

PharmaSGP: Revenue growth in 2020 despite declining markets

- At €63.2 million, group revenue showed slight growth in a market environment severely impacted by Covid-19
- Growth drivers: strategically important 'Health Brands' category grew revenue by 11.8%, International markets showed strong growth with 18.6%
- Adjusted EBIT with €16.5 million below previous year driven by Covid-19 impact; adjusted EBIT margin at 26.1%
- Besides organic growth, the future growth strategy is focused in particular on the acquisition and integration of established brands
- Forecast 2021: revenue of €56–60 million, with adjusted EBIT margin increasing to 27–30% excluding effects from possible acquisitions

Gräfelfing, March 31st, 2021 – Based on preliminary figures, PharmaSGP Holding SE asserted itself in 2020, achieving slightly higher revenues in an overall declining market due to the Covid-19 pandemic. EBIT adjusted for one-off costs and special effects decreased due to Covid-19, resulting in an adjusted EBIT margin of 26.1%.

Although revenue and earnings developed differently in 2020 than was originally expected due to the Covid-19 pandemic, CEO Natalie Weigand considers PharmaSGP's strategy to have been vindicated: "With PharmaSGP we have created a platform in Europe with which we can successfully integrate and expand brands. In these challenging times, a revenue growth of around 12% in our 'Health Brands' category and an international growth of around 19% clearly prove this. We want to exploit the growth potential offered by our platform strategy even more consistently, and thus become Europe's leading OTC company with the broadest portfolio of leading OTC brands in their categories. As well as expanding our existing portfolio, we are focusing in particular on the acquisition and integration of established brands."

PharmaSGP increased its consolidated revenue by 1.1% to €63.2 million in the 2020 financial year (previous year: €62.6 million). In Germany (PharmaSGP's home market), revenue decreased in line with the market development by 5.3% to €43.4 million (previous year: €45.8 million). By contrast, international revenue increased by 18.6% to €19.8 million (previous year: €16.8 million).

On the one hand, PharmaSGP profits from a proven, scalable, asset-light business model combined with highly efficient and established processes. On the other hand, PharmaSGP benefits from a specialized D2C marketing strategy with extensive target group reach and efficient commercial media conditions. Revenue in the strategically important 'Health Brands' category grew accordingly by 11.8% to €54.8 million (previous year: €49.0 million). As expected, the 'Beauty Brands' category was weaker in an increasingly competitive environment, further exacerbated by the Covid pandemic. Revenue in this category declined by 35.2% in 2020.

In the context of rapidly rising infection figures and area-wide hard lockdowns, advertising space already booked for new launches could not be reduced at short notice in Q4 2020.

This was offset by unexpected revenue shortfalls. Mainly due to this effect, earnings before interest and taxes adjusted for one-off costs and special effects (adjusted EBIT)¹ fell by 26.3% in 2020 to €16.5 million (previous year: €22.4 million). This corresponds to an adjusted EBIT margin measured against revenue of 26.1% (previous year: 35.8%). Unadjusted EBIT amounted to €14.2 million, corresponding to an EBIT margin of 22.5%.

Nevertheless, Michael Rudolf, CFO of PharmaSGP, sees good growth opportunities in all target markets in the medium and long term: “Structural trends such as the increasing age of the population, continuously rising health awareness or the trend towards natural drugs and self-medication favour demand for our products. Furthermore, we have a business model that allows us to react quickly to structural and demand-related market changes. We plan to take advantage of these opportunities and significantly accelerate our growth rate through M&A activities, driving growth of established brands and products through our PharmaSGP platform.”

In 2021, the further course of the Covid-19 pandemic is a key factor for the performance of PharmaSGP. Based on the continued lockdown situations and current signs of a strong third wave of infections, PharmaSGP does not anticipate a general economic recovery in the first two quarters of 2021. Looking at the relevant European OTC markets, PharmaSGP expects year-on-year growth in the second half of the year at the earliest. Against this background, the Management Board forecasts total revenue of between €56 million and €60 million for 2021, with stable to slightly positive development of the ‘Health Brands’ category and an expected decline in the ‘Beauty’ business. The adjusted EBIT margin is expected to increase to 27–30%. The forecast does not take into account possible acquisitions.

PharmaSGP will publish its full statement for the 2020 financial year on 22 April 2021, in the ‘Publications’ section of the company’s website ir.sgp-pharma.com.

¹ The one-off costs and special effects totalled €2.3 million and include, among other things, costs of the corporate and organizational structuring of the PharmaSGP Group as well as legal and consulting costs in connection with planned acquisitions.

OVERVIEW OF PRELIMINARY FIGURES, YEAR-ON-YEAR COMPARISON

Group key figures (in € million)	2019	2020	Δ
Revenues	62.6	63.2	1.1%
Adjusted ¹ EBIT	22.4	16.5	-26.3%
Unadjusted EBIT	22.4	14.2	-36.4%
Adjusted ¹ EBIT margin	35.8%	26.1%	
Unadjusted EBIT margin	35.8%	22.5%	

Revenues by region (in € million)	2019	2020	Δ
Germany	45.8	43.4	-5.3 %
Italy	7.4	8.8	19.8 %
Other European countries	9.4	11.0	17.7 %

Share of revenues by region	2019	2020
Germany	73.2%	68.6%
Italy	11.8%	14.0%
Other European countries	15.0%	17.4%

Revenues by product category (in € million)	2019	2020	Δ
Health Brands	49.0	54.8	11.8%
Beauty Brands	13.0	8.4	-35.2%

¹ The one-off costs and special effects amount to €2.3 million and include, among other things, costs of the corporate and organizational structuring of the PharmaSGP Group as well as legal and consulting costs in connection with planned acquisitions.

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ABOUT PHARMASGP HOLDING SE

PharmaSGP is a leading consumer health company focusing on non-prescription pharmaceuticals sold over the counter (“OTC”). PharmaSGP’s products are sold exclusively through pharmacies. Its products are based on natural active pharmaceutical ingredients with documented efficacy and fewer known side-effects than most chemical-based pharmaceuticals.

The Company’s core brands cover chronic indications, including rheumatic pain, nerve pain and other age-related ailments. In Germany, PharmaSGP is the market leader for systemic, chemical-free pain remedies with its brand families RubaXX® for rheumatic pain and Restaxil® for neuralgic pain (nerve pain). PharmaSGP also offers leading products against sexual weakness and vertigo. Since the launch of the first product from the current portfolio in Germany in 2012, we have successfully exported our business model to other European countries such as Austria, Italy, Belgium, Spain and France.

PharmaSGP generated revenues of €62.6 million at an EBIT margin of 26.1% in 2020.

In order to further expand its competitive position, PharmaSGP plans to increase the number of indications covered by PharmaSGP's product offering, leverage established brand families to introduce new chemical-free OTC and other healthcare products, increase PharmaSGP's European footprint, and accelerate its growth strategy by capitalizing on selected M&A opportunities.