

# Half-Year Results 2021

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**Lonza**

people going through the pedestrian crosswalk

# Half-Year 2021 Corporate Overview

23 July 2021



# Half-Year 2021 Corporate Overview

- Continued strong performance with 14.7% CER sales growth and 33.3% CORE EBITDA margin, despite headwinds arising from COVID-19 impacting new asset ramp-up and manufacturing schedule
- Continued focus on growth CAPEX investments, supported by strong business pipeline
- Divestment of Specialty Ingredients business completed on 1 July 2021
- Path forward for a sustainable remediation project agreed for Gamsenried (CH) legacy landfill site will allow Lonza to proceed with its ambitious sustainability agenda
- Ethisphere® recognized Lonza as one of the world's most ethical companies
- 2021 Outlook: CER sales growth guidance revised upwards to mid-teens. CORE EBITDA margin improvement in line with Mid-Term Guidance trajectory

The image shows an aerial view of a long, narrow bridge crossing over a body of water, identified as Lake Konstanz in Germany. The bridge is a simple concrete structure with a single lane. The water is a deep blue-green color, and the surrounding land is covered in dense green trees. The Lonza logo is prominently displayed in the top right corner of the image.

**Lonza**

Bridge crossing over lake Konstanz,, Germany

# Maintaining Momentum towards One Lonza

Consolidating and building our future business

- In July 2021, we announced the completion of the divestment of our Specialty Ingredients business and operations to Bain Capital and Cinven for an enterprise value of CHF 4.2 billion
- In preparation for divestment closure, we have already updated and simplified our business structure (four clear divisions and five global functions) to drive strategic focus and operational execution
- This is a chance for us to consolidate our identity as a pure play partner focused on serving the healthcare industry

**Lonza**

Small Molecules

**Lonza**

Biologics

**Lonza**

Cell & Gene

**Lonza**

Capsules & Health  
Ingredients

# Use of Proceeds

Investing to drive growth and value

## Internal Growth

Majority of proceeds will be invested in internal growth projects

Internal investment plans over 2021 and beyond

## M&A

We will consider acquisitions in strategic business areas and new technologies

Possible areas may include Fill&Finish and value chain expansions



Lonza

Tulip fields, Netherlands

# Ambitious Investment Plan to Drive Further Growth

Expanding end-to-end solutions across modalities



**Bend, USA**  
*Small Molecules*  
• Solid form services

**Portsmouth, USA**  
*Biologics*  
• Next-generation facility, late-phase clinical and commercial development and manufacturing

**Houston, USA**  
*Cell & Gene*  
• Viral Vector suites and Cell Therapy



**Geleen / Maastricht, NL**  
*Biologics*  
• mRNA suite

**Visp, CH**  
*Biologics*  
• mRNA suites  
• New large-scale mammalian drug substance manufacturing facility

*Small Molecules*  
• New manufacturing complex:  
• ADC payloads  
• Future expansions

**Nansha, CN**  
*Small Molecules*  
• Mid-scale API manufacturing  
• GMP HPAPI laboratory capabilities

**Stein, CH**  
*Biologics*  
• Clinical filling line

80% of total H1 CAPEX of CHF 474 million to support future growth

# New and Expanded Customer Projects

Sustained high demand for Lonza offerings



- Ibex<sup>®</sup> Solutions meet strong market interest. Significant proportion of new large-scale mammalian assets are already contracted
- Guangzhou Biologics is fully validated, operational and has several customers
- Focus on new modalities: mRNA, complex-to-express molecules, personalized Medicine Solutions and first customer signing for exosomes
- Expanding customer collaborations, on COVID-related projects and more targeted therapies



# Collaboration with Moderna

Expanded partnership on COVID-19 drug substance production



## New agreements have significantly driven expansion in H1 2021

### Visp (CH)

- Successful ramp-up of three existing drug substance manufacturing lines in Visp
- Expanded collaboration provides for the installation of three additional production lines
- The additional lines will become operational and commence ramp-up in early 2022

### Geleen (NL)

- A new drug substance production line will deliver a crucial manufacturing step
- Overall increase in drug substance output will support increased delivery levels
- Operations are expected to begin by the end of 2021

### Portsmouth (US)

- One production line is fully operational
- It is on track to deliver anticipated levels of drug substance

Moderna margin levels will be in line with the wider Lonza Biologics business

# The Impacts of COVID-19

Navigating the challenges and opportunities of the pandemic

## Customer contracts arising from COVID-19

AstraZeneca 

 Capricor  
Therapeutics

  
Humanigen




## Manageable short-term headwinds

- Achieved commitment to deliver for customers through the pandemic by expanding production and increasing headcount
- Results delivered through exceptional contributions of our global team
- 14.7% CER sales growth during the pandemic, despite headwinds caused by delays to raw materials and equipment supply, impacting schedule and project ramp-up
- We anticipate similar headwinds in H2, but do not anticipate material impacts

# Addressing our Legacy Issues

Sustainable solution for Gamsenried (CH) landfill remediation program

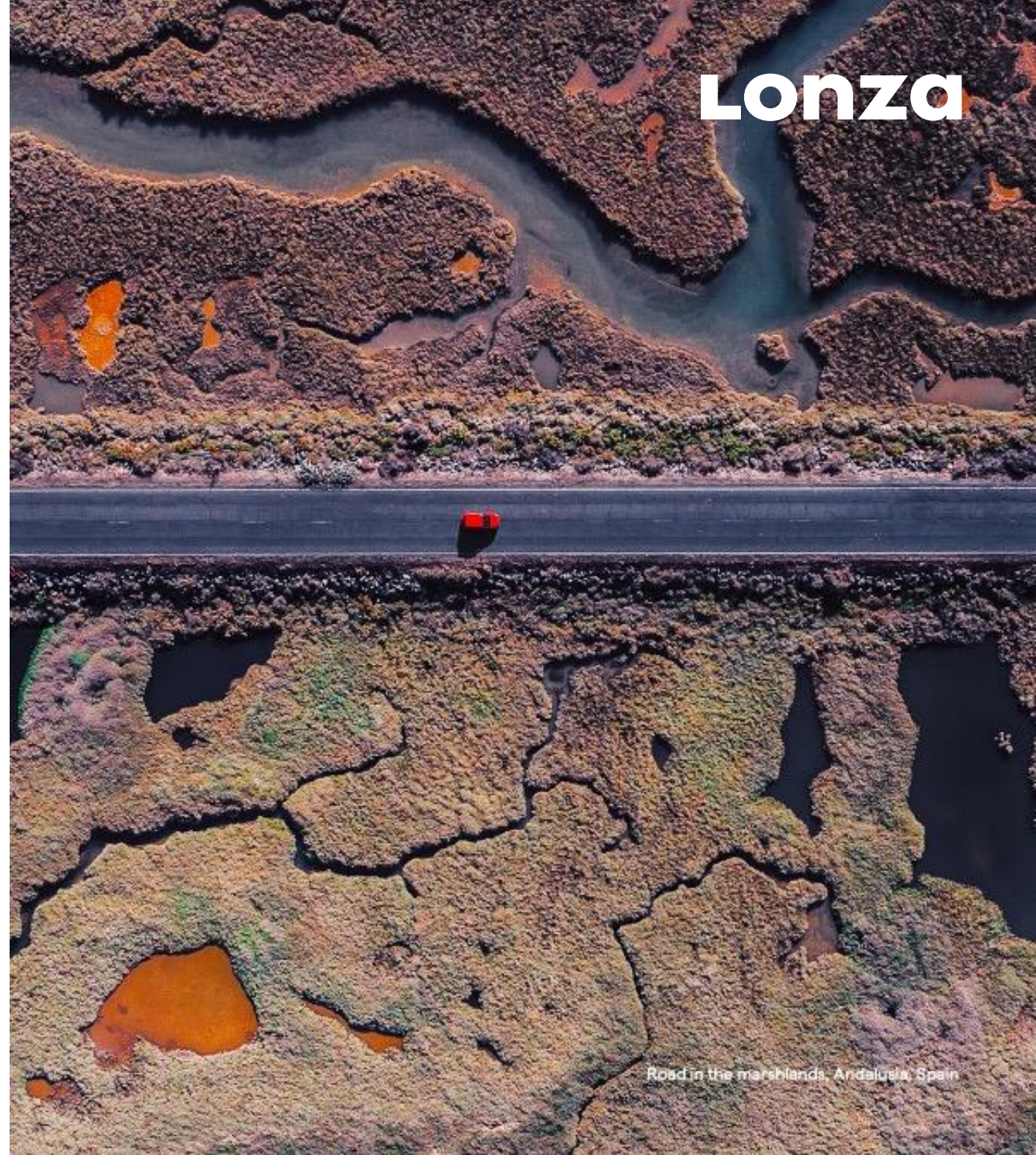
- Since 1990, we have worked to manage legacy pollution issues at our old Gamsenried landfill site, arising from historic waste disposal practices
- In line with the Swiss Contaminated Sites Ordinance (CSO) and our sustainability policy, we are now developing a remediation project to permanently reduce groundwater pollutants to within legal concentration limits, without on-going intervention
- The project has been developed in cooperation with the cantonal environmental authorities to provide a lasting and comprehensive solution
- We will make an initial provision of CHF 290 million for the first phase of remediation
- Assessments at this time indicate that this sum should cover the majority of full remediation costs

The Lonza logo is positioned in the top right corner of the slide. It consists of the word "Lonza" in a bold, white, sans-serif font, set against a dark background that is part of the waterfall image.A high-angle, vertical photograph of a waterfall cascading through a dense, lush green forest. The water is white and turbulent as it flows over rocks, surrounded by vibrant green foliage and trees. The perspective is from directly above, looking down the length of the waterfall.

High Angle View Of Waterfall In Forest

# Half-Year 2021 Financial Summary

**Lonza**



Road in the marshlands, Andalusia, Spain

# Financial Highlights

Strong business fundamentals support mid-teens growth



## Financial Performance Summary

in m CHF

All Divisions reflect very strong momentum

Productivity and favorable one-offs offset margin dilution from growth projects

Adverse FX impact is mitigated by natural hedges on margin level

	H1 2021	Change CER <sup>1</sup>	Change AER <sup>1</sup>
Sales	2,542	14.7%	13.3%
CORE EBITDA	847	14.8%	13.1%
CORE EBITDA margin	33.3%	0.0ppts	(0.1ppts)

<sup>1</sup>Comparison vs. H1 2020

# CORE EBITDA Margin Evolution

Productivity improvements and one-offs offset growth project dilution

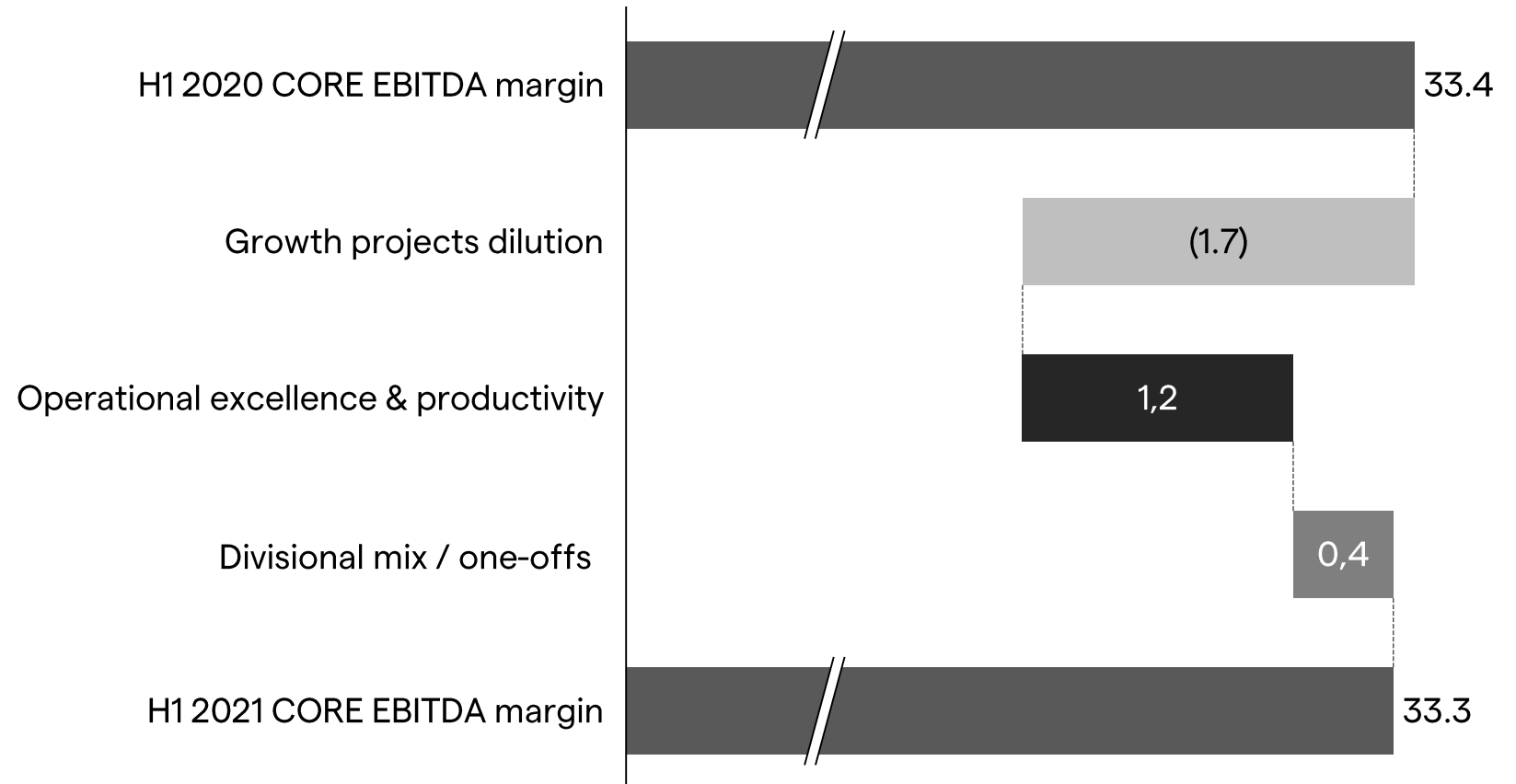
## CORE EBITDA Margin

in %

Growth projects turn profitable but remain margin dilutive as profitability ramps up

Continuous productivity improvements and overhead cost control remains a top priority

Favorable one-offs balance adverse divisional mix



<sup>1</sup>CORE EBITDA margin change vs. H1 2020 at actual exchange rates

# Divisional Performance

Strong sales growth is the common theme across Divisions



## Financial Results by Division H1 2021

Growth projects ramp-up in Biologics drives growth but dilutes margins

Strong sales momentum and operating leverage lead to 26.9% CORE EBITDA growth in Small Molecules

Robust demand for hard capsules drives above-market growth in CHI

Profitability in Cell & Gene ramps up rapidly, as CGT is set to approach break-even in Q4

	CER Sales growth	CORE EBITDA margin	Change AER <sup>1</sup>
Biologics	16.7%	38.2%	(3.7ppts)
Small Molecules	16.5%	27.3%	2.5ppts
Capsules & Health Ingredients (CHI)	5.8%	35.4%	(1.8ppts)
Cell & Gene	24.7%	16.1%	17.0ppts
<b>Lonza</b>	<b>14.7%</b>	<b>33.3%</b>	<b>(0.1ppts)</b>

<sup>1</sup>CORE EBITDA margin change vs. H1 2020 at actual exchange rates

# Operational Free Cash Flow

Cash generation is robust despite higher investments



EBITDA is impacted by CHF 284m Gamsenried (CH) environmental remediation provision (total provision amounts to CHF 290m)

NWC improvement is partially offset by inventory stock build-up to mitigate COVID-related supply challenges

Increased CAPEX will further accelerate in H2

Other cash flow is positively impacted by increased customer pre-payments

## Operational Free Cash Flow

Continuing Operations  
in m CHF

	H1 2021	YoY change	H1 2020 restated <sup>1</sup>
EBITDA	558	(192)	750
Change of operating net working capital (NWC)	(237)	34	(271)
CAPEX	(474)	(96)	(378)
Other	112	43	69
Gamsenried environmental remediation cost	284	284	0
<b>Operational free cash flow<sup>2</sup></b>	<b>243</b>	<b>73</b>	<b>170</b>
<i>NWC as % sales</i>	18.3%	(1.6ppts)	19.9%
<i>CAPEX as % sales</i>	18.6%	1.7ppts	16.9%

<sup>1</sup>Restated to reflect the classification of Specialty Ingredients as discontinued operations

<sup>2</sup>Operational free cash flow before acquisitions and divestiture



# CAPEX Overview

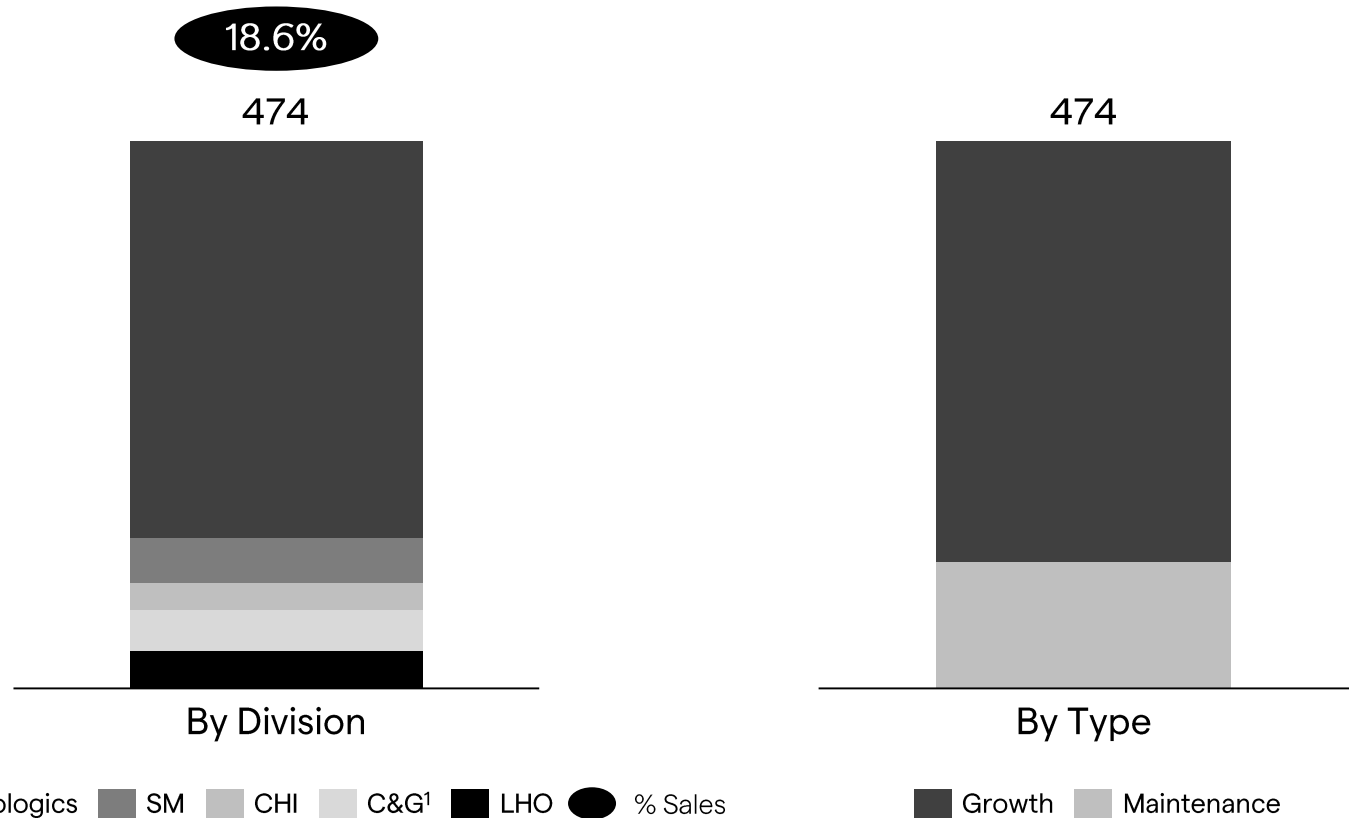
80% of investments support future growth

## CAPEX Breakdown H1 2021

in m CHF

All Divisions invest behind growth, with mammalian capital intensity being higher

Investments deliver attractive ROIC and are partly secured by contracted demand and a clearly identified customer pipeline



<sup>1</sup>Cell & Gene division includes Cell & Gene Technologies and Bioscience businesses

# Leverage Profile

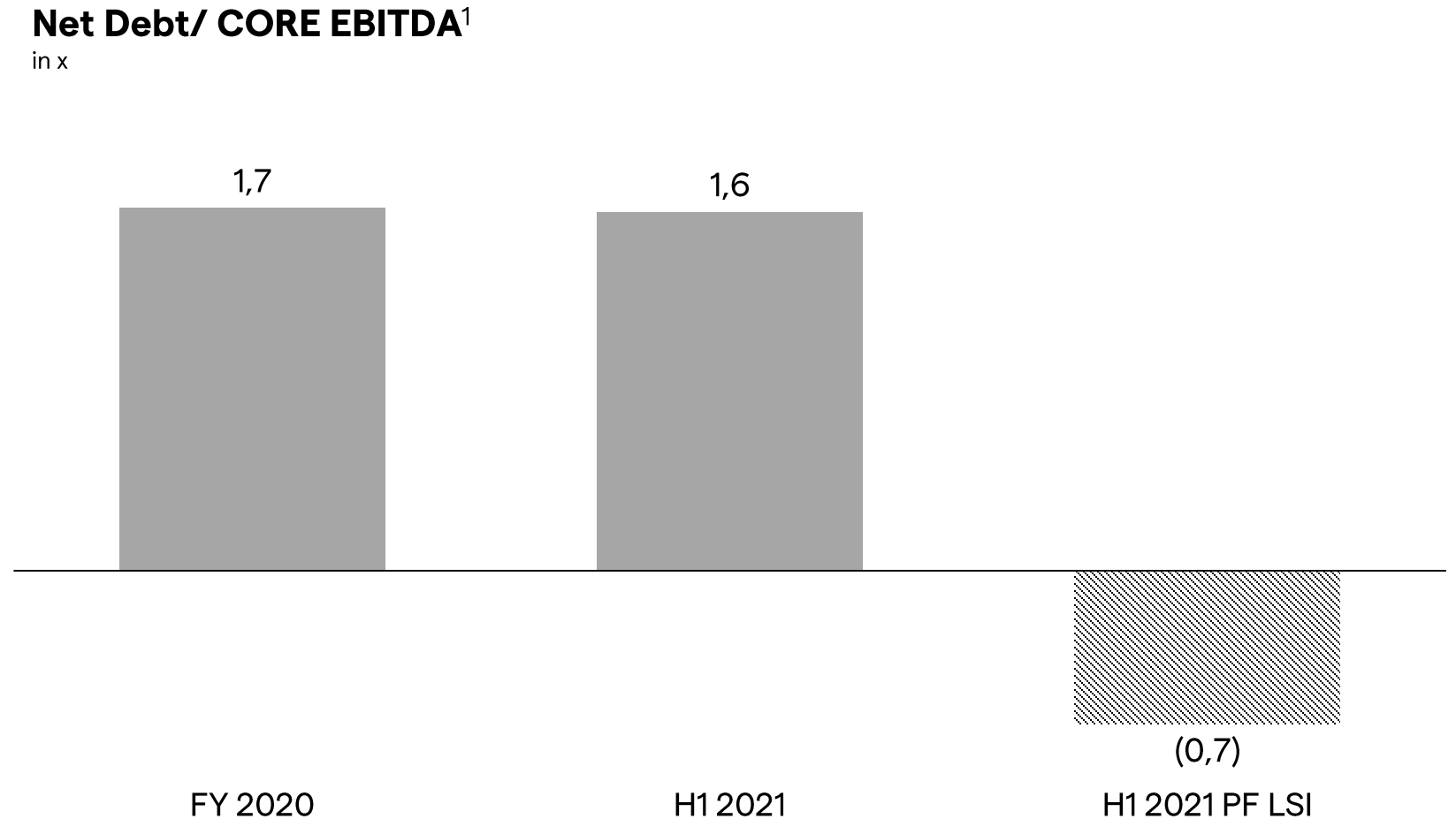
Strong balance sheet provides optionality



Leverage remains stable despite growth project investments, reflecting strong CORE EBITDA growth and cash generation

LSI proceeds will be deployed in organic growth projects, selected bolt-on M&A and debt repayment

Our balance sheet provides ample headroom for investments within our objective of maintaining strong and stable investment grade rating



<sup>1</sup>Based on Lonza Group figures for FY 2020, H1 2021; based on Lonza Continuing figures PF CHF 4bn LSI proceeds for H1 2021 PF LSI; all ratios based on CORE EBITDA for last twelve months

# ROIC

Growth is accompanied by strong return on invested capital



**ROIC**  
Continuing Operations  
in m CHF

ROIC increase reflects Net Operating Profit growing 3x faster than Invested Capital

Our tax rate remains below our long-term rate of 16-18% due to favorable country mix and Gamsenried provision

ROIC development is expected to reverse in H2 as a result of higher investments

	HY 2021	YoY change	HY 2020 restated <sup>1</sup>
Net Operating Profit before taxes	606	14%	530
Taxes <i>in % of Net Op. Profit Before Taxes</i>	(67) (11.2%)	(40%) (2.1ppts)	(48) (9.1%)
NOPAT	539	12%	482
Average Inv. Capital	9,382	5%	8,956
<b>ROIC</b>	<b>11.5%</b>	<b>0.7ppts</b>	<b>10.8%</b>

<sup>1</sup>Restated to reflect the classification of Specialty Ingredients as discontinued operations

# Drivers for H1 and H2 Performance

Our guidance is revised upwards for sales growth and maintained for margin

	H1 2021	H2 2021	FY 2021
<b>CER Sales growth</b>	+14.7%		<b>Mid-teens CER sales growth</b>
	<ul style="list-style-type: none"> <li>✓ Above market growth across all Divisions</li> <li>✓ COVID-19 related sales</li> <li>✓ Growth Project ramp-up</li> </ul>	<ul style="list-style-type: none"> <li>✓ H1 sales momentum continuing in H2</li> <li>✓ Higher Biologics sales growth partially offset by lower growth in other Divisions</li> <li>✓ Incremental third-party sales to LSI<sup>1</sup></li> </ul>	
<b>CORE EBITDA margin</b>	33.3%		<b>Margin improvement in-line with MTG<sup>2</sup> trajectory</b>
	<ul style="list-style-type: none"> <li>✓ One-off gains</li> <li>✓ Strong overhead cost control and productivity measures</li> <li>✗ Minor COVID-19 headwinds</li> <li>✗ Ramp-up of growth projects</li> </ul>	<ul style="list-style-type: none"> <li>✓ Continued cost control</li> <li>✓ CGT reaching break-even</li> <li>✗ Adverse project mix in base</li> <li>✗ Ramp-up of growth projects</li> <li>✗ Margin dilutive third-party sales to LSI<sup>1</sup></li> </ul>	

<sup>1</sup>Third-party sales to LSI will have a positive impact of 1.5-2.0ppts on CER sales growth and a negative impact of (0.5)ppts on CORE EBITDA margin for FY 2021

<sup>2</sup>2023 CORE EBITDA margin Mid-Term Guidance of ~33-35%

# Half-Year 2021 Divisional Overview



# Small Molecules

Financial and operational performance in H1



**362<sub>m</sub>**

Sales  
(CHF)

**+16.5%<sup>2</sup>**

**99<sub>m</sub>**

CORE EBITDA  
(CHF)

**+26.9%**

**27.3%**

CORE EBITDA  
Margin

**+250bps**

- Continued strong customer demand and new growth projects, including CHF 200 million investment in a new manufacturing facility in Visp (CH) to accommodate future small molecule expansions
- Strategic divestment of Ploermel (FR) and Edinburgh (UK) sites completed
- Lower sales growth expected in H2 2021 accompanied by stable margin levels in H2 2021 (compared to H1 2021)

Numbers in left column are a comparison vs. Half-Year 2020

<sup>2</sup>Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

**1,284<sub>m</sub>**

Sales  
(CHF)

**+16.7%<sup>2</sup>**

**490<sub>m</sub>**

CORE EBITDA  
(CHF)

**+6.3%**

**38.2%**

CORE EBITDA  
Margin

**+370bps**

- Strong demand and new contracts across all technologies and scales, with actively managed supply impacts arising from COVID-19
- Ibex<sup>®</sup> Solutions concept remains attractive to customers:
  - High capacity utilisation and batch success rate for existing assets
  - Significant proportion of new capacity is contracted in Visp (new collaboration signed with a biopharmaceutical partner)
- Guangzhou (CN), operations have started and several customers are signed
- Compared to H1 2021, continued sales growth in H2 2021. H2 margin may be somewhat softer than H1, reflecting project mix, one-time effects and the increasing impact of growth projects

**274<sub>m</sub>**

Sales  
(CHF)

**+24.7%<sup>2</sup>**

**44<sub>m</sub>**

CORE EBITDA  
(CHF)

**n/a**

**16.1%**

CORE EBITDA  
Margin

**n/a**

### Cell & Gene Technologies

- Solid sales growth and positive margin evolution:
  - Further growing pipeline and new customers signed
  - Performance improvement supported by focus on operational excellence
- Cocoon<sup>®</sup> Platform adoption is developing well with investment in collaboration agreements
- First successful BLA for Houston (US)
- Compared to H1 2021, continued anticipated sales growth in H2 2021, supported by positive margin development
- Ambition to approach break-even by Q4 2021

### Bioscience

- Strong momentum, driven by discovery and testing
- Solid demand for equipment and software
- Continue to leverage our product portfolio to support cell and gene therapies
- Softer anticipated H2 2021 margin, linked to business mix, accompanied by continued H2 2021 sales growth

Numbers in left column are a comparison vs. Half-Year 2020

<sup>2</sup>Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)



# Capsules & Health Ingredients

Financial and operational performance in H1



**602<sub>m</sub>**

Sales  
(CHF)

**+5.8%<sup>2</sup>**

**213<sub>m</sub>**

CORE EBITDA  
(CHF)

**-1.8%**

**35.4%**

CORE EBITDA  
Margin

**-180bps**

- Business continuity maintained during COVID-19, allowing division to reach a milestone of five trillion capsules produced since the business commenced operations
- Strong performance across business offerings, driven by the capsules portfolio
- Slightly softer sales growth expected in H2 2021, compared to H1 2021 in anticipation of end-consumer demand gradually returning to pre-pandemic level
- Slightly softer H2 2021 margin compared to H1 2021, driven by one-time business costs

Numbers in left column are a comparison vs. Half-Year 2020

<sup>2</sup>Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

Looking to the Future



Upward revision to 2021 Outlook: mid-teens CER sales growth driven by sustained strong momentum across businesses

CORE EBITDA margin improvement in line with Mid-Term Guidance trajectory, as guided at the beginning of the year

Outlook assumes similar level of COVID-related impacts, no significant adverse impact on demand and no further disruptions in supply chain or business operations

**Mid-teens  
CER sales growth**

**CORE EBITDA  
margin improvement  
in line with  
Mid-Term Guidance  
trajectory**

## Priorities for H2 2021

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- Drive to accelerate growth and capacity increase to meet customer demand and secure long-term growth
- Continue to manage the challenges and opportunities arising from the COVID-19 pandemic
- Focus on continuous improvement



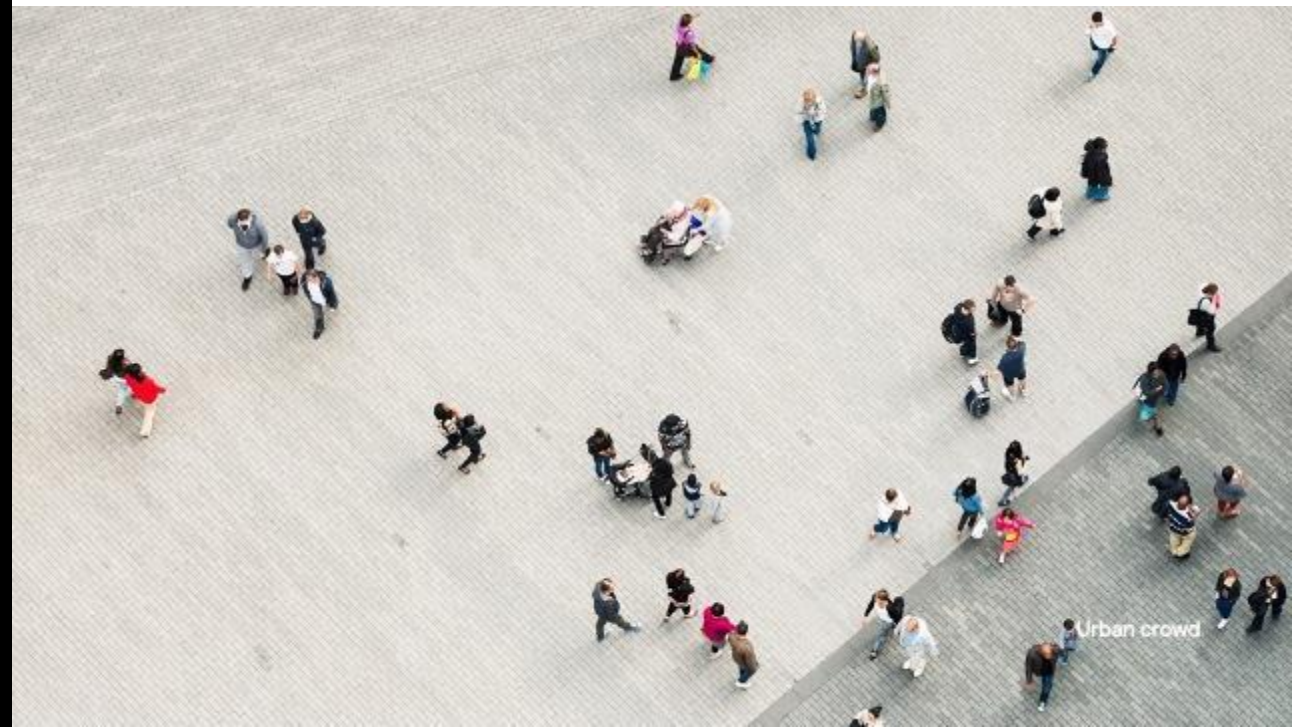
# Q&A



**Lonza**

Hong Kong Aerial scene in night, with road and traffic

# Appendices



# Half-Year 2021 Financial Highlights (1/2)



<b>Continuing Operations<sup>1</sup></b>	<b>HY 2021</b>	<b>HY 2020 restated</b>	<b>YoY</b>
CHF million			
Sales	2,542	2,243	13.3
CORE EBITDA	847	749	13.1
<i>Margin in %</i>	33.3	33.4	
EBITDA	558	750	(25.6)
<i>Margin in %</i>	22.0	33.4	
EBIT	317	531	(40.3)
<i>Margin in %</i>	12.5	23.7	
<i>ROIC in %</i>	11.5	10.8	6.5
Net Financing Costs	(22)	(44)	
<i>Tax Rate in %</i>	11.2	9.1	
Profit for the Period	263	442	(40.5)

<sup>1</sup>All financial information referring to "continuing operations" are exclusive of the Specialty Ingredients business, that was sold on 1 July 2021 and therefore reported as discontinued operations)

# Half-Year 2021 Financial Highlights (2/2)



<b>Continuing Operations<sup>1</sup></b>	<b>HY 2021</b>	<b>HY 2020 restated</b>	<b>YoY</b>
CHF million			
CORE EPS basic (CHF)	6.99	5.93	17.9
EPS Basic (CHF)	3.51	5.94	(40.9)
CORE EPS Diluted (CHF)	6.97	5.90	18.1
EPS Diluted (CHF)	3.50	5.91	(40.8)
Change of Net Working Capital	(237)	(271)	34
Capital Expenditures	474	378	25.4
Operational Free Cash Flow	363	170	113.5
Number of Employees (Full-Time Equivalent)	14,405	13,079	10.1
<b>Total Group<sup>2</sup></b>	<b>HY 2021</b>	<b>FY 2020</b>	<b>YoY</b>
CHF million			
Net debt	2,943	2,813	4.6
Debt-equity ratio	0.40	0.40	0.0
Net Debt / CORE EBITDA ratio	1.64	1.66	(1.2)

<sup>1</sup>All financial information referring to "continuing operations" are exclusive of the Specialty Ingredients business, that was sold on 1 July 2021 and therefore reported as discontinued operations)

<sup>2</sup>Lonza Group incl. Discontinued Operations



<b>9 and 13 September 2021</b>	Morgan Stanley 19th Annual Global Healthcare Conference (Virtual)
<b>22 September 2021</b>	Credit Suisse – Reverse Bus Tour (Virtual)
<b>27 September 2021</b>	BoA Merrill Lynch Roadshow (Virtual)
<b>4 November 2021</b>	ZKB - Swiss Equity Conference
<b>26 January 2022</b>	Full-Year Results 2021

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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*We believe that disclosing CORE results of the Group’s performance enhances the financial markets’ understanding because the CORE results enable better year-on-year comparisons.*”

Therefore, the CORE results exclude exceptional expenses and income related to e.g. restructuring, environmental-remediation, acquisitions and divestitures, impairment and reversal of impairment of 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 internally assessing the Group’s performance.

In Lonza’s 2021 Alternative Performance Measures Report, the reconciliation of IFRS to CORE results provides further details on the adjustments.

**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 Outlook 2021 herein may not prove to be correct. The statements in the section on Outlook 2021 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 on Outlook 2021 as a result of the factors described above or other factors. Investors should not place undue reliance on the statements in the section on Outlook 2021. 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.