

# Q1 Conference Call

Probi continues on its successful growth path

Peter Nählstedt, CEO  
Dr. Jörn Andreas, CFO

Lund, 4 May, 2017



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## Introduction – Conference call participants



**Peter Nählstedt**  
CEO

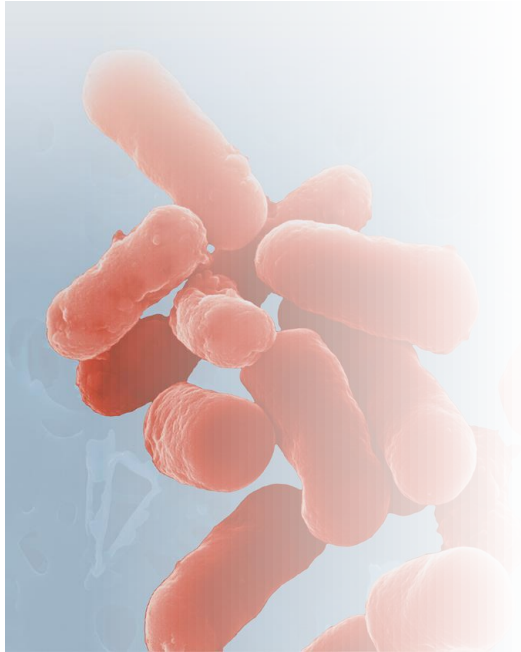


**Dr. Jörn Andreas**  
CFO

# Agenda

|          |                    |
|----------|--------------------|
| <b>1</b> | Executive overview |
| <b>2</b> | Financial review   |
| <b>3</b> | Outlook            |
| <b>4</b> | Q&A                |

# Probi – First in Probiotics



- The only top fully integrated probiotics player solely focused on probiotics in one of the most interesting sectors of health
- Agility of a small company with an ownership structure allowing the strengths of a major international group
- Strong, forward looking culture living our corporate values



**444 MSEK**  
Net sales 2016

**130 MSEK**  
EBIT 2016



**34%**  
EBITDA margin 2016

**200**  
Employees 2016

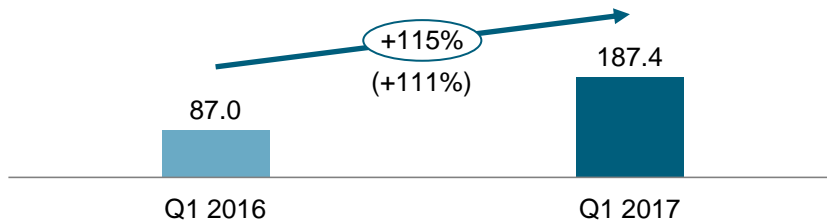


**4 global**  
Centers of Excellence

# Highlights of Q1 2017 – successful start to 2017

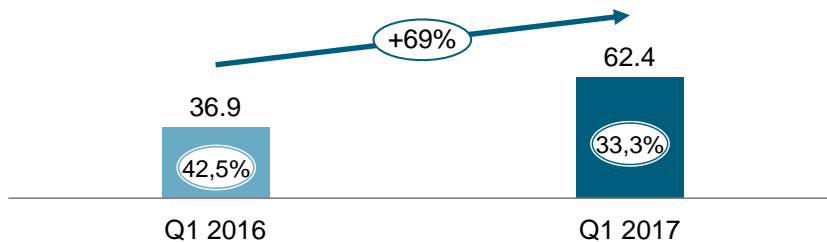
## Net sales

MSEK, sales growth in % (local currency growth in %)



## EBITDA

MSEK, EBITDA margin as % of Group net sales



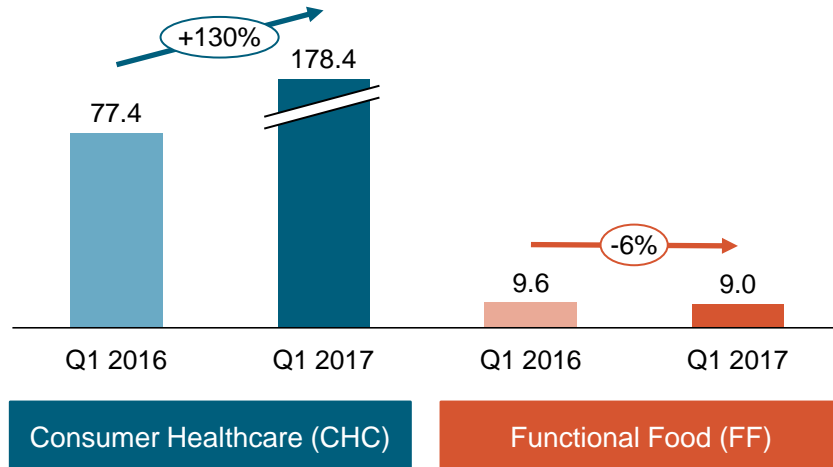
## Key developments during the quarter

- Significant increase in sales and earnings driven by Nutraceutix acquisition and organic growth
- Market launch of patented and clinically documented Probi Select™ product range in North America
- Start of strategic initiatives to continue delivering long-term growth:
  - Increase of manufacturing capacity in the USA
  - Design and implementation of new Group enterprise system (ERP)

# Continued strong performance of Consumer Healthcare

## Net sales by segments

MSEK, sales growth in %



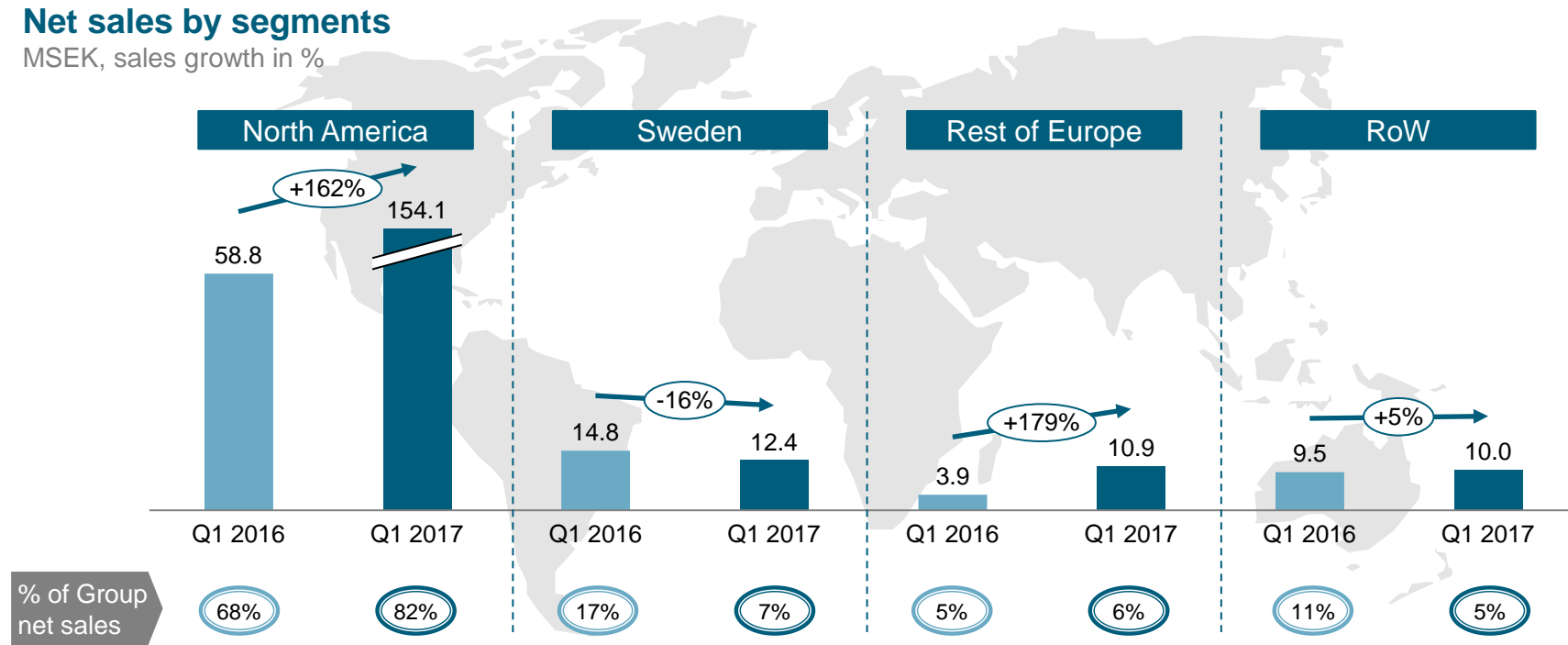
## Key aspects

- Acquired operations contributed MSEK 72 to CHC segment sales
- Strong organic growth in CHC exceeding 38% driven by promotional activities and favorable underlying volume growth
- FF impacted by lower royalty rate which offset favorable volume growth across all regions

# Regional results – strongest growth in Europe

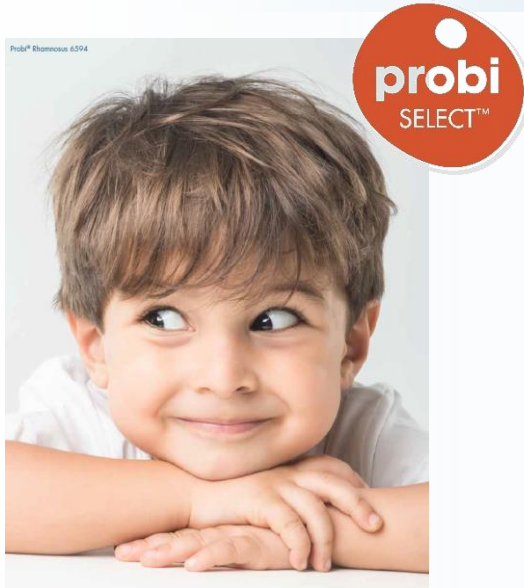
## Net sales by segments

MSEK, sales growth in %





# Launch of Probi Select™ in North America



- Three of Probi's existing and not commercialized probiotic platforms supporting immune and digestive health
- Patent-protected and supported by clinical documentation
- Designed to bring competitive health benefits to a broad target group
- Well-positioned in the USA after acquisition to make use of market opportunities

# Start of strategic initiatives to continue long term growth

## Capacity expansion in the US



- Serve volume and quality requirements of our customers in the long-term
- Complements ongoing process and yield requirements

## Implementation of Group enterprise system

### ONE Probi

- Create more agile business processes
- Take full advantage of the integrated supply chain and manufacturing excellence post-acquisition

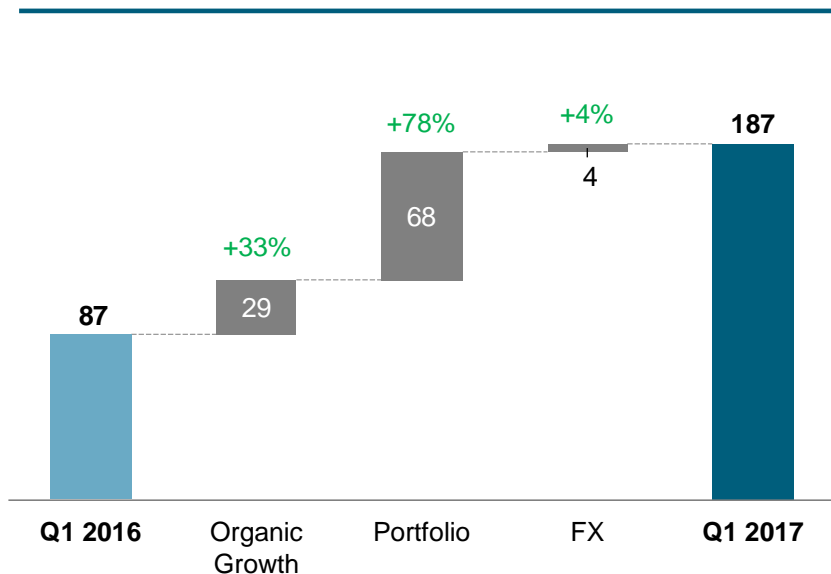
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# Favorable start to the new fiscal year 2017

## Probi sales bridge

MSEK, change in %



## Condensed P&L

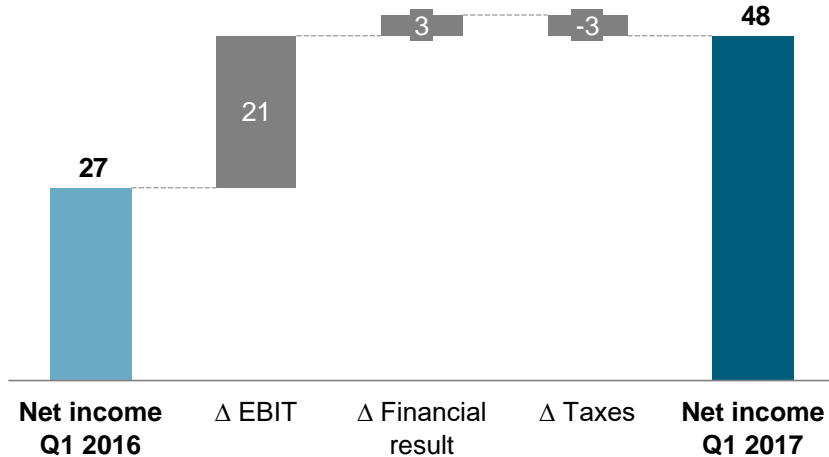
MSEK, change in %

|               | Q1 2017 | Q1 2016 | Change   |
|---------------|---------|---------|----------|
| Net sales     | 187.4   | 87.0    | ▲ 115%   |
| EBITDA        | 62.4    | 36.9    | ▲ 69%    |
| EBITDA margin | 33.3%   | 42.5%   | ▼ 920bps |
| EBIT          | 56.0    | 35.3    | ▲ 59%    |
| Net income    | 47.8    | 26.9    | ▲ 78%    |
| EPS           | 4.20    | 2.95    | ▲ 42%    |

# Significant increase in net income driven by acquisition

## Reconciliation of net income

MSEK



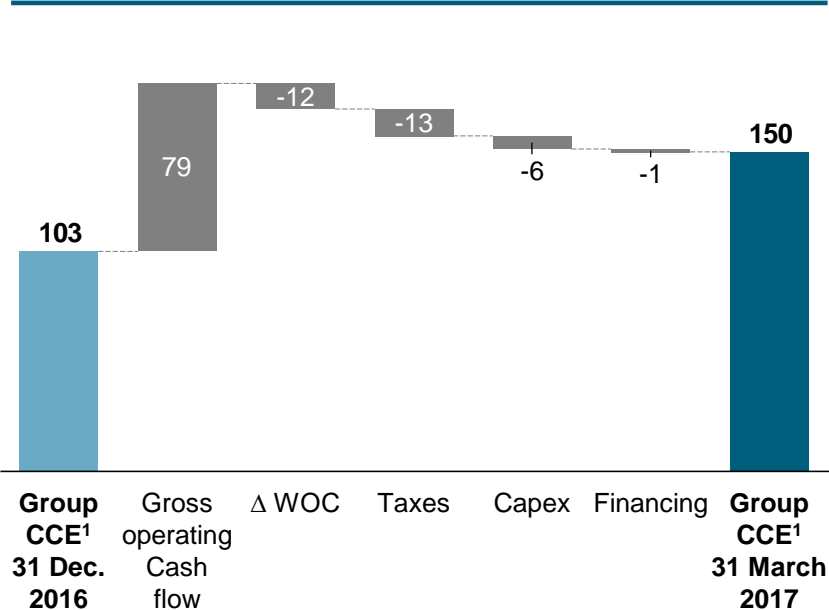
## Key aspects

- EBIT increase due to organic growth and acquisition
- PPA results expected to be provided in Q2 2017 and will impact EBIT going forward
- Positive financial result due to by favorable realization of forward contract (hedging of financial receivable)

# Strong operating cash flow generation in Q1 2017

## Reconciliation of group liquidity Q1 2017

MSEK



## Key aspects

- Increase of CCE driven by increased sales but adversely affected by increased taxes paid
- Gross operating cash flow includes MSEK 14 cash gain resulting from favorable realization of forward contract (hedging of financial receivable)

# Balance sheet: PPA expected to be recognized in Q2 2017

## Balance sheet Probi Group

MSEK, in % of total assets

| Assets                    | 31<br>March<br>2017 | 31<br>March<br>2016 | Liabilities and equity         | 31<br>March<br>2017 | 31<br>March<br>2016 |
|---------------------------|---------------------|---------------------|--------------------------------|---------------------|---------------------|
| Intangibles (excl. GW)    | 75                  | 46                  | <b>Total equity</b>            | 938                 | 214                 |
| Goodwill                  | 786                 | 3                   | Other non-current liabil.      | 1                   | —                   |
| PPE                       | 41                  | 4                   | Deferred tax liabilities       | —                   | 0                   |
| Deferred tax assets       | 5                   | —                   | <b>Non-current liabilities</b> | 1                   | 0                   |
| <b>Non-current assets</b> | <b>906</b>          | <b>53</b>           | Borrowings                     | 222                 | —                   |
| Inventories               | 75                  | 5                   | Trade payables                 | 42                  | 17                  |
| Trade receivables         | 99                  | 39                  | Other current liabilities      | 36                  | 24                  |
| Other current assets      | 10                  | 5                   | <b>Current liabilities</b>     | <b>300</b>          | <b>41</b>           |
| Cash and cash equiv.      | 149                 | 153                 | <b>Total liabilities</b>       | <b>301</b>          | <b>41</b>           |
| <b>Current assets</b>     | <b>334</b>          | <b>202</b>          |                                |                     |                     |
| <b>Total assets</b>       | <b>1,239</b>        | <b>255</b>          | <b>Liabilities and equity</b>  | <b>1,239</b>        | <b>255</b>          |

## Key aspects

- Net financial debt MSEK 74
- Leverage ratio<sup>1</sup> of 0.3x LTM EBITDA
- Total equity of MSEK 938
- Equity ratio 76%

1. Leverage ratio =  
Net financial debt divided by LTM EBITDA

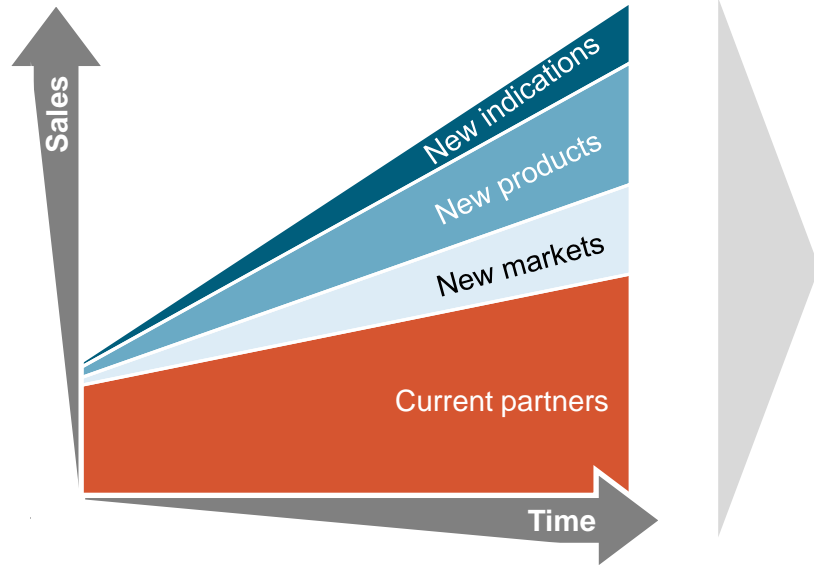
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# Continue with strong 2017 goals

## Probi Growth Strategy



## 2017 Priorities



Continue the Probi growth story with focus on Asia



Capitalize on our strong efforts in the Functional Food business area



Fully realize the existing synergies between Probi USA and Probi Sweden



Stick to the roots – continue to generate world class clinical documentation

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