

Dermapharm Holding SE
Q3 Results Presentation
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Transcript

Speakers:

Christof Dreibholz

Dr Andreas Eberhorn

Britta Hamberger

Britta Hamberger

Ladies and Gentlemen, welcome to our webcast for Q3 2023. Thank you for joining us this afternoon. Our speakers today are our CFO, Christof Dreibholz and our Chief Marketing Officer, Andreas Eberhorn. Christof will guide you through the presentation, and afterwards, there will be time for Q&A. Christof, the floor is yours.

Christof Dreibholz

Thank you. Good afternoon. My name is Christof Dreibholz. Let me show you the agenda for today. No, okay, we will show you, briefly, the financial figures for Q3, and then comment on the outlook for the full year, and as usual, followed by a Q&A session. In summary, we have achieved, in the year-to-date October period, a still-remarkable revenue growth of approximately 18% to roughly 870 million across all three segments.

Our EBITDA currently stands at 244 million, which represents 2% growth over the comparable prior-year period. This is slightly lower than in H2 23, as we continuously have to compensate for the phasing out of the vaccine production, which, as you will recall, showed our last revenues in 23 in Q1. The EBITDA margin currently stands at 28%, which is comparable to our H2 number of roughly 29%, also reflecting the phasing out of the vaccine production.

On the following slide, we show, again, the main drivers from last year's comparable period to this year's year-to-date September period. We achieved an organic revenue growth of approximately 26 million, representing roughly 5% over prior year's period. The margin of the organic growth is approximately 40%, as this largely stems from our branded pharmaceuticals segment with an impact of vitamins and pain and inflammation products.

Acquisition growth, again, mainly contributed by Arkopharma with approximately 170 million in revenues and 41 million in EBITDA, that representing a margin of 24%. Our estimate for the full year, however, still stands at approximately 22% EBITDA margin, so we still expect a slight decline coming from Arkopharma, in terms of EBITDA margin.

We have initially consolidated Montavit, starting in July, contributing approximately 7 million in revenues and a slightly positive EBITDA result. We expect another 7 million in the remaining months, in terms of revenues coming from Montavit, and then, of course, the decline in revenues coming from the phasing out of the vaccine business, compared to last year, showing a difference of roughly 70 million in revenues.

The next slide is, again, a summary of the EBITDA adjustments that you have also seen before in our H2 presentation. The only difference, as already indicated in our last presentation, is coming from the PPA effects, which continuously increase. So, we have, from the PPA, regarding our inventories or the Arkopharma inventories, approximately 4.5 million in expenses that we record and adjust in our normalisation table.

So, we expect another 4.4 million to come in Q4, this being the only difference in the table. I think we can quickly go over the individual segments, as I have already mentioned the main drivers. So, in branded pharmaceuticals, strong organic growth, as I already said, mainly coming from vitamin products, especially vitamin D, and pain and inflammation, the Trommsdorff portfolio.

Our profitability is still remarkable at 46, however, slightly declining from prior year, reflecting higher labour costs and, of course, again, the phasing out of the vaccine business.

The other healthcare products segment is impacted by Arkopharma, so we see the revenue growth, which mainly, exclusively, comes from Arkopharma, the remaining business approximately at the same level as in the comparable prior-year period. And also EBITDA declining and representing the Arkopharma margin.

And finally, in our parallel import business, we see a slight revenue increase, compared to prior year, reflecting favourable market trends. However, a still-low EBITDA of 1 million in the year-to-date Q3 period.

Coming to our Group earnings before tax, declined to slightly above 100 million, and this, driven by the increased financial expenses, as a result of our new syndicated loan, where we have an increase of approximately 40 million in interest, compared to the prior-year period and, due to the initial consolidation, especially of Arkopharma, higher DNA cost.

From there, I switch over to our cashflow statement with a cash conversion rate of roughly 63%. The absolute amount of our operating cashflow is 152 million, only slightly lower than in the prior-year period, as although we see a lower earnings before tax, as we've shown before, we also see slower working capital build-up.

And the difference is mainly driven by higher tax expenses that we currently experience, due to the favourable result that we generated in 22, where we have experienced the tax payments now. Our cashflow from investment activities is

the same as in our H2 report, so mainly impacted, of course, by the Arkopharma acquisition. R&D activities of roughly 30 million now in the year-to-date Q3 period are at prior-year level.

And lastly, our balance sheet, also mainly unchanged, compared to H2. Maybe, again, to mention that, in the non-current assets, the Arkopharma goodwill stands at approximately 300 million, also unchanged. Our outlook, based on these numbers, remains also unchanged with our revenue guidance between 1 billion, 80 million and 1 billion, 110 million, and our EBITDA range also unchanged at between 300 and 310 million.

And we still expect that we will achieve an EBITDA in the higher end of this range. And thank you, so we are open for questions.

Operator

Ladies and Gentlemen, at this time, we will begin the question-and-answer session. Anyone wishing to ask a question may press star, followed by one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star, followed by two. If you're using speaker equipment today, please lift the handset before making your selections.

Anyone who has a question may press star, followed by one at this time. The first question is from Gerhard Orgonas with Berenberg. Please go ahead.

Gerhard Orgonas

Yes, good afternoon. I have a couple of questions, please. Firstly, do you have a number for the organic growth in branded pharmaceuticals for nine months in Q3?

Christof Dreibholz

It's roughly 10 million.

Gerhard Orgonas

In Q3 or nine months?

Christof Dreibholz

Sorry, just a second. I am sorry, so a slight misunderstanding. So, our organic growth in year to date in the nine-month year-to-date period 23, compared to last year in branded is 8%, not in absolute amount, but 8% over prior year.

Gerhard Orgonas

Okay, thank you. Did you book any vaccine-related business in Q3, and do you still expect roundabout or small-double-digit euro million in Q4?

Christof Dreibholz

Yes, a minor amount. So, low-single-digit million amounts were booked, and we expect a comparable small amount in the remainder of the year.

Gerhard Orgonas

Okay, excellent. And then just one question on your guidance. If I look at Q4 now, the high end of your guidance

implies that we have a sequential decline in EBITDA of about €10 million from Q3, even though I understand Arkopharma is a bit weaker in Q4, but the brand, it should be stronger. So, why should we expect Q4 EBITDA lower than Q3? Are there any particular reasons for that, given that that vaccine business should also be on a similar level? Or are you just being conservative?

Christof Dreibholz

Yes, just a second. Yes, the main driver is, but this is something that we anticipate every year, is that, of course, December is a shorter month. And in some of our businesses, even only half a month, as businesses are closed, mid of the month. And therefore, what we have seen historically is that Q4, as such, is weaker. And hence, we expect it to be the same this year, or we have no reason to believe that it's different.

And, as you mentioned, of course, Arkopharma now has some power or size and impact, and as we have mentioned before, is slightly declining or weaker in Q4.

Gerhard Orgonas

Okay. In branded, I don't really see it because, if I look back to since 2018, Q4 was always stronger than Q3.

Christof Dreibholz

Yes, I don't know how you've built your numbers, but it should include, or I believe that it includes, vaccine revenues, which we don't expect.

Gerhard Orgonas

Yes, okay, thank you.

Christof Dreibholz

Welcome.

Operator

The next question comes from the line of Marietta Miemietz with Pareto. Please go ahead.

Marietta Miemietz

Yes, thank you for taking my questions. I have one on the parallel import business. Would you mind elaborating a little bit on the ongoing mix shift that is leading to lower margins, and against this backdrop, when and how do you expect the margins to improve?

And, second question, just as we're heading into the winter, I just wanted to double-check the safety of your energy supply, and also whether the end of the pandemic or the end of vaccine production affects your critical infrastructure status in Germany at all. Thank you very much.

Dr Andreas Eberhorn

So, Andreas Eberhorn here. Let me repeat, on your first question, so the product mix, at the moment, is more on the older portfolio, which has, in normal times, a lower profitability or margin. And that's why, let's say, we see this decline, but we expect a number of new products coming and new launches for parallel business, always.

It's a more, or let's say, more profitable business, so the mix should change, starting from 2024, in a more favourable composition, as we have today. I hope this answers question one and question two on the energy costs, I would hand over to Christof Dreibholz.

Christof Dreibholz

Yes, basically, we have not even discussed that internally because I think, based on our existing contracts, we feel comfortable, plus also, I think, one of our main energies is gas. And also, as you've certainly read, that the gas warehouses are full, so this is not something where we currently believe that we will run in a shortage. And we are part of the critical infrastructure, and therefore, currently see no issue from that side.

Marietta Miemietz

Excellent. Thank you very much.

Christof Dreibholz

You're welcome.

Operator

As a reminder, to ask a question, please press star, one on your telephone. The next question is from Miro Zuzak with JMS Invest. Please go ahead.

Miro Zuzak

Hello, can you hear me?

Christof Dreibholz

Yes, we can.

Miro Zuzak

Good afternoon, Gentlemen. Thank you for taking my question. The first one is on the change on inventories. It has been, in Q3, you had a decrease in inventories of around 7.5 million. Is this mainly due to the small amount of BioNTech sales that you mentioned before, in response to Gerhard's question? And is it fair to say that there's a very high margin on these sales? That would be the first one, and I'll take them one by one, if I may.

Christof Dreibholz

So, just to make clear that we understand it, so you mentioned a change in inventories?

Miro Zuzak

Yes, in the third quarter, it has been negative by €7.5 million. So, for nine months, it was plus one, 0.081, but with the 12 million in Q1 and minus 3.4 in Q2, and now it's minus 7.5.

Christof Dreibholz

And could you continue, repeat your question then, because there was a second part to it with the margin?

Miro Zuzak

Yes, because I know that, on the BioNTech products, you have very high margins, and obviously, that's what is mainly... Or did you produce any of the goods that you delivered for BioNTech and the low-single-digit amount that you mentioned, or was it taken off the shelf from the inventories?

Christof Dreibholz

So, we, basically... What I see is that we don't have any

meaningful BioNTech inventories on the balance sheet anymore, and that we even had to, at the end of last year, but also this, with low-single-digit million amounts, had to...

Dr Andreas Eberhorn Destroy.

Christof Dreibholz To destroy, yes, thank you. To destroy part of the inventories, due to a short remaining shelf life. So, currently, in 23, there is no impact from any inventories related to the vaccine business.

Miro Zuzak Okay, then the next question would be on the financial result and your debt structure. If I'm not mistaken, you hedged part of your outstanding debt for two years until the March 2024. That would be the floating debt, basically, that is available, plus margin debt. Can you, please, remind me how much that was? Because I noticed the increase in financial expenses, and I'm just...

Or maybe you can also help me in getting a number for next year and 2025, in terms of financial debt? Because I just noticed a high amount of gross debt, which is still [21:48 unintelligible?].

Christof Dreibholz Yes, so we hedged 800 million, but we hedged it, not only for 24, but until, I think, 26. So, the interest will be the same in 24.

Miro Zuzak So, roughly 60 million?

Christof Dreibholz Roughly 50, yes.

Miro Zuzak 50 million, okay. So, thank you.

Dr Andreas Eberhorn You're welcome.

Operator To ask a question, please press star, one on your telephone. There are no further questions at this time, and back to Britta Hamberger for closing comments.

Britta Hamberger Thank you very much for your attention and joining this call this afternoon. In case there are any questions left open, please feel free to give me a call after this webcast. Thank you very much for your attention.