

ASX : PBP

Probiotec Limited

FY20 Results

27 August 2020



Disclaimer



This presentation is provided for general information purposes only. The information contained in this presentation is not intended to be relied upon as advice to investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should assess their own individual financial circumstances and consider talking to a financial adviser or consultant before making any investment decision.

This presentation is not a prospectus, investment statement or disclosure document, or an offer of shares for subscription, or sale, in any jurisdiction.

Certain statements in this presentation constitute forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements.

While all reasonable care has been taken in relation to the preparation of this presentation, none of the Company, its subsidiaries, or their respective directors, officers, employees, contractors or agents accepts responsibility for any loss or damage resulting from the use of or reliance on this presentation by any person.

Past performance is not indicative of future performance and no guarantee of future returns is implied or given.

Some of the information in this presentation is based on unaudited financial data which may be subject to change.

All values are expressed in Australian Dollars unless otherwise stated.

Agenda



- **Overview**
- **Financial Results Review**
- **Trading Conditions**
- **Business update**
- **Appendices**



Key Highlights



Revenue

\$107.2m

+46% on FY19

Underlying EBITDA ¹

\$16.9m

+78% on FY19

Underlying EPS ¹

11.1 cps

+68% on FY19

Full Year Dividends

4.5 cps

+29% on FY19

- ✓ Record sales revenue, first time over \$100m
- ✓ EBITDA at upper end of guidance at \$16.9m (guidance \$16 to \$17m)
- ✓ Successfully completed acquisition of ABS (Aus) Pty Ltd
- ✓ Successfully completed acquisition of assets and customer relationships from CPSA
- ✓ Managed through unprecedented COVID-19 disruptions with all sites operating without any closures

COVID & Recent Trading



Government measures implemented in response to COVID-19 disrupted our business in a variety of ways, however the financial impact in FY20 was neutral

COVID-19 Impacts

Our Response

- Prioritise the safety and wellbeing of our staff
- Our COVID safe plan has seen all of our sites operate without interruption throughout the pandemic
- Work closely with our clients to manage their requirements and inventory levels
- Adjust our cost base to minimise the impact of Covid-19

Financial Impacts

- Short term increase in demand initially with minor stockpiling by customers in Mar-Apr 2020, offset by increased operating costs, cleaning, PPE and additional staff costs
- Demand reduced from June 2020, primarily led by cough, cold and flu incidence impacted by Covid-19 restrictions
- Other business categories remain strong and expecting ongoing growth
- Recent packing acquisitions continue to perform strongly and above expectation

Trading & Outlook

- Cough, cold and flu weakness expected to continue through FY21, fully recovering post Covid-19 , providing tailwind to sales in FY22
- Other business categories to continue to grow
- High level of sales enquiries and opportunities apparent, expected to be realised in late FY21 and early FY22 (see Slide 15)

Financial Results



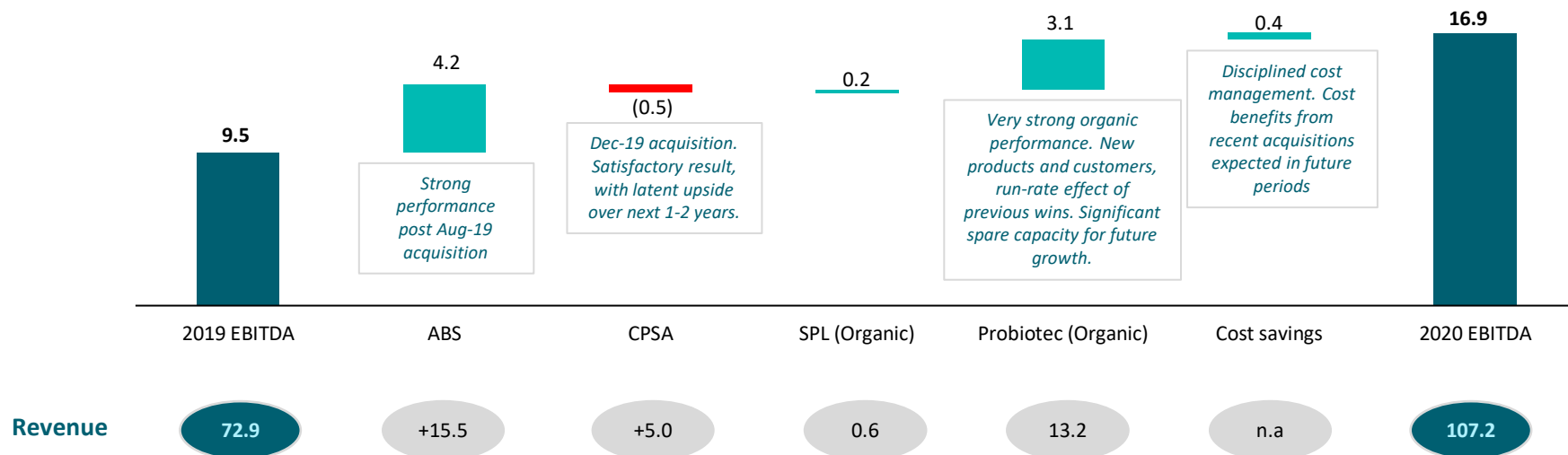
FY20 Results Summary



FY20 Results Snapshot

	Underlying	Adj.	Actual	Underlying vs PCP
Sales Revenue	107.2	--	107.2	+46%
EBITDA	16.9	(0.5) ¹	16.4	+78%
EBIT	12.6	(1.4) ²	11.2	+87%
Net Profit After Tax	7.8	(1.4) ²	6.4	+91%
Earnings Per Share	11.1¢	(2.0¢)	9.1¢	+68%

- ✓ Aggressive customer origination and conversion
- ✓ Strong customer engagement and service
- ✓ High retention and business growth (via new products)
- ✓ Low cost base & high operational efficiency



FY20 Results Summary (cont.)



Our ambitions at the FY19 Results Presentation....

- Revenue > \$100m ✓
- EBITDA between \$16-17m ✓
- ABS contribution c.\$4.3m ✓
- Dividend of 4.5 cps ✓
- Strong underlying growth ✓



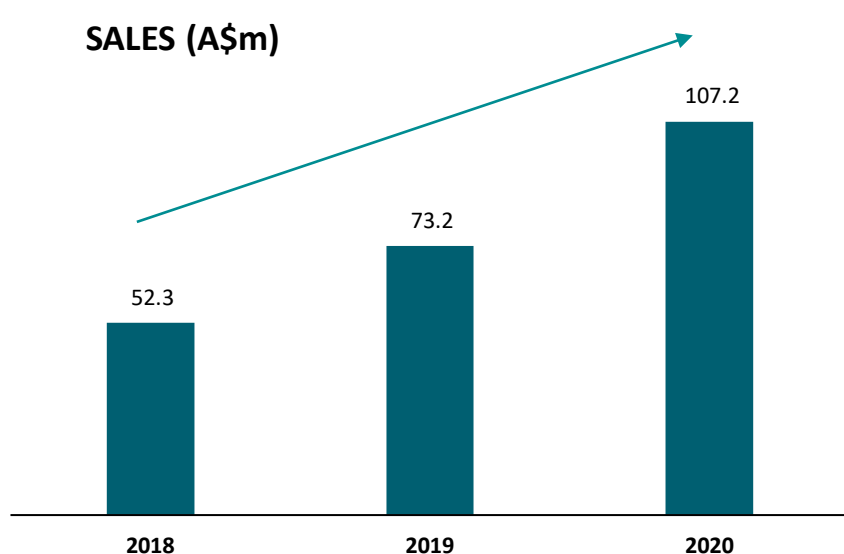
...our success reflects strong company positioning

- Predictable revenue streams underpinned by exposure to growing, defensive end markets
- Strong customer relationships that deliver attractive organic growth opportunities
- Focus on efficiency and cost management to maximise cash generation
- Drive industry consolidation via accretive acquisitions
- Strong and committed management team

Key Trends and Drivers

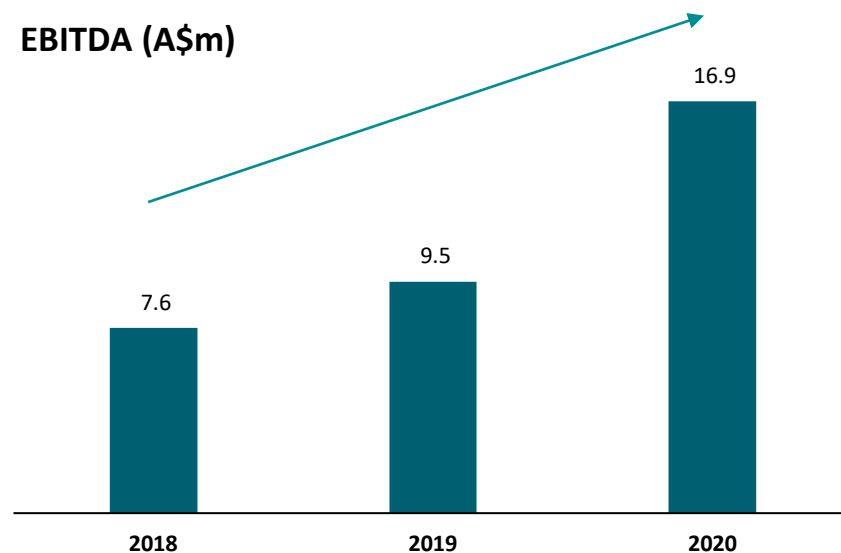


SALES (A\$m)



- ✓ Managed through unprecedented COVID-19 disruptions with all facilities operational throughout
- ✓ Organic growth from both new customers and new products from existing customers
- ✓ Organic growth supplemented by acquisitions of ABS and CPSA

EBITDA (A\$m)



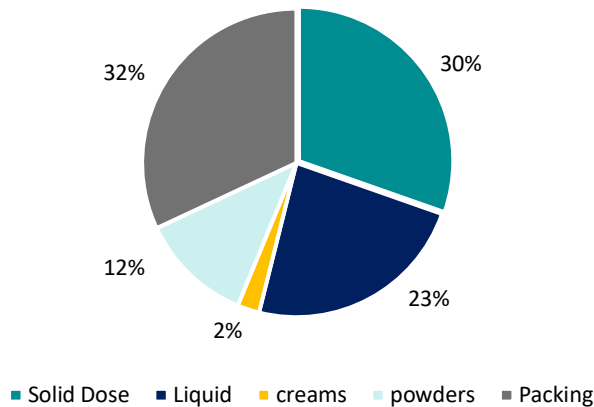
- ✓ Sales growing drove additional growth in margin, together with operational leverage at higher volumes
- ✓ 11 month contribution from ABS acquisition, which has performed well in first year of ownership despite some Covid-19 impacts due to supply of bulk product from overseas manufacturers
- ✓ Some short term cost impacts (FX, Cleaning and PPE) as a result of Covid-19

Diversified Revenue

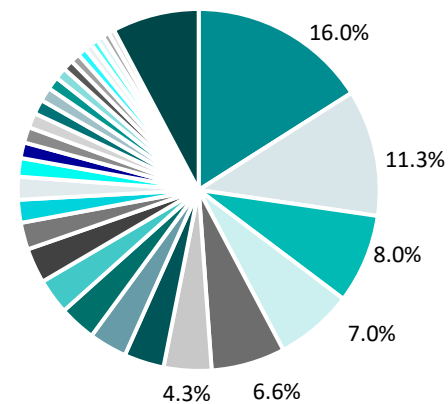


- ✓ Low concentration customer base underpins stable and defensive revenue streams
- ✓ Broad range of products and formats produced, across wide range of product categories
- ✓ Strong history of retaining customers with low levels of customer losses

Product Mix



Customer Concentration



Earnings Breakdown



All figures in \$'m unless otherwise stated

		FY20 ¹	Notes
SALES	Probiotec Laverton	75.6	
	SPL	11.1	
	ABS	15.5	
	CPSA	5.0	
	TOTAL	107.2	
EARNINGS	Probiotec Laverton	12.7	
	SPL	3.2	
	ABS	4.2	11 months contribution
	CPSA	(0.4)	Transition from existing facility completed in June 2020
	TOTAL	19.7	
	Corporate and General Expenses and income	(2.8)	Excluding non-recurring transaction costs
	EBITDA	16.9	
	Depreciation	(4.0)	
	Amortisation	(0.3)	Excluding acquisition related amortisation
	EBIT	12.6	
	Interest	(2.2)	Interest on AASB16 leases = \$1.7m Interest on bank loans = \$0.5m
	NPBT	10.3	
	Tax	(2.5)	
	NPAT	7.8	
	Shares on Issue ('millions)	70.0	Weighted Average for FY20
	EPS (underlying) – cps	11.07	

Balance Sheet & Capex



- Net Capex over the FY20 period totalled \$14.3m, comprising
 - Acquisitions & intangible asset purchases → \$28.3m
 - Plant & equipment → \$2.0m
 - Asset sales → \$5.3m

- Probiotec currently maintains a conservative balance sheet following recent assets sales and strong cashflow generation

- Leverage is currently 0.4 x on a Net Debt to EBITDA basis (excluding AASB16 Leases)

- Probiotec remains open to utilising its debt capacity to fund initiatives that are accretive to shareholders returns
 - Acquisitions
 - Plant & equipment

Cash Flow Generation (\$'m)	12m ended 30 June 2020
EBITDA	16.4
(-) Tax	(1.9)
(-) Working Capital	(2.0)
(-) Interest Expense	(2.3)
= Cashflow from Operations	10.2
(-) Capital Investments	(2.0)
(-) Acquisitions	(28.3)
(+) Proceeds from Asset Sales	5.3
= Net Cash Flow	(14.3)

Capital Structure	30 June 2020
Cash	6.3
Debt Facilities	(11.3)
Finance Leases	(1.8)
Net Debt	(6.8)

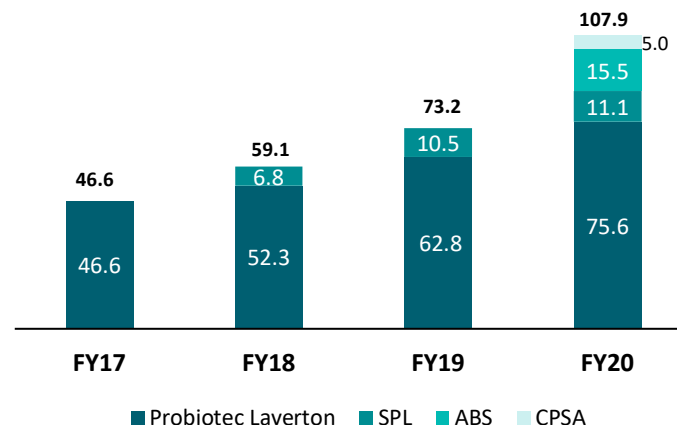
Net Debt / EBITDA	0.4 times
--------------------------	------------------



Attractive acquisitions



Probiotec's organic revenue growth was supplemented by a strong contribution from strategic acquisitions

- Probiotec has made a number of accretive acquisitions in the contract packing space which leverage our pharma customer base
- We intend to continue to acquire good companies at attractive prices – with a focus on manufacturing and packing businesses that are exposed to defensive end-markets and high quality counterparties
 - Pharma / Consumer Healthcare
 - Cosmetics
 - FMCG



Business Acquired	Date Acquired	Value	EBITDA Multiple	FY20A Revenue	Run-rate Revenue
 SOUTH PACK <small>LABORATORIES (AUST) PTY LTD</small>	Oct-17	\$12.9m	~4.3x	\$11.1m	\$11.1m
 <i>Simply the best!</i>	Aug-19	\$26m	~5.0x	\$15.5m	\$17.0m
	Dec-19	\$4.6m	n.a.	\$5m	\$9.0m

Strategy & Outlook



Achievements & Outlook



Achievements FY20

- ✓ Strong organic performance in core CM & SPL businesses
- ✓ ABS acquisition performing strongly
- ✓ CPSA acquired and integrated by year end
- ✓ Managed impact of COVID – neutral financial impact
- ✓ Strong cash generation
- ✓ Positioned business for growth

Trading Outlook FY21

- ? Uncertain short-term outlook due to ongoing COVID-19 impacts
- ? Cold and Flu sales continue to be impacted by social distancing
- ? CPSA uplift in performance, new business wins commencing in late FY21, Cost control measures including integration and consolidation activities
- ? Actively pursuing accretive M&A opportunities

Ambitions FY22/23

- Demand for cold & flu related products to fully recover in FY22
- Full impact of the pipeline of new business opportunities
 - **\$10m+ of recently secured revenue to be onboarded in FY21/22, delivering \$2m+ of EBITDA**
 - **Significant potential new business leads and opportunities continue to be quoted, if successful to be onboarded during FY22**
- Realise synergies from consolidation of recently acquired sites
- Acquisition opportunities from continued industry rationalisation
- Opportunities from customer onshoring, new products and cross sell from recent acquisitions

Outlook



-
- Whilst COVID-related uncertainty remains, it is difficult to forecast top line revenue for FY21.
 - The scale of the business has grown significantly following the three successful acquisitions in defensive sectors, creating greater resilience for the business.
 - Management has demonstrated multiple pathways to deliver strong earnings despite volatile economic conditions and has many levers to pull to continue its trajectory including cost out, acquisitions and site consolidation.
 - In spite of the sales headwinds relating to cough, cold and flu, management still expects to deliver earnings growth in FY21.

Strategy Execution



1

Maintain and develop relationships with Tier 1 Pharma customers

Leverage Probiotec capabilities to expand product manufacturing in attractive categories
Drive innovation with customers to maximise the revenue and margin opportunity

2

Maximise opportunity from onshoring of domestic manufacturing

Identify attractive opportunities to capture share from customers onshoring their production
Utilise existing capacity and/or use demand to underpin capacity expansions

3

Proactively assess acquisition and capital investment opportunities

Disciplined approach to acquisition opportunities in core manufacturing and packing sectors
Identify attractive greenfield/brownfield opportunities

4

Drive operational improvement and cost synergies

Continue to leverage Probiotec's core operational strength and customer service capabilities
Optimise the Sydney packing footprint
Removal of Covid-19 related costs

Business Update



- **Highlights**

- ✓ Record year with sales up 21%
- ✓ Strong operational performance
- ✓ Successfully integrated CPSA business
- ✓ Successful build and opening of acquired adjacent site 85 Cherry Lane adding considerably to the site footprint with extensive warehousing and processing facilities
- ✓ Cost management and operational efficiency focus
- ✓ Key focus on safety, wellbeing of staff during Covid-19

- **Capacity and Capability**

- ✓ Significant capacity exists > 40% available
- ✓ New plant & equipment added
- ✓ New primary and secondary packing infrastructure created within 85 Cherry Lane (brand new)

- ✓ **Future**

- ✓ Available capacity and footprint positioned well for growth
- ✓ Significant new product integration planned resulting from awarded contracts
- ✓ Continue to invest in site capability to meet future growth



- **Highlights**

- ✓ Exciting first year under Probiotec ownership
- ✓ Seamless integration into Probiotec operations
- ✓ Successfully integrated CPSA business
- ✓ Cost management and operational efficiency focus in line with Laverton lead
- ✓ Key focus on safety, wellbeing of staff during Covid-19

- **Capacity and Capability**

- ✓ Significant capacity exists > 30% available
- ✓ New plant & equipment added (from CPSA)

- **Future**

- ✓ Available capacity and footprint positioned well for growth
- ✓ Significant new product integration planned resulting from awarded contracts



- **Highlights**

- ✓ Another strong year underpinning the success of this acquisition
- ✓ Growth in both sales and earnings
- ✓ New equipment added bolstering capacity and efficiency
- ✓ New blue chip clients added
- ✓ Cost management and operational efficiency focus in line with Laverton lead
- ✓ Key focus on safety, wellbeing of staff during Covid-19

- **Capacity and Capability**

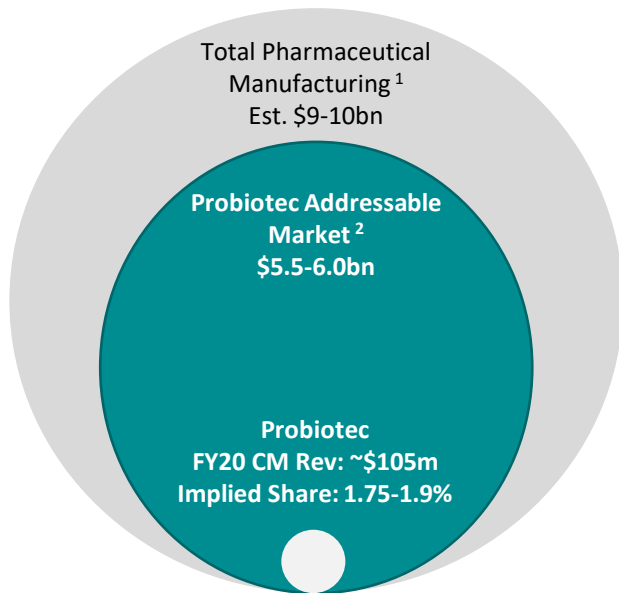
- ✓ Significant capacity exists > 30% available
- ✓ New plant & equipment added

- **Future**

- ✓ Available capacity and footprint positioned well for growth
- ✓ Significant new product integration planned resulting from awarded contracts
- ✓ Continue to leverage global client base and growth opportunities



Pharmaceutical Market Outlook



Note: All figures are estimates only

1. Source: IBIS Report C1841, *Pharmaceutical Product Manufacturing in Australia*

2. Excludes revenue attributable to export markets and Vitamins & Supplements that Probiotec doesn't address

- Probiotec primarily addresses the market for domestic manufacturing and packing of pharmaceutical and consumer healthcare products
 - Estimated market size of \$5.5-6.0bn (manufacturing revenue)
 - Stable and defensive - underpinned by population growth, barriers to import and strong customer service offering
 - Limited growth observed over past 5 years, driven by low PBS inflation, offshoring of supply chains
- We anticipate the domestic market will return to growth over the medium term driven by:
 - On-shoring of domestic supply chains;
 - Greater awareness of the need for flexibility in domestic sourcing;
- We expect to be able to grow our market share materially over the medium term:
 - Winning share in domestic onshoring, reflecting our available plant capacity, strong relationships with global pharma customers and access to capital
 - Focus on being a consolidator of domestic capacity

Contact Us



Probiotec Limited

83 Cherry Lane
Laverton North
VIC 3026
Australia

Email: info@probiotec.com.au

Telephone: +61 3 9278 7555

www.probiotec.com.au

Appendices



History



Our Products



LOTIONS & GELS



POWDER BLENDS



POWDERS



SPRAYS



TABLET COATING



BLISTER PACKAGING



HIGH VOLUME SOLID DOSE



LIQUIDS & SUSPENSIONS



CREAMS & OINTMENTS



SACHETS

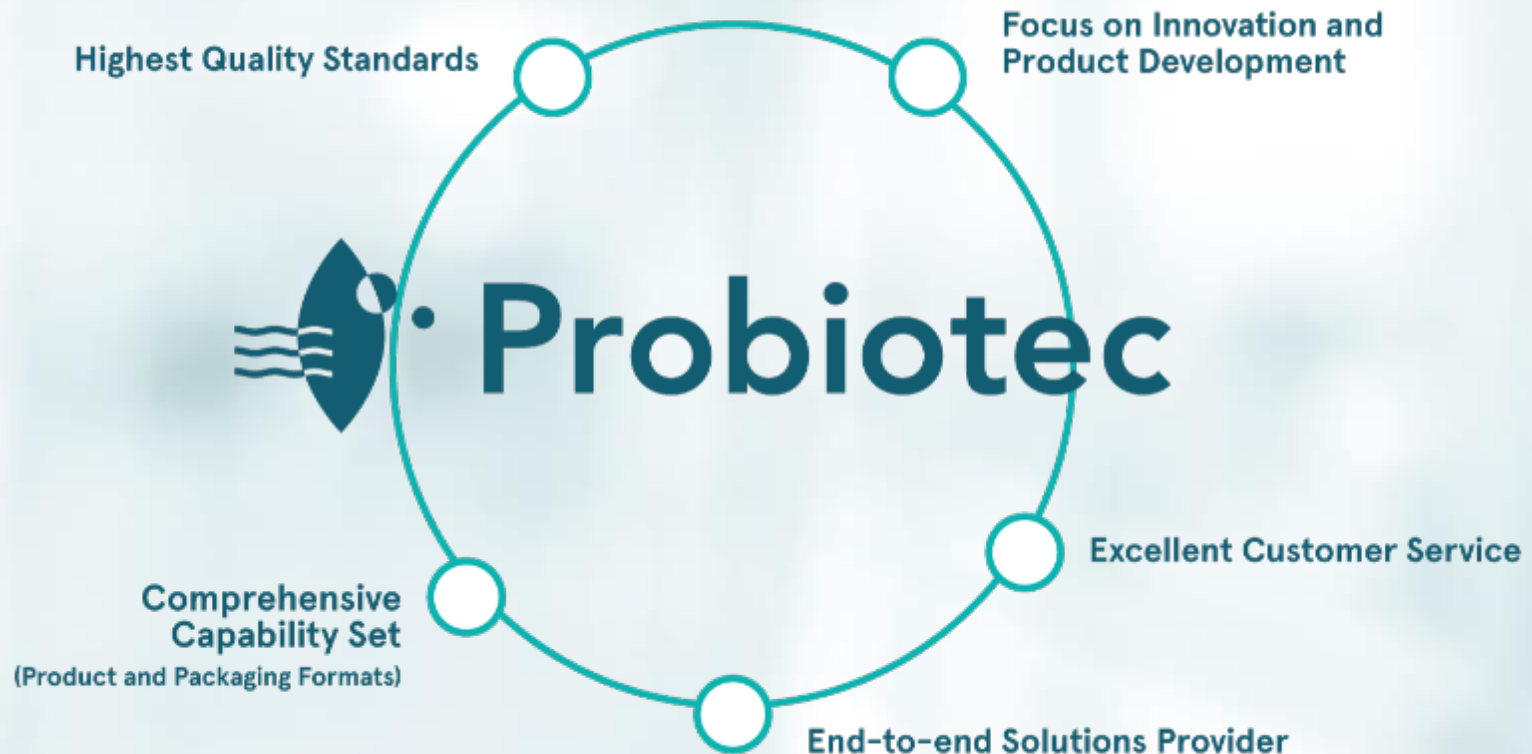


TABLETS
CAPSULES CAPLETS



TUB / JAR FILLING

Competitive Advantages



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

