

ASX : PBP

Investor Presentation

HY20 Results & Outlook



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Probiotec at a Glance



Leading Australian pharmaceutical and consumer health manufacturer & packer



Strong performance, driven by execution of clearly defined strategy



Driving growth both organically and via acquisition

FY20 Forecast Revenue

\$100m+

FY20 Forecast EBITDA

\$16m - \$17m



HY20 Highlights



Sales Revenue +34% to \$44.1m



EBITDA¹ +68% to \$6.2m



Completed acquisition of ABS



Acquired assets of CPSA



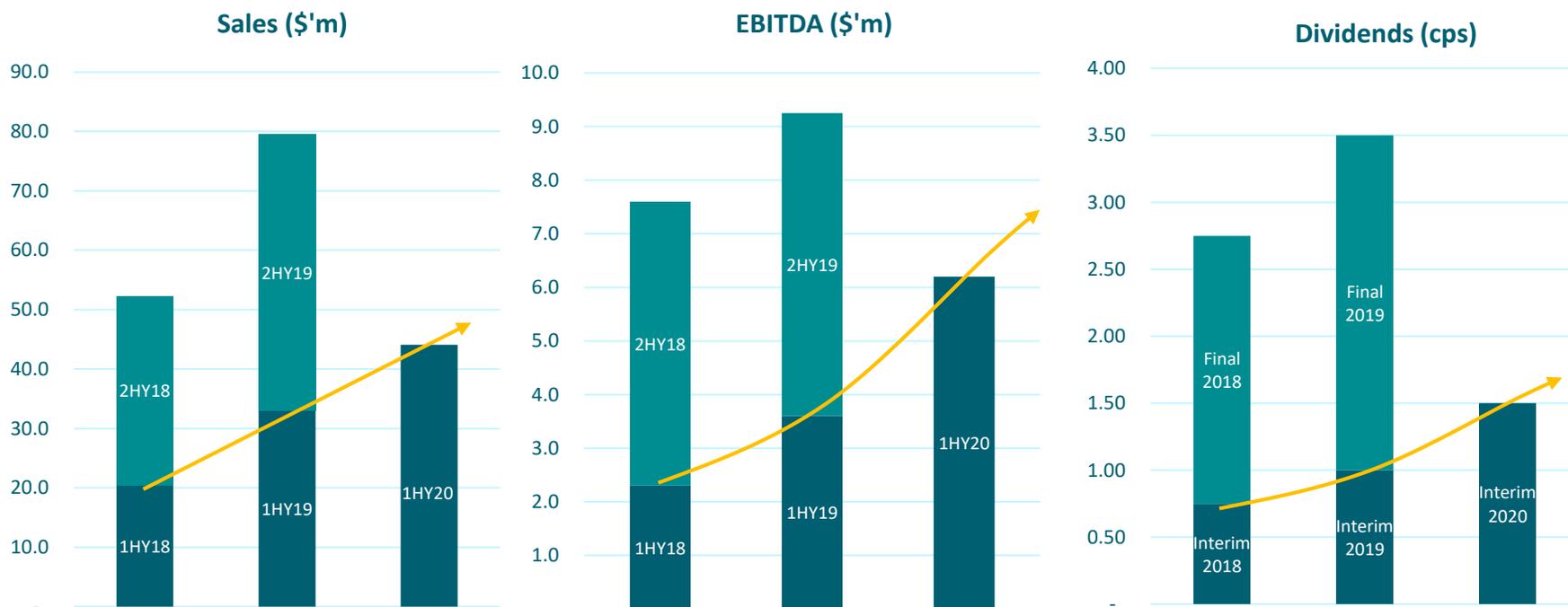
85 Cherry Lane now operational



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

Growth across the board

- Strong first half across all key metrics
- Performance seasonally skewed to 2nd half (revenue and earnings) due primarily to Cold & Flu products



HY20 Results

Reported results				HY20 (\$'000)
Sales Revenue	Up	34%	to	44,109
EBITDA	Up	62%	to	5,981
EBIT	Up	57%	to	3,700
Net Profit Before Tax	Up	60%	to	2,499
Net Profit After Tax	Up	65%	to	1,805
Earnings Per Share	Up	59%	to	2.7¢

Underlying results ¹				HY20 (\$'000)
Sales Revenue	Up	34%	to	44,109
EBITDA	Up	68%	to	6,203
EBIT	Up	72%	to	4,337
Net Profit Before Tax	Up	80%	to	3,135
Net Profit After Tax	Up	85%	to	2,442
Earnings Per Share	Up	92%	to	3.7¢

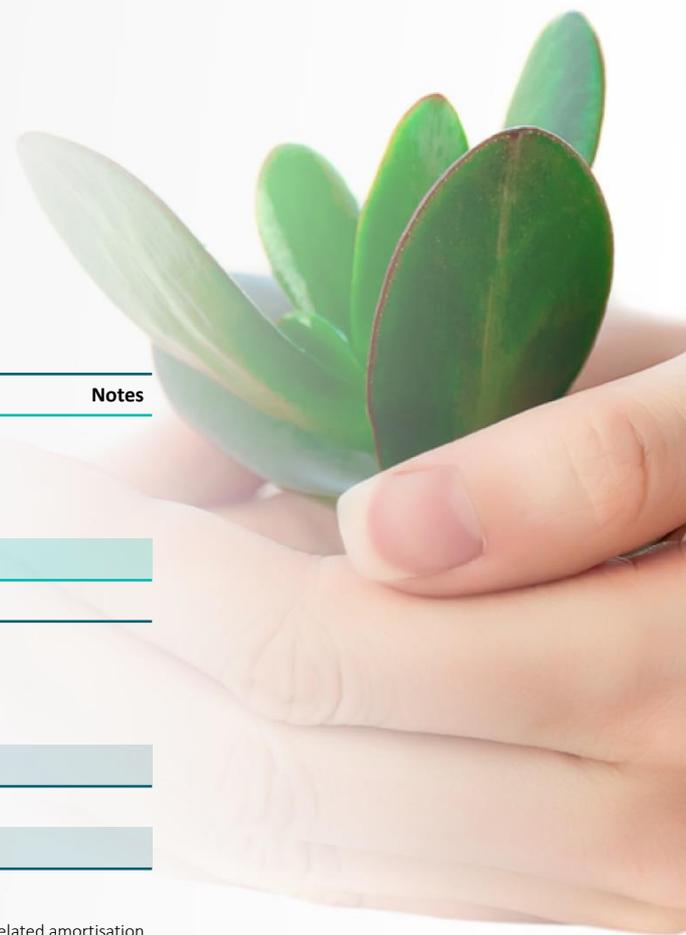
¹From continuing operations, excluding acquisition related amortisation, non-recurring gains and costs

Quality of Earnings



Underlying results (in \$'000)	HY2020 Reported	Non-recurring costs	Acquisition amortisation	HY2020 Underlying	Growth
SALES	44,109		-	44,109	34%
EBITDA	5,981	222	-	6,203	68%
EBIT	3,700	222	415	4,337	72%
NPBT	2,499	222	415	3,135	80%
NPAT	1,805	222	415	2,442	85%

HY20 Earnings Breakdown

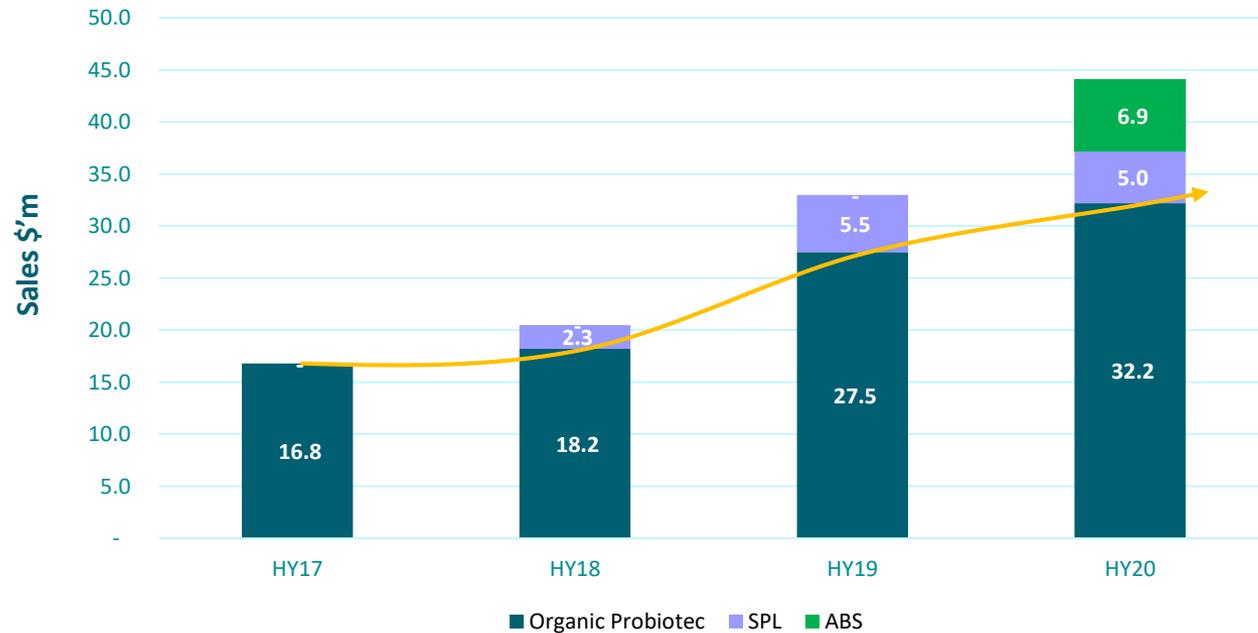


DIVISIONAL EARNINGS BREAKDOWN

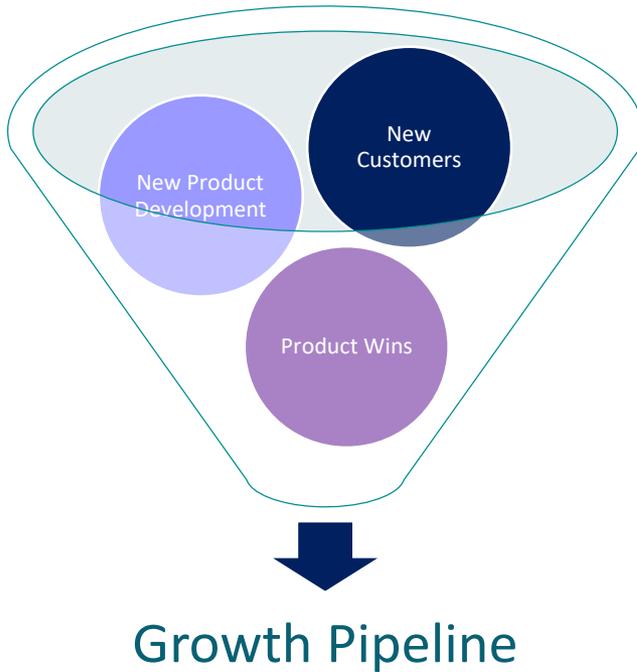
	Description	HY20	Notes
SALES	Probiotec Laverton	32.2	
	SPL	5.0	
	ABS	6.9	
	TOTAL	44.1	
EARNINGS	Probiotec Laverton	4.3	
	SPL	1.3	
	ABS	2.1	
	TOTAL	7.7	
	Corporate and General Expenses	(1.5)	
	EBITDA	6.2	
	Depreciation	1.8	
	Amortisation	0.1	Excluding acquisition related amortisation
	EBIT	4.3	
	Interest	(1.2)	Includes interest related to operating leases recognised under new accounting standard AASB16
	NPBT	3.1	
Tax	(0.7)		
NPAT	2.4		

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)



New Business Wins



- Continued solid level of enquiries and sales leads
- Range of new products from existing customers awarded to Probiotec → to be launched progressively in the 2nd half of the year and into FY2021
- Major new packing contract won from a leading Australian health company → volumes to flow into South Pack and ABS progressively in 2nd half
- Progressing discussions with a range of new customers unlocked by the recent ABS and CPSA acquisitions

Balance Sheet & Cash flow

- Operating cashflow of \$8.3m, including transaction costs of ~\$1m → Benefited from late customer receipts from prior year
- Capital raising of \$10m → partially deployed as part of CPSA asset acquisition in December 2019
- Well positioned 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
- Completed sale of Celebrity Slim in October 2019 for \$6.75m



85 Cherry Lane Development

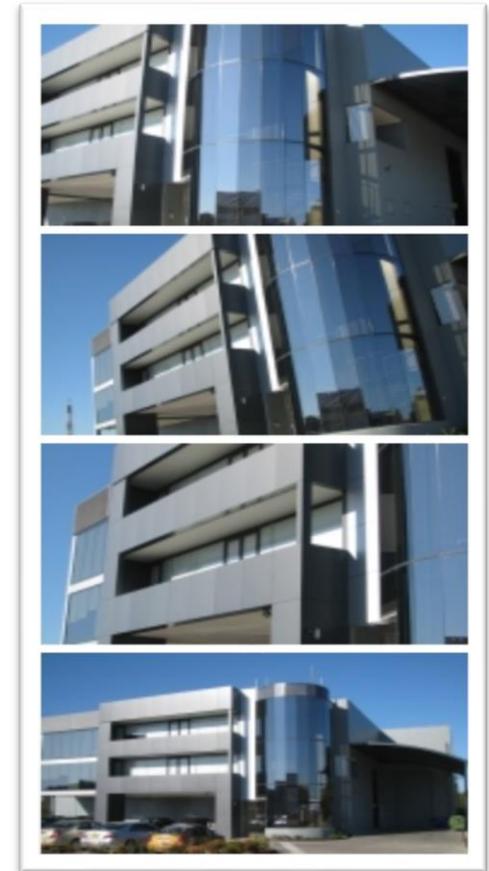
- Development of 85 Cherry Lane completed during the half year
- Delivered on schedule and on budget
- Site now operational and delivering cost savings and operational efficiencies



Acquisition of ABS



- Acquisition completed on 31 July 2019
- Earnings accretive from day 1
- \$23m + 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
- Funded by mix of cash and debt
- Performing to expectations



Acquisition of CPSA assets

- On 10 December 2019 acquired the business assets of CPSA, including major customer contracts and plant and equipment
- Leading high-end pharmaceutical contract packer, established for over 30 years
- \$4m + inventory (~\$0.5m) paid in cash
- Modest positive impact on FY20
- Will generate ~\$2.0m to \$2.5m EBITDA once transitioned into Probiotec facilities in FY21



Outlook

- ✓ Reconfirm guidance → 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;

About Probiotec

Mission Statement

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



Share Price Performance

5 Year Chart



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

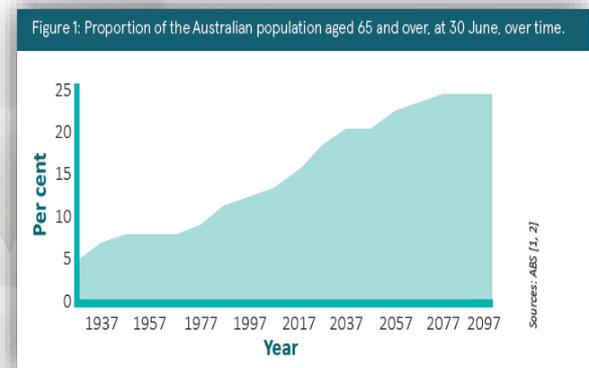
Strategy

- 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

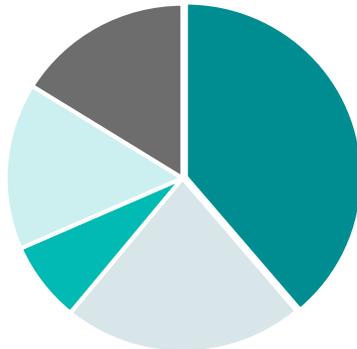
- Heavily contracted customer base → strong revenue visibility
- Weighted average contract term remaining of over 2.5 years
- Strong historical contract roll-over rate with no major contract losses in past 5 years
- Key customer contract terms:
 - 3-5 year terms
 - Cost review process to ensure margin 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

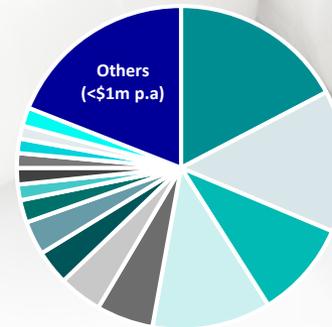
- ✓ Low concentration customer base
- ✓ Broad range of products and formats produced, across wide range of product categories

Product Mix

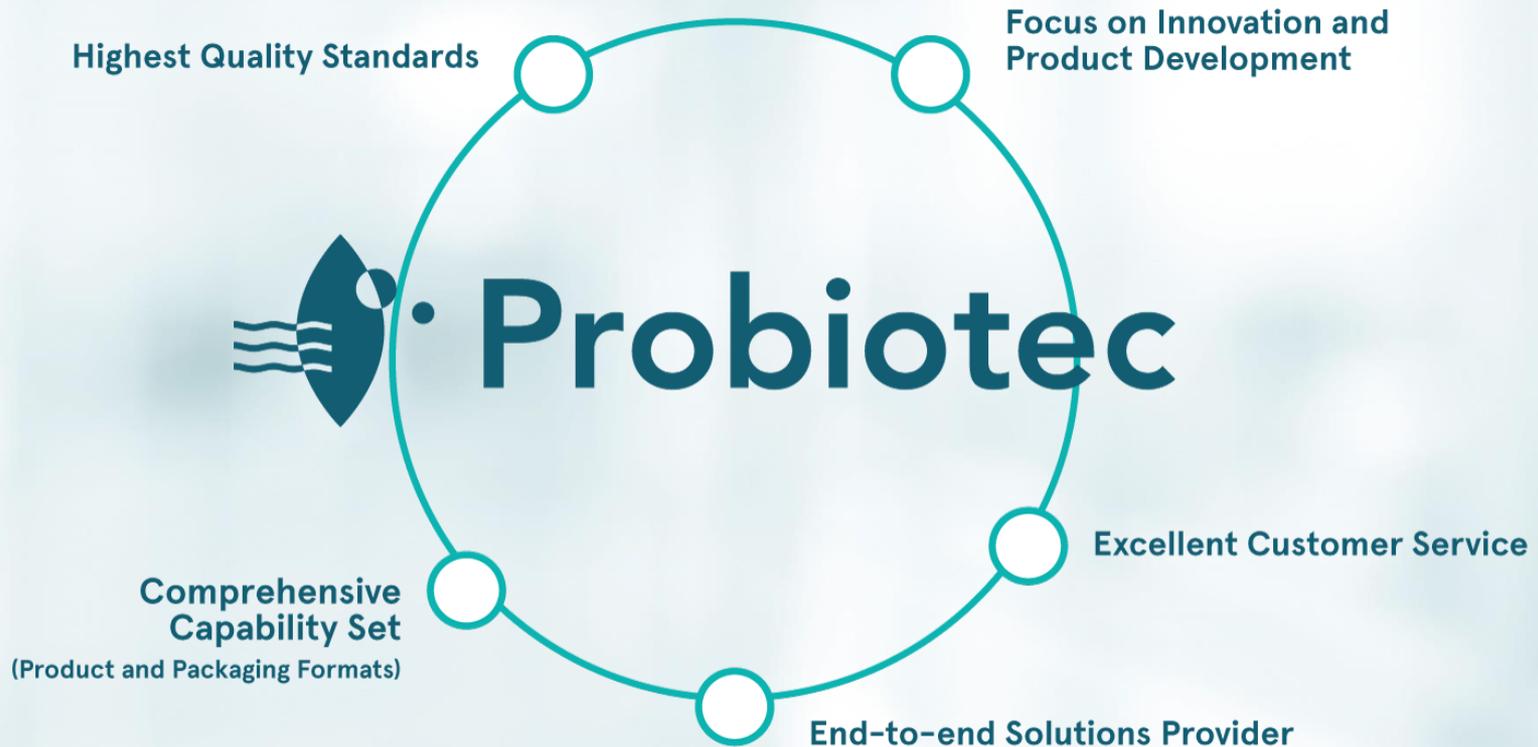


■ Solid Dose ■ Liquid ■ creams ■ powders ■ Packing

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

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