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Probiotec Limited

HY23 RESULTS & OUTLOOK

ASX: PBP

24 February 2023

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KEY HIGHLIGHTS HY23

1. Record first half revenue of $106.8m, +25% on HY22, above $100m - $105m guidance
2. Underlying EBITDA of $17.2m, +16% on HY22, above $15.5m - $16.5m guidance
3. Fully franked interim dividend of 3 cents per share, up 50% on HY22
4. Results driven by strong organic growth together with a full return of cold & flu product sales that were suppressed during the pandemic
5. Margin pressures existed in first half, but reversing progressively to June as price increases come into effect fully by 1 July 2023
6. Strong outlook for the future with a number of growth opportunities, onshoring and industry tailwinds continuing

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FINANCIAL RESULTS

FINANCIAL RESULTS HIGHLIGHTS

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	HY23 Statutory[1]		HY23 Underlying[2]
Revenue	$106.8m +25% on HY22	↑	$106.8m +25% on HY22
EBITDA	$17.8m +23% on HY22	↑	$17.2m +16% on HY22
NPAT	$5.5m +23% on HY22	↑	$6.0m +5% on HY22
EPS	6.7 cents +19% on HY22	↑	7.4 cents +2% on HY22
Interim Dividend	3.0 cents +50% on HY22	↑	3.0 cents +50% on HY22

(1) Statutory results per audit reviewed HY23 financial statements
(2) Underlying: Results adjusted for non-recurring transaction costs, fair value gains and amortisation of acquired intangibles

FINANCIAL RESULTS KEY TRENDS & DRIVERS

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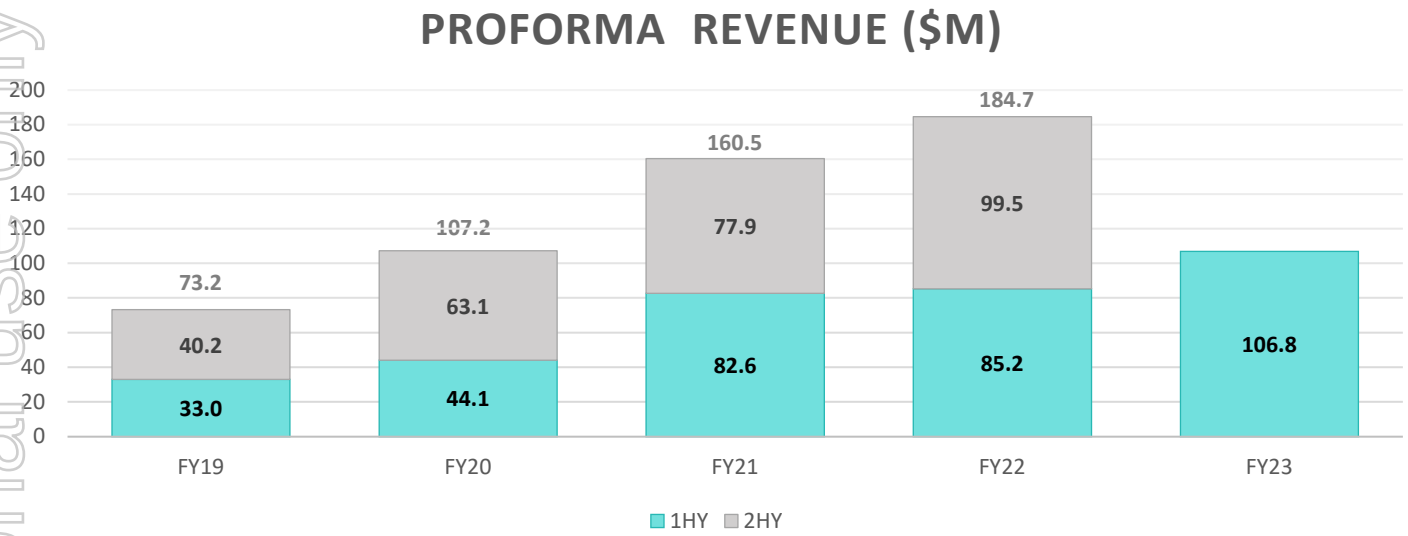

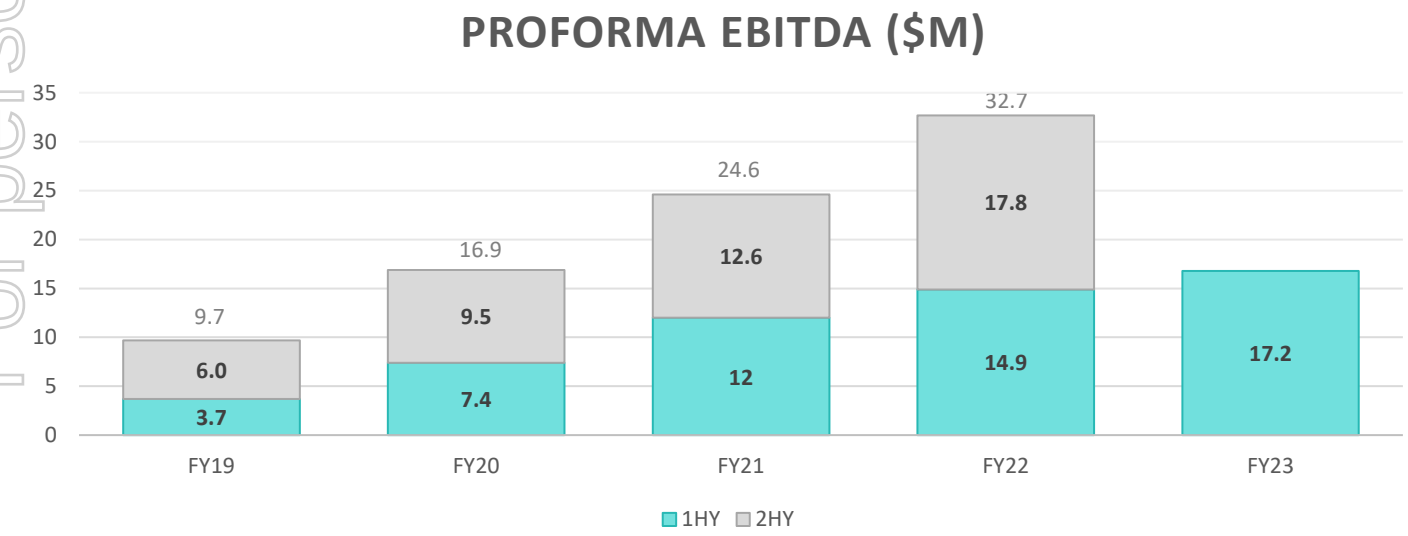

Strong revenue growth despite supply chain and labour shortages, which have significantly impacted output. Expected to unwind by 1 July 2023

Gross margins declined in the first half but are expected to reverse progressively over the second half of FY23 as price rises come into effect fully by 1 July 2023

Cold and Flu sales recovered fully after being suppressed during the pandemic

FINANCIAL RESULTS BALANCE SHEET & CASHFLOW

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Underlying Cash Flow ($m)	HY23
EBITDA (Underlying)	**17.2**
(-) Tax	(3.0)
(-) Working Capital	(0.4)
(-) Interest Expense	(2.9)
= Underlying Cashflow from Operations	**10.9**
(-) Capital Investments	(3.4)
(-) Acquisitions & payments for intangible assets	(1.3)
(-) Net Debt Repayment	(3.0)
= Underlying Net Cash Flow	**3.2**

Net Debt ($m)	HY23
Bank Debt	48.2
Cash	(22.8)
Net Debt	**25.4**
Net Debt / Underlying EBITDA	**0.75 x**

$10.9m → Underlying cashflow from operations

Strong cash generation despite impacts of global supply chain disruptions

Additional inventory held to buffer disruptions and support increasing demand, expected to partially unwind by 30 June

Significant undrawn credit facilities and cash reserves available for inorganic opportunities

Leverage (Net Debt / EBITDA) at 0.75 x → down from 0.8 x at June 2022

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NSW Site Consolidation Update

Artist's impression only

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The Site – 657-679 Mamre Rd, Kemps Creek

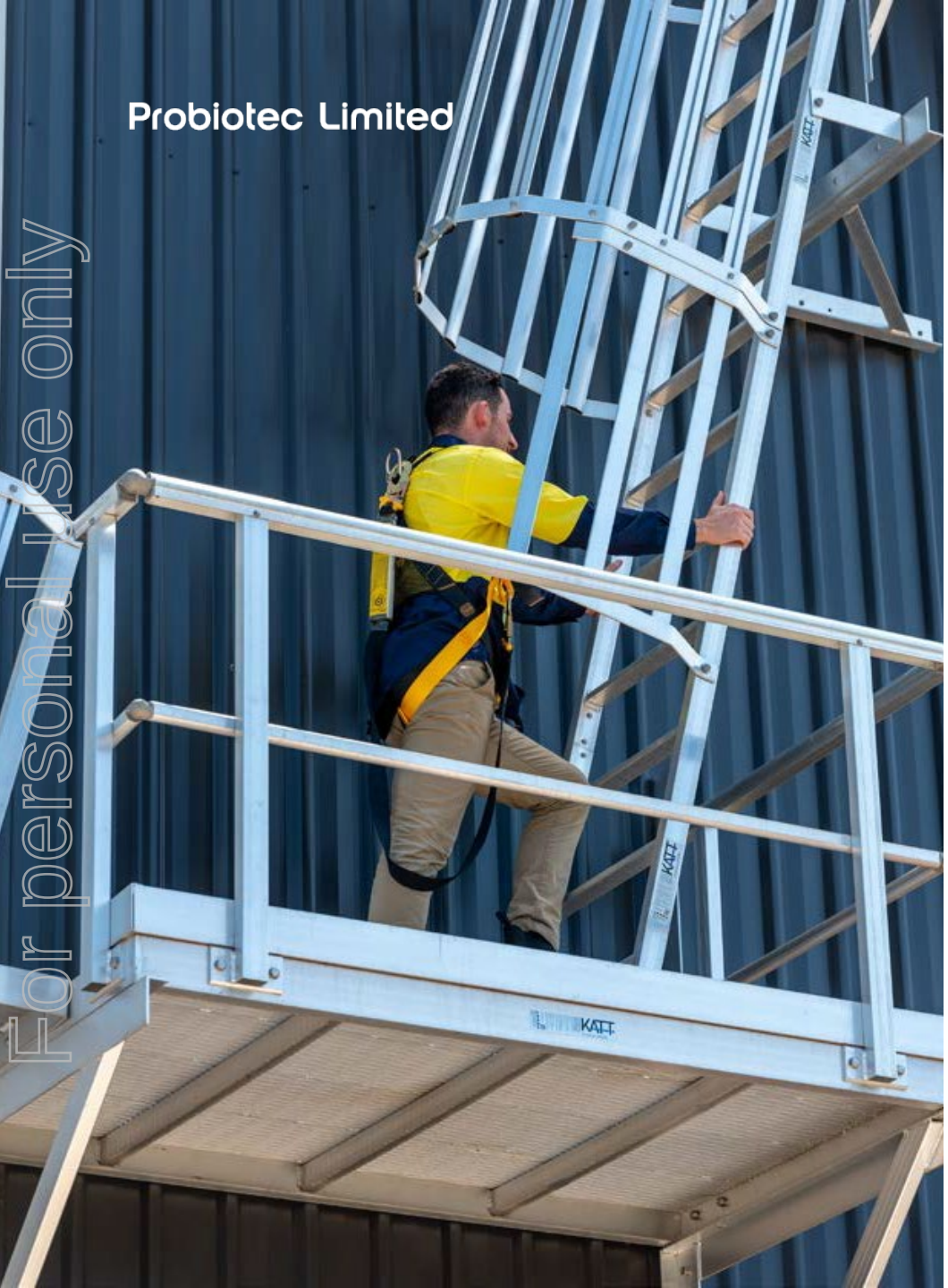
The site is large, allowing for growth and substantial improvement in the efficiency, compliance, look and feel of our operations versus our current footprint

The site will be cutting edge and provide an incredible platform for Probiotec to attract pharma clients and maintain and grow with its existing business relationships

Project expected to deliver cost savings of $3m to $5m per annum from 1 January 2025

Low Project Cost with the developer responsible for the build and majority of specialised fit-out. Payback of circa 2 years from commencement of facility operation

Improved sustainability – 6 star build



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Progress

Since executing the Agreement for Lease (AFL) in November 2022, we have made significant progress on the project with our design now largely complete and the development application update lodged awaiting council approval.

No delays have been experienced to date and the previously advised timeline for full operations at the new site remains at **no later than 1 January 2025.**

Management is confident this provides sufficient time to:

- ✓ Complete the required capital works;
- ✓ Transition-in equipment from all existing sites;
- ✓ Obtain TGA and other regulatory certifications; &
- ✓ Obtain all required customer approvals

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OUTLOOK

OUTLOOK FY23 AND BEYOND

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Achievements HY23

- ✓ Record sales and earnings
- ✓ Executed Agreement for Lease of new, state-of-the-art facility to consolidate the Group's NSW assets and deliver material cost savings and additional capacity
- ✓ Cold & flu sales returned strongly and expected to remain above pre-pandemic levels
- ✓ Strong cash generation continued with leverage reduced during the half year
- ✓ Positioned business for future growth opportunities and to take advantage of industry tailwinds (onshoring and push to local manufacturing)

Trading Outlook FY23

- ➢ Despite the uncertain operating environment, the Board expects to deliver **Sales of $205m to $215m** with **EBITDA of $34.5m to $36.0m** for FY23
- ➢ Significant volume of orders on hand (particularly at our Laverton North manufacturing site) to drive growth in the 2nd half
- ➢ Cold and flu sales expected to reset above historical levels for the foreseeable future
- ➢ Significant new business wins are being integrated into the Laverton manufacturing facility. All are contracted long term (3-5 years +) revenue streams
- ➢ Labour shortages and supply chain disruptions continuing to impact operational output and efficiency, expected to ease by mid year

Ambitions FY24 onwards

- ➢ Onshoring tailwinds continue to gather momentum along with a push by major multinationals to 'make where you sell'
- ➢ Significant new business opportunities being developed and implemented from extensive and high quality client base
- ➢ Full impact of the pipeline of new business opportunities continuing to be realised in FY23 and beyond
- ➢ Realise synergies from consolidation of recently acquired sites in FY25 and further consolidation opportunities within the Group
- ➢ Acquisition opportunities from continued industry rationalisation will be prioritised

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ABOUT PROBIOTEC

ABOUT PROBIOTEC COMPANY OVERVIEW

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Probiotec is a leading national manufacturer, packer and distributor of client goods

- Probiotec provides 200+ clients with a *full-service contract manufacturing & packing* offering across key categories including:
  - ✓ Prescription and OTC Pharmaceuticals
  - ✓ Vitamins and Supplements
  - ✓ Veterinary Products
  - ✓ Cosmetics
  - ✓ Food & Beverage
  - ✓ Pet Food & Ingredients

- The company operates 6 manufacturing facilities and distributes its products both domestically and internationally on behalf of its clients

Facilities

PROBIOTEC CLIENTS INCLUDE:

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ABOUT PROBIOTEC ACCREDITATIONS

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Probiotec holds an extensive range of regulatory licenses that deliver a significant barrier to entry for potential new participants into the industry

Australian Government
Department of Health
Therapeutic Goods Administration

ISO International Organization for Standardization
ISO 45001:2018

CERTIFIED ISO 9001:2015 COMPANY

Australian Certified Organic

Australian Government
Australian Quarantine and Inspection Service

Australian Government
Department of Agriculture

HACCP Hazard Analysis Critical Control Point

HACCP AUSTRALIA FOOD SAFETY PROGRAMME CERTIFICATION

Australian Government
Department of Agriculture and Water Resources

Halal Certification Authority Australia

BRC GLOBAL STANDARDS AA CERTIFIED

Dairy Food Safety VICTORIA

LRQA

CERTIFIED

Australian Government
Australian Taxation Office

Sedex SMETA
Supplier Ethical Data Exchange

Australian Government
Australian Pesticides and Veterinary Medicines Authority

ABOUT PROBIOTEC COMMITTED & EXPERIENCED TEAM

Probiotec's Executive Team are highly skilled and committed to executing its growth plans.

Wesley Stringer
Chief Executive Officer

Wesley has been the CEO of Probiotec since **July 2015**.

Prior to this role, Wesley was the **Chief Operating Officer at Probiotec for 12 years**. Before this, Wesley was employed by **KPMG** in Taxation and Finance. He has also worked internationally for **Deutsche Bank** and **BNP Paribas** in London.

Jared Stringer
Chief Financial Officer

Jared has been the CFO of Probiotec since **July 2012**.

Prior to this role, Jared was a **Financial Accountant at Probiotec for 6 years**. Before this, he worked as an Investment Analyst at **CVC**. He also holds the role of Company Secretary with experience and qualifications in Corporate Governance.

Julie McIntosh
Chief Operating Officer

Julie has been the COO of Probiotec since **May 2017**.

Prior to this role, Julie was the **General Manager of Supply Chain at Probiotec**. Before joining the Probiotec team, Julie gained over 20 years experience in a global chemical company **Ciba**, where she focussed on supply chain management and global project management.

Jessica Walters
Chief Customer Officer

Jessica has been the CCO of Probiotec since **April 2022**.

Prior to joining Probiotec, Jessica was the Head of Sales and Marketing for the **Labelmakers Group.**

Annalinde Nickisch
Chief People Officer

Annalinde has been the CPO of Probiotec since **April 2022**.

Prior to this role, Annalinde was the **General Manager of Human Resources and OH&S at Probiotec** along with stints at **Bauer** and **The Thought Factory**.

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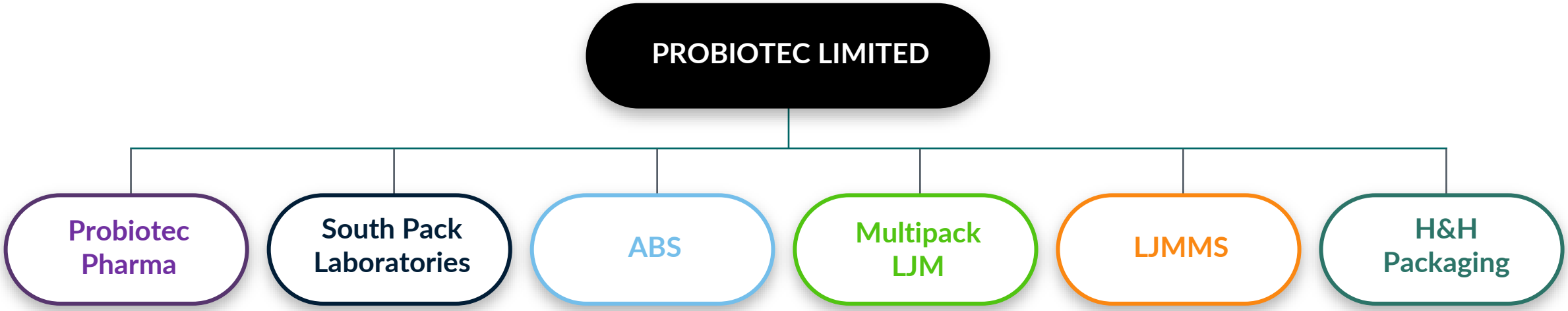
ABOUT PROBIOTEC GROUP STRUCTURE

PBP operates from 6 manufacturing facilities in NSW and Victoria using these wholly owned subsidiaries



Probiotec Pharma

ABS

LJM partners in co packing

SPL SOUTH PACK LABORATORIES (AUST) PTY LTD

H H Packaging

Multipack LJM

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ABOUT PROBIOTEC RECENT HISTORY

Since its founding in 1997, the company has experienced strong growth organically and via strategic acquisitions

2017

Acquired South Pack Laboratories ("SPL")

2018

Acquired adjacent site 85 Cherry Lane, Laverton North

Divested non-core brands

2019

Commenced build of state of the art new warehouse and additional processing facilities at Laverton North

Acquired Australian Blister Sealing ("ABS")

2020

Acquired assets of Contract Pharmaceutical Services Australia ("CPSA")

Acquired Multipack-LJM

2021

Acquired H&H Packaging (July 2021)

2022

Executed Agreement for Lease for major NSW site consolidation

Achieved record sales and earnings

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