

# Q4 Conference Call

Probi achieves major milestone in expansion of  
Functional Food business area

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# 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



**612 MSEK**  
Net sales 2017

**104 MSEK**  
EBIT 2017



**26%**  
EBITDA margin 2017

**170**  
Employees 2017

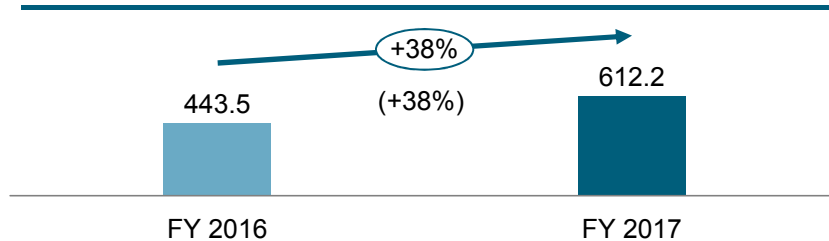


**4 global**  
Centers of Excellence

# Highlights of full-year 2017 – Soft quarter ends another year of growth

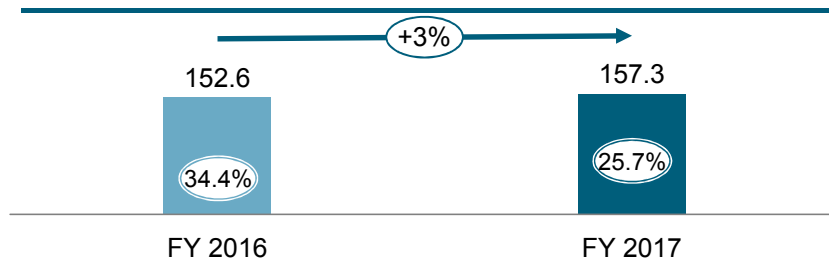
## Net sales

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



## EBITDA

MSEK, EBITDA margin as % of Group net sales



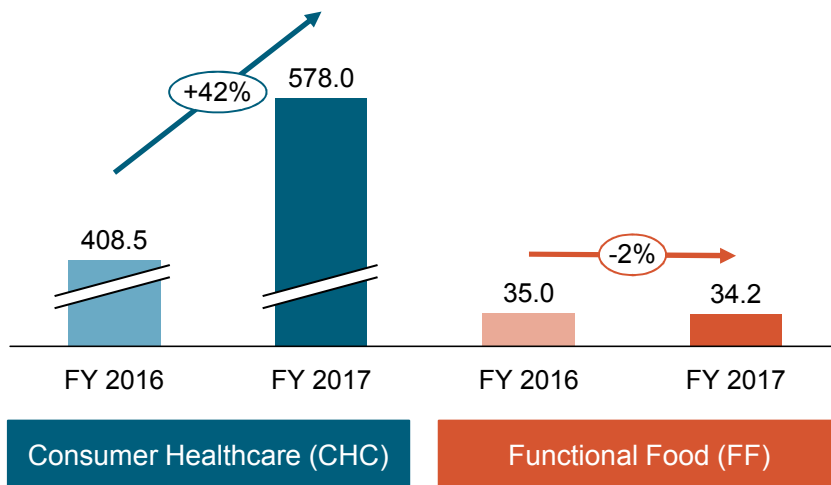
## Key developments during the quarter

- Major agreement signed with global FMCG leader to launch Functional Food product in North America in 2019
- Important product launches of FerroSorb® and Probi Select™ in North America start to deliver cross-selling synergies in Consumer Healthcare
- Submission of new health claim application to EFSA for iron uptake product FerroSorb® following positive results in supplementary study

# Consumer Healthcare continues to be impacted by destocking programme

## Net sales by segments

MSEK, sales growth in %



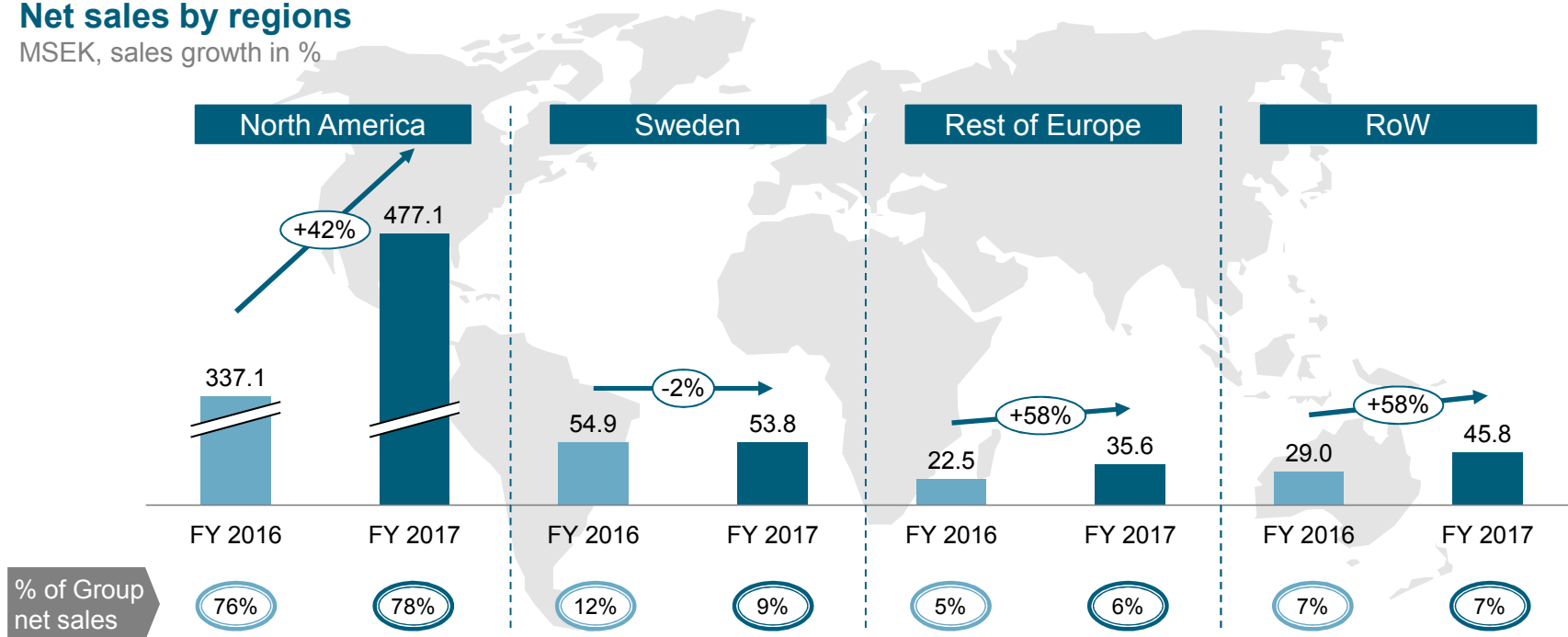
## Key aspects

- Destocking programme and high previous year comparables had a significant impact on Q4 2017 performance of CHC
- Impact of destocking to continue during the first quarter of 2018
- ProViva sales volume grew c. 5% yoy offsetting effect of lower royalty rate in FF
- Continued high activity in advancing FF and CHC pipeline towards more agreements

# Regional results – geographical diversification continues

## Net sales by regions

MSEK, sales growth in %



## Breakthrough within reach for Functional Food



- Major agreement with a global FMCG company (fast-moving consumer goods) regarding the launch of a functional food product containing Probi's bacteria for gut health in North America and potentially other territories
- A launch in the North American market is planned for the second half of 2019 under a leading brand in the product category
- The agreement is expected to have a significant impact on future sales and earnings in Probi's Functional Food business area



## New product launches and new EU health claim application for iron uptake product FerroSorb®



- Probiotic products for women is a high-growth category and Probi is ideally positioned with its premium Probi FerroSorb® concept to take advantage of this trend
- A new customer with a top brand in the dietary supplement area is launching Probi FerroSorb® for improved iron absorption and product is manufactured in the acquired operations in the US
- Probi submitted a new health claim application for FerroSorb® to the European Food Safety Authority (EFSA)

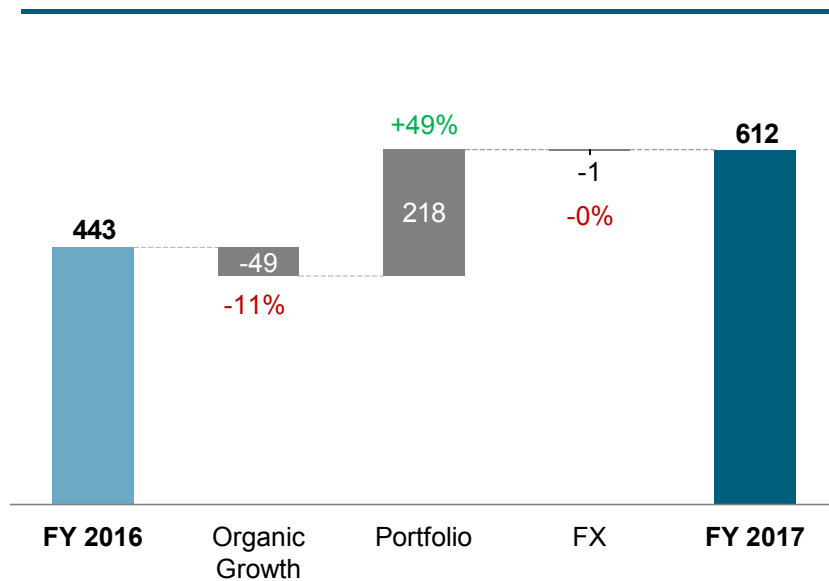
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# Destocking continues to impact organic growth and earnings

## Probi sales bridge

MSEK, change in %



## Condensed P&L

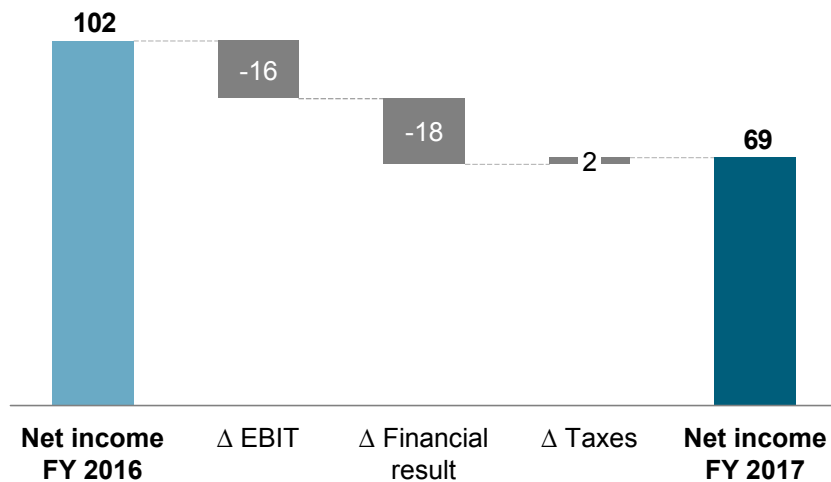
MSEK, change in %

	FY 2017	FY 2016	Change
Net sales	612.2	443.5	▲ 38%
EBITDA	157.3	152.6	▲ 3%
EBITDA margin	25.7%	34.4%	▼ -870bps
EBIT	104.1	120.0	▼ -13%
Net income	69.1	101.8	▼ -32%
EPS	6.06	10.73	▼ -44%

# Net income affected by first time full-year consolidation of Nutraceutix

## Reconciliation of net income

MSEK



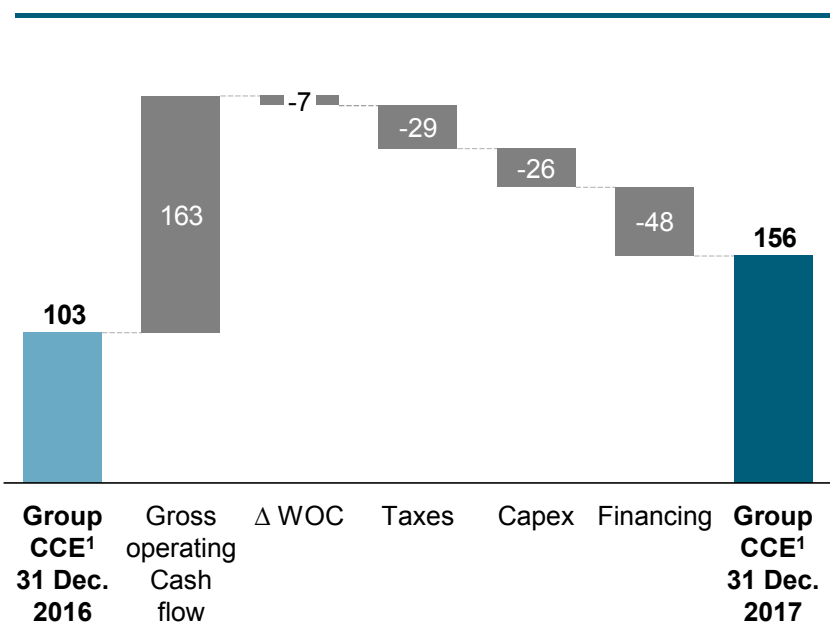
## Key aspects

- PPA amortization expenses of c. MSEK 35 are included in operating expenses charged to EBIT
- Change in financial result due to increased interest expenses in 2017 relating to borrowings in connection with the Nutraceutix acquisition and a one-off gain in 2016 from the market valuation of a hedging contract
- Tax expense in full-year 2017 includes non-cash tax charge of MSEK 3 due to the recent enactment of US Tax Cuts and Jobs Act (TCJA)

# Group liquidity increased to MSEK 156

## Reconciliation of group liquidity FY 2017

MSEK



## Key aspects

- Gross operating cash flow rose MSEK 28 year-on-year to MSEK 163
- Capex increased by MSEK 8 to MSEK 26 driven by continued investments in R&D and process efficiency
- Cash flow from financing includes dividend payment of MSEK 11 and redemption of bank borrowings of MSEK 32 made in Q2 2017

# Strong balance sheet to fund further growth opportunities

## Balance sheet Probi Group

MSEK, in % of total assets

Assets	31 Dec 2017	31 Dec 2016	Liabilities and equity	31 Dec 2017	31 Dec 2016
Intangibles (excl. GW)	488	559	<b>Total equity</b>	<b>885</b>	<b>892</b>
Goodwill	280	309			
PPE	34	42	Other non-current liabil.	6	6
Deferred tax assets	5	8	<b>Non-current liabilities</b>	<b>6</b>	<b>6</b>
<b>Non-current assets</b>	<b>807</b>	<b>918</b>	Borrowings	176	226
Inventories	69	73	Trade payables	27	45
Trade receivables	59	79	Other current liabilities	17	41
Other current assets	20	37	<b>Current liabilities</b>	<b>220</b>	<b>312</b>
Cash and cash equiv.	156	103	<b>Total liabilities</b>	<b>226</b>	<b>318</b>
<b>Current assets</b>	<b>304</b>	<b>292</b>			
<b>Total assets</b>	<b>1,111</b>	<b>1,210</b>	<b>Liabilities and equity</b>	<b>1,111</b>	<b>1,210</b>

## Key aspects

- Net financial debt MSEK 21
- Leverage ratio<sup>1</sup> of 0.14 LTM EBITDA
- Total equity of MSEK 885
- Equity ratio 80%

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# Further progress in several strategic areas

## 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

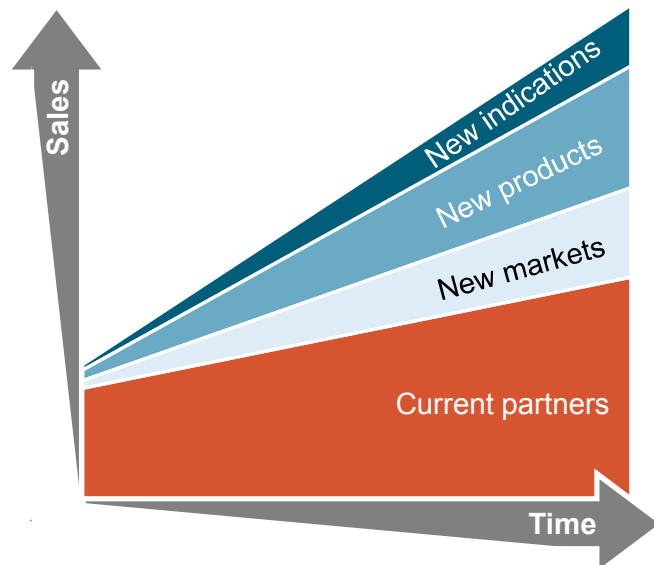


## Key achievements

- High growth in Asia and improved deal pipeline in CHC and FF
- Expansion of Singapore organization
- Major agreement with leading global FMCG company
- Important synergy deals in North America, incl. first orders for FerroSorb® and Probi Select™
- Five clinical trials completed during the year with successful outcome
- New EFSA application



## Continue to invest to build leading probiotic platform



- Probi is committed to further expand its business platform and take advantage of industry consolidation opportunities
- Based on an assessment of Probi's course of business and strategic investment decisions in 2017, the Board and the CEO propose that the 2018 Annual General Meeting resolves that no dividends will be paid for the 2017 financial year
- The dividend policy of Probi remains unchanged

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