

Corporate



# Q1 2015 Qualitative Business Update Mid-Term Guidance Until End 2018

Richard Ridinger – CEO

# Lonza

# Overview

- Q1 2015 Qualitative Business Update
- FY 2015 Outlook
- Mid-Term Guidance Until End 2018

# Q1 2015 Qualitative Business Update

- Q1 started with an overall good momentum
- Business performance right on target, as expected
- FX effects under control and being managed through counter-measures and business performance
- Enhanced operational performance and ongoing portfolio optimizations in Pharma&Biotech
- Specialty Ingredients performance supported by an overall healthy market demand

## Q1 2015 Operational Highlights

- Production ramp-up of recent investments providing projected volume growth:
  - Niacinamide plant in Nansha (CN)
  - Agro Ingredients plant in Visp (CH)
- Adaptations of large-scale microbial plant in Visp to accommodate different customers successfully underway
- Preparation to build-out assets for emerging technologies (e.g. cell and viral therapy in the U.S.) making good progress

# Lonza Segments

## Lonza

### Specialty Ingredients Segment

#### Our Markets:

Consumer Care incl.  
Hygiene  
Nutrition  
Personal Care

Agro Ingredients

Water Treatment

Industrial Solutions

Wood Protection

2014\*

Sales:	CHF 2,154 mn
CORE EBITDA:	CHF 360 mn
CORE EBIT:	CHF 272 mn

### Pharma&Biotech Segment

#### Our Offers:

Custom Manufacturing

Custom Development

Bioscience Solutions

2014\*

Sales:	CHF 1,446 mn
CORE EBITDA:	CHF 385 mn
CORE EBIT:	CHF 245 mn

# Business Highlights

## Consumer Care

### Hygiene

- Solid quarter for disinfection products with performance above expectations (particularly wipe solutions and hard-surface cleaning products)
- Continued advancement of the innovation stream in disinfecting wipes and pre-registered formulated solutions for customers
- New solutions for anti-bacterial hand-soaps with major customers

### Nutrition

- Vitamin B3 on target based on solid market demand in both human and animal nutrition
- Growing market demand for energy beverages and sports nutrition led to increasing demand for our Carnipure™ product offering

### Personal Care

- Results above target for anti-dandruff and hair-conditioning business – driven by demand and innovation
- Interest continued to build in Regenistem™, our newly developed skin-care product

# **Business Highlights**

## **Agro Ingredients and Industrial Solutions**

### **Agro Ingredients**

- Custom Manufacturing results overall on target with good capacity utilization
- Meta™ started successfully, and geographic expansion on target
- Formulation ingredients for crop-protection products and fertilizers gaining interest in the agro industry

### **Industrial Solutions**

#### **Coatings and Composites**

- Solid demand from electronics and aerospace industries resulted in long-term supply agreements
- Antifouling paints, building products and antimicrobial solutions performed strongly

#### **Performance Ingredients**

- Slower start into the year

# **Business Highlights**

## **Wood Protection and Water Treatment**

### **Wood Protection**

- Record snowfall and cold winter in the U.S. leading to delayed deliveries while weakening currencies in Europe and Asia Pacific had a negative impact on the business
- In the EMEA region, the UK market continues to expand at a solid pace with upward trend in other regions of Europe
- Market continues to be stable in APAC

### **Water Treatment**

- Recreational business started with improved sales into the year
- Solid sales in NAFTA and South Africa; FX had an impact on South America business
- Expected growth in North America for ICMS business with initiation of new market approaches



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# Business Highlights

## Custom Manufacturing

- Ongoing strong market demand in biologics and continuing good utilization
- Positive results from regulatory audits in Singapore, Portsmouth and Spain
- Viral Therapy commercialization plans and services continue to advance for several late-phase portfolio products
- Increased funding available for Cell Therapy and increased investments from big-pharma companies

# Business Highlights

## Custom Development & Bioscience Solutions

### Custom Development Services

- Continued interest from customers across all regions and technologies for development and clinical manufacturing services
- Working closely with two European Innovation Clusters following the signing of collaboration agreements
- Multi-product GS Xceed™ license agreement signed with arGEN-X

### Bioscience Solutions

- Further improved performance compared with 2014 and improved presence in China and APAC, despite continued low funding in Japan and Europe markets
- Research Products experienced first signs of a global recovery
- Testing Solutions performance according to budget and plan

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## FY 2015 Outlook

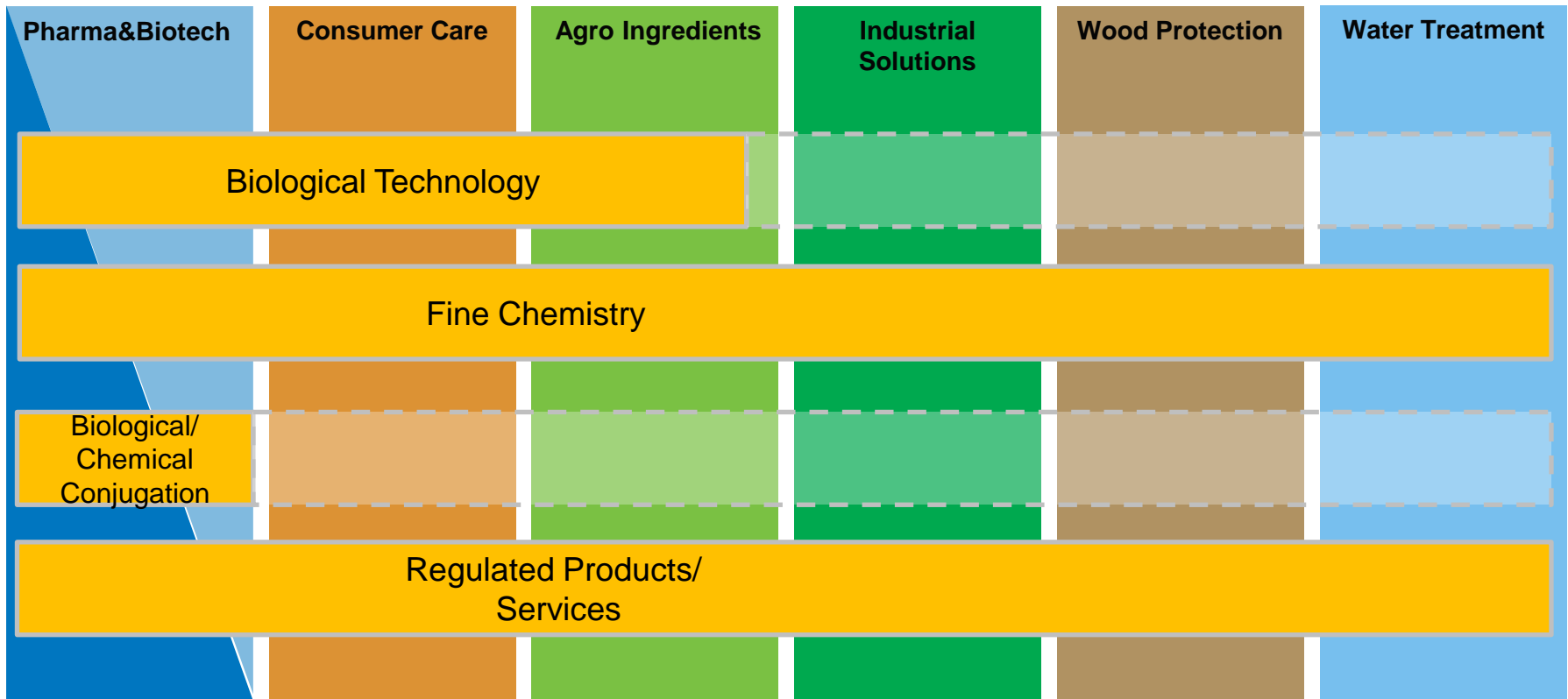
Based on the current macro-economic environment, constant exchange rates and anticipated worldwide growth rates, we expect:

- Sales growth, despite FX rate and raw material volatility
- CORE\* EBIT growth of at least 5% due to portfolio optimizations, FX counter measures and further operational productivity improvements
- Ongoing optimizations of the worldwide production network are expected to lead to a further improved CORE RONOA of >15%

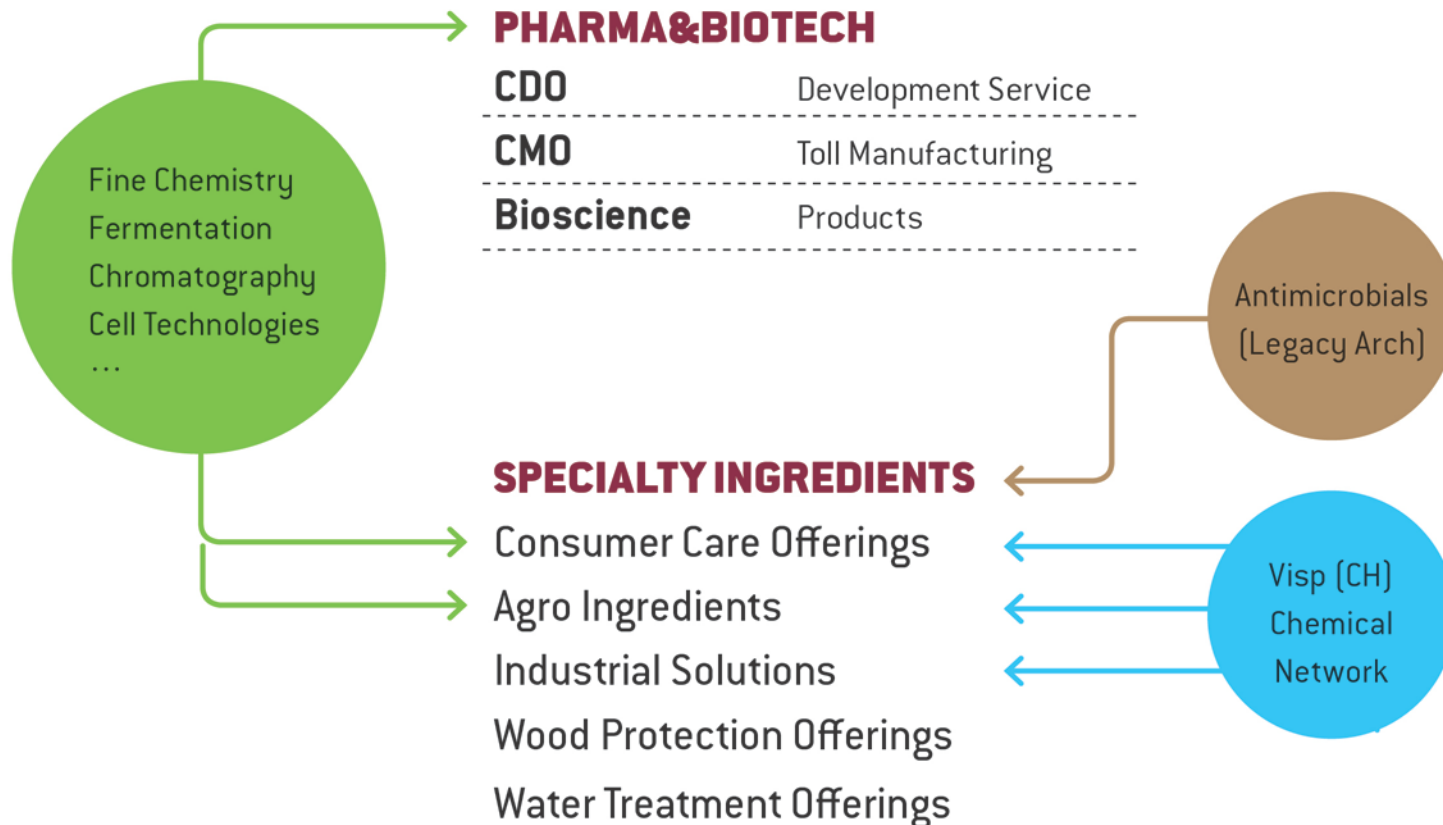
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# Lonza's Target Markets and Its Technologies



# Technology Links Between Businesses





# Focus Areas for Corp. Strategic Projects



# Priorities – Specialty Ingredients

- Expand reach – globally and market-wise
- Share technology know-how from biopharma and specialty chemicals across different markets, industries and technologies to capitalize on synergies
- Become more operationally efficient

- Build on strong hygiene expertise to enter new markets
- Enter adjacent fields for Personal Care and Nutrition applications



Consumer Care

- Build up fermentation platform for agro-chemicals
- Penetrate target markets with additional offerings



Agro Ingredients

- Focus on high-value products in coatings and composites markets



Industrial Solutions

- Focus on next generation of metal-free wood protection products
- Introduce next generation of fire-retardant products



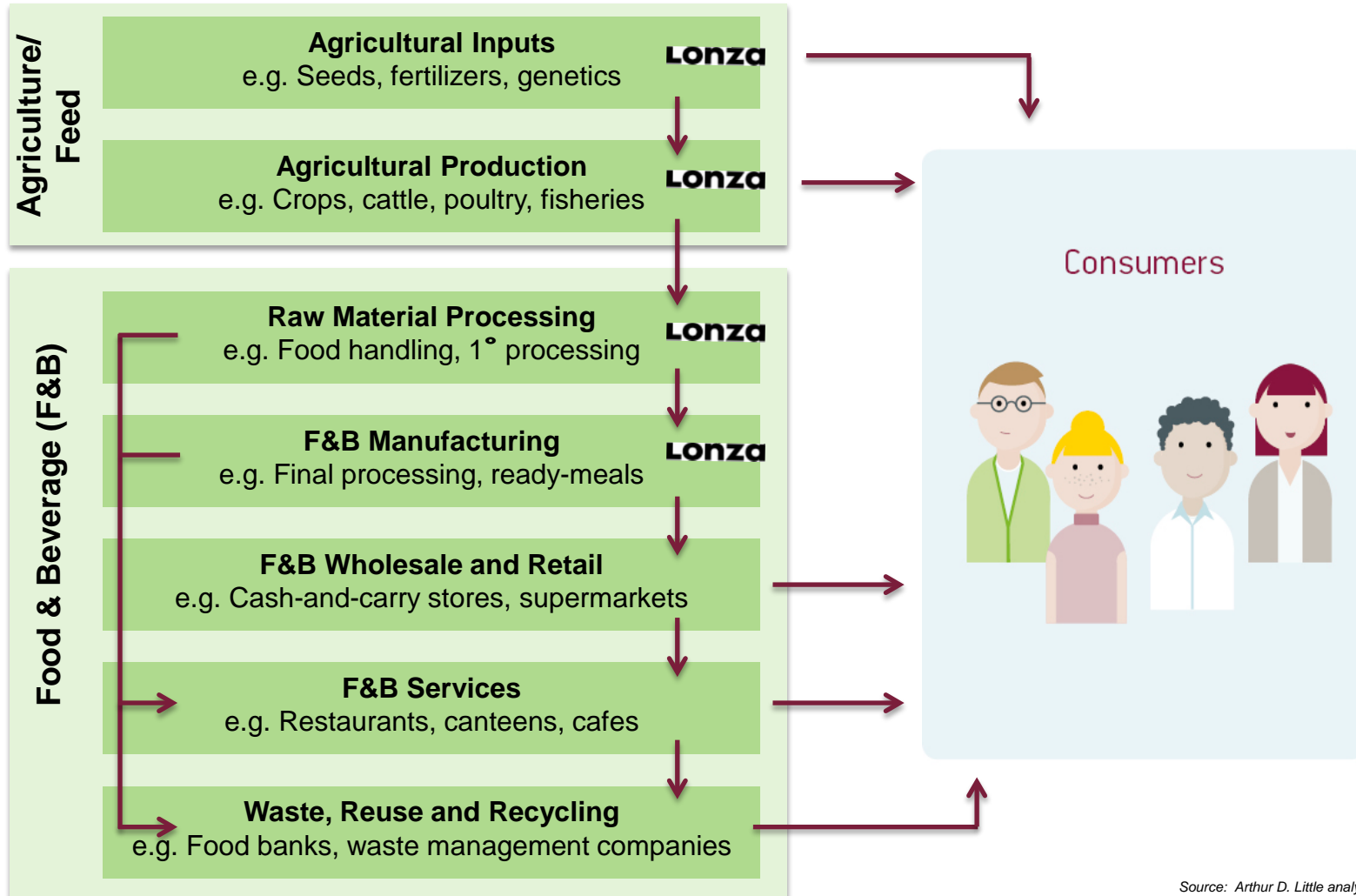
Wood Protection

- Build on #1 market position in residential water
- Expand reach and market share in industrial arena



Water Treatment

# Example of Market Integration in Agri-Feed and Food Industry



# Priorities – Pharma&Biotech

## A 5-Year Journey and Getting Fit for 2020+

- Realign business models to satisfy customers' future needs
- Reduce volatility further
- De-risk portfolio further
- Reduce capital intensity

- Build on leading position in commercial manufacturing
- Explore opportunities to expand existing asset basis

- Realign the chemicals asset base to suit changing customer needs effectively

- Take advantage of leading position to bring emerging technologies to market (ADC, Viral Therapy, Cell Therapy)

- Grow from a solid basis and expand our product offerings

**Biologics**  
(Mammalian & Microbial)



**Chemicals** (Small Molecules, Peptides)



**Emerging Technologies**  
(CT, VT, ADC)



**Bioscience Solutions**



# Mid-Term Guidance Until End 2018

Based on current macro-economic environment, constant exchange rates and anticipated worldwide growth rates, we expect:

- CORE\* EBITDA approaching CHF 1 billion in 2018, driven by:
  - Further portfolio optimization
  - Continuous strengthening of customer and target-market orientation
  - Increased implementation of cross-technology synergies
  - Higher share of businesses from new and emerging technologies
  - Further productivity improvements in our manufacturing and business services network

# Mid-Term Guidance Until End 2018

- Targeting CORE\* RONOA of 20% in 2018 (14.3% in 2014)
- Growing sales by low to mid-single digits on average per year until 2018, driven by:
  - Additional contribution from new technologies
  - Further productivity improvements in custom manufacturing
  - Supplementary build-out of service businesses
  - Growing market demand for innovative products in Specialty Ingredients, especially in consumer-related areas and in the specialty segment of our industrial business, namely Coatings and Composites
  - Stringent portfolio management with focus on higher value products
  - Expanded global reach

# Calendar of Events & Contacts

## Important Lonza Group Dates

28 Apr 2015 First-Quarter 2015 Business Update

22 July 2015 Half-Year 2015 Results

29 Oct 2015 Third-Quarter 2015 Business Update

27 Jan 2016 Full-Year 2015 Results

22 Apr 2016 Annual General Meeting

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# Appendices

## **CORE Results as Defined by Lonza**

Lonza believes that understanding in the financial markets of the Group's performance is enhanced by disclosing core results of performance because the core results enable better comparison across years. Therefore the core results exclude exceptional items such as restructuring charges, impairments and amortization of acquisition-related intangible assets which can differ significantly from year to year. For this same reason, Lonza uses these core results in addition to IFRS as important factors in assessing the Group's performance.