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Enabling a Healthier World

**Lonza**

# Half-Year Results 2022

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# Half-Year 2022 Corporate Overview



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# Group Overview

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- Solid H1 performance, with CHF 3 billion sales and 16.8% CER growth
- CHF 987 million CORE EBITDA resulting in a margin of 33.1%
- ~CHF 500 million investment announced in Fill & Finish (part of planned CAPEX)
- Group Outlook 2022 confirmed at low to mid-teens CER sales growth and CORE EBITDA margin improvement
- Continuing to navigate the macroeconomic context (including uncertainties around inflation, supply chain and energy)



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# Business Environment

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- Operating in industry that is less sensitive to economic fluctuations
- Continued demand for CDMO services across healthcare industry
- Specific interest in flexible business models and end-to-end offerings

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# Priorities for 2022

Continued focus on growth momentum and operational excellence

- Deliver CAPEX investment projects to support long-term growth
- Meet financial targets by focusing on operational excellence and lean approach to business
- Maintain focus on innovation and differentiation across technologies, modalities and business models
- Continue to advance ESG agenda
- Manage and minimize challenges arising from macroeconomic context

# Landmark investment in Fill & Finish to complete the value chain

Delivering end-to-end solutions for our customers



- ~CHF 500 million investment to build large-scale, commercial drug product fill and finish facility
- Fulfills strategic commitment to establish a commercial fill and finish offering
- Investment completes Lonza's integrated end-to-end customer offering
- Project expected to be completed in 2026

*Image by PharmaPlan  
Agreement signed on June 30, 2022*



# Delivering CAPEX projects to support long term growth

Expanding offering across modalities



## Bend, US

### Small Molecules

- Early clinical phase development and manufacturing facility

## Visp, CH

### Biologics

- Opening of Kodiak's facility in Lonza's Ibex® Dedicate Biopark
- Commercial mRNA capacity

## Stein, CH

### Biologics

- New large-scale, commercial drug product fill and finish facility

## Tampa, US

### Small Molecules

- Expanded inhalation capabilities

## Puebla, MX

### Capsules and Health Ingredients

- New capsule production line. Further lines in Greenwood (US), Haryana (IN), Suzhou (CN), Colmar (FR)

## Nansha, CN

### Small Molecules

- Extended cGMP HPAPI lab capacities and capabilities

- Continuous investment in an ambitious portfolio of projects to meet the future needs of our customers
- Investment across divisions to expand capabilities
- H1 2022 CAPEX reported at 28.2% of Sales

CAPEX investments coming online in H1 2022

Investments announced in H1 2022 (part of planned CAPEX)



# Continuing to advance our ESG agenda

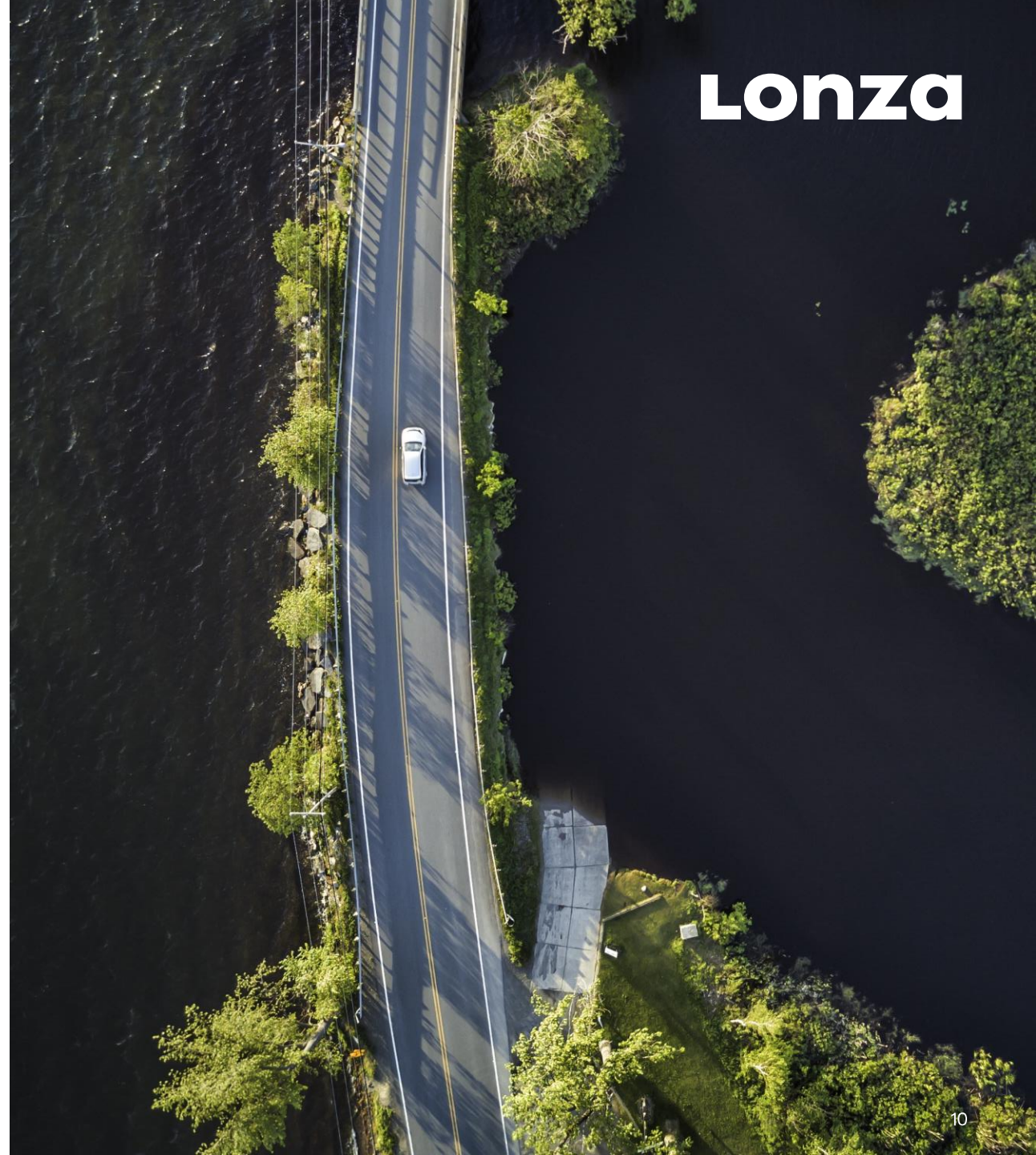
At the heart of our approach to long-term value creation



- ESG targets incorporated into employee and executive remuneration policy
- Investment completed to enable a 20% reduction in industrial water consumption at Visp by recycling water for steam production
- More than 100 projects across the business to help us meet our ESG targets

# Half-Year 2022 Financial Summary

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# Financial Highlights

Solid Sales and earnings growth



Solid growth from continued business momentum

Robust profitability against inflationary backdrop

## Financial Performance Summary

in m CHF

	H1 2022	Change CER <sup>1</sup>	Change AER <sup>2</sup>
Sales	2,982	16.8%	17.3%
CORE EBITDA	987	15.3%	16.5%
CORE EBITDA margin	33.1%	(0.4)ppts	(0.2)ppts

<sup>1</sup> Constant Exchange Rate. Comparison vs. H1 2021

<sup>2</sup> Actual Exchange Rate. Comparison vs. H1 2021

# CORE EBITDA Margin

Robust profitability in challenging macro environment



Growth projects less dilutive vs H1 2021

Inflation and higher spending levels post-COVID partially offset by productivity

Dilutive impact of third-party sales to former Lonza Specialty Ingredients

## CORE EBITDA Margin Evolution H1 2022 vs H1 2021

in %



<sup>1</sup>Includes inflationary impact

# Divisional Performance

Continued momentum across Divisions



Continued strong Biologics growth with some mix dilution

Small Molecules impacted by phasing of customer deliveries, but strong margin from mix

Strong performance in Cell & Gene helped by a one-off

Capsules & Health Ingredients with strong performance, mitigating inflation and supply constraints

## Financial Results by Division H1 2022

	Sales growth CER <sup>1</sup>	CORE EBITDA margin	Margin change AER <sup>2</sup>
Biologics	26.2%	37.3%	(0.9)ppts
Small Molecules	(21.3)%	29.9%	2.6ppts
Cell & Gene	23.4%	22.4%	6.3ppts
Capsules & Health Ingredients	4.0%	35.2%	(0.2)ppts
<b>Lonza</b>	<b>16.8%</b>	<b>33.1%</b>	<b>(0.2)ppts</b>

<sup>1</sup>Constant Exchange Rate. Comparison vs. H1 2021

<sup>2</sup>Actual Exchange Rate. Comparison vs. H1 2021

# H1 Sales in Small Molecules

Sales impacted by phasing of deliveries

- Sales expected in H1 delayed into H2 due to phasing of major shipments to contracted customers
- CDMO business model offers flexibility to customers on pick-up timings of contracted product
- Fully contracted make-to-order production mitigates risk of inventory obsolescence
- High utilization of asset base and underlying divisional business remains strong



# CAPEX

>80% of investments to support growth

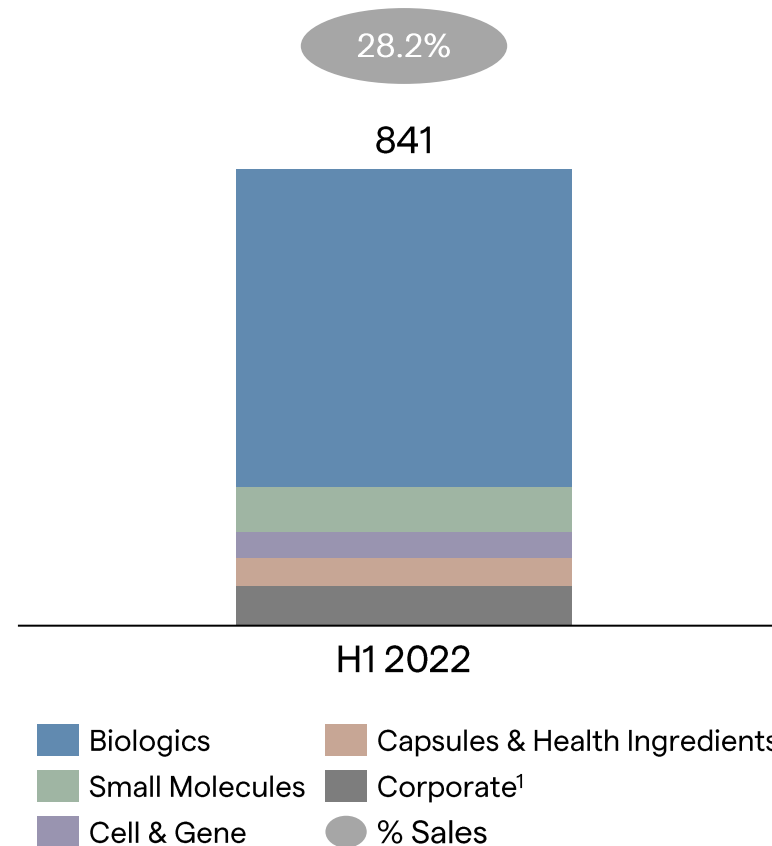
Large, diversified project portfolio

Internal return thresholds:  
ROIC 30%, IRR 15-20%

Investments backed by  
contracted demand and  
customer pipeline

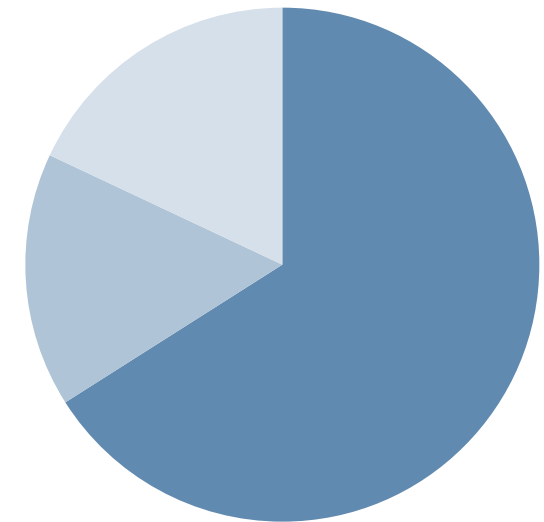
## CAPEX Breakdown by Division

in m CHF



## H1 2021 Project Portfolio

in %



Total: CHF841m

<sup>1</sup> Includes investments in Shared Infrastructure

<sup>2</sup> Total project CAPEX >50m

<sup>3</sup> Total project CAPEX <50m

# Operational Free Cash Flow

Investments in growth and safety of supply



## Operational Free Cash Flow<sup>1</sup>

in m CHF

	H1 2022	Change	H1 2021
EBITDA	934	376	558
Change of net working capital (NWC)	(492)	(255)	(237)
CAPEX	(841)	(367)	(474)
Other	68	(328)	396 <sup>2</sup>
<b>Operational FCF before acq./div</b>	<b>(331)</b>	<b>(574)</b>	<b>243</b>
<i>NWC as % sales</i>	20.7%	2.4ppts	18.3%
<i>CAPEX as % sales</i>	28.2%	9.6ppts	18.6%

Higher CAPEX reflects strategic focus on growth investments

Inventory buildup to ensure security of supply

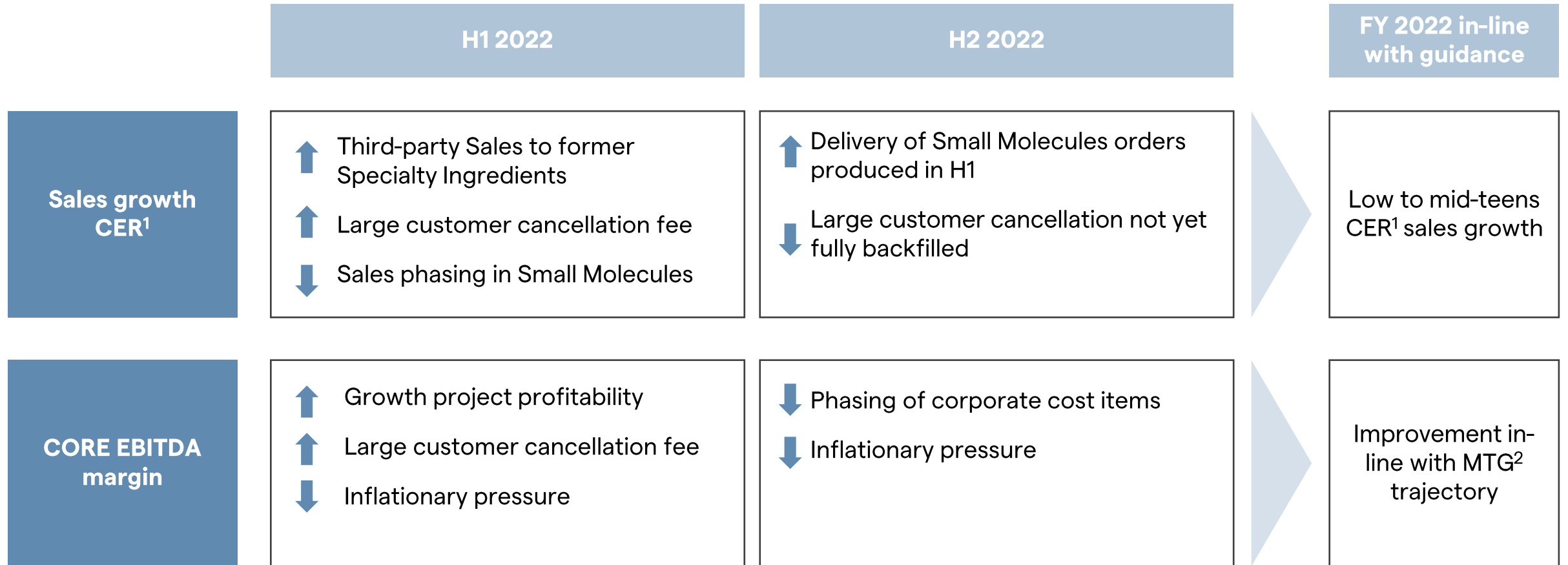
<sup>1</sup>The Operational Free Cash Flow refers to "continuing operations" excluding the Specialty Ingredients business, that was sold on 1 July 2021 and therefore reported as discontinued operations

<sup>2</sup>Includes non-cash reversal of Gamsenried (CH) environmental remediation provision of CHF 284m in H1 2021



# H1 and H2 Performance

Balanced underlying H1 and H2 performance expected



<sup>1</sup>Constant Exchange Rate

<sup>2</sup>2024 CORE EBITDA margin Mid-Term Guidance of ~33-35%

# Half-Year 2022 Divisional Overview

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**1,625<sub>m</sub>**

Sales  
(CHF)

**+26.2%<sup>1</sup>**

**606<sub>m</sub>**

CORE EBITDA  
(CHF)

**+23.7%**

**37.3%**

CORE EBITDA  
Margin

**-0.9ppts**

- Growth supported by strong demand for commercial capacity
- Sustained customer demand for flexibility of Ibex<sup>®</sup> offering
- New early phase capabilities in monoclonal antibodies launched to capture growing demand for new molecular formats
- Softer H1 margins compared to H1 2021 reflect product mix

# Small Molecules

Financial and operational performance in H1 2022



**288<sub>m</sub>**

Sales  
(CHF)

**-21.3%<sup>1</sup>**

**86<sub>m</sub>**

CORE EBITDA  
(CHF)

**-13.1%**

**29.9%**

CORE EBITDA  
Margin

**+2.6ppts**

- Lower sales arising from phasing of major shipments to contracted customers
- Long-term pipeline reflected by sustained momentum in new program signings
- Capacity expansions in Nansha (CN), Bend (US) and Tampa (US) successfully executed and currently in ramp up phase
- Margin increase compared to H1 2021, driven by growth projects, high utilization and portfolio mix

**344m**

Sales  
(CHF)

**+23.4%<sup>1</sup>**

**77m**

CORE EBITDA  
(CHF)

**+75.0%**

**22.4%**

CORE EBITDA  
Margin

**+6.3ppts**

- Cell and Gene Technologies: continued focus on scale up of late-stage clinical and commercial products
- Personalized Medicine: launch of second-generation instrument of Cocoon offering magnetic selection to improve cell purification. Commercialization of Cocoon® on track
- Bioscience: strong customer demand with expectation to maintain growth and profitability
- Excluding a one-time event, margin is broadly stable compared to H1 2021

# Capsules & Health Ingredients (CHI)

Financial and operational performance in H1 2022



**625<sub>m</sub>**

Sales  
(CHF)

**+4.0%<sup>1</sup>**

**220<sub>m</sub>**

CORE EBITDA  
(CHF)

**+3.3%**

**35.2%**

CORE EBITDA  
Margin

**-0.2ppts**

- Continued momentum driven by specialty capsules
- Expansion of capsule offering to include titanium dioxide-free white hard gelatin capsules compliant with European regulation
- On track to deliver 260bn annualized capsule capacity by year-end
- Robust margin compared to H1 2021 as pricing strategy contributes to offset inflationary pressures

# Concluding Remarks

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# Concluding Remarks

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- Solid H1 performance, with CHF 3 billion sales, 33.1% CORE EBITDA margin and 16.8% CER sales growth
- Full Year 2022 Outlook and Mid-Term Guidance reconfirmed
- 2022 priorities remain unchanged:
  - Executing on planned investments
  - Meet targets through operational excellence and long-term value creation
  - Maintain focus on innovation and differentiation
  - Continue to advance our ESG agenda
  - Continue to drive success by managing the macro economic context





# Q&A

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# Appendices



# Half-Year 2022 Financial Highlights (1/2)



<b>Continuing Operations<sup>1</sup></b>	<b>HY 2022</b>	<b>HY 2021</b>	<b>YoY (in %)</b>
CHF million			
Sales	2,982	2,542	17.3
CORE EBITDA	987	847	16.5
<i>Margin in %</i>	33.1%	33.3%	
EBITDA	934	558	67.4
<i>Margin in %</i>	31.3	22.0	
EBIT	645	317	103.5
<i>Margin in %</i>	21.6	12.5	
<i>ROIC in %</i>	11.7	11.5	1.7
Net Financial Result	(52)	(22)	136.4
<i>Tax Rate in %</i>	16.2	11.2	
Profit for the Period	498	263	89.4

<sup>1</sup> All financial information referring to “continuing operations” are exclusive of the Specialty Ingredients business, that was sold on 1 July 2021 and therefore reported as discontinued operations

CORE definition: See appendix

# Half-Year 2022 Financial Highlights (2/2)



<b>Continuing Operations<sup>1</sup></b>	<b>HY 2022</b>	<b>HY 2021</b>	<b>YoY (in %)</b>
CHF million			
CORE EPS basic (CHF)	7.29	6.99	4.3
EPS Basic (CHF)	6.68	3.51	90.3
CORE EPS Diluted (CHF)	7.28	6.97	4.4
EPS Diluted (CHF)	6.67	3.50	90.6
Change of Net Working Capital	(492)	(237)	107.6
Capital Expenditures	841	474	77.4
Operational Free Cash Flow	(331)	243	(236.2)
Number of Employees (Full-Time Equivalent)	17,154	14,678	16.9
<b>Total Group<sup>2</sup></b>	<b>HY 2022</b>	<b>HY 2021</b>	<b>Change (in %)</b>
CHF million			
Net debt	(221)	(958)	(76.9)
Debt-equity ratio	(0.02)	(0.09)	(77.8)
Net Debt / CORE EBITDA ratio	(0.12)	(0.53)	(77.4)

<sup>1</sup>All financial information referring to "continuing operations" are exclusive of the Specialty Ingredients business, that was sold on 1 July 2021 and therefore reported as discontinued operations

<sup>2</sup>Total Group including discontinued operations

CORE definition: See appendix

## Upcoming Roadshows

<b>30-31 August 2022</b>	Jefferies, London
<b>2 September 2022</b>	ZKB, Zurich
<b>14-15 September 2022</b>	Bank of America, New York & Boston
<b>28 September 2022</b>	Citi European Healthcare Bus Tour

## Next Financial Results Announcement

**25 January 2023** Full-Year Results 2022

Information about investor relations events is constantly updated on the website:

[www.lonza.com/about-lonza/investor-relations](http://www.lonza.com/about-lonza/investor-relations)



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*We believe that disclosing CORE results of the Group’s performance enhances the financial markets’ understanding because the CORE results enable better year-on-year comparisons.*”

Therefore, the CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental-remediation, acquisitions and divestitures, impairment and reversal of impairment of assets, which can differ significantly from year to year.

For this same reason, Lonza uses these CORE results in addition to IFRS as important factors in internally assessing the Group’s performance.

In Lonza’s 2022 Alternative Performance Measures Report, the reconciliation of IFRS to CORE results provides further details on the adjustments.

**Lonza Group Ltd has its headquarters in Basel, Switzerland, and is listed on the SIX Swiss Exchange. It has a secondary listing on the Singapore Exchange Securities Trading Limited (“SGX-ST”). Lonza Group Ltd is not subject to the SGX-ST’s continuing listing requirements but remains subject to Rules 217 and 751 of the SGX-ST Listing Manual.**

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words “outlook,” “guidance,” “believes,” “plans,” “anticipates,” “expects,” “estimates” and similar expressions) should be considered to be forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty.

There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including the timing and strength of new product offerings; pricing strategies of competitors; the company’s ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs;

difficulty to maintain relationships with employees, customers and other business partners; and changes in the political, social and regulatory framework in which the company operates, or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.

In particular, the assumptions underlying the Outlook 2022 herein may not prove to be correct. The statements in the section on Outlook 2022 constitute forward-looking statements and are not guarantees of future financial performance.

Lonza’s actual results of operations could deviate materially from those set forth in the section on Outlook 2022 as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in the section on Outlook 2022. Except as otherwise required by law, Lonza disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after this presentation was published.