

Recordati S.p.A.

"First Quarter 2025 Results Conference Call"

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Recordati First Quarter 2025 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Eugenia Litz, Vice President of Investor Relations of Recordati. Please go ahead, madam.

EUGENIA LITZ: Thank you, and good afternoon, everyone. I'm pleased to be here today with Rob Koremans, our CEO, and Luigi La Corte, our CFO. Together, they will present results for the first quarter of 2025. Also joining for the Q&A session will be Alberto Martinez, Executive Vice President of Specialty and Primary Care; Scott Pescatore, Executive Vice President of Rare Diseases, and Milan Zdravkovic, Executive Vice President of R&D. As always, the presentation is available in the investors section of our website.

It is now my pleasure to pass the call over to Rob. Please go ahead.

ROBERT KOREMANS: Thank you, Eugenia, and good afternoon, and welcome, everyone, to our call. We've had the pleasure last week of hosting our presentation and many of you in person to present our 3 year outlook, an outlook that actually confirms a very positive outlook into the future. And today, we're very happy to once again share our really good quarter results for the first quarter of 2025. And clearly, we're off to a good start for the year.

Beginning with the net revenue of €680 million, which represents an increase of 11.9% compared to previous year or 7.2% on a like-for-like at constant exchange rate basis. This is on the back of continued momentum

for both our specialty and primary care business and our rare disease business. Specialty and primary care increased by 5% like-for-like at a constant exchange rate, and rare disease by 11.5% at a like-for-like at a constant exchange rate.

Robust top line performance and operating leverage, partly offset by our accelerated investments to support the label expansion that we achieved for Isturisa in the US and geographic expansion resulted in an EBITDA margin of 39.7%.

Adjusted net income was €175.5 million, up 7.2% from the previous year, reflecting higher operating income, partially offset by increased finance expenses and a higher tax rate.

And last week, I already shared some of our R&D updates. We were very pleased to be able to announce the timely FDA approval of the label extension for Isturisa into Cushing's syndrome in the US. And for a second time, we're able to upgrade the peak year sales target to now €550 million to €650 million. And we shared the Signifor LAR approval in China, which helps to really build our portfolio of products, complementing Isturisa and Carbaglu and allowing us to really enter China in that way as well.

This is on the back of really good momentum at the start of the year. And despite the increased FOREX headwinds, we confirm our full year '25 financial targets, and we also expect positive momentum to continue as reflected in our full year '27 targets that we presented last week with double-digit growth across all key financial metrics.

And with this, I'd like to turn over the call to Luigi to review the quarter in more detail.

LUIGI FELICE CORTE: Thank you, Rob, and good morning, good afternoon, everyone, and we'll be relatively quick today. As Rob said, many of you were with us just a few days ago, and we had already provided a view on revenue.

Starting with the top line, we knew coming into 2025 that Q1 would compare against a strong quarter of last year. And with that in mind, we were all very pleased with the results in the first quarter.

As Rob said, with like-for-like growth at CER for SPC of 5%, broad-based growth, I should add, then with continued over performance of our key promoted products versus the market. This was really underpinned by both our Top 2 franchises, urology and cardiovascular growing at solid mid to high single-digit rates, thanks to very broad parts of the portfolio, and our GI franchise growing double-digits.

This helps offset somewhat softer sales of Avodart/Combodart, particularly in Spain in the Andalusia region, and the softer cough and cold season across Russia and Turkey, which we do expect, however, to recover in the remainder of the year.

I would call out the very strong performance of some of our key OTC products in the quarter. Mentioned on the slide is Procto-Glyvenol as part of our GI franchise. Even better and even stronger growth was posted by Magnesio Supremo, our leading to supplement in Italy, which we're starting to also introduce in other markets.

With both products on target this year to equal in size pitavastatin and potentially replace pitavastatin in the list of our top products. So really great to see once again how the breadth and diversification of SPC and the strong equity of our brands help sustain a solid mid-single-digit growth of that business.

And shifting to rare disease on Slide 5. As Rob said, double-digit growth and really great to see it driven by all franchises in the first quarter. Headline growth of 29%, including Enjaymo, which itself grew nicely. Endocrinology growth being really driven by both Isturisa and Signifor, both of which also had a positive news in terms of extended label approval and for Signifor approval in China.

In the hemo-oncology franchise, growth was driven by Sylvant, and in Enjaymo itself, when looking in market, of course, we only consolidated since December of last year. But on a pro forma basis, Enjaymo growing by just over 16% in Q1 and on track, with the growth of Qarziba being subdued a little bit by the phasing of shipments, in particular to the MENA region, which, however, were positive, on the other hand, for Carbaglu, which, together with Panhematin, helped post close to double-digit growth also for the metabolic franchise.

So, also for rare disease, a really strong and encouraging start of the year with 5 key growth assets, and as we've said in previous occasions, with the potential to more than double revenue over the next years once getting to peak and opportunities to go beyond that, thanks to some of the life cycle management and specifically new indication opportunities that we're working on. And obviously, you've seen us recently deliver on some of those, particularly with the successes on Isturisa and Signifor's approval in China.

I won't dwell today on the revenue numbers by geographic region on Slide 6. Nice to see, obviously, positives all across the column. We'll just point out, obviously, the very strong growth in the US and really driven by Isturisa, Signifor, Sylvant, Panhematin and the addition of Enjaymo, which contributed roughly €17 million of revenue in the US. Growth rates of

Russia, Turkey, and France are slightly subdued due to the weak cough and cold season, and international sales also reflecting the addition of Enjaymo with the double-digit growth there.

Just as we knew that Q1 '24 was a tough comparable on revenue. We also said that coming into the year that we would invest a little bit more to prepare for the expected approval of the new label for Isturisa in the US and also as we prepare to launch Isturisa in China. And we did that, but great to see that thanks to that revenue growth and the operating leverage that, that provides, we were able to achieve double-digit EBITDA growth in the quarter, with a margin very close to 40% in prior year levels, which is very promising as we look towards the balance of the year, with adjusted net income growth of 7%, obviously reflecting also the higher interest expense following the position of Enjaymo and a slightly higher tax rate.

Our target for the year remains to see margin accretion versus 2024, although, of course, FX will create a little bit of a headwind, but we are still committed to deliver on that.

And on Slide 8 and 9, I will comment on them combined. As Rob already pointed out, it's great to see continued strong free cash flow performance at almost exactly 90% of adjusted net income and ahead of prior year, which has helped take our leverage down to just below 2.2 times, last 12 month EBITDA on a pro forma basis, which sets us on track to close the year just below 2 times, of course, barring any new BD and M&A, which we may do in the remainder of the year.

And finally, to close before opening it up for calls, as Rob has already said, we started the year well. We are happy and confident with the momentum of the business. On that basis, I'm happy to confirm the guidance ranges that we provided at the start of the year for 2025. And also clearly for those

who missed it last week, we are very pleased with the targets that we felt able to commit to for 2027 on the back of both the organic momentum of the business and of course as customary for our group assuming continued contribution from new BD and M&A to set out targets, which call for really double-digit growth across all of those 3 metrics.

And with that, I will close the call and open it up for questions.

Q&A

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

The first question is from Shan Hama of Jefferies.

SHAN HAMA: Hi, thank you so much for taking my questions. I have 3, if that's okay. Firstly, could you give us any feedback on the initial obstacles in Enjaymo since transition to Recordati? So perhaps anything from physicians or patients?

And then on cough and cold, do you expect the recovery gradually over the coming months, or will it be more 2H weighted?

And finally, on margins, rare disease was 44% and SPC was 37%, I believe, for the quarter? And how do you see that developing over the course of the year? Thank you so much.

ROBERT KOREMANS: Maybe Scott, you wish to comment on Enjaymo? Thank you, Shan, for the question.

SCOTT PESCATORE: That's a good question. So far, it's been incredibly positive, the uptake this year so far. We don't have, obviously too much patient feedback, but as far as the customer base goes, they're very pleased with the transition from Sanofi to Recordati. They're very happy with that, it was seamless and that there were no real headaches or any issues across that. The team from Sanofi joined us without too much disruption. So we're really pleased with the uptake so far. The team is out there and they're really pushing for these patients to be put on to CAD, the CAD patients put on Enjaymo. We're very optimistic about the future and it's not just about the US, Japan has a similar positive story there as well and we're actually seeing very strong momentum in Europe as well. So I would say overall globally Enjaymo is going very, well in the early days.

ROBERT KOREMANS: And maybe Alberto, you want to comment on the cough and cold recovery?

ALBERTO MARTINEZ: Yes, with pleasure. I mean, in cough and cold, as it has been reflected, the season has been particularly low in Russia, which is one of the largest markets, also in Turkey. It's not so big for us, but Russia represents almost a third of our cough and cold business. And the season was particularly low. We expect for the rest of the year to have a normal season. And yes, with that and the impact of pricing and the continued growth of the portfolio, we expect the growth to more normalize and come closer to a stable growth versus previous year. That's the expectation.

ROBERT KOREMANS: And maybe on the third one from my side, on the margins, you know, Q1 is typically our strongest quarter. I don't think you should expect any sort of particular sort of swings across the 2 sectors. They tend to both start well. And so, you know, Q1 is ahead of our full year target. We said full

year target is around 37.5, and we are starting off obviously well, but that's pretty much in line with our historical trend. So I'd expect both to ease over the remainders of the year, and particularly Q4 tends to be our lower quarter. And I don't think they should expect any major difference across the two, if that makes sense.

SHAN HAMA: Thank you so much.

OPERATOR: The next question is from Charles Pitman-King of Barclays.

CHARLES PITMAN-KING: Hi, gents. Thanks very much for taking my questions. I also have 3. Maybe firstly on Isturisa, just wondering if you can give us an update on the competitive dynamics in the space as well as the ongoing unmet need. Do you think you can going to grow in to, just kind of a bit more on how you can think about that market?

And secondly, just on China, I know you didn't want to spend too long on individual regions, but just as a market, how are you progressing in this space? Are you seeing any disruption from your ongoing policy in trade dynamics?

And then just finally also on margins, but thinking more just long term, given SPC is already looking like it's kind of topping out these levels and a lot of the growth is coming from rare disease. I am just wondering if you can give us a little bit more insight into what a potential peak margin from the rare disease franchise could look like, keeping in mind obviously M&A would lead to potential dilution.

ROBERT KOREMANS: Hi, thanks Charles. Let me take the last question first. So we don't really...I mean, you know that the rare disease margins are higher than what we have traditionally and historically in SPC. We continue to increase our rare

disease as a percentage of our business and with a double-digit growth that we see, and you've seen what we present for 2027. We are very optimistic for our future, but I don't want to give any further guidance on margins in that sense other than what we see at the moment is well in line with our expectations and we are very happy with the performance.

Maybe also one word on China that is really super small at the moment, right. We only sell Carbaglu which is a couple of million, and I don't really see any material impacts from whatever tariff discussion going into China. We are pleased to now have the Signifor LAR registration, which we will sell almost immediately and Isturisa, which we hope to get the national reimbursement for by the end of the year. So at the moment, China is really more being prepared to do something and any impact on that from tariffs is really going to be super minimal.

And maybe, it's nice if Scott comments a bit on how well we are doing with Isturisa.

SCOTT PESCATORE: Thanks Rob. Clearly, in line on the comments on China. So it's really good news we are able to get 3 products approved there but it's still early days in terms of the commercial deliverables there.

With regards to Isturisa, we are having another very strong start to the year and we are quite optimistic now with the positive label that we received. It's only been a few weeks now since we got the indication and we are seeing already very positive uptake and I know that from the customer perspective, they are quite pleased that we now have that extended opportunity. I think you know, we also talked little bit about the other week. The market in Cushing's syndrome in the US continues to be dynamic and very positive. It's expanding and we have seen some also similar comments from some of the other companies out there at the moment who also had made comments

around the change in the market and the optimism that they have in terms of finding and diagnosing more patients with hypercortisolism. So the future looks quite bright in terms of the opportunities that we have for Isturisa moving forward.

CHARLES PITMAN-KING: Thank you so much.

OPERATOR: The next question is from Alistair Campbell of RBC.

ALISTAIR CAMPBELL: Hi there. Thanks very much for taking the question. It's actually a follow-up really from the 2027 plans from a few weeks ago. And I guess the question is obviously, you are focused on the near-term plan is very much growing your current business, particularly the rare disease business, and then enhancing that growth through BD activity. I just had a question whether you look across your portfolio, are there any parts of the business today that actually you think, you know, could become noncore and potentially open up to its disposals or actually you think every part of the business has an important role to play? Thanks

ROBERT KOREMANS: Thanks Alistair and I think especially at this current time where we see all of the volatility, I am very, very happy with a growing SPC business that is contributing and has always contributed quite nicely. And within SPC, the prescription and nonprescription in every single market contributing. This helps us very much to weather a little bit of the unstable environment and frankly the last thing I have on my mind is disposing anything there.

Rare disease is a double-digit growth and clearly is a stronger growth but for us SPC and rare disease are equally important and they help to mitigate any potential risks going forward and frankly, we generate fantastic value out of both businesses. I believe Recordati is really a stronger company

because of having both businesses, the diversification, the opportunities and the underlying growth opportunities for both businesses, right?

Let's not forget also SPC, on the back of an aging population, an increased prevalence incidents in our key therapeutic areas of cardiovascular, urology and gastroenterology. We see really good growth. And I want to continue to benefit from that and make sure that also we serve our patients as best as we can and drive fantastic margins from that. So, no Alistair, no plan to divest anything near term, but absolutely plans to do the opposite to make acquisitions in both businesses to help them further grow and strengthen both SPC and rare disease.

ALISTAIR CAMPBELL: Very clear. Thank you.

OPERATOR: As a reminder, if you wish to register for a question, please press "*" and "1" on your telephone. The next question is from Isacco Brambilla of Mediobanca.

ISACCO BRAMBILLA: Hi, good afternoon everybody. 3 quick questions from my side. The first one is on Enjaymo. If you can remind us of the expected contribution of revenues and EBITDA for this year. If I recall correctly, it was like €150 million and accretive profitability to rare disease margin. This was an indication given last year. Just wondering whether this is confirmed or not?

Second question is for modeling purposes. Net financial expenses are a bit above in terms of run rate compared to the indication given last February for the full year. So how should we think about that?

The last question is on geographical markets. If I look at the Top 3 European markets, France, Germany and Italy had quite different dynamics in the first quarter. So, if you can just elaborate a bit more on that.

LUIGI FELICE CORTE: Isacco, hi. So, on Enjaymo, yes. What we said start of the year was contribution on revenue from Enjaymo of around €150 million and with the margin ahead of the average of rare disease. Now revenue, of course, you know, is the part of the P&L where particularly with Enjaymo having a significant part of the revenue in the US, there will be a little bit of a headwind, but we've not changed the estimates there. I think we started the year well, but that's in terms of the contribution that we are expecting for this year.

In terms of the run rate on financial expenses, there were a little bit of FX losses and non-monetary losses as well in the numbers. Those go up down quarter-in, quarter-out, depending on FX volatility. Most of those are unrealized actually, so it could unwind. And also, we do expect as we generate cash to deleverage over the course of the year. Interest rates are also trending downwards at least so far. So, that's why I think your question was around the current run rate in Q1 of financial expenses versus the full year.

Happy to also have Alberto comment on the countries. I think you're pointing to some of the key European markets have a different growth rate. But I think I called out France is actually one of the ones where we've got the bigger cough and cold business, and those have been a little bit softer.

Alberto, I don't know if you want to add anything on different growth rates of different markets?

ALBERTO MARTINEZ: Thank you, Luigi. No, I would only add that different markets provides different expectations in terms of growth. This was also part of our presentation during the long-range plan with a mature portfolio like SPC particularly in Northern Europe. In markets like Germany or France, we

shouldn't be expecting high single-digit rate. And in the case of Italy, we are also growing on the back of a strong start of last year and the expectation is to operate in those ranges.

LUIGI FELICE CORTE: And I will only add that in Germany, there's also the benefit of the addition of Enjaymo, which has sort of solid base in that country.

ISACCO BRAMBILLA: Okay, everything is clear. Many thanks.

OPERATOR: For any further questions, please press "*" and "1" on your telephone. Once again, if you wish to ask a question, please press "*" and "1." Gentlemen, there are no more questions registered at this time.

ROBERT KOREMANS: So, I think in light of that we've been together last week, we all expected this to be a relatively short update. I thank you for your time and interest. Wish you a wonderful afternoon and look forward to interacting with you in the very near future. Thank you very much.