

Lisa Miles, Senior Vice President Investor Relations

Good morning, and thanks for joining us. 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 take a moment to read our safe harbor statement included in the front of this presentation

We encourage you to review the information contained in our more recent SEC filings including our latest Form 20-F, filed on March 2, 2023. 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.

This morning we reported our third quarter results with double digit revenue growth and an adjusted EBITDA margin of 27.5% - in-line with our near-term financial targets. While third quarter revenue in the Engineering Segment fell short of our expectations - largely due to the timing of revenue - we remain confident that we can achieve our full-year guidance.

As we highlighted at our Capital Markets Day, the fundamentals of our business remain strong. For the last 50 years, our focus has been on delivering the highest quality products to pharmaceutical customers worldwide. Our unique value proposition of integrated end-to-end solutions has helped us become a leading partner of choice. We support customers through the entire drug life cycle from early-stage drug development through commercialization. Our differentiated products embed science and technology to meet the most stringent standards that customers demand.

We are currently benefiting from macro trends such as aging populations, the rise in biologics and biosimilars, and the shift towards the self-administration of medicine. We operate in growing end markets, particularly biologics, where we have built a leadership position in treatment areas such as GLP1s, monoclonal antibodies and mRNA applications. As previously disclosed, of the 2022 FDA approvals, we are present in three out of four of the potential blockbusters – all of which are biologics.

Biologics, which are mostly administered through injections, are delivering breakthrough results in patient care, but they tend to be costly, and more challenging to manufacture due to their sensitive nature. These factors are driving demand for high-performing drug containment to ensure the integrity and stability of treatments delivered to patients.

Moreover, the global pipeline of drugs in development is at record levels with more than 60% in injectable formats.

In summary, we believe that these positive trends position us well to capitalize on the many favorable secular tailwinds. We are focused on executing against our strategic priorities to deliver sustainable organic growth and build 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 the third quarter of 2022, unless otherwise specified.

Starting on page 7.

For the third quarter of 2023, revenue increased 11% to €271.4 million, (and 13% on a constant currency basis) driven by growth in both segments. While we achieved double-digit growth, this is below what we expected for third quarter sales at the time of our Capital Markets Day.

Since then, revenue tied to specific Engineering contracts has shifted to the right and we expect to recognize the revenue in the fourth quarter. As a reminder, the Engineering business is project based with revenue recognized on a cost to cost, percent of completion basis. And it can vary from quarter to quarter.

The Engineering business is comprised of large, complex projects that have long life cycles from start to finish, typically 12 to 24 months, depending on the nature of the project. In the third quarter, there were a couple of dynamics at play:

- First, we have been experiencing strong demand for manufacturing lines and this demand has outpaced our expectations from a year ago. This is certainly positive for us but, at the same time, it is increasing the pressure on operations for timely delivery.
- Secondly, the pandemic created volatility in supply chains, and we are still working through a bottleneck of work in progress that resulted from the electronic component shortages last year.

This combination of strong demand and supply chain volatility placed stress on our resources, resulting in certain projects experiencing delays and lower-than expected

marginality. We believe we are on the right path to better balance resources with demand and Franco will discuss the initiatives we are taking under our efficiency plan.

The BDS segment performed in line with the assumptions embedded in our guidance. We continue to gain traction with our customers with the adoption of high-value solutions. In the third quarter, high-value solutions represented 32% of revenue compared with 30% for the same period last year.

In the third quarter, revenue from Covid-19 decreased 84% and accounted for approximately 2% of revenue. Excluding revenue from Covid-19, third quarter total company revenue increased approximately 25%. With our diversified portfolio, we have been successfully managing the roll-off and backfilling the revenue with new and expanding projects.

For the third quarter, gross profit margin was impacted by the lower marginality in the Engineering Segment, the ongoing start-up of our new manufacturing plants, and higher depreciation. As a result, gross profit margin decreased 110 basis points to 30.5%.

As we continue to execute our strategic priorities, we are also closely managing our SG&A expenses as we grow the business. In the third quarter of 2023, operating profit margin was 18.8% and adjusted operating profit margin was 20%.

On the bottom line, for the third quarter of 2023:

- Net profit increased 4% to €37.9 million, and we delivered diluted earnings per share of €0.14.
- Adjusted net profit increased 6% to €40.1 million, and adjusted diluted earnings per share were €0.15.

Adjusted EBITDA increased 13% to €74.7 million, and adjusted EBITDA margin was up 70 basis points to 27.5%.

Let's review new order intake which increased 4% to approximately €256 million in the third quarter of 2023. We ended the quarter with a backlog of committed orders of approximately €924 million.

Segment Financial Results

Moving to Segment results on page 8.

Biopharmaceutical and Diagnostic Segment (BDS)

For the third quarter, revenue from the Biopharmaceutical and Diagnostic Solutions Segment increased 6% to €218.9 million and 8% on a constant currency basis.

Excluding revenue related to Covid-19, the BDS Segment grew approximately 23%.

Revenue from high value solutions increased 16% to €86.2 million; and revenue from other containment and delivery solutions was €132.8 million, consistent with the same period last year.

As expected, in the third quarter of 2023, margins in the BDS Segment were tempered by a rise in start-up costs, and higher depreciation. This was partially offset by a higher mix of high value solutions. As a result, the Segment delivered a gross profit margin of 32.7% and an operating profit margin of 21.2%.

Engineering Segment

Revenue in the third quarter of 2023 from the Engineering Segment increased 37% to €52.5 million, driven by growth in all business lines. This was lower than expected due to the timing of revenue on certain engineering projects and we expect to recognize the revenue in the fourth quarter.

For the third quarter of 2023, gross profit margin was 18.5%, and operating profit margin was 11.2%. The decrease in margins was mainly driven by lower marginality on specific projects in progress and, to a lesser extent, a lower mix of after-sales activity.

Balance Sheet and Cash Flow Items

On page 9, at the end of the third quarter, we had net debt of €227.5 million, and cash and cash equivalents of €64.8 million.

As expected, capital expenditures were €107.2 million in the third quarter, and we remain on track with the capacity expansion in high value solutions to meet customer demand for ready-to-use drug containment.

For the third quarter of 2023, cash flow from operating activities was €33.5 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 €132.3 million which resulted in negative free cash flow of €97.8 million.

2023 Guidance

Lastly on page 10, we are reiterating our full year 2023 guidance. We continue to expect:

- Revenue in the range of €1.085 billion to €1.115 billion,
 - Adjusted EBITDA in the range of €291.8 million to €303.8 million, and,
 - Adjusted diluted EPS in the range of €0.58 to €0.62.
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- Thank you, I will hand the call to Franco.

Franco Moro, Chief Executive Officer

Thanks Marco. Since we provided a full business update at our recent Capital Markets Day, I thought it might be helpful to spend some time focusing on a couple of demand dynamics we currently see within the Segments.

Let's start with Engineering. The Engineering Segment provides us with an important advantage and point of differentiation with our customers. As Marco noted, demand has picked up over the last year, particularly for visual inspection and assembly lines, mostly driven by the growth in biologics.

To satisfy demand, we are adding resources, enhancing technical capabilities to help drive digitalization, and implementing continuous process improvements to increase efficiency and cost optimization. Nevertheless, we expect that it will take some time to work through the current bottlenecks.

Turning to the BDS Segment which benefited from Covid-19 in 2021 and 2022. Coming into fiscal 2023, we faced a year-over-year revenue headwind of about 80 million euro. Despite this, the BDS Segment is on track for double-digit growth in 2023.

However, I would like to point out some differences within two of the business lines in our BDS Segment, as Covid-19 revenue winds down:

- First, our core drug containment solutions - or DCS business - has more than overcome the Covid-19 headwind. Demand remains robust driven by the need for high-performance drug containment and the adoption of ready-to-use solutions. In the third quarter, our core DCS business grew about 10% compared with the same period last year. Excluding Covid-19, our drug containment business grew more than 25% in Q3. The data underpins the clear secular tailwinds that we discussed at our capital markets day. Our investments in capacity expansion are designed to meet this demand.

- Second, and as expected, our In-Vitro Diagnostics business has been much slower to recover coming out of Covid-19. We assumed this in our guidance at the beginning of the year. While we are starting to see some recovery with certain customers, we currently anticipate that the business will normalize over the next couple of quarters.

Nevertheless, the In-vitro diagnostics business is a strategic foothold that we are leveraging to diversify and extend our core competencies into Drug Delivery System activities. With our unique value proposition of integrated end-to-end solutions, we are bringing the full power of our capabilities to bear, and we are winning new business in the DDS space, both CDMO and proprietary. We currently expect that revenue will begin to materialize from these new business opportunities sometime in the back half of 2025.

We also see a strong pipeline of future projects, complemented by opportunities on the Engineering side for assembly lines. With the growth in biologics and the trends towards the self-administration of medicine, this is a natural steppingstone to supporting customers with integrated platforms, combining both drug containment and delivery solutions, down the road.

Conclusion

In closing, we are maintaining our full year 2023 guidance, and we currently see positive long-term trends. We are operating in an environment of favorable demand, growing end markets and multi-year secular drivers. We are working with our customers every day to support their needs across the entire drug life cycle.

We remain focused on operational excellence and the successful execution of our near-term strategic and operational priorities as we aim to:

- complete our capacity expansion projects in the U.S., and Italy
- grow the mix of high value solutions

- invest in R&D to advance our premium primary packaging and drug delivery systems
- and build a multi-year pipeline of new opportunities by supporting our customers through scientific innovation to meet their evolving needs.

These priorities are specifically designed to capitalize on market trends to drive long-term sustainable organic growth and build shareholder value.

And with that, let's open it up for questions.