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Probiotec Limited

FY23 RESULTS & OUTLOOK

ASX: PBP

25 August 2023

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KEY HIGHLIGHTS FY23

1. Record revenue of $214.0m, +17% on FY22 and at the upper end of $205m - $215m guidance
2. EBITDA of $35.3m, +8% on FY22 and at the upper end of $34.5m - $36m guidance
3. Fully franked final dividend of 3.5 cents per share, resulting in a full year dividend of 6.5 cents per share, +16% on FY22
4. Strong outlook for the future with a number of growth opportunities and industry tailwinds continuing

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FINANCIAL RESULTS

FY23 Underlying Results

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Revenue
$214.0m
$182.3m in pcp

EBITDA
$35.3m
$32.8m in pcp

EBIT
$23.9m
$23.0m in pcp

NPAT
$13.0m
$13.4m in pcp

Gearing[1]
0.9 x
0.8 x in pcp

[1] Gearing is defined as net bank debt divided by EBITDA

Total Dividend
6.5 cents
5.5 cents in pcp

Sales and underlying EBITDA at upper end of guidance

- ✓ Revenue growth of 17% driven by recovery of virus-related markets together with pricing uplifts to recoup inflationary cost pressures
- ✓ Underlying EBITDA slightly above midpoint of guidance with price increases coming into effect during the 2nd half of FY23 and completely realised from the start of FY24
- ✓ Gearing broadly in line with prior year despite final deferred consideration payments related to the Multipack-LJM acquisition and increased dividend payments
- ✓ Full year dividend of 3.5 cents per share. 6.5 cents per share for the year, up 18%
- ✓ Significant additional manufacturing capacity beginning to come online in first half of FY24 to support growth

Financial Results

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	FY23 Statutory[1]	FY23 Underlying[2]
Revenue	$214.0m +17% on FY22	$214.0m +17% on FY22
EBITDA	$35.4m +2% on FY22	$35.3m +8% on FY22
EBIT	$21.3m -4% on FY22	$24.0m +4% on FY22
NPAT	$11.0m -20% on FY22	$13.0m -3% on FY22
EPS	13.6 cents -21% on FY22	16.0 cents -5% on FY22
Full Year Dividend	6.5 cents +18% on FY22	6.5 cents +18% on FY22

(1) Statutory results per audited FY23 financial statements
(2) Underlying: Results adjusted for non-recurring transaction costs and amortisation of acquired intangibles

Strong Track Record of Growth

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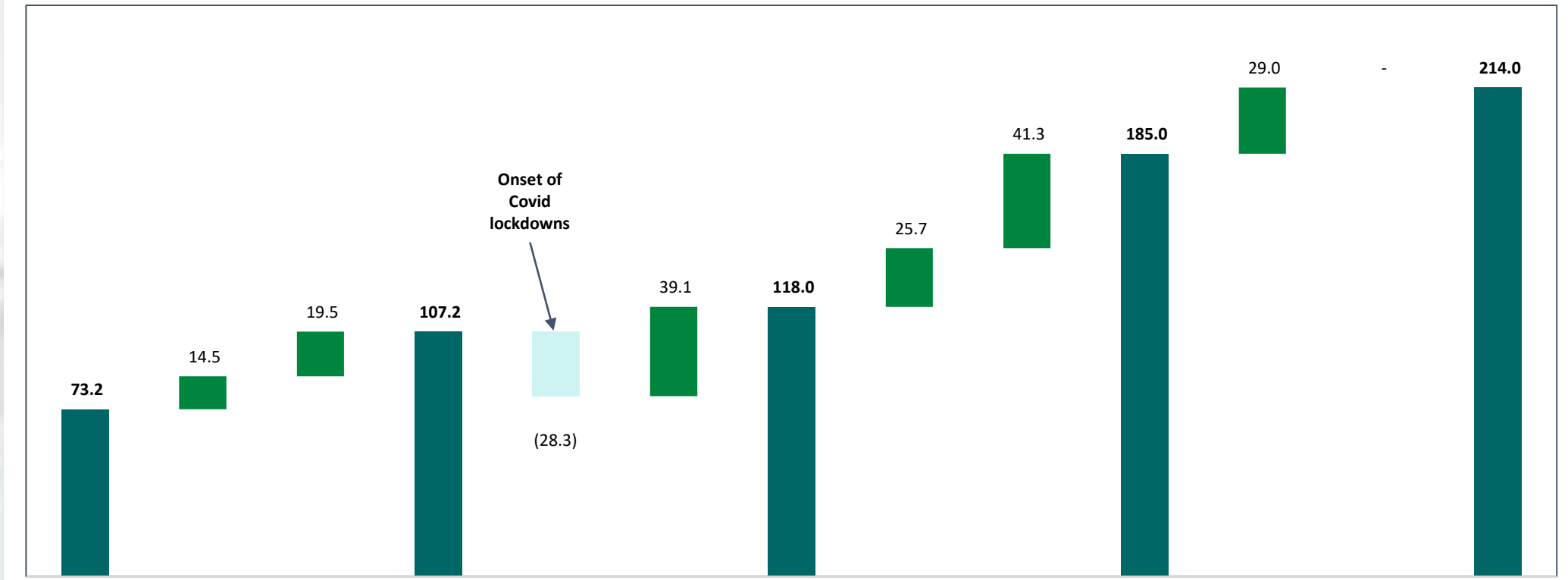
FY19 – FY23 Revenue Bridge



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NSW Site Consolidation Update

Artist's impression only

Site Consolidation

Site consolidation efforts will drive future operational efficiencies, resulting in significant capacity increases and cost savings.

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Site Consolidation Opportunities	

NSW Site Consolidation	• Probiotec's plan is to combine its NSW sites into a single, 36,000 sqm purpose-built site located at 657-679 Mamre Road, Kemps Creek in Western Sydney.
	• The site consolidation effort is anticipated to:
	  + Significantly reduce overhead expenses by circa. $3m – 5m per annum once fully operational;
	  + Remove duplication of roles;
	  + Improve coordination and efficiency between the NSW packing businesses;
	  + Simplify logistics to deliver shorter turnaround times for customers;
	  + Support the opportunity to cross-sell services across the enlarged platform; and
	  + Increase capacity to meet future customer demand and accommodate any acquisitions.
	• Probiotec has agreed a 15-year lease with the landlord, Frasers-Altis Property, with 2 x 5-year options to extend. The site is expected to be fully operational by early in the 2025 calendar year.

NSW New Site - 657-679 Mamre Road, Kemps Creek

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OUTLOOK

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OUTLOOK

1. Consistent with prior years, the board will not be providing formal guidance for FY24 at this time
2. The Board remains confident of achieving growth in Sales and Earnings in FY24
3. Significant additional manufacturing capacity via the integration of state-of-the-art new pharmaceutical manufacturing and packing equipment coming online in first half of FY24 to support growth
4. New business wins continue to be integrated into our facilities and level of enquiry remains elevated

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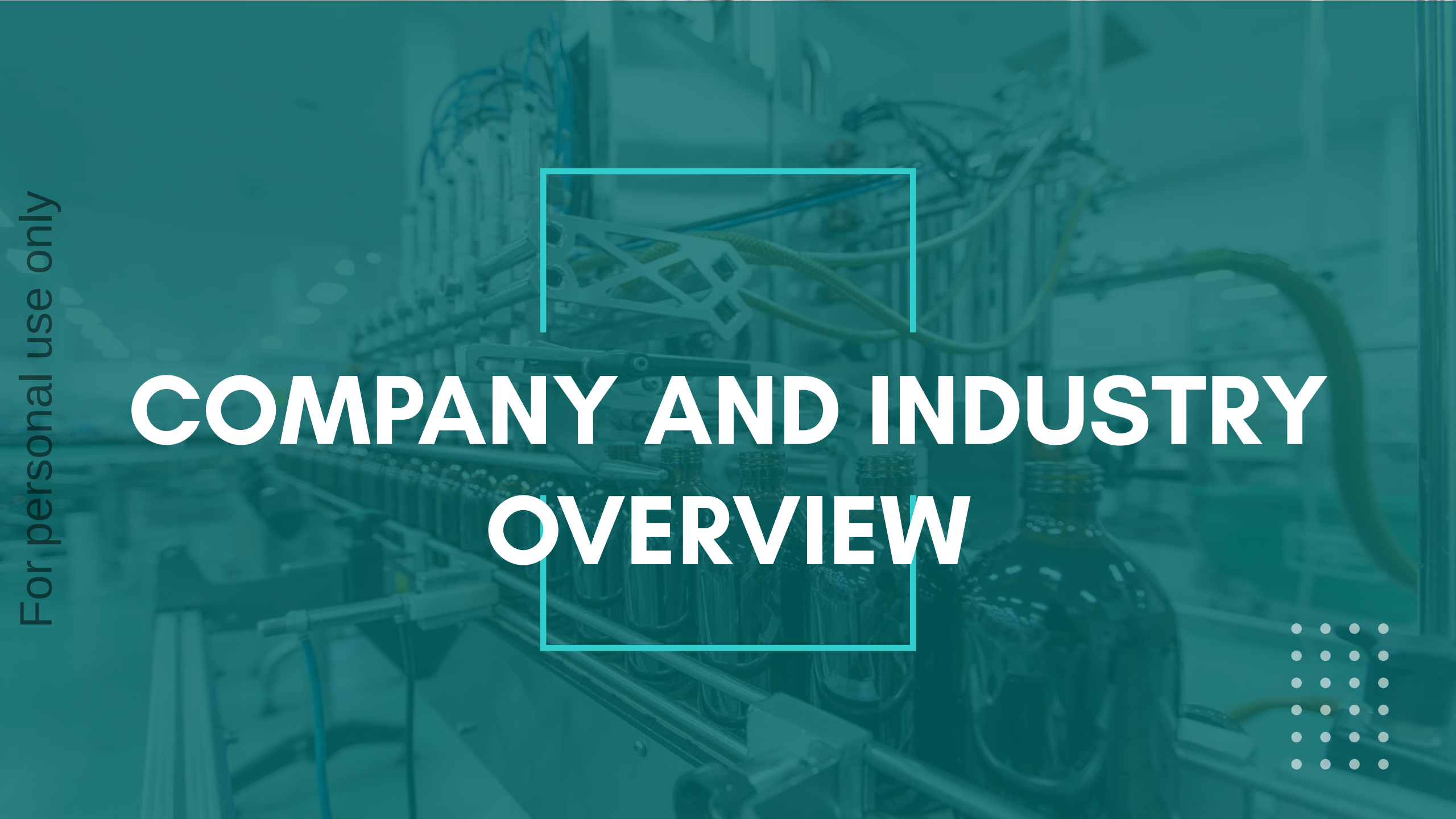

COMPANY AND INDUSTRY OVERVIEW

Probiotec Overview

Probiotec is a leading provider of contract manufacturing and packing services in the pharmaceutical and associated sectors, providing best-in-class solutions to a diverse range of clients.

- Since beginning operations in 1997, Probiotec has quickly emerged as a leading manufacturer and packer of a diverse, high-quality range of prescription ('Rx') and over-the-counter ('OTC') pharmaceuticals, complementary medicines and consumer health products.
- Probiotec currently operates from 6 manufacturing and packing facilities across NSW and Victoria and distributes products both domestically and internationally on behalf of its 240+ customers.
- The business comprises three key operating segments:

Pharmaceutical Manufacturing	Through its subsidiary, Probiotec Pharma, Probiotec offers full-service contract manufacturing. Probiotec's advanced pharmaceutical manufacturing operation is supported by a world-class facility in Laverton, Victoria.	Probiotec Pharma
Pharmaceutical Packing	Complementing the pharmaceutical manufacturing operation, Probiotec also offers specialty packing services to its pharmaceutical customers (both manufactured and non-manufactured product).	Multipack LJM; SPL SOUTH PACK; ABS
Contract Packing	As an industry leader in co-packing services, Probiotec (through its various co-pack subsidiaries) partners with FMCG, Personal Care & Household and Animal Health & Nutrition companies requiring specialised secondary contract packing services.	LJM partners in co packing; Multipack LJM; HH Packaging

Key Operating Metrics

240+	6	1,300+	26+
Active Customers	**Manufacturing & Packing Facilities**	**Employees**	**Year History**

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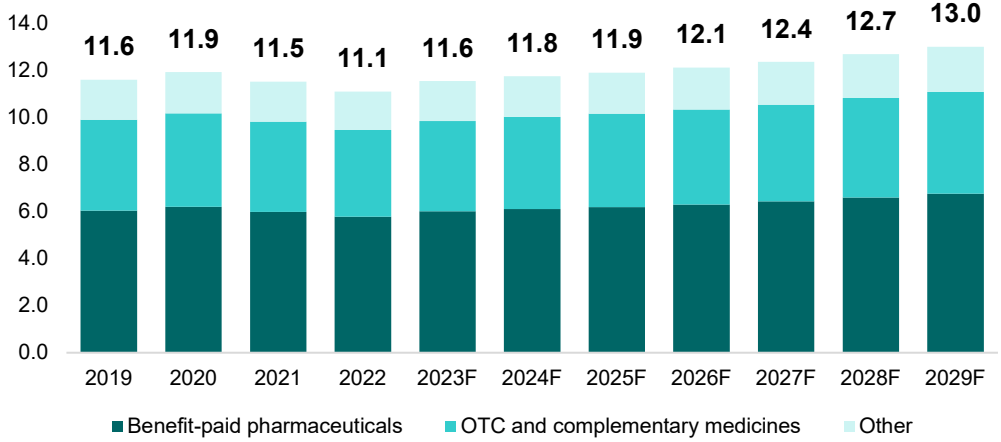
Australian Pharmaceutical Manufacturing Industry

The Covid-19 pandemic has highlighted the supply chain risk associated with offshore manufacturing of pharmaceutical products. As such, Australian pharmaceutical manufacturers stand to benefit from the trend of onshoring manufacturing.

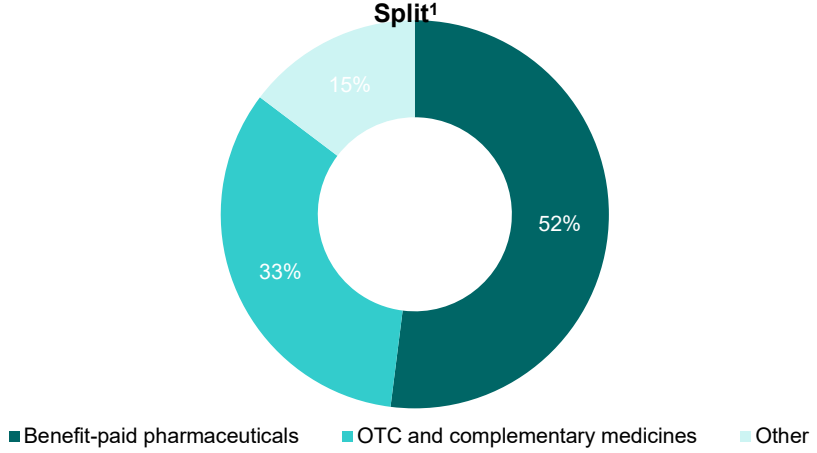
- The Australian pharmaceutical manufacturing industry is estimated to be worth $11.6bn[1], remaining largely flat between 2019 and 2023. This was due to both supply and demand side factors, namely the impacts of Covid-19 and associated disruptions with supply chains which limited the import of prescription and OTC medicines and contracted demand due to lower transmission of illnesses such as cold and flu.
- The industry is forecast to grow to $13.0bn by 2029F[1], growing at a forecast CAGR of 2.0% per annum between 2023 and 2029.

Key Industry Trends	
On-shoring of pharmaceutical manufacturing post Covid-19	• It is estimated that 90.0% of OTC and pharmaceutical products are manufactured off-shore and imported into Australia, predominantly from Indian and Chinese manufacturers[2]. • During the Covid-19 pandemic, the over reliance on international pharmaceutical supply chains exposed a major weakness in Australia's sovereign capability with respect to the manufacture and supply of critical medication. • In response, Australian pharmaceutical industry stakeholders such as Medicines Australia have expressed the need to create an advanced, domestic pharmaceutical manufacturing sector to protect Australia's supply chain sovereignty and guarantee the availability of critical medicines to Australians[3].
Increased outsourcing from major pharmaceutical players	• Global and local pharmaceutical players have historically operated as vertically integrated pharmaceutical businesses in Australia. However, in the past decade these business have undertaken major redesign of their operating model due to rising operating costs, increasing cost of labour and greater competition from overseas imports. • In Australia, global players such as Johnson & Johnson, GlaxoSmithKline, Roche, and Merck have all closed their manufacturing plants in Australia to streamline their operations and focus on R&D efforts while outsourcing the manufacturing process to highly specialised and trusted external contract manufacturers such as Probiotec.
Increased government support for the Pharmaceutical Benefits Scheme (PBS)	• Recent legislative agreement such as the National Health Amendments Act (2021) and the five-year Medicines Australia Strategic Agreement (2022) have assisted with the affordability of medicines on the PBS, netting expected savings of $1.9bn over a 5-year term[4]. • As a result, a broader range of medicines will be made available under the PBS for the benefit of Australian consumers.

Australian Pharmaceutical Industry | Market Size[1]



Australian Pharmaceutical Industry | 2023 Market Size Segment Split[1]



Source: 1) IBISWorld; **2)** 'The Australian Medicines & Vaccines Manufacturing & Development Initiative' (Arrotex Proposal) (Aug-20); **3)** Medicines Australia: Securing Supply Chains for all Australians **4)** Medicines Australia Strategic Agreement 2022 - 2027

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Site Footprint

Probiotec operates 6 manufacturing facilities and distributes its products both domestically and internationally on behalf of clients.

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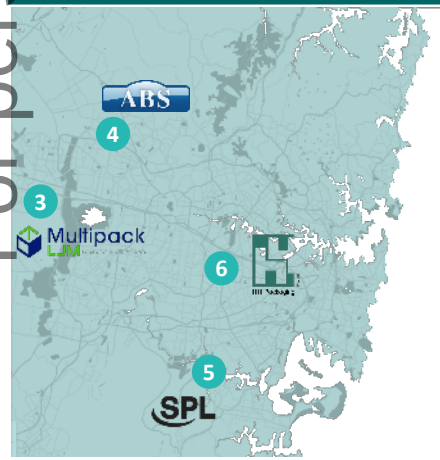
VIC Site Locations

NSW Site Locations



- Probiotec has circa 64,500m^2 of manufacturing, packing and storage under roof across 6 sites in Victoria and New South Wales.
- The Group's core pharmaceutical manufacturing facility is located in Laverton (VIC), with the other 5 sites used for packing and co-packing services.

1	**Probiotec Pharma** Laverton, VIC **22,000m²** under roof	▪ Pharmaceutical Manufacturing & Packing Facility ▪ Large number of product formats ▪ Large footprint and capacity ▪ End-to-end service and solutions
2	**LJM Marketing Services** Dandenong, VIC **17,000m²** under roof	▪ Highly automated co-packing business ▪ Efficient and integrated operations, management and IT with large footprint and capacity ▪ Ambient and temperature-controlled facility
3	**Multipack-LJM** Eastern Creek, NSW **13,000m²** under roof	▪ Highly automated co-packing business ▪ Efficient and integrated operations, management and IT & reporting systems with large footprint and capacity ▪ Ambient and temperature-controlled facility
4	**ABS** Seven Hills, NSW **6,000m²** under roof	▪ Specialist pharmaceutical and consumer packing business: Cold Seal Packaging; Foil Blister, Carded Blister Packaging, Secondary packaging, Labelling, and Other services ▪ High quality pharmaceutical grade facility
5	**South Pack Laboratories** Kirrawee, NSW **2,500m²** under roof	▪ Specialist pharmaceutical and consumer packing business offering: Bottling, Secondary packaging and finishing services, Labelling, and Other services ▪ High-quality and highly efficient site
6	**H&H Packaging** Yagoona, NSW **4,000m²** under roof	▪ Specialist contract packer and manufacturer in industrial, chemical and agricultural markets ▪ Strong plastic moulding capabilities

Our Clients Include

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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

Hazard Analysis Critical Control Point HACCP

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

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