



# Investor Presentation

Stockholm, 12 June 2018

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## Pharmaline

Oldenzaal – The Netherlands



# Fagron at a Glance

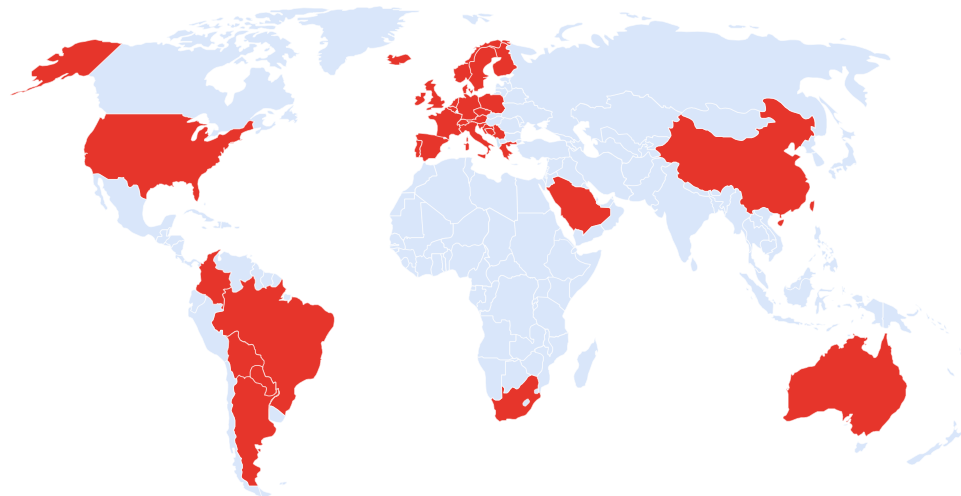


**FA**rmaceutische **GRON**dstoffen  
was founded in Rotterdam in 1990

Global market leader in compounded  
personalized pharmaceutical care

2,000 FTE, incl. >200 pharmacists

Listed on Euronext Brussels and Amsterdam  
since 5 October 2007



Turnover 2017  
**€ 436.9 million**

REBITDA 2017  
**€ 95.7 million**

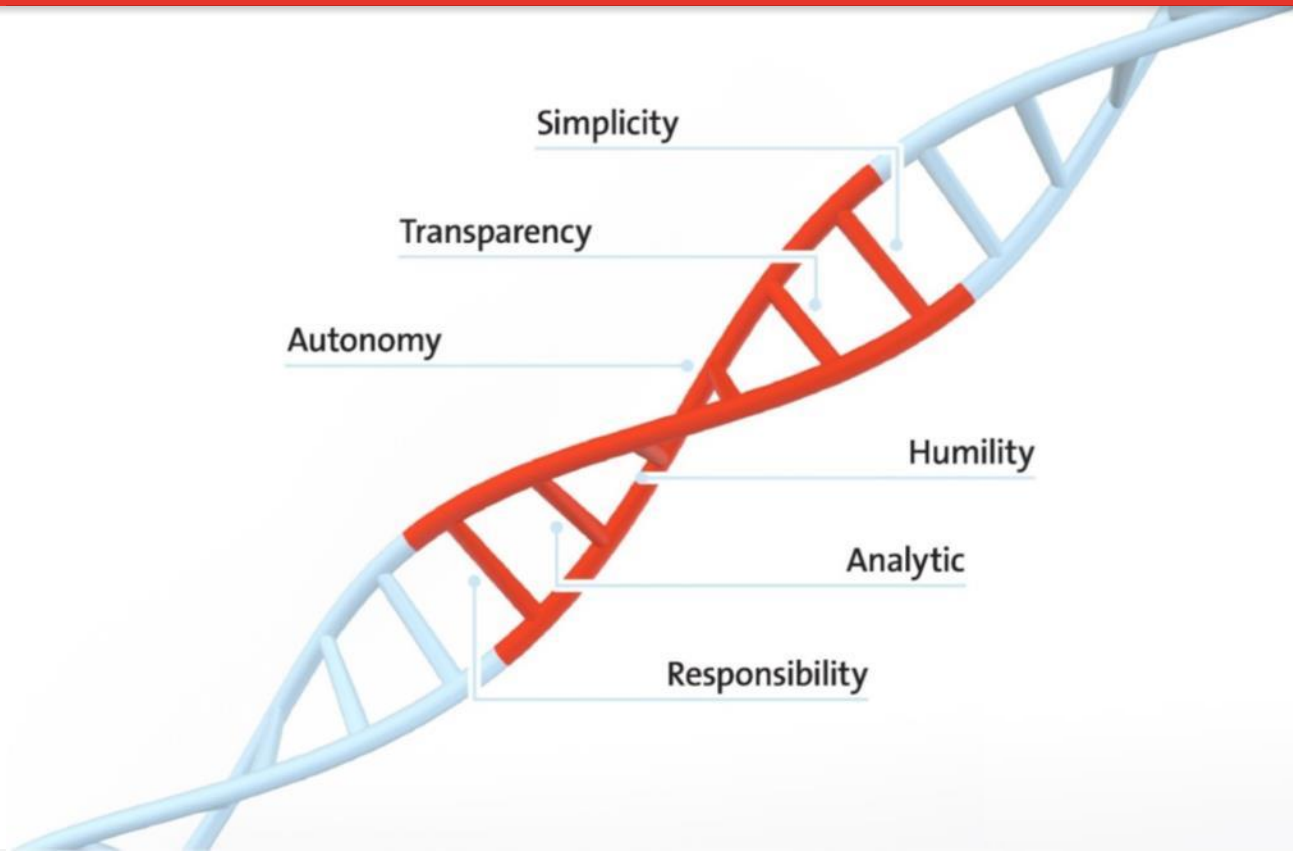
Active in  
**34 countries**

# Fagron Global Presence



- FCS
- Essentials & Brands
- Office or repacking only facility
- Combination FCS/Essentials & Brands

# Fagron Family Rules



# Fagron Values



Customer  
is number 1



Speed of  
execution



Entrepreneurship



Creativity



Quality

## Leading the Future of Compounding

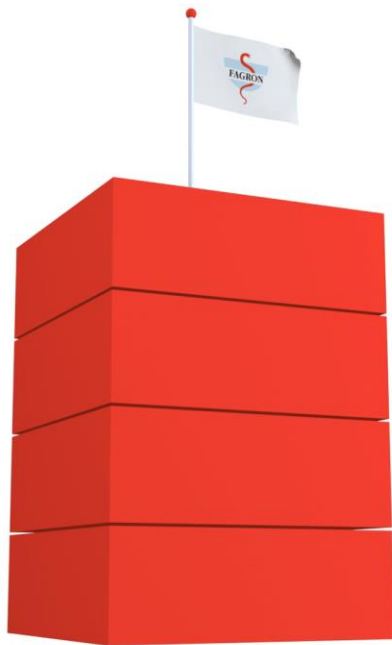




# Fagron Strategy



# Fagron Strategy



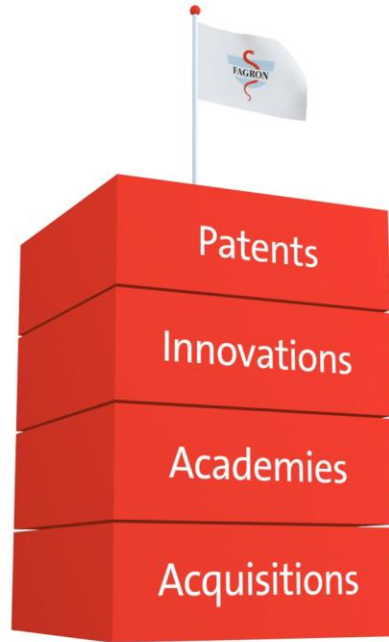
# Fagron Strategy



# Fagron Strategy



# Fagron Strategy





# What is Compounding?

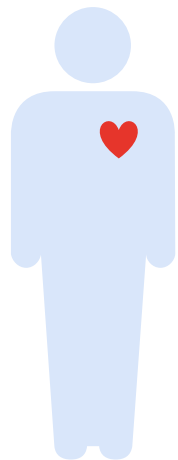


## Fagron Netherlands

Capelle a/d IJssel -  
The Netherlands



# Compounding



Patient

The designing, developing, producing and marketing of personalized pharmaceutical products



Personalized medication



Alternative dosage forms



Alternative dosage strengths



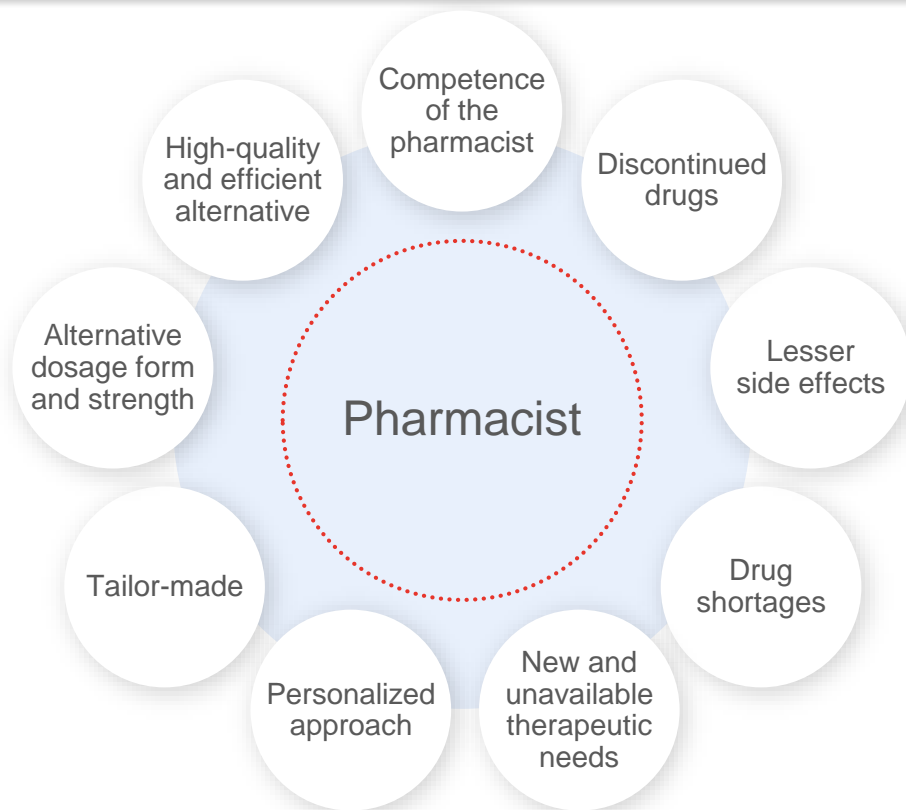
Combination therapy

Produced in pharmacies or by GMP outsourcing facilities based on scientific pharmaceutical knowledge





# Key Drivers of Pharmaceutical Compounding



# Compounding Markets



## Fagron South Africa Johannesburg - South Africa



## Market

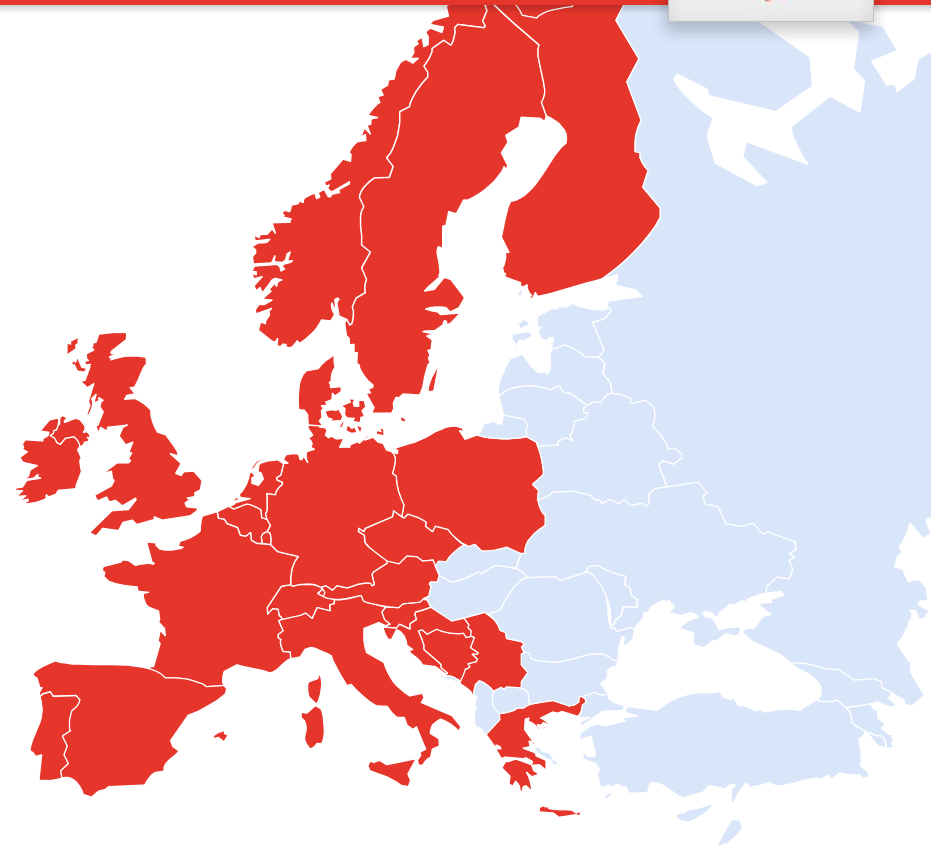
- ~ € 2.5 billion\*
- ~ 1.5% of scripts compounded\*
- 160,000 (hospital) pharmacies
- Cash-based & reimbursement
- Regulatory: Local authorities

## Trends

- Ageing population and need for personalized medication increases demand for compounding
- Drug shortages and drug discontinuations
- Growing demand for lifestyle products



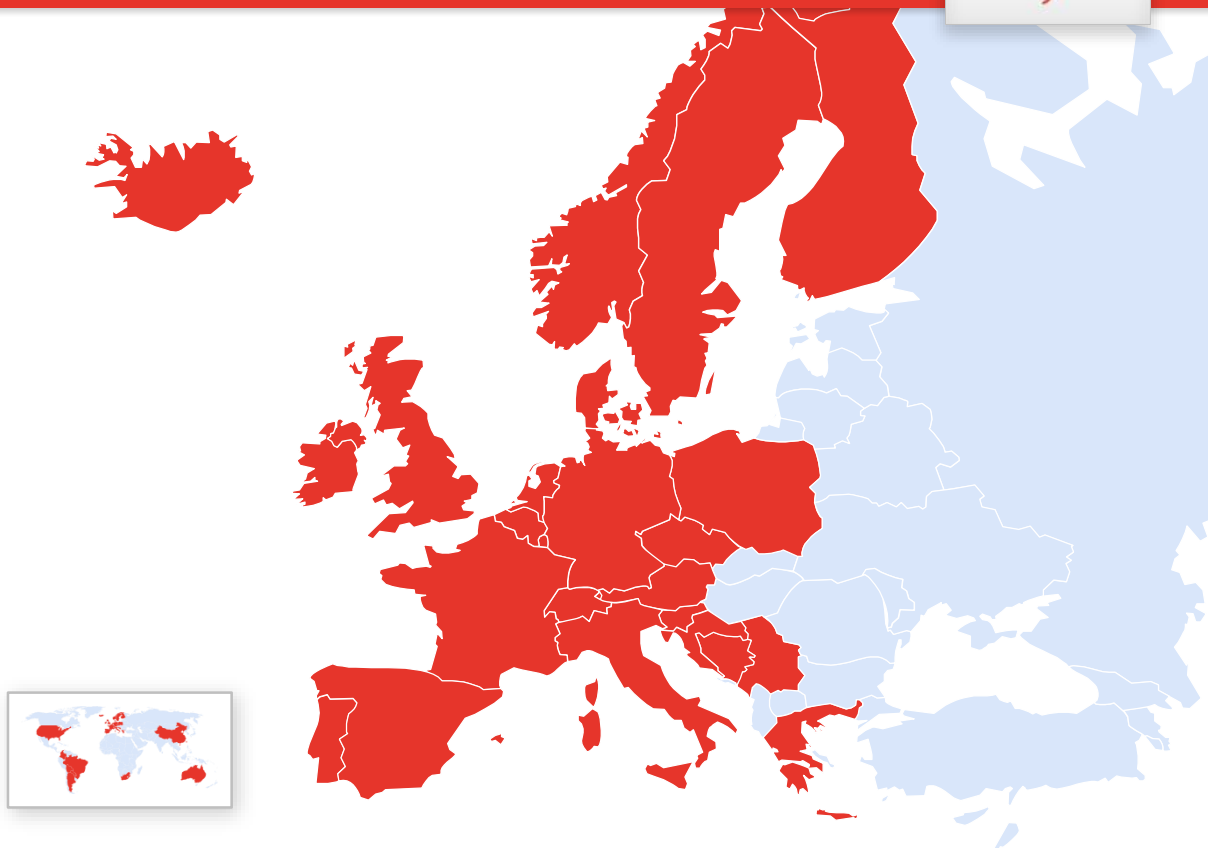
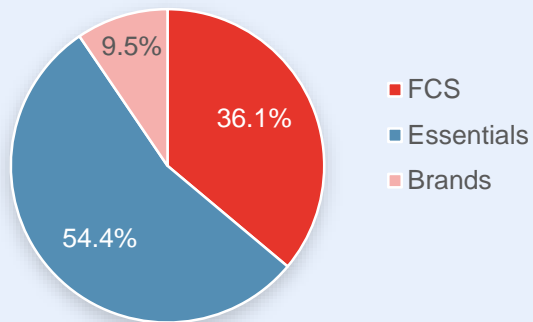
\* Company estimates



# Fagron Europe



Europe	2017	Δ
Turnover	249.1	+0.5% CER
REBITDA	63.3	+0.3%
FTE	1,053	-4.5%
	<b>FCS</b>	<b>B&amp;E</b>
Position	#1 (NL)	#1 - #3



# Fagron South America



## Market

- ~ US\$ 1.1 billion\*
- ~ 8% of scripts compounded\*
- 5,500 compounding pharmacies
- Cash-based - no reimbursement
- Regulatory: Anvisa

## Trends

- Growing demand for lifestyle related products, like HRT, anti-ageing
- Growing middle-class
- Expansion of compounding due to highly innovation-driven market

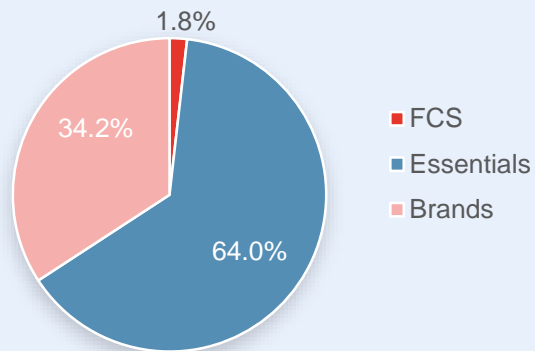


\* Company estimates

# Fagron South America



SA	2017	Δ
Turnover	103,282	+5.9% CER
REBITDA	20,815	+15.2%
FTE	622	+8.2%
	<b>FCS</b>	<b>B&amp;E</b>
Position	#1 (CO)	#1 (BR)



# Fagron North America

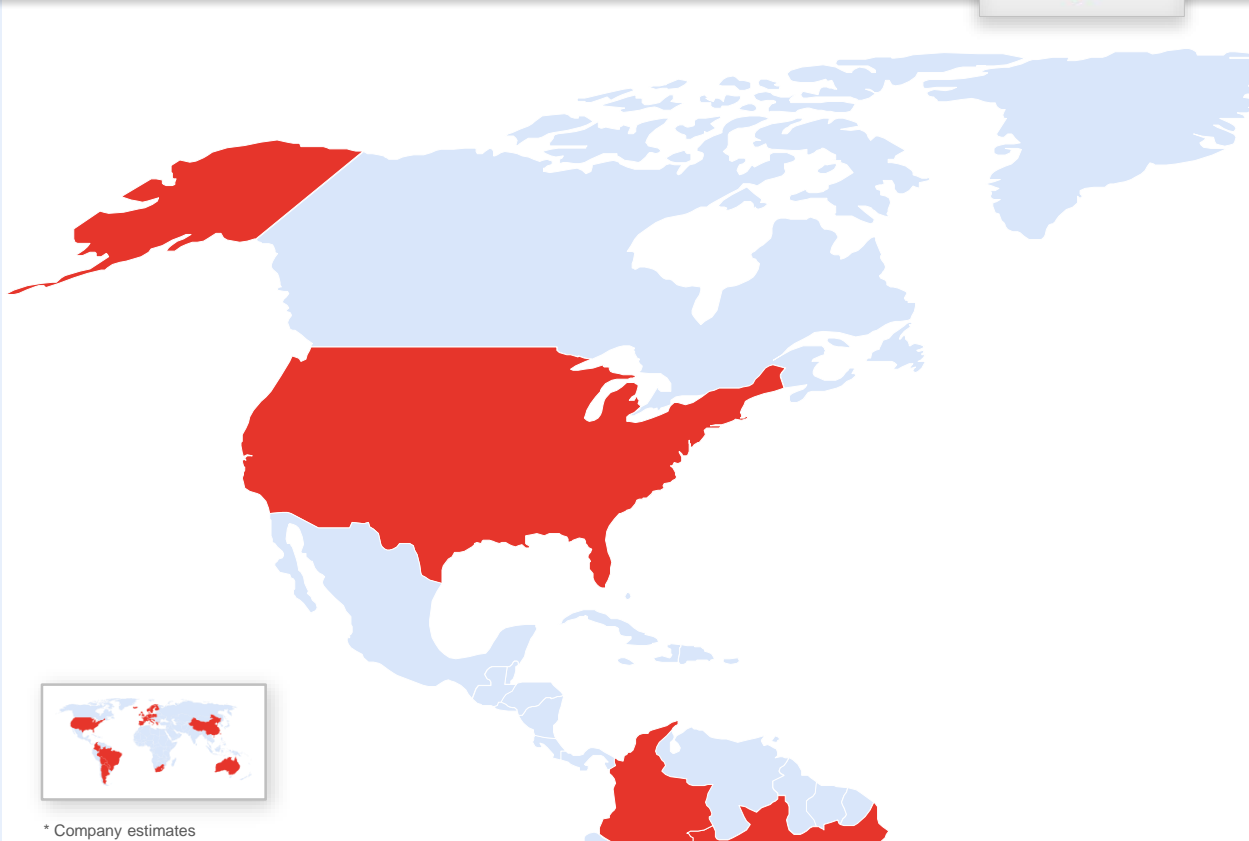


## Market

- ~ US\$ 4.4 billion\*
- ~ 1.5% of scripts compounded\*
- 67,000 (hospital) pharmacies
- Mainly cash-based (limited reimbursement)
- Regulatory: FDA, DEA, SBoP

## Trends

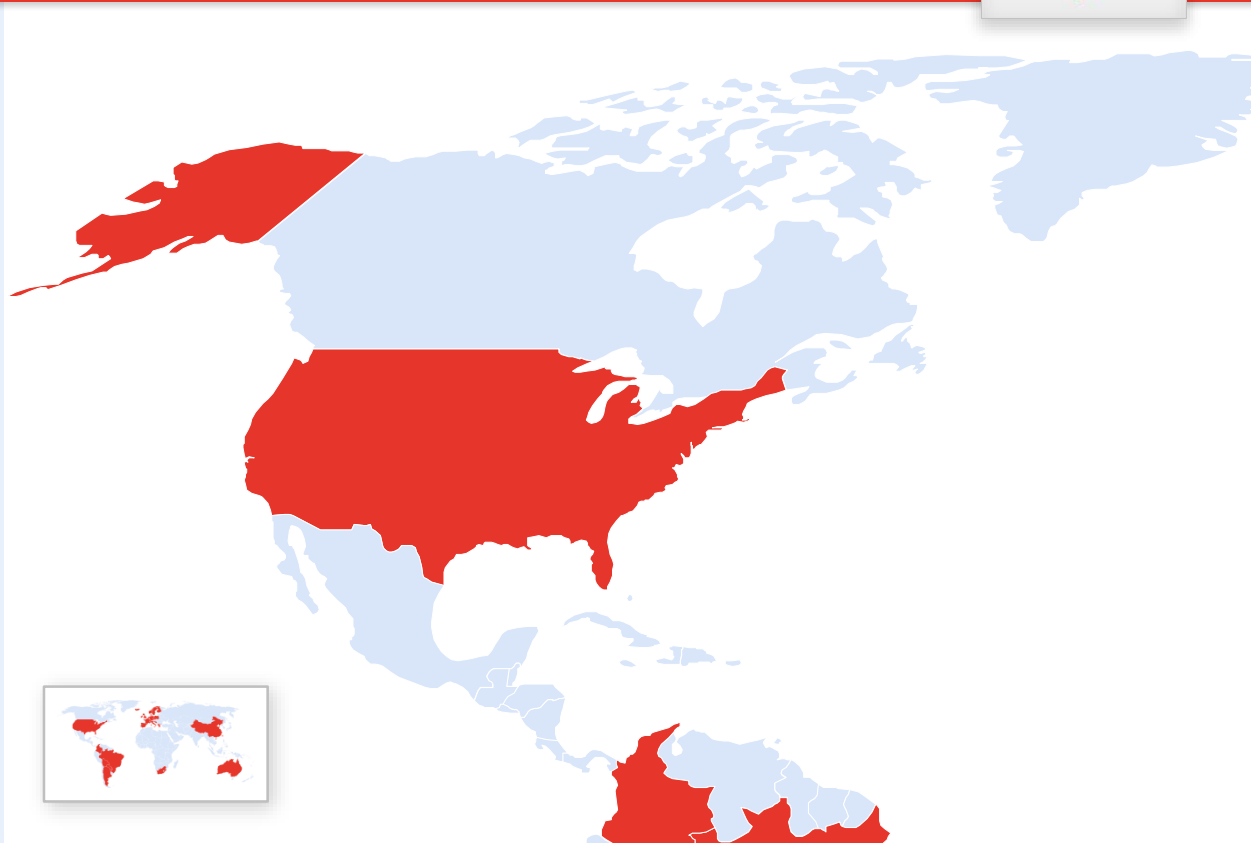
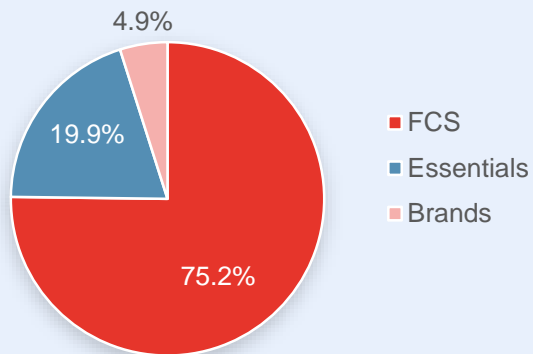
- Outsourcing by hospitals
- Focus on quality and efficiency
- Increasing regulatory requirements
- Growing demand for lifestyle products



# Fagron North America



NA	2017	Δ
Turnover	77,769	+4.2% CER
REBITDA	11,461	+28.6%
FTE	379	+21.1%
	<b>FCS</b>	<b>B&amp;E</b>
Position	#6	#4





# Fagron Innovations



# Fagron TrichoTest™



# Fagron TrichoTest™



- Genetic technology - microarrays DNA printed on chips
- Developed by Fagron
- Analyses the gens' SNP related to alopecia, allowing a personalized and effective treatment
- Scientifically proven
- Personalized treatment based on the TrichoConcept™ vehicles
- Launch in Q3-2018



2 sterile swabs with labels  
(saliva samples)



1 instruction for use



2 informed consent  
forms (for Fagron  
and the doctor)



4 labels



## TrichoConcept™

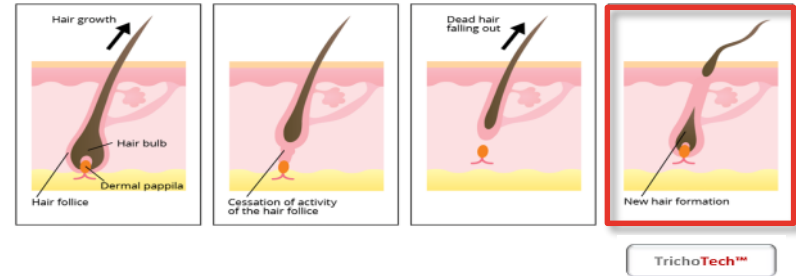


The perfect harmony between  
active agents and vehicles in hair care.

# Fagron TrichoConcept™



- Alopecia is excessive hair damage/loss
- Projected: \$ 7b in 2015 to \$ 12b in 2024
- Growth factors:
  - Awareness population to (topical) treatments
  - Increased healthcare expenditure (cash-based)
  - Development of innovative treatments for alopecia that are non-invasive & easy to apply
- **TrichoConcept™**
  - Innovative line of vehicles and final products
  - Based on TrichoTech™ technology
  - Developed by Fagron for advanced personalized alopecia treatment, favoring the Neogen phase
- TrichoTech™ technology is based on an phytocomplex to increase the effectiveness of treatment





## FagronLab™ Concept

- Global product line of compounding equipment
- Designed and developed by Fagron
- Equipment offers accuracy, easiness and reproducibility of compounded preparations
- FagronLab™ was introduced in South America and Southern Europe in 2017
- In 2018, FagronLab™ will be launched in the rest of Europe and the USA



# 2017 Financial Results



## Fagron Hellas

Trikala - Greece





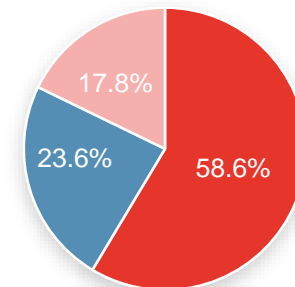
## Financial

- Turnover increased 3.6% to € 436.9m
- REBITDA increased 5.7% to € 95.7m or 21.9% of turnover
- EBIT increased 317.2% to € 74.6m or 17.1% of turnover
- Strong operational cash flow of € 84.2m
- Net financial debt/REBITDA ratio declined from 3.18 to 2.48

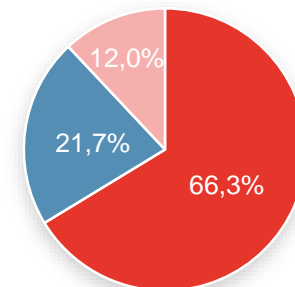
## Strategic and operational

- Opening of sterile facilities in USA, the Netherlands and South Africa
- Divestment of non-sterile facility in France
- Acquisition of Croatian Kemig in August
- Acquisition of Brazilian All Chemistry in October

Sales



REBITDA



■ Europe\* ■ South America ■ North America

\* Including HL Technology and Rest of the World.

# Consolidated Turnover



(x € 1,000)	<b>2017</b>	2016	Total growth	Total growth CER	Organic growth	Organic growth CER
<b>Fagron</b>	430,132	414,180	+3.9%	+2.4%	+4.5%	+2.9%
<b>HL Technology</b>	6,802	7,659	-11.2%	-9.5%	-11.2%	-9.5%
<b>Total</b>	<b>436,934</b>	<b>421,839</b>	<b>+3.6%</b>	<b>+2.1%</b>	<b>+4.2%</b>	<b>+2.7%</b>

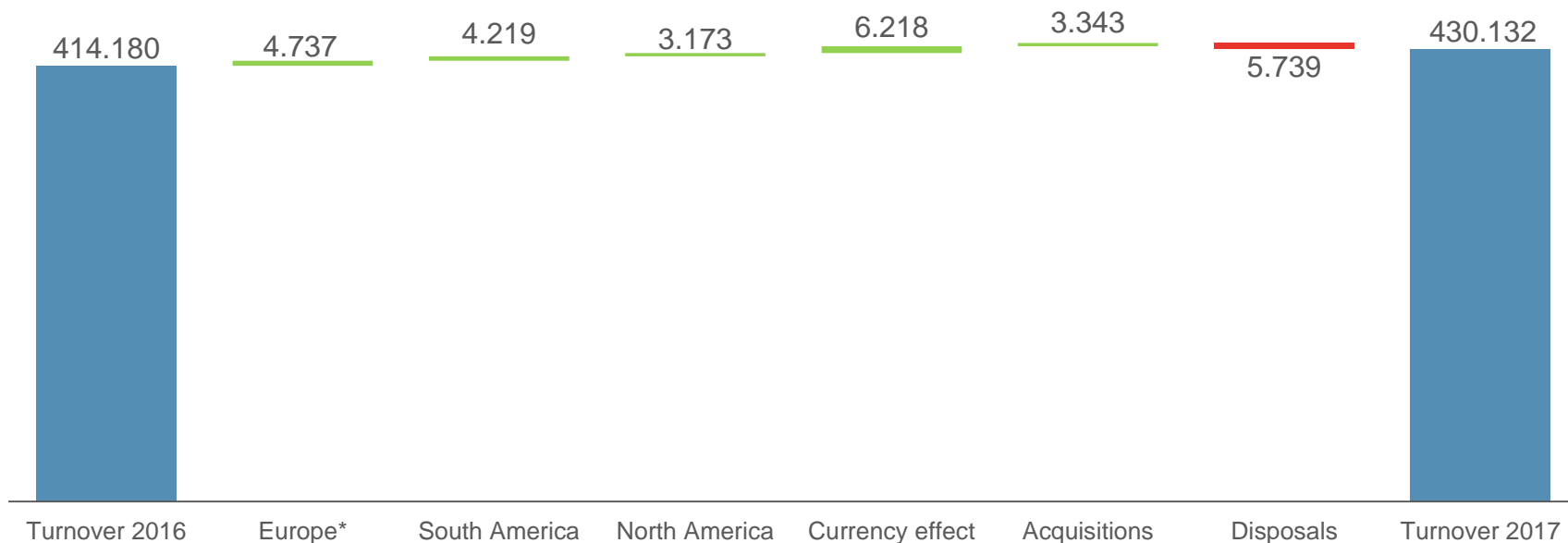
CER = constant exchange rates

- Organic turnover growth of 4.2% (+2.7% CER)
- Growth driven by positive turnover developments in Europe, North- and South America

# Turnover Development



Excluding HL Technology (in € 1,000)



\* The Europe segment consists of the operations of Fagron in Europe, South Africa and Australia.

(x € 1,000)	H2-2017	H2-2016	Δ	2017	2016	Δ
<b>Turnover</b>	120,195	121,558	-1.1%	249,082	246,904	+0.9%
<b>REBITDA</b>	30,577	32,218	-5.1%	63,301	63,138	+0.3%
<b>REBITDA margin</b>	25.4%	26.5%		25.4%	25.6%	

CER = constant exchange rates

- Organic turnover growth of 2.4% (+1.9% CER)
- REBITDA increases 0.3%; margin decreases 20bps to 25.4%
- Growth in H2-2017 curbed by limited product availability and delivery delays
- Backlog expected to be largely cleared in April 2018

(x € 1,000)	H2-2017	H2-2016	Δ	<b>2017</b>	2016	Δ
<b>Turnover</b>	53,784	48,896	+10.0%	103,282	91,130	+13.3%
<b>REBITDA</b>	10,761	9,331	+15.3%	20,815	18,072	+15.2%
<b>REBITDA margin</b>	20.0%	19.1%		20.2%	19.8%	

CER = constant exchange rates

- Organic turnover growth of 11.9% (+4.6% CER)
- REBITDA increases 15.2%; margin increases 40bps to 20.2%
- Strong volume growth in 2017:
  - Majority of raw materials purchases are in US-dollar
  - Lower purchase prices, due to strengthening BRL/USD, fully passed on to customers
  - Decrease of prices in BRL had a negative impact on turnover growth at CER

(x € 1,000)	H2-2017	H2-2016	Δ	2017	2016	Δ
<b>Turnover</b>	37,888	38,049	-0.4%	77,769	76,147	+2.1%
<b>REBITDA</b>	6,009	3,867	+55.4%	11,461	8,912	+28.6%
<b>REBITDA margin</b>	15.9%	10.2%		14.7%	11.7%	

CER = constant exchange rates

- Organic turnover growth of 2.1% (+4.2% CER)
- REBITDA increases 28.6%; margin increases 300bps to 14.7%
- Sterile activities are performing in line with expectations
  - Turnover growth of 15.5% (+17.8% CER)
  - Wichita facility obtained 48 licenses
- Raw materials activities
  - Turnover decline of 24.3% (-22.8% CER)
  - Turnover decline of 7.1% CER in Q4-17; stable compared to previous quarters in 2017

# 2017 Financial Review



## Fagron Technologies Jundiai - Brazil



# 2017 Financial Review



Turnover  
(in € million)  
**436.9**

- Turnover increases 3.6% or 2.1% at CER
- Organic increase of 4.2% or 2.7% at CER

Gross margin  
(in € million)  
**269.8**

- Gross margin increases by € 4.7m (+1.8%)
- Gross margin as percentage of turnover decreases by 110bps to 61.8% compared to 2016

Operating costs  
(in € million)  
**-174.1**

- Operating costs decrease 0.3% to € 174.1m
- Operating costs as percentage of turnover decrease by 150bps to 39.8%
- Operating costs in H2-2017 decreased by 3.5%, mainly due to cost savings in Europe and in the raw materials activities in the US and to the sale of the facility in France



# 2017 Financial Review



REBITDA  
(in € million)  
**95.7**

- REBITDA increases 5.7% to € 95.7m
- REBITDA as percentage of turnover increases by 40bps to 21.9%

Non-recurring  
(in € million)  
**-3.6**

- Non-recurring result amounted to -€ 3.6m compared to -€ 3.2m in 2016

EBITDA  
(in € million)  
**92.2**

- EBITDA increases 5.5% to € 92.2m
- EBITDA as percentage of turnover increases by 40bps to 21.3%

# 2017 Financial Review



DA  
(in € million)  
**-17.6**

- DA amounted to € 17.6m compared to € 21.1m in 2016
- The decrease was mainly due to the accelerated depreciation of assets in 2016 (in US and Switzerland)

EBIT  
(in € million)  
**74.6**

- EBIT increases 317.2% to € 74.6m
- The increase was largely caused by the recognition of an impairment of € 48.4m in 2016

Fin. result  
(in € million)  
**-19.4**

- Financial results amount to € 19.4m, an improvement of 24.2%
- Financial costs decrease by € 15.4m due to lower interest expenses and non-recurring costs in 2016 related to the refinancing
  - The financial income decreases by € 9.3m due to the non-recurring recognition of an income item in 2016 as a result of the received waivers

# 2017 Financial Review



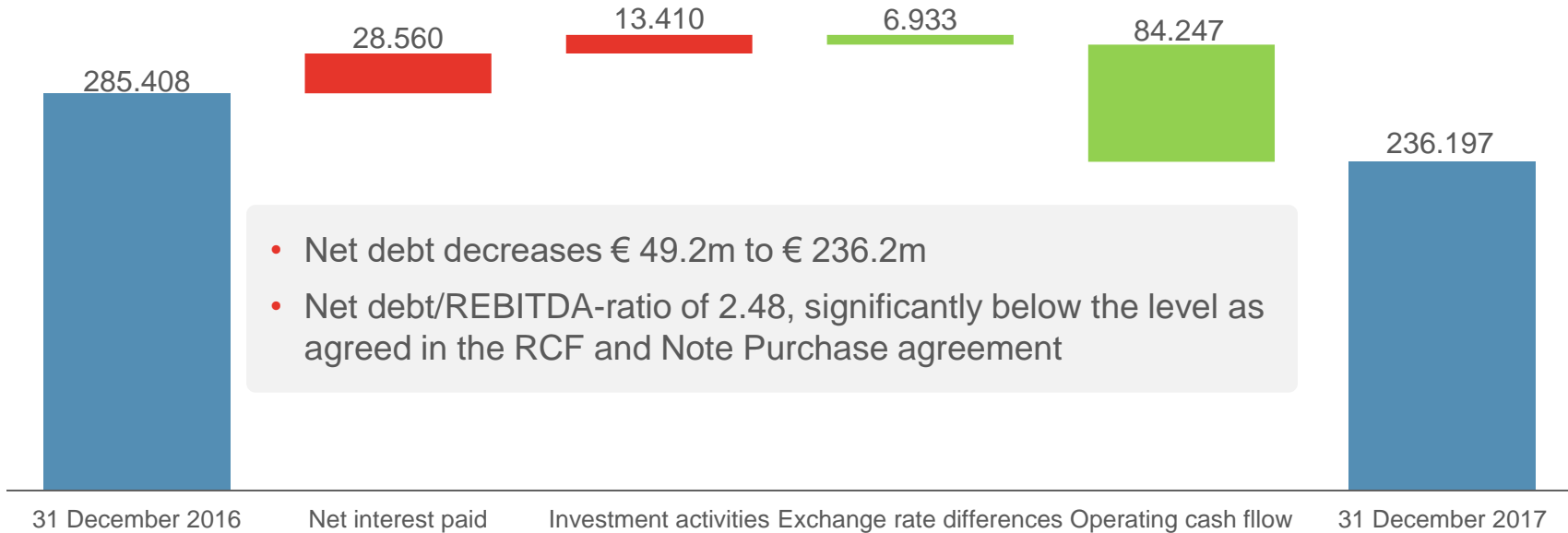
Taxes  
(in € million)  
**-8.9**

- Taxes decreased by 24.1% to € 8.9m
- Effective tax rate as a percentage of the profit before taxes was 15.9%

Net profit  
(in € million)  
**47.0**

- Net profit amounts to € 47.0m, an increase of € 65.2m compared to 2016

# Net Financial Debt



# 2017 Summary



- Strong results driven by growth in core countries
- Operating costs well under control
- Profitability increasing faster than turnover
- Focus remains on
  - Strong organic growth through development of innovative products and concepts
  - Targeted acquisitions in core markets
- Further growth of turnover and profitability expected in 2018
- Dividend proposal of € 0.10 per share



# Q1-2018 Trading Update



**FSBA**

Hoogeveen - The Netherlands



# Q1-2018 Headlines



## Financial highlights

- Organic growth at CER of 6.8%
- Growth driven by all regions
- Growth at Essentials/Brands in North America

## Strategic highlights

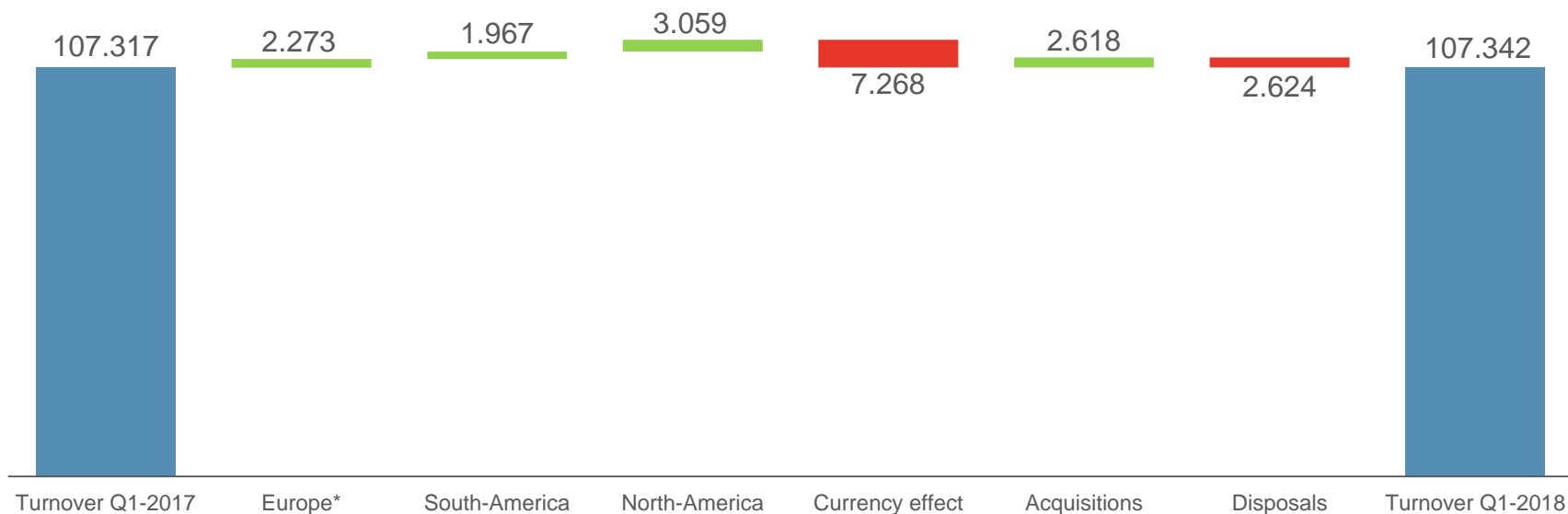
- Product availability issues in Europe largely solved
- Facility in Wichita receives California license
- Settlement with former owners of JCB
- Strategic acquisition of Humco (US)



# Turnover Development



Excluding HL Technology (in € 1,000)



\* The Europe segment consists of the operations of Fagron in Europe, South Africa and Australia.



(x € 1,000)	Q1-2018	Q1-2017	Total growth	Total growth CER	Organic growth	Organic growth CER
<b>Turnover</b>	63,524	62,210	2.1%	1.5%	4.3%	3.7%

- Organic turnover growth at CER of 3.7%
- Essentials/Brands
  - Product availability issues largely solved – no material impact expected in Q2-2018
  - Strong turnover growth in Brands
- Strategic decision to register a limited number of compounds in NL – Premium Pharmaceuticals

(x € 1,000)	<b>Q1-2018</b>	Q1-2017	Total growth	Total growth CER	Organic growth	Organic growth CER
<b>Turnover</b>	23,846	25,111	-5.0%	13.1%	-9.8%	7.4%

- Organic turnover growth at CER of 7.4%
- Strong growth in Brands
- Weakening of BRL/USD resulted in higher purchase prices – an effect that has been fully passed on to customers

(x € 1,000)	Q1-2018	Q1-2017	Total growth	Total growth CER	Organic growth	Organic growth CER
<b>Turnover</b>	19,972	19,995	-0.1%	15.3%	-0.1%	15.3%

- Organic turnover growth at CER of 15.3%
- Sterile activities performing in-line with expectations
  - 20.3% growth at JCB/FSS and AnazaoHealth
  - Wichita facility received license of California
- Growth of 1.1% at Essentials/Brands
- Strategic acquisition of Humco

# Acquisition of Humco



- Highly innovative and well-known company specialized in branded products for compounding
- Founded in 1872; 2017 turnover of US\$ 32 million
- Excellent strategic fit and highly complementary
- Strengthening market position in US and abroad
- Substantial synergies and cross-selling opportunities
- Acquisition price of US\$ 47.5 million (in cash)
- Earn-out:
  - Capped at US\$ 22.5 million (in cash)
  - Achieving EBITDA milestones in 2018 and 2019
- Net debt/ REBITDA-ratio Fagron remains below 3.0X



# Synergies and cross-selling opportunities

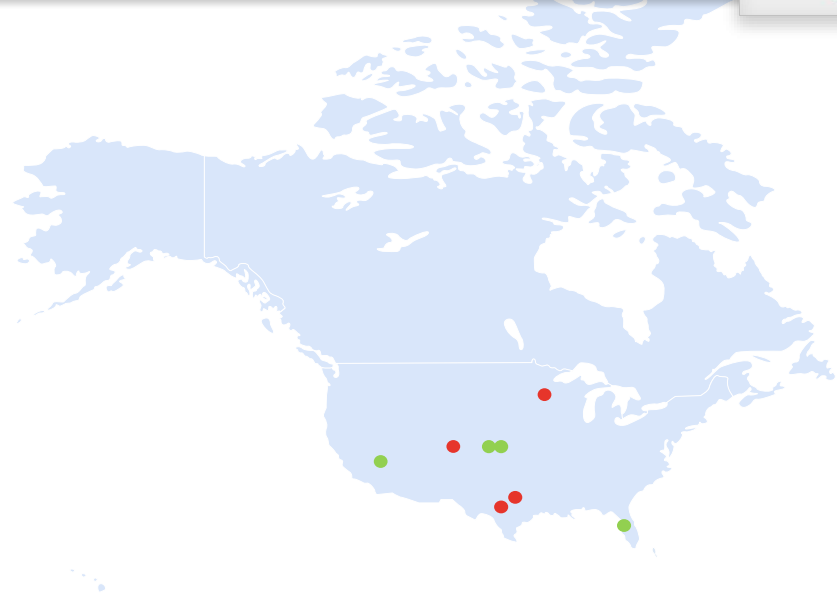


## Multiple brand strategy US-market

- Three brands for Essentials/Brands
- Clear and distinctive positioning

## Focus on capturing synergies and cross-selling opportunities

- Synergies: Purchasing, analysis, repacking of APIs, production of Brands and back office integration
- Cross-selling: Broaden API-offer of Humco, expand Brands offer of Fagron and global roll-out of the Humco Brands



# Q1-2018 Summary



- Strong results driven by growth in core regions
- Acquisition of Humco - Excellent strategic fit and highly complementary
- Focus remains on:
  - Strong organic growth through development of innovative products and concepts
  - Targeted acquisitions in core markets
- Further growth of turnover and profitability expected in 2018



# Shareholder Structure



Fagron US

Minneapolis - US



# Shareholder Structure



	Number of shares	% of voting rights
Waterland Private Equity Fund VI CV, Balcaen, Fagron	22,656,725	31.54%
Alychlo NV / Marc Coucke	10,749,267	14.96%
JPMorgan Asset Management Holdings Inc.	3,602,460	5.01%
Evermore Global Advisors, LCC	2,203,472	3.07%
Adrianus van Herk	2,171,279	3.00%
Carmignac Gestion	1,492,006	4.65%

- Article 11 of the articles of association of the company specifies that participations must be notified as soon as a threshold of 3%, 5% and any multiple of 5% has been passed
- The number of Fagron shares with voting rights is 71,843,904. The total number of voting rights (denominator) is 71,843,904
- The notification of Carmignac Gestion was received on March 18, 2016 and is based on a denominator of 32,111,827





**FAGRON**

## Important information about forward-looking statements

Certain statements in this presentation may be considered “forward-looking”. Such forward-looking statements are based on current expectations, and, accordingly, entail and are influenced by various risks and uncertainties. The Company therefore cannot provide any assurance that such forward-looking statements will materialize and does not assume an obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.