

Procaps Group Reports Second Quarter and First Half 2022 Results

Net Revenues Increased 14% year-over-year in the Second Quarter, with Adjusted EBITDA Margin of 24%

Constant currency Net Revenues Increased by 18% year-over-year in the First Half, signaling a strong demand across our businesses

MIAMI, USA – BARRANQUILLA, COL – August 30, 2022 – Procaps Group S.A. (NASDAQ: PROC) (“Procaps”), a leading integrated LatAm healthcare and pharmaceutical conglomerate, today announced its financial results for the three months ended June 30, 2022 (“2Q22”) and the six months ended June 30, 2022 (“1H22”).

“The second quarter and first half of 2022 continued our previous year’s momentum with healthy demand across most of our business units supported by the ongoing rollout of new product launches and an important announcement on Procaps entering into definitive agreements to acquire Grupo Somar¹, which we believe will provide us an important presence in Mexico, the region’s second largest market, and further strengthen our future outlook,” said Rubén Minski, CEO of Procaps.

Highlights 1H22 & 2Q22

Product Development & Market Expansion

- Entering into a Stock Purchase Agreement to acquire Grupo Somar
- Capacity expansion plans in the United States continue as planned with the construction of new gummy manufacturing facility in Florida
- Commencing of operations of West Palm Beach facility providing R&D services
- Renewal rate of 21% in 1H22
- 120+ products registered in 1H22 in the regions where we operate

Financial Highlights

- Net revenues totaled \$112 million for 2Q22, an increase of 14% in comparison with 2Q21, mainly driven by strong demand across CAN, CASAND and Nextgel business segments as well as from our continued rollout of new product launches. Net revenues totaled \$198 million in 1H22, a 12% increase vs. 1H21. On a constant currency basis, net revenues grew 18% in 1H22 vs. 1H21.
- Gross profit for 2Q22 increased by 25% vs. 2Q21, totaling \$73 million, with a 65% gross margin, and a 22% increase in 1H22 vs. 1H21, amounting to \$120 million.
- Adjusted EBITDA increased by 12% in 2Q22 and 13% in 1H22 (vs. 2Q21 and 1H21, respectively), totaling \$28 million and \$37 million, respectively, with an adjusted EBITDA margin of 24% in 2Q22 and 19% in 1H22.

¹ including Química y Farmacia, Gelcaps and related entities



Management Commentary

Procaps Chief Executive Officer, Ruben Minski, commented:

“We continued to make progress in executing our strategy of building an integrated healthcare organization in the second quarter of 2022. In May 2022, we announced another milestone in this journey: a definitive agreement to acquire Grupo Somar² from Advent International.

“Grupo Somar is an integrated pharmaceutical company focused on developing, manufacturing, and marketing high-quality branded generic, private label and OTC products targeted to the private market and offering CDMO services across key market segments in Mexico. We believe Grupo Somar offers a diversified portfolio of products across key categories and has strong R&D and manufacturing capabilities, operating six modern production facilities in Mexico, including three FDA-approved plants with the ability to export to the U.S., and two of which manufacture Softgel capsules.

“We are thrilled to have executed an important milestone on our long-planned roll-up strategy with an ideal acquisition target for Procaps, which we believe will help accelerate Procaps top and bottom-line growth into the near future in an accretive manner. With this acquisition, Procaps continues to diversify its products and geographies and we believe solidifies its position as a leader in innovative oral delivery systems.

“The transaction is expected to close by the end of the year and will represent a significant step forward for our regional consolidation strategy, expanding our reach in Mexico, which we anticipate will represent approximately 30% of the total revenues of the combined companies, with the expectation for additional future growth.

“During the quarter we continued the pace of new product launches and product rollouts to new regions, which combined to deliver 14% revenue growth when compared to 2Q21, and 12% in 1H22 when compared to 1H21, despite currency depreciations in some countries in the region where we operate and certain specific challenges, we have observed in supply chain worldwide. On a constant currency basis, top line grew 18% in 1H22 when compared to 1H21.

“An especially important aspect that is an essential backbone of our strategy is continuous innovation, which is at the heart of our portfolio. We have registered over 120 products during 1H22 and have over 170 products under the registration process.

“Additionally, our West Palm Beach facility commenced operations in May this year. The pipeline of RX product development has been growing as expected, and we have a positive perspective for the next twelve months.

“Looking ahead into 2022, we will continue to focus on our roll-up strategy including Grupo Somar’s integration and a multi-prong growth strategy of innovative pharmaceutical solutions and new expansion initiatives. Together, we are executing on our commitment to deliver better health and nutrition to the world through innovative oral delivery systems and building long-term value for our shareholders, ” said Minski.

² Including Grupo Farmacéutico Somar and Química y Farmacia and, Gelcaps and related entities



Procaps Chief Financial Officer, Patricio Vargas, commented:

“We ended the second quarter of 2022 and the first half of the year delivering a robust performance - reaching a quarterly revenue of \$112 million, an increase of 14% over the same period of the previous year, driven by multiple therapeutic areas across the company. We achieved Adjusted EBITDA of \$28 million in 2Q22 (12% higher than 2Q21) and Adjusted EBITDA margin of 24%, despite the negative impact of macroeconomic headwinds including the depreciation of local currencies in some countries where we operate.

“These results arise from the combination of discipline in the execution of our growth strategy with the soundness of our core business operations.

“We continue to prioritize high value uses for our capital, with an emphasis on reinvesting in our business by funding our internal R&D and innovation initiatives.

“Our strategy going forward is supported by our substantial efforts in 2021 to establish the necessary building blocks for growth, and our recent acquisition announcement. I’m confident that we are well positioned to tackle the integration process with Grupo Somar to achieve our near and long-term goals.

“Looking ahead into the 3Q22 and the remainder of the year, we see challenges that we must continue to monitor. World uncertainties, such as a possible recession in the United States and Europe, supply chain disruptions, and the continued depreciation of the currencies in the markets where we operate. We believe the diversified nature of our businesses offers natural protection against most challenges, but we are closely monitoring possible impacts,” concluded Vargas.

Please check Procaps investor relations website for full Earning Release details, at <https://Procaps2Q22ER>.

Conference Call Information:

The Company will host a conference call on Wednesday to discuss the three months and six months ended June 30, 2022 results and provide updates on current business initiatives. Call information will be shared soon.

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About Procaps Group

Procaps Group, S.A. ("Procaps") (NASDAQ: PROC) is a developer of pharmaceutical and nutraceutical solutions, medicines, and hospital supplies that reach more than 50 countries in all five continents. Procaps has a direct presence in 13 countries in the Americas and more than 5,300 employees working under a sustainable model. Procaps develops, manufactures, and markets over the counter (OTC) pharmaceutical products and prescription pharmaceutical drugs (Rx), nutritional supplements and high-potency clinical solutions. For more information, visit www.procapsgroup.com or Procaps Group’s investor relations website investor.procapsgroup.com.



Forward-Looking Statements

This press release contains "forward-looking statements." Forward-looking statements may be identified by the use of words such as "forecast," "intend," "seek," "target," "anticipate," "believe," "expect," "estimate," "plan," "outlook," and "project" and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. Such forward-looking statements include expectations related to the completion of the acquisition of Grupo Somar; and expectations related to the integration of Grupo Somar and Procaps' presence in Mexico. Such forward-looking statements concerning revenues, earnings, performance, strategies, synergies, prospects and other aspects of the businesses of Procaps are based on current expectations that are subject to risks and uncertainties. Several factors could cause actual results or outcomes to differ materially from those indicated by such forward-looking statements. These statements involve risks, uncertainties, and other factors that may cause actual results, levels of activity, performance, or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this press release, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain. We cannot assure you that the forward-looking statements in this press release will prove to be accurate. These forward-looking statements are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from expected results, including, among others, the ability to recognize the anticipated benefits of the acquisition of the Grupo Somar, the impact of COVID-19 on Procaps' business, costs related to the acquisition and integration of the Grupo Somar, changes in applicable laws or regulations, the possibility that Procaps may be adversely affected by other economic, business, and/or competitive factors, and other risks and uncertainties, including those included under the header "Risk Factors" in Procaps' annual report on Form 20-F filed with the U.S. Securities and Exchange Commission ("SEC"), as well as Procaps' other filings with the SEC. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities laws. Accordingly, you should not put undue reliance on these statements.