

Stephan Schindler, CFO



### With excellent results in the anniversary year

The first six months of 2020 saw Bachem's highest half-year sales performance since the company's founding 50 years ago, laying the cornerstone for an outstanding full year. In the second half, the company surpassed the year-back period despite negative exchange rate impacts. At 224.9 million CHF, Bachem recorded a new high in half-year sales, boosting full-year sales to a new record at 402.0 million CHF. Compared to the previous year's figure, this represents an increase of 88.3 million CHF or 28.1%. In local currencies (LC) sales growth was at 34.0%, although the figure in the reporting currency was somewhat dampened by exchange rate movements, particularly between the US dollar and Swiss franc. This outstanding result in the challenging year of COVID-19 resoundingly reaffirms Bachem's performance capacity as the company continues on a steady growth trajectory. As an essential healthcare supplier, the Group actively supported the fight against the pandemic with a number of development projects and by producing and supplying much-needed pharmaceutical ingredients. Bachem's excellent results for 2020 mark an auspicious start to the company's 50<sup>th</sup> anniversary year of 2021

### Growth boost for generics

Generics sales reached 175.9 million CHF, more than 28% above the prior-year reference figure (137.4 million CHF). Sales growth in local currencies was at 33%. Both regions, Europe/Asia and North America, delivered a strong performance. The Europe/Asia region outpaced

the previous year's figures by roughly 16% in LC while North American sales increased by over 76% in LC. Products made in Switzerland continued to account for a high proportion of sales. The exacting market environment worked in Bachem's favor, with heightened demand for existing generics and market approval of innovative new dosage forms as growth drivers. Through the production and delivery of its products, Bachem also contributed to the treatment of patients infected with COVID-19. This growth was achieved on a foundation of close customer relationships built up over many years, responsive delivery, and the organization's ability to bring additional capacity online rapidly under difficult circumstances. Great credit is due to the crisis team and all the employees, who made these top performances possible with their tireless efforts.

### Gains for research chemicals despite lockdown

Unlike the other business units, Bachem's Competence Center for Custom Synthesis in St. Helens, UK, was affected directly by the pandemic and resulting lockdown measures. The closure of research departments and universities had a negative impact on new orders and deliveries. Mid-year hopes for improvement in the situation were unfortunately dashed. As far as the Group is concerned, however, periodic major catalog bulk product orders and custom synthesis associated with NCE drug substance development projects in particular generated total growth of 4.5 million CHF (+16.5% in LC) compared to the reference period.

### Tailwind for new chemical entities

Compared to the previous year, which had been beset by project delays, the sales generated in new chemical entities (NCEs) were highly gratifying. Both regions contributed strong results to the division's performance. In the Europe/Asia segment LC sales increased by nearly 34%, emphatically confirming the performance upturn already discernible at mid-year. In North America, sales gained a remarkable 56%.

### Healthy project portfolio

Bachem continued successfully developing its project portfolio in fiscal 2020. At year-end, Group companies in Europe, North America and Asia were working with customers on some 150 NCE projects in all stages of development. The large number of projects in clinical stages II and III is important and remains highly promising. These projects will serve as a sound foundation for Bachem's future success. Bachem expects to be able to

continue to support customers in the successful submission and market introduction of new NCEs and generics over the coming years.

### Sales breakdown by product category

The active pharmaceutical ingredients (API) product category, a key growth area for the Group, once again delivered strong gains in 2020. The trend in research chemicals was likewise positive overall despite the negative impacts of the pandemic on UK operations. This was thanks largely to the intermittent occurrence of bulk sales and custom synthesis orders in connection with NCE development projects.

in million CHF	2020	Change in local currency	Change in CHF	As % of total sales
API Products	360.4	+36.4%	+30.3%	89.6%
Research Chemicals	41.6	+16.5%	+12.2%	10.4%
Total net sales	402.0	+34.0%	+28.1%	100.0%

The sales breakdown – 89.6% for APIs and 10.4% for research chemicals – shifted back towards APIs. Given its growth targets in the API product category, Bachem is expecting a steady increase in the percentage of API sales as a portion of total sales in the future.

### Breakdown by regions

In terms of the geographic breakdown, sales performance was again extremely encouraging in North America. This region expanded sales by nearly 62 million CHF in 2020, achieving a new annual sales record of more than 217 million CHF. Thanks to this impressive performance, North America's percentage of total sales rose once again, exceeding that of Europe/Asia for the first time. Despite the strongly negative impact of changes in the USD/CHF exchange rate, the growing importance of the US market on the company's results was confirmed. It should be noted here that the reported percentages do not reflect weighting by the regions where the products sold are produced. Here, the production locations in Switzerland were once again dominant.

in million CHF	2020	Change in local currency	Change in CHF	As % of total sales
Europe/Asia	185.0	+19.4%	+16.7%	46.0%
North America	217.0	+48.9%	+39.9%	54.0%
Total net sales	402.0	+34.0%	+28.1%	100.0%

### Disproportionate increase in EBIT

Bachem's operating profit (EBIT) rose by 55.0% to 96.7 million CHF during the period under review. Moreover, Bachem reported an EBIT margin of 24.0% (previous year: 19.9%). Operating profit before depreciation and amortization (EBITDA) amounted to 122.6 million CHF (previous year: 87.2 million CHF). This corresponds to an EBITDA margin of 30.5% (previous year: 27.8%). Thus, the target EBITDA margin of 30% for 2021 was already met in the year under review.

### Sharply negative currency impact

In the income statement, the exchange rate trends of the US dollar, the euro, the British pound and the Japanese yen against the Swiss franc had a sharply negative aggregate impact on performance in Swiss francs at the EBIT level. For 2020, Bachem recorded negative currency effects of –18.5 million CHF (–4.4%) on sales and –12.6 million CHF (–11.6%) on EBIT.

### Significant rise in gross profit

The costs of goods sold in the year under review totaled 273.1 million CHF, or 67.9% of sales. Markedly improved sales, better capacity utilization and fixed cost absorption, bolstered by an advantageous product mix, resulted in a significantly higher gross profit margin of 32.1% (previous year: 29.5%). In consequence, Bachem was able to record an impressive nominal gain of 36.4 million CHF (+39.4%) in gross profit. Further improvements in capacity planning and cost absorption, together with the ramping-up of "Operational Excellence" and process automation, offer additional opportunities for a further increase in profitability despite the rising personnel costs and the increasing workload to meet the regulatory requirements that growth entails.

### Additional job creation

Our people's know-how and experience are crucial to the Bachem Group's success. Strong demand, an excellent order backlog and very high capacity utilization enabled Bachem to create a total of 272 new jobs by the end of 2020. Thanks to the impressive dedication of everyone involved, the challenges associated with recruiting, hiring, equipping, and onboarding new staff were successfully overcome, even under the challenging circumstances. As of December 31, 2020, the Bachem Group employed a total of 1529 people in 1475 full-time equivalent positions.

**Higher staff costs**

In addition to the newly created jobs in the reporting year, pay increases and the expanded headcount in the previous year had the effect of increasing staff costs. Total personnel expenses for the period amounted to 178.0 million CHF (previous year: 145.9 million CHF).

**Marketing & sales**

Despite expansion of the new establishment in Tokyo and strategic hiring in the sales organization, marketing and sales expenses of 15.6 million CHF were roughly equal to the previous year's 15.8 million CHF. This was due mainly to the limited opportunities for business travel, customer visits and company presentations at major tradeshows because of measures to combat the COVID-19 pandemic. As a percentage of total sales, these expenses contracted to 3.9% (previous year: 5.0%).

**Research & development**

In the area of research and development (R&D), the Group reported higher expenses of 2.9 million CHF compared to the previous year (previous year: 1.7 million CHF). This amount includes amortization of previously capitalized development costs for new generics amounting to 69 kCHF. In connection with the development of the new oligonucleotides product category, management has decided to gradually expand the previous R&D budget of approximately 2 million CHF. As in previous periods, the costs incurred at production units for process optimization and scale-ups along with development costs for new generic samples were not recognized in R&D expenses in 2020, but allocated directly to cost of goods sold.

**General administration costs**

General administration costs for 2020 came to 14.6 million CHF (previous year: 13.6 million CHF). This figure, 1.0 million CHF (+7.5%) higher than the year-back period's, included expansion of the Controlling, Intellectual Property and Corporate Social Responsibility departments along with one-time external costs related to tax and legal issues. However, the ratio of costs to sales decreased again to 3.6% (previous year: 4.3%). The growth of the company led to higher requirements in the areas of human resources and information technology and thus to increased expenses. This was charged internally according to the source and reported accordingly.

**Higher depreciation and amortization**

At 25.9 million CHF, regular depreciation and amortization was 1.0 million CHF higher than the prior year figure. This was due primarily to the commissioning of new production capacity at all locations in Switzerland, the UK and the US. No impairments were recognized during the period under review.

**Profit surge despite currency effects**

Currency translation effects had a significant negative impact on net income in the year under review. The valuation at the balance sheet date of USD loans granted to subsidiaries by the holding company was a main factor here. Overall, exchange rate movements resulted in a consolidated exchange rate result of -5.1 million CHF (previous year: -1.6 million CHF). Nevertheless, net income of 78.1 million CHF significantly exceeded the previous year's result by 23.9 million CHF (+44.1%).

**Interest expense holds steady**

With interest rates still low and capital requirements similar to the prior year's, interest expense held steady at 0.4 million CHF.

**Tax rate as anticipated**

The net income figure reflects income taxes of 12.9 million CHF (previous year: 6.2 million CHF). Due to tax credits and allowances together with one-time effects, the Group's resulting tax rate was 14.2% (previous year: 10.3%). In contrast to the reference period, the adjustment of the deferred tax rate resulting from the Swiss tax reform had only a minor impact. Bachem is currently anticipating a future Group tax rate of 13-16%.

**Cash flow from operating activities significantly higher**

Cash flow from operating activities before changes in net current assets was 117.0 million CHF in fiscal 2020, an increase of 36.2 million CHF (+44.8%) over the previous year. Cash flow-relevant capital held in net current assets increased slightly by a total of 2.0 million CHF. The primary driver of this development was the growth-related increase in inventories of 30.1 million CHF. In addition to stocking up on semi-finished and finished goods as well as work in progress, Bachem also increased its buffer inventories of raw materials essential for production. The other positions related to the cash flow-relevant net decrease in trade receivables along with other current receivables, prepaid expenses and accrued income amounting to 2.6 million CHF, and

the significant increase in trade payables together with other current liabilities, accrued expenses and deferred income of 25.5 million CHF. Cash flow from operating activities thus showed a year-on-year increase of 50.8 million CHF (+79.0%) to 115.0 million CHF.

### Investments enable further growth

With investment of 73.4 million CHF in property, plant and equipment and of 3.0 million CHF in intangible assets, Bachem set a major cornerstone for the Group's further growth. A 7.3 million CHF increase in investment-related liabilities along with other items totaling -0.5 million CHF resulted in cash flow from investing activities of -69.3 million CHF. In addition to capacity expansion and substitute procurement, the company continues to focus above all on automation, compliance, and safety and environmental protection.

### Solid financing

In the first half of the year, Bachem repaid loans amounting to 46.8 million CHF that had been taken out the previous year. Long-term loans totaling 60.0 million CHF were carried forward unchanged from the prior year. Also under financing activities, the total for distribution of an increased dividend of 3.00 CHF amounted to 42.0 million CHF. By year-end, the company had raised loans totaling 47.3 million CHF. Consequently, total loan liabilities stood at 107.3 million CHF on the reporting date of December 31, 2020. Own shares amounting to 1.0 million CHF were bought on the market to fund share based variable employee compensation. Cash flow from financing activities totaled -43.1 million CHF (previous year: -34.3 million CHF).

### Cash and cash equivalents of 23.5 million CHF

Cash and cash equivalents in the consolidated cash flow statement increased by 2.1 million CHF. Total cash holdings as defined in the cash flow statement amounted to 23.5 million CHF at year-end.

### Healthy capital base

With an equity ratio of 66.9% as per December 31, 2020 (previous year: 69.2%), Bachem continues to possess a healthy capital base. This will serve as a guarantee of independence and flexibility going forward, as the Group pursues its strategic goals while adhering to its own priorities and values.

### Record high share price

During the 2020 fiscal year, the price of Bachem shares (BANB) traded on SIX Swiss Exchange rose by more than 155%, from 154.80 CHF to 395.50 CHF. The lowest closing price within the year of 151.00 CHF was quoted on January 7, 2020, and the highest share price in the company's history of 408.50 CHF was quoted on October 5, 2020.

### Planned dividend increase

Bachem's earnings per share (EPS) grew from 3.91 CHF to 5.58 CHF during the fiscal year. The Board of Directors will therefore propose an increased dividend of 3.25 CHF per share to the Annual General Meeting in April 2021 (previous year: 3.00 CHF). Half of the distribution will come from capital contribution reserves.