



# Rovi

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## First Quarter 2014 Financial Results

April 2014

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# Operating results



## Q1 2014 financial results - Highlights

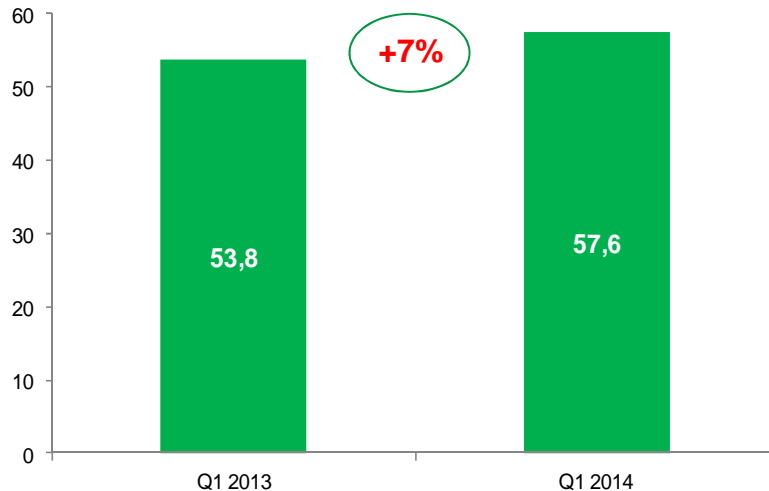
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- **Operating revenue** increased by 7% to €57.6Mn, mainly driven by the strength of the prescription-based pharmaceutical business, where sales rose 13%, despite a new contraction of the Spanish pharmaceutical market forecast by Farmaindustria for 2014.
- **For 2014**, ROVI expects a **mid-to-high single digit growth rate** for the operating revenue.
- **Outstanding performance of Bemiparine**: +12% growth to €18.6Mn, representing 32% of total operating revenue.
- **Excellent performance of Absorcol & Vytorin and Corlentor**: sales increase of 25% and 22% respectively.
- **Sales of Medicebran and Medikinet**, both products launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, reached €1.8Mn.
- **EBITDA increased by 18%** to €9.0Mn, reflecting a **1.5pp EBITDA margin rise** vs Q1 2013.
- **Net profit** (€5.9Mn) growth of 11%.
- ROVI will propose to the AGM a **dividend of €0.1612/share** on 2013 earnings, **+18%** vs last dividend.

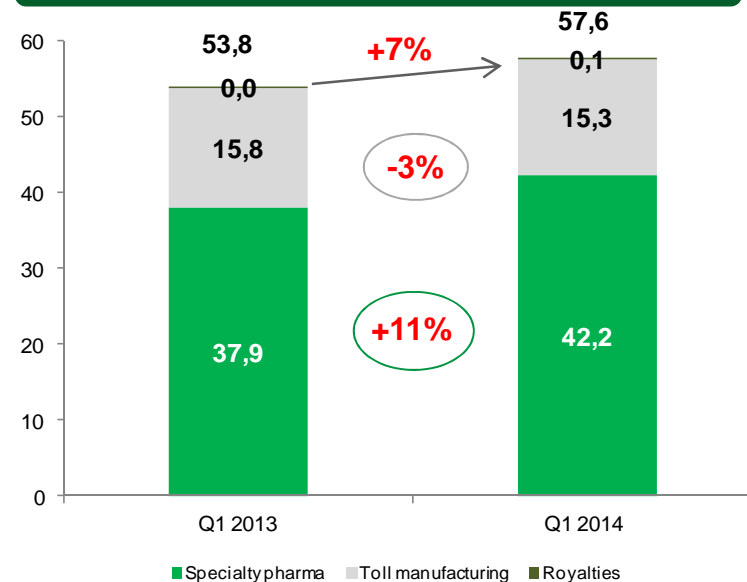
# Growth driven by the specialty pharmaceutical business strength...



Total operating revenue (€Mn)



Operating revenue growth by category (€Mn)



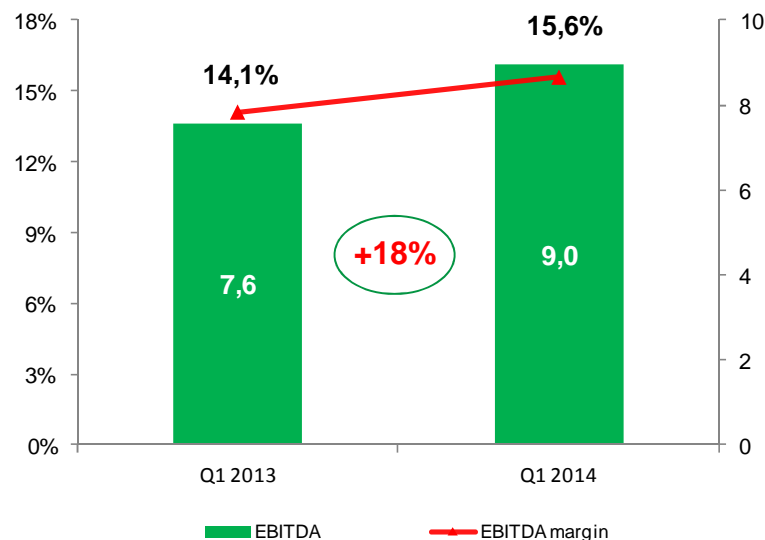
- **Operating revenue increased by 7%** in Q1 2014, up to €57.6Mn, driven by the strength of:
  - ✓ the **specialty pharmaceutical business**, where **sales rose 11%**.
  - ✓ **Toll manufacturing** sales decreased by 3% in Q1 2014 as a consequence of a lower production for Merck Sharp & Dohme (MSD).
- Despite the difficult situation that the Spanish pharmaceutical industry is going through, and the 2% additional decrease expected by Farmaindustria<sup>1</sup> for 2014, ROVI forecasts to continue growing.

<sup>1</sup> Source: [http://www.farmaindustria.es/Farma\\_Public/Imprimir\\_Public/FARMA\\_124496?idDoc=FARMA\\_124496](http://www.farmaindustria.es/Farma_Public/Imprimir_Public/FARMA_124496?idDoc=FARMA_124496)

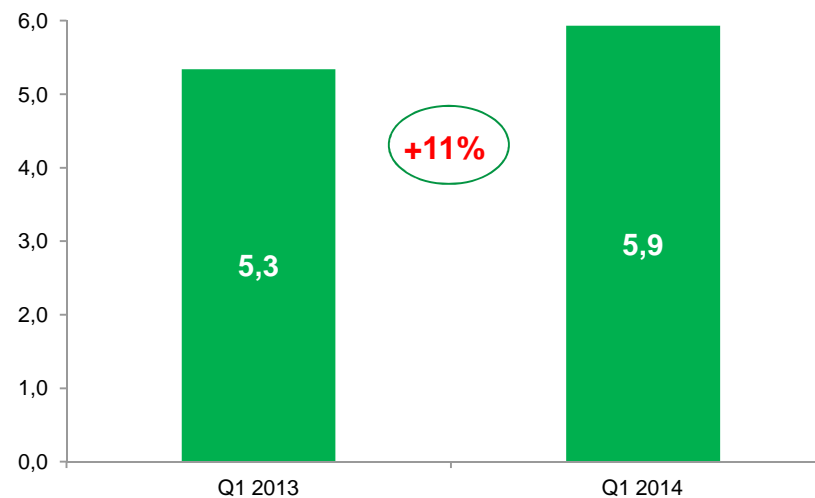


## ...with high profitability

### EBITDA (€Mn) and EBITDA margin (%)



### Net profit (€Mn)

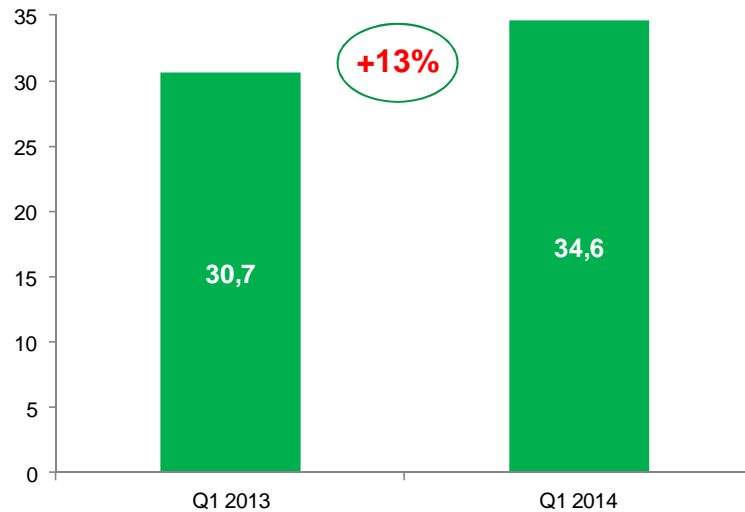


- **EBITDA** increased by 18% to €9.0Mn in Q1 2014, reflecting a 1.5 pp rise in the EBITDA margin to 15.6% in Q1 2014 up from 14.1% in Q1 2013, thanks to the increase in revenues and to the operating leverage of the business.
- **Net profit** increased by 11% to €5.9Mn in Q1 2014.

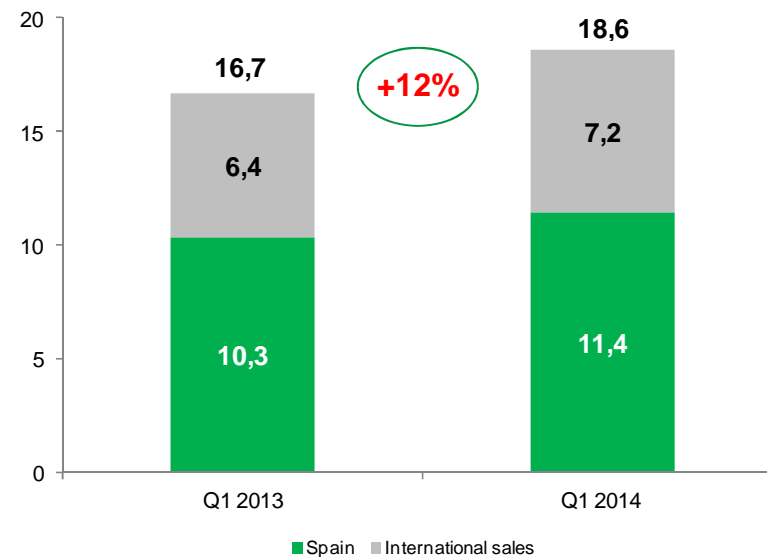


## Bemiparin, leading the growth

Prescription-based pharma products sales (€Mn)



Bemiparin sales (€Mn)

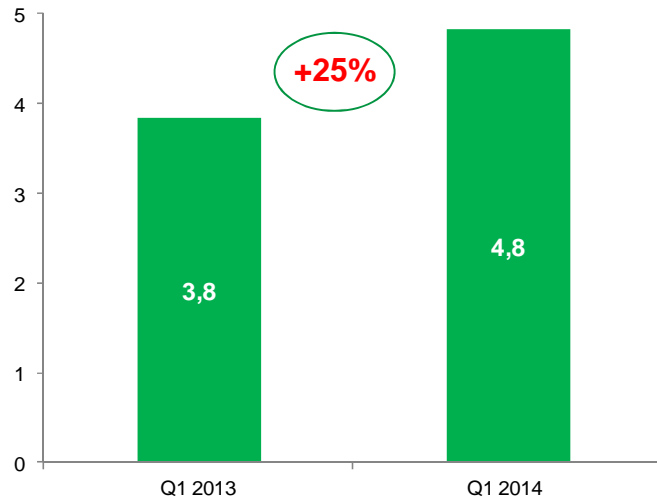


- Sales of **prescription-based pharmaceutical products** increased by 13% to €34.6Mn in Q1 2014.
- **Bemiparin** sales increased by 12% in Q1 2014:
  - ✓ Sales in Spain grew by 10% to €11.4Mn, reaching a 26% market share in Q1 2014.
  - ✓ International sales rose 13% supported by the increased presence in countries where it was already present.
  - ✓ Registration approval obtained in China and potential launch in the Chinese market in 2014.

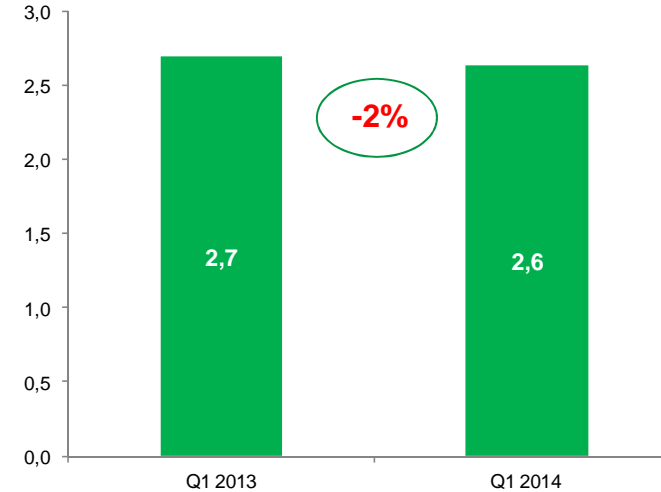


## Good performance of the product portfolio (1/2)

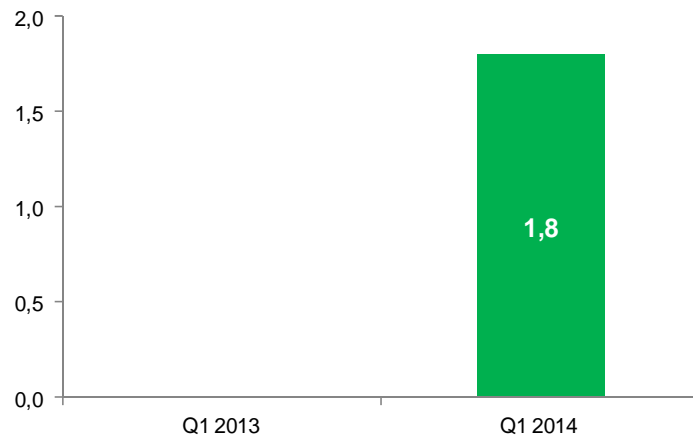
### Absorcol and Vytorin sales (€Mn)



### Thymanax sales (€Mn)



### Medicebran and Medikinet sales (€Mn)



- Sales of **Absorcol and Vytorin**, products launched in January 2011, increased by 25% to €4.8Mn in Q1 2014.
- Sales of **Thymanax**, product launched in March 2010, decreased by 2% to €2.6Mn in Q1 2014.
- Sales of **Medicebran and Medikinet**, products launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, reached €1.8Mn in Q1 2014.
- No sales of **Hirobriz** were registered in Q1 2014. ROVI expects to start its commercialization by mid 2014.

Notes: Thymanax is an innovative antidepressant from Laboratoires Servier.

Vytorin and Absorcol are the first of the five licenses of MSD.

Medicebran and Medikinet are specialty products from Medice indicated for the treatment of ADHD in children and teenagers.

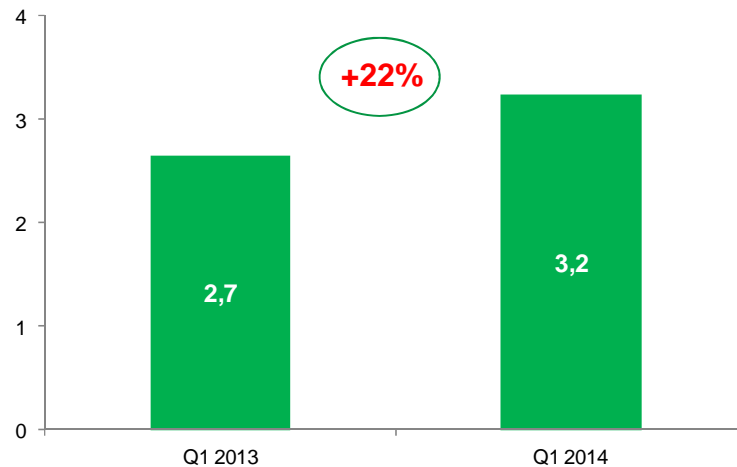
Hirobriz Breezhaler is a product from Novartis indicated for the treatment of COPD (Chronic Obstructive Pulmonary Disease).



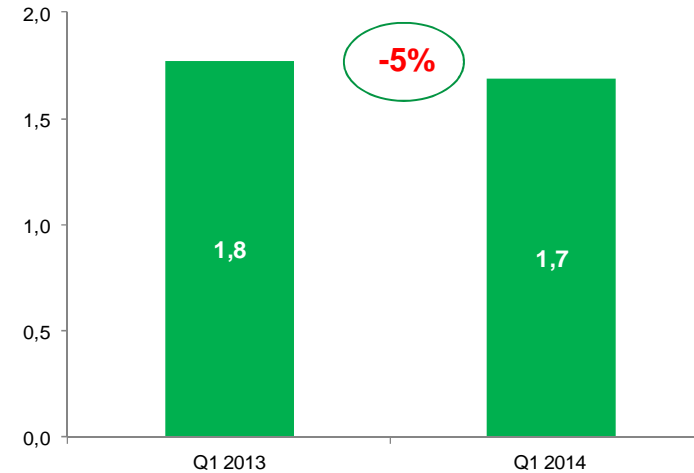


## Good performance of the product portfolio (2/2)

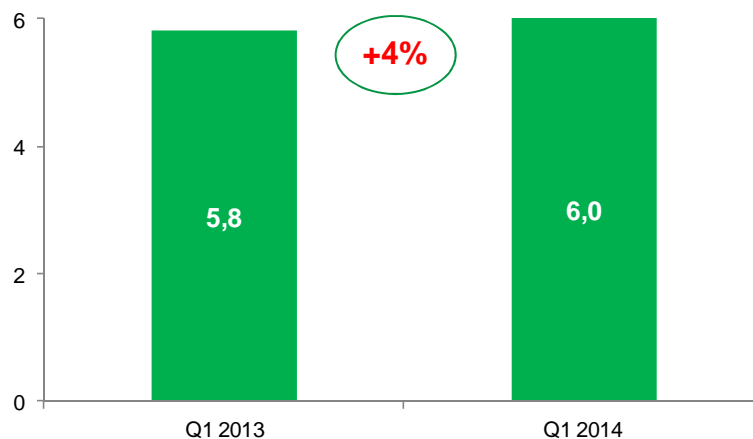
### Corlentor sales (€Mn)



### Exxiv sales (€Mn)



### Contrast imaging agents (€Mn)

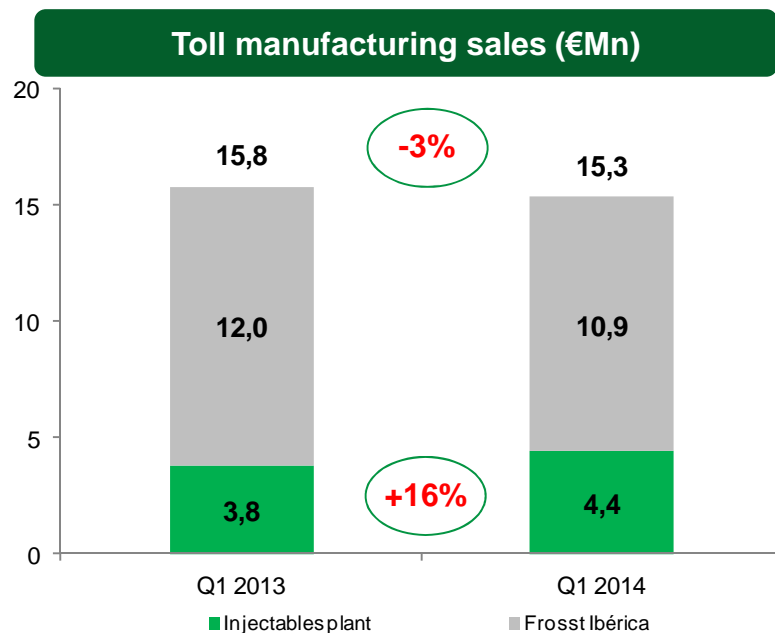


- Sales of **Corlentor** maintained a very positive behaviour, with a 22% increase in sales to €3.2Mn.
- **Exxiv** sales decreased by 5% to €1.7Mn, mainly due to a deceleration of the COX-2 market.
- **Contrast imaging agents** and other hospital products increased by 4% to €6.0Mn in Q1 2014.

Note: Corlentor is a specialty product for stable angina and chronic heart failure from Laboratoires Servier.  
Exxiv is a selective COX-2 inhibitor from Merck Sharp & Dohme (MSD).



## Value added toll manufacturing services



- **Toll manufacturing** sales decreased by 3% to €15.3Mn in Q1 2014.
- Very positive evolution of the **injectables plant**, whose revenue increased by 16% to €4.4Mn in Q1 2014. In line with the increase in sales, spare capacity has been reduced.
- **Frosst Ibérica** plant revenue amounted to €10.9Mn in Q1 2014 compared to €12.0Mn in Q1 2013 because of a lower production for MSD.



# Strategic agreement with MSD

## ROVI and MSD renew manufacturing and packaging agreement

### Initial agreement<sup>1</sup> - March 2010

- ✓ ROVI acquires the pharmaceutical formulation and packaging operations at the MSD facility in Alcalá de Henares (Madrid).
- ✓ ROVI will produce and supply to MSD, for 5 years (until 31/03/2015), all the products produced by MSD at the Alcalá facility before the acquisition of the plant:
  - Products formulation activities, and
  - Packaging activities.
- ✓ Packaging activities for Spain until 31/03/2017.
- ✓ Very profitable business with annual estimated sales at around €28Mn in the Frosst Ibérica facility.

### Renewed agreement - March 2015

- ✓ Extension of the current manufacturing and packaging agreement for an additional 5 years period (until 31/03/2020) regarding:
  - All product formulation activities, and
  - Packaging activities for the products MAXALT™ and MAXALT-MLT™.
- ✓ ROVI keeps the packaging activities until:
  - 31/03/2017 for products to be sold in Spain;
  - 31/03/2015 for products to be sold outside Spain.
- ✓ In both cases as according to the initial agreement.
- ✓ Business still very profitable.

<sup>1</sup> <http://www.rovi.es/ficheros/notas/ingles/87i.pdf>



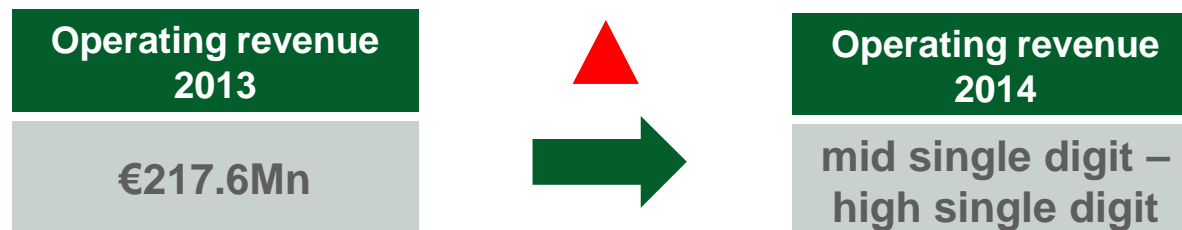
# Focus on Drug Release Platform & Glycomics

Platform	Product	Potential indication	Current situation				Expected milestones
			Pre-Clinical	I	II	III	
ISM	Risperidone, monthly	Schizophrenia	[Progress bar: Pre-Clinical to Phase I]				<ul style="list-style-type: none"> <li>Phase I results disclosed</li> <li>Phase II ongoing</li> </ul>
	Paliperidone, monthly	Schizophrenia	[Progress bar: Pre-Clinical to Phase I]				<ul style="list-style-type: none"> <li>Phase I start 2H 2014</li> </ul>
	Letrozole, quarterly	Breast Cancer	[Progress bar: Pre-Clinical to Phase I]				<ul style="list-style-type: none"> <li>Phase I start 2H 2015</li> </ul>
Glycomics	Bemiparin (LMWH)	Small Cell Lung Cancer (*)	[Progress bar: Pre-Clinical to Phase II]				<ul style="list-style-type: none"> <li>Phase II results published</li> </ul>

ISM: *in situ* microparticles; LMWH: low molecular weight heparin;  
 \* Currently looking for a strategic partner to go on further clinical development



## Guidance 2014



### Our main strategic pillars to lead growth

#### Specialty pharma

- Bemiparin
- Recent launches such as Vytorin, Absorcol, Medikinet...
- Existing portfolio (Corlenter, Thymanax, contrast imaging agents...)
- New in-licensed products to be launched (Hirobriz Breezhaler)

#### Toll manufacturing

- Spare capacity both in the injectable plant and in the oral compounds plant
- New customers to be acquired in both plants

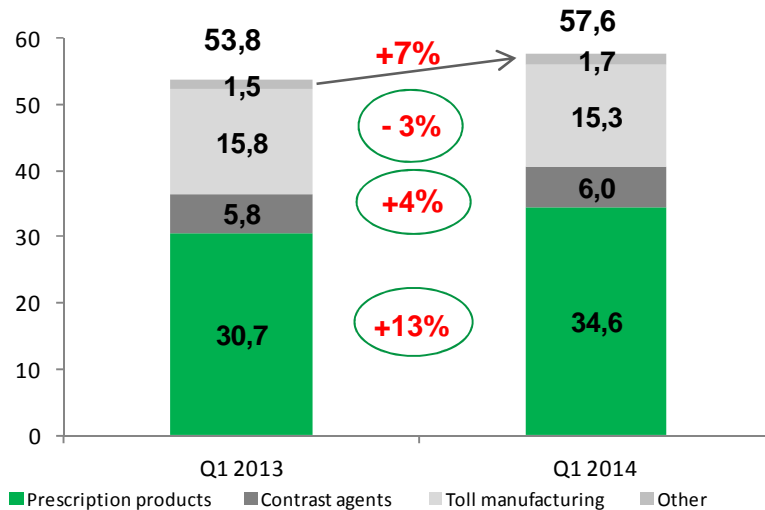


# Financial results

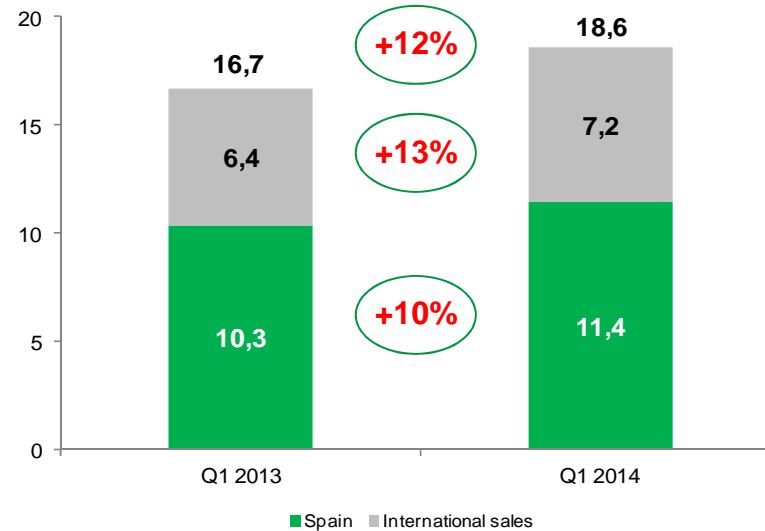
# Excellent revenue level with outstanding Bemiparin growth



**Total operating revenue (€Mn)**



**Bemiparin sales (€Mn)**



➤ **Operating revenue** at €57.6Mn, reaching a **7% growth** achieved on:

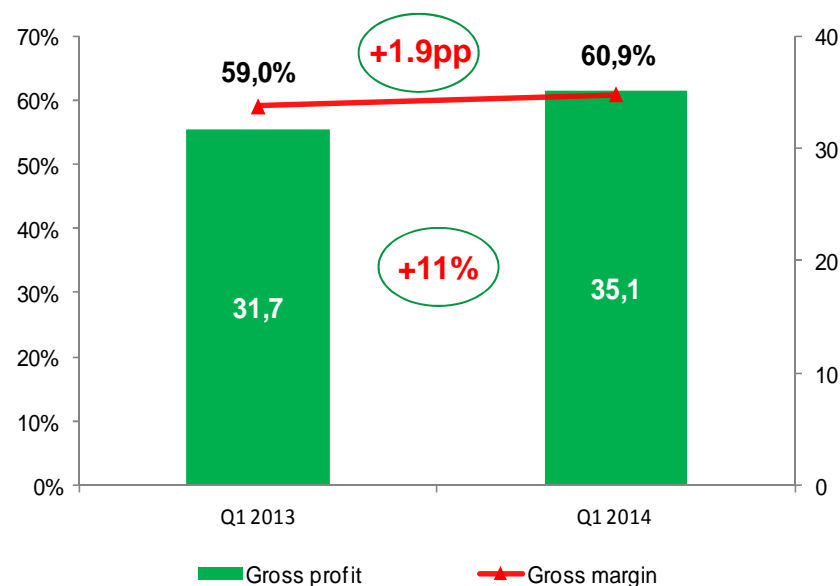
- ✓ 13% growth in prescription-based products.
- ✓ 4% growth in contrast agents and other hospital products.
- ✓ 3% reduction in toll manufacturing.
- ✓ OTC and other revenues grew by 13% (including revenue from distribution licenses).

➤ **Bemiparin**, ROVI'S flagship product internally developed, reached sales of €18.6Mn, with a **12% growth** vs Q1 2013, with a double digit growth rate both the domestic and the international sales.

# Gross margin positively impacted by the good performance of Bemiparin and its raw material cost reduction



**Gross profit (€Mn) & Gross margin (%)**



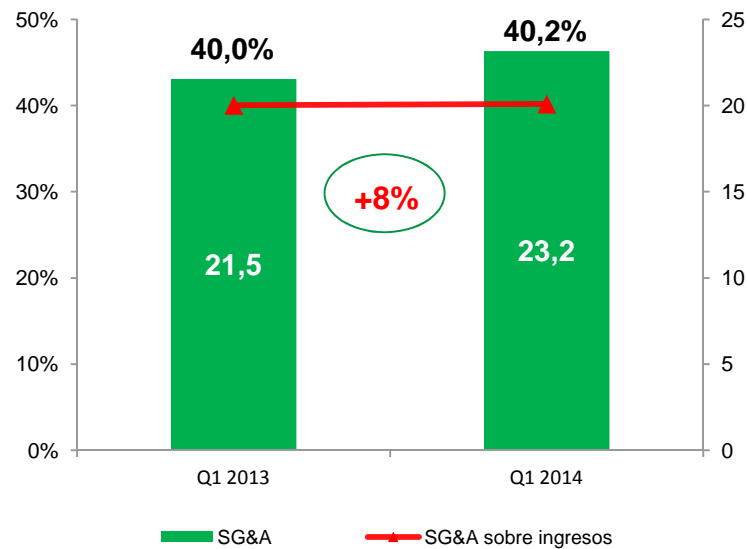
- **Gross margin** increased by 1.9 pp in Q1 2014 vs Q1 2013.
  - ✓ A year ago, gross margin decreased by 2.4 pp (Q1 2013 vs Q1 2012).
- The decrease of the Bemiparin raw material cost impacted positively in Q1 2014 gross margin.
- **Gross profit** increased by 11% to €35.1Mn in Q1 2014.



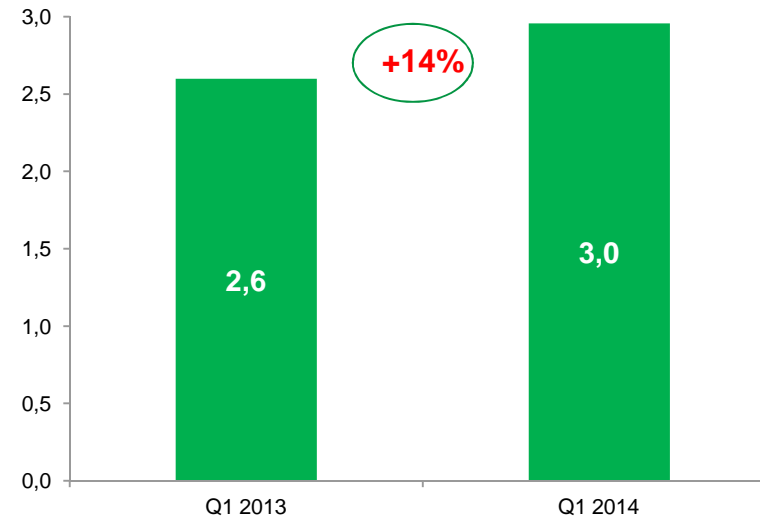


## Cost control along with commitment to R&D

### SG&A expenses (€Mn)



### R&D expenses (€Mn)

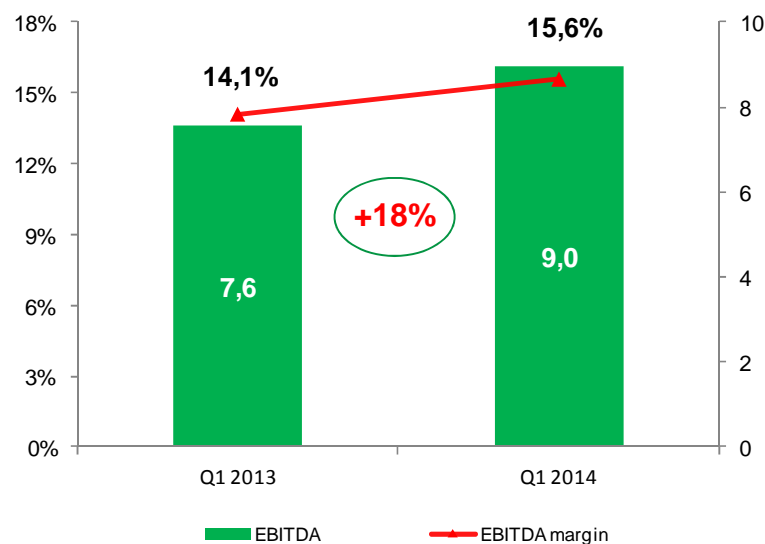


- **SG&A expenses** increased by 8% to €23.2Mn in Q1 2014 mainly due to an increase in personnel costs. Nevertheless, the SG&A/revenues ratio is maintained at 40%.
- **R&D expenses** increased by 14% reflecting ROVI investments in products that are under development, mainly on the ISM<sup>®</sup> project. R&D represents approximately 5% of operating revenues.

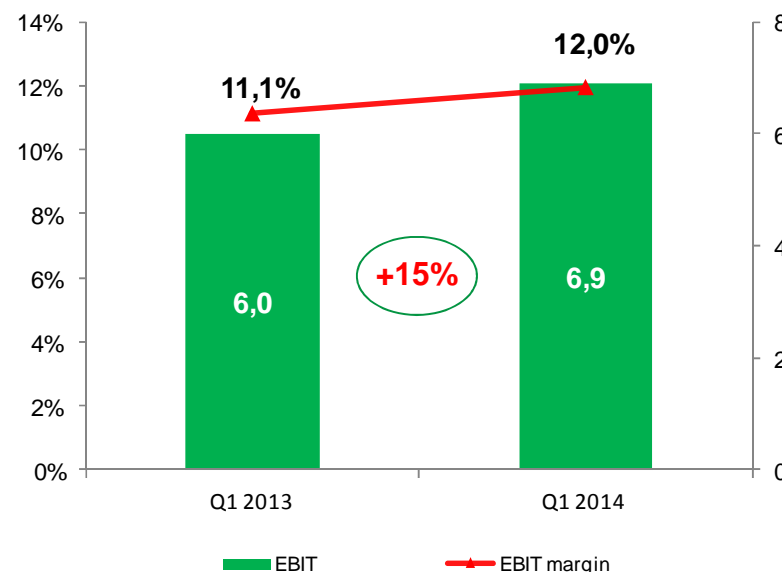


# EBITDA & EBIT

### EBITDA (€Mn) and EBITDA margin (%)



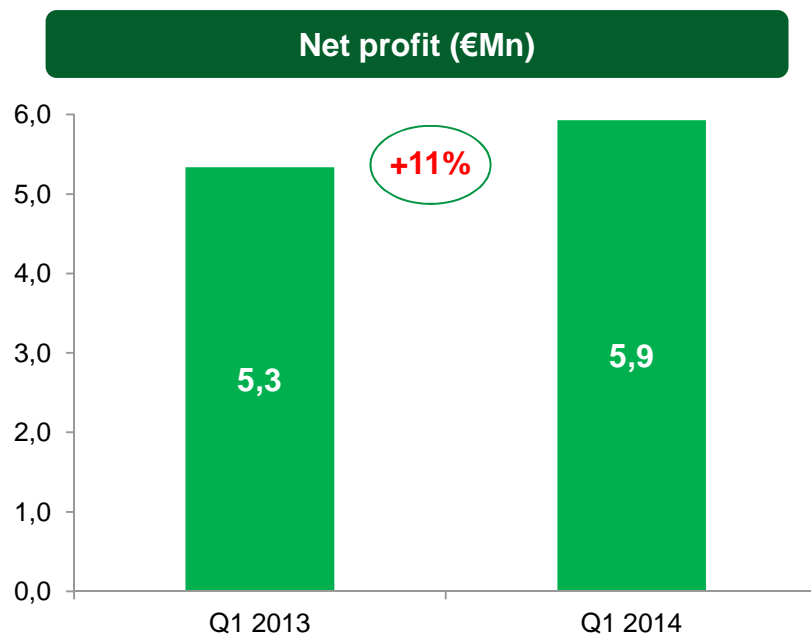
### EBIT (€Mn) and EBIT margin (%)



- **EBITDA** increased by 18% to €9.0Mn in Q1 2014, reflecting a 1.5 pp rise in the EBITDA margin to 15.6% in Q1 2014 up from 14.1% in Q1 2013. This increase has been achieved on higher sales and operating leverage of the business.
- **Depreciation and amortization expenses** increased by 31% in Q1 2014, up to €2.1Mn, as a result of the new PP&E and intangible assets purchases made during the last twelve months.
- **EBIT** increased by 15% to €6.9Mn in Q1 2014, reflecting a 0.8 pp rise in the EBIT margin to 12.0% up from 11.1% in Q1 2013.



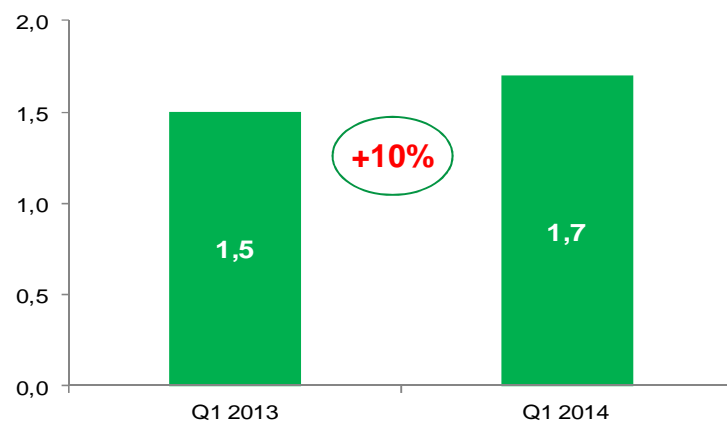
# Net profit



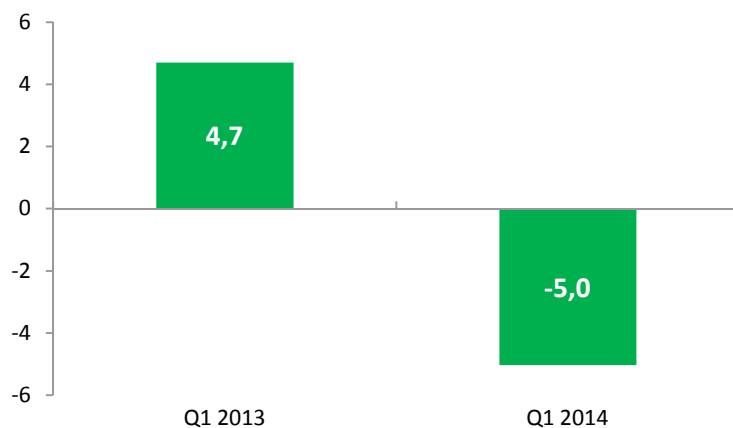
- **Net profit** increased by 11% to €5.9Mn in Q1 2014.
- **Effective tax rate** of 4.8% in Q1 2014 vs 3.1% in Q1 2013. This favourable effective tax rate is due to:
  - ✓ deduction of existing R&D expenses; and
  - ✓ capitalisation of existing negative tax bases resulting from the Frosst Ibérica integration.
- As of December 2013, Frosst Ibérica had **€57.5Mn of negative tax bases**, of which €7.4Mn will be used in the 2013 income tax and €1.9Mn in Q1 2014.

# Capital expenditure & Free Cash Flow

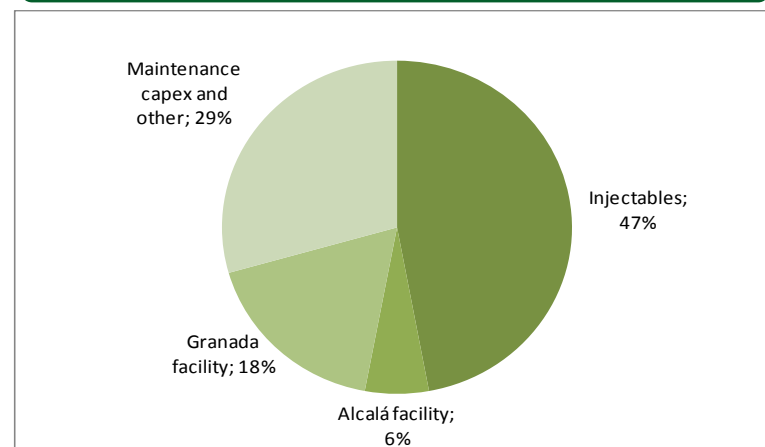
## Capex evolution (€Mn)



## FCF (€Mn)



## Capex breakdown (%)

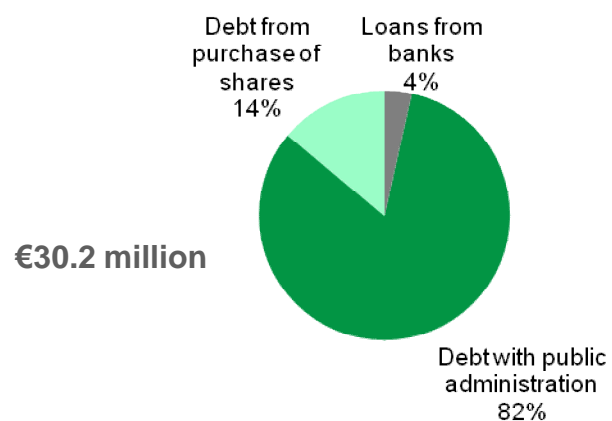


- €1.7Mn of **capex** invested in Q1 2014.
  - ✓ €0.8Mn of investment capex related to the injectables facility;
  - ✓ €0.1Mn of investment capex related to the Alcalá facility;
  - ✓ €0.3Mn of investment capex related to the Granada facility; and
  - ✓ €0.5Mn of maintenance capex and other vs €1.0Mn in Q1 2013.
- ROVI expects capex for 2014 to be below the 2013 figure (€24.7Mn), but above the 2012 level (€13.7Mn).
- **FCF** was negative in €5.0Mn in Q1 2014 compared to €4.7Mn in Q1 2013. This evolution is mainly due to: (i) a €2.7Mn increase in inventories in Q1 2014 mostly as a result of a larger Bemiparin production, and (ii) an inventory reduction of €4.7Mn in Q1 2013 as a consequence of a high stock level at the end of 2012.

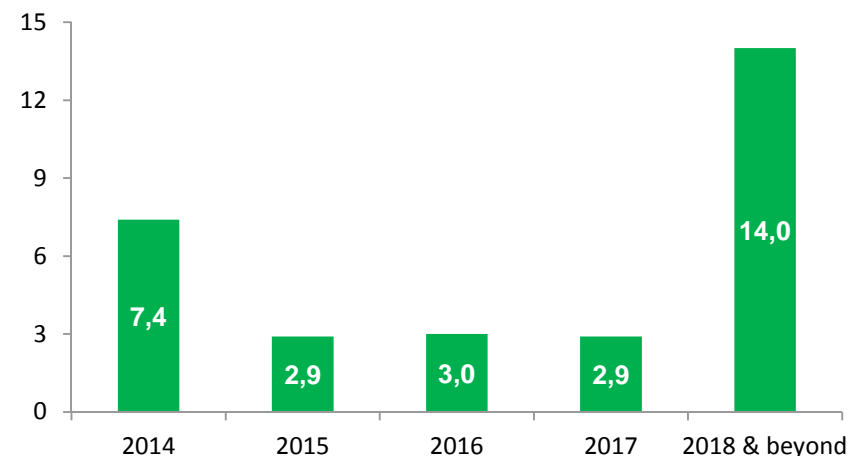


# Financial debt

## Debt breakdown by source (%)



## Debt maturities by year (€Mn)



- 97% of the **debt** is 0% interest rate debt.
- **Debt with public administration** represented 82% of total debt.
- **Gross cash position** of €30.2Mn as of 31 March 2014 vs €36.7Mn as of 31 December 2013.
- Zero **net cash position** as of 31 March 2014 vs €5.8Mn as of 31 December 2013.
- Board of Directors will propose to the AGM for its approval a dividend of €0.1612 per share on 2013 result, which implies a 35% pay-out and an increase of 18% compared to the previous dividend.

# News-flow 2014

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## Specialty pharma

- Additional new in-licensing products to be launched

## Toll manufacturing

- New contracts to be announced

## R&D

- Results of ISM-Risperidone<sup>®</sup> Phase I to be released in Q3 2014
- Start of ISM-Risperidone<sup>®</sup> Phase II



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