
Lonza's Pharma Biotech Business Drives Strong H1 2020 Group Sales Growth and Margin Improvement

- Strong operational performance maintained during COVID-19; sites remained open and protection of employees continues to be a top priority
- Landmark ten-year collaboration with Moderna on the mRNA¹ platform. The current focus is to manufacture an mRNA-based vaccine (mRNA-1273) for the novel coronavirus
- Group sales growth of 7.7%² and resilient CORE EBITDA margin of 29.1%
- Growth driven by Pharma Biotech & Nutrition (LPBN) segment which delivered 10.8%² sales growth and CORE EBITDA margin of 34.1%
- Specialty Ingredients (LSI) delivered flat sales growth alongside an increased CORE EBITDA margin of 19.7%
- LSI carve-out is nearing completion, with some activities left to undertake. In this context, Lonza has decided to divest the business through a sale process, to be initiated in H2

Quote from Albert M. Baehny, Chairman and CEO *ad interim*, Lonza Group:

"In H1 2020, we have worked diligently to maintain operations through the COVID-19 pandemic. We have adapted our working routines and practices to ensure the continuing safety of our employees as a top priority. Through their dedication and diligence, we have both maintained business continuity and delivered strong results. LPBN's double-digit sales growth and resilient margins more than balanced the performance of the LSI segment, which saw flat sales growth, alongside an increased CORE EBITDA margin.

We have deployed our expertise and resources in the global response to COVID-19, and the Moderna-Lonza collaboration highlights our role as a trusted partner at this critical time. If clinical tests deliver positive results and regulatory approval is received, we are ready to support the commercial manufacture of Moderna's mRNA-based vaccine (mRNA-1273) with our global network of facilities, alongside our broad experience and expertise. We have also continued to invest in our LPBN capabilities to support all our customers in meeting the increasing demand for new therapies and vaccines, both now and beyond the pandemic."

¹ Messenger RNA (mRNA) is a type of Nucleic Acid. An mRNA molecule carries the instructions from the genetic code (DNA) to be transcribed into proteins

² All sales growth figures, expressed in percentage (%), are at a constant exchange rate (CER)

Basel, Switzerland, 24 July 2020 – Lonza today reported strong Group sales growth of 7.7%³ and a resilient CORE EBITDA margin of 29.1%. The results reflect Lonza Group's robustness to the challenges and uncertainties arising from the COVID-19 pandemic in H1. The Group has worked to ensure business continuity across its operations, while ensuring the safety of its employees as a top priority. The strong results were driven by the Lonza Pharma Biotech and Nutrition (LPBN) Segment, which delivered 10.8%³ sales growth and a CORE EBITDA margin of 34.1%. The Lonza Specialty Ingredients (LSI) Segment delivered flat sales growth alongside an increased CORE EBITDA margin of 19.7%.

In May 2020, Lonza announced a ten-year strategic collaboration with Moderna on the mRNA platform. The agreement provides for the manufacture of a COVID-19 vaccine candidate (mRNA-1273). Lonza was chosen for its broad global network of manufacturing facilities, alongside its established experience and expertise in scaling the manufacture of innovative medicines. The collaboration has progressed at "pandemic speed", with technology transfer already complete, and the first mRNA GMP batch expected to be delivered in the Lonza Portsmouth (USA) facility at the end of July 2020.

Further progress has been made in the carve-out of the LSI segment from the Lonza Group business. New legal entities have been established for each segment. All employees, commercial contracts, operational processes and data have already been allocated to the relevant entities. Although there is still some further work required to complete the carve-out, the more complex and critical areas of the process have now been substantially addressed. In this context, on 23 July 2020, the Board of Directors decided to divest the LSI segment via a sale process, which will be initiated in H2 2020. It is an optimal time for buyers as LSI has demonstrated its profitability and resilience as a specialty chemicals company in the context of the COVID-19 pandemic. The sale will enable Lonza to focus on developing its position as a leading manufacturing partner in the pharma and biotech industry, while delivering optimal value and growth for shareholders.

Lonza Group confirms its Outlook for full-year 2020 at above mid-single digit-sales growth and a stable level of CORE EBITDA margin. However, all forecasts should be treated with particular caution at this time of global uncertainty.

Lonza Pharma Biotech and Nutrition (LPBN) Segment Overview⁴

There have been some challenges arising from delayed clinical trials and decreased demand for products from academic and research institutions. However, the segment has managed to maintain operations during the pandemic, as a supplier of essential goods and services. There have been strong levels of demand across modalities and services, including for programs relating to the COVID-19 pandemic. The business has a healthy pipeline of new contracts and customer acquisitions. It also shows strong utilization levels for existing assets, while new assets from growth projects begin to ramp up.

- **Small Molecules** has seen strong contracting trends with new customer acquisitions, mainly focused on Highly Potent Active Pharmaceutical Ingredient (HPAPI) projects. Full-year sales are expected to outpace full-year 2019.

³ All sales growth figures, expressed in percentage (%), are at a constant exchange rate (CER)

⁴ Comparison versus H1 2019 at a constant exchange rate (CER)

- **Mammalian and Microbial** has signed new agreements and seen significant demand for new assets that have come online. Full-year sales are expected to show double-digit growth.
- **Cell and Gene Therapy** has benefitted from a strong pipeline of new customers alongside operational improvements. Double-digit top-line growth is expected to continue into H2.
- **Bioscience** saw decreased demand from academic and research institutions, but strong sales growth in Media and Testing.
- **Capsules and Health Ingredients** benefitted from a surge in demand from the nutrition market in H1. In contrast, soft demand meant sales for hard pharma capsules were flat. Overall, the business delivered high single-digit sales growth.

For more detail on performance and financials in LPBN, please refer to the [H1 Report](#)

Lonza Specialty Ingredients (LSI) Segment Overview⁵

The COVID-19 pandemic caused variable levels of demand across the LSI segment portfolio. There was strong demand for products and services in Hygiene, and Home & Personal Care, as well as increased demand for Vitamin B3 in feed applications. However, this was offset to some extent by softer demand in industrial markets. Nearly all sites remained open through H1 (apart from a small number of the Wood operations business). There was a temporary shortage of some raw materials and a temporary planned closure of operations in Visp (CH) for routine maintenance.

- **Microbial Control Solutions** experienced high-single digit increase in sales in H1 2020. High levels of demand in the Professional Hygiene, and Home & Personal Care businesses were partially offset by reduced demand in Wood Protection, Paints and Coatings and Material Protection. Crop Protection experienced mixed demand levels, with sales levels below H1 2019.
- **Specialty Chemical Services** saw mixed performance across the portfolio. Overall negative sales growth was driven by a challenging external environment and a series of one-time effects.

For more detail on performance and financials in LSI, please refer to the [H1 Report](#)

Group Financial Summary Continuing Business⁶

CHF million	HYR 2020	YoY change	HYR 2019
Sales	3,074	3.3% ⁷	2,976
EBITDA	886	12.6%	787
Margin in %	28.8	240 bps	26.4
CORE EBITDA	893	7.9%	828
Margin in %	29.1	130 bps	27.8
EBIT	618	21.4%	509
Margin in %	20.1	300 bps	17.1
CORE EBIT	706	9.8%	643
Margin in %	23.0	140 bps	21.6

⁵ Comparison versus H1 2019 at a constant exchange rate (CER)

⁶ All financial information referring to "continuing business" in 2019 are exclusive of the Water Care business, that was sold in February 2019 and reported as discontinued operations

⁷ Actual exchange rate (AER); in constant exchange rate (CER): +7.7%

About Lonza

At Lonza, we combine technological innovation with world class manufacturing and process excellence. Together, these enable our customers to deliver their discoveries in the healthcare, preservation, and protection sectors.

We are a preferred global partner to the pharmaceutical, biotech and specialty ingredients markets. We work to prevent illness and promote a healthier world by enabling our customers to deliver innovative medicines that help treat or even cure a wide range of diseases. We also offer a broad range of microbial control solutions, which help to create and maintain a healthy environment. Founded in 1897 in the Swiss Alps, Lonza today operates in 120 sites and offices in more than 35 countries.

With approximately 15,500 full-time employees, we are built from high-performing teams and of individual employees who make a meaningful difference to our own business, as well as the communities in which we operate. The company generated sales of CHF 5.9 billion in 2019 with a CORE EBITDA of CHF 1.6 billion. Find out more at www.lonza.com and follow us on Twitter @LonzaGroup or Facebook @LonzaGroupAG.

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