

ASX : PBP

Investor Presentation

FY19 Results & Outlook



Probiotec at a Glance



Leading Australian pharmaceutical and consumer health manufacturer



Focus on innovation, quality systems and customer service



Driving growth both organically and via acquisition

Forecast Revenue

100m+

FY20 Forecast

+26%

Positive Growth

CAGR

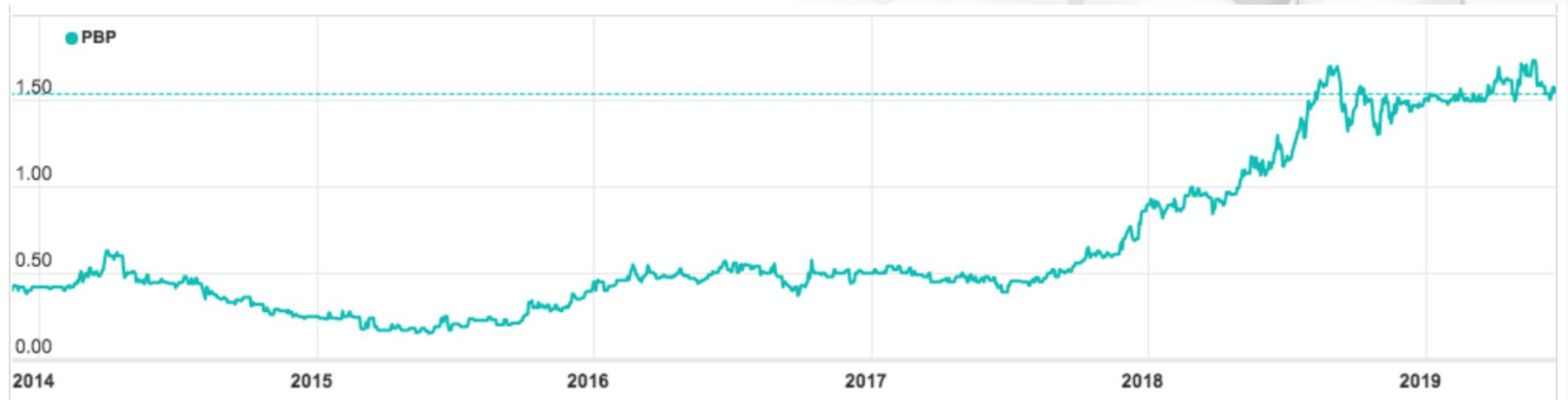
+68%

(Past 4 years)*

* Ended June 2019

Share Price Performance

5 Year Chart



Mission Statement

To be a leading manufacturer and provider of innovative healthcare products that improve the wellbeing of our customers



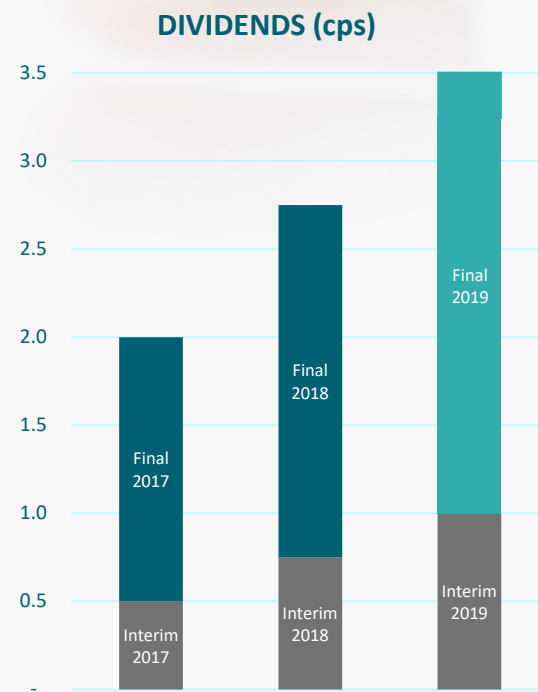
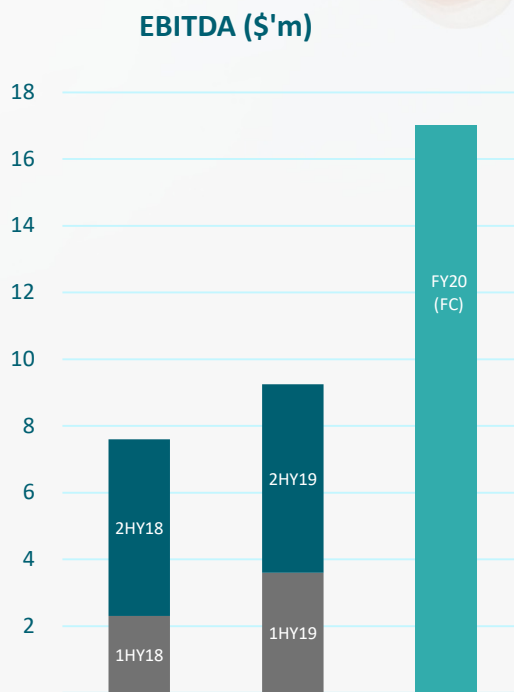
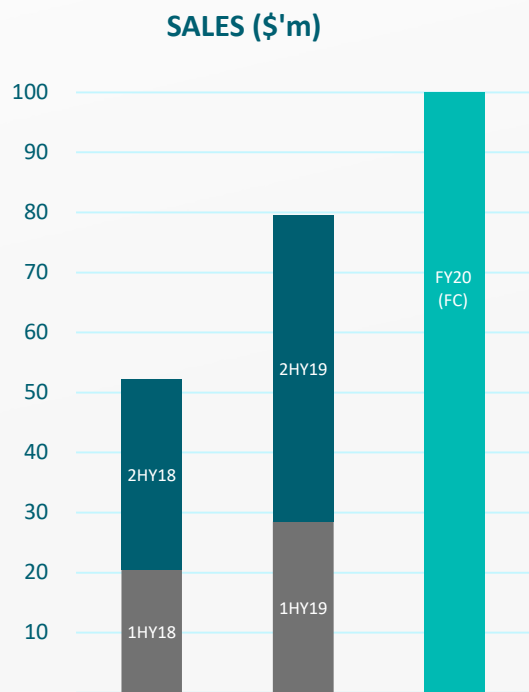
FY2019 Results



Underlying Results ¹				(\$'000)
Sales Revenue	Up	19.0%	to	79,092
EBITDA	Up	26.3%	to	9,702
EBIT	Up	37.1%	to	6,407
Net Profit Before Tax	Up	16.1%	to	4,643
Net Profit After Tax	Up	25.2%	to	3,825
Earnings Per Share	Up	26.5%	to	6.2¢

¹ From continuing operations and excluding non-recurring gains and costs

Financial Highlights



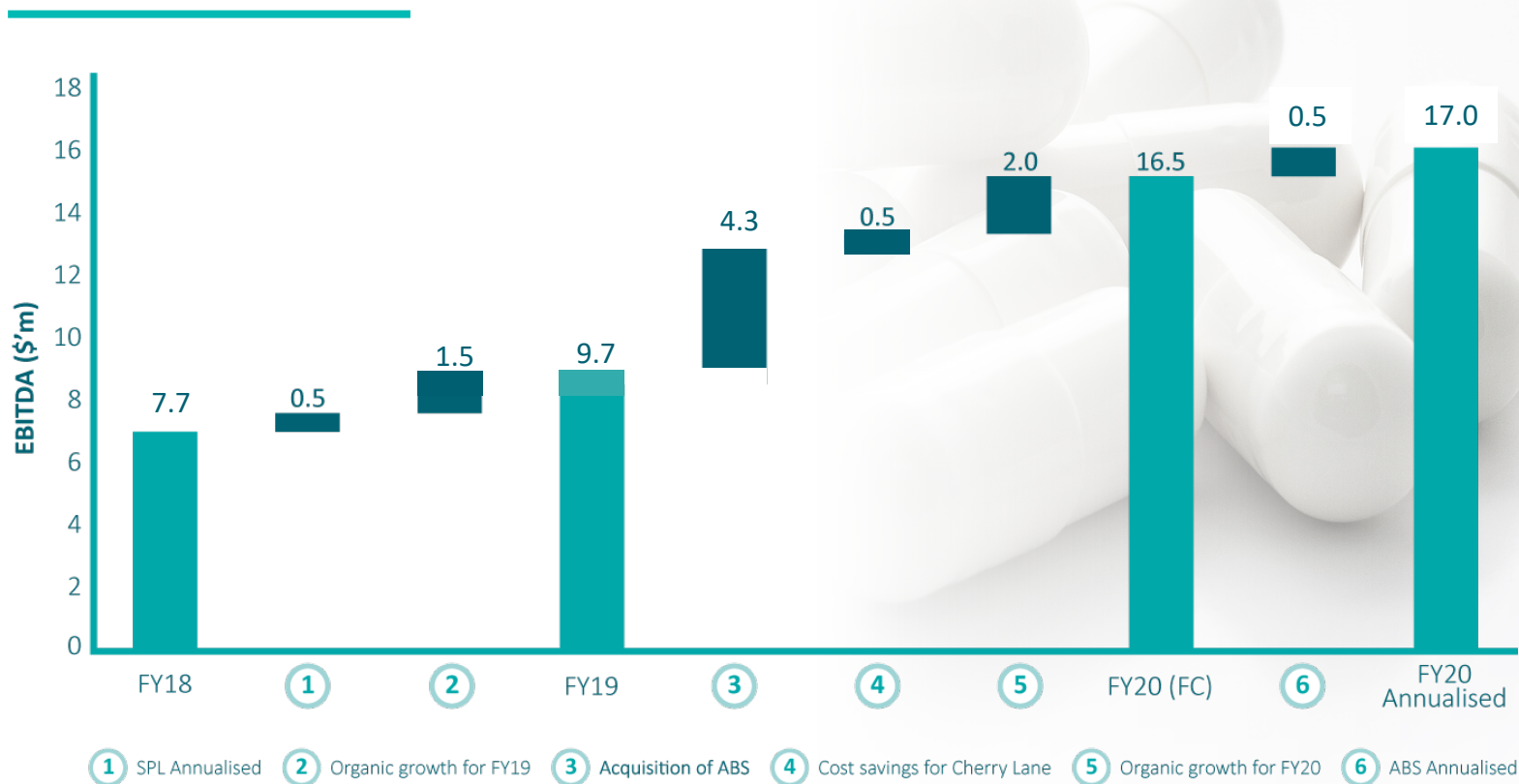
FY19 Earnings Breakdown

DIVISIONAL EARNINGS BREAKDOWN

	Description	FY19	Notes
SALES	Probiotec Laverton	68.6	
	SPL	10.5	
	ABS	–	
	TOTAL	79.1	
EARNINGS	Probiotec Laverton	10.0	
	SPL	2.8	
	ABS	-	No contribution for FY19
	TOTAL	12.8	
	Corporate and General Expenses	3.1	
	EBITDA	9.7	
	Depreciation	2.6	
	Amortisation	0.7	
	EBIT	6.4	
	Interest	1.8	¹
	NPBT	4.6	
	Tax	0.8	
	NPAT	3.8	
	Shares on Issue ('millions)	60.0	At year end
	EPS (underlying) – cps	6.4	Based on year end shares on issue

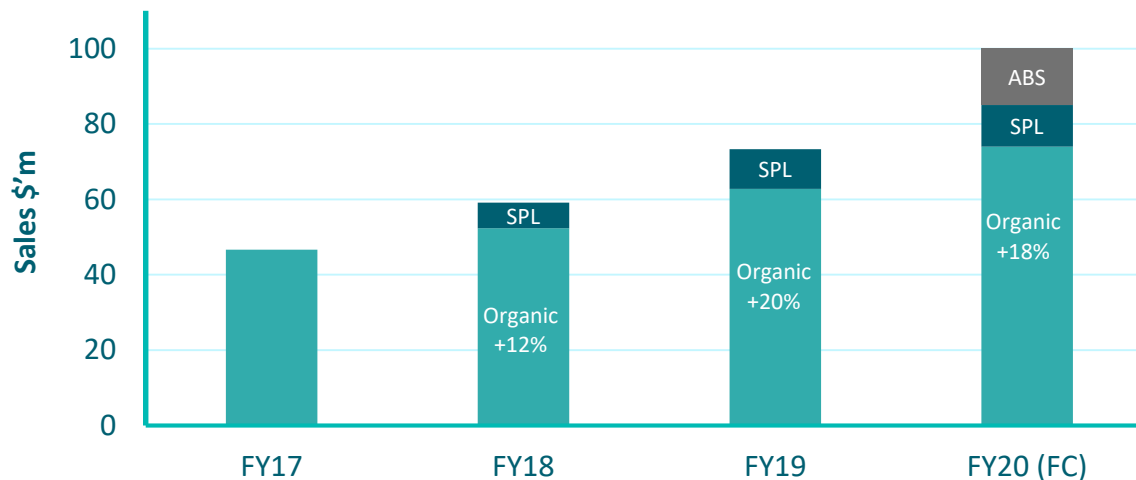
¹ Includes interest related to operating leases recognised under new accounting standard AASB16 + Additional borrowings for ABS acquisition

EBITDA Bridge



Strong Organic Growth Supplemented by accretive acquisitions

- Consistent double-digit organic revenue growth achieved
- Supplemented by earnings accretive acquisitions (SPL is FY18 and ABS in July 2019)



Balance Sheet & CAPEX

- Positive operating cashflow of \$2.5m excluding transaction costs and discontinued operations
 - Impacted by restructuring activities, growth and several customers missing year end payments → operating cash flow of \$2m for July 2019
- Net cash of \$3m¹ → Deployed as part of ABS acquisition in July 2019
- Well position for growth as significant capacity at all sites following increased CAPEX spend in prior years, expected to decrease in future years in the absence of major growth projects
- Strong expertise in equipment sourcing, including the 2nd hand market
- Completion of 85 Cherry Lane development scheduled for September 2019 (see below images)



MAY



JUNE



JULY



AUGUST

¹ Excluding operating leases on balance sheet under AASB 16

Acquisition of ABS



- Acquisition completed on 31 July 2019
- Earnings accretive from day 1
- \$23m + up to \$5m earn out based on earnings targets for first year
- Leading pharmaceutical and consumer products contract packer for over 40 years
- Valuation multiple of 4 to 5 times EBITDA
 - ~ 5 cents EPS accretion before any acquisition related amortization
- Funded by mix of cash and debt

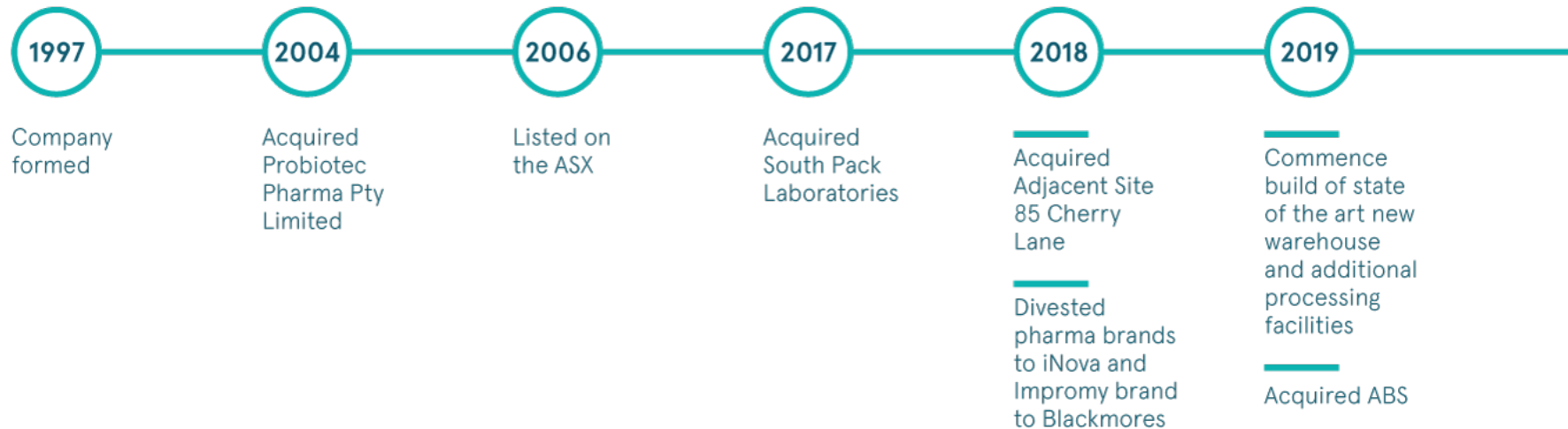


Sale of Celebrity Slim

- Agreement executed for sale of Celebrity Slim on 28 August 2019
- Sale price of \$6.75 million
- Scheduled to complete on 30 September 2019
- Deposit of \$1.5 million paid
- Subject to customary working capital adjustments and a funding condition related to the buyer completing its current off-market capital raising
- Probiotec to continue to manufacture the Celebrity Slim products on an exclusive basis
- Successfully concludes Probiotec's branded portfolio divestment program with all non-core assets divested

celebrityslim
PROGRAM

Our History



Strategic Plan

NOW

- High quality contracted customer base
- Capacity to grow



SHORT TERM

- Organic growth
- NPD for existing clients (strong pipeline)
- New clients



MEDIUM TERM

- New clients
- NPD for new and existing clients
- Efficiency improvements
- Acquisition and industry consolidation
- Export markets



LONG TERM

- Australia's largest pharma contract manufacturer and packer

Strategic Plan

Objectives

- Leading manufacturer of high quality prescription and over-the-counter pharmaceuticals, complementary medicines and specialty ingredients in Australia and Asia Pacific
- Largest and most efficient pharma, cosmetic, food and associated packaging business in Australia

Enablers

- Three state-of-the-art, TGA and GMP approved facilities
- Portfolio of quality customers
- Experienced management team
- IP Ownership
- M&A successes

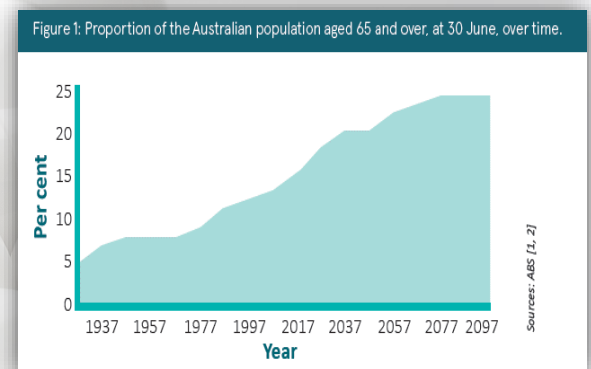
Strategy

- Accelerate contract manufacturing
- Integrate and grow Pharma Packaging
- Targeted NPD for existing and new clients, with a focus on pharmaceutical and complementary products
- Penetrate client's international needs

TGA: Therapeutic Goods Administration.
GMP: Good Manufacturing Practice.

Strong Market Dynamics

- ✓ Aging population driving demand for health products
- ✓ Increasing awareness and desire for high quality Australian products, particularly into Asian markets
- ✓ Pharmaceutical industry reforms driving hunger for new products and revenue sources
- ✓ Growing industry preference to source domestic requirements from local Australian suppliers:
 - ✓ Reduced inventory holding and lead times → reduced working capital
 - ✓ Greater flexibility to respond to market changes
 - ✓ Reduced supply chain costs including freight
 - ✓ Greater quality control
 - ✓ Access to product innovation tailored for region



Secure Business Model

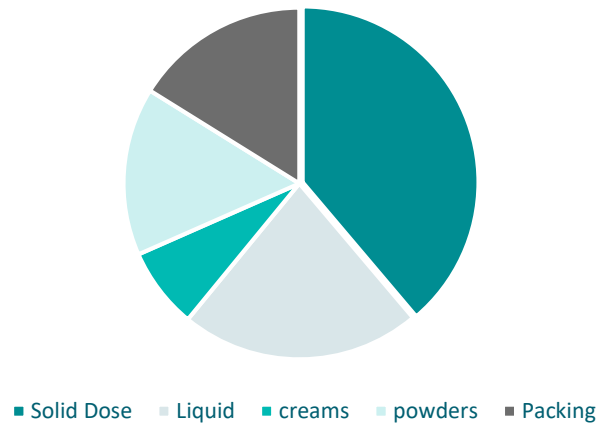
- Heavily contracted customer base → strong revenue visibility
- Weighted average contract term remaining of over 2.5 years
- Strong historical contract roll-over rate with no major contract losses in past 5 years
- Key customer contract terms:
 - 3-5 year terms
 - Cost review process to ensure margin maintenance
 - Majority include exclusivity on products
 - Intellectual Property held by PBP for a material portion of sales
- Highly automated, state-of-the-art facilities ensure the Group is globally competitive



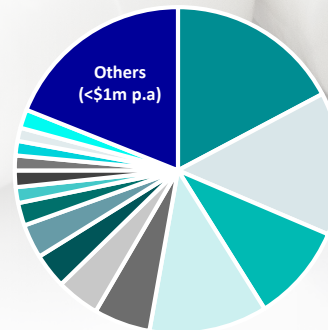
Low Concentration Risks

- ✓ Low concentration customer base
- ✓ Broad range of products and formats produced, across wide range of product categories

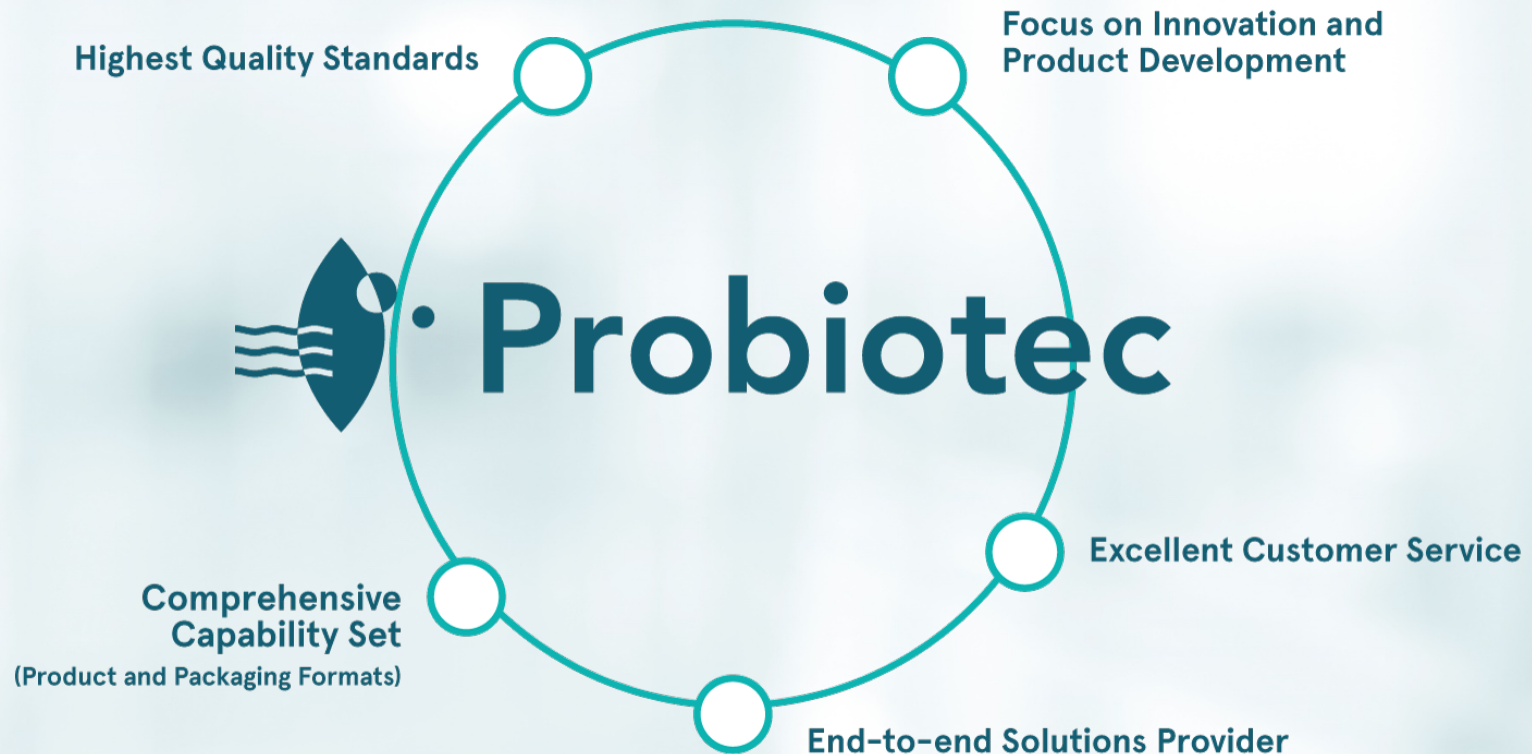
Product Mix



Customer Concentration



What Makes Us Unique?



Our Sites



Laverton North

Probiotec Laverton

- Circa 25-30 customers
- Heavily contracted customer base & business model



Southpack

South Pack Laboratories

- Circa 15-20 customers
 - Specialist Packaging Businesses
 - Bottling focus
 - Blister
 - Secondary packaging and finishing services
 - Strong management team
 - Highly efficient site
- Major opportunity for Probiotec to leverage new business, customers



ABS

Australian Blister Sealing

- Circa 20-30 customers
- Specialist Packaging Businesses
 - Cold Seal Packaging
 - Foil Blister
 - Carded Blister Packaging
 - Secondary packaging
 - Labelling
- Other services include: Printing, Thermoforming, Filling
- World Class facilities



Our Capabilities



LOTIONS & GELS



POWDER BLENDS



POWDERS



SPRAYS



TABLET COATING



BLISTER PACKAGING



HIGH VOLUME SOLID DOSE



LIQUIDS & SUSPENSIONS



CREAMS & OINTMENTS



SACHETS



TABLETS
CAPSULES CAPLETS



TUB / JAR FILLING

Outlook

- ✓ In the absence of any significant deterioration in economic conditions, Probiotec is forecasting revenues to exceed **\$100 million** and EBITDA in the range of **\$16 million to \$17 million** for FY20
- ✓ The key growth drivers are:
 - Full year impact of newly contracted work;
 - Organic and new product growth from existing customers;
 - The acquisition of ABS;
 - Cost savings from the development of 85 Cherry Lane (expected completion in September 2019)

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