# Recordati 2022 Preliminary Full-Year Results and 2023-2025 Plan Update

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### Recordati 2022 Preliminary Full-Year Results and 2023-2025 Plan Update

**Andrea Recordati:** Ladies and gentlemen, I'm Andrea Recordati. I'm the Chairman of Recordati. And I'm very pleased to be here today with you for Recordati's full year – 2022 full year results and update of a three-year plan presentation. I know there's quite a lot of you here in the room with us today but would also like to acknowledge those of you that are connected by webcast and also by phone, and welcome you all. Just wait for this. Gentlemen and ladies to sit down.

So, as you all know, the Group has carried my family's name for more than 95 years. And although this will be the first time that the three-year plan update will be provided by someone other than a Recordati, as Chairman, I would like to introduce the meeting and say a few short words.

Shortly, I am very proud of the company, or how the company has developed and continue to perform in the course of 2022. And I'm very supportive of the direction set for the next years, which is very much in keeping with the tradition and strategy of the company.

As always, again no plans that we presented in the past, but some appropriate tweaks and evolution to ensure that we remain competitive and continue to deliver the same successful results that we have had delivering for decades. I'm extremely supportive of the management

team, first of all, of Rob, following a very smooth and successful handover and transition as the new CEO, and with whom the collaboration and alignment on strategic and operational matters continues and could not be better, and clearly, also the rest of the team that was built in recent years to drive the business forward.

Today, in addition to Rob, our CEO, and Luigi, our CFO, that you all know, you will also hear from Alberto Martinez, who leads our Specialty & Primary Care business, who joined the company in January 2021; and from Scott Pescatore, who leads our Rare Disease business unit, and who joined the company in 2020.

I will now leave the floor to Rob and the other gentlemen to take you through the presentations. But if anyone was in any doubt, I remain fully committed to support the continued success of the Group as a Recordati, as Chairman and also as an investor.

So thank you very much. Gentlemen, I leave it to you.

**Rob Koremans:** Thank you, Andrea. And let me introduce the team here, although Andrea has already given a brief introduction.

Like I said, you all know Luigi, who has been with us for some years now, who have been your constant face to the market and interaction and will continue to do so. Alberto joined two years ago with a fairly extensive pharmaceutical background, European leader in pharma in different parts of Europe and a fantastic track record. And Scott has joined three years ago, but only stepped up only – stepped up one year ago to his current role of heading our Rare Disease, brings extensive commercial background, leadership background and specifically also in the more niche type of markets, which is very appropriate for our Rare Disease.

And so together, we're happy to take you through our results of this year and show a little bit of what the future will bring for Recordati. And we continue our journey of profitable growth. And in doing so, we will evolve much like this iconic sports car, high-performance car from 1963.

Today, it is still very much the same car in terms of high quality, reliable and being performing in an incredible way. But it's also today still that admired car that many people love because it's always staying on top of technology and having state-of-the-art technology and design.

And this is very much what we intend to do with Recordati. In order to stay the same, you have to evolve. And in moving forward, and Recordati evolving to stay the same, to stay resilient, to stay growing and disciplined and a company focused on patients and performance that is very much the metaphor of the Porsche that we chose to give you some sort of picture on our strategic intent going forward.

We'll kick off the presentation by looking at the 2022 results, which we're all convinced make a fantastic foundation for our future. But I'll hand over to Luigi to guide you through the 2022 results.

**Luigi La Corte:** Thank you, Rob, and good afternoon, good morning, everyone. Rob, Andrea said you all know me. Today, I'm the warm-up act going through our preliminary 2022 results, where I know everyone's focus is possibly on the three-year plan.

But actually, from my side, I'm really excited and really proud of the results that the Group has delivered over the course of 2022. I won't go through the usual details but just hit the highlights.

And as you see from the summary slide, hopefully you will agree, the Group has delivered once again a very, very solid set of financial results. Net revenue of €1.853 billion, was an increase of over 17%. Clearly, that includes the benefit of the consolidation of EUSA as of Q2, which very much in line with the legacy of the company, we integrated quickly and very effectively in the organisation, and is performing, as you know, ahead of plan.

But it reflects also a very, very solid performance of all of our businesses across our network with organic growth of just over 8%. Revenue growth plus usual cost discipline have helped us deliver once again, also a very solid set of bottom line results, EBITDA and adjusted net income at both growing by over 11%, respectively, 36.3% and 25.5% of revenue.

But this year, we didn't just deliver the results, we also delivered on a number of milestones, which we feel really position the Group well for the future beyond the integration of EUSA. You see them listed on the slide. Obviously, we said we would aim to achieve this year reimbursement for Isturisa across the main EU markets and very happy to confirm we've done that, following Germany and Spain.

Isturisa is now – reimbursement is approved already in Italy, and will be shortly in France. Eligard new device was approved by the central authorities in Europe. You will hear more from Scott and Rob on the new opportunities that we have identified in terms of life cycle management and new indications. And we've also, in the month of December, closed a very small business acquisition that will strengthen our urology franchise in Italy.

Not mentioned on the slide, but equally exciting, just for extra fun. If this wasn't enough, we went live with a new SAP system in Italy as of January 2023. And so far, the business has not missed a beat. So we're very proud of that as well. Very proud also of our continued performance in terms of cash flow. €439 million, once again, north of 90% of adjusted net income.

And finally, as we've been commenting throughout the year, our P&L reflects a number of non-recurring items and some noise from implementation of IAS 29 for Turkey, and I'll try and unpick those as we get to the P&L.

Alberto and Scott will go through the business in more detail, so I'll just provide one summary on this. Our usual slide on sales performance of our key products, which hopefully shows two things. Number one, once again, a very resilient revenue of our key legacy mature products. We see them on the top of the slide. Small decline in Zanidip, Zanipress, which we expected, we flagged at the beginning of the year due to lower sales to China.

Nice to see, on the other hand, pitavastatin showing a little bit of growth. Eligard, of course, Alberto will talk to, growing 22% or just over 8% on a like-for-like basis. And in SPC, other corporate products, growing by close to 10% on the back of the rebound of cough and cold, the strong performance of our gastro portfolio and our broader OTC portfolio.

And finally, Rare Disease clearly showing a very, very strong growth, 55%, now represents close to one-third of Group revenue. Clearly, this reflects €136 million contribution from EUSA, clearly ahead of what we had anticipated at the start of the year. But with very, very strong growth – continued growth of the endocrinology franchise with continued strong uptake of Isturisa and double-digit growth of Signifor.

Noteworthy, metabolic portfolio also growing double-digit in the year, driven by Panhematin and Cystadrops, and even Carbaglu, despite first generic entries in the US at the beginning of 2022.

So we clearly go into 2023 with a very strong momentum. And you will have seen from the press release on the back of that momentum, we've also increased our peak sales guidance for both our onco and endocrinology franchise.

So where does that take us in terms of P&L? The revenue growth, as mentioned, and the cost discipline helped us deliver results, which were north of the targets we set at the start of 2022 for each of revenue, EBITDA and adjusted net income. Allowing for the small adjustments due to hyperinflation accounting, we would have been very much in line with our margin objectives as well.

Personally very, very proud. I think we are very proud of the resilience of our margin, particularly at the gross profit level. Small decline versus last year really being at the level of adjusted gross profit really been driven, again, as I said, by the hyperinflation impact in '22 and a slight enhancement in the margin because of the Eligard transition in '21.

SG&A and R&D costs growing in 2022, as a result, obviously, of the EUSA consolidation, the investment behind our growth drivers, resumption of activities post-COVID. And finally, also on the R&D line, additional €26 million of amortisation, following the EUSA acquisition.

As said earlier, the €57 million of other expenses is mainly the non-recurring costs, which were around €50 million, €20 million of that being EUSA and €23 million from the rightsizing in SPC. And on the – this came in slightly higher than anticipated at the beginning of the year because of an acceleration of that rightsizing, and Alberto will speak to that.

On the other hand, the financial expenses coming below the expectation that we set at Q3 as due to the weakness of rouble and dollar at the end of the year. Many of the FX losses we had incurred in the first half unwound. So once again, a very solid results that position us well for 2023.

And to finish from my side, one other key area of strength of the Group, our ability to continue to deliver strong cash flow, free cash flow of €439 million, north of 90% of adjusted net income, which is a very strong result if you consider the growth of the business, which drove obviously an increase in working capital and particularly of stock levels, and the fact that we absorbed some of those non-recurring costs that we incurred in the year.

Thanks to this performance, we closed the year with net debt just over – just marginally over 2 times EBITDA. But once again, we feel a very strong foundation to continue on our journey of profitable growth. You'll find the usual slides in the backup, including a reconciliation between reported and adjusted earnings.

And with that, I will turn over to Rob.

**Rob Koremans:** Thank you, Luigi. Indeed very good results and a fantastic base to be that top-tier value creator for patients, for investors and for our own people. So very happy to take you to what Recordati is today and as a logical so then look into the future.

As Andrea already reflected on, 95 years of history started in Italy. This place has played a vital role in Recordati and it's nice to be back here. For me the first time, frankly, here, but it's nice to be here and present this outlook.

Today, Recordati is a truly international business. It has two very strong different parts of the business, on one hand the Specialty & Primary Care, and on the other hand is the Rare Disease business. The Specialty & Primary Care is a well-established business. It's largely European. And we have originator brands that are almost all beyond the loss of exclusivity.

But we also have a base of prescription products and non-prescription or OTC products. And in the past years, we've become and we are a European partner of choice in the field of cardiology, urology or gastroenterology.

On the Rare Disease side, we're really global. Recordati was one of the very first companies to see the opportunities there, step into it and gradually have built this most recently with the strong acquisition of EUSA, which is now a rare oncology. But beyond rare oncology, we have endocrinology and the base was always our metabolic business.

We have very strong and very good products, second to none for patients and highly appreciated by healthcare professionals, patients and the caregivers alike. And in our portfolio, we carry a couple of promising low-risk, low-cost lifecycle opportunities to expand indications that Scott will dwell on further on.

Our company has always been totally committed to performance, delivering steady profitable growth and very strong cash generation. And that's very much the plan going forward. And part of that has also come from incredible discipline on capital allocation. And the financial discipline that I think has been one of the absolute traits that I've come to see at Recordati in the last year that I had the pleasure of leading this Group.

And the other part is really – and that's also a very strong part of capital allocation, an incredible good track record in doing M&A, both immediately accretive deals but also some deals where we – that were not immediately accretive, but clearly value-creating, like the endo franchise with Isturisa, launching a product where we had to invest but we were able to upgrade our guidance. And this product is performing really well, and it was a fantastic step for Recordati.

In all of that, we've kept our operating model fairly consistent with a well-diversified revenue base, with strong commitment to growth and a limited exposure to loss of exclusivity. A very robust integrated supply chain, very low development risk and accretive and growth business development and M&A.

Let me go into those elements a bit more in detail. The diversification of our revenue base comes, as you can see in the top of the slide, geographical. Italy is continuing to grow. In fact, in 2022 has done really well, but in '23 will be taken over by the US. And this year, we will have the US as our leading market. But there's an incredible nice spread of geographies, which really helps our diversification.

And also in terms of product portfolio, indications, therapeutic areas, prescription and non-prescription, all of that is extremely well-balanced. And with a very good growing global footprint of rare disease, this gives us a fantastic base and a stable base to capture growth opportunities that are there, and we have had this commitment to growth.

The last ten years, 50% coming from organic, like launching Isturisa but driving Eligard, driving the products even after loss of exclusivity and inorganic growth, clearly that you've also seen. And this commitment to growth is something that defines Recordati and you can expect of us going forward. We've been able to do that while sustaining really good margins and a very strong balance sheet.

Like already said, we have a limited exposure to loss of exclusivity and that has a couple of elements. One, a very strong background and track record in stabilising products post loss of exclusivity. And as you can see from some of the examples on the left, these products, some of them have actually increased after losing exclusivity, which is quite remarkable. And on the other hand, we have a portfolio in the Rare Disease with protection of our products, no meaningful new loss of exclusivity in the next five years and a good protection base there.

And part of that stability also comes from a very robust integrated supply chain with 60% of volumes being produced by Recordati itself and largely European footprint, which makes us much less open and susceptible to difficulties in China or India, for instance, and that's something we feel strong about, but it also helps us to really navigate difficult times. And we all know that 2022 has been challenging in terms of supply chain. We've had no issue whatsoever. Sometimes that's a big effort with no issue to continue to supply our customers and to do that at good conditions. So this has delivered and will be an important base going forward to deliver.

And in our pipeline, and I think that's a bit new for Recordati, there are a number of opportunities, which you would call life cycle management to develop additional indications for current products that are on the market. And we have that for Isturisa and Signifor, Qarziba and Sylvant, and Scott will dwell on that going forward. But also new products in neurotrophic keratitis, what we call, we've used the name MT8, but it's REC 0559 as our official name or abbreviation for this product; that is going to be an important part of our growth strategy going forward.

Also on the SPCs, we have done a couple of really interesting things. For instance, in OTC, new formulations. In Italy this year, we will be launching eight new formulations, right? So this is not something that we just take all brands and leave them and take them for granted. This is continuous work to improve the customer experience, and we're doing a really good job at securing that. And the growth has also come from doing deals, both immediately accretive and more growth or strategic deals in M&A or licensing or partnering, an incredible history of having done this and continue to deliver.

Also in 2022, we also talked about the EUSA acquisition that was completed only 10 months ago and the integration that happened really quite successful, and a small product that Luigi already mentioned, but important for Italian franchise in urology and that is Telefil. And this is something that has generated very reliable growth, consistently delivering on plan, again, on or above plan, also 2022. Our figures are very much something to be proud of, and this is something we carry in our DNA. We deliver on our promises.

And we've done that, and I think you all know the challenging times we've had and are still facing in terms of supply chain, inflation, gas prices, as you can see here. Recordati definitely is not completely immune to this. We're part of the world, and we have to deal with it, but we are dealing with it successfully and delivering through a challenging environment. And

delivering what I'm proud to say are really sector-leading margins that we've been able to sustain. You will appreciate that I can't mention the peers that here, but we benchmark with the ones that typically you also benchmark us, too. And we're very proud of the margins we have achieved and continue to achieve in delivering on our business.

So with that, I believe we are really extremely well positioned to go into the strategy. And it's quite obvious, and as from the metaphor on the fascinating sports car, you need to change and evolve a bit to continue to be the same. For us, there's no need to dramatically change or overhaul our strategy. We will continue to work in the same model but there are things that we will have to adapt and there are new opportunities. And the environment brings new challenges and opportunities with it as well. So for that reason, sharing the strategy going forward.

Profitable organic growth of our current portfolio is going to be an extremely important part of our future and driving our performance. And that's something we have done and we'll continue to focus on. And add to that accretive, but also growth deals, licensing, partnering or acquisitions is going to be important. We'll continue to invest in both our business in SPC and in Rare Disease. And in rare, where there are a couple of real good opportunities, they are – we need to make sure that we capture the opportunities that come from the US, and we need to make sure that we capture the opportunities that are in our own pipeline, like I already tipped on.

And we'll continue to drive for further efficiencies and simplification using digitalisation, which good companies do. And of course, we remain committed to sustainable development. And all we do, and that's very typical for Recordati, is done with passion and discipline. And that's something that we have to defend going forward.

If I look at Specialty & Primary Care, we're not going to do geographic expansion. We'll focus on the current markets with a stable base of established brands and growth drivers in some of our flagship brands, including the OTC products. And the key there really is operational excellence, which is not just commercial but also in industrial, making sure that we have the right product of quality at the right cost of goods, and of course, engaging with our customers in the right way, right customer, right time, right message and making sure that you follow up.

And as you can see from our 2022 results, the team of Alberto is doing a fantastic job at it. On top of that, we'll look at acquisitions and licensing opportunities of promotion-sensitive mature products that are in-market or near-market opportunities in gastro, in uro or in cardiology are areas of strength in – where we can bring those products and launch them successfully.

And if I look at our Rare Disease, it's all about making sure that we increase – we have more patients benefiting from our really fantastic products, which is about enhancing diagnosis for rare disease is really difficult. I'm a medical doctor myself, and many of the diseases that we are currently helping to treat and have treatments for, I never even got educated at the university when I was studying, and this is not unique for me. That's something that we need to make sure that we do. And we've done that well, but this is something that we need to continue to focus on, educating the healthcare professionals and patients and develop the new indications that we touched on already.

Our global presence is essential, but we need to spend extra focus on the biggest opportunity within Rare and that is in the USA. And it's about commercial and medical excellence, which has a lot to do with educating, continue to demonstrate value to patients, to payers, to

regulators, to healthcare professionals and to everyone, all the relevant stakeholders in this field. And of course, we'll continue also with acquisitions and partnerships, local, global, all of them focused on near-market opportunities, but also on products that are opportunities and when they are post proof of concept.

So if you look more specifically at our business development focus for the SPC part, it's really the go-to partner for promotional-sensitive prescription products. Near-market opportunities in the core areas and some regional or local flagship brands in OTC, which is very much what our OTC business is defined by.

And like I said already in Rare Disease, this is either global, regional or local. And we look at opportunities that are either immediately accretive or products that we can bring to market, which in Rare Disease is a shorter track after proof of concept. What we do not intend to do is become a discovery house and spend fortunes on R&D. This is really about continuing to drive medical and commercial excellence.

And all of that – and for me, personally, this is extremely important. We'll do that by maintaining our commitment on sustainability. We want to leave the planet a little bit better than we found it – and I went one too fast. It was really good to see that, in 2022, our efforts have been recognised by some of the leading indices and ratings, and we continue to do this. There's a lot to be done on sustainability, but we're committed to doing that.

And with that, I would like to hand to the first of our two businesses, Alberto.

**Alberto Martinez:** Thank you very much, Rob. Thank you all. I'm delighted to be here and present Specialty & Primary Care. Specialty & Primary Care is the backbone of Recordati. Over the past two decades, this business unit has been a story of growth, of international expansion and of diversification of the business across different therapeutic areas.

Clearly, you can see how, from that initial Italian company with a core in cardiovascular, the numerous acquisitions and licenses have resulted into continued growth of this business. Let me give you some examples.

Here you can see how, in 2013, the acquisition of Casen Fleet in Spain, provided Recordati Specialty & Primary Care with a reference leadership in gastroenterology. Later in 2017, the licensing of Seloken from AstraZeneca offered the opportunity to relaunch the brand across all markets, very successfully. You can see how, in 2020, like most pharma companies, there was a small dip in the growth. Obviously, COVID was there and also the loss of exclusivity of two of our major brands: Urorec and Livazo. But SPC is back to growth very strongly.

The licensing of Eligard, combined with the evolution of our SPC strategy over the last two years, has led to record sales in 2022. As Rob mentioned, Recordati Specialty & Primary Care is the European partner of choice. Let me tell you why. First, because it offers direct presence, direct commercial presence in more than 30 countries – sorry, okay – first, because it offers that direct commercial presence across more than 30 markets from Western Europe to Russia and CIS, also including Tunisia or Turkey being strong operations where we directly commercialise our products, but also supported by a global network of licensors across the globe.

We offer a portfolio of more than 400 brands that brings diversification. Our portfolio where the key brands are being promoted effectively to specialists, to primary care physicians and also to

pharmacies with more than 1,500 salespersons. And we do it in both prescription and in consumer healthcare.

Recordati SPC has a proven heritage of growing originator brands through their life cycle. Clearly, that has been demonstrated over time, and it's continued to have that expertise in-house. Today, we have a large portfolio essentially with negligible loss of exclusivity that continues to grow.

Our portfolio, our drugs serve patients across many therapeutic areas. However, 70% of them are concentrated in three core areas: cardiovascular, urology and gastroenterology. The good news is that these areas are growing areas. They are expected to grow over the next years. We can see from IQVIA that the projections are of mid-single-digit growth in each one of these areas. So we are playing in areas where there is a growing market trend, and we are, in many cases, outcompeting the market. That growth is coming from ageing population with some innovations and also from increasing consumer demand.

And we have some leading brands in each one of these three areas. You can see here some of our major brands in our portfolio. For instance, in neurology, we have Eligard, obviously, our key focused growth brand these days, but also Urorec, silodosin, that Recordati launched years ago successfully and is now a core established brand that, as Rob showed, has been successfully stabilised.

In cardiovascular, we have a very strong growth brand today in France with Reselip. It's a combination of atorvastatin and ezetimibe that we have launched extremely successfully in the French market. But also, we have very strong legacy brands like Zanidip, Seloken or Livazo, well-known brands in our portfolio.

And when you look at our consumer healthcare portfolio, we also have flagship brands, as were mentioned before, not only in those core areas, but in other areas like food supplements or cough and cold. So out of those key brands, one of the goal was to separate them between growth brands, the brands that have growth potential and established brands. This was one of the key outcomes of the strategy.

I joined Recordati two years ago with a clear mission, to continue to secure another chapter of profitable growth for SPC. That was the message very clear for – from Andrea. And clearly, in order to do that, we had to simplify the business. The first simplification came from separating the growth from the established brands. From there, it was about focus. It was about focusing our best resources and capabilities in accelerating growth of those growth brands while optimising our established brands for profitability.

Most importantly, we also work around business development in partnership with them to ensure that we not only bring the right assets but assets where we can be the better owner where we have the right to play and the right to win. We wanted to align our business development effort to our commercial capabilities.

Products like Seloken, very good example in cardiovascular or Eligard in urology. That's what we can really make a difference, where we can outcompete the market.

Here, you can see the strategy that was formulated two years ago and that has been implemented successfully since then. So now let me show you some examples of that successful implementation across our portfolio.

The first one in prescription. In our prescription market, that you can see here, you can see in the red bar, how our focus has enabled – on a very selected number of growth brands has enabled a strong growth in the past couple of years and is projecting a double-digit 14% annual growth over the years to come. We feel tremendously confident in our ability to drive that double-digit growth by focusing behind the right products.

But at the same time, we are optimising, we are stabilising our established brands, as you saw from Rob, a slide before. So that focus is absolutely key to accelerate growth. And a very good example can be found in Eligard, a product that you know Recordati in-licensed two years ago. Here you see what happened with that product since it was in-licensed by Recordati in March 2021. As you know, we in-licensed this product from Tolmar.

At that time, on the left-hand side of the slide, you can see that the competitiveness of the product was underperforming the market. Recordati took the product, integrated it successfully across all the markets, stabilised the sales and dramatically improved the competitiveness. Last year, already, Eligard was outcompeting the market and deliver very, very strong growth. And we have great expectations for the continued growth in the years to come.

And this is not only happening in one or two markets in France or in Spain, it's happening across the region. So you can see those strong projections of growth translated on the right-hand side for Eligard in the years to come. So this is the example in prescription business.

But now let me share with you the example in the Consumer Healthcare business. In our consumer healthcare business, we have applied the same approach, focused strategy. We have selected a number of products, in this case, ten products, some of them regional brands, some of them local brands, and that focus is projecting an almost double-digit growth in the years to come. We're seeing that benefit already in the performance of last year, and we are certainly absolutely confident in our ability to accelerate growth in the years to come while maintaining with the rest of the portfolio a solid 3% annually.

So focus has been a key element of the evolution of our strategy. But beyond focus, it has also been supported by the proactive rightsizing of our commercial organisation. That proactive rightsizing of our organisation has meant that over the last two years, including this one, there have been 350 FTEs, primarily sales person, primarily in primary care, that has left the company. This has obviously generated savings, but more importantly, some of those savings have been reinvested in enhancing our commercial capabilities and relaunching growth products like Eligard. At the same time, we have been able to essentially keep a similar level of operation during those years.

So the rightsizing, the focus and the commercial excellence are key. But ultimately, they are important because they are translated into the right-hand side of the slide into the competitiveness of this business unit.

Over the last two years, Specialty & Primary Care has gained 10 points of competitiveness versus the market. And last year, it outperformed the market by 5 points. So that's clearly showing that by focusing, by rightsizing organisation and by enhancing our commercial excellence, we can accelerate the performance.

So in summary, you have, in SPC, an excellent platform for profitable growth. On our foundations, a very solid foundation of established brands by instilling focus on the key growth

brands in our portfolio, and at the same time, optimising those established brands and accelerating the commercial excellence, we can provide a solid 3-4% annual growth over the next few years.

We see that growth being driven mainly by volume, but also we see the price to have a marginally positive effect even after excluding Turkey. All of this is in our portfolio, as I said, most importantly, essentially with no longer loss of exclusivity risk, a portfolio that shows very resilient sales and margins. And obviously, with the right, with the fitting and accretive business development opportunities, we have a huge potential to accelerate this growth and these margins over the next three years.

With that, I'd like to hand it over to Scott, my colleague in Rare Disease.

**Scott Pescatore:** Perfect. Thank you very much, Alberto. Good afternoon, everybody. It's an absolute pleasure to be here today to be the one to be able to present the plan of Rare Disease to you. As Rob mentioned, my name is Scott Pescatore, and I'm Head of the Rare Disease business.

I've been at Recordati for three years now, and I joined Recordati for really three main reasons. The first reason is the mission. The mission to focus on the few. The second reason was Recordati's commitment to patients, its commitment to bringing solutions to patients who are suffering from rare diseases, where, in many cases, there are no other treatment options available. And the third reason was really the opportunity to lead an absolutely fantastic team of dedicated and motivated individuals that work hard every day to bring these products and new innovative therapies to these patients.

So today, I'm going to provide a bit more colour and detail on the plan and some of the thoughts that were already shared earlier by Rob and Luigi. And I'm going to take you on a journey through the business.

Before we dive into the numbers, I think it's important that we take a look back at the rare disease market space. Now many of you may be familiar with these data. Obviously, the rare disease space is a growing segment with a significant unmet need. You can see in the upper left that the segment is growing to about €250 billion by 2025, with an annual growth of about 12.5% to 13%.

We're probably – most of you are probably familiar with some of the figures around a number of rare diseases. You see there's about 7,000 rare diseases where less than 10% of those diseases have treatment options today. So there's really a significant opportunity here for us to find new therapies to treat these diseases. The good news for patients is that things are changing for them. Diagnosis is improving. Treatment options are improving. Education is improving, both through physician education and also patient education.

Awareness is increasing. Many of you have probably seen in your Twitter and LinkedIn feeds that Rare Disease Day is coming up next week on 28th February. So these types of activities are really important for raising the awareness of these diseases so that people can find solutions to help these patients. And all of this is coming together and culminating in patients being diagnosed earlier, treatments being found for them and extending patients' lives.

And the last part is there is a bit of beneficial legislation related to rare diseases that you're probably familiar with through market exclusivity with limited competition, and also some benefits through development of clinical trials in rare diseases.

So let's take a look back at the history of Recordati Rare Diseases. Now we are truly a global organisation that has a very, very strong track record of success through organic growth, geographical expansion and new business development opportunities. If you go back to 2007-2008, when we acquired the Orphan Europe portfolio, that was really the foundation of the business. And we grew that portfolio to the next major milestone, which was in 2013, when we acquired the Lundbeck portfolio and established our presence in the US.

We continued through geographical expansion in Latin American territories, in Canada, in Japan, until our next major acquisition in 2018, which was the endocrinology portfolio from Novartis. We launched Isturisa in 2020, right in the middle of the pandemic, which was an incredible achievement. And that brings us to 2022 with our most recent acquisition, which was of the EUSA portfolio, which brought us into the niche and rare oncology space.

As I mentioned, Recordati Rare Disease is truly a global partner focused on the few. We have a direct or indirect presence in almost every major market across the globe. We're accountable for about a third of the revenue, as Luigi mentioned. We have a direct presence in Latin America, a very, very strong presence in the US that continues to expand. A strong presence in Europe, in Asia, in Japan and South Korea, in the Middle East. And our newly opened office in China, which we started about a year or two ago, where we expect to bring our first product to market in 2024.

Our organisation is split into three primary franchises, in metabolic, in endocrinology and in oncology. And that's how we're also structured in the field in three primary franchises. And we continue to put new patients on our therapies through our geographical expansion and through patient and physician awareness.

So let's have a closer look at our portfolio. As I mentioned, we're in three franchises: metabolic, endocrinology and oncology. I'm not going to spend a lot of time and detail on the metabolic portfolio, but I do have to mention that it is a very, very, very important part of our business. It forms the foundation of our business. And we have key brands in the metabolic portfolio such as Panhematin, Ledaga, Cystadrops and Carbaglu continues to be an important product for us in areas like the Middle East and Latin America, and as I mentioned, eventually in China, when we bring that to market.

We're going to spend time focusing on endocrinology and oncology, which are really the key growth drivers for our business moving forward. Our flagship products in endocrinology are Isturisa and Signifor, with Isturisa becoming – is the number one product in our portfolio. And within oncology, we have four products in the portfolio, but Qarziba and Sylvant are really the growth drivers of the future there. So we'll spend some time talking about those.

Our strategic pillars of growth to allow us to achieve the plan are really focused, and no surprise, around these three main pillars. The first is endocrinology, specifically with Isturisa, growing that product through continued advancement of new patient opportunities in the US and in areas where we have Cushing's disease and Cushing's syndrome label in Europe, and expanding the label in the US to getting the Cushing disease indication in 2025.

In oncology, focusing again on growing Qarziba and Sylvant through new data generation and geographic expansion. And then something that Rob had mentioned earlier that I'd like to spend a bit of time on, and that's our pipeline opportunities. You might be familiar with the REC 0559, which is the MT8 compound. We'll cover a bit on that. Our new opportunity in Signifor and PBH, and then the BLA, which is the Qarziba filing for the approval of Qarziba in the US.

So let's look at the first one in a bit more detail, endocrinology. I'm very, very, very proud of the success that we've had in this portfolio since 2020 when we launched Isturisa, and through the periods that you see here, 2021, and last year, continuous growth of that portfolio. And we're well on track to succeed in 2023, and reach our ambition of €300 million to €340 million by 2025.

I'm also very pleased to say that we have upgraded our guidance since the last call for Isturisa, where we plan to exceed €400 million in sales of that product. And also on Signifor, upgrading our guidance to €100 million to €150 million in sales, and that excludes the PBH indication.

So how are we going to do that? We're going to do that by continuing to identify new patients, new patient opportunities on both is Isturisa and Signifor, continuing to expand into new markets. As Luigi mentioned, we recently received reimbursement in Italy and soon to be in France, and also important in our Latin American and also Middle East regions, and investing in life cycle management opportunities, such as the Signifor PBH opportunity and expanding the label in the US.

Specifically on Isturisa, identifying new patients is key, but keeping them on drug is also just as important. So we're going to continue to ensure that we have adherence to the product through physician education. And similarly for Signifor, getting new patients on product but keeping them on product by continuing to educate the physicians on the efficacy of that product.

Moving over to oncology. Again, a very, very successful story here. And you can see, starting in 2021, when it was still under the management of EUSA, there were some very successful sales of the Qarziba and Signifor franchise. And we grew the business in 2022, despite the fact that we had a lot going on with the integration, bringing in new colleagues. I can say we integrated about 200 new colleagues, and I'm very impressed with the team that we have in place that came from EUSA, and those new teammates are doing a fantastic job driving this business, but also helping us with the Qarziba BLA and expanding into new territories.

So we're well on track to achieve our goals by 2025 of €220 million to €250 million in sales, with peak year guidance of €250 million to €300 million of sales for those products, and that is including the launch of Qarziba in the US.

So specifically, how are we going to get there? On Qarziba, their key priorities are continue to grow that product in the areas where we have approvals in LAC, and continuing to drive for the approval of the BLA in the US, improving penetration in high-risk neuro – in high refractory – relapsed refractory patients in EMEA and LAC; continuing to generate new data in chemo immuno-combined therapy that will allow us to achieve the approval in the US, and hopefully, ideally, expanding the label into other markets as well in the future.

And with regards to Sylvant, as Rob had mentioned, diagnosis is critical, particularly with iMCD patients. We have to continue to drive diagnosis through partnerships with pathologists and

ensure that patients that we have on Sylvant are retained on Sylvant within guidelines to ensure that they get the best possible treatment for their disease.

And the last piece is exploring new indications, and I'll cover that in just a minute, and potentially new formulations to ease the use of this product with patients with iMCD.

So let's look a bit deeper at the development opportunities that we have in the pipeline that Rob touched on briefly earlier. The first is the BLA for Qarziba in the U.S. And we're targeting an area where there currently is no approved immunotherapy, which is the relapsed/refractory induction setting, where currently the treatment options do not include chemoimmuno. And we're generating data in partnership with the FDA to ensure that we can bring this product to market in a setting where there is currently no approved product.

We have a meeting with the FDA coming up later this year, and we anticipate filing late – early next year for an approval by 2025. And we see potential for peak year sales of at least €30 million in the US from this indication.

The second opportunity is in Signifor in post-bariatric hypoglycaemia. Now this is an interesting condition that is a result of patients who have bariatric surgery, where they have significant hypoglycaemia and related events such as seizure and coma due to that issue. Currently, there are no approved on-label treatment options. There are some off-label options available, but we've seen through early data and dumping syndrome that pasireotide does have efficacy in PBH.

So we're targeting a Phase II programme, which will start this year, to investigate this further with the development plan to bring to filing by the first half of 2027. And we anticipate that there are at least €150 million of sales potential in this indication, both in Europe and in the US.

And the last is the REC 0559 or MTA that you're familiar with. And this is a product that's in development for moderate to severe neurotrophic keratitis. This is a disease of the cornea, which results eventually in loss of vision. And we have a product that's in development that is potentially better convenience and has a better safety profile than currently approved treatments. We're currently enrolling the Phase II, and I can tell you that the Phase II is enrolling nicely. It's picked up very, very well in the last month.

And we anticipate filing that indication in the second half of 2027, and we feel that there could be at least €100 million in sales globally for this indication once the product is brought to market.

So one last piece that I want to cover on this slide, which is really important for us, are additional development opportunities. Now these opportunities still require additional investigation. We have some work to do and digging more into the data and the opportunity that we see there. But with regards to Sylvant and Qarziba, life cycle management isn't finished with the approved indications. We do see that there could be the potential, as I mentioned earlier, that Qarziba label has expanded in Europe to newly diagnosed induction therapy. And this is something that we need to look at further, what data is required and put a regulatory pathway in place, but there could be the potential to move that treatment earlier in the treatment paradigm.

And then we've also seen some interesting early data on osteosarcoma with Qarziba, so we're going to be digging in a bit more there.

And then with regards to Sylvant, there's some very exciting early data in a few patients that shows that Sylvant does have activity in cytokine release syndrome, which is, as you may know, which is a side-effect of CAR-T therapy. So as I mentioned, these areas need further exploration, but we look forward to bringing you updates in future meetings as we dig deeper into the potential and the opportunity of these indications.

So if we bring all of that together, in summary, we truly are a global market leader committed to serving patients' needs. And I'm very, very pleased to share that we have net revenue growth of the current profile of double digits between 10% and 11% through 2025. And that's driven, as I mentioned, by two really key main areas, which is Isturisa in the endocrinology portfolio, and then, of course, Qarziba and Sylvant.

As I mentioned before, we can't forget the metabolic portfolio, which provides a stable foundation, and we do have growing products such as Panhematin, Cystadrops and Ledaga that are offsetting some of the generic erosion for Carbaglu in the US and Europe, but also, we have new opportunities for Carbaglu in areas, as I mentioned, such as MENA and eventually China. Continuing our geographical expansion, and of course, focusing investment and time on our key growth opportunities in the development pipeline that I had just mentioned earlier.

One last piece is very good to see that all of our regions are growing, and our US region will become our biggest region this year and is a very key strategic opportunity for us moving forward.

So I'd like to close, but first, I'd like to take an opportunity to thank the team for their work on this. I can't stress enough how honoured it is to work with the individuals that we have in the Rare Disease business. They're truly talented individuals who work very, very hard every day, as I mentioned. And their one mission is to bring opportunities to change the lives of these patients suffering from these diseases.

So thank you, and I'll hand it over to Rob.

**Rob Koremans:** Thank you, Scott. And as you can see, we have two very different businesses. Both of them, though, very, very solid, promising and growth. On the SPC, with a very solid foundation, and that's not going to be double-digit growth but it's – if we stay in the metaphors of cars, this is more like a diesel that keeps going and is very, very reliable and profitable. And there are opportunities.

And in 2022, we've seen that even for the diesel, you can make it more effective, more efficient and build a fantastic foundation and continue to drive that forward. And Alberto shared the opportunities going forward.

And with Scott, we've seen that this is really the faster-growing part of the business. And within that, there are some opportunities that we're now pursuing that will reflect also in some of the financial projections. And you've seen that we've had a – and you saw that with Luigi, very modest percentage on cash R&D of just below 7%. We will, in the plan period, likely bring that up to just below 8%, which is still extremely modest, but capture opportunities going forward to generate value well beyond 2025.

But if I look at the projections for '25, these are the assumptions that you will all need. I'm not going to dwell them. I'll read them, don't worry. These are the assumptions used for – useful for modelling, and we're happy to take questions on it afterwards.

But if I look at the financial targets for '23 and '25, we believe for – on the back of a really good 2022 and a strong momentum getting into '23, that our revenue target for this year is going to be €1.970 billion to €2.030 billion. The EBITDA target, €700 million to €730 million, bringing it at a 36% to margin of sales, and adjusted net income of €470 million to €490 million for '23. These targets do not include any BD or acquisition opportunities.

The targets for '25 do include BD opportunities. We've always done that in the past, and we carry this forward in – within the boundaries of the strong commitment to also keeping a solid financial P&L and balance sheet, so not to exceed in terms of net debt, which will bring us in '25 to €2.250 billion to €2.350 billion or a CAGR of 7.5%, an EBITDA range of €810 million to €850 million or a CAGR of 7.3%, which translates into adjusted net income of €550 million to €580 million and a CAGR of 6%.

In difficult and challenging times that we see and the volatility isn't getting – there are no obvious signs of volatility getting less, but we've been able to show that we are really resilient and have opportunities to continue to grow. We are delivering and continue to deliver sector-leading margins, fantastic growth rates and keep a very solid and healthy balance sheet with very strong cash generation.

As for the diversified business that we have, has strong organic growth opportunities. We are able to sustain a high level of profitability. We can pursue affordable pipeline opportunities, like I said, increase the cash R&D to between 7-8%, which, compared to many of our – almost all of our peers, is still very modest.

Have a good cash flow conversion of 90-100% of the adjusted net income, and whilst doing that, also maintain the discipline of not increasing our debt. And by this period, at the end, in 2025 goal should be between 1.7 to 2 times EBITDA. And that will allow to continue to really pay the dividends that we've been – as we've been doing in the past, and continue to be active with selective bolt-on and accretive M&A. That activity remains very important for us.

But – and I'd like to stress that we're not in an immediate need to do a deal. We have a very good business. We're growing nicely. Yes, we continue to look at it, and we're actively looking at a couple of opportunities as we speak, but we are not under any pressure to do this, and we'll maintain our financial discipline, as you have seen from our company in the past.

This is what I believe something to be really proud of. I'm very proud of the team, very proud to be part of it, very proud of the results we've been able to deliver in 2022, and an incredibly solid plan for the years to come that I'm confident we'll be able to deliver on.

And with that, I would like to open the floor to questions. Maybe first start here in the audience. We have people also online. But I would like to hand the floor to you.

## Questions and Answers

**Niccolò Storer from (Kepler Chevreux):** Niccolò Storer from Kepler Cheuvreux. A few questions. The first one, if you can help us understanding what's behind your projection of flattish margins into 2025. We have some plus, which is volumes, which is pricing, which is arguably mix, because the mix is shifting towards Rare Disease. We have some minuses, R&D you mentioned. What's left, which keeps profitability a bit under pressure?

The second one is on margin evolution for EUSA. The acquisition return on profitability below that of Rare Diseases in 2022. We have seen that, by 2025, you expect to reach almost peak sales or at least previous indication of peak sales. When should we expect EUSA profitability to convert to that of Rare Diseases?

And the last one is on leverage. Where should we see leverage in 2025, assuming no M&A is performed? Thank you.

**Rob Koremans:** Yeah, with pleasure. So like we were able, I hope to demonstrate to you, we will continue to have sector-leading margins, as we've had in the past. Maybe, Luigi, you want to take the question on the margins evolution and the impact also.

**Luigi La Corte:** Yeah, sure. Hi, Niccolò. Thanks for the questions. So I think you probably hit the main ones in terms of the positives, volume, price, mix, in the sense of shift from SPC to Rare Disease. I mean, obviously, we've declared and intend to invest slightly more on R&D. I think the things I would add to that is we're very proud of the job we did in 2022, sustaining initial impact of inflation.

I wish I could say we're immune, and we're going to do that forever. But inflation, particularly on cost of goods, takes a little bit of time to creep through because you have the benefit of inventory, you have the benefit of long-term contracts. So there is a little bit of that coming in. There's also a little bit of mix, if you like, within the portfolio of growth on products, which Bayer royalties versus legacy products that do not.

But going back to what we said, look, we operate today at a level of margins, which we think are leading in the sector, in an environment that is going to continue to be inflationary for a period of time with a lag, with a slight increase in investment in R&D. And we feel good about being able to maintain those margins over that period.

I think, on the EUSA, EUSA running ahead of schedule in terms of revenue. Of course, as Scott has mentioned, there's a number of opportunities that we see to expand the indications of the EUSA products. So we'll have to see, right, in terms of decisions that we make around those. It's not going to be very dilutive to the overall Group margins in '23. I can say that. It's not quite at the level of the – in '23, the level of the rest of the Rare Disease portfolio.

And finally, leverage without acquisitions, it's a little bit – we don't tend to sort of split out with and without. It will be less than 1.7 to 2 if we don't do deals. And I'm sure you can do the math right in terms of what free cash flow we generate. I would remind you for modelling purposes that we have about €100 million of milestones, which are still due on acquisitions and deals that we've done, mainly the Eligard one.

And you will see in a reference the fact that we do expect a step up in financing costs in 2023 with the increase in rates. We expect them to be between €50 million and €60 million and probably towards the higher end of that, depending on how rates go. Unfortunately, hyperinflation does create volatility, which is difficult to predict because of the net monetary gains and losses that it drives. I hope that addresses your questions.

Martin and Keyur?

**Martino De Ambroggi (Equita):** Thank you. Martino De Ambroggi, Equita. On 2025, the usual question every three years when you present the target. So you include acquisitions, but can we split 50-50 between organic and non-organic growth in your target for sales? And in 2023,

if I set aside the endo growth, the EUSA growth, the remaining sales growth is just 1%. I understand there is forex negative by 1 percentage point, but there is something that is probably just define lower growth for the rest of the business for the Group.

And the €400 million peak sales for endo franchise, I understand. Just a clarification, so China and the other indications are in 2025, the other indications. But could you elaborate on what is the potential for these options? Thank you.

**Rob Koremans:** Luigi for the financials.

**Luigi La Corte:** So Martino, in terms of what [inaudible] that time, we did provide a view as to what we believe the growth potential of the SPC portfolio and Rare Disease portfolio is. Of course, when we roll the targets up, it's a range, so it's difficult to split a range between the – to the current portfolio and the BD piece. For us, it's an all-in in terms of what those targets mean.

On the growth trajectory of – sorry, was the Isturisa –

**Scott Pescatore:** The €400 million was specifically on Isturisa. So I think your question was around, how do we plan to achieve the €400 million in peak year?

**Martino De Ambroggi:** What is the potential from China [inaudible].

**Scott Pescatore:** Yeah. So we are not going to split out the potential by indication, but I think the culmination of all the additional opportunities, including the very positive tailwinds that we've seen off of 2022, particularly in the US is allowing us to increase our guidance to more than €400 million now, which is very positive news, including also the expansion of the label to Cushing's syndrome in the US, and then as we mentioned, later outside of the planning period would be the launch of Isturisa in China.

**Luigi La Corte:** Martino, I'm sorry, a follow-up on your question around the acquisition. One thing which I hope is clear, and we sort of – we mentioned it in the slides. When we plan sort of in our targets, we don't just assume deals which will be immediately revenue and EBITDA-generating, right? I think if I do a survey right now and ask what is the product you're most excited about, many of you will say, Isturisa.

Well, guess what? If we do another Isturisa, it will not immediately add because it's a launch asset. And so I think that's where sometimes when you sort of think about the amount of sort of revenue versus leverage, you have to take into consideration the fact that, again, in our modelling, we don't just assume accretive deals. We also assume we may do a mix in a number of growth deals of assets which are to be launched, and that may sort of compress margins for short term. And that's – and we need to – and we allow for that also in our planning.

Keyur? Sorry, we do one more from here, and then we go on the line. Is that okay? Keyur? Sorry.

**Keyur Parekh (Goldman Sachs):** Hi. Keyur Parekh from Goldman Sachs. Three, if I may, please. Rob, you chose to show us an image of an iconic car, where you chose a Porsche and not a Ferrari. Any kind of insights we should glean kind of from you sitting in the Italian Stock Exchange and showing us a Porsche?

**Rob Koremans:** I love also Ferraris. But Porsche is known to be a super performing car. I think if you look at today and have an expert in the audience who continues to confirm that this is

the car that has it all in terms of performance, but it's reliable. And it stayed very much the same, and that was more the point of my message. If you compare a Ferrari from '63 with the ones from today, they have fundamentally changed.

Now it comes to taste. In my taste, not necessarily for the better, where the Porcshes are still that iconic, beautiful. But in essence, same experience, and that's what the metaphor that we use, it's about reliability, it's about quality, it's about predictability and about top performance. And that was the background to the metaphor.

**Keyur Parekh:** And then, Luigi, kind of coming back to this conversation on my numbers – I could be wrong, but on my numbers, it looks like your 2025 targets include contribution of between €20 million and €180 million on M&A. Am I in the right ballpark?

And then if that is indeed the case, at midpoint, €100 million, kind of is that ambitious enough? I mean, you are below two times levered. You have capacity, you have great cash flow generation. Why not be more ambitious and why not go aim for something higher?

**Luigi La Corte:** If you take the top end of that guidance, we're adding €500 million of revenue versus 2022. I think for us, that's how we look at it, right? We look at sort of overall that we deliver. And again, we don't want to solely – we don't think it would be the right thing to do for the business to only invest in products which immediately generate cash and revenue.

We are – we will be looking also at opportunities of launch assets. And that's – and we need to allow – we feel we need to allow for that. And so that's where – that's also why we don't kind of sort of break it out too much because we can't second guess exactly what kind of deals we'll do when, so we need to allow ourselves a bit of room.

I think we're very proud that we've consistently delivered. And again, to us, if you think about it in terms of, on the top end, €500 million versus 2022, we feel really good about the number, actually.

**Keyur Parekh:** And actually, I've got two more, sorry. If I look at kind of that 400 products that you sell today, and obviously, you showed us a chart, kind of, of SPC, and you've got a large grey bar, which is meant to be flat. Is there an opportunity for you to rationalise that portfolio? And how do you think about kind of selling parts of that business as opposed to the buying bit? Because obviously, that bit is depressing the growth outlook for the rest of the portfolio. So given how chunky it is, is there an option for you to rationalise it on the other side?

**Alberto Martinez:** That's part of optimizing our established brands. I'm very happy with the question because that's very much the fact that you see a flat business is already an achievement when managing established brands and it encompass operational excellence. It moves from forecast accuracy to ensure that we just order the right amount of product to SKU rationalisation, improving and kind of pruning our portfolio with the right products.

It's about pricing governance, it's about ensuring the knock-on effect on prices, revisions and how you can ensure that it's about commercial deals. So the fact that that is not the main area of focus for growth doesn't mean it's not a critical part of our business and a massive generator of our profitability within SPC and within Recordati. So hopefully, this answers your question, but it's certainly fully focused on that.

Divestments, at the moment, obviously is not, let's say, on the table. But for the right opportunity for growth, I mean, everything could be explored.

**Keyur Parekh:** And then lastly, kind of if I look at your CapEx number in '22, I think it was about €22 million. It puts it about 1% of your revenues. How do you expect that to progress over the next few years? I mean, 60% in-house production, 1% CapEx to sales puts you probably at the bottom of the peer group. Companies like Novo doing double-digit CapEx to sales. How should we think about that outlook over the next two to four years, especially as rare diseases kind of more complicated products become a bigger part of your portfolio?

**Luigi La Corte:** We'll continue with a sort of a very sort of strong discipline on CapEx of the Group. We don't believe we need a significant increase in CapEx to deliver on this plan. We are – we always look at opportunities to potentially take back some products that are currently with CMOs. That's something that we do kind of routinely. There's no sort of major CapEx in manufacturing required to deliver this, where sort of CapEx – there's a little bit more intangibles on things like digital and software, but not major.

Sorry, can we take one from the phone? Sorry.

**Rob Koremans:** To the phone.

**Operator:** Thank you. As a reminder to our conference callers, if you would like to ask a question, please press star one on your telephone keypad to register your question. If you change your mind and want to withdraw your question, please press star two. Please ensure your lines are unmuted locally and you'll be prompted to when to ask your question. Our first question comes from the line of James Gordon from JP Morgan. Please go ahead.

**James Gordon (JP Morgan):** Hello. James Gordon from JP Morgan. Thanks for taking the questions. A couple of questions, please. First one was just on the top line guide out to 2025. If I look at the guidance you've given organically for SPC and Rare, it looks like you could pretty much get to the bottom end of the guidance, even without any accretion from deals. Is that a fair way to see it that you think that's the bottom end, and then the deal is what could take you beyond that?

Second one was just also on M&A and BD costs. What sort of ballpark financing costs are you assuming for future acquisitions? And are you seeing acquisition multiples coming down at all with higher financing costs? Or are you assuming deals are more expensive to buy assets at the same sort of price?

And the last question, just on pricing. The presentation says pricing in line with current trends, and it sounds like a small net positive. But quite a few other European pharma companies have recently talked about a tougher EU pricing environment post-COVID talking about clawbacks and other mechanisms. So are you seeing something different to these companies? Is there a reason that Recordati will be less impacted or that there are offsets? Thank you.

**Rob Koremans:** Thanks, James. Alberto, if you want to take the last question on the pricing?

**Alberto Martinez:** Yeah. Happy to take. Thank you, James. On the pricing, of course, we are not immune, as Luigi mentioned, to the pricing pressures. However, our exposure is sometimes more limited than other companies, particularly, for instance, we have limited business in the UK, which in this case, helps.

We do have some pressure, as reflected in the slides, in Germany, particularly through tenders, and we see probably an exception in the German business that is being looked into. But overall, we are absolutely confident to be able to cope with those pricing pressures and to be able to

still deliver a marginally positive price contribution over the period. That's also a combination on one hand on the diversification of our business, having a consumer healthcare business helps. And also the geographic diversification in other geographies that also help in maintaining that pricing base.

Together, we have in a mature portfolio that is also less exposed to those pricing pressures. Hopefully, that answer your question, James.

**Rob Koremans:** And Luigi, do you want to take the other questions from James?

**Luigi La Corte:** Yeah, sure. Hi, James. So, on top line, as I was saying earlier, we provided, as we did last time what we believe to be the growth potential of the current portfolio on the two business units. Again, from our point of view, you can't do one plus one equals two in the sense that when we then – what we then do is we look at what mix of deals that we could be doing over the next period, but we don't simply sort of add the two up. We then take a view as to what we think is stretching but achievable objective that we said and put a range around it.

And in terms of the financing cost, as I said, we expect for 2023, somewhere between €50 million and €60 million of financing expenses following a very sharp increase in Euribor, and if that's part of 2022, probably closer to the €60 million.

Our expectation is for Euribor rates to remain at levels not too different from the current ones, at least for a couple of years, and that's reflected into the financing cost.

And to the last part of your question, no, we don't – we're not expecting our acquisition – the kind of BD overlay, let's call it like that, that we've made, does not assume that we need to pay more higher multiples for the deals or that we end up spending more in terms of rates of financing. It's simply that it's not exclusively accretive deals. We've also assumed we will invest behind the growth opportunity, launch assets potentially, like Isturisa. And that will have an effect on the – and that's also why I think you cannot be quite so precise with where we position the leverage, in particular.

So I hope that answers your question, James.

Any other calls on the line? And then there's one here.

**James Gordon:** Thank you.

**Luigi La Corte:** One more on the line.

**Operator:** The next question comes from the line of Harry Sephton from Credit Suisse. Please go ahead.

**Harry Sephton (Credit Suisse):** Brilliant. Thanks very much for taking my questions. I just have two on financials, please. So the first is on phasing of growth in that R&D spend. So you said that you had increased it to about 8% of sales in cash R&D. Is that a step up in 2023? And then also looking at some of the pipeline that you've presented, it appears a bit more ambitious than what you've done in recent years. So could we expect any increase in that level of cash R&D spend out to 2027?

And then also just a quick clarification. Can you detail the contributors to the weaker adjusted net income growth guidance? Is that entirely from your expectation for higher financing costs? Or are there any tax considerations to include in there? Thank you.

**Rob Koremans:** Thanks, Harry. Let me answer your second question on future spend. I don't think we should be giving guidance beyond '25 on that. But what you see from our programmes, we do have a very modest step-up in cash R&D, like you indicated. That should really get us through the programmes and move them beyond. And it's a bit difficult to speculate what we will have in our portfolio then and what opportunities arise, but like I stressed, I don't see Recordati to become one of these companies that becomes a very high-risk investment.

We want to stick very close to our affordable innovation. What we are doing in R&D, it's a big word for – we're expanding indications for products already on the market, where there is [inaudible]

**Luigi La Corte:** – 2021 presentation. It called out specific brands. I think if you take the whole portfolio of also local, smaller brands, products which are influenced by the flu season, it's probably closer to €130 million, but just for to be precise.

**Rob Koremans:** No more questions, I think, also from the phone and here in the audience. I think we're getting to the end.

I would like to thank you for your participation. You see a very committed and proud management team, leadership team in front of you that you can count on delivering, as we have in the past on our results, and be that top-tier value creator for patients where it all starts, but clearly also for investors and our own people. So thank you for your attention. Thank you for your questions, and look forward to interacting in the future. Thank you.

**Luigi La Corte:** Thank you.

[END OF TRANSCRIPT]