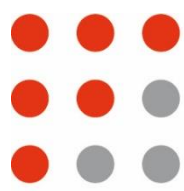




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Fagron Trading Update Q1 2022

Thursday, 14 April 2022

Fagron Q1 2022 Trading Update

Operator: Hello, and welcome to the Fagron Trading Update Q1 2022. Please note, this conference is being recorded. And for the duration of the call, your lines will be on listen only. However, you will have the opportunity to ask questions at the end of the presentation. This can be done by pressing star one on your telephone keypad to register your question. I will hand over to your host, Karen Berg to begin today's conference. Thank you.

Karen Berg: Thank you, and good morning, everyone. Welcome to the presentation of our first quarter 2022 trading update. I am here together with our CEO, Rafael Padilla and our CFO, Karin de Jong. Rafael will start with a discussion of the business developments, and then Karin will discuss the financial developments and then we will open the line for questions. So, thank you for that. And I would like to hand over to Rafael.

Rafael Padilla: Thank you very much, Karen. And thank you all for joining us into this Q1 conference call. We start always with our purpose as we are a culture-driven company. Together, we create the future of personalising medicine. Personalising medicine is the future. And pharmaceutical compounding makes it possible today.

Pharmaceutical compounding is a highly fragmented niche market. And if we move the slide, Fagron is the global player in this interesting market. We are present in 35 countries with a clear customer-centric focus. And during the Capital Markets Day, we elaborated our four strategic priorities being the first, one global leadership in Brands & Essentials across the markets where we are in. Good examples are Belgium, Brazil, Czech Republic. And markets where we need to get there are for example Germany, US, or France.

Our second strategic priority is to become the leading global platform for sterile outsourcing services. Those are the activities that take place in hospital pharmacies. And we are the only company present in more than one country, currently in five: the US, Belgium, the Netherlands, Israel, and South Africa.

Our third pillar that we also discussed during our CMD is to optimise our non-sterile compounding and registration business in Europe, particularly in the Netherlands. And we see registrations as an evolution of these non-sterile compoundings, and that is the reason that we brought them together as one product group.

Last but not least, very important with 3,000 colleagues, we want to build the organisation of the future with a clear sustainability focus, and also digital capabilities.

How are we going to execute our One Global Fagron programme? With four enablers, global operational excellence from product development to the customer. Second, Fagron academy, our platform to generate more scripts, and to promote our branded products, our active and disciplined M&A and a clear ESG focus.

And we move to the next slide, and we start with some developments in this first quarter of global operational excellence. On the product development side, we launched as an example in our Fagron Lab division. Those are the machines and devices to make personalised medicine. We launched the Easy Compress Pro, that is a machine that allows pharmacists to create, to produce personalised tablets. We also launched in the global brands, FemPhyllo. That is a vaginal film that increases patient's adherence in these kinds of therapies. We launched in the frame of the integration of Pharma Tamar, the company that we acquired in Israel, our genomics line, the Tricho to be more precise, the Tricho concept.

In the FSS, and that is scheduled for April, we are going to launch 1st epidural products, and also the first 10 KITCheck OR syringes. And we have in the pipeline for this year 300 new items that we are going to launch across the regions that we're present in.

If we move now to the next slide, more on the operational side. We start with procurement and supply. That is of course very important for us. We all see that currently there are challenges in the supply chain. As you

know, we invested in the inventory at the end of last year. That was a good decision as we feel less the impact of these challenges. And so we did at the beginning of Q1, in order to navigate through these turbulent times. Regarding the price increases that we need to - of course - pass through to our customers. We have different abilities depending on the markets. And we see the same picture as we saw during COVID times.

Moving now into our own operations. Our new GMP repackaging facility in Poland is now on track, and at the end of H1 will be totally operational. And of course, we also announced that in Colombia we are bringing the three facilities that we have into one. And we did get a certification during the first quarter. So, that project is also finalised here. At the right side, we see a picture of the Colombian laboratory.

When we move to the next slide of the global operational excellence part, our FSS US activities, that is of course a very important driver for us not only in 2022, but also in the years forward. There are two very important elements in order to be successful in this sterile outsourcing services market, of the 503B activities in the US. The first one is quality. And that is the reason that we relocated our activities of the west side of the city of Wichita - that was the original GCB facility at that time - to the east side. And during the first week of March, we received the FDA, we had an audit. And that resulted in only six minor observations. So, on the quality side, we are aligned with what we always said, we want to have high-quality standards, very important for this business in the US.

On the service side, we also explained many times that service levels above 95% are extremely important in order to capture that market. We are now expanding our warehouse across the street. During Q2, we'll have that one ready. And we'll be able to move the products into the other side of the street into the new storage room. And this will allow us to organise our robust production. As you know, we also explained during the CMD, it is our current challenge there in the operations, into the FSS US east side.

And we're going to have during the second semester, a new automated labeller. Now we have it manually. We do them manually. And also, the visual inspection that will go from one bag per minute to 20 bags per minute. And of course, as we also said, during the second semester, we're going to have a third shift. So, all these elements will bring us to the €125 million run rated at end of this year.

Now we move into the second enabler. Fagron academy, that is super important for us. We received almost 11,000 participants, pharmacists, prescribers across the globe. And now as restrictions are phased out, we can receive our customers into our facilities or in other places, and we can explain them personalising medicine, how to prescribe, and also how to compound in our branded products.

Moving to the next enabler, our active and disciplined M&A. We announced at the beginning of 2022 during our full year 2021 results, acquisitions in North America, Letco, that brings us into the number two position in the US. The divestment of our CMO activities to have laser focus on pharmaceutical compounding. And in Europe, we acquired also, or we announced a 20% stake in HeW Pharma. That was at the end of 2021, and the acquisition of Pharma-Pack in order to reinforce our leading position in the Brands & Essentials in Belgium.

In February 2022, we acquired Curaphar here in the Netherlands. This is in our compounding services division. Curaphar distributes exclusively Pedippi. And Pedippi is the registered Omeprazole's suspension compound. So, what we explained many times during the last quarters is that when a compound, a stock compound gets somehow big in terms of volumes, you see registrations from different pharmaceutical companies. And now we're actively taking action in order to protect the main compounds that we have in our portfolio and the Omeprazole suspension compound that is used against heartburn, now it is being also protected with this step.

And in the beginning of April this year, of course we acquired Hiperscan in Germany. And that helps us in order to have the leading position in the Brands & Essential market in Germany. And Hiperscan is a

company that develops and produces equipment for the quality control check of the raw materials that enter into the compounding units, in the community pharmacies in Germany. And that is compulsory by law. So, all the pharmacies that do compounding in Germany need to make this quality control check in order to compound. So, we're going to add and integrate our new colleagues from Hiperscan into our Fagron Lab division.

Of course, and we have as we said there with the acquisitions of Pharma-Pack and Letco, the integration is going according to plan.

Now moving to ESG. And that's the last enabler of our four strategic pillars strategy. ESG is at the core of the company. Pharmaceutical compounding makes medication accessible to a vulnerable group of patients.

And what have we done during the first quarter, we installed 1,000 solar panels in our facilities. We launched a very interesting Fagron Female Mentorship Programme. We're going to appoint three new board members at the AGM, two of them are females resulting in five to four male/female ratio. We are going to start our annual Compliance & Ethics training focus on recognising unwanted behaviour in the workplace, also was very important for us. And we publish our Annual Report 2021 with of course more extensive reporting on ESG compared to other years. And now we go to Karin.

Karin de Jong: Yeah. Thank you, Rafael. Good morning, everybody. The next slide, we'll talk about the financial results trading update of the first quarter. So, the next slide, we see the geographical breakdown of our sales. We had a robust first quarter with 16% reported revenue growth and 7.6% organically against constant exchange rates.

The growth is driven by all regions with all markets having their own dynamics. The revenue growth was further supported by our M&A activities in the US and EMEA and has positively impacted our results with the Brazilian real and the US dollar strengthening in the first quarter of 2022. EMEA showing 6.7% revenue growth. North America reported 31.8% growth, and Latin America reported 14.7% growth.

We move to the next slide, EMEA. EMEA region returning to growth again. So, EMEA reported 6.7% revenue growth and 3.6% organic revenue growth against constant exchange rates.

The combined compounding service and registration business showed a slight increase of 2.8% or 0% organically against constant exchange rate. We see stabilisation in underlying businesses and growth driven by a small acquisition Curaphar and FX tailwind. Brands & Essentials showed an increase where brands showed a slight decrease because of the phasing out of COVID-19 products compensated by organic growth and sales of COVID testing in the Essentials business.

We move to LatAm. The LatAm region was influenced by FX, and the economic situation in the first quarter. So, in Latin America, sales increased by 14.7% to €36.6 million, and 3.2% organic growth against constant exchange rates. Sales was driven by growth in all countries and was positively impacted by the strengthening of the currencies, mainly the Brazilian real. In January and February, the business was impacted by a number of people being infected by the omicron variant, as the compounding business is very labour intensive. So, this impacted our sales. We also experienced impact because of the strengthening of currencies, and the economic situation resulting in a stabilisation of the month in the first quarter in Brazil. However, as we always mentioned, Latin America is a very competitive and dynamic market, which can have quarter-to-quarter impacts. However, we confirm our midterm guidance we have given during the Capital Markets Day.

If we move to North America. So, the North America had a strong performance driven by growth in compounding services, a tailwind of currency and M&A activities. So, US growing by 31.8% or 18.4% organic against constant exchange rates. The growth is driven by continued high demand in compounding services and further supported by M&A growth due to the acquisition of Letco. In the first quarter, we still experienced impact in the Brands & Essentials due to COVID related products phasing out as well as the

divestment of the CMO business. We believe that with the acquisition of Letco and the divestment of the CMO business, we are well positioned to capture market share and become a market leader in the midterm in the Brands & Essentials. Compounding services increased by 54%. And we experienced a slight cooling-off period as we consolidated the Wichita 503B sites into one high-quality automated facility. We have a run rate of \$76 million in March 2022. And we are on track for a run rate of \$125 million at the end of 2022 with the actions described earlier in this presentation by Rafael.

Anazao sales increased by 33.8% also benefiting from strong market dynamics in the 503 A and B market. So, the 503A market is consolidating due to changing dynamics on quality and regulations. And we benefit from that, small players are out due to the increased regulations.

Moving to the next one.

Rafael Padilla: Thank you very much, Karin. This is the final slide. And this is the same slide that we used during our webcast for the full year's 2021 results. Five bullets here. So, in 2022, we're going to see growth in both revenues and profitability, very important that we see growth in revenues and a slight improvement of profitability in our EMEA activities. We're going to see growth, strong performance in LatAm, and especially in North America in both segments. Our FSS activities in Wichita, as Karin explained just now, we are going to see a run rate of \$125 million with all the actions that we are taking. We have good visibility in the market. It is up to us to have good operational skills in order to fulfil this demand. And with the steps that we're taking together with team over there, Jason and Andy, we'll be on track for this run rate target. And of course, as we have shown at the beginning of this year, we are executing on our active and disciplined acquisition strategy focused on Europe and North America led by Johan Verlinden.

Thank you very much.

Questions and Answers

Karen Berg: Thank you, Rafael, and Karin. It is now time for questions. The first question is already there. It's Matthias Maenhaut from Kepler.

Matthias Maenhaut (Kepler): Yeah, hello. Good morning. Can you hear me?

Karin de Jong: Yes, we can.

Rafael Padilla: Yes, Matthias. Good morning.

Matthias Maenhaut: Hello, good morning. Congratulations with this Q1 trading update. A couple of questions from myself. I limit myself to three. Maybe first on the full-year guidance, and then more specifically on EMEA. You mentioned growth in turnover, and a slight improvement of profitability. Now regarding the growth in turnover, and you recorded organic growth of 3.6% in the first quarter. So, will you give this the confidence that you will also grow organically in EMEA this region this year, and why?

And then secondly, the comment on profitability, I just wanted to have a clarification. Do we need to read this only on an absolute profit level or also on a margin level? Will there be an improvement in the EBITDA margin? These are my first questions. I have some more, but I will ask them one by one if I may.

Rafael Padilla: Thank you very much, Matthias. Good morning, again. For your question on EMEA, and the growth that we are showing or a slight growth that we're showing this year organically and inorganically, the midterm guidance that we gave is low single digit growth for this region. In our plans for 2022, we want to see first a stabilisation of the segment that we saw in the last quarter that were declining. So, that is our first priority. And of course, there are some interesting markets. And you can think of Italy, Greece, Spain, activities in Germany now that we want to see good developments there.

So, when you blend everything, we would go in 2022 for stabilisation and a slight low single digit growth for this region on the sales side.

Karin de Jong: And if we look at the profitability side, so, we see not only in EMEA, but in all regions that it is a very dynamic environment. We see lingering impact on the supply chain, inflation, energy prices rising as well as transportation. So, we guide on an increase in profitability in absolute value and not on the margin value because of the uncertainty we experience throughout the markets.

Matthias Maenhaut: Okay, good, clear. Then a question on US FSS or two questions maybe, two smaller questions actually. I noted that you mentioned that the automated visual inspection will improve the throughput by a factor of 20. So, that is quite impressive. Would you be able to state if you also have demand for 20 times of what you're delivering now? That will be my first question on this.

Then secondly, I see that you are going to lower the man hours per batch on the back of the automated labelling by 20 in the second half. Could you maybe just give us a bit of a feeling on how much this represents in terms of the selling price? So, the percentage of the selling price that the 20 man-hours would do on a batch? So, that would be my second question. And then I have another question on other topics, so.

Rafael Padilla: Yeah, that's very good questions, Matthias because now our current let's say bottleneck with FSS is the postproduction. Moving the warehouse across the street will give us the room in order to have the final steps. And that's first visual inspection and then the labelling automated, now is 100% manual. And well, you said increasing by 20% or 20 times, sorry, but 20 times. That would be awesome, indeed. We will have the capabilities during the second semester when those machines are installed to deliver all the demands that we're planning to have in order to be at US\$125 million run rate.

On the cost side, on the labelling machine; here you can imagine the machine having like two lines. The first one is labelling the bag or the syringe, if you will, and then the repackage – the package that it is in, and labelling it as well. Of course, we'll gain efficiency there. It's the same automated process. If it is factor 20, that will be the max. But we will not be in the factor of 20 side in that specific line because of course you will always need a colleague that is bringing the product from one place to the other in order to finalise that process.

Matthias Maenhaut: Yeah. And is it possible, the savings of the 20 man-hours to express that as a percentage of sales or you do not want to provide that colour for the moment?

Rafael Padilla: Well, that's of course too much detail right, Matthias. So, of course, we need to receive – validate and install. And then we need to – it's also a new process. You know what, it's not like the machine comes and then you plug it and then everything works. You have the setup times and all this stuff. And then of course, next year we will have a clear output of these two machines that were ordered and will be installed during the semester.

Matthias Maenhaut: Yeah. Okay. Maybe, if I have a final follow up on Wichita. And you're going to add a third shift. When you added the second shift, we have seen quite a margin drop for the US. Do you think this margin drop will be similar for the third shift or will it be significantly less?

Karin de Jong: Now, it will have an impact, but we still confirm the guidance we've given for North America being at 20% by the end of 2022. So, we do expect some impact of course of that on our Opex levels, but we confirm the guidance we have given on the 20% for North America.

Matthias Maenhaut: Yeah. Okay, great. Maybe then one just small follow-up on the Ukrainian impact. This also impact – this also – the statement also accounts for the transportation costs. So, there you're not seeing a significant impact for the moment for the time being?

Rafael Padilla: Yeah. For the time being, Matthias, and again that's a very interesting remark that you make. We decided last year to invest in inventory levels. At the beginning of the first quarter, we also took this step. And, of course, it is inventory that has already arrived at our facilities. Now we have to say that it's

challenging, the procurement or supply market is very challenging. During COVID, we invested in our procurements planning capabilities in order to have centralised approach. But what we now see is – and something that maybe we didn't mention during the presentation at the beginning also with the lockdowns in China for the COVID – is that prices are going up; also transportation prices, especially the air freight is going up. So, we have now a good inventory position. But of course, in some months, we'll have to replenish this again. So, we're already working proactively in order to have lesser impact. But it's something that it's on a day-to-day basis. So, we can talk about the past and the actions that we took, but it's an uncertain situation at this moment in time. But we are monitoring that very close.

Matthias Maenhaut: Yeah, okay. And just the inventory levels, that's how much above normal levels that you have presently?

Karin de Jong: Yeah, we invested a little over €10 million in the first quarter additionally to make sure we have our products available for our customers and also to balance product availability and price increases overall, but also optimising our transportation costs. So, that's something we did in the first quarter.

Matthias Maenhaut: Yeah, okay. And that would allow for how many sales or how many million sales? I know it's not possible to say.

Karin de Jong: No, that's – yeah. No, no. That's a bit too much detail, Matthias.

Matthias Maenhaut: Yeah. Okay, good. I'm going to get – I have some more, but I will get back in the queue. Thank you very much for your answers.

Rafael Padilla: Thank you, Matthias.

Karin de Jong: Thank you, Matthias.

Karen Berg: Next in line is Frank Claassen from Petercam.

Frank Claassen (Petercam): Yes, good morning. Can you hear me?

Karin de Jong: Yes, very well.

Rafael Padilla: Good morning.

Karin de Jong: Good morning.

Frank Claassen: Nice. All right, I've got two questions. First of all, on AnazaoHealth. I noticed indeed very strong growth, 25% in constant currencies. You said something about 503A players moving out or – but can you elaborate further, yeah, what is driving this strong growth? What products, maybe regions, what is going on at AnazaoHealth? That's my first question.

And then secondly on LatAm. Yeah, of course, we've seen a very – yeah strong strengthening of the Brazilian real. What does that mean for pricing levels in Brazil because I can imagine that raw materials get cheaper in Brazilian real. Does that mean that prices have to be lowered or can you still keep prices stable? So, what is going on, on pricing level in Brazil? Thank you.

Rafael Padilla: Sure, Frank. And again, good morning. With Anazao and we said many times when we have this context that we feel comfortable with high single-digit growth developments there. What we see in the market is that telemedicine - telehealth is clearly a tailwind, mainly for dermatological applications. And you can think of acne or [inaudible] or hair treatment, alopecia. And Anazao is very well positioned there. We have a platform, MyAnazao, where prescribers can connect with us and can personalise their treatments. So, that was another important driver for the growth. And also, as you said very well, the consolidation of the market of the 503A, that is now also taking place. Those two would be the main drivers for the 503A.

And then on the B side that Anazao of course has, we also see an increased demand of the IV lines, that's more for prevention and lifestyle, the IV infusion therapies. And that Anazao is also well positioned with high-quality standard in our data facility. So, both segments in the Anazao business are having a nice traction.

Karin de Jong: Yeah. So, good morning, Frank. On LatAm, indeed, it's been a pretty dynamic quarter if you look at currencies, interest rates, inflation in the LatAm area and especially in Brazil. We see that dynamic also in our business. So, indeed, we acquired our volumes against dollars last year, which we are selling now. The competition also acquired last year or more recently. So, we see that dynamic in that market, and we track that of course. So, that had impact in our first quarter sales. We see that the pricing levels, they increased slightly. But we see volume stabilising in the first quarter. So, the demand was less, and that was driven by a couple of elements. So, we see in January and February that the compounding facilities had less people because of Corona. And therefore, we saw a drop in the first months. And then in March, we also saw that there's some hesitation in the entire month because of the increase of interest rates to over 10% with the inflation coming in.

So, that turbulence had an impact on our Q1 numbers. Of course, we see that counterbalanced by a positive impact in translation impact on that Brazilian business. So, overall, we saw a nice development. As we mentioned, I think during the Capital Markets Day, but also previously, that it's a very dynamic market, Brazil. It can go up and down each quarter. So, we see organic growth still being over 3% in the first quarter. We expect continued growth for that region. And we are confirming our midterm guidance we have given for that region knowing that it can go up and down every quarter because of the different dynamics in that market.

Frank Claassen: Okay. Thank you very much.

Rafael Padilla: Thank you, Frank.

Karin de Jong: Thank you.

Karen Berg: Next in line is Eric Wilmer from ABN AMRO-ODDO.

Eric Wilmer (ABN AMRO-ODDO): Hi. Hi. Good morning, everyone. Can you hear me?

Karen Berg: Yes, sure.

Eric Wilmer: Great. Yes, I also have a few questions. First was on the margins of the acquired targets. I understand that you probably will not want to disclose it. But I was wondering, is this roughly in line with previous acquisitions that you've done such as Dr. Kulich, Gako and let's say Pharma-Pack.

Karin de Jong: Yeah. Good morning, Eric. Yeah. So, these are pretty small acquisitions, we do a lot in the first quarter. So, a bit careful with the multiples we have given. But they are slight – the EBITDA and profitability margins - are slightly above the ones for Kulich and Pharma Tamar we historically did. So, they are slightly above that. Of course, Curaphar is a very small acquisition. So, we bought that for strategic purposes. And they have a very limited turnover. So, it's basically Hiperscan with the €6.5 million turnover, and EBITDA margins that are slightly above the ones that we acquired historically.

Eric Wilmer: Okay, that's very helpful. Thanks for that, Karin. And then another question, and I may have missed this from the previous remarks. But I was wondering why did brands in North America see such a drop. Is this fully COVID related or was there something else at play?

Karin de Jong: Yeah. So, there's two elements. So, organically, it's because of COVID products phasing out. There will be in April, we expect some slight impact, but that will then phase out completely. And total growth, it's mainly the CMO business we divested, which was also partly in the Brands business. So, we

expect organically that that will start growing in the next couple of quarters again because we will benefit from the B&E combining businesses going forward.

Eric Wilmer: Okay, thank you. And then maybe last question. You've obviously been very active on the M&A front, four deals and one participation in Q1 after two years which were, let's say, more tough. This is just a little bit more broad and general question. Could you talk a little bit about your current pipeline for this year? Thank you.

Rafael Padilla: Yes. Sure, Eric. So, as we all know, right and we explained that for the first time, we have a dedicated team that is led by Johan with three persons that are focused on M&A. We have an active but also a disciplined strategy there focused on Europe and North America. And we have now the funnel with all the targets that we think that are very interesting, that are strategically aligned with our three main pillars that we discussed today. And then of course, we have conversations, but you know how it goes. It doesn't depend a 100% on us and how this develops. But our pipeline is quite rich in this enabler of our strategy going forward.

Eric Wilmer: Okay. Thanks very much, Rafael.

Rafael Padilla: Thank you, Eric.

Karin de Jong: Thank you.

Karen Berg: I see there are no more questions on the line. If anyone wants to ask other questions, you can do so. Also, we have the webcast. So, people can also type in questions if they have. People on the line can do it by pressing star one. There we have Matthias again. Matthias, you can ask your question.

Matthias Maenhaut: Yes, can you hear me?

Karen Berg: Yes, we can.

Matthias Maenhaut: Okay, sure. Yeah, I had a question on the Curaphar acquisition actually. And also, the second acquisition, maybe just on the growth profile of these businesses. So, both Curaphar and Hiperscan. And also, on Curaphar, can you elaborate a little bit on the strategic rationale?

I understood this has two registered products. How long have these products been registered? What's the total addressable market? And what growth profile do you expect from this acquisition going forward?

Rafael Padilla: Yes. Thanks for the question, Matthias. With Curaphar, and it's mainly the Pedippi, one of the two products. Pedippi, that is for heartburn, right. The strategic rationale, and then you need to go to the – or we need to go to the third strategic priority. That is the optimising the non-sterile and registration business in Europe, especially in the Netherlands. But we have seen the last years, we have always seen it, but an accelerated trend with a higher impact on the last quarters, is that we're going to have compound and it starts always with an individualised script. Then it goes to higher batches. Then in the Netherlands, you can make stock compounding out of it. And then the stock compounding with the stability test and all the data, we take further steps. And it evolves naturally into registered products by us or by other players in the market, right, also the pharmaceutical companies. And what we have done is to analyse growth in the portfolio, taking the main compounds into account. And we of course have a big or an important compound for us that was the Omeprazole suspension, that's mainly for children. And we saw that there was a registration in the market recently and being distributed by this Dutch company that's now part of the family. So, therefore, we have limited revenues as Karin was explaining.

And now with this move that we took, we're going to of course take the compounding revenues that we had in our assortment into the registered product because as you know when this registered product enters, the company needs to stop. And of course, if other players will have the same compound in their assortment in

the upcoming months, this should also - when the stock is over - also move or the customers from those compounds should also move to this registered solution that now is being distributed and sold by us.

So, that's on the Curaphar being precisely. And it again makes part of this third pillar that we were discussing at the beginning of the presentation.

Matthias Maenhaut: And then the Hiperscan, the growth profile, can you elaborate on that?

Rafael Padilla: For sure. Thank you, Matthias. So, Hiperscan, in Germany the compounding that takes place in the community pharmacies there, the regulation is very clear. The regulation says that all the materials that a pharmacy, compounding pharmacy, is going to use for preparing these scripts that they receive need to be analysed upon receipt. And therefore, you have companies like Hiperscan that develop technology, very easy-to-use technology, very rapid technology in order to analyse these materials. So, in our first strategic priority, the global leadership in Brands & Essentials, Germany is of course a very important market where we do not have this leading position. And you can think of this equipment as part of the Fagron Lab range that we'll support, that will enable the path to the leadership position in the German market. So, Hiperscan is present in a lot of pharmacies in Germany, has its own salesforce. That of course we can combine with other products of the Fagron lab, but also the raw materials. And of course, we're going now to look at opportunities outside Germany. But Germany remains our focus. And this will again allow us to have a better penetration into the German market.

Matthias Maenhaut: Okay. Thank you.

Karen Berg: Thank you, Matthias. Next in line is Maarten Verbeek from The Idea.

Maarten Verbeek (The Idea): Good morning. It's Maarten Verbeek from The Idea. One follow-up on the acquisitions you mentioned. You paid a purchase price for both combined below €10 million. Is it on EV basis or not, because I've seen it in the past, Hiperscan used to have a quite a nice cash position on its balance sheet?

Karin de Jong: It's on an EV position.

Maarten Verbeek (The Idea): Okay, thank you. And then going to FSS, you mentioned that revenues would cool off in the Q1. But at the same time, it makes the growth to your end of \$125 million a bit more steeper. This growth, will this be step by step or will it be more like a hockey stick that you will see a peak in the final quarter?

Rafael Padilla: Yes, it will be more towards the second semester, Martin.

Maarten Verbeek (The Idea): Okay. And then as a follow up, you also mentioned a number of SKUs you had at the end of Q1?

Rafael Padilla: Yes, we always state that a good portfolio would be around 220 SKUs. We are on track there. We're almost there. And as we also explained in the beginning of the presentation, we are now launching in April the Epidurals. So, the impact is not like with the IV packs, but gives you a more comprehensive portfolio.

Maarten Verbeek (The Idea): Okay. Thank you very much.

Rafael Padilla: Thank you.

Karen Berg: Thank you. Next in line is Stijn Demeester from ING. Good morning, Stijn.

Stijn Demeester (ING): Yes, good morning. Thank you for taking my questions. I only have a few follow-ups. You just mentioned Rafael, 220 SKUs. I always thought that the number was 200. But has it moved up on FSS?

Rafael Padilla: Right. So, it's between 200 and 220, Stijn in order to have a comprehensive portfolio to serve this industry. But 200, we are almost there, around there. But 220 also when you add the Epidurals, that would be a very nice portfolio, a very much complete portfolio, if you will.

Stijn Demeester: Okay. And on US Compounding, can you comment on what the acquired book is currently doing? You guided here for I think 6.5 million in sales. But the business did much better pre-COVID? So, what is the current contribution?

Rafael Padilla: Yeah, the current contribution for this first quarter was around US\$700,000, Stijn. The total at that time when we acquired the book of business and here again, we – how the deal is structured, we pay when the sales are in, and the customer pays the invoice. So, that's very interesting for us. The total compounded portfolio of USC was around US\$6.5 million. Of course, we are integrating it. And we take quality as the main driver to integrate it. So, it means that some SKUs may not come in this one. And the interesting part of it is of course that you can leverage some customers that we didn't have with our full portfolio there.

Stijn Demeester: Okay. And what is the SKU contribution of US compounding?

Rafael Padilla: We had 19 SKU contribution that we'll have in our portfolio, one nine.

Stijn Demeester: Okay. And that is a number that will not move?

Rafael Padilla: That we – sorry. Stijn, sorry. Just to make a small remark, that we identified with the quality team that could be – that could follow our quality standards, right. That's also very important.

Stijn Demeester: Okay. And what is the current implementation of SKUs? It's not 19 probably.

Rafael Padilla: No, we are with the middle. So, in the 200 – between 200 and 220, those 19 are included in this number.

Stijn Demeester: Okay. Okay. And currently, how much have you –

Rafael Padilla: Yes, above – somehow above 50% of it, a substantial part of it, yeah.

Stijn Demeester: Okay. And then the last question is on – also on Curaphar. Did you acquire any production assets here? And if so, will these activities be folded in Tiofarma or how should we look at it?

Rafael Padilla: Yes, it's a distribution company. So, it distributes the product that comes from abroad. So, it's not a production part. It's more distribution and sales company, Stijn.

Stijn Demeester: Okay. Okay. Okay. All right, thank you.

Rafael Padilla: Thank you very much, Stijn.

Karen Berg: Thank you. I also have a question via the webcast. What's the progress on the registration process of the projects that you announced during the Capital Markets Day?

Rafael Padilla: Yes. Thank you, Karen.

Karen Berg: It's for one of our investors. So, I'm not going to identify the client.

Rafael Padilla: Okay. So, thank you. Thank you very much for the question. So, here we have different activities. We have the registration with partners, like with Tiofarma – on that we have launched recently takes some period of time. Hence, we explained that shortly we'll have a new introduction. We foresee this one for the third quarter. So, we are on track there. We'll have some in-licensing and distribution projects that will come throughout this year, and of course the next years to come in order to protect and regain some market share that we lost during the last several quarters.

Karen Berg: Thank you very much. And then unfortunately, Christophe Beghin from Kempen had some issues with dialling in. So, he asked me a question via email about the FDA audit, the minor observations. Can you elaborate a bit more on what those were?

Rafael Padilla: Well. Thanks, Christophe for your question. The report will be available on the FDA site. They were really minor remarks that the FDA had. Overall, it was a good audit. And you have these typical procedures in the clean rooms of the compounding side that were more related into that aspect rather than more in general. So, we're very much satisfied on how the team received the audit, and only six minor reports – again, six minor comments. It's for us very good news.

Karen Berg: Thank you. Are there any further questions? Star one if you have, and if not – I don't see any. So, thank you very much for your time, and your questions, and your interest in Fagron. We hope to speak to you in the summer with the discussion of our half yearly results. Thank you.

Rafael Padilla: Thank you.

Karin de Jong: Thank you.

Operator: Thank you for attending today's call. You may now disconnect.

[END OF TRANSCRIPT]