

# Richter Gedeon: Earnings Report M12

Chief Executive Officer presentation

April 20<sup>th</sup>, 2023



# Financial Highlights



**155.6 HUFbn**

Net Profit<sup>1</sup>

↑ +11.4%

**835 HUF**

EPS

↑ +11.2%

**113.3 HUFbn**

Free Cash-flow

↑ n/a

**153.6 HUFbn**

EBIT<sup>2</sup>

↑ 13.0%

**205.9 HUFbn**

Clean EBIT<sup>3</sup>

↑ 44.5%

**14.8%**

Return on Equity

↓ -0.5%p

**802.8 HUFbn**

Consolidated sales

↑ +27.3%

**57.4%**

Gross margin

↑ +2.0%p

**656.3 HUFbn**

Pharma sales

↑ +30.0%

<sup>1</sup>Profit for the period attributable to owners of the parent

<sup>2</sup> EBIT: Earnings Before Interest and Taxes, equivalent of Profit from Operations

<sup>3</sup>Clean EBIT (cEBIT): Gross profit less Operating Expenses (S&M, G&A, R&D) less Clawback expenses plus milestone income. cEBIT represents the profitability as a result of core business activity, excluding any one-off items



- **Best-ever financial performance in 2022** with very healthy growth in underlying revenues and gross profits
- While one-off factors hit the bottom line at Q4, our **annual EBIT** still came in at a **record high**
- **Exchange rate tailwind already turned into a headwind** in Q4 and cost inflation gradually fed through into operating expenses
- **New product launches, partnerships, licensing deals and important R&D milestones** were executed

# Profits from core operations are steadily increasing despite negative Q4 EBIT driven by one-off expense items

## Guidance

- 2022 guidance is met both for Sales (+10.7 % vs. 2021 excluding FX effects) adjusted EBIT (+21% vs. 2021 excluding FX and one-off effects).

## EBIT

- For the last quarter we recorded an operating loss of 0.7 HUFbn, which was driven by significant one-off items as windfall tax (27.9 HUFbn) and change in impairment of assets related to R&D projects (22 HUFbn).
- Still our annual EBIT hit record highs, with a year-on-year increase of 13%, while the clean EBIT (excluding any one-off items) increased by 40%.
- Year-on-year clean EBIT increased on an above average rate (13.1%) even after adjustment of FX effects.

## Net financial income

- The exchange rate tailwind up to September turned into a headwind generating 44 HUFbn unrealised financial loss in the last quarter, which offset gains from the same sources in the previous quarters.

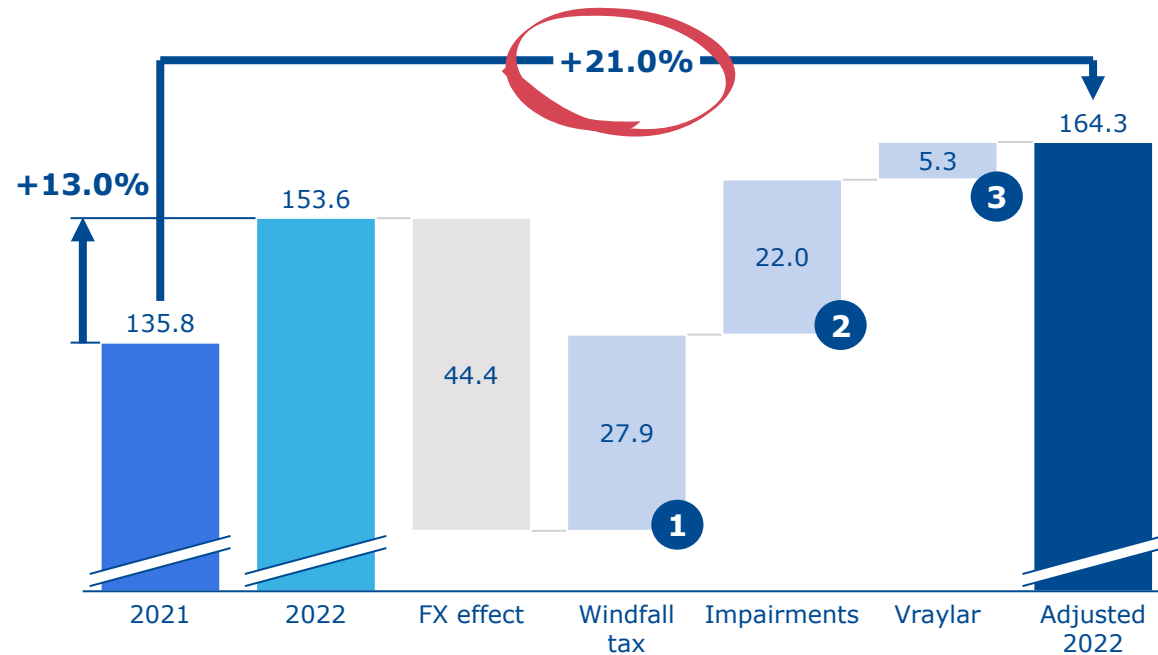
## Core Business

- Gross profit after FX adjustments show an increase of 12% providing a strong indication of healthy core business growths.
- Operating costs, however, were increasing higher than our Gross profits (2% point higher on average), even after the adjustment of FX effects. These increases were driven by record high R&D costs, significantly increased clawback expenses in the Western-European Region.
- Operating expenses were hit by inflation. Having a limited availability to transfer this to our customers, countries with near double digit inflation suffered setbacks on cost to sales efficiency.



# 2022 guidance met for both adjusted EBIT and Revenues

## EBIT and its adjustments

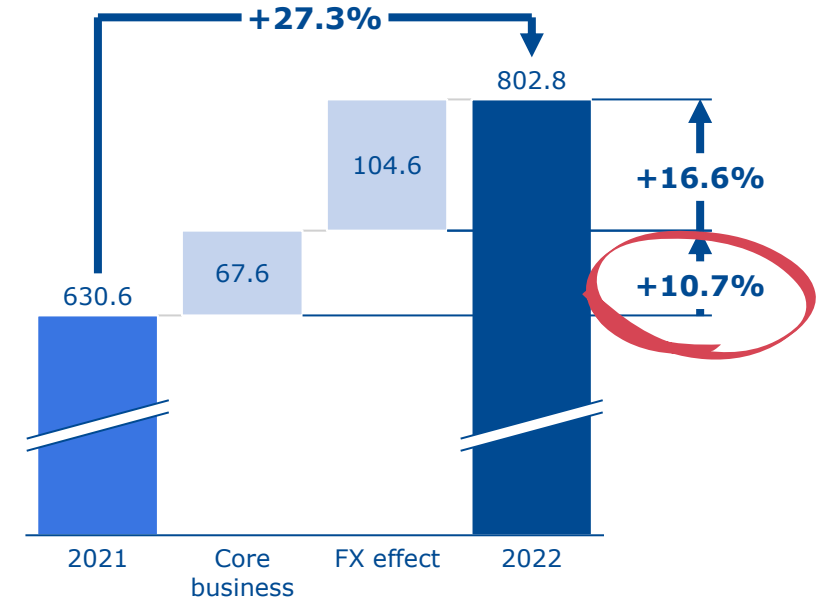


**1** Windfall tax was levied in late Q4 and the information was not available at the issuance date of the guidance

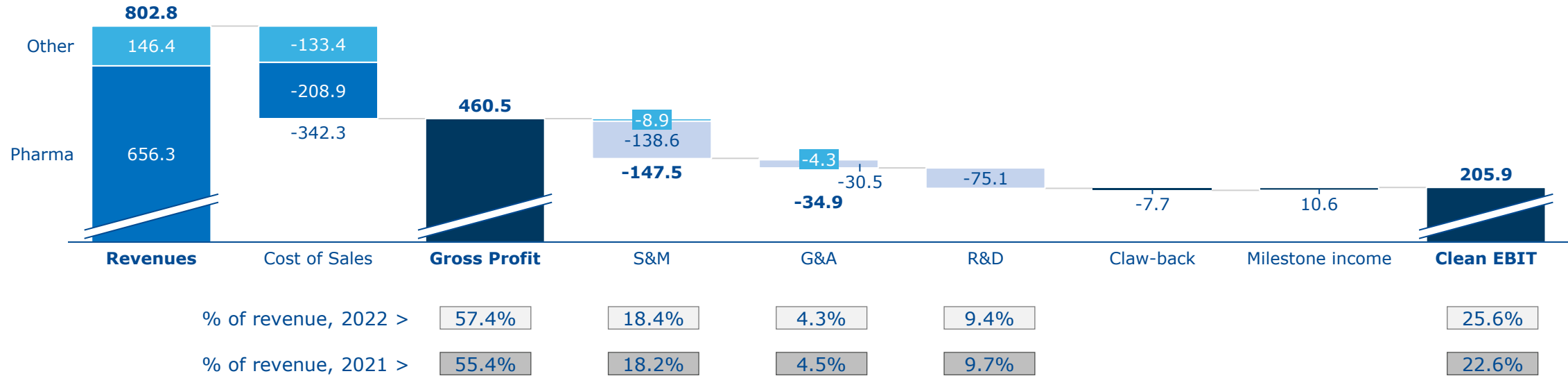
**2** Impairment of intangible assets and inventories of specific projects

**3** Vraylar® royalty expectations were set higher at initial budgeting

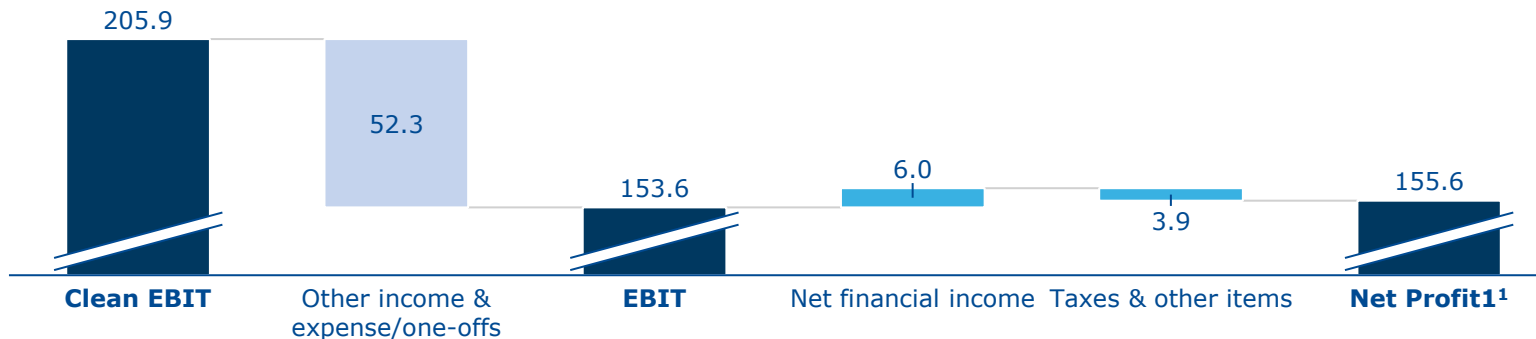
## Revenue



# Improved gross profit offset by inflation affected operating expenses and one-off items but net profit still at record level



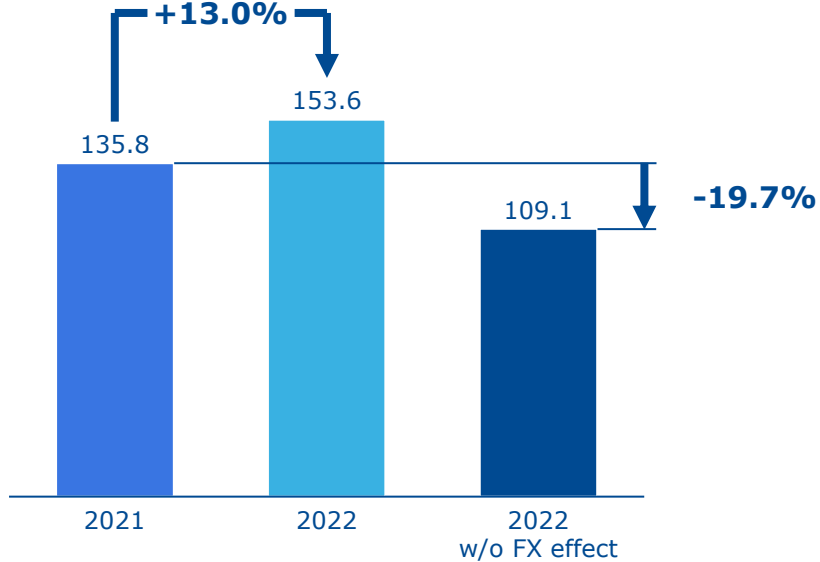
## Consolidated



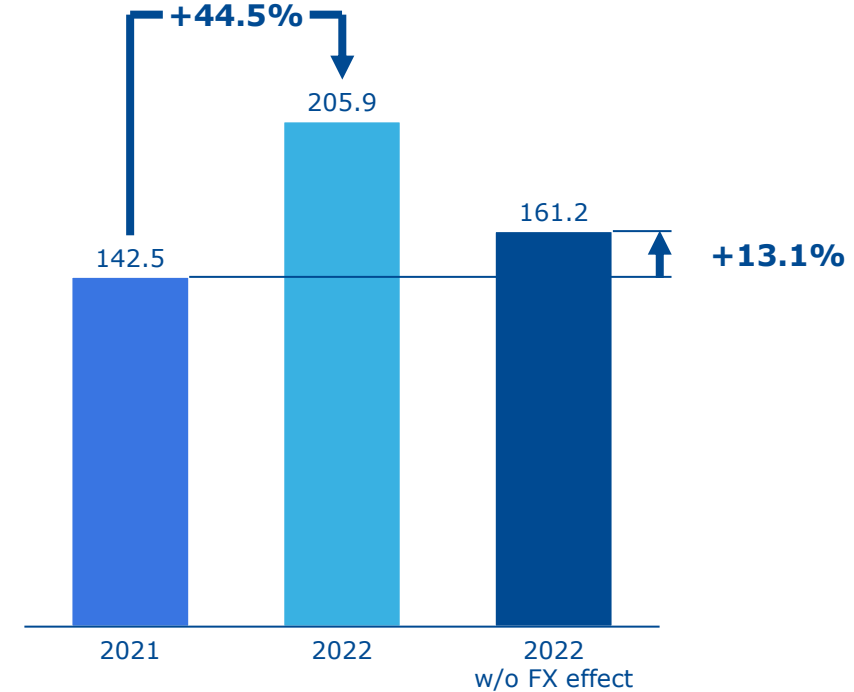
# EBIT hit record highs with a y-o-y increase of 13%, clean EBIT increased by 44% while the underlying ex-FX growth was 13%



EBIT (year-on-year)

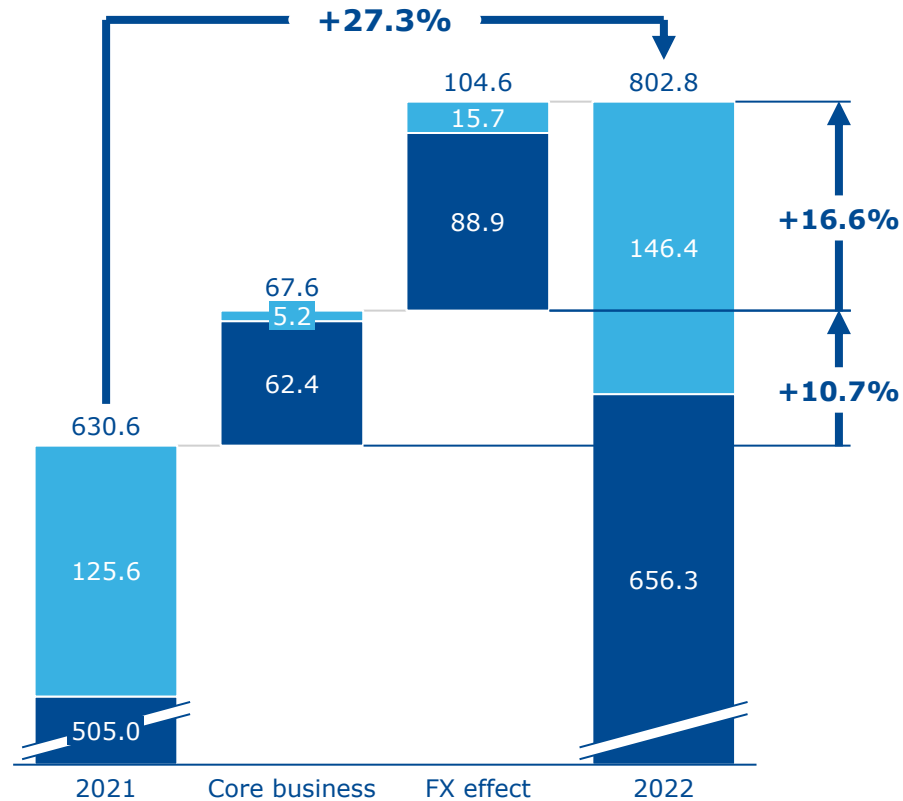


Clean EBIT (year-on-year)



# 2022 consolidated sales was ~27% higher than 2021; driven by specialty products and generally positive FX environment

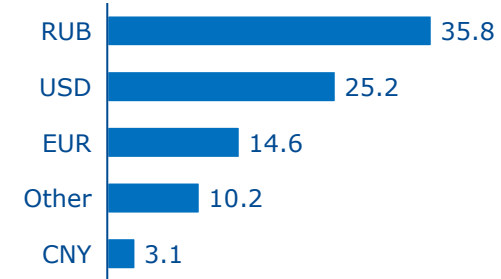
Other revenue  
Pharma revenue



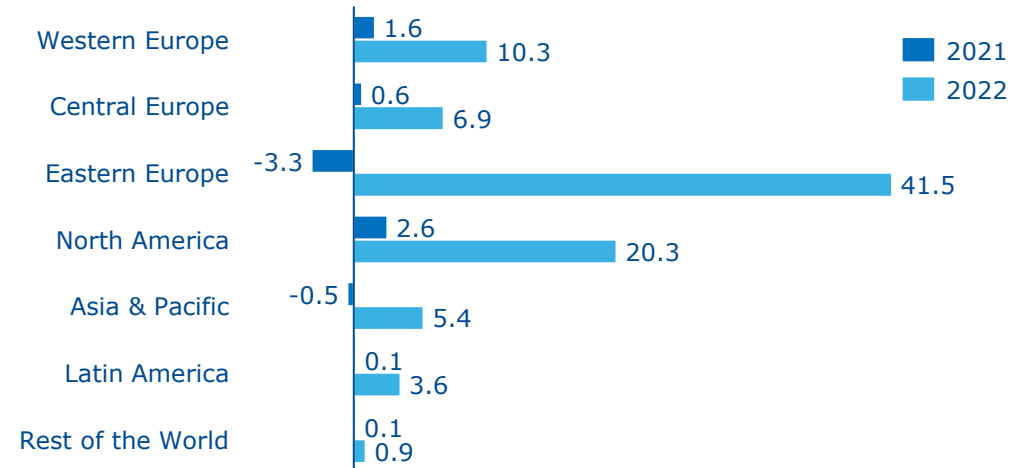
## Pharma segment

### FX impact by currencies

2021 M12

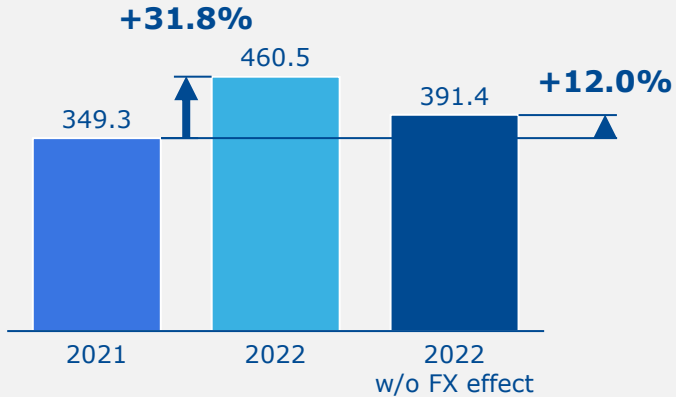


### FX impact by region

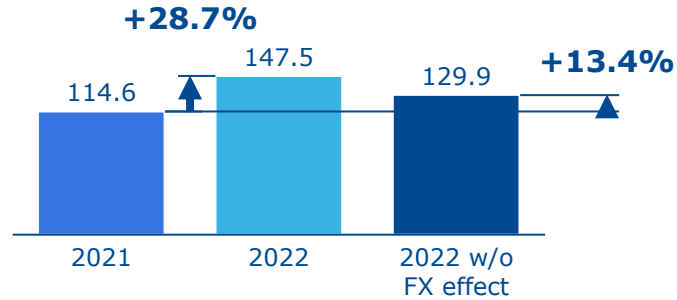


# The growth rate of our operating expenses was higher than the increase of gross profits without FX effect

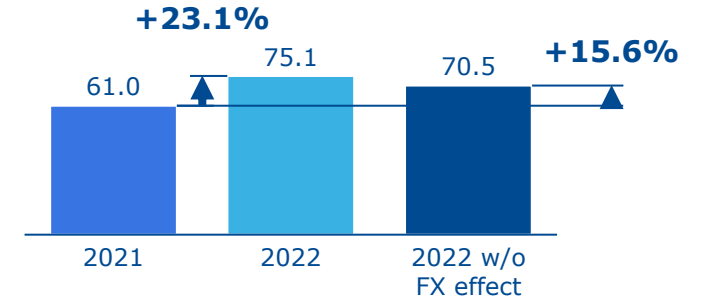
## Gross profit



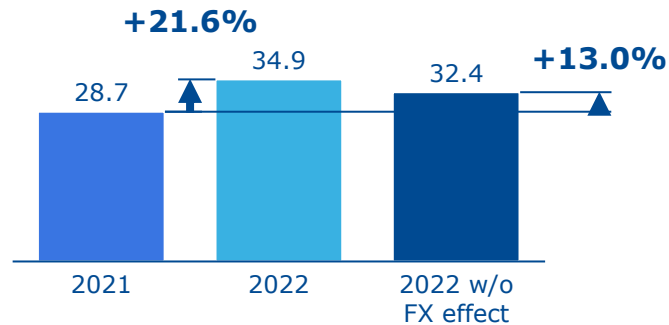
## Sales & Marketing



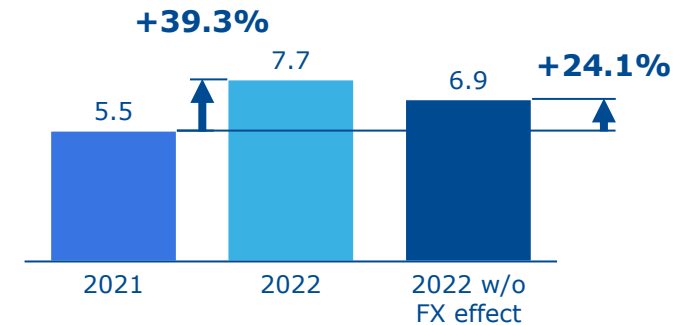
## Research & Development



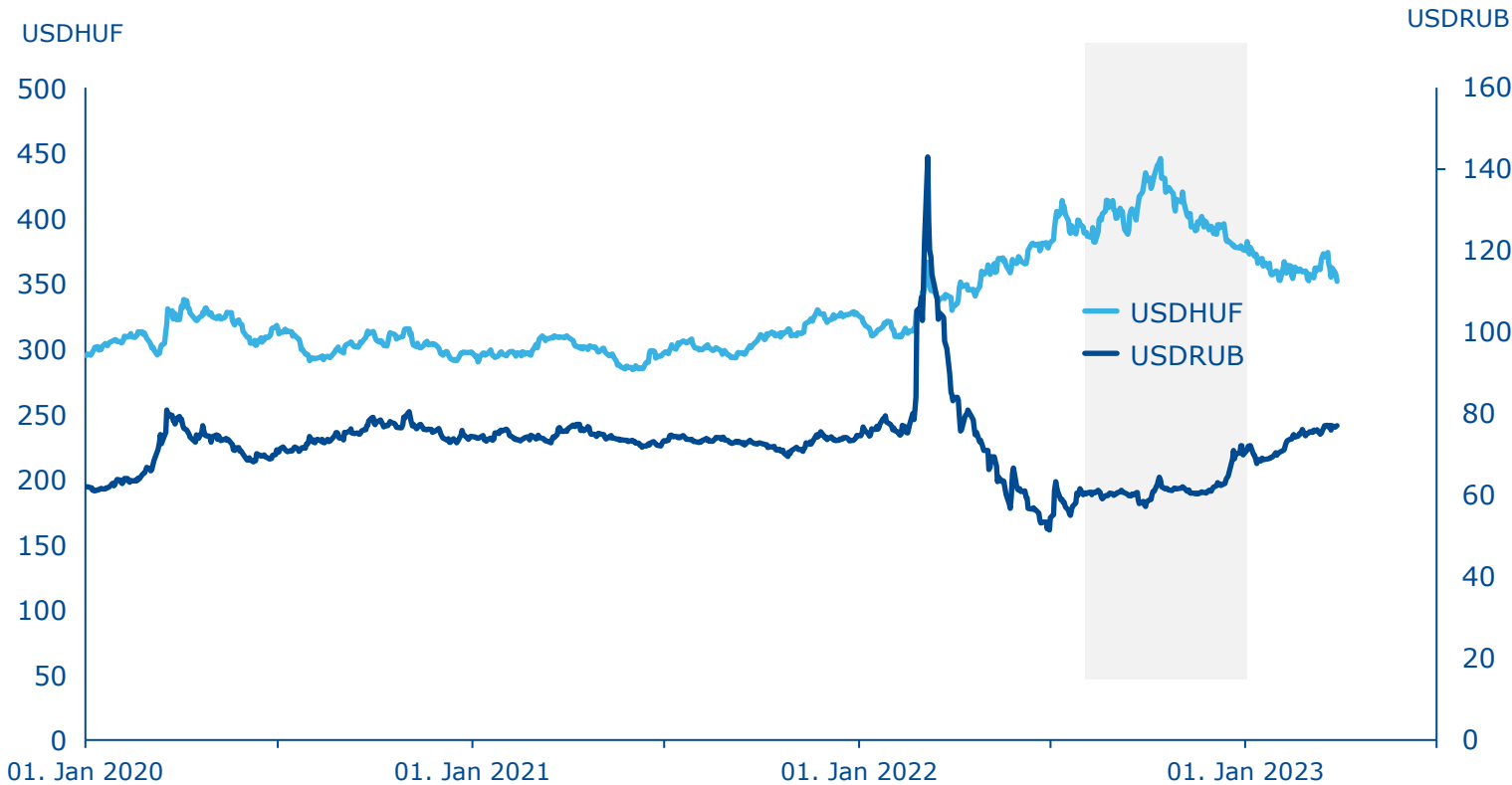
## General & Administrative



## Clawback



# RUB, USD and HUF rates were unprecedently volatile during the last quarter of 2022



## Key messages

- Volatile FX environment generated 44 HUFbn unrealized financial loss in the last quarter, compensating similar gains recorded up to M9 reporting
- Approximately 70% of our receivables are denominated in USD toward our Russian subsidiary (GRRUS)
- Open balances owned by GRRUS with an average due date of 45-180 generated an unrealized loss of 30 HUFbn
- Due to Russian capital control measures, this position could not be hedged

# Volatile FX environment generated 44 HUFbn unrealised financial loss in Q4 2022, compensating similar gains recorded in Q1-3 2022

Consolidated	2022 Q1	2022 H1	2022 M9	2022	Change in Q4	%
<b>Unrealised financial profit (loss)</b>	4.2	20.2	26.3	-17.9	-44.2	-168%
FX (loss)/gain on trade receivables & payables	-1.0	21.4	-13.4	-16.7	① -30.2	-225%
Gain/(loss) on foreign currency securities	-0.6	-6.9	-12.6	-1.4	② -11.3	-89%
<b>Other unrealised items</b>	2.6	-8.1	-0.3	-2.5	-2.8	-1016%
<b>Realised financial profit (loss)</b>	-2.8	9.8	25.0	23.8	-1.1	-5%
<b>Profit (loss) from financial operations</b>	-1.3	30.0	51.3	-6.0	-45.4	-88%

- ① FX (loss)/gain on trade receivables & payables**
- Open balances owned by our Russian subsidiary with an average due date of 45-180 generated a loss of 30 HUFbn
  - Approximately 70% of our receivables are denominated in USD toward Gedeon Richter Russia
- ② Gain/(loss) on foreign currency securities**

**Due to Russian capital control measures this position could not be hedged**



Stock	Company	Direction	FX risk	Impact HUFbn
144M USD	RGRT	Acc Receivables	USD/HUF*	-19.4**
144M USD	RGRU	Acc Payables	USD/RUB	-11.2***





\* Average USDHUF rate at Q4 was 404.2 and at the end of Q4 375.68

\* Average USDHUF rate at Q3 was 390.65 and at the end of Q3 428.57





\*\* Total FX impact USD, EUR, KZT, but mainly the USD/HUF

\*\*\* Due to the different functional currencies at both firms the revaluation shows up both companies

# Profitability is driven by Pharma segment, consisting of four strategic focus areas

2022FY	 WHC	 CNS	 BIO	 GM	Pharma other	Pharma	Other	Eliminations	Group total
<b>Revenues</b>	<b>229.2</b>	<b>145.9</b>	<b>41.2</b>	<b>225.9</b>	<b>14.1</b>	<b>656.3</b>	<b>164.3</b>	<b>-17.9</b>	<b>802.8</b>
Cost of Sales	-66.5	-0.7	-27.8	-101.9	-11.8	-208.9	-151.3	17.9	-342.3
<b>Gross Profit</b>	<b>162.7</b>	<b>145.2</b>	<b>13.4</b>	<b>124.0</b>	<b>2.3</b>	<b>447.5</b>	<b>13.0</b>	<b>0.0</b>	<b>460.5</b>
Sales & Marketing Costs	-79.6	-3.2	-6.1	-48.5	-1.2	-138.6	-8.9	0.0	-147.5
General & Administrative expenses	-13.4	-0.4	-2.3	-13.6	-0.9	-30.5	-4.3	0.0	-34.9
<b>Research &amp; Development</b>	<b>-19.0</b>	<b>-22.0</b>	<b>-24.8</b>	<b>-9.4</b>	<b>0.0</b>	<b>-75.1</b>	<b>0.0</b>	<b>0.0</b>	<b>-75.1</b>
Claw-back	-4.8	-0.4	-0.4	-2.2	0.0	-7.7	0.0	0.0	-7.7
Milestone income	0.0	10.6	0.0	0.0	0.0	10.6	0.0	0.0	10.6
<b>Clean EBIT</b>	<b>45.9</b>	<b>129.9</b>	<b>-20.2</b>	<b>50.3</b>	<b>0.3</b>	<b>206.1</b>	<b>-0.3</b>	<b>0.0</b>	<b>205.9</b>

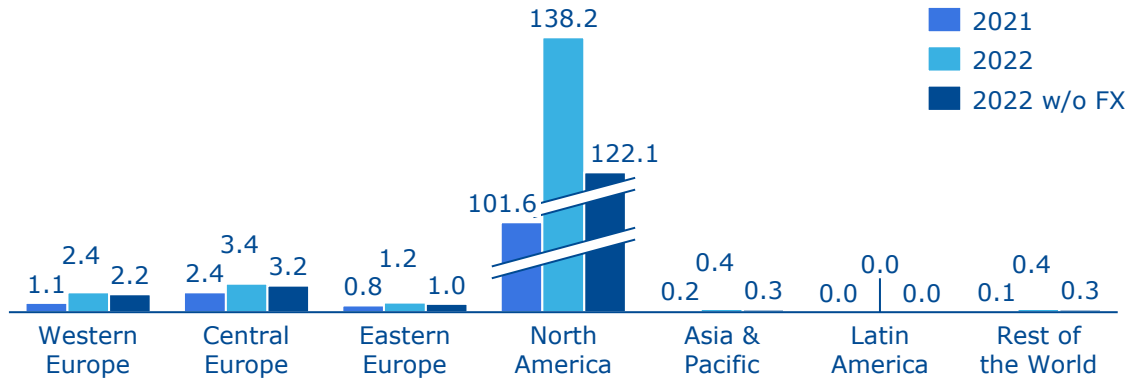
# Each focus area has a clear strategic vision and consists of various type of products

Pharma   Pharmaceuticals segment			
Strategic pillars' short and long name	Official definition	Key strategic goal	Therapeutic area
 <b>WHC Women's Healthcare</b>	We look after women's health globally by setting trends in female fertility, uterine fibroids / endometriosis, female contraception, vaginal infections, menopause and female technology.	By addressing unmet needs and staying ahead of innovation we aim to become the leading provider of pharmaceutical products for European women by the end of the decade.	Women's Healthcare
 <b>CNS Neuropsychiatry</b>	Leveraging our world class early phase R&D capability in the central nervous system domain we build a pipeline of small molecule drug candidates mainly in the field of neuropsychiatry.	Maximize the potential of cariprazine, while developing and partnering original R&D projects that provide the basis for revenue and earnings growth beyond 2030.	Neuropsychiatry
 <b>BIO Biotechnology</b>	Leverage our biotechnology platform to develop and manufacture biosimilar drugs for global markets.	By establishing ourselves as a relevant player in the Rheumatology/Osteoporosis TA, we aim to become a solid contributor to corporate profits by the end if this decade.	Rheumatology, Osteoporosis
 <b>GM General Medicines</b>	Comprises our established and generic portfolio in various therapeutic areas in the Central and Eastern European regions.	Provide broad access to high quality and affordable medications while remaining a reliable source of revenue growth, scale and margins.	Cardiology, Blood, Diabetes, CNS

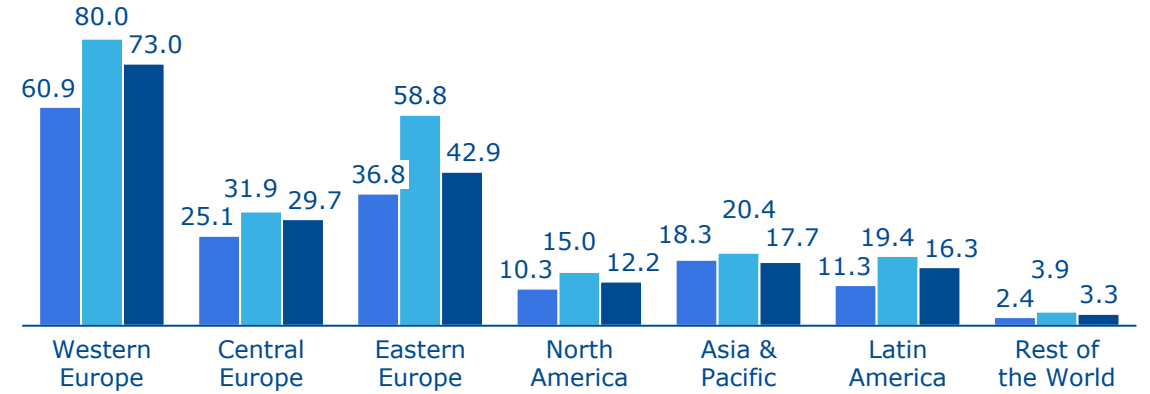
**Other | Other segment**  
Non-pharmaceutical activities

# CNS remain US focused, WHC and BIO with massive WEU footprint, GM safeguards our traditional market presence

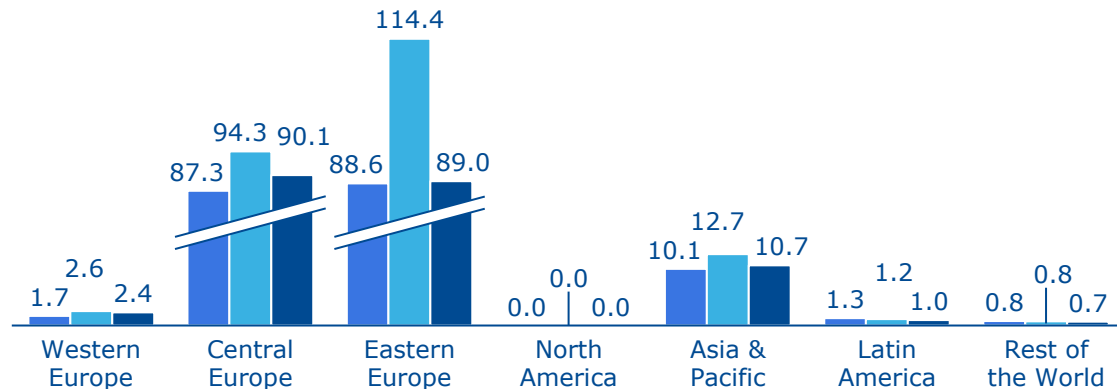
## Neuropsychiatry | Revenue



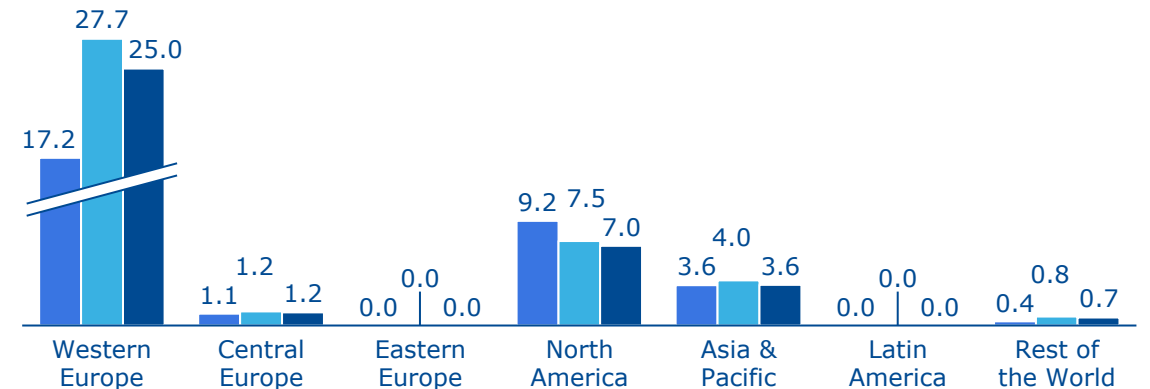
## Women's Healthcare | Revenue



## General Medicine | Revenue



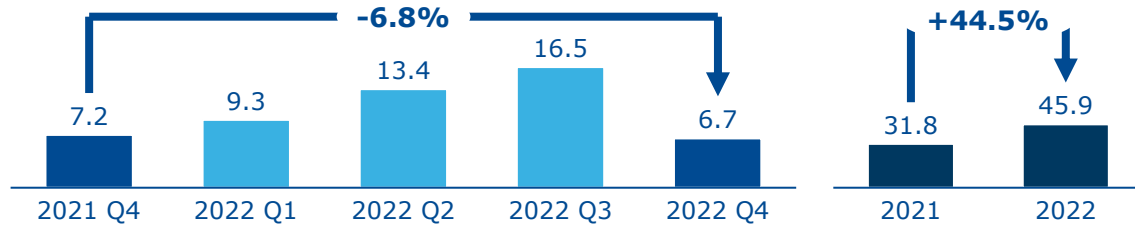
## Biotechnology | Revenue



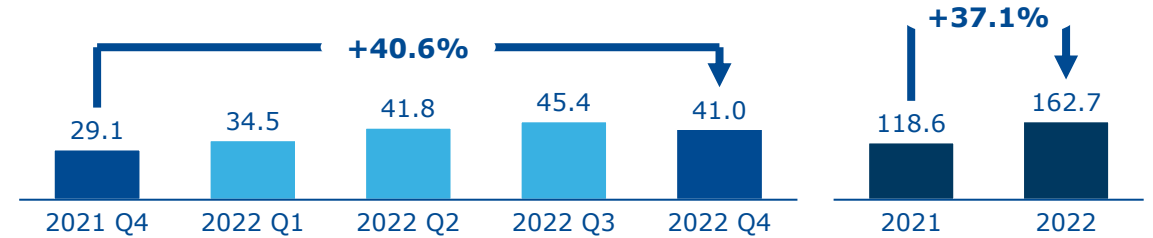
# Women's Healthcare | Healthy increase in profits with higher Q4 marketing activity supporting new product launches



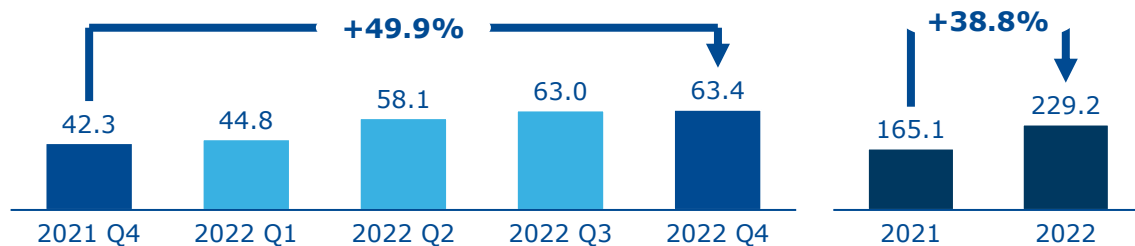
## Clean EBIT



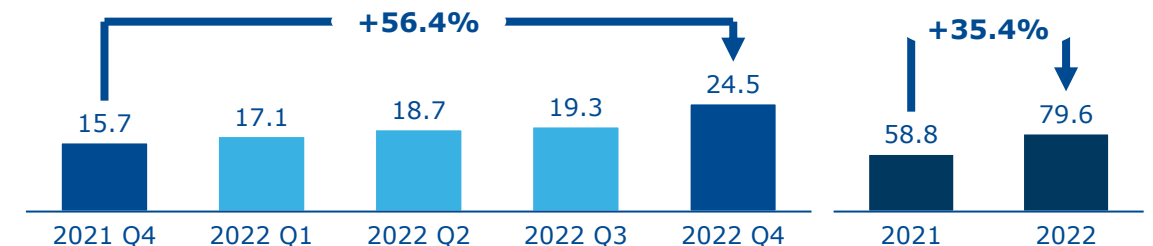
## Gross profit



## Revenue



## Sales & Marketing



## Key messages

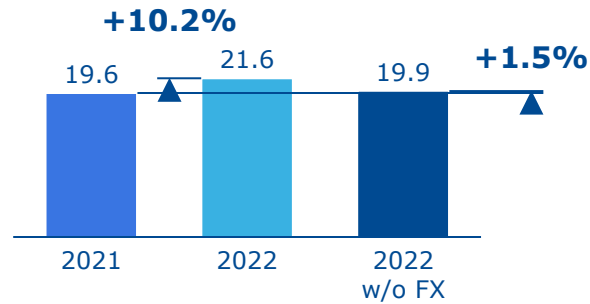
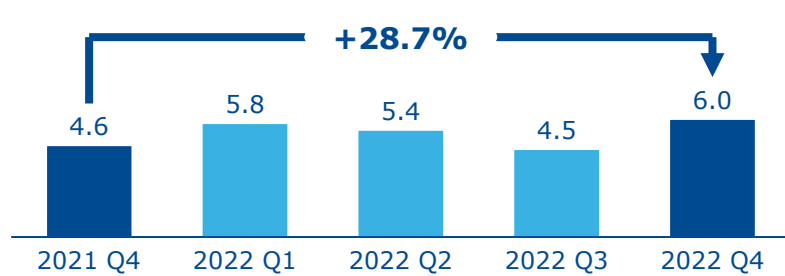
- Continuous strong-double digit growth of total WHC portfolio across most important markets WEU, Central and Eastern Europe and Latam
- Important Ryego Market Access milestones achieved in key markets (IT, ES) and solid Drovelis sales performance
- Fertility portfolio growth
- Solid performance of Endometriosis treatment and Menopause

- management. Both on the way to become significant revenue drivers for the company
- Due to the adverse results for two development projects in pre-clinical and clinical phases and significant increase of discount rates the value of intangible assets and related inventories were impaired in an amount 18 HUFbn

# WHC | Highlighted brands | EVRA makes it to top 5 products within 2 years of acquisition, Bemfola sees temporary setback



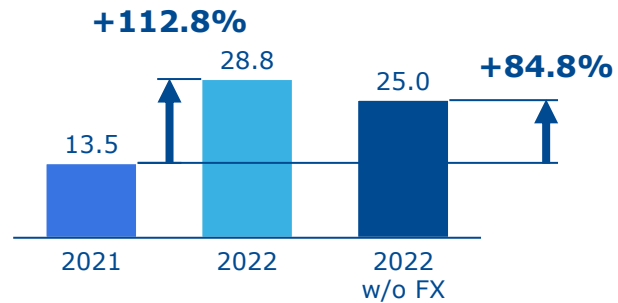
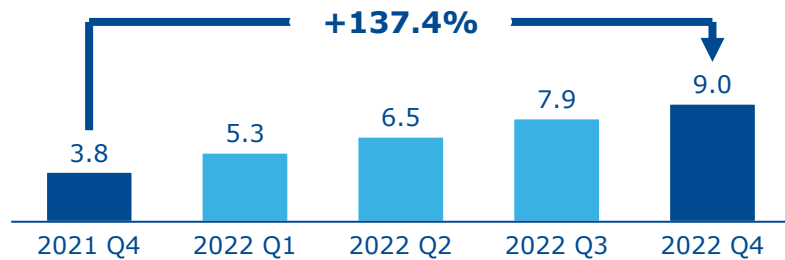
## Bemfola®



## Key messages

- Strong competition and price pressure on **Bemfola®**. Double digit growth in WEU offset by changes in Australian market and sales slow down
- Sales growth of the fertility franchise is reinforced by exceptional performance of Cyclogest and ganirelix launches

## EVRA®

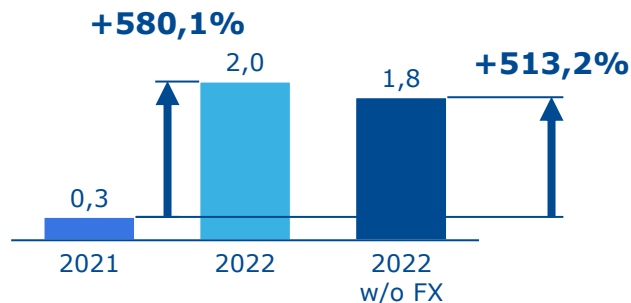
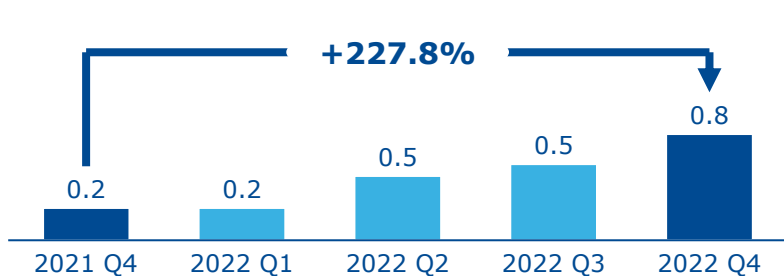


## Key messages

- Following the asset purchase agreement concluded in January 2021, **Evra®** is already ranked 4th on our Top10 products list
- MAH transfers proceeding according to plans, which result in higher revenue portion and less net economic benefit income, providing the same cash margins



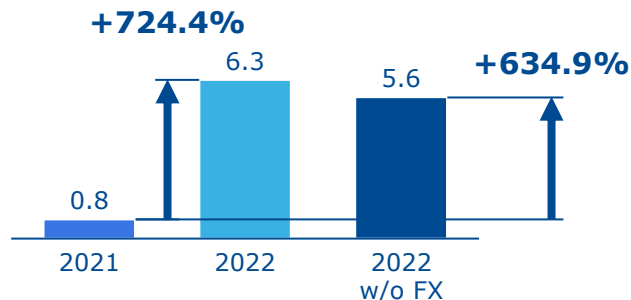
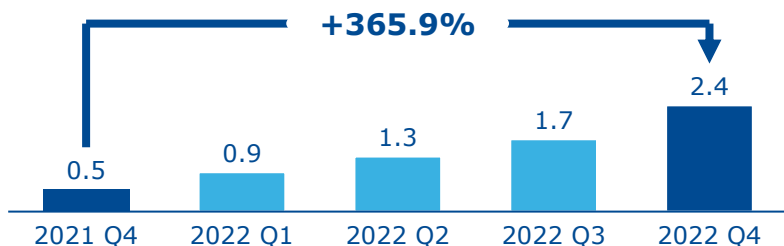
## Ryeqo®



### Key messages

- Solid growth in Germany, Nordics and CEE markets
- Market access milestones achieved on key EU markets (IT and ES)
- Intensive regulatory work on Endometriosis label extensions

## Drovelis®



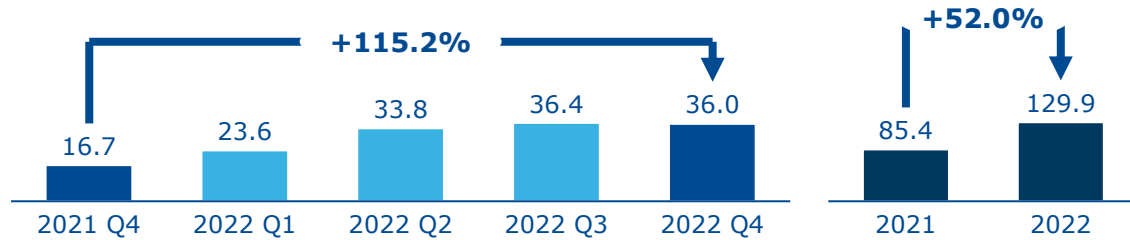
### Key messages

- **Drovelis®** contributed materially to sales levels recorded primarily in Europe.
- In Q1 2023 we surpassed 2 million cumulated cycles sold in Europe

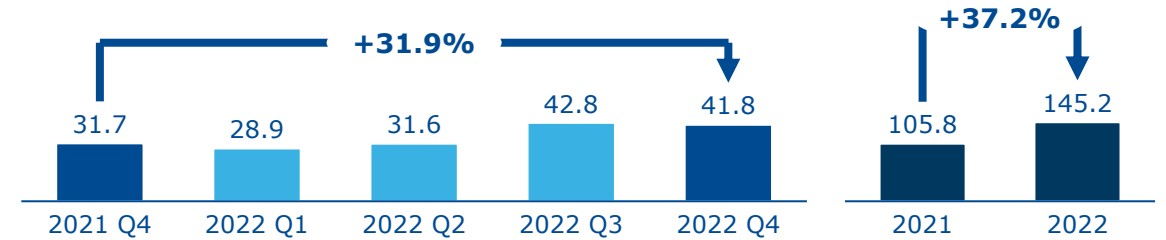
# Neuropsychiatry | Our main clean EBIT contributor showed steady growth while progressing with R&D projects



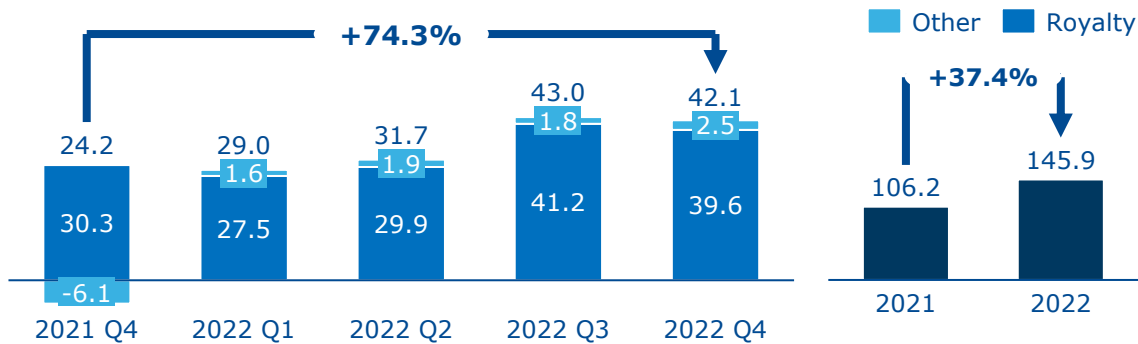
## Clean EBIT



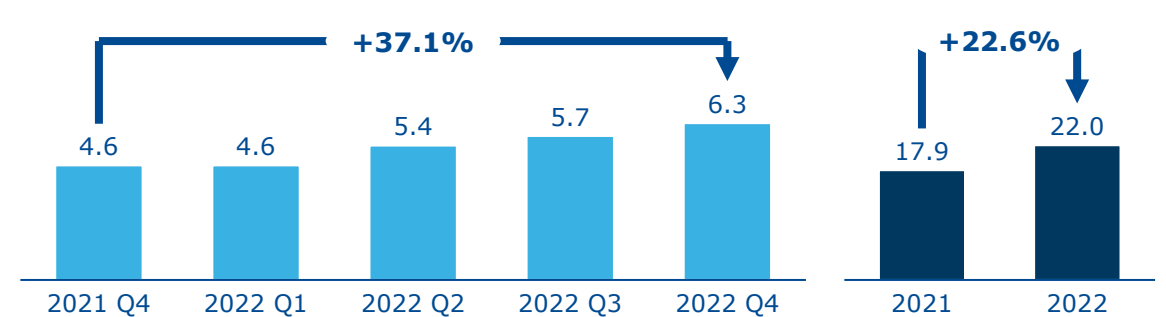
## Gross profit



## Revenue



## R&D



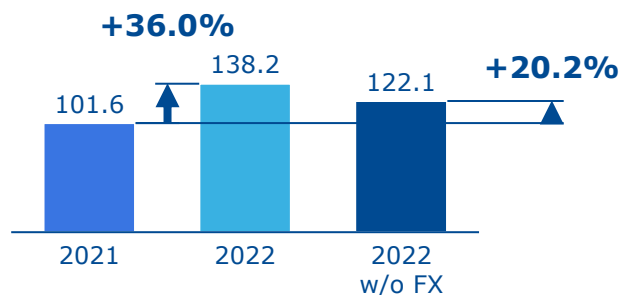
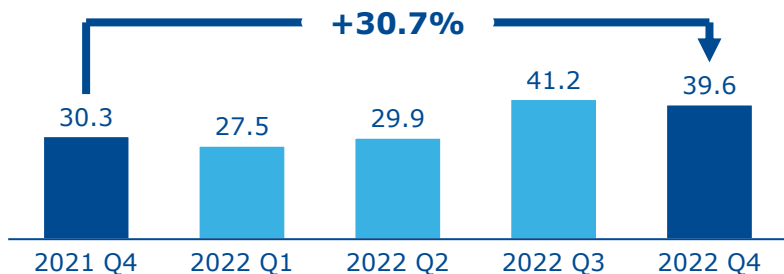
## Key messages

- Therapeutic – adjunctive MDD approved in USA
- R&D cooperation agreement with Abbvie resulting in a Milestone income of 10.6 HUFbn
- RGH-706 in Phase 2 clinical studies ongoing

# CNS | **Highlighted brands** | Over 30% growth in Vraylar compared to 2021 Q4; last quarter setback is a result of FX changes only



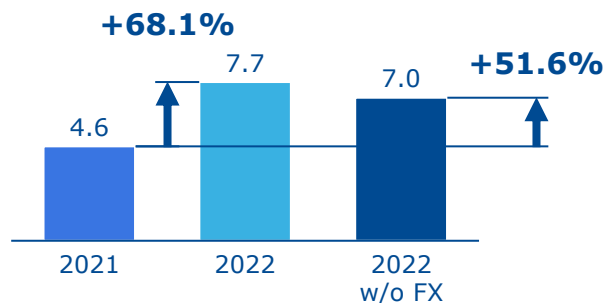
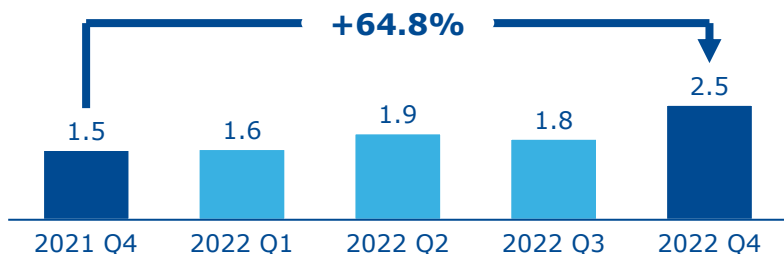
## Vraylar®



### Key messages

- Significant year-on-year increase recorded in royalties linked to sales of **Vraylar®** in the USA.
- Continuous quarterly growth in USD terms (386 vs. 310 mUSD), slightly below initially budgeted figures

## Reagila®



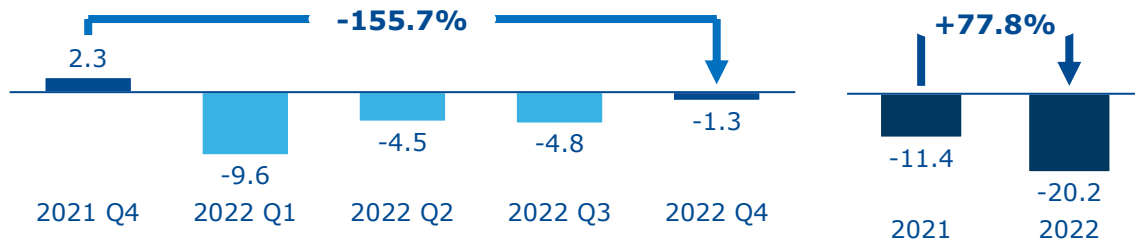
### Key messages

- **Reagila®** received reimbursed status in Poland in the last quarter 2021 which boosted sales in the reported period.

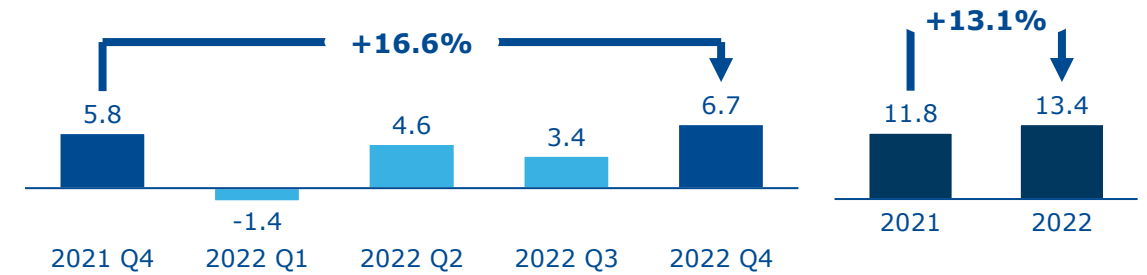
# Biotechnology | Double digit gross profit increase and significant R&D investment into the future



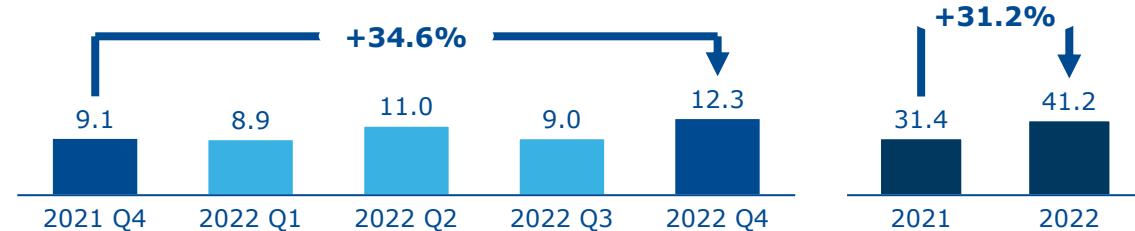
## Clean EBIT



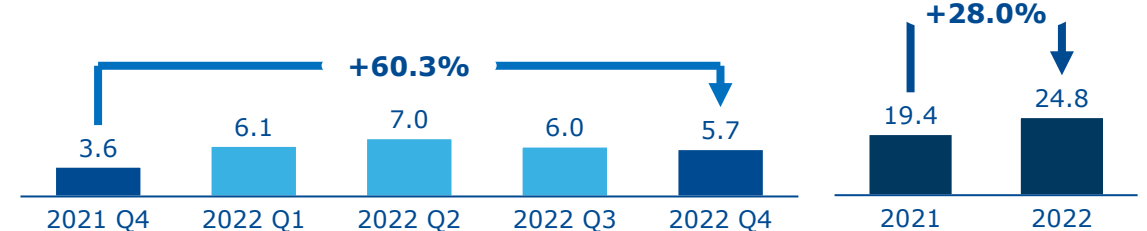
## Gross profit



## Revenue



## R&D



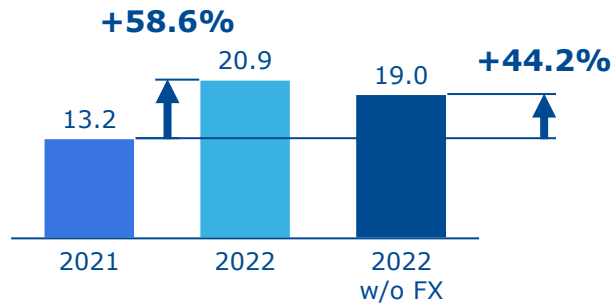
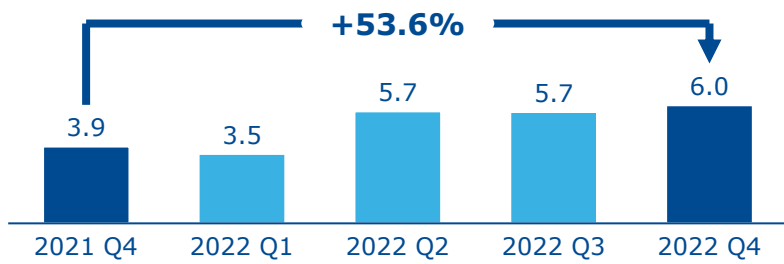
## Key messages

- Improving gross margins of Terrosa® as production costs are optimized
- CDMO project earnings driven by Richter-Helm Biologics provides additional source of income. Due to the nature of project works quarterly gross profit fluctuates significantly.
- Excluding R&D spending BIO generates 5 HUFbn cEBIT per year
- Significant R&D activity with 3 clinical projects
- Due to delays in the development process and dramatic increase of discount rates the book value of RGB-19 was impaired in an amount of 5 HUFbn

# BIO | Highlighted brand | Terrosa global revenue shows dynamic increase



## Terrosa®



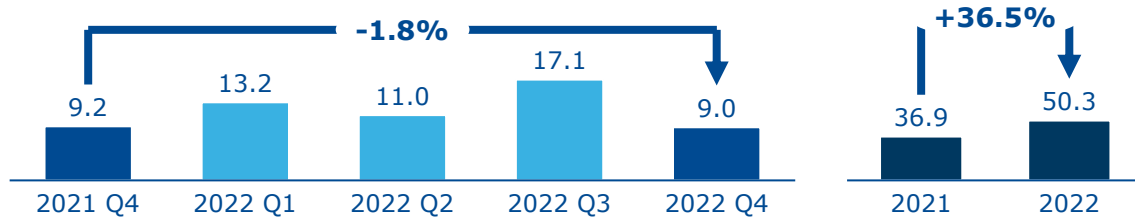
## Key messages

- Sales proceeds from WEU region contributed substantially to the higher turnover of **Terrosa®** reported.
- **Terrosa®** became a massive product, with quarterly fluctuation generated by true-up corrections with partners.
- Chart show's Richter's own sales of the product. In addition drug substance proceeds by partners are recorded as share of profit associates and joint ventures.

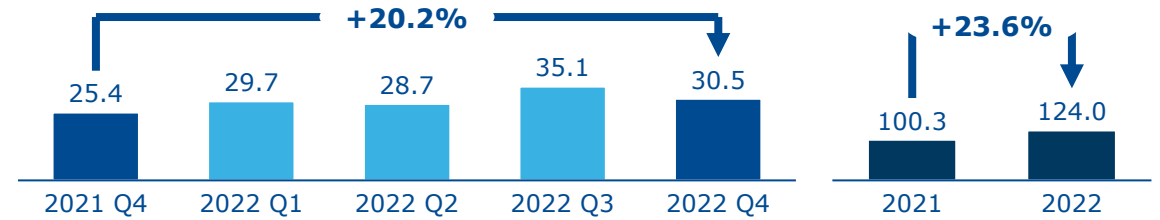
# General Medicine | Strong financial results in 2022 despite the Russia-Ukraine conflict



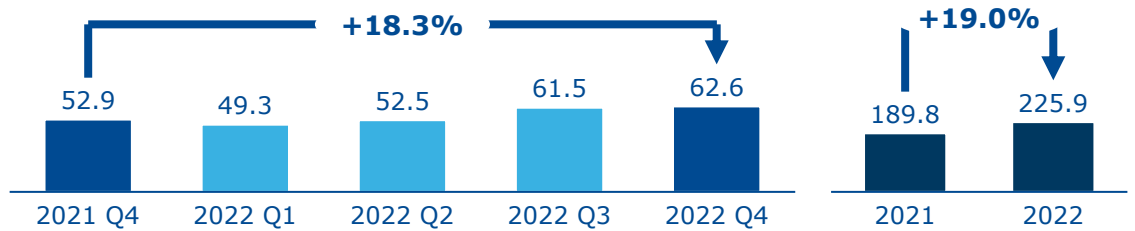
## Clean EBIT



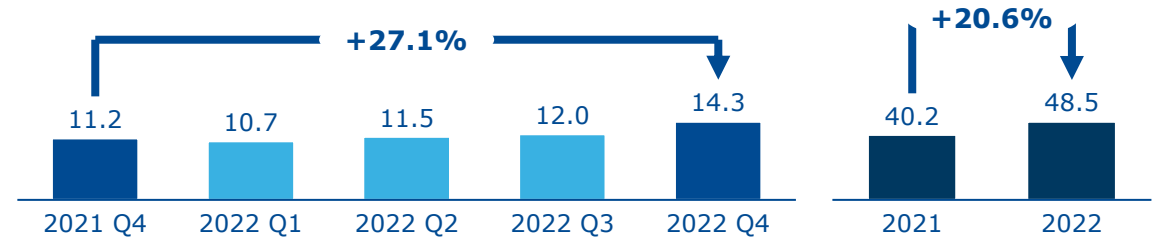
## Gross profit



## Revenue



## Sales & Marketing



## Key messages

- Strong financial results in 2022 despite the Russia-Ukraine conflict
- Execution of pipeline on track
- Corporate level initiatives to increase profitability
- Formation of General Medicines as a strategic pillar to increase customer focus
- Initiated to build new strategy

# Pharmaceuticals: We are dedicated to continuously invest into the future to serve our patients globally



## WHC

We develop innovative products and invest in late-stage projects of the following subsegments: female fertility, uterine fibroids / endometriosis, female contraception, infectious diseases in female healthcare and menopause. We intensify our activities in the field of Female Technology as well.



## CNS

Original R&D aims to develop new small molecule drugs for the treatment of central nervous system diseases in the field of neuropsychiatry. We focus primarily on the symptoms associated with negative and cognitive disorders, we also research for new materials to treat positive symptoms.



## BIO

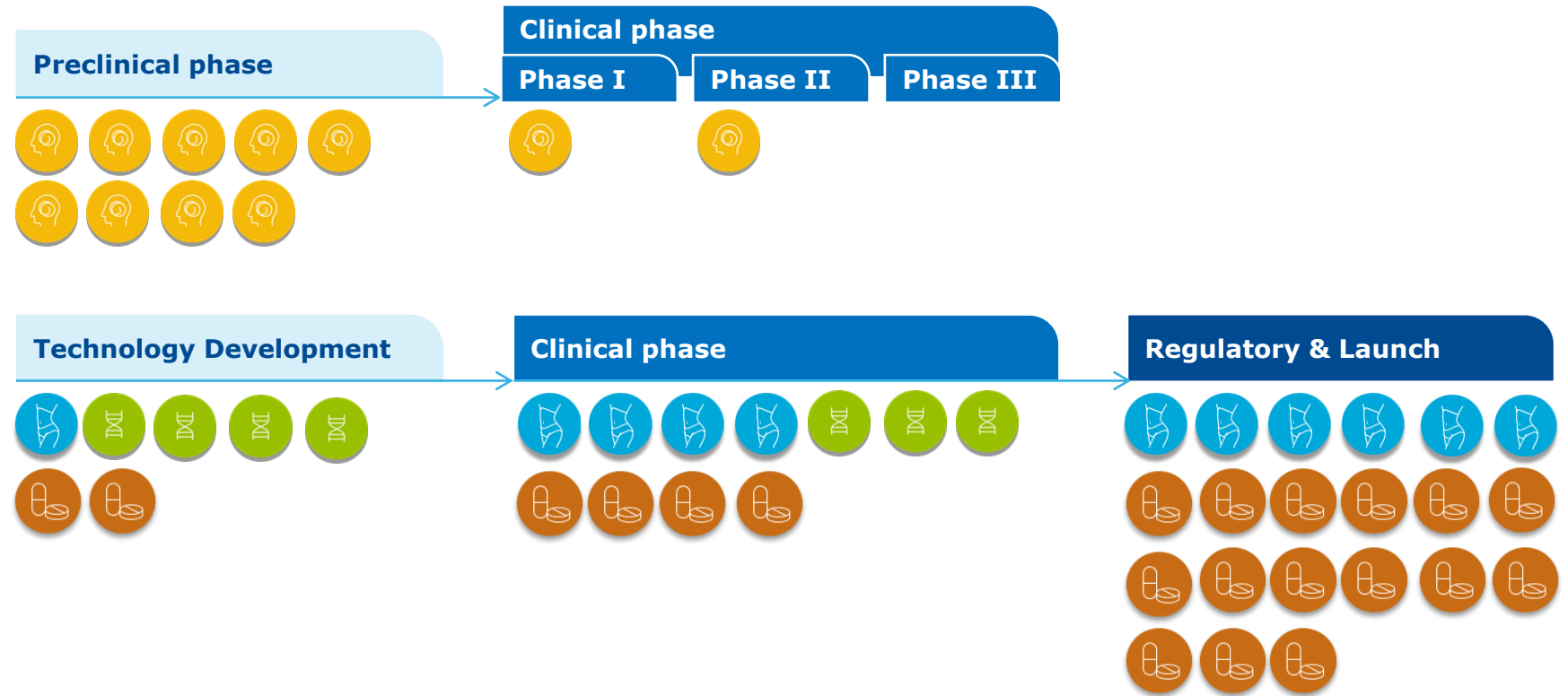
Our focus is set on certain therapeutic areas, notably Rheumatology/Osteoporosis. These areas are considered among the highest growth rate therapeutic segments.



## GM

General Medicines builds a portfolio offering for our patients in 3 key therapeutic area (Cardiology and blood, diabetes and CNS), and pursue other therapeutic areas through own development and licence in activities.

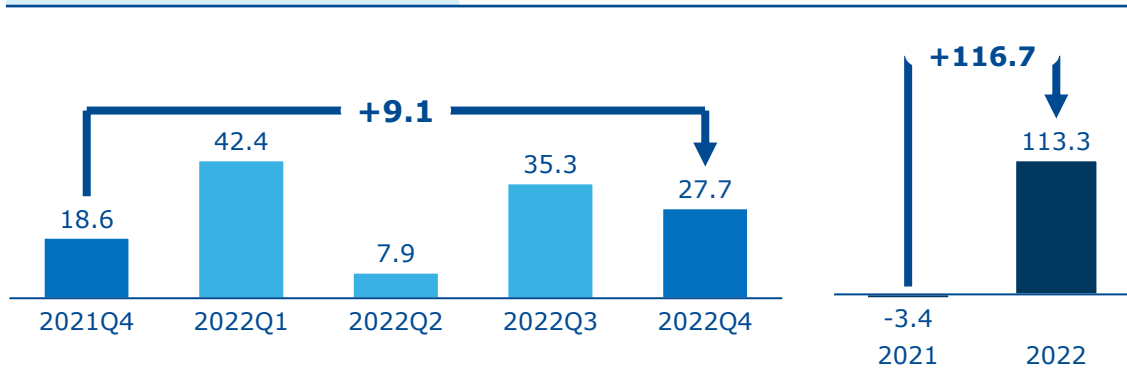
# Pipeline overview



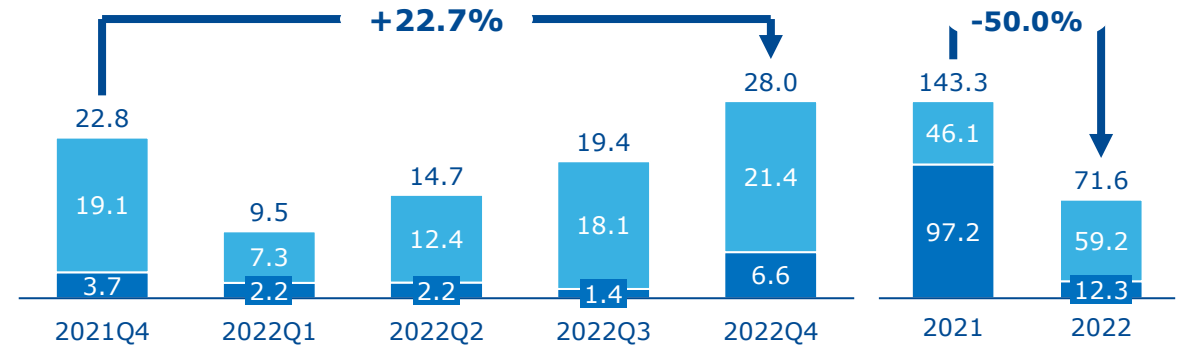
-  Neuropsychiatry
-  Women's Healthcare
-  Biotechnology
-  General Medicine

# Strong Free cash-flows in 2022 after prior year's major cash investment to EVRA.

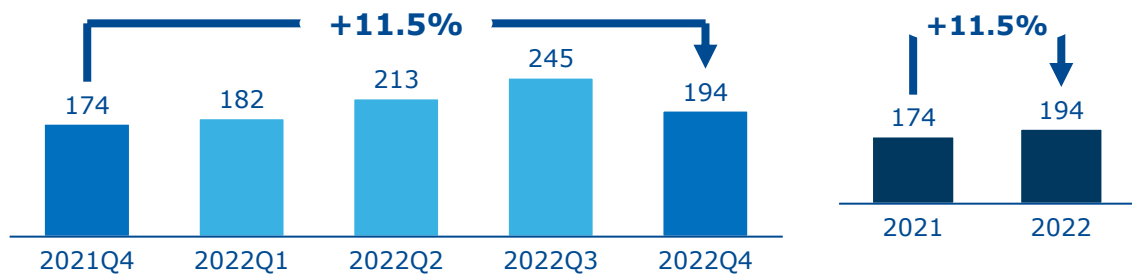
## Free Cash-flow | HUFbn



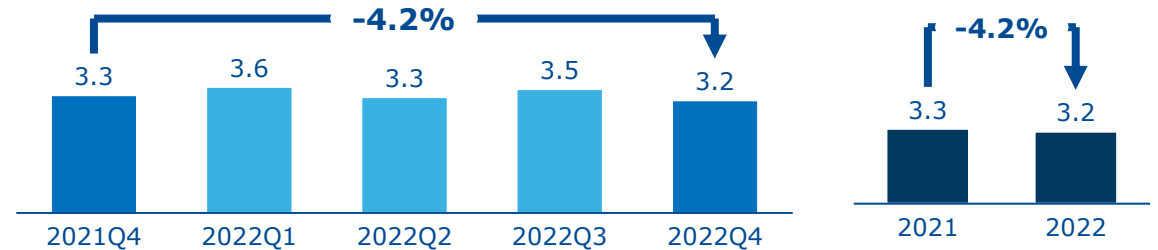
■ CAPEX of property  
■ CAPEX of intangible assets



## Cash Conversion cycle | days



## Liquidity Ratio



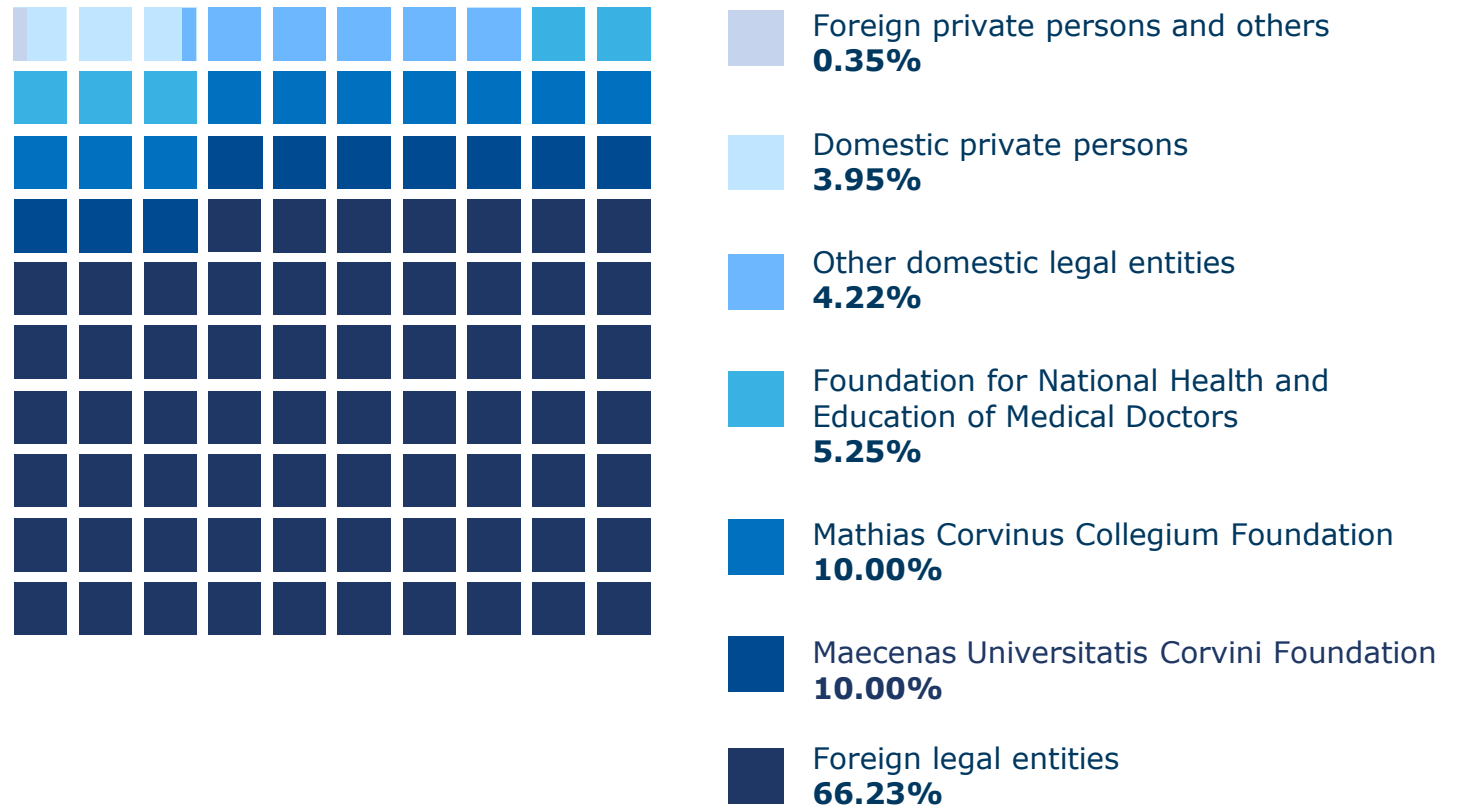
# Shareholder structure at 12.31.2022 in percentage

## Guidance

HUFbn	2022	Guidance <sup>1</sup>
Revenue	803	+10%
Gross Profit	460	+10%
Clean EBIT <sup>2</sup>	206	+10%

<sup>1</sup> Increase without FX effects and one-off changes

<sup>2</sup> Milestone income will not be considered in baseline



# Introduction of István Hamecz

## Chief Financial Officer

Graduated at Corvinus University Budapest in 1991.

He started his career in the Institute of Economic Policy and Planning of the Ministry of Finance. From 1992 to 1994 researcher at the Institute of Economics of the Hungarian Academy of Sciences (MTA). Between 1994 and 2007 worked at Central Bank of Hungary (MNB) in different positions. From 2001 to 2007 Managing Director in charge of Economic and Monetary Policy at MNB. Between 2007 and 2013 CEO and Chairman of the OTP Fund Management Pte. Ltd. and simultaneously from 2008 to 2012 the member, later Chairman of the Board of Directors at OTP Russia. Managing director in charge of Russia and Ukraine at OTP Bank Plc between 2013 and 2016.

Joined Richter in 2020 as Director of Financial Operations, since 2022 Gedeon Richter Plc.'s Chief Financial Officer. Member of Gedeon Richter Plc.'s Board of Directors since April 12, 2022.





# GEDEON RICHTER

Health is our mission

## Contacts

Company name: Gedeon Richter Plc.  
Sector: Pharmaceutical  
Company address: 1103 Budapest, Gyömrői út 19-21., Hungary  
Telephone: +36 1 431 5764  
Fax: +36 1 261 2158

## Investor relations manager

Katalin Ördög [investor.relations@richter.hu](mailto:investor.relations@richter.hu)



<https://www.gedeonrichter.com/en/>



<https://www.linkedin.com/company/richter-gedeon-hungary/>

## Financial calendar

| April 25, 2023  
Annual General Meeting

| April 26, 2023  
Publication of AGM resolutions

| April 26, 2023  
Publication of the Company's 2022 annual report, Richter Group's 2022 annual report  
\* and the Company's Corporate Governance Report and Remuneration Report

| May 12, 2023  
Publication of the Consolidated Report 3 months to March 2023

| August 4, 2023  
Publication of the Consolidated Report 6 months to June 2023

| November 10, 2023  
Publication of the Consolidated Report 9 months to September 2023

All dates in the table may be subject to change!

\* Gedeon Richter Plc. will not hold dedicated press conference on the announcement of its annual report. The Company provides information about the annual results at the general meeting.



GEDEON RICHTER  
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## Disclaimer

This presentation and the associated slides and discussion contain forward-looking statements. These statements are naturally subject to uncertainty and changes in circumstances. Those forward-looking statements may include, but are not limited to, those regarding capital employed, capital expenditure, cash flows, costs, savings, debt, demand, depreciation, disposals, dividends, earnings, efficiency, gearing, growth, improvements, investments, margins, performance, prices, production, productivity, profits, reserves, returns, sales, share buy backs, special and exceptional items, strategy, synergies, tax rates, trends, value, volumes, and the effects of Richter merger and acquisition activities. These forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, but are not limited to developments in government regulations, foreign exchange rates, political stability, economic growth and the completion of on-going transactions. Many of these factors are beyond the company's ability to control or predict. Given these and other uncertainties, you are cautioned not to place undue reliance on any of the forward-looking statements contained herein or otherwise. The company does not undertake any obligation to release publicly any revisions to these forward-looking statements (which speak only as of the date hereof) to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as maybe required under applicable securities laws. Statements and data contained in this presentation and the associated slides and discussions, which relate to the performance of Richter in this and future years, represent plans, targets or projections.