
Investor Update Details Business Structure, Divisional Dynamics, New External Reporting and Guidance

- Lonza provides the details of its new structural design, culture and external reporting
- 2023 Group guidance: double-digit sales growth, CORE EBITDA margin of around 33% - 35% and double-digit ROIC
- CAPEX in 2021 and 2022 is likely to remain at 2019 levels
- Biologics and Small Molecules are primary growth drivers, with contracted business up high double-digit versus 2019 and new projects in 2020 up >30% versus 2019
- Updated financial reporting to include divisional KPIs for Sales, CORE EBITDA and CAPEX alongside existing Group metrics

The Investor Update was hosted by Albert M. Baehny, Chairman and CEO *ad interim*, Lonza Group. He commented:

“We have considered areas for review, now that Lonza has a dedicated focus on the pharma and biotech industry. Lonza’s structural and cultural blueprint will help us to achieve a harmonized ‘one business’ identity, and provide a greater level of transparency on company performance to our investor and analyst community.

The scale of global demand for our products and services is both a measure of resilience and the future growth potential for our business. Our current CAPEX plans for 2021 and 2022 are based on a solid projection of performance, which is reflected in the Group guidance. Our future plans are built on the world-class quality of our product and service offering, alongside the trust and loyalty we have built within our customer community”.

Pierre-Alain Ruffieux also attended the presentation in his capacity as future CEO of Lonza Group (with his tenure due to commence in November 2020). He commented:

“The new business structure, culture and financial reporting will provide a critical compass as we navigate our future. It gives me a solid foundation, as I commence my new role and work to ensure that Lonza continues to optimize its global potential as a true leader in developing technologies to enable a healthier world.”

Basel, Switzerland, 15 October 2020 – Today, Lonza sets out the new structural blueprint for its LPBN segment. The structure comprises four business divisions¹:

- Biologics (representing 47% of Group sales)
- Capsules and Health Ingredients (representing 27% of Group sales)
- Small Molecules (representing 16% of Group sales)
- Cell & Gene Therapy and Bioscience (representing 10% of Group sales)

These will be supported by five strategic global business functions: Operations, Quality, Commercial / Marketing, Finance and Human Resources. The business is currently in a period of transformation, and the new structure will become operational from 1 January 2021. External Financial reporting will be updated to reflect the new structure.

The new structure has been developed to increase Divisional end-to-end performance accountability and to strengthen governance and process excellence from Global Functions, as Lonza proceeds with the divestment of its LSI segment. The structural design is supported by the set of internal cultural values, which include: collaboration, accountability, focus, integrity and openness.

DIVISIONAL UPDATES

The investor update provides an overview of the operating model for each division. This also included an overview of key statistics and an insight into existing performance and future plans. A summary of 2020 business performance indicators is listed below:

- Contracted business in Biologics and Small Molecules in 2020 is up high double-digit versus 2019, driven by new assets coming on line and strong market demand
- In 2020, new customer acquisition across Biologics, Small Molecules and Cell & Gene Therapy continues, showing a >30% increase over 2019
- New projects in Biologics and Small Molecules in 2020 is up >30% versus 2019
- New projects in Cell & Gene Therapy in 2020 is up >20% versus 2019

Additional divisional data can be found in the subsequent section, where selected presentation content is included. This includes the following:

- Estimated growth rates of Business Units (CAGR 2020 – 2023)
- Value chain sales distribution as % of total Business Unit sales (Biologics) FY 2019
- Growth projections in Mammalian fermentation capacity (in kilolitre KL)

GROUP GUIDANCE 2023

Lonza provides the following Group guidance for 2023: double-digit sales growth, CORE EBITDA margin of around 33% - 35% and double-digit ROIC.

In providing this guidance, a series of influencing factors were taken into consideration. The business anticipates double-digit sales growth driven by Biologics, Small Molecules and Cell & Gene Therapy businesses. More generally, double-digit ROIC driven by growth and margin

¹ Sales figures, expressed in % are approximate and based on full-year 2019 results at actual exchange rate (AER). The split reflects the 3rd party net sales of the LPBN segment in 2019 and excludes any net sales presented under Corporate

expansion. In this context, Lonza Group is confident to deliver an improved CORE EBITDA margin, although it is committed to investing in future growth projects. In this context, CAPEX in 2021 and 2022 is likely to remain at 2019 levels. Maintaining this balance between performance and investment will allow the business to deliver short-term margin alongside long-term growth. Overview divisional guidance (2023) is available in the section below, which includes selected Investor Update presentation content.

UPDATED FINANCIAL REPORTING

The updated financial reporting fully reflects the new divisional structure, thereby increasing granularity on Divisional performance for investors. At a divisional level, key performance indicators will include sales, CORE EBITDA margin and CAPEX. These figures will also be provided for the Group, alongside cash flow, ROIC, CORE EPS and Net Debt / CORE EBITDA. The new reporting steering model will also eliminate selected measures, including CORE EBIT and CORE RONO APMs and increase the threshold for non-CORE adjustments to CHF 20m per event.

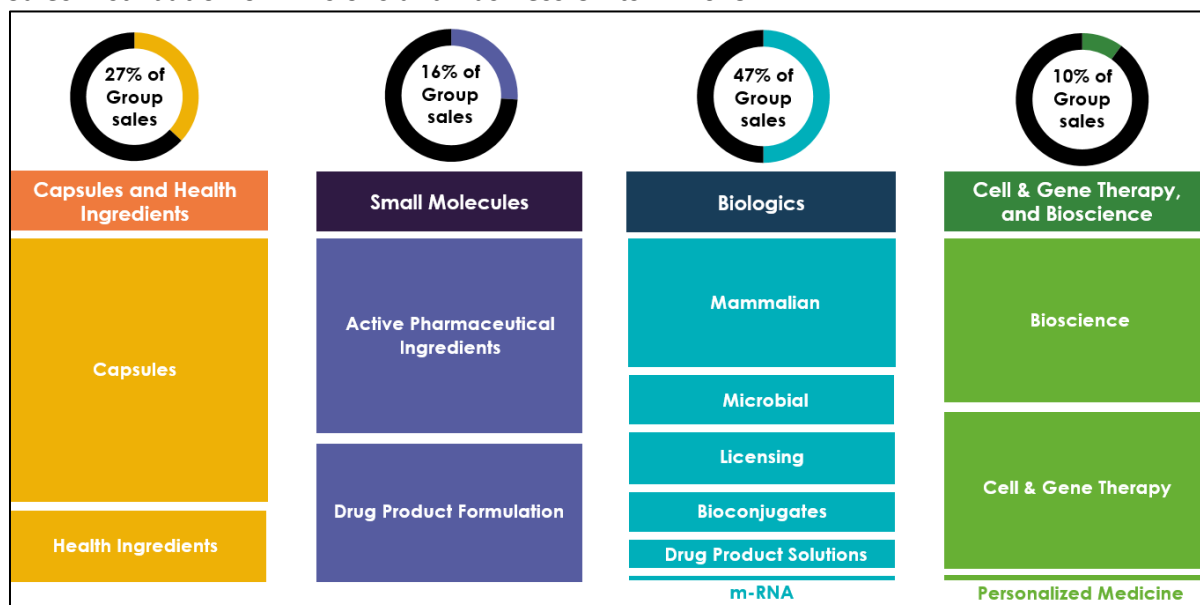
The following additional information is available in the section below, which includes selected Investor Update presentation content:

- Impact of CORE EBITDA adjustments on Group Profitability
- Bridge to new Group reporting structure (indicative figures) FY 2019
- Financial performance overview of Divisions H1 2020

SELECTED CONTENT FROM THE INVESTOR UPDATE PRESENTATION

Please click [here](#) to download the Investor Update presentation.

Sales Distribution of Divisions and Business Units FY 2019²



The size of the boxes for each Business Unit are intended to provide an indicative (but non-specific) view of the size (by proportion of sales).

Estimated Growth Rates of Business Units (CAGR 2020 – 2023)

	Market ³	Lonza ⁴
Capsules	2 – 3%	3 – 4%
Health Ingredients	5 – 6%	6 – 8%
Small Molecules	4 – 5%	9 – 10%
Mammalian	7 – 8 %	10 – 14%
Microbial	7 – 8 %	9 – 10%
Bioconjugates	6 – 8%	10 – 12%
Drug Product Solutions	7%	20%
Bioscience	6 – 8%	10 – 12%
Cell & Gene Therapy	>20%	20 – 25%

² Sales figures, expressed in % are approximate and based on full-year 2019 results at actual exchange rate (AER). The split reflects the 3rd party net sales of the LPBN segment in 2019 and excludes any net sales presented under Corporate

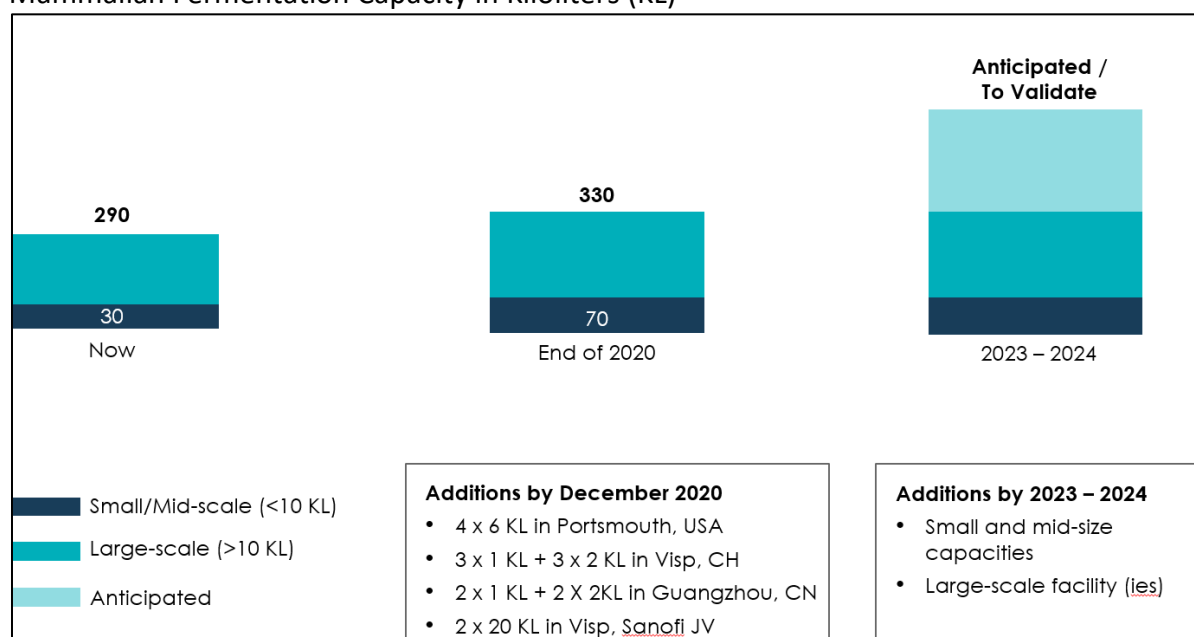
³ Based on volume

⁴ Revenue growth

Value Chain Sales Distribution as % of Total Business Unit Sales (Biologics) FY 2019

	Mammalian	Microbial
Pre-clinical and Phase 1	8%	10%
Clinical (Phase 2 and 3)	22%	25%
Commercial	70%	65%

Mammalian Fermentation Capacity in Kiloliters (KL)



Guidance 2023 Divisions

	Capsules & Health Ingredients	Small Molecules	Biologics (Excluding Licensing)	Cell & Gene, and Bioscience
Sales CAGR 2020 - 2023 (CER)	Low-to-mid single-digit	High-single-digit to Low-double-digit	Low double-digit	Double-digit
CORE EBITDA margin 2023 trajectory ambition	→	→	→	↗

Impact of CORE EBITDA Adjustments on Lonza Profitability⁵

	2018 ⁶	2019	H1 2020
New CORE Definition			
EBITDA margin	25.8%	25.8%	28.8%
CORE EBITDA margin	27.0%	26.7%	28.8%
Old CORE Definition			
CORE EBITDA margin	27.3%	27.4%	29.1%
Delta pts	30	70	30

Bridge to New Reporting Structure Lonza Group (Indicative Figures) FY 2019

CHF mio	Lonza ⁵	LSI Discontinued Operations ⁷	Future Lonza
Sales	5,920	1,693	4,227
% CER growth vs. PY	7.3	(2.5)	11.7
CORE EBITDA	1,620	302	1,318
% margin	27.4	17.8	31.2
CAPEX	786	91	695
% Sales	13.3	5.4	16.4
Operational Free Cash Flow	495	136	359
ROIC	9.1%	9.7%	8.9%

Financial Performance Overview of Divisions H1 2020

	Sales Split ⁸	Approx. CORE EBITDA
Capsules & Health Ingredients	~25%	~35%
Small Molecules	~15%	~25%
Biologics ⁹	~45%	~35%
Cell & Gene, and Bioscience	~10%	Break-even

⁵ Based on Lonza Continuing operations excl. Water Care

⁶ 2018 financials not restated for the impact of IFRS16

⁷ LSI 2019 segment financials as proxy for LSI Discontinued Operations

⁸ Licensing attributable to ~5% of total sales

⁹ Excluding Licensing

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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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.

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