Lisa Miles, Senior Vice President Investor Relations

Good morning, and thanks for joining us. With me today is Franco Stevanato, Executive Chairman, Franco Moro, CEO, and Marco Dal Lago, CFO. You can find a presentation to accompany today's results on the investor relations page of our website, which can be found under the financial results tab.

As a reminder, some statements being made today will be forward-looking in nature and are only predictions. Actual events and results may differ materially as a result of risks we face, including those discussed in Item 3D entitled "Risk Factors" in the Company's most recent Annual Report on Form 20-F, filed with the SEC. Please also take a moment to read our safe harbor statement included in the front of the presentation. The Company does not assume any obligation to revise or update these forward-looking statements to reflect subsequent events or circumstances, except as required by law.

Today's presentation may contain non-GAAP financial information. Management uses this information in its internal analyses of results, and believes this information may be informative to investors in:

- gauging the quality of our financial performance,
- identifying trends in our results,
- and providing meaningful period-to-period comparisons.

For a reconciliation of the non-GAAP measures, please see the Company's most recent earnings press release.

I will now hand the call to Franco Stevanato for opening remarks.

Franco Stevanato, Executive Chairman

Thank you, Lisa. 2023 was very positive for us. We closed out another solid year with 10% growth, or 11% on a constant currency basis. We continued to successfully execute our near-term objectives of advancing our capacity expansion projects and growing our mix of high value solutions, while still delivering double-digit growth.

At the same time during 2023, we navigated some macro challenges in a dynamic environment of inflation uncertainty, ongoing supply chain issues, and industry-wide customer destocking.

Even against that backdrop, we are benefitting from favorable secular tailwinds which we expect will continue to drive demand for our high value solutions. While at the same time, we have been investing heavily in expanding capacity to meet market demand. We expect that these investments will drive organic growth in the mid-term as we efficiently leverage our invested capital to exploit the opportunities in front of us.

The fundamentals of our business remain strong. We operate in high growth end markets, like biologics, where we see a broad range of opportunities. As the global leader in pen cartridges, and with an enviable market position in pre-fillable syringes, we are well positioned to capitalize on the growth in biologics and the trend towards the self-administration of medicine.

My recent visits with several of our largest customers gave me continued optimism that we are on the right path. Customers favor our unique value proposition of integrated end-to-end solutions, along with our global footprint, one quality standard, and differentiated product set.

We are focusing on driving future growth through solid execution, and we believe we have the right strategy, the right product portfolio, and the right team to succeed as we work toward creating and driving long-term shareholder value. Thank you, I will now hand the call over to Marco.

Marco Dal Lago, Chief Financial Officer

Thanks Franco. Before I begin, I want to clarify that all comparisons refer to year-over-year changes, unless otherwise specified. Starting on page 7.

We delivered double-digit growth in the fourth quarter, which was slightly below our expectations and put us at the low end of our 2023 guidance range.

However, the differences in fiscal 2023 actual results and our 2023 guidance were mostly due to lower vial volumes as customers work down inventories that they stockpiled during the pandemic. The higher inventories are not limited to Covid-19 related customers, but also customers with non-Covid-19 applications who built up stock to mitigate supply chain uncertainty and manage long lead times at the height of the pandemic.

We believe this is a temporary imbalance of supply and demand across the industry. We are starting to see some early indications of market improvement, but our 2024 guidance assumes a slower recovery in vial demand, resulting in a growth rate of 9% to 12% for fiscal 2024. Looking beyond 2024, we are maintaining our mid-term targets of low double-digit growth, starting in 2025. In 2027, we still anticipate high-value solutions in the range of 40% to 45%, and an adjusted EBITDA margin target of approximately 30%.

Let’s turn our attention to fourth quarter results on slide 8, which will be the focus of my comments.

Fourth quarter revenue was a little bit below our internal expectations by about €5 million, which was evenly split across the segments. Nevertheless, total revenue increased 10% to €320.6 million (or 11% on a constant currency basis), driven by growth in the Biopharmaceutical and Diagnostic Solutions Segment, tied to higher volumes and an increasing mix of high value solutions. Growth was offset by a decline of approximately €33.8 million related to Covid-19. Excluding Covid-19, revenue growth in the fourth quarter would have been 24%.

We have been managing the roll-off of revenue related to Covid-19, while at the same time, growing our mix of high-value solutions. In the fourth quarter of 2023, we generated record sales from high-value products, which represented 37% of total revenue.

As expected, gross profit margin for the fourth quarter of 2023 decreased to 31.8%. As a reminder, the fourth quarter of 2022 was an exceptionally strong quarter and included two benefits that did not repeat.

- First, we recognized higher revenue and profit from EZ-fill® vials, which led to a more favorable mix within high-value solutions, and
- Second, we instituted some additional price adjustments to recover inflationary costs from prior periods, predominantly in the BDS Segment.

These two effects were the largest contributors to the stepdown. This was partially offset by the increase in high-value solutions. Gross profit margin was also unfavorably impacted by currency translation and continues to be tempered by short-term inefficiencies tied to the start-up of our new facilities – including higher industrial costs, depreciation, and naturally lower utilization during the ramp-up phase.

For the fourth quarter of 2023, SG&A and R&D expenses were lower compared with the prior year mainly due to a lower accrual for our performance-based management bonus

program. In addition, we have prudent, short-term cost management initiatives to counterbalance the temporary headwinds.

Operating profit margin decreased 160 basis points to 20.0%, mainly due to lower gross profit and a decrease in other income.

On the bottom line, for the fourth quarter of 2023 we generated:

- Net profit of €45.2 million, or 17 cents of diluted earnings per share,
- Adjusted net profit of €47.1 million, or adjusted diluted EPS of 18 cents, and
- Adjusted EBITDA totaling €86.7 million, reflecting an adjusted EBITDA margin of 27%.

Segment Financial Results:

Let’s review Segment results on page 9.

Biopharmaceutical and Diagnostic Segment (BDS)

The Biopharmaceutical and Diagnostic Solutions Segment delivered strong growth in the quarter despite the steep decline in Covid-19 revenue and industry-wide inventory destocking. For the fourth quarter of 2023, BDS segment revenue grew 12% (and 14% on a constant currency basis) to €260.6 million driven by growth in our core drug containment solutions business.

In the fourth quarter of 2023, revenue from high-value solutions grew 37% to €119.4 million, representing 46% of Segment revenue. This was offset by a 3% decline in revenue due to other containment and delivery solutions.

Gross profit margin decreased to 33.6% in the fourth quarter of 2023, mainly due to lower EZ-fill® vial volumes, currency translation and short-term inefficiencies tied to the start-up of our new plants. Additionally, lower vial volumes have led to short-term underutilization on some lines.

Engineering Segment

For the fourth quarter of 2023, Engineering Segment revenue totaled €60.6 million, which was consistent with the same period last year.

For the fourth quarter of 2023, gross profit margin for the Engineering Segment decreased 10 basis points to 21.1% compared with the same period last year. We are managing through a large volume of work in progress. Our main priority in 2024 is executing on these projects and shortening our lead times.

Balance Sheet and Cash Flow Items

On page 10, as of December 31, 2023, we had cash and cash equivalents of €69.6 million, and net debt of €324.4 million.

Capital expenditures were €94.7 million in the fourth quarter, and €453.3 million for the full year, which was in-line with our expectations. Our investments in expanding capacity in high-value solutions are essential to meet expected market demand.

For the fourth quarter of 2023, cash flow from operating activities was €10.2 million, which reflects our current working capital needs to support organic growth. Cash used for the purchase of property, plant, and equipment, and intangible assets was €87.1 million, which resulted in negative free cash flow of € 76.0 million.

Over the past few months, we strengthened our balance sheet with three new mid-term loans totalling €110 million, and have drawn down approximately €60 million. We believe we have adequate liquidity to fund the needs of the business and, we will continue to explore additional financing options to support future growth.

2024 Guidance:

Lastly on page 11, we are introducing our full year 2024 guidance. We currently expect:

- Revenue in the range of €1,180 million to €1,210 million,
- Adjusted EBITDA in the range of €314.1 million to €329.5 million, and,
- Adjusted diluted EPS in the range of 62 cents to 66 cents.

In 2024, we estimate that CapEx will range between 25% and 28% of total revenue based on the midpoint of our revenue guidance. Our full year 2024 guidance assumes the following:

- The second half of 2024 will be stronger than the first half.
- The BDS Segment is expected to grow low double digits, while Engineering will remain flat as we focus on executing on our current work in progress.
- High-value solutions in the range of 35% to 37% on total revenue
- And lastly, we are estimating a currency headwind of approximately €7 million to €9 million.

Also, consistent with prior years, we expect a step down in revenue in the first quarter compared with Q4 2023.

- We currently expect that revenue in the first quarter of 2024 will be flat to slightly down compared with the same period last year.
- In Q1, this assumes mid-single digit growth for the BDS segment and a revenue decline in the Engineering Segment compared with the first quarter of 2023.

Overall, as the pandemic continues to wane, we are still operating in a dynamic environment with the ongoing inventory normalization. Despite this, we believe that 2024 will still be a year of growth and our mid-term outlook remains unchanged. Thank you, I will hand the call to Franco.

Franco Moro, Chief Executive Officer

Thanks Marco. For fiscal 2023, we achieved double-digit topline growth and increased our mix of high value solutions to 34% of total revenue, up from 30% last year. During the year, we made meaningful progress in our capacity expansion, and enhanced our integrated value proposition. Nevertheless, we also faced challenges that we continue to manage.

On slide 14, as previously disclosed, we see a convergence of factors impacting the engineering segment. Over the last twenty-four months we benefitted from strong demand for Engineering machinery. But we have been challenged with timely execution mostly due to the long lead times for electronic components. And the time needed to shore up the resources to deliver on the outsized demand. As we discussed last quarter, we believe that we are on the right path to better balance resources with demand, but it will take some time.

We believe the most effective path is to prioritize execution and bring these projects to completion. This may negatively impact Segment growth in the short term, but we believe this action will better position the business for long-term success.

Turning to the BDS Segment on slide 15. Despite the headwinds from destocking, the underlying demand for biologics continues to rise. In our BDS Segment, revenue from biologics, excluding Covid-19, represented approximately 28% of segment revenue, up from 19% last year.

We believe the slower recovery in vial demand is temporary. We currently expect the path to normalization will continue throughout 2024, and we are cautiously optimistic that order flow will begin to pick up in the second half of the year.

Longer-term, we see many opportunities in the adoption of ready-to-use vials and cartridges. Today, less than 5% of the vial and cartridge market has converted to a ready-to-use format, compared with 95% of the syringe market. Customers increasingly see the advantages of leveraging ready-to-use configurations to reduce supply chain risk, enhance quality, and expand flexibility. In fact, based on market data, the number of fill and finish lines capable of processing sterilized vials and cartridges is estimated to have increased 32% in 2023. We also believe the changing regulatory landscape will galvanize adoption over the next decade.

The diversity in our product portfolio is helping us navigate the lingering impacts from Covid-19. So, while short-term vial demand has been lagging, demand for other glass products, particularly syringes, continues to be robust. In fact, in 2023, biologics drove a record year in sales of high value syringes, such as Nexa.

Turning now to backlog and new order intake on page 16. New order intake increased 44% to approximately €342 million in the fourth quarter, and as a result, we exited the year with backlog of approximately €945 million, heavily weighted towards biologics. Because we often experience quarterly fluctuations in backlog and order intake, we believe that annual analysis of these metrics provides a more accurate view of demand trends. So, beginning in fiscal 2024, we will provide backlog and order intake on an annual basis, rather than quarterly.

Capacity Expansion

On page 17. Our capital projects are multi-year investments that have multi-year volume and revenue ramps:

- In Latina, we launched commercial syringe production in the fourth quarter, and we expect a steady ramp over the coming years. In addition, we will be installing ready-to-use cartridge lines as part of a long-term project to support a customer's transition from bulk to sterilized cartridges. And these lines are expected to supply commercial volumes beginning in 2026.

- In Fishers, customer validation activities will continue into 2026, as planned. We remain on track to begin commercial production later this year, but do not anticipate a meaningful revenue contribution until 2025, when we will begin ramping up production for GLP1s and other biologics. The Fishers facility is currently expected to hit full productivity by the end of 2028.

Innovation and new product update:
On slide 18. We continue to refine our integrated offerings to enhance our value proposition. Our Technology Excellence Centers in Boston and Italy serve as the front line in supporting early-stage drug development. We recently launched non-GMP fill-and-finish services for small batch operations.

These services allow customers to identify any possible interactions between the drug and the container system during and after the fill-and-finish process. Our centers foster early customer engagement, which helps us gain a strategic foothold in supporting them throughout the entire drug lifecycle.

Conclusion
In closing on slide 19, our number one priority in 2024 is flawless execution of our operational priorities.

As we consider 2025 and beyond, we remain bullish on our medium-term targets. We still expect to achieve low double-digit revenue growth in 2025 through 2027, and in

2027 high value solutions in the range of 40% to 45% and an adjusted EBITDA margin of approximately 30%.

Our confidence is underpinned by what we are seeing around us, including strong secular tailwinds, continued growth in biologics, and an increasingly strong competitive moat. We believe we are well positioned to fully capitalize on our investments to drive durable organic growth, expand margins and deliver long-term shareholder value.

Operator, let's open it up for questions.