EUROAPI - Full Year 2023 Results and Strategic Review Outcomes

Thursday, 29th February 2024

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Viviane Monges: Okay. Good afternoon, everyone. Good morning for those who are listening us from the US. And welcome to this presentation of EUROAPI Full Year 2023 Results and Strategic Review Presentation.

I'm Viviane Monges. I'm Chair of the Board of Directors of EUROAPI, and for another few hours, Chief Executing Officer. Today with me, Ludwig de Mot, who is another few hours executive Vice President, Chief Transformation Officer, and who has just been appointed by the Board of Directors, Chief Executive Officer, as of tomorrow. Antoine Delcour, our Chief Financial Officer will be present with us today, as well as most of the members of our Executive Committee, who are present with us in the room in Paris.

So first of all, I would like to emphasise some of the information that we will share with you today is looking forward and not historical. This information is based on projections, assumptions concerning EUROAPI current and future strategy, future financial results, and the environment in which we operate. Those forward-looking statements and information do not constitute guarantees of future performances, and they may be subject to certain risk and certainties, which are difficult to predict and generally outside the control of the Group and could cause actual results, performances, or achievements to differ materially from those described or suggested.

Today is a very important day for all of us for the company, and I want to thank first all the EUROAPI's team members that have worked very hard to achieve, first, 2023 operational and financial performance, and also in the last few months complete the strategic review. I also want to extend a big thank you to EUROAPI's Board members for their support during this period and guidance throughout the completion of the review.

Our biggest focus today will be about the new project, FOCUS-27. And I just want to take one minute to go back in time a little bit. '22-'23, we had to face some headwinds and you all remember. We had a temporary shutdown of our Budapest facility. We have macroeconomic environment which has been challenging, energy prices that has been significantly increased.

We also had to cope with the biotech funding difficulties and the decline of the sales of our main customer. The Board of Directors last October has decided to change the CEO, appointed myself as an interim CEO for period of time. And we started right away a very deep study and diagnostic of the strengths and weaknesses of the company.

We went really in the detail and it was a very intense period to understand what did we go, what did we do wrong? What is right? What do we need to fix? And how can we put back this company on the path of a bright future with growth and profitable growth?

Today, we have a project that we will present to you. We have precisely identified what are our strengths on which we can build on, and what are our weaknesses that needs to be fixed. We have made choices, conscious choices, difficult ones. And we are going to focus the company on create value over the course of the plan in the next four years.

We understand that today, we are not going to be able to say everything, and they are really good reasons for that. This is still a project that we will discuss with our social partners, and until that has been done thoroughly, we won't be able to give you more details.

But the reason why we really wanted to come out today with at least the content of the plan that you have in front of you, is because we want to act fast. We cannot lose time. We need to start and engage the change in this company and put into actions those decisions as fast as possible, so that we recover from the difficulties that we've had and we really focus on our new future. We want to take our future into our hands and be fast in doing so.

So before jumping into the core of this presentation, I just would like to share the building blocks of EUROAPI's FOCUS-27 project, which is a comprehensive four-year project that will unlock a full potential as an independent and leading CDMO and API supplier.

The project spans the whole organisation and it addresses our challenges without taboo, including the need to evolve our API portfolio towards more profitable products, the need to increase our capacity utilisation, which is low at the moment, and the need to streamline our organisation.

FOCUS-27 builds our inner strengths and comprises four pillars: optimisation of our portfolio, strengthening our CDMO business offer, rationalise our industrial footprint, and transform the organisation.

This project has been designed based on revised contractual terms with Sanofi, acknowledging the need for both parties to adapt to historical manufacturing supply agreement to the current environment. We are in ongoing discussions with our key stakeholders to finalise its implementation and it's financing. We will communicate on the outcomes of these discussions in the second quarter of 2024.

We are confident in the success of these discussions and of the execution of the FOCUS-27 project. And our main shareholders, Sanofi and the French State through EPIC BpiFrance have agreed to extend the duration of the lockup period until December 2025. From memory, this lockup was expiring in the month of May of this year.

Ludwig and I will detail this project during this presentation, the second part of the meeting. But first let me give the floor to Antoine, who will present our 2023 results.

Antoine Delcour: Thank you, Viviane. Let me start with a snapshot of 2023 consolidated results.

Net sales stood slightly above €1 billion, up 3.8% compared to 2022, driven by a 6.8% increase from the CDMO business and 2.6% growth from API solution. Net sales from Sanofi were almost flat, while net sales from other clients grew 7.1%. Core EBITDA reached slightly more than €93 million, down 22.4% versus '22 with a core EBITDA margin of 9.2%. Finally, CapEx stood at €129 million, out of which 52% were dedicated to growth CapEx.

Let's now come back to net sales growth. Sales to API activities increased by 2.6% to €728 million, driven by sales to other clients that grew 7.1%, but partially offset by sales to Sanofi that were down 1.5%. Sales to other clients were notably driven by the deployment of a commercial roadmap with 46 new clients added in '23, the acceleration of the cross-selling strategy, which represented around 7% of API sales to other client, product mix and positive price adjustment over the year.

However, sales to other clients have been affected by year-end destocking programmes, initiated by some of our customers in Africa, Asia, and Latin America.

On the other side, sales to Sanofi were negatively impacted by decreasing demand from certain APIs and the progressive discontinuation of Buserelin production after its divestment by Sanofi.

The decreasing demand from certain API was partially offset by the activation of a global manufacturing supply agreement or material pass-through and energy compensation and a €12 million additional payment from Sanofi associated by performance objectives on top of the contractual clauses.

In the meantime, CDMO sales grew 6.8% to €289 million, mostly driven by the good performance of commercial product from both other clients and Sanofi. However, we saw lower sales from early stage project with other clients following biotech company funding constraints.

Gross profits stood at €165 million, down compare to ’22 due to lower volume, higher energy and raw material prices.

Core EBITDA amounted to €93 million, down 22.4% compared to €120 million in ’22. Core EBITDA margin was at 9.2% versus 12.3% in ’22 negatively impacted by less favourable fixed cost adoption as sales volume were lower than initial anticipated, unfavourable margin mix, the extra profit in Hungary for €3.4 million and the increase in OpEx, of which €3.5 million were related to the reorganisation of the executive committee.

However, this element were partially offset by the €2.5 million provision reversal from the pharma tax in Hungary accrued in 2022.

Let me give more granularity on the decrease of the core EBITDA margin. As mentioned, core EBITDA margin was 9.2% compared to 12.3% in ’22. The main factors that have contributed to its reductions are the following.

We recorded a negative impact from volumes, which affected fixed cost absorption for 0.8 points. We registered a positive impact from price increases and mix from 3.2 points. We saw improvement from industrial efficiencies for 1.7 points. This last two elements, partially compensating a negative impact from energy and raw material cost increases for 6.3 points.

Finally, we registered a negative impact from OpEx of 1.7 points, including a €3.5 million one-off related to the organisation of the Executive Committee. At the end of December 2023, 80% of our energy costs for 2024 were already hedged.

Let's move now to EBITDA to net income. Operating income was negative €234 million compared to negative €0.8 million in ’22, including €226 million in impairment of assets. These impairments were triggered by two elements. First, the deterioration of future cash flow highlighted by the strategic review compared to the previous business plan. Second, the increase in WACC from 7.1% to 8.3% reflected in the discounted cash flow.

Income tax was positive €53 million out of which €42 million was related to differed tax from revolution of EUROAPI Hungary assets. Net income was negative €190 million in ’23, excluding the impact of the €42 million differed tax assets from the revaluation of EUROAPI Hungary assets and the €226 million of impairments on assets, 2023 net income would've been a positive €5 million.

On net debt evolution, core free cash flow was negative €82 million in ’23 versus a negative €54 million in ’22. Operating cash flow was negatively impacted by €69 million negative change in working capital, driven by €49 million change in trade receivable, minus €40 million change

in inventory, mainly driven by the impact of inflation on inventory valuation; minus €53 million change in payable due to the announcements of a payable process.

CapEx, as I mentioned earlier, reached €129 million, or 12.7% of net sales. At the end of December ’23, net debt to at €171 million compared to €26 million in ’22. The increase was driven by the financing of the working capital and part of the CapEx. Net debt on core EBITDA was 1.98 times below the 4 times RCF covenant.

Before giving the floor to Viviane, I would like to say a few words on our ESG achievement in ’23. As we continue to deliver our roadmap, 100% of our sites are now certified ISO 14 and ISO15. More than 83% of our sites are equipped with electricity from renewable sources, and we are well on track to reduce our Scope 1 and Scope 2 CO2 emission by 30% by 2030, compared with 2020 levels.

Over the year, we achieved the objective of having at least 30% of women in the leadership position by ’25, and we continue to work on the reduction of a lost-time injury and the total recordable injury to 1.5 and 2.5, respectively, by ’25.

In ’23, the LTI rates slightly increased compared to ’22 due to accidents with low potential but longer lasting consequences than last year. In this context, we have launched a comprehensive programme called Lifesaving Rules focusing on six unbreakable and unnegotiable rules.

Finally, we're very close to achieving our target of 100% completion of code of conducts and compliance training with a 95% rate recorded in ‘23.

This conclude the presentation of our ’23 results. Let me give the floor to Viviane, who will now go through the outcomes of strategic review launched in late October.

Viviane Monges: Thank you, Antoine. So indeed, let's move to the conclusion of the strategic review, which is really the main topic of this meeting. So over the last four months, we have carried out with the help of some external advisors, a holistic analysis of EUROAPI’s operational strengths and challenges.

The good news is that the review confirmed very clearly the long-term potential of EUROAPI as an independent leading CDMO and API player. So we can rely on four core strengths that you can see this here on the screen. We operate in growing markets. Second, we have one of the broadest CDMO portfolio and leading positions in fast growing APIs.

Third, we can leverage state-of-the-art innovative technologies to answer our client's needs. And fourth, we have built a broad customer base outside of Sanofi that has grown significantly since the spinoff.

On the next slide, we'll first have a look at this strong market momentum. So our underlying market is developing. We are in a robust growth environment with an estimated CAGR of 6% to 8% between ’24 and ’28 for the merchant API market. This is in line with the 6% to 7% growth estimate that we communicated at the time of the IPO.

Overall, our growth drivers remain the same compared to 18 months ago. First, the pharmaceutical market volumes. Second, outsourcing trends with divestment of API activities from large pharmas. Third, product mix with the increase in high value medicines and targeted therapies. And the fourth driver is price, although less so than in the recent past due to the impact of the inflation and pricing pressure from Asian competitors.

On this slide, you can see the different segment of markets and how do they position in terms of growth and differentiation. And you can see that those that are high growth and differentiated segments and products are precisely at the core of EUROAPI strategy. As you can see, oligonucleotides, peptides, vitamin B12 and prostaglandins remain key growth areas in this market.

What the review also showed is that EUROAPI is actually very well-positioned to benefit from this market trends that I just summarised. First, as I mentioned, we have one of the broadest portfolio in the industry. So it's a really broad offer to our customers. Our portfolio spends from large molecules, highly potent API, bio-fermentation, complex chemistry, and all of which are strategic areas for the industry and in which we have a solid presence. And I'll come back to that.

Second, on the API side, we have leading positions in a number of areas, prostaglandins, opiates, vitamin B12s, and we have emerging positions in peptides and oligo. These are all high growth areas and our strategy is to leverage our leadership positions to take advantage of that growth. Unfortunately, these growth areas are also where we currently have capacity shortages.

So prostaglandin is an example and vitamin B12 as well. So that's where we're going to need to invest in the future to catch up with market demand and make sure we can harvest the most of this growing segment.

EUROAPI has also a range of state-of-the-art technologies and modalities in our R&D capabilities. Our R&D organisation is organised by platforms to align with the customer needs and provide critical scale. We are very differentiated from the competition when these technologies are actually combined. So we use both data science, chemical engineering to improve our processes. And this is something which is ongoing all the time in all our sites and R&D labs.

We continuously improve our technologies through innovative initiatives focused on process intensification to achieve higher yield, more economical, sustainable, also sustainable process solution. I'll give you a very simple example. In our Elbeuf plant, we are actually working on a new process for the vitamin B12, which is going to bring a much higher yield in terms of tons produced, but also a process that requires less waste, less water and less energy.

We are using greener solvents and that's a key point of differentiation, obviously, versus our competitors in Asia. We have greener technology, biocatalysts, for example, end-to-end, better waste management on our sites. We are creating efficient and sustainable molecular entities for all the new modalities like the XDC’s antibody drug conjugates.

As I mentioned in my introduction, EUROAPI still remains dependent on Sanofi in a way because Sanofi is our main customer and it will remain our main customer even at the end of this plan. And in 2023, it accounted for 47% of our sales. However, we have a very broad base of more than 550 customers other than Sanofi, and it ranges from large pharma to young and established companies.

We are also addressing fast-growing segments such as animal health with large customers, food, and more recently cosmetics with a subsidiary of L'Oréal. We have strong underlying assets to leverage, but we also have a number of challenges and weaknesses that we need to address very quickly.

The three main challenges that we have analysed during the strategic review are around our product portfolio, a suboptimal capacity utilisation, and our complex and oversized organisation. So let me tell you what we have agreed upon in these three areas and how do we want to fix that.

So first of all, on the product portfolio. At the time of the IPO, we emphasised our exposure to fast growing product with medium to high differentiation. Since then, the good news is we have increased this proportion from 55% to 57%, so that's already a good start. However, we still have 43% of our API portfolio, which is in non-differentiated segments, which are obviously increasingly exposed to fierce competition from Asian players.

Specifically, our portfolio includes some antihistamines, anti-infectives, and antibiotics that are part of those non-differentiated products. And adding to the complexity of this challenge, some of our active ingredients, including sevelamer, metamizole, spiramycin, all highly dependent on Sanofi's demand, which is declining faster as expected, as you have seen in ’23, but as it has been also publicly announced by Sanofi themselves when they communicate that their general medicine division was actually facing some headwinds at the end of last year.

Our second and further challenges are about the underutilisation of our industrial footprint and our organisation. So yes, our industrial footprint at this moment is underutilised compared to industry average.

And on top of that, we have notable discrepancies between our six manufacturing sites and workshops. The average rate is about 60%, but some sites are actually now below 30% and others above 80%. So the good news is we have a number of sites that are highly efficient and highly utilised, but we have some where the utilisation has basically dropped, I would say, lower to a sustainable situation level to economically.

More broadly, our organisation is almost a third larger than the benchmark or, well, companies in the same sector compared with a similar site as you can see in this chart. So that needs to be resized. And we need to become more agile, more efficient, and that includes reducing headcount in all functions, including headquarter and all support functions.

So to address these challenges, we are launching today a holistic project that we have named FOCUS-27, a name that we believe reflects how we will succeed, focusing on our strength, focusing on our footprint and our technological expertise, and focusing the leaner organisation on the success of the plan.

FOCUS is built on four pillars: streamlining our portfolio with a focus on profitable API; focused CDMO offer, rationalise our industrial footprint with prioritised high-return CapEx, and in-depth organisation transformation, more efficient ways of working.

So let's begin with the first pillar, which is the streamlining of our portfolio of API. Over the past four months, we have extensively assessed more than 160 APIs in our portfolio, including all sorts of criteria, including market attractiveness, market growth, profitability profile, our ability to improve margin or not, ability to increase capacity or not. And we have identified four large segments that you can see on this chart: large and fast growing product categories on which we have strong competitive positions and generate high margins; categories that have more like flattish markets and increasing competition, but where we can still maintain good margins; fast-growing segments, we've currently generate low margin due to competitive issue. And

finally, categories of products in decreasing or stagnant markets facing increasing competition from Asian player, less profitable, and in which there was no avenue, I would say, to increase the profitability short term.

So to rebalance this portfolio and focus on highly differentiated and profitable products, we will first invest heavily in this first segment. APIs in this segment include, not surprisingly, prostaglandin. We have a significant project in our Budapest site called PG30 to improve the capacity. Peptides, that's part of our assets in Frankfurt site, oligonucleotides as well.

Vitamin B12, this is manufactured in our site in Elbeuf in Normandy, where we have a big project called ELLA to improve the process and the yield of the manufacturing. Opiates, antiarthritics and antispasmodics. They're more and more on that.

So we are going to leverage our current strengths to protect the second category, the cash generation potential of high margin products such as sartans or some opiates and several complex chemistry APIs. We will work to improve the efficiency and cost structure of other categories of products like morphine, hormones and corticosteroids. And for this one, we do have avenues to improve the profitability, basically reduce the cost by changing and improving the processes.

And finally, on the last category, we have decided to discontinue a number of APIs, so 13, which are non-differentiated, which are low margin or negative margin product, such as antipyretic, diuretic and anti-infectives, and some various complex chemistry smaller products.

Total impact of this is around €80 million in 2023, and has a low or negative margin. These products will be phased out, and most of them starting in 2026. As you all know, we are in an industry where we - and it's good news - cannot decide to stop a product overnight. So we have started discussions with our customers on this product to establish a transition period, which is generally around 18 months to two years, so that the customers can find if they don't have it, an alternative sourcing and put it in place and have the requested and the required regulatory steps organised.

So based on 2023 net sales, once the portfolio is optimised, the way I described it, the share of profitable differentiated EBITDA would increase significantly to 64%. So that's what we mean by focus on profitable growth.

Let's continue to the second pillar, our CDMO offer. You can see on this chart that we actually have the most diversified range of technology platforms compared to our competitors. We are present in each of the product categories, large molecules, HP APIs, biochemistry, other chemistry.

And thanks to this unique offer, we are very confident that the CDMO business will remain the main driver of growth and profitability. And we actually can see this every day. We receive RSP now on a daily basis. We have now a full recognition from our customers on this market of our capacity to deliver and to bring them innovative and high tech solutions to develop their molecule when it is early and to manufacture the API when we talk about commercial phase.

To accelerate the CDMO business, we will evolve our commercial prospection towards large pharma, established biotech with a strong balance sheet and a strong pipeline. So that's, I would say, a decision, but it's also a proactive move.

We have more than 200 RFP based on last year's statistics. And it has actually increased in the last few months. And this is enough for us to have the ability to select a target. And we have actually a conversion rate, which is in line with industry average.

So today, we have a pipeline of more than €200 million annual net sales potential on late-stage opportunities by 2027. And that's coming from a late-stage project that our CDMO team is working on.

This is why we believe this focus on the CDMO offer is definitely a very strong second pillar of our FOCUS-27 plan. Then to succeed, we will leverage on a broad range of technologies and capabilities to target. We will target leading biotechs with late-stage drugs and innovative complex chemistry to produce and also big pharma that are looking to reshoring not only API but also starting materials, all that are in need of dual sourcing of marketed products.

We are well-positioned to benefit from the increasing need of these companies to diversify their production and supply chain activities by adding an alternative manufacturing source outside of Asian player and also with greener processes. We are one of the few CDMOs that offer a one-stop-shop for large molecules. We can help the customers develop and manufacture the complex molecule through a strong expertise and capabilities in this area, particularly in linker cytotoxic part of the molecule and modality conjugation.

We are developing our offer in complex lipids and alternative processes to produce high value peptides in a cost-effective and environmental friendly way. The acquisition of Biano that happened last year, if you remember, allows us to capture already early stage oligonucleotides projects with flexible and competitive offers. In fermentation as well, our offering ranges from the lab scale to very large volume for small molecule production.

And finally, thanks to the capacity expansion for new highly potent molecules in Budapest, we are welcoming now drug conjugate XDC's products, as we say, and also new prostaglandins.

So on this positive note, and I hope you've been convinced on these pillars that are really at the core of the strengths of this company, let me leave the floor to Ludwig, who is going to talk to you about how we are going to rationalise our manufacturing footprint.

Ludwig de Mot: Well, thank you, Viviane. When I joined the company just a few weeks ago, I made sure to start my onboarding, visiting the factories to really better understand what I would call the beating heart of EUROAPI. I met proud and engaged people, and I really want to thank them. The project we are presenting today could affect some of them, but I can assure you they can count on us to support them during this difficult period.

To succeed in the transformation, EUROAPI needs to adjust its manufacturing footprint. It's the only way to ensure our profitability and to support actively the new commercial strategy. EUROAPI inherited six sites well spread in Europe, but overly specialised in certain APIs and with very different levels of capacity utilisation.

Haverhill in the UK is a mono-product site, producing sevelamer, a product with limited market momentum. It's fully dependent on Sanofi volumes and they will decreasing strongly in the coming years, and it's already starting in 2024.

In Elbeuf, we have two key products, pristinamycin for Sanofi, and vitamin B12, for which we are the sole European producer, and for which we need additional capacities in the future to answer to the increasing market needs.

Vertolaye produces API with high margins, and it's also a key platform for the CDMO roadmap. And it's also in Vertolaye that we develop new innovative processes for morphine and under the French sovereignty programme.

Then in Frankfurt, our largest site, we produce many of the small complex chemistry, and this is heavily impacted by the portfolio optimisation that we will do. It is also the site where we produce the peptides, and the oligonucleotides.

You all know very well Budapest, where we need to increase capacity in order to answer to the increasing amount of prostaglandins.

And finally, in Brindisi. despite the efforts we've done to diversify the production, Brindisi remains a fragile site with also a very, very strong exposure to Sanofi products.

As you might figure out, all these sites have very different capacity utilisation rate and will be impacted in different ways in various ways by the portfolio optimisation.

Haverhill and Brindisi are the most affected and are considered for a potential divestment. While we assess the future of the sites, we'll continue to invest in the required maintenance and the required regulatory CapEx, as well as in the CDMO activities on these two sites.

In Frankfurt, two small complex chemistry workshops will be mothballed. And to support the growth of high return net sales, we will focus our future CapEx in Elbeuf, Vertolaye and Budapest, and on peptides and oligonucleotides and lipids in Frankfurt.

This rationalisation will allow us to significantly improve our capacity utilisation, and more importantly, to narrow the gap between the sites. And our objective by 2027 is to reach an 80% utilisation rate, which is in line with the industry standards.

In terms of CapEx, during the next four years, we plan to invest €350 million to €400 million. However, the new plan is more focused on projects with a high return compared to the initial one without jeopardising future growth potential. So three of our historical programmes are maintained. We will increase vitamin B12 and prostaglandin capacities at a lower cost, thanks to improved processes. And Frankfurt's peptides and oligonucleotides capacities will be up and running in late 2025.

Adding to these legacy projects, we will invest in Vertolaye to increase our corticosteroids hormones and antiparasitic capabilities.

And finally, as we remain fully committed to reach our 2030 decarbonation targets, we will invest in a steam generated bio - steam generated biomass boiler in Elbeuf.

The last pillar of our industrial transformation is the drastic reduction of inventory levels. Despite the regional improvement since the listing, our inventories remain too high and needs to be reduced quickly in order to regain financial flexibility. We plan to decrease our inventory by one month on hand at the end of 2024. And this will be achieved through an active management of all the inventories and a strict adherence to our stock policy.

The fourth pillar of EUROAPI transformation journey is to adapt our current operating model to the size of our company. We need to be more agile, we need to be more efficient, and we need to reduce our cost base. This could lead to headcount reductions to all functions, including industrial operations, quality, R&D and all the support functions. The project will be presented to the social partners in the coming days.

And among the initiatives, the most important are the reorganisation of the commercial and the R&D teams, the transformation of the procurement organisation and the implementation of more efficient end-to-end processes.

Having said that, I want to give back the floor to you, Viviane. Thank you.

Viviane Monges: Thank you, Ludwig. So let me now finish these four pillars and talk about our relationship with our main customer, Sanofi, and how this will evolve during the plan.

So when we got listed in May ’22, the plan was to decrease gradually our exposure to Sanofi through the deployment of our commercial strategy. However, things did not happen exactly as expected. And while ’22 and ’23 sales performance of Sanofi was broadly in line with the initial plan, thanks to some of the contractual related matters that we had for part of the contract. The demand forecast on the other hand that we received in early 2024, showed a significant deviation in volumes for the two years to come, ’24 and ’25.

This is driven by accelerated dual sourcing on certain products. Sanofi pruning its portfolio faster than expected and some loss of tenders, part of their gen medicine business.

The other main challenge since ’22 is we had been limited in pricing power to offset recent input cost inflation under the historical MSA, leading to a decline in profitability.

So we sat down with Sanofi in a very constructive way, and the FOCUS-27 project will be fully supported by revised contractual terms. And as I mentioned, the current MSA needed definitely to be adjusted to the current environment and the situation of the company today. So constructive negotiation took place between both parties and they enabled adapting some terms of the agreement.

The first one is the elimination of the mutual performance clause, which required notably EUROAPI to retrocede to Sanofi, a portion of the cost savings generated in some APIs. So that's gone. We also were able to increase prices on selected APIs. We also managed to change the pass-through clause for key raw materials and solvents. And this will bring basically full compensation by Sanofi in case of cost increase above 20%. And that was not the case before.

We agree to narrow the price volume-corridor, which is an annual compensation mechanism, protecting both parties from annual revenue fluctuation. And finally, we will benefit from improved payment terms for the APIs covered by the MSA.

So before I conclude this presentation, let me talk about our expectation for 2024. 2024 will be a year of transition. For the year to come, we expect net sales to decrease between 4% and 7% on a comparable basis, driven by a decrease in sales of Sanofi. The good momentum of the CDMO activity, which is actually doing really well, will be offset by downsizing of two large historical commercial phase contracts from the time of before the spinoff.

The core EBITDA margin is expected to be between 6% and 9%. And we anticipate material transformation and restructuring costs, as you can imagine, linked to the ramp up of the FOCUS-27 projects. We will communicate further on this impact in the second quarter.

We also expect prioritised and selected CapEx and a strong improvement in working capital driven by a significant reduction in inventories.

So let me be very clear here. This year will be all about cash management and putting in place the plan, the project. We want to get back our ability to fund ourselves our CapEx investment

for growth. We will be very selective in our choices. We want to have high return CapEx. And a large part of this CapEx will actually be funded by working capital improvement. We also want to stay nimble and agile to adapt to the situation and the development implementation of the plan.

So as a conclusion, I really would like to emphasise a few important points. We are all fully committed to deliver this transformation project, which is a critical turning point for the company. We still need to finalise its implementation and financing with our key stakeholders, but we are convinced that they will support us because this project is the right choice for the company.

We will be able to provide more information in the second quarter. We are absolutely conscious that this is a constraint at this point, but we want to make sure that we are doing things thoughtfully to secure the success of the rollout of this project. We are all conscious that this is not an easy period for all our stakeholders, especially our employees, but we want to ensure them that they can count on us and on the board and the management of the entire company.

We want to be cautious and we want to regain the confidence of our investors by delivering what we are putting on the table.

EUROAPI has a right to play as a leading API and CDMO supplier, and we will demonstrate it. We are taking a future in our hands. We will use our strengths, we will fix our weaknesses, we will make choices. We will focus our efforts, our investments, and the leaner organisation in delivering this goal.

And that being said, I thank you very much for your attention, and we are going to the Q&A session. Thank you very much.

Questions and Answers

Gary Steventon (BNP Paribas Exane): Hi. Thank you. It's Gary Steventon from BNP Paribas Exane. So first question, just on the kind of more mid-term outlook perspective. You've outlined some quite significant steps as part of the strategic review, but lack of any kind of mid-term financial targets is quite a notable exception. So could you just comment on really what's preventing you from doing that at this point in time, even if it was kind of qualitative, and therefore what needs to be achieved in order for you to issue mid-term guidance?

And then second question is really on visibility. And whether you can comment on the level of forward visibility that you have in this point. I mean, the 2023 margin came in towards the bottom end of guidance ranges, which were rebased in October. So that suggests that visibility remains still pretty low. So just any commentary that you can provide on how you expect forward visibility to evolve over 2024 would be helpful, please.

Viviane Monges: Thank you very much for the question. I'll answer the first one and then I'll probably leave Antoine answer the question on the profitability.

So why we cannot give you more information - sorry, I am going to move this - and I fully understand this is very frustrating, as frustrating for us as it is for you. But as I said, we really want to do things in order. We want to do things the right way, and we want to first work with

our social partners. This plan, as you can imagine and as Ludwig alluded to, will have consequences for our employees and we want to make sure we do this the proper way.

So we cannot, at this point, give more details because most of the details are linked to some of those significant changes. And that's unfortunately, but we will come back to you when we will have taken the steps working with the social bodies and when we will have a final costing of the plan and the details of its financing as we have communicated. Antoine?

Antoine Delcour: So regarding your question on visibility on forecast, I will say this is the reason why also the strategic review was initiated back in October when we did the profit warning for 2024 results. We realised that we needed to step back to understand exactly the market dynamic and our competitiveness in a challenging micro-economical environment in Europe.

So I would say today we are confident that we can deliver our 2024 numbers, otherwise we'll have communicated them. And so the output of this strategic review and the impact and the definition of this four pillar is a result of this, meaning analysis of the dynamic of the market and how we can compete and grow in this environment.

Zain Ebrahim (JP Morgan): And I had a question. This is Zain Ebrahim from JP Morgan. Thank you. So my two questions were on Sanofi. Just thinking about the graph that you showed in terms of the significant reduction in API volumes from Sanofi. How comfortable are you now that this is the lowest that the volumes can be? And what further risk do you potentially see from both - from further reductions in Sanofi API volumes due to pruning or divestments to your ’24 outlook and beyond? Do you think the price-volume corridor that you've now agreed to sort of insulates against a further decline?

And my second question is more on the CDMO outlook. So it looks like from the ’24 outlook that you're suggesting, it could be potentially flat because of the loss of just those two historical commercial projects. So could you elaborate on what - why those commercial projects are - are they just coming to an end or is anything happened there?

And the CDMO momentum overall in the second half looked like it slowed down in terms of project wins. So could you talk through what were the factors that drove that slow down? Thank you.

Viviane Monges: Sorry. On Sanofi, I’d say two things. First of all, we work with them on a rolling forecast data. So we obviously don't have five-year projections. So we work with what we have, right? And that's what we've said. We have adapted to the latest numbers that we've had.

And the second information we have is actually this price corridor. So we know that more or less, but the price corridor is always in the same horizon of time. So hard for me to tell you what it's going to look like in five years from now. But Sanofi remains a very significant customer. And over the duration of the plan, it'll remain a significant customer.

Good news is we don't only have products that are declining Sanofi. We actually have commercial products that are actually growing. We actually have one other product for which we are going to do a capacity increase. We also are working with them on some CDMO projects. So the business is ongoing, and I think that they've had to face some headwinds in some of the heavily genericised product. But there's a big bulk of the business, which is very sustainable.

And on the CDMO side, so as I said, we can't give you more details, but we had two significant contracts. One of them that has been stopped by one of our big customer, just decided to stop the product basically. And the other one is a company that managed to - good for them - increase the yield of their production process, and therefore reduced the number of tons or kilograms. I don't know if we talk about kilogram or tons for this one. But so the relationship is ongoing. The product's still there. It is just lower volume in ’24.

And on the other hand, we've had significant higher amount of sales in our forecast for the other new CDMO projects that have been started. And I really want to make a remark here. Our pure early development CDMO activity is very young. We've started 18 months ago. And we already have, I don’t know how many customers, Cécile ?

Cécile Maupas: We have 69 project ongoing.

Viviane Monges: 69 projects ongoing after 18 months. This is huge. And on very, very promising technologies. We’re talking about very, very complex stuff sometimes, and broad, it's some is in food, some is in animal health, some is in pharma. So this is really one of the area where we want to put a lot of efforts in.

Martial Descoutures (ODDO BHF): Good afternoon. Martial Descoutures from ODDO BHF. Three quick question, please. You have decided to stop 13 APIs and to divest two industrial sites in the UK and Italy. Could we consider that the main stops come from these two industrial sites and the Sanofi activities? Or could we imagine to move a few production line in the other industrial sites?

My second question is on the CDMO side. As the revenue are inferior to the IPO expectations, we understand that, of course, the macroeconomic context for the biotech segment and the risk of development in this activity. However, do you see a few challenges that you have not predicted or maybe difficulties to achieve the good mix between API and the CDMO activities?

And my last question is on the 2024 guidance. Maybe could you give us more colour or elaborate your objective on the volume trend and the potential improvement of your pricing to the API activities, please? Thank you.

Viviane Monges: Thank you very much. I'll take the first one. The second one I can give some answers, and maybe David can help me on this one. And then the third one, I'll leave it to Antoine.

So no, actually it's the first one that is about manufacturing. So your question is, can we basically can take stuff and move to another factory? So David Seignolle is the head of operation. He's brand new. Probably feels like 10 years already, David.

David Seignolle: Good afternoon. Thanks for the question. So the 13 products we will be divesting, it's a bit all over the network. We have some product that are not making money or that low margin or negative margin across the board. If there are some specific ones related to Sanofi, I think it's different topic.

In Haverhill, we are not stopping this product per se, but the volume trend has been highly impacting that site. And that's why we are looking for a potential buyer that has better portfolio to take that site forward. Very similar in Brindisi, where a couple of products may be impacted.

The other element, does it make sense to transfer some products? Well, actually there are some products that we are considering to stop, but I think it could be some other opportunities, which we will evaluate to transfer and to actually go even further to the 80% that you've seen on the previous chart in some sites. So if that makes business sense and there is a right return and we can have sustainable supply to our customers, we'll definitely evaluate and proceed forward.

Viviane Monges: Address the other two questions.

Antoine Delcour: Sorry. So regarding your question between good mix between API and CDMO, this is definitely the goal and the strategy of our company to continue to grow the CDMO business, which is at higher margin than the API solution. And so indeed in our 2024 guidance, we included, I would say, as you have seen, meaning the top line is decreasing with lower volumes from the API solution part, partially, and mostly driven by Sanofi, but still growing and acquiring new CDMO project in order to improve a mix of the company.

Regarding price-volume, '24 is impacted by decrease of the demand, which is why we are planning to have a top line, which is decreasing with some pricing on Sanofi side, thanks to the adjustment which have been negotiated on the manufacturing and supply agreement. For the other clients, we faced some difficulties and of last year in the demand because of the pricing and the competitiveness versus Asia. So meaning we'd carry it API by API, but there won't be any strong price increase.

Fynn Scherzler (Deutsche Bank): Yes, hi. It's Fynn Scherzler from Deutsche Bank. I have three questions, please. So first, on the 13 APIs that you discontinue, can you maybe help us understand better the phasing of these sales that we'll be missing? So will this be equally split over '26 and '27, so there's no sales drag in '25 yet. Is that correct? And then connected to that, on your new CapEx plan, how will that be phased? So is this rather equally split over the four years, or do you have a more heavy investment in this year and maybe the next? So that would be helpful.

And then, so once you've constructed your new production sites, when can we expect first sales to start to come in? So you invest now, would that be first sales already in '26, or is this really only notable towards the end of your four-year plan? How should we think about phasing this?

And then finally on the remaining announcements during 2Q, so essentially what's missing still? Can we expect quantified targets for the restructuring costs? Do you plan to issue a mid-term guidance then? So essentially what are you missing still? Yeah, this would be my questions.

Viviane Monges: Okay. Thank you very much. So on the 13 APIs, so as we said, this is something that we are now discussing with our customers. So every API is different. Some of them will be phased out relatively soon. Some of them will take a bit more time because we need to potentially have some security stock or we don't want to put our customers in a difficult situation, right? And that's also why this is not 100% calibrated, I would say, at this point because we need to take the need of the customers in this phasing. But most of the phasing will be starting 2026, right? So you can sort of say that more or less plus or minus six months, I would say.

Regarding the CapEx plan, I will leave David give you an answer. And basically I can already answered your third question, which is about what we're going to announce. So what we are missing? As I said, we are missing the ability to openly come out with restructuring details,

whether it's savings and cost, right, for the reasons I've stated earlier. So we should have that definitely by that time. We will have the details of the plan. We also plan to have a phasing, a more detailed phasing of the plan.

Mid-term guidance, too early to say. This will be a decision of the board at the time we come up with the second set of announcement, and if we can do it, we will. But no guarantee. I mean, again, I want to reinforce, we really want to regain the confidence of our investors on our ability to deliver. So yes, it's a bit of cautious, but my main goal is that we execute the plan and we come up with more profitable results as quickly as possible.

David, if you can help us on the phasing of the CapEx.

David Seignolle: Sure. So couple of thoughts on CapEx. First, you've seen the number €350 million to 400 million, so roughly €250 million, give or take will be spent on growth CapEx in the next couple of years. I think the first thing to say is like, we have to be a bit smarter the way we spend our money. We need to not always try to go for the shiniest or for the fanciest, but we want to be smart in the way we approach the CapEx to get very quickly the results.

So to the point of phasing, there is a lot that will be happening all along the way. We are finalising this year a lot of investments. Some will need some validation, very quick for us. In some cases, a bit longer for our customers. So some will be right away in ’25, some will take a bit longer towards the backend of the period. But it's all over the board actually. There is not one peak time and it's properly sequenced.

The key other thing to note is, as you can imagine, we have quite some definite area for ’24 and ’25 about what is that we're going to do. For ’26 and ’27. I would say there is also some space for us to decide based on the long list of potential investments we can go after to certainly support the CDMO growth that we've talked about before, where there are significant, I think, business that Cécile and our team are going after.

We have some options there, which we will potentially decide very quickly depending on how those investments or business opportunities are going. So some will take a bit longer. But as you can imagine, the CDMO, if we develop new products for our customers, it will take a bit further and some may go even further than the 2027.

Viviane Monges: And give sort of timing like the PG 30 project and ELLA, and then also the oligonucleotide, just the timing?

David Seignolle: So ELLA is the one that will come to life immediately. Basically this year we're finalising €30 plus million investments in Elbeuf. So we will have product validation done this year. We'll immediately submit that to our customers. And depending on their timeline, I think from 2026 onwards, we can see the sales of those product with a lot higher margin, greener chemistry and potentially grow our market share in there.

If we talk about PG, PG is definitely the right example of us being smarter. Instead of trying to go for brand new buildings and everything, we're going to be refurbishing our facilities and installing what is exactly needed to support our growth for the next so many years as it is required. So that will enable us to be linear and to get to the cash a lot quicker.

It's not necessarily new equipments, i.e., a lot of completely new validations. So those sales will come in immediately in the next few years. We're also talking €30-plus million here.

If we talk about peptide and oligo, we are finalising significant increase of our capacity in Frankfurt this year. So we can imagine product validation next year, and in subsequent years, probably right from ’26, some already sales, and we have lined up a couple of projects to go even beyond that capacity. And as you heard earlier about mothballing two buildings in Frankfurt, we are already looking at some opportunities to leverage some of those assets to go even beyond based on the great opportunities we are seeing with the CDMO business right now.

Viviane Monges: Thank you, David.

Mathieu Fradette (Converium Capital): Thank you for the presentation. Mathieu Fradette from Converium Capital. I had a couple of questions. The first one, in terms of the 2024 guidance. Just trying to get a bit of guidance in terms of puts and takes going from, call it, like €93 million of core EBITDA this year to at the midpoint year in the low 70s or so, if I look at the 2024 guidance. Is this fully from the Sanofi relationships or are there other kind of potent things in there?

Viviane Monges: No. You say the guidance, the impact of Sanofi on the guidance, that was your question.

Mathieu Fradette: Yeah, just trying to - yeah, because it's - so EBITDA is going from €93 million this year to call it €72 million at the midpoint.

Viviane Monges: Next year, yeah.

Mathieu Fradette: Next year despite having record the Sanofi contract. So I was just trying to get a better understanding of what that bridge is in terms of kind of that EBITDA decline

Viviane Monges: Okay, you can get it. Yeah. Thank You.

Antoine Delcour: So for me, so we are degrowing, so the reason for the drop of the core EBITDA between ’23 and ’24 is coming the drop of demand, mostly where it takes time also to adjust your cost structure. And so, as a consequence, mechanically decrease your core EBITDA margin.

The drop of demand from Sanofi is definitely one of the key element of this decrease in sales, I would say. We have already initiated end of last year cost containment when we did last one in order to mitigate as much as we could the impact on the profitability of the company.

But I would say, it has an impact, and this is the reason why meaning most of our costs are fixed and we have a lower variability in our cost baseline. And so this is very the main reason, sorry, for the core EBITDA decrease.

Viviane Monges: This is why I want to go fast. This is why I wanted to come out today with these announcements so that we can start right away the downsizing because our business is not flexible. A lot of our cost in P&L are industrial cost, so we cannot react immediately. And when you have a $50 million drop in sales, you cannot immediately find the offset in your cost structure. So that's why we have work to do and I want to start right away.

Mathieu Fradette: Thank you. And then la last question quickly on the 13 APIs that are getting discontinued. I appreciate you cannot get into kind of forward looking details for the new plan, but are you able to tell us like what the EBITDA contribution would be today, for example, for this parameter of APIs?

Viviane Monges: So we said that the total was €80 million in sales, and we said that the margins of this product were either low or negative. I can't really go into more details than that

Charles Fourault (JP Morgan): Hello Charles Fourault, JP Morgan. I just had a quick question for you on working capital. I think you mentioned it would be a source of cash probably for next year, and especially fund CapEx. So I was wondering if you could elaborate based on this?

Viviane Monges: Okay. And then I'll ask maybe Antoine or David who wants to pick that one up?

Antoine Delcour: No. So our plan, so we initiated this inventory reduction programme when the IPO project was launched a few years ago, which was to be gradual, when we saw the situation of the company for ’24, we decided to go full blast, I would ,say to the inventory reduction programme, sticking to stock policy in order to free up the cash we need to finance the CapEx to mostly finance the free CapEx we need in 2024 in order to initiate the transformation programme and to support the future growth of the company. It's a one-off but it's helping a lot in ’24.

Viviane Monges: I mean, it's good management, right? This is something that we have to do. We have to get to industry standards in terms of good processes. A lot has been put in place over the last 12 months. Supply chain, S&OP processes, inventory control. But we have to go one step further and that's what we're going to do in the next 12 months. And David is an organisation is all about all over it.

So if there are no more questions in the - there is one. Sorry. Because we have some questions online, so I want to make sure we also hear from our - just online.

Gary Steventon: Okay. Just one quick one. And it's Gary Steventon, again from BNP Paribas Exane. And I was just wondering if you could comment on how you think about the phasing of the margin over 2024 and if there's any commentary you can give on what you might see as a sensible exit rate for the end of ’24.

Viviane Monges: You're talking core EBITDA?

Gary Steventon: Core EBITDA margin. Yeah. If you've got that 6% to 9% range, kind of, we know where we're starting at the end of ’23. How do you think about progressing through ’24, the phasing of that potential for exit rate?

Viviane Monges: I can't really comment on that. And I know it's frustrating, but it's - I wish I could.

Fynn Scherzler: Yes. Fynn Scherzler again from Deutsche Bank. Also, quick follow up question. You made an interesting comment on the sales potential of your CDMO project pipeline, the €200 million. Can you maybe expand a bit on that? So these are not signed yet, I assume. So how de-risk is this revenue stream, the €200 million that you mentioned?

Viviane Monges: Thank you for the question. So I think it's a great opportunity to have Cécile give us a little bit more colour on this activity, which is still new, as I said, for this company. Cécile ? She has built this business.

Cécile Maupas: Okay, thank you for the question. So you know me. We already talked two years ago and we've built a strong business development team and it's now fully active. So we focus on trying to improve the pipeline, the opportunity to improve our competitiveness, and

also to focus and refocus as a strategy into the high value potential business. That's why we have now this very interesting pipe. This is still a pipe. So for sure there is a probability of success behind, but we are still moving with new opportunities.

So as Viviane mentioned, we receive almost 20 new RFPs that fit with our current capacity without any CapEx, we know without any M&A. So we are confident that

Viviane Monges: Per month.

Cécile Maupas: Per month, yes. One per working days. We are confident that the addition of the current pipe that we have built from the beginning with probability of success plus the upcoming RFP will really move us to the right level. And we see now, you ask the question several time when we've met before, GLP-1 agonist market, which is growing very, very fast.

And we are now discussing with clients that I cannot name for sure, which are developing new entity that can be peptide or non-peptide. And that's very interesting to see how they want us not only to be producer, but also to be a developer to improve new ways to go to the highest volume for this molecule with new processes, and that can be also green chemistry. So that fit - we really are strategy overall. That's very interesting. We are also in the ADC market, which is moving fast in the time.

So yes, attractive market that we focused on. We are also trying to focus more on the biotech company, which have large pipeline and well-funded plus, we are interested the pharma midsize big pharma, and that's moving forward with them. So we are quite confident.

Viviane Monges: There was another question. So maybe we should answer some questions from our auditors online.

Sophie Palliez-Capian: Yes. So we have four questions from people connecting on the broadcast. The first one is, how do you bridge the cash flow block gap to 2027, needing to spend on CapEx restructuring without additional debt or equity raise? Could you be a little bit more specific on that?

Viviane Monges: Okay, so I'll take that one. So as we said in the beginning, we are going to come in a couple of months with more details on the 27 plan and it's financing. So if you look at the amount of CapEx that we have announced over the period of time, it's a little bit lower than what has been announced at the IPO level. So we are going to be very selective in our investment, and that's why we are talking about focus.

At this point in time, I can't give you more information on the detail of the financing. We are working on it. We have ongoing discussions with all our stakeholders and we are confident that we will get the support of these stakeholders and we will come back to you very soon.

Sophie Palliez-Capian: So the second one is about the biomass project in Elbeuf. Do we have project for another biomass boiler in one of the other factories?

Viviane Monges: Maybe David can answer.

David Seignolle: So the biomass boiler is going forward. Indeed, it's a significant part of ESG contributions and improvements we've committed to for 2030. Not only for ESG, but it's actually beneficial for the cost of the site as well of energy.

Do we have other specific project of biomass? No. Do we have other projects around boilers in the network? Yes. To continuously improve our ESG footprint and reduce our cost in the meantime. It's a bit too early to say, and as we've said a few times, and Viviane just alluded to that now, we need to be very selective on how we spend CapEx and definitely protecting growth and bottom line improvement rather than spending large amount of money on ESG CapEx, given at this stage, the cost of such an investment.

Viviane Monges: Thank you.

Sophie Palliez-Capian: So the third question is referring to this one of the slide. Why are you only forecasting 0% to 1% growth coming from higher outsourcing? While for instance, Lonza said that in biologic outsourcing will grow from one third to two thirds in the next few years?

Viviane Monges: Antoine, you want to answer? I mean, I - yeah, go ahead.

Antoine Delcour: So we are compared to Lonza biologics and which we're not operating. So today, I think the comparison is not 100% accurate, I would say. The outsourcing that we see right now and all the, I would say, repatriation trend that we can see our dual sourcing we see is mostly on complex chemistry, API where the trend is not exactly at the same pace than for biologics.

Viviane Monges: But we do see outsourcing coming our way. I mean, I was recently looking at an RFP we received for a French company that is actually looking at dual sourcing, even a third sourcing for one of their big product. So we do see that, absolutely.

Now the percentage, I mean the size of it, it's probably going to take a bit of time to be significant, but it is happening.

Sophie Palliez-Capian: So another question on market. A topic which is quite controversial is the number of blockbusters. Some say that big blockbuster drugs will shrink and small and midsize will increase in the future, resulting in less CapEx for high volume APIs in big reactors. What is your view on this?

Viviane Monges: So I can probably ask Guillaume to give us his view on this. I'll just have one comment. I think the GLP-1 is definitely a new blockbuster that is here for the long term. So we will still have blockbusters, but it's true that there's going to be a high patent cliff again in the years to come. Guillaume?

Guillaume Rosso: Yeah, no, I would say there's no one answer fits all in the sense that depending on the modality, you have certain number of diseases which are weather very targeted for a certain number of patients, or very large I would say chronic diseases. So there will still be blockbusters and we see that big pharma are over relying on big busters. So there would still be, but in parallel we also need to work on those smaller size projects.

And typically, for instance, in peptide oligo, we have the two. We have very large molecules, but we have also molecules which are targeting more rare disease. And that's the strategy here to attract those two types with the level of CapEx and the capacity that we have on our site.

Sophie Palliez-Capian: Your plan to lower inventories, is this exceptions, finished good or is it in certain category of product?

Antoine Delcour: So the reduction of inventory, we are currently delivering is on all the inventory we have on hand from finished goods, work in progress and raw material on all the APIs applying strict stock policy. So we are looking at everything.

Viviane Monges: It's housekeeping.

Sophie Palliez-Capian: Can you talk about the divestment process, potential timeline and proceeds for the two facilities you mentioned that you are considering divesting? And can you talk about the margins of those facilities in comparison to the other factories within the company?

Viviane Monges: Guillaume?

Guillaume Rosso: I will take the first part. Now, I would say, we are in an industry where there's a lot of facilities which are - well, changing from one, I would say, owner to the other. So it really depends. I cannot give just one figure. It really depends on the specificity of the technology, the state of the facility. So usually, let's say, it's around two years process. But we will need to work also with our, I would say, internal stakeholders, the social partners to define the roadmap.

And when, of course, we will have more visibility and we will have advanced on those aspects, we will come back to you.

Antoine Delcour: So one thing which is important to understand is that the divestment of this two site is not decided yet. It's considered for divestments. We are looking at reviewing if you are potential buyers, which can grow and sustain these sites on the long term. So this will be a process which can be long as any divestment of sites from any company.

Regarding the profitability of these two sites, on one slide, it was mentioned, the - I would say big range of capacity utilisation we have in our sites from less than 30% to above 80%. These two sites are the lowest part of the range, making them not profitable because of fixed cost.

Viviane Monges: And I must say that between now and the moment that we could actually divest the site, we will already have some actions in order to improve the situation of each of the sites. There's always a lot of things that you can do.

That's it? No more questions? Yes.

Zain Ebrahim (JP Morgan): Zain Ebrahim, JP Morgan. Thank you for taking my follow up. So my first follow up question was just on the ’24 guidance. Could you maybe talk through in a bit more detail what you've assumed for the lower end of both the revenue and margin guidance versus the upper end? So what needs to go well effectively to see you deliver towards the upper end versus the lower? And I guess tied to that somewhat, I mean, you mentioned today some destocking activities from customers that you saw towards year end. Could you talk through maybe how much of an impact that had in ’23 and how you're thinking about potential further destocking in ’24? What have you assumed in the guide?

And then just a clarification question on the peptides and oligos capacity. Because I think you mentioned that you've got follow-on demand for beyond the capacity that you've already announced. So just to confirm that that’s correct.

And on the GLP-1 commentary that you made, is that you've got RFPs for GLP-1s or are there any active contracts that are linked to GLP-1s?

Viviane Monges: Okay. So I'll be brief on the first, '24, and then the second one I'll leave it to Antoine. The up and down of the guidance, I mean, we've given ups and downs on the guidance, right? We - that's what we are saying at this point in time. We hope we are going to be on the high side, but at the moment, that's the guidance.

What I will tell you is, as I said, we want to regain the confidence of our investors. So there's a bit of cautious in there for sure. And I think that's what we should be doing. It's going to be transition year. So we still have a lot of work to do and that's why we are cautious. And it's going to be Ludwig's responsibility next year. So -

Ludwig de Mot: No, but maybe one additional comment to that. I think we, we are going through a transition year. We are going to change a lot of things in the company and we will not let us prevent not doing things because of having to have a too high guidance. So again, if we can take difficult decisions, we'd rather take them sooner than later. But this will, of course, have an impact on, I would say, the quality of our EBITDA this year. So I think that's the most logic answer.

Viviane Monges: Yeah, I think we need to do what we need to do for the future.

Antoine Delcour: Regarding your point on this talking, this is fully embedded in our guidance for this year. This is one of the outcome also the start plan to understand exactly what was the destocking and the impact on trajectory.

On the GLP-1, I think Cécile will be in better place than me to answer to this question.

Cécile Maupas: So I cannot give names, but there is two different things. There is the fact that we can do process development, process optimisation to improve some yield in the future of existing processes. This is one thing that we do already for clients.

The other thing is the future of this big volume that we need to produce. Today, we are not equipped to produce one ton. We have the plan to produce 500 kg by 2025. But today we have this limitation, but we can still capture some opportunities which are in a more early stage than the big one you can see on the web. But yes, it's for the future. We are building for the future and we have still time to be there when the need will be again increasing.

Zain Ebrahim: Very clear. Thank you.

Sophie Palliez-Capian: So we have two more questions from the website. One is about 2024. And given the guidance, how comfortable we are not to reach the covenant of the RCF, so on the short-term financing. And the second one is about working capital opportunities outside of inventory and specifically on receivables from Sanofi. So are they lower than average or are you respecting more drawn down, for example?

Antoine Delcour: So on the RCF itself, we are fully comfortable that there won't be any breach of the covenant, otherwise we'll have communicated on it. So for me, it's not a topic and we have no issue to finance the company in 2024.

Regarding payment terms. So the negotiation, which was done with Sanofi was to reduce the payment term. This is the one we had in the initial contract. So which will provide also one-off for this year.

Viviane Monges: Okay. Thank you very much. So I hope we brought clarity to the extent we could to this FOCUS-27 plan and the years to come. We are really fully committed to deliver

this plan. We will make choices, we will be disciplined, we will be focused, focused on our strengths and make the most out of it. And the team is dedicated to work on that. And we will come back to you in a couple of months with an even more detailed view of this future for the company. Thank you very much.

[END OF TRANSCRIPT]