

# Q3 Conference Call

Growth and earnings impacted by a major customer's destocking

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# Agenda

<b>1</b>	Executive overview
<b>2</b>	Financial review
<b>3</b>	Outlook
<b>4</b>	Q&A

# Probi – First in Probiotics



- The only top fully integrated probiotics player solely focused on probiotics in one of the most interesting sectors of health
- Agility of a small company with an ownership structure allowing the strengths of a major international group
- Strong, forward looking culture living our corporate values



**444 MSEK**  
Net sales 2016

**120 MSEK**  
EBIT 2016



**34%**  
EBITDA margin 2016

**200**  
Employees 2016

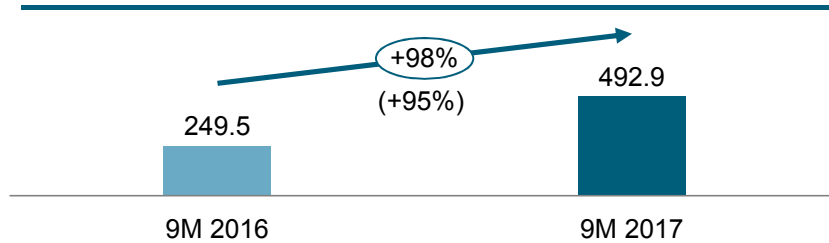


**4 global**  
Centers of Excellence

# Highlights of 9M 2017 – Destocking overshadows good growth with other customers

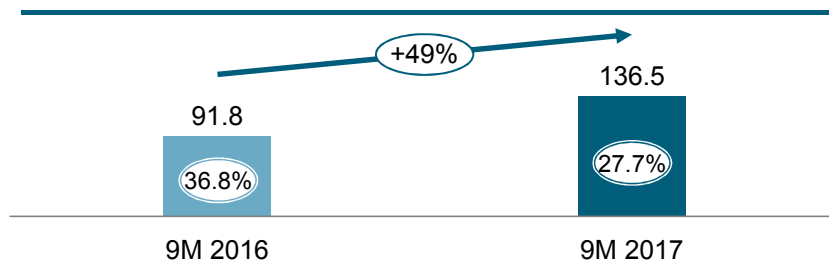
## Net sales

MSEK, sales growth in % (local currency growth in %)



## EBITDA

MSEK, EBITDA margin as % of Group net sales



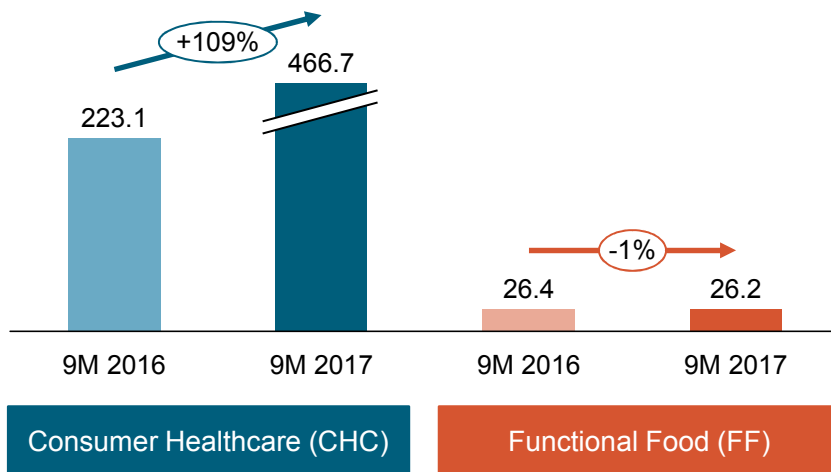
## Key developments during the quarter

- Probi was informed about continued destocking at large customer impacting net sales and earnings
- New FerroSorb® and Digestis® FastMelt product launches in Asia and Europe
- Extension of Ipsen distribution partnership to Italy
- First completed study of multi-trial program to develop a new platform of probiotics for children show positive and significant results

# Consumer Healthcare drives sales growth

## Net sales by segments

MSEK, sales growth in %



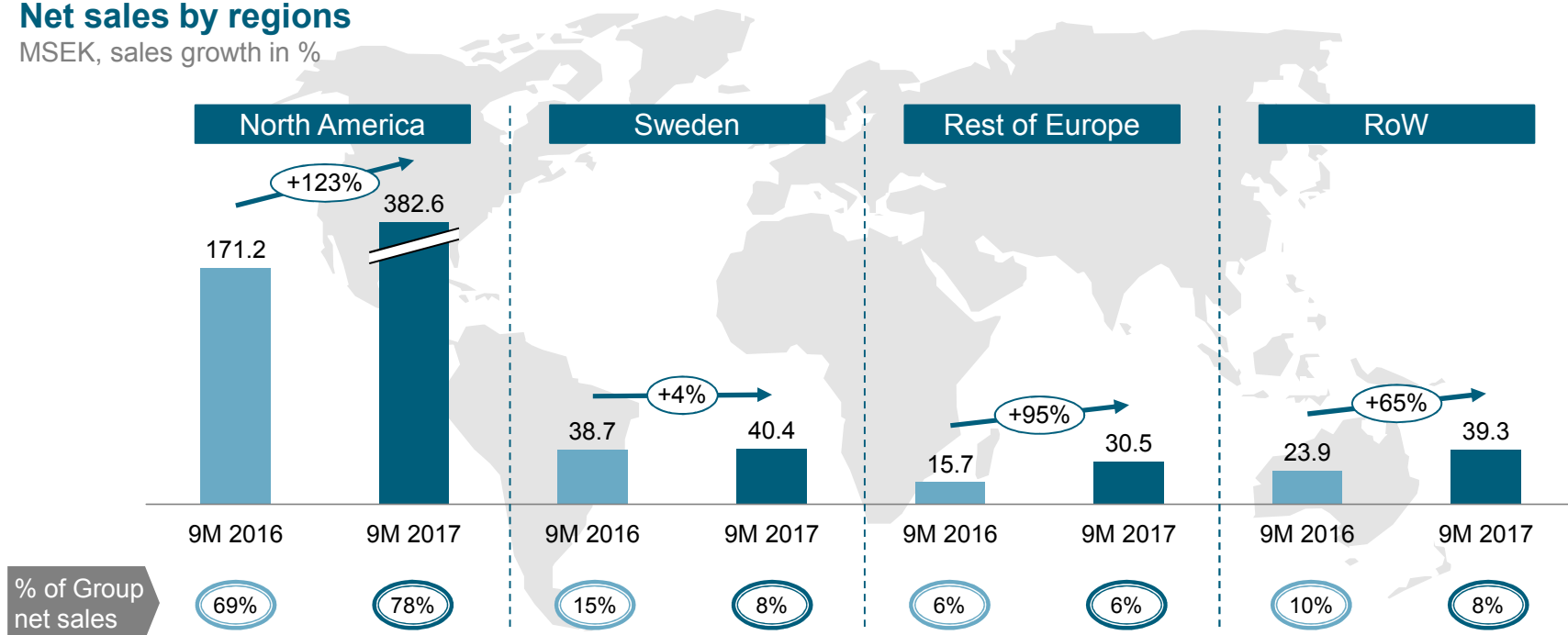
## Key aspects

- CHC driven by growth in all regions, excl. effect of destocking
- Acquired operations contributed MSEK 224 of increase in CHC
- Increasing volume growth of ProViva helps to offset effect of lower royalty rate in FF
- Continued progress in advancing FF pipeline towards agreements

# Regional results – favorable sales trend in Europe continues

## Net sales by regions

MSEK, sales growth in %



## First successful study results to develop children platform



- First results of multi-trial program to develop a new platform of probiotics for children presented at the International Celiac Disease Symposium
- Statistically significant results that probiotics from Probi support the immune system and may delay the onset of gluten intolerance in children
- Two additional clinical trials focusing on children in existing indication areas of immune and gut health are now in the final phase and close to completion



# Successful commercialization of new product developments

## Digestis® FastMelt launched in Europe



- Tasty fast-melt powder that can be poured straight into the mouth, without the need of mixing it with water
- First consumer product launched in Sweden under the ProbiMage® brand

## First customer for FerroSorb® in Asia



- Probi's most recent premium product for improved iron absorption launched in South Korea
- Patent now granted in the US and valid until 2030
- Highly supportive new study results will be used for resubmission of health claim application in the EU

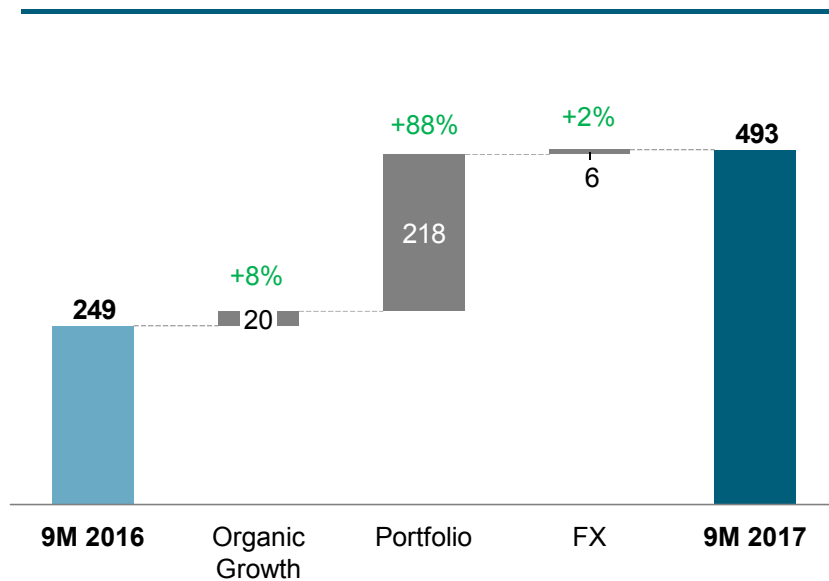
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# Destocking impacted organic growth and profitability

## Probi sales bridge

MSEK, change in %



## Condensed P&L

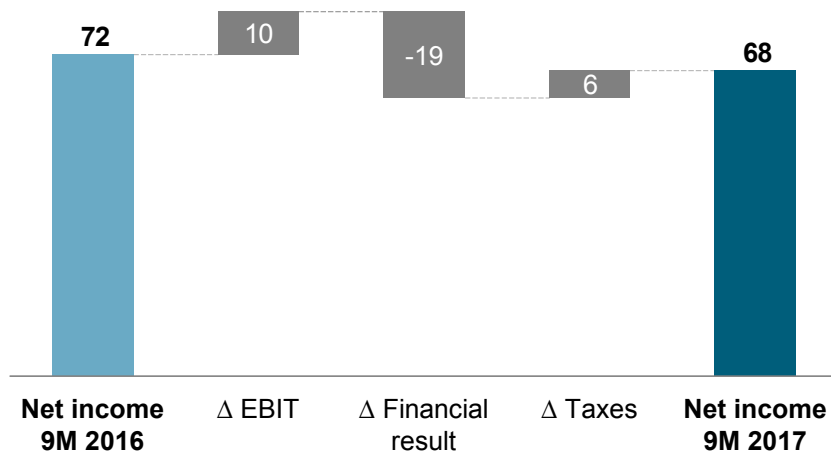
MSEK, change in %

	9M 2017	9M 2016	Change
Net sales	492.9	249.5	▲ 98%
EBITDA	136.5	91.8	▲ 49%
EBITDA margin	27.7%	36.8%	▼ 910bps
EBIT	96.4	86.7	▲ 11%
Net income	68.1	71.7	▼ -5%
EPS	5.98	7.87	▼ -24%

# Net income affected by unfavorable fx environment

## Reconciliation of net income

MSEK



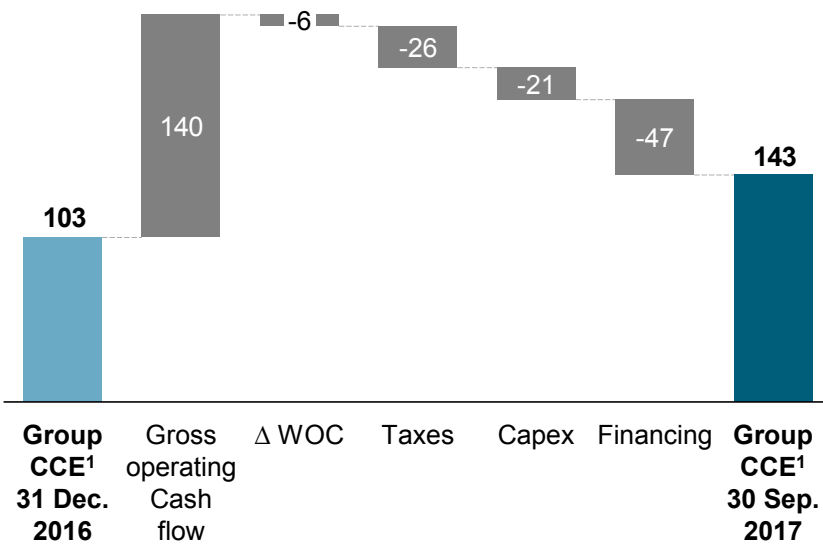
## Key aspects

- EBIT increase of c. MSEK 10 includes PPA amortization expense of c. MSEK 26 accumulated year-to-date
- Increase in financial expenses due to acquisition financing and unfavorable exchange result from financing activity resulting from depreciation of USD vs. Swedish kronor
- Tax rate of c. 21% continues to be positively impacted by amortization related to PPA

# Solid cash generation during the first nine months

## Reconciliation of group liquidity 9M 2017

MSEK



## Key aspects

- Gross operating cash flow increased 39% y-o-y to MSEK 140 driven by higher sales
- Cash flow from financing includes dividend payment of MSEK 11 and redemption of bank borrowings of MSEK 32 made in Q2 2017

# Strong balance sheet and further reduction of net debt

## Balance sheet Probi Group

MSEK, in % of total assets

Assets	30 Sep 2017	31 Dec 2016	Liabilities and equity	30 Sep 2017	31 Dec 2016
Intangibles (excl. GW)	487	559	<b>Total equity</b>	<b>874</b>	<b>892</b>
Goodwill	276	309			
PPE	35	42	Other non-current liabil.	6	6
Deferred tax assets	10	8	<b>Non-current liabilities</b>	<b>6</b>	<b>6</b>
<b>Non-current assets</b>	<b>808</b>	<b>918</b>	Borrowings	173	226
Inventories	73	73	Trade payables	34	45
Trade receivables	66	79	Other current liabilities	25	41
Other current assets	22	37	<b>Current liabilities</b>	<b>232</b>	<b>312</b>
Cash and cash equiv.	143	103	<b>Total liabilities</b>	<b>238</b>	<b>318</b>
<b>Current assets</b>	<b>304</b>	<b>292</b>			
<b>Total assets</b>	<b>1,112</b>	<b>1,210</b>	<b>Liabilities and equity</b>	<b>1,112</b>	<b>1,210</b>

## Key aspects

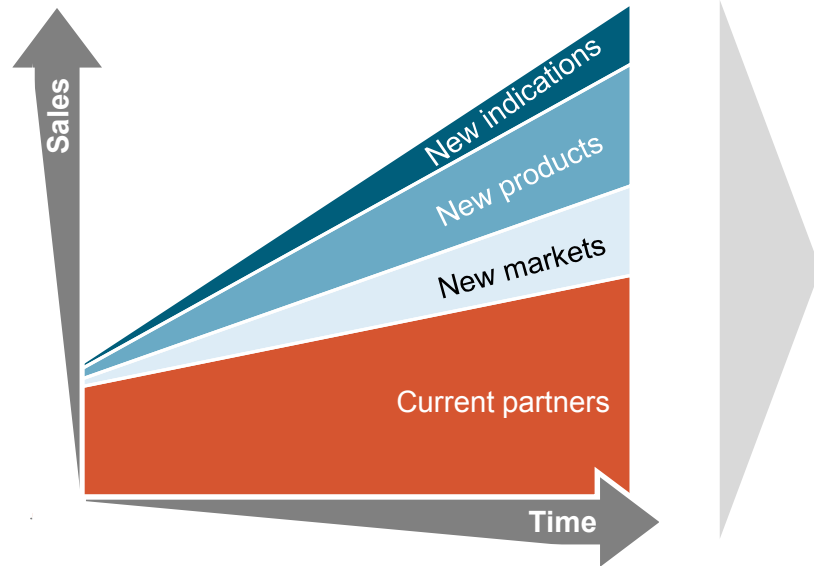
- Net financial debt MSEK 31
- Leverage ratio<sup>1</sup> of 0.16 LTM EBITDA
- Total equity of MSEK 874
- Equity ratio 79%

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# Continue with strong 2017 goals

## Probi Growth Strategy



## 2017 Priorities



Continue the Probi growth story with focus on Asia



Capitalize on our strong efforts in the Functional Food business area



Fully realize the existing synergies between Probi USA and Probi Sweden



Stick to the roots – continue to generate world class clinical documentation



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