- Reduced contract liabilities (€ -12.8 m)
- Lower trade receivables (€ 18.8 m)

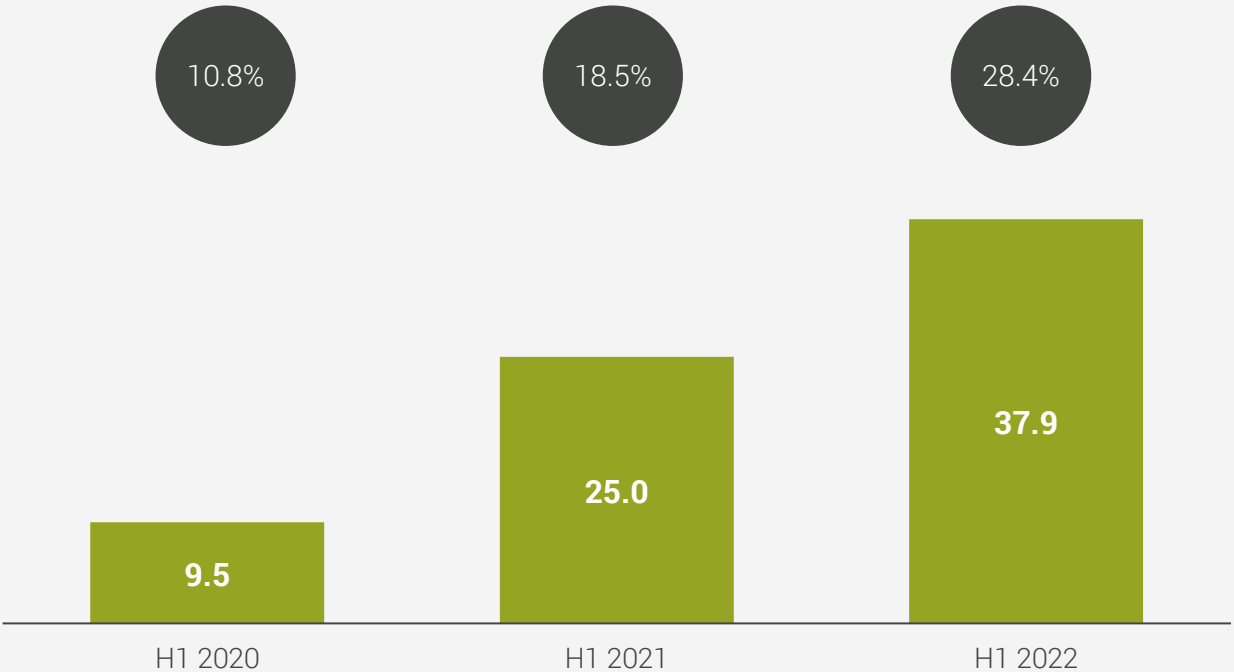
Cash and cash equivalents of € 66.4 m

¹ CF from acquisition of intangible assets and property, plant and equipment

Capital expenditures

Continued capacity expansion, but also new capabilities, digitalization and modernization

€ m



● as % of revenue

H1 2022 capital expenditures¹ of € 37.9 m, or 28.4% of revenue, including

- Large-scale solid phase synthesis capacity in Braine-l'Alleud (Belgium)
- Large scale downstream capacity in Malmö (Sweden)
- Freeze drying capacity in Malmö and Torrance (California)
- Product development and analytical labs
- Oligonucleotide facility in Torrance
- IT infrastructure and digitalization efforts

¹ Capital expenditures defined as investments in intangible assets and property, plant and equipment capitalized during the reporting period

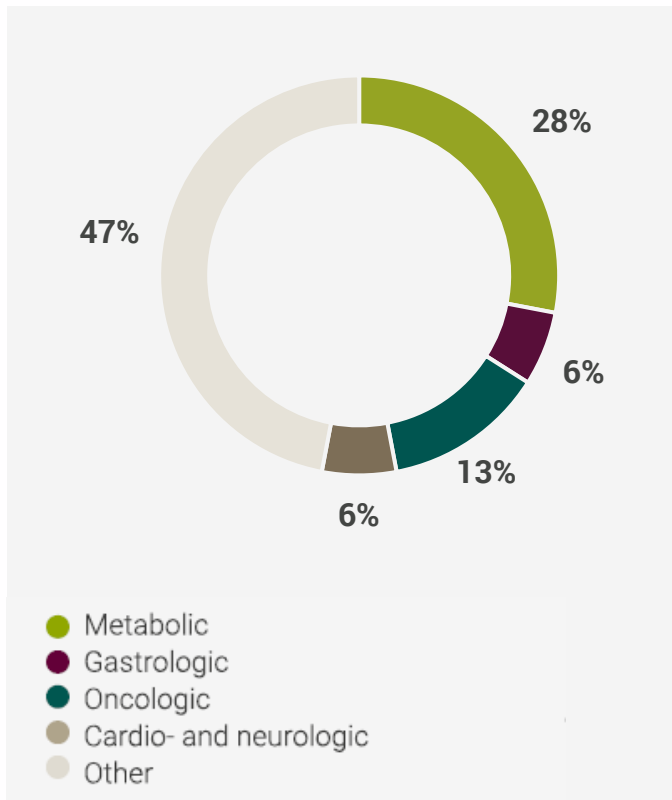
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Product and project trends

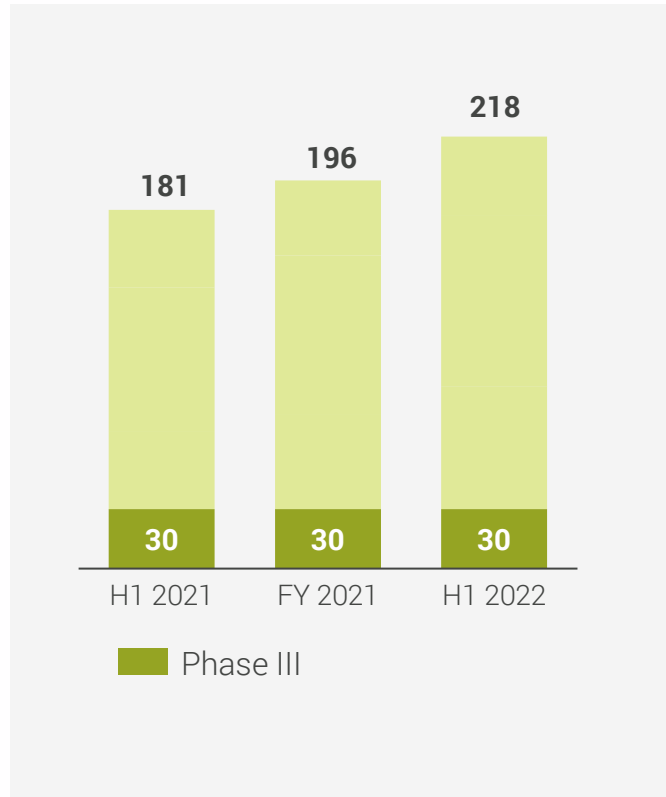
Active custom project pipeline as driver of expected growth

Revenue split by therapeutical area¹



¹ Approximate split as per 30 June 2022.

Number of active custom projects



Product portfolio and projects pipeline

- Coverage across therapeutical areas
- Half of projects in fast-growing areas of metabolic disorders (incl. diabetes and obesity) and oncology
- Early-stage projects now including several oligonucleotides projects

Revenue and volume dynamics

- Expected growth driven by late-stage phase III projects, depending on regulatory progress and market launch strategies of customers
- Currently preparing for significant volume expansion projected to outpace anticipated revenue growth

Capital deployment – example 1/3

Large-scale solid phase synthesis capacity in Braine-l'Alleud (Belgium)

- Production of large volumes within a highly industrialized setting
- Large scale reactor capacity, including associated infrastructure, e.g., tank farm, automation, various preparation vessels, etc.
- Construction works on-going, key process equipment delivered and positioned in June 2022
- Planned to be in full operation in 2024



Capital deployment – examples 2/3 and 3/3

Downstream infrastructure in Malmö (Sweden) and oligo cGMP facility in Torrance (California)

1)



1) Lyophilization line
2) Large-scale purification in Malmö with automatized loading / unloading system

1)



2)



2)



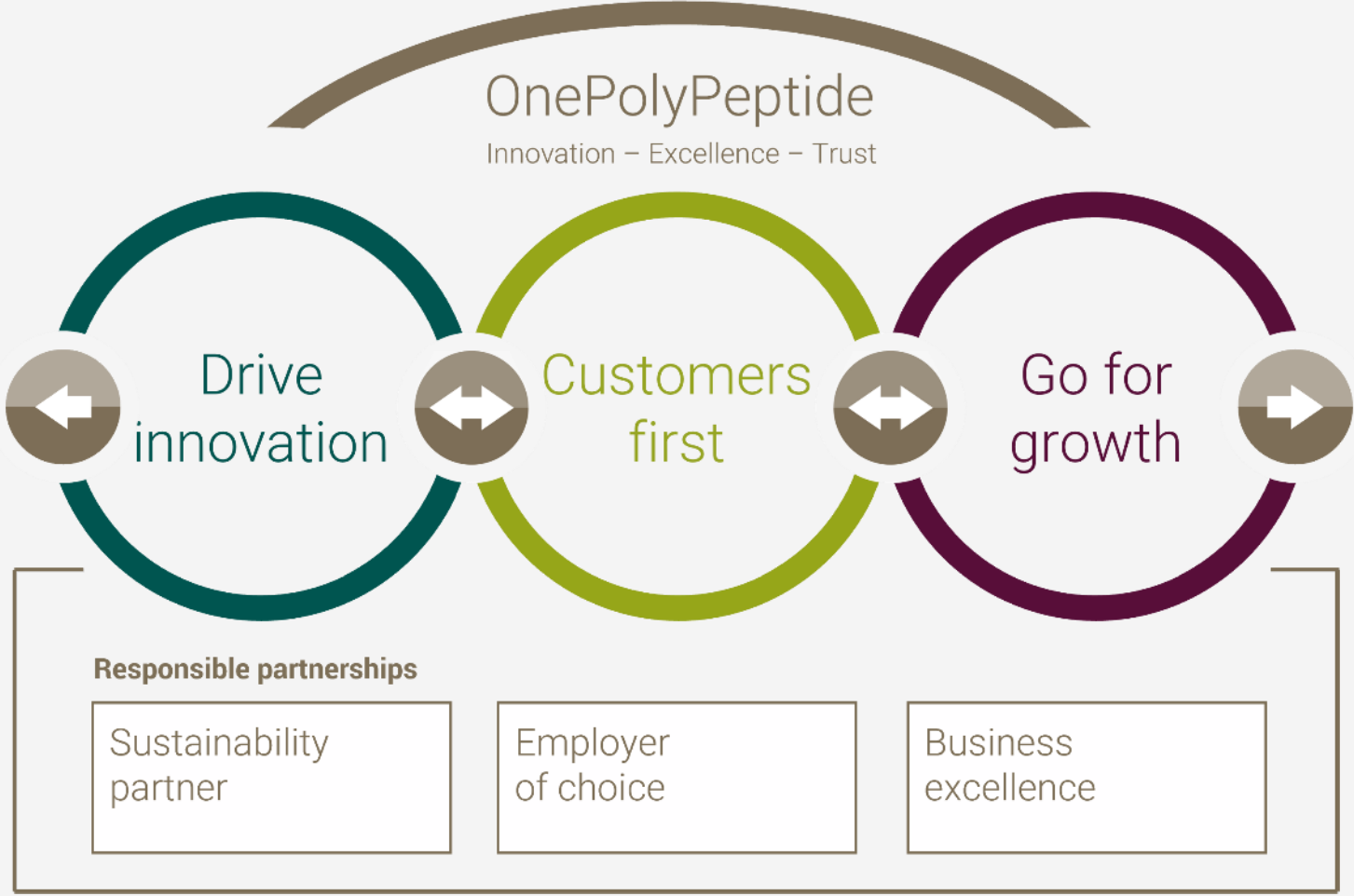
cGMP facility in Torrance for oligonucleotides, incl.
1) synthesis
2) lyophilization
3) purification

3)



Integrated strategy

Continuous development of capabilities, while also striving for efficiencies



Updated guidance for 2022

Reduced guidance – growth and partial margin recovery in H2 driven by peptides business

2022 guidance (old)

- Shift of business on order for H2 into 2023
- Expecting continued inflationary pressure

2022 guidance (new)

Revenue growth	Adj. EBITDA margin	Capex as % of Revenue
12-14%	~30%	>25%



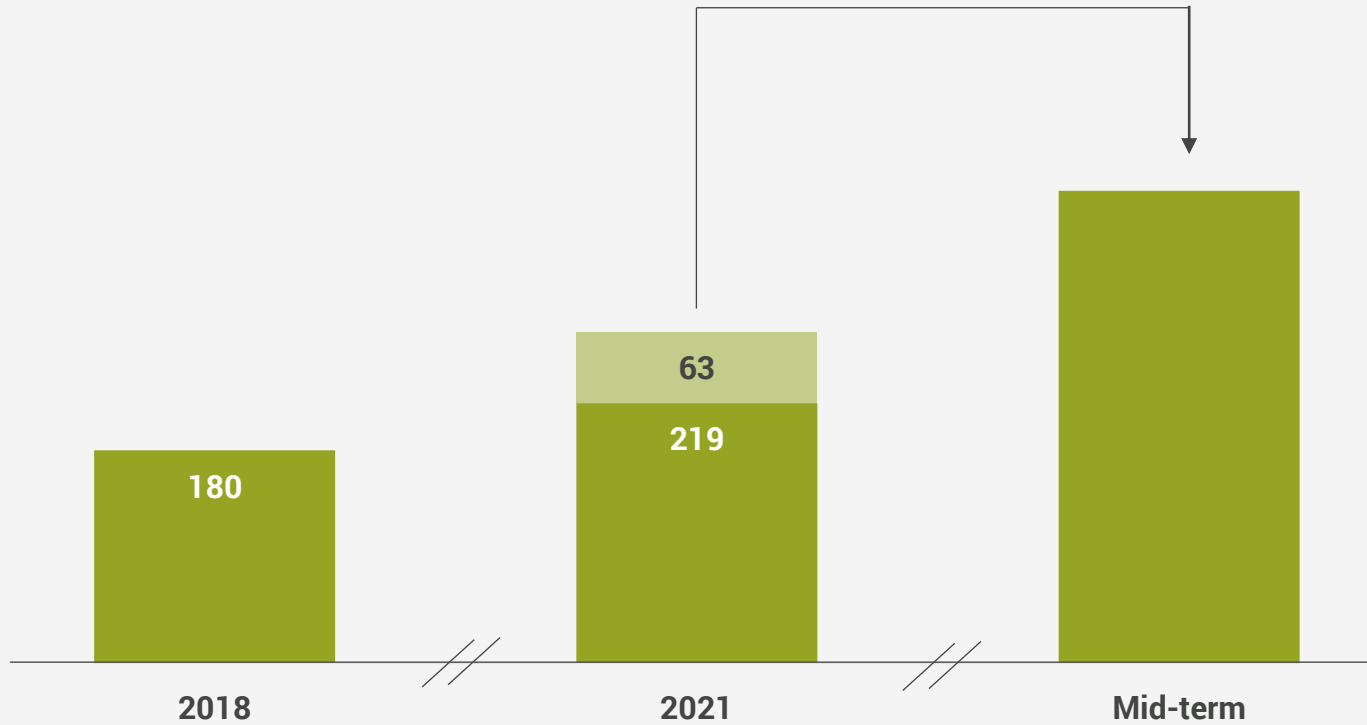
Revenue growth	Adj. EBITDA margin	Capex as % of Revenue
8-10%	22-25%	>25%

Updated mid-term outlook

Revenue CAGR in low-teens, expectation of varying yoy growth rates

Revenue € m

**Revenue CAGR in low-teens
with varying growth rates year-on-year
and adj. EBITDA margin progression towards 30%**



Coronavirus pandemic related

Considerations

- Structural market trends
- Custom projects portfolio
- Uneven phasing
- Coronavirus pandemic
- Macroeconomic environment
- Geopolitical situation

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APPENDIX



Interim consolidated income statement

1 January - 30 June (unaudited)

kEUR	Note	H1 2022	H1 2021
Revenue	4	133,656	135,136
Other operating income		954	2,936
Total income		134,610	138,072
Cost of sales		-96,776	-86,839
Gross profit		37,834	51,233
Marketing and sales expenses		-2,589	-2,133
Research expenses		-656	-696
General and administrative expenses	5	-19,107	-17,601
Total operating expenses		-22,352	-20,430
Operating result (EBIT)		15,482	30,803
Financial income		4	6
Financial expenses		-2,645	-1,282
Total financial result		-2,641	-1,276
Result before income taxes		12,841	29,527
Income tax charges		-2,594	-4,904
Result for the period		10,247	24,623
Attributable to shareholders of PolyPeptide Group AG		10,247	24,623
Earnings per share in EUR, basic	8	0.31	0.79
Earnings per share in EUR, diluted	8	0.31	0.79

Interim consolidated statement of financial position

1 January - 30 June (unaudited)

Assets, kEUR	Note	As at 30 June 2022	As at 31 December 2021
Non-current assets			
Intangible assets		14,941	14,268
Property, plant and equipment		248,525	216,486
Right-of-use assets		20,781	18,956
Deferred income tax assets		7,098	10,255
Other financial assets		3,109	3,467
Total non-current assets		294,454	263,432
Current assets			
Inventories		140,835	113,001
Trade receivables		47,751	65,233
Contract assets		6,559	2,556
Corporate income tax receivables		10,148	3,699
Other current assets		13,070	10,814
Cash and cash equivalents		66,436	136,303
Total current assets		284,799	331,606
Total assets		579,253	595,038

Equity and liabilities, kEUR	Note	As at 30 June 2022	As at 31 December 2021
Equity attributable to equity holders of the parent			
Share capital	7	302	302
Share premium	7	203,129	212,800
Translation reserve		18,125	9,285
Treasury shares	7	-12,961	-1,187
Other capital reserves		4,749	3,946
Retained earnings		213,965	196,027
Total equity		427,309	421,173
Non-current liabilities			
Deferred income tax liabilities		1,355	1,106
Pensions		29,463	38,981
Provisions		3,703	4,568
Lease liabilities		16,557	14,947
Other financial liabilities		10,036	10,302
Total non-current liabilities		61,114	69,904
Current liabilities			
Lease liabilities		3,326	3,058
Other financial liabilities		1,136	1,145
Corporate income tax payable		2,945	4,001
Trade payables		26,554	28,481
Contract liabilities		33,991	46,072
Other current liabilities		22,878	21,204
Total current liabilities		90,830	103,961
Total liabilities		151,944	173,865
Total equity and liabilities		579,253	595,038

Interim consolidated statement cash flow

1 January - 30 June (unaudited)

KEUR	H1 2022	H1 2021
Cash flow from operating activities		
Result for the period	10,247	24,623
Adjustments to reconcile cash generated by operating activities		
Depreciation and amortization	11,224	9,086
Movement in provisions	-865	1,429
Movement in pensions	510	1,363
Share-based payment expense	991	567
Financial income	-4	-6
Financial expenses	2,645	1,282
Income tax charge	2,594	4,903
Government grant income	0	-2,370
IPO-related transaction costs	0	5,721
Changes in net working capital		
(Increase) / decrease in inventories	-27,246	-10,610
(Increase) / decrease in trade receivables	18,777	7,915
(Increase) / decrease in contract assets	-3,989	1,359
(Increase) / decrease in other current assets	-2,256	-5,268
Increase / (decrease) in trade payables	1,154	-4,980
Increase / (decrease) in contract liabilities	-12,803	12,229
Increase / (decrease) in other current liabilities	1,674	2,548
Cash generated from operations	2,653	49,791
Interest income received	4	6
Interest expenses paid	-1,283	-1,060
Income taxes paid	-9,033	-7,689
Net cash flows from operating activities	-7,659	41,048
Cash flow from investing activities		
Acquisition of intangible assets	-2,146	-1,969
Acquisition of property, plant and equipment	-39,080	-33,265
Disposal of property, plant and equipment	2	57
Movement in other financial assets	22	-10
Net cash flows from investing activities	-41,202	-35,187

KEUR	H1 2022	H1 2021
Cash flow from financing activities		
Proceeds from the issue of ordinary shares	0	182,141
Purchase of own shares	-11,962	-5,464
Dividends paid	-9,671	0
IPO-related transaction costs	0	-4,690
Proceeds from short-term borrowings from banks	0	25,000
Repayment of long-term borrowings from banks	0	-25,000
Repayment of lease liabilities	-1,538	-1,005
Repayment of other financial liabilities	-288	-7,296
Net cash flow from financing activities	-23,459	163,686
Net movement in cash and cash equivalents	-72,320	169,547
Cash and cash equivalents at the beginning of the period	136,303	17,208
Net foreign currency exchange differences	2,453	607
Cash and cash equivalents at the end of the period	66,436	187,362

Contact and IR calendar

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Share information

PolyPeptide Group AG has been listed on the Swiss Stock Exchange (SIX) since 29 April 2021 under the symbol PPGN, Swiss security number 111 076 085 and ISIN CH111 076 085

Share register

areg.ch ag

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Selected events in 2022

23.08.2022 Roadshow in Zurich, Switzerland, with Octavian

24 - 25.08.2022 Roadshow in London, UK, with Octavian

07 - 09.09.2022 UBS Best of Switzerland Conference, Ermatingen, Switzerland

12.09.2022 Morgan Stanley Global Healthcare Conference, New York, USA

15 - 16.09.2022 Bank of America European Healthcare Conference, London, UK

21.09.2022 Investora conference, Zurich, Switzerland

04.11.2022 ZKB Swiss Equity Conference, Zurich, Switzerland

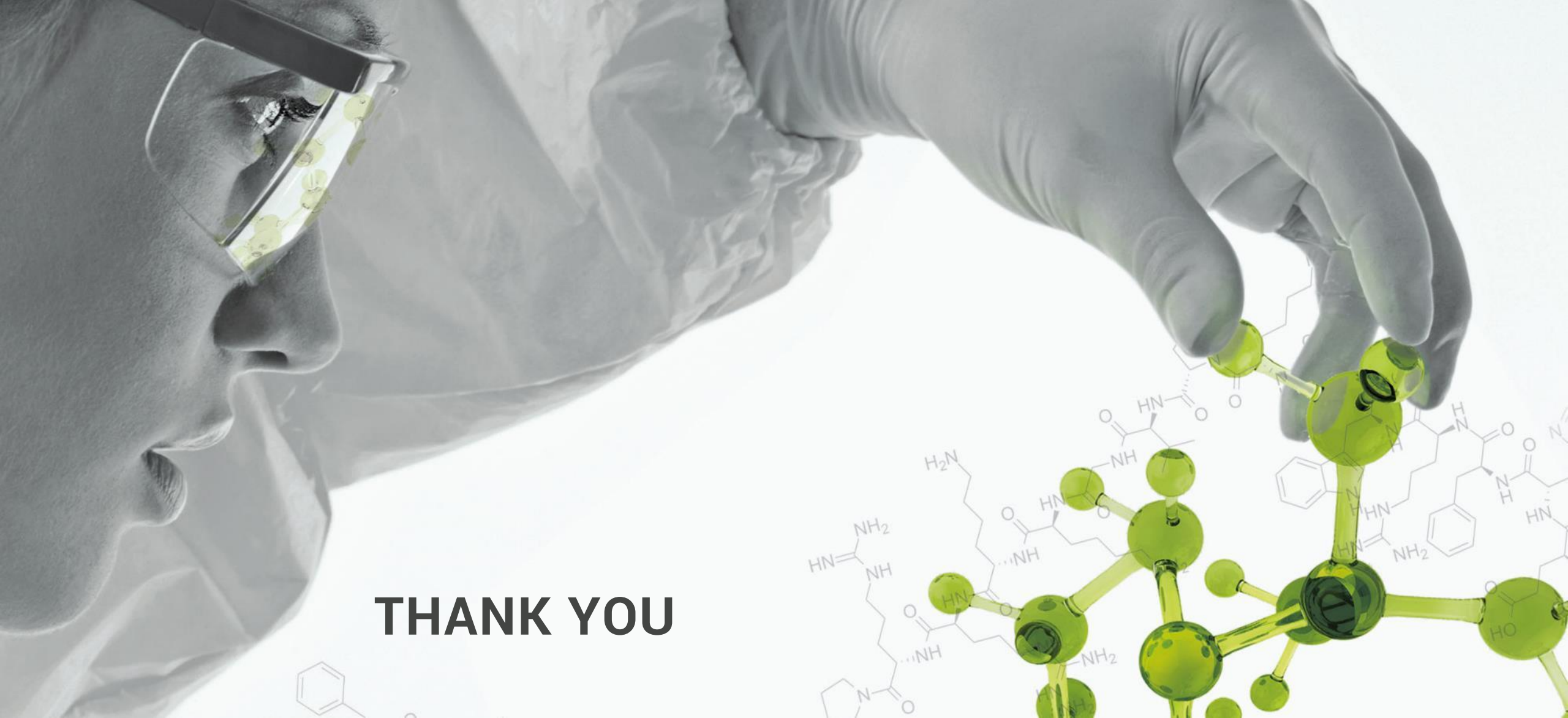
17.11.2022 Credit Suisse Equity Forum Switzerland, Zurich, Switzerland

Corporate events in 2023

14.03.2023 FY 2022 results

12.04.2023 AGM 2023

15.08.2023 HY 2023 results



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