

Jordbro, 13 November 2014

Recipharm acquires Lusomedicamenta for SEK 1 billion

The Pharmaceutical Contract Development and Manufacturing Organisation, Recipharm AB (publ) has acquired Lisbon based CDMO Lusomedicameta Sociedade Técnica Farmacêutica S.A.

Highlights

- Lusomedicamenta, together with its subsidiary, had twelve month revenues and adjusted EBITDA for non-recurring items to end September 2014 of EUR 50.7 million (SEK 456.3 million) and EUR 12.7 million (SEK 114.3 million) respectively representing an adjusted margin of 25%.
- The combined entity will enhance Recipharm's scale and profitability. Based on LTM September 2014, the combined revenue and EBITDA (pre-Corvette) is SEK 2 725 million and SEK 446 million respectively.
- The transaction values Lusomedicamenta at an enterprise value of EUR 112.3 million (SEK 1 040 million), which represents an adjusted EBITDA multiple of 8.8 based on LTM September 2014. The preliminary net debt is negligible.
The consideration has been paid in a combination of cash and newly issued RECI B shares. This represents EUR 67.1 million (SEK 621.6 million) in cash and 3 500 000 RECI B shares at a value of EUR 43.9 million (SEK 406.0 million). A further supplementary payment of EUR 1.3 million (SEK 12.0 million) will be paid in 2015 subject to the final 2014 performance of Lusomedicamenta.
- Limited customer overlap and significant export activities from Lusomedicamenta, will give Recipharm access to new markets and customers.
- Lusomedicamenta has an attractive and competitive cost structure, whilst located in the EU, and manufacturing operations well in line with international regulatory requirements.
- Lusomedicamenta will contribute to Recipharm's Intellectual Property (IP) backed manufacturing business as 30% of sales relate to IP rights including own marketing authorisations, mainly in the Portuguese market.
- Accretive to Recipharm's profitability and EPS already from Q1 2015.
- The transaction was financed by already available credit facilities together with the new share issue.
- The existing management and most of the former owners will continue for the foreseeable future in the company.

Thomas Eldered, CEO of Recipharm:

"The acquisition of Lusomedicamenta represents an excellent addition to the Recipharm Group and is perfectly in line with our strategic plan to access new markets, establish new customer relationships and consolidate the industry to become a major CDMO. The new customer base combined with significant IP backed sales in Portugal provides us with many new exciting opportunities. I am particularly pleased that we have been able to reach agreement with the former owners of Lusomedicamenta who were working in the company to stay and take the company on to the next level together with us".

António Barros Ferreira, speaking on behalf of the sellers:

"Since we took ownership of Lusomedicamenta in 2004 as a spinoff of a Janssen-Cilag facility, we have been very successful in creating and growing the business particularly in Portugal. We now have a strong export market and emerging business in Africa which we believe we will be able to grow with Recipharm. I am very pleased that we are now becoming part of the Recipharm Group which will enable us to compete on a wider scale and provide many benefits to our customers".

About Lusomedicamenta

Lusomedicamenta is primarily a CDMO specialised in the development and manufacture of solid, liquid and semi-solid dose forms as well as sterile ophthalmic products. It operates from two sites located close to Lisbon and has invested heavily in the production of effervescent tablets with a new dedicated facility for this purpose.

The company is also focused on new products carrying the management of the whole process from product development to the registration dossier.

Lusomedicamenta employs around 340 people and produces over 150 formulations in more than 600 SKU's, exporting to some 45 countries worldwide.

Transaction rationale

Complements Recipharm's existing business

- Combined with Lusomedicamenta, Recipharm will be the one of strongest CDMO's in Europe with added presence in south west Europe.

Access to new customers, markets and technologies

- Little overlap of customers presenting good cross selling opportunities.
- Lusomedicamenta has strong sales in Portugal and also in export markets including Africa where Recipharm is not present.
- Adds several new interesting technologies and niches to Recipharm's offering such as effervescent solid dose forms and sterile ophthalmic preparations.

Own products business in Portugal

- A number of distribution agreements in the Portuguese market have been secured with companies such as Boehringer Ingelheim, Gedeon Richter and OM Pharma (Vifor).
- Supports Recipharm's ambition to have more sales based on an IP offering.

Attractive financial impact

- Lusomedicamenta will increase Recipharm sales by 20 % and EBITDA margin by 32% based on YTD figures September 2014.
- Lusomedicamenta has a history of strong sales and profitability development.
- The acquisition is expected to be accretive to profitability and EPS
- Given Lusomedicamenta's attractive cost environment, additional non quantified benefits are expected to be realized, including optimization and specialization in Recipharm's network for oral solids

Transaction terms

- The initial equity consideration of EUR 111 million has been paid, EUR 67.1 million in cash and EUR 43.9 million in RECI B equity in kind representing 3 500 000 shares.
- The sellers of Lusomedicamenta have undertaken not to sell or otherwise assign or transfer 1 181 193 RECI B shares (lock-up) during the period commencing on the closing date and continuing to and including 13 November 2016 (i.e. two years after the closing date). The sellers have informed Recipharm that all RECI B shares not subject to the lock-up will be offered by Carnegie Investment Bank ("Carnegie") to institutional investor in a private placement. In connection with the private placement, Thomas Eldered has agreed to lend up to 2,500,000 RECI B shares to Carnegie to facilitate settlement of the shares offered by Carnegie to institutional investors.
- A further EUR 1.3 million may be paid in cash subject to the final outcome of 2014.
- The transaction was financed by already available credit facilities together with the new share issue.
- Transaction costs are estimated to be less than EUR 1.5[] million.

Resolution by the Board of Directors of Recipharm to issue RECI B shares

The Board of Directors has resolved, pursuant to the authorisation granted at the Extraordinary General Meeting held on 11 September 2014, to increase the Company's share capital by up to SEK 1,750,000 through the issue of up to 3,500,000 new RECI B shares. The new shares may only be subscribed for by the shareholders in Lusomedicamenta with right and obligation of the subscriber to make payment for the shares subscribed for through contribution in kind of 1,600,000 shares in Lusomedicamenta.

Proforma Financial Summary – End September 2014

LTM Pf (mSEK)	Recipharm	Lusomed. ¹	Corvette ²	Total	Change
Net turnover	2 269	456	499	3 224	42,1%
EBITDA	332	114	130	576	73,5%
EBITDA margin %	14.6	25.0	26.1	17.9	
¹ Based on an average EUR/SEK-rate of 9,00					
² Based on an average EUR/SEK-rate of 8.65 and 2013 FY figures					

Nine month YTD 2014 PF (mSEK)	Recipharm	Lusomed. ¹	Total	Chang
Net turnover	1 696	337	2 034	19,9%
EBITDA	252	80	332	31,9%
EBITDA margin %	14.8	23.8	16.3	
¹ Based on an average EUR/SEK-rate of 9,04				

Conference call and Q&A

A conference call with a web presentation will be held at 0900hrs CET on 14th November 2015.

To participate in the conference, please dial:

From Sweden, tel: +46 8 506 443 86
From Denmark, tel: +45 32 71 42 62
From Finland, tel: +358 9 8171 0375
From Norway, tel: +47 21 06 61 13
From the UK, tel: +44 20 7153 9154
From Germany, tel: +49 69 2017 44 210
From France, tel: +33 1 70 70 95 02
From Spain, tel: +34 914 142 009
From Switzerland, tel: +41 44 580 65 22
From the US, tel: +1 877 423 0830
From Italy, tel: + +39 02 3600 6663
From Portugal, +49 69 20 17 44 210

Pin code for participants: 862216#

To access the presentation use the following link:

<http://event.onlineseminarsolutions.com/r.htm?e=886795&s=1&k=805E770D4F476C044CCE2004D68E488F>

For further information please visit www.recipharm.com or contact:

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This information is published in accordance with the Swedish Securities Market Act, the Swedish Financial Instruments Trading Act and/or the regulations of NASDAQ Stockholm. This information was submitted for publication on 13 November, 2014, at 18:35 am CET.

About Recipharm

Recipharm is a leading CDMO (Contract Development and Manufacturing Organisation) in the pharmaceutical industry based in Sweden employing some 1,750 employees. Recipharm offers manufacturing services of pharmaceuticals in various dosage forms, production of clinical trial material including API and pharmaceutical product development. Recipharm manufactures more than 250 different products to customers ranging from Big Pharma through to smaller research- and development companies. Recipharm's turnover is approximately SEK 2.6 billion and the Company operates development and manufacturing facilities in Sweden, France, the UK, Germany, Spain and Italy and is headquartered in Jordbro, Sweden. The Recipharm B-share (RECI B) is listed on Nasdaq Stockholm.

For more information on Recipharm and our services, please [visit www.recipharm.com](http://www.recipharm.com).

Recipharm has retained Abreu Advogados in Portugal and Setterwalls Advokatbyrå AB in Sweden as legal advisors for the transaction. Carnegie Investment Bank acted financial advisors for the transaction.