# 2021 Preliminary Full Year Results
# 2022 Targets

Milano, 24th February 2022

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# Full Year 2021 highlights

- 2021 marked another year of solid performance for the Group, with further steps taken to sustain continued growth in the years to come
- Revenue of €1,580.1 million, represents a growth of +9.1% vs 2020, or +11.4% at CER, driven by:
  - High double-digit growth of Rare Disease segment, with robust performance of both legacy metabolic portfolio and Endo franchise, which contributed €126.6 million of revenue
  - Resilient performance of broader Specialty & Primary Care business despite continued access restrictions, with recovery of Cough and Cold market only in the later part of the year
  - Strong contribution from Eligard®[(1)], with revenue of €85.3 million, ahead of Plan thanks to fast transition to direct sales and positive response to start of promotion; ex Eligard® Group organic growth at CER was +5.6%
- Financial results are in line with targets set at the start of the year, with revenue growth and cost discipline off-setting planned investment behind new franchises and continued strong cashflow performance:
  - EBITDA[(2)] €602.3 million or 38.1% of sales, +5.8%
  - Adjusted Net Income[(3)] €424.6 million or 26.9% of sales, +3.5%
  - Free cash flow[(4)] €469.9 million, an increase of €87.6 million vs 2020
- Operating results reflect €14.4 million non-recurring costs, mainly relating to targeted right sizing of SPC field force, affecting ~175 FTEs at end 2021 mainly in Germany and Turkey, reflecting portfolio transition to more specialist focus and greater leverage of digital
- Net income of €386.0 million, +8.7% vs 2020, reflects €5.8 million of FX losses reported in financial expenses and ~€27 million of non-recurring tax benefits
- EUSA acquisition to drive acceleration of growth (completion expected Q2, subject to regulatory clearance)
- Continued focus on ESG agenda results in MSCI rating improvement and inclusion in Euronext MIB ESG index

1) Acquired under license from Tolmar International Ltd. in January 2021
2) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items
3) Net income excluding amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects
4) Operating cash flow excluding financing items, milestones, dividends, purchases of treasury shares net of proceeds from exercise of stock options

# Strong progress in 2021 of both Eligard® and Endo franchise confirms Group track record in integrating new businesses

Eligard®
(leuprolide acetate) for injectable suspension

- Revenue €85.3[1] million: transition finalized in record time and ahead of plan, with earlier switch to direct sales
- Eligard® now promoted directly by our affiliates in 25 countries and indirectly by our partners in 6 additional countries, with positive feedback from HCPs
- Active promotion showing signs of stabilizing sales performance, with in-market sales returning to growth in select reference markets, particularly Spain and France
- Regulatory filing of the new device completed by the end of January 2022

Signifor® pasireotide | Signifor® LAR | Isturisa® (osilodrostat)

- Revenue €126.6 million of which Signifor® €80.5 million, Isturisa® €46.1 million
- Signifor® & Signifor LAR® growth continues with new patient acquisition in all Regions and transfer of MA from Novartis finalized; like for like growth >10% vs 2020 [2]
- Isturisa® robust patient uptake in US and early EU launch markets (France, Germany, Italy); launched in Japan in June 2021
- Isturisa reimbursement pricing agreed in Germany and Switzerland, in line with plan, with negotiations on-going in other major EU markets
- Further investments foreseen in 2022 to further accelerate adoption

1) Recordati books net margin as Revenue until distribution transfer from Astellas in 2021
2) Recordati books only margins on sales of Signifor® and Signifor LAR® until transfer of market authorizations and distribution from Novartis; in-market sales performance estimated through net margin gross up for like for like comparison

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# EUSA Pharma acquisition

EUSA Pharma

***Further strengthens our Rare Diseases business, with strong capabilities and a portfolio of assets with solid growth trajectory, providing platform for potential further expansion***

- ✓ Further strengthens the growth of our **rare disease franchise**, **in line with our 3-year strategy**, building on top of the **current solid organic growth** of the division and, confirming our commitment to **deliver treatments** that **address serious unmet medical needs**

- ✓ Broadens Recordati's **rare disease therapeutic focus** with a portfolio of **in-market assets** with a strong growth trajectory:
  - Qarziba® Dinutuximab beta is an **anti-GD2 monoclonal antibody** indicated for high-risk **neuroblastoma** approved in EU and other countries with potential for expansion in US
  - sylvant siltuximab is an **anti-IL-6 monoclonal antibody,** the **first and only** ever approved treatment for **iMCD** in US and EU, marketed also in other countries
  - FOTIVDA (tivozanib) capsules is an **oral highly selective small molecule** approved for **first-line treatment** of advanced **renal cell carcinoma**
  - Caphosol® is **medical device** for **oral mucositis** due to chemo and radio therapy, a niche product sold globally

- ✓ **EUSA complements** Recordati's **global footprint** and **expertise** with **new rare and niche oncology disease capabilities**, which will provide a **platform for future further expansion** in these areas

- ✓ **2021 Sales of just over €150 million is ahead of Plan**, reflecting also uplift on Sylvant from likely use in other settings and market shortage of other IL-6 products; forecast **peak sales estimate of around €250 million** (1) and **going EBITDA**(2) **margin in line with average of Rare Disease segment,** to be reviewed post deal close

- ✓ Regulatory review process progressing to Plan, with **acquisition now expected to close in Q2 2022**; bridge financing facility reduced to €450 million thanks to new Term Loan of €200 million already finalised

1) Including Qarziba launch in US and in other geographies
2) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items



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# CEO First impressions

**Heritage**

Solid company with strong foundations

**Commitment**

Focus on performance and delivery with strong discipline

**Diversification**

Stable, cash generating SPC business and higher margin / higher growth RRD

**Global**

International team

**Growth**

Accelerate growth with targeted investments, particularly in RRD

# Main products sales

| (million Euro) | FY 2021 | FY 2020 | Change % |
|---|---|---|---|
| Zanidip® (lercanidipine) | **136.7** | 134.6 | 1.6 |
| Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol+felodipine) | **98.1** | 105.7 | (7.2) |
| Eligard®[(1)] | **85.3** | - | n.m. |
| Urorec® (silodosin) | **60.7** | 74.1 | (18.1) |
| Livazo® (pitavastatin) | **42.8** | 52.9 | (19.1) |
| Zanipress® (lercanidipine+enalapril) | **41.2** | 48.4 | (14.9) |
| Other corporate products [(2)] | **286.1** | 269.5 | 6.2 |
| Drugs for rare diseases | **383.9** | 319.4 | 20.2 |
| of which Endo franchise[(3)] | **126.6** | 79.0 | 60.2 |

1) Eligard® net revenue includes margins booked as net revenue until transfer of market authorizations and distribution
2) Includes the OTC corporate products for an amount of € 115.5 million in 2021 and € 103.6 million in 2020
3) Endo franchise net revenue 2020 includes margins on sales of Signifor® and Signifor® LAR until transfer of market authorizations



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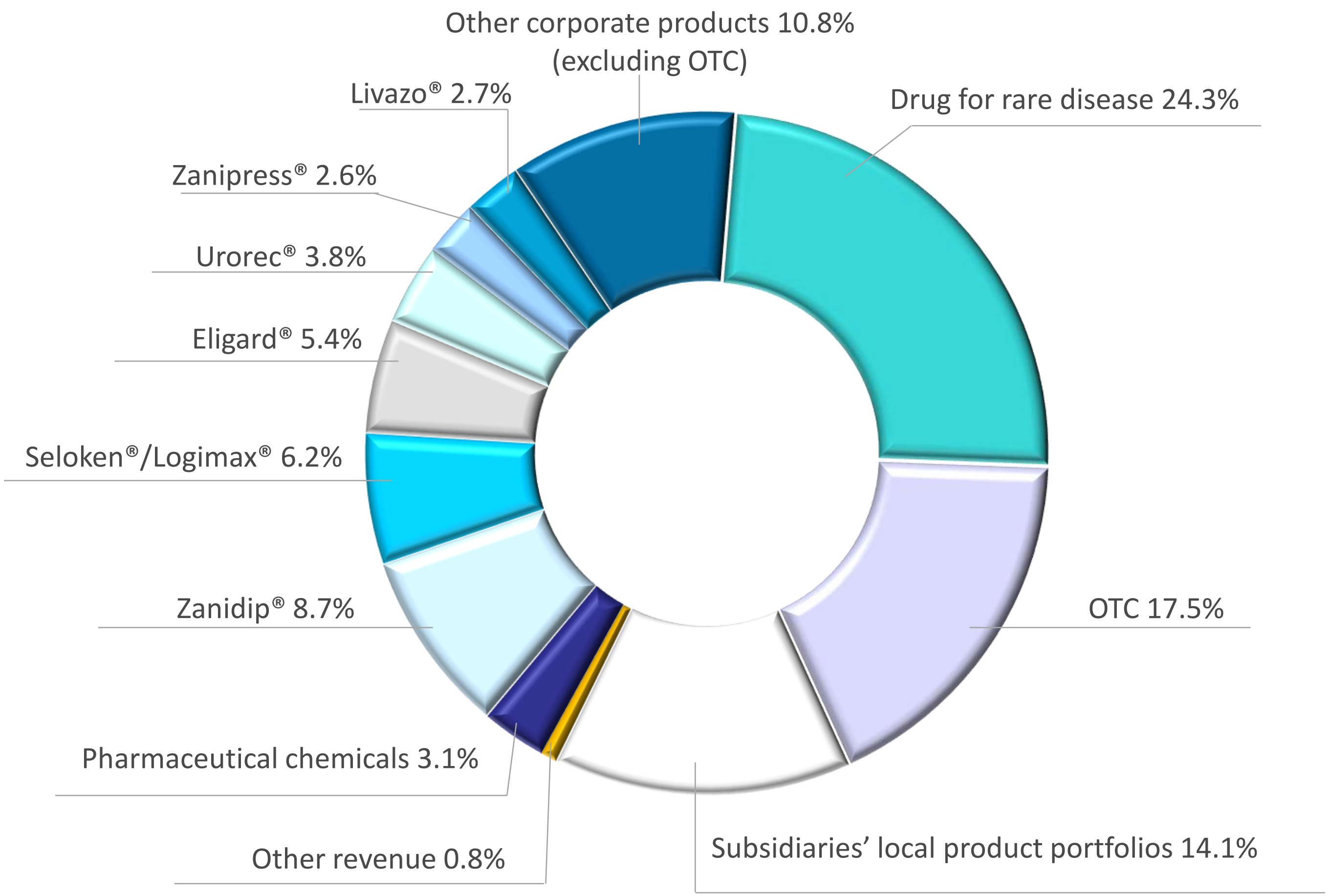
# A diversified product portfolio




Data: **Full Year Results 2021**
Total revenue € **1,580.1 m**

# Composition of revenue by geography

| (million Euro) | FY 2021 | FY 2020 | Change % |
|---|---|---|---|
| Italy | **258.2** | 266.5 | (3.1) |
| France | **151.7** | 144.0 | 5.3 |
| Germany | **152.9** | 135.7 | 12.6 |
| Spain | **120.0** | 83.8 | 43.2 |
| Portugal | **45.4** | 42.7 | 6.4 |
| Turkey | **70.3** | 79.2 | (11.2) |
| Russia. other CIS countries and Ukraine | **99.6** | 100.2 | (0.6) |
| U.S.A. | **176.9** | 122.5 | 44.4 |
| Other CEE countries | **112.0** | 92.0 | 21.8 |
| Other W. Europe countries | **104.4** | 91.1 | 14.5 |
| North Africa | **35.9** | 41.3 | (13.0) |
| Other international sales | **204.2** | 200.9 | 1.6 |
| TOTAL PHARMACEUTICALS | **1,531.6** | 1,399.9 | 9.4 |
| CHEMICALS | **48.5** | 48.9 | (0.9) |

| (In local currency, millions) | FY 2021 | FY 2020 | Change % |
|---|---|---|---|
| Russia (RUB)[1] | **6,338.8** | 6,460.3 | (1.9) |
| Turkey (TRY) | **690.3** | 601.2 | 14.8 |
| U.S.A. (USD) | **209.2** | 139.9 | 49.6 |

1) Net revenue in local currency in Russia exclude sales of products for rare diseases.



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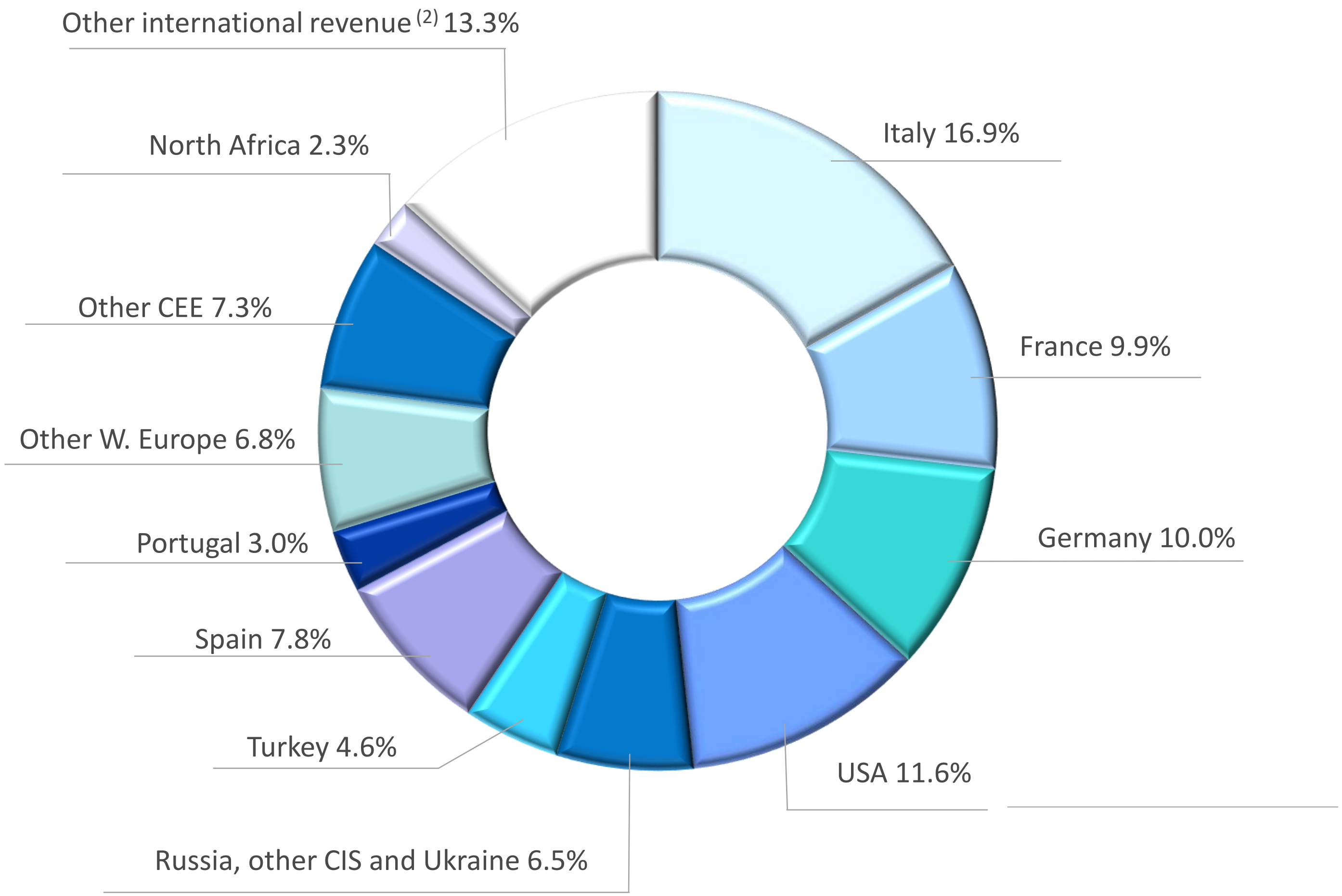
# Geographical breakdown of pharmaceutical[1] revenue




Data: **Full Year results 2021**

Pharmaceutical (1) revenue € **1,531.6 m**

1) Excluding sales of pharmaceutical chemicals which are € 48.5 million, down by 0.9% and represent 3.1% of total revenue
2) Sales to licensees, exports, sales in ROW



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# Full year 2021 results

| (million Euro) | FY 2021 | FY 2020 | Change % |
|---|---|---|---|
| **Revenue** | **1,580.1** | **1,448.9** | **9.1** |
| Gross Profit | 1,152.3 | 1,042.0 | 10.6 |
| as % of revenue | 72.9 | 71.9 | |
| SG&A Expenses | 480.9 | 421.9 | 14.0 |
| as % of revenue | 30.4 | 29.1 | |
| R&D Expenses | 166.1 | 146.2 | 13.6 |
| as % of revenue | 10.5 | 10.1 | |
| Other Income (expense), net | (15.1) | (4.9) | 207.1 |
| as % of revenue | (1.0) | (0.3) | |
| **Operating Income** | **490.2** | **469.0** | **4.5** |
| as % of revenue | 31.0 | 32.4 | |
| Financial income (expenses), net | (26.8) | (13.4) | 100.9 |
| as % of revenue | (1.7) | (0.9) | |
| **Net Income** | **386.0** | **355.0*** | **8.7** |
| as % of revenue | 24.4 | 24.5 | |
| **Adjusted Net Income** (1) | **424.6** | **410.4** | **3.5** |
| as % of revenue | 26.9 | 28.3 | |
| **EBITDA** (2) | **602.3** | **569.3** | **5.8** |
| as % of revenue | 38.1 | 39.3 | |

1) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects
2) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items



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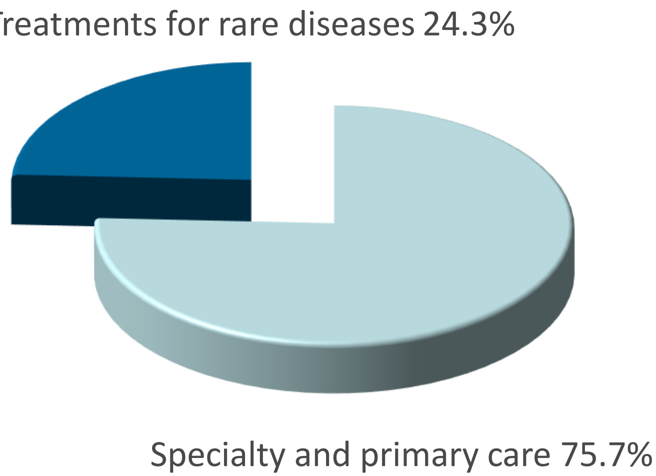
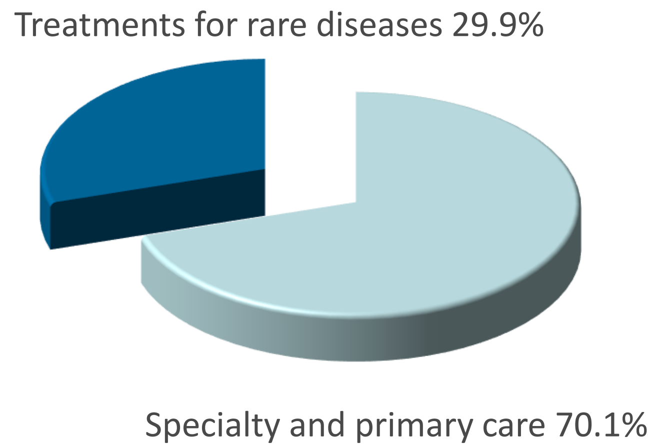
# Full year 2021 results

## Operating Segments

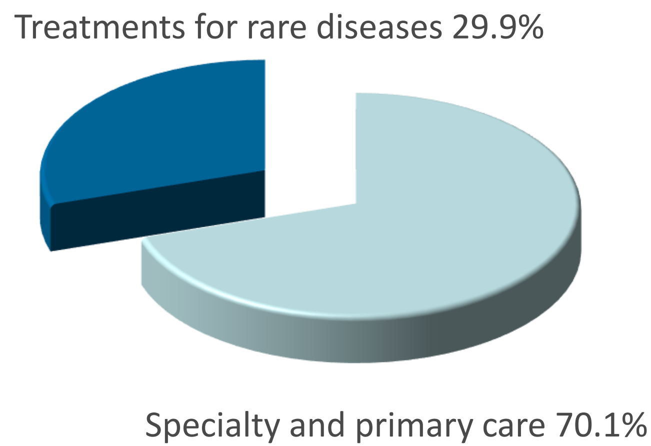
### REVENUE




### EBIT




### EBITDA




**Margin on Sales:**
Treatments for rare diseases: EBITDA 47.0%, EBIT 38.2%
Specialty and primary care: EBITDA 35.3%, EBIT 28.7%

# Full year 2021 cash flow

| (million Euro) | FY 2021 | FY 2020 | Change |
|---|---|---|---|
| **EBITDA** | **602.3** | 569.3 | 33.0 |
| Movements in working capital | **20.0** | (75.5) | 95.5 |
| Changes in other assets & liabilities | **(15.5)** | (11.1) | (4.4) |
| Interest received/(paid) | **(18.0)** | (18.2) | 0.2 |
| Income Tax Paid | **(91.6)** | (65.3) | (26.3) |
| Other | **(5.6)** | 4.4 | (10.0) |
| **Cash flow from Operating activities** | **491.6** | 403.6 | 88.0 |
| Capex (net of disposals) | **(21.7)** | (21.3) | (0.4) |
| **Free cash flow** | **469.9** | 382.3 | 87.6 |
| Increase in intangible assets (net of disposals) | **(65.5)** | (110.4) | 44.9 |
| Dividends paid | **(216.7)** | (212.7) | (4.0) |
| Purchase of treasury shares (net of proceeds) | **(59.3)** | (12.2) | (47.1) |
| Other financing cash flows (1) | **(72.1)** | (46.7) | (25.4) |
| **Change in cash and cash equivalents** | **56.3** | 0.3 | 56.0 |

1) Opening of financial debts net of repayments and currency translation effect on cash and cash equivalents



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# Net financial position

| (million Euro) | 31 DEC 2021 | 31 DEC 2020 | Change |
|---|---|---|---|
| Cash and cash equivalents | **244.5** | 188.2 | 56.3 |
| Short-term debts to banks and other lenders | **(8.7)** | (12.6) | 3.9 |
| Loans and leases – due within one year[1] | **(221.5)** | (270.2) | 48.7 |
| Loans and leases – due after one year[1] | **(750.8)** | (771.2) | 20.4 |
| **NET FINANCIAL POSITION** | **(736.5)** | **(865.8)** | **129.3** |

1) Includes the fair value measurement of the relative currency risk hedging instruments (cash flow hedge)

# Financial projections - Key assumptions

- Expect Revenue excl EUSA to grow **mid single digit**, reflecting adverse FX of approx. -1% :
  - **Specialty & Primary Care to grow low to mid single digit**, despite adverse TRY FX; continued return to normal market conditions and growth of Eligard® (sales of >€100 million) partially off-set by limited decline of lercanidipine sales in the year due to adverse impact of tenders in China
  - **Rare Diseases business to grow double digit**, driven by continued strong uptake of Endo franchise, expected to reach revenue of €160-180 million, and further growth of Cystadrops®, Ledaga® and Juxtapid®, with potential slight erosion on Carbaglu®, following announced launch of a generic in US (4 years post LOE)
- **EUSA** to contribute **Revenue of over €110 million and EBITDA of around €25 million**, assuming completion in Q2
- Combined with EUSA, **overall Group EBITDA margin for 2022 expected at +/-37% of revenue**, reflecting short term impact of inflationary pressures and investment in Europe and ROW markets behind Isturisa®, following progressive reimbursement in key countries
- **Non-recurring costs of €35 million**, of which ~€5 million due to SPC right sizing (mainly voluntary exits) and ~€28 million related to EUSA integration (including on going Sylvant® tech transfer from Janssen)
- **Financing costs of €31-33 million** (no FX gains/ losses assumed), including costs of EUSA financing; expect **net debt post acquisition around 2.4x EBITDA** (pro-forma) trending to **2.2x by the end of year** (excluding any further BD/ M&A)
- **Tax rate to be around 22-23%**, reflecting evolving country mix and increased statutory rates in certain markets
- Incremental amortisation charges and other non-cash IFRS3 adjustments arising from the EUSA acquisition, including fair value adjustment to acquired inventory, will be determined post acquisition completion on the basis of the formal Purchase Price Allocation

# Financial projections

## 2022 targets - To be calibrated post EUSA completion (assuming EUSA acquisition completion in Q2)

| | **FY 2021** Actual | **FY 2022** Target | Changes |
|---|---|---|---|
| Revenue | **1,580** | **1,720 - 1,780** | +10.8% |
| EBITDA(1)<br>*margin on sales* | **602.3**<br>*38.1%* | **630 - 660**<br>*+/-37%* | +7.1% |
| Adjusted Net Income(2)<br>*margin on sales* | **424.6**<br>*26.9%* | **450 - 470**<br>*+/-26%* | +8.3% |

1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items
2) Net income excluding amortization and write-down of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects

# Questions & Answers

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# Company declarations, disclaimers and profile

***DECLARATION BY THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS***

***The manager responsible for preparing the company's financial reports Luigi La Corte declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this presentation corresponds to the document results, books and accounting records.***

***Statements contained in this presentation, other than historical facts, are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are based on currently available information, on current best estimates, and on assumptions believed to be reasonable. This information, these estimates and assumptions may prove to be incomplete or erroneous, and involve numerous risks and uncertainties, beyond the Company's control. Hence, actual results may differ materially from those expressed or implied by such forward-looking statements.***

***All mentions and descriptions of Recordati products are intended solely as information on the general nature of the company's activities and are not intended to indicate the advisability of administering any product in any particular instance.***

***Recordati, established in 1926, is an international pharmaceutical group, listed on the Italian Stock Exchange (Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003828271), with a total staff of more than 4,300, dedicated to the research, development, manufacturing and marketing of pharmaceuticals. Headquartered in Milan, Italy, Recordati has operations in Europe, Russia and the other C.I.S. countries, Ukraine, Turkey, North Africa, the United States of America, Canada, Mexico, some South American countries, Japan and Australia. An efficient field force of medical representatives promotes a wide range of innovative pharmaceuticals, both proprietary and under license, in several therapeutic areas including a specialized business dedicated to treatments for rare diseases. Recordati is a partner of choice for new product licenses for its territories. Recordati is committed to the research and development of new specialties with a focus on treatments for rare diseases. Consolidated revenue for 2020 was € 1,448.9 million, operating income was € 469.0 million and net income was € 355.0 million.***

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