Recordati S.p.A

"Acquisition of EUSA Pharma Conference Call"

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Recordati to Acquire of EUSA Pharma Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions.

At this time, I would like to turn the conference over to Ms. Federica De Medici, Investor Relations and Corporate Communications. Please go ahead, madam.

FEDERICA DE MEDICI: Thank you, Lolita [ph]. Good afternoon or good morning, everyone, and thank you for attending the conference call today. I am pleased to be here with our new Chairman, Andrea Recordati, our new CEO, Rob Koremans, Luigi La Corte, our CFO, and Gabriele Finzi, Head of Business Development and Corrado Castellucci, Head of Recordati Rare Disease.

With a short presentation, we will provide more color on the strategic rationale and present the transaction in more detail. A set of slide is available on our website under the Investor Section. At the end of the presentation, we will answer any questions you may have.

And now I leave the floor to Andrea.

ANDREA RECORDATI: Good afternoon, and morning, everyone. Thank you for attending our conference call today, where we are pleased to give you some more color around the transaction that we just announced this morning. A transaction that we feel offers great growth opportunity and also enhances our opportunity to further build scale and a new for us and very attractive and underserved therapeutical area and therefore a further diversification for our Rare Disease business.

In line with our strategy of complementing organic growth with value-accretive M&A, we see the acquisition of EUSA Pharma as an excellent opportunity to further expand, like I said, and reinforce our Rare Disease franchise. And building on top of a business which have already demonstrated solid organic growth being clearly metabolic and endocrinology, as we communicated in our Q3 2021 results. The acquisition broadens Recordati Rare Diseases therapeutic focus with the entry into the rare and niche oncology area and is another step in fulfilling our mission to improve the lives of patients by delivering treatments that address serious unmet medical needs.

We are acquiring not only one single product, but a well diversified portfolio of products, adding in-market assets with a growing trajectory, a portfolio which is expected to generate over €150 million of revenue by 2023, and with expected peak sales of around €215 million.

Just a few words on the main products of the portfolio. Qarziba is an anti-GD2 monoclonal antibody, it's the first product approved in Europe, indicated for high-risk neuroblastoma approved for both new and refractory patients in EU and other countries with a potential future expansion in the US and China. Sylvant, an anti-IL-6 monoclonal antibody, also has a strong potential since it's the first and only one approved for Idiopathic Multicentric Castleman's disease, iMCD in the US and the EU. This product has the US as the main current market, but we expect a global growth potential for such products. Fotivda is an oral highly selective small molecule tyrosine kinase inhibitor, approved for first-line treatment of advanced renal cell carcinoma. And Caphosol is a global medical device for oral mucositis due to the chemo and radio therapy, a niche product sold globally.

With the acquisition, we are also going to complement our existing global footprint and expertise with new capabilities which will provide a platform for future expansion and future and future and further expansion in these areas. This transaction is clearly very coherent with our strategy of growth acquiring assets, able to create long-term value, and we expect EUSA to contribute approximately €50 million of EBITDA level in 2023, and with EBITDA margins in line with the Rare Disease segment.

If you could turn to the next page, please. So this slide aims to provide you with bit more color around the company that we are acquiring. EUSA is a world-class, biopharmaceutical company with current main reference market being EMEA, which represents almost 70% of sales, but with good future growth potential also in the US, which is currently at 20% of sales. The pie chart shows a breakdown of the last 12 months, net sales at the 30th of June of 2021, which are approximately €130 million. It has a global commercial presence through direct operations mainly in the US and…in EU and in the US and also some presence in other countries globally, and complemented also with strategic partnerships where they don't have a direct presence.

The company has a profitable cash generating business, and a unique and diversified portfolio of 4 rare and niche oncology products, as I said, with a growing trajectory. Company overall employs more than 200 people, with a strong patient-centric culture and a leading disease area expertise, which will surely be complementary to Recordati's knowhow.

As we are adding a new specialty Rare and niche oncology to our product portfolio, we want to focus on maintaining skills, knowledge, business knowhow, customer relations and interactions, and consider delivering crucial therapy options to patients and obviously the healthcare providers. Qarziba and Sylvant combined represent more than 80% of EUSA

revenues. We are protected, these 2 products are protected by long-lasting patent protection and market exclusivity, as you can see at the bottom part of the slide, but are also biological products with complex manufacturing processes, which makes…which we feel gives them further protection versus potential generic entry of also post patent expiry.

This portfolio of transformative unique assets is managed through a highly efficient and commercial infrastructure like I mentioned before, with globally market access to direct presence and selective partnerships, which obviously offers Recordati a platform for future expansion in this area.

Moving on to the next slide, financial snapshot. So here we want to give you a bit more details clearly around you know the transaction, the actual transaction details. As mentioned, we expect this acquisition to contribute €150 million of sales in 2023 with peak sales of €250 million, and EBITDA level that we expect to be around €50 million by 2023 with ongoing margin in line with the average of the Rare Disease segment.

Some non-recurring costs in 2022 and 2023 will come from ongoing manufacturing tech transfers and also the acquisition integration expenses, which are estimated to be around €35 million and clearly are also subject to the timing of the closing. The value of the transaction, i.e. the enterprise value is of €750 million, and the payment of the consideration would be funded by existing liquidity and bridge financing fully underwritten by JP Morgan and Mediobanca. It's a healthy cash generating business, I would like to stress with net debt of €26 million at the 30th of June of this year.

We expect our leverage after the transactions to be below 2.5 times at closing and to return below 2 times by 2023. The transaction does not change our dividend policy, which is confirmed to be about 60% of

reported consolidated net income. As for the timing, like I mentioned, the closing…the transaction is subject to regulatory clearances, as is normal in these cases and is expected to take place in the first half of 2022.

And that brings me at the end of our first [indiscernible] run through the acquisition of the EUSA Pharma. So I think we can switch now to the Q&A session. Thank you.

Q&A

OPERATOR: Excuse me, this is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question, may press "*" and "1" on their touchtone telephone, to remove yourself from the question queue, please press "*" and "2." Please pick up the receiver while asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Brian Balchin with Barclays. Please go ahead.

BRIAN BALCHIN: Hi, yes, thanks for the questions. So just 3 if I may, how much of that €250 million peak sales is tied with the US approval of Qarziba. And also, what kind of growth rates can we expect from the EUSA products? Should we be thinking that they'd be in line with the current orphan portfolio?

And then secondly, can you just confirm if that €50 million EBITDA in 2023 adjusting the integration cost or if we need to wait until 2024 for a clean EBITDA?

And then finally, if I could just squeeze in one more, if you just could provide the incremental interest costs associated with the financing package as well, that would be great. Thank you.

LUIGI LA CORTE: Hi, Brian, its Luigi, thanks for the questions. I'll take the last 2 first. EBITDA excludes non-recurring cost. As always, we do expect 2023 to still see investment behind the global growth opportunity of Sylvant and as we prepare for potential development of Qarziba for the US. So, yes, it's like peak or, let's say, going rate of margin will come post-2023, but we're not going to give sort of a specific date for that.

On the financing expenses, I think you can sort of safely assume sort of level of financing charge in line with the sort of current financing costs of Recordati, and clearly, it'll depend also on that sort of market conditions at the time that we actually close the deal in 2022.

With regards to your first question, you know, frankly, you know, we've not closed this deal yet. It's not our business at this point in time. We're not going to give sort of breakout of revenues by…

ANDREA RECORDATI: It is also confidential information, and as Luigi just explained, we haven't closed the deal yet. So we cannot get into the sort of details at this time.

LUIGI LA CORTE: So hopefully…

ANDREA RECORDATI: I hope you appreciate that. Alright.

OPERATOR: The next question is from Niccolo Storer with Kepler. Please go ahead.

NICCOLO STORER: Yes, thank you, good afternoon, everybody. My first question is on upside risk that you see on the €250 million guidance. Do you see some upside in

this sense or not? We all remember of Isturisa's first indication, which were very low and subsequently raised by big amounts.

And the second question is on the ramp-up in profitability, which you see on this portfolio of products, starting from some 30% in 2023 to a number more aligned to your orphan drug portfolio somewhere in the 50% region. So which are the drivers behind this growth, it's just volume or is there something else? Thank you.

LUIGI LA CORTE: Hi, Niccolo', thank you, it's Luigi. I think in terms of the margins drivers, it really is going to be the operating leverage, right? As Andrea mentioned, this is a portfolio of products of high growth. We are expecting, as you've seen some numbers for, you know, significant sort of revenue accretion over the years and that will drive the margin improvement that we expect year-on-year with 2023 still expected to be a year of investment.

On the peak sales, you know, that is, you know, it's our best estimate at current. And I would just caution in drawing too much from parallels with endo, I think on a number of occasions, hopefully, I was able to explain, you know, a number of things factually sort of evolved since the deal…the endo deal [ph] was announced in 2019, we had an earlier than expected approval in the US of Isturisa, we had a read out, positive read out of the second study, the LINC 4, we had very strong endorsement in Europe at the time that the orphan drug designation was confirmed, all things which were not a given or known at the time the deal was…was done. So, you know, the €250 million that we've set out today is, you know, our best estimate of the potential at this point in time.

NICCOLO STORER: Thank you.

OPERATOR: The next question is from Martino De Ambroggi with Equita. Please go ahead.

MARTINO DE AMBROGGI: Thank you, good afternoon, good morning, everybody. 2 questions on the deal, even I know it's probably not possible to answer. But just to have an idea of what is the starting EBITDA margin for the acquisition. And am I right in assuming big sales towards the end of the decade looking at the patent expiries for the 4 products.

Third question on the R&D. Is there any change in your R&D going forward following the acquisition, assuming you have to spend more money for the final process or probably you have milestones, I don't know, if you can disclose it?

And the last question is on the guidance, you provided 2023 guidance. Am I right in assuming that through this acquisition, you are probably approaching if not achieving at the low end of your ranges? And through this acquisition, your free cash flow on annual basis is moving towards the €500 million already in probably 2024?

LUIGI LA CORTE: Okay, Martino. Thank you. That's quite a few questions. I'll try and see if I can briefly hit on all of them. And you guessed, right, I mean some of them are not going to be able to say much. I mean, when we'll reach peak, you know, that is something that we don't typically disclose. Hopefully, we've given you some direction already. Again, on a deal which hasn't yet closed. We're not sort of giving for similar reasons sort of current EBITDA in the sense of sort of current trading simply because that's not going to be relevant for us for a number of reasons, including the fact that the deals closes in 2022. We still don't know at which point exactly in 2022. So again, there we've made an estimate, and we've done a number

of changes over the course of 2021. So frankly 2021 is completely irrelevant.

R&D costs, yes, there'll be…we're not going to give now, sort of estimated, sort of breakouts of the P&L. Again, we've given you a guidance on EBITDA contribution that we expect. I think R&D costs will reflect, you know, for sure a level of amortization charge that will be triggered. Once we've done the purchase price allocation post-closing. And yes, there will be a bit more R&D cash costs behind the development of Qarziba for the US, but, you know, we'll provide more details on all this when we…once we close the deal and we're ready to speak about it a bit more freely.

The deal is consistent with our 3-year planning strategy, we always said 2023 guidance included BD [ph]. So there's no change there from our point of view, and free cash flow, the €500 million. I'm sorry, I'm not sure, I can sort of comment on that number in terms of when we will reach it. Again, we gave a guidance for EBITDA for 2023, which is, you know, is a pretty sort of close proxy. And we're saying today, we still feel we are in line with that guidance. Hopefully, Martino that addresses your questions.

MARTINO DE AMBROGGI: Yes. Thank you. Just a follow-up if I may. I know your guidance in 2023 already include some acquisitions. But my question was, is it enough to fill in the gap including this acquisition. So, whatever will come is probably an add on the possibility to achieve the guidance, which is probably already visible through the last acquisition?

ANDREA RECORDATI: Martino as you know, we never gave an exact split of what is organic because it's not as simple as that. I think, we've given when we did the plan in May, you know, some…I think quite some perspective on the

expectation growth potential of the organic, the current business. We took a view on the potential contribution of BD and then sort of looked at that in the round and set a range for the guidance, and I know that I've been asked many times, but we see it as a number. So, I'm not now going to comment on, you know, what is, you know, where it positions exactly within that range to be honest. Thank you.

MARTINO DE AMBROGGI: Okay. Thank you.

ANDREA RECORDATI: Thank you.

OPERATOR: The next question is from Jo Walton with Credit Suisse. Please go ahead.

JO WALTON: Thank you. Just a few, please. I'm assuming that the majority of the uplift in opportunity that you see is from the Qarziba product, potentially going into the US. Now when…I don't know how you pronounce EUSA Pharma when the company you bought this…bought it in 2016, they said in their press release that they were expecting to file it in the US in 2017. And yet, it's still not there. If you look at their website, there doesn't seem to be any clinical study ongoing at the moment that would be pivotal enough to support the US, entry. So, could you just give us some idea of the timeline for getting that product into the US, and if we're correct that that is the major growth opportunity that you see within the portfolio?

The second one is just your comment on manufacturing technology transfer, presumably, particularly for the complex, monoclonal antibodies, you're not making that. So, is the manufacturing technology transfer for the Tivozanib or the mouthwash product just trying to understand that? And then, just as we have the deal starting and you've got to transfer your market authorizations et cetera, are we going to have the same sort of distortion to your earnings that we normally get when you get a product

coming in? So, we don't see the revenue to start with. We just see that gross profit contribution. So initially, it looks like you get, you know, the higher margin. I know, we've had this with Eligard, we've had it with Isturisa. But this is a bigger deal potentially.

ANDREA RECORDATI: Look Jo, I mean, the 2 drivers, I mean, growth drivers of this portfolio to understand the question correctly, first question are…it is Qarziba in the US, we are excited about the process of obviously potentially bringing Qarziba in the US market, but we will discuss obviously, as we said before, we are still between a signing and closing kind of you know situation. So we need to discuss it closely with EUSA and it's not really appropriate to give more details at this stage.

I can tell you that obviously that is an important driver of growth in the plan, but at the same time, we also see a lot of potential and a lot of growth that we expect to get in this portfolio is also starting coming from Sylvant, so that is going to be a very, very important driver of growth as well, okay.

Regarding the second question, you asked so many questions.

LUIGI LA CORTE: Yes, I will take the next 2. I think the second one was around tech transfer, you will notice that the word said ongoing, so this is a tech transfer which is already ongoing at the level of EUSA on the products. And I think on the other one on sort of marketing authorization transfers and sometimes the effect that has on the company, that's not the case in this transaction when we are buying a company. So there won't be any of that in this specific case. I mean, there will be…obviously we will consolidate as and when the deal completes but there is no…there is not any effects that we discussed also I think before or the Eligard deal if that's what you are referring to.

JO WALTON: And can I ask, the 200 odd people that work for this company, can you give us some sense of what proportion of those are in marketing, you know, in the field for most of these products. What degree there is an internal R&D, you know, all of these products were acquired into the company. They weren't developed within it, but presumably they are running clinical studies and this could be a meaningful addition to your R&D unit. So just to get some sense of that.

And a final one would be just so we really understand this, what do you think you can do better with these assets than the prior management were able to do? Is it something whereby you can immediately give these products more support in the market so there is an accelerated growth or is there something where you are prepared to effectually pay the premium because you need their expertise? Just trying to understand the driver for this.

ROB KOREMANS: Hi Jo, this is Bob Koremans, pleasure to talk to you. The current assets on the EUSA is actually doing fairly well. There is a nice growth, so it's not that we will all of a sudden do magic…these are good products that are performing quite nicely, with Qarziba in US on top. It could actually grow faster but this is a very nice growing business with very, very competent people and we continue to do that. We do not have very specific deep therapeutical knowhow in rate disease oncology. So yes, we will depend on the people there and we believe culturally they fit fantastically to us. We can't give a split out on the company that we don't yet own for obvious reasons but we look forward to integrating them as fast as we can after we get the clearance, and we believe that this is an incredibly nice addition to our company, both in culture and fit in strategy and, like I said a couple of times already, the products are on the market, are profitable and growing and we believe we can do a little bit to help and

accelerate that. The potential is in the products itself. Already they are with the people that are promoting it. I hope that answers your question.

JO WALTON: Yes, you just said, the size of the R&D element just to get a sense, do they have…you said…you've admitted you don't have much knowledge in this rare disease area and companies that are successful here tend to have really deep knowledge in this area, fantastic relationships with the relevant doctors, et cetera. You're confident that you're going to be acquiring all of that with this company, you know, it's fully fledged with that expertise on board?

ANDREA RECORDATI: I can (multiple speakers).

JO WALTON: Yes.

ANDREA RECORDATI: Yes. The answer is yes. We will be acquiring and we would be…like I said also in the presentation, I think our objective is to retain the know-how in the organization. This is not a synergies driven deal. This is a growth driven deal, okay, and also obviously a diversification deal, like I mentioned, because it allows us enter a new and very attractive underserved therapeutical areas, where we don't have the expertise both at the commercial level and also R&D operations. So we will be aiming to retain this know-how in the company, because we think there's a lot of value in it, obviously. I hope that answers your question.

JO WALTON: Thank you. That's very clear.

ANDREA RECORDATI: Thank you, Jo.

OPERATOR: The next question is from Keyur Parekh with Goldman Sachs. Please go ahead.

KEYUR PAREKH: Hi. Good afternoon, and congratulations on the transaction. 2, if I may, please. The first one is, if you look at the last 12 months' revenue for the assets you're acquiring at €130 million and your guidance of €150 million in 2023, kind of by my math that would give you kind of mid-single-digit revenue growth for these assets over that period. Excluding the US expansion, is that a good ball point for us to think about the future growth of these assets? That's Question #1.

And then Question #2, just following on Jo's question, what do you see as the rate limiting factors or the critical steps between now and the US approval of this molecule? Thank you.

ROB KOREMANS: Hi, Keyur. It's Rob. Yes, I think you sort of right in the assumption that is giving us a fairly good way of looking at growth potential without the US. I think like within any rare disease, what is one of the limiting factors is the ability to bring in often very difficult to spot and diagnose patients and get them into therapy, right. So that is something that is not going to be different from anything else that we do in rare disease and that's where we can probably also help and drive this. But focusing on getting patients in and then giving them the unique opportunity to be treated with these beautiful products, I think that's what will be our first and foremost focus once the deal is approved by the authorities.

OPERATOR: The next question is from Jeff Kottaram [ph] with Barings. Please go ahead.

JEFF KOTTARAM: Hi, thank you for the presentation. Just a quick question on the financing. The bridge structure, is that coming in at the OpCo level or is that coming in at the HoldCo level, where the existing receiving debt trades is placed

or…? And also the bridge financing, how do you plan to take this out once transaction closes?

ANDREA RECORDATI: Hi. Thanks for the question and there is nothing to do with Rossini in this. I mean, clearly we're discussing a Recordati transaction, the bridge financing is going to be at the level of Recordati S.p.A. And as far as sort of the takeout is concerned, again, we don't know exactly when the deal will close. We will decide on the details of that you know closer to the date in 2022 when we have more visibility and depending on the market conditions at the time. We have quite some discretion around how we do that and obviously we'll do that depending on what the market looks like at that stage. And, as I said, I would expect the level of costs on that, which is broadly consistent with our current sort of financing costs. I hope that makes sense and it's clear.

JEFF KOTTARAM: Sure. Can I just ask, at the OpCo level, do you have a maintenance covenant at that level?

ANDREA RECORDATI: We have our sort of debt covenants are 3 times net debt to EBITDA, if that's the question.

JEFF KOTTARAM: That's the OpCo, okay.

ANDREA RECORDATI: Yes, I mean, for me there's no OpCo or HoldCo, I mean, there's Recordati. And that's it. That's all I'm frankly focused on and we are all dedicated to here on this call today.

JEFF KOTTARAM: Perfect. And apologies. So 3X which you can go up to, what is the leverage right now?

ANDREA RECORDATI: So as we said…sorry it was Q3…it was 1.23. We said, I think you'll find in the slides, we expect at the time of close to be below 2.5 times on a pro forma basis and to be below 2 times by 2023.

JEFF KOTTARAM: Okay. Thank you.

ANDREA RECORDATI: You're welcome.

OPERATOR: The next question is from Giorgio Tavolini with Intermonte. Please go ahead.

GIORGIO TAVOLINI: Hi, good evening. And good afternoon and good morning, everybody. And thanks for taking my questions. I was wondering, if you could provide some update on your 2022 expectations? I mean, what's your level of confidence on 2022 consensus pending the uncertainty on the deal closing in H1 or later in the year, and the visibility on the current trading?

The second question is on synergies. Do you expect to achieve synergies from costs over time once you integrated the 4 drugs in your rare disease organization?

And the last one is on the current split on rare disease and specialty and primary care, and now you have almost reached the 30% of your sales from the rare diseases. I was wondering, and you accomplished…more than accomplished your target…in excess of 25% of sales from the rare disease. So I was wondering if you…if we should expect further M&A in more in the primary and specialty care business? Thanks.

LUIGI LA CORTE: Okay, Giorgio. Thank you. Thanks very much for the question. So I'll take the…start with the first 2 in terms of expectations, you know so far…we sort of remain on track for…to deliver on the guidance that we

recently set out for 2021, albeit as we said at the bottom end of it. And I've already mentioned, I reconfirm we are on track. We feel to deliver on our 2023 year guidance.

With regards to 2022, I mean, as you know, on customary, we typically…we have not given a sort of a guidance yet, and we will do that early next year as we've always done. You've asked to sort of comment on consensus and at this stage I think consensus is, from my point of view for 2022, maybe fairly simplistically drawing a straight line between 2021 and 2023 guidance, which frankly I don't think is fully realistic, because you recall when we set out the 2020 with a 3-year plan, I think we said very clearly that, you know, 2022 will be effectively a year of investment behind Isturisa in Europe as and when we progressively gain reimbursement in the key European markets with revenue in Europe and it is accelerating, as soon as, effectively those gates are open, and I don't feel that, perhaps, have been captured enough. And the other thing I had mentioned, obviously we've said before, our P&L, unlike that of other sectors, is very resilient to what we're seeing in terms of inflationary pressures. It's not immune. So to the extent that they sort of persist, you know, you might see a little bit sort of near-term and short-term impact from that, but we're talking here, sort of, 0.5% margin level. Again, we will provide sort of a crisper view as we've always done for 2022 early in the year and we'll see where we are with the regulatory process to see what we would build in that for this transaction.

In terms of the synergies, I think, Andrea has already stated very clearly and I think Rob has echoed it, and I'll sort of say it as well, this deal is not about synergies, we are buying 4 assets which are doing really well and it's about growth and complementarity of capabilities and diversification. So hopefully that's clear.

On the split, you know, if you just do the math, this would take us at around, probably close to 30% rare disease. But we've always said, we continue to be committed to both businesses. They're both great businesses with great potential we feel and we'll continue to look for BD opportunities on either side.

ANDREA RECORDATI: Like we are doing at this moment in time, let me add.

LUIGI LA CORTE: So, I hope that Giorgio addresses that. I hope I hit all the questions you had asked.

GIORGIO TAVOLINI: Thank you very much. Thanks, very clear.

OPERATOR: The next question is from Isacco Brambilla with Mediobanca. Please go ahead.

ISACCO BRAMBILLA: Hi. Good morning, good afternoon, everybody. A couple of questions from my side. The first one is on the R&D pipeline from the target company. Is there anything, any relevant product candidate in the clinical development process and beyond the core products already disclosed on the market?

And the second question is on your comments in the press release and in the presentation of the very [indiscernible] of this acquisition, potentially a platform for Q2 expansion in oncology. Should we expect this area to be a growing catalyst of your M&A interest in the future?

ANDREA RECORDATI: So, regarding the internal pipeline, if I understood the questions correctly, the internal pipeline today there is no other candidates in the pipeline, okay, there is obviously the approval of Qarziba in the US, which is an going clinical trial and, and this is…it stops with that.

The other question was regarding the attractiveness of doing more in oncology, in rare and niche oncology, okay, rare and niche oncology. This is important, we are not talking about oncology, we are talking about rare and niche oncology. Yes, obviously we are going to start looking, this is, like I tried to get across in the presentation, is going to add another pillar for us to grow on and also find new opportunities to refer…reinforce our portfolio, but it doesn't mean that we're going to stop looking for new opportunities for expansion and growth in the endocrinology and metabolics. What is attractive about this deal is that we're actually adding a third therapeutical area or call it pillars, our rare disease franchise in order to allow us more optionality and more opportunities to grow the business in its entirety in the years to come.

ROB KOREMANS: And maybe to add, and that Specifically for rare disease oncology, there are…there is a large unmet need, so this is a good field to focus on. And that's the platform that has been referred to in the press release.

ISACCO BRAMBILLA: Very clear. Many thanks.

OPERATOR: The next question is on Bharat Shah [ph] with Citadel Capital. Please go ahead.

BHARAT SHAH: Hi, can you hear me?

ANDREA RECORDATI: Yes, we can.

BHARAT SHAH: Apologies if you've answered this earlier, I joined it late. Can you provide the split planned between debt and your use of own resources for this deal? Thanks.

LUIGI LA CORTE: Sorry, I've just heard that the…you've asked about the split of something, but I'm not sure I understood the split of what, Bharat. Sorry. Could you repeat?

BHARAT SHAH: The financing split in this own cash flow and the financing that you would use on this?

LUIGI LA CORTE: I mean, sort of the bridge financing…sort of the size of €650 million, but you know, we will see…sorry, there is a lot of background noise. We'll see at the time you know, how much of that we feel we need and hopefully that provides you a sense. I hope I've understood (multiple speakers).

BHARAT SHAH: Got it. Thank you, yes.

OPERATOR: As a reminder, if you wish to register for a question please press "*" and "1" on your telephone. The next question is a follow-up from Niccolo Storer with Kepler. Please go ahead. Mr. Storer, your line is open.

NICCOLO STORER: Yes. Sorry. Can you please give us an idea of the market of…for Qarziba? In the sense that there is reading on your slide that it is #1 product in Europe, how is the market structure in Europe and maybe also in the US? Thank you.

ROB KOREMANS: So, Niccolo , I think at the moment we don't really should go into the level of detail, happy to do that once the company is really…when the deal is approved and we can say more, but I don't think that we should be doing this now. I hope you appreciate.

NICCOLO STORER: Yes, thank you.

OPERATOR: The next question is from Naveed Mukhtar with PGIM. Please go ahead.

NAVEED MUKHTAR: Hi, guys. Quick question from me. As you are buying a company rather than assets, can you maybe talk a bit about any liabilities that you are also bringing on, maybe any kind of litigation or any regulatory I think issues that the company may be involved in, that you are buying? Thank you.

ANDREA RECORDATI: The simple answer is, none.

LUIGI LA CORTE: There is net debt of €26 million, to be honest, litigation. And also, to be honest, I don't think it would be appropriate to them, and obviously we've done a due diligence. We're very happy with the deal, hopefully, you've seen that reflected also in the toning of this call. So the short answer is, you know, to the extent that we can comment, we don't feel there's any issues.

ANDREA RECORDATI: No, reason not to do this.

LUIGI LA CORTE: Yes, exactly.

ROB KOREMANS: Okay. Maybe the last question.

ANDREA RECORDATI: Yes, okay. I think we probably we have time for just one last question.

OPERATOR: For any further questions, please press "*" and "1" on your telephone. Gentlemen, there are no more questions registered at this time.

ANDREA RECORDATI: Okay. Thank you very much, everybody, for connecting on this call. As like Luigi said, we are extremely excited for this deal. For Recordati, I think it's a fantastic deal, it would bring scope, new diversification, optionality, reinforcement of a portfolio, a very competence organization that would become part of the Recordati Group. And so, I really hope you

all take away from this, it's a very, very positive deal for the group going forward. Thank you very much.

OPERATOR: Ladies and gentlemen, thank you for joining. The conference is now over and you disconnect your telephones.