

First quarter 2020 results note

Barcelona (Spain), May 7, 2020

Reig Jofre closes the first quarter of 2020 with a growth of 26% in sales

- Relevant growth in Pharmaceutical Technologies, + 12%, quantitative leap in Specialty Pharmacare, + 92% and good performance in Consumer Healthcare + 7%
- The growth reflects the revenue from the new Osteoarticular business acquired in mid-2019
- Special mention may be made of the performance in the domestic market, + 60%, due to the new Osteoarticular product line and the manufacture of injectable essential drugs in the first weeks of the COVID-19 crisis
- Profitability on sales has evolved positively, thanks to the containment of operating expenses, which is partly due to the current uncertainties. However, the essential drugs associated with COVID-19 treatment have a lower profitability than the company average and little impact on the result.
- EBITDA stands at 13% over sales, and registered a growth of 43% compared to the first quarter of the previous year
- Investments continue at the expected level, with the main volume associated with the construction of the new Injectables Plant in Barcelona
- The debt/EBITDA ratio has decreased in comparison to the end of 2019 and currently stands at 2.5
- Production in the new plant is expected to suffer some delay due to the difficulty occasioned by the COVID-19 crisis in relation to the completion of the work and the commissioning of the lyophilisation lines, initially planned for the second half of 2020



EVOLUTION OF BUSINESS UNITS

Reig Jofre closed the first three months of 2020 with a **turnover** of 62.1 million euros, compared to 49.3 million euros in the first quarter of previous year, with growth of 26%.



The **pharmaceutical technologies** unit on antibiotics and injectables contributed 44% of sales, which stood at 27.1 million euros, an increase of 12% compared to the same quarter of 2019.

The increase in the demand for injectables of sedative, analgesic and muscle relaxants products manufactured in Barcelona, linked to ICU treatment of intubated Covid-19 disease patients stood out.

At the Toledo plant the demand for injectable antibiotics which are relevant when viral infection caused by COVID-19 lowers patient's defenses to levels in which the disease evolves into secondary bacterial-based infections.

The **specialty pharmacare** unit composed by dermatology, osteoarticular and women's health products contributed 30% of the turnover, reaching 18.5 million euros, an increase of 92% compared to the same period last year.



This increase was due to the 6% growth of already existing areas in Reig Jofre and the contribution of 8 million euros in sales of the new Osteoarticular product line acquired in the second half of 2019.

This unit started at Malmö plant, (Sweden) the manufacturing for the European market of a medicated gel for the treatment of advanced Parkinson's disease. Reig Jofre's Swedish subsidiary is specialized in semi-solid dermatological products.

The **consumer healthcare** unit integrated by the nutritional supplements Forté Pharma and the OTCs line, contributed 16.4 million euros to the turnover, 26% of sales with an increase of 7% compared to the same period in 2019.

In this quarter, the solid performance of the OTC line stood out, especially its own brands of disinfection drugs and alcohols for hospital use, whose demand increased considerably to minimize the risk of the spread of the Covid-19 coronavirus and guarantee maximum disinfection of the Health centers.

France, the main market of Forté Pharma's line of nutritional supplements registered a positive evolution in the natural energy ranges and the strengthening of the immune system, which compensated for the slight drop in weight control caused by the situation of uncertainty experienced in this quarter.

Sales of **own products** developed by Reig Jofre represented 85% of the company's sales in the first quarter of 2020. **CDMO** sales (development and contract manufacturing) amounted to 8 million euros decreasing 13% compared to the first three months of 2019, due to the obligation to supply the Spanish market and the decrease in this activity in the Swedish business, in favor of the sale of own products.

SALES BY GEOGRAPHIC AREA

At the end of the quarter, Spain represented 47% of sales, rest of Europe 43% and rest of the world 10%. At the end of 2019, Spain and rest of Europe represented 45% and the rest of the world 10%.

In the analysis of sales outside Spain by divisions, *consumer healthcare* made 73%, with France being its main market followed by Belgium. 57% of *pharmaceutical technologies* sales were made mainly in the European and Asian markets. *Specialty pharmacare* recorded 28% of sales including exports from the new osteoarticular area.



The Spanish market grew by 60% because of the new Osteoarticular business and manufacture for the essential medicines market during the COVID-19 crisis.

In the rest of the markets, the growth of other European markets in which we have our own network is notable, especially the Nordic countries, the UK and France, due to the growth in demand linked to essential medicines, while sales revenue in Asia is maintained compared to 2019, representing 5% of the company sales, driven primarily by sterile injectables.

INCOME STATEMENT Q1 2020

thousands of euros	31/03/2020	31/03/2019
Net turnover	62,060	49,343
Procurements	-23,726	-19,275
Changes invent. finished goods/work in progress	-870	1,744
Gross margin	37,463	31,812
Capitalized costs	1,427	1,293
Other operating revenue	7	0
Staff Expenses	-15,637	-13,727
Other operating expenses	-15,224	-13,768
EBITDA	8,037	5,610
Amortisation of PPE	-4,015	-2,527
Allocation of grants	6	6
Impairment losses/gains disposal of n.c. assets	0	0
Operating profit	4,027	3,088
Financial results	-162	-233
Income inv. in assoc. & joint vent.	3	4
Profit b. tax from cont. operations.	3,867	2,859
Income tax expense	-580	-429
Consolidated profit for the year	3,287	2,430

A growth in sales of 26% was achieved through the sales of the new Osteoarticular product business, which contributed 8 of the 13 million euros of growth.



The gross margin decreased to 60% from the 64% of the previous year due to the product mix in Pharmaceutical Technologies and the product costs of the newly acquired business, the manufacturing of which is outsourced.

Staff Costs grew by 14%, the greatest impact being due to the incorporation of around 50 new staff members linked to the new business acquired.

Operating costs grew by 11%, also contributing to the improvement in EBITDA/Sales ratio. There has been a certain slowdown in Marketing Expenses due to possible uncertainties in performance for the year.

EBITDA has grown by 43% thanks to sales growth and the control of operating expenses.

The Pre-tax Profit grew by 35% incorporates the effect of the amortization of intangible assets acquired in 2019 related to the Osteoarticular line.

BALANCE SHEET Q1 2020

thousands of euros	31/03/2020	31/03/2019
ASSETS		
Goodwill	29,402	27,515
Other intangible assets	86,641	48,625
Property, plant and equipment	84,240	57,736
Investments in associates/affiliates	1,223	311
Equity instruments fair value	1204	1,107
Other non-current financial assets	625	334
Deferred tax assets	14,631	14,486
TOTAL NON-CURRENT ASSETS	217,967	150,113
Inventory	37,347	34,638
Trade and other receivables	51,040	38,086
Current tax assets	4,490	0
Other current financial assets	2,085	2,536
Other current assets	2,078	3,973
Cash and cash equivalents	7,120	8,540
TOTAL CURRENT ASSETS	104,161	87,774
TOTAL ASSETS	322,128	237,887



Non-current assets increased compared to the first quarter of 2019 due to the incorporation of intangible assets linked to the new business, for a gross value of 48M euros and to the ongoing investment in the new Barcelona injectables plant, mainly.

Non-current assets increased, reflecting the increase in sales, and the liquid assets remain at levels close to those of the first quarter of the previous year.

Investments in the first quarter of 2020 amounted to 5.5 million euros. Investments in industrial capacity represented 4.1 million euros, and the activation of R&D projects 1.4 million euros.

thousands of euros	31/03/2020	31/03/2019
EQUITY AND LIABILITIES		
Capital	38,031	32,525
Share premium	19,000	0
Treasury shares	-1,137	-900
Reserves	123,470	119,092
Other equity instruments	62	34
Profit e.g. Attrib. to parent	3,292	2,434
Translation differences	-2,085	-1,226
Other compr. income av. sale assets	-110	-115
Equity attributable to the Parent	180,525	151,843
Non-controlling ownership interests	-73	-63
TOTAL SHAREHOLDERS' EQUITY	180,452	151,781
Grants	1,721	75
Provisions	897	803
Financial liabilities Bank borrowings	15,271	6,406
Financial liabilities from leases	22,248	21,753
Other financial liabilities	5,352	6,149
Deferred tax liability	2,987	3,186
Other non-current liabilities	13,000	0
TOTAL NON-CURRENT LIABILITIES	61,475	38,372
Provisions	25	46
Financial liabilities Bank borrowings	13,178	8,113
Financial liabilities from leases	6,371	3,455
Other financial liabilities	359	990
Trade and other payables	40,434	30,169
Current tax liabilities	4,720	1,451
Other current liabilities	15,114	3,511
TOTAL CURRENT LIABILITIES	80,201	47,735
TOTAL EQUITY AND LIABILITIES	322,128	237,887



Net financial debt stood at 55.7 million euros. Due to the EBITDA growth, this represents a Debt / EBITDA ratio of 2.52

OUTLOOK 2020

We expect a 2020 of growth in sales and profit, despite market uncertainties. In the second half of the year, revenues from Osteoarticular products will already reflect this business's organic growth.

The second quarter of the year will reflect the growth in the production of essential medicines defined by the Spanish Ministry of Health and the European Commission, organizations with which the company has maintained close contact in recent weeks. This impact will focus on Spain, France, the UK and the Nordic markets, as well as other markets in which the number of patients in intensive care units may still increase.

In the **Pharmaceutical Technologies** Division, the new line at the Toledo Plant already has high levels of occupancy, while we hope that the new Sterile Injectables Plant in Barcelona will become operational in the first half of 2021, with an estimated delay of between one and two quarters with respect to initial planning, subject to the de-escalation process of the preventive measures throughout Europe.

Consumer Healthcare has undergone a seasonal adjustment in demand, and we anticipate growth in natural energy products, vitamins and probiotics, especially in France and Benelux, and Spain, where we also foresee growth in the disinfection ranges, (alcohols, oxygenated waters and chlorhexidine). Other ranges, such as weight control, present higher uncertainties, which will be cleared throughout the second quarter.

We expect the **Specialty Pharmacare** division, with a significant volume of products for chronic treatments sold in Pharmacies, to maintain the forecast revenue levels.

Reig Jofre begins a clinical study to evaluate the efficacy of the **Manremyc**[®] food supplement among those health professionals exposed to a high risk of contracting COVID19. In the event of proving effective against COVID19, it will imply having an additional resource that is easy to implement, given both its convenient posology (1 capsule per day for only 14 days) and its high tolerability. Results expected in October 2020

The company is dedicated to guaranteeing the safety of all its employees through the observance of the preventive and control measures established in the different European headquarters.



Receive updated news about Reig Jofre by registering with the company's **subscription centre** via our corporate website: **www.reigjofre.com**

About Reig Jofre

Founded in 1929 in Barcelona, Reig Jofre is a family-controlled pharmaceutical company listed on the Spanish Stock Exchange's continuous market and dedicated to the research, development, manufacture and marketing of pharmaceutical products and nutritional supplements from its four plants in Toledo (2), Barcelona and Malmö (Sweden). Reig Jofre structures its product development activity in three business areas: (1) *Pharmaceutical technologies* specialized in sterile and lyophilized injectables, and antibiotics derived from penicillin; (2) *Specialty Pharmacare* in dermatology; Joint Pain, and Women's Health (developed and produced internally), and (3) *Consumer Healthcare*, with products aimed at the consumer under the Forté Pharma brand, mainly in France, Belgium, Spain and Portugal, and other OTCs. Reig Jofre has more than 1000 employees, direct sales in 7 countries and more than 130 business partners in 72 countries around the world. The company closed 2019 with a turnover of 200 million Euros. Reig Jofre is listed the ticker RJF. Share capital: 76,062,457 shares

Further information

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