



**Probiotec (ASX: PBP)**

**AGM Update**

NOVEMBER 2021

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All values are expressed in Australian Dollars unless otherwise stated.

# FY21 Trading Update

Trading performance for the first four months of FY22 ahead of management expectations

Results for 4 months ended 31 Oct 2021	\$'m <sup>1</sup>
Sales Revenue	56.7
EBITDA	10.1

## Commentary

- ✓ With the ongoing uncertainty and consistent with our previous statements we do not intend to provide formal guidance at this time.
- ✓ Q1'21 trading performance is ahead of management expectations and trading conditions continue to improve as we emerge from Covid restrictions. Based on this, we expect to deliver growth in FY22 earnings compared to FY21 proforma results<sup>2</sup>.
- ✓ Traditionally, the business is seasonally weighted to the second half of the financial year.
- ✓ Cough, cold and flu categories are showing early signs of recovery (revenue declined by c. \$20m in FY21) and are expected to progressively recover as COVID-restrictions are eased and we head into the peak season for supply in 2HY22.
- ✓ We continue to win new business, which will be introduced to the group on a 6-24 month timeline (reflecting relative complexity and the regulatory category).

# Our Strategy

Drive profitable growth through organic and inorganic opportunities

01

**Organic growth via key customer relationships**

The expanded Group will provide additional opportunities for cross fertilisation and leveraging of existing capabilities to improve revenues

02

**Maximise opportunity from onshoring and domestic manufacturing**

Probiotec is well positioned with the capabilities and capacity to assist global clients to localise their manufacturing in Australia

03

**Acquisition and capital investment opportunities**

Probiotec to continue its successful disciplined approach to accretive and strategic acquisitions

04

**Driving operational improvements and cost synergies**

Committed focus to reduce costs and leverage operating scale

Optimise Sydney footprint with consolidation project well progressed

# Highlights

## Strong track record of profitable growth with organic and inorganic upside

Probiotec provides a unique platform for expansion in the contract manufacturing and packaging space. The business' growth objectives are reinforced by a committed & highly experienced management team that has rapidly enlarged the size of business in the last 3 – 4 years

1

### Strong track record of profitable growth

*(Revenue CAGR of 48% and EBITDA CAGR of 77% since FY19)*

2

Onshoring and localisation of manufacturing

3

Upside potential from recovery of cough & cold and pharmacy sales

4

Realisation of benefits from previous acquisitions – site consolidation & cross fertilisation

Organic growth

5

Core capabilities can be leveraged into new sectors & regulated products

6

Cost-out, margin optimisation and benefits of operating leverage to be realised

7

M&A opportunities provides a unique platform for a buy & build strategy

Inorganic upside

8

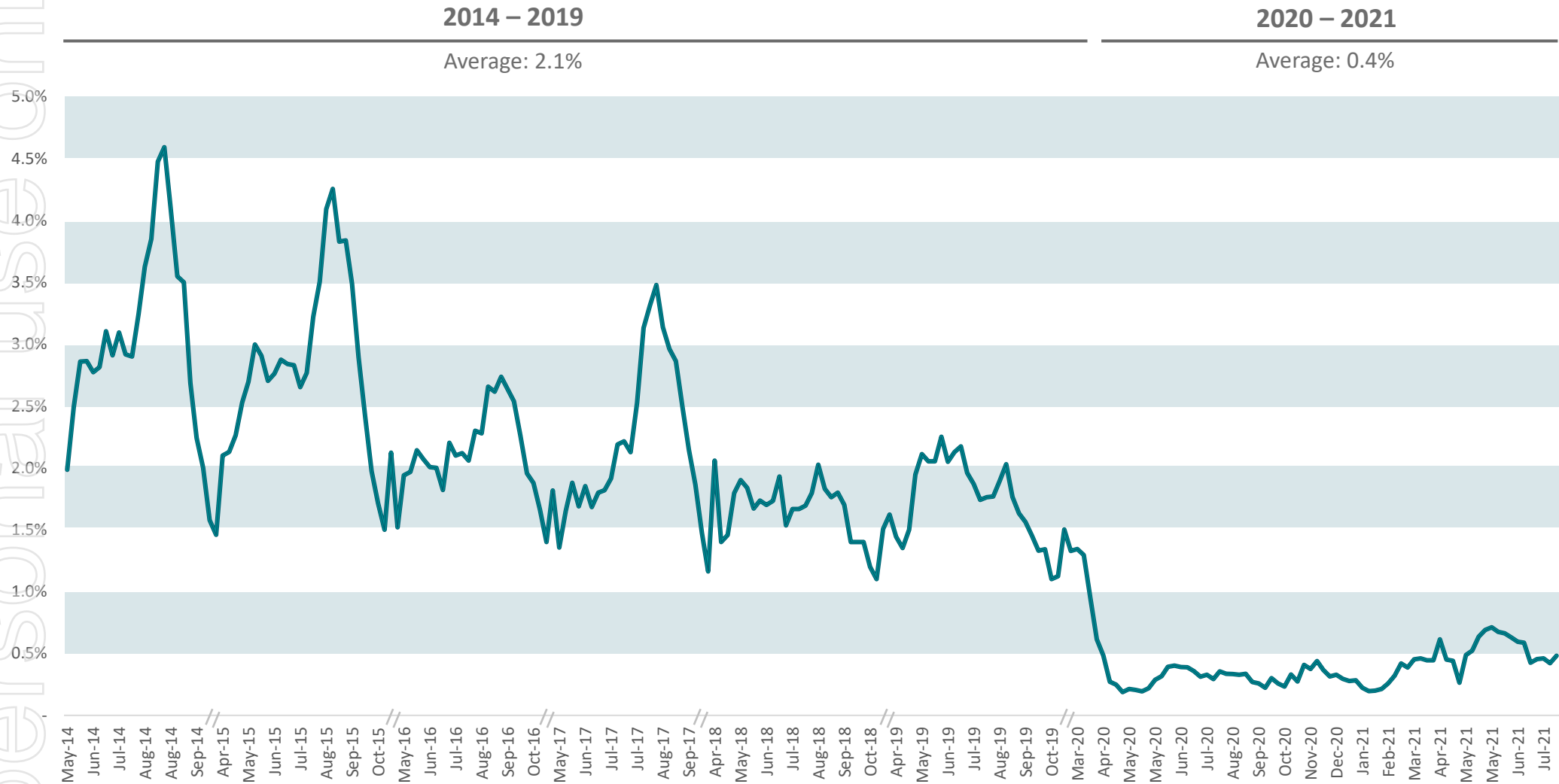
Committed and highly experienced management team

# Recovery of cough & cold and pharmacy sales

Easing of COVID restrictions is expected to recover prevalence of cough, cold and flu

Following the vaccine roll-out and subsequent easing of restrictions, the prevalence of cough, cold and flu is expected to recover within the Australian population.

Prevalence of fever & cough in Australia (%)



Source: FluTracking

# Onshoring and localisation of manufacturing

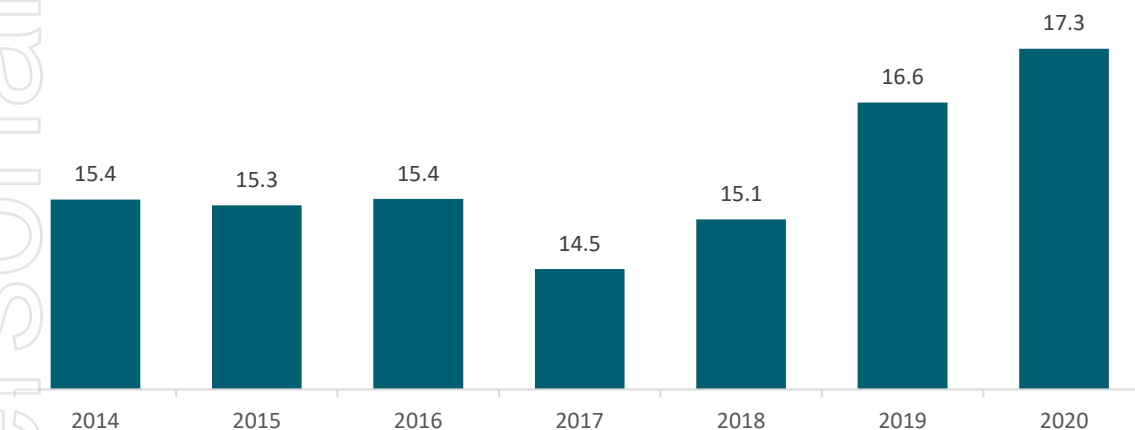
## Capitalising on the disruption of global supply chains

An estimated c.85% of pharmaceutical products are currently manufactured offshore, representing a significant 'onshoring' opportunity. Probiotec is well-positioned to use its strong industry relationships and manufacturing capacity to capture some this opportunity.

### Commentary

- The COVID-19 pandemic reinforced the need for protectionist measures towards supply chains, thus encouraging multinational companies to diversify supply chains and localise their production operations
- Probiotec is in a strong position to continue attracting opportunities to capture market share from customers onshoring their production to Australia and can be supported by its existing manufacturing capacity
- In FY22, the company has already secured \$15m+ from two key clients. The trend in onshoring contract wins is expected to continue over the next 3 years

### Domestic Pharmaceutical Manufacturing Employees ('000s)



Source: ABS



# Executive Summary

Strong financial profile with national platform to support growing end-markets

## Company & Industry Overview

- Probiotec is an ASX-listed manufacturer, packer and distributor of third-party pharmaceuticals, complementary medicines, consumer health, food & beverage, FMCG and veterinary products
- Probiotec's focus is on servicing pharmaceutical, cosmetic, consumer healthcare and FMCG clients selling into large & stable end markets (pharmacies, grocery and cosmetic retailers)
- Probiotec aims to service highly regulated industries with growing end markets. In addition to the health-conscious consumer sentiment, Australia's ageing population and increasing prevalence of chronic disease supports the growth of the pharmaceuticals industry



## Financial Overview

### FY21 Results (Pro Forma<sup>1</sup>)

- **50% Revenue growth** to \$160.5m (FY20: \$107.2m)
- **76% EBITDA growth** to \$29.6m (FY20: \$16.9m)
- **62% EPS growth** to 17.9c (FY20: 11.1c)
- **11% dividend growth** to 5.0c per share (FY20: 4.5c per share)
- **0.7x Net Bank Debt / EBITDA** (FY20: 1.4x)

### Underlying<sup>1</sup>

### Pro Forma<sup>2</sup>

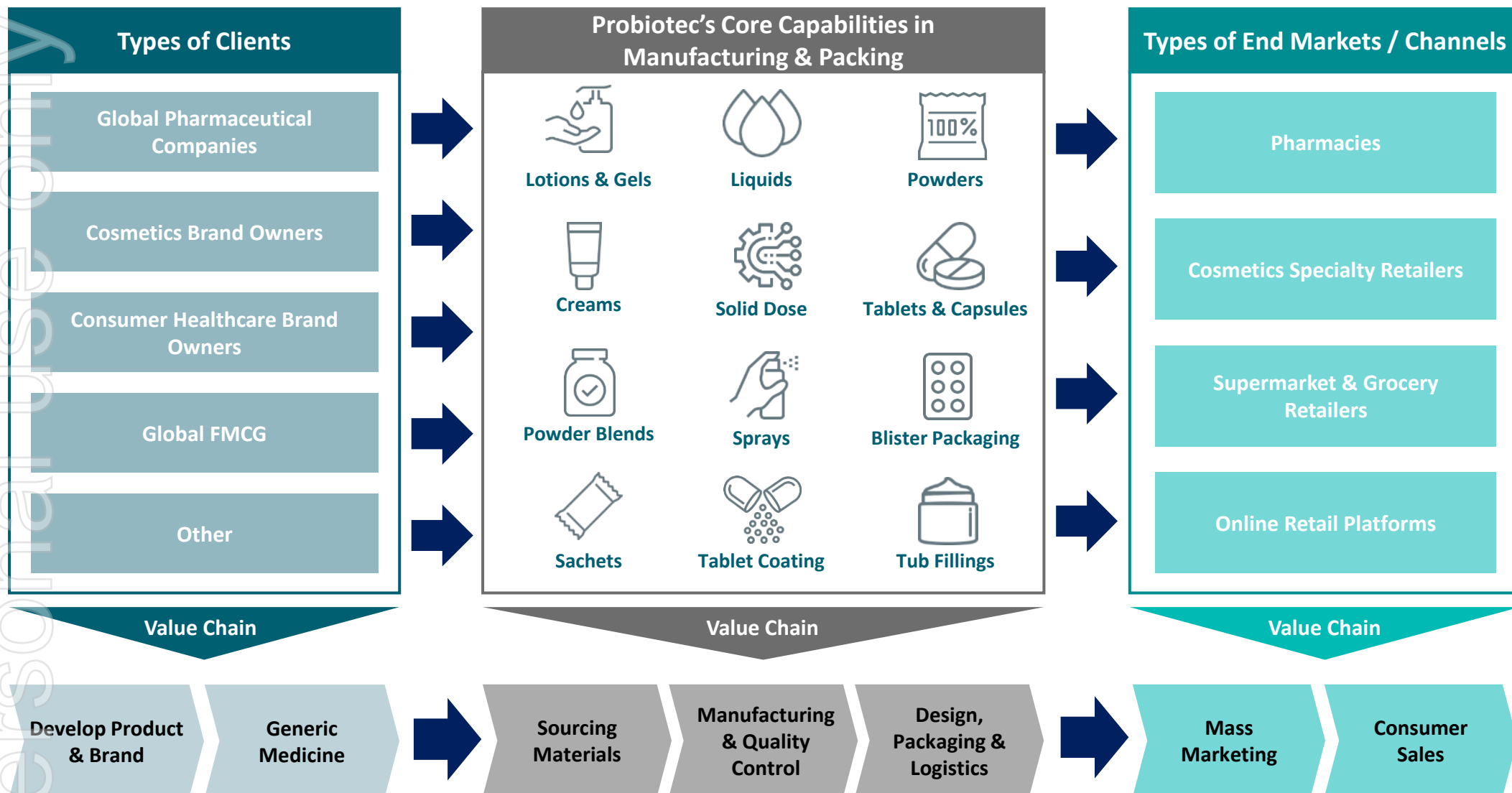
	FY21 Underlying Results	FY20 Underlying Results	Underlying vs PCP	FY21 Pro Forma	FY20 Underlying Results	Pro Forma vs PCP
Revenue	120.5	107.2	↑ 12%	160.5	107.2	↑ 50%
EBITDA	21.6	16.9	↑ 28%	29.6	16.9	↑ 76%
EBIT	15.2	12.6	↑ 21%	20.8	12.6	↑ 66%
NPAT	9.1	7.8	↑ 17%	13.7	7.8	↑ 76%
EPS	11.9c	11.1c	↑ 8%	17.9c	11.1c	↑ 62%



# Company Overview

## Value Chain

Probiotec has mainly focussed on servicing pharmaceutical, cosmetic, consumer healthcare and FMCG clients selling into large & stable end markets (pharmacies, grocery and cosmetic retailers).



# Our Customers

Tier 1 Customer Base with low concentration risk (largest customer is ~10% of revenue)



BLACKMORES

**inova**  
pharmaceuticals

L'ORÉAL  
PARIS



PharmaCare  
Laboratories

VOSS  
artesian water from norway



arrotex  
— PHARMACEUTICALS

Kellogg's

Johnson & Johnson



McCORMICK



Asahi



KEY  
Pharmaceuticals

Mondelēz  
International



Mars



DIAGEO



Pernod Ricard



FERRERO



CCA  
COCA-COLA AMATIL

Woolworths

HEALTH • HYGIENE • HOME



FRESENIUS  
KABI  
caring for life

MURRAY  
GOULBURN

Bega



SANOFI

LAVAZZA  
ITALY'S FAVORITE COFFEE

max biocare  
EVIDENCE-BASED • NATURAL • TRUST



MSD

DU PONT

Firebrick  
Pharma



BioCeuticals

MSD

CAMPARI



Simplot

# Our Licensing

Significant barriers to entry



Australian Government

Department of Health  
Therapeutic Goods Administration



International  
Organization for  
Standardization

ISO 45001:2018



Australian  
Certified  
Organic



Australian Government  
Australian Quarantine  
and Inspection Service



Australian Government

Department of Agriculture



Australian Government  
Department of Agriculture  
and Water Resources



AA  
CERTIFIED



Dairy Food Safety  
VICTORIA



Australian Government  
Australian Taxation Office



SMETA



Australian Government  
Australian Pesticides and  
Veterinary Medicines Authority

Supplier Ethical Data Exchange

# Committed and highly experienced management team

Leading Probiotec to becoming the largest contract manufacturer & packager in Australia

Probiotec's executive management team are highly skilled and committed to executing its growth plans.



**Wesley Stringer**  
*Chief Executive Officer*

Wesley has been the CEO of Probiotec since **July 2015**.

Prior to this role, Wesley was the **Chief Operating Officer at Probiotec for 12 years**. Before this, Wesley was employed by KPMG in Taxation and Finance. He has also worked internationally for Deutsche Bank and BNP Paribas Investment Bank in London.



**Jared Stringer**  
*Chief Financial Officer*

Jared has been the CFO of Probiotec since **July 2012**.

Prior to this role, Jared was a **Financial Accountant at Probiotec for 6 years**. Before this, he worked as an Investment Analyst at CVC. Also holds the role of Company Secretary with experience and qualifications in Corporate Governance.



**Julie McIntosh**  
*Chief Operating Officer*

Julie has been the COO of Probiotec since **May 2017**.

Prior to this role, Julie was the **General Manager of Supply Chain at Probiotec**. Before joining the Probiotec team, Julie had over 20 years experience in a global chemical company, where she focussed on supply chain management, global project management and quality management.



# Board of Directors

Experienced financial and commercial leaders

Probiotec's Board of Directors are highly skilled and experienced in growing & advising various businesses



**Jonathan Wenig**  
*Non-Executive Chairman*

Jonathan became Chairman of Probiotec in July 2021.

Jonathan initially joined the Board as a Non-Executive Director in June 2020. Jonathan is currently a partner at Arnold Bloch Leibler. His practice and expertise lies in commercial & corporate law, including mergers and acquisitions, corporate work, technology and financing.



**Simon Gray**  
*Non-Executive Director*

Simon joined the Board in July 2021 as a Non-Executive Director.

Mr Gray was previously a director on the boards of Morgans Financial and before that Shaw and Partners where he was at various times its Deputy CEO, General Counsel and Chief Compliance Officer.



**Wesley Stringer**  
*Chief Executive Officer*

Wesley has been the CEO of Probiotec since July 2015.

Prior to this role, Wesley was the Chief Operating Officer at Probiotec for 12 years. Before this, Wesley was employed by KPMG in Taxation and Finance. He has also worked internationally for Deutsche Bank and BNP Paribas Investment Bank in London.

# The Probiotec Group



Probiotec Pharma

Multipack  LJM



partners in co packing



HH Packaging



LABORATORIES (AUST) PTY LTD