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Enabling a Healthier World

**Lonza**

# Full-Year Results 2023

Albert M. Baehny, Chairman and CEO *ad interim*  
Philippe Deecke, CFO

26 January 2024



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**Lonza**

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# Full-Year 2023 Group Overview

**Lonza**



# Group Performance

- Robust sales of CHF 6.7 billion, delivering sales growth of 10.9% CER<sup>1</sup>
- CORE EBITDA of CHF 2 billion, resulting in a margin of 29.8%
- Continued growth investment with 2023 CAPEX at 25% of sales
- Solid free cash flow at CHF 329 million
- Proposed 14% dividend increase from CHF 3.50 to CHF 4.00 per share
- Return of excess capital continues with ongoing share buyback up to CHF 2 billion
- Outlook 2024: flat CER sales growth and CORE EBITDA margin in the high twenties
- Mid-Term Guidance 2024 – 2028 confirmed

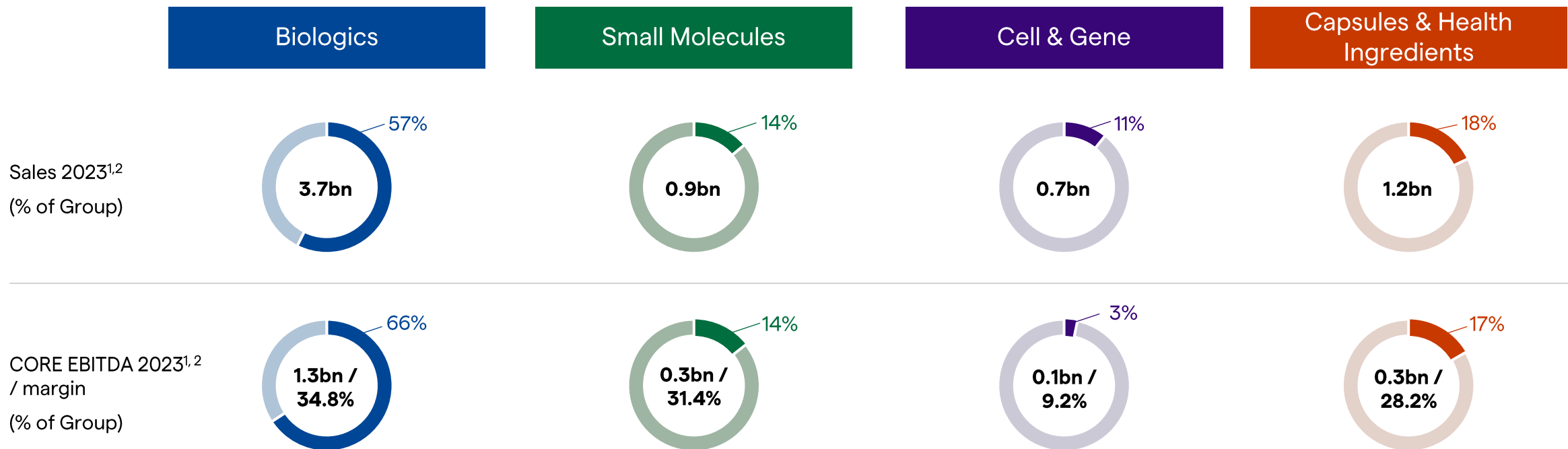
<sup>1</sup> CORE results and Constant Exchange Rates (CER) are non-IFRS measures.  
For Lonza's definition of CORE results, also refer to the Alternative Performance Measures Brochure published in conjunction with the Lonza Full-Year Report.

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# Divisional Performance

Solid results driven by Biologics and Small Molecules, with softer performance in Cell & Gene, and Capsules & Health Ingredients



<sup>1</sup> In billion CHF, Sales and CORE EBITDA from Corporate are disregarded

<sup>2</sup> Figures are rounded to the nearest billion

# Highly Attractive Long-Term Prospects for CDMO Industry

## Industry Headwinds in 2023

- Post-pandemic resetting phase driving market uncertainty
- Constraints in biotech funding mainly impacting early-stage pipeline
- Further customer inventory destocking
- Wider disruptions in global geopolitical context

## Highly Attractive Market Fundamentals

- Outsourcing trend continues driven by strong and sustained commercial demand<sup>1</sup>
- Extensive pipeline of around 3,000 Phase 1 drug candidates<sup>2</sup>
- Accelerating drug approval rate
- Tightening capacity utilization in the next five years<sup>3</sup>
- Innovation driving next wave of therapies

<sup>1</sup> Bernstein 2024; Company disclosure, Bloomberg (2023/2024)

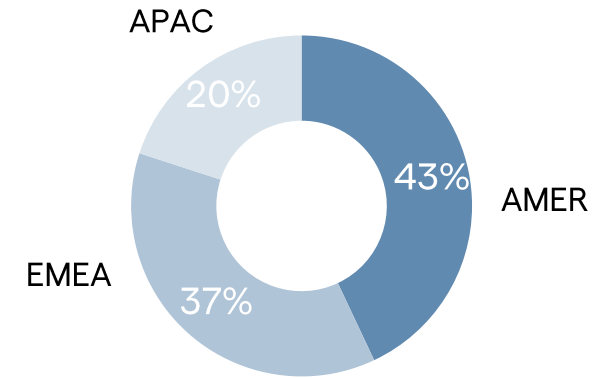
<sup>2</sup> Citeline 2024

<sup>3</sup> Mainly driven by mammalian; excludes Alzheimer potential needs, Lonza Capital Markets Day presentation 2023

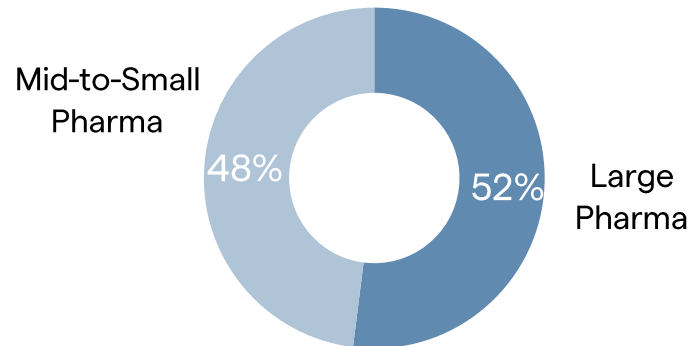
# Broad and Diversified Portfolio of Customers



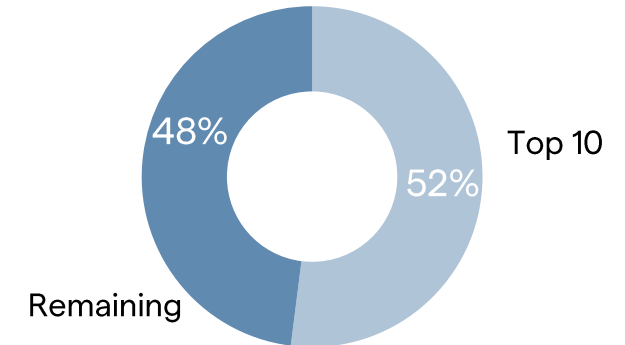
### CDMO Sales by Customer Location<sup>2</sup>



### CDMO Sales by Customer Type<sup>3</sup>



### Distribution of CDMO Customers by Sales



<sup>1</sup>Based on distinct companies

<sup>2</sup>Rounded to the nearest whole number

<sup>3</sup>Top 30 largest pharma companies by revenue are attributed to large pharma

# Ambitious Growth Program

## Ongoing Growth Projects

**21**

Large projects of  
>CHF 50m CAPEX

**9**

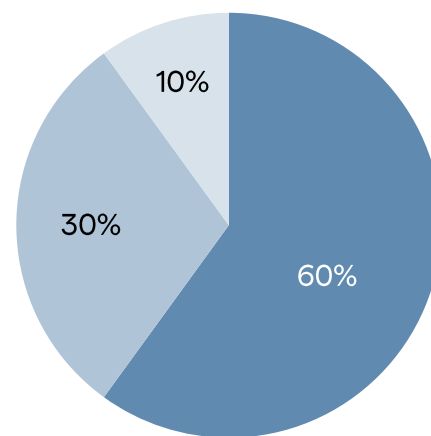
Modalities

**~75%**

of CAPEX invested in  
growth 2019 - 2023

**90%**

invested in  
commercial / mixed  
assets



■ In construction ■ In ramp up  
■ In operation

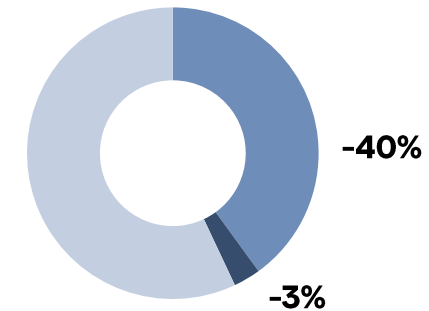
## H2 2023 Highlights

- Groundbreaking of dedicated facility for the Vertex Type 1 Diabetes cell therapy portfolio in August 2023
- New Antibody-Drug Conjugate commercial filling line in Stein (CH) announced in October 2023 for a dedicated customer
- Dedicated Small Molecules monoplant for Aurinia became operational in Visp (CH)



# Long-Term Commitment to ESG Remains a Top Priority

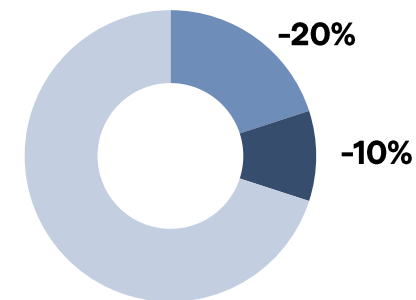
- Power Purchase Agreement to decarbonize 100% of Lonza's Scope 2 electricity emissions in China
- This builds on European Power Purchase Agreement signed in H1 2023
- Science Based Targets initiative (SBTi) Letter of Commitment signed in H1 2023
- Supplier evaluation program, focusing on supplier decarbonization, supported by Responsible Supplier Toolkit



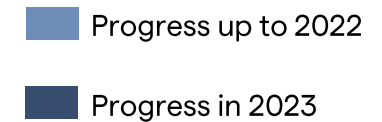
**GHG emissions intensity reduction (vs 2018 baseline)<sup>1</sup>**



**Energy intensity reduction (vs 2018 baseline)<sup>1</sup>**



**Water intensity reduction (vs 2021 baseline)<sup>1</sup>**



<sup>1</sup>Based on Q1-3 2023 data plus Q4 2023 estimates. Confirmed full-year numbers will be published in the Lonza Sustainability Report in April 2024

# Full-Year 2023 Financial Summary

**Lonza**



# Solid Financial Performance Despite Isolated Weak End Markets

- Strong commercial business with good year-end execution and customer batch releases
- H2 growth supported by Moderna settlement
- Continued market headwinds in early-stage and nutraceutical
- CHF 200m adverse impact of FX on Sales

## Financial Performance Summary AER<sup>1,2</sup>

in m CHF

	H2 2023	FY 2023
<b>Sales</b>	<b>3,639</b>	<b>6,717</b>
<i>CER<sup>3</sup> growth</i>	15.9%	10.9%
<i>AER<sup>2</sup> growth</i>	12.2%	7.9%
<b>CORE EBITDA</b>	<b>1,077</b>	<b>1,999</b>
<i>Growth</i>	6.9%	0.2%
<i>Margin</i>	29.6%	29.8%
<i>YoY margin change</i>	-1.5ppts	-2.3ppts

<sup>1</sup> All financial information for financial year 2023 is unaudited. The audit report on the 2023 consolidated financial statements of Lonza Group will be issued in March 2024 together with the publication of Lonza's 2023 Annual Report

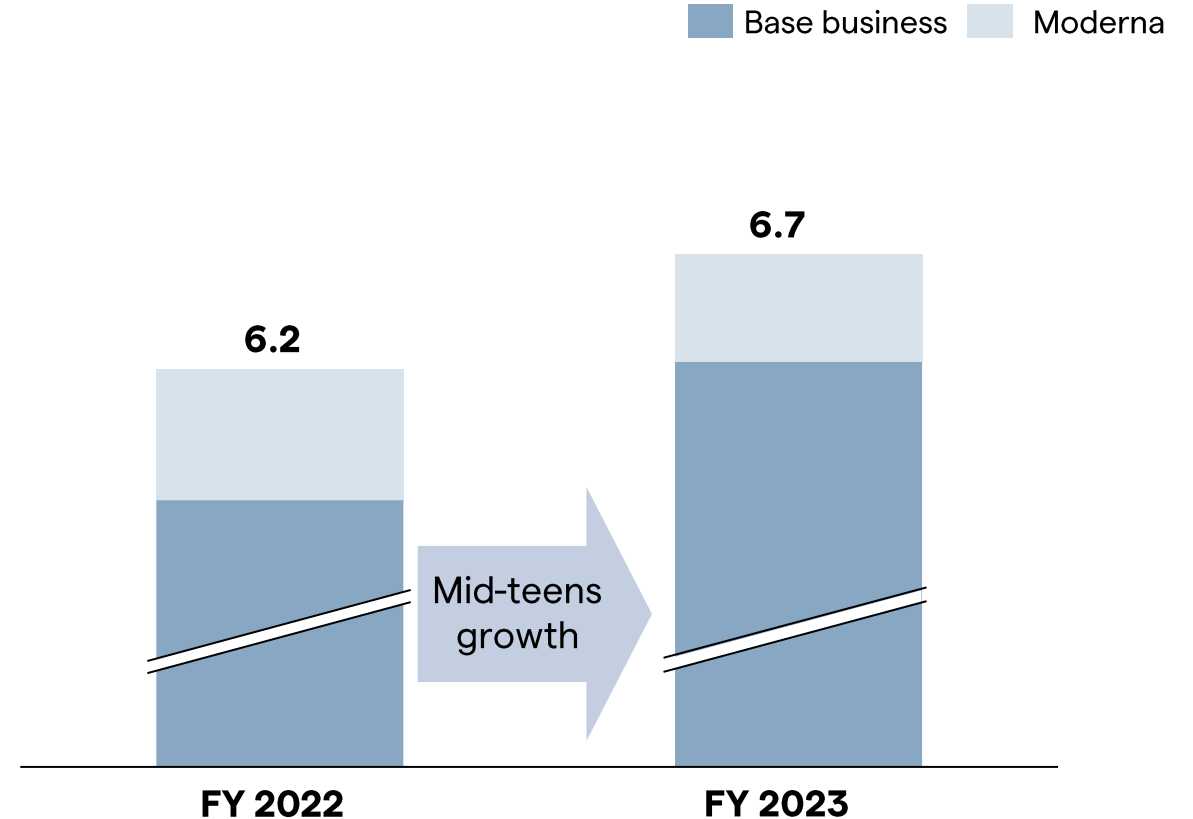
<sup>2</sup> Actual Exchange Rate

<sup>3</sup> Constant Exchange Rate

# Strong Underlying CDMO Commercial Demand Supporting Growth

- Strong Biologics performance across modalities with growth projects progressing and Bioconjugate business doubling
- Double-digit growth in Small Molecules from ramp up of high value projects
- Modest Cell & Gene growth due to biotech funding constraints partly offsetting dynamic Bioscience performance
- CHI sales decline driven by soft US nutraceutical market

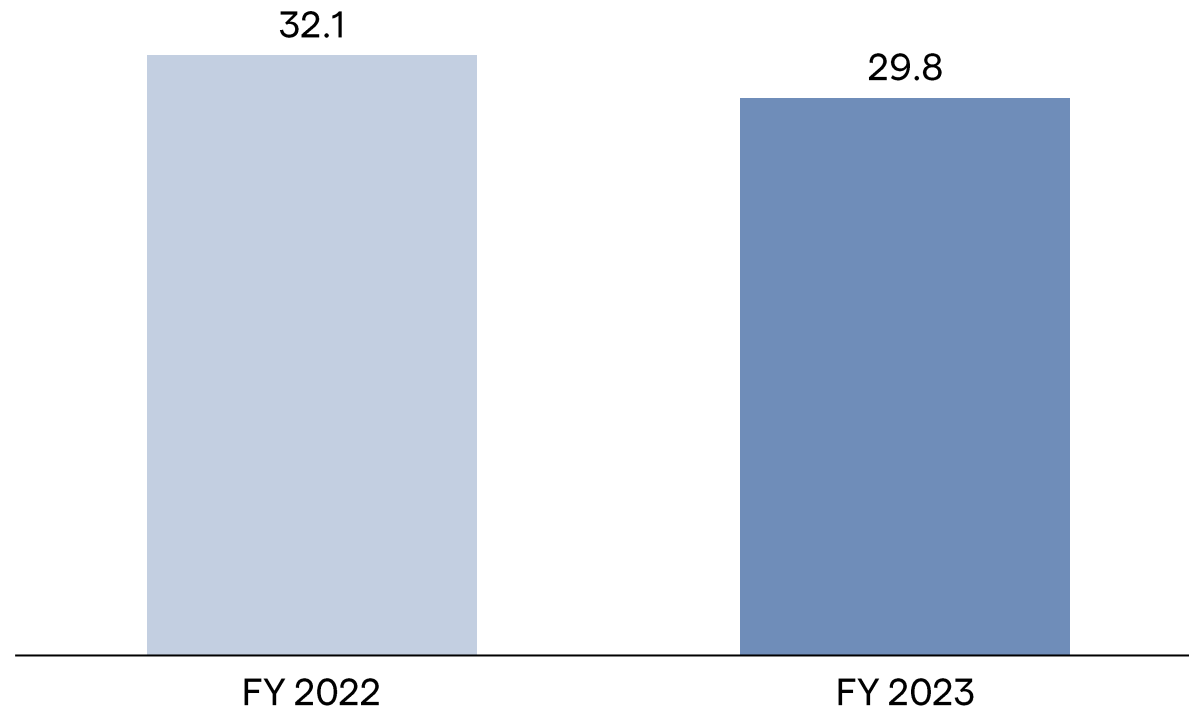
## Sales in bn CHF



# Margin Decline from Isolated Asset Underutilization

## CORE EBITDA Margin FY 2023 vs FY 2022

in %



- Small-scale asset underutilization in Biologics and Cell & Gene
- Low demand in nutraceutical capsules assets and input cost inflation
- Growth projects investment ramp up
- Partially offset by Moderna settlement and margin progression in Small Molecules

# Robust Performance Across Biologics and Small Molecules

## Financial Results by Division FY 2023

	Sales growth CER <sup>1</sup>	CORE EBITDA margin	Margin change AER <sup>2</sup>
Biologics	17.6%	34.8%	-2.7ppts
Small Molecules	11.2%	31.4%	+1.1ppts
Cell & Gene	6.6%	9.2%	-7.5ppts
Capsules & Health Ingredients	-2.4%	28.2%	-4.8ppts
<b>Lonza</b>	<b>10.9%</b>	<b>29.8%</b>	<b>-2.3ppts</b>

<sup>1</sup> Constant Exchange Rate

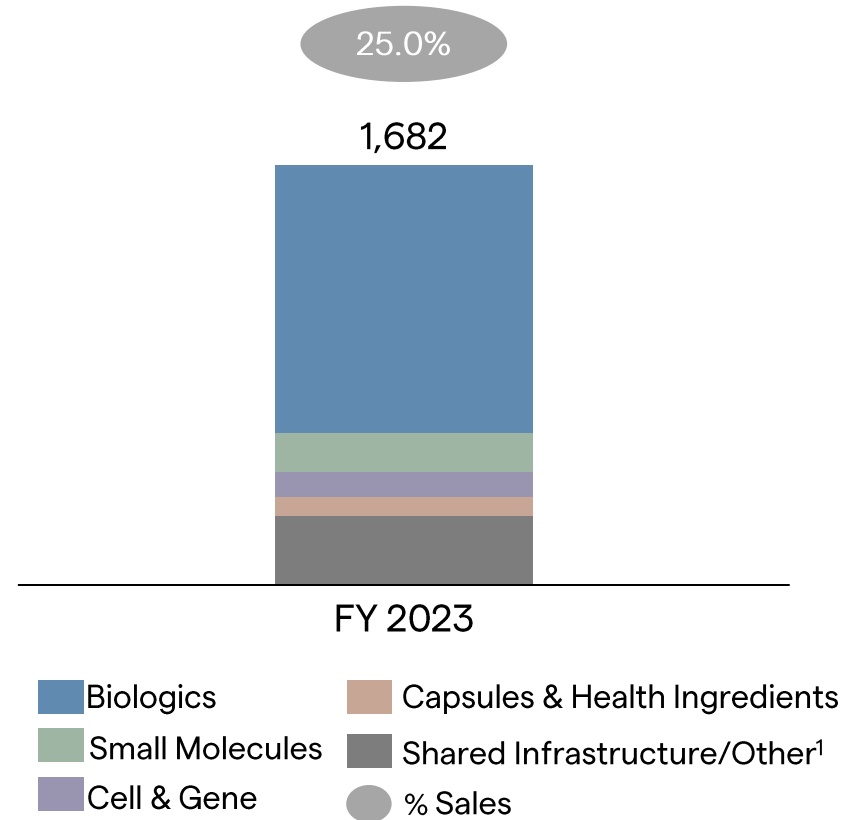
<sup>2</sup> Actual Exchange Rate

# Continuing Strategic Investments to Drive Long-Term Growth

- Lower CAPEX spend from prioritization of infrastructure and smaller growth projects
- Around 70% of growth CAPEX into a diversified project portfolio across modalities

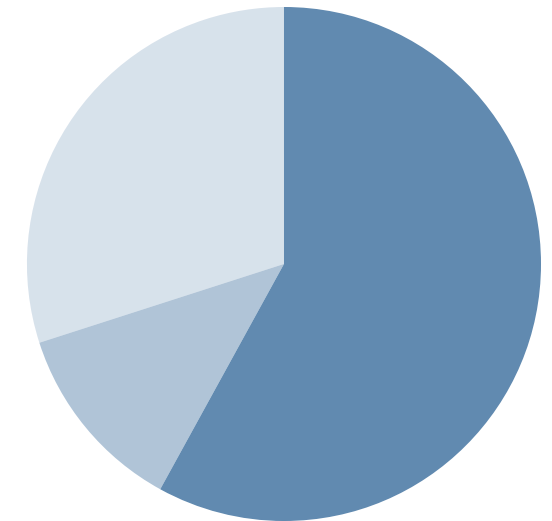
## CAPEX Breakdown by Division

in m CHF



## 2023 Project Portfolio

in %



**Total: CHF 1,682m**

- Large growth projects
- Small growth projects
- Other

<sup>1</sup> Includes investments in corporate projects

<sup>2</sup> Planned CAPEX >CHF 50m

<sup>3</sup> Planned CAPEX <CHF 50m

# Positive FCF from Improved Net Working Capital and Lower CAPEX

- High FCF delivery from lower inventory, effective receivables management and lower CAPEX
- Strong FCF conversion before growth CAPEX at more than 20%

## Operational Free Cash Flow (FCF)

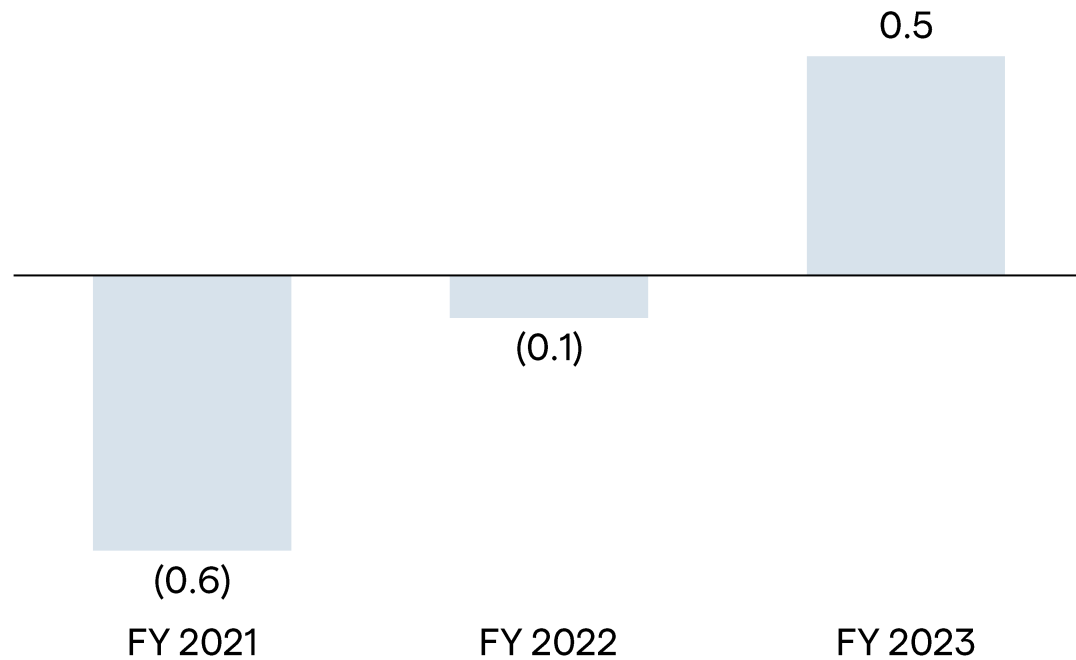
Continuing Business  
in m CHF

	FY 2023	Change	FY 2022
EBITDA	1,940	(199)	2,139
Change of net working capital (NWC)	(310)	343	(653)
CAPEX	(1,682)	190	(1,872)
Other	381	460	(79)
<b>Operational FCF before acq./div.</b>	<b>329</b>	<b>794</b>	<b>(465)</b>
<i>NWC as % sales</i>	12.5%	(7.4%)	19.9%
<i>CAPEX as % sales</i>	25.0%	(5.1%)	30.1%



# Strong Balance Sheet, Commitment to Maintain BBB+ Rating

## Net Debt / CORE EBITDA



## Share Buyback Program Update

**CHF 2 bn**

Two-year commitment commenced in Q2'23

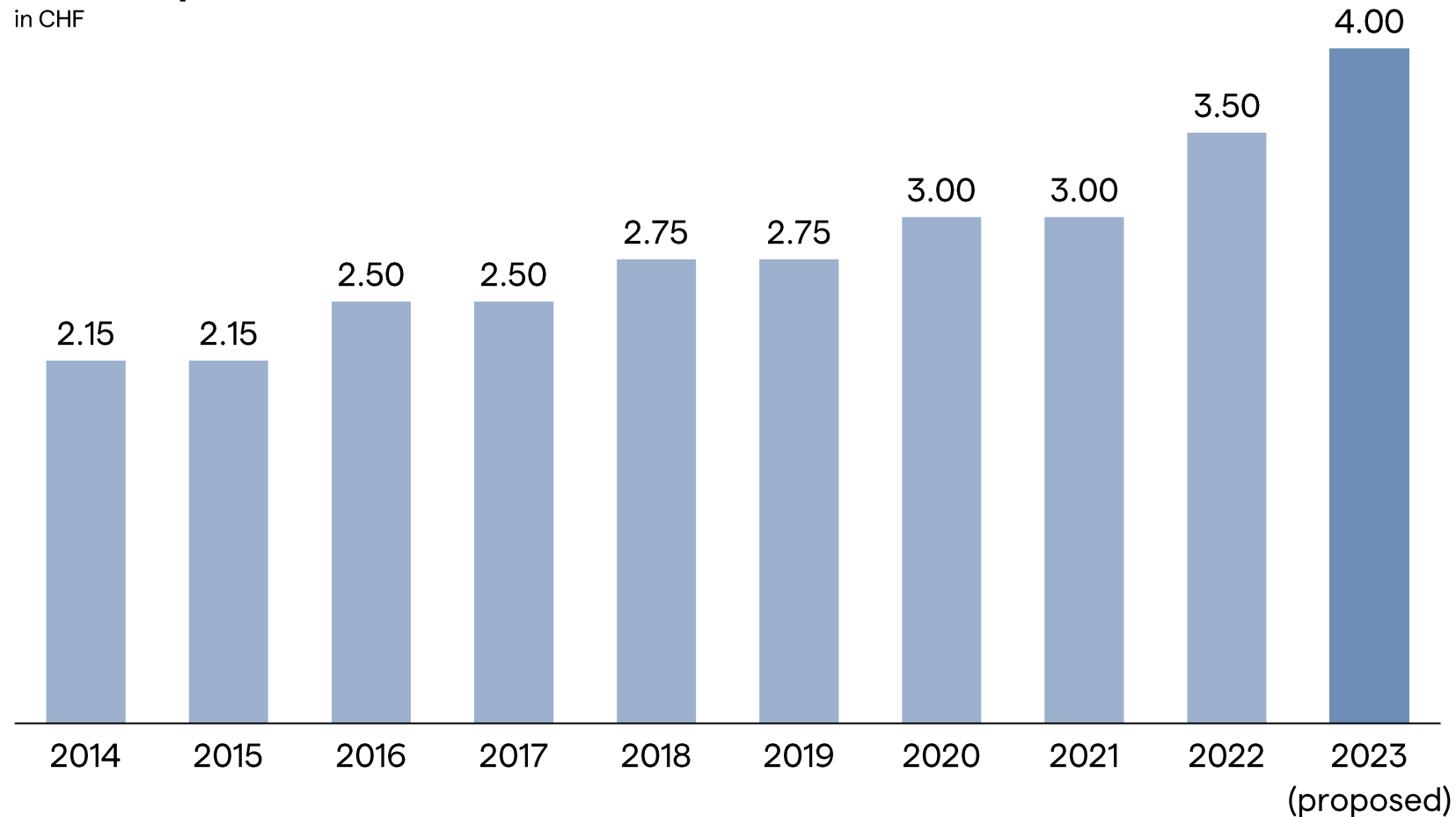
**50%**

Completed by 31-Dec-23

Retaining headroom for organic growth investments, excess capital returns and bolt-on M&A

# Dividend Increase to CHF 4.00 Per Share to be Proposed at AGM

## Dividend per share<sup>1</sup> in CHF

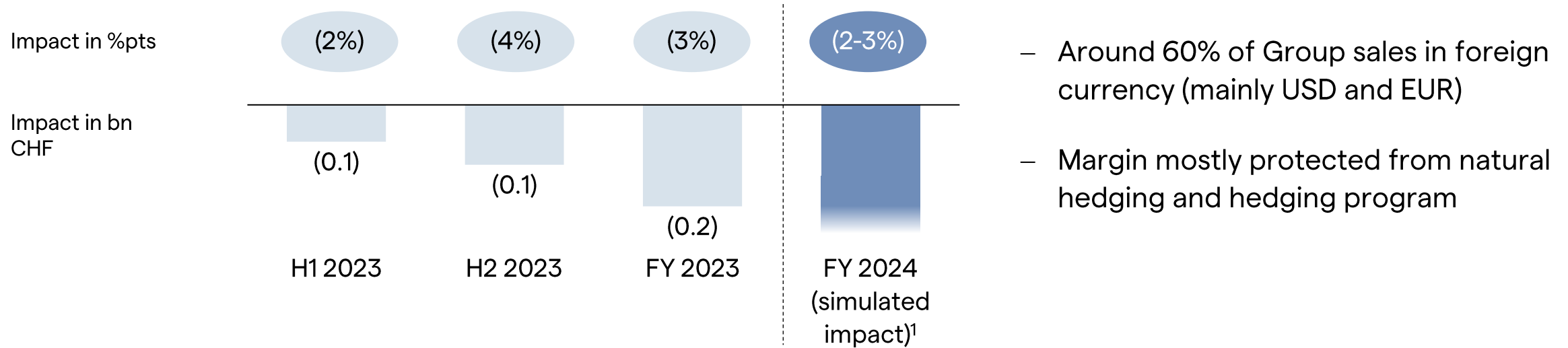


- 14% dividend increase from CHF 3.50 to CHF 4.00 per share
- Proposed payout of 44%, in-line with increased range of 35 - 45% announced during Capital Markets Day

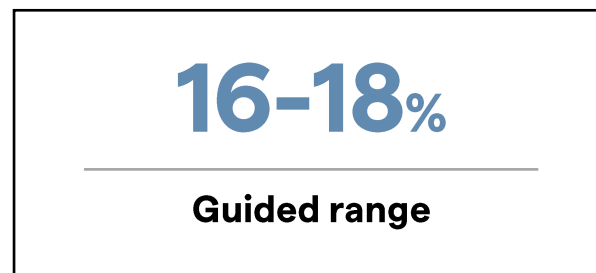
<sup>1</sup>Dividends relating to the indicated year, paid out in the following year

# CHF Strengthening with Negative Effect Expected to Continue in 2024; Tax Rate Impacted by Pillar 2 Implementation

## Currency impact on sales



## Tax rate



- Tax rate expected within the guided range despite the implementation of Pillar 2 legislation in several European markets and Switzerland in 2024

<sup>1</sup>Based on average Fx rates of first three weeks of Jan 2024

# Full-Year 2023 Divisional Overview

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# Biologics Division Update

**3,719<sub>m</sub>**

Sales  
(CHF)

**+17.6%<sup>1</sup>**

**1,294<sub>m</sub>**

CORE EBITDA  
(CHF)

**+5.4%**

**34.8%**

CORE EBITDA  
Margin

**-2.7ppts**

- Continued solid growth despite early-stage softness and post-pandemic resetting phase
- Softer margin influenced by lower early-stage demand, new project ramp up, and portfolio mix
- Signed new multi-year customer agreements with a potential collective value of around CHF 10 billion
- Decommissioning of Guangzhou (CN) and Hayward (US) sites to optimize manufacturing network

Boarded figures are a comparison vs. Full-Year 2022

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

# Biologics Business Unit Update

## Mammalian

- Double-digit sales growth<sup>1</sup>
- Healthy pipeline of molecules across clinical and commercial phases
- Very high utilization of large-scale manufacturing
- Softer early-stage demand
- Opening of new facility in Cambridge (US) to extend early stage offering
- Continuing post-pandemic supply chain management challenges

## Microbial

- Double-digit sales growth<sup>1</sup>
- Mid-scale facility in Visp (CH) in ramp up
- New agreement signed with Vaxcyte for pneumococcal conjugate vaccines

<sup>1</sup> Sales growth is at constant exchange rate (CER)

# Biologics Business Unit Update

## Bioconjugates

- Double-digit sales growth<sup>1</sup>
- Sustained, strong and increasing market demand
- Supply chain and manufacturing complexity drives outsourcing
- Ramp up of customer-dedicated and multiproduct suites in Visp (CH)
- Strengthening of end-to-end capabilities and technology platform through Synaffix acquisition

## mRNA

- Double-digit sales decline<sup>1</sup>
- Moderna contract termination in post-pandemic phase
- Opened Geleen (NL) small-scale development and manufacturing facility

<sup>1</sup> Sales growth is at constant exchange rate (CER)

# Biologics Business Unit Update

## Drug Product Services

- Double-digit sales growth<sup>1</sup>
- >150 customer projects supported in 2023
- Anchor commercial product acquired in Visp (CH)
- New dedicated filling line agreed with customer for commercial supply of ADCs
- Commercial capacity expansion in Stein (CH) on track

## Licensing

- Single-digit sales growth<sup>1</sup>
- More than 500 active licensing customers in 2023
- More than 80 approved therapeutics manufactured with GS<sup>®</sup> gene expression system
- New licensing opportunities through Synaffix for ADC development
- Licensing opportunities impacted by global slowdown of early-stage programs

<sup>1</sup>Sales growth is at constant exchange rate (CER)



# Small Molecules Division Update

**901<sub>m</sub>**

Sales  
(CHF)

**+11.2%<sup>1</sup>**

**283<sub>m</sub>**

CORE EBITDA  
(CHF)

**+14.1%**

**31.4%**

CORE EBITDA  
Margin

**+1.1ppts**

- Strong sales growth driven by continued portfolio shift to high value and complex offerings
- Margin improvement supported by strong operational execution and product mix
- Signed multi-year agreements with collective value of >CHF 1 billion in 2023, including contract extensions
- Significant increase in interest from new customers

Boarded figures are a comparison vs. Full-Year 2022

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

## Small Molecules Additional Information

### Customer Updates

- Multiple customers received FDA approval for oncology treatments
- New commercial drug product contract produced at site in Tampa (US)
- Extension of commercial drug substance collaboration with long-term customer
- Highly potent API (HPAPI) track record and expertise supports customer acquisition

### Growth Updates

- New dedicated monoplant in Visp (CH) brought online
- Expansion of Solid Dosage Form Services in Bend (US)

# Cell & Gene Division Update

**696<sub>m</sub>**

Sales  
(CHF)

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

**64<sub>m</sub>**

CORE EBITDA  
(CHF)

**-44.8%**

**9.2%**

CORE EBITDA  
Margin

**-7.5ppts**

- Sales growth impacted by early-stage funding constraints
- Softer margin driven by adverse market conditions, delays in clinical trials and operational challenges
- Continuing late-stage and commercial demand for Bioscience products and CDMO services
- Long-term divisional performance driven by additional commercial projects and differentiation through innovation

Boarded figures are a comparison vs. Full-Year 2022

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

# Cell & Gene Business Unit Update

## Cell & Gene Technologies

- Double-digit sales growth<sup>1</sup> including Codiak one-off
- Performance impacted by early stage funding constraints and operational challenges
- Commercial launch of two new customer products in 2023 (three supported in total)
- Groundbreaking of new dedicated facility in Portsmouth (US) for Vertex Type 1 Diabetes cell therapy portfolio

## Bioscience

- Single digit sales growth<sup>1</sup> against high 2022 base (arising from MAST<sup>®</sup> divestment)
- Broad portfolio of products and services to support biologics and cell & gene markets
- Innovative new product launches including improved endotoxin testing solutions
- Two new cell culture media launched in 2023 (TheraPEAK<sup>®</sup> T-Vivo and TheraPro<sup>®</sup>)

## Personalized Medicine

- Significant progress made in introducing the Cocoon<sup>®</sup> platform
- Anchor collaboration with Galapagos
- More than 100 instruments now deployed to support multiple active clinical trials
- Successfully supported one customer from pre-clinical to Phase 2 trials

# Capsules & Health Ingredients Division Update

**1,161<sub>m</sub>**

Sales  
(CHF)

**-2.4%<sup>1</sup>**

**327<sub>m</sub>**

CORE EBITDA  
(CHF)

**-21.8%**

**28.2%**

CORE EBITDA  
Margin

**-4.8ppts**

- Sales negatively impacted by post-pandemic nutraceutical demand reduction and customer inventory destocking
- Softer margin driven mainly by higher raw materials costs and exchange rates
- Continued growth momentum in pharma hard empty capsules and health ingredients
- Deployment of proprietary new capsule sealing technology

# Capsules & Health Ingredients Additional Information

## Market Update

- Softer post-pandemic consumer demand for over the counter and preventative health treatments, as well as customer inventory destocking
- Robust pharma market with high qualification and registration requirements
- Positive long-term demand is supported by proactive consumer health management trend, despite recent temporary softening

## Business Update

- High quality capsules and encapsulation technologies serving more than 7,000 pharma and nutraceutical customers
- Launch of improved proprietary liquid encapsulation microspray sealing technology
- More than 200 unique customer opportunities with Enprotect<sup>®</sup> targeted release enteric capsules
- More than 150 unique customer opportunities with Capsugel<sup>®</sup> TiO<sub>2</sub>-Free Capsule

# Outlook 2024 and Mid-Term Guidance



**Lonza**

# Moderna Termination Impacts Business Performance in 2024

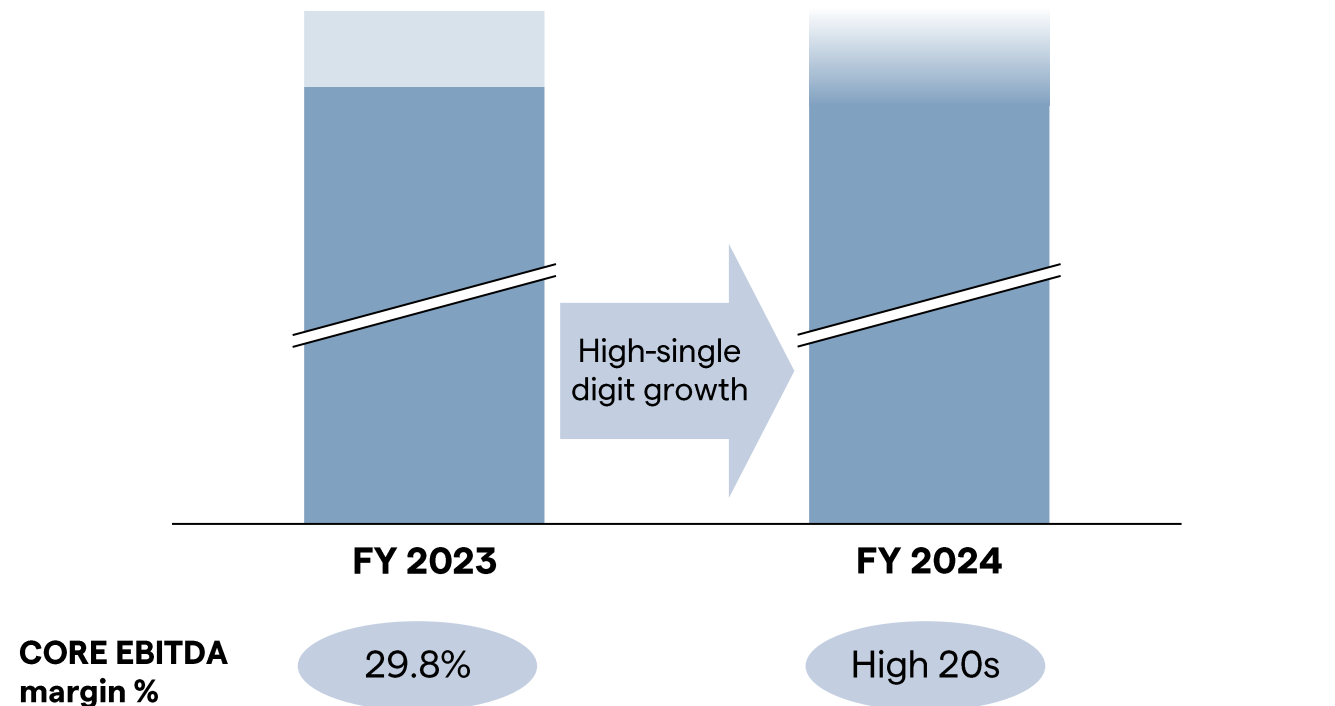
- 2024 sales growth offset by 2023 Moderna contract termination
- Moderna contract overview:
  - 2023 revenues of around CHF 500m at above-average margin
  - 2024 no further business anticipated
- 2024 sales driven by commercial CDMO momentum and growth project ramp up
- 2024 underlying margin to be supported by improved productivity and network optimization

## 2024 Sales and CORE EBITDA Outlook

### Sales

Indicative

■ Base business ■ Moderna





# Solid Underlying Momentum Continues in 2024

- Continued robust CDMO business driven by sustained commercial demand
- Performance supported by long-term contracts with commercial products
- Continued investment to drive long-term growth with CAPEX at around 25% of sales

## Outlook 2024

Flat CER Sales Growth

CORE EBITDA Margin  
in high 20s

# Confirming our Group Mid-Term Guidance

- Mid-term sales growth driven by:
  - Strong industry outlook
  - New assets coming online
- Remain confident in continuing margin improvement
- CAPEX expected to decrease to mid-to-high teens as % of sales by 2028
- Strong balance sheet with continuing commitment to investment grade rating of BBB+

**11 – 13%**

Sales CAGR in CER  
(2024 – 2028)

**32 – 34%**

CORE EBITDA margin  
in 2028

**Double-digit  
ROIC**  
in 2028

**1.5 – 2.0x**  
Net Debt / CORE EBITDA

# Concluding Remarks



## Jean-Marc Huët to succeed Albert M. Baehny as Chairman

- After six years as Chairman, Albert Baehny will not stand for re-election
- Jean-Marc Huët to be proposed as Chairman by the Board of Directors at the AGM in May 2024
- Jean-Marc is currently Chairman of the Supervisory Board of Heineken N.V. and Chairman of Vermaat Groep B.V.
- Extensive international operational and strategic management experience in the Consumer, Pharma and Nutrition industries
- Albert Baehny to remain CEO *ad interim* until a new Group CEO is appointed



## Uniquely Positioned to Capture Growth and Value

- 2023 performance: solid sales growth of 10.9% CER and 29.8% margin
- Stable, long-term business supported by broad and diversified customer portfolio
- Investment in mature, advancing and emerging modalities
- Ambitious growth program alongside solid balance sheet and disciplined capital allocation strategy
- 2024 Outlook: solid underlying sales growth and maintenance of healthy margin
- Continuing commitment to delivering Mid-Term Guidance 2024 - 2028



**Lonza**

Q&A

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# Appendices



## Full-Year 2023 Financial Highlights (1/2)

CHF million	FY 2023	FY 2022	YoY (in %)
Sales	6,717	6,223	7.9
CORE EBITDA	1,999	1,995	0.2
<i>Margin in %</i>	29.8	32.1	
EBITDA	1,940	2,139	(9.3)
<i>Margin in %</i>	28.9	34.4	
EBIT	880	1,541	(42.9)
<i>Margin in %</i>	13.1	24.8	
<i>ROIC in %</i>	8.7	11.4	
Net Financial Result	(77)	(95)	
<i>Tax Rate in %</i>	17.1	15.9	
Profit for the Period	655	1,218	(46.2)



## Full-Year 2023 Financial Highlights (2/2)

CHF million	<b>FY 2023</b>	<b>FY 2022</b>	<b>YoY (in %)</b>
CORE EPS basic (CHF)	12.40	14.74	(15.9)
EPS Basic (CHF)	8.88	16.37	(45.8)
CORE EPS Diluted (CHF)	12.39	14.71	(15.8)
EPS Diluted (CHF)	8.88	16.34	(45.7)
Change of Net Working Capital	(310)	(653)	
Capital Expenditures	1,682	1,872	(10.1)
Operational Free Cash Flow	236	(237)	
Number of Employees (Full-Time Equivalent)	18,000	17,494	2.9
Net debt / (net cash)	922	(186)	
Net debt-equity ratio	0.1	(0.0)	
Net Debt / CORE EBITDA ratio	0.5	(0.1)	

# ROIC Decrease Driven by Lower NOPAT and Growing Asset Base

NOPAT decreasing from customer driven impairments (Moderna and Codiak)

Tax rate tracking in line with 16-18% guided range

## ROIC

Continuing Business  
in m CHF

	FY 2023	YoY % change	FY 2022
Net Operating Profit before taxes	1,180	(219)	1,399
Taxes <i>in % of Net Op. Profit before taxes</i>	(202) (17.1%)	(20) +1.2ppts	(222) (15.9%)
NOPAT	978	(199)	1,177
Average Inv. Capital	11,243	917	10,326
<b>ROIC</b>	<b>8.7%</b>	<b>(2.7ppts)</b>	<b>11.4%</b>

# Moderna Details

Moderna terminated the existing manufacturing agreement in September 2023

Total sales to Moderna in 2023 at around CHF 500m with above average margins

Around CHF 200m additional revenue in 2023 triggered by contract termination

No business expected in 2024

## Moderna sales and impairment

in CHF

	FY 2023
Base Business	+0.3bn
Deferred revenue <sup>1</sup>	+0.1bn
Other additional compensation	+0.1bn
Impairment <sup>2</sup>	-0.2bn

<sup>1</sup> Accelerated recognition of deferred revenue upon contract termination

<sup>2</sup> Asset and inventory impairments

# Event Calendar and Contacts

3 April 2024	Publication of Annual and Sustainability Reports
8 May 2024	Annual General Meeting
13 May 2024	Ex-Dividend Date
14 May 2024	Record-Dividend Date
15 May 2024	Dividend-Payment Date
25 July 2024	Half-Year Results 2024

Information about investor relations events is constantly updated on the website:

[www.lonza.com/about-lonza/investor-relations](http://www.lonza.com/about-lonza/investor-relations)



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# Additional Information and Disclaimer

**Lonza Group Ltd has its headquarters in Basel, Switzerland, and is listed on the SIX Swiss Exchange. It has a secondary listing on the Singapore Exchange Securities Trading Limited (“SGX-ST”). Lonza Group Ltd is not subject to the SGX-ST’s continuing listing requirements but remains subject to Rules 217 and 751 of the SGX-ST Listing Manual.**

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.