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Enabling a Healthier World

**Lonza**

# Half-Year Results 2024

Wolfgang Wienand, CEO  
Philippe Deecke, CFO

25 July 2024



# Wolfgang Wienand Joins Lonza as CEO



- CEO since 1 July 2024
- Previously CEO of the Swiss CDMO Siegfried, SIX: SFZN (since 2019, from 2010 first Chief Scientific Officer, then Chief Strategy Officer), before at Evonik Industries
- Almost two decades of experience in the biopharma CDMO industry in General Management, Strategy, Business Development, Innovation, R&D
- Working closely with the Executive Committee and the Board of Directors with a focus on priorities on execution and foundations for long-term success



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# Half-Year 2024 Group Overview



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# Executive Summary<sup>1</sup>

- Performance well on track to deliver Full-Year Outlook: Sales of CHF 3.1 billion and 1.8% CER sales growth
- CHF 893 million CORE EBITDA resulted in a margin of 29.2%
- Robust performance in CDMO business, with headwinds in the capsules business within the Capsules & Health Ingredients (CHI) division
- Solid free cash flow at CHF 296 million
- Group Outlook 2024 confirmed: flat CER sales growth and CORE EBITDA margin in high twenties
- Mid-Term Guidance 2024 – 2028, upgraded in March, confirmed

<sup>1</sup> CORE results and Constant Exchange Rates (CER) are non-IFRS measures.  
For Lonza's definition of CORE results, also refer to the Alternative Performance Measures Brochure published in conjunction with the Lonza Half-Year Report.





# H1 Commercial Highlights

## Pipeline Momentum

- Healthy levels of new contract CDMO signings in H1 2024
- Encouraging early phase enquiries for CDMO business

## Selected Signings

- Cell & Gene Technologies signed a multi-year commercial supply agreement with a major customer
- Multiple signings for Synaffix linker technologies

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# Acquisition of Genentech Vacaville (US) Site from Roche

- Acquisition extends high-quality manufacturing capacity for large-scale mammalian drug substance
- New West Coast hub complements existing US site network
- Integration activities remain on track, including anti-trust approval process
- Strong commercial interest from new and existing customers
- Transaction on schedule and due to close Q4 2024



# Continued Progress in ESG

- Near-term emissions reduction targets have been validated by the Science Based Targets initiative (SBTi)
- New renewable energy certificate (REC) agreement will enable all current Lonza facilities in the US to achieve 100% renewable electricity from 2026
- Recognized as one of the world's most ethical companies for the third year by Ethisphere®





# Half-Year 2024 Financial Summary



# Solid Performance Despite Market Headwinds in Bioscience and Capsules Businesses

## Financial Performance Summary

in m CHF

	H1 2024	Change CER <sup>1</sup>	Change AER <sup>2</sup>
Sales	3,057	1.8%	(0.7)%
CORE EBITDA	893	0.6%	(3.1)%
CORE EBITDA margin	29.2%	(0.6)ppts	(0.8)ppts

<sup>1</sup> Constant Exchange Rate. Comparison vs. H1 2023

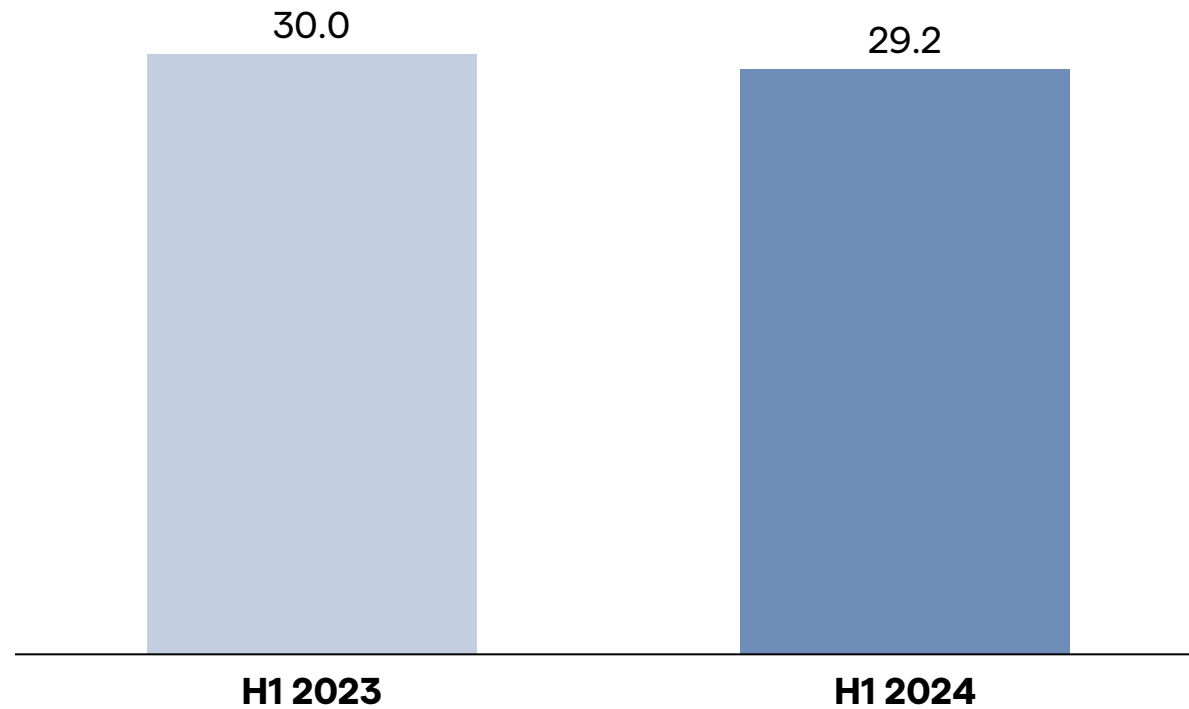
<sup>2</sup> Actual Exchange Rate. Comparison vs. H1 2023

- Robust CDMO performance offset by softer performance in Bioscience and the capsules business of the Capsules & Health Ingredients division
- Mid-single digit underlying sales growth supported by strong commercial demand offset loss of COVID-related mRNA sales
- Margin benefited from favorable product mix and productivity across divisions
- Adverse FX impacted sales from weaker USD and EUR, but mitigated on margin from natural hedge

# Strong Margin Despite Underutilization of CHI Assets

## CORE EBITDA Margin H1 2023 vs H1 2024

in %



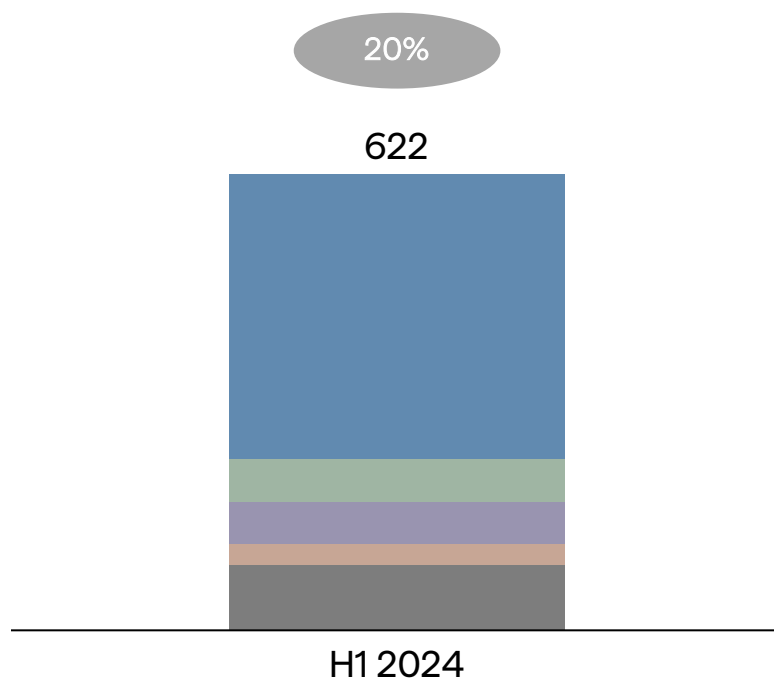
- High H1 2023 base from COVID-related mRNA sales and Codiak one-off in Cell & Gene
- H1 2024 margin supported by favorable mix in Biologics and Small Molecules
- Margin also benefited from strong operational performance, higher asset utilization, and network optimization
- CHI margins declined more than 7 ppts due to a high base in H1 2023 and adverse market conditions



# Continued Progress on Growth Investments

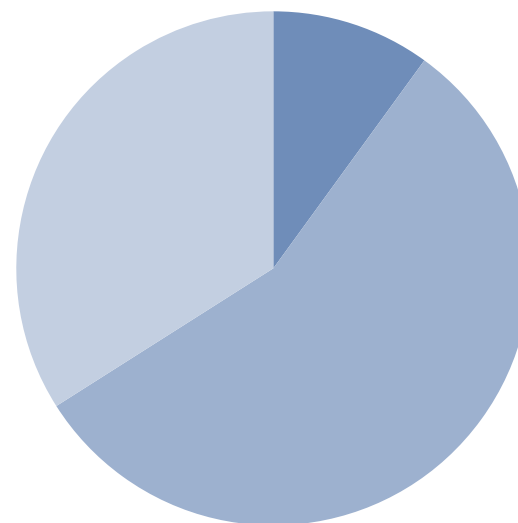
## CAPEX Breakdown by Division

in m CHF



## H1 2024 Project Portfolio

in %



**Total: CHF622m**

- Small Growth CAPEX<sup>1</sup>
- Larger Groth CAPEX<sup>2</sup>
- Other CAPEX

- c.65% of CAPEX in growth
- Ramp-up of new Visp (CH) facilities anticipated in Q4 2024
- FY CAPEX spend anticipated at around mid-twenties as % of sales
- Internal return thresholds remain: ROIC 30%, IRR 15%

<sup>1</sup>Total project CAPEX <50m

<sup>2</sup>Total project CAPEX >50m

# Solid Cash Generation Supporting Growth Investments

## Operational Free Cash Flow<sup>1</sup>

in m CHF

	H1 2024	Change	H1 2023
EBITDA	862	(37)	899
Change of net working capital (NWC)	(276)	160	(436)
CAPEX	(622)	143	(765)
Other	332	67	265
<b>Operational FCF before acq./div.</b>	<b>296</b>	<b>333</b>	<b>(37)</b>
<i>NWC as % sales</i>	17.4%	(3.4)%	20.8%
<i>CAPEX as % sales</i>	20.3%	(4.6)%	24.9%

- Solid Free Cash Flow due to timing of CAPEX investments and improved net working capital
- Free Cash Flow in H2 impacted by CAPEX acceleration

<sup>1</sup> Based on revised definition of Free Cash Flow announced as part of Q1 2024 Qualitative Update, which can be found here: [24\\_Lonza\\_Restated\\_Financials\\_2024](#)

# Half-Year 2024 Divisional Overview

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# Strong Commercial CDMO Performance, Market Softness Impacts CHI and Bioscience

## Financial Results by Division H1 2024

	Sales growth CER <sup>1</sup>	CORE EBITDA margin <sup>2</sup>	Margin change AER <sup>3</sup>
Biologics	7.3%	34.8%	+2.6ppts
Small Molecules	2.5%	33.6%	(2.3)ppts
Cell & Gene	(6.6)%	18.7%	(1.4)ppts
Capsules & Health Ingredients	(6.1)%	24.8%	(7.5)ppts
<b>Lonza</b>	<b>1.8%</b>	<b>29.2%</b>	<b>(0.8)ppts</b>

- Biologics: good sales momentum, excluding 2023 COVID-related mRNA sales. Margin improvement from favorable product mix, operational excellence, and high asset utilization
- Small Molecules: sales growth lower than Full-Year expectations, due to campaign timing. Margin driven by favorable mix and high utilization
- Cell & Gene: 10% underlying growth, despite Bioscience market headwinds. Margin supported by improved operational performance
- CHI: Lower asset utilization from softer demand for pharma hard capsules

<sup>1</sup> Constant Exchange Rate. Comparison vs. H1 2023

<sup>2</sup> Based on revised definition of Divisional CORE EBITDA announced as part of Q1 2024 Qualitative Update, which can be found here: [24\\_Lonza\\_Restated\\_Financials\\_2024](#)

<sup>3</sup> Actual Exchange Rate. Comparison vs. H1 2023

# Biologics Division Update

**1,709<sub>m</sub>**

Sales  
(CHF)

**+7.3%<sup>1</sup>**

**594<sub>m</sub>**

CORE EBITDA<sup>2</sup>  
(CHF)

**+14.9%**

**34.8%**

CORE EBITDA  
Margin<sup>2</sup>

**+2.6ppts**

- Mid-teens sales growth in H1 2024, excluding 2023 COVID-related mRNA sales
- Healthy levels of new contract signings in H1 2024
- Strong sales growth in Bioconjugates driven by commercial demand
- Margin supported by favorable product mix and strong operational performance, and partially offset by ramp-up costs from new investments coming online

Boarded figures are a comparison vs. Half-Year 2023

<sup>1</sup> Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

<sup>2</sup> Based on revised definition of Divisional CORE EBITDA announced as part of Q1 2024 Qualitative Update, which can be found here: [24\\_Lonza\\_Restated\\_Financials\\_2024](#)

# Selected Biologics Business Highlights

## Mammalian

- Continued strong demand in large scale with some signs of recovery in early-stage business
- Vacaville (US) acquisition scheduled to close in Q4 2024
- Decommissioning of Hayward (US) and Guangzhou (CN) close to completion

## Bioconjugates

- Continued strong demand in commercial and clinical business with new assets ramping up
- High interest in strengthened ADC offering with the acquisition of Synaffix
- Continued progress with large-scale capacity expansion plans





# Small Molecules Division Update

**402<sub>m</sub>**

Sales  
(CHF)

**+2.5%<sup>1</sup>**

**135<sub>m</sub>**

CORE EBITDA<sup>2</sup>  
(CHF)

**-4.3%**

**33.6%**

CORE EBITDA  
Margin<sup>2</sup>

**-2.3ppts**

- Continued strong commercial demand for highly potent and complex offerings
- H1 sales growth lower than Full-Year expectations, due to campaign timing
- Solid CORE EBITDA margin supported by favorable product mix and high asset utilization
- Planned capacity expansions on track in 2024. New HPAPI facility in Visp (CH) expected to commence operations in H2 2024

Boarded figures are a comparison vs. Half-Year 2023

<sup>1</sup> Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

<sup>2</sup> Based on revised definition of Divisional CORE EBITDA announced as part of Q1 2024 Qualitative Update, which can be found here: [24\\_Lonza\\_Restated\\_Financials\\_2024](#)

# Cell & Gene Division Update

**331<sub>m</sub>**

Sales  
(CHF)

**-6.6%<sup>1</sup>**

**62<sub>m</sub>**

CORE EBITDA<sup>2</sup>  
(CHF)

**-15.1%**

**18.7%**

CORE EBITDA  
Margin<sup>2</sup>

**-1.4ppts**

- Robust underlying sales and margin performance in Cell & Gene Technologies was offset by headwinds in the Bioscience business. Excluding the one-off impact from the Codiak termination in H1 2023, the division grew 10%
- Cell & Gene Technologies margin was supported by improved operational excellence and asset utilization
- In Bioscience, softer sales due to lower customer demand resulting from recent early-stage funding constraints. Strong margins were driven by positive product mix and effective cost control

Boareded figures are a comparison vs. Half-Year 2023

<sup>1</sup> Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

<sup>2</sup> Based on revised definition of Divisional CORE EBITDA announced as part of Q1 2024 Qualitative Update, which can be found here: [24\\_Lonza\\_Restated\\_Financials\\_2024](#)

# Capsules & Health Ingredients (CHI) Division Update

**540<sub>m</sub>**

Sales  
(CHF)

**-6.1%<sup>1</sup>**

**134<sub>m</sub>**

CORE EBITDA<sup>2</sup>  
(CHF)

**-30.2%**

**24.8%**

CORE EBITDA  
Margin<sup>2</sup>

**-7.5ppts**

- Recovery in demand for nutraceutical capsules, dosage form solutions, and health ingredients after 2023 destocking
- Weak pharma capsule business due to customer destocking
- Successful deployment of next generation hard empty capsules technology shows quality and productivity improvements
- CORE EBITDA margin impacted by lower asset utilization due to lower demand, and lower nutraceutical prices. This was partially offset by comprehensive cost control program

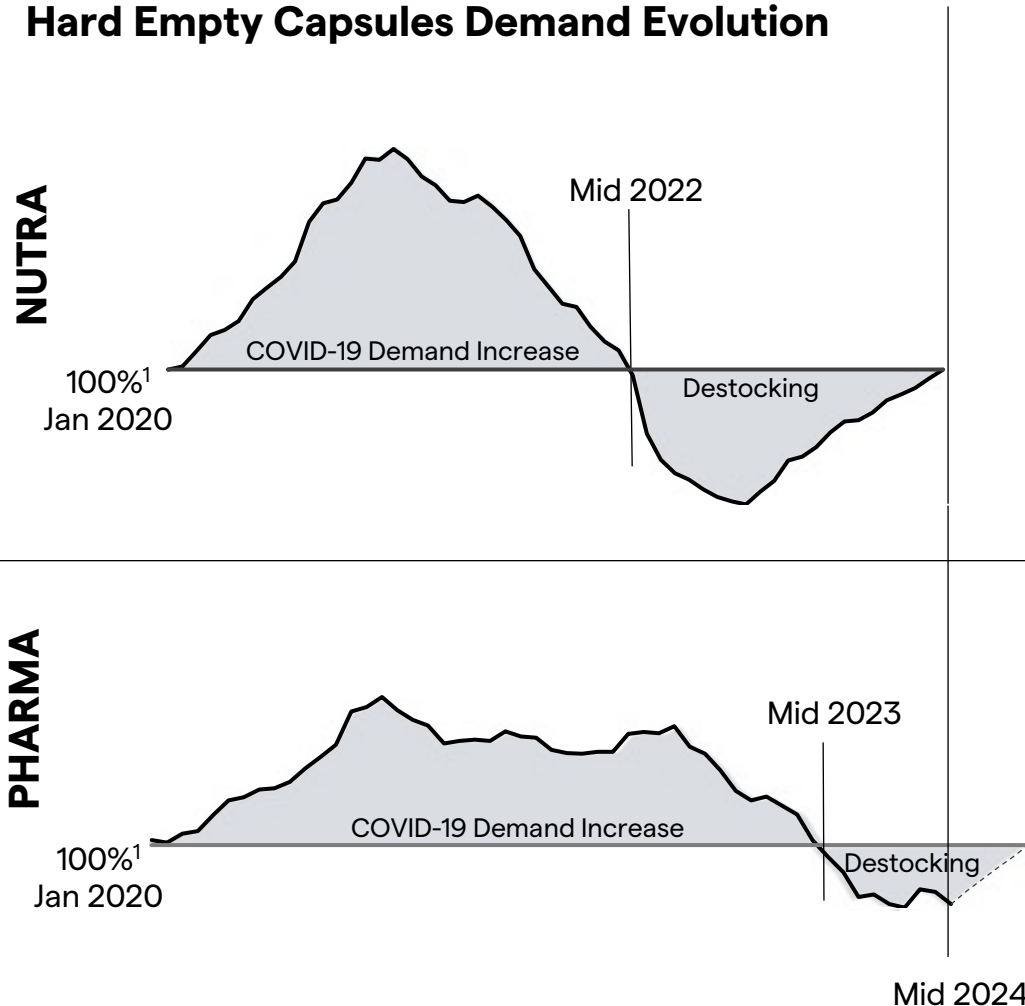
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# Future Margin Recovery from Improved Pharma Demand and Asset Utilization

## Hard Empty Capsules Demand Evolution



- US demand recovery since mid 2023
- Price pressure arising from industry excess capacity and qualification of alternative suppliers
- From 2025, 3% p.a. projected market growth

- Destocking in US and Europe expected until Q4 2024 – Q1 2025
- Temporarily lower volumes drive lower utilization
- From 2025, 2% p.a. projected market growth

<sup>1</sup>100% demand



# Summary and H2 Priorities

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# Reconfirmed Outlook 2024 and Mid-Term Guidance

## Sales Outlook 2024

Flat CER Sales Growth

## Margin Outlook 2024

CORE EBITDA Margin of high twenties

## H2 2024 Performance Drivers

- Group sales are expected to be higher in H2 versus H1<sup>1</sup>, reflecting timing of batch releases and ramp-up of new facilities in Biologics and Small Molecules
- Ongoing pressure in capsules business
- Continued focus on productivity and cost control

## Mid-Term Guidance

Sales, CORE EBITDA Margin, and ROIC Guidance confirmed

# Board Update and CEO Priorities

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# New Chairman, Board Governance Update, and Two New Board Nominees



- Jean-Marc Huët elected as Chairman of the Board of Directors on 8 May 2024
- Board [updates](#) to enhance governance will be effective from 1 August 2024:
  - Nomination and Compensation Committee divided in two: a Nomination and Governance Committee and a Remuneration Committee
  - Reconfigured Board member roles: Juergen Steinemann will become Vice Chairman while Christoph Maeder remains Lead Independent Director
  - Two new board members proposed for election at AGM 2025, strengthening technical operations expertise and customer perspective:
    - Juan Andres, most recently President of Strategic Partnerships and Enterprise Expansion at Moderna
    - Eric Drapé, most recently EVP, Head of Global Operations and Member of the Executive Committee at Teva Pharmaceuticals



# In H2 2024, Focus will be on Short-Term Priorities – While in Parallel Laying the Foundations for Long-Term Success

## Lay the foundations – key drivers for long-term success

- **Mission, vision, values**
- Unified **corporate culture** geared to organizational, operational and commercial **excellence**
- Unified **corporate strategy** as guidance for divisional strategies
- **Operating model**, governance and core processes

## Stay ahead of the wave – short-term key priorities

### People

- “10 sites in 100 days” – meet and listen to the colleagues to understand opportunities and challenges

### Operations

- Deliver as planned
- Execute ongoing organic growth projects and ramp up
- Close Vacaville transaction, integrate and operate

### Customers and strategic partners

- Meet and listen to key customers

### Financials

- Deliver FY 2024 results

### Capital markets

- Investor event in December 2024

# Q&A





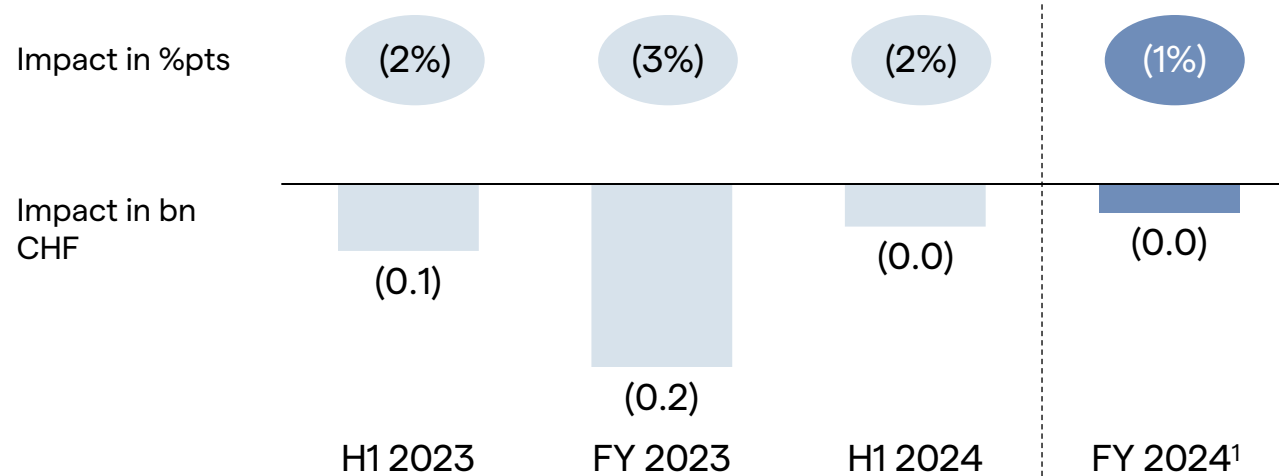
# Appendices



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# Negative Currency Impact in H1 2024 due to CHF Appreciation Against Major Currencies in 2023

## Currency impact on sales



- Around 60% of Group sales in foreign currency (mainly USD and EUR)
- Margin well protected from natural hedge and hedging program
- Limited H2 impact based on current FX rates

<sup>1</sup> Simulated impact based on average forward rates as of 12<sup>th</sup> July 2024



# Half-Year 2024 Financial Highlights (1/2)

CHF million	<b>HY 2024</b>	<b>HY 2023</b>	<b>YoY (in %)</b>
Sales	3,057	3,078	(0.7)
CORE EBITDA	893	922	(3.1)
<i>Margin in %</i>	29.2%	30.0%	
EBITDA	862	899	(4.1)
<i>Margin in %</i>	28.2%	29.2%	
EBIT	534	540	(1.1)
<i>Margin in %</i>	17.5%	17.5%	
<i>ROIC in %</i>	8.6%	8.7%	
Net Financial Result	(139)	(41)	n/a
<i>Tax Rate in %</i>	16.5%	15.4%	
Profit for the Period	330	411	(19.7)

## Half-Year 2024 Financial Highlights (2/2)

CHF million	<b>HY 2024</b>	<b>HY 2023</b>	<b>YoY (in %)</b>
CORE EPS basic (CHF) <sup>1</sup>	7.03	6.89	2.0
EPS Basic (CHF)	4.61	5.54	(16.8)
CORE EPS Diluted (CHF) <sup>1</sup>	7.02	6.89	1.9
EPS Diluted (CHF)	4.61	5.54	(16.8)
Change of Net Working Capital	(276)	(436)	36.7
Capital Expenditures	622	765	(18.7)
Operational Free Cash Flow <sup>1</sup>	296	(37)	
Number of Employees (Full-Time Equivalent)	17,834	17,896	(0.3)
Net debt	1,636	564	
Net debt / equity ratio	0.2	0.1	
Net debt / CORE EBITDA ratio	0.8	0.3	

<sup>1</sup> Based on revised definitions of CORE EPS and Free Cash Flow announced as part of Q1 2024 Qualitative Update, which can be found here: [24\\_Lonza\\_Restated\\_Financials\\_2024](#)

# Event Calendar and Contacts

## **Upcoming Roadshows**

26 July 2024	ZKB, Zurich
29-30 July 2024	UBS, New York
6 August 2024	Bank of America, London
13 August 2024	Deutsche Bank, Frankfurt
14 August 2024	Stifel, Copenhagen
15 August 2024	Stifel, Stockholm

## **Upcoming Announcements**

Q4 2024	Q3 Qualitative Update
December 2024	Investor Update
30 January 2025	Full-Year Results 2024

Information about investor relations events is available on the website: <https://www.lonza.com/investor-relations>



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# Additional Information and Disclaimer

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Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words “outlook,” “guidance,” “believes,” “plans,” “anticipates,” “expects,” “estimates” and similar expressions) should be considered to be forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty.

There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including the timing and strength of new product offerings; pricing strategies of competitors; the company’s ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs;

difficulty to maintain relationships with employees, customers and other business partners; and changes in the political, social and regulatory framework in which the company operates, or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.

In particular, the assumptions underlying the section “Looking to the Future” herein may not prove to be correct. The statements in the section “Looking to the Future” constitute forward-looking statements and are not guarantees of future financial performance.

Lonza’s actual results of operations could deviate materially from those set forth in the section “Looking to the Future” as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in the section “Looking to the Future”. Except as otherwise required by law, Lonza disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after this presentation was published.