

# 2021 Q1 Results 2021 - 2023 Strategy and Outlook Update

Milano, 6 May 2021

# Agenda

1. Company overview and strategy
2. First quarter 2021 results
3. Drivers of organic growth – key assumptions
4. Further growth opportunities through BD and R&D
5. Financial projections

# Recordati Today – Summary Overview

## Business Overview

### International specialty pharmaceutical group:

- Well diversified footprint
- Strong vertical integration

### Specialty and Primary Care Division (78% sales):

- **Prescription products:** well-established, branded portfolio of prescription drugs focused on core therapeutic areas across cardiovascular, urology, gastrointestinal and central nervous system (**57% sales**)
- **OTC:** marketing of branded OTC products primarily in Europe (**18% sales**)
- **Chemicals:** production of active pharmaceutical ingredients (“API”) sold to third party pharmaceutical companies (**3% sales**)
- Direct operations in all European markets, in Russia and C.I.S., Turkey and North Africa

### Rare Diseases Division (22% sales):

- Treatments for rare diseases, particularly **metabolic** deficiencies and rare **endocrine** conditions of a genetic origin
- Active product development pipeline
- Worldwide business (US, EMEA and RoW)

### 8 manufacturing facilities

(of which 2 API production sites) and a specialised packaging and distribution facility dedicated to rare diseases

- **Pharma Production** in Italy, Turkey, France, Tunisia, Spain, and Czech Republic
- **API** Manufacturing in Ireland and Italy

## Recordati Snapshot – FY 2020

**€1.45bn**  
**Net Revenue**

**€569m**  
**EBITDA<sup>(1)</sup>**

**€355m**  
**Net Income**

**~150**  
**Markets**

**> 4,300**  
**Employees**

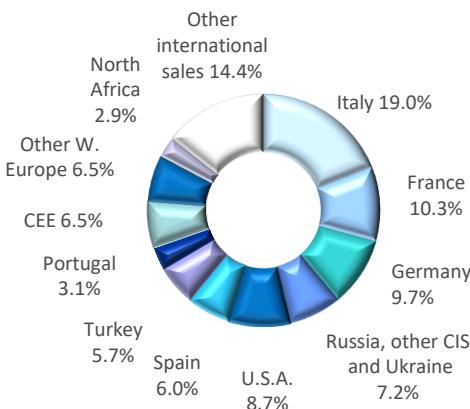
### Specialty & Primary Care

- €1,129.5m Revenue
- EBITDA margin 37.3%
- EBIT margin 30.9%

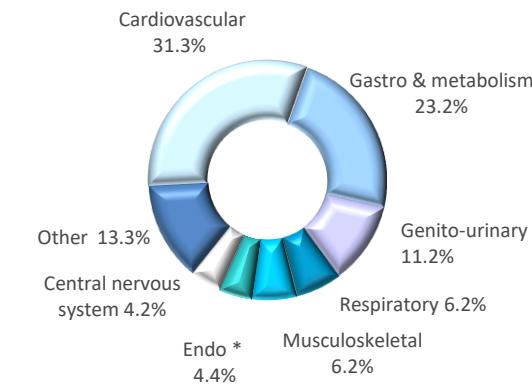
### Rare Disease

- €319.4m Revenue
- EBITDA margin 46.4%
- EBIT margin 37.5%

### By Geography<sup>(2)</sup>



### By Therapeutic Area<sup>(2)</sup>



<sup>(1)</sup> Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items. <sup>(2)</sup> Breakdown based on pharmaceutical sales; \* Endo 2020 includes direct Recordati sales only (net margin transfer from Novartis excluded)

# We have a proven and sustainable Business Model...

## Well Diversified Revenue Base

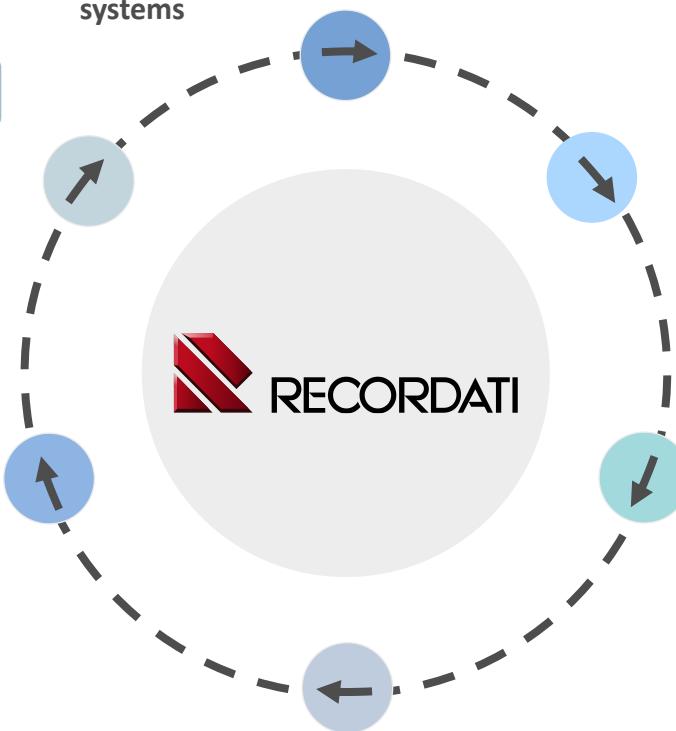
- Very broad portfolio and diversified footprint minimizes exposure to single product/ market combination
- Limited exposure to single reimbursement systems

## Pursue Accretive and Growth Deals

- Strong M&A track record of product and corporate acquisitions as well as licensing to complement portfolio
- Disciplined approach, with focus on **long term value creation** (mix of growth and accretive deals)

## Minimize development risk

- Selective R&D investments with majority of net revenue coming from **mature products** and **products sourced externally via licensing and BD**



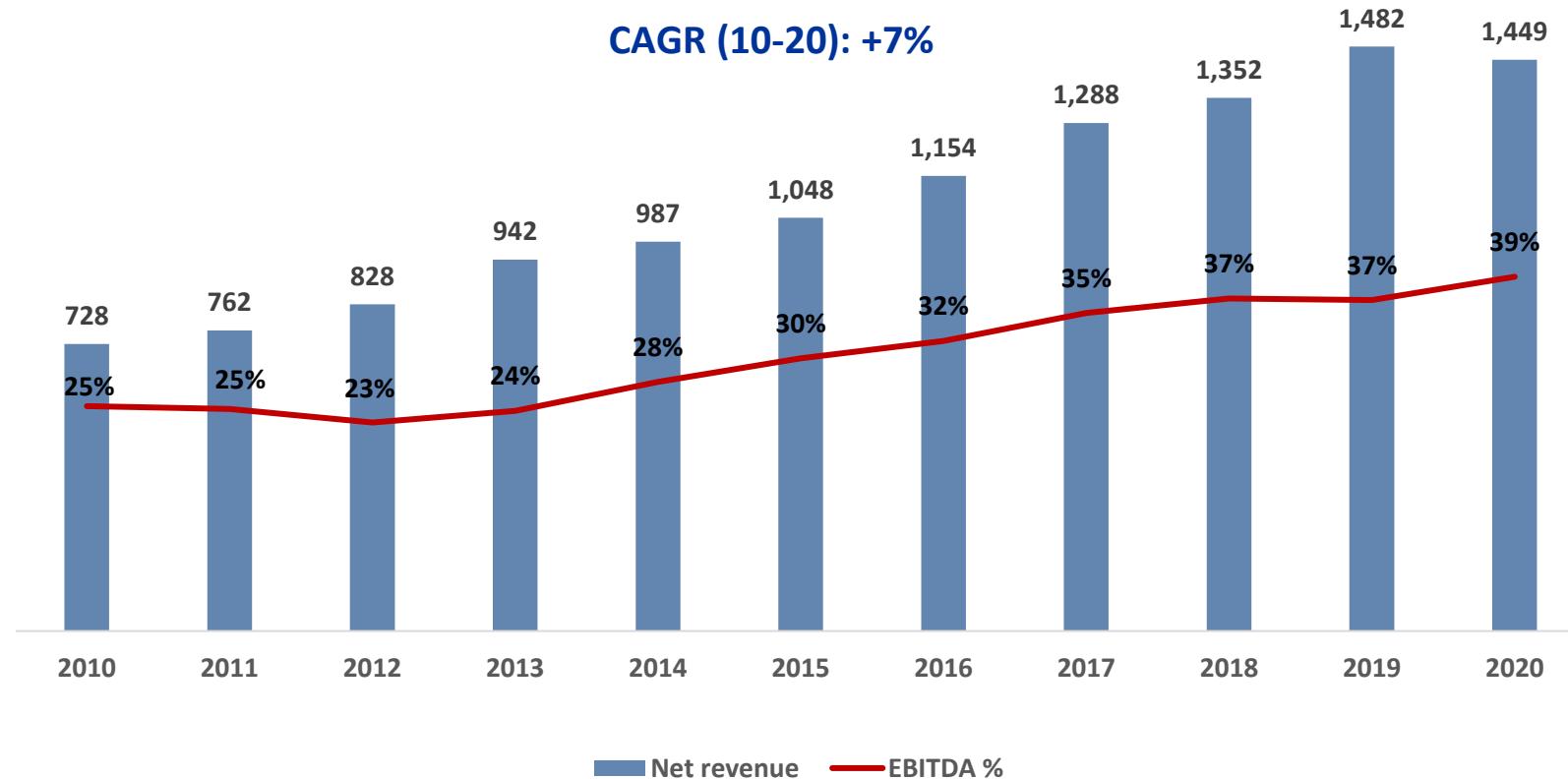
## Control Supply

- Fully vertical integrated platform from API to sale for key products, driving margin and protecting the supply chain
- c.60% of volumes manufactured by Recordati plants

# ...that has delivered consistent growth and margin improvement

*Sales and profitability driven by organic growth and successful BD*

(million Euro)



# Our Company Strategy remains unchanged...

## Group Objectives

Continuation of successful strategy

Steady organic growth from well diversified portfolio

Enhanced by accretive or strategic acquisitions in both SPC & Rare Diseases

### Specialty & Primary Care

- Preserve the value of established brands with steady volume-led organic growth from core products
- Reinforce current geographical footprint to remain a partner of choice
- Leverage additional new products on the current organisation
- Reinvest cash flow in accretive acquisitions

#### Enablers

- High SoV in key Primary and Specialty Care markets
- Locally empowered know-how
- Omnichannel approach

#### Capabilities

- ~1,900 sales FTEs in 30+ countries
- Fully integrated Pharma Co
- Proven track record of acquisitions integration

### Rare Diseases

- Continue developing the existing portfolio of global brands
- Consolidation of Latin American and Asia/Pacific presence
- Drive growth of recent launches - Signifor®, Signifor® LAR, Isturisa®, Cystadrops®, Ledaga® & Juxtapid®
- Progress current R&D pipeline
- Invest in targeted BD and M&A to reinforce global portfolio

#### Enablers

- 80+ new hires on board to support Endo franchise
- Numerous patient advocacy partnerships
- Global branding

#### Capabilities

- Direct presence in US, Europe and Asia
- Patient access
- Disease awareness programs

### Exposure to Positive Macro Trends

Aging populations fuelling higher healthcare expenditure and greater prevalence of chronic disease

Recordati portfolio weighted towards age-related diseases: cardiology, urology, gastrointestinal...

Emerging market exposure driving long term local currency growth: Turkey, Russia, CEE and CIS

Significant unmet need remaining in Rare Diseases, with c.500 approved drugs to date vs. > 7,000 designated rare diseases

# ...with a commitment to a sustainable future

## Patient Care

- Continue to develop and offer **innovative products** that improve **quality of life**
- Maintaining the **highest product quality and safety standards** throughout the product life cycle
- Constant focus on **improving access to medical products** and health care: patient-centric approach, including the most vulnerable categories (rare diseases)

## People Care

- Have an **inclusive culture** and **promote equal opportunities**
- Protect the **health and safety** of our employees
- **Welfare, well-being programs** and smart working for employees
- Support **community** and healthcare organisations

## Environmental Protection

- **Fight against climate change**: initiatives to reduce energy consumption and emissions in own operations (Scopes 1 & 2), renewable electricity purchased, emissions offsetting projects
- **Circular economy** and **waste reduction** initiatives

## Responsible Sourcing

- **Supply chain management** and monitoring plan considering **ESG factors**
- **Supplier awareness** initiatives focused on ESG factors

## Ethics and Integrity

- **ESG policies**, processes, management system
- Work against corruption in all its forms, setting the **highest standards of ethical conduct**
- Rigorous adoption of **responsible marketing practices**

**ESG objectives**  
are assigned to  
Group managers  
as part of the  
**MBO system**



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# First quarter 2021 highlights

- Q1 results reflect continued impact of Covid-19 pandemic across key categories and markets in Europe, coupled with adverse FX of -3.5% and year on year impact of 2020 LOEs (silodosin and pitavastatin); revenue also distorted by channel movements, with Q1 2020 benefitting from an estimated €20 million of stocking in early days of the pandemic and Q1 2021 reflecting de-stocking of Cough and Cold and Ear/Nose/Throat medicines following a very weak season
- Continued positive progress of Endo, delivering just over €26.1m of revenue vs €14.7m in same period last year
- Eligard integration is also on track, with €16.8m of revenue in Q1, with very smooth transition with Astellas
- Financial results reflect reduced activity spend consistent with Covid restrictions leading to EBITDA at 39% margin, despite top line pressure; bottom line P&L reflects higher financial expenses due to roughly €3.7m of unrealised FX losses (compared to €1.9m FX gains in Q1 2020):
  - Revenue €384.8 million, -10.3% or -6.8% (at CER), distorted by 2020 LOEs and C&C destocking
  - EBITDA<sup>(1)</sup> €150.0 million or 39.0% of sales, -13.2%
  - Net Income €89.9 million or 23.4% of sales, -19.2%
  - Adjusted Net Income<sup>(2)</sup> €104.4 million or 27.1% of sales, -16.6%
  - Free cash flow<sup>(3)</sup> € 110.2 million, an increase of € 20.9 million
- **Current full year 2021 outlook reflects slightly stronger headwinds on topline but remains within financial guidance range provided, with Covid expected to continue driving weaker demand on cough and cold and ENT products thru to end of year**

(1) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects

(2) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items

(3) Operating cash flow excluding financing items, milestones, dividends, purchases of treasury shares net of proceeds from exercise of stock options

# Main products sales

**Corporate products including drugs for rare diseases account for 65.9% of revenue**

(million Euro)	1Q 2021	1Q 2020	Change %
Zanidip® (lercanidipine)	<b>42.0</b>	40.7	3.2
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol+felodipine)	<b>24.8</b>	30.3	(18.2)
Eligard® <sup>(1)</sup>	<b>16.8</b>	-	n.a.
Urorec® (silodosin)	<b>16.0</b>	27.1	(40.9)
Livazo® (pitavastatin)	<b>11.4</b>	16.6	(31.4)
Zanipress® (lercanidipine+enalapril)	<b>11.2</b>	14.9	(24.4)
Other corporate products <sup>(2)</sup>	<b>63.5</b>	91.8	(30.8)
Drugs for rare diseases	<b>84.9</b>	77.5	9.6
of which Endo franchise <sup>(3)</sup>	<b>26.1</b>	14.7	77.6

(1) Eligard® net revenue includes margins booked as net revenue until transfer of market authorizations and distribution

(2) Includes the OTC corporate products for an amount of € 26.0 million in 2021 and € 34.2 million in 2020

(3) Endo franchise net revenue 2020 includes margins on sales of Signifor® and Signifor® LAR until transfer of market authorizations

# Composition of revenue by geography

(million Euro)	1Q 2021	1Q 2020	Change %
Italy	<b>71.0</b>	78.6	(9.7)
France	<b>36.1</b>	41.3	(12.5)
Germany	<b>36.4</b>	39.1	(7.0)
Spain	<b>26.1</b>	25.0	4.8
Portugal	<b>11.1</b>	13.1	(15.1)
Turkey	<b>20.2</b>	27.5	(26.7)
Russia, other CIS countries and Ukraine	<b>17.1</b>	35.3	(51.7)
U.S.A.	<b>37.0</b>	31.9	15.9
Other CEE countries	<b>27.8</b>	28.1	(1.1)
Other W. Europe countries	<b>24.4</b>	24.6	(0.9)
North Africa	<b>9.8</b>	12.0	(18.6)
Other international sales	<b>55.9</b>	61.0	(8.5)
<b>TOTAL PHARMACEUTICALS</b>	<b>372.7</b>	417.4	(10.7)
<b>CHEMICALS</b>	<b>12.2</b>	11.8	3.1

(In local currency, millions)	1Q 2021	1Q 2020	Change %
Russia (RUB) <sup>(1)</sup>	<b>1,021.0</b>	2,041.6	(50.0)
Turkey (TRY) <sup>(1)</sup>	<b>166.5</b>	176.3	(5.5)
U.S.A. (USD)	<b>44.5</b>	35.2	26.7

# First quarter 2021 results

(million Euro)	1Q 2021	1Q 2020	Change %
<b>Revenue</b>	<b>384.8</b>	<b>429.2</b>	<b>(10.3)</b>
Gross Profit	280.8	303.7	(7.6)
as % of revenue	73.0	70.8	
SG&A Expenses	113.4	118.2	(4.1)
as % of revenue	29.5	27.6	
R&D Expenses	41.5	34.9	18.7
as % of revenue	10.8	8.1	
Other Income (Expense), net	(1.0)	(2.1)	(52.6)
as % of revenue	(0.3)	(0.5)	
<b>Operating Income</b>	<b>124.9</b>	<b>148.4</b>	<b>(15.9)</b>
as % of revenue	32.5	34.6	
Financial income/(expenses), net	(8.9)	(2.9)	n.m.
as % of revenue	(2.3)	(0.7)	
<b>Net Income</b>	<b>89.9</b>	<b>111.2</b>	<b>(19.2)</b>
as % of revenue	23.4	25.9	
<b>Adjusted Net Income <sup>(1)</sup></b>	<b>104.4</b>	<b>125.2</b>	<b>(16.6)</b>
as % of revenue	27.1	29.2	
<b>EBITDA <sup>(2)</sup></b>	<b>150.0</b>	<b>172.9</b>	<b>(13.2)</b>
as % of revenue	39.0	40.3	

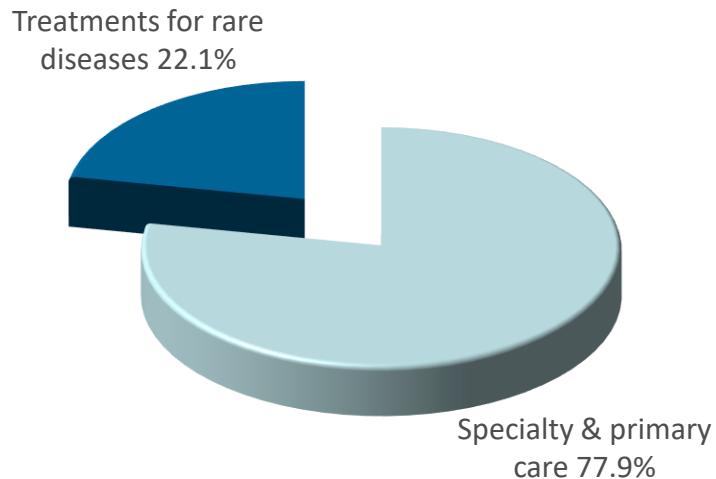
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# First quarter 2021 results

## Operating Segments

### Revenue

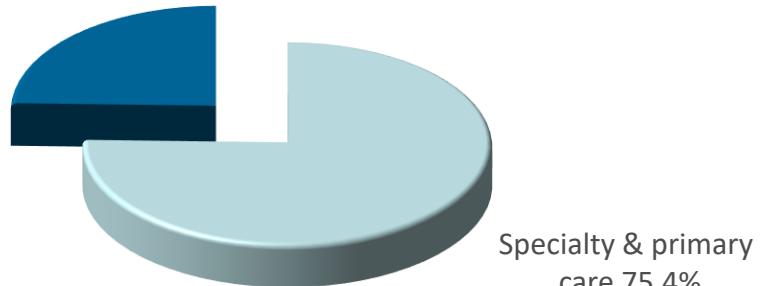


### Margin on sales:

Treatments for rare diseases: EBITDA 45.8%, EBIT 36.2%  
Specialty & primary care: EBITDA 37.1%, EBIT 31.4%

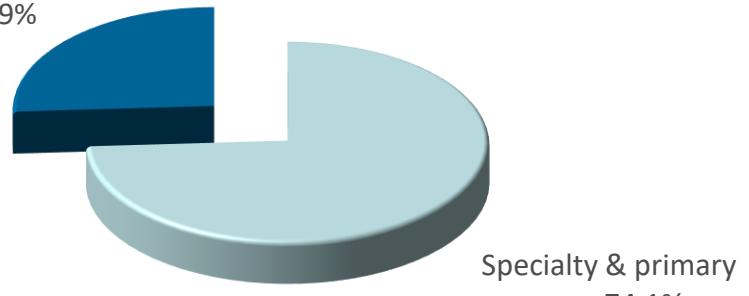
### EBIT

Treatments for rare diseases 24.6%



### EBITDA

Treatments for rare diseases 25.9%



# Q1 Cash flow

(million Euro)	31 Mar 2021	31 Mar 2020	Change
<b>EBITDA</b>	<b>150.0</b>	172.9	(22.9)
Movements in working capital	(15.3)	(70.5)	55.2
Changes in other assets & liabilities	(8.1)	1.5	(9.6)
Interest received/(paid)	(2.2)	(1.9)	(0.3)
Income Tax Paid	(6.3)	(10.0)	3.7
Other	(4.0)	1.0	(5.0)
<b>Cashflow from Operating activities</b>	<b>114.1</b>	93.0	21.1
Capex (net of disposals)	(3.9)	(3.7)	(0.2)
<b>Free cash flow</b>	<b>110.2</b>	89.3	20.9
Increase in intangible assets (net of disposals)	(53.2)	(19.7)	(33.5)
Dividends paid	(0.7)	(3.1)	2.4
Purchase of treasury shares (net of proceeds)	(43.2)	(44.0)	0.8
Other financing cash flows <sup>(1)</sup>	48.8	(14.3)	63.1
<b>Change in cash and cash equivalents</b>	<b>61.9</b>	8.2	53.7

# Net financial position

(million Euro)	31 Mar 2021	31 Dec 2020	Change
Cash and cash equivalents	<b>250.1</b>	188.2	61.9
Short-term debts to banks and other lenders	<b>(36.0)</b>	(12.6)	(23.4)
Loans and leases – due within one year	<b>(275.1)</b>	(270.2)	(4.9)
Loans and leases – due after one year <sup>(1)</sup>	<b>(791.6)</b>	(771.2)	(20.4)
NET FINANCIAL POSITION	<b>(852.6)</b>	(865.8)	13.2

(1) Includes the fair value measurement of the relative currency risk hedging instruments (cash flow hedge)

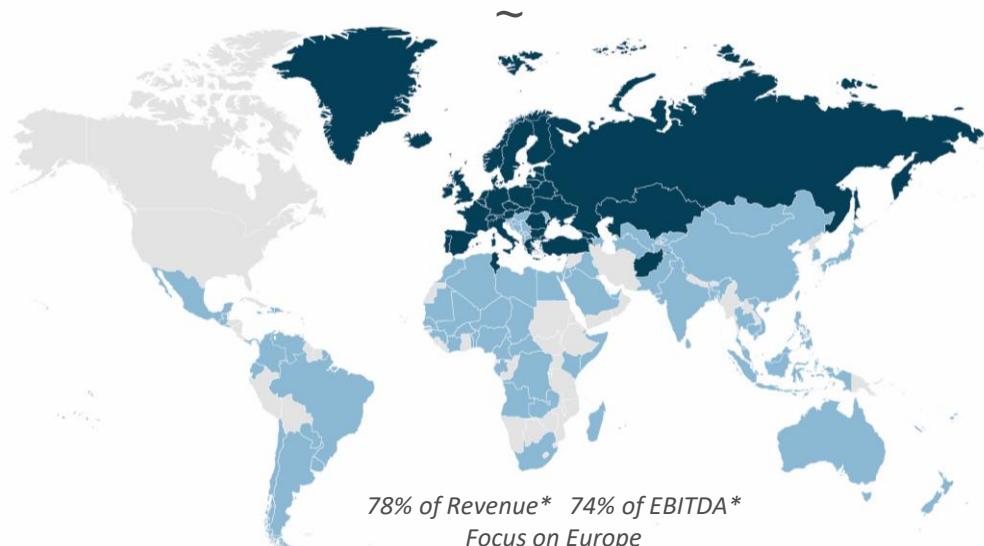
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# Recordati Specialty & Primary Care

## A history of growth, geographical expansion and business diversification

- Rx and OTC specialty products sold to GPs, hospitals, specialists
- International expansion strategy started in 1999, with direct presence now in 30+ countries across Europe, CEE, CIS and Turkey
- ~8% of revenue from exports to other international markets via licensors
- Diverse set of >100 products (mostly mature, post patent expiry)
- Broad span of therapeutic areas: Cardiovascular, Urology, Gastrointestinal and CNS
- ~1,900 FTEs driving sales through active promotion



- Subsidiaries and direct selling organizations
- Countries where Recordati products are sold (under license or export)

## Prescription products

**ZANIDIP**

**ZaniPRESS**  
lercandipine-enalapril

**Eligard**  
(leuprolide acetate) for injectable suspension

**UROREC**  
Silodosin

**Livazo**  
pitavastatin

**REAGILA**  
CARIPRAZINE

**Seloken**  
 $\beta_1$  Metoprolol tartrate

**Seloken ZOK**  
 $\beta_1$  Metoprolol succinate

**Logimax**  
Felodipine/metoprolol succinate ER

## OTC products

**Procto-Glyvenol**

**TransAct** LAT

**HEXASPRAY**

**Casenlax**

**Lacdigest**

**GINKOR**  
FORT

**alodont**

**Reuflor**  
Lactobacillus reuteri

**Magnesio Supremo**

**RECORDATI**

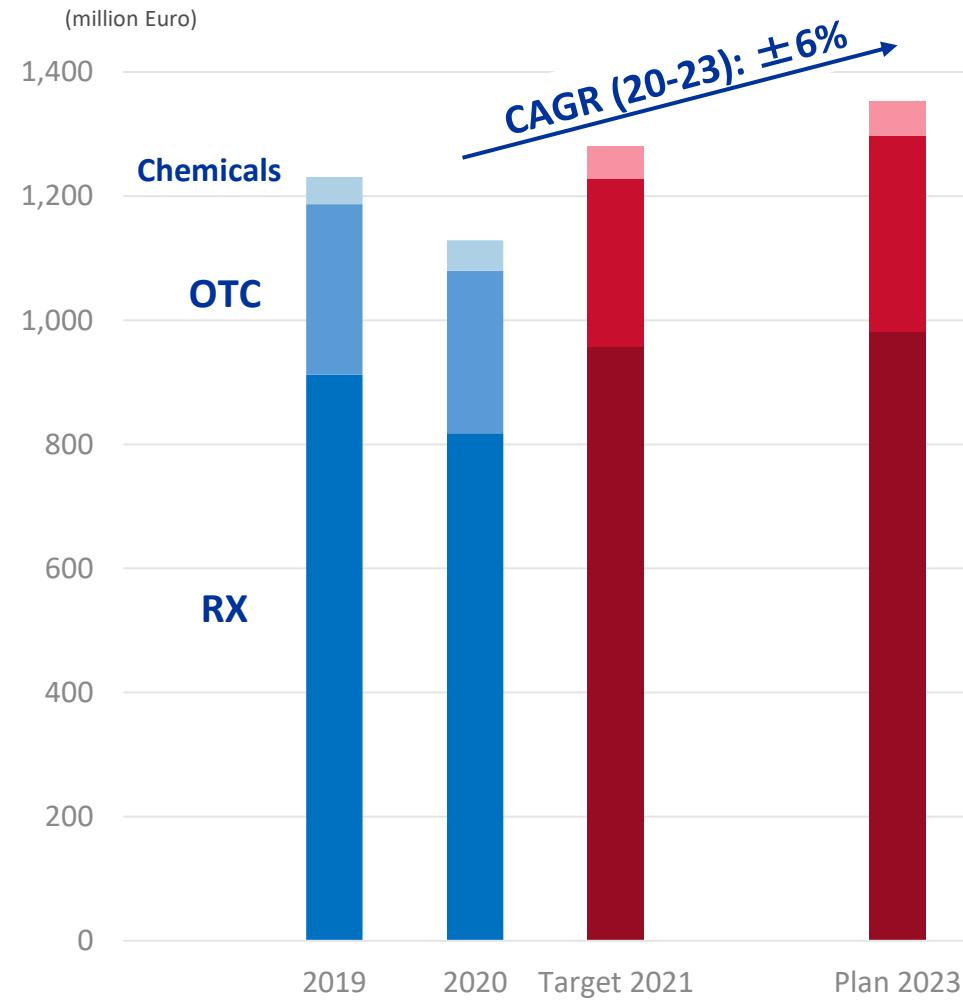
\*Revenue and EBITDA percentages are those in FY 2020

# Specialty & Primary Care - a resilient portfolio with no LoE exposure in Plan period

## Key Priorities & Objectives

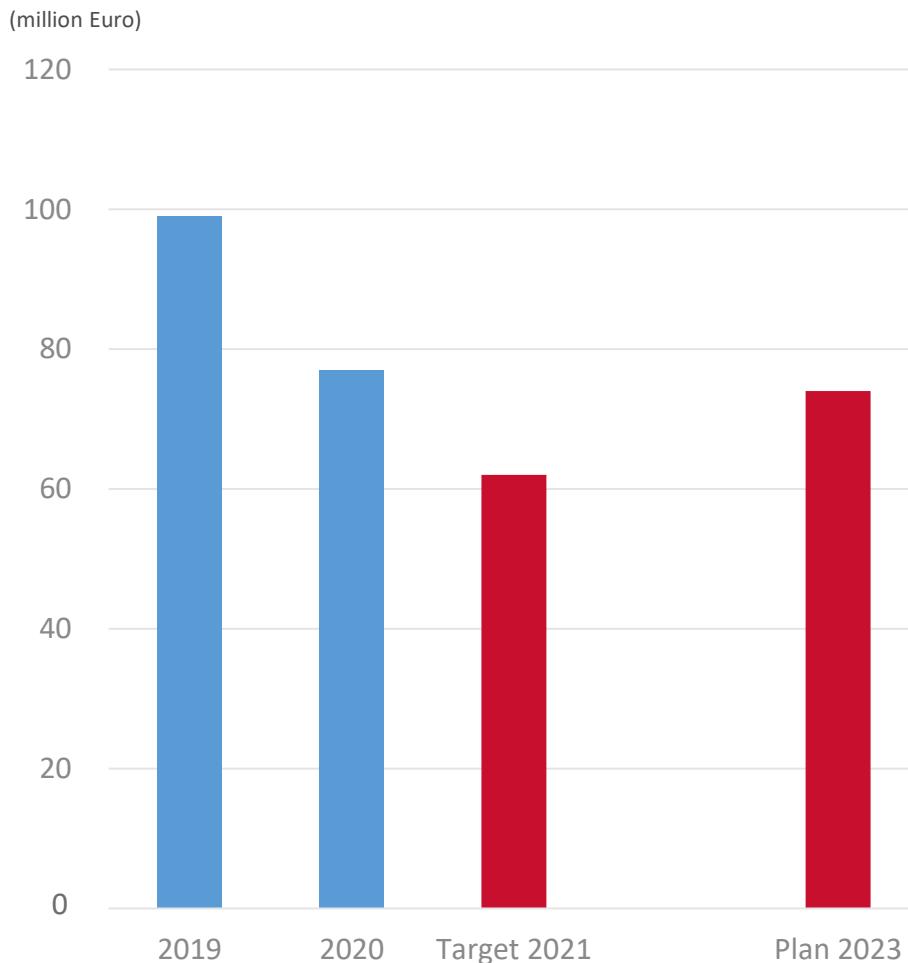
- Sustained growth at +6% CAGR across all markets and key product categories through the period on the basis of a robust portfolio with marginal residual LoE risk \*
- Revenue CAGR of +3% excluding Eligard, driven by mid single digit volume growth
- Accelerating growth through commercial focus on *Eligard* and *Reagila* re-launches, ARS-1 launch, and continued promotion of key OTC brands
- Established Brands portfolio in cardiology, urology and gastroenterology grows through the period with selective promotion, showing robustness and resilience
- Cough & Cold and Ear/Nose/Throat portfolio expected to progressively recover post covid, following easing of social distancing and gradual reduction in use of masks
- Focus on inorganic growth through accretive acquisitions and new licenses that complement current commercial capabilities and footprint

## Current portfolio - Revenue Outlook

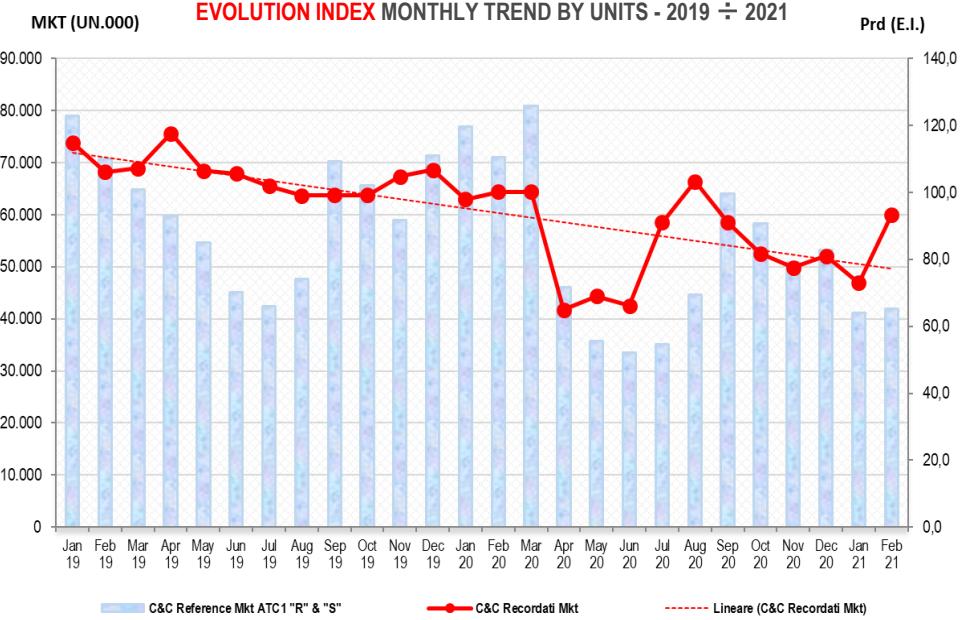


\* Reagila LOE 2029, Eligard formulation patent exp. 2021 and technology patent exp. 2028

# Cough and Cold and ENT market expected to gradually recover following collapse of pathology in 2020-21



RECORDATI C&C PRODUCS vs REFERENCE MARKET (1)  
EVOLUTION INDEX MONTHLY TREND BY UNITS - 2019 ÷ 2021

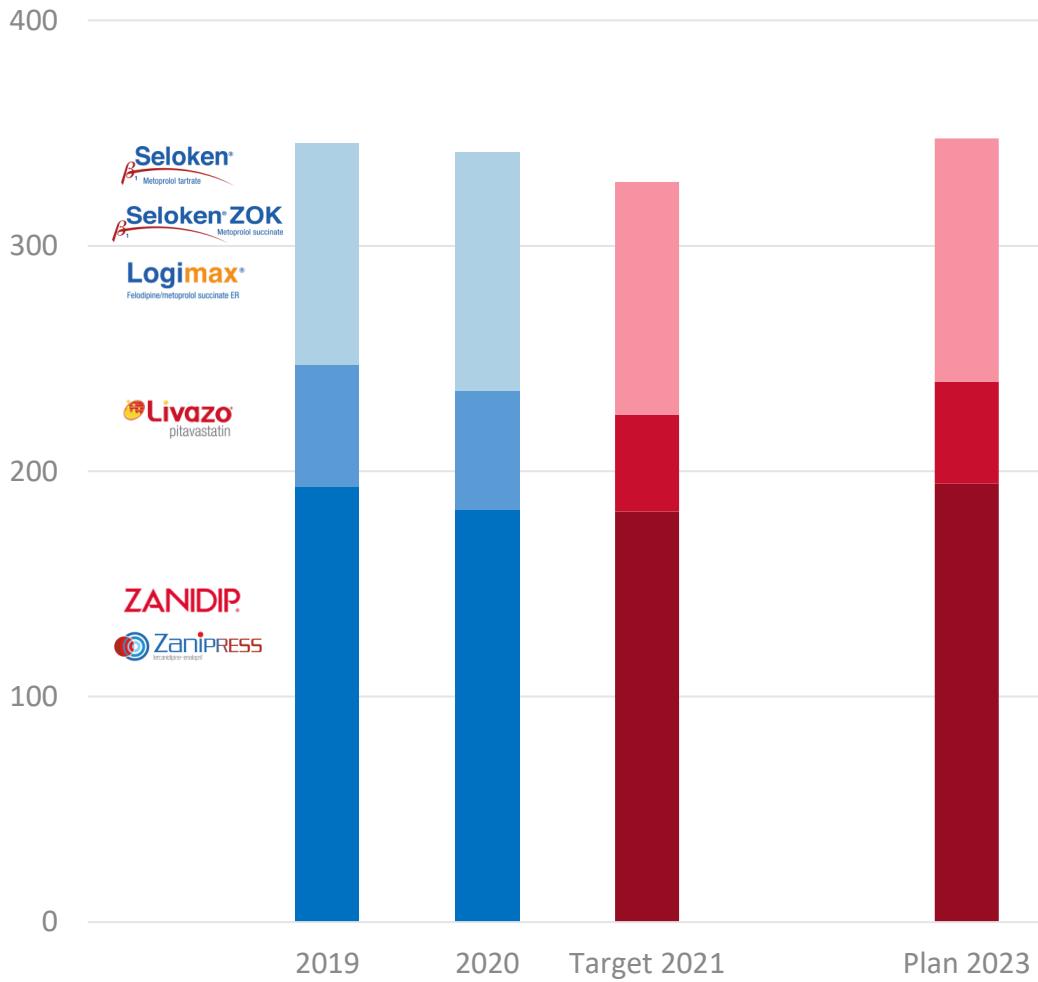


- Cough and Cold and ENT infections market collapsed during 2020-21 due to lack of pathology driven by Covid measures
- France, Italy and Russia most impacted due to portfolio mix
- Sales of Cough and Cold expected to partially recover through the forecast period as social distancing and use of masks restrictions relax

Cough & Cold portfolio includes Hexaspray, Exomuc, Hexalyse, Hexapneumonia, Isofra, Polydexa, Rhinopront, Kreval, Tussipax, Aircort

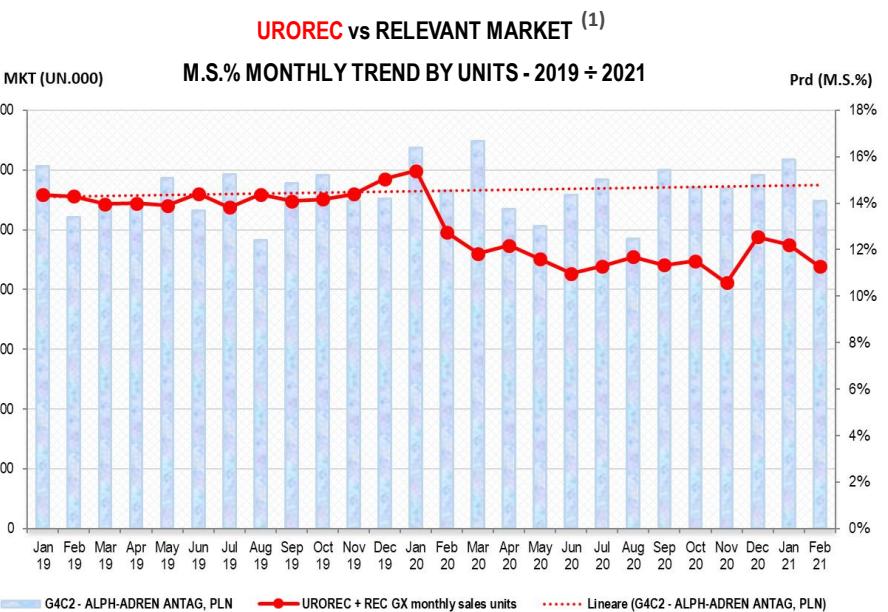
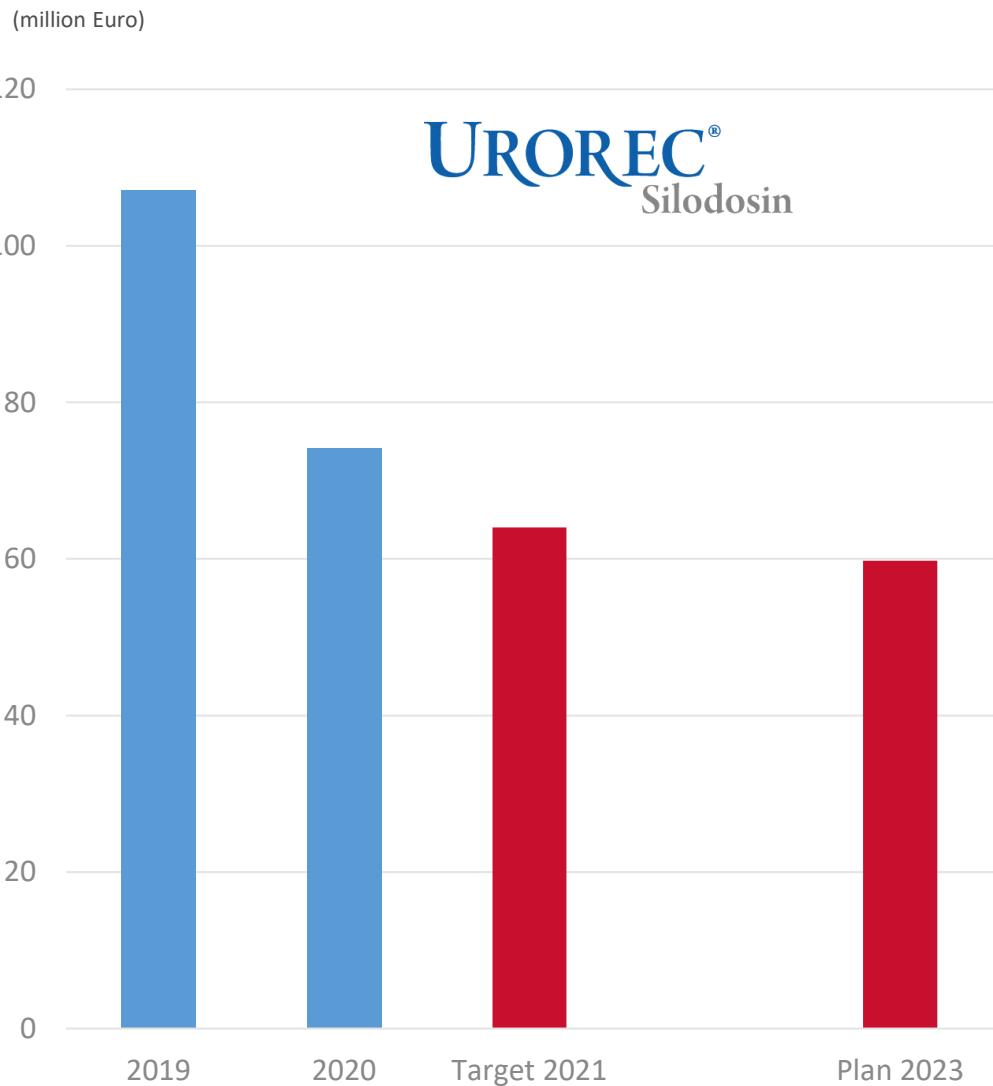
# Stable portfolio of Cardiovascular products

(million Euro)



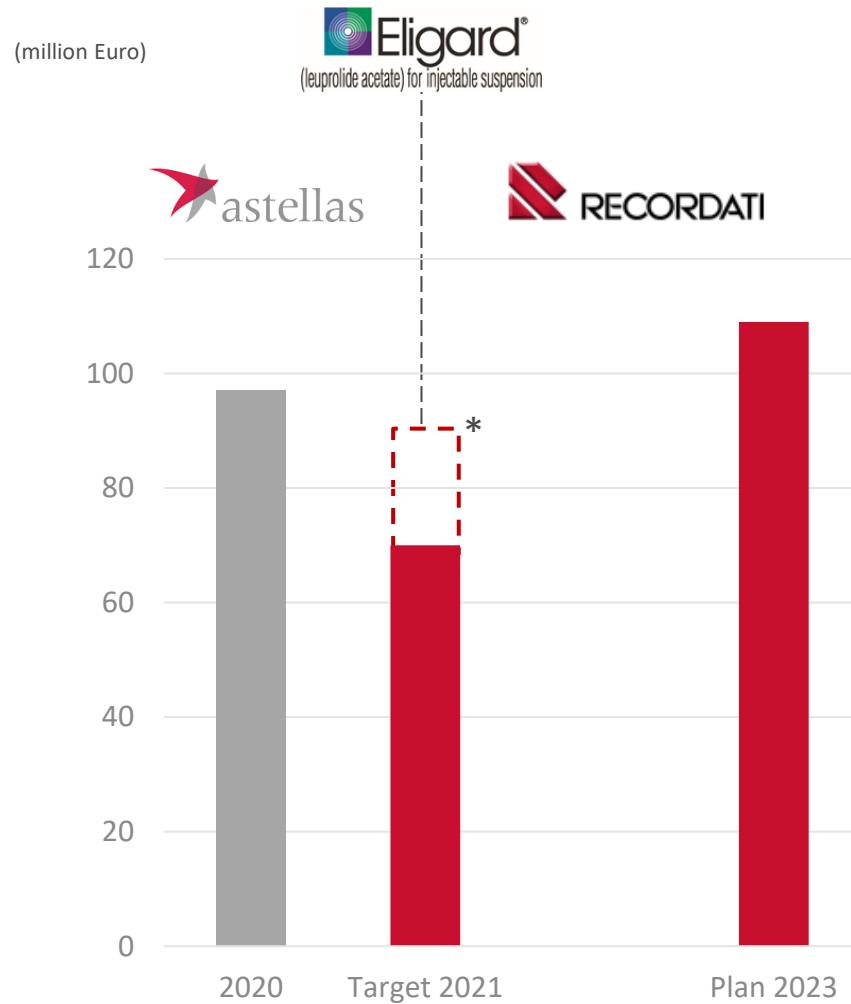
- Legacy Recordati franchise, with strong commercial capability
- Lercanidipine (incl combo) to remain around €180 million through the forecast period - growth in 2023 due to penetration in international market
- Pitavastatin seen stabilizing quickly thanks to continued growth in countries less impacted by generics (Russia, Turkey)
- Prior metoprolol franchise sales decline halted following Recordati acquisition, with revenue growth of 7.5% in 2020 driven by expansion in CEE
- Significant cash generation of the overall franchise, supporting continued investment in broader business

# Urorec® (silodosin) stabilizes after loss of exclusivity with broadly flat sales to 2023



- Urorec® launched in 39 markets, reaching €107 million revenue in 2019 prior to LOE (in Feb 2020)
- Average market share of 12% of BPH market in 7 main countries (Feb 2021)
- Unit sales stabilizing and starting to recover since mid 2020
- Sales expected to stabilize from 2022, with continued opportunity for growth in Turkey and CEE
- Plan to continue targeted promotion thanks to synergy with Eligard

# Eligard sales rejuvenation due to Recordati promotional efforts and new device

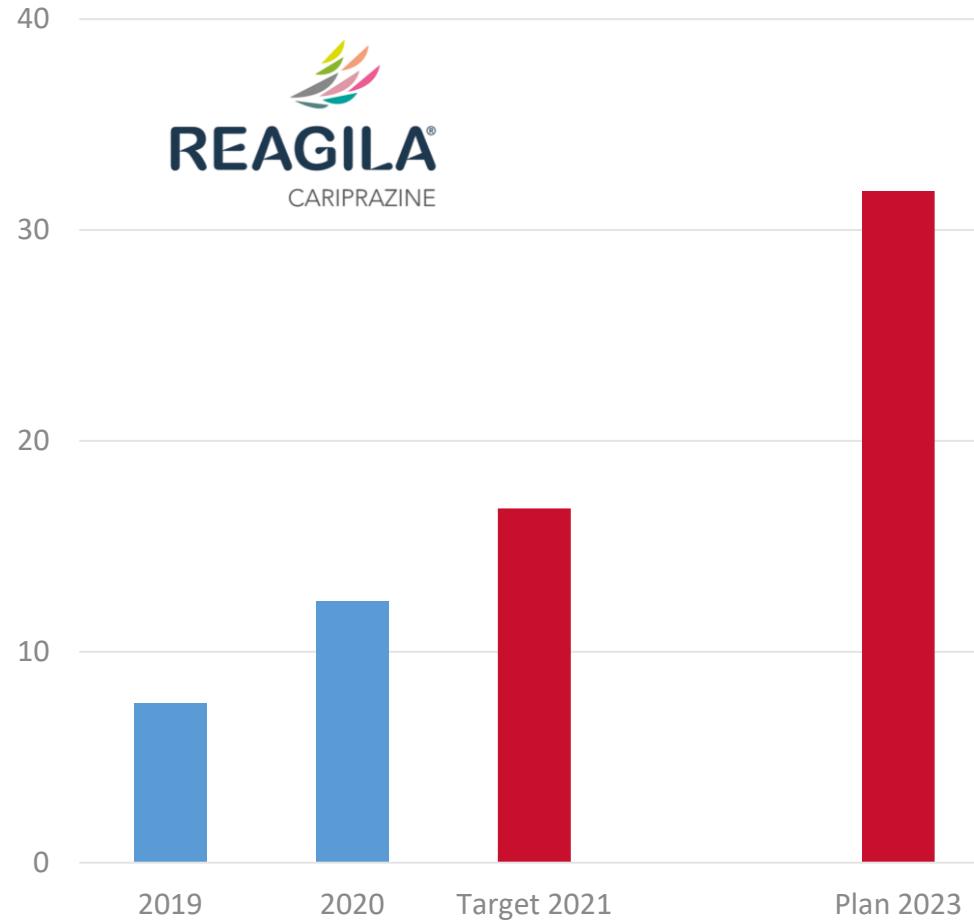


- Eligard builds on Recordati heritage in Urology with major, well established brand
- Highly developed and broadly stable market in advanced prostate cancer
- Declining product trend to be reversed through active promotion
- Marketing authorization transfers ongoing (14 submissions in 40 days), commercial transfer for all markets in place (except for Russia)
- All major markets already promoting with encouraging feedback from customers
- New easier to handle device under development, regulatory submission expected in Q4 2021

\* Recordati books net margin as Revenue until distribution transfer from Astellas in 2021

# Reagila set to continue growing post Covid restrictions, thanks to sharper focus and repositioning

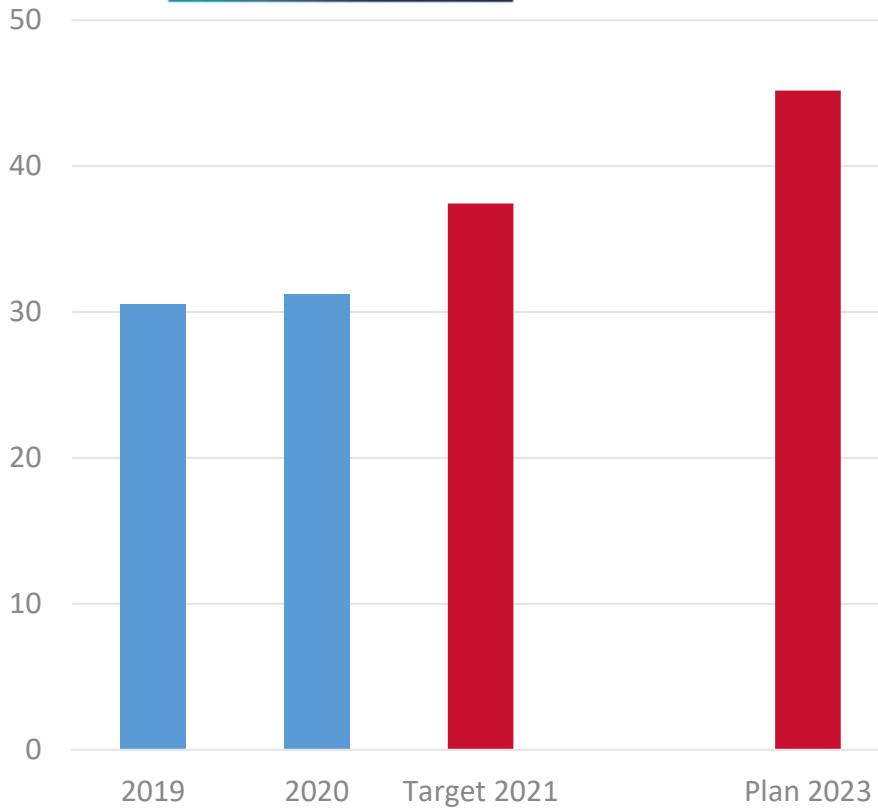
(million Euro)



- Reagila® approved for the treatment of schizophrenia in Europe in July 2017 with first launches during 2018
- Reagila now commercialized in 14 markets in Western Europe, pending launches in Austria and Greece.
- Brand positioning updated with emphasis on efficacy across both negative and positive symptoms
- Expect sales growth to accelerate throughout the forecast period, with Covid restrictions having impacted in-market activity in 2020-21
- Work ongoing to unlock market access in France and UK (upside to current plan)

# Procto Glyvenol – a Recordati success story in OTC, positioned for further growth and market share gain

(million Euro)



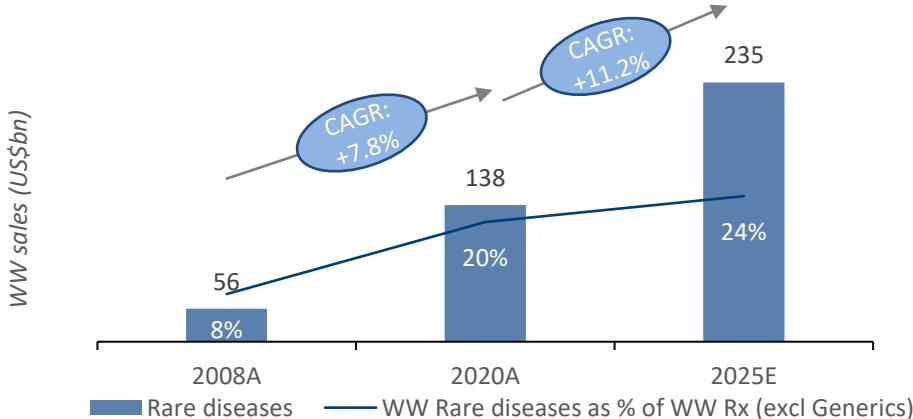
- Acquired by Recordati for 11 markets in 2011, with sales of €9 million, Procto-Glyvenol® was successfully relaunched towards both HCPs and Consumers, achieving double digit growth since acquisition
- It is now a leading OTC brand for the treatment of internal and external haemorrhoids, with average 18% of topical anti-haemorrhoids market (Feb 21) and driving category growth
- Sales growth in 2020 held back by adverse Fx in key markets (Russia and Turkey)
- Sales expected to reach roughly >€40 million in 2023, driven by continued growth in Russia, CEE, Turkey and Portugal
- Growth fueled by potential line extensions and omnichannel approach leveraging DTC investments

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# Rare Diseases – growing segment with significant unmet need

## \$235bn market by 2025 exhibiting strong growth rates



## Supported by growing diagnosis rates and new treatments

- Development of new technologies allowing new treatments for previously untreated disease states
- Enhancement of screening methodologies
- Increasing doctor education
- Increasing disease awareness campaigns
- Diagnosis typically at a young age leading to long term 'patients for life'

## With significant headroom and market potential

7,000+

More than 7,000 designated rare diseases...

~85%

...of which are 85% serious / life threatening...

500

...with only approximately 500 approved drugs to date

## Benefiting from supportive legislation for rare diseases

### Market exclusivity with limited competition

- Development exclusivity due to rare diseases drugs designations
- Marketing exclusivity of 7-10 years upon market approval

### Expedited development pathway

- Shorter time frame to launch vs. standard drugs
- ~11 months for FDA approval (vs. ~17 for standard drugs)

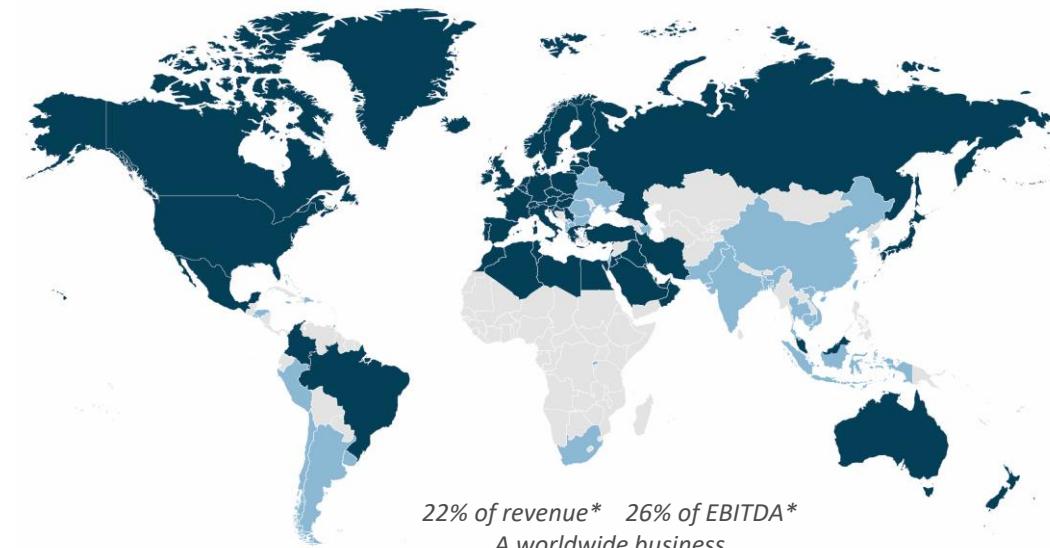
### Legal and financial benefits

- Fee waivers, grants, lower cost trials with limited patient population

# Recordati Rare Diseases

## A global presence, Focused on the Few

- A portfolio of Orphan and Ultra-Orphan products sold to hospitals and specialists
- Primary focus on Metabolic and Endocrine diseases
- Global footprint with access to North America, EU, Japan, Australia/NZ and LatAm
- Plans in place for further geographic expansion (China and other)
- Driving growth through patient and clinician awareness
- Early stage pipeline of proprietary products



- Subsidiaries and direct presence of orphan drug representatives
- Commercial agreements and direct delivery

## Endocrinology products



## Metabolic and other products



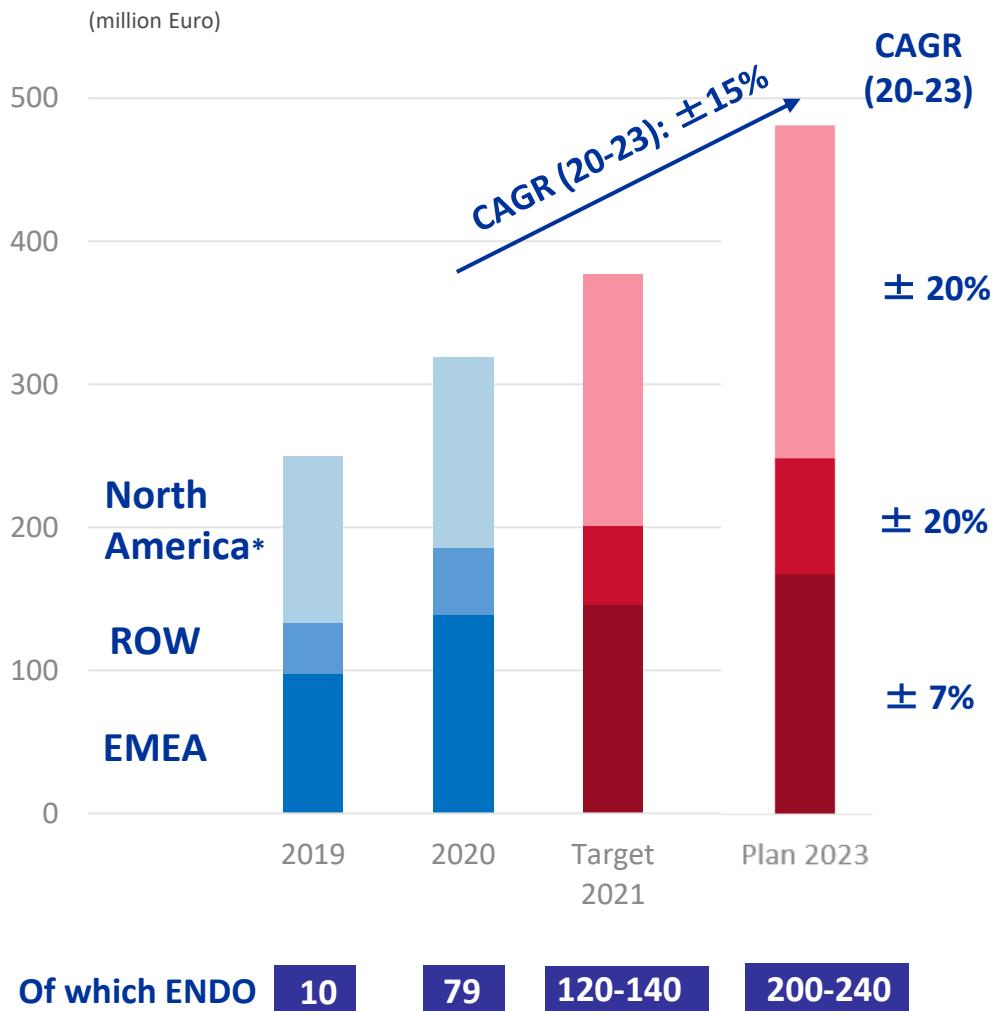
\*Revenue and EBITDA percentages are those in FY 2020

# Rare disease portfolio expected to deliver significant growth across all geographies

## *Key Priorities & Objectives*

- Solid organic growth at CAGR of 15% over the plan period
- Significant uptake of Istarisa and continued growth of Signifor in Cushing's and Acromegaly
- Continued growth of recently introduced Ledaga and Juxtapid and maximization of the new opportunities in US (Cystadrops and Carbaglu Organic Acedemia)
- Defense of gradual decline of the legacy metabolic products (Panhematin US, Carbaglu EU)
- High double digit growth ex US & EU, with continued further geographic expansion post plan period (China, Brasil, Turkey)
- Growth in Europe set to accelerate from 2023 post Istarisa reimbursement
- Progress in current R&D pipeline and early-stage assets and potential indication extensions
- Focus on targeted BD and M&A to reinforce global portfolio

## *Current portfolio - Revenue Outlook*



# Recordati Endocrinology portfolio – significant opportunity for patients in Cushing's and Acromegaly



*Establish Recordati Rare Diseases as a trusted Partner*

*Continue HCP Education & Endorsement*

## Signifor Cushing's Disease and Acromegaly

**Grow Signifor in ACROMEGALY**  
by accelerating the step up from 1<sup>st</sup> generation SSA's

## Isturisa Cushing Syndrome/ Disease \*

**Differentiate to establish Isturisa as the new standard of care**  
Rapidly building product knowledge, experience, confidence and peer to peer endorsement

**Win new CUSHINGS patients**  
where efficacy and confidence in managing hyperglycemia is well understood and tumour shrinkage is a treatment priority

**Continue to gain Access**  
Compelling value proposition for a well-defined patient population

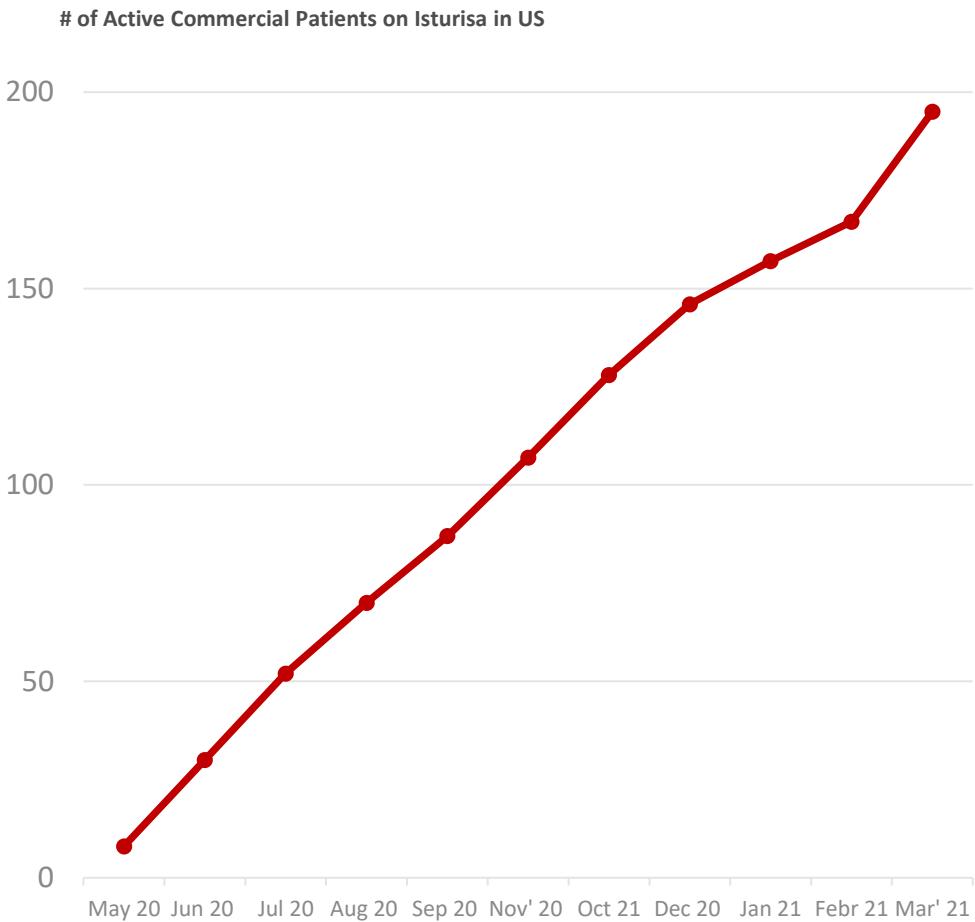
## *Execute with excellence*

Dedicated BU in US already in place, additional resourcing in EU & ROW, strong engagement with KOLs and patient advocacy groups

# Endo franchise expected to deliver incremental €80-100 million revenue by 2023

- Global Endo franchise expected to reach over €200 million of revenue by 2023, with majority of growth coming from Isturisa in the US
- Total Isturisa patients under treatment in US to reach more than 500 by 2023 (net of discontinuations)
- Isturisa reimbursement in most major EU markets targeted by 1H 2022
- Isturisa launch in Japan on track for 2H 2021, with plans for China entry in post-plan period
- Expect return to more stable operating conditions post-COVID to further improve key patient metrics (time to titration, average dose, compliance)
- Global Signifor net revenue expected to continue growing by close to 10% per annum, with sales ex US & EU growing by more than 50%
- Isturisa expected to achieve peak year sales estimate of between € 300 and 350 million, with potential further upside from expansion of indication to Cushing Syndrome in US and expansion in new territories

**Strong US Isturisa patient acquisition to date, while continuing to drive growth of Signifor**



# Multiple growth drivers in balance of Rare Disease portfolio

## Key products & indications

## 2021-2023 Outlook



Treatment of hyperammonemia due to NAGS deficiency and certain organic acidaemias

Growth in US (OA indication Q1 2021), slight erosion in EU



Treatment of acute attacks of hepatic porphyria

High single digit decline due to new competitive entry in US



Treatment of the ocular manifestations of cystinosis

Growth in US (launch Q3 2020) & EU



Treatment of nephropathic cystinosis

Slight decline in EU offset by RoW



Treatment of homocystinuria

Moderate growth driven by US



Treatment of homozygous familial hypercholesterolemia (HoFH)

Growth in Japan (only market)



Treatment of mycosis fungoides (MF), T-cell cutaneous lymphoma (CTCL)

Growth in EMEA (launched in 2019)

# Agenda

1. Company overview and strategy
2. First quarter 2021 results
3. Drivers of organic growth – key assumptions
4. Further growth opportunities through BD and R&D
5. Financial projections

# R&D - Current pipeline

## Speciality and Primary Care

- Main focus on life-cycle management and indication expansions
- New device development for Eligard® (leuprorelin acetate)
  - Support approval and launch of ARS-1, an epinephrine nasal spray for the emergency treatment of allergic reactions, including anaphylaxis.
- Development of pediatric indication for Reagila® (cariprazine), in cooperation with Gedeon Richter.
- Probiotics (Lactobacillus salivarius V4II-90) in development as food supplement for the prevention of bacterial infections

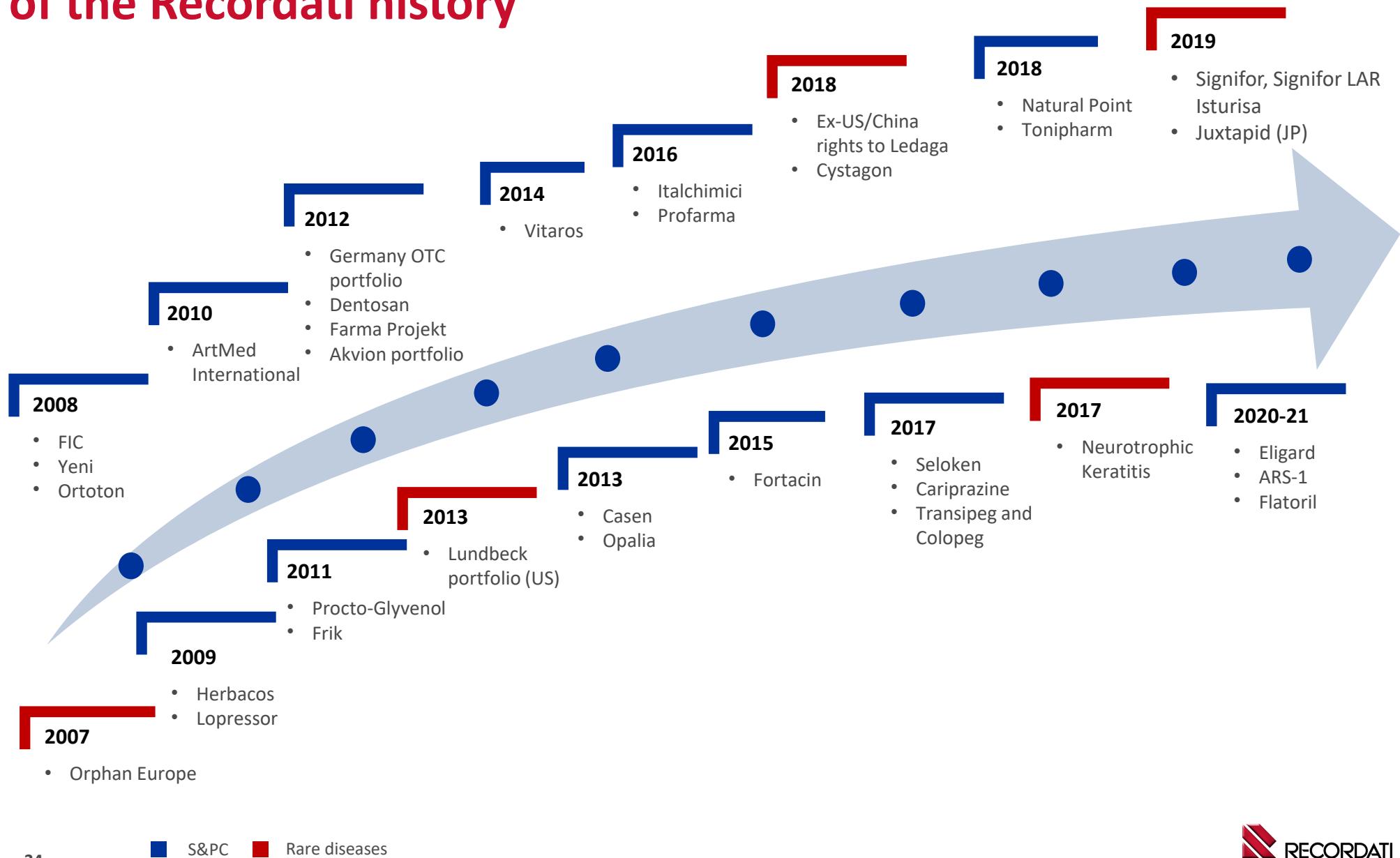


## Treatments for Rare Disease

- Focus on identifying and adding potential new pipeline assets, and progressing internal pipeline
- Potential extension of indication for US for Isturisa® (osilodrostat) to the treatment of patients with Cushing's syndrome in the US, aim to discuss plan with FD in early 2022
- Progress current clinical stage projects:
  - Development of a treatment for neurotrophic keratitis in collaboration with Mimetech, a company founded by scientists associated with the University of Florence
  - Development of a treatment for acute decompensation episodes in MSUD in collaboration with AP-HP (Paris)



# M&A and Business Development – an integral part of the Recordati history



# Group BD strategy and focus areas

## *Specialty & Primary Care*

### *Licensing*

- New products licensing opportunities in Europe to be pursued in specialty care
- Preferably commercial or late stage / near to market opportunities
- Seen as partner of choice, gaining access to attractive patented products or post LoE products with turn-around growth prospects through active promotion
- Leverage extensive distribution platform and geographical reach

### *Acquisitions*

- Focus on European opportunities (companies and products) in the SPC space where material synergies can be found
- Carve out products with turn-around growth prospects through active promotion
- Selective acquisition of existing well-known OTC brands in multiple or single territories
- Strong integration capabilities within Recordati
- Leverage extensive distribution platform and geographical reach

# Group BD strategy and focus areas

## *Treatments for Rare Diseases*

### *Licensing*

- Worldwide or regional licenses of development products , preferably late stage opportunities
- Partnerships with research institutions and other rare disease companies
- Seen as partner of choice due to high level of expertise and international infrastructure
- Leverage worldwide geographical reach

### *Acquisitions*

- Acquisition of rare disease innovative companies or assets on a worldwide or regional basis
- Focus on developing existing therapeutic areas, with synergies potential
- Remain opportunistic in considering new therapeutic areas, leveraging on strong rare disease competences
- Scouting of commercial assets opportunities with growth potential

# Agenda

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# Financial projections – drivers /assumptions

## *Group Evolution*

- Continuation of successful strategic approach
- Organic revenue growth complemented with accretive M&A and BD
- Invest behind both businesses, with Rare Diseases to grow to >25% of total (from 22% today)
- No material exposure to new LOEs in planning period

## *Revenue*

- Mid single digit growth in SPC, driven by Eligard and post covid rebound in demand
- Mid teen growth in RRD, driven by growth of Endo franchise
- Bolt-on acquisitions and new licenses with acceptable valuations included in the plan
- FX headwinds of around -1.5% per annum

## *Margin and Profitability*

- Gross profit margin to remain around current levels
- Target EBITDA margin of  $\pm 38\%$ , reflecting intent to invest behind future growth drivers
- Tax rate to remain at around 22% (excl non recurring items)
- Adjusted Net Income to remain at  $\pm 28\%$  of Net Revenue

## *Cash Flow and Capital allocation*

- Continued strong cash generation at >100% of group net income on average
- c.40% cash flow to be reinvested in the business to drive future growth
- c.60% of Net Income paid out via dividends

## *Net Debt*

- Bolt on M&A and milestones from recent deals funded through operating cash flow, with Net Debt planned to stay at around 1.5x – 1.8x EBITDA (depending on timing and structure of deals)
- Potential for temporary increases up to close to 3x leverage for really high-quality opportunities

# Financial projections

## 2021 targets and plan for 2023

(million Euro)	2020 Actual	2021 Targets	2023 Plan Including M&A	CAGR 2020-2023
Revenue	1,448.9	1,570 - 1,620	1,900 - 2,000	10.4%
EBITDA <sup>(1)</sup> margin on sales	569.3 39.3%	600 - 620	720 - 760 ±38%	9.1%
Adjusted Net Income <sup>(2)</sup> margin on sales	410.4 28.3%	420 - 440	530 - 560 ±28%	9.9%

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items

(2) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects

# Financial projections – key takeaways

## *Diversified business with strong organic growth*

Strong underlying volume growth over the period in both business segments

**S&PC \***  
CAGR 20-23  
+6%

**RRD**  
CAGR 20-23  
+15%

## *High level of profitability*

Maintain robust operating and bottom line margin as % of revenue

**EBITDA**  
±38%

**Adj. Net Income**  
± 28%

## *Solid cash flow generation*

Free Cash Flow conversion

**> 100%** net income

## *Clear capital allocation policy*

**60%**

dividend payout at 60% of Net Income

**40%**

accretive & growth bolt-on M&A and Business Development

## *Robust Balance Sheet*

Retain leverage ratio at

**1.5x-1.8x**  
Net Debt/  
EBITDA

depending on timing and structure of deals (with max of close to 3.0x for high quality opportunity)

# Q&A session



Andrea Recordati  
Chief Executive Officer



Fritz Squindo  
Group General Manager



Luigi La Corte  
Chief Financial Officer



Alberto Martinez  
Executive VP  
Specialty and Primary Care B.U.



Corrado Castellucci  
Executive VP  
Rare Diseases B.U.



Scott Pescatore  
VP Rare Diseases  
Global Operations

# Company declarations, disclaimers and profile

## **DECLARATION BY THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS**

***The manager responsible for preparing the company's financial reports Luigi La Corte declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this presentation corresponds to the document results, books and accounting records.***

***Statements contained in this presentation, other than historical facts, are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are based on currently available information, on current best estimates, and on assumptions believed to be reasonable. This information, these estimates and assumptions may prove to be incomplete or erroneous, and involve numerous risks and uncertainties, beyond the Company's control. Hence, actual results may differ materially from those expressed or implied by such forward-looking statements.***

***All mentions and descriptions of Recordati products are intended solely as information on the general nature of the company's activities and are not intended to indicate the advisability of administering any product in any particular instance.***

***Recordati, established in 1926, is an international pharmaceutical group, listed on the Italian Stock Exchange (Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003828271), with a total staff of more than 4,300, dedicated to the research, development, manufacturing and marketing of pharmaceuticals. Headquartered in Milan, Italy, Recordati has operations in Europe, Russia and the other C.I.S. countries, Ukraine, Turkey, North Africa, the United States of America, Canada, Mexico, some South American countries, Japan and Australia. An efficient field force of medical representatives promotes a wide range of innovative pharmaceuticals, both proprietary and under license, in several therapeutic areas including a specialized business dedicated to treatments for rare diseases. Recordati is a partner of choice for new product licenses for its territories. Recordati is committed to the research and development of new specialties with a focus on treatments for rare diseases. Consolidated revenue for 2020 was € 1,448.9 million, operating income was € 469.0 million and net income was € 355.0 million.***

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