

ASX : PBP

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# 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



EBITDA<sup>1</sup> +68% to \$6.2m



Completed acquisition of ABS



Acquired assets of CPSA



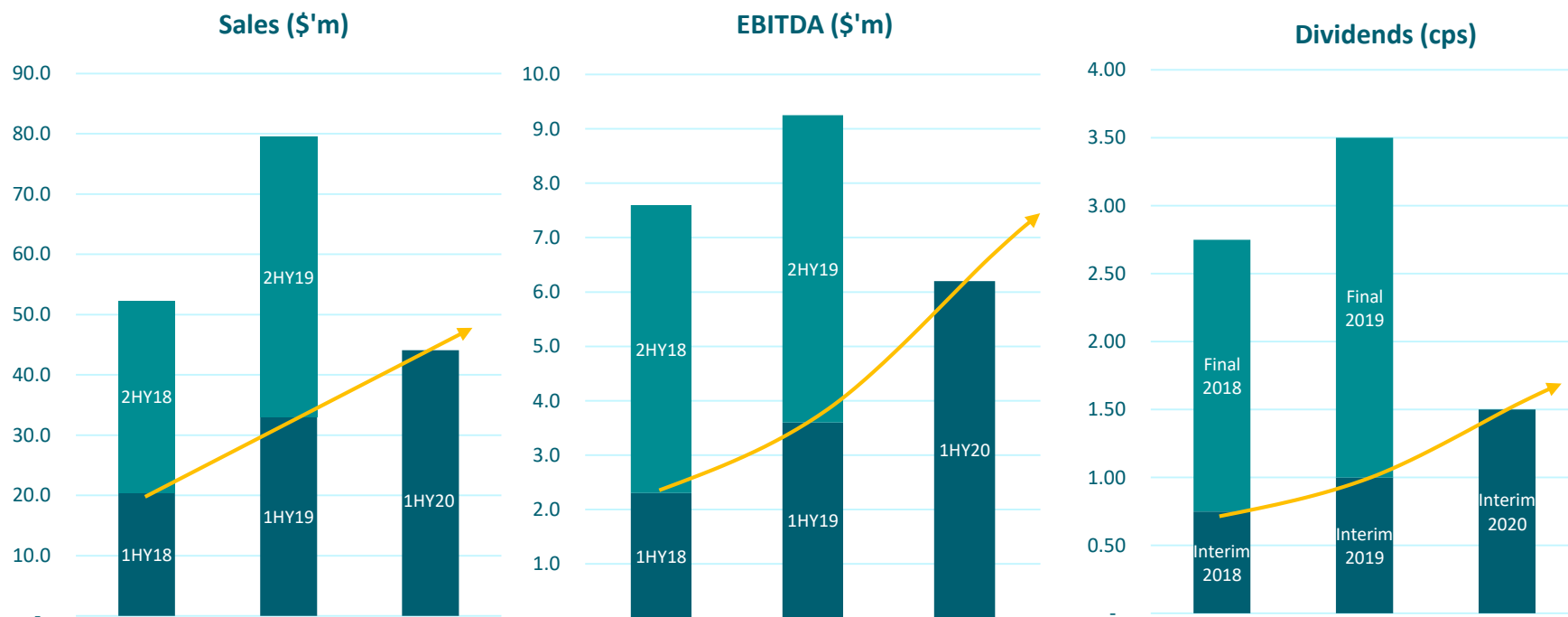
85 Cherry Lane now operational



<sup>1</sup>From continuing operations, excluding non-recurring gains and costs

# Growth across the board

- Strong first half across all key metrics
- Performance seasonally skewed to 2<sup>nd</sup> 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 <sup>1</sup>					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¢

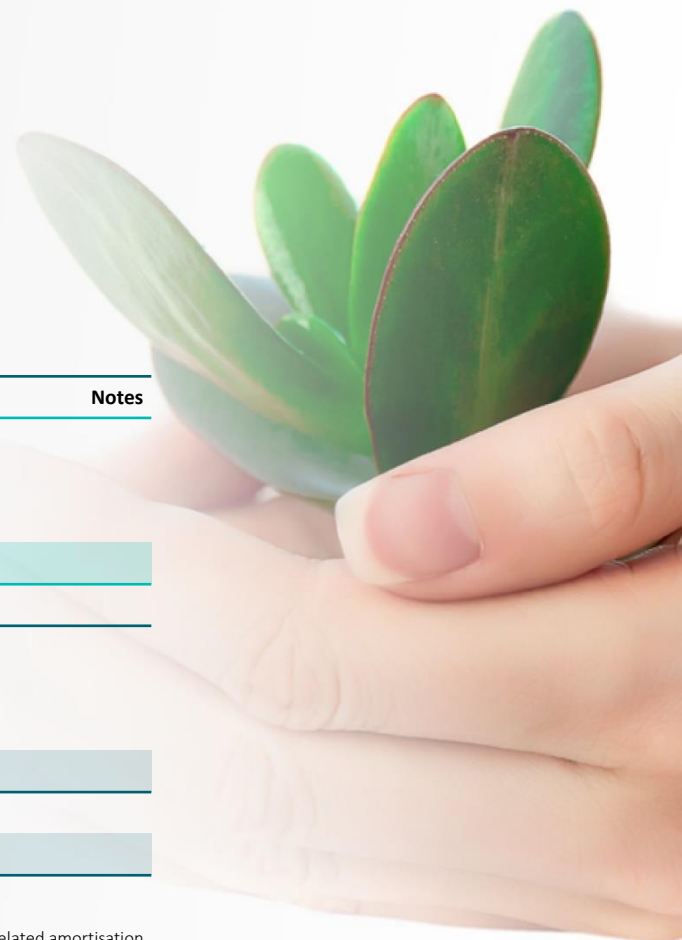
<sup>1</sup>From continuing operations, excluding acquisition related amortisation, non-recurring gains and costs

# 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



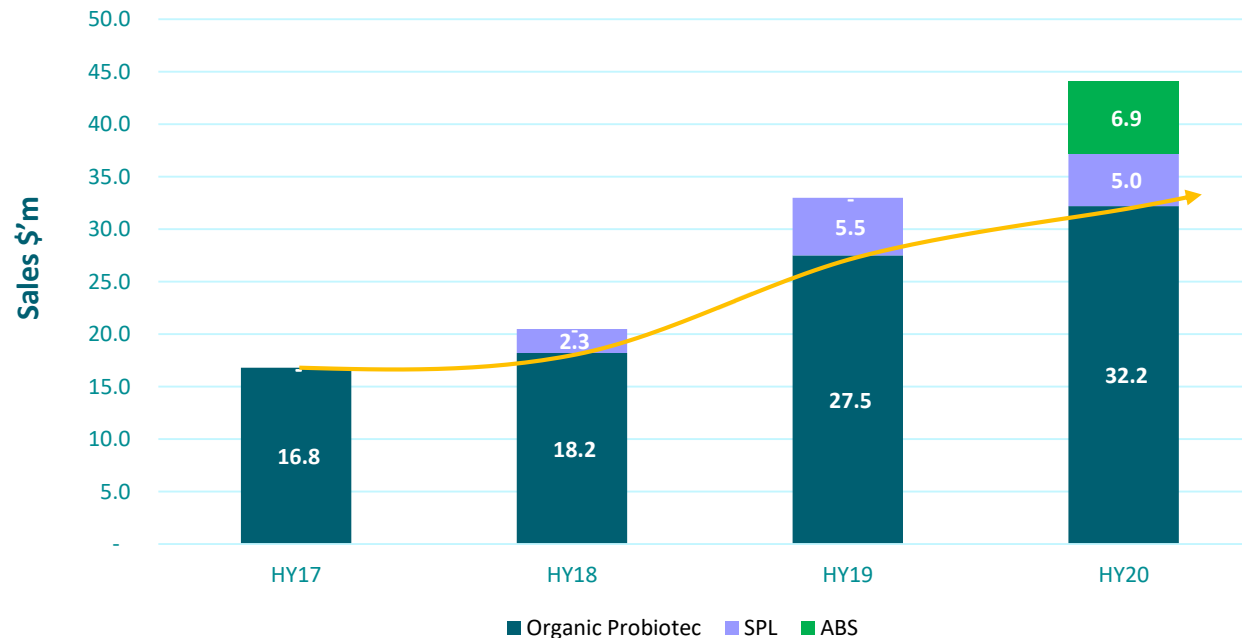
## DIVISIONAL EARNINGS BREAKDOWN

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



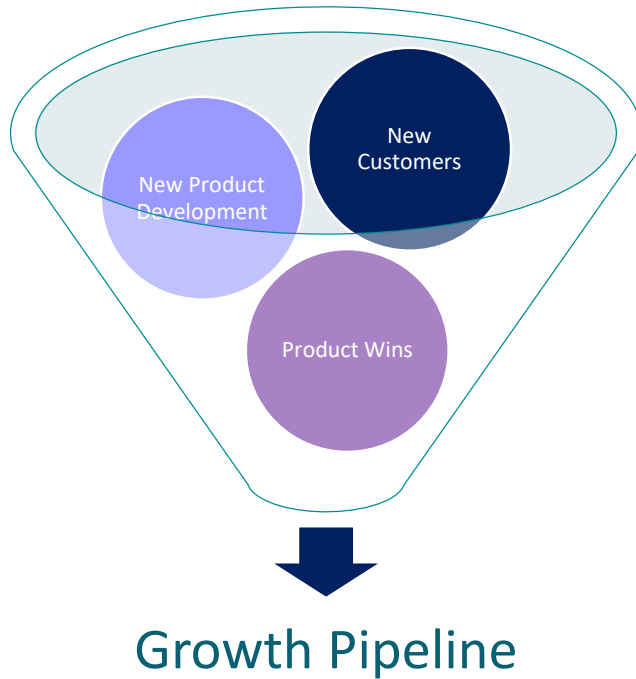
# Strong Organic Growth Supplemented by accretive acquisitions

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



# New Business Wins

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- Continued solid level of enquiries and sales leads
- Range of new products from existing customers awarded to Probiotec → to be launched progressively in the 2<sup>nd</sup> 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 2<sup>nd</sup> half
- Progressing discussions with a range of new customers unlocked by the recent ABS and CPSA acquisitions

# Balance Sheet & Cash flow

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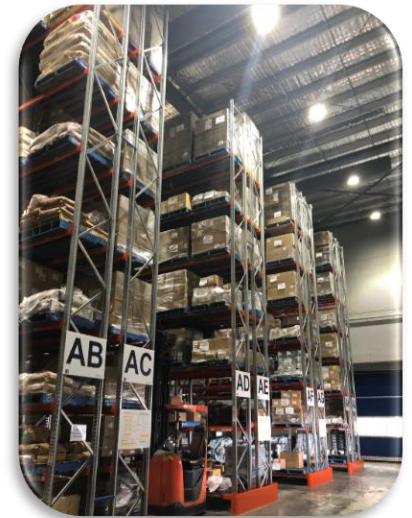
- Operating cashflow of \$8.3m, including transaction costs of ~\$1m → Benefited from late customer receipts from prior year
- Capital raising of \$10m → partially deployed as part of CPSA asset acquisition in December 2019
- Well positioned for growth as significant capacity at all sites following increased 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

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- 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

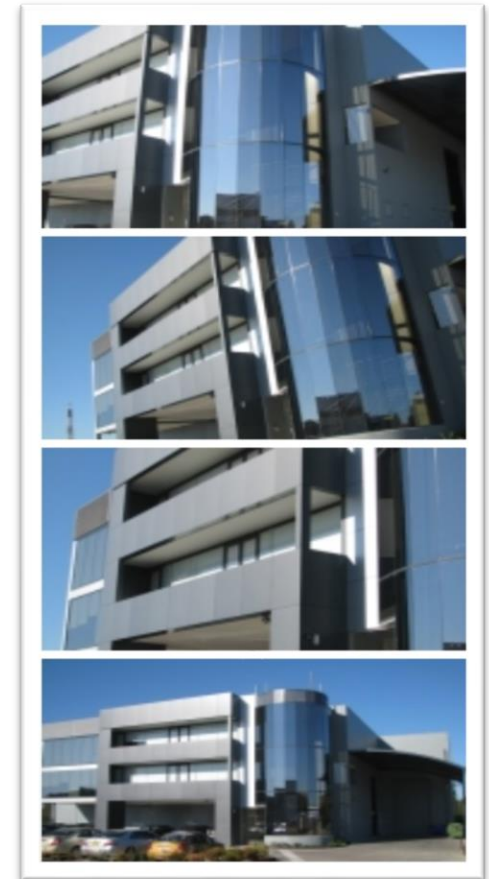


# Acquisition of ABS

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- 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

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- 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

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- ✓ 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

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**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

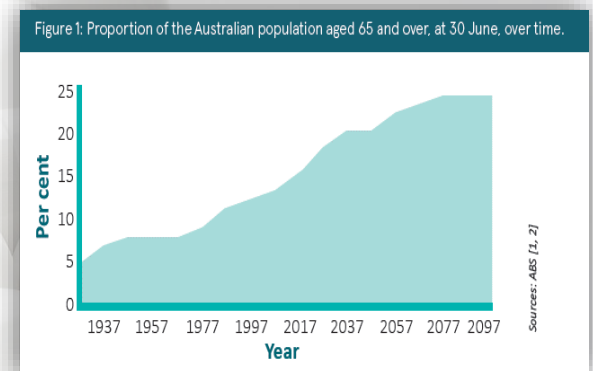
## Strategy

- 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

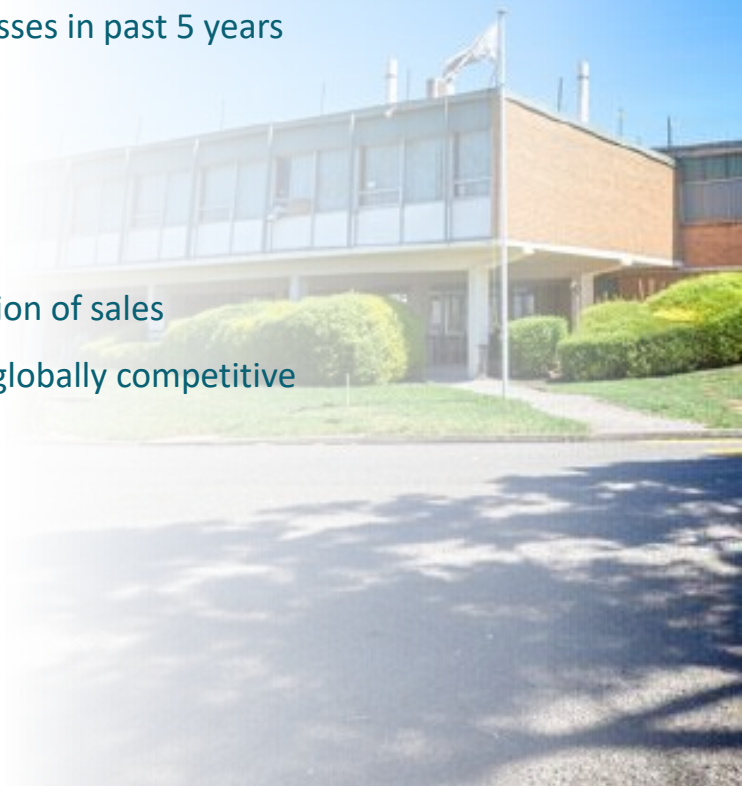
- ✓ Aging population driving demand for health products
- ✓ Increasing awareness and desire for high quality Australian products, particularly into Asian markets
- ✓ Pharmaceutical industry reforms driving hunger for new products and revenue sources
- ✓ Growing industry preference to source domestic 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

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- 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

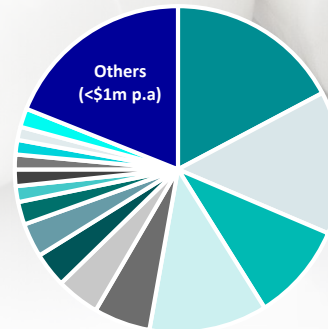
- ✓ Low concentration customer base
- ✓ Broad range of products and formats produced, across wide range of product categories

Product Mix

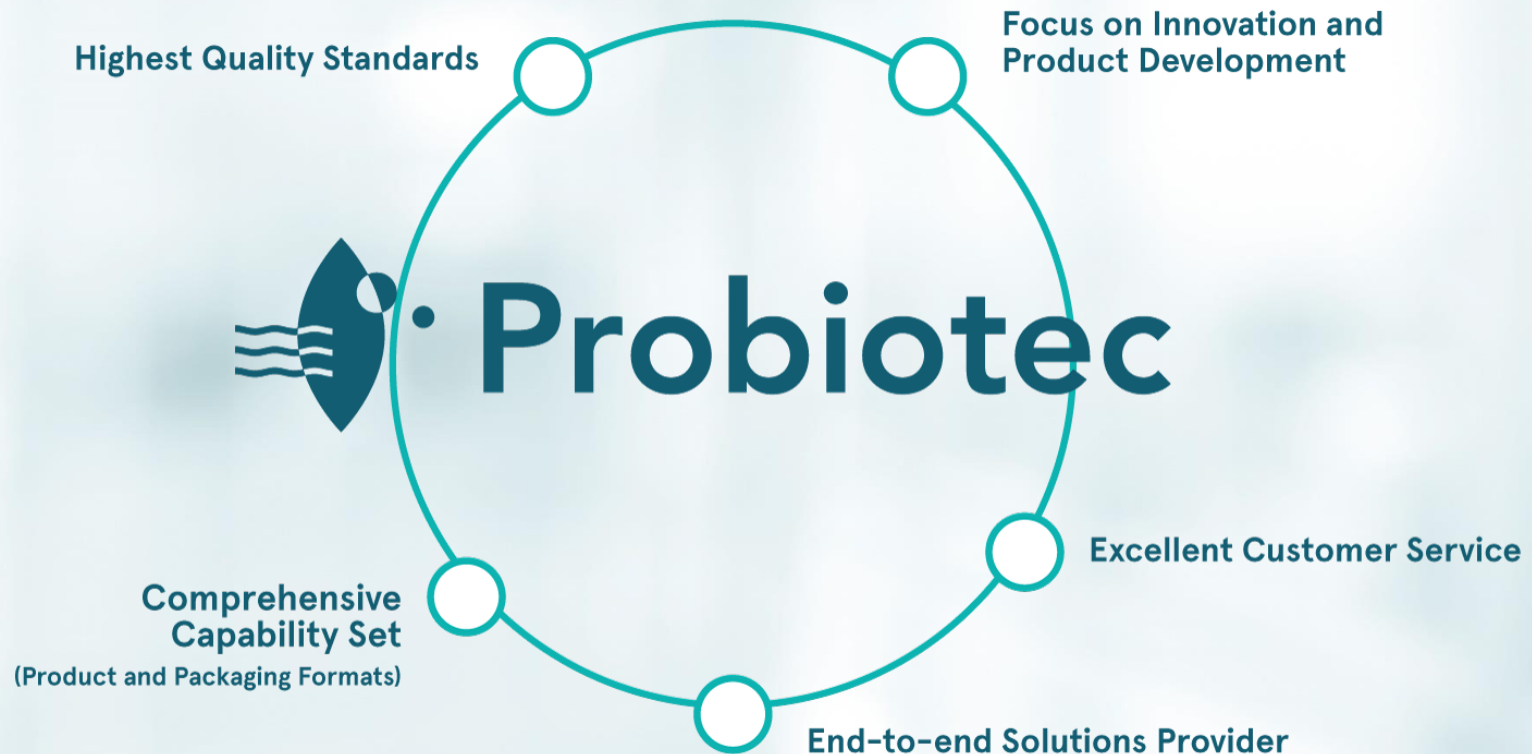


■ Solid Dose ■ Liquid ■ creams ■ powders ■ Packing

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

# Contact Us

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