

A Work Project, presented as part of the requirements for the Award of a Master's degree in Finance from the Nova School of Business and Economics.

POTENTIAL LEVERAGED BUYOUT OF DERMAPHARM HOLDING SE: MARKET OVERVIEW

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45600

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Abstract:

The following paper focuses on the development of an investment thesis and a respective value creation strategy for the potential leveraged buyout of Dermapharm Holding SE, a German developer, producer, and distributor of niche prescription and over-the-counter pharmaceuticals. Qualitatively, it evaluates the addressable market of Dermapharm, its segmentation, main competitors, and main trends, specifically separated by the three main business segments. Quantitatively, it quantifies the total addressable markets and main trends.

Keywords:

Private Equity Challenge, Corporate Finance, Private Equity, Leveraged Buyout, Market Overview, Field Lab, Specialty Pharmaceuticals & Generics, Dermapharm Holding SE

Disclaimer:

This project was developed in a group and constitutes the second section of the entire thesis. It was done with an academic purpose, using publicly available information and information made available directly by the company. The first part of the work was delivered under the name: “POTENTIAL LEVERAGED BUYOUT OF DERMAPHARM HOLDING SE: COMPANY OVERVIEW”. The third part of the work was delivered under the name: “POTENTIAL LEVERAGED BUYOUT OF DERMAPHARM HOLDING SE: INVESTMENT THESIS”. The fourth part of the work was delivered under the name: “POTENTIAL LEVERAGED BUYOUT OF DERMAPHARM HOLDING SE: VALUATION, BUSINESS PLAN, EXIT AND RETURNS, AND DUE DILIGENCE”.

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DERMAPHARM HOLDING SE (ETR: DMP)

Dermapharm Holding SE



Investment Committee Paper

Group A

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Disclaimer

This paper was developed with an academic purpose, using publicly available information and information made available directly by the company. The document offers dynamical navigation by selecting certain chapters with clicks in the table of contents and bottom navigation bar.

Group Part



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Notes: (1) According to the subchapter structure of chapter A (2) Contains sources, expert interviews, abbreviations, and formulas

A | 1 | Executive summary

Investing into Dermapharm is recommended and yields an IRR of c. 23.2% if a fair valuation can be assured by (a) a family re-investment¹ or (2) an earn-out structure²

About Dermapharm

Dermapharm (ETR: DMP), founded in **1991** and based in **Grünwald** (Germany) with **2,311 employees**, develops, produces, and distributes

- Branded pharmaceuticals** (9%)
- Herbal extracts** (32%)
- Parallel import pharmaceuticals** (59%)

as **prescription, over-the-counter pharmaceuticals** and healthcare products through its main sales channels, **pharmacies** and **wholesalers**, which supply patients either directly or indirectly through hospitals.

| Financials (€m) | '21E | '22P | '23P | '24P | '25P | '26P |
|-----------------|------|------|-------|-------|-------|-------|
| Total output | 704 | 839 | 986 | 1,132 | 1,384 | 1,643 |
| % growth | 23% | 19% | 18% | 15% | 22% | 19% |
| Gross profit | 570 | 686 | 792 | 902 | 1,081 | 1,279 |
| % total output | 81% | 82% | 80% | 80% | 78% | 78% |
| EBITDA | 299 | 329 | 388 | 446 | 536 | 640 |
| Organic | | 294 | 326 | 367 | 426 | 512 |
| Inorganic | | 35 | 62 | 78 | 110 | 128 |
| % total output | 42% | 39% | 39% | 39% | 39% | 39% |
| Operating FCF | 138 | 80 | 51 | 313 | 259 | 447 |
| % EBITDA | 46% | 24% | 13% | 70% | 48% | 70% |
| Sponsor IRR | | 8.6% | 17.2% | 19.9% | 22.1% | 23.2% |

Market information

Dermapharm's markets

BP (€bn): 39 (2015A), 58 (2020A), 87 (2025P) CAGR: 8%

HE (€bn): 4 (2015A), 6 (2020A), 9 (2025P) CAGR: 8%

PI (€bn): 3 (2015A), 3 (2020A), 4 (2025P) CAGR: 5%

Growth drivers

- Demographics
- Lifestyle products
- Health awareness
- Supplements
- Additives
- Sustainability
- Price pressure
- Legislation
- Healthcare spending

Investment highlights

- Ambitious management team**
12 add-ons purchases since 2017
- Robust financials**
Top-line growth CAGR of c. 12.5%
- Market leader in niche markets**
C. 14% Ø core market share
- Strong market growth**
C. 7.4% global market growth

Capital structure

| Uses and sources | | Exit ownership ³ and return | | |
|------------------|------------------|--|-------|--------|
| Sources (€m) | Uses (€m) | Holder | % | x |
| Debt 1,982 | EV 5,352 | Sponsor | 65.9% | 2.84x |
| Equity 3,532 | Fees 163 | Family | 33.3% | 2.86x |
| Sum 5,514 | Sum 5,514 | Management | 0.8% | 10.63x |

Waterfall chart showing EV (11,090) and TLB (991) components: Mgmt. (60), SOL Family (865), Family (2,501), SOL spons. (1,730), Sponsor (4,943).

Value creation and strategy

Entry equity: 3,532

Sales growth: 1.15x → 4,051

Multiple exp.: 0.51x → 1,728

Cash gen.: 0.01x → 52

Exit equity: 0.21x → 737

Final Exit equity: 2.86x → 10,100

- Fostering **sales growth** mainly through buy-and-build
- Achieving **margin growth** by operational improvements
- Expanding multiples** by divesting a low-margin segment
- Fully exploiting leverage effect for **cash generation**

A | 2 | Company overview | Description

Dermapharm (ETR: DMP) is a leading and rapidly growing manufacturer of branded pharmaceuticals and herbal extracts with an integrated import business



About Dermapharm

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- Branded pharmaceuticals** (9%)
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- Parallel import pharmaceuticals** (59%)

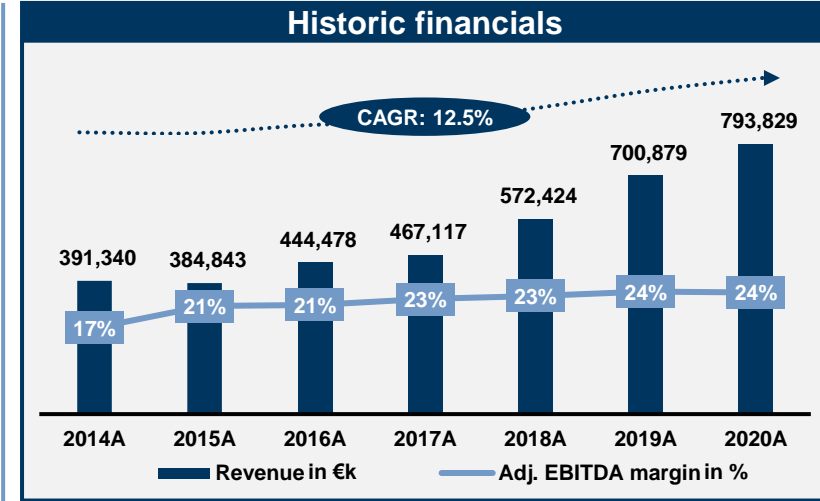
as **prescription, over-the-counter pharmaceuticals** and healthcare products through its main sales channels, **pharmacies** and **wholesalers**, which supply patients either directly or indirectly through hospitals.

Geographical presence and revenues

Legend: ■ Core distribution locations ■ Expansion distribution locations 📍 Product roll-outs since 2018 (city not specified)

Revenues by geographies

| | | | | | | | |
|---------|-----|-------|-----------------|--------|----|----------------------------|----|
| Germany | 83% | Spain | 9% ¹ | Poland | 5% | Rest of world ² | 3% |
|---------|-----|-------|-----------------|--------|----|----------------------------|----|



Key growth drivers

- M&A activity**: 12 add-ons drove >11% of past 5-year sales growth
- Inhouse development**: reapproval of generics or partial new developments
- Internationalization**: 98% international sales of herbal extracts

Facts and figures

| | | |
|---|--|---|
| 380 Active pharmaceutical ingredients | 1,300 Marketing authorizations | >50 Products under development |
|---|--|---|




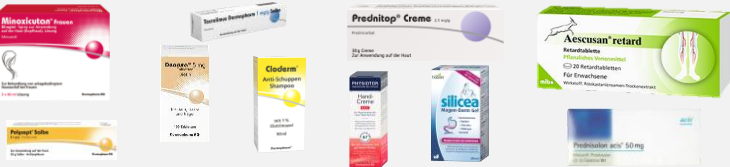


Company history

| 1991 - 2002 | 2003 - 2009 | 2010 - 2016 | 2017 - today |
|--|--|---|---|
| <ul style="list-style-type: none"> Emphasis on branded pharmaceuticals as flagship products of the company Enhancement of the already established dermatological product portfolio <p>Dermatological focus</p> | <ul style="list-style-type: none"> Acquisitions of unique brands, e.g., Zyloric®, and licensing of generic products Extension and reorganization of branded pharma therapeutic areas <p>Portfolio extension</p> | <ul style="list-style-type: none"> Start of own R&D activities and positioning in selected markets Portfolio expansion to food supplements, dietary products and health-care products <p>Selected market growth</p> | <ul style="list-style-type: none"> Acceleration in markets with low regulation, e.g., over-the-counter products Entry into the herbal extracts market Internationalization advancements <p>Growth acceleration</p> |

Sources: Company filings, Bloomberg | Notes: (1) Euromed's international sales (legally obtained in Spain) (2) Poland, Croatia, Ukraine, UK, Italy, US

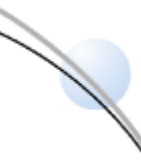
A | 2 | Company overview | Business segments

Dermapharm's business is mainly divided into three business units which operate independently and serve the same customer base on a broad level

| Segment activity | Branded pharmaceuticals | Herbal extracts | Parallel import business | | | | | | | | | | | | | | | | | | |
|--|---|--|--|--|--|-----------------------------|---|---|-------------------------|-------------------------|--------------------------|--------------------------|----------------|-----------------------|--|-------------------|------------------------|--|---|---------------------------------|--|
| | <ul style="list-style-type: none"> Production of branded pharmaceuticals, with 1,300+ market authorizations and 380+ active pharmaceutical ingredients and healthcare products, i.a., supplements and skincare products Inhouse development of niche generics and acquisitions of niche players lever further growth in less competitive markets With its well know brands, Dermapharm is a market leader in selected therapeutic areas | <ul style="list-style-type: none"> Euromed (acquired in 2019) is a producer of herbal extracts in form of raw materials for the phyto-pharma, nutraceutical, and cosmetic industry Legal entity is located in Murcia, Spain The business model combines inhouse production with B2B distribution Highly diversified business unit with 98% international sales in 43 countries to more than 300 customers | <ul style="list-style-type: none"> Import of pharmaceuticals to lever arbitrage from different pricing and free trade within the European Economic Area Legally required arbitrage business to lower Germany's statutory healthcare spending By importing, repackaging, and reselling low-margin goods from EEA states in high volume, steady cash flows are secured Leading market position due to strong sales force | | | | | | | | | | | | | | | | | | |
| Successes | <table border="1"> <tr> <td data-bbox="28 675 479 743">#1 Dermatology¹</td> <td data-bbox="479 675 886 743">#1 Pain and inflammation¹</td> </tr> <tr> <td data-bbox="28 743 479 812">#1 Vitamins, minerals, food supplements¹</td> <td data-bbox="479 743 886 812">#1 Cardiovascular support¹</td> </tr> <tr> <td data-bbox="28 812 479 879">#3 Allergology¹</td> <td data-bbox="479 812 886 879">#10 Gynecological and urological compounds¹</td> </tr> </table> | #1 Dermatology ¹ | #1 Pain and inflammation ¹ | #1 Vitamins, minerals, food supplements ¹ | #1 Cardiovascular support ¹ | #3 Allergology ¹ | #10 Gynecological and urological compounds ¹ | <table border="1"> <tr> <td data-bbox="886 675 1294 743">~50 years of experience</td> <td data-bbox="1294 675 1702 743">98% international sales</td> </tr> <tr> <td data-bbox="886 743 1294 812">>200 stock keeping units</td> <td data-bbox="1294 743 1702 812">> 800 tons extracts sold</td> </tr> <tr> <td data-bbox="886 812 1294 879">>300 customers</td> <td data-bbox="1294 812 1702 879">Sales to 43 countries</td> </tr> </table> | ~50 years of experience | 98% international sales | >200 stock keeping units | > 800 tons extracts sold | >300 customers | Sales to 43 countries | <table border="1"> <tr> <td data-bbox="1702 675 2109 743">9.6% market share</td> <td data-bbox="2109 675 2517 743">Intercompany synergies</td> </tr> <tr> <td data-bbox="1702 743 2109 812">Top 5 parallel import business in 2020</td> <td data-bbox="2109 743 2517 812">Own call center with 190,000 calls p.a.</td> </tr> <tr> <td data-bbox="1702 812 2109 879">Business program for pharmacies</td> <td data-bbox="2109 812 2517 879">90% coverage rate of pharmacies²</td> </tr> </table> | 9.6% market share | Intercompany synergies | Top 5 parallel import business in 2020 | Own call center with 190,000 calls p.a. | Business program for pharmacies | 90% coverage rate of pharmacies ² |
| #1 Dermatology ¹ | #1 Pain and inflammation ¹ | | | | | | | | | | | | | | | | | | | | |
| #1 Vitamins, minerals, food supplements ¹ | #1 Cardiovascular support ¹ | | | | | | | | | | | | | | | | | | | | |
| #3 Allergology ¹ | #10 Gynecological and urological compounds ¹ | | | | | | | | | | | | | | | | | | | | |
| ~50 years of experience | 98% international sales | | | | | | | | | | | | | | | | | | | | |
| >200 stock keeping units | > 800 tons extracts sold | | | | | | | | | | | | | | | | | | | | |
| >300 customers | Sales to 43 countries | | | | | | | | | | | | | | | | | | | | |
| 9.6% market share | Intercompany synergies | | | | | | | | | | | | | | | | | | | | |
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| Business program for pharmacies | 90% coverage rate of pharmacies ² | | | | | | | | | | | | | | | | | | | | |
| Brands |  |  |  | | | | | | | | | | | | | | | | | | |
| Offering |  |  |  | | | | | | | | | | | | | | | | | | |

Sources: Company filings, Insight Health | Notes: (1) Ranking according to market share according to own analysis based on Insight Health figures for H1 2021 (2) The coverage applies to all customer groups

A | 2 | Company overview | Company value chain



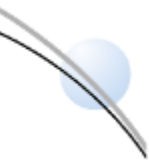
While the value chains of branded pharmaceuticals and herbal extracts are very similar, the parallel import business distinguishes with simple price arbitrage

| Branded pharmaceuticals | Product development | Regulatory affairs | Production | Quality management | Logistics | Sales and distribution |
|-------------------------|---|--|---|--|---|--|
| | Product development | Regulatory affairs | Production | Quality management | Logistics | Sales and distribution |
| Herbal extracts | <ul style="list-style-type: none"> Dermapharm steadily screens the market for expiring pharma patents to acquire niche marketing authorizations Internal R&D teams are able to develop off-patented pharma themselves | <ul style="list-style-type: none"> Branded pharma require marketing authorization Besides the option of acquiring them externally, internal R&D enables to obtain them by authorities after internal clinical trials | <ul style="list-style-type: none"> Branded pharma are mainly produced at Dermapharm's largest production facility in Brehna Herbal extracts are produced in two facilities in Spain and one drying facility in the US | <ul style="list-style-type: none"> Dermapharm solely produces according to good manufacturing practice (GMP) inspected by European Medicines Agency Besides own quality approval, Paul-Ehrlich-Institute approves selected products | <ul style="list-style-type: none"> From its logistics and service center in Brehna, Dermapharm delivers pharma to pharmacies and hospitals in 24 hours and to wholesalers in 48 hours Herbal extracts are sold independently | <ul style="list-style-type: none"> Applying a “one-stop shop” approach, the company sells through a unique direct salesforce to pharma wholesalers (80%) and pharmacies (20%) Herbal extracts are exclusively sold in a B2B business model |

| Parallel imports | Regulatory affairs | Sourcing | Repackaging | Quality management | Logistics | Sales and distribution |
|------------------|---|---|---|--|--|---|
| | <ul style="list-style-type: none"> The market for the import of pharmaceuticals in Germany is regulated by §129 I 2 SGB V¹ Pharmacies are obligated to enter into an import quota with each SHI fund in the amount of 2% of the monthly revenue in order to lower health care costs in Germany | <ul style="list-style-type: none"> Branded pharma is sourced from wholesalers of more than 25 EEA member states depending on price fluctuations Differences arise from, i.a., different pricing methods between countries (regulated vs. unregulated) | <ul style="list-style-type: none"> To receive marketing authorizations, therapeutic identity with the original is proven to BfArM Pharma are then labeled and packed according to German Medicines Law Repackaging in small lots ensures flexibility | <ul style="list-style-type: none"> Up-to-date quality assurance thanks to internal training and external inspections assures high quality of the pharmaceuticals New repackaging and logistic center will enable optimized processes in terms of quality and speed | <ul style="list-style-type: none"> “One-stop shop” approach of repackaging and distributing from Friedrichsdorf facility enables cost savings by leaner processes, less logistics step, and one overhead structure Repackaged goods are sent to pharmacies | <ul style="list-style-type: none"> Strong, broad and low-cost distribution through a call center with 90% pharmacy coverage in Germany binds customers 4 partner programs depending on customers’ sales and additional services build relationships |

Sources: Company filings, Bloomberg | Notes: (1) Refer to regulation slide

A | 2 | Company overview | The USP of Dermapharm



Dermapharm occupies a niche position between patent originators and generics producers thanks to its focus on developing strong brands in niche markets

| | Originators | Dermapharm | Generics producers |
|------------|---|---|--|
| Types | | | |
| Portfolio | Portfolio consists of patented products that have been developed proprietary | USP Portfolio consists of branded products , of which over 50% are off-brand originator products (generics) | Portfolio consists of generics, i.e., expired patents that can be produced at low costs |
| Prices | No significant price pressure; after first year of market introduction, negotiations with SHIs set the price; if drug is in high demand or unique, originators have pricing power | Limited price pressure, fewer SHI rebates ; pricing power is created through strong brands | Significant price pressure; due to replicability of product and SHI rebates , margins are very low |
| Regulation | High regulatory barriers to entry, patent protection secures position in market | Either high regulatory barriers or natural moat due to niche nature of market | Low regulatory barriers to entry, new generics can undercut the market easily with high volume |
| Dev. risk | High development risk, high investments are required to achieve market position and may not pay off | Low development risk (only Allergopharma) and medium investments needed | Low development risk (API already exists, no long trials necessary) |

Characteristics of both originators and generics producers

A | 2 | Company overview | Inhouse development

Dermapharm's expertise in product development, which employs > 6% of its growing workforce, fosters growth and is a crucial factor for success

Market selection criteria

Core therapy area



Pharmaceuticals **expand market competence** in core therapeutic areas and have potential for a fast growth in market share

Attractive margins



Potential for **attractive margins** in **niche markets** with **limited SHI price pressure** and/or a **high share of direct payers**

Market leadership



Opportunity to become **market leader in niche markets** through **very limited competition** or **patent expirations** with ability to be first or second next to the originator product

Inhouse M&A



Flexible market entry strategies, depending on **development expertise**, availability of **suitable targets** and **ROI analysis** to allow quick entry

Regulatory and R&D expertise



150+
R&D employees¹



~3% R&D cost
of revenue²

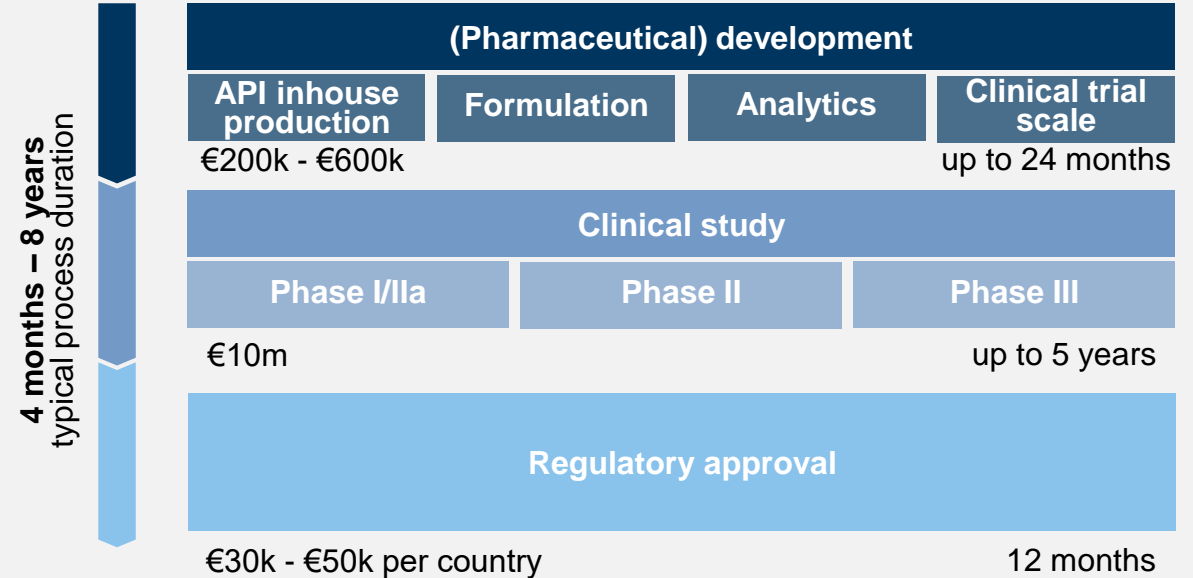


380+
APIs



~1,300 marketing
authorizations³

Product development process⁴



- inhouse R&D and continuous product launches of branded pharmaceuticals containing APIs form the foundation for Dermapharm's profitable growth; Dermapharm **does not develop** own pharma but **reapproves** existing ones
- With its quality and regulatory management expertise, Dermapharm **can handle the most important phases of the development and approval process itself**
- Dermapharm has a **fast time-to-market** with a quick response time to new market trends, i.e., by **end of 2021 ~3** and by **2023 >15 new products** are expected
- With a **~95% development rate**, the development center's processes in Brenha play a key role in supporting the company's **pharmaceutical edge**

A | 2 | Company overview | Management

Dermapharm's management is highly experienced in its industry and achieved stellar growth in the past years boosted by employee growth in R&D and sales

Executive board

High



Dr. Hans-Georg Feldmeier, CEO (*1962 | joined in 2003)

- Gained know-how as **Chief Production & Development Officer**
- Prior experience at **Schering AG (Bayer AG)** and **Berlin Chemie**
- PhD in pharmacy** at Humboldt University in Berlin

C-level experience



Karin Anna Samusch, CBDO (*1965 | joined in 1991)

- Stations in **BD, global/regulatory affairs, pharmacovigilance**
- Prior experience in the **pharmaceutical field** at **Dorsch GmbH**
- Marketing management apprenticeship** and executive training



Dr. Jürgen Ott, CMO (*1968 | joined in 2019)

- Responsible for **marketing and sales** at Dermapharm
- Prior experience at **Bionorica SE** and **Procter & Gamble**
- PhD in Inorganic Chemistry** at Vienna University of Technology

Moderate



Hilde Neumeyer, CFO/CCO (*1967 | joined in 2020)¹

- Head of accounting** since 2005; escorted all add-on integrations
- Prior experience in **Novartis' accounting** department for **10 years**
- Business management training**

Ø Company tenure 17¾ years Industry expertise ●●●●●

Operational achievements (last 5y)

- Successful **IPO** in 2018
- Revenue increase** of 78.6%
- Adj. EBITDA growth** of 100.8%

Strategical achievements (last 5y)

- 12 successful **acquisitions**
- Expansion** to 22 new countries
- ~**600** new launched **products**

Supervisory board



Wilhelm Beier (*1956 | joined in 2017)

- Family owns **65.05%** of Dermapharm's shares
- Led Dermapharm's success by **selecting attractive products**
- Started his career in the **salesforce** of **ratiopharm GmbH**



Dr. Erwin Kern (*1960 | joined in 2017)

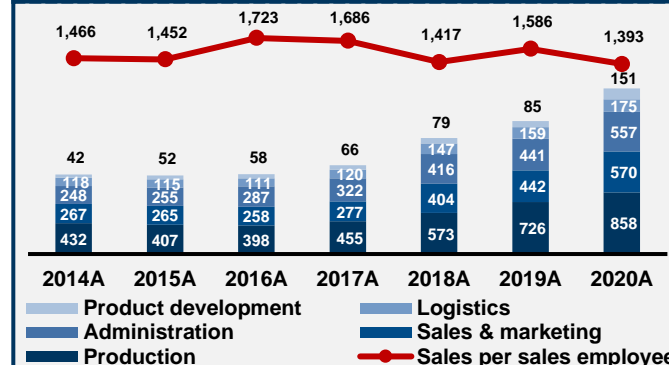
- Active in **various companies** in the **stone and earth industry**
- Managed stone- and earth-related companies** and associations
- PhD in economics** at University of Paderborn



Lothar Maximilian Kranz (*1948 | joined in 2018)

- Serves as **supervisor** for, i.a., **Axel Springer SE** and **Zalando SE**
- Former **CFO** of **ProSiebenSat.1 Media AG** and **Axel Springer AG**
- Business administration degree** at University of Stuttgart and Berlin

Employment development



- Product development employee** growth over the past years was the highest with a CAGR of c. **23.8%**
- Sales per sales employee** are **slightly decreasing** by a CAGR of a negative c. **0.8%**
- As of **09/2021**, the company has c. **50 vacancies** across the group, especially in the sales segment

A | 2 | Company overview | Historical financials: Income statement

Past revenue growth is driven by organic base growth within the past seven years supplemented by further top-line value creation through add-on investments

| Income statement (€k) | 2014A | 2015A | 2016A | 2017A | 2018A | 2019A | 2020A |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenue | 391,340 | 384,843 | 444,478 | 467,117 | 572,424 | 700,879 | 793,829 |
| % growth | | -2% | 15% | 5% | 23% | 22% | 13% |
| Branded pharmaceuticals and other health products | | | 208,531 | 224,129 | 334,658 | 385,147 | 471,298 |
| Parallel import business | | | 235,946 | 242,988 | 237,766 | 243,462 | 250,606 |
| Herbal extracts | | | - | - | - | 72,269 | 71,924 |
| Reconciliation/group holding | | | - | - | - | - | - |
| Increase/decrease in finished goods and work-in-process | 8,300 | 2,887 | 1,007 | 180 | 4,264 | 13,779 | 19,771 |
| Own work capitalised | 8,465 | 7,983 | 8,301 | 10,487 | 10,200 | 12,632 | 13,812 |
| Total output | 408,105 | 395,713 | 453,786 | 477,784 | 586,888 | 727,290 | 827,412 |
| % growth | | -3% | 15% | 5% | 23% | 24% | 14% |
| Cost of material | (237,077) | (215,912) | (252,756) | (256,311) | (287,124) | (339,970) | (359,331) |
| Gross profit | 171,028 | 179,801 | 201,030 | 221,473 | 299,764 | 387,320 | 468,081 |
| % growth | | 5% | 12% | 10% | 35% | 29% | 21% |
| Personnel expenses | (57,676) | (55,739) | (58,749) | (64,124) | (92,257) | (114,323) | (150,220) |
| Other operating income | 2,367 | 4,653 | 4,662 | 776 | 949 | 836 | 1,793 |
| Other operating expenses | (46,846) | (44,940) | (49,879) | (50,379) | (72,585) | (99,133) | (124,770) |
| Adjusted EBITDA | 68,873 | 83,775 | 97,064 | 107,746 | 135,871 | 174,700 | 194,884 |
| % growth | | 22% | 16% | 11% | 26% | 29% | 12% |
| Adjustments | 2,671 | (91) | 4,178 | 856 | 1,965 | (5,062) | (8,867) |
| Reported EBITDA | 71,544 | 83,684 | 101,242 | 108,602 | 137,836 | 169,638 | 186,017 |
| % growth | | 17% | 21% | 7% | 27% | 23% | 10% |
| Depreciation and amortization | (28,289) | (22,921) | (14,448) | (16,161) | (25,455) | (48,748) | (44,695) |
| Adjusted EBIT | 40,584 | 60,854 | 82,616 | 91,585 | 110,416 | 125,952 | 150,189 |
| % growth | | 50% | 36% | 11% | 21% | 14% | 19% |
| Adjustments | - | - | - | (326) | (4,872) | (1,377) | (4,471) |
| Reported EBIT | 43,255 | 60,763 | 86,794 | 92,115 | 107,509 | 119,513 | 136,851 |
| % growth | | 40% | 43% | 6% | 17% | 11% | 15% |
| Result from investments measured at equity | 863 | 985 | 1,464 | 1,641 | 1,796 | (1,111) | (1,504) |
| Financial income | 3,325 | 9,365 | 7,297 | 8,392 | 3,949 | 2,736 | 565 |
| Financial expenses | (11,956) | (15,814) | (12,689) | (14,119) | (9,018) | (11,073) | (10,631) |
| EBT | 35,487 | 55,299 | 82,866 | 88,029 | 104,236 | 110,065 | 125,281 |
| % growth | | 56% | 50% | 6% | 18% | 6% | 14% |
| Income taxes | (2,244) | (2,920) | (5,871) | (10,286) | (29,011) | (32,254) | (39,357) |
| Profit or (loss) for the period | 33,243 | 52,379 | 76,995 | 77,743 | 75,225 | 77,811 | 85,924 |
| % growth | | 58% | 47% | 1% | -3% | 3% | 10% |

Comments

1 Revenues are significantly driven by inorganic growth¹:

| Year | Organically generated revenues (%) | Revenues generated by M&A (%) |
|-------|------------------------------------|-------------------------------|
| 2014A | 100% | 0% |
| 2015A | 100% | 0% |
| 2016A | 99% | 1% |
| 2017A | 98% | 2% |
| 2018A | 86% | 14% |
| 2019A | 87% | 13% |
| 2020A | 93% | 7% |

2 The acquisitions of **Trommsdorff**² and **Strathmann**² lead to more branded pharmaceuticals revenues in 2018

- Acquiring **Euromed**² in 2019, enhanced this effect and added the third business unit, herbal extracts
- In the course of the acquisition of **Allergopharma**², the branded pharmaceuticals unit experienced high growth

3 Steadily improved purchasing conditions, insourcing, and synergies led to an improved materials expense ratio

- Consequently, gross profit hiked with a CAGR of c. 18%












4 Adj. EBITDA-margin steadily increases while acquisition-related personnel costs are rising despite restructuring

- EBITDA is adjusted³ for one-off items, largely driven by acquisition-related restructuring and asset reduction

5 While software, licenses, patents and similar rights accounts for most D&A, EBIT is adjusted for capitalized development costs, which reflect an impairment

A | 2 | Company overview | Historical financials: Inorganic growth

M&A is an important growth driver of Dermapharm; however, most of the revenue growth results from organic operations of the pharmaceutical company

| Organic vs. inorganic growth (€k) | 2014A | % | 2015A | % | 2016A | % | 2017A | % | 2018A | % | 2019A | % | 2020A | % |
|--|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|
| Total revenues | 391,340 | 100% | 384,843 | 100% | 444,478 | 100% | 467,117 | 100% | 572,424 | 100% | 700,879 | 100% | 793,829 | 100% |
| Organically generated revenues | 391,340 | 100% | 384,843 | 100% | 438,743 | 99% | 458,167 | 98% | 489,738 | 86% | 610,597 | 87% | 736,505 | 93% |
| Revenues generated by M&A | - | 0% | - | 0% | 5,735 | 1% | 8,950 | 2% | 82,686 | 14% | 90,282 | 13% | 57,324 | 7% |
|  Remedix GmbH (12/2015) | | | | | 5,735 | | | | | | | | | |
|  Riemser Pharma GmbH's medical business unit (09/2017) | | | | | | | 6,300 | | | | | | | |
|  Bio-Diät-Berlin GmbH (10/2017) | | | | | | | 2,650 | | | | | | | |
|  STRATHMANN Strathmann group (12/2017) | | | | | | | | | 23,714 | | | | | |
|  Trommsdorff GmbH & Co. KG (01/2018) | | | | | | | | | 58,972 | | | | | |
|  BLBR GmbH (02/2018) | | | | | | | | | n.a. | | | | | |
|  CFP Packaging GmbH (01/2019) | | | | | | | | | | | n.a. | | | |
|  EUROMED Euromed group (03/2019) | | | | | | | | | | | 72,269 | | | |
|  fitvia Fitvia GmbH (06/2019) | | | | | | | | | | | 18,013 | | | |
|  FYTA group (03/2019) | | | | | | | | | | | n.a. | | | |
|  allergopharma Allergopharma group (03/2020) | | | | | | | | | | | | | 57,324 | |

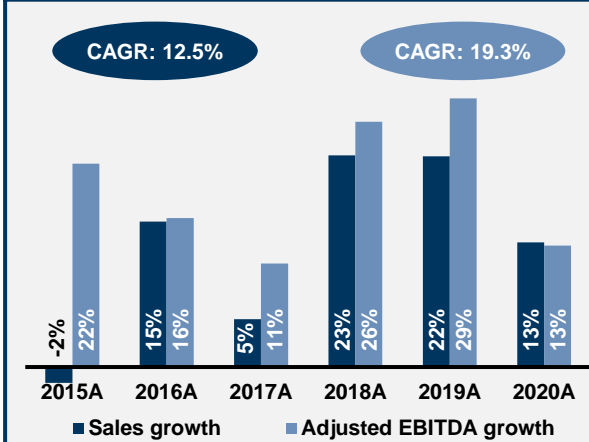
Comments

- Dermapharm acquired **eleven entities** from 2014 to 2020, six of them being standalone companies, four being company groups, and one of them being a carve-out of a business unit; as **not all entities' revenues are announced**, revenues generated by M&A should be understood as a **minimum** in the respective years
- However, the **additional impact may be low**: BLBR GmbH has c. €2m in equity value, CFP Packaging GmbH is an insolvency buyout, FYTA group has a negative result
- The **carve-out at hand** covers the **medical business unit** of **Riemser Pharma GmbH (09/2017)** including bite away® and Herpotherm® products
- Revenues are defined as **inorganic** only in the **year of the acquisition**, i.e., it is assumed that **acquired companies** are well **integrated** into **Dermapharm** within the **first year** of the acquisition so that they will develop an **organic character from the following year on**
- In each year, **c. 95%** of the company's revenues result from **organically generated revenues** while **c. 5%** result from revenues generated through **add-on acquisitions**

A | 2 | Company overview | Growth and profitability mix

Dermapharm's growth mainly results from the branded pharmaceuticals segment; margins and growth are distinctive compared to the other business segments

Overall operational performance



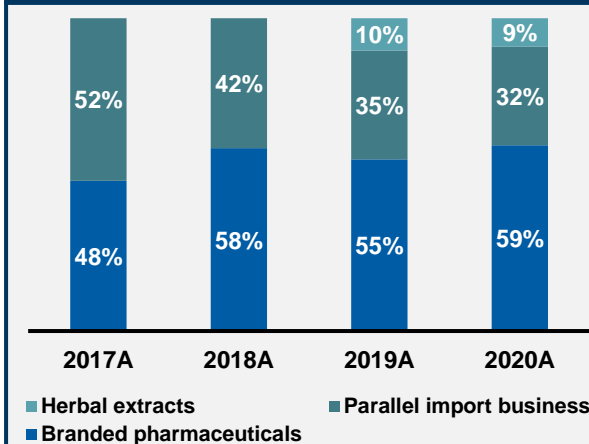
- Dermapharm showed **solid performance figures** in the **past 6 years** with **adjusted EBITDA growing stronger than revenues**
- **Add-on acquisitions** led to a **changed** and **simultaneously improved profitability mix**
- **Synergies** were generated through **Dermapharm's inhouse production capabilities**, leading to the above-revenue margin growth

Growth and profitability

| in % | 2017A | 2018A | 2019A | 2020A |
|--------------------------|-------|-------|-------|-------|
| EBITDA margins | 22% | 23% | 24% | 25% |
| Branded pharmaceuticals | 47% | 40% | 40% | 36% |
| Parallel import business | 3% | 4% | 3% | 3% |
| Herbal extracts | n.a. | n.a. | 18% | 17% |
| Revenue growth | 5% | 23% | 22% | 13% |
| Branded pharmaceuticals | 7% | 49% | 15% | 22% |
| Parallel import business | 3% | -2% | 2% | 3% |
| Herbal extracts | n.a. | n.a. | 0% | 0% |
| EBITDA growth | 11% | 26% | 29% | 13% |
| Branded pharmaceuticals | n.a. | 27% | 15% | 12% |
| Parallel import business | n.a. | 28% | -9% | -16% |
| Herbal extracts | n.a. | n.a. | 0% | -4% |





- **Branded pharma** drives success with a c. **40% EBITDA margin** and **two-digit revenue and EBITDA growth**
- **Parallel imports** suffered from **shifts in demand due to COVID** (less high-margin travel medication and vaccination) and **increasing number of mandatory discount tenders**
- The **herbal extracts** segment experienced limited international sales during lockdowns

Revenue split



- Revenue share increase of **most profitable segment branded pharma** which lifts overall profitability
- **Euromed²**, acquired in 2019, accounts for c. **10% of revenues** and contributes with a **margin of 17%**
- The **arbitrary** parallel import contributes with **only 3% margin** but is **nearly risk-less** as it sells products for a lower price than the originator but with the same standards and quality

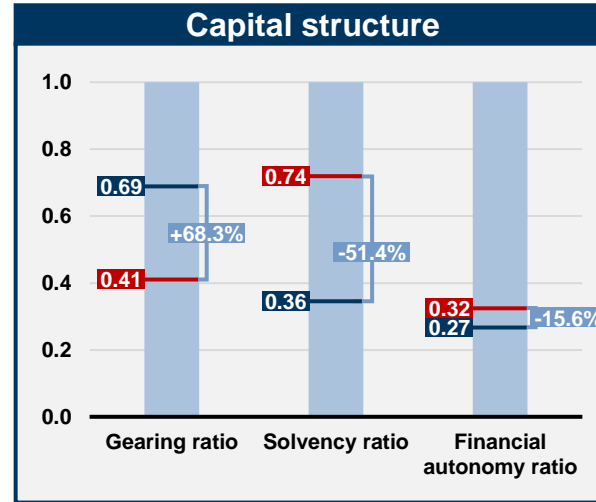
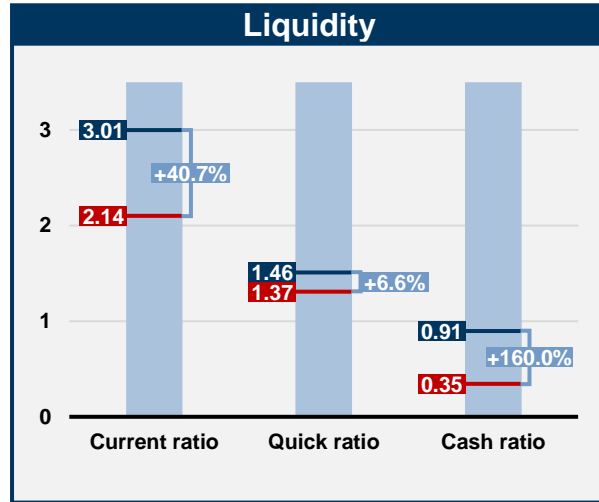
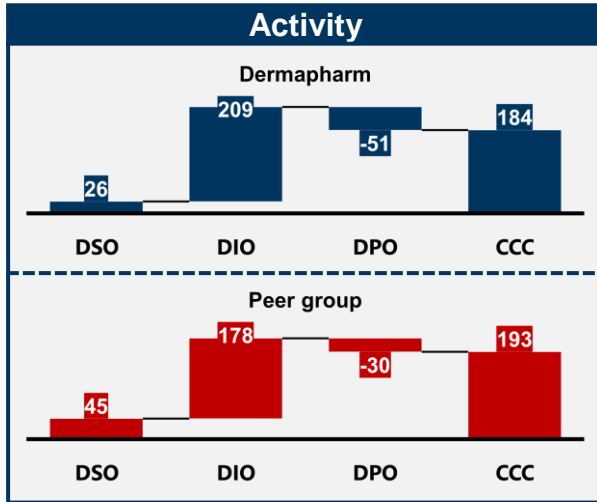
Sales driver – best selling products¹

| |  |  |  |  |
|---------------|---|---|---|---|
| Business unit | BP | BP | BP | BP |
| Brand | Mibe | Trommsdorff | Trommsdorff | MibeTec |
| Type | Vitamin D supplement | Back pain relieve medication | Cardiovascular support medication | Insect bite relieve device |

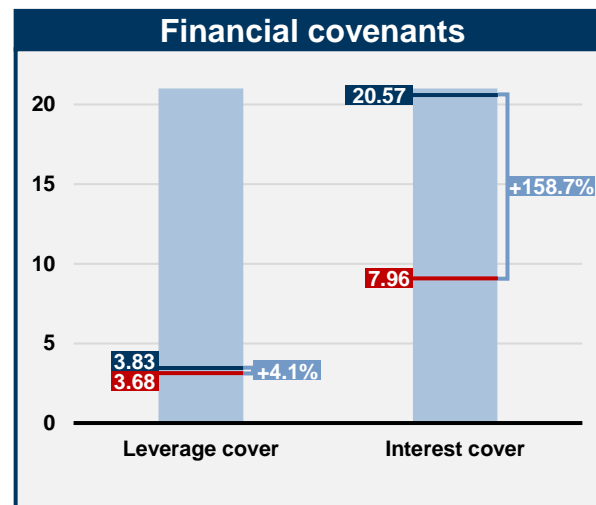
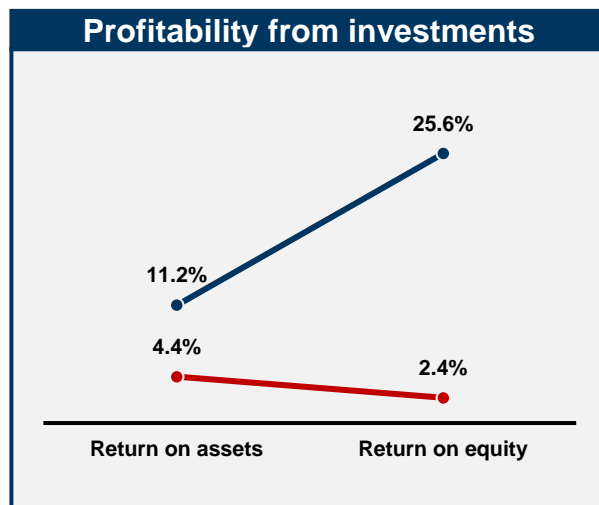
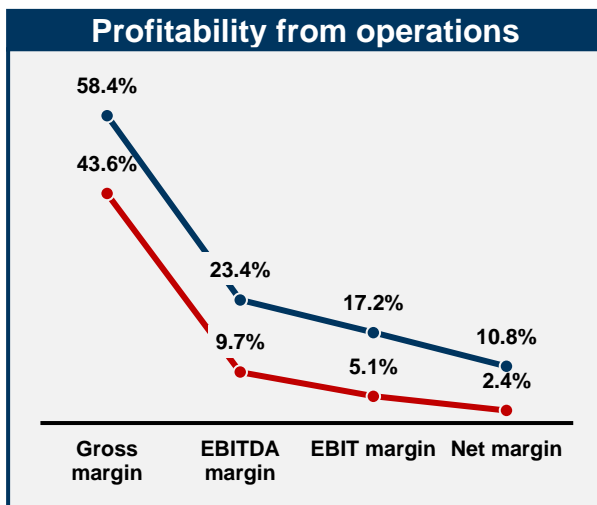
➤ 30% of branded pharmaceuticals' revenues are generated by the top five products

A | 2 | Company overview | Operational benchmarking (incl. Axicorp)

In 2020, Dermapharm stands out from its peer group by improved cash conversion, high liquidity and debt capacity, prominent margins, and high efficiency



- ### Comments
- Dermapharm¹ stands out with a **superior cash conversion** compared to its peer group, mainly driven by a **19 days shorter collection period** and a **21 days longer payable period**
 - In terms of **liquidity**, the company **outperforms** by almost being able to **cover all its current liabilities by cash** (cash ratio is slightly below 1)
 - Compared to its peers, it is **highly levered** (gearing ratio is c. 68.3% higher), making the company more **sensitive to economic downturns**
 - Both figures are driven by **stellar margins**, which **distinguish** from the peer group by a minimum of **8.4 pp.** (see EBITDA-margin) in all cases
 - Both the **leverage** and the **interest cover** prove that the **debt capacity** of the company is **solid** and **above the comparable companies**
 - Dermapharm operates **very efficient**, **increasing its return on equity** compared to the **return on assets**






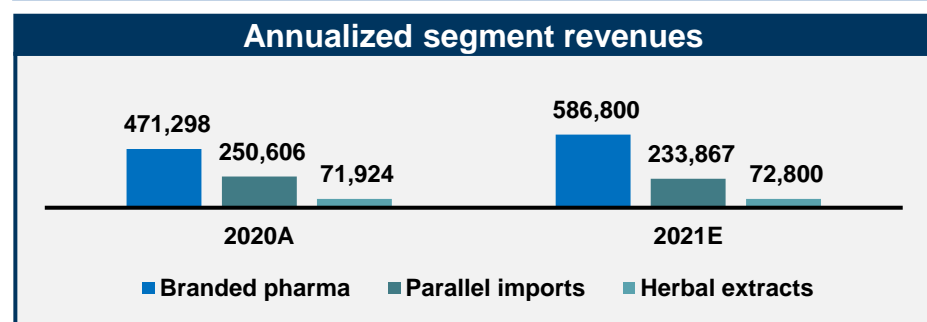
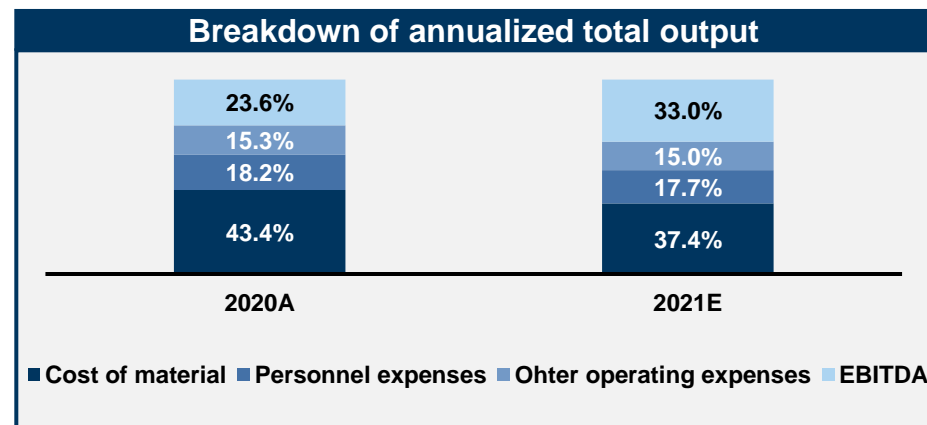
● Peer group's weighted median ● Dermapharm

Sources: Company filings, Bundesanzeiger, BvD Orbis | Notes: (1) Medians of the respective KPIs (based on the latest available statements) were weighted by the respective share in sales of Dermapharm to gather the weighted median

A | 2 | Company overview | Historical financials: Highlights 2021 Q3

Due to the BioNTech partnership and high demand for products to strengthen the immune system, Dermapharm's EBITDA grew by 57% on an annual basis

| Q3 2021 highlights (year-over-year) | | |
|---|---|---|
|  |  |  |
| Revenue Up 16% to €670m | EBITDA Up 63.9% to €228m | EBITDA margin Up 40% to 33% |

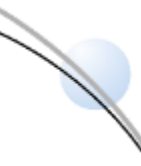


| Annualized income statement | | | | |
|-----------------------------|----------------|----------------|----------------|--------------|
| Income statement (€k) | 2020A | Q3 2021 | 2021E | YOY (%) |
| Revenues | 793,829 | 670,196 | 893,595 | 12.6% |
| Branded pharma | 471,298 | 440,100 | 586,800 | 24.5% |
| Parallel imports | 250,606 | 175,400 | 233,867 | -6.7% |
| Herbal extracts | 71,924 | 54,600 | 72,800 | 1.2% |
| Change in finished goods | 19,771 | 12,429 | 16,572 | -16.2% |
| Own work capitalized | 13,812 | 11,038 | 14,717 | 6.6% |
| Total output | 827,412 | 693,663 | 924,884 | 11.8% |
| Cost of material | (359,331) | (259,509) | (346,012) | -3.7% |
| % of revenues - material | -45.3% | -38.7% | -38.7% | -14.5% |
| Gross profit | 468,081 | 434,154 | 578,872 | 23.7% |
| Personnel expenses | (150,220) | (122,540) | (163,387) | 8.8% |
| % of revenues - personnel | -18.9% | -18.3% | -18.3% | -3.4% |
| Other operating expenses | (124,770) | (96,712) | (124,749) | 0.0% |
| % of revenues - Other | -15.7% | -14.4% | -14.0% | |
| Other operating income | 1,793 | 13,803 | 14,204 | |
| Adjusted EBITDA | 194,884 | 228,705 | 304,940 | 56.5% |
| EBITDA margin % | 23.6% | 33.0% | 33.0% | 40% |
| Adjustments | (8,867) | 4,200 | 4,200 | |
| Reported EBITDA | 186,017 | 232,905 | 309,140 | 66.2% |
| D&A | (44,695) | (35,815) | (47,753) | |
| % of revenues | -5.6% | -5.3% | -5.3% | -5.1% |
| Reported EBIT | 141,322 | 197,090 | 261,387 | 85.0% |
| Adjusted EBIT | 150,189 | 192,890 | 257,187 | 71.2% |

| Comments |
|---|
| <ul style="list-style-type: none"> The income statement has been annualized based on Q3 results |
| <ul style="list-style-type: none"> Corminaty production and sustained high demand for products to strengthen the immune system within the branded pharma segment main driver of development |
| <ul style="list-style-type: none"> Resulted in 24.5% higher revenues in branded pharma with EBITDA margins up from 36% to 49% |
| <ul style="list-style-type: none"> Herbal extracts segment strengthened; while revenue shows only slight 1.2% increase, EBITDA margin increased from 23% to 28.9% |
| <ul style="list-style-type: none"> Parallel imports revenue declined 6.7% due to general sustained drop in demand throughout the market |

A | 3 | Market overview | General market

Strong underlying market growth in the three business segments of Dermapharm imply a promising growth outlook for the diversified pharmaceutical player

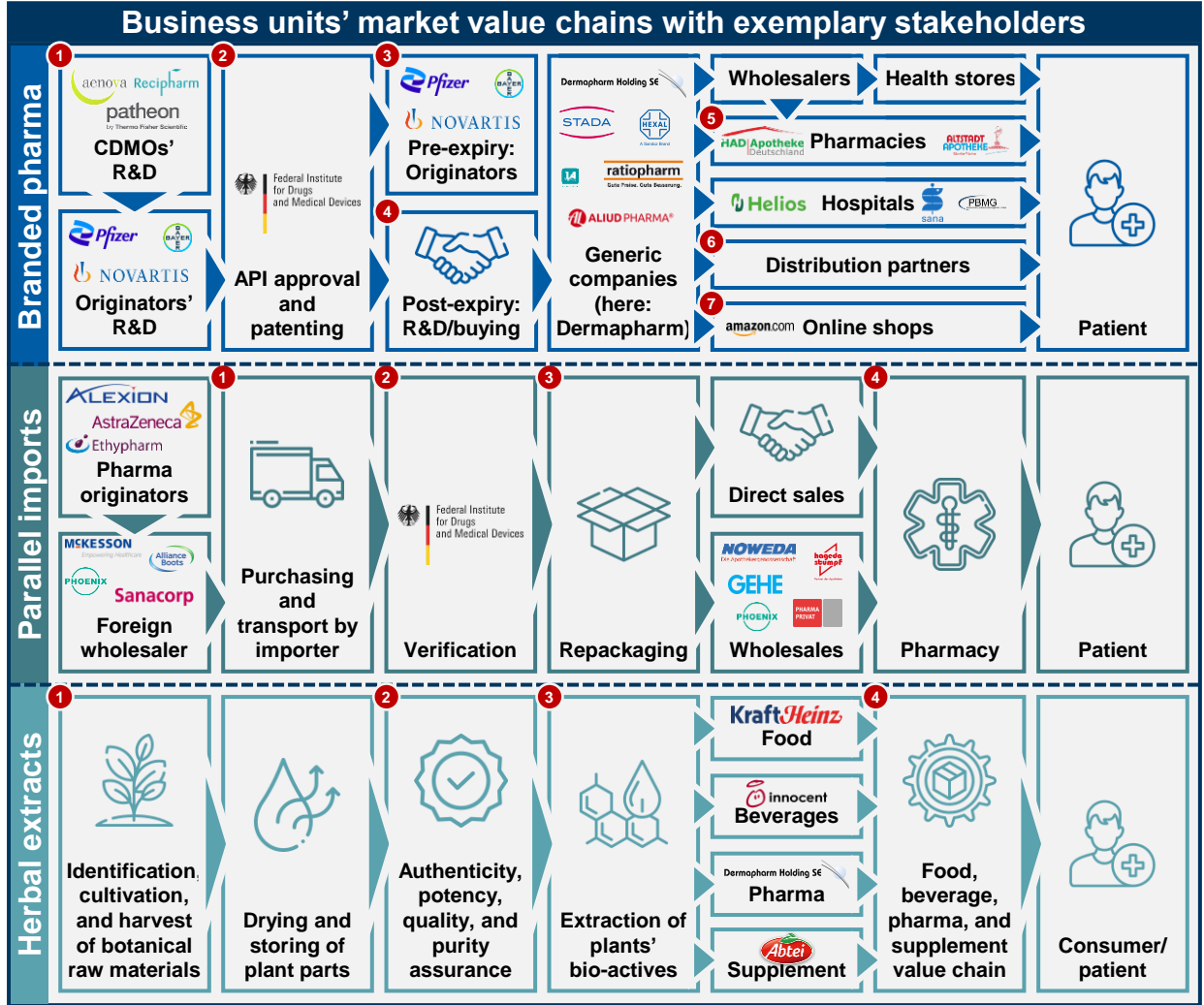


| | Branded pharmaceuticals | Herbal extracts | Parallel import business | | | | |
|--------------------|---|---|--|--|--|--|--|
| Growth | <p>Market (€bn)</p> <p>CAGR: 8.4%</p> <p>2015A 2016A 2017A 2018A 2019A 2020A 2021P 2022P 2023P 2024P 2025P</p> | <p>Market (€bn)</p> <p>CAGR: 8.0%</p> <p>2015A 2016A 2017A 2018A 2019A 2020A 2021P 2022P 2023P 2024P 2025P</p> | <p>Market (€bn)</p> <p>CAGR: 5.0%</p> <p>2015A 2016A 2017A 2018A 2019A 2020A 2021P 2022P 2023P 2024P 2025P</p> | | | | |
| Key facts | <ul style="list-style-type: none"> Dermapharm's market size amounts to c. €58bn in 2020, with a CAGR of c. 8.4% (2015-2025) The market size does not only include products offered by Dermapharm in its markets (DACH), but all drugs sold in Germany, Austria, and Switzerland Germany is one of the global top public healthcare spenders and generics consumers | <ul style="list-style-type: none"> With the sum of its competitors' revenues adding up to c. €6bn in 2020, the market for Euromed's herbal extracts is growing at c. 8.0% annually The business model consists of the cultivation of herbals and the mechanical and chemical extraction of food and supplement additives from the agricultural and horticultural products to sell them B2B | <ul style="list-style-type: none"> Driven by regulatory standards in Germany and asymmetric branded drug prices in Europe, Axicorp's market of parallel imports into Germany amounts to c. €3bn in 2020, growing at a c. 5.0% CAGR By German law, min. 2% of prescription pharma sold in Germany must be imported from EEA other states with lower prices for the respective pharma | | | | |
| Trends | <ul style="list-style-type: none"> Market growth results from the two megatrends of the demographic shift (over-aging, increased prevalence/chronification of diseases) and rising health awareness (self-medication, increased consumption of OTC/non-brand drugs) Product-wise, vitamins and dermatological products are the strongest growth drivers | <ul style="list-style-type: none"> Megatrend of rising demand for supplements due to aging population and health awareness Food additives, especially taste additives, are an upcoming trend; organic additives as niche in sustainable future; adjacent trends are alternative healthcare and self-medication; beyond Euromed, Dermapharm's Hübner targets many of those trends | <ul style="list-style-type: none"> The key trend is over-aging (leading to stress on statutory health insurances), creating the need for a constant inflow of cheaper branded drugs Currency effects can create asymmetries between Euro- and non-Euro-countries Changes in and around federal health system can shock pharma prices in Germany | | | | |
| Players | <table border="0"> <tr> <th>Generics producers</th> <th>Original producers</th> </tr> <tr> <td> </td> <td> </td> </tr> </table> | Generics producers | Original producers | | | | |
| Generics producers | Original producers | | | | | | |
| | | | | | | | |

Sources: Company filings, [Mordor Intelligence](#)

A | 3 | Market overview | Market value chain

The value chains of the comparatively independent business units are all geared towards B2B sales while a well-oiled sales machine drives end-user demand



- Comments**
- Optionally, originators utilize **CDMOs** for **pharmaceutical contract development**
 - BfArM** approves developed **APIs**, which are **patented** by originators thereafter
 - Pre-expiry, originators **produce pharmaceuticals** based on patented APIs
 - Post-expiry** of **APIs** (after 20 years), generic companies can **develop** pharma themselves using those APIs; **pre-expiry, acquisition** from originators possible
 - Pharmacy sales** are additionally accelerated thanks to **rebate agreements** with **SHI providers** and **direct marketing to doctors**, which **increase prescriptions**
 - Distribution partners sell **Hübner brands**
 - Hyperthermic medical devices** only
-
- If **pharmaceuticals** are **less pricy** in **foreign EEA states**, parallel importers utilize **arbitrage** by purchasing and importing them to their home state
 - BfArM** (for Germany) reviews the **therapeutic identity** of the **imported drug** with the **original** and **verifies it for distribution** in the importer's home state
 - Repackaging** happens under quality control according to the **home state's pharma law** with **descriptions and instructions** in the **right language** enclosed
 - Utilizing **direct salesforces** (Dermapharm employs a **call center** covering 90%¹ of pharmacies in Germany), **customers** are targeted **directly and indirectly**
-
- The **optimal seed source** is identified for the plants' successful cultivation, the **ideal environment** for the maximum plant health and productivity, and the **most suitable harvest period** to achieve peak plant quality
 - Quality of the goods is guaranteed **from the field to the finished extract**
 - Within targeted **extraction centers** (Euromed's innovation center), **concentration of bio-actives** is achieved in an **environment-friendly way**
 - Each of the targeted end market companies utilizes the herbal extracts in its individual way to **valorize its products** with **evidence-based health ingredients**

Sources: Company filings, desktop research | Notes: (1) 90% coverage applies to pharmacies, doctors, wholesalers, and hospitals

A | 3 | Market overview | Key trends

Besides increasing demand for pharmaceutical and herbals, technological enhancement for testing and supply chains paves the way for the future



See appendix for deep dive

AI testing

- Clinical trials are **time- and resource-intensive**, thus digitalization provides an attractive opportunity
- AI testing: Shortening and assuring the trial process**, preparing and coordinating scientific data with the development team
- Example:** Machines predict trials results early on, trial can be adjusted accordingly within a low time span

Potential impact on Dermapharm



Readiness of Dermapharm



- Dermapharm uses **third party providers** for its research process, enabling **future digital change** by selecting promising start-ups

Lifestyle/herbals

- Quality of life as a deciding factor for modern people; **increasing desire for dietary supplements**
- Identification via consuming
- Potential: White-labelling** for influencer brands (vitamins, oils, minerals, etc.)
- Potential: CBD** (+ THC after legislation) as inexpensive addition to product portfolio (first step: FYTA in 2019, but divested in 2021)

Potential impact on Dermapharm



Readiness of Dermapharm



- Dermapharm will be ready for this trend by **streamlining Euromed's products**, M&A (integration), and stronger branding

Digital supply chains

- Digitalization as **megatrend**; supply chains often still run on analog technologies
- Supply chains, production, routes, shipping will be coordinated in the coming decades; **Industry 4.0**
- Ideas: Predictive algorithms, as well as drone delivery
- Relevance:** Supply chain crisis has shown inflexibility (COVID, trade war) of global production network

Potential impact on Dermapharm



Readiness of Dermapharm



- Dermapharm has developed its **own supply chain** (Brehna), digitalization improvable towards suppliers and production cycle

OTC/self-medication

- Fueled by the pandemic and increased public awareness, the already existent trend of **self-medicating** with over-the-counter (**OTC**) drugs has further increased and will continue to stay relevant in the near future
- Most of these drugs are used for **pain relief** (Ibuprofen, Paracetamol) and **lifestyle improvement** (supplements, vitamins, minerals)

Potential impact on Dermapharm



Readiness of Dermapharm



- Dermapharm already addresses self-medication trend with its product portfolio, with growth potential in niche markets

Demographic shift

- UN: Until 2050, the **number of humans aged 65 or older will triple**
- "Civilizational" diseases (chronic, heart, joints, cancer) will increase exponentially
- Wealth shift will put a greater percentage of wealth in the hands of people aged over average (50+)
- Trends: **Health awareness**, self-medication, nutrition

Potential impact on Dermapharm



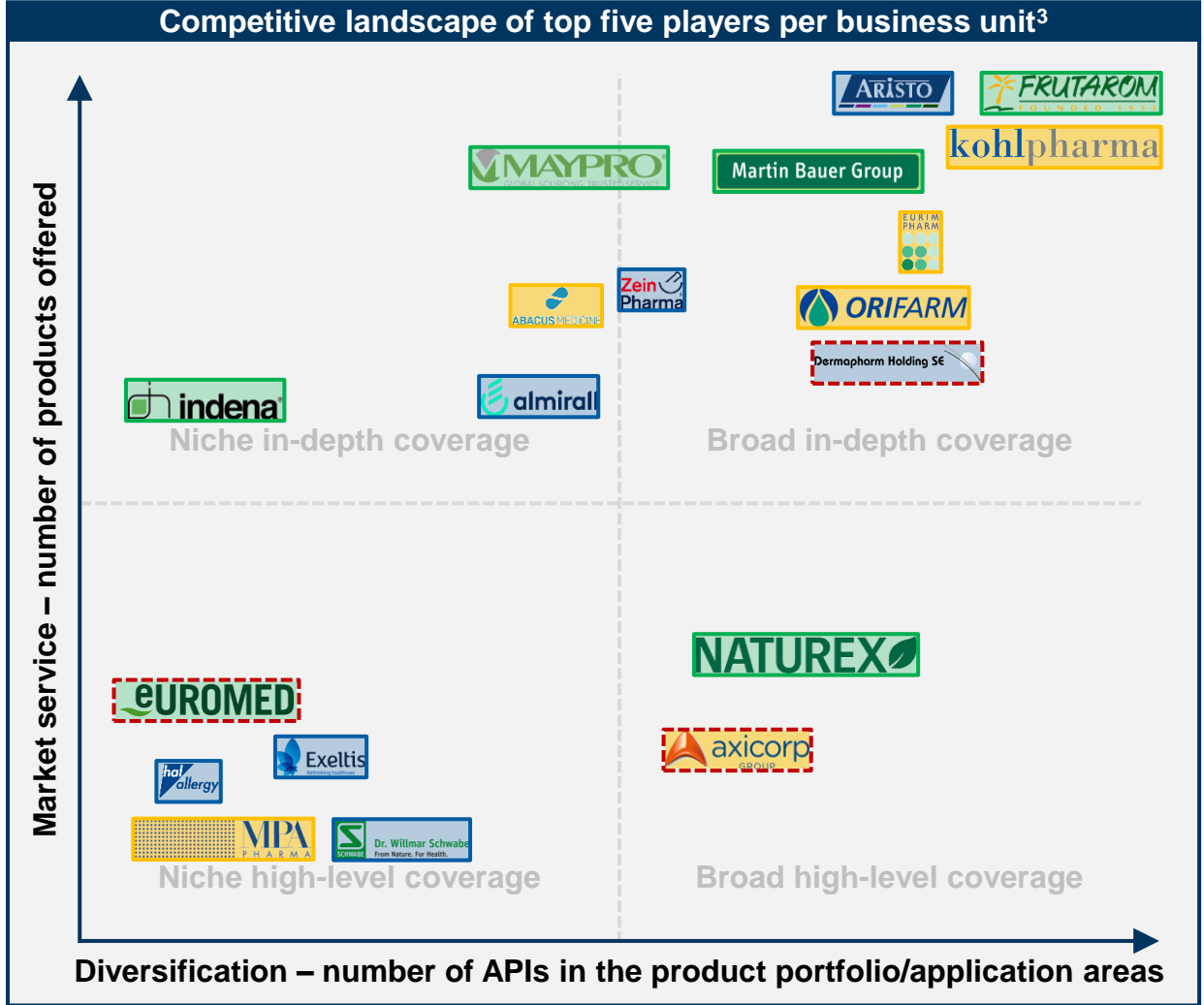
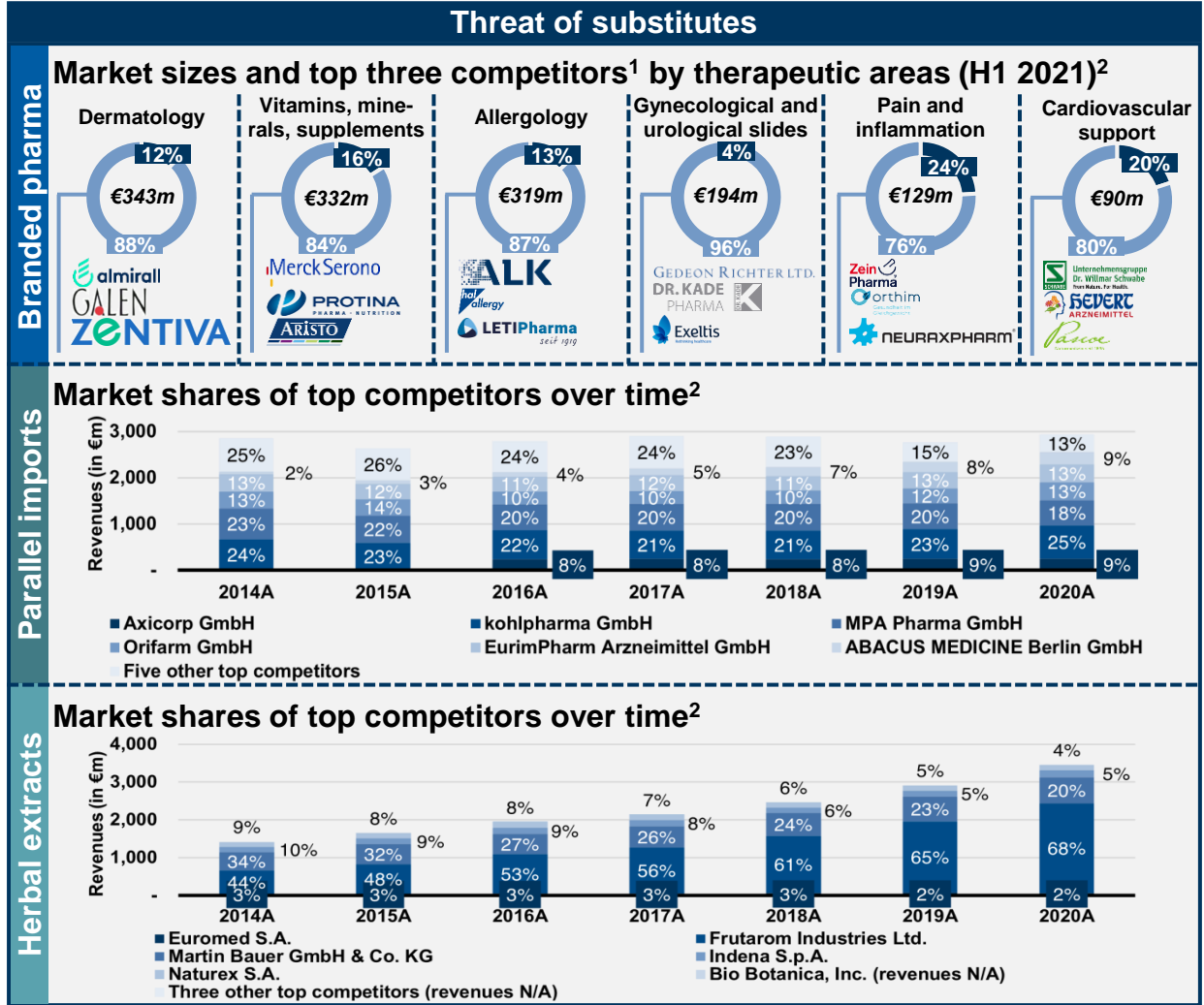
Readiness of Dermapharm



- Dermapharm is already **uniquely positioned** for this long-term challenge, but further alignment is possible; see deep-dive

A | 3 | Market overview | Competitive positioning

Compared to competitors, Dermapharm's branded pharmaceutical business offers a broad product range; Euromed and Axicorp offer less products than competitors



Legend: ■ Dermapharm's business units ■ Branded pharmaceuticals ■ Herbal extracts ■ Parallel imports

Sources: Company filings | Notes: (1) Exemplary; market size includes more competitors (2) Undisclosed years modelled by a company's other years' revenue CAGR if available (3) Six players for branded pharmaceuticals, i.e., one per therapeutic area 21

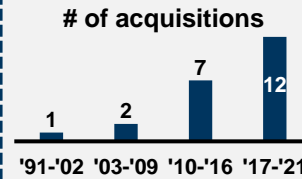
A | 4 | Investment thesis | Investment highlights and value creation

Four strong growth pillars enable Dermapharm to create substantial value in the future with targeted strategies, mainly revenue growth and deleveraging

Investment highlights: Dermapharm's "growth DNA"

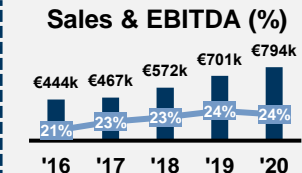
Proficient management team for successful buy-and-build

- Total of **115 years** industry experience
- M&A** is part of the **business model**
- 22 total add-ons**, 12 since 2017



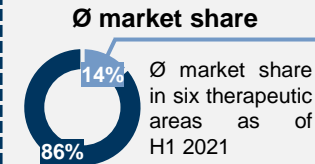
Robust financials to exploit various value creation levers

- 6-year top-line growth** of c. **12.5%**
- Long-term EBITDA margins >20%**
- Operating CF** reflects **67%** of EBITDA



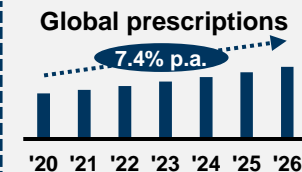
Market leader in highly regulated niche markets

- High market shares** in niche markets
- Complexity** prevents **competition**
- Limited competition** in core markets



Strong underlying market growth with high momentum

- C. **4.9%** market growth in Germany
- Most healthcare spending** by GDP
- 45-50%** total **EBITDA growth** in 2021



Value creation

High



Revenue growth: Buy-and-build

Value creation: **0.59x**

- Past growth** was partially driven by **add-on acquisitions**
- Add-ons** with an average **EV** of c. **€191m** offer **top-line growth**
- Targets' segments** are **niche pharma** and **cannabis**



Margin growth: Operational optimization

Value creation: **0.51x**

- Margins** showed **good past performance** compared to peers
- Better performance** results from the **divestment** of Axicorp, **lowered DIO**, and **personnel and material expenses** of add-ons



Revenue growth: Internationalization

Value creation: **0.41x**

- Internationalization** is part of Dermapharm's **past growth story**
- Patented hyperthermic devices** were rolled out in **Europe**
- Global roll-out** enables legally and regulatory **safe expansion**



Revenue growth: Direct sales

Value creation: **0.22x**

- USP** of **direct selling** the products led to **niche market leadership**
- Extending **customer coverage** from **90%** to **100%** boosts sales
- Influencer marketing** increases growth of lifestyle products' sales



Revenue growth: Strong market growth

Value creation: **0.16x**

- Growth** of c. **4.9% p.a.** in Germany's pharma market drives value
- Markets** with **highest projected growth** (allergology and pain) are focused; **BioNTech partnership** offers on-top growth



Deleveraging: Reallocation of assets













Value creation: **0.01x¹**

- Parallel import business** allowed low-risk **arbitrage** imports
- Divesting** the **low-margin** unit offers **improved capital allocation**
- Low EBITDA** and **multiple** allows **asset deal** to be more suitable

Moderate

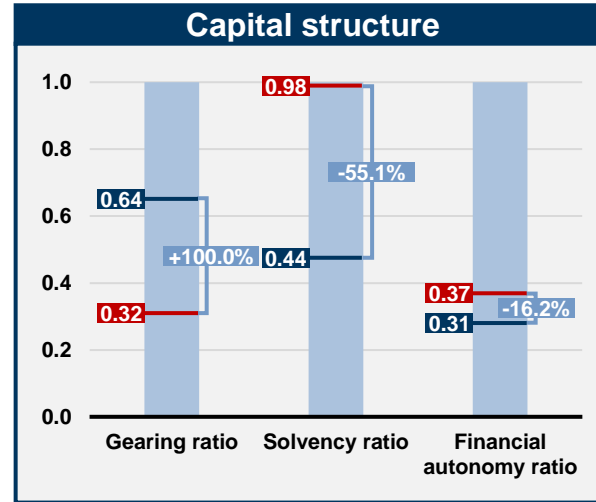
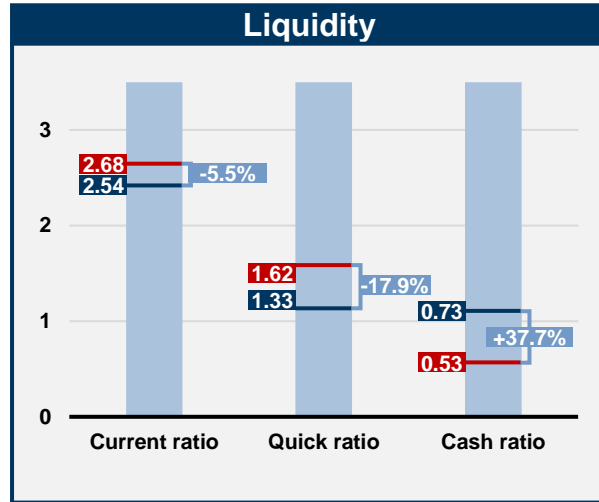
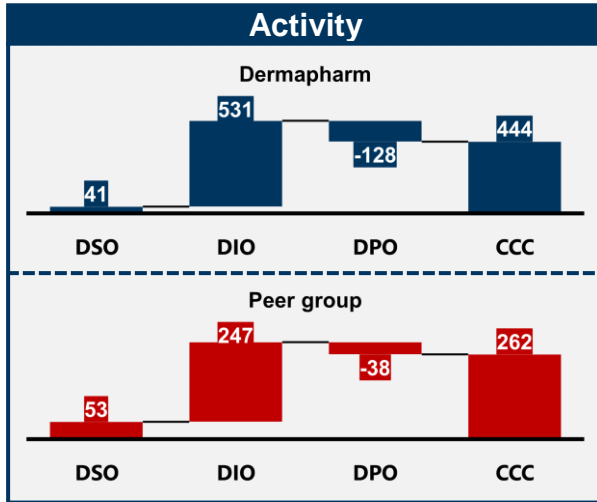
A | 4 | Investment thesis | Value creation: Buy-and-build

Six strategically highly fitting targets enable to boost EBITDA growth by performing buy-and-build in a targeted way for branded pharma and herbal extracts

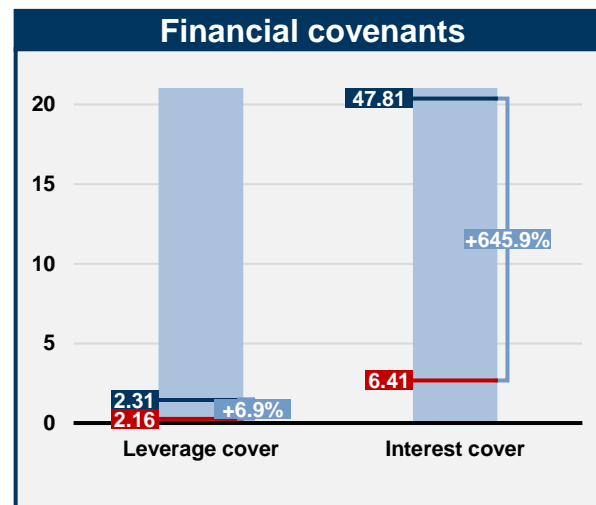
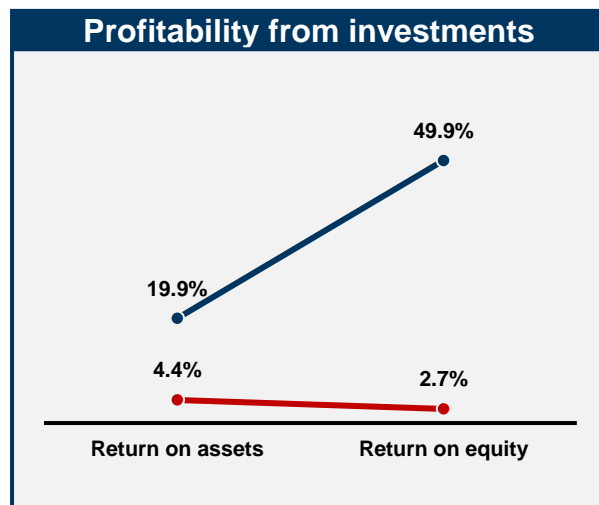
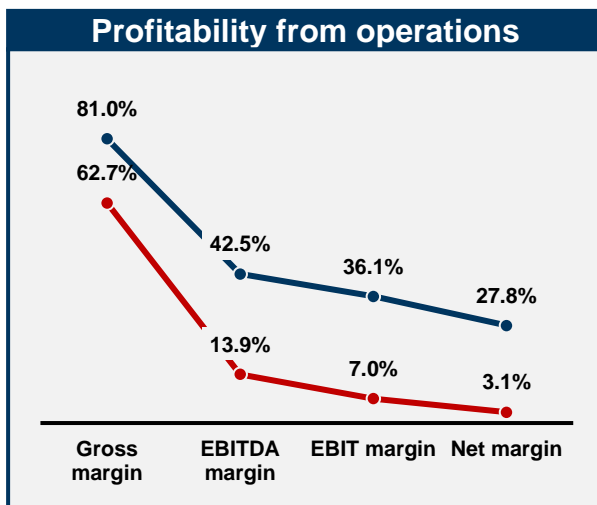
| Name | Country | List and description | Employees ¹ (#) | Revenues ¹ (€m) | EBITDA ¹ (€m) | EV/EBITDA |
|--|---|--|----------------------------|----------------------------|--------------------------|--------------|
|  PHARMA SGP |  | PharmaSGP Holding SE , founded in 2009 in Gräfelfing and 78% founder-owned, manufactures pharmaceutical products in the niche segment of pain therapy . | 45 | 63.2 | 17.0 | 14.2x |
|  OmniVision® Freude am Sehen |  | OmniVision GmbH , founded in 2004 in Puchheim and fully family-owned, manufactures pharmaceutical products in the niche segment of ophthalmology in a market leading position. | 84 | 51.3 | 8.0 | 14.2x |
|  APOGEPHA Ihr Partner in der Urologie |  | APOGEPHA Arzneimittel GmbH , founded in 1882 in Dresden and fully family-owned, manufactures pharmaceutical products in the niche segment of urology and processes botanical herbs to drugs. | 135 | 49.6 | 5.7 | 12.2x |
|  APONTIS PHARMA |  | APONTIS PHARMA AG , spin-off of UCB Pharma GmbH in 2016 and listed, manufactures pharmaceutical products , especially niche single pills , to treat diabetes, COPD , and cardiovascular. | 195 | 40.3 | 1.0 | 14.2x |
|  Tilman® |  | Tilman S.A. , founded in 1956 in Baillonville and is family-owned, manufactures pharmaceutical products in the niche segment of phytopharma , i.e., plant-based medication. | 181 | 39.9 | 5.1 | 13.2x |
|  bedrocan® |  | Bedrocan International B.V. , founded in 2003 in Veendam with an unknown shareholder structure, produces medical cannabis and is one of few companies with an export license within the EU . | 67 | 14.2 | 3.5 ³ | 17.2x |

A | 4 | Investment thesis | Value creation: Operational optimization

After divesting Axicorp in 2022, profitability of Dermapharm is expected to improve strongly, while liquidity ratios shrink, and extraordinarily high DIO uncover potential



- ### Comments
- After selling the parallel imports business unit, **Dermapharm's¹ worsened cash conversion days inventories outstanding** (531 vs. 247 days) is the **main lever** to improve operations and assets
 - Liquidity slightly worsened** after the split-off; however, they remain bearable
 - Capital structure ratios do not change** significantly, i.e., the company is as sensitive to economic downturns as before the divestment
 - Margins significantly improve**, i.e., EBITDA margin increases by c. 8.4 pp. compared to the previous business structure in 2021
 - Both the **leverage** and the **interest cover** still prove that the **debt capacity** of the company is **solid and above the comparable companies**
 - Dermapharm's **efficiency** in regard to **return over equity improves** by c. 4.1 pp. by divesting the business unit parallel imports in 2022

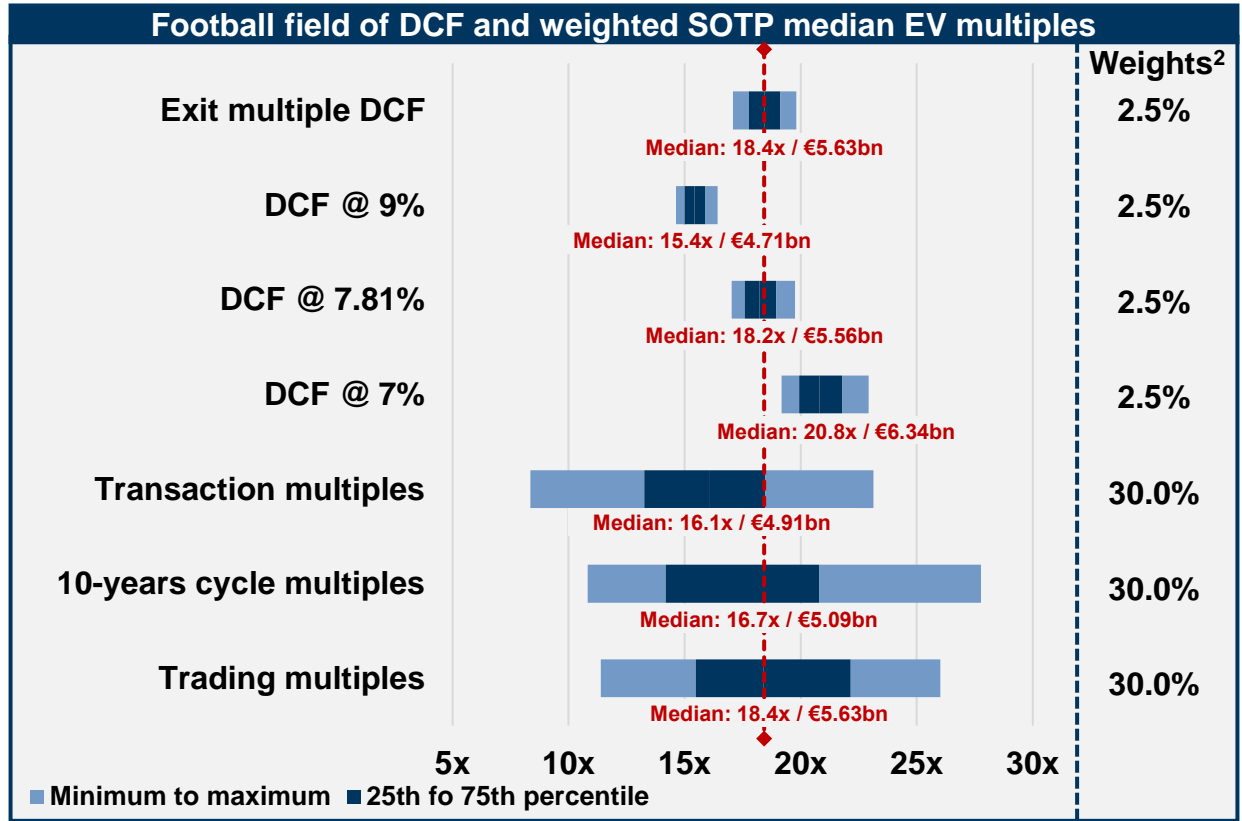
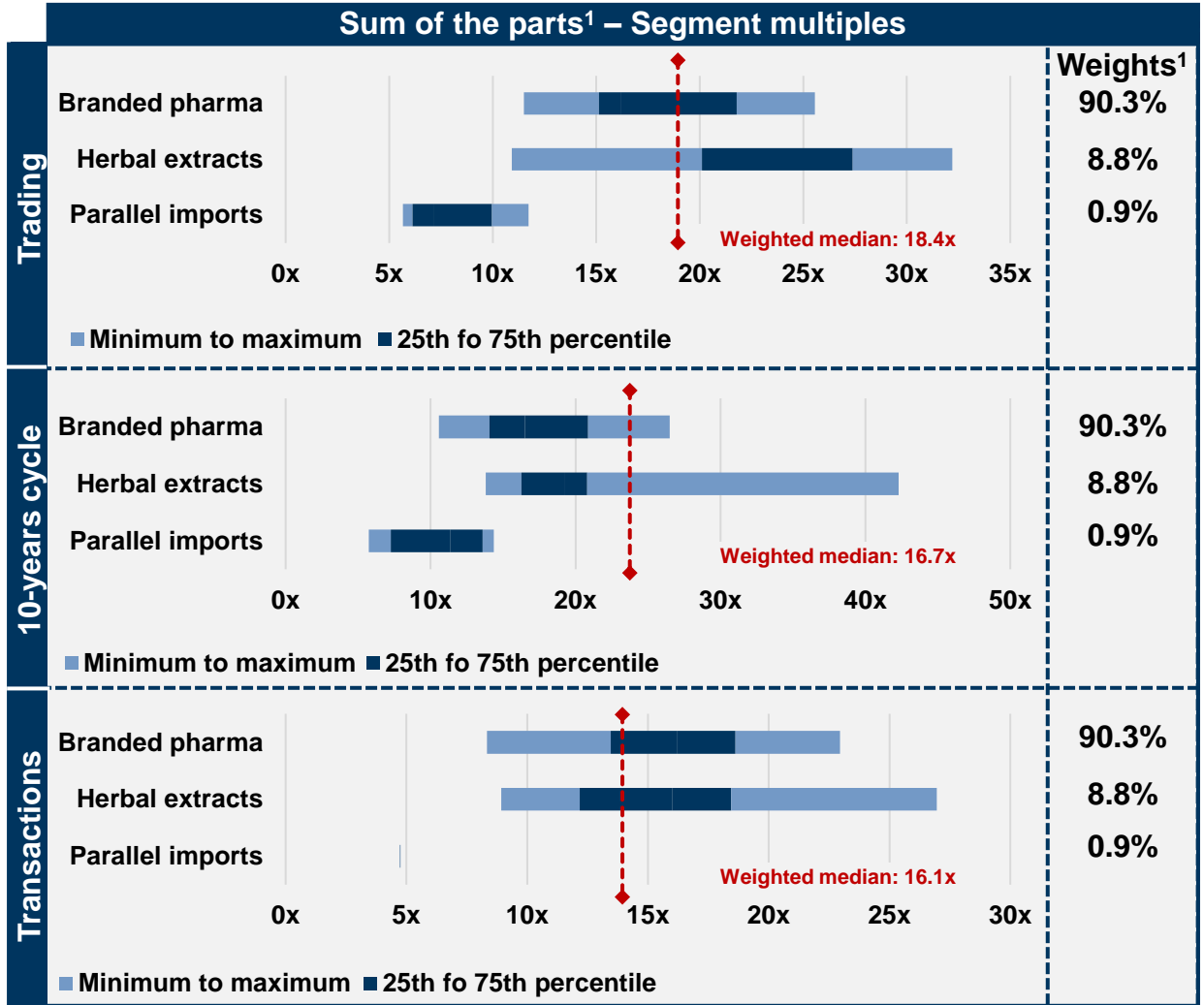


Peer group's weighted median Dermapharm

Sources: Company filings, Bundesanzeiger, BvD Orbis | Notes: (1) Medians of the respective KPIs (based on the latest available statements) were weighted by the respective share in sales of Dermapharm to gather the weighted median

A | 5 | Valuation | Valuation summary

The weighted median EV/EBITDA multiple derived from the applied valuation methods amounts to 17.25x, implying an EV of €5,260m based on 2021 EBITDA



Sources: Bloomberg, Zephyr | Notes: (1) According to segment EBITDAs of 2021 (2) Multiples are weighted higher than DCF due to the higher accuracy of sum of the parts multiples and the difficulties regarding the determination of cost of capital

A | 6 | Business plan | Capital structure: Debt pricing

Based on a comparable transaction analysis in the debt market, senior debt combined with a second lien loan and liquidity facilities are chosen

Comparable transaction: Zentiva N.V.



Zentiva N.V. ([link](#)) acquired by Advent for €1.9bn in 2018
Carve-out of Sanofi's European generics business

| | | |
|--------------------|--------------------------|---------------------------------------|
| Revenues: N/A | EBITDA: €155m | Leverage: 7.1x EBITDA |
| Geography: Czechia | Industry: Generic pharma | Rating ¹ : B2 (M), B (S&P) |

| Tranche | Maturity | Size | OID | Index floor | Spread | Issuing |
|-------------|----------|--------|-------|-------------|--------|----------|
| Revolver | 7 years | € 145m | 100.0 | 3M E + 0bps | 200bps | Sep 2018 |
| Term loan B | 7 years | £ 174m | 99.5 | 3M L + 0bps | 425bps | Sep 2018 |
| Term loan B | 7 years | € 680m | 99.5 | 3M E + 0bps | 400bps | Sep 2018 |
| Second lien | 8 years | € 345m | 99.0 | 3M E + 0bps | 725bps | Sep 2018 |

Derivation of Dermapharm's rating

| Criterion | Evaluation | Effect |
|-----------------|--|--------|
| Cash flows | Post-acquisition OFCF are c. 55% of EBITDA , on average | → |
| Asset base | Asset base mainly consists of intangible pharma patents | ↘ |
| M&A | Additional debt is required to acquire selected add-ons | ↘ |
| Market | Notable market growth in each pharmaceutical segment | ↗ |
| Size | Large company with c. €5bn in EV and €300m in EBITDA | ↘ |
| Leverage | Leverage cover of 3.8x in past under distinct performance | ↗ |
| Governance | CFO steers own governance, risk and compliance team | ↗ |
| Diversification | Highly diversified six low-related therapeutic segments | ↗ |
| Credit profile | 1-year default probability of 0.0086% implies rating class AA+ | |

Sensitivity analysis: Estimated spread by leverage and default probability

| Term loan A | >= 7.540% | >= 0.650% | >= 0.072% | >= 0.004% | >= 0.001% |
|-------------|-----------|-----------|-----------|-----------|-----------|
| >= 4.0x | 450 bps | 425 bps | 400 bps | 375 bps | 350 bps |
| >= 3.0x | 417 bps | 396 bps | 375 bps | 354 bps | 333 bps |
| >= 2.0x | 383 bps | 367 bps | 350 bps | 333 bps | 317 bps |
| >= 1.0x | 350 bps | 338 bps | 325 bps | 313 bps | 300 bps |
| Term loan B | >= 7.540% | >= 0.650% | >= 0.072% | >= 0.004% | >= 0.001% |
| >= 4.0x | 500 bps | 475 bps | 450 bps | 425 bps | 400 bps |
| >= 3.0x | 467 bps | 441 bps | 415 bps | 389 bps | 363 bps |
| >= 2.0x | 433 bps | 407 bps | 382 bps | 356 bps | 330 bps |
| >= 1.0x | 400 bps | 375 bps | 350 bps | 325 bps | 300 bps |

Estimated debt conditions

- Type of debt:** Senior debt package of a term loan A (100% amortizing) and B (95% bullet; 5% amortizing); preferably covenant-lite with no call protection
- Maturity:** Maturity of six years for both senior loans
- Additional instruments:** RCF to fund partial capex (capex facility not required)
- Maximum leverage:** 6.5x EBITDA with no headroom
- Average pricing:** 3M LIBOR (zero floor) + 350 bps for the term loan A, 3M LIBOR (zero floor) + 400bps for the term loan B, 3M EURIBOR (zero floor) + 300 bps for the revolving credit facility
- Fees:** OID fee of 1.0% and upfront fee of 2.0% for total senior debt
- Particularities:** no prepayment penalties (call protection) in all types of debt

A | 6 | Business plan | Capital structure: Sources and uses

To finance the enterprise value including transaction and due diligence fees, a senior debt package with an amortizing and bullet debt component were chosen

| Sources (€k) | Option 1 | Option 2 | Option 3 |
|--------------------------------|------------------|------------------|------------------|
| Excess cash | 91,877 | 91,877 | 91,877 |
| Term loan A | 670,865 | - | - |
| Term loan B | 1,219,755 | 1,219,755 | - |
| 2nd lien | - | 670,865 | - |
| Unitranche | - | - | 1,890,620 |
| Debt | 1,982,497 | 1,982,497 | 1,982,497 |
| Subordinated loan | 1,765,949 | 1,769,303 | 1,767,131 |
| Sponsor loan | 1,177,299 | 1,179,536 | 1,178,087 |
| Family loan | 588,650 | 589,768 | 589,044 |
| Common stock | 1,765,949 | 1,769,303 | 1,767,131 |
| Sponsor equity | 1,171,652 | 1,173,888 | 1,172,440 |
| Family equity | 588,650 | 589,768 | 589,044 |
| Management equity | 5,647 | 5,647 | 5,647 |
| Equity | 3,531,898 | 3,538,607 | 3,534,261 |
| Total sources | 5,514,395 | 5,521,104 | 5,516,758 |
| Leverage | 6.5x | 6.5x | 6.5x |
| Sponsor money multiple at exit | 2.84x | 2.79x | 2.53x |

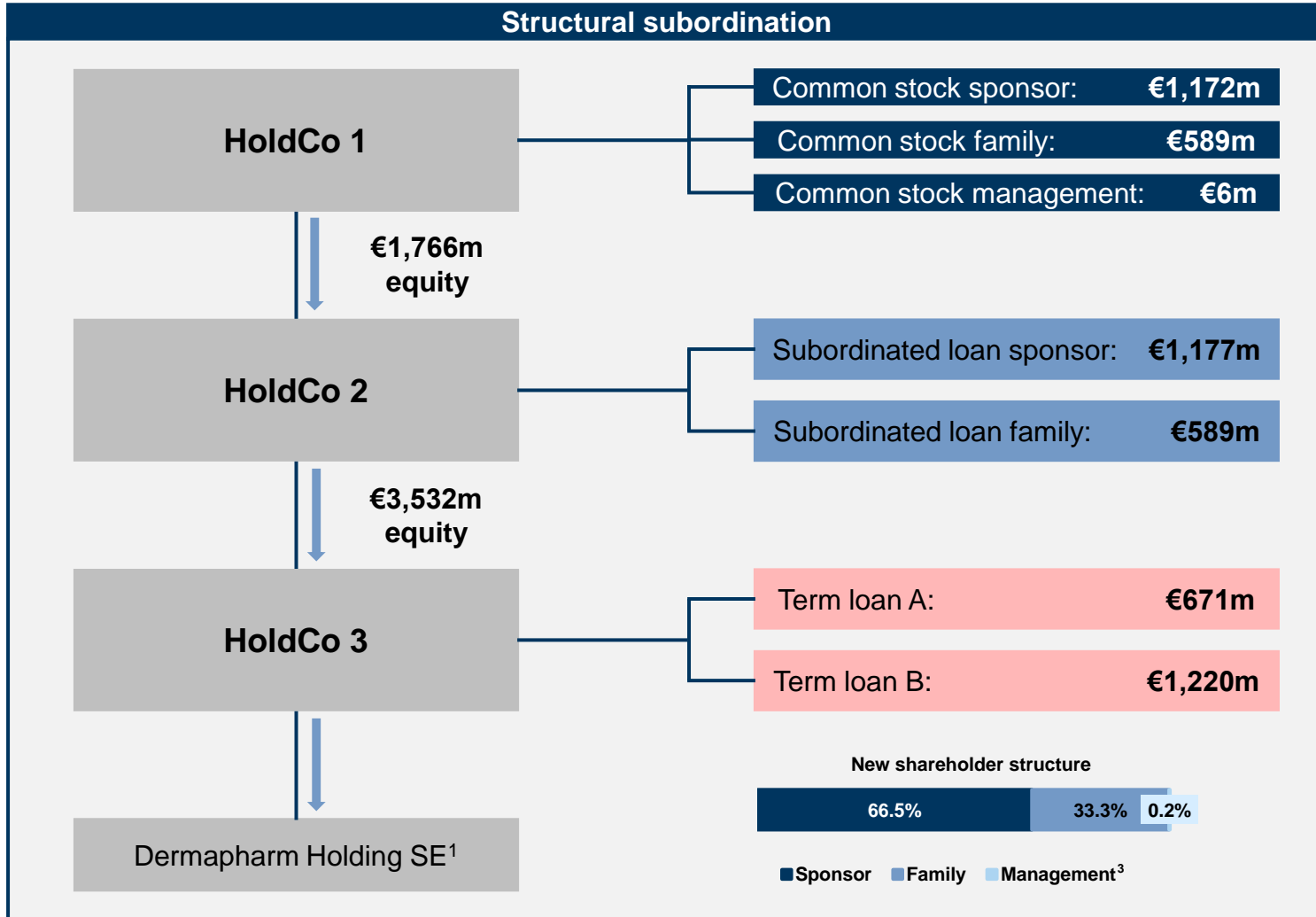
| Arguments for the choice of debt option 1 | |
|---|--|
| Securitization | <ul style="list-style-type: none"> Fully secured package over fixed assets and working capital Securitization allows for increasing the leverage per tranche |
| Covenants | <ul style="list-style-type: none"> First preference is covenant-lite; second is covenant-loose Interest is five times covered; leverage cover steadily decreases |
| Call protection | <ul style="list-style-type: none"> Soft call 101 protection for the first six months is usual First debt sweep in 2025 will not trigger prepayment penalties |
| Pros | <ul style="list-style-type: none"> High flexibility in covenant options and term A to C weighting Low costs in terms of both bank fees and original issue discount |
| Cons | <ul style="list-style-type: none"> Securitization requires more “skin in the game” Capex covenants might be sensitive to add-on acquisitions |

| Sources | xEBITDA | €k | % | Pricing | Uses | xEBITDA | €k | % |
|----------------------|--------------|------------------|-------------|-----------------|-------------------------|--------------|------------------|-------------|
| Excess cash | 0.3x | 91,877 | 2% | | Equity purchase price | 14.9x | 4,553,570 | 83% |
| Term loan A | 2.2x | 670,865 | 12% | 3M LIBOR+350bps | Debt refinancing | 2.6x | 797,994 | 14% |
| Term loan B | 4.0x | 1,219,755 | 22% | 3M LIBOR+400bps | | | | |
| Debt | 6.5x | 1,982,497 | 36% | | Enterprise value | 17.5x | 5,351,564 | 97% |
| Subordinated loan | 5.8x | 1,765,949 | 32% | 3M LIBOR+700bps | M&A and sponsor fee | 0.2x | 52,597 | 1% |
| Sponsor loan | 3.9x | 1,177,299 | 21% | | Due diligence fee | 0.2x | 52,597 | 1% |
| Family loan | 1.9x | 588,650 | 11% | | Arrangement fee (OID) | 0.1x | 19,825 | 0% |
| Common stock | 5.8x | 1,765,949 | 32% | | Financing fees | 0.1x | 37,812 | 1% |
| Sponsor equity | 3.8x | 1,171,652 | 21% | | | | | |
| Family equity | 1.9x | 588,650 | 11% | | | | | |
| Management equity | 0.0x | 5,647 | 0% | | | | | |
| Equity | 11.6x | 3,531,898 | 64% | | Total fees | 0.5x | 162,831 | 3% |
| Total sources | 18.1x | 5,514,395 | 100% | | Total uses | 18.1x | 5,514,395 | 100% |

| Comments |
|---|
| <ul style="list-style-type: none"> Excess cash (here displayed under debt) beyond the operating cash of 3% of sales is utilized to repay parts of the enterprise value, which amounts to 17.2x of 2021 EBITDA with the excess cash included Both the private equity sponsor and family Beier as the former majority shareholders issue an equity-like subordinated loan to the HoldCo 2 to achieve partial seniority to the management C. 163m in M&A, due diligence, and financing fees (capitalized) as well as in original issue discounts cover related transaction costs |

A | 6 | Business plan | Holding structure

Upon entry on 31/12/2021 the sponsor acquires the company for an entry multiple of 17.25x resulting in a total equity exposure of €2,349m



- Comments**
- The new corporate structure upon acquisition on 31/12/2021 is separated into **3 different HoldCo's** and the TargetCo, allowing for the highest transparency through structural subordination
 - HoldCo 1** holds the total common stock of **€1,766m** from the sponsor, the family and **€6m** paid in by the **management**
 - HoldCo 2** contains the other 50% of the total equity in form of a subordinated loan, split according to the percentage owned into **€1,177m** attributable to the sponsor and **€589m** to the family
 - The total debt of **€1,891m** used for the acquisition is given into the **HoldCo 3** in the form of an **amortizing debt loan (€671m)** and a **bullet debt loan (€1,220m)**
 - The **50/50 split** for the total invested equity into the **subordinated loan** as well as **common stock** was chosen to **benefit from tax savings upon exit** while not **risking** to **violate required bank covenants** or suffering from **worsening bargaining power** with suppliers
 - The German law **§4h EStG²** regulates that interest on a shareholder loan are only able to be deducted from taxes up to **30% of the current year EBITDA**
 - This upper-bound enables **€213m tax deductions according to the projected EBITDA** while accrued interest amounts to **€192m** allowing to **deduct the total amount** with even some **headroom** if the EBITDA is **lower than anticipated**.
 - Buy and Build targets** will be consolidated within in the **target corporation** (Dermapharm Holding SE)

Sources: Company filings, Bloomberg | Notes: (1) See corporate structure for detailed breakdown (2) §4h EStG (3) After the full sweet equity has been vested management holds 0.8% of the TargetCo

A | 6 | Business plan | Management incentive plan

Incentivizing with anti-dilution, higher salary caps, steady vesting, and sweet equity shall ensure interest alignment and sponsor attractiveness throughout the process

Management incentives (€k)



Dr. Hans-Georg Feldmeier (CEO)

| | |
|----------------------|--------------|
| Annual remuneration | 1,420 |
| % equity purchase | x 120% |
| Incentivation | 1,704 |



Karin Anna Samusch (CBDO)

| | |
|----------------------|--------------|
| Annual remuneration | 1,095 |
| % equity purchase | x 120% |
| Incentivation | 1,314 |



Dr. Jürgen Ott (CMO)

| | |
|----------------------|--------------|
| Annual remuneration | 1,095 |
| % equity purchase | x 120% |
| Incentivation | 1,314 |



Hilde Neumeyer (CFO)

| | |
|----------------------|--------------|
| Annual remuneration | 1,095 |
| % equity purchase | x 120% |
| Incentivation | 1,314 |

Total incentives 5,647

Sweetening of the equity (€k)

| | |
|-------------------|-------------|
| Sponsor equity | 2,348,951 |
| Sponsor shares | 66% |
| Management equity | 5,647 |
| Management shares | 1% |
| Envy ratio | 5.05 |

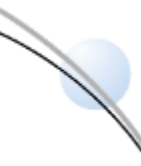
Comments

- Dermapharm's management team is one of the **key strengths of the company** making it **highly necessary to incentivize it well** to create maximum value while distinguishing with the **MIP** as one of the **most relevant characteristics to stand out** of other potential investors
- To achieve the **best possible interest alignment**, the **following measures** were chosen:
 - 🛡️ **Immediate: Ratchet clause**
To **protect any management equity stakes in place**, e.g., min. €164k of Hilde Neumeyer, a **sponsor-financed ratchet clause** acts as the anti-dilution provision for the management
 - 📊 **Short-term: Variable performance bonus**
The **total remuneration** driven by EBITDA-target-related variable salary was **capped at €2m** per executive and shall be increased by 50% to **€3m** over the investment horizon
 - 🕒 **Mid-term: Steady vesting**
In case the management exits before the equity sponsor, its **own pay-in** is always **fully disburseable** while the **sweet equity steadily vests to 100% disbursement in 2026**
 - 📈 **Long-term: Equity participation including sweet equity**
Each board member pays in equity of **120% their annual salary** (c. **€6m management equity**); an **envy ratio of 5** leads raises the equity share from 0.2% to 0.8%

| Management ROI (€k) | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
|------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Management equity | 5,546 | 11,645 | 21,149 | 36,922 | 60,007 | 68,258 | 76,330 |
| Management equity | 3,081 | 4,479 | 6,220 | 8,791 | 12,001 | 13,652 | 15,266 |
| Sweet equity | 2,465 | 7,166 | 14,929 | 28,131 | 48,005 | 54,606 | 61,064 |
| Investment in 2021 | (5,647) | (5,647) | (5,647) | (5,647) | (5,647) | (5,647) | (5,647) |
| Absolute return | (102) | 5,997 | 15,502 | 31,275 | 54,359 | 62,611 | 70,683 |
| IRR (%) | -1.8% | 43.6% | 55.2% | 59.9% | 60.4% | 51.5% | 45.0% |
| Money multiple | 1.0x | 2.1x | 3.7x | 6.5x | 10.6x | 12.1x | 13.5x |

A | 6 | Business plan | IC case: Top-line forecast

Revenue growth is achieved by focusing on expanding growth segments while adding on inorganic revenues with a distinct strategic fit to the business model



| Revenues (€k) | 2021E | 2022P | 2023P | 2024P | 2025P | 2026P | 2027P | 2028P | CAGR |
|--|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|--------------|
| Standalone revenues | 893,593 | 721,781 | 794,958 | 891,148 | 1,025,485 | 1,225,988 | 1,314,354 | 1,397,039 | 14.1% |
| Branded pharmaceuticals | 586,828 | 644,545 | 713,088 | 804,366 | 933,496 | 1,128,479 | 1,211,970 | 1,290,560 | 14.9% |
| Vitamins, minerals, and food supplements | 106,240 | 113,336 | 120,906 | 128,982 | 137,597 | 146,787 | 156,591 | 167,051 | 8.1% |
| Dermatology | 103,320 | 119,465 | 144,114 | 182,759 | 244,534 | 344,673 | 356,924 | 369,611 | 25.3% |
| <i>Hyperthermic medical device</i> | 21,000 | 34,107 | 55,606 | 90,985 | 149,373 | 246,000 | 254,610 | 263,521 | 50.5% |
| <i>Other products</i> | 82,320 | 85,358 | 88,508 | 91,774 | 95,161 | 98,673 | 102,314 | 106,090 | 4.4% |
| Allergology | 82,940 | 88,575 | 94,594 | 101,021 | 107,885 | 115,215 | 123,044 | 131,404 | 8.2% |
| Pain & inflammation | 61,920 | 68,926 | 76,724 | 85,405 | 95,068 | 105,824 | 117,797 | 131,125 | 13.7% |
| Cardiovascular support | 36,000 | 37,385 | 38,823 | 40,316 | 41,867 | 43,477 | 45,150 | 46,887 | 4.6% |
| Gynaecological & urological compounds | 15,520 | 15,831 | 16,149 | 16,473 | 16,803 | 17,140 | 17,484 | 17,835 | 2.4% |
| BioNTech cooperation | 110,000 | 121,770 | 134,799 | 149,223 | 165,190 | 182,865 | 202,432 | 224,092 | 13.0% |
| Direct sales add-on revenues | - | 6,597 | 12,502 | 23,849 | 46,305 | 92,294 | 110,339 | 118,292 | 78.1% |
| Others | 70,888 | 72,660 | 74,477 | 76,339 | 78,247 | 80,203 | 82,208 | 84,264 | 3.0% |
| Parallel import business | 233,901 | - | - | - | - | - | - | - | 0.0% |
| Herbal extracts | 72,864 | 77,236 | 81,870 | 86,782 | 91,989 | 97,508 | 102,384 | 106,479 | 6.6% |
| Acquisition revenue | - | 76,250 | 147,410 | 193,827 | 304,958 | 355,933 | 384,996 | 416,492 | 40.4% |
| PharmaSGP Arzneimittel GmbH | - | 76,250 | 83,722 | 91,927 | 100,936 | 110,827 | 121,688 | 133,614 | 11.9% |
| OmniVision GmbH | - | 61,439 | 65,248 | 69,294 | 73,590 | 78,152 | 82,998 | 88,144 | 7.5% |
| BEDROCAN INTERNATIONAL B.V. | - | 36,393 | 63,688 | 101,900 | 130,432 | 166,953 | 180,310 | 194,734 | 39.9% |
| Total revenues | 893,593 | 798,031 | 942,368 | 1,084,975 | 1,330,443 | 1,581,921 | 1,699,350 | 1,813,531 | 17.8% |

Comments

Dermatology sales are starkly driven by the expansion of Dermapharm's hyperthermic devices

BioNTech cooperation will lead to sustainable vaccine add-on revenue (confirmed by management)

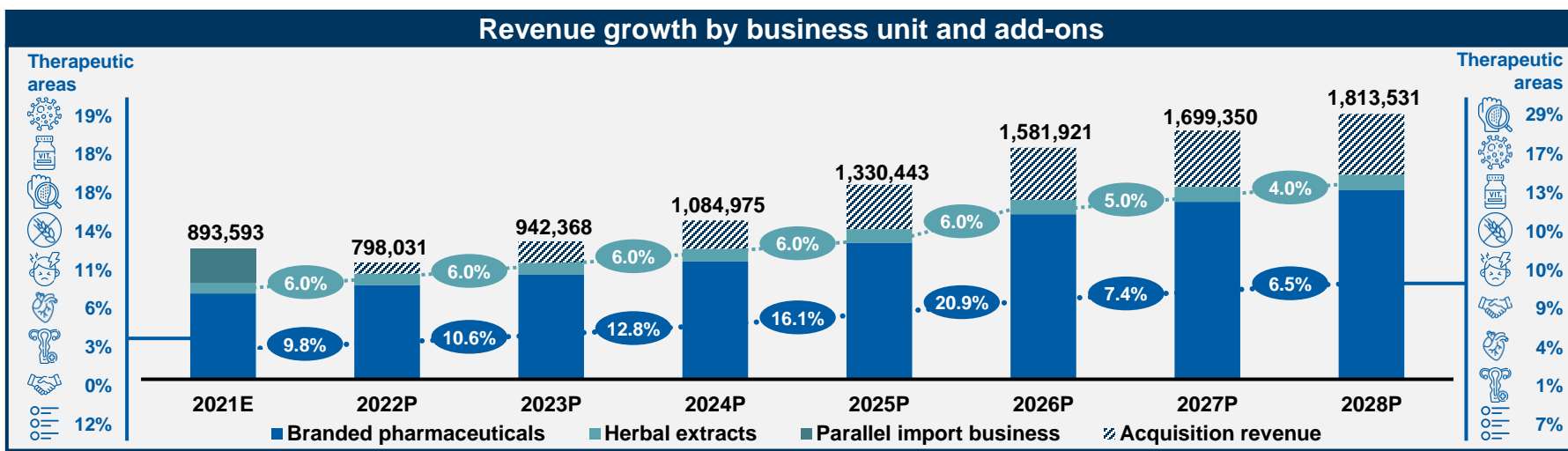
Vitamins, minerals, food, supplements, allergology as well as **pain and inflammation** grow by **2 pp. p.a. above market** due to R&D in the **core growth areas**

Direct sales growth due to more capacity

Cardiovascular diseases, gynecologicals and urologicals, and other products of Dermapharm grow at their **market growth rates** of 3.9%, 2.0%, and 2.5%, respectively, p.a.

Herbal extracts sales of Euromed grow with the **market growth** at **c. 6%** annually driven by **increased lifestyle revenues**

M&A add-ons will nurture growth, i.a., **Bedrocan's sales** growing by **c. 28% p.a.** due to cannabis legalization in Germany



Sources: Company filings, management team, Euromonitor, marketresearch.com, Fortune Business Insights, Trading Economics

A | 6 | Business plan | IC case: Bottom-line forecast

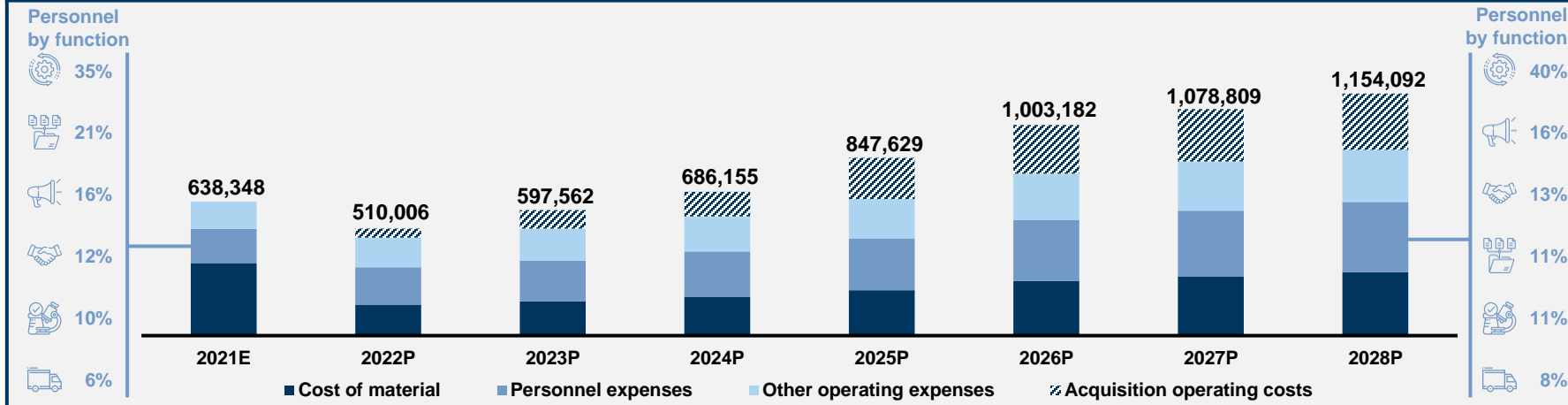
Apart from minor improvements in personnel expenses, the optimized cost structure following the divestment of axicorp supports the EBITDA growth

| Operating costs (€k) | 2021E | 2022P | 2023P | 2024P | 2025P | 2026P | 2027P | 2028P | CAGR |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------|
| Total revenues | 893,593 | 798,031 | 942,368 | 1,084,975 | 1,330,443 | 1,581,921 | 1,699,350 | 1,813,531 | 10.6% |
| Other operating income and similar | 49,693 | 40,703 | 43,400 | 46,754 | 53,627 | 61,257 | 65,954 | 70,555 | 5.1% |
| Total output | 943,287 | 838,734 | 985,768 | 1,131,729 | 1,384,070 | 1,643,177 | 1,765,303 | 1,884,087 | 10.4% |
| Cost of material | (346,012) | (152,463) | (193,497) | (230,069) | (302,821) | (363,824) | (393,021) | (421,938) | 2.9% |
| % of revenues | 38.7% | 19.1% | 20.5% | 21.2% | 22.8% | 23.0% | 23.1% | 23.3% | -7.0% |
| Gross profit | 597,275 | 686,271 | 792,270 | 901,660 | 1,081,250 | 1,279,353 | 1,372,283 | 1,462,148 | 13.6% |
| % of revenues | 66.8% | 86.0% | 84.1% | 83.1% | 81.3% | 80.9% | 80.8% | 80.6% | 2.7% |
| Personnel expenses | (163,387) | (181,891) | (209,655) | (239,985) | (286,740) | (340,658) | (366,411) | (392,352) | 13.3% |
| % of revenues | 18.3% | 22.8% | 22.2% | 22.1% | 21.6% | 21.6% | 21.6% | 21.6% | 2.4% |
| <i>Personnel expenses of Dermapharm</i> | <i>(163,387)</i> | <i>(177,342)</i> | <i>(193,533)</i> | <i>(214,913)</i> | <i>(245,152)</i> | <i>(290,327)</i> | <i>(312,552)</i> | <i>(334,077)</i> | 10.8% |
| # Production employees | 748 | 826 | 910 | 1,019 | 1,173 | 1,401 | 1,501 | 1,595 | 11.4% |
| # Direct sales branded pharma employees | 250 | 300 | 330 | 363 | 399 | 439 | 483 | 531 | 11.4% |
| # Marketing excl. direct sales branded pharma | 341 | 369 | 396 | 439 | 510 | 632 | 648 | 653 | 9.7% |
| # Administration employees | 455 | 455 | 455 | 455 | 455 | 455 | 455 | 455 | 0.0% |
| # Logistics employees | 130 | 158 | 174 | 196 | 225 | 269 | 288 | 307 | 13.0% |
| # Product development employees | 155 | 216 | 238 | 267 | 307 | 368 | 394 | 419 | 15.3% |
| <i>Personnel expenses of acquisitions</i> | <i>0</i> | <i>(4,549)</i> | <i>(16,122)</i> | <i>(25,072)</i> | <i>(41,588)</i> | <i>(50,330)</i> | <i>(53,859)</i> | <i>(58,275)</i> | 53.0% |
| Other operating expenses | (128,949) | (175,652) | (194,410) | (216,101) | (258,069) | (298,700) | (319,377) | (339,801) | 14.8% |
| % of revenues | 14.4% | 22.0% | 20.6% | 19.9% | 19.4% | 18.9% | 18.8% | 18.7% | 3.8% |
| Total EBITDA | 304,939 | 328,728 | 388,205 | 445,574 | 536,441 | 639,996 | 686,495 | 729,995 | 13.3% |
| EBITDA margin | 32.3% | 39.2% | 39.4% | 39.4% | 38.8% | 38.9% | 38.9% | 38.7% | |

Comments

- Cost of material**, as a variable cost, are expected to develop **parallelly to sales** with sensitive **adjustments possible** in the course of the **BioNTech partnership**
- Production employees** will increase in line with production (material expenses)
- Marketing employees** expand due to branded pharma product roll-outs
- Direct sales and branded pharma employee** expenses increase significantly driven by an instant 20% expansion of the direct salesforce as Dermapharm's USP
- Administration employees** remain steady over the investment horizon; only employees from acquisitions are added
- R&D employees** are increasing as an M&A team works hand in hand with an R&D team for a two-fold market entry
- Logistic employees** rise in number due to the ongoing BioNTech cooperation
- Other operating expenses** rise steadily
- Acquisition operating costs** are forecasted individually; administrative headcount receives one-time adjustment

Operating cost growth by cost type and add-ons (€k)



Sources: Company filings, management team, Bundesanzeiger, BvD Orbis, Zephyr

A | 6 | Business plan | IC case: Cash flows and deleveraging

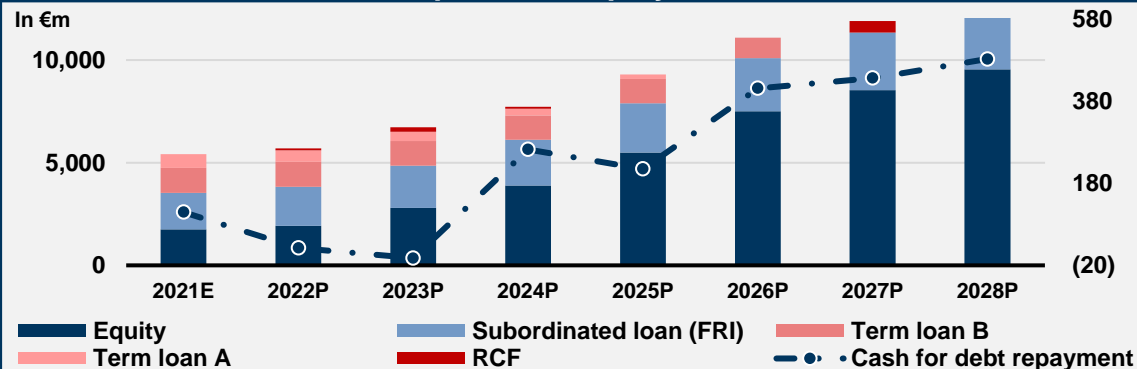
Strong cash flow generation allows to repay 48% of term loan A and B during the investment period, following both organic and inorganic growth efforts

| IC case (€m) | 2021E | 2022P | 2023P | 2024P | 2025P | 2026P | 2027P | 2028P | CAGR |
|---|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|
| Core EBIT | 257 | 279 | 339 | 397 | 488 | 592 | 637 | 681 | 13.6% |
| 1 Interest | | (72) | (71) | (66) | (58) | (47) | (28) | (9) | -25.1% |
| Taxes | (71) | (50) | (65) | (80) | (104) | (132) | (148) | (163) | 18.3% |
| Net Income | 186 | 157 | 203 | 251 | 326 | 413 | 462 | 508 | 18.3% |
| 2 (+) D&A | 45 | 48 | 44 | 43 | 43 | 43 | 49 | 49 | 0.4% |
| Gross cash flow | 231 | 205 | 247 | 294 | 369 | 455 | 510 | 558 | 15.4% |
| 3 (-) Change in NWC | (39) | 61 | (19) | 13 | (3) | 10 | (13) | (12) | |
| 4 (-) Maintenance CAPEX | (53) | (21) | (25) | (24) | (29) | (24) | (29) | (29) | 4.9% |
| 5 (-) Expansion CAPEX | (29) | (223) | (205) | (21) | (122) | (30) | (32) | (35) | -23.3% |
| Total CAPEX as % of revenues | 12% | 29% | 23% | 4% | 11% | 3% | 3% | 3% | |
| Levered free cash flow | 110 | 23 | (2) | 263 | 215 | 411 | 436 | 482 | 54.7% |
| 6 Cash for debt repayment | 110 | 23 | (2) | 263 | 215 | 411 | 436 | 482 | 54.7% |
| FCF return as % of revenues | 16% | 3% | 0% | 23% | 16% | 25% | 25% | 26% | 37.8% |
| FCF as % of EBITDA | 37% | 7% | -1% | 59% | 40% | 64% | 64% | 66% | 38.1% |
| Net debt (incl. sub loan) | 3,657 | 3,770 | 3,927 | 3,831 | 3,798 | 3,585 | 3,359 | 3,103 | -2.7% |
| Excess of cash | - | - | - | - | - | - | - | - | |
| RCF | 0 | 94 | 220 | 82 | - | - | 557 | 77 | |
| Term loan A | 671 | 559 | 447 | 335 | 217 | - | - | - | |
| Term loan B | 1,220 | 1,210 | 1,199 | 1,189 | 1,179 | 990 | - | - | |
| 7 Subordinated loan (FRI) | 1,766 | 1,907 | 2,060 | 2,225 | 2,403 | 2,595 | 2,802 | 3,027 | |
| Equity | 1,766 | 1,927 | 2,801 | 3,890 | 5,498 | 7,506 | 8,538 | 9,547 | 25.7% |
| Equity (incl. Subordinated loan) | 3,532 | 3,834 | 4,861 | 6,115 | 7,900 | 10,100 | 11,340 | 12,574 | 18.5% |

Comments

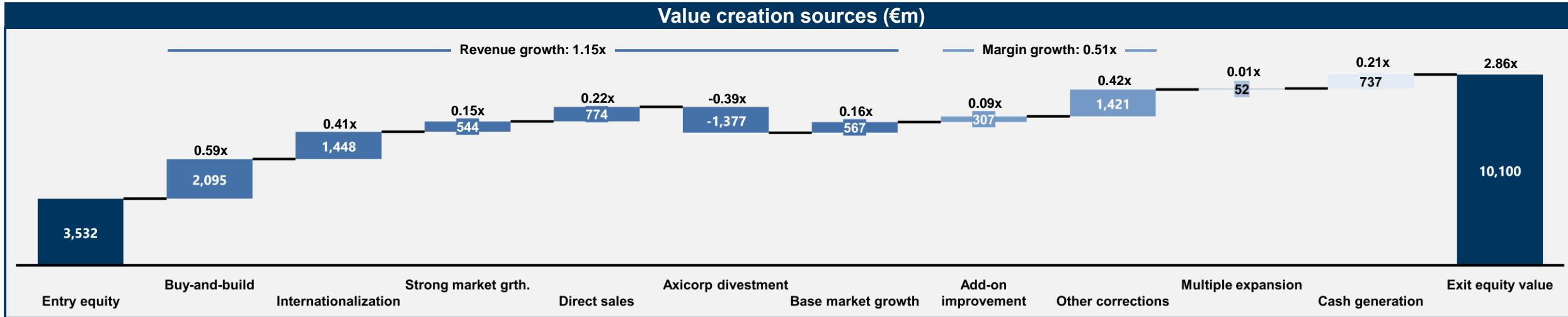
- 1 **Mainly interests for service of term loan A, B and the RCF; after repaying the RCF drawn in years 2022 and 2023 in 2024, strong cash flows allow for cash sweeps of term loan A and B, amounting to €290m**
- 2 **Total D&A remain on the same level after the acquisition as previous investments in tangibles and intangibles do not require extensive subsequent expansion capex**
- 3 **Divestment of Axicorp in 2022 will lead to total cash inflows of €62m of which €52m account for inventories and receivables; increasing working capital needs from growth are to some extent offset by legacy COVID-effects and leaner inventory management which will decrease DIO from 531 to 247 following the competitor benchmarking and previous stock piling as result of demand and portfolio shifts**
- 4 **Maintenance capex only includes changes in PP&E, software, licences and patents, and capitalized financing fees; due to large investments in modernization and maintenance in previous years, subsequent maintenance capex needs are reduced**
- 5 **Expansion capex mainly includes goodwill changes and PP&E of the acquisitions, but also capitalized development costs for marketing authorizations and their expansion; in total, the three acquisitions planned for 2022, 2023 and 2025 will lead to cash outflows of €572m (including NWC)**
- 6 **Cash available for debt repayments are solid and suffer only minor deteriorations due to acquisitions; over the investment period, Dermapharm will generate €910m of cash which will be mainly used to amortize term loan A and B**
- 7 **The subordinated loan is issued over a horizon of 10 years but will be repaid with the exit; it was considered as net debt to highlight its seniority over common stock; hence, it splits the equity gain for subordinated loan holders and the one gained for common stock holders¹; at exit, the equity value incl. sub loan will figure €10bn**

Development of equity and debt



A | 7 | Exit and returns | Value creation bridge

Value creation mainly results from revenue growth, especially buy-and-build, while margin growth nurtures equity value as the second-largest value lever



Revenue growth

- Applying buy-and-build by acquiring **PharmaSGP**, **OmniVision**, and **Bedrocan** accounts for the majority of **c. 31.9% of total value creation**
- The **internationalization** of the **hyperthermic medical devices** bite away, Herpotharm, and EPIIVO drives **c. 22.0% of value creation**
- Margin growth** (captured in other corrections) and **deleveraging** from Axicorp sale offset its revenue gap

Margin growth

- The **reduction of headcount** and **material expenses** due to economies of scale during the acquisition of the three add-on companies allows for a **value creation of c. 0.09x**
- Additionally, the **forecast corrected inefficiencies** such as marketing expenses, contributions, fees, and charges as well as legal, consulting and audit fees thanks to the **insourcing of M&A capabilities**

Multiple expansion

- The **entry valuation** is based on a **sum-of-the-parts** multiple valuation for the three business units paired with an overall DCF valuation
- By **divesting Axicorp**, the EBITDA of the **parallel import business** would **not influence** the sum-of-the-parts valuation
- However, **Axicorp's sale** does not pay off due to multiple expansion but due to **margin and multiple growth**

Cash generation

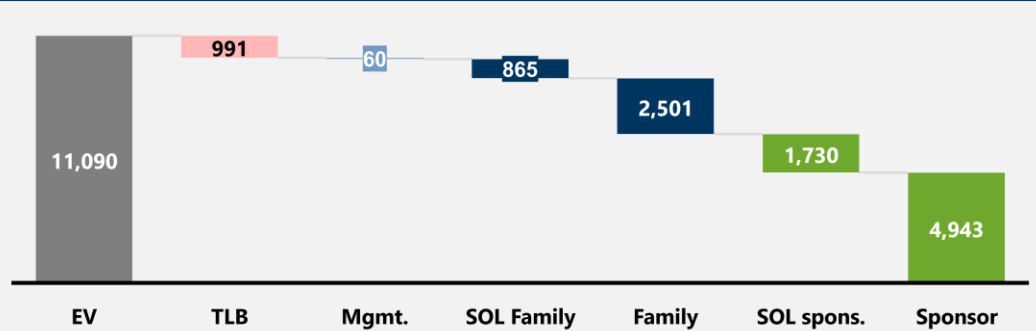
- Cash generation** results from both the **repayment of credit facilities** as well as the **payment of interest** on the **shareholder loans** for the private equity sponsor and family Beier as the co-investor
- Generated cash** is also **reinvested** into add-on companies
- All in all, the value creation source accounts for **c. 11.2% of total value creation** within the investment period

Sources: Company filings

A | 7 | Exit and returns | Return breakdown

The LBO-model expects an appealing money multiple of 2.84x with an IRR of 23.2% for the holding period of 5 years for the sponsor until 2026

Exit waterfall (€m)



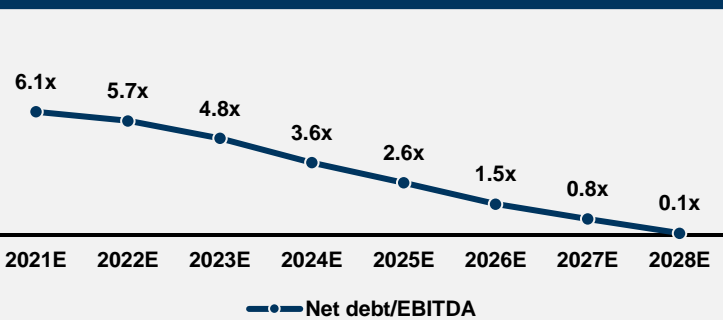
- The implied enterprise value at the planned exit year 2026 measures **€11.09bn** with an exit multiple of **17.33x** on an EBITDA of €640m
- A multiple expansion from the **17.25x** entry multiple to the 17.33x exit multiple is assumed due to the divestment of the parallel import business as well as a **different EBITDA split in 2026**

| Sponsor ROI (€k) | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sponsor equity | 2,550,534 | 3,228,874 | 4,055,411 | 5,230,066 | 6,673,632 | 7,491,820 | 8,306,307 |
| Investment in 2021 | (2,348,951) | (2,348,951) | (2,348,951) | (2,348,951) | (2,348,951) | (2,348,951) | (2,348,951) |
| Absolute return | 201,583 | 879,923 | 1,706,459 | 2,881,114 | 4,324,681 | 5,142,868 | 5,957,356 |
| IRR (%) | 8.6% | 17.2% | 19.9% | 22.1% | 23.2% | 21.3% | 19.8% |
| Money multiple | 1.1x | 1.4x | 1.7x | 2.2x | 2.84x | 3.2x | 3.5x |

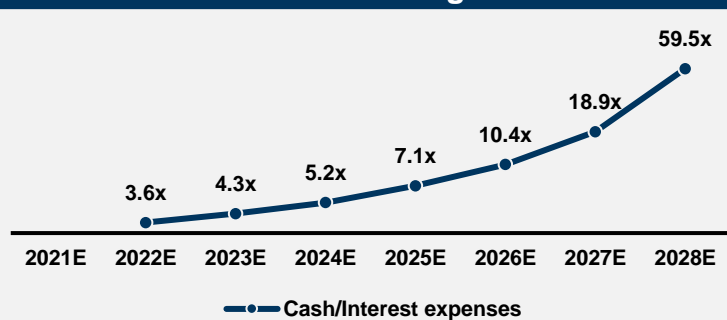
| Family ROI (€k) | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Family equity | 1,278,040 | 1,620,259 | 2,038,280 | 2,633,494 | 3,366,819 | 3,780,039 | 4,191,318 |
| Investment in 2021 | (1,177,299) | (1,177,299) | (1,177,299) | (1,177,299) | (1,177,299) | (1,177,299) | (1,177,299) |
| Absolute return | 100,741 | 442,960 | 860,981 | 1,456,195 | 2,189,520 | 2,602,739 | 3,014,019 |
| IRR (%) | 8.6% | 17.3% | 20.1% | 22.3% | 23.4% | 21.4% | 19.9% |
| Money multiple | 1.1x | 1.4x | 1.7x | 2.2x | 2.86x | 3.2x | 3.6x |

- The estimated exit returns an appealing money multiple of **2.84x** with an IRR of **23.2%** for the holding period of 5 years until 2026 **for the sponsor**
- For the **family** the exit yields a **slightly higher money multiple** of **2.86x** and an IRR **23.4%**, which **due to the sweet equity given to the management** by the sponsor

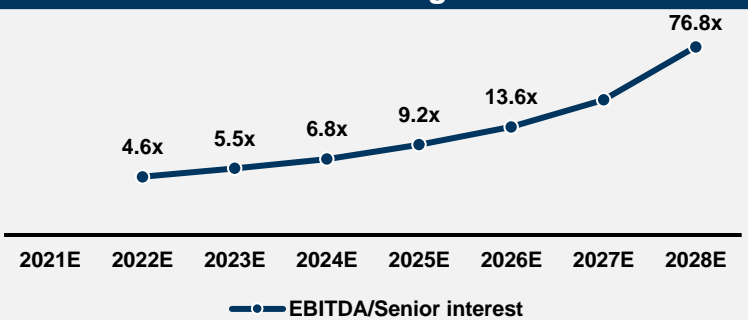
Net debt/EBITDA



Cash coverage



Interest coverage ratio



A | 7 | Exit and returns | Sensitivity analyses: Sponsor returns

The proposed investment is highly sensitive towards its entry and exit multiple; entering for 0.5x less or exiting for 0.5x more leads to a min. 0.1x return expansion

| Management case | Multiple expansion | | | | | | Exit timing | | | | | Leverage conditions | | | | | | | | |
|-----------------|--------------------|---------------|-------|-------|-------|-------|---------------|-----------|-------|-------|-------|---------------------|----------------|-------------------|-------|-------|-------|-------|-------|-------|
| | Entry multiple | Exit multiple | | | | | Exit multiple | Exit year | | | | | Entry multiple | Senior debt level | | | | | | |
| | | 16.3x | 16.8x | 17.3x | 17.8x | 18.3x | | 2024 | 2025 | 2026 | 2027 | 2028 | | 5.2x | 5.7x | 6.2x | 6.7x | 7.2x | | |
| 16.2x | 3.7x | 3.8x | 3.9x | 4.1x | 4.2x | 16.3x | 22.5% | 25.5% | 27.6% | 25.4% | 23.5% | 16.2x | 29.2% | 30.4% | 31.6% | 32.8% | 34.1% | | | |
| 16.7x | 3.5x | 3.6x | 3.8x | 3.9x | 4.0x | 16.8x | 24.1% | 26.6% | 28.4% | 26.0% | 24.0% | 16.7x | 28.1% | 29.2% | 30.3% | 31.5% | 32.8% | | | |
| 17.2x | 3.4x | 3.5x | 3.6x | 3.7x | 3.8x | 17.3x | 25.6% | 27.6% | 29.2% | 26.6% | 24.5% | 17.2x | 27.1% | 28.1% | 29.2% | 30.3% | 31.5% | | | |
| 17.7x | 3.2x | 3.3x | 3.4x | 3.6x | 3.7x | 17.8x | 27.0% | 28.7% | 30.0% | 27.3% | 25.0% | 17.7x | 26.1% | 27.1% | 28.1% | 29.1% | 30.3% | | | |
| 18.2x | 3.1x | 3.2x | 3.3x | 3.4x | 3.5x | 18.3x | 28.5% | 29.7% | 30.8% | 27.9% | 25.5% | 18.2x | 25.1% | 26.1% | 27.0% | 28.0% | 29.1% | | | |
| IC case | Entry multiple | Exit multiple | | | | | Exit multiple | Exit year | | | | | Entry multiple | Senior debt level | | | | | | |
| | | 16.3x | 16.8x | 17.3x | 17.8x | 18.3x | | 2024 | 2025 | 2026 | 2027 | 2028 | | 5.2x | 5.7x | 6.2x | 6.7x | 7.2x | | |
| | | 2.9x | 3.0x | 3.1x | 3.2x | 3.3x | | 16.3x | 17.0% | 20.0% | 21.6% | 20.1% | | 18.7% | 16.2x | 23.3% | 24.3% | 25.5% | 26.7% | 27.9% |
| | | 2.8x | 2.9x | 3.0x | 3.1x | 3.2x | | 16.8x | 18.5% | 21.1% | 22.4% | 20.7% | | 19.3% | 16.7x | 22.2% | 23.2% | 24.3% | 25.4% | 26.6% |
| | | 2.7x | 2.8x | 2.8x | 2.9x | 3.0x | | 17.3x | 19.9% | 22.1% | 23.2% | 21.3% | | 19.8% | 17.2x | 21.2% | 22.2% | 23.2% | 24.3% | 25.4% |
| | | 2.6x | 2.6x | 2.7x | 2.8x | 2.9x | | 17.8x | 21.4% | 23.2% | 24.0% | 21.9% | | 20.2% | 17.7x | 20.3% | 21.2% | 22.2% | 23.2% | 24.2% |
| 18.2x | 2.4x | 2.5x | 2.6x | 2.7x | 2.8x | 18.3x | 22.8% | 24.2% | 24.7% | 22.5% | 20.7% | 18.2x | 19.4% | 20.2% | 21.2% | 22.1% | 23.1% | | | |
| Bank case | Entry multiple | Exit multiple | | | | | Exit multiple | Exit year | | | | | Entry multiple | Senior debt level | | | | | | |
| | | 16.1x | 16.6x | 17.1x | 17.6x | 18.1x | | 2024 | 2025 | 2026 | 2027 | 2028 | | 5.2x | 5.7x | 6.2x | 6.7x | 7.2x | | |
| | | 2.0x | 2.1x | 2.2x | 2.2x | 2.3x | | 16.3x | 9.4% | 12.2% | 13.3% | 12.7% | | 12.2% | 16.2x | 14.6% | 15.6% | 16.6% | 17.8% | 18.9% |
| | | 1.9x | 2.0x | 2.1x | 2.1x | 2.2x | | 16.8x | 10.9% | 13.2% | 14.1% | 13.4% | | 12.7% | 16.7x | 13.6% | 14.6% | 15.6% | 16.6% | 17.7% |
| | | 1.8x | 1.9x | 2.0x | 2.0x | 2.1x | | 17.3x | 12.4% | 14.3% | 14.9% | 14.0% | | 13.2% | 17.2x | 12.7% | 13.6% | 14.5% | 15.5% | 16.6% |
| | | 1.8x | 1.8x | 1.9x | 2.0x | 2.0x | | 17.8x | 13.8% | 15.3% | 15.7% | 14.6% | | 13.7% | 17.7x | 11.8% | 12.7% | 13.6% | 14.5% | 15.5% |
| 18.2x | 1.7x | 1.8x | 1.8x | 1.9x | 1.9x | 18.3x | 15.2% | 16.3% | 16.4% | 15.2% | 14.1% | 18.2x | 11.0% | 11.8% | 12.6% | 13.5% | 14.5% | | | |

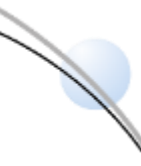
Sources: Company filings

A | 7 | Exit and returns | Exit options

From four assessed possible exit options, a secondary buyout and a trade sale are the most desirable and realistic opportunities and hence highly recommended

| | Secondary buyout | Trade sale | IPO | Recapitalization by family |
|-----------------|---|--|---|--|
| Potential buyer | | | | |
| Rationale | <ul style="list-style-type: none"> Already high interest in buyout from private equity funds in the past All-time highs for dry powder available in the market (\$2.3tn as of 01/2021) Due to the high exit valuation, the buyout could be performed by (a) a club-deal by multiple funds or (b) a single fund with a large commitment | <ul style="list-style-type: none"> Excess cash forces large players to invest their cash to avoid opportunity cost Possibility to acquire a leading position in niche markets with strong growth prospects Synergies in the areas of supply chain and economies of scale in production and material acquisition | <ul style="list-style-type: none"> Appropriate size for a direct placement in the MDAX with a highly experienced management team Attractive since the family and management can keep their stake Going public at the MDAX by (a) a standard IPO or (b) by using a SPAC to reduce cost and time | <ul style="list-style-type: none"> The family recapitalizes the company by buying back the sponsor equity and regains control of the company The family already owns a significant stake and stays involved during the holding period |
| Pros | <ul style="list-style-type: none"> Professional and fast sales process Still high growth prospects and returns Shortlist from prev. interested funds | <ul style="list-style-type: none"> Generally higher return than secondary buyout due to synergy realization Very large potential acquirors | <ul style="list-style-type: none"> Highest possible return Acts as an advertisement for the company and benefits all stakeholders | <ul style="list-style-type: none"> Fastest possible sale process |
| Cons | <ul style="list-style-type: none"> Private equity funds are likely to pressure the valuation multiple as much as possible | <ul style="list-style-type: none"> Synergy creation must be assessed individually | <ul style="list-style-type: none"> High placement fees Time intensive Depended on market | <ul style="list-style-type: none"> Unlikely due to the very high implied exit value |
| Recc. | <p>↑ Highly recommended</p> | <p>↑ Highly Recommended</p> | <p>↗ Recommended</p> | <p>↓ Not recommended</p> |

A | 8 | Due diligence | Overview



While Dermapharm offers an attractive investment case, selected pain points, mainly commercial- and legal-wise, have to be assessed in the due diligence

| | Topic | Description and potential red flags | Mitigation strategies | Relevance |
|------------|---------------------------------|---|---|-----------|
| HR | Direct sales recruitment | Inability to attract experienced sales force; overestimating the marginal benefits of additional sales employees | Increasing remuneration and work-life-balance; assessing benefit of in more detail | ● ● ● ● ● |
| Commercial | Brand awareness | Unsuccessful addressing of the products' target groups leading to inability to strengthen sales in a targeted way | Reidentification of the target group of the respective products and dedicated marketing towards it | ● ● ● ● ● |
| | M&A reliability | Dermapharm being heavily reliant on successful add-on acquisitions to sustain past growth levels | In case of few acquisition opportunities, capital will be reallocated to R&D as second market entry strategy | ● ● ● ● ● |
| | COVID-19 vaccines | Unsustainability of COVID vaccination market over the investment period lowers value creation | Deepening BioNTech partnership beyond the vaccine production to exploit further potential | ● ● ● ● ● |
| | Top products | Business model is sensitive to cluster risk since 5 products account for roughly 30% of branded pharma revenues | Diversifying by internationalizing with Euromed as well as adding new therapeutical segments, e.g., cannabis | ● ● ● ● ● |
| Financial | Entry valuation | Due to COVID-biased market situation, the current EBITDA-level might not be sustainable | Considering an earn-out structure as an alternative structure to reassure fair entry price | ● ● ● ● ● |
| | Inventories | No plannability of production and demand on product level; increased level as hint at greater inadequacies | Optimize operational planning and increase order book forecast; estimation of balance sheet fair values | ● ● ● ● ● |
| Law | (Non-EU) regulation | Dependence on approval process driven by German and EU regulation, potentially hurdling internationalization | Extensive expertise in R&D and regulatory approval processes; legal capability inclusion in global sales team | ● ● ● ● ● |
| ESG | Environmental impact | Pharma companies (acquisitions) might have negative environmental effects, creating backlash | C-level is conscious of potential environmental impact and keeps on improving ESG-compliance | ● ● ● ● ● |

Individual Part

1 | Executive summary

Investing into Dermapharm is recommended and yields an IRR of c. 23.2% if a fair valuation can be assured by (a) a family re-investment¹ or (2) an earn-out structure²

About Dermapharm

Dermapharm (ETR: DMP), founded in **1991** and based in **Grünwald** (Germany) with **2,311 employees**, develops, produces, and distributes

- Branded pharmaceuticals** (9%)
- Herbal extracts** (32%)
- Parallel import pharmaceuticals** (59%)

as **prescription, over-the-counter pharmaceuticals** and healthcare products through its main sales channels, **pharmacies** and **wholesalers**, which supply patients either directly or indirectly through hospitals.

| Financials (€m) | '21E | '22P | '23P | '24P | '25P | '26P |
|-----------------|------|-------|-------|-------|-------|-------|
| Total output | 704 | 839 | 986 | 1,132 | 1,384 | 1,643 |
| % growth | 23% | 19% | 18% | 15% | 22% | 19% |
| Gross profit | 570 | 686 | 792 | 902 | 1,081 | 1,279 |
| % total output | 81% | 82% | 80% | 80% | 78% | 78% |
| EBITDA | 299 | 329 | 388 | 446 | 536 | 640 |
| Organic | | 294 | 326 | 367 | 426 | 512 |
| Inorganic | | 35 | 62 | 78 | 110 | 128 |
| % total output | 42% | 39% | 39% | 39% | 39% | 39% |
| Operating FCF | 138 | 80 | 51 | 313 | 259 | 447 |
| % EBITDA | 46% | 24% | 13% | 70% | 48% | 70% |
| Sponsor IRR | | 17.2% | 19.9% | 22.1% | 23.2% | 21.3% |

Market information

Dermapharm's markets

BP (€bn): 39 (2015A), 58 (2020A), 87 (2025P) CAGR: 8%

HE (€bn): 4 (2015A), 6 (2020A), 9 (2025P) CAGR: 8%

PI (€bn): 3 (2015A), 3 (2020A), 4 (2025P) CAGR: 5%

Growth drivers

- Demographics
- Lifestyle products
- Health awareness
- Supplements
- Additives
- Sustainability
- Price pressure
- Legislation
- Healthcare spending

Investment highlights

- Ambitious management team**
12 add-ons purchases since 2017
- Robust financials**
Top-line growth CAGR of c. 12.5%
- Market leader in niche markets**
C. 14% Ø core market share
- Strong market growth**
C. 7.4% global market growth

Capital structure

| Uses and sources | | Exit ownership ³ and return | | |
|------------------|------------------|--|-------|--------|
| Sources (€m) | Uses (€m) | Holder | % | x |
| Debt 1,982 | EV 5,352 | Sponsor | 65.9% | 2.84x |
| Equity 3,532 | Fees 163 | Family | 33.3% | 2.86x |
| Sum 5,514 | Sum 5,514 | Management | 0.8% | 10.63x |

Waterfall chart showing EV (11,090) and TLB (991) leading to Mgmt. (60), SOL Family (865), Family (2,501), SOL spons. (1,730), and Sponsor (4,943).

Value creation and strategy

Entry equity: 3,532 → Sales growth: 4,051 (1.15x) → Margin...: 1,728 (0.51x) → Cash gen.: 737 (0.01x) → Exit equity: 10,100 (2.86x)

- Fostering **sales growth** mainly through buy-and-build
- Achieving **margin growth** by operational improvements
- Expanding multiples** by divesting a low-margin segment
- Fully exploiting leverage effect for **cash generation**

Sources: Company filings | Notes: (1) Chosen in this buyout case at the same entry multiple as the sponsor to ensure a fair price (2) Alternative approach to secure value creation (3) Entry ownership of sponsor of management differs due to sweet equity

1 | Company overview | Description

Dermapharm (ETR: DMP) is a leading and rapidly growing manufacturer of branded pharmaceuticals and herbal extracts with an integrated import business



About Dermapharm

Dermapharm (ETR: DMP), founded in **1991** and based in **Grünwald** (Germany) with **2,311 employees**, develops, produces, and distributes

- Branded pharmaceuticals** (9%)
- Herbal extracts** (32%)
- Parallel import pharmaceuticals** (59%)

as **prescription, over-the-counter pharmaceuticals** and healthcare products through its main sales channels, **pharmacies** and **wholesalers**, which supply patients either directly or indirectly through hospitals.

Geographical presence and revenues

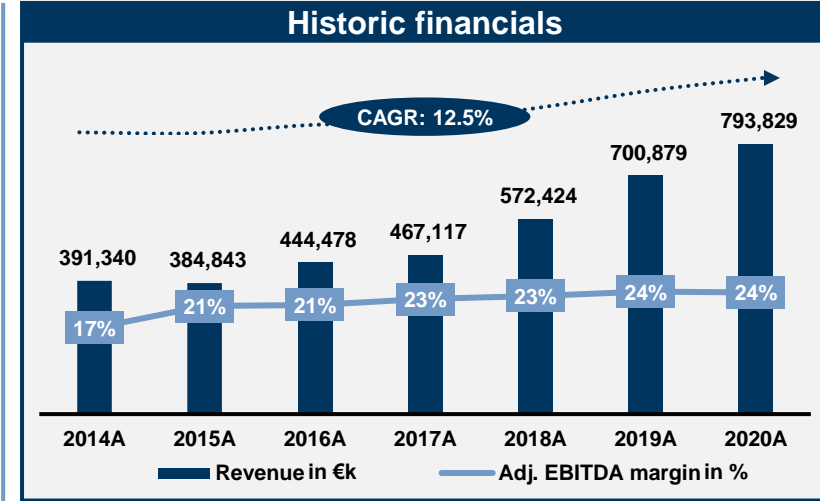
Pan Europe

Asia

Legend: ■ Core distribution locations ■ Expansion distribution locations 📍 Product roll-outs since 2018 (city not specified)

Revenues by geographies

| | | | | | | | | | |
|---------|-----|-------|-----------------|---------|----|-------------|----|----------------------------|----|
| Germany | 83% | Spain | 9% ¹ | Austria | 5% | Switzerland | 5% | Rest of world ² | 3% |
|---------|-----|-------|-----------------|---------|----|-------------|----|----------------------------|----|



Key growth drivers

- M&A activity**: 12 add-ons drove >11% of past 5-year sales growth
- Inhouse development**: reapproval of generics or partial new developments
- Internationalization**: 98% international sales of herbal extracts

Facts and figures

| | | |
|---|--|---|
| 380 Active pharmaceutical ingredients | 1,300 Marketing authorizations | >50 Products under development |
|---|--|---|




Company history

| 1991 - 2002 | 2003 - 2009 | 2010 - 2016 | 2017 - today |
|--|--|---|---|
| <ul style="list-style-type: none"> Emphasis on branded pharmaceuticals as flagship products of the company Enhancement of the already established dermatological product portfolio <p>Dermatological focus</p> | <ul style="list-style-type: none"> Acquisitions of unique brands, e.g., Zyloric®, and licensing of generic products Extension and reorganization of branded pharma therapeutic areas <p>Portfolio extension</p> | <ul style="list-style-type: none"> Start of own R&D activities and positioning in selected markets Portfolio expansion to food supplements, dietary products and health-care products <p>Selected market growth</p> | <ul style="list-style-type: none"> Acceleration in markets with low regulation, e.g., over-the-counter products Entry into the herbal extracts market Internationalization advancements <p>Growth acceleration</p> |

Sources: Company filings, Bloomberg | Note: 1 Euromed's international sales (legally obtained in Spain) | (2) Poland, Croatia, Ukraine, UK, Italy, US

1 | Company overview | Business segments

Dermapharm's business is mainly divided into three business units which operate independently and serve the same customer base on a broad level

| Segment activity | Branded pharmaceuticals | Herbal extracts | Parallel import business | | | | | | | | | | | | | | | | | |
|---|--|--|---|--|-----------------------------|---|---|-------------------------|-------------------------|--------------------------|--------------------------|----------------|-----------------------|--|-------------------|------------------------|--|---|---------------------------------|--|
| <ul style="list-style-type: none"> Production of branded pharmaceuticals, with 1,300+ market authorizations and 380+ active pharmaceutical ingredients and healthcare products, i.a., supplements and skincare products Inhouse development of niche generics and acquisitions of niche players lever further growth in less competitive markets With its well know brands, Dermapharm is a market leader in selected therapeutic areas | <ul style="list-style-type: none"> Euromed (acquired in 2019) is a producer of herbal extracts in form of raw materials for the phyto-pharma, nutraceutical, and cosmetic industry Legal entity is located in Murcia, Spain The business model combines inhouse production with B2B distribution Highly diversified business unit with 98% international sales in 43 countries to more than 300 customers | <ul style="list-style-type: none"> Import of pharmaceuticals to lever arbitrage from different pricing and free trade within the European Economic Area Legally required arbitrage business to lower Germany's statutory healthcare spending By importing, repackaging, and reselling low-margin goods from EEA states in high volume, steady cash flows are secured Leading market position due to strong sales force | | | | | | | | | | | | | | | | | | |
| <p>Successes</p> <table border="1"> <tr> <td data-bbox="28 675 473 743">#1 Dermatology¹</td> <td data-bbox="473 675 886 743">#1 Pain & inflammation¹</td> </tr> <tr> <td data-bbox="28 743 473 812">#1 Vitamins, minerals, food supplements¹</td> <td data-bbox="473 743 886 812">#1 Cardiovascular support¹</td> </tr> <tr> <td data-bbox="28 812 473 879">#3 Allergology¹</td> <td data-bbox="473 812 886 879">#10 Gynecological & urological compounds¹</td> </tr> </table> | #1 Dermatology ¹ | #1 Pain & inflammation ¹ | #1 Vitamins, minerals, food supplements ¹ | #1 Cardiovascular support ¹ | #3 Allergology ¹ | #10 Gynecological & urological compounds ¹ | <table border="1"> <tr> <td data-bbox="886 675 1294 743">~50 years of experience</td> <td data-bbox="1294 675 1702 743">98% international sales</td> </tr> <tr> <td data-bbox="886 743 1294 812">>200 stock keeping units</td> <td data-bbox="1294 743 1702 812">> 800 tons extracts sold</td> </tr> <tr> <td data-bbox="886 812 1294 879">>300 customers</td> <td data-bbox="1294 812 1702 879">Sales to 43 countries</td> </tr> </table> | ~50 years of experience | 98% international sales | >200 stock keeping units | > 800 tons extracts sold | >300 customers | Sales to 43 countries | <table border="1"> <tr> <td data-bbox="1702 675 2109 743">9.6% market share</td> <td data-bbox="2109 675 2514 743">Intercompany synergies</td> </tr> <tr> <td data-bbox="1702 743 2109 812">Top 5 parallel import business in 2020</td> <td data-bbox="2109 743 2514 812">Own call center with 190,000 calls p.a.</td> </tr> <tr> <td data-bbox="1702 812 2109 879">Business program for pharmacies</td> <td data-bbox="2109 812 2514 879">90% coverage rate of pharmacies²</td> </tr> </table> | 9.6% market share | Intercompany synergies | Top 5 parallel import business in 2020 | Own call center with 190,000 calls p.a. | Business program for pharmacies | 90% coverage rate of pharmacies ² |
| #1 Dermatology ¹ | #1 Pain & inflammation ¹ | | | | | | | | | | | | | | | | | | | |
| #1 Vitamins, minerals, food supplements ¹ | #1 Cardiovascular support ¹ | | | | | | | | | | | | | | | | | | | |
| #3 Allergology ¹ | #10 Gynecological & urological compounds ¹ | | | | | | | | | | | | | | | | | | | |
| ~50 years of experience | 98% international sales | | | | | | | | | | | | | | | | | | | |
| >200 stock keeping units | > 800 tons extracts sold | | | | | | | | | | | | | | | | | | | |
| >300 customers | Sales to 43 countries | | | | | | | | | | | | | | | | | | | |
| 9.6% market share | Intercompany synergies | | | | | | | | | | | | | | | | | | | |
| Top 5 parallel import business in 2020 | Own call center with 190,000 calls p.a. | | | | | | | | | | | | | | | | | | | |
| Business program for pharmacies | 90% coverage rate of pharmacies ² | | | | | | | | | | | | | | | | | | | |
| <p>Brands</p>  | <p>EUROMED</p> | | <p>axicorp PHARMA</p> <p>remedix</p> | | | | | | | | | | | | | | | | | |
| <p>Offering</p>  | <p>pomanox</p> <p>Wellemon</p> <p>mediteanox</p> <p>Cynamed</p> <p>Spisar</p> <p>ABA life</p> | |  | | | | | | | | | | | | | | | | | |

Source: Company filings, Insight Health | Notes: (1) Ranking according to market share according to own analysis based on Insight Health figures for H1 2021, (2) The coverage applies to all customer groups

1 | Company overview | Management

Dermapharm's management is highly experienced in its industry and achieved stellar growth in the past years boosted by employee growth in R&D and sales



Executive board

High



Dr. Hans-Georg Feldmeier, CEO (*1962 | joined in 2003)

- Gained know-how as **Chief Production & Development Officer**
- Prior experience at **Schering AG (Bayer AG)** and **Berlin Chemie**
- PhD in pharmacy** at Humboldt University in Berlin

C-level experience



Karin Anna Samusch, CBDO (*1965 | joined in 1991)

- Stations in **BD, global/regulatory affairs, pharmacovigilance**
- Prior experience in the **pharmaceutical field** at **Dorsch GmbH**
- Marketing management apprenticeship** and executive training



Dr. Jürgen Ott, CMO (*1968 | joined in 2019)

- Responsible for **marketing and sales** at Dermapharm
- Prior experience at **Bionorica SE** and **Procter & Gamble**
- PhD in Inorganic Chemistry** at Vienna University of Technology

Moderate



Hilde Neumeyer, CFO/CCO (*1967 | joined in 2020)

- Head of accounting** since 2005; escorted all add-on integrations
- Prior experience in **Novartis' accounting** department for **10 years**
- Business management training**

Ø Company tenure 17¾ years Industry expertise ●●●●●

Operational achievements (last 5y)

- Successful **IPO** in 2018
- Revenue increase** of 78.6%
- Adj. EBITDA growth** of 100.8%

Strategical achievements (last 5y)

- 12 successful **acquisitions**
- Expansion** to 22 new countries
- ~**600** new launched **products**

Supervisory board



Wilhelm Beier (*1956 | joined in 2017)

- Family owns **65.05%** of Dermapharm's shares
- Led Dermapharm's success by **selecting attractive products**
- Started his career in the **salesforce** of **ratiopharm GmbH**



Dr. Erwin Kern (*1960 | joined in 2017)

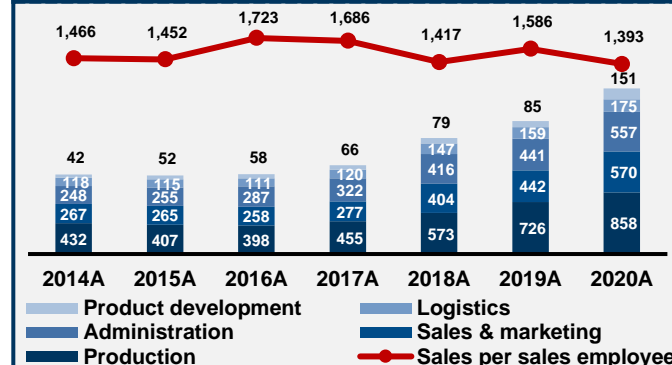
- Active in **various companies** in the **stone and earth industry**
- Managed stone- and earth-related companies** and associations
- PhD in economics** at University of Paderborn



Lothar Maximilian Kranz (*1948 | joined in 2018)

- Serves as **supervisor** for, i.a., **Axel Springer SE** and **Zalando SE**
- Former **CFO** of **ProSiebenSat.1 Media AG** and **Axel Springer AG**
- Business administration degree** at University of Stuttgart and Berlin

Employment development



- Product development employee** growth over the past years was the highest with a CAGR of c. **23.8%**
- Sales per sales employee** are **slightly decreasing** by a CAGR of a negative c. **0.8%**
- As of **09/2021**, the company has c. **50 vacancies** across the group, especially in the sales segment

1 | Company overview | Historical financials: Income statement

Past revenue growth is driven by organic base growth within the past seven years supplemented by further top-line value creation through add-on investments

| Income statement (€k) | 2014A | 2015A | 2016A | 2017A | 2018A | 2019A | 2020A |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenue | 391,340 | 384,843 | 444,478 | 467,117 | 572,424 | 700,879 | 793,829 |
| % growth | | -2% | 15% | 5% | 23% | 22% | 13% |
| Branded pharmaceuticals and other health products | | | 208,531 | 224,129 | 334,658 | 385,147 | 471,298 |
| Parallel import business | | | 235,946 | 242,988 | 237,766 | 243,462 | 250,606 |
| Herbal extracts | | | - | - | - | 72,269 | 71,924 |
| Reconciliation/group holding | | | - | - | - | - | - |
| Increase/decrease in finished goods and work-in-process | 8,300 | 2,887 | 1,007 | 180 | 4,264 | 13,779 | 19,771 |
| Own work capitalised | 8,465 | 7,983 | 8,301 | 10,487 | 10,200 | 12,632 | 13,812 |
| Total output | 408,105 | 395,713 | 453,786 | 477,784 | 586,888 | 727,290 | 827,412 |
| % growth | | -3% | 15% | 5% | 23% | 24% | 14% |
| Cost of material | (237,077) | (215,912) | (252,756) | (256,311) | (287,124) | (339,970) | (359,331) |
| Gross profit | 171,028 | 179,801 | 201,030 | 221,473 | 299,764 | 387,320 | 468,081 |
| % growth | | 5% | 12% | 10% | 35% | 29% | 21% |
| Personnel expenses | (57,676) | (55,739) | (58,749) | (64,124) | (92,257) | (114,323) | (150,220) |
| Other operating income | 2,367 | 4,653 | 4,662 | 776 | 949 | 836 | 1,793 |
| Other operating expenses | (46,846) | (44,940) | (49,879) | (50,379) | (72,585) | (99,133) | (124,770) |
| Adjusted EBITDA | 68,873 | 83,775 | 97,064 | 107,746 | 135,871 | 174,700 | 194,884 |
| % growth | | 22% | 16% | 11% | 26% | 29% | 12% |
| Adjustments | 2,671 | (91) | 4,178 | 856 | 1,965 | (5,062) | (8,867) |
| Reported EBITDA | 71,544 | 83,684 | 101,242 | 108,602 | 137,836 | 169,638 | 186,017 |
| % growth | | 17% | 21% | 7% | 27% | 23% | 10% |
| Depreciation and amortization | (28,289) | (22,921) | (14,448) | (16,161) | (25,455) | (48,748) | (44,695) |
| Adjusted EBIT | 40,584 | 60,854 | 82,616 | 91,585 | 110,416 | 125,952 | 150,189 |
| % growth | | 50% | 36% | 11% | 21% | 14% | 19% |
| Adjustments | - | - | - | (326) | (4,872) | (1,377) | (4,471) |
| Reported EBIT | 43,255 | 60,763 | 86,794 | 92,115 | 107,509 | 119,513 | 136,851 |
| % growth | | 40% | 43% | 6% | 17% | 11% | 15% |
| Result from investments measured at equity | 863 | 985 | 1,464 | 1,641 | 1,796 | (1,111) | (1,504) |
| Financial income | 3,325 | 9,365 | 7,297 | 8,392 | 3,949 | 2,736 | 565 |
| Financial expenses | (11,956) | (15,814) | (12,689) | (14,119) | (9,018) | (11,073) | (10,631) |
| EBT | 35,487 | 55,299 | 82,866 | 88,029 | 104,236 | 110,065 | 125,281 |
| % growth | | 56% | 50% | 6% | 18% | 6% | 14% |
| Income taxes | (2,244) | (2,920) | (5,871) | (10,286) | (29,011) | (32,254) | (39,357) |
| Profit or (loss) for the period | 33,243 | 52,379 | 76,995 | 77,743 | 75,225 | 77,811 | 85,924 |
| % growth | | 58% | 47% | 1% | -3% | 3% | 10% |

Comments

1 Revenues are significantly driven by inorganic growth¹:

| Year | Organically generated revenues (%) | Revenues generated by M&A (%) |
|-------|------------------------------------|-------------------------------|
| 2014A | 100% | 0% |
| 2015A | 100% | 0% |
| 2016A | 99% | 1% |
| 2017A | 98% | 2% |
| 2018A | 86% | 14% |
| 2019A | 87% | 13% |
| 2020A | 93% | 7% |

2 The acquisitions of **Trommsdorff²** and **Strathmann²** lead to more branded pharmaceuticals revenues in 2018

- Acquiring **Euromed²** in 2019, enhanced this effect and added the third business unit, herbal extracts
- In the course of the acquisition of **Allergopharma²**, the branded pharmaceuticals unit experienced high growth

3 Steadily improved purchasing conditions, insourcing, and synergies led to an improved materials expense ratio

- Consequently, **gross profit** hiked with a **CAGR of c. 18%**

4 Adj. EBITDA-margin steadily increases while acquisition-related personnel costs are rising despite restructuring

- EBITDA is adjusted³** for one-off items, largely driven by acquisition-related restructuring and asset reduction

5 While **software, licenses, patents and similar rights** accounts for most D&A, EBIT is adjusted for capitalized development costs, which reflect an impairment

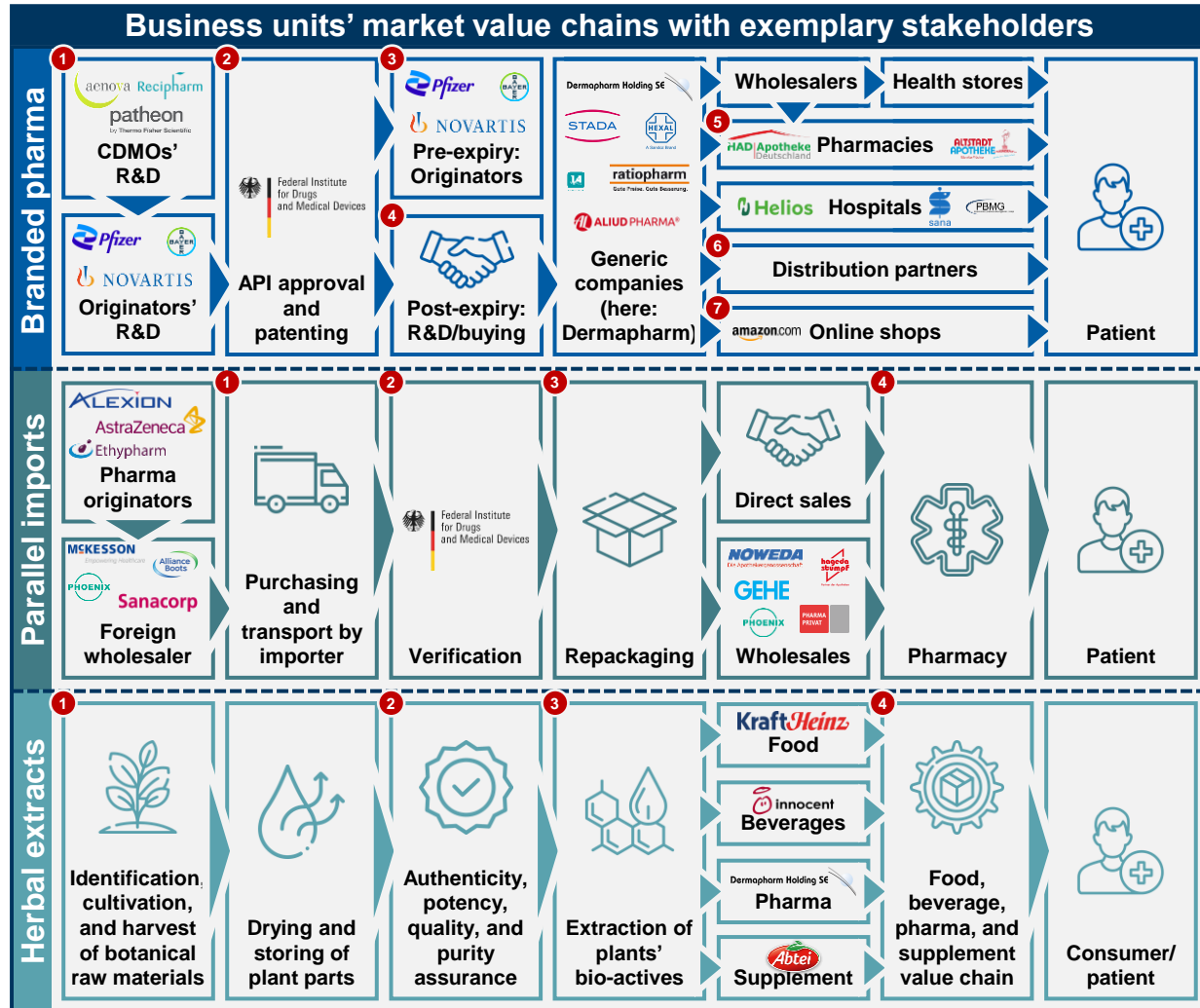
1 | Market overview | General market

Strong underlying market growth in the three business segments of Dermapharm imply a promising growth outlook for the diversified pharmaceutical player

| | Branded pharmaceuticals | Herbal extracts | Parallel import business | | | | |
|--------------------|---|---|--|--|--|--|--|
| Growth | <p>Market (€bn)</p> <p>CAGR: 8.4%</p> <p>2015A 2016A 2017A 2018A 2019A 2020A 2021P 2022P 2023P 2024P 2025P</p> | <p>Market (€bn)</p> <p>CAGR: 8.0%</p> <p>2015A 2016A 2017A 2018A 2019A 2020A 2021P 2022P 2023P 2024P 2025P</p> | <p>Market (€bn)</p> <p>CAGR: 5.0%</p> <p>2015A 2016A 2017A 2018A 2019A 2020A 2021P 2022P 2023P 2024P 2025P</p> | | | | |
| Key facts | <ul style="list-style-type: none"> Dermapharm's market size amounts to c. €58bn in 2020, with a CAGR of c. 8.4% (2015-2025) The market size does not only include products offered by Dermapharm in its markets (DACH), but all drugs sold in Germany, Austria, and Switzerland Germany is one of the global top public healthcare spenders and generics consumers | <ul style="list-style-type: none"> With the sum of its competitors' revenues adding up to c. €6bn in 2020, the market for Euromed's herbal extracts is growing at c. 8.0% annually The business model consists of the cultivation of herbals and the mechanical and chemical extraction of food and supplement additives from the agricultural and horticultural products to sell them B2B | <ul style="list-style-type: none"> Driven by regulatory standards in Germany and asymmetric branded drug prices in Europe, Axicorp's market of parallel imports into Germany amounts to c. €3bn in 2020, growing at a c. 5.0% CAGR By German law, min. 2% of prescription pharma sold in Germany must be imported from EEA other states with lower prices for the respective pharma | | | | |
| Trends | <ul style="list-style-type: none"> Market growth results from the two megatrends of the demographic shift (over-aging, increased prevalence/chronification of diseases) and rising health awareness (self-medication, increased consumption of OTC/non-brand drugs) Product-wise, vitamins and dermatological products are the strongest growth drivers | <ul style="list-style-type: none"> Megatrend of rising demand for supplements due to aging population and health awareness Food additives, especially taste additives, are an upcoming trend; organic additives as niche in sustainable future; adjacent trends are alternative healthcare and self-medication; beyond Euromed, Dermapharm's Hübner targets many of those trends | <ul style="list-style-type: none"> The key trend is over-aging (leading to stress on statutory health insurances), creating the need for a constant inflow of cheaper branded drugs Currency effects can create asymmetries between Euro- and non-Euro-countries Changes in and around federal health system can shock pharma prices in Germany | | | | |
| Players | <table border="0"> <tr> <th>Generics producers</th> <th>Original producers</th> </tr> <tr> <td> </td> <td> </td> </tr> </table> | Generics producers | Original producers | | | | |
| Generics producers | Original producers | | | | | | |
| | | | | | | | |

1 | Market overview | Market value chain

The value chains of the comparatively independent business units are all geared towards B2B sales while a well-oiled sales machine drives end-user demand



| Comments | |
|----------|--|
| 1 | Optionally, originators utilize CDMOs for pharmaceutical contract development |
| 2 | BfArM approves developed APIs , which are patented by originators thereafter |
| 3 | Pre-expiry, originators produce pharmaceuticals based on patented APIs |
| 4 | Post-expiry of APIs (after 20 years), generic companies can develop pharma themselves using those APIs; pre-expiry, acquisition from originators possible |
| 5 | Pharmacy sales are additionally accelerated thanks to rebate agreements with SHI providers and direct marketing to doctors , which increase prescriptions |
| 6 | Distribution partners sell Hübner brands 7 Hyperthermic medical devices only |
| 1 | If pharmaceuticals are less pricy in foreign EEA states , parallel importers utilize arbitrage by purchasing and importing them to their home state |
| 2 | BfArM (for Germany) reviews the therapeutic identity of the imported drug with the original and verifies it for distribution in the importer's home state |
| 3 | Repackaging happens under quality control according to the home state's pharma law with descriptions and instructions in the right language enclosed |
| 4 | Utilizing direct salesforces (Dermapharm employs a call center covering 90% ¹ of pharmacies in Germany), customers are targeted directly and indirectly |
| 1 | The optimal seed source is identified for the plants' successful cultivation, the ideal environment for the maximum plant health and productivity, and the most suitable harvest period to achieve peak plant quality |
| 2 | Quality of the goods is guaranteed from the field to the finished extract |
| 3 | Within targeted extraction centers (Euromed's innovation center), concentration of bio-actives is achieved in an environment-friendly way |
| 4 | Each of the targeted end market companies utilizes the herbal extracts in its individual way to valorize its products with evidence-based health ingredients |

Sources: Dermapharm AG, desktop research | Note: (1) 90% coverage applies to pharmacies, doctors, wholesalers, and hospitals

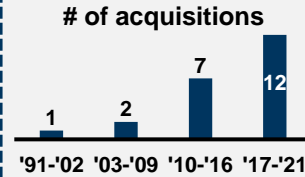
1 | Investment thesis | Investment highlights and value creation

Four strong growth pillars enable Dermapharm to create substantial value in the future with targeted strategies, mainly revenue growth and deleveraging

Investment highlights: Dermapharm's "growth DNA"

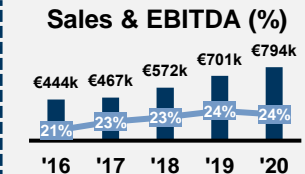
Proficient management team for successful buy-and-build

- Total of **115 years** industry experience
- M&A** is part of the **business model**
- 22 total add-ons**, 12 since 2017



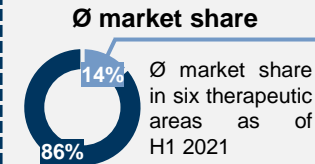
Robust financials to exploit various value creation levers

- 6-year top-line growth** of c. **12.5%**
- Long-term EBITDA margins >20%**
- Operating CF** reflects **67%** of EBITDA



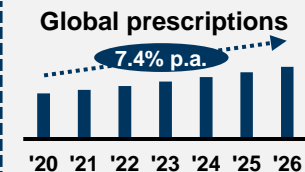
Market leader in highly regulated niche markets

- High market shares** in niche markets
- Complexity** prevents **competition**
- Limited competition** in core markets



Strong underlying market growth with high momentum

- C. **4.9%** market growth in Germany
- Most healthcare spending** by GDP
- 45-50%** total **EBITDA growth** in 2021



Value creation

High



Revenue growth: Buy-and-build

Value creation: **0.59x**

- Past growth** was partially driven by **add-on acquisitions**
- Add-ons** with an average **EV** of c. **€191m** offer **top-line growth**
- Targets' segments** are **niche pharma** and **cannabis**



Margin growth: Operational optimization

Value creation: **0.51x**

- Margins** showed **good past performance** compared to peers
- Better performance** results from the **divestment** of Axicorp, **lowered DIO**, and **personnel and material expenses** of add-ons



Revenue growth: Internationalization

Value creation: **0.41x**

- Internationalization** is part of Dermapharm's **past growth story**
- Patented hyperthermic devices** were rolled out in **Europe**
- Global roll-out** enables legally and regulatory **safe expansion**



Revenue growth: Direct sales

Value creation: **0.22x**

- USP** of **direct selling** the products led to **niche market leadership**
- Extending **customer coverage** from **90%** to **100%** boosts sales
- Influencer marketing** increases growth of lifestyle products' sales



Revenue growth: Strong market growth

Value creation: **0.16x**

- Growth** of c. **4.9% p.a.** in Germany's pharma market drives value
- Markets** with **highest projected growth** (allergology and pain) are focused; **BioNTech partnership** offers on-top growth



Deleveraging: Reallocation of assets

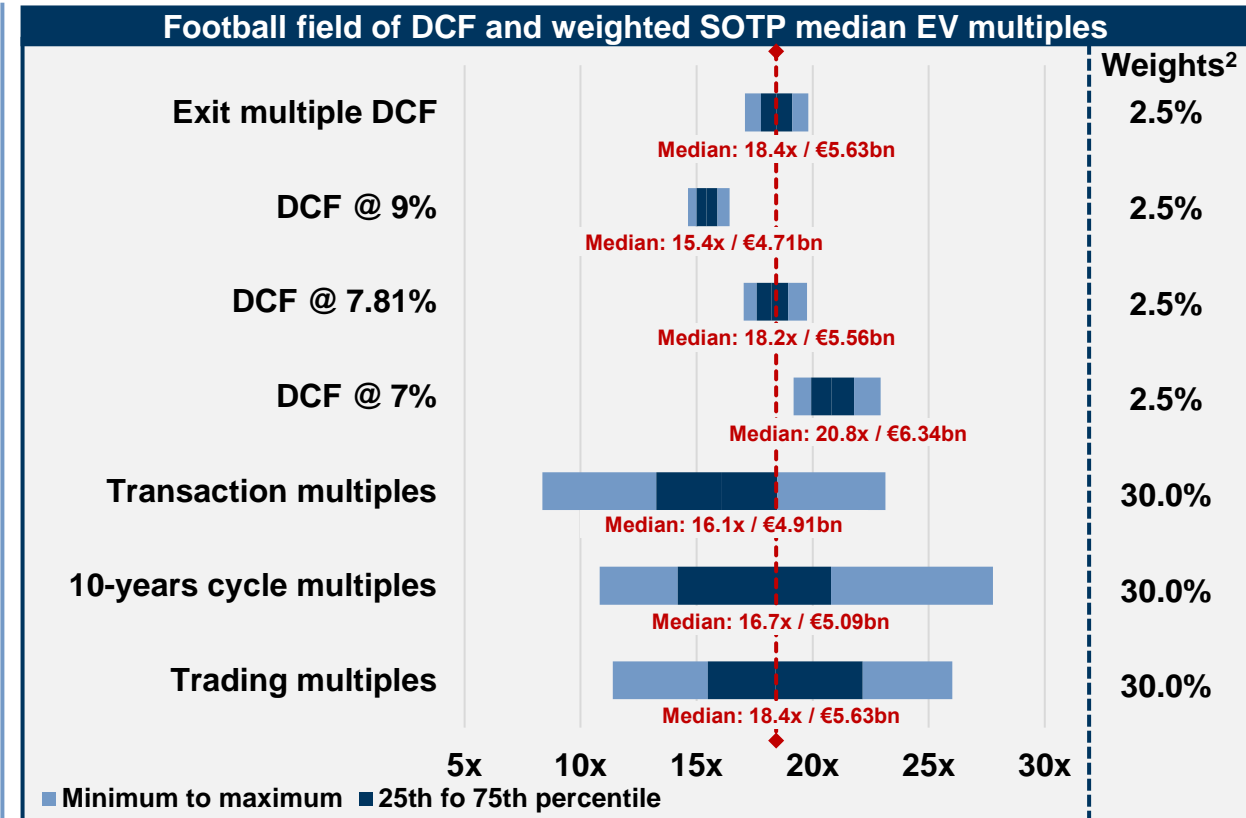
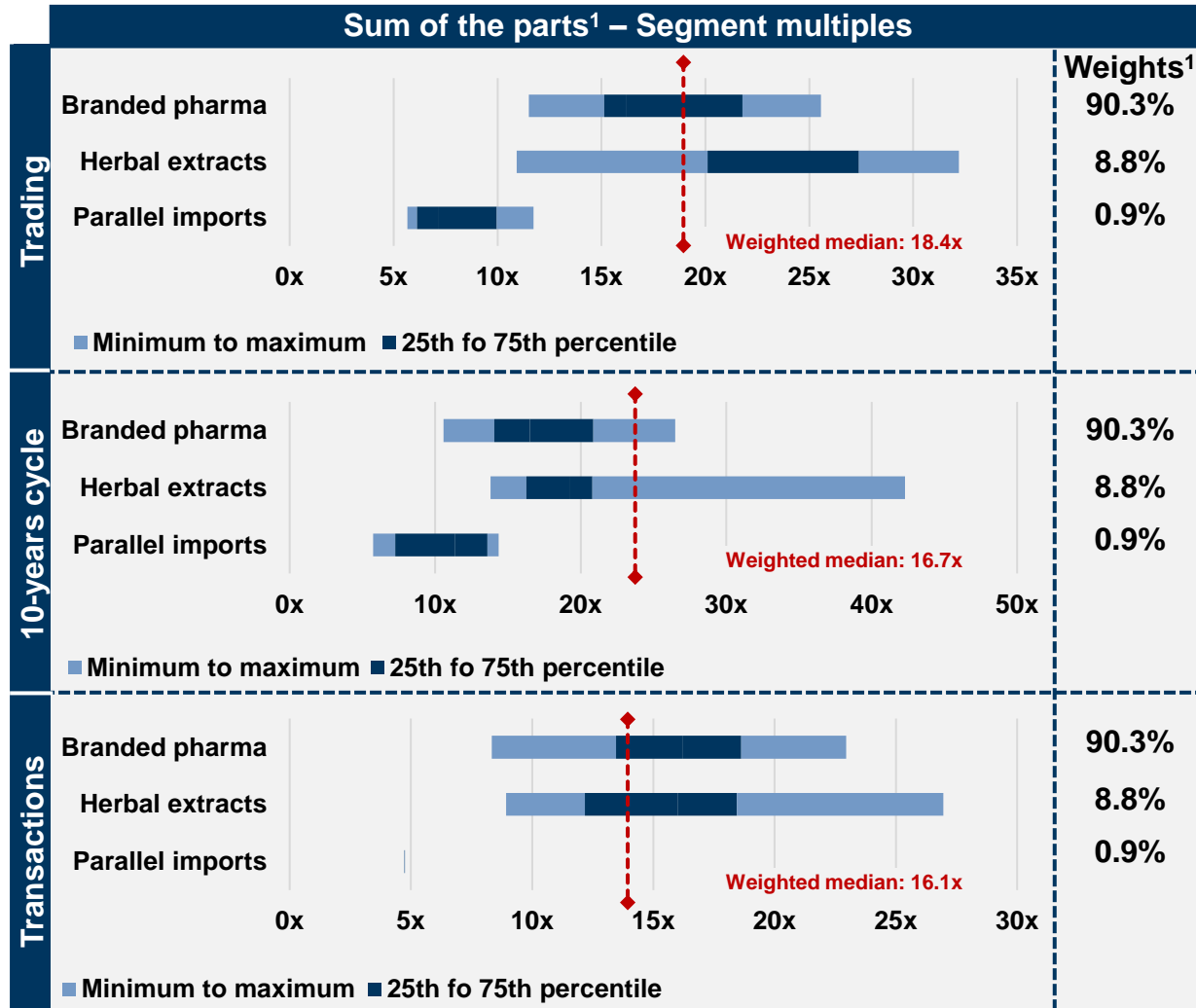
Value creation: **0.01x¹**

- Parallel import business** allowed low-risk **arbitrage** imports
- Divesting** the **low-margin** unit offers **improved capital allocation**
- Low EBITDA** and **multiple** allows **asset deal** to be more suitable

Moderate

1 | Valuation | Valuation summary

The weighted median EV/EBITDA multiple derived from the applied valuation methods amounts to 17.25x, implying an EV of €5,260m based on 2021 EBITDA



Sources: Bloomberg, Zephyr (1) According to segment EBITDAs of 2021 (2) Multiples are weighted higher than DCF due to the higher accuracy of sum of the parts multiples and the difficulties regarding the determination of cost of capital

1 | Valuation | Capital structure: Sources and uses

To finance the enterprise value including transaction and due diligence fees, a senior debt package with an amortizing and bullet debt component were chosen

| Sources (€k) | Option 1 | Option 2 | Option 3 |
|--------------------------------|------------------|------------------|------------------|
| Excess cash | 91,877 | 91,877 | 91,877 |
| Term loan A | 670,865 | - | - |
| Term loan B | 1,219,755 | 1,219,755 | - |
| 2nd lien | - | 670,865 | - |
| Unitranche | - | - | 1,890,620 |
| Debt | 1,982,497 | 1,982,497 | 1,982,497 |
| Subordinated loan | 1,765,949 | 1,769,303 | 1,767,131 |
| Sponsor loan | 1,177,299 | 1,179,536 | 1,178,087 |
| Family loan | 588,650 | 589,768 | 589,044 |
| Common stock | 1,765,949 | 1,769,303 | 1,767,131 |
| Sponsor equity | 1,171,652 | 1,173,888 | 1,172,440 |
| Family equity | 588,650 | 589,768 | 589,044 |
| Management equity | 5,647 | 5,647 | 5,647 |
| Equity | 3,531,898 | 3,538,607 | 3,534,261 |
| Total sources | 5,514,395 | 5,521,104 | 5,516,758 |
| Leverage | 6.5x | 6.5x | 6.5x |
| Sponsor money multiple at exit | 2.84x | 2.79x | 2.53x |

| Arguments for the choice of debt option 1 | |
|---|--|
| Securitization | <ul style="list-style-type: none"> Fully secured package over fixed assets and working capital Securitization allows for increasing the leverage per tranche |
| Covenants | <ul style="list-style-type: none"> First preference is covenant-lite; second is covenant-loose Interest is five times covered; leverage cover steadily decreases |
| Call protection | <ul style="list-style-type: none"> Soft call 101 protection for the first six months is usual First debt sweep in 2025 will not trigger prepayment penalties |
| Pros | <ul style="list-style-type: none"> High flexibility in covenant options and term A to C weighting Low costs in terms of both bank fees and original issue discount |
| Cons | <ul style="list-style-type: none"> Securitization requires more “skin in the game” Capex covenants might be sensitive to add-on acquisitions |

| Sources | xEBITDA | €k | % | Pricing | Uses | xEBITDA | €k | % |
|----------------------|--------------|------------------|-------------|-----------------|-------------------------|--------------|------------------|-------------|
| Excess cash | 0.3x | 91,877 | 2% | | Equity purchase price | 14.9x | 4,553,570 | 83% |
| Term loan A | 2.2x | 670,865 | 12% | 3M LIBOR+350bps | Debt refinancing | 2.6x | 797,994 | 14% |
| Term loan B | 4.0x | 1,219,755 | 22% | 3M LIBOR+400bps | | | | |
| Debt | 6.5x | 1,982,497 | 36% | | Enterprise value | 17.5x | 5,351,564 | 97% |
| Subordinated loan | 5.8x | 1,765,949 | 32% | 3M LIBOR+700bps | M&A and sponsor fee | 0.2x | 52,597 | 1% |
| Sponsor loan | 3.9x | 1,177,299 | 21% | | Due diligence fee | 0.2x | 52,597 | 1% |
| Family loan | 1.9x | 588,650 | 11% | | Arrangement fee (OID) | 0.1x | 19,825 | 0% |
| Common stock | 5.8x | 1,765,949 | 32% | | Financing fees | 0.1x | 37,812 | 1% |
| Sponsor equity | 3.8x | 1,171,652 | 21% | | | | | |
| Family equity | 1.9x | 588,650 | 11% | | | | | |
| Management equity | 0.0x | 5,647 | 0% | | | | | |
| Equity | 11.6x | 3,531,898 | 64% | | Total fees | 0.5x | 162,831 | 3% |
| Total sources | 18.1x | 5,514,395 | 100% | | Total uses | 18.1x | 5,514,395 | 100% |

| Comments |
|---|
| <ul style="list-style-type: none"> Excess cash (here displayed under debt) beyond the operating cash of 3% of sales is utilized to repay parts of the enterprise value, which amounts to 17.2x of 2021 EBITDA with the excess cash included Both the private equity sponsor and family Beier as the former majority shareholders issue an equity-like subordinated loan to the HoldCo 2 to achieve partial seniority to the management C. 163m in M&A, due diligence, and financing fees (capitalized) as well as in original issue discounts cover related transaction costs |

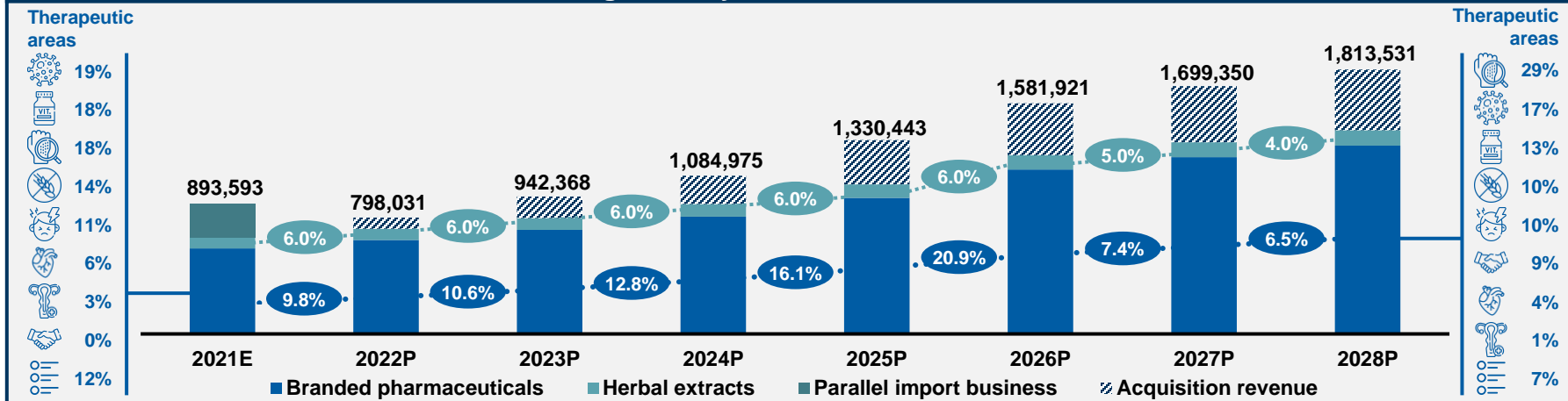
1 | Business plan | IC case: Top-line forecast

Revenue growth is achieved by focusing on expanding growth segments while adding on inorganic revenues with a distinct strategic fit to the business model

| Revenues (€k) | 2021E | 2022P | 2023P | 2024P | 2025P | 2026P | 2027P | 2028P | CAGR |
|--|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|--------------|
| Standalone revenues | 893,593 | 721,781 | 794,958 | 891,148 | 1,025,485 | 1,225,988 | 1,314,354 | 1,397,039 | 14.1% |
| Branded pharmaceuticals | 586,828 | 644,545 | 713,088 | 804,366 | 933,496 | 1,128,479 | 1,211,970 | 1,290,560 | 14.9% |
| Vitamins, minerals, and food supplements | 106,240 | 113,336 | 120,906 | 128,982 | 137,597 | 146,787 | 156,591 | 167,051 | 8.1% |
| Dermatology | 103,320 | 119,465 | 144,114 | 182,759 | 244,534 | 344,673 | 356,924 | 369,611 | 25.3% |
| Hyperthermic medical device | 21,000 | 34,107 | 55,606 | 90,985 | 149,373 | 246,000 | 254,610 | 263,521 | 50.5% |
| Other products | 82,320 | 85,358 | 88,508 | 91,774 | 95,161 | 98,673 | 102,314 | 106,090 | 4.4% |
| Allergology | 82,940 | 88,575 | 94,594 | 101,021 | 107,885 | 115,215 | 123,044 | 131,404 | 8.2% |
| Pain & inflammation | 61,920 | 68,926 | 76,724 | 85,405 | 95,068 | 105,824 | 117,797 | 131,125 | 13.7% |
| Cardiovascular support | 36,000 | 37,385 | 38,823 | 40,316 | 41,867 | 43,477 | 45,150 | 46,887 | 4.6% |
| Gynaecological & urological compounds | 15,520 | 15,831 | 16,149 | 16,473 | 16,803 | 17,140 | 17,484 | 17,835 | 2.4% |
| BioNTech cooperation | 110,000 | 121,770 | 134,799 | 149,223 | 165,190 | 182,865 | 202,432 | 224,092 | 13.0% |
| Direct sales add-on revenues | - | 6,597 | 12,502 | 23,849 | 46,305 | 92,294 | 110,339 | 118,292 | 78.1% |
| Others | 70,888 | 72,660 | 74,477 | 76,339 | 78,247 | 80,203 | 82,208 | 84,264 | 3.0% |
| Parallel import business | 233,901 | - | - | - | - | - | - | - | 0.0% |
| Herbal extracts | 72,864 | 77,236 | 81,870 | 86,782 | 91,989 | 97,508 | 102,384 | 106,479 | 6.6% |
| Acquisition revenue | - | 76,250 | 147,410 | 193,827 | 304,958 | 355,933 | 384,996 | 416,492 | 40.4% |
| PharmaSGP Arzneimittel GmbH | - | 76,250 | 83,722 | 91,927 | 100,936 | 110,827 | 121,688 | 133,614 | 11.9% |
| OmniVision GmbH | - | 61,439 | 65,248 | 69,294 | 73,590 | 78,152 | 82,998 | 88,144 | 7.5% |
| BEDROCAN INTERNATIONAL B.V. | - | 36,393 | 63,688 | 101,900 | 130,432 | 166,953 | 180,310 | 194,734 | 39.9% |
| Total revenues | 893,593 | 798,031 | 942,368 | 1,084,975 | 1,330,443 | 1,581,921 | 1,699,350 | 1,813,531 | 17.8% |

| Comments | |
|----------|---|
| | Dermatology sales are starkly driven by the expansion of Dermapharm's hyperthermic devices |
| | BioNTech cooperation will lead to sustainable vaccine add-on revenue (confirmed by management) |
| | Vitamins, minerals, food, supplements, allergology as well as |
| | pain and inflammation grow by 2 pp. p.a. above market due to R&D in the core growth areas |
| | Direct sales growth due to more capacity |
| | Cardiovascular diseases, gynecologicals and urologicals, and other products of Dermapharm grow at their market growth rates of 3.9%, 2.0%, and 2.5%, respectively, p.a. |
| | Herbal extracts sales of Euromed grow with the market growth at c. 6% annually driven by increased lifestyle revenues |
| | M&A add-ons will nurture growth, i.a., Bedrocan's sales growing by c. 28% p.a. due to cannabis legalization in Germany |

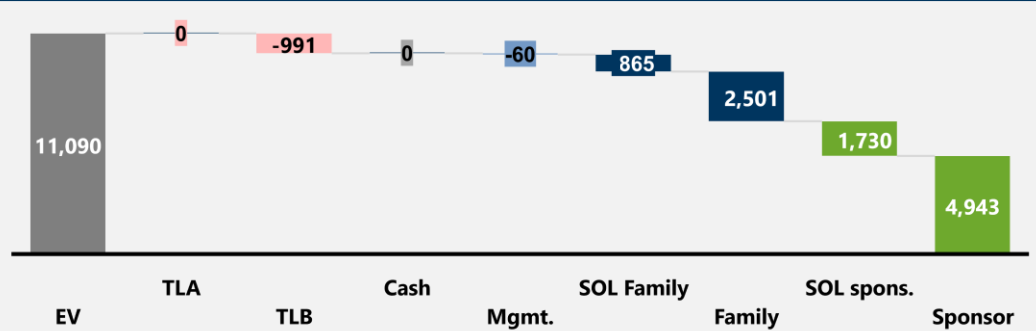
Revenue growth by business unit and add-ons



1 | Exit and returns | Return breakdown

The LBO-model expects an appealing money multiple of 2.84x with an IRR of 23.2% for the holding period of 5 years for the sponsor until 2026

Exit waterfall (€m)



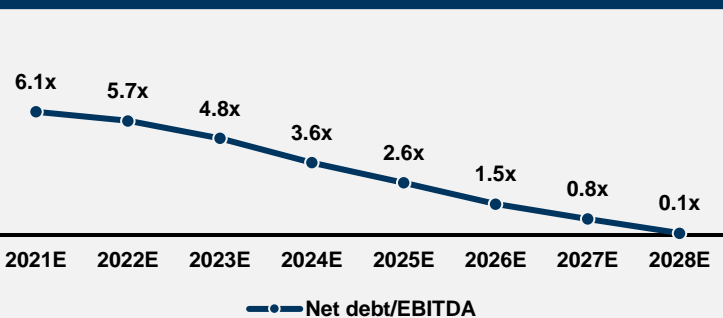
- The implied enterprise value at the planned exit year 2026 measures **€11.09bn** with an exit multiple of **17.33x** on an EBITDA of €640m
- A multiple expansion from the **17.25x** entry multiple to the 17.33x exit multiple is assumed due to the divestment of the parallel import business as well as a **different EBITDA split in 2026**

| Sponsor ROI (€k) | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sponsor equity | 2,550,534 | 3,228,874 | 4,055,411 | 5,230,066 | 6,673,632 | 7,491,820 | 8,306,307 |
| Investment in 2021 | (2,348,951) | (2,348,951) | (2,348,951) | (2,348,951) | (2,348,951) | (2,348,951) | (2,348,951) |
| Absolute return | 201,583 | 879,923 | 1,706,459 | 2,881,114 | 4,324,681 | 5,142,868 | 5,957,356 |
| IRR (%) | 8.6% | 17.2% | 19.9% | 22.1% | 23.2% | 21.3% | 19.8% |
| Money multiple | 1.1x | 1.4x | 1.7x | 2.2x | 2.84x | 3.2x | 3.5x |

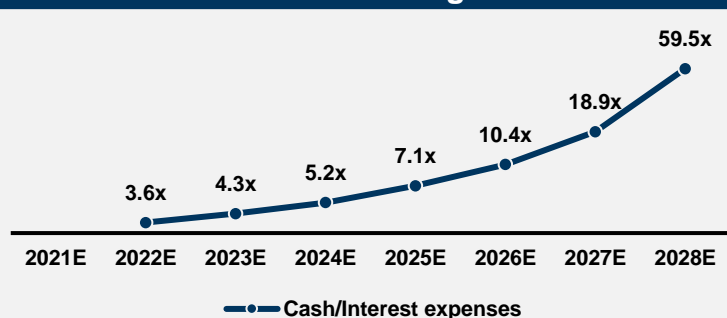
| Family ROI (€k) | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Family equity | 1,278,040 | 1,620,259 | 2,038,280 | 2,633,494 | 3,366,819 | 3,780,039 | 4,191,318 |
| Investment in 2021 | (1,177,299) | (1,177,299) | (1,177,299) | (1,177,299) | (1,177,299) | (1,177,299) | (1,177,299) |
| Absolute return | 100,741 | 442,960 | 860,981 | 1,456,195 | 2,189,520 | 2,602,739 | 3,014,019 |
| IRR (%) | 8.6% | 17.3% | 20.1% | 22.3% | 23.4% | 21.4% | 19.9% |
| Money multiple | 1.1x | 1.4x | 1.7x | 2.2x | 2.86x | 3.2x | 3.6x |

- The estimated exit returns an appealing money multiple of **2.84x** with an IRR of **23.2%** for the holding period of 5 years until 2026 for the sponsor
- For the **family** the exit yields a **slightly higher money multiple** of **2.86x** and an IRR **23.4%**, which **due to the sweet equity given to the management** by the sponsor

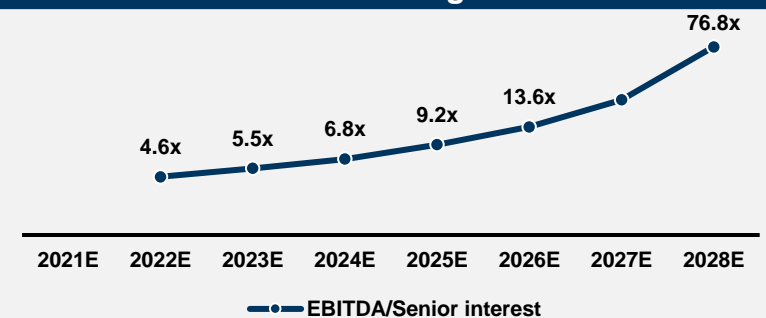
Net debt/EBITDA



Cash coverage

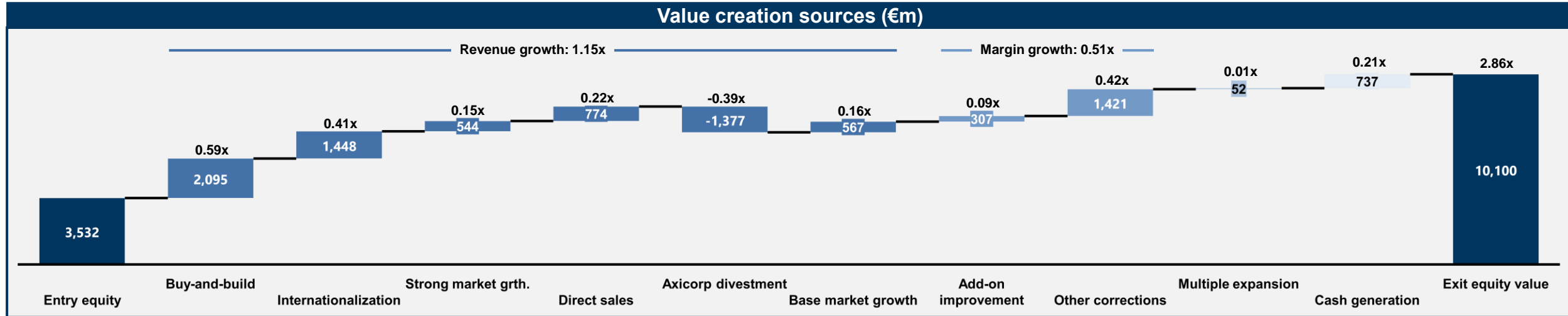


Interest coverage ratio



1 | Exit and returns | Value creation bridge

Value creation mainly results from revenue growth, especially buy-and-build, while margin growth nurtures equity value as the second-largest value lever



Revenue growth

- Applying buy-and-build by acquiring **PharmaSGP**, **OmniVision**, and **Bedrocan** accounts for the majority of **c. 31.9% of total value creation**
- The **internationalization** of the **hyperthermic medical devices** bite away, Herpotharm, and EPIIVO drives **c. 22.0% of value creation**
- Margin growth** (captured in other corrections) and **deleveraging** from Axicorp sale offset its revenue gap

Margin growth

- The **reduction of headcount** and **material expenses** due to economies of scale during the acquisition of the three add-on companies allows for a **value creation of c. 0.09x**
- Additionally, the **forecast corrected inefficiencies** such as marketing expenses, contributions, fees, and charges as well as legal, consulting and audit fees thanks to the **insourcing of M&A capabilities**

Multiple expansion

- The **entry valuation** is based on a **sum-of-the-parts** multiple valuation for the three business units paired with an overall DCF valuation
- By **divesting Axicorp**, the EBITDA of the **parallel import business** would **not influence** the sum-of-the-parts valuation
- However, **Axicorp's sale** does not pay off due to multiple expansion but due to **margin and multiple growth**

Cash generation

- Cash generation** results from both the **repayment of credit facilities** as well as the **payment of interest** on the **shareholder loans** for the private equity sponsor and family Beier as the co-investor
- Generated cash** is also **reinvested** into add-on companies
- All in all, the value creation source accounts for **c. 11.2% of total value creation** within the investment period

1 | Exit and returns | Exit options

From four assessed possible exit options, a secondary buyout and a trade sale are the most desirable and realistic opportunities and hence highly recommended

| | Secondary buyout | Trade sale | IPO | Recapitalization by family |
|-----------------|---|--|---|--|
| Potential buyer | | | | |
| Rationale | <ul style="list-style-type: none"> Already high interest in buyout from private equity funds in the past All-time highs for dry powder available in the market (\$2.3tn as of 01/2021) Due to the high exit valuation, the buyout could be performed by (a) a club-deal by multiple funds or (b) a single fund with a large commitment | <ul style="list-style-type: none"> Excess cash forces large players to invest their cash to avoid opportunity cost Possibility to acquire a leading position in niche markets with strong growth prospects Synergies in the areas of supply chain and economies of scale in production and material acquisition | <ul style="list-style-type: none"> Appropriate size for a direct placement in the MDAX with a highly experienced management team Attractive since the family and management can keep their stake Going public at the MDAX by (a) a standard IPO or (b) by using a SPAC to reduce cost and time | <ul style="list-style-type: none"> The family recapitalizes the company by buying back the sponsor equity and regains control of the company The family already owns a significant stake and stays involved during the holding period |
| Pros | <ul style="list-style-type: none"> Professional and fast sales process Still high growth prospects and returns Shortlist from prev. interested funds | <ul style="list-style-type: none"> Generally higher return than secondary buyout due to synergy realization Very large potential acquirors | <ul style="list-style-type: none"> Highest possible return Acts as an advertisement for the company and benefits all stakeholders | <ul style="list-style-type: none"> Fastest possible sale process |
| Cons | <ul style="list-style-type: none"> Private equity funds are likely to pressure the valuation multiple as much as possible | <ul style="list-style-type: none"> Synergy creation must be assessed individually | <ul style="list-style-type: none"> High placement fees Time intensive Depended on market | <ul style="list-style-type: none"> Unlikely due to the very high implied exit value |
| Recc. | <p>↑ Highly recommended</p> | <p>↑ Highly Recommended</p> | <p>↗ Recommended</p> | <p>↓ Not recommended</p> |

1 | Due diligence | Overview



While Dermapharm offers an attractive investment case, selected pain points, mainly commercial- and legal-wise, have to be assessed in the due diligence

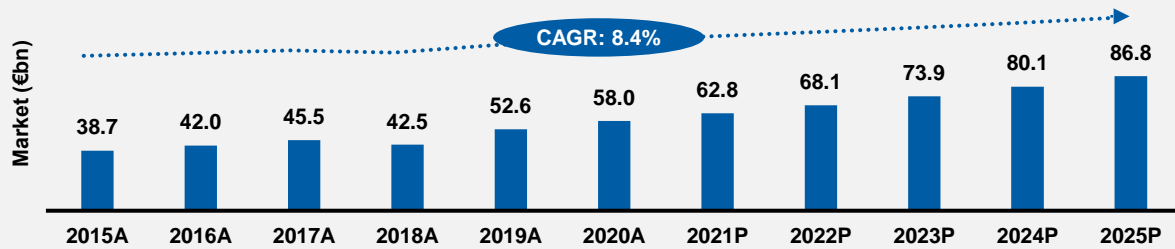
| | Topic | Description and potential red flags | Mitigation strategies | Relevance |
|------------|----------------------|---|---|-----------|
| Commercial | Sales force | Overestimating the marginal benefits of additional sales employees | Assessing the marginal benefit of additional sales force employees with Dermapharm sales force in more detail | ● ● ● ● ● |
| | Market growth | Underestimating the growth of home or foreign markets may lead to lower than anticipated outlooks | Monitoring and analyzing real-time market data gained through the vast network of Dermapharm | ● ● ● ● ● |
| | M&A reliability | Dermapharm being heavily reliant on successful add-on acquisitions to sustain past growth levels | In case of few acquisition opportunities, capital will be reallocated to R&D as second market entry strategy | ● ● ● ● ● |
| | Vaccine production | As the BioNTech partnership increases in revenue, cluster risk towards the opportunistic pillar increases | Vaccination revenues must continue to be generated by vacant production capacities | ● ● ● ● ● |
| | Cluster risk | Business model is sensitive to cluster risk since 5 products account for roughly 30% of branded pharma revenues | Diversifying by internationalizing with Euromed as well as adding new therapeutical segments (e.g. cannabis) | ● ● ● ● ● |
| Financial | Multiple | Due to COVID-biased market situation, the current EBITDA-level might not be sustainable | Considering an earn-out structure as an alternative structure to reassure fair entry price | ● ● ● ● ● |
| | Inventory | Dermapharm's inventory has steadily increased over the last years, hinting at greater balance sheet inadequacy | Assessing correct fair value of inventory during the due diligence and assuring no extraordinary write-offs | ● ● ● ● ● |
| Law | Legal process | The business is highly dependent on the approval process, as well as German and EU regulation | Extensive expertise in R&D and regulatory approval processes as well as a strong influence in the industry | ● ● ● ● ● |
| ESG | Environmental impact | Pharma companies (acquisitions) might have strongly negative environmental effects, creating backlash | C-level is conscious of potential environmental impact and keeps on improving ESG-compliance | ● ● ● ● ● |

2 | Market overview | Branded pharma segmentation and trends

The branded pharma market is segmented by therapeutic applications and driven in the short term by supply, in the long term by demographic shifts



Branded pharma market



Addressable branded pharma market¹

The total addressable market of Dermapharm's **branded pharma segment** is focused on the **DACH region** and amounted to **c. €58bn** in 2020, growing by a CAGR of **8.4%**. Main competitors are firms such as **Almirall** (dermatology), **Aristo** (pain, vitamins/minerals), and **HAL Allergy** (allergology). This market is notable for its strong focus on inexpensive **OTC/consumer medicine** and less on research-intensive therapeutic areas like oncology. In essence, Dermapharm covers **various therapeutical areas** with **few niche products** in each market.

Branded pharma segments of Dermapharm

| | | | |
|--|---|------------------------------------|--|
| Vitamins/minerals CAGR: 4.7% | Dermatology CAGR: 3.7% | Allergology CAGR: 4.8% | Pain and inflammation CAGR: 9.3% |
| Cardiovascular CAGR: 3.8% | Gynecology/urology CAGR: 2.0% | Ophthalmology CAGR: 6.2% | Chronic diseases CAGR: 5.7% |

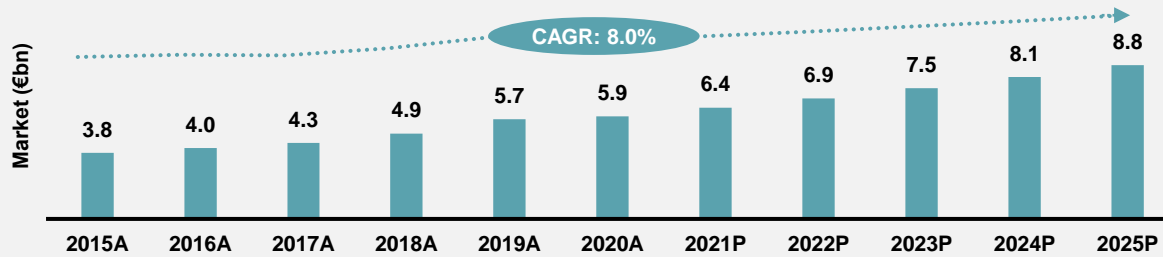
Branded pharma trends and impact

| | | |
|----------------------------------|---|----------------|
| 6 - 12 months ² | In the short term , a highly influencing factor will be the reputation of the pharma brands. Yet, as seen in the past, previous transgressions against the consumer may not always have a great effect. | Middle impact |
| | In the short term , supply chain issues will have a great impact on availability of raw materials for pharma production. This is especially significant in the case of generics, which are often manufactured in Asia. | Middle impact |
| 12 months – 5 years ² | In the mid term , intensified research for new therapy methods will increase effectiveness of pharmaceuticals, and thus increase competition. This will have a great effect on the industry as a whole. | High impact |
| | In the mid term , digitalization will simplify the way clinical trials will be conducted. Big data will speed up research processes and even increase the effects of the aforementioned intensified research. | Middle impact |
| > 5 years ² | In the long term , the demographic shift will lead to over 50% of the Western population being aged 65+ by 2050. This will inevitably lead to an incredible increase in chronic and civilizatory disorders. | Highest impact |
| | In the long term , there is a high chance of immunotherapy-based medicine, using internal biological processes to combat diseases, and genetic research, offering almost limitless possibilities. | High impact |

2 | Market overview | Herbal extracts segmentation and trends

The herbal extracts market can be segmented by the different applications in gustatory and olfactory fields, driven by long-term positive trends

Herbal extracts market



Addressable herbal extract market

The total addressable market of Dermapharm's **herbal extracts segment** comprises more than 42 countries worldwide with a focus on **Europe**. Its size was **€6bn** in 2020, growing with **8.0%** per year. The largest players mainly serve to the **food industry** while **Euromed** serves food, beverage, pharma, and supplement players.

Herbal extracts segments

Flavor: Additions into food, snacks/sweets, and beverages to make them taste better or more complex; examples: Vanilla extract, Angostura cocktail bitters

Nutrition: Encompassing both human and animal supplements; nutritious and flavoring compounds are often mixed; examples: Malt extract coloring, soy extracts

Scent: Aromatic oils are combined in complex ways to produce perfumes and fragrances; examples: Lavender extract, orange extract, deer musk (non-herbal)

Care: Additions into cosmetics, cleaning products (detergents, soaps) and dermatologic; can either be selected by smell or therapeutic effect, or both; examples: Aloe vera extract, CBD oils (non-psychoactive)

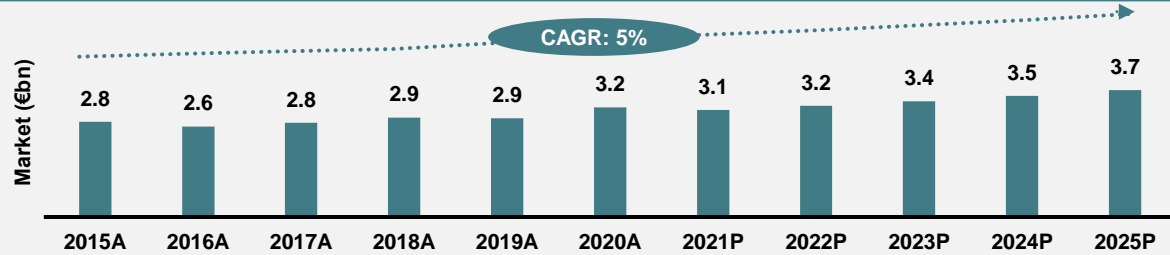
Herbal extracts trends and impact

| Time Horizon | Trend and Impact | Impact Level |
|----------------------------------|--|---------------|
| 6 - 12 months ¹ | In the short term , the most influencing factor will be the intense competition between producers, especially from Asia. This will facilitate increased research into newer ingredients by the main players. | Middle impact |
| 6 - 12 months ¹ | In the short term , supply chain problems limits variety of the available extracts. Oncoming trade wars between the West and People's Republic of China, a main resource for healing plants, might intensify this effect. | Middle impact |
| 12 months - 5 years ¹ | In the mid term , newer products will appear on the market, caused by increasing exploitation of exotic areas (Amazonas, South-Asian jungle), making phytopharmaceuticals as potentially versatile as normal drugs. | Small impact |
| 12 months - 5 years ¹ | In the mid term , increased investments into new products and extraction techniques by large producers will make synthetic compounds more redundant and adjust supply better according to customer needs. | Middle impact |
| > 5 years ¹ | In the long term , the rising number of vegans in the world will influence the market strongly. With yearly growth rates of 6%, plant-based products will continue to improve, requiring ever more plant extracts. | High impact |
| > 5 years ¹ | In the long term , cannabis may be become an organic alternative to many drugs such as pain medication, sleeping aids, and even assisting in psychotherapy, the latter similar to egolytics („magic mushrooms“). | High impact |

2 | Market overview | Parallel import segmentation and trends

The parallel import market is determined by European regulation of pharma sales and driven by both positive and negative trends

Parallel import market



Addressable parallel import market

The total addressable market of Dermapharm's **parallel import segment** is focused on importing pharma into **Germany**, a market of **€3.2bn** in size (2020), growing by **5.1%** per year. Axicorp is the **top five player** in a highly **consolidated market**.

Parallel import regulation

Legal framework: Parallel import within the European Union is legal under Article 34 to 36 of the Treaty of the Functioning of the European Union (TFEU). Further, if no central sales approval for the EU is sought, a drug can be sold in a single country and resold in others by parallel importers after approval in the respective countries.

National regulation: Regulated through the [German Drug Law](#) and [Social Law V](#), parallel imports are allowed, if they are refiled for approval with the German Drug Institute. Depending on the product, this might require a repetition of medical trials. The pharmacies in Germany have agreed with the SHI providers [to use at least 2%](#) of imported pharmaceuticals, as long as the price in the exporting country is at least 15€, or 15% under the price in Germany. This price difference is being slowly eliminated, due to AMNOG regulation and less expensive generics on the market.

Parallel import trends and impact

| Time Horizon | Trend and Impact | Impact Level |
|----------------------------------|---|---------------|
| 6 - 12 months ² | In the past and short term , the supply chain issues caused by the COVID-19 pandemic have caused great damage to the parallel trade business. These shortages are poised to remain for the near future. | High impact |
| | In the short term , the visibility of generics compared to branded products is low. Because parallel importers relabel their imported goods to their own brands, low brand recognition may cause lower revenue. | Middle impact |
| 12 months – 5 years ² | In the mid term , decreases in inter-Schengen-traffic will vastly impact the business. Since the probability of this happening is low (contingent on the political developments in, e.g., Hungary), the impact of it is low. | Small impact |
| | In the mid term , the effects of the 2010 AMNOG law, intended to eliminate price runaway in the German SHI system, will further decrease pharma prices in Germany. This will damage parallel import margins. | High impact |
| > 5 years ² | In the long term , European regulation is the focal point of the parallel import business. More connected and flexible taxing, distribution and pricing might eliminate any arbitrage the business model has. | High impact |
| | In the long term , the absolute percentages of parallel import of the general pharma market will likely not change, thus the greatest impact will come from the overall consumption of pharmaceuticals in the EEA. | Middle impact |

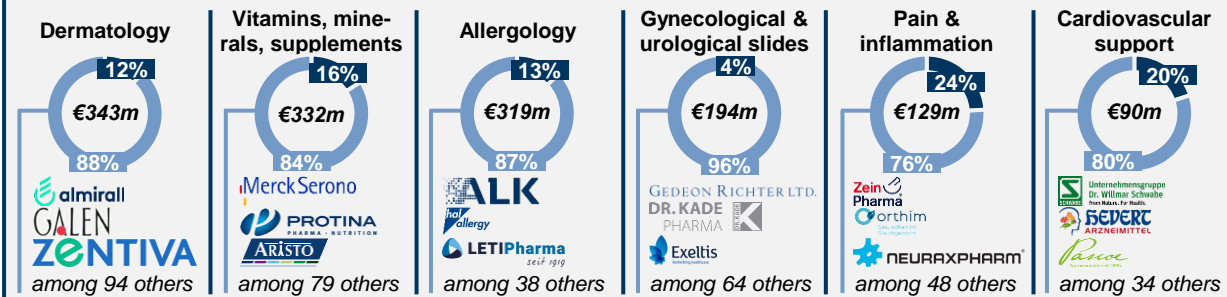
2 | Market overview | Competitive positioning: Branded pharmaceuticals

Having a high number of products offered with a large number of APIs included, Dermapharm offers a broad and in-depth niche coverage of its core market

General market overview

Definition: Production and sales of prescription pharmaceuticals (Rx), over-the-counter products (OTC), food supplements, and medical products

Market shares, sizes, and players by business units' subsegments (H1 2021)

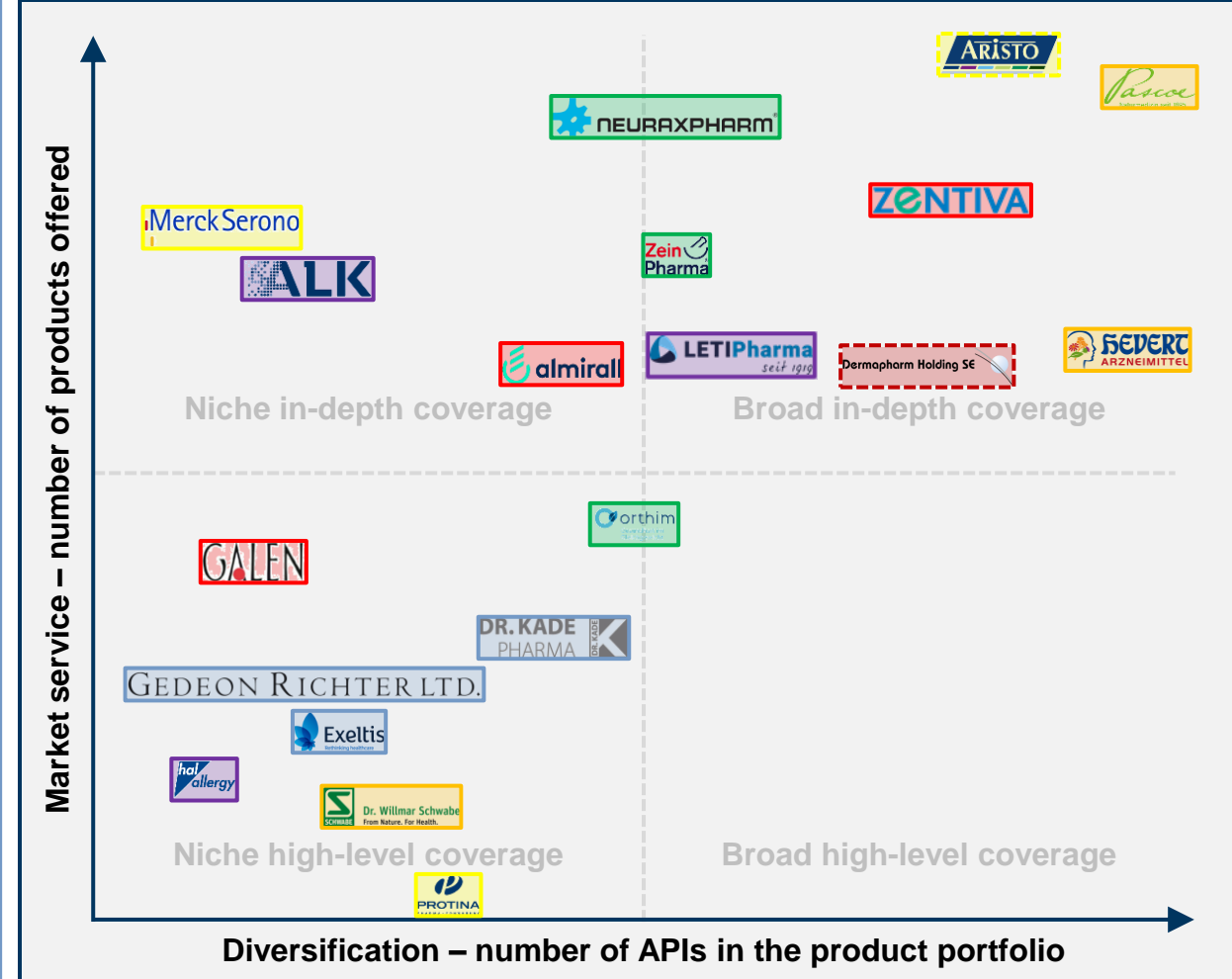


Deep-dive: Exemplary competitors per subsegment

| Company | Competitive rationale |
|--|--|
| Almirall | Leading German dermatology specialist with its bestseller Optiderm® |
| ARISTO | Colecalciferol® is the main competitor of Dermapharm's Dekristol® |
| hal allergy | Shares 2/3 of the therapy allergens market with Allergopharma and Abelló |
| Exeltis | Main sponsor of German symposium of gynecology with Dermapharm |
| orthim | Key pain and inflammation player with flagship product NEURO-orthim® |
| Unternehmensgruppe Dr. Willmar Schwabe | CRATON® is a leading German cardiovascular Ginkgo pytopharma |

■ Dermapharm's share ■ Competitors' share

Competitive landscape



2 | Market overview | Competitive positioning: Parallel imports

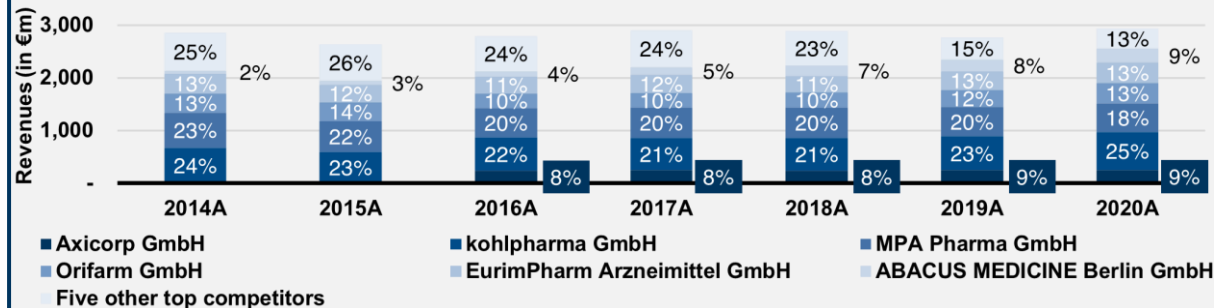
Dermapharm is, through Axicorp, among Germany's leading pharmaceutical import market players and covers a broad number of APIs in few products



General market overview

Definition: Imports of original pharmaceuticals from other EU countries to resell them to pharmaceutical wholesales and pharmacies in Germany

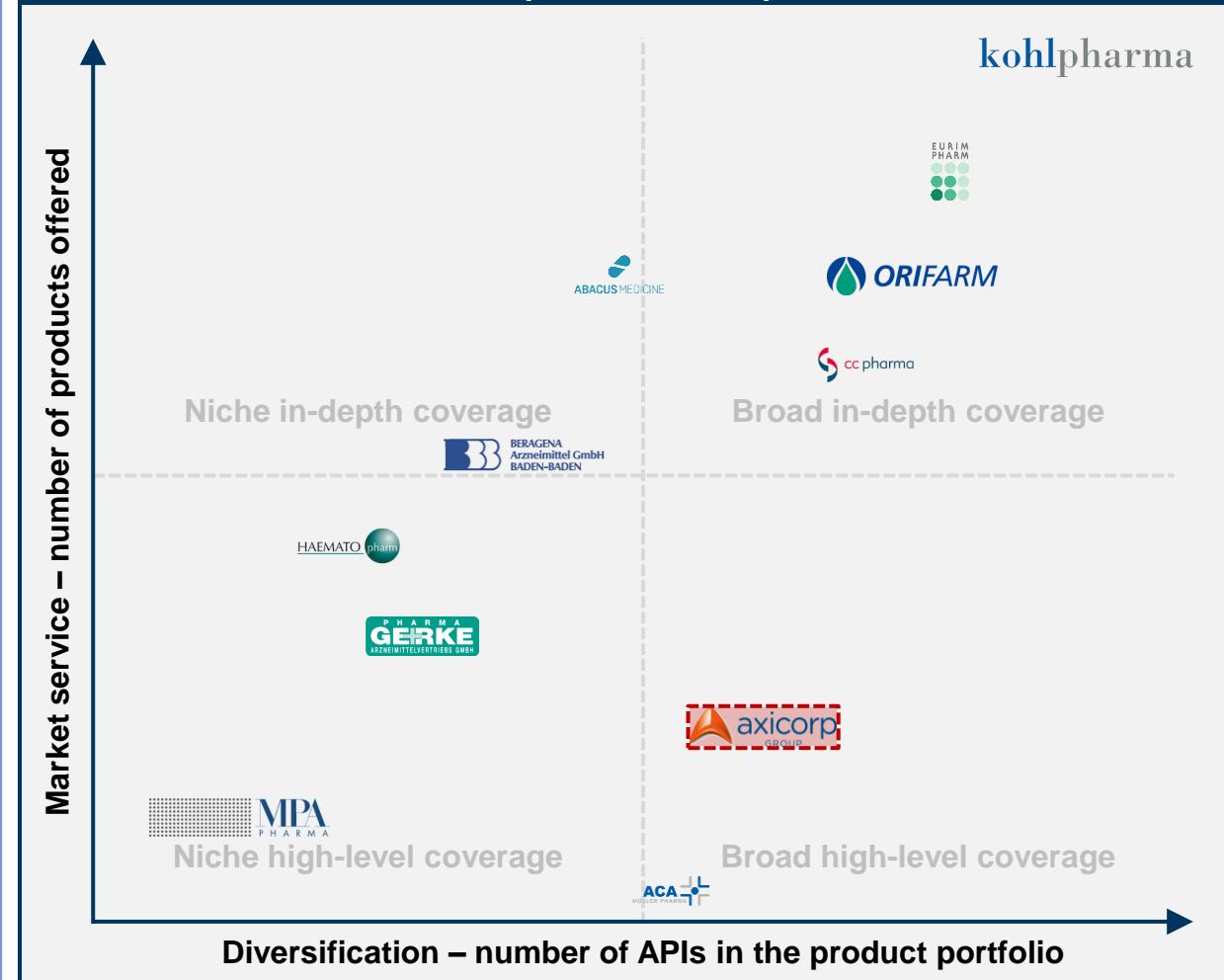
Market shares of top competitors over time^{1,2}



Deep-dive: Five top competitors

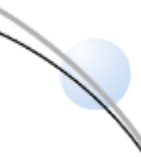
| Company | Competitive rationale |
|-----------------|---|
| kohlpharma | Founder of the Association of Pharmaceutical Importers of Germany |
| ORIFARM | Member of Federal Association of Pharmaceutical Importers |
| EURIM PHARM | Member of Federal Association of Pharmaceutical Importers |
| ABACUS MEDICINE | Danish parallel importer with increasing activity in Germany |
| ccpharma | Ex-member of the Association of Pharmaceutical Importers of Germany |

Competitive landscape



2 | Market overview | Competitive positioning: Herbal extracts

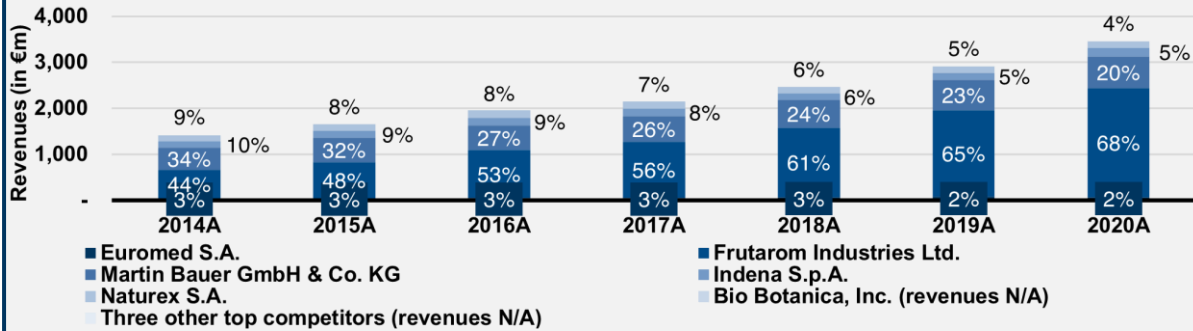
Within a peer group of eight internationally leading market players, Euromed focuses on offering a selected product portfolio for targeted application areas



General market overview

Definition: Production of standardized herbal extracts for the pharmaceutical and cosmetic industry by utilizing herbal raw resources and natural active ingredients

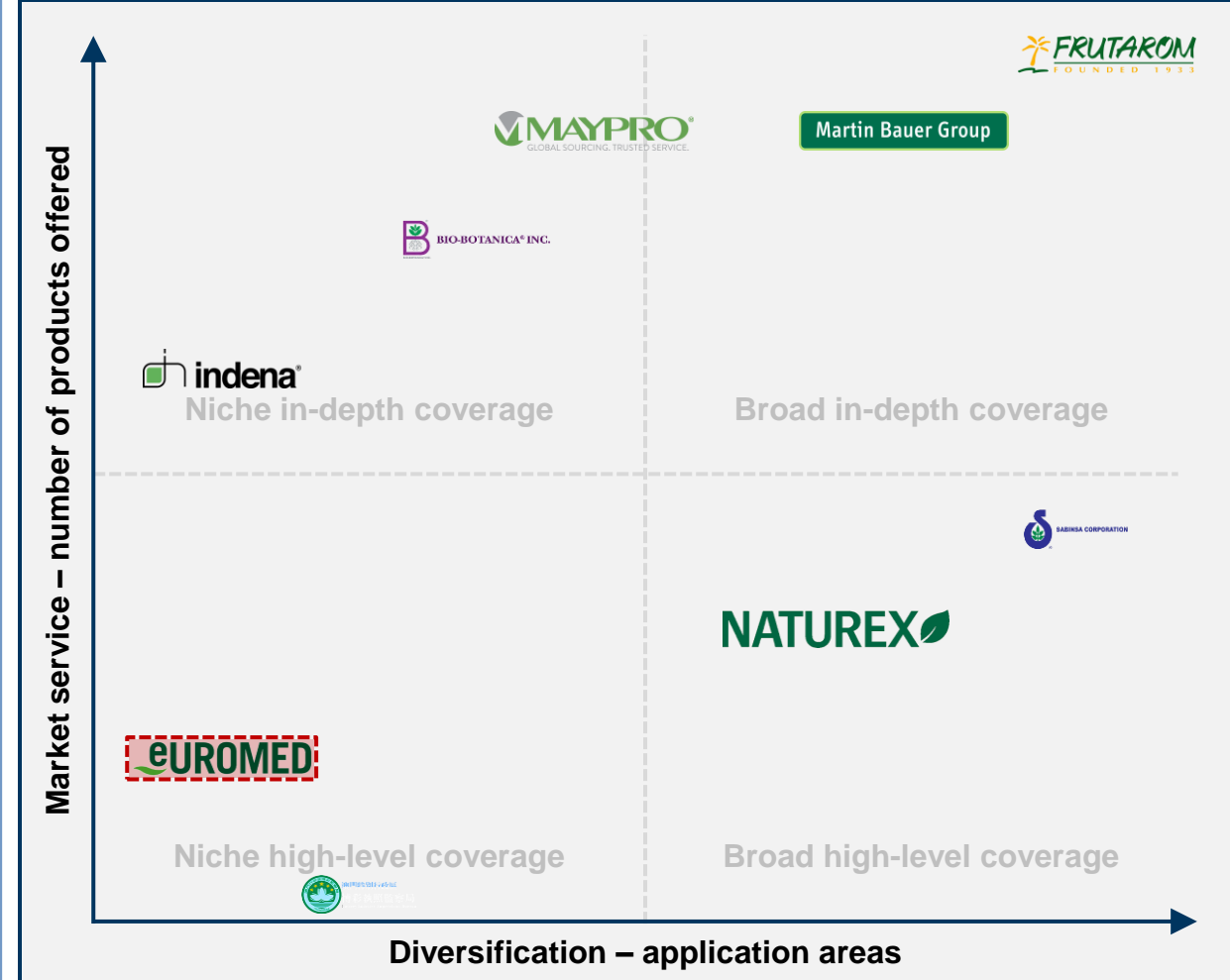
Market shares of top competitors over time¹



Deep-dive: Five top competitors

| Company | Competitive rationale |
|---|---|
| FRUTAROM FOUNDED 1933 | Consolidator of fruit and vegetable preparation players; bought Nutrafur |
| | Plant-based solution developer for the tea, beverage, and food industry |
| NATUREX | Natural specialty ingredient manufacturer, i.a., for phytopharmaceuticals |
| indena | Identifier, developer, and producer of extracts for pharma and healthfood |
| MAYPRO GLOBAL SOURCING. TRUSTED SERVICE. | Leading producer of nutraceutical ingredients for the Japanese market |

Competitive landscape



Dermapharm's business unit

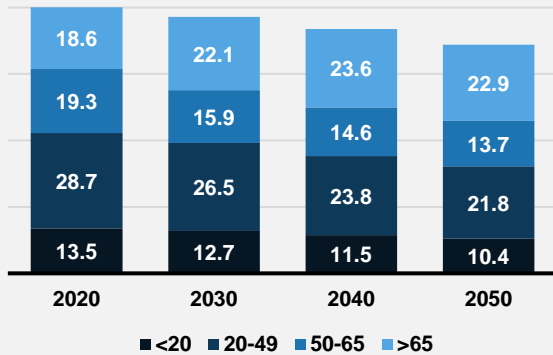
Sources: Company filings, BvD Orbis, desktop research | Notes: (1) Undisclosed years modelled by a company's other years' revenue CAGR if available

2 | Market overview | Key trends: Deep-dive into demographic shift

Demographic shift is a growth driver for all three business segments; herbals can be utilized for disease prevention, pharma for disease treatment

Aging population

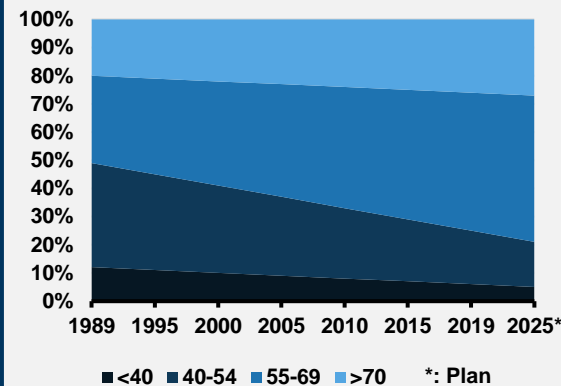
German populace by age group, in million



- In 2019, the UN recognized aging as a global **phenomenon of concern**
- In the years leading up to 2050, the **highly developed world (Japan, USA, EU, etc.)** will experience a great rise in old people, i.e., aged over 65
- In Germany, it is estimated that by 2050, **more than half the population** will be aged above 50; in the meanwhile, the absolute number of working adults will decrease as well

Wealth transfer and habit shift

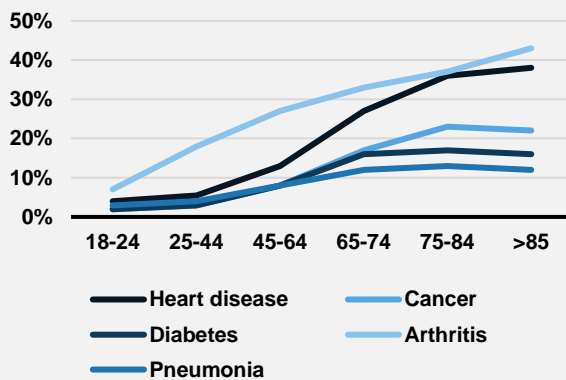
US share of household wealth by age



- As Baby Boomers start to retire, they hold a considerable, over-proportional amount of **wealth**, which will be used for **retirement** purposes and **consumption**
- The UN confirms that in the West, multi-generational support is not too prevalent, allowing for **higher spending on personal lifestyle** in old people; these costs encompass **medication and supplements**

Increased rate of diseases

Prevalence in percent of populace



- After the age of 65, the **risk** of dying from various forms of cancer, heart-, or lung-related diseases **increases exponentially**
- With higher older populations, the **occurrences** of age-related diseases will **increase** as well, while the rate of self-medication is increasing
- The UN calls **preventing age-related diseases a must** under Sustainable Development Goal 3

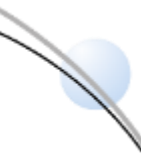
Opportunities



- Dermapharm** is already **uniquely positioned** for the demographic shift megatrend with its current product portfolio; Hübner, Fitivia, and Hübner Vital brands already promote **healthier living** and more natural methods of **self-care**
- In the future, further M&A could result in a **portfolio more aligned with the megatrend**, e.g., by integrating a producer of **cannabis drugs** (see [link](#))

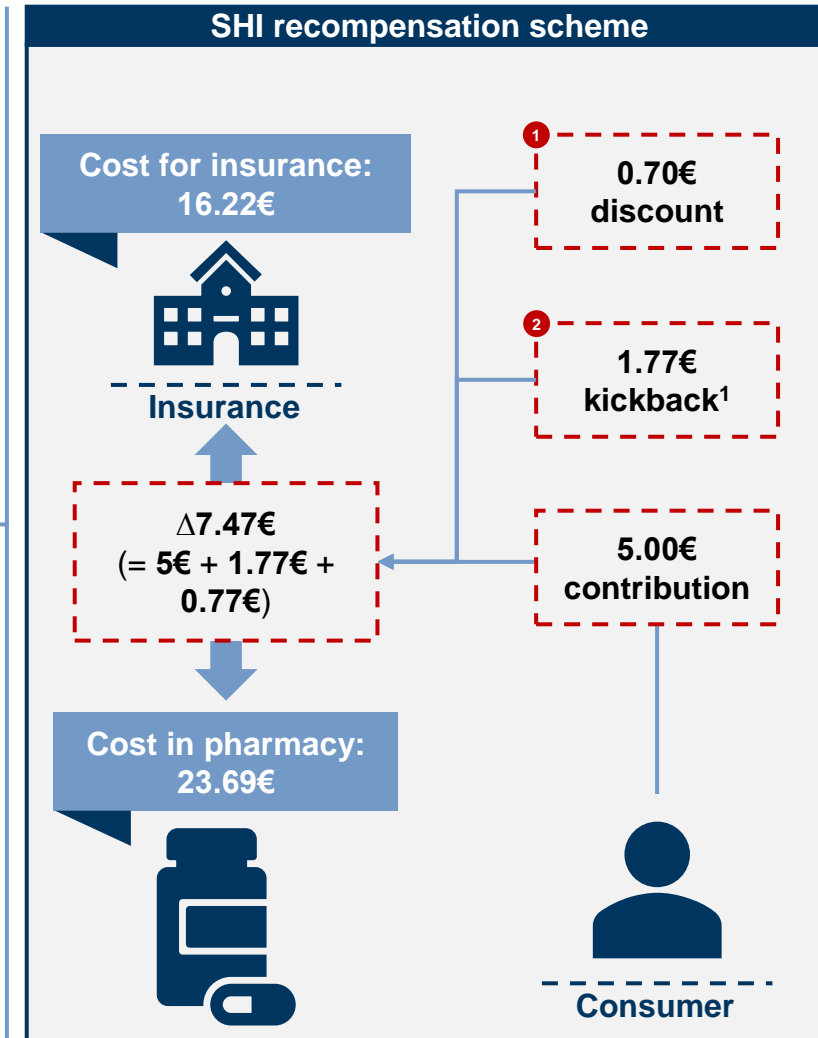
2 | Market overview | Regulation: Pricing example

The pricing of prescription medication in Germany is subject to a number of strict regulations, as outlined in this real-life example



| 1: Originator/producer | |
|---|---------------|
| Price of drug given by producer | 10.00€ |
| - Mandatory discount (7% for patent, 6% for generic) | -0.70€ |
| - Add. generics discount | 0.00€ |
| - Add. producer discount | 0.00€ |
| = Producer gets (maximum) | 9.30€ |

| 3: Pharmacy | |
|--|---------------|
| Price of drug given by producer | 10.00€ |
| Pharmacy surcharge (3% of producer price + 8.35€ for every Rx drug sold) | 8.68€ |
| + Emergency service subsidy | 0.21€ |
| - Net pharmacy discount (goes to SHI, with sales tax 1.77€) ¹ | 1.49€ |
| = Pharmacy gets (maximum) | 7.40€ |



| 2: Wholesaler | |
|--|---------------|
| Price of drug given by producer | 10.00€ |
| 3.15% of producer price (10€ x 3.15% \approx 0.32€) | 0.32€ |
| + Fixed price per unit | 0.70€ |
| = Wholesaler gets (maximum) | 1.02€ |

| 4: German state | |
|--|---------------|
| Earnings producer | 9.30€ |
| + Earnings wholesalers | 1.02€ |
| + Earnings pharmacy | 7.40€ |
| = Net price of drug | 19.91€ |
| * 19% federal sales tax (goes to state) | 3.78€ |
| = Final maximum sales price | 23.69€ |

Sources: [Bundesverband der Arzneimittelhersteller e.V.](https://www.bundesarzneimittelhersteller.de) | (1): The SHI receives money from every sale in the pharmacy, as part of recompensation scheme

3 | Individual reflection and paper (1/2) | 45600 – Lukas Immanuel Holz



Reflecting on my learnings throughout this Work Project, my professional development, and my journey at Nova SBE

Reflection on the work project

What hard skills did I learn during the work project?

Over the course of this Work Project, I have continuously improved upon my existing skills in broad areas such as accounting, valuation, financial modelling, and the use of Microsoft Excel and PowerPoint. Especially in the areas of financial structuring and market sizing I am much more comfortable now. I thus feel very confident in entering the M&A industry beginning of 2022, where I will put those skills to use.

What soft skills did I learn during the work project?

The most significant soft skill I learned was understanding the value of taking the initiative. When reaching out to Dermapharm, I proposed sending bottles of wine to make ourselves be “heard”. It did work, and we got our interviews. Also, throughout this project, communication on a regular basis in our team increased the rate in which changes were implemented, using a positive feedback loop.

Retrospectively, what would I change about the way I work?

Chiefly, I would structure the work more efficiently. Sometimes, I was too focused on a task that could have been separated in smaller pieces and spent too much time on trying to force it all out at once. I would also take notes more often, since writing out ideas brings them to life faster. Especially when it comes to visual tasks like planning a slide in PowerPoint, this can have a very positive impact.

Retrospectively, what would I change about my contribution to the team?

I greatly enjoyed working with my teammates, who were highly competent. In the future I would put a stronger emphasis on aligning the different time zones in which we worked, since that created friction sometimes. In general, these problems can be mitigated with a clear plan on communications, eliminating the need for scheduled calls. Here, I believe we greatly improved over the course of the project.

Reflection on the overall master’s program

What did I learn throughout the master’s program at Nova SBE?

I am very grateful for the opportunity to attend Nova SBE, and this challenging, but so rewarding program. My understanding of Finance increased greatly, and I am now much more professionally aligned with my actual desires and abilities. The international experience is invaluable, and I created many great relationships here. Being around highly intelligent, motivated young people gave me a sense of perspective and what is possible out there. Mostly, I learned that I enjoy things I never thought I’d enjoy, and that only challenges makes life interesting.

How did I increase my Private Equity knowledge through this program?

Through this program, I acquired a strong foundation in the skills required to succeed in private equity, first through the PE and M&A courses, and then in a summer internship at a small/mid cap PE fund in Germany. From valuation and building an LBO, to the strategic decisions unlocking the value of a company, Nova SBE and this Work Project increased my existing skills and knowledge greatly. During the course of this work project, I have also learned a lot about PE investments into the healthcare market. A big factor in this growth has been the role of private equity investments contributing capital in growth areas such as specialty medicine, but also leveraging existing care structures such as private clinics to provide lasting value. Private equity invests at all stages of the value chain, and many of those steps have been both negatively and positively influenced by the recent pandemic. This disruption of traditional healthcare has provided great opportunities for existing and new players, as seen in our Dermapharm case, with its growing vaccine production. From this case my already existing interest in the topic of healthcare grew, and I am sure that there will come an opportunity for me to apply the learnings I took from this case in the real world of M&A and PE.

3 | Individual reflection and paper (2/2) | The healthcare PE investment market

An analysis of the structure and future of the healthcare private equity market, under consideration of the impacts of the COVID-19 pandemic

The healthcare PE investment market

The healthcare market has always been **highly interesting** to the private equity industry due to both its potential for **long-lasting sales** when an attractive product has been developed, and the **recurring revenue** of hospitals and treatment facilities. This trend has been visibly picking up after the Global Financial Crisis, with **\$15bn** in deals in 2009 to **\$66bn** in 2020, while the percentage of worldwide healthcare deals in the global PE market has risen from **9%** in 2009 to **23%** in 2020. During the COVID-19 pandemic, while the total deal value in this sector fell by **17%**, the number of deals rose sharply by **21%**. This indicates a paradox, in that the pandemic lowered overall economic growth, but **disrupted** the global healthcare industry, which is now faced with **new market potentials** in medtech, new therapies, and more agile, nimble healthcare providers such as hospitals.

Growth segments



Biopharma

The biopharma segment is characterized by high research intensity and novel approaches to remedies, such as immunotherapy and gene therapy. It will benefit from COVID-19.



Medtech

Medtech is a broad field intersecting with tech firms, especially in monitoring health activity. After the pandemic, this sector is posed to influence health decision of consumer even more strongly.



Healthcare IT

In accordance with the trends mentioned in our presentation, the advent of AI will change both pharma development and disease treatment. Improving experiences and trials is only the start.

Investing along the value chain

Raw materials/
R&D

Example: Company A, a CDMO, specialized in **cancer research** and trials for company B, getting supplied with **growth capital** for vital assets at a pre-earnings multiple

Production

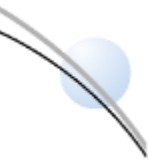
Example: Company B, a leading producer of specialized **oncology** drugs, supplying company C, is acquired with a **share deal** by a mid-cap PE fund at a multiple reflecting the R&D costs

Distribution/
treatment

Example: Company C, a **private clinic** in Germany, treating cancer patients with company B's products, is acquired with a **leveraged buyout** by a big PE fund (KKR, Bain, etc)

The future of healthcare PE

Due to its highly regulated and often speculative nature, the field of healthcare, health services, and pharmaceuticals remains a **promising** field for any private equity investor. Since only about **1.8%** of all firms in the healthcare business are public, there exist many opportunities for investors knowledgeable about the topics important for understanding the healthcare market, chiefly **science and regulation**. One factor influencing the future as well is the advent of "**small capital**", such as private debt, growth capital or other forms of financing compatible with the risk profile many emerging companies have. It is highly likely that this will lead to a **strong increase** in **new research- and/or tech-based healthcare companies**. In Europe, this trend is **unlikely to materialize** in the near future due to strong regulatory pressure, but we are **optimistic** about these prospects.



Source

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Appendix

B | 2 | Company overview | M&A activity (1/2)






















Dermapharm's steady add-on acquisitions substantially contribute to the company's revenue growth; the pharma company has proven to be a buy-and-build platform

| Transaction history | Date | Head-quarters | Revenues in €m ¹ | Business segment | Shares acquired (%) | Volume in €m | EV/ EBITDA |
|----------------------------------|-------|---|-----------------------------|------------------|---------------------|--------------|--------------------|
| CORAT Therapeutics GmbH | 07/21 |  | N/A | BP | 24.9 | N/A | N/A |
| Wellster Healthtech Group GmbH | 07/21 |  | N/A | BP | 29.8 | 26 | N/A |
| Allergopharma group | 03/20 |  | 88 | BP | 100.0 | 70 | 4.7x ³ |
| FYTA group ² | 06/19 |  | N/A | HE | 20.0 | 60 | N/A |
| Fitvia GmbH | 06/19 |  | 20 | BP | 100.0 | 40 | N/A |
| Euromed group | 03/19 |  | 72 | HE | 100.0 | 266 | 14.6x |
| CFP Packaging GmbH | 01/19 |  | N/A | BP | 100.0 | 1 | N/A |
| BLBR GmbH | 02/18 |  | N/A | BP | 51.0 | 6 | N/A |
| Trommsdorff GmbH & Co. KG | 01/18 |  | 59 | BP | 100.0 | 103 | 10.5x ³ |
| Strathmann group | 12/17 |  | 24 | BP | 100.0 | 20 | N/A |
| Bio-Diät-Berlin GmbH | 10/17 |  | 3 | BP | 100.0 | 8 | N/A |
| Riemser Pharma GmbH'S Medical BU | 09/17 |  | N/A | BP | 100.0 | 59 | N/A |

| Comments |
|---|
| <ul style="list-style-type: none"> ▪ Dermapharm acquired 12 firms in the last five years ▪ Total transaction volume from 2017 to 2021 transactions amounts to €658.5m including one acquisition with no disclosed volume ▪ This leads to an average of c. three acquisition per year since 2017 with an average volume of c. €57m ▪ The average revenue generated by one acquired target amounts to around €44m ▪ Dermapharm nearly exclusively acquires majority stakes or acquires full ownership in its targets ▪ As a result, c. 11% of the company's revenue growth arises from organically generated revenues while c. 89% results from newly acquired companies ▪ Most acquisition targets are located in Germany but operate on an international scale; thus, post-merger integration is more achievable from an accounting and company culture point of view ▪ Nevertheless, single targeted key-acquisitions, e.g., FYTA to enter the cannabis market, are still performed abroad to lever internationalization ▪ In July 2021, the COVID-related business was extended with the acquisition of CORAT Therapeutics GmbH, a producer of innovative neutralizing antibody COR-101, for the treatment of hospitalized COVID-19 patients |

B | 2 | Company overview | M&A activity (2/2)

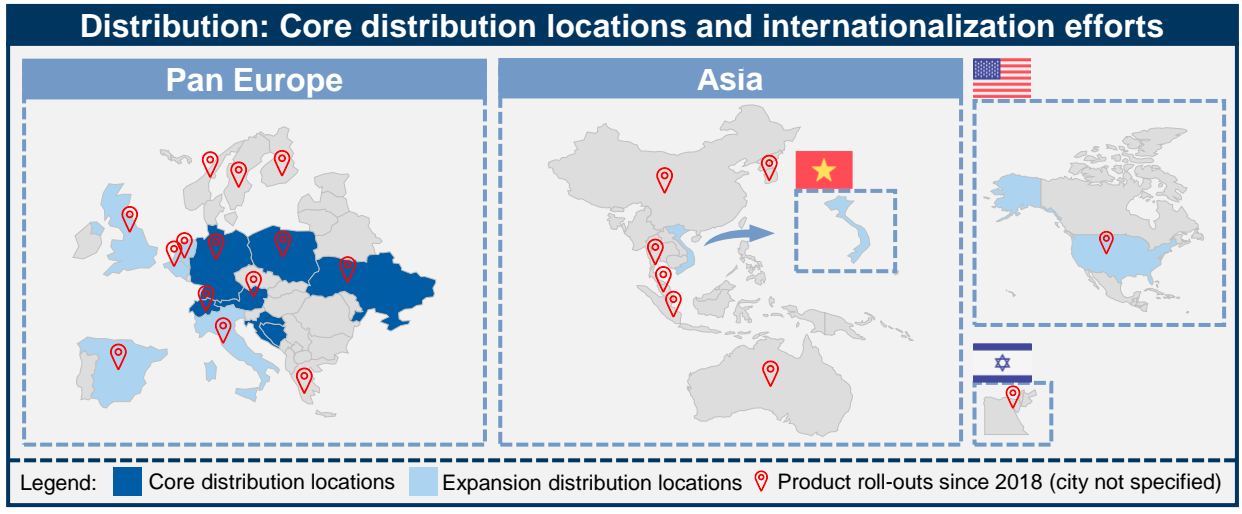
The M&A strategy of Dermapharm in recent years follows a clear trend of solidifying its position in the branded pharmaceutical market, while also exploring new spaces

| Key acquisition | Country | Description | Key figures (last available) | Rationale |
|---|---|---|---|--|
|  <p>allergopharma Allergies in best hands</p> |  | <ul style="list-style-type: none"> Founded in 1969 and headquartered in Reinbek, Allergopharma GmbH & Co. KG is specialized in the diagnosis and therapy of type-1 allergy; it offers its services to medical professionals including physicians, pharmacists, and people working in the pharma industry. Formerly a part of Merck KGaA, Allergopharma was acquired in March 2020 for €70m | <ul style="list-style-type: none">  Employees: 500  Revenues: €88.0m  EBITDA: €18.1m  Purchase price: €70m  EV/EBITDA: 4.7x | <ul style="list-style-type: none"> Anti-allergenic remedies are a fast-growing future market in an increasingly de-natured world, with an estimated 4 billion humans suffering from allergies in 2050 In Germany, the approval of anti-allergenic pharmaceuticals is very resource-consuming; Allergopharma has a distinct advantage with its main product lines being already approved |
|  <p>EUROMED</p> |  | <ul style="list-style-type: none"> Founded in 1971 and headquartered in Mollet-des-Vallés, Euromed SA offers artchoke, echinacea, ginseng, hawthorn, nettle, milk thistle, and valerian, as well as other herbal extracts and natural active substances for the pharmaceutical, nutraceutical, and food industry Euromed serves clients worldwide It was acquired in January 2019 for €266m | <ul style="list-style-type: none">  Employees: 187  Revenues: €71.9m  EBITDA: €15.2m  Purchase price: €266m  EV/EBITDA: 14.6x | <ul style="list-style-type: none"> Euromed enables diversification by, firstly, focusing on an earlier step of the pharma value chain and, secondly, internationalization with 98% of revenues realized with global clients, which benefits Dermapharm's strategic pillars Small-scale synergies arise from enabling better access to herbal extracts for Dermapharm's phytopharma and food supplements |
|  <p>Trommsdorff</p> |  | <ul style="list-style-type: none"> Founded in 1837 and headquartered in Asldorf, Trommsdorff GmbH & Co. KG develops and manufactures pharmaceuticals, medical devices, and food supplements; the company offers products for the heart, nervous system, muscles, respiratory, stomach, skin, and intestines The company was acquired in January 2018 for €103m, incl. a €24m shareholder loan | <ul style="list-style-type: none">  Employees: 223  Revenues: €59.0m  EBITDA: €15.2m  Purchase price: €103m  EV/EBITDA: 10.5x | <ul style="list-style-type: none"> Trommsdorff offers a diversified and established portfolio of branded pharmaceuticals, e.g., Keltican Forte or Tromcardin Complex within a defined customer group, providing a logical horizontal addition to the portfolio of Dermapharm Acquisition of the therapeutic area pain treatment Research and production capabilities increase Dermapharm's future headroom |

B | 2 | Company overview | Internationalization



With its well-located production facilities and global sales locations, Dermapharm is perfectly positioned to accomplish an extensive growth strategy



- ### Comments
- Production facilities are mainly located in Germany, which strengthens the “Made in Germany” trademark and fosters the USP of largely inhouse production
 - Own R&D, production and logistic facilities enable intercompany synergies while ensuring global sales through own subsidiaries and distribution partners
 - Branded pharma are exported to >50 countries; herbal extracts to 43 countries
 - An enhanced international footprint is enabled through distribution of successful products (mainly bite away® and Herpothem®) in >22 countries since 2018
 - Additional effects due to international business of the other acquisitions
 - Expansion of Allergopharma and mibeTec, e.g., in the US and Japan
 - Axicorp’s new 10k sqm repackaging and logistic center in Friedrichsdorf raises productivity by 40% optimized cost structures and better processes

Main operational facilities¹ and their functions

| | | | |
|---------|--|--|--|
| Germany | <p>mibe GmbH Arzneimittel</p> <p>Development Production Logistics</p> <p>★ Brehna</p> <p>Since 2020 vaccine production; largest production facility of Dermapharm</p> | <p>Allergopharma</p> <p>Development Production Logistics</p> <p>Reinbeck</p> <p>From 2021 vaccine production; immunotherapy as well as hyposensitisation products</p> | <p>hübner</p> <p>Development Production</p> <p>Reinbeck</p> <p>Production of vitamin drops and various silica healthcare products</p> |
| | <p>STRATHMANN</p> <p>Development Production</p> <p>Seevetal</p> <p>Prescription pharma and OTC production with renewed packaging and QM area</p> | <p>Trommsdorff</p> <p>Development Production</p> <p>Alsdorf</p> <p>Prescription pharmaceuticals and OTC products for pain treatment</p> | <p>axicorp GROUP</p> <p>Repackaging Logistics</p> <p>Friedrichsdorf</p> <p>Replacing of old repackaging and logistics center by a newly built one</p> |
| | <p>EUROMED</p> <p>Development Production</p> <p>Mollet de Vallés</p> <p>Plant-based ingredients for pharma, food supplements, and cosmetics</p> | <p>EUROMED</p> <p>Development Production</p> <p>Murcia</p> <p>New plant in construction, mainly for the production of food supplements</p> | <p>MELASAN</p> <p>Production Logistics</p> <p>Neumarkt</p> <p>Newly constructed production and logistics center, doubling the previous capacity</p> |

★ mibe in Brehna is main and largest production facility which also includes a centralized logistics hub








Sources: Company filings | Notes: (1) Does not include drying facility of Euromed in Okeechobee, US and small production facility of Sun-Farm in Łomianki, Poland







B | 2 | Company overview | Product portfolio

Dermapharm focuses on biologically produced remedies and has a rapidly growing portfolio of pharmaceuticals for various dermal and internal complaints



Top 4 products by revenue and growth¹

| Treatment area | Dermapharm | Competitor |
|--|---|--|
| <p>Vitamin D(3): Extracted from protein-rich food (fish) or generated under sunshine; strengthens the immune system, cell building, bones, and muscles</p> |  Dekristol® 20000 I.E. The only widely available Vitamin D supplements with 20k IE |  Most Vitamin D supplements have 2k-4k IE |
| <p>Back pain relief: Back pain is a common symptom of age and/or a sedentary lifestyle; uridinmonophosphate, an ingredient in Keltican, can alleviate that pain</p> |  Keltican® forte Repairs the peripheral nerve tissue around neurons, lessening pain |  Either uridinmonophosphate or classic analgesics |
| <p>Cardiovascular support: When the heart gets out of sync due to age, stress or illness, potassium and magnesium supplements can help to regulate it</p> |  Tromcardin® complex Contains K, Mg, Vitamins B12 and B3, regulates muscle beat |  K + Mg combination is very common on the market |
| <p>Antipruritic: Anti-itch medication often uses antihistaminics; heat application (hyperthermia) is new and attacks the nerve reaction after a mosquito bite</p> |  bite away® Heat “confuses” itching nerves and prevents histamine ² distribution | <p>No direct competitor</p> <p>competitors are mainly anti-histamine-based</p> |

| Treatment area | Representative products |
|--|--|
| <p>Dermatology: Hair/alopecia, skin care and skin recovery after corticoid treatment; former core business of Dermapharm and still therapeutic “edge”</p> |  |
| <p>Vitamins: This large variety of vital molecules are now a large part of the revenue, encompassing vitamins B(2, 5, 6, 12), C, D(3), K(2), E</p> |  |
| <p>Pain and inflammation: Available products are multiple topical and internal pain remedies, mostly centered around skin inflammation and joint pain</p> |  |
| <p>Gynecology: Dermapharm offers a variety of topical myotics (anti-fungal creams) and organic solutions for menstrual pain</p> |  |
| <p>Cardiovascular: These mineral-/vitamin-based remedies focus mainly on problems caused by aging or stress, such as Tromcardin complex</p> |  |
| <p>Allergology: Produced by Allergopharma, the products focus on immunotherapy by subcutaneous injection of allergoid substances</p> |  Allergovit Acaroid Novo-Helisen |

Sources: Company filings, BvD Orbis | Notes: (1) Top 5 products make up 30% of revenue and high portion of overall growth, identification of fifth top product not provided by Dermapharm (2): Histamine = “allergy reaction molecule”

B | 2 | Company overview | COVID-19 impact and engagement

Dermapharm's core business outperformed during COVID while a cooperation with BioNTech SE is expected to result in add-on growth in the upcoming years

Branded pharmaceuticals outperformed both parallel imports and herbal extracts, which suffered under cross-border shutdowns

- **April 2020: Inhouse production and monitoring secures steady operations of Dermapharm**
 - Dermapharm is **not affected by supply bottlenecks**; own R&D, production, and logistics as well as **monitoring of material stock** enables steady production
 - **Lockdowns** do not affect **main production facilities**; **§6 BSI-Kritisverordnung** classifies Dermapharm as **critical public infrastructure**, whose production is required
- **September/October 2020: Signing of cooperation and supply agreement of Comirnaty® vaccine with BioNTech SE in September; production begin in October**
 - After being **contacted by BioNTech** in **June 2020**, Dermapharm **fast-tracked the contract signing** and started the **vaccine production** in Brehna within **four months**
 - **C. 17m doses** were produced **by the end of 2020** and the **agreed quantities** of vaccine were **delivered** to BioNTech in **due time**
 - **Gathered know-how** in the course of the production is also expected to **deliver high value** in regard to the **future development** of the company
 - Covered steps in the vaccine production process:
- **December 2020: Positive effects of COVID balanced out downsides in the course of the business year; discussion of contract extension with BioNTech SE**
 - **Branded pharmaceuticals** showed **high demand in Q1 2020** thanks to stockpiling effects, which tapered off thereafter; c. **22.4% revenue increase** year-over-year
 - **Product mix switched** from travel meds and vaccinations, e.g., malaria prophylaxis, to **immune boosting supplements** and **corticoids**, e.g., Dekristol®
 - **Selected products' demand** of the branded pharmaceutical and parallel imports business **decreased** due to **postponement of doctor's visits**
 - **Parallel imports** were challenged by **export bans for pharmaceuticals**, which led to a **procurement risk**; c. **2.9% revenue increase** year-over-year (below plan)
 - **Herbal extracts** realizes **98% of revenues abroad**, which was significantly **limited during the pandemic**; c. **0.6% revenue decrease** year-over-year (below plan)
- **February 2021: Vaccine production contract extension with BioNTech SE incl. Allergopharma's Reinbek facility (enables 2bn instead of 1.7bn doses in 2021²)**
- **April 2021: Begin of extended production of Comirnaty® vaccine in Reinbek utilizing capacities of Allergopharma (one month before estimated begin)**
 - The vaccine production is expected to **increase revenues** by a **high two-digit million extent** in **2021** including the new capacities
 - Paired with **successful implementations of new products**, Dermapharm expects **c. 24% and 26% organic revenue growth** and **c. 45% and 50% EBITDA growth**
 - At the same time, **requirements to produce up to 250m doses** (42m vials) per year in **2022** are fulfilled in the **main production facility in Brehna**
- **July 2021: Acquisition of 24.9% of CORAT Therapeutics GmbH shall foster growth by treating medium to high severe progressions of COVID-19**
 - The company develops **neutralizing COR-101 antibody** to treat **hospitalized COVID-19 patients** in **advanced disease stages**; currently the **most modern therapy**
 - It is currently undergoing **phase Ib/II**, which shows that it **decreases** the number of **SARS-CoV-2 viruses** in the **lung** by **99.4%**; estimated **market entry in 2022**
 - **High annual three-figure revenues** are expected after **successful market entry** into the **\$5bn market**, which is, however, **highly competitive³**

— Past impact — Future impact

B | 2 | Company overview | SWOT analysis

Dermapharm's edge comprises of niche market selection and a well-trained salesforce while inorganic growth and regulation are the company's main threats

- + **Activity in niche markets** with **limited competition** and **distinct margins** depicts a **USP** (>50% of brands are **not covered** by any or only one competitor)
- + **Bustling salesforce** drives **prescriptions** of Dermapharm's pharma, which is demonstrated by, i.a., **ranking first place** in **dermatological prescriptions**
- + An **exceptional track record** in successfully carrying out **acquisitions** (12 in the past five years) proves the **management team's capability** for **buy-and-build**
- + Dermapharm's **strong operational cash flows**, **high margins**, **successful leveraged growth story** substantiates the company's **high debt capacity**
- + Executing the LNP1 production, bottling and quality control as well as the cold storage (-70°C) of **Comirnaty®** as part of the cooperation and delivery agreement with **BioNTech SE** depicts a **top-line growth add-on** for Dermapharm

S

- Dermapharm is **partially reliant** on **inorganic growth** in order to further realize the **above-market top-line growth** shareholders have seen in the past
- **Vulnerable for cluster risk** in the **branded pharmaceuticals** product portfolio as 30% of its revenues resulted from the 5 best-selling products, e.g., **Dekristol® 20.000 IE**, in 2020 posing possibility of **high dependence** on the **niche markets**
- **Inventory-heavy acquisitions** and a **portfolio shift** in Dermapharm's **parallel import business** increases pressure on **liquidity** and **cash conversion**
- **Dependency on successful (re-)admission** of Dermapharm's products **weakens** the **risk-weighted prospects** of the company product pipeline
- **Raw material sourcing** from **India** and **China** implies **dependency on imports** and **cross-border risks** such as currency or regulatory risks in a **low extent**

W

- ↗ Targeted execution of the already established **M&A strategy** to **diversify** and **enrich** the **own offering** with further **add-ons**, e.g., a cannabis producing company with an export license across Europe
- ↗ Agreement with **BioNTech SE** offers **additional cooperation potential** in the future that **splits risks** and **fosters** both companies' **growth**
- ↗ Acceleration of **niche product roll-outs** in markets with **low regulation**, possibly with **over-the-counter products**, e.g., by changed dosage forms or concentrations similar to the niche placement of **Dekristol® 20.000 IE**
- ↗ Beyond being already **passively positioned** for **megatrends** such as the **demographical shift**, **actively aligning** towards further trends like **food supplements** and **wellness products** supports **future growth** prospects

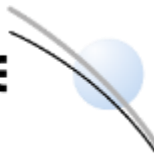
O

- ↘ **Regulation** such as the **pricing moratorium** or **SHI agreements** could **impact** Dermapharm's **margins** in the long term and **increase competition**
- ↘ **Dermapharm's growth potential** could be **limited** in case **acquisition** and **internationalization** efforts (bear additional cross-border-risks) fail, which are, along with inhouse development, the company's key growth and value drivers
- ↘ **COVID engagement**, i.a., BioNTech SE cooperation and CORAT Therapeutics acquisition, **might not pay off** leading to impaired investments
- ↘ **Time-to-market** is **critical** to realize the revenues required to cover development costs; **competitors' faster development** might **impact Dermapharm's margins**
- ↘ Stefan Hümer (**former CFO**) left in July 2020 leading to **potential information gaps** and **M&A integration challenges** for Ms. Neumeyer in her first c-level role

T

B | 2 | Company overview | Management: Dr. Hans-Georg Feldmeier

Dr. Hans-Georg Feldmeier leads Dermapharm for 18 years with extensive industry experience and a broad network being the chief executive of BPI e.V.



General information



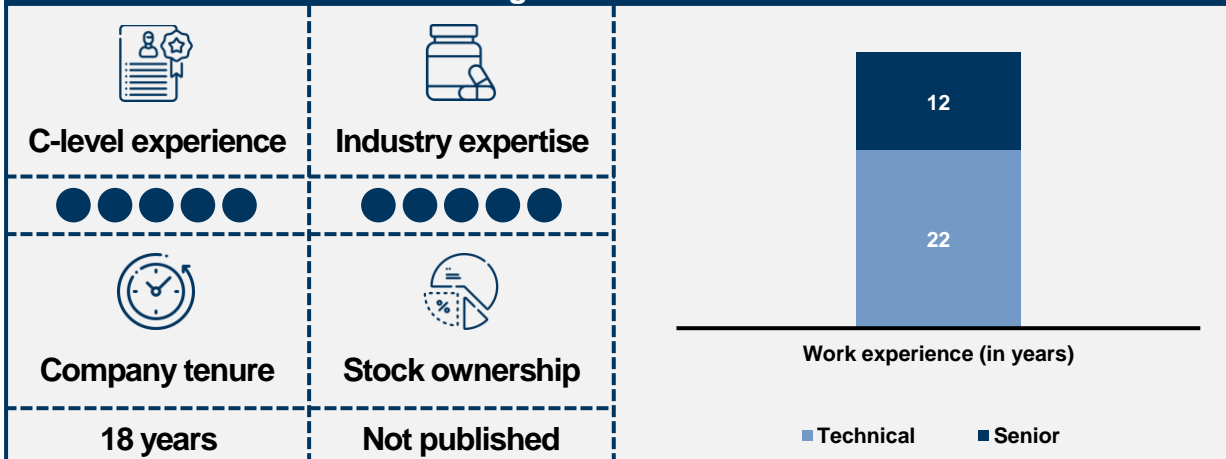
- Name:** Dr. Hans-Georg Feldmeier
- Position:** Chief Executive Officer
- Age:** 59 years old; born in 1962
- Highest education:** PhD in pharmacy
- Board member:** since 2009
- Contract period:** until July 31, 2023
- Business network profiles:**

Bloomberg

Academic and professional stations

- 1987: Pharmaceutical Sciences diploma** from University of Greifswald
- 1990: Pharmaceutical Sciences PhD** from Humboldt University in Berlin
- 1991: Junior Scientist** at **VEB Berlin-Chemie**, later responsible for production, logistics, technology, and investments as **Manager of Production and Technical Services**
- 2002: Head of Supply Center** at **Schering AG**
- 2003: Project Leader** of Brehna plant construction at **Dermapharm Holding SE**
- 2009: Head of Operations** at **Dermapharm Holding SE**
- 2017: Chief Executive Officer** at **Dermapharm Holding SE**

Management assessment



Responsible business areas¹

| | |
|---------------------|---------|
| Production | 858 FTE |
| Sales and marketing | 570 FTE |
| Administration | 557 FTE |
| Logistics | 175 FTE |
| Product development | 151 FTE |

Comments

- Dr. Feldmeier is advisory board member of **L.B. Bohle Maschinen und Verfahren GmbH** and managing director of **O.E.M. GmbH Schneid- und Verschleißtechnik**, two German industrial companies
- Dermapharm's CEO is the **chief executive** of **Bundesverein der Pharmazeutischen Industrie e.V.**
- Dr. Feldmeier is **married** and father of **three children**

B | 2 | Company overview | Management: Karin Anna Samusch

With the longest tenure of any executive board members, Ms. Samusch is ideally suited to drive Dermapharm's continued growth over the investment horizon

General information



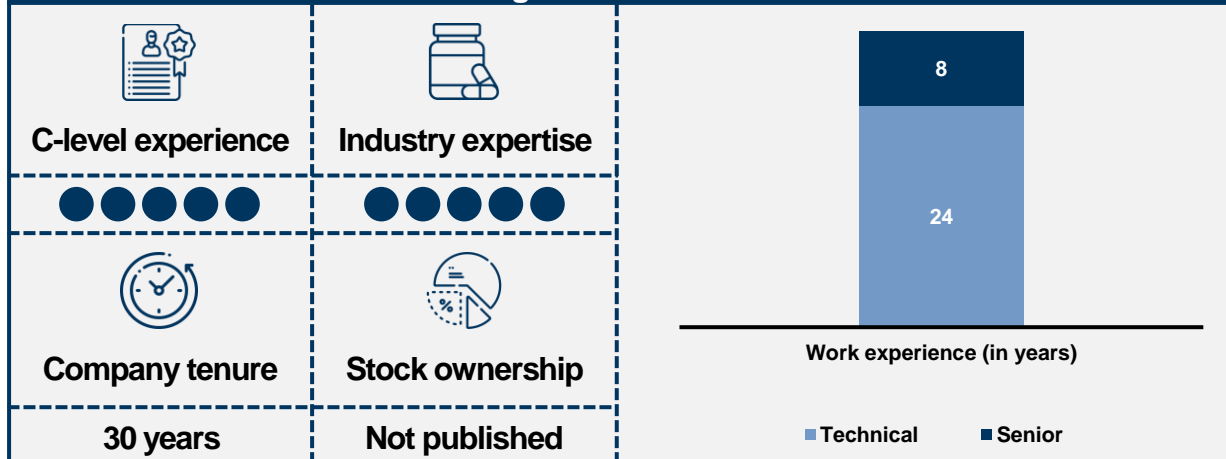
- **Name:** Karin Anna Samusch
- **Position:** Chief Business Development Officer
- **Age:** 56 years old; born in 1965
- **Highest education:** Apprenticeship in marketing
- **Board member:** since 2013
- **Contract period:** until July 31, 2023
- **Business network profiles:**

Bloomberg

Academic and professional stations

- **1989: Begin of career** at seal producer **Feodor Burgmann GmbH & Co. KG**, at which she was responsible for the **export of mechanical seals**
- **1989: Business Development, Human Resources** and **trademark** business responsibilities at **Dorsch GmbH** (pharmaceutical company)
- **1991: Business Development, International and Regulatory Affairs,** and **Pharmacovigilance** role at **Dermapharm Holding SE**
- **2000: Marketing management diploma** at **Munich Chamber of Commerce**
- **2013: Chief Business Development Officer** at **Dermapharm Holding SE**
- **2017: CAS Change & Innovation Management** certificate of advanced studies at **University of St. Gallen**

Management assessment



Responsible business areas¹

| | |
|---------------------|---------|
| Production | 858 FTE |
| Sales and marketing | 570 FTE |
| Administration | 557 FTE |
| Logistics | 175 FTE |
| Product development | 151 FTE |

Comments

- Ms. Samusch's maintains **contacts to politics**, e.g., by introducing Bavarian state minister **Kerstin Schreyer** to Dermapharm in **October 2020**
- Alongside her office as a member of the management board, Ms. Samusch has **not been a member of any administrative, management, or supervisory body of any other company or partnership** outside Dermapharm within the last five years

B | 2 | Company overview | Management: Dr. Jürgen Ott

Having gained industry expertise at four academic institutions and two potential competitors, Dr. Ott is well positioned for marketing Dermapharm's products

General information



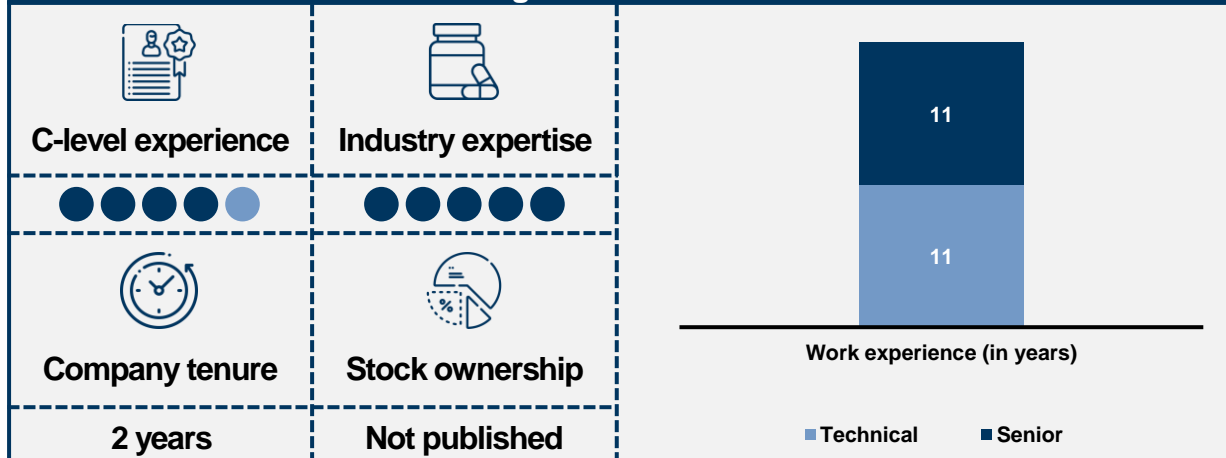
- Name:** Dr. Jürgen Ott
- Position:** Chief Marketing Officer
- Age:** 53 years old; born in 1968
- Highest education:** PhD in inorganic chemistry
- Board member:** since 2019
- Contract period:** until September 30, 2022
- Business network profiles:**

Bloomberg LinkedIn MarketScreener XING

Academic and professional stations

- **1988: Chemistry pre-diploma** at University of Ulm
- **1990: Chemistry diploma** at University of Würzburg
- **1994: Inorganic Chemistry PhD** at Vienna University of Technology
- **1997: Research Assistant** at Austrian Research Centers Seibersdorf
- **1999: Key Account Manager, later Brand Manager** at Procter & Gamble
- **2010: Head of Marketing** Germany, later **Regional Head Central Europe** and **Authorized Officer** at Bionorica SE¹
- **2019: General Management Program** at Harvard Business School
- **2019: Chief Marketing Officer** at Dermapharm Holding SE

Management assessment



Responsible business areas²

| | |
|---------------------|---------|
| Production | 858 FTE |
| Sales and marketing | 570 FTE |
| Administration | 557 FTE |
| Logistics | 175 FTE |
| Product development | 151 FTE |

Comments

- Dr. Ott received a **scholarship** from the **Weizmann Institute of Science** (German Academic Exchange Service) in 1996 for his above-average performance during his **doctoral studies in chemistry**
- The marketing executive is appreciated for his **valuable know how in the field of herbal products**, which he is eager to expand during his time at Dermapharm

B | 2 | Company overview | Management: Hilde Neumeyer

Ms. Neumeyer led the financial integration of Dermapharm's add-on acquisitions over 21 years, fostering the company's growth and outstanding performance

General information



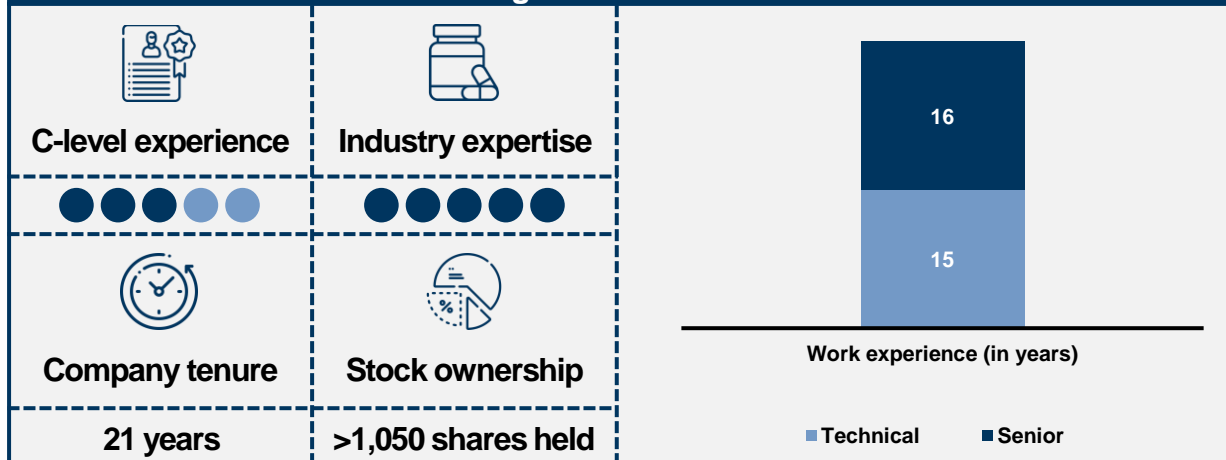
- Name:** Hilde Neumeyer
- Position:** Chief Financial and Compliance Officer
- Age:** 54 years old; born in 1967
- Highest education:** Business mgmt. training
- Board member:** since 2020
- Contract period:** until June 30, 2023
- Business network profiles:**

Bloomberg

Academic and professional stations

- 1990:** Accounting professional at Novartis AG
- 2000:** Finance and accounting professional at Dermapharm Holding SE
- 2005:** Head of Accounting at Dermapharm Holding SE; structuring of the accounting system while mastering various challenges in a permanent and systematic way while integrating new acquisitions successfully
- 2018:** Chief Compliance Officer at Dermapharm Holding SE; established a governance, risk, and compliance system successfully in the company
- 2020:** Chief Financial Officer at Dermapharm Holding SE

Management assessment



Responsible business areas¹

| | |
|---------------------|---------|
| Production | 858 FTE |
| Sales and marketing | 570 FTE |
| Administration | 557 FTE |
| Logistics | 175 FTE |
| Product development | 151 FTE |

Comments

- Being the **only executive board member**, whose **stock transactions** with the company are **made publicly**, Ms. Neumeyer acquired stocks of Dermapharm on **four different dates** making **sweet equity** an **attractive compensation option** for her in the course of the leveraged buyout
- The **latest stock purchase** of Ms. Neumeyer amounts to **c. €164k** for a **stock price of c. €66 per stock**

B | 2 | Company overview | Historical financials: EBITDA bridge

A steady pipeline of acquisitions, resulting in restructuring, legal, consulting, and impairment expenses, paired with other operating expenses require adjustments

| EBITDA bridge (€k) | 2014A | 2015A | 2016A | 2017A | 2018A | 2019A | 2020A |
|--|--------|---------|---------|---------|---------|---------|---------|
| Adjusted EBITDA | 68,873 | 83,775 | 97,064 | 107,746 | 135,871 | 174,700 | 194,884 |
| % growth | | 22% | 16% | 11% | 26% | 29% | 12% |
| Adjustments | 2,671 | (91) | 4,178 | 856 | 1,965 | (5,062) | (8,867) |
| 1 Restructuring expenses | - | - | - | - | - | (1,600) | (7,836) |
| 2 Foreign exchange losses | (832) | (1,826) | (238) | (227) | (1,054) | (3,635) | (4,994) |
| 3 Asset reduction in the course of PPA (IFRS 3) | - | - | - | - | - | (3,600) | (4,600) |
| 4 Acquisition related legal and consulting fees | - | - | - | - | (2,400) | (3,900) | (3,700) |
| 5 Post-acquisition tax refund claim | - | - | - | - | - | - | 1,205 |
| 6 Set-off against former shareholders | - | - | - | - | 20 | 433 | 152 |
| 7 Income from disposals | 217 | 621 | 417 | 346 | 72 | 311 | 225 |
| 8 Insurance refunds and damage compensation | 148 | 113 | 1,661 | 168 | 190 | 486 | 257 |
| 9 Government grants | 2,399 | 3,357 | 2,238 | 1,722 | 1,474 | 865 | 671 |
| 10 Compensated benefits in kind and proceeds from employee grants | - | - | - | 799 | 878 | 969 | 1,370 |
| 11 Out-of-period income | - | - | - | - | 130 | 417 | 1,451 |
| 12 Foreign exchange gains | 797 | 494 | 197 | 1,831 | 263 | 2,712 | 3,368 |
| 13 Reversal of provisions, including provisions on impairment of trade receivables | 293 | 706 | 741 | 1,110 | 2,931 | 1,480 | 3,564 |
| 14 IPO-related legal and consulting fees | - | - | - | (2,700) | (1,400) | - | - |
| 15 Credits for goods | - | - | - | - | 861 | - | - |
| 16 Sales commission | - | - | - | (1,134) | - | - | - |
| 17 License fee | - | - | - | (590) | - | - | - |
| 18 Losses from disposals | (351) | (3,556) | (838) | (469) | - | - | - |
| Reported EBITDA | 71,544 | 83,684 | 101,242 | 108,602 | 137,836 | 169,638 | 186,017 |
| % growth | | 17% | 21% | 7% | 27% | 23% | 10% |

| Comments | |
|----------|--|
| 1 | Personnel restructuring expenses for Allergopharma ¹ as well as Bio-Diät-Berlin ¹ (including Kräuter Kühne) |
| 2 | Exposure to, e.g., CHF, HRK, PLN, VND, GBP, USD, UAH, and CNY (2017) through credits and receivables |
| 3 | FYTA's ¹ technology and licenses, and Allergopharma's ¹ and Euromed's ¹ inventory were reduced in the course of the acquisition by Dermapharm (PPA according to IFRS 3) |
| 4 | Acquisitions of Allergopharma ¹ , Fitvia ¹ , Trommsdorff ¹ , Strathmann ¹ , Euromed ¹ , and further add-on companies led to legal and consulting fees (one-off items) |
| 5 | Tax claim related to a former acquisition, which is refunded after the acquisition itself |
| 6 | Settlement of incomes with former shareholders |
| 7 | Income from disposals of Dermapharm's assets |
| 8 | Increase in 2016 caused by damage compensation awarded by court to Mibe GmbH amounting to €1,003k |
| 9 | Issued for new production plant of mibe GmbH Arzneimittel |
| 11 | Other income which is attributed to other periods |
| 12 | See 2; highest exchange rate changes are notable for USD (c. +9.7%), VND (c. +9.2%), and PLN (c. +7.0%) in 2020 |

14 One-off expenses as part of the IPO preparation at Deutsche Börse in Frankfurt as of January 26, 2018, led by FAS AG, a subsidiary of Netherland-based WTS Global

18 Driven by the realized loss in the course of the deconsolidation of Centuere AG and realized losses from the disposal of drug licenses in 2015

10 13 16 17 Other one-off incomes or expense that are not expected to be recurring in the future

B | 2 | Company overview | Historical financials: Balance sheet

Dermapharm's assets mainly consist of software licenses, patents, and similar rights and PP&E, which grew from M&A; high leverage can be applied

| Balance sheet (€k) | 2014A | 2015A | 2016A | 2017A | 2018A | 2019A | 2020A |
|---|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Intangible assets | 93,266 | 84,410 | 87,058 | 157,987 | 244,557 | 495,276 | 563,610 |
| Property, plant and equipment | 56,547 | 53,406 | 53,357 | 56,036 | 80,874 | 132,585 | 199,619 |
| Investments measured at equity | 1,628 | 2,659 | 3,197 | 3,513 | 3,786 | 62,113 | 59,130 |
| Investments | 461 | 218 | 262 | 188 | 382 | 395 | 383 |
| Other non-current financial assets | 9,205 | 13,841 | 10,648 | 4,419 | 3,706 | 1,562 | 1,603 |
| Deferred tax assets | 952 | 28 | 218 | 290 | 39 | - | - |
| Non-current assets | 162,059 | 154,562 | 154,740 | 222,433 | 333,344 | 691,931 | 824,345 |
| Inventories | 71,516 | 76,957 | 84,779 | 81,685 | 116,966 | 175,643 | 205,726 |
| Trade accounts receivable | 22,791 | 17,423 | 26,302 | 24,677 | 34,124 | 48,879 | 55,515 |
| Other current financial assets | 58,810 | 42,499 | 39,976 | 78,318 | 1,365 | 6,040 | 3,849 |
| Other current assets | 3,043 | 1,445 | 1,692 | 1,575 | 4,272 | 5,396 | 12,527 |
| Income tax receivables - current | 733 | 989 | 394 | 329 | 1,990 | 231 | 362 |
| Cash and cash equivalents | 11,645 | 2,791 | 3,816 | 6,286 | 212,520 | 114,956 | 120,301 |
| Non-current assets held for sale | - | - | - | - | - | 1,796 | 1,773 |
| Current assets | 168,538 | 142,104 | 156,959 | 192,870 | 371,237 | 352,941 | 400,053 |
| Assets | 330,597 | 296,666 | 311,699 | 415,303 | 704,581 | 1,044,872 | 1,224,398 |
| Issued capital | 1,342 | 1,342 | 1,342 | 120 | 53,840 | 53,840 | 53,840 |
| Capital reserves | 250 | 250 | 250 | 250 | 100,790 | 92,754 | 100,790 |
| Retained earnings | 28,616 | 39,457 | 56,274 | 25,669 | 100,993 | 139,067 | 177,082 |
| Other reserves | (1,932) | 53 | (951) | (2,234) | (3,173) | (7,012) | (9,746) |
| Equity attributable to owners of the company | 28,276 | 41,102 | 56,915 | 23,805 | 252,450 | 278,649 | 321,966 |
| Non-controlling interests | 5,734 | 3,340 | 3,891 | - | 3,636 | 5,841 | 2,616 |
| Contributions to assets in kind not yet registered | - | - | - | 49,880 | - | - | - |
| Equity | 34,010 | 44,442 | 60,806 | 73,685 | 256,086 | 284,490 | 324,582 |
| Defined benefit obligations and other accrued employee benefits | 12,445 | 12,080 | 13,250 | 13,033 | 50,726 | 56,976 | 144,753 |
| Other non-current provisions | 78 | - | - | - | - | - | - |
| Financial liabilities | 161,530 | 151,073 | 96,896 | 222,483 | 232,743 | 543,347 | 580,759 |
| Other non-current financial liabilities | 9,946 | 14,050 | 10,464 | 4,476 | 3,395 | 18,684 | 261 |
| Other non-current liabilities | 15,551 | 13,257 | 11,495 | 10,024 | 10,783 | 11,915 | 11,222 |
| Deferred tax liabilities (saldo) | - | 191 | 3,365 | 11,026 | 4,452 | 27,038 | 29,948 |
| Non-current liabilities | 199,550 | 190,651 | 135,470 | 261,042 | 302,099 | 657,960 | 766,943 |
| Other current provisions | 6,118 | 6,405 | 6,951 | 7,017 | 8,586 | 16,238 | 23,778 |
| Financial liabilities | 20,382 | 24,906 | 65,883 | 32,264 | 71,577 | 11,264 | 26,044 |
| Trade accounts payable | 27,449 | 18,139 | 24,526 | 23,367 | 28,181 | 35,355 | 50,370 |
| Other current financial liabilities | 30,605 | 2,389 | 4,303 | 5,592 | 6 | 7,079 | 4 |
| Other current liabilities | 11,443 | 8,221 | 10,983 | 9,025 | 15,016 | 26,571 | 23,823 |
| Income tax liabilities | 1,040 | 1,513 | 2,777 | 3,311 | 23,032 | 5,914 | 8,852 |
| Current liabilities | 97,037 | 61,573 | 115,423 | 80,576 | 146,398 | 102,421 | 132,871 |
| Equity and liabilities | 330,597 | 296,666 | 311,699 | 415,303 | 704,583 | 1,044,871 | 1,224,396 |

| Comments |
|--|
| <p>① Driven by Dermapharm's buy-and-build strategy, goodwill, capitalized development costs, and licenses, patents, and similar rights increase (CAGRs of c. 52%, 41%, 24%); PP&E grows by c. 51% within 2020</p> |
| <p>② Position mainly consist of the acquisition of FYTA¹, which accounts for c. €58m in 2019</p> |
| <p>③ Item consists of held-for-trading derivative fair values (two currency swaps against holding Themis Beteiligungs-AG; expiring in 2018/2020) and capitalized life insurance contracts; decrease results from the derivatives' fair value</p> |
| <p>④ Significant related party, current clearing transactions notably decreased by c. €69m with expiry of a profit and loss transfer agreement to Dermapharm's holding Themis Beteiligungs-AG</p> |
| <p>⑤ VAT receivables steadily increase (CAGR of c. 29%) while 2020 includes a current liability against a minority shareholder as well as a tax claim of a former acquisition</p> |
| <p>⑥ IPO in 2018 led to significant cash inflows, which steadily tapered off in the course of add-on acquisitions</p> |
| <p>⑦ Capital issues and reserves increase due to the IPO</p> |
| <p>⑧ High performance under steadily high leverage proves the company's potential to be an LBO candidate</p> |

B | 2 | Company overview | Historical financials: Free cash flow

Dermapharm shows steady cash flow margins while recent years' cash flows are heavily impacted by the company's aggressive M&A strategy

| Cash flow (€k) | 2015A | 2016A | 2017A | 2018A | 2019A | 2020A |
|---|-----------------|-----------------|------------------|-----------------|------------------|------------------|
| EBIT (core result) | 60,854 | 82,616 | 91,585 | 110,416 | 125,952 | 150,189 |
| Notional taxes on EBIT | (13,735) | (18,961) | (22,186) | (26,748) | (30,511) | (36,384) |
| Adjusted taxes | 9,559 | 13,148 | 11,039 | (3,759) | (5,591) | (9,007) |
| NOPLAT | 56,678 | 76,803 | 80,438 | 79,909 | 89,850 | 104,798 |
| D&A | 20,168 | 14,103 | 15,861 | 24,113 | 46,097 | 43,963 |
| D&A as % of sales | 5% | 3% | 3% | 4% | 7% | 6% |
| Gross cash flow | 76,846 | 90,906 | 96,299 | 104,022 | 135,947 | 148,761 |
| Change in goodwill | - | - | - | - | - | (149) |
| CAPEX | (8,171) | (13,543) | (14,201) | (19,453) | (35,361) | (38,386) |
| CAPEX as % of sales | -2% | -3% | -3% | -3% | -5% | -5% |
| Change in NWC | (37,753) | (3,900) | 1,200 | (29,965) | (78,462) | (26,888) |
| Change in NWC as % of sales | -10% | -1% | 0% | -5% | -11% | -3% |
| Unlevered operating free cash flow | 30,845 | 73,463 | 83,298 | 54,604 | 22,124 | 83,339 |
| EBITDA conversion rate | 37% | 76% | 77% | 40% | 13% | 43% |
| Adj. FCF as % of sales | 8% | 17% | 18% | 10% | 3% | 10% |
| Non-core result | 894 | 5,642 | 2,171 | (1,111) | (7,550) | (14,842) |
| Notional taxes | (202) | (1,295) | (526) | 269 | 1,829 | 3,595 |
| Acquisition cost goodwill | - | (589) | (7,550) | (30,039) | (147,623) | (63,875) |
| Acquisition cost software, licences and patents | - | (2,533) | (64,437) | (67,008) | (121,983) | (11,717) |
| Acquisition cost capitalized development cost | - | - | - | - | - | 268 |
| Acquisition cost PP&E | - | (37) | (3,281) | (19,021) | (43,560) | (65,474) |
| Other comprehensive income | 1,984 | (1,005) | (1,283) | (939) | (3,839) | (2,734) |
| Change in all other non-operating liabilities | (2,215) | (1,062) | (632) | 1,920 | 2,058 | 1,231 |
| Unlevered non-operating free cash flow | 11,640 | 4,371 | (107,469) | (38,121) | (382,381) | (149,492) |
| Total unlevered free cash flow | 42,485 | 77,835 | (24,172) | 16,484 | (360,258) | (66,149) |
| Tax shields | 1,456 | 1,237 | 1,387 | 1,228 | 2,020 | 2,439 |
| Levered free cash flow | 43,940 | 79,072 | (22,784) | 17,711 | (358,238) | (63,711) |
| Interest | (6,449) | (5,392) | (5,727) | (5,068) | (8,338) | (10,066) |
| Change in financial debt | 4,044 | (13,502) | 88,202 | (117,120) | 414,348 | 113,650 |
| Transactions with shareholders (in cash) | (41,535) | (60,178) | (59,690) | 104,477 | (47,772) | (39,873) |
| Total financing cash flow | (42,485) | (77,835) | 24,172 | (16,484) | 360,258 | 66,149 |

Comments

- Driven by **revenue growth** of c. 23%, **core EBT** grew significantly; however, due to the **termination** of the **profit and loss transfer agreement** to **Themis Beteiligungs-AG** by end of 2017, **ongoing income taxes** for companies of the fiscal unity are **recorded at Dermapharm** from 2018, leading to lower **NOPLAT**
- D&A as % of sales** has slightly **grown** due to the **asset-heavy acquisitions** of **Euromed**, **CFP Packaging** and **Fitvia** in 2019, including several production and repackaging facilities; simultaneously, **capex as % of sales jumped to 5%** as those additional facilities require maintenance and modernization work
- Change in **NWC as % of sales** experienced a **similar development** in the last three years as in particular **inventories** of the acquired were **consolidated**, additionally, Dermapharm **expanded** its **product portfolio of branded pharma** in 2019, leading to **higher inventory levels** and thus, a **spike in change in NWC**.
- The **unlevered free cash flow** has been **adjusted for non-recurring items and acquisitions**, showing Dermapharm's **cash conversion ability**; despite several **consolidation effects and increasing inventory levels** in recent years, Dermapharm was still able to convert **43% of EBITDA** into cash in 2020
- From 2017-2020, Dermapharm commenced **11 acquisitions**, mainly the 2017 carve-out of **Riemser Pharma**, **Strathmann** and **Trommsdorf** in 2018, **Euromed** in 2019, and **Allergopharma** in 2020 led to peaking tangible and intangible assets
- Dermapharm's transaction history led to **steadily changing debt conditions** by **raising money** to finance the transactions while the **IPO in 2018** led to significant cash inflows resulting in a volatile net debt structure; however, with **3.7x net debt / EBITDA** leverage is still moderate considering the firm's stable business

B | 2 | Company overview | Historical financials: Cash flow

Dermapharm's capex is starkly driven by the company's M&A strategy, which was financed by both equity through going public and large refinancing packages

| Cash flow (€k) | 2014A | 2015A | 2016A | 2017A | 2018A | 2019A | 2020A |
|--|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| Earnings before taxes | 35,487 | 55,299 | 82,866 | 88,029 | 104,236 | 110,065 | 125,281 |
| Depreciation and amortization | 28,289 | 20,168 | 14,103 | 16,187 | 30,325 | 47,877 | 47,423 |
| Increase in working capital assets | 21,219 | (18,934) | (28,923) | (6,310) | 47,720 | (25,493) | (15,587) |
| Increase in working capital liabilities | (119,271) | (25,415) | 3 | (20,997) | (2,583) | 10,484 | 751 |
| Increase in other accrued employee benefits | 174 | 116 | 112 | 58 | (169) | (252) | 1,026 |
| Other non-cash expenses items | 80,216 | 729 | 22 | 75 | 662 | 892 | 178 |
| Share of profit of equity-accounted investees, net of tax | (863) | (985) | (1,464) | (1,641) | (1,796) | 1,111 | 1,504 |
| Net loss on disposal of non-current assets | 2,480 | 2,704 | 1,540 | 124 | 12 | 4 | (141) |
| Interest expenses | 6,528 | 5,403 | 4,203 | 5,401 | 4,200 | 8,009 | 8,854 |
| Changes in deferred taxes | 2,440 | 3,132 | 7,727 | 7,745 | | | |
| Income tax payments | (2,443) | (1,840) | (3,410) | (1,936) | (23,482) | (52,084) | (38,193) |
| Net cash flows from operating activities | 54,256 | 40,377 | 76,779 | 86,735 | 159,125 | 100,613 | 131,096 |
| Proceeds from sale of intangible assets and property, plant and equipment | 2,202 | 3,482 | 2,684 | 508 | 540 | 1,457 | 581 |
| Proceeds from sale of investments | 1 | 6,837 | 9 | - | - | 497 | - |
| Acquisition of subsidiary, net of cash acquired | 1 | - | (1,420) | (13,715) | (93,059) | (277,317) | (68,828) |
| Proceeds from purchase price overpayments relating to business combinations | 2 | - | - | - | 7,195 | - | - |
| Payments for investment in financial assets | 2 | (1,069) | (52) | (35) | (211) | (60,349) | - |
| Payments for investment in intangible assets and property, plant and equipment | (28,424) | (14,933) | (17,758) | (74,715) | (25,973) | (46,442) | (40,796) |
| Dividends from equity-accounted investees | 1,990 | 963 | 926 | 1,325 | 1,524 | - | 3,131 |
| Interest received | 2,310 | 3,799 | 3,332 | 1,772 | - | - | - |
| Net cash flows used in investing activities | (21,922) | (921) | (12,279) | (84,860) | (109,984) | (382,154) | (105,912) |
| Free cash flow | 32,334 | 39,456 | 64,500 | 1,875 | 49,141 | (281,541) | 25,184 |
| Proceeds from the issue of shares | - | - | - | 120 | 107,520 | - | - |
| Transaction costs relating to the issue of shares | - | - | - | (57) | (3,083) | - | - |
| Payment for the acquisition of non-controlling interests | 1 | (93) | (1,850) | (6,559) | - | - | 4 |
| Payment of profit transfer due to profit transfer | 1 | (39,859) | (33,006) | (39,480) | (77,587) | - | - |
| Dividends paid | 5 | (5,633) | (90) | - | - | (41,457) | (43,072) |
| Proceeds from financial liabilities | 5 | 74,328 | 9,787 | 6,082 | 150,000 | 155,000 | 460,776 |
| Transaction costs relating to the issue of financial | 5 | - | - | - | - | (788) | - |
| Repayment of financial liabilities | 5 | (16,696) | (22,591) | (12,544) | (66,580) | (98,101) | (224,084) |
| Payment of finance lease liabilities | (273) | (418) | (601) | (140) | (177) | (4,101) | (4,507) |
| Proceeds from reimbursement of interest paid | - | - | - | - | 9,311 | 1,958 | 1,286 |
| Interest paid | (8,838) | (9,202) | (7,535) | (7,173) | (6,020) | (8,343) | (9,156) |
| Net cash flows from / used in financing | 3,004 | (55,613) | (55,928) | (7,976) | 164,450 | 183,961 | (14,090) |
| Net increase in cash, cash equivalents and bank overdrafts | 35,338 | (16,157) | 8,572 | (6,101) | 213,591 | (97,580) | 11,094 |

| Comments |
|--|
| 1 Payments for the acquisition of companies mainly result from the first (c. €59m ¹) and second (c. €4m) part of the purchase price payment for Allergopharma and the earn-out payment for Fitvia (c. €6m) in 2020, the purchase price payment for Euromed (c. €254m ¹) and Fitvia (c. €24m ¹) in 2019 as well as the payment for Trommsdorff (c. €68m ¹), Strathmann (c. €23m ¹), BLBR (c. €26k; capital contribution), CFP Packaging (c. €1m; asset acquisition), and Bio-Diät-Berlin (c. €1m; remaining purchase price liabilities) |
| 2 Non-M&A related capex mainly result from capitalized development costs and patents in all years as well as acquired property through Axicorp (c. €4m) and new buildings of mibe (c. €7m) and Melasan (c. €6m) in 2019 |
| 3 Going public in 2018 led to equity inflows of c. €108m through the issue of shares, which went hand in hand with the cancellation of transferring profits to Beier-family owned Themis Beteiligungs-AG (agree termination by the end of 2017) |
| 4 Payments for non-controlling interests resulted from the acquisition of the remaining 30% of Fitvia for c. €15m |
| 5 The steady M&A pipeline required steady leverage ; the largest refinancing package contained of a €500m syndicated loan issued by five banks with one A facility (€400m) with an increase option and an overdraft facility |

B | 2 | Company overview | Net debt for transaction purposes

Dermapharm's net debt (from a buyer's perspective) consists not only of bank and promissory note loans but also of transaction-relevant debt-like-items

| in €k | 2014A | 2015A | 2016A | 2017A | 2018A | 2019A | 2020A |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net debt | 223,312 | 227,356 | 213,853 | 302,055 | 184,935 | 599,283 | 712,933 |
| Net financial assets | 1,038 | (6,673) | (7,785) | (4,865) | 206,141 | 113,636 | 111,806 |
| 1 Excess of cash | (95) | (8,754) | (9,518) | (7,728) | 195,347 | 93,930 | 96,486 |
| 2 Short-term investments | 52 | 4 | 7 | 6 | - | 1,041 | - |
| 3 Current deferred tax assets | 124 | 28 | 218 | 513 | 560 | 1,114 | 1,122 |
| 4 Non-current deferred tax assets | 957 | 2,049 | 1,508 | 2,344 | 10,234 | 17,551 | 14,198 |
| Financial debt | 224,350 | 220,683 | 206,068 | 297,191 | 391,076 | 712,919 | 824,739 |
| 5 Current derivatives (liab) | 157 | 67 | 18 | 120 | - | 1,041 | - |
| 6 Leasing liabilities ST | 189 | 235 | 112 | 134 | 161 | 3,049 | 3,839 |
| 7 Other current personnel-related liabilities | 1,193 | 1,244 | 1,564 | 1,916 | 4,107 | 5,758 | 7,529 |
| 8 Other current provisions | 3,059 | 3,203 | 3,476 | 3,509 | 4,293 | 8,119 | 11,889 |
| 9 Holdback Euromed | - | - | - | - | - | 4,206 | 9 |
| 10 Current deferred tax liabilities | - | - | - | 223 | 521 | 5,583 | 5,127 |
| 11 Current financial liabilities | 20,193 | 24,671 | 65,771 | 32,130 | 71,416 | 8,214 | 22,205 |
| <i>Bank loans</i> | 13,113 | 9,997 | 14,660 | 10,943 | 11,840 | 2,251 | 2,721 |
| <i>Promissory note loans</i> | 600 | 916 | 40,413 | 570 | 53,494 | - | 19,484 |
| <i>Participation rights</i> | 1,318 | 1,323 | 5,831 | 7,127 | - | - | - |
| <i>Bank overdrafts</i> | 5,162 | 12,435 | 4,867 | 13,490 | 6,082 | 5,963 | - |
| 12 Other current financial liabilities | 2,000 | 1,852 | 7 | 785 | 2 | 6,022 | - |
| 13 Non-current financial liabilities | 161,193 | 150,936 | 96,753 | 222,346 | 232,551 | 533,592 | 570,483 |
| <i>Bank loans</i> | 22,228 | 12,466 | 2,713 | 141,059 | 204,672 | 414,583 | 470,868 |
| <i>Promissory note loans</i> | 127,984 | 127,514 | 87,680 | 81,287 | 27,879 | 119,009 | 99,615 |
| <i>Participation rights</i> | 10,981 | 10,956 | 6,360 | - | - | - | - |
| 14 Other non-current financial liabilities | 9,946 | 14,050 | 10,464 | 4,476 | 3,395 | 18,684 | 261 |
| 15 Leasing liabilities LT | 337 | 137 | 143 | 137 | 192 | 9,755 | 10,276 |
| 16 Other non-current liabilities | 7,776 | 6,629 | 5,748 | 5,012 | 5,392 | 5,958 | 5,611 |
| 17 Defined benefit obligations and other accrued benefits | 12,445 | 12,080 | 13,250 | 13,033 | 50,726 | 56,976 | 144,753 |
| 18 Non-current deferred tax liabilities | 129 | 2,240 | 4,872 | 13,370 | 14,685 | 40,121 | 40,141 |
| 19 Non-controlling interests | 5,734 | 3,340 | 3,891 | - | 3,636 | 5,841 | 2,616 |
| Shareholders equity | 28,276 | 41,102 | 56,915 | 73,685 | 252,450 | 278,649 | 321,966 |

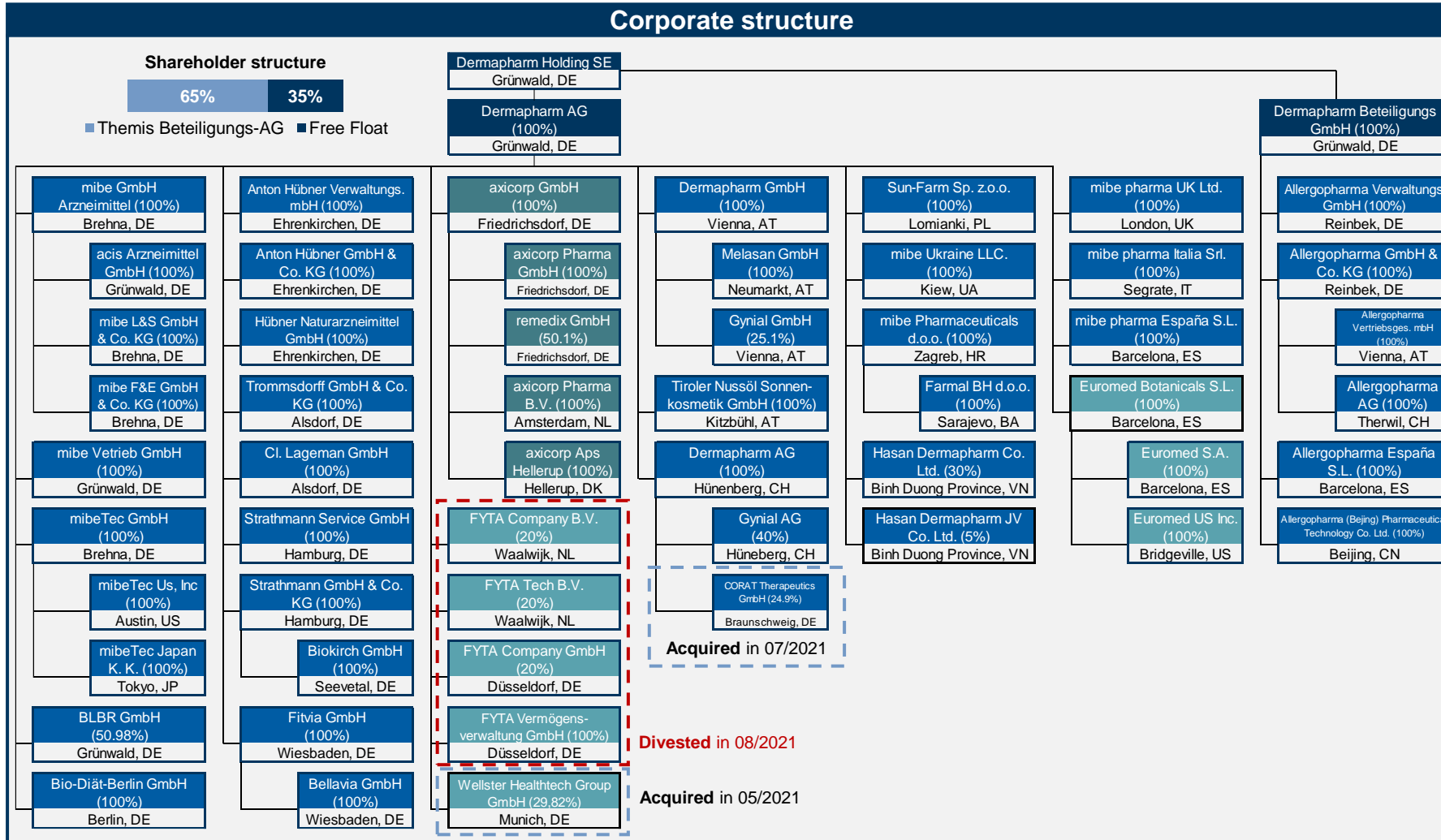
Comments

- 1 Excess of cash consists of **bank balances less operating or “trapped” cash**, which was assumed to be 3% of sales
- 2 Short-term investments are **in-the-money short-term derivatives**
- 3 4 10 18 **Deferred tax:** Since the difference of deferred tax reversed again over time, the acquirer would have to bear a disproportionately high/low tax burden compared to the generated profit
- 5 **Out-of-the-money interest-rate-swaps**
- 6 15 **Short-term and long-term leasing liabilities from leasing contracts**
- 7 17 Include **employee bonuses, company pensions, holiday entitlements, income and church taxes, and government grants**; to account for **bonus and company pension provisions as debt-like-items** and the **remaining as working capital**, both accounts have been split **50/50**
- 8 **Other current provisions** have been split **50/50** to account for the **portion of the provisions for restructuring charges**; the remaining refers to **health insurance discount payments** and are considered as **working capital**
- 9 **Holdback Euromed** refers to a portion of the purchase price being withheld until some post-closing conditions have been satisfied
- 11 13 Mainly refers to **interest-bearing promissory note** and **bank loans** as well as **current bank overdrafts**
- 12 Mainly consists of a **purchase price liability** for the **70% stake in Fitvia** and was **fully paid** in 2020
- 14 Included a **synthetic purchase price liability** in connection with a put option on the remaining 30% interest in Fitvia in 2019; has been **fully paid** in 2020
- 16 **Interest-bearing defined benefit obligations** are a financing instrument of the employer and refers to past services of the employee

19 Refers to minority shareholders that have a **claim on the acquired companies' net assets** and thus, can be considered as **debt-like-item**

B | 2 | Company overview | Corporate structure

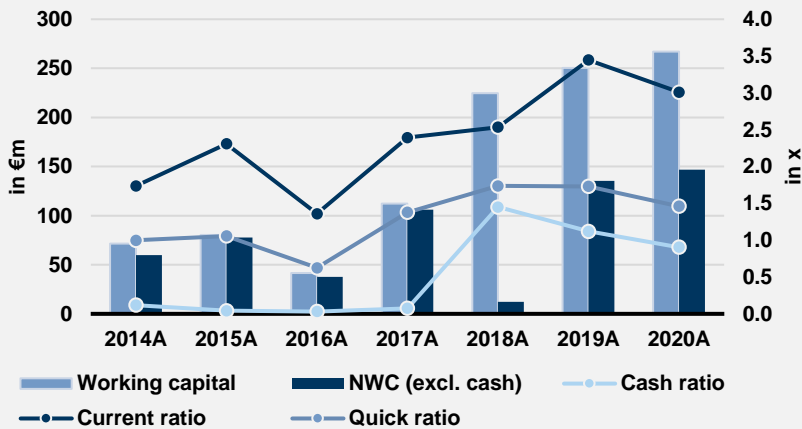
Dermapharm's corporate structure underpins the well diversified company portfolio with a strong degree of internationalization, which is anchored in its strategy



B | 2 | Company overview | Liquidity and capital structure

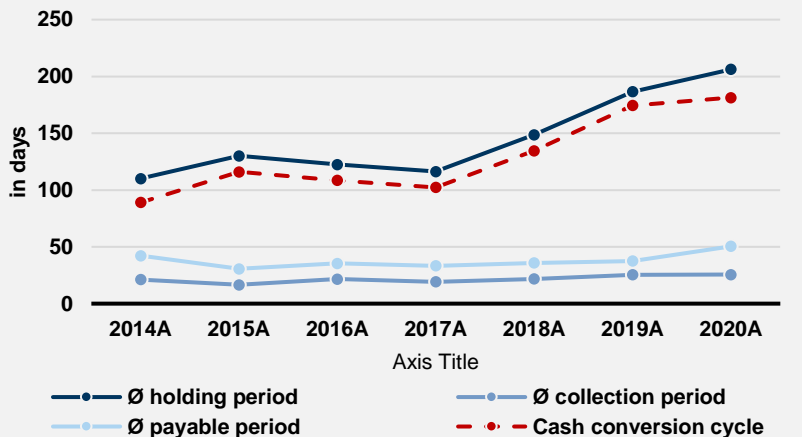
Dermapharm's financing strategy is centered around securing financial flexibility as well as optimizing capital costs in order to maximize corporate value

Liquidity analysis



- All liquidity ratios, especially the cash ratio, experienced an **increasing trend since 2017** as the company secured flexibility and cash on hand, i.a., by going public, to pursue its growth strategy
- Dermapharm can **cover all current liabilities** in 2020 through **current assets excluding inventories and cash and equivalents** in each case individually
- With ongoing consolidations, the **NWC** suffered a steep lift-up due to **higher inventory levels of the acquired**; from 2017 to 2020, inventories grew by 2.5x; however, a **leaner operational structure** in subsequent years could **improve NWC dynamics**

Cash flow management



- While average **collection** and average **payable period** remained **flat**, the average **holding period increased** due to consolidations and COVID
- Inventories of parallel imports increased sharply** to accommodate sales growth and the **change** of the **product portfolio** in the course of the pandemic
- Thus, the **cash conversion cycle** steeply increased from **89 in 2014** to **174 in 2020**, implying more **pressure on the company's liquidity**
- Due to acquisitions, **net debt strongly increased** from 2018 on to counteract additional liquidity needs

Capital structure

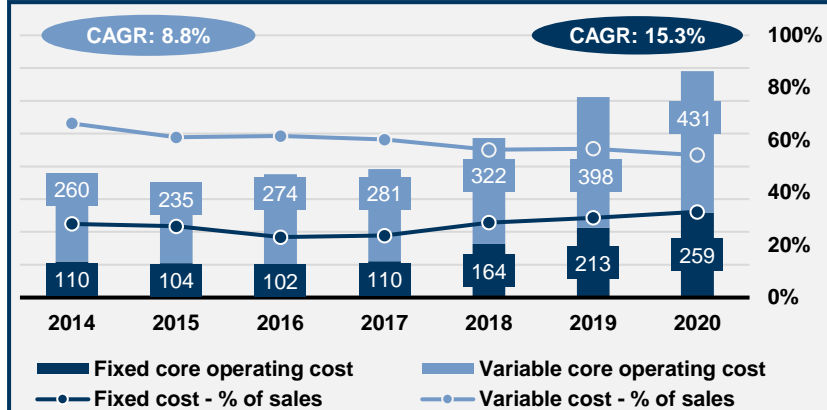
| ME | 2014A | 2015A | 2016A | 2017A | 2018A | 2019A | 2020A |
|-------------------|-------|-------|-------|-------|-------|-------|-------|
| Financials | | | | | | | |
| Net debt | 223 | 227 | 214 | 302 | 185 | 599 | 713 |
| Equity | 28 | 41 | 57 | 74 | 252 | 279 | 322 |
| Invested capital | 252 | 268 | 271 | 376 | 437 | 878 | 1035 |
| YOY growth | | 7% | 1% | 39% | 16% | 101% | 18% |
| Liabilities | 297 | 252 | 251 | 342 | 448 | 760 | 900 |
| Adjusted EBITDA | 69 | 84 | 97 | 108 | 136 | 175 | 195 |
| Ratios | | | | | | | |
| Gearing ratio | 0.89x | 0.85x | 0.79x | 0.80x | 0.42x | 0.68x | 0.69x |
| D/E | 7.90x | 5.53x | 3.76x | 4.10x | 0.73x | 2.15x | 2.21x |
| Net debt / EBITDA | 3.24x | 2.71x | 2.20x | 2.80x | 1.36x | 3.43x | 3.66x |
| Solvency ratio | 0.10x | 0.16x | 0.23x | 0.22x | 0.56x | 0.37x | 0.36x |

- Dermapharm **went public in 2018** and **leveraged** its **balance sheet** to execute its **M&A strategy** by taking on **promissory** and **bank loans**
- Accordingly, **invested capital** grew as raised money was **invested into add-on acquisitions**
- With the **optimized capital structure**, the **tax shield effect** was **utilized** while simultaneously enabling **financial flexibility** to accomplish acquisitions
- The D/E ratio dropped due to the **IPO proceeds** and **termination of the profit transfer agreement**
- Net debt/EBITDA of **3.7x** seems high; however, due to the company's strong and stable operational cash flows, a **higher level of debt** is **appropriate** and **improves tax savings**

B | 2 | Company overview | Fixed vs. variable cost base

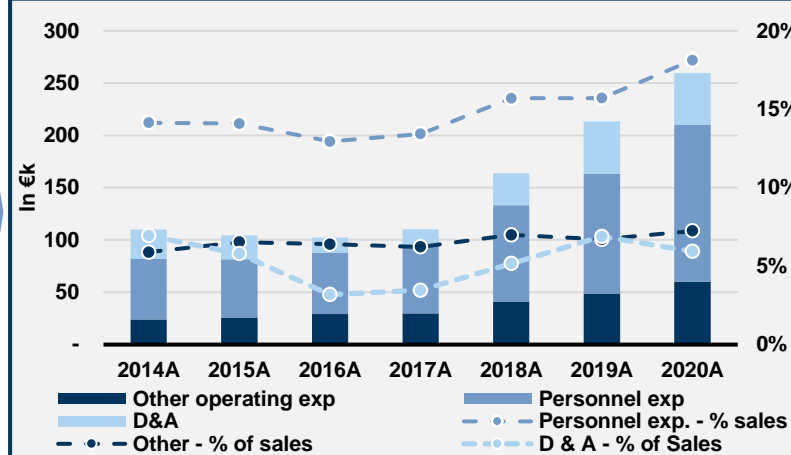
The growth strategy pursued leads to slightly higher fixed costs while significantly reducing variable costs in line with realizing operational efficiencies and synergies

Fixed vs. variable cost



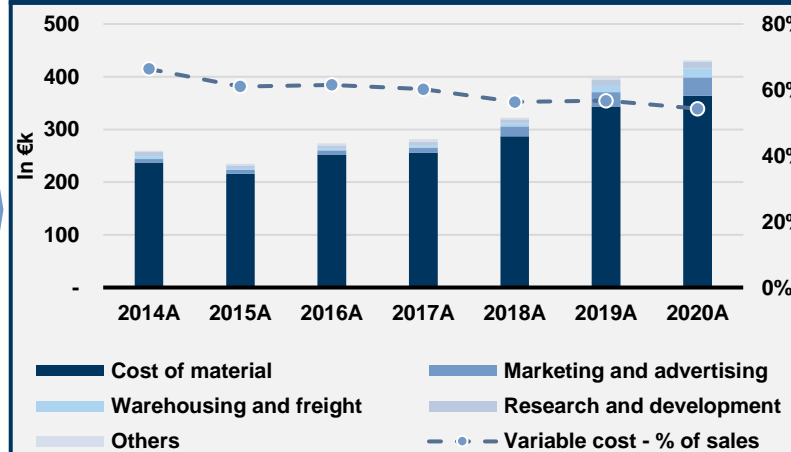
- Dermapharm realized **operational efficiencies** in the past seven years as **variable cost** relatively decreased from **67% to 55%** of revenues
- Being mainly driven by **lower material cost of the acquired**, this development benefits the company's **edge of direct selling**, marketing through **social media influencers** and **inhouse production** as **other variable operating expenses** such as **marketing and R&D expense** increased their share
- **Fixed cost** have relatively increased by a **CAGR of c. 15.4%** from 28% to 34% of revenues, which was mainly driven by a **significant increase in wages** and **increasing number of employees**

Fixed cost



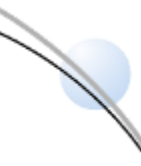
- **Personnel expenses** increased from 14% of revenues to 18% and **average expenses per employee** increased from **€49k** in 2016 to **€65k** in 2020
- These developments are mainly **due to higher administrative requirements** following the good business performance and the addition of the **labor-intensive business of Allergopharma**
- **Other operating expenses** relatively increased from **6% of revenues** in 2014 to **7%** as the M&A strategy required higher expenses for legal, consulting and miscellaneous costs

Variable cost



- **Cost of materials** grew by a **CAGR of c. 7.2%** and relatively decreased from **58% to 44%** of revenues through **lower material cost for Allergopharma**, product transitions into **inhouse development** and the groups' **production synergies** through M&A
- **Marketing expenses** were raised by a **CAGR of c. 30.2%** from 2% to 4% of revenues due to, e.g., **new marketing concepts**, i.a., influencer marketing
- **R&D expenses** are mainly development cost for **new authorizations** and increased **in line with revenues** as new authorizations enable selling new products

B | 2 | Company overview | ESG strategy and impact



As lined out in Dermapharm's CSR report, the company followed a sustainability path characterized by low emissions, product security, and worker's rights

| Energy use | Resource use | Product security | Workers rights |
|--|---|--|---|
| <ul style="list-style-type: none"> As outlined by executives, the current ESG strategy of Dermapharm prioritizes growth over impact reduction Here, efficient energy usage is among the major strategic focuses Dermapharm is (re)building all new and many current facilities with improved insulation, photovoltaics, and automated emission control systems Used energy is a mix of electricity and natural gas for heating | <ul style="list-style-type: none"> Likewise, resource efficiency is key to further reduce Dermapharm's water consumption and waste With recent acquisitions, water usage and waste creation rose sharply, a fact which Dermapharm combats with water treatment plants, filters, and natural drainage, while waste management has become more efficient over the last years | <ul style="list-style-type: none"> Dermapharm uses its membership in national quality association (BPI) and compliance of EU-GMP to achieve a very high manufacturing standard <ul style="list-style-type: none"> Reclamation quota was <0.013% in 2020, higher than in previous years, due to the lower production volume following the pandemic, but still exceedingly low | <ul style="list-style-type: none"> Dermapharm actively seeks out new talent, they have 51 trainees from the German vocational system Since September 2020, the new e-campus training platform is in use and offers courses in workplace security, product universe, and compliance issues The percentage of women in leading positions has steadily increased, as evidenced by Hilde Neumeyer (CFO) |

Change (%) of resource use vs. revenue since 2016

| Year | Water | Natural gas | Electricity | Revenue |
|------|-------|-------------|-------------|---------|
| 2016 | 90 | 90 | 90 | 90 |
| 2017 | 100 | 100 | 100 | 100 |
| 2018 | 110 | 110 | 110 | 110 |
| 2019 | 120 | 120 | 120 | 120 |
| 2020 | 130 | 130 | 130 | 130 |

Change (%) of social KPIs vs. revenue since 2018

Change (%) of social KPIs vs. revenue since 2018

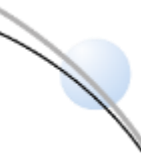
| Year | Revenue | FTEs | % Fem. exec. | Vocationals |
|------|---------|------|--------------|-------------|
| 2018 | 90 | 90 | 90 | 90 |
| 2019 | 110 | 110 | 110 | 110 |
| 2020 | 130 | 130 | 130 | 130 |

| Stakeholder dialogue | Fairness and compliance |
|---|---|
| <ul style="list-style-type: none"> Reporting (CSR report) and feedback channels facilitate stakeholder communication Memberships in national pharma associations increase dialogue | <ul style="list-style-type: none"> Commitment to fair competition and ethical marketing No animal testing; plant-based nature of products, no animal/human cell harvesting |

Ethics
See next slide

Sources: Company filings, ESG report, executive interviews

B | 2 | Company overview | ESG excursus: Pharma ethics



For the biggest ethical issues in the pharmaceutical industry in recent years, Dermapharm has solid strategies to maintain its commitment to ethical growth

The opioid crisis

US deaths per 100k, per substance

| Year | Fentanyl, etc | Heroin | Rx opioids |
|------|---------------|--------|------------|
| 2000 | ~0.5 | ~1.0 | ~1.5 |
| 2005 | ~0.8 | ~1.5 | ~3.0 |
| 2010 | ~1.0 | ~1.5 | ~5.0 |
| 2015 | ~3.0 | ~4.0 | ~4.5 |
| 2020 | ~12.0 | ~4.5 | ~3.5 |

- By the early 00s, several US American pharma companies (esp. Purdue Pharma), had long been **lobbying doctors** to prescribe high amounts of **opioid painkillers** to their patients, who in turn often became **dependent** on these **very addictive** substances
- This led to many addicts using stronger synthetic substances like **fentanyl**, causing **many deaths** and breakdown of communities

Pricing power: Turing pharmaceuticals

Pricing of Shkreli-owned drugs, in multiple

| Drug | Before hike | After hike |
|----------|-------------|------------|
| Daraprim | 1 | ~56 |
| Thiola | 1 | ~20 |
| Chenopal | 1 | ~32 |

- In September 2015, the patent-holding firm **Turing Pharmaceuticals** acquired antiparasitic drug **Daraprim** and subsequently raised its price by more than **56 times** (see left)
- Daraprim is used to prevent diseases like **toxoplasmosis** and is necessary for people with **HIV/AIDS**, who have to take it **several times a days**
- The CEO, **Martin Shkreli** (see left), was sentenced to 7 years in jail

Animal testing

- Testing **cosmetics on animals** has a long tradition and is still practiced in **most countries**
- On mostly **mice or rats**, the substance is either injected into various body parts, **on or under the skin**, often killing the animal
- The EU has **banned the practice** in favor of using butchered meat or cell cultures, while the **US** and several major countries continue the practice

Dermapharm and assessment

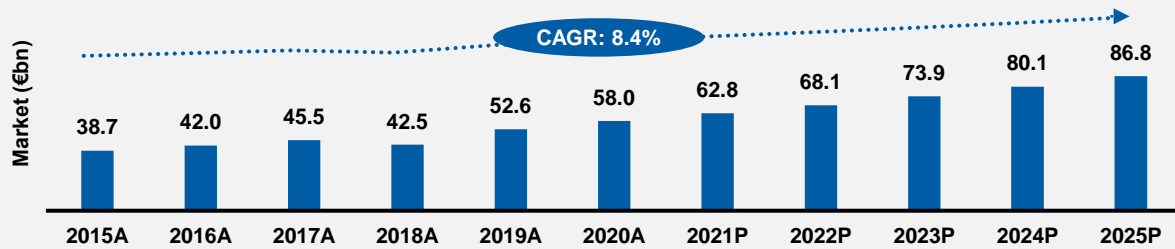
- Regarding **prescription of opioid-based pain killers**, Dermapharm does not produce them, nor any psychologically addictive substance (corticosteroids like hydrocortisone may in rare case produce temporal withdrawal syndromes)
- Regarding **pricing power in niche markets**, Dermapharm does have a general strategy of acquiring patent-holding firms with niche products, similar to Turing Pharma; however, EU pricing regulation and Dermapharm's commitment to ethical growth and sustainability will likely prevent case like the Turing one
- Regarding testing **cosmetics on animals**, European regulators have banned the practice in 2009, and even the sale of cosmetics tested on animals; Dermapharm reported no tests on animals for any product

Sources: Company ESG report, CDC, FDA, [NYT](#), [WSJ](#)

B | 3 | Market overview | Branded pharma segmentation and trends

The branded pharma market is segmented by therapeutic applications and driven in the short term by supply, in the long term by demographic shifts

Branded pharma market



Addressable branded pharma market

The total addressable market of Dermapharm's **branded pharma segment** is focused on the **DACH region** and amounted to **c. €58bn** in 2020, growing by a CAGR of **8.4%**. Main competitors are firms such as **Almirall** (dermatology), **Aristo** (pain, vitamins/minerals), and **HAL Allergy** (allergology). This market is notable for its strong focus on inexpensive **OTC/consumer medicine** and less on research-intensive therapeutic areas like oncology. In essence, Dermapharm covers **various therapeutical areas** with **few niche products** in each market.

Branded pharma segments of Dermapharm

| | | | |
|--|---|------------------------------------|--|
| Vitamins/minerals CAGR: 4.7% | Dermatology CAGR: 3.7% | Allergology CAGR: 4.8% | Pain and inflammation CAGR: 9.3% |
| Cardiovascular CAGR: 3.8% | Gynecology/urology CAGR: 2.0% | Ophthalmology CAGR: 6.2% | Chronic diseases CAGR: 5.7% |

Branded pharma trends and impact

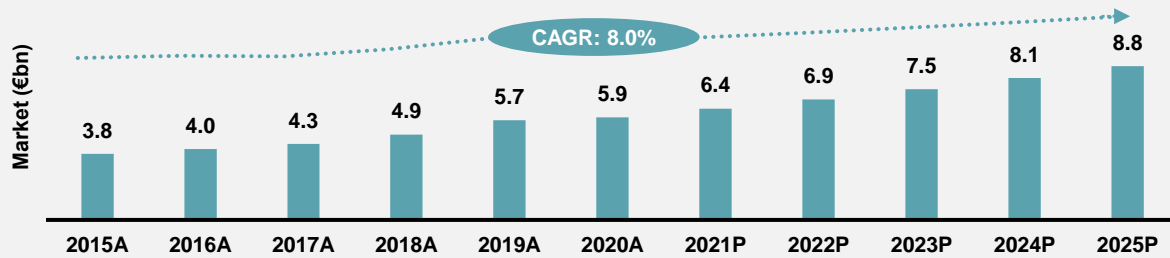
| | | |
|----------------------------------|---|----------------|
| 6 - 12 months ¹ | In the short term , a highly influencing factor will be the reputation of the pharma brands. Yet, as seen in the past, previous transgressions against the consumer may not always have a great effect. | Medium impact |
| | In the short term , supply chain issues will have a great impact on availability of raw materials for pharma production. This is especially significant in the case of generics, which are often manufactured in Asia. | Medium impact |
| 12 months – 5 years ¹ | In the mid term , intensified research for new therapy methods will increase effectiveness of pharmaceuticals, and thus increase competition. This will have a great effect on the industry as a whole. | High impact |
| | In the mid term , digitalization will simplify the way clinical trials will be conducted. Big data will speed up research processes and even increase the effects of the aforementioned intensified research. | Medium impact |
| > 5 years ¹ | In the long term , the demographic shift will lead to over 50% of the Western population being aged 65+ by 2050. This will inevitably lead to an incredible increase in chronic and civilizatory disorders. | Highest impact |
| | In the long term , there is a high chance of immunotherapy-based medicine, using internal biological processes to combat diseases, and genetic research, offering almost limitless possibilities. | High impact |

B | 3 | Market overview | Herbal extracts segmentation and trends



The herbal extracts market can be segmented by the different applications in gustatory and olfactory fields, driven by long-term positive trends

Herbal extracts market



Addressable herbal extract market

The total addressable market of Dermapharm's **herbal extracts segment** comprises more than 42 countries worldwide with a focus on **Europe**. Its size was **€6bn** in 2020, growing with **8.0%** per year. The largest players mainly serve to the **food industry** while **Euromed** serves food, beverage, pharma, and supplement players.

Herbal extracts segments

Flavor: Additions into food, snacks/sweets, and beverages to make them taste better or more complex; examples: Vanilla extract, Angostura cocktail bitters

Nutrition: Encompassing both human and animal supplements; nutritious and flavoring compounds are often mixed; examples: Malt extract coloring, soy extracts

Scent: Aromatic oils are combined in complex ways to produce perfumes and fragrances; examples: Lavender extract, orange extract, deer musk (non-herbal)

Care: Additions into cosmetics, cleaning products (detergents, soaps) and dermatologic; can either be selected by smell or therapeutic effect, or both; examples: Aloe vera extract, CBD oils (non-psychoactive)

Herbal extracts trends and impact

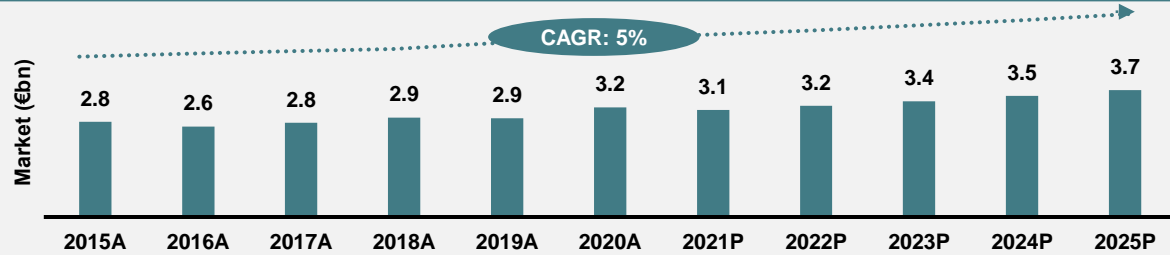
| Time Horizon | Trend and Impact | Impact Level |
|----------------------------------|--|---------------|
| 6 - 12 months ¹ | In the short term , the most influencing factor will be the intense competition between producers, especially from Asia. This will facilitate increased research into newer ingredients by the main players. | Medium impact |
| 12 months – 5 years ¹ | In the short term , supply chain problems limits variety of the available extracts. Oncoming trade wars between the West and People's Republic of China, a main resource for healing plants, might intensify this effect. | Medium impact |
| | In the mid term , newer products will appear on the market, caused by increasing exploitation of exotic areas (Amazonas, South-Asian jungle), making phytopharmaceuticals as potentially versatile as normal drugs. | Low impact |
| > 5 years ¹ | In the mid term , increased investments into new products and extraction techniques by large producers will make synthetic compounds more redundant and adjust supply better according to customer needs. | Medium impact |
| | In the long term , the rising number of vegans in the world will influence the market strongly. With yearly growth rates of 6%, plant-based products will continue to improve, requiring ever more plant extracts. | High impact |
| > 5 years ¹ | In the long term , cannabis may be become an organic alternative to many drugs such as pain medication, sleeping aids, and even assisting in psychotherapy, the latter similar to egolytics („magic mushrooms“). | High impact |

Sources: Company filings, analysis of leading competitors, [Global Newswire](#) | Notes: (1) Arrows indicate time horizon

B | 3 | Market overview | Parallel import segmentation and trends

The parallel import market is determined by European regulation of pharma sales and driven by both positive and negative trends

Parallel import market



Addressable parallel import market

The total addressable market of Dermapharm’s **parallel import segment** is focused on importing pharma into **Germany**, a market of **€3.2bn** in size (2020), growing by **5.1%** per year. Axicorp is the **top five player** in a highly **consolidated market**.

Parallel import regulation

Legal framework: Parallel import within the European Union is legal under Article 34 to 36 of the Treaty of the Functioning of the European Union (TFEU). Further, if no central sales approval for the EU is sought, a drug can be sold in a single country and resold in others by parallel importers after approval in the respective countries.

National regulation: Regulated through the [German Drug Law](#) and [Social Law V](#), parallel imports are allowed, if they are refiling for approval with the German Drug Institute. Depending on the product, this might require a repetition of medical trials. The pharmacies in Germany have agreed with the SHI providers [to use at least 2%](#) of imported pharmaceuticals, as long as the price in the exporting country is at least €15, or 15% under the price in Germany. This price difference is being slowly eliminated, due to AMNOG regulation and less expensive generics on the market.

Parallel import trends and impact

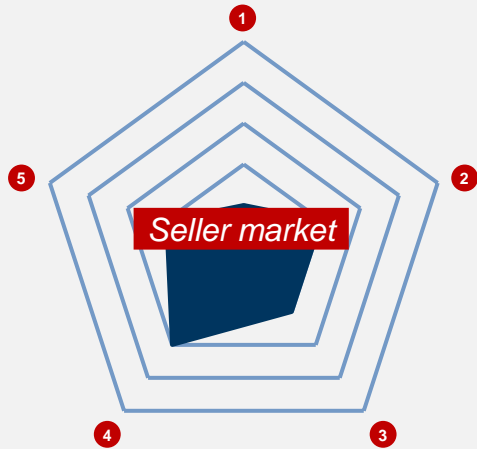
| Time Horizon | Trend and Impact | Impact Level |
|----------------------------------|---|---------------|
| 6 - 12 months ¹ | In the past and short term , the supply chain issues caused by the COVID-19 pandemic have cause great damage to the parallel trade business. These shortages are poised to remain for the near future. | High impact |
| 6 - 12 months ¹ | In the short term , the visibility of generics compared to branded products is low. Because parallel importers relabel their imported goods to their own brands, low brand recognition may cause lower revenue. | Medium impact |
| 12 months – 5 years ¹ | In the mid term , decreases in inter-Schengen-traffic will vastly impact the business. Since the probability of this happening is low (contingent on the political developments in, e.g., Hungary), the impact of it is low. | Low impact |
| 12 months – 5 years ¹ | In the mid term , the effects of the 2010 AMNOG law, intended to eliminate price runaway in the German SHI system, will further decrease pharma prices in Germany. This will damage parallel import margins. | High impact |
| > 5 years ¹ | In the long term , European regulation is the focal point of the parallel import business. More connected and flexible taxing, distribution and pricing might eliminate any arbitrage the business model has. | High impact |
| > 5 years ¹ | In the long term , the absolute percentages of parallel import of the general pharma market will likely not change, thus the greatest impact will come from the overall consumption of pharmaceuticals in the EEA. | Medium impact |

Sources: Company filings, analysis of leading competitors, [AffordableMedicine](#), [Vox.eu](#), [BfArM](#) | Notes: (1) Arrows indicate time horizon

B | 3 | Market overview | Porter's five forces (1/3)

Dermapharm is well positioned in a seller market, which allows further growth by a targeted marketing strategy while mainly bearing regulatory and substitution risks

Porter's five forces



1 Bargaining power of suppliers

- Dependency of suppliers is **low**, >90% of pharma and other health care is developed **inhouse** with **increasing tendency**
- Selected products** are purchased **externally**; mainly **commodities** from **China and India**

2 Threat of substitutes

- Niche portfolio**; >50% of brand portfolio is **not manufactured** by any or **only one competitor**

- Originators** can offer **cheaper** substitutes, **innovation**, or **new dosages**
- Products like **Minoxicutan substitute** original pharma for a **cheaper price**

3 Threat of new entrants

- Highly **regulated value chain** by **Germany** and the **EU** hinders market entry
- Technologies** are protected; **scaling** requires inhouse-investments or M&A

4 Bargaining power of buyers

- Top five wholesalers** make up **c. 54%** of revenues (2020); **large hospital groups** pose **cluster risk**; only **pharmacies** are **many single ones**

5 Industry rivalry

- Moderate** as **high regulatory** measures as well as **market specifics**, e.g., rebate agreements, rarely allow short-term but rather **mid-term changes**
- Leading market power of sellers** over buyers allow a seller market

Key competitive opportunities

Marketing at doctors and hospitals to gain market share
 Since **pharmacies**, majorly driven by **doctors' prescriptions**, and **wholesalers**, driven by **pharmacies' purchases**, are Dermapharm's primary sales channels, their **growth drivers** must be **targeted primarily**

Increasing share of brands that are not covered by any competitors
 The **share of products** that are **not covered** by competitors in Dermapharm's **brand portfolio** should be **increased** to **minimize the risk of substitution** and enlarge the product portfolio's competitive edge

Rebate agreements
 By intensively increasing the **share of products covered by rebate agreements**, **revenue growth** can be levered significantly, especially paired with **doctors' exclusion of the ad-item-rule** on prescriptions

Key competitive risks

Dependency on regulation
Germany has the **highest share in publicly covered healthcare spending** within the **EU**, which could, paired with the **demographic shift**, lead to **price curbs**, making **substitutes more attractive**

Substitution by originator manufacturers
Originator's ability to **outperform Dermapharm's products** with **cheaper pricing** or **new/extended patents** or filing a **lawsuit** in questionable legal situations could have an **adverse effect** on current sales of the company

Speed of competitors' time-to-market
 If **competitors** are able to obtain **marketing authorizations quicker** than Dermapharm, it is affected by (1) being **worse positioned** to approach its **sales channels** and (2) achieving a **lower return on investment**

B | 3 | Market overview | Porter's five forces (2/3)

While bargaining power of suppliers is low thanks to insourcing, buyers' power is higher due to five major buyers; the clustering risk is, however, decreasing

Bargaining power of suppliers

Number of Dermapharm's suppliers

- By **insourcing**, Dermapharm **limits** its number of **(a)** raw material suppliers and **(b)** third-party medical devices producers, leading to **low dependency**
- The **pharmaceuticals' majority** is manufactured and packaged in **Brehna**, but selected products, e.g., Dekristol®-capsules, are sourced from third parties, particularly from China and India, bearing **cross-border risks**
- Insourcing**, e.g., shifting external production for Gynial to mibe and Euromed cross-sourcing, and **sharing market risk** with suppliers lifts **efficiencies**
- To prevent bottlenecks in regard to product supply, e.g., **stockpiling** and alternative **supply-sources** are levered in an adequate manner

Uniqueness of the products

- Purchased goods, mainly chemicals, are generally **available from various sources**; **APIs** utilized for production are **not very unique**
- Dermapharm assesses an effect of **dependency of suppliers** as **low**

Number of alternative suppliers

- In the **parallel imports market**, long-term supply relationships of competitors lead to a major share of **suppliers may not be accessible** to Dermapharm
- By buying c. 1/3 of the APIs directly, intermediaries and **agents** are **avoided**
- Various suppliers** are chosen for **all business units** to **avoid dependencies**

Pricing of alternative suppliers

- Agents and intermediaries** would **increase costs** and **lower margins**
- Alternatives** would increase expenses due to **non-existent relationships**

Extent of switch from one supplier to other suppliers

- Major parts of the supply are covered by **long-term supply contracts** as well as **price escalation clauses** in the contracts with suppliers

Bargaining power of buyers

Number of buyers that control the sales

- Sales of pharma are mainly realized through **pharmacies** and **wholesalers** (c. 20% and 80% in 2016), nowadays supplemented by, mainly international, **distribution partners** and **online shops** for selected products
- Five largest buyers** realize **c. 54% of revenues**; **not relevant for demand**
- Dermapharm sees the potential effect of **dependency on buyers** as **low**
- Doctors' impact on substitution is immense** as a prescription of a product may express the exclusion of substitute dispense if **aut-idem-rule¹** is excluded; **critical marketing channel** for the buyer chain

Size of orders received

- Wholesalers** potentially offer **larger sizes** compared to **pharmacies**, i.a., because they **supply large hospital groups**, e.g., Helios or Sana
- Consolidation** of buyer groups, especially **hospitals** and **health stores**, leads to **greater bargaining power**; demand for **bulk discount** increased

Ability and costs for buyers to switch suppliers






- >50%** of brand portfolio is **not manufactured** by **any or only one competitor** indicates **high switching costs** for all buyer groups
- Pharmaceutical producers compete on **tender processes** of **SHIs** in order to receive **rebate agreements**, indicating **low switching costs** for SHIs
- Changing bargaining power of customer groups and wholesaling associations, could **tighten price** and **service competition** and lead to **unfavorable conditions** for **framework contract negotiations**

Importance of product to buyers; ROI of products

- See above; **brand portfolio** offers **significant edge** by having no or only one competitive producer, **increasing Dermapharm's bargaining power**

Availability of substitute products is limited by Dermapharm's product choices; significant regulatory burdens limit the threat of new market entrants

Threat of substitutes

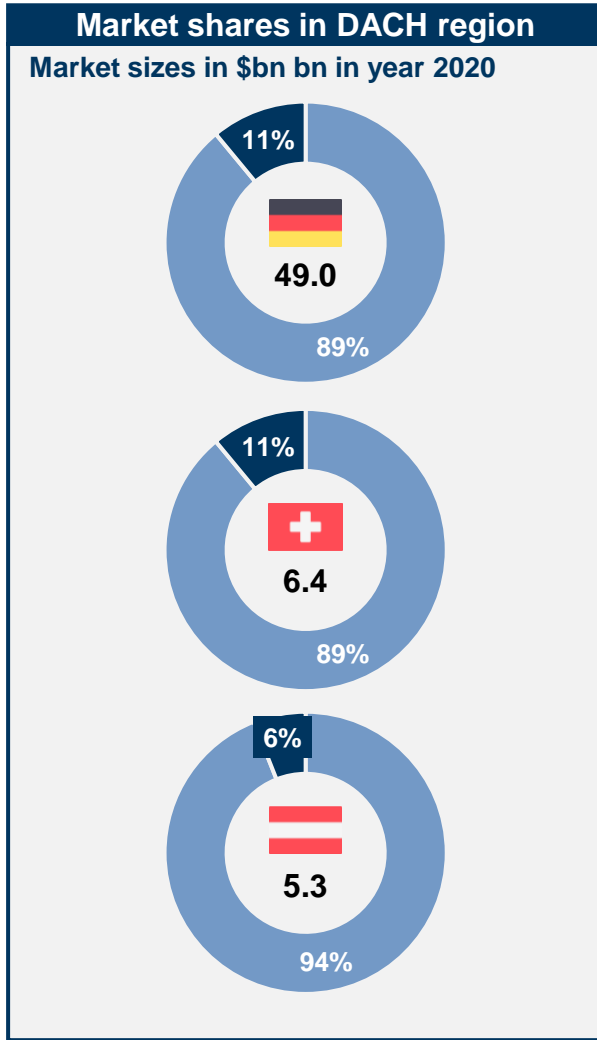
-  **Differentiators between Dermapharm's product and substitutes**
 - **Broad substitutes of pharmaceuticals**, being especially **(a) homeopathy**, **(b) phytotherapy** or **(c) anthroposophy**, distinguish themselves by **(a)** not using APIs but minimal amounts of natural substances, **(b)** combining nature with, e.g., art, eurythmy, or rhythmical, therapy, or **(c)** utilizing the spiritual
 - Focusing on **non-patent-free pharma**, **originators** of Dermapharm's patent-free products **prices can still offer theirs** and try to **prevent patent-free use**, e.g., through **lower ovation**, **changed dosage forms**, new/extended patents, or lawsuits as well as by spreading negative publicity
 - By offering **non-pharmaceutical products**, i.e., such that are sellable outside of pharmacies and potential substitutes, **originators** furthermore increase pressure and **gain market share** while having **low entry barriers**
-  **Availability of substitute products in the market**
 - **More than 50%** of the brand portfolio consists of **off-patent products** that are **not manufactured** by any or only by **one competitor**, i.a., due to **high product complexity**, facing **low substitution** and **low market availability**
 - The **earlier availability of competitors' substitutes** can **increase costs highly** as early time-to-market is key to cover market-enabling expenses
-  **Cost of switching to substitute products**
 - **Cost of switching** to substitutes depends on the product; high if one of the unique products of Dermapharm, low if broadly available product line
-  **Difficulty of switching to substitute products**
 - **High if no substitutes** exist; **low if they do exist**
-  **Dermapharm's products, which could substitute market leaders**
 - Dermapharm's **Minoxicutan** has **potential** to replace **J&J's REGAINE²**

Threat of new entrants

-  **Cost and time for entering the market**
 - In accordance with the threat of substitutes, **originator manufacturers do not face** any major cost- or time-related **entry barriers** in the market for patent-free pharmaceuticals or other products as they may have **already produced** the respective **products** while being covered **with patents**
 - Entrants have to produce pharmaceuticals according to **GMP** ("Good Manufacturing Practice"), which comprise **national** as well as **international quality standards** for **pharmaceuticals**
-  **Barriers to enter the market**
 - For **fully new market entries** of competitors, **marketing authorizations** and **relevant approvals** present **significant barriers** to the market compared to the entry barriers of originator manufacturers
 - In comparison, **entry barriers** for the market for **healthcare products** or **parallel imports** are low as **far less regulatory burdens** exist
-  **Requirements to scale the business model**
 - As most of Dermapharm's products are produced **inhouse** and **M&A** is one of the **major growth drivers**, **capital strength** to invest is **key** for scaling, either for **investments into own facilities** or into **add-on companies**
-  **Protection of key technologies**
 - By **protecting both technologies** (bite away® and Herpotherm®) that were acquired within the **medical business unit buyout** of **Riemser**, key assets are protected against competitors' entry
-  **Strictness of market regulation**
 - Dermapharm's **manufacturing, distribution, processing, amongst many others**, is **regulated in an extensive way** by Germany and the EU

B | 3 | Market overview | Market share of therapeutic units in DACH

The DACH-region still bears huge growth-potential which Dermapharm is exploiting to gain market share through strong growth rates in niche markets



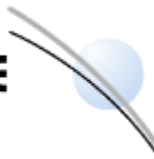
■ RX¹ ■ OTC²

| Dermapharm is leading in its core therapeutic areas | | Development of market shares in therapeutic areas | | |
|---|-----------|--|--------------------------------|--------------------------|
| Vitamins, minerals, food, supplements | #1 of 82 | 2012 434 €m 94% | +7pp. 2018 749 €m 87% | H1 2021 332 €m 84% |
| Dermatology | #1 of 97 | 2012 332 €m 92% | +5pp. 2018 509 €m 87% | H1 2021 344 €m 88% |
| Pain and inflammation | #1 of 51 | 2012 316 €m 99% | +5pp. 2018 384 €m 94% | H1 2021 129 €m 66% |
| Cardiovascular support | #1 of 37 | This niche area was previously allocated to „other healthcare products“; first market assessment has been conducted in 2021 | | |
| Allergology | #3 of 41 | Dermapharm entered this therapeutic area with the acquisition of Allergopharma in 2020 | | |
| Gynecological and urological compounds | #10 of 67 | Dermapharm entered the cardiovascular support area with the acquisition of Strathmann in 2018 | | |

■ Dermapharm ■ Market

Sources: Company filings, Jefferies 2019 London Healthcare Conference | Notes: (1) Prescription drugs (2) Over-the-counter drugs

B | 3 | Market overview | Competitive positioning: Branded pharmaceuticals

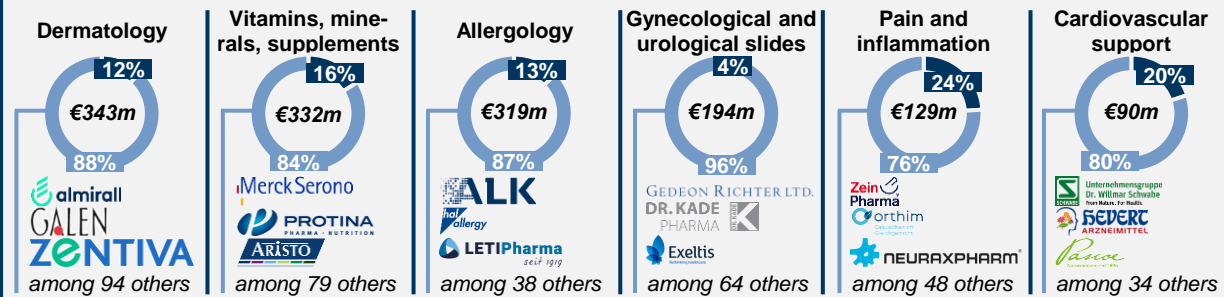


Having a high number of products offered with a large number of APIs included, Dermapharm offers a broad and in-depth niche coverage of its core market

General market overview

Definition: Production and sales of prescription pharmaceuticals (Rx), over-the-counter products (OTC), food supplements, and medical products

Market shares, sizes, and players by business units' subsegments (H1 2021)

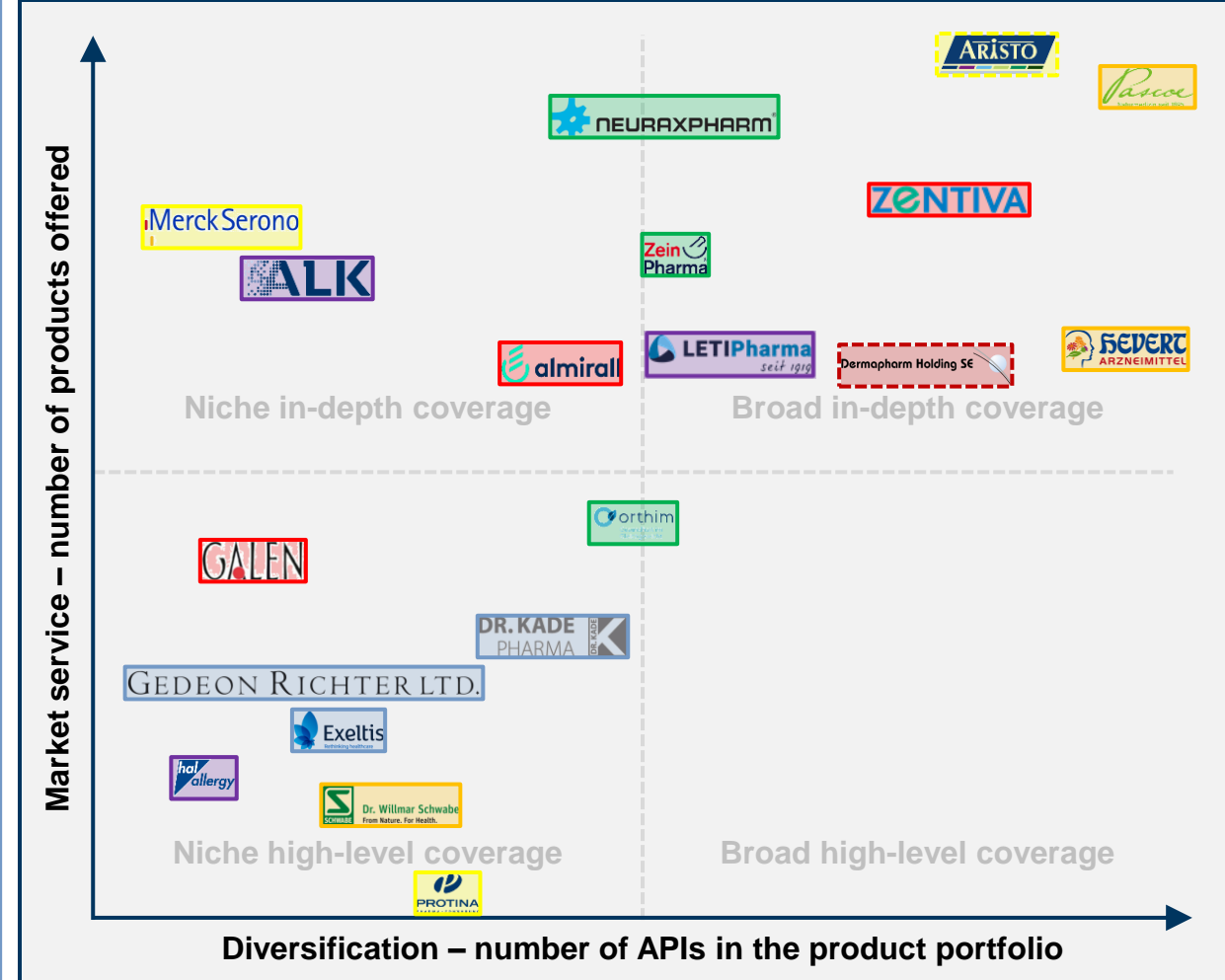


Deep-dive: Exemplary competitors per subsegment

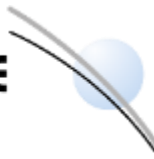
| Company | Competitive rationale |
|--|--|
| Almirall | Leading German dermatology specialist with its bestseller Optiderm® |
| ARISTO | Colecalciferol® is the main competitor of Dermapharm's Dekristol® |
| hal allergy | Shares 2/3 of the therapy allergens market with Allergopharma and Abelló |
| Exeltis | Main sponsor of German symposium of gynecology with Dermapharm |
| orthim | Key pain and inflammation player with flagship product NEURO-orthim® |
| Unternehmensgruppe Dr. Willmar Schwabe | CRATON® is a leading German cardiovascular Ginkgo pytopharma |

■ Dermapharm's share ■ Competitors' share

Competitive landscape



B | 3 | Market overview | Competitive positioning: Parallel imports

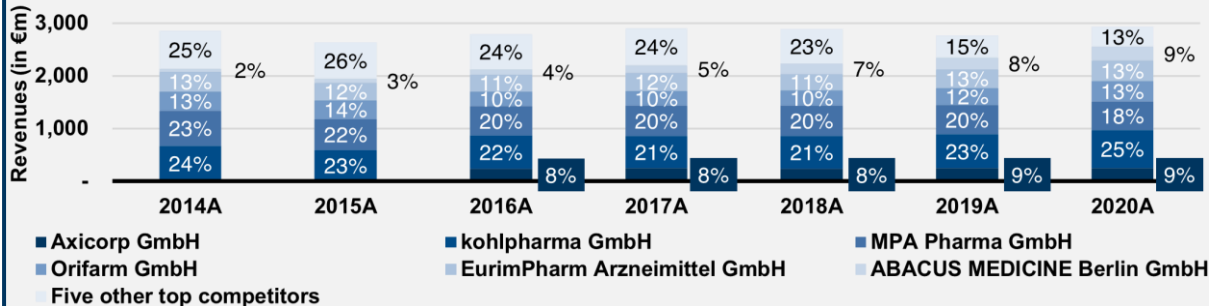


Dermapharm is, through Axicorp, among Germany's leading pharmaceutical import market players and covers a broad number of APIs in few products

General market overview

Definition: Imports of original pharmaceuticals from other EU countries to resell them to pharmaceutical wholesales and pharmacies in Germany

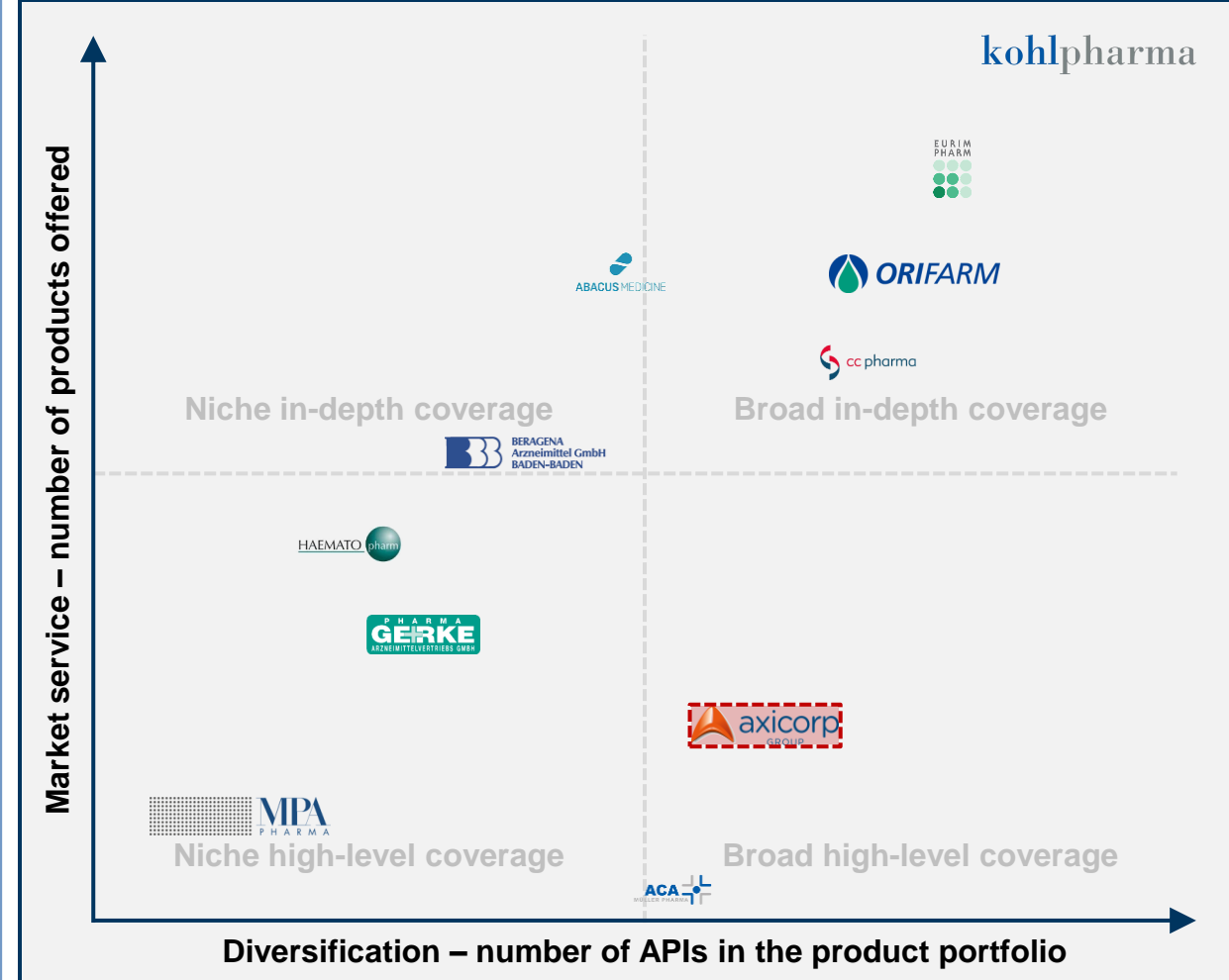
Market shares of top competitors over time^{1,2}



Deep-dive: Five top competitors

| Company | Competitive rationale |
|-----------------|---|
| kohlpharma | Founder of the Association of Pharmaceutical Importers of Germany |
| ORIFARM | Member of Federal Association of Pharmaceutical Importers |
| EURIM PHARM | Member of Federal Association of Pharmaceutical Importers |
| ABACUS MEDICINE | Danish parallel importer with increasing activity in Germany |
| ccpharma | Ex-member of the Association of Pharmaceutical Importers of Germany |

Competitive landscape



Dermapharm's business unit

Sources: Company filings, BvD Orbis, desktop research | Notes: (1) Undisclosed years modelled by a company's other years' revenue CAGR if available

B | 3 | Market overview | Competitive positioning: Herbal extracts

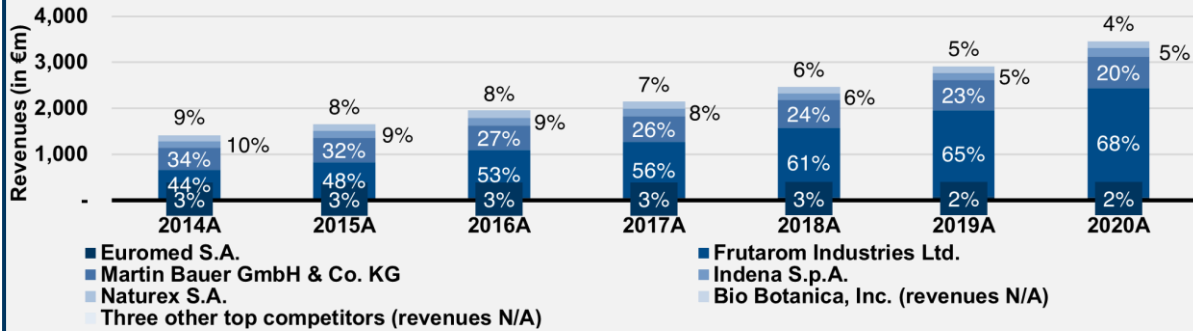
Within a peer group of eight internationally leading market players, Euromed focuses on offering a selected product portfolio for targeted application areas



General market overview

Definition: Production of standardized herbal extracts for the pharmaceutical and cosmetic industry by utilizing herbal raw resources and natural active ingredients

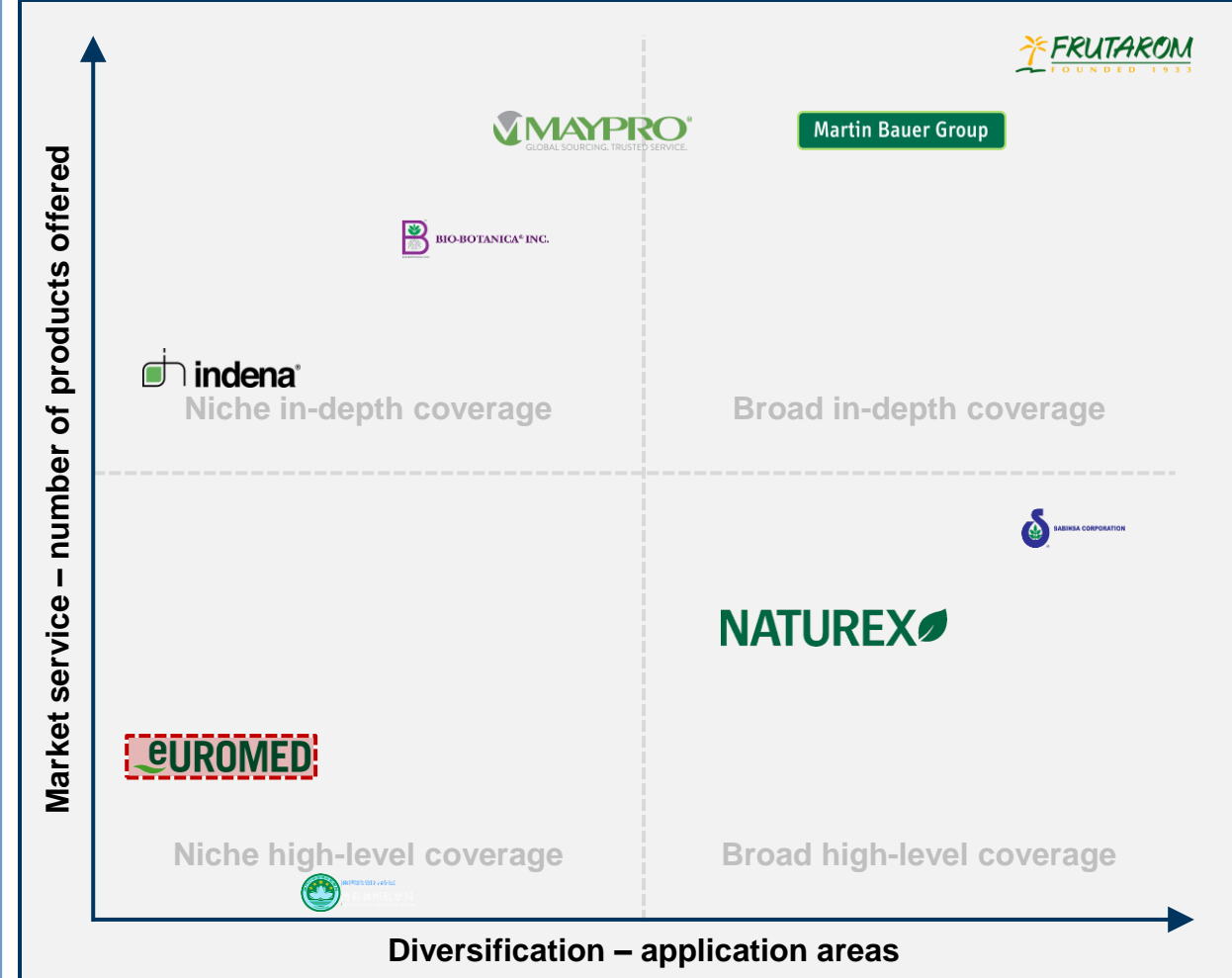
Market shares of top competitors over time¹



Deep-dive: Five top competitors

| Company | Competitive rationale |
|---|---|
| FRUTAROM FOUNDED 1933 | Consolidator of fruit and vegetable preparation players; bought Nutrafur |
| | Plant-based solution developer for the tea, beverage, and food industry |
| NATUREX | Natural specialty ingredient manufacturer, i.a., for phytopharmaceuticals |
| indena | Identifier, developer, and producer of extracts for pharma and healthfood |
| MAYPRO GLOBAL SOURCING. TRUSTED SERVICE. | Leading producer of nutraceutical ingredients for the Japanese market |

Competitive landscape



Dermapharm's business unit

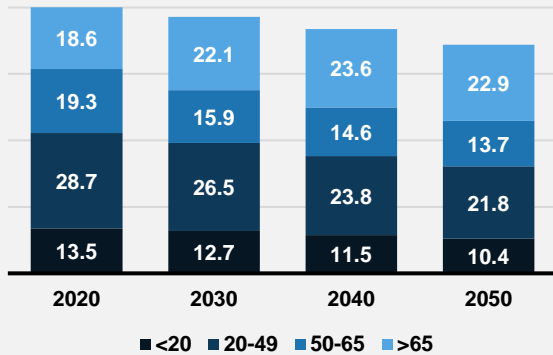
Sources: Company filings, BvD Orbis, desktop research | Notes: (1) Undisclosed years modelled by a company's other years' revenue CAGR if available

B | 3 | Market overview | Key trends: Deep-dive into demographic shift

Demographic shift is a growth driver for all three business segments; herbals can be utilized for disease prevention, pharma for disease treatment

Aging population

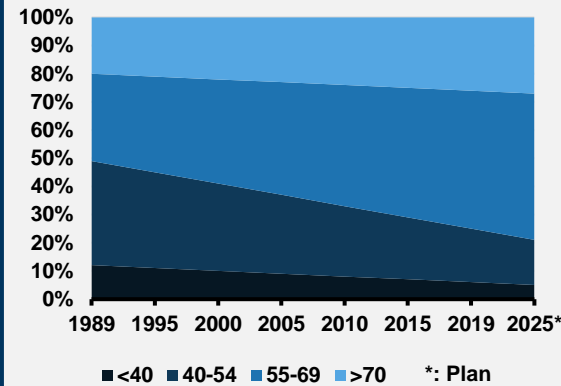
German populace by age group, in million



- In 2019, the UN recognized aging as a global **phenomenon of concern**
- In the years leading up to 2050, the **highly developed world (Japan, USA, EU, etc.)** will experience a great rise in old people, i.e., aged over 65
- In Germany, it is estimated that by 2050, **more than half the population** will be aged above 50; in the meanwhile, the absolute number of working adults will decrease as well

Wealth transfer and habit shift

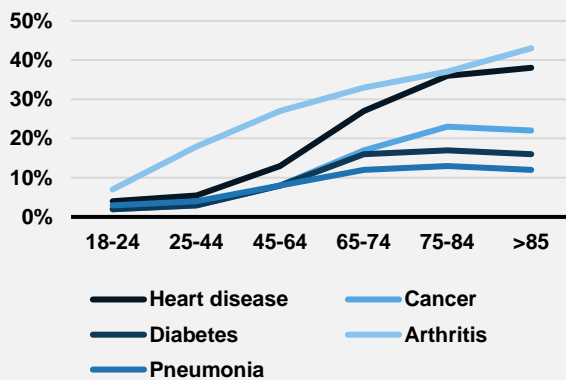
US share of household wealth by age



- As Baby Boomers start to retire, they hold a considerable, over-proportional amount of **wealth**, which will be used for **retirement** purposes and **consumption**
- The UN confirms that in the West, multi-generational support is not too prevalent, allowing for **higher spending on personal lifestyle** in old people; these costs encompass **medication and supplements**

Increased rate of diseases

Prevalence in percent of populace



- After the age of 65, the **risk** of dying from various forms of cancer, heart-, or lung-related diseases **increases exponentially**
- With higher older populations, the **occurrences** of age-related diseases will **increase** as well, while the rate of self-medication is increasing
- The UN calls **preventing age-related diseases** a **must** under Sustainable Development Goal 3

Opportunities



- Dermapharm** is already **uniquely positioned** for the demographic shift megatrend with its current product portfolio; Hübner, Fitivia, and Hübner Vital brands already promote **healthier living** and more natural methods of **self-care**
- In the future, further M&A could result in a **portfolio more aligned with the megatrend**, e.g., by integrating a producer of **cannabis drugs** (see [link](#))

B | 3 | Market overview | Regulation (1/2)

Regulatory measures limit Dermapharm's pricing power but also represent high entry barriers for emerging competitors; long-term industry experience pays off



Definition

Pricing moratorium (§ 130 a (3a) of the 5th Sozialgesetzbuch)

- Effective legal **regulatory instrument that freezes prices** to prevent certain **unilateral price increases**
- Introduced in **August 2010** to **curb the rising expenditure trend** in the pharmaceutical sector and will expire by **end of 2022**
- It applies in principle to **all drugs reimbursable** by the SHI system **and not subject to reference pricing**
- Statutory and private health insurance providers **receive price discounts when pharmaceutical manufacturers increase their selling price** for reimbursable pharmaceuticals
- **Since July 2018, inflation compensation** for pharmaceutical entrepreneurs

Reference pricing

- Refers to **maximum amounts for reimbursement of comparable pharmaceuticals**
- If doctors nonetheless prescribe a medication **priced at a level above this reference amount**, the patient must **pay the difference in addition** to the statutory supplementary payment
- However, the health insurance organizations can also enter into a **special discount agreement** with the manufacturers to ensure that the pharmaceuticals priced higher than the reference price are available to the patients at no extra cost

Manufacturer discounts

- In Germany, pharmaceutical companies are generally free to set their prices; however, pharmaceutical companies must grant manufacturer discounts on reimbursable pharmaceuticals to the statutory health insurance providers
- **Discounts** amount to 7% (excl. VAT) for reimbursables without reference price and 6% + additional 10% (excl. VAT) for off-patent pharmaceuticals with an identical active ingredient

Supplementary charge for patients

- **Patients must pay 10%** of the pharmaceutical **price** (min. €5, max. €10) which can be **reduced** or waived if there is a discount agreement in place or the chosen product is 30% lower than reference price

Impact on market segment

- **Led to decreasing margins as prices remain constant** while raw material cost experienced an increasing trend; however, **inflation-adjusted since 2018**
- **CEO is chairman of BPI** (Federal Association of the Pharmaceutical Industry) and will have significant influence in **opposing the pricing moratorium** after its expiration at the end of 2022

- Limits Dermapharm's **pricing power and flexibility**
- Special discount agreements are important for Dermapharm **to be the favorite prescription product/provider** of doctors for certain pharmaceutical products

- Limits **pricing power and flexibility** towards volatile cost
- Manufacturers can offset price reductions against the discount as long as they maintain the lower price for at least three years

- **Supports fair competition** within the pharmaceuticals and hence, leads to **lower prices**; however, no severe impact

Regulatory measures¹ limit Dermapharm's pricing power but also represent high entry barriers for emerging competitors; long-term industry experience pays off

Definition

Discount agreements with health insurance providers

- **Since 2003:** Statutory and private health insurance organizations can enter into **individual discount agreements** with manufacturers; for **pharmaceuticals priced above the reference price**, they can negotiate special conditions to provide patients with their usual **therapy without additional cost**
- **Since 2007:** Pharmacies are required to issue the **precise pharmaceutical compound with identical active ingredients** for which the **insurance** has entered into a **discount agreement**; this applies unless the doctor notes „**aut idem**“ (or equal) to the prescription

Aut-IDEM rule (Aut-IDEM = or an equal)

- The pharmacist **may exchange a prescribed drug for another drug** with the same active ingredient if the doctor has noted "**aut idem**" on the prescription
- In this case, the pharmacist can sell a **cheaper drug but with the same active ingredient** to the patient
- To ensure the **same medical quality as prescribe**, the pharmacist **may use the Aut-IDEM** rule only in the following cases: **Active ingredient, strength and package size are identical, same dosage or interchangeable, and the drug is approved for the same indication**
- Applies since 2002 and has **no expiration date**

Legal promotion of imports to relieve the German health system

- Introduction of a **price efficiency clause** within the law for more security in the supply of medicines (**GSAV**) to oblige pharmacies to achieve a savings target of 2% by selling inexpensive imported products
- An **imported drug must be dispensed** if the dispensing price relevant for the insured is to a certain extent (depending on the price) **below the price of the reference drug**
- **Exceptions:** products with generic competition, manufacturer discounts as well as biopharmaceuticals and parenteral cytostatics

International pharmaceutical market

- Characterized by their own different local influences at the national level

Impact on Dermapharm/ market

- The advantage for patients is that the **supplementary charge may be reduced or waived entirely**; Therefore, this regulation **enforces fair competition and is beneficial** for those pharmaceutical companies that have **entered into discount agreements**

- **Sales heavily demand on relation with doctors** as they decide on whether medicine can be substituted or not
- Hence, Dermapharm uses **trained sales staff to enforce revenue generation and exclusivity** of Dermapharm's products

- This legal promotion for imports **accelerates sales of imported drugs on a legal base**
- With its parallel import unit **Axicorp** and the **newly built production and logistic center** in Friedrichsdorf with **increased** productivity of **40%**, Dermapharm is well positioned to benefit from this promotion in upcoming years

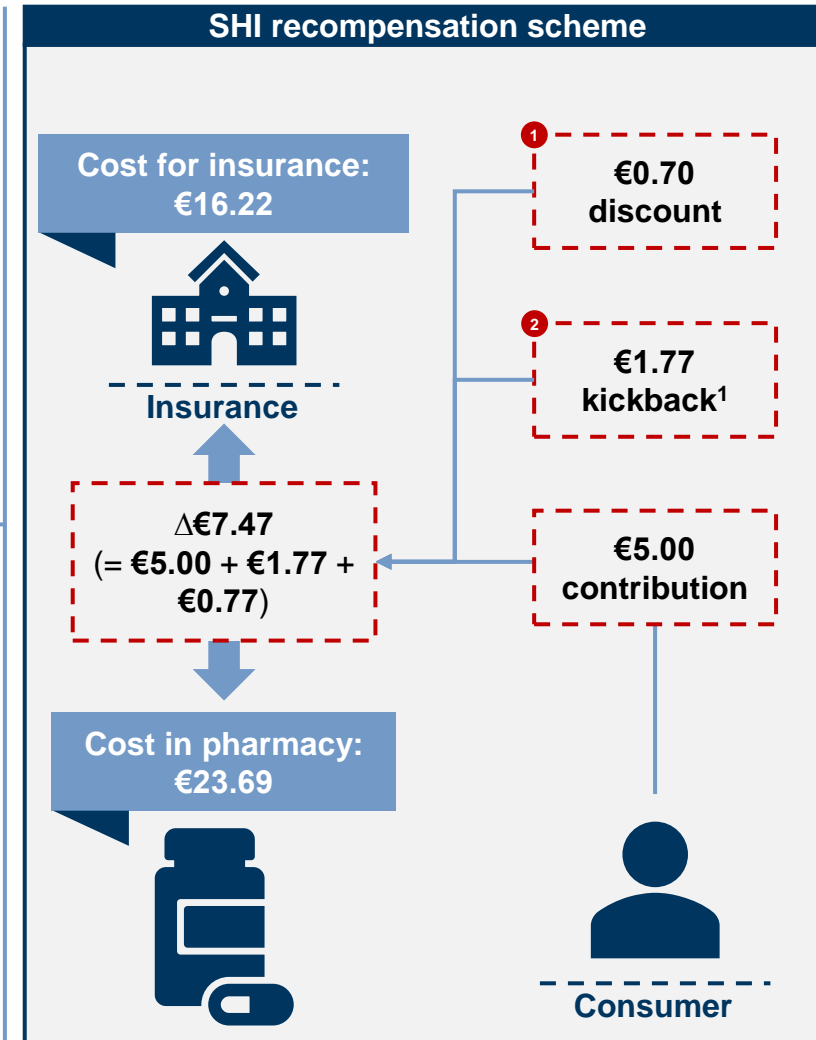
- Mostly due to reference lists and prices, reimbursement codes and discounts

B | 3 | Market overview | Regulation: Pricing example

The pricing of prescription medication in Germany is subject to a number of strict regulations, as outlined in this real-life example

| 1: Originator/producer | |
|---|--------|
| Price of drug given by producer | €10.00 |
| - Mandatory discount (7% for patent, 6% for generic) | €-0.70 |
| - Add. generics discount | €0.00 |
| - Add. producer discount | €0.00 |
| = Producer gets (maximum) | €9.30 |

| 3: Pharmacy | |
|---|--------|
| Price of drug given by producer | €10.00 |
| Pharmacy surcharge (3% of producer price + 8.35€ for every Rx drug sold) | €8.68 |
| + Emergency service subsidy | €0.21 |
| - Net pharmacy discount (goes to SHI, with sales tax 1.77€) ¹ | €1.49 |
| = Pharmacy gets (maximum) | €7.40 |





| 2: Wholesaler | |
|--|--------|
| Price of drug given by producer | €10.00 |
| 3.15% of producer price (10€ x 3.15% ≈ 0.32€) | €0.32 |
| + Fixed price per unit | €0.70 |
| = Wholesaler gets (maximum) | €1.02 |

| 4: German state | |
|--|--------|
| Earnings producer | €9.30 |
| + Earnings wholesalers | €1.02 |
| + Earnings pharmacy | €7.40 |
| = Net price of drug | €19.91 |
| * 19% federal sales tax (goes to state) | €3.78 |
| = Final maximum sales price | €23.69 |

Sources: [Bundesverband der Arzneimittelhersteller e.V.](#) | Notes: (1) The SHI receives money from every sale in the pharmacy, as part of recompensation scheme

B | 4 | Investment thesis | Value creation: Buy-and-build (1/7)

Dermapharm's experience in inorganic market entry will pay off with targeted add-on acquisitions in niche and growth markets as a key growth lever of the investment

| Dermapharm | | Private equity sponsor | | | |
|------------|--|---|---|---|---|
| Rationale | Market entry options for sales growth |  Portfolio expansion Expanding the product portfolio in existing and new segments will diversify revenue streams in the short term | | | |
| |  Developing own pharma based on out-patented APIs  Acquiring patented APIs or whole originators |  Synergy realization Building synergies through acquisitions in mid term , e.g., economies of scale, cross-selling, and best-practice learning | | | |
| | |  Value creation Increasing valuations when exiting the investment through add-on EBITDA , additionally boosted by synergies | | | |
| Goal | Pre-acquisition | Within 100-day-plan | 3 years post-acquisition | 5 years post-acquisition | |
| |  Extension of products and therapeutic areas | Initial contacting of a minimum of 100 target companies from a monitored in-depth short list |  PHARMA SGP ■ PharmaSGP will add EBITDA of c. €42m ■ Successful integration |  PHARMA SGP ■ PharmaSGP will add EBITDA of c. €51m | ■ Bedrocan will add EBITDA of c. €60m |
| |  Focus on niche strong-margin products | Marketing of add-on goals to 50+ mid-market investment banks and transaction service providers |  bedrocan® ■ Bedrocan will add EBITDA of c. €36m ■ Successful integration |  bedrocan® ■ Bedrocan will add EBITDA of c. €60m | ■ OmniVision will add EBITDA of c. €18m |
| |  Deal pipeline for steady revenue growth | ■ Employing and structuring own M&A team for add-on endeavors ■ Monitored target contacting | ■ Selecting and contacting top-targets of steadily updated shortlist in six-month cycles for a steady dealflow ■ Conducting transactions by signing NDAs, preparing valuations and initial offers, doing DDs, signing adjusted offers, Lols, and SPAs to close deals | ■ Increasing efficiency by, i.a., eliminating dual assets and merging existing structures through M&A team ■ Extending the shortlist-scope on targets of the previously created longlists to exploit remaining holding period for EBITDA additions | |
| Execution |  Evaluation of targets offered by banks | ■ Listing active investment banks ■ Contacting of gathered list by the sponsor's investment team | | | |
| |  Acquisition of large players like Allergopharma | | | | |
| |  Structure of deals in always beneficial ways ¹ | | | | |

Sources: Company filings | Note: (1) Fitvia acquisition was complemented by asset buyout of packaging company for cheap assets; FYTA acquisition was hedged by reversal clause

B | 4 | Investment thesis | Value creation: Buy-and-build (2/7)

PharmaSGP is the ideal candidate to grow in the core segment of pain and inflammation and add sleep medication under a strong management team

Company overview



PharmaSGP Holding SE ([link](#))

Gräfelfing, Germany

Business segment:  **Branded pharmaceuticals**

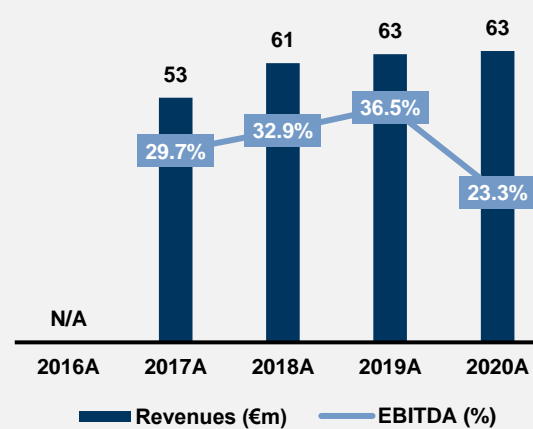


Description:

PharmaSGP Holding SE operates as a consumer health company providing natural non-prescription OTC pharmaceuticals and other healthcare products for chronic indications, pain, sleep disorder, and other age-related ailments. The company was founded in 2009 by Clemens Fischer and employs 63 people.

- **Exemplary acquisition date:** 2022 (all cases)
- **Valuation:** Est. EV €230m (@ €16.2m EBITDA, in 2021)
- **Therapeutic areas:** Pain and inflammation, sleep medication





Financial overview



Deal rationale

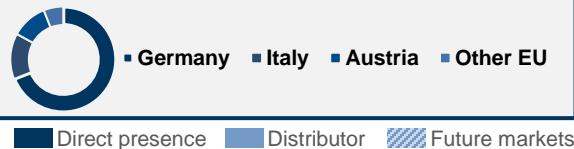
-  **Accelerating target performance** by providing knowhow to grow
-  **Exploiting scalability** within existing market segments
-  **Expanding multiples** to enhance value with the exit
-  **Accessing new markets** for a diversified growth strategy
-  **Incorporating new technology** that leverages inhouse synergies

Products and revenue breakdown

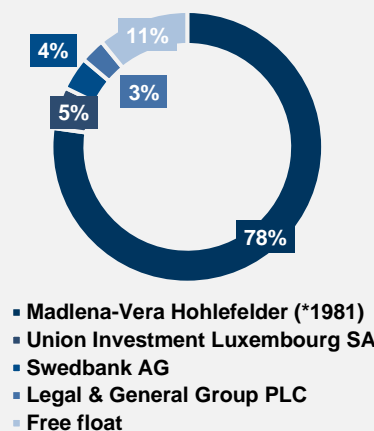
-  **Pain and inflammation**
Pharmaceuticals to lower pain
-  **Sleep medication**
Herbal-based sleep support
-  **Sexual weakness treatments**
Therapy drugs of sexual weakness
-  **Anxiety support**
Restless and mood disorder drugs



Geo and revenue breakdown



Ownership



Top management



Natalie Weigand (CEO, *1981)

- At Pharma SGP since 2013
- Experience at Johnson & Johnson
- BA in Business Administration at Cologne Business School



Michael Rudolf (CFO, *1974)

- At Pharma SGP since 2017
- Experience in M&A at Media-Saturn Holding and at Weltbild GmbH
- Former Consultant at McKinsey
- Studied Business at University of Mannheim

B | 4 | Investment thesis | Value creation: Buy-and-build (3/7)

OmniVision is an in-depth expert in the niche segment of ophthalmology and would complement the niche portfolio of Dermapharm with its distinct market position

Company overview



OmniVision GmbH ([link](#))

Puchheim, Germany

Business segment:  **Branded pharmaceuticals**

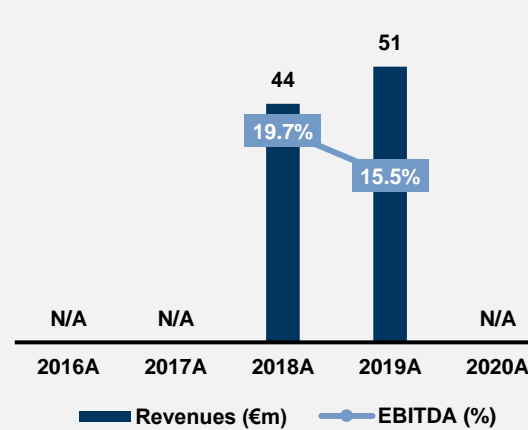


Description:

OmniVision GmbH is a specialty pharmaceutical producer in the field of ophthalmology (eye medicine). Its lubrication solutions and artificial tears with hyaluronic acid such as eye drops for dry eyes. The company was founded in 2003 by Burkhardt Hoffmann and employs 84 people.

- **Exemplary acquisition date:** 2025 (IC/management case)
- **Valuation:** Est. EV €152.5m (@ €10.7m EBITDA, in 2024)
- **Therapeutic areas:** Ophthalmology





Financial overview



Deal rationale

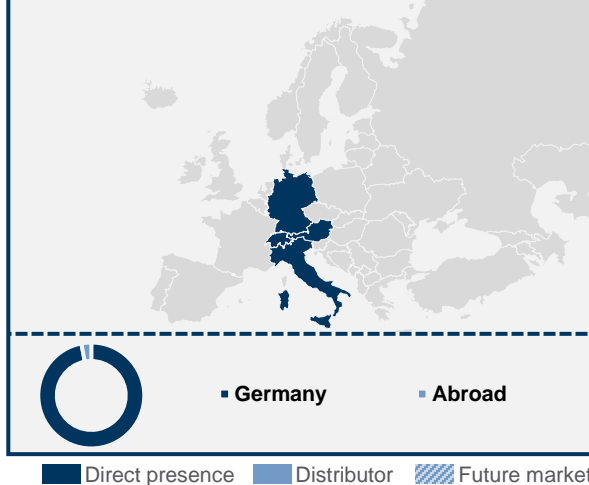
-  **Accelerating target performance** by providing knowhow to grow
-  **Exploiting scalability** within existing market segments
-  **Expanding multiples** to enhance value with the exit
-  **Accessing new markets** for a diversified growth strategy
-  **Incorporating new technology** that levers inhouse synergies

Products and revenue breakdown

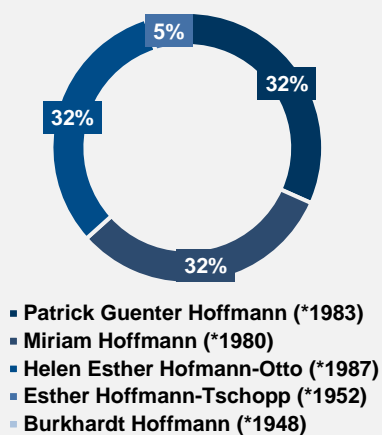
-  **Preservative-free preparations**
Eye drops, salves, gels, or sprays
-  **Vitamins and minerals**
Vitamin B, C, E or carotinoids
-  **Eye drops**
For sensitive eyes or herbal-based
-  **Prescription pharmaceuticals**
To treat eye issues

No breakdown by products available

Geo and revenue breakdown



Ownership



Top management



Burkhardt Hoffmann (CEO, *1948)

- Founded the company in 2003
- Decade-long experience in pharma, especially in ophthalmology industry
- Well-established network in the industry



Patrick Hoffmann (CEO, *1983)

- Gained three years of experience at WTS Consulting GmbH
- Manages the company in 2nd generation
- Studied at the University of Applied Sciences in St. Gallen, Switzerland

B | 4 | Investment thesis | Value creation: Buy-and-build (4/7)

Being a market leader in gynecological and urological pharmaceuticals, APOGEPHA is a distinct add-on to gain further market share in the core segment

Company overview



APOGEPHA Arzneimittel GmbH ([link](#))

Dresden, Germany



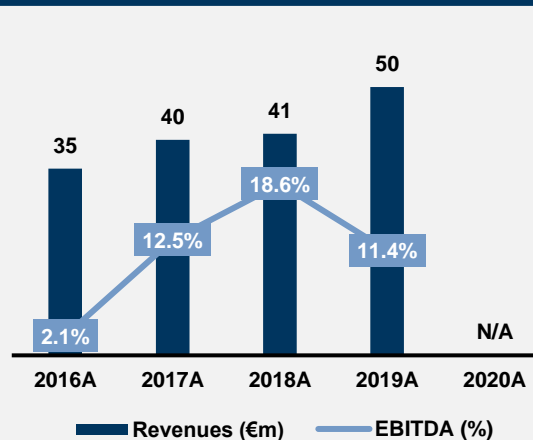
Business segment:  **Branded pharmaceuticals**

Description:






APOGEPHA Arzneimittel GmbH operates as a pharmaceutical company. It offers medicines for overactive bladder and neurogenic detrusor overactivity treatment in the field of urology, which would complement Dermapharm's existing expertise. The company was founded in 1882 by Carl Stephan and employs 135 people.

- **Exemplary acquisition date:** 2025 (bank case)
- **Valuation:** Est. EV €122.1m (@ €10.0m EBITDA, in 2024)
- **Therapeutic areas:** Gynecological and urological compounds

Financial overview



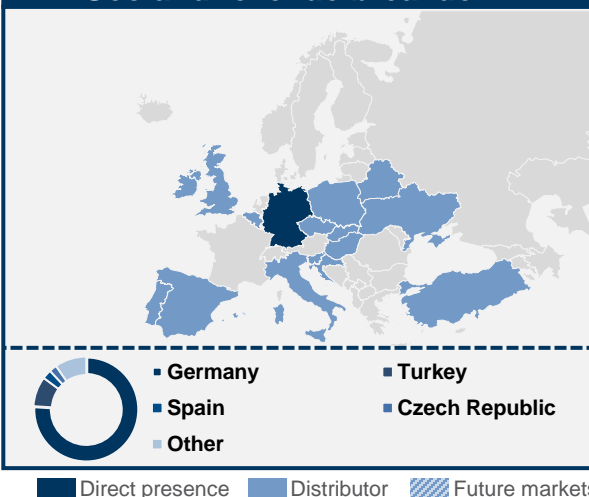
Deal rationale

-  **Accelerating target performance** by providing knowhow to grow
-  **Exploiting scalability** within existing market segments
-  **Expanding multiples** to enhance value with the exit
-  **Accessing new markets** for a diversified growth strategy
-  **Incorporating new technology** that levers inhouse synergies

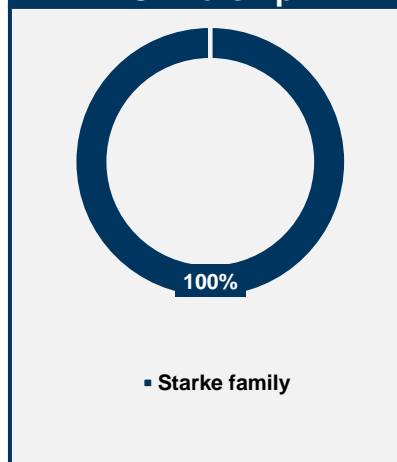
Products and revenue breakdown

-  **Female fertility boosters**
Hormone balancing support
 -  **Male fertility boosters**
Sperm production support
 -  **Bacteria blocker**
Treatment of bladder infections
 -  **Suppositories**
Treatment of anorectal pains
- 
- Pharmaceuticals
 - Co-marketing of big pharma products
 - Other

Geo and revenue breakdown



Ownership



Top management



Markus Bauer (CEO, *1956)

- Leads the company since 2011
- Experience as a pharmacist



Dirk Pamperin (CEO, *1967)

- Joined the management board in 2018
- Joined APOGEPHA in 1998 as Head of Project Management and R&D coordination
- Gained interim experience at SynthonPhD in Chemistry and Biotechnology at Technical University of Braunschweig and University of Stuttgart

B | 4 | Investment thesis | Value creation: Buy-and-build (5/7)

APONTIS PHARMA offers the ideal opportunity to acquire the German market leader in the growing niche segment of single pills throughout a secondary

Company overview



APONTIS PHARMA AG ([link](#))

Monheim, Germany

Business segment:  **Branded pharmaceuticals**

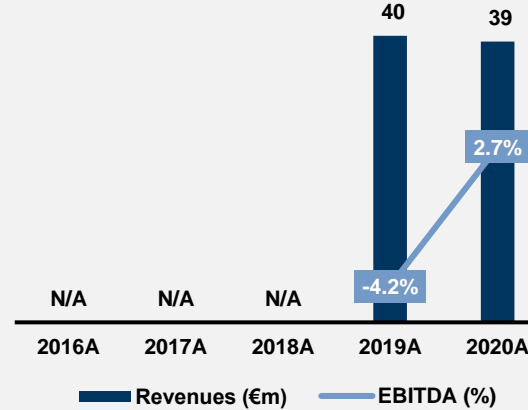


Description:





APONTIS PHARMA AG operates as a pharmaceutical company specialized in the development of single-pill¹ treatments in the field of cardiovascular, respiratory, and diabetes diseases. The company was founded in 2019 as a carve-out of the internal medicine unit of Belgium pharma company UCB and employs 200 people.

- **Exemplary acquisition date:** 2023 (bank case), 2024 (management case)
- **Valuation:** Est. EV €140m (@ €9.9m, in 2022/EV €149m (@ €10.4m, in 2023)
- **Therapeutic areas:** Diabetes, chronic obstructive pulmonary disease, cardiovasc.





Financial overview²



Deal rationale

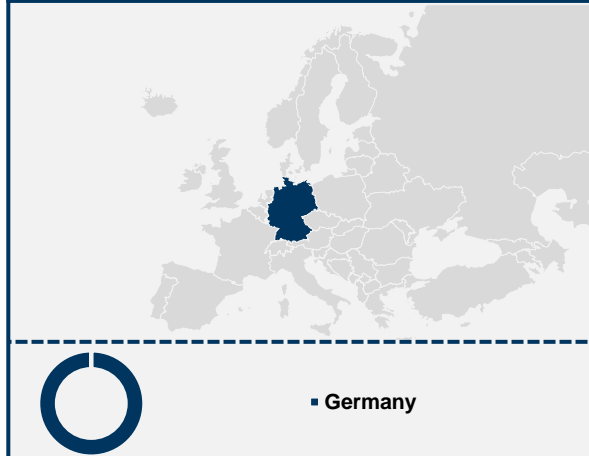
-  **Accelerating target performance** by providing knowhow to grow
-  **Exploiting scalability** within existing market segments
-  **Expanding multiples** to enhance value with the exit
-  **Accessing new markets** for a diversified growth strategy
-  **Incorporating new technology** that levers inhouse synergies

Products and revenue breakdown

-  **Cardiovascular single pills**
API combinations to improve cardio
-  **Respiratory treating single pills**
Focus on COPD disease
-  **Diabetes treating single pills**
Two medicines to treat the disease
-  **Co-marketing products**
High degree of indica traits

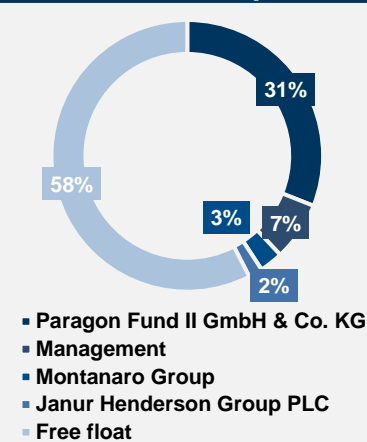


Geo and revenue breakdown



■ Direct presence ■ Distributor ▨ Future markets

Ownership



Top management



Karlheinz Gast (CEO, *1965)

- Managed APONTIS PHARMA AG during the takeover process of the company by UCB and later during the carve-out process led by Paragon Partners
- Led the respiratory business unit at Klinge Pharma and the cardiovascular business unit at Arzneimittel Werk Dresden (Asta Medica)
- PhD in Physics at Karlsruhe Institute of Technology
- Shareholder in the company

B | 4 | Investment thesis | Value creation: Buy-and-build (6/7)

As a market leading company in the field of phytotherapy, Tilman adds on global growth potential on the herbal extracts segment with complementing Euromed

Company overview



Tilman SA ([link](#))

Baillonville, Belgium

Business segment:  **Herbal extracts**

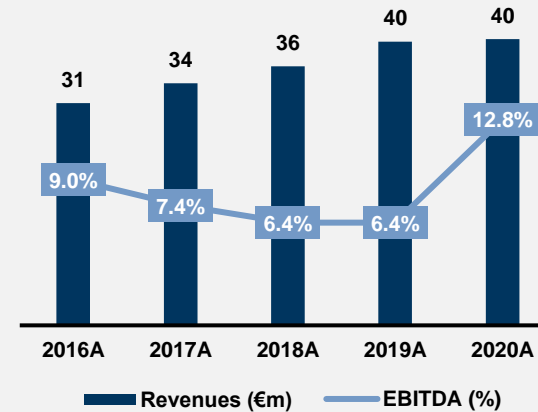


Description:

Tilman S.A. is a manufacturer of specialty plant based pharmaceutical products in the segment of phytotherapy, adding on Euromed's capabilities in herbal extracts. Its portfolio consist of products for, i.a., pregnancy and breastfeeding. The company was founded in 1956 by Lucien Tilman and employs 181 people.

- **Exemplary acquisition date:** 2026 (management case)
- **Valuation:** Est. EV €85.3m (@ €6.5m EBITDA, in 2025)
- **Therapeutic areas:** Phytotherapy, gynecological and urological compounds





Financial overview



Deal rationale

-  **Accelerating target performance** by providing knowhow to grow
-  **Exploiting scalability** within existing market segments
-  **Expanding multiples** to enhance value with the exit
-  **Accessing new markets** for a diversified growth strategy
-  **Incorporating new technology** that levers inhouse synergies

Products and revenue breakdown

-  **Pregnancy health products**
Pills, teas, creams, honey, etc.
-  **Breastfeeding health products**
Child and parent health support
-  **Bio health products**
Plant- and herb-based products
-  **Medicine**
I.a., Stress and infection reduction

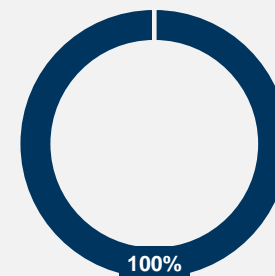
No breakdown by products available

Geo and revenue breakdown

No breakdown by countries available; distribution takes place in 30 countries in Europe, the Middle East, Africa, and Asia

 Direct presence  Distributor  Future markets

Ownership



- Lucien Tilman (*N/A) and family

Top management



Jean-Noël Tilman (CEO, *1959)

- Son of the founder Lucien Tilman
- Gained profound experience as a pharmacist in 1985 to succeed the legacy of his father
- Led the expansion and internationalization of Tilman and grew the business from six to 200 employees from his succession on until 2019, achieving c. 25% international sales
- Two eldest sons, Manoël and Mikaël, the latest also being pharmacists, joined the company in 2015

B | 4 | Investment thesis | Value creation: Buy-and-build (7/7)

Bedrocan is the ideal candidate to step into the cannabis market as an exporter and lever the catalysator of the upcoming cannabis legalization in Germany

Company overview



Bedrocan International B.V. ([link](#))

Veendam, Netherlands

Business segment:  **Herbal extracts**



Description:

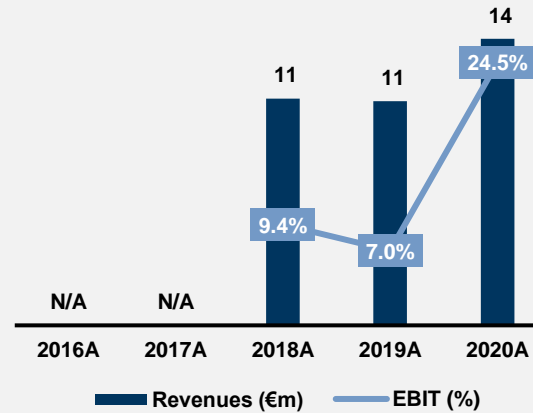
Bedrocan International B.V. is an EU-GMP certified supplier and exporter of pharmaceutical cannabis utilized as raw materials and as an API. It produces five cannabis products for medical R&D, patients, and clinical use. The company was founded in 1984 by Tjalling Erkelens and Freerk Bruining and employs 67 people.

▪ **Exemplary acquisition date:** 2023 (IC/management case)






▪ **Valuation:** Est. EV €189.5m (@ €11.0m EBITDA, in 2022)

▪ **Therapeutic areas:** Pain & inflam., cardiovasc., vitamins/minerals/supplements





Financial overview



Deal rationale

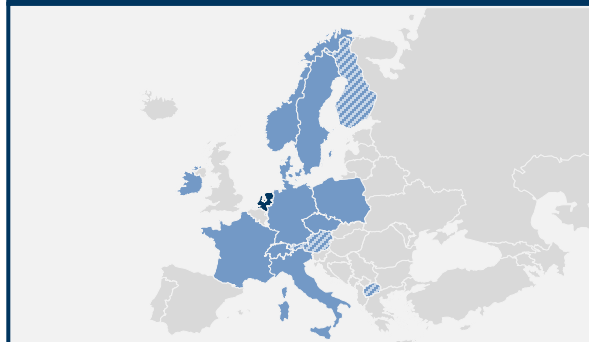
-  **Accelerating target performance** by providing knowhow to grow
-  **Exploiting scalability** within existing market segments
-  **Expanding multiples** to enhance value with the exit
-  **Accessing new markets** for a diversified growth strategy
-  **Incorporating new technology** that levers inhouse synergies

Products and revenue breakdown

-  **Bedrocan®**
Most widely used medical cannabis
-  **Bedrobinol®**
Medium strength cannabis strain
-  **Bediol®**
High CBD cannabis strain
-  **Bedica®**
High degree of indica traits

No breakdown by products available

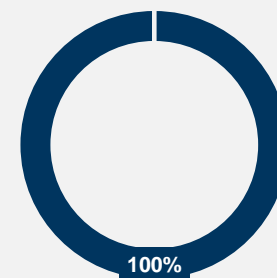
Geo and revenue breakdown



No breakdown by geography available

 Direct presence  Distributor  Future markets

Ownership



▪ Tjalling Erkelens (*1956)

Top management



Tjalling Erkelens (Founder/CEO, *1956)

- Founded the company in 1984 together with his brother-in-law Freerk Bruining to focus on indoor production of vegetables and herbs



Jacob Erkelens (COO, *N/A)

- Son of the founder
- Experience at Bedrocan from 2003 on





















Hans Spits (CFO, *N/A)

- Experience as Senior Manager at PwC
- MSc Auditing at University of Groningen

B | 4 | Investment thesis | Value creation: Operational optimization

Value is created by adjusting days inventories outstanding towards Dermapharm's peer group and lowering add-ons' personnel costs with overhead reduction

| Dermapharm | | Private equity sponsor | | | |
|--|--|--|--|---|--|
| Rationale |  <p>Operational improvements were made to lever efficiency of Dermapharm's operations</p> |  <p>Streamlining Not only Dermapharm but also add-on acquisitions require organizational and process optimizations</p> | | | |
| |  <p>Post-acquisition momentum led to operational adjustments in the acquired companies</p> |  <p>Efficiency leverage Leaning working capital by cuts in inventory will allow for improved business performance</p> | | | |
| | |  <p>Value creation Increasing valuations when exiting through higher EBITDA and FCF driven by steady revenues at higher margins</p> | | | |
| Goal | <p>Pre-acquisition</p>  <p>Economies of scale maximization by well integration and streamlining of add-on acquisitions</p> | <p>Within 100-day-plan</p> <p>Lever A Analyze methodologies to lower the inventory level to achieve competitive DIO compared to peers</p> | <p>3 years post-acquisition</p>  <p>Improving the days inventories outstanding to 362 days</p> | <p>5 years post-acquisition</p>  <p>Improving the days inventories outstanding to 247 days</p> | |
| |  <p>Margin increases by well integration and streamlining in the company can be enabled</p> | <p>Lever B Assess headcount structure and material cost breakdown in prospective M&A add-ons</p> |  <p>Personnel expenses and cost of material of buy-and-build acquisitions lower by 3.5pp. in the first year of the acquisition for each of the acquired add-ons</p> | | |
| |  <p>Restructuring at     </p> | <p>Lever A</p> <ul style="list-style-type: none"> Assess inventory level to be sold Contact suppliers to renegotiate the payment terms | <ul style="list-style-type: none"> Increasing forecasting accuracy and speeding up sales process to lower DIO mid-way to peer group's value | <ul style="list-style-type: none"> Creating advance order book, which serves financial planning and exit process by showing future orders to potential buyers; selling of last dead inventory, i.e., unsold inventory that is not expected to be sold in the future, e.g., expired pharma, to adjust DIO | |
| |  <p>Cutting of double-manned positions</p> | <p>Lever B</p> <ul style="list-style-type: none"> Assessment of capacity potential when cutting down costs Steady monitoring of potential | <ul style="list-style-type: none"> Cut down on add-ons' administrative positions in order to achieve a leaner employee structure and lowered operating costs | | |
|  <p>Insourcing leads to low operational risks</p> | | | | | |

B | 4 | Investment thesis | Value creation: Internationalization (1/2)



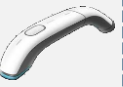
Germany-focused Dermapharm is able to internationalize globally with three selected hyperthermic innovations that are patented on a global scale

| Dermapharm | | Private equity sponsor | | | | |
|------------|--|---|--|---|---|--|
| Rationale | Geographical expansion of revenues | | | | | |
| |  Founding subsidiaries abroad |  Establishing distribution partners |  German focus Focusing on Germany as Dermapharm's core market with relevant management know-how in place | | | |
| | | |  Global roll-out Meeting the main criteria for globalization, global patents , enables internationalization for three selected products | | | |
| | |  Value creation Increasing valuations when exiting through higher EBITDA driven by higher revenues at steady margins | | | | |
| Goal | Pre-acquisition | Within 100-day-plan | | 3 years post-acquisition | 5 years post-acquisition | |
| | Selection process to internationalize | | | | | |
| |  Phase 1: Large target markets in Europe and worldwide ¹ | General Roll-out plan for globally patented bite away® , Herpotherm® , EPIIVO® within pre-defined timely goals | |  bite away® will add revenues of c. €34m |  bite away® will add revenues of c. €159m | |
| |  Phase 2: Low investment needs to amortize investments quickly | Focus Cultural and behavioral gaps require online marketing plan instead of direct sales teams | |  Herpotherm® will add revenues of c. €11m |  Herpotherm® will add revenues of c. €33m | |
| Execution | Admission of numerous prepare globally | General Key steps: I.a., product approval, logistics setup, sales structuring ³ To be coordinated with management | | General Online sales via selected channels ³ | | |
| | Foundation of various foreign subsidiaries | | |  Online shops such as Amazon or Aliexpress | Focus Maximization of market penetration Global roll-out of online sales beyond the most affected countries Sales opportunity in each country | |
| | Sales of hyperthermic devices globally ² | Focus Creating sales capacity of five inhabitant sales managers per continent to manage online sales | |  Drug stores' online shops, e.g., Walgreens | Focus Network effects of users, i.e., recommendations and cross-usage of devices, accelerate revenue growth | |
| | | |  Consumer electronic stores such as Suning | | | |

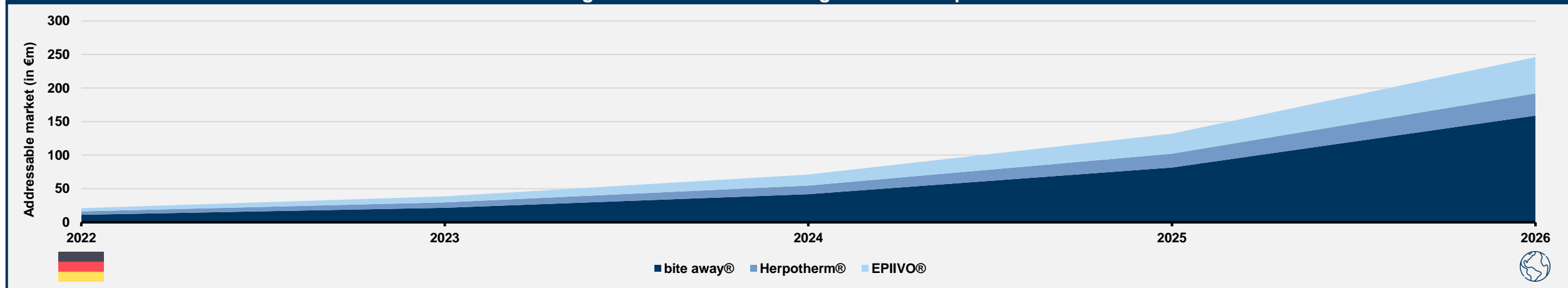
Sources: Company filings | Notes: (1) Mainly hyperthermic products (2) Global patents allow targeted internationalization (3) In most affected countries of bug bites (bite away®), herpes (Herpotherm®), and pruritus/dermatitis (EPIIVO®)

B | 4 | Investment thesis | Value creation: Internationalization (2/2)

Three globally patented products are already in the global roll-out phase and expected to serve a market potential up to €246m within the holding period

| Picture | Description | Underlying growth driver | Exemplary most affected countries | DE ¹ | Global ¹ |
|---|---|--|---|-----------------|---------------------|
|  <p>bite away®</p> | <ul style="list-style-type: none"> Hyperthermic device to treat itching, pain, and swelling caused by insect stings Treats, e.g., mosquito, wasp, and bee bites | <ul style="list-style-type: none"> The number of mosquito types is rising in urban centers due to global warming and/or increased rain | <ul style="list-style-type: none"> Brazil: 447 species of mosquitos Indonesia: 439 species of mosquitos Malaysia: 415 species of mosquitos | €11m | €159m |
|  <p>Herpotherm®</p> | <ul style="list-style-type: none"> Hyperthermic device to treat related symptoms of herpes or fever blisters, e.g., burning, tingling, and itching | <ul style="list-style-type: none"> 90% of people are affected by the incurable herpes virus, thereof 1/3 will need regular treatment | <ul style="list-style-type: none"> African countries with an average of c. 37.1% of the population from 15 to 49 years being infected with HSV-2 in 2016 | €5m | €33m |
|  <p>EPIIVO®</p> | <ul style="list-style-type: none"> Utilized to treat Pruritus/Dermatitis No detailed description available yet as the product is still under development | <ul style="list-style-type: none"> Pruritus'/dermatitis' impact and increasing incidence will lever willingness to try out new forms of treatment | <ul style="list-style-type: none"> Sweden, Norway, UK, Morocco, Kenia, Peru, Paraguay, among others: >20% prevalence of atopic dermatitis | €5m | €54m |













Management's assessment of global market potential²



Sources: Company filings, [Journal of Medical Entomology](#), [The Lancet](#), [Nature Reviews Disease Primers](#) | Note: (1) Market size (in €m) (2) IC case is displayed; management case offers potential of €369m, bank case of €123m

B | 4 | Investment thesis | Value creation: Direct sales (1/2)

Besides utilizing an expansion of the USP of a direct sales team for full customer coverage, influencer marketing is levered to increase revenues of lifestyle products


| Dermapharm | | Private equity sponsor | | | |
|-----------------|---|--|--|---|--|
| Rationale |  Increased prescriptions due to direct marketing to doctors |  Extending salesforce Investing to expand both salesforce as the competitive edge for prescriptions and online (influencer) marketing | | | |
| |  Enhanced revenues of imports thanks to call center |  Increasing prescriptions Maximizing the number of branded pharmaceuticals' prescriptions and herbal extracts sales | | | |
| |  Extended number of sales due to influencer marketing (Fitvia) |  Value creation Increasing valuations when exiting through higher EBITDA driven by higher revenues at steady margins | | | |
| Pre-acquisition | | Within 100-day-plan | 3 years post-acquisition | 5 years post-acquisition | |
| Goal |  Memorability enhancement with regular visits | Lever A Extending direct salesforce to achieve 100% coverage at pharmacy, hospitals, and doctors | Lever A ▪ 1:4 transition of salesforce increase into revenue growth, i.e., 20% more personnel achieves 5% more sales | Lever A ▪ Increase to 1:3 transition into revenue growth thanks to networking effects and integration | |
| |  Maximization of pharmacy/wholesale coverage | | | | |
| |  Addressing of young customers with influencers | Lever B Establishing a targeted Influencer marketing campaign for lifestyle products such as vitamins | Lever B  ▪ 2pp. on-top CAGR in vitamins, minerals, food supplements segment thanks to influencer marketing ▪ Total growth of c. 6.68% p.a. in vitamin therapeutic segment | | |
| Execution |  Regularity of visits is ensured by c. 250 direct sellers with 86k visits per year ² | Lever A ▪ 20% increase in total direct salesforce (pharmacy, hospital, and doctors) with first year as buffer time | Lever A ▪ Staffing of additional salesforce on 10% of physicians and pharmacies not covered in the past | Lever A ▪ After saturation of information needs of newly covered parties, allocating new capacity between teams | |
| |  Efficiency is guaranteed with 18 call center agents performing 190k calls p.a. | Lever B ▪ €500k investment into Instagram campaigns (10 posts, each €2k) of 25 mid-tier influencers over 5 years | Lever B ▪ Utilizing rest of the team capacities to increase the number and decrease the gaps between visiting cycles of the customer groups | Lever B ▪ Evaluation of influencer marketing to assess long-term implementation in post-exit strategy | |


Sources: Company filings | Notes: (1) Coverage of pharmacies, hospitals, and doctors


B | 4 | Investment thesis | Value creation: Direct sales (2/2)


An expansion of Dermapharm's direct sales force nurtures the company's USP while influencer marketing of lifestyle products further strengthens its sales

Direct sales: Dermapharm's well-oiled sales engine

-  **Regular visits**
Sales representatives regularly visit doctors, pharmacies, and hospitals

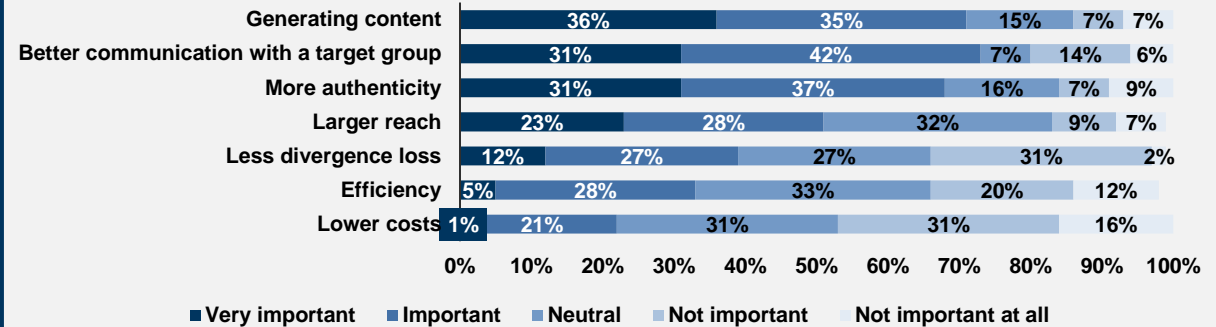
-  **Product presentations**
Salesforce presents and explains products to the respective customers

-  **Prescriptions**
Doctors prescribe products to patients in case Dermapharm convinced them

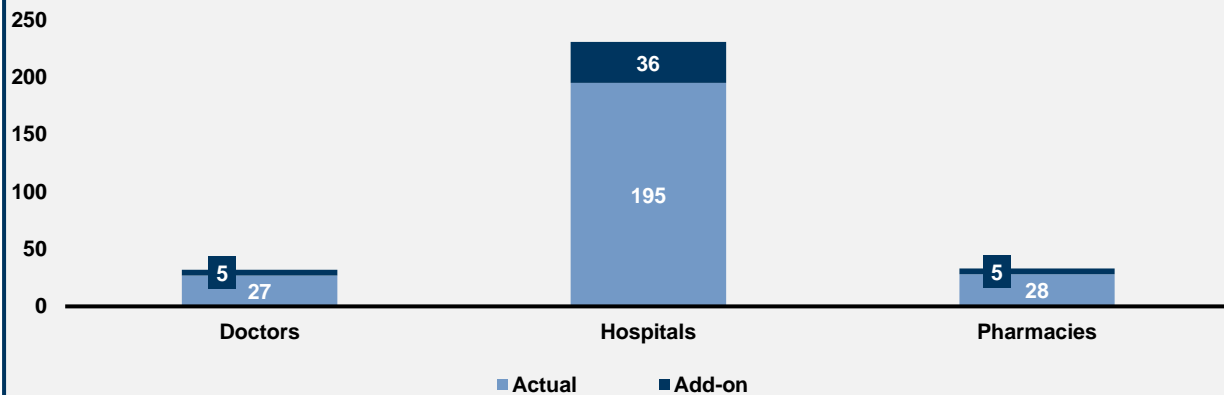
-  **Sales**
Patients, pharmacies, and hospitals buy pharma (the latter by prescriptions)

Influencer marketing: promising growth opportunity¹

What do you see as advantages of influencer marketing compared to traditional online marketing?



Expansion: Salesforce by target group









Selection and pricing: mid-tier influencers

| Influencer Type | Share of influencers in Germany | Price for influencer post in Germany | |
|---|---------------------------------|--------------------------------------|-----------|
| | | From (in €) | To (in €) |
| Nano-influencer (1k-5k followers) | 35.4% | 10 | 60 |
| Micro-influencer (5k-20k followers) | 43.0% | 30 | 270 |
| Mid-tier influencer (20k-100k followers) | 18.0% | 200 | 2,300 |
| Macro-influencer (100k - 1m followers) | 3.5% | 1,500 | 10,500 |
| Mega-influencer and celebrities (over 1m followers) | 0.2% | 15,000 | Open end |

Sources: Company filings, Statista | Notes: (1) According to 85 respondents responsible for social media and influencer marketing in Germany as of 01/2021

B | 4 | Investment thesis | Value creation: Strong market growth (1/2)

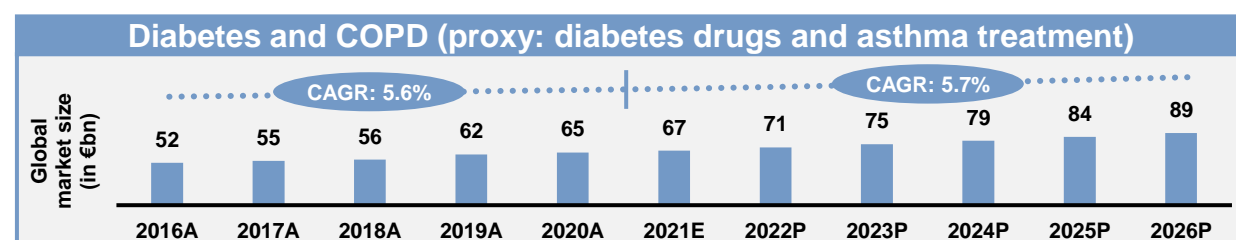
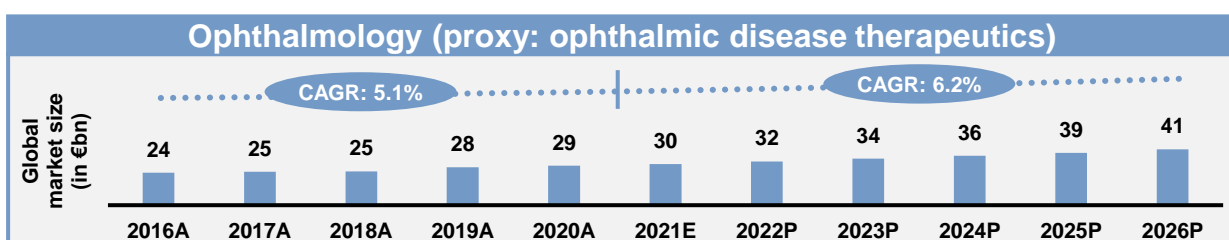
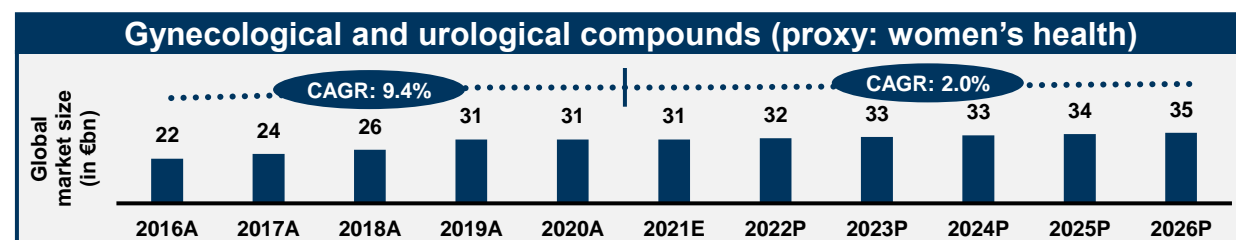
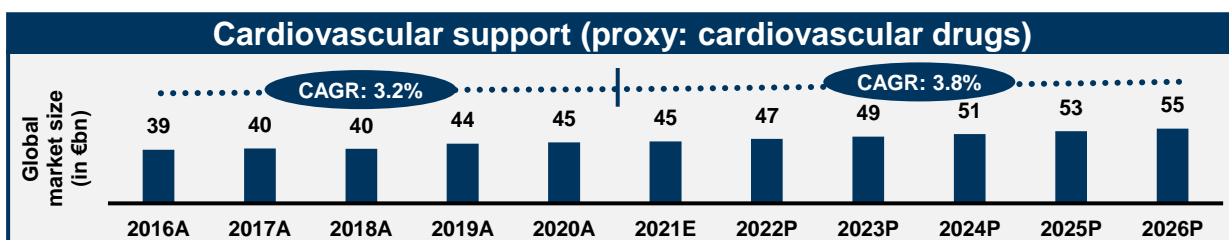
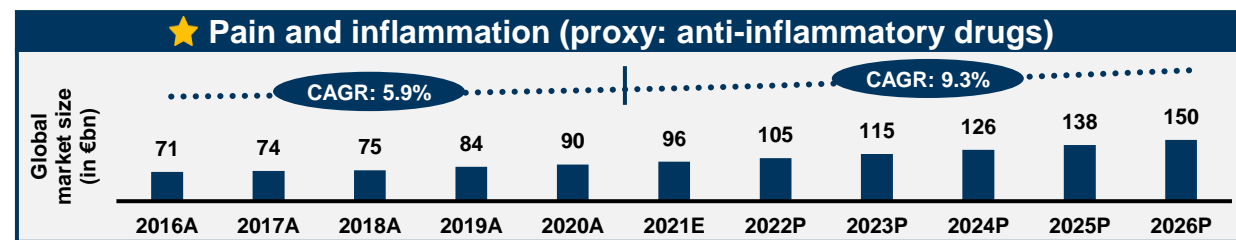
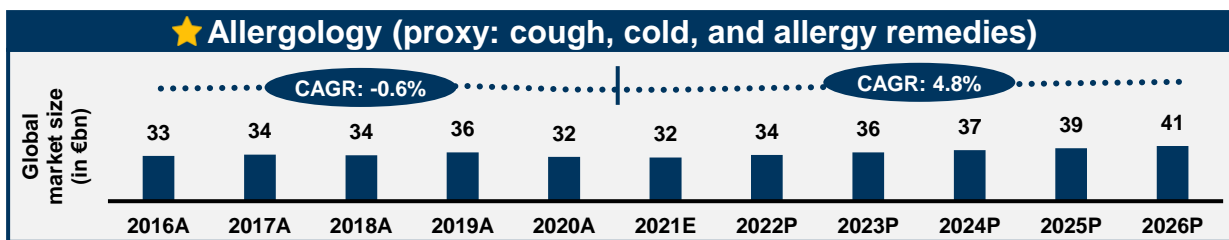
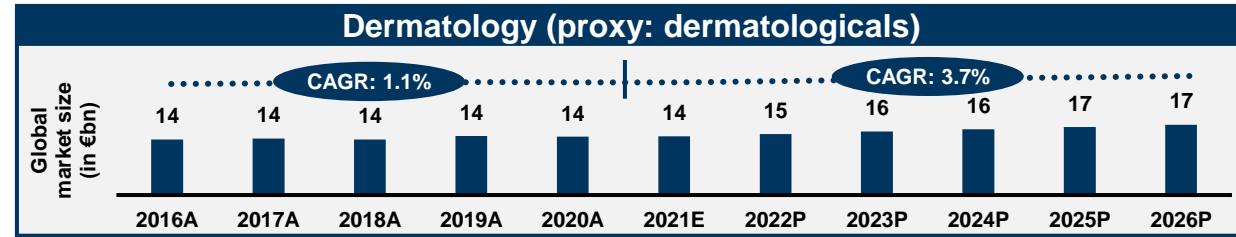
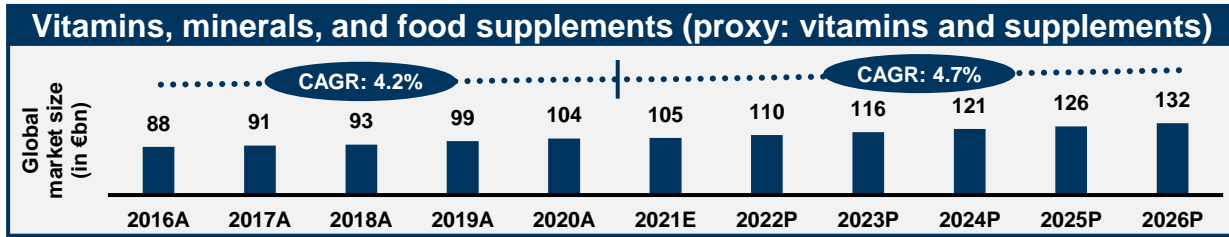
Besides taking advantage of targeted revenue growth opportunities, long-term cooperation with BioNTech and growth market approaches market momentum

| | Dermapharm ¹ | Private equity sponsor | | |
|-----------|------------------------------|---|--|--|
| Rationale | |  General market growth Dermapharm's underlying market is growing above German GDP and even higher internationally | | |
| | |  Segment market growth Company segments that grow above-average nurture overall increasing company growth when being focused | | |
| | |  Value creation Increasing valuations when exiting through higher EBITDA driven by higher revenues at steady margins | | |
| Goal | Pre-acquisition ¹ | Within 100-day-plan | 3 years post-acquisition | 5 years post-acquisition |
| | | Lever A Mid-term planning of growth arising from cooperating with BioNTech, i.a., to produce the vaccine Comirnaty |  Revenues from BioNTech cooperation grow with c. 10.7% CAGR until exit, i.e., in parallel to the projected market growth rate of the global vaccine market | |
| | | Lever B Development of growth prospects of each core therapeutic segments to allocate key growth drivers |  2pp. on-top CAGR on growth rate of projected allergy market  2pp. on-top CAGR on growth rate of projected pain market | |
| Execution | | <ul style="list-style-type: none"> Meetings between portfolio managers and management of Dermapharm and BioNTech shall assess future cooperation options Breakdown of revenues by therapeutic areas; conducting market analyses resulting in market volumes over the investment horizon | <ul style="list-style-type: none"> Roll-out plan for targeted products in the growth areas allergology and pain and inflammation Gaining further share in each therapeutic areas (8 total), focus on growth segments, network effects, best practices acquired through M&A | <ul style="list-style-type: none"> Steady long-term cooperation and steady communication with BioNTech to achieve long-term project manufacturing position Investing R&D mostly into branded pharma (core segment); use herbal extracts as a sidetrack |

Sources: Company filings | Notes: (1) Dermapharm did explicitly not focus on growth markets but on niche markets of limited size

B | 4 | Investment thesis | Value creation: Strong market growth (2/2)

Within the existing markets, the ones for vitamins, allergology and pain and inflammation grow the most within the branded pharmaceuticals business unit



★ Top core therapeutical growth segments ■ Old therapeutic areas ■ New therapeutic areas














Sources: Euromonitor, Fortune Business Insights, ECB, businesswire, emergen research, AP NEWS

B | 4 | Investment thesis | Value creation: Reallocation of assets (1/3)

Capital gained from the most promising sales option is reallocated from Axicorp into PharmaSGP in order to fully focus on Dermapharm's core business

Dermapharm Holding SE



| | Dermapharm | Private equity sponsor | | |
|---|---|--|---|---|
| Rationale | Two-fold restructuring efforts | | | |
| |  Restructuring by improving operations |  Restructuring by getting rid of certain assets |  Efficiency improvements Reallocating assets efficiently in order to increase returns in proportion to assets employed | |
| | | |  Sales price maximization Sale of parallel import business to competitors at best possible price thanks to market-leading position | |
| | |  Value creation Utilizing cash inflows from the sale will be directly converted into value by sweeping the debt burden | | |
| Goal | Pre-acquisition | | Within 100-day-plan | 3 years post-acquisition |
| |  Elimination of dual assets from acquisitions | |  Maximization of Axicorp's sales value with asset sell-off (better than share deal) | €61.7m in sales proceeds that can be utilized to invest into the add-on acquisition of PharmaSGP in 2022 |
| |  Divestment of non-core (not branded pharma) | |  Minimization of consulting and legal fees throughout Axicorp's sales process | |
|  Efficiency in capital allocation is sought | | | | |
| Execution | Pre-acquisition | | Within 100-day-plan | 3 years post-acquisition |
| |  Elimination of Ludbreg commercial building ¹ | | <ul style="list-style-type: none"> Short term valorization and preparation of assets at hand | <ul style="list-style-type: none"> Receive, and evaluate initial and binding after DDs and sign SPA with the most attractive buyer in terms of transaction safety and offered price Investment into add-on acquisition of PharmaSGP with the proceeds All transaction steps are to be done within the first year of the transaction |
| |  Divestment of HMO AG (digital healthcare) | | <ul style="list-style-type: none"> Preparing teaser, information memorandum, valuation, and data room documents | |
|  Efficiency in M&A with asset add-ons ² | | <ul style="list-style-type: none"> Staffing of insourced M&A deal on the sales process to save on fees | | |






Sources: Company filings | Noted: (1) Building (dual asset) of Farmal d. d., a Croatian subsidiary, which merged with mibe Pharmaceuticals d o. o. (2) Asset acquisition of CFP Packaging

B | 4 | Investment thesis | Value creation: Reallocation of assets (2/3)




By selling the parallel imports business for a price of an estimated €61.7m, part of the expansion capex can be financed for direct value creation
















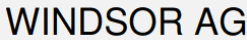







Valuation of parallel imports business

| | | |
|---|--|--|
|  Estimated revenue and EBITDA Expected revenue €250.6m at a 2.5% EBITDA margin in 2021 would value a share deal at c. €28m | | EBITDA €5,848k EV/EBITDA Mult. 4.74x¹ Implied EV c. €28m |
|  Asset sale at fair value of assets Axicorp's assets are expected to be sold at fair value as the remaining book value making an asset sale more attractive since the three largest positions generate more cash inflow at book value than a share deal | | |
|  Inventory €43.9m |  Tangible assets €6.7m |  Receivables €7.6m |

Financing of expansion capex

| | | | |
|--|------|---|--------------------------------------|
|  | 2022 | Total expansion capex needed: €230.0m | €61.7m utilised for financing |
|  | 2023 | Total expansion capex needed: €85.3m | €0.0m utilised for financing |
|  | 2025 | Total expansion capex needed: €152.5m | €0.0m utilised for financing |

Exemplary buyer's universe: a clearly strategic M&A case

| | | |
|---|---|--|
| Competitors |     | |
| |    | |
| Consolidators |     | |
| |  | <ul style="list-style-type: none"> Canadian producer of medical cannabis Acquired CC Pharma in 2019 to internationalize |
| |  | <ul style="list-style-type: none"> US-based pharma wholesaler with European focus Signed Lol to acquire CC Pharma in 2017 to expand |
| Pharma wholesalers |  | <ul style="list-style-type: none"> Germany-based pharma holding company Acquired HAEMATO PHARM AG in 2013 for expansion |
| |    | |
|     | | |

Sources: BvD Zephyr, desktop research | Notes: (1) Expected multiple based on precedent transaction, refer to transaction multiples

B | 4 | Investment thesis | Value creation: Reallocation of assets (3/3)

To forecast Dermapharm's on a standalone basis, the parallel import business was carved out of historic statements to derive standalone value drivers

| Balance Sheet (€k) | 2017A | 2018A | 2019A | 2020E | 2021E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Intangible Assets | 3,593 | 3,134 | 2,648 | 2,648 | 2,648 |
| Tangible Assets | 1,292 | 1,697 | 6,702 | 6,702 | 6,702 |
| Inventories | 36,642 | 44,722 | 43,934 | 43,934 | 43,934 |
| Receivables | 8,251 | 10,893 | 7,593 | 7,593 | 7,593 |
| Other operating assets | 1,002 | 848 | 808 | 808 | 808 |
| Cash & cash equivalence | 895 | 330 | 1,188 | 1,188 | 1,188 |
| Liabilities | 22,358 | 32,289 | 31,663 | 31,663 | 31,663 |
| Provisions | 10,170 | 9,384 | 10,044 | 10,044 | 10,044 |
| Trade payables | 7,936 | 6,205 | 4,993 | 4,993 | 4,993 |
| Interest bearing debt | 1,571 | 6,072 | 5,994 | 5,994 | 5,994 |
| Liabilities to affiliated companies | 2 | 7,951 | 7,981 | 7,981 | 7,981 |
| Other liabilities | 2,679 | 2,677 | 2,651 | 2,651 | 2,651 |
| Equity | 29,317 | 29,335 | 31,210 | 31,210 | 31,210 |

| Income Statement (€k) | 2016A | 2017A | 2018A | 2019A | 2020E | 2021E |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 235,946 | 242,988 | 237,766 | 243,462 | 250,606 | 233,901 |
| Change in finished goods | 1,648 | 214 | (2,156) | 4,370 | 4,511 | 4,210 |
| Other operating income | 1,641 | 1,191 | 1,306 | 1,229 | 1,253 | 1,170 |
| Cost of material | (211,103) | (215,541) | (206,559) | (221,857) | (224,292) | (212,383) |
| Personnel expenses | (12,426) | (13,044) | (12,628) | (12,896) | (13,032) | (12,163) |
| other costs | (9,794) | (8,802) | (8,804) | (9,316) | (9,523) | (8,888) |
| EBITDA | 5,912 | 7,006 | 8,925 | 4,992 | 9,523 | 5,848 |
| EBITDA margin (%) | 2.5% | 2.9% | 3.8% | 2.1% | 3.8% | 2.5% |
| D&A Tangibles | (947) | (1,028) | (823) | (851) | (752) | (702) |
| D&A NWC | (345) | (300) | - | (1,996) | (2,005) | (1,871) |
| EBIT | 4,620 | 5,678 | 8,102 | 2,145 | 6,766 | 3,275 |
| Financial Result | (428) | (343) | (226) | (256) | (251) | (234) |
| Taxes | (1,346) | (1,951) | (45) | (280) | (251) | (234) |
| Profit Transfer Agreement | | | (7,949) | (595) | | |
| Net Income | 2,846 | 3,384 | (118) | 1,014 | 6,264 | 2,807 |

Historic statements

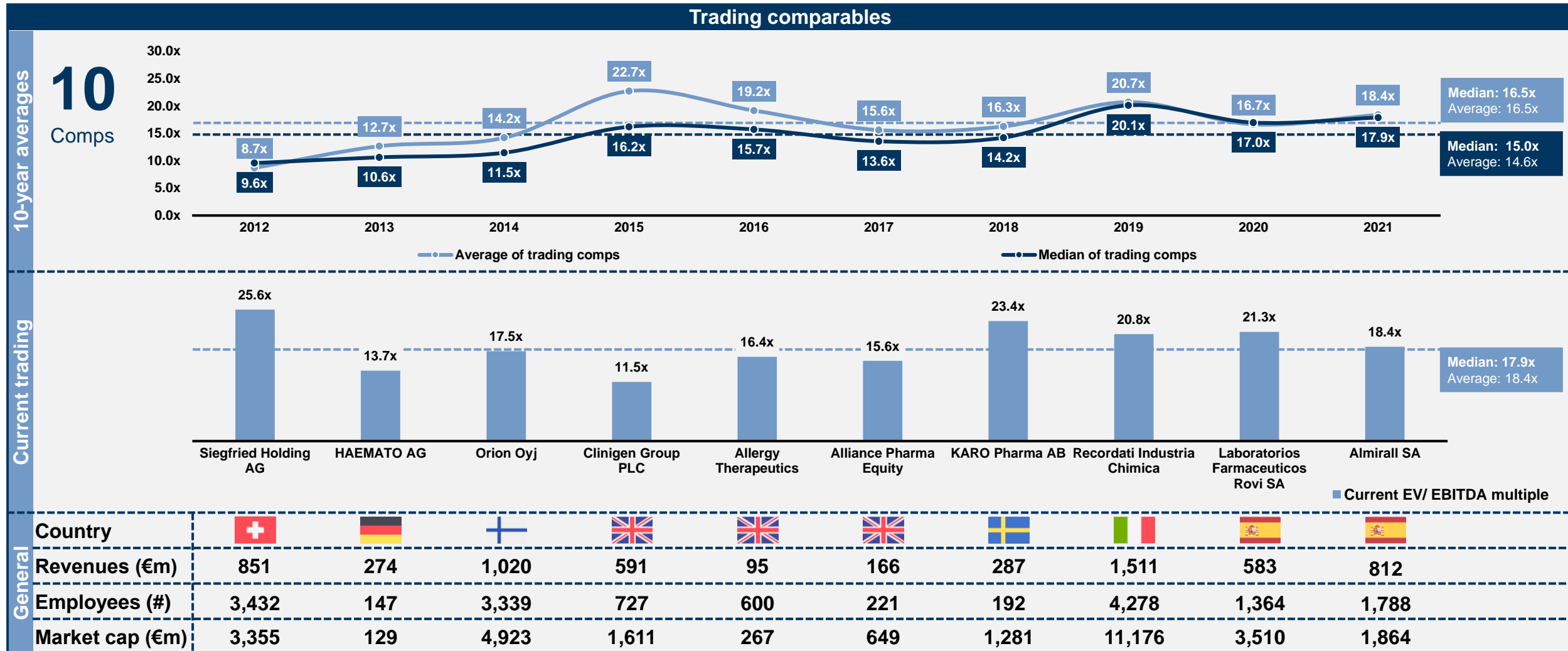
- In order to derive correct value drivers for the forecast, the balance sheet of **Axicorp has been carved out** of Dermapharm's balance sheet; **years 2016 to 2021** have been subtracted from respective positions in the overall forecasted balance sheet
- This allows for an accurate forecast of Dermapharm as a standalone without Axicorp and determine the "true margin" of the company with the remaining two segments
- Since the balance sheets are **only available until 2019** the balance sheets for 2020 and 2021 were anticipated to be equal constant as the best estimate
- Since only the **revenue and EBITDA margin** were available for **2020 and 2021**, the income statements of these years have been derived according to the **percentage of sales ratios from 2019** and have been adjusted to meet the reported EBITDA margin and revenue
- The volatility in the EBITDA margin in 2020 and 2021 was adjusted for in the **cost of material** since with a position of c. **90% of cost of sales** they are the major cost driver and due to the arbitrary business model the most likely to influence profitability

Post-acquisition

- Since Dermapharm is acquired in its current constitution on the **31/12/2021**, the 2021 pro-forma balance sheet **includes Axicorp**
- To consider the **divestment of during 2022**, Axicorp has been carved-out of the balance sheet in 2022 such that the **cash inflow of the asset deal** is recorded in the **cash flow statement** in year 2022
- As of Axicorp being divested via an asset deal, all net debt items including the refinanced debt during the LBO as well as the cash remain in the Dermapharm balance sheet

B | 5 | Valuation | Trading comparables: Branded pharma

10 comparable trading companies of the branded pharma segment show a slightly increasing 10-years average trend with current median EV/EBITDA multiple of 17.9x



Sources: Bloomberg, Zephyr, Torreya | Notes: (1) Comparable branded pharma generic companies from Torreya Pharma 1000 report (2) Zephyr (3) Country of target

B | 5 | Valuation | Transaction comparables: Branded pharma

10 comparable transactions for the branded pharmaceuticals segment show a historic median enterprise valuation of 16.0x EBITDA

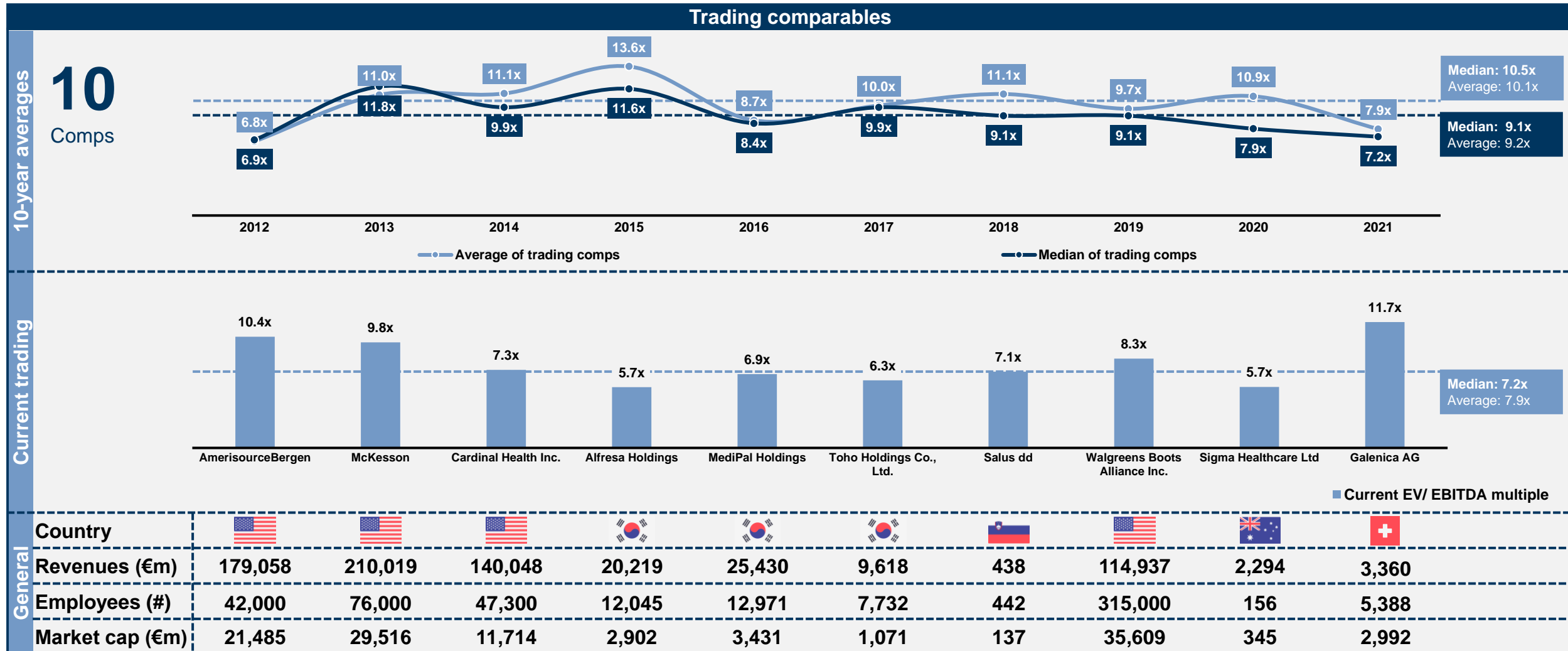


| Target | Country | Acquirer | Industry | Year | Revenues ¹ | EBITDA ¹ | Deal value ¹ | EV/EBITDA | Stake acquired |
|--------|---------|----------|----------------------------|------|-----------------------|---------------------|-------------------------|-----------|----------------|
| | | | Specialty (critical care) | 2021 | 461.0 | 167 | 1,635 | 8.3x | 100% |
| | | | Specialty (allergology) | 2019 | 277.1 | 39 | 118 | 18.7x | 16.1% |
| | | | Specialty (pain) | 2019 | N/A | N/A | 1,407 | 23.0x | 100% |
| | | | Specialty (cardiovascular) | 2018 | 1,448.9 | 563 | 2,825 | 13.4x | 48.2% |
| | | | Specialty (immunology) | 2018 | 484.2 | 28 | 1,300 | 11.5x | 100% |
| | | | Generics | 2018 | N/A | N/A | 135 | 13.5x | 100% |
| | | | Generics | 2017 | 3,010.3 | 623 | 5,318 | 15.2x | 100% |
| | | | Specialty (ophthamology) | 2017 | 52.3 | 11 | 120 | 18.3x | 80% |
| | | | Specialty (various) | 2017 | 37.6 | N/A | 70 | 17.3x | 100% |
| | | | Generics | 2016 | 20.8 | 13 | 89.2 | 20.9x | 100% |

Sources: BvD Zephyr, desktop research | Notes: (1) In €m pre-deal values, which might differ from EV/EBITDA due to adjustments etc.

B | 5 | Valuation | Trading comparables: Parallel imports

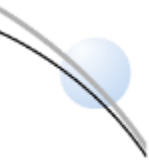
10 comparable pharma wholesalers as a proxy for parallel imports show a slightly decreasing 10-years average trend with current median EV/EBITDA multiple of 7.2x








Sources: Bloomberg, Zephyr, Torreya | (1) Comparable branded pharma generic companies from Torreya Pharma 1000 report (2) Zephyr (3) Country of target

B | 5 | Valuation | Transaction comparables: Parallel imports

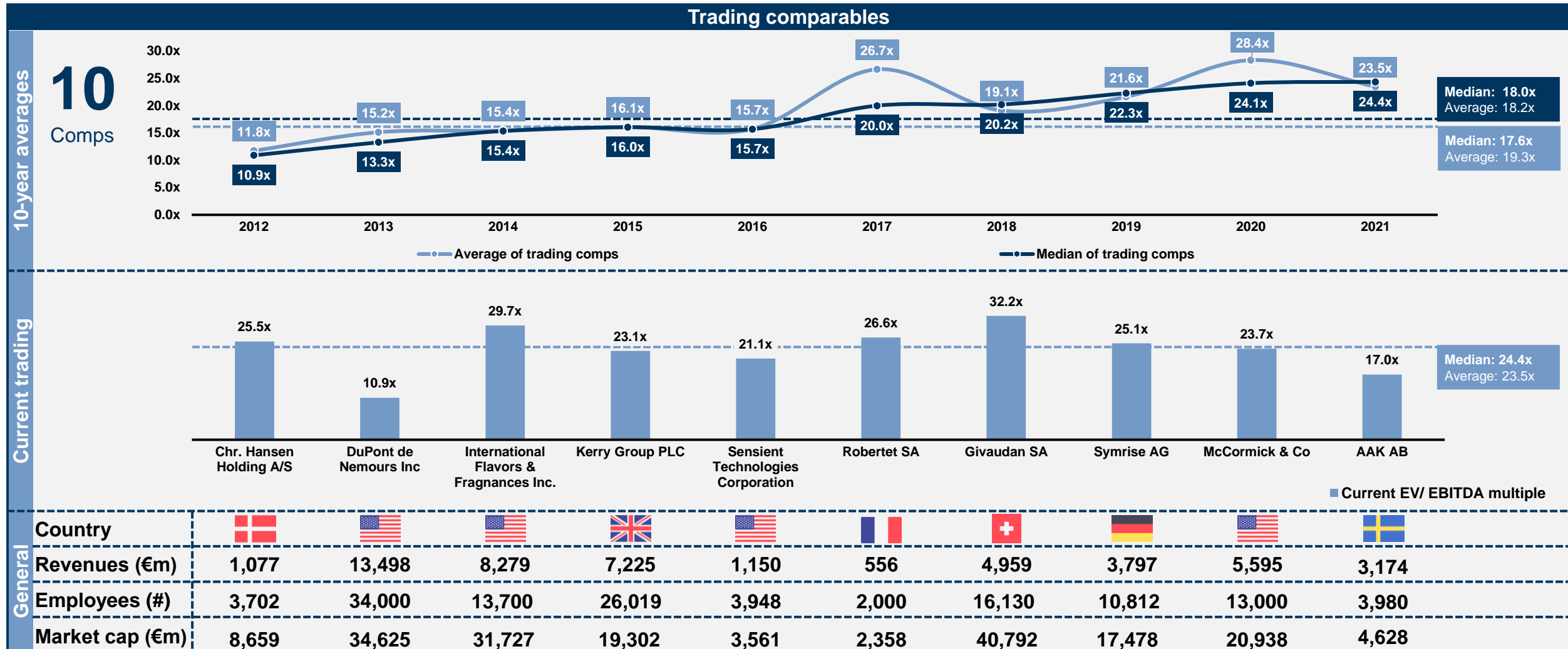
Two well-fitting comparable transactions of German parallel importers (only c. 10 parallel importers relevant in Germany) show a median EV/EBITDA multiple of 4.7x



| Target | Country | Acquirer | Industry | Year | Revenues ¹ | EBITDA ¹ | Deal value ¹ | EV/EBITDA | Stake acquired |
|---|---|---|-----------------|------|-----------------------|---------------------|-------------------------|-----------|----------------|
|  cc pharma |  |  aphria™ | Parallel import | 2019 | 243.9 | 8.9 | 42.4 | 4.75x | 100% |
|  HAEMATO |  | WINDSOR AG | Parallel import | 2013 | 197.5 | 10.2 | 48.2 | 4.73x | 100% |

B | 5 | Valuation | Trading comparables: Herbal extracts































10 comparable trading companies of the herbal extracts segment show a strongly increasing 10-years average trend with current median EV/ EBITDA multiple at 24.4x



Sources: Bloomberg, Zephyr, Torreya | Notes: (1) Comparable branded pharma generic companies from Torreya Pharma 1000 report (2) Zephyr (3) Country of target

B | 5 | Valuation | Transaction comparables: Herbal extracts

10 comparable transactions for the herbal extracts segment show a historic median valuation of 16.4x EV/EBITDA, slightly higher than branded pharmaceuticals

| Target | Country | Acquirer | Industry | Year | Revenues ¹ | EBITDA ¹ | Deal value ¹ | EV/EBITDA | Stake acquired |
|---|---|---|-----------------------|------|-----------------------|---------------------|-------------------------|--------------|----------------|
|  |  |  | Nutra ingredients | 2018 | 70 | N/A | 54.5 | 16.0x | 100% |
|  |  |  | Herbal extracts | 2018 | 1,208 | 227 | 6,181.5 | 23.9x | 100% |
|  |  |  | Flavours and essences | 2017 | 12 | N/A | 20.0 | 14.1x | 100% |
|  |  |  | Nutra ingredients | 2017 | 22 | 4 | 19.5 | 10.4x | 75% |
|  |  |  | Flavours and essences | 2016 | 52 | 5.8 | 120.0 | 19.0x | 100% |
|  |  |  | Nutra ingredients | 2016 | N/A | N/A | 39.9 | 16.9x | 100% |
|  |  |  | Nutra ingredients | 2016 | 21 | N/A | 18.0 | 11.5x | 100% |
|  |  |  | Herbal extracts | 2015 | 405 | 48 | 768.9 | 27.0x | 60% |
|  |  |  | Herbal extracts | 2015 | 24 | N/A | 13.0 | 8.9x | 79% |
|  |  |  | Flavours and essences | 2015 | 0.2 | N/A | 2.8 | 16.1x | 100% |

Sources: BvD Zephyr, desktop research | Notes: (1) In €m; pre-deal values, which might differ from EV/EBITDA due to adjustments etc.

B | 5 | Valuation | Discounted cash flow: Gordon growth model

The Gordon Growth DCF valuation based on a high-level forecast suggests an enterprise value of €5,560m with an implied EV/EBITDA multiple of 18.2x

| WACC calculation | | | |
|----------------------------------|--------------|------------------------|--------------|
| β Unlevered (comps) | | Ru and WACC | |
| β debt | 0.023 | Expected market return | 13.45% |
| β unlevered | 0.587 | Risk-free rate | -0.19% |
| β Re-levered (Dermapharm) | | Exp. MRP | 13.64% |
| Net D/E | 16.29% | Ru | 7.82% |
| β re-levered | 0.679 | Cost of debt | 0.12% |
| Statutory tax rate | 31.41% | Cost of equity | 9.07% |
| WACC | | | 7.81% |

| Assumptions | |
|----------------------|--|
| β unlevered/β debt: | EBITDA weighted average of 10 same trading comps per segment |
| β debt: | from comps credit rating |
| Exp. market returns: | Weekly SDAX returns of last 5 years |
| Risk-free rate: | 10Y German Government Bond as of Nov 21 |

| Forecast assumptions | |
|----------------------|---|
| Revenue growth: | After revenue jump in 2021 due to BioNTech partnership, Dermapharm will further grow along the partnership and additionally, generate growth organically mainly in the branded pharma segment; however, growth will lower from 2024 tending to the level of Dermapharm's past organic growth |
| EBITDA margins: | Strong increase in 2021 due to BioNTech partnership; margin will tend to old levels subsequently due to possible price pressures and uncertainty regarding demand and profitability of vaccine production |
| CAPEX: | Dermapharm continues to utilise their assets efficiently such that CAPEX are not overweighing D&A |
| D&A: | To keep up with growing sales, the company needs to inject capital into NWC amounting to c. 5% of sales in the first two years and decreasing thereafter |

| Free cash flow to firm forecast and EV | | | | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----|
| Core Cash Flows (€m) | 2019A | 2020A | 2021E | 2022P | 2023P | 2024P | 2025P | 2026P | 2027P | 2028P | 2029P | 2030P | TV |
| Revenue | 728 | 829 | 943 | 1,038 | 1,141 | 1,198 | 1,258 | 1,321 | 1,354 | 1,388 | 1,423 | 1,458 | |
| YoY Growth | | 14% | 14% | 10% | 10% | 5% | 5% | 5% | 2% | 2% | 2% | 3% | |
| Adj. EBITDA | 175 | 195 | 305 | 325 | 346 | 357 | 369 | 381 | 388 | 395 | 402 | 409 | |
| EBITDA margin % | 24% | 24% | 32% | 31% | 30% | 30% | 29% | 29% | 29% | 28% | 28% | 28% | |
| EBITDA growth % | | 12% | 56% | 7% | 6% | 3% | 3% | 3% | 2% | 2% | 2% | 2% | |
| EBIT | 126 | 150 | 257 | 273 | 289 | 298 | 306 | 315 | 320 | 325 | 330 | 350 | |
| Taxes | 36 | 45 | 76 | 81 | 85 | 88 | 90 | 93 | 94 | 96 | 98 | 103 | |
| NOPLAT | 90 | 105 | 333 | 354 | 374 | 385 | 396 | 408 | 414 | 421 | 428 | 454 | |
| D&A | 46 | 44 | 48 | 52 | 57 | 60 | 63 | 66 | 68 | 69 | 71 | 58 | |
| Gross cash flow | 136 | 149 | 381 | 406 | 431 | 445 | 459 | 474 | 482 | 491 | 499 | 512 | |
| CAPEX | (35) | (39) | (53) | (52) | (57) | (60) | (63) | (66) | (54) | (56) | (57) | (58) | |
| Change in NWC | (78) | (27) | (39) | (52) | (57) | (48) | (50) | (53) | (41) | (42) | (43) | (44) | |
| Free cash flow to firm | | | 289 | 302 | 317 | 337 | 346 | 355 | 387 | 393 | 410 | 421 | 426 |
| @WACC | | | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | |
| EV in year t | | | 5,560 | 5,584 | 5,703 | 5,811 | 5,919 | 6,027 | 6,110 | 6,194 | 6,268 | 6,336 | |



| Sensitivity analysis | | Perpetual growth rate | | | | |
|----------------------|--------|-----------------------|-------|-------|-------|-------|
| | | 0.30% | 0.70% | 1.10% | 1.50% | 1.90% |
| WACC | 6.00% | 22.7x | 23.8x | 25.1x | 26.7x | 28.6x |
| | 7.00% | 19.2x | 19.9x | 20.8x | 21.8x | 22.9x |
| | 7.81% | 17.0x | 17.6x | 18.2x | 18.9x | 19.8x |
| | 9.00% | 14.6x | 15.0x | 15.4x | 15.9x | 16.4x |
| | 10.00% | 13.1x | 13.3x | 13.7x | 14.0x | 14.4x |

| Assumptions | |
|-----------------------|---|
| Perpetual growth rate | refers to the 10-year average GDP growth in Germany |

B | 5 | Valuation | Discounted cash flow: Exit multiple method

The exit multiple DCF valuation based on a high-level forecast suggests an enterprise value of €5,626m with an implied EV/EBITDA multiple of 18.4x

Free cash flow to firm forecast and EV

| Core Cash Flows (€m) | 2019A | 2020A | 2021E | 2022P | 2023P | 2024P | 2025P | 2026P | 2027P | 2028P | 2029P | 2030P |
|--------------------------|-------|-------|---------|---------|---------|---------|---------|---------|---------|---------|-------|-----------|
| Revenue | 728 | 829 | 943 | 1,038 | 1,141 | 1,198 | 1,258 | 1,321 | 1,354 | 1,388 | 1,423 | 1,458 |
| YoY Growth | | 14% | 14% | 10% | 10% | 5% | 5% | 5% | 2% | 2% | 2% | 3% |
| Adj. EBITDA | 175 | 195 | 305 | 325 | 346 | 357 | 369 | 381 | 388 | 395 | 402 | 409 |
| EBITDA margin % | 24% | 24% | 32% | 31% | 30% | 30% | 29% | 29% | 29% | 28% | 28% | 28% |
| EBITDA growth % | | 12% | 56% | 7% | 6% | 3% | 3% | 3% | 2% | 2% | 2% | 2% |
| EBIT | 126 | 150 | 257 | 273 | 289 | 298 | 306 | 315 | 320 | 325 | 330 | 350 |
| Taxes | 36 | 45 | 76 | 81 | 85 | 88 | 90 | 93 | 94 | 96 | 98 | 103 |
| NOPLAT | 90 | 105 | 333 | 354 | 374 | 385 | 396 | 408 | 414 | 421 | 428 | 454 |
| D&A | 46 | 44 | 48 | 52 | 57 | 60 | 63 | 66 | 68 | 69 | 71 | 58 |
| Gross cash flow | 136 | 149 | 381 | 406 | 431 | 445 | 459 | 474 | 482 | 491 | 499 | 512 |
| CAPEX | (35) | (39) | (53) | (52) | (57) | (60) | (63) | (66) | (54) | (56) | (57) | (58) |
| Change in NWC | (78) | (27) | (39) | (52) | (57) | (48) | (50) | (53) | (41) | (42) | (43) | (44) |
| Free cash flow to firm | | | 289 | 302 | 317 | 337 | 346 | 355 | 387 | 393 | 410 | 421 |
| TV exit multiple | | | | | | | | | | | | 3,599,735 |
| PV of cash flows in 2021 | | | 280,050 | 273,016 | 269,266 | 256,212 | 243,656 | 246,666 | 232,389 | 224,709 | | |

Forecast assumptions

- Revenue growth:** After revenue jump in 2021 due to **BioNTech partnership**, Dermapharm will further grow along the partnership and additionally, generate growth organically mainly in the **branded pharma** segment; however, growth will lower **from 2024** tending to the level of Dermapharm's **past organic growth**
- EBITDA margins:** Strong increase in 2021 due to BioNTech partnership; Margin will **tend to old levels subsequently** due to possible price pressures and **uncertainty** regarding **demand** and **profitability of vaccine production**
- CAPEX:** Dermapharm continues to utilise their assets efficiently such that CAPEX are not overweighing D&A
- D&A:** To keep up with growing sales, Dermapharm needs to inject capital into NWC amounting to c. 5% of sales in the first two years and decreasing thereafter

EV/
EBITDA

18.4x

EV
as of Dec '21
in €m

5,626

EV calculation

| Exit multiple terminal value | 2021 |
|--------------------------------|--------------|
| Exit multiple from LBO | 17.3x |
| Exit multiple * TV EBITDA 2030 | 7,084 |
| WACC | 7.81% |
| Discounted to 2021 | 3,600 |
| Sum of discounted cash flows | 2,026 |
| EV/ EBITDA | 18.4x |

Assumptions

- Cash flows** from **2022 to 2029** have been discounted
- EBITDA** of **2030** has been used for the **terminal value**
- WACC** is consistent with the **Gordon Growth model**

Sensitivity analysis

| | | EXIT multiple | | | | |
|------|--------|---------------|-------|-------|-------|-------|
| | | 15.3x | 16.3x | 17.3x | 18.3x | 19.3x |
| WACC | 6.00% | 18.8x | 19.6x | 20.4x | 21.2x | 22.0x |
| | 7.00% | 17.8x | 18.6x | 19.3x | 20.0x | 20.7x |
| | 7.81% | 17.1x | 17.8x | 18.4x | 19.1x | 19.8x |
| | 9.00% | 16.1x | 16.7x | 17.3x | 18.0x | 18.6x |
| | 10.00% | 15.4x | 15.9x | 16.5x | 17.1x | 17.6x |

Assumptions

- When changing exit multiple while WACC constant, the EV/EBITDA multiple ranges from **17.1x to 19.8x**

B | 6 | Business plan | Value creation assumptions summary



















To ensure a correct application of the value creation strategies, respective assumptions were tracked and reconciled with Dermapharm's business plan

| Value creation strategy | IS/BS position affected | Unit | After 3 years | | | After 5 years | | |
|--|--------------------------|-----------------|---------------|---------|-----------|---------------|---------|-----------|
| | | | Bank case | IC case | Mgmt case | Bank case | IC case | Mgmt case |
| 1 Buy-and-Build | EBITDA | €k | 57,657 | 78,343 | 93,852 | 84,740 | 128,430 | 156,675 |
| Pharma SPG Holding | EBITDA | €k | 42,149 | 42,149 | 42,149 | 50,815 | 50,815 | 50,815 |
| Bedrocan International B.V. | EBITDA | €k | | 36,195 | 36,195 | | 60,032 | 60,032 |
| APONTIS Pharma AG | EBITDA | €k | 15,509 | | 15,509 | 17,425 | | 17,425 |
| Tilman SA | EBITDA | €k | | | | | | 10,819 |
| OmniVision GmbH | EBITDA | €k | | | | | 17,584 | 17,584 |
| APOGEPHA Arzneimittel | EBITDA | €k | | | | 16,500 | | |
| 2 Internationalization | Revenue | €k | 59,976 | 90,984 | 116,012 | 123,000 | 246,000 | 369,000 |
| Herpothorm | Revenue | €k | 10,048 | 15,513 | 19,666 | 16,000 | 33,000 | 49,000 |
| bite away | Revenue | €k | 36,175 | 54,625 | 69,758 | 80,000 | 159,000 | 239,000 |
| EPIIVO | Revenue | €k | 13,753 | 20,846 | 26,588 | 27,000 | 54,000 | 81,000 |
| 3 Exploit hidden assets | Excess of cash | €k | 61,685 | 61,685 | 61,685 | | | |
| 4 Strong market growth | Revenue | CAGR | | | | | | |
| Biontech revenue | Revenue | CAGR | 9.7% | 10.7% | 11.7% | 9.7% | 10.7% | 11.7% |
| Allergology | Revenue | CAGR | 5.8% | 6.8% | 7.8% | 5.8% | 6.8% | 7.8% |
| Pain & Inflammation | Revenue | CAGR | 10.3% | 11.3% | 12.3% | 10.3% | 11.3% | 12.3% |
| 5 Direct sales | Revenue | | | | | | | |
| Branded pharma - 10% customer add-on | Revenue | add-on pp. | 2.8% | 3.0% | 3.2% | 8.0% | 9.0% | 10.0% |
| Influencer marketing for vitamins, minerals, and Vitamins, minerals, enzymes | Other operating expenses | % of sales | | 4.8% | | | 4.8% | |
| | Revenue | CAGR add-on pp. | 1.0% | 2.0% | 3.0% | 1.0% | 2.0% | 3.0% |
| 6 Operational optimization | | | | | | | | |
| DIO improvement from current 531 days | Inventories | DIO | 377 | 362 | 347 | 267 | 247 | 227 |
| Labor cost improvement in year of acquisition | Personnel expenses | % of acq. sales | -2.0% | -3.5% | -5.0% | -2.0% | -3.5% | -5.0% |
| Cost of material savings upon acquisitions | Cost of material | % of acq. sales | -2.0% | -3.5% | -5.0% | -2.0% | -3.5% | -5.0% |

| Comments | |
|----------|--|
| 1 | Shows projected add-on EBITDAs of the respective targets in each case scenario |
| 2 | Represents revenues of the planned internationalization of the three hyperthermic devices |
| 3 | Reflects expected cash inflows of €62m from the sale of the parallel import unit |
| 4 | Strong market growth is based on respective markets CAGRs ; bank case assumes 1pp. , IC 2pp. and mgmt. case 3pp. add-on growth |
| 5 | Three pillars ; covering remaining 10% of domestic pharmacies , realizing add-on growth in vitamins, influencer marketing |
| 6 | Consists of a leaner inventory management and carving-out legacy COVID effects as well as the reduction of percentage of sales personnel expenses in the respective year of each buy-and-build acquisition |

B | 7 | Exit and returns | Deep-dive: Secondary buy-out (1/2)

A club deal between previously interested large cap private equity parties would enable to finance Dermapharm's exit valuation of an equity value beyond €10bn

| Name | Country | Description and rationale | Current fund | Equity ticket | Deal activity | Portfolio fit |
|---|---|--|--|---|----------------------------------|---|
|  |  | <ul style="list-style-type: none"> Focus: I.a., healthcare companies in Europe Owns various healthcare and healthtech companies in Asia High momentum in pharma acquisitions; four deals in 2021 | Carlyle P. VII €16.3bn AUM Raised in 2018 | N/A (EV size up to €5bn) | 16 investments in 2021 |  |
|  |  | <ul style="list-style-type: none"> Focus: I.a., pharmaceuticals companies in Germany Acquired Zentiva, a Czech generics pharma company, in 2018 Industry knowhow benefits acquisition of Dermapharm | GPE IX €15.6bn AUM Raised in 2019 | €100m - €2bn (EV size up to €5bn) | 12 investments in 2021 |  |
|  |  | <ul style="list-style-type: none"> Focus: I.a., healthcare companies in the DACH region Owns 63% in German generics firm Stada jointly with Bain Capital Plenty experience with owning major German generics player | Cinven F. VII €10.0bn AUM Raised in 2019 | > €100m (Ø EV size: €2.6bn) | 6 investments in 2021 |  |
|  |  | <ul style="list-style-type: none"> Focus: I.a., healthcare companies in Germany Acquired the dermatology competitor LEO Pharma in 2021 High exposure; 50% of 2021 buy-outs transacted in healthcare | N.C. Fund X €6.1bn AUM Raised in 2020 | N/A (Ø EV size: €480m) | 8 investments in 2021 |  |
|  |  | <ul style="list-style-type: none"> Focus: I.a., healthcare companies in Germany Owns French specialty pharma firm Ethypharm (pain drugs) Pharma producer would complement healthcare service portfolio | PAI Europe VII €5.1bn AUM Raised in 2018 | N/A (Ø EV size: €901m) | 9 investments in 2021 |  |
|  |  | <ul style="list-style-type: none"> Focus: I.a., healthcare companies in Germany Acquired Pharmathen, a Dutch generics producer, in 2015 High fit to Pharmathen enables reinvesting into the industry | BC E.C. XI €3.1bn AUM Raised in 2021 | N/A (Ø EV size: €1.3bn) | 3 investments in 2021 |  |

B | 7 | Exit and returns | Deep-dive: Secondary buy-out (2/2)

An exemplary case study of Dermapharm's canceled sales process in 2016 proves that the company offers high potential for a secondary Private Equity buy-out

Longlisted buyers in 2016 sales process

Shortlisted buyers in 2016 sales process

| BC PARTNERS | BC Partners Ltd. (link) London, United Kingdom €35bn committed capital | NORDIC CAPITAL | Nordic Capital (link) Stockholm, Sweden €7bn committed capital |
|---|---|----------------|--|
| <ul style="list-style-type: none"> ▪ Geographical focus: Europe and North America ▪ Sector focus: Healthcare, telecommunication, media, and technology, business and financial services, industrials ▪ Similar current holding: Pharmathen ▪ Offer price for Dermapharm: €1.1bn | <ul style="list-style-type: none"> ▪ Geographical focus: Europe, North America, and China ▪ Sector focus: Healthcare, tech and payments, financial services, industrial and business services ▪ Similar current holding: LEO Pharma ▪ Offer price for Dermapharm: N/A | | |

Timeline of 2016 sales process

- **June 2014: Owner Wilhelm Beier examines sales opportunities**
 - According to Handelsblatt, the company's major shareholder, **Wilhelm Beier**, examined the **option to sell his stake** at various Private Equity companies
 - Various Private Equity managers and investment bankers were unsure of his motives, leading to speculation that he was **"testing" the market value**
- **Beginning of 2015: Share buyback by Wilhelm Beier**
 - Wilhelm Beier **bought back 10%** of the company's shares from **Bettina Strohscheer-Mies**, the founder of Dermapharm
- **Beginning of 2016: sales process with Private Equity companies**
 - Due to the **lack of succession**, Wilhelm Beier entered a sales process of Dermapharm with **major Private Equity companies** in the beginning of **2016**
 - **Ferber & Co.**, which also advised Dermapharm with the acquisition of Hübner, supported the company in the sales process
 - PEs participating in the process were **PAI Partners, Nordic Capital, The Carlyle Group, Cinven, BC Partners, and Advent International**
 - Besides the Private Equity firms, a minimum of **one competitor of the industry** also participated in the bidding process
 - At an EBITDA level of c. €100m in 2016 and **Beier's expectation** of a **12x multiple** for the company, **Beier expected a valuation of c. €1.2bn**
- **April 2016: Wilhelm Beier cancels the sales process**
 - In the second round of the sales process with **BC Partners and Nordic Capital** as **favorite buyers**, Wilhelm Beier canceled the sales process
 - After all, he was **not satisfied** with the **offered bids** according to insiders

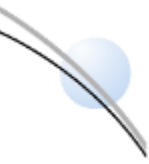
B | 8 | Due diligence | Extensive due diligence (1/2)



Various in-depth questions are required to be answered throughout the full-blown due diligence, which is already priced in in the uses and sources

| | Topic | Potential red flags | Mitigation strategies | Relevance |
|------------|-------------------------|---|--|-----------|
| Commercial | COVID-19 vaccines | Unsustainable COVID vaccine market over investment period | Deepening BioNTech-partnership beyond vaccine production | ●●●●● |
| | Top products | Cluster risk, shrinking market size and market share | Diversifying in the product mix and global distribution | ●●●●● |
| | M&A reliability | High reliability on further add-ons to sustain past growth levels | Capital reallocation in R&D as second market entry strategy | ●●●●● |
| | Brand awareness | Unsuccessful addressing of products' target groups | Target group identification and dedicated marketing | ●●●●● |
| Financial | Entry valuation | Unsustainable high valuation over investment horizon | Co-investment by family Beier assures fair entry valuation | ●●●●● |
| | Margins | Lack in flexibility of add-ons' cost structures for improvements | Optimize operations by scaling (economies of scale) | ●●●●● |
| | Inventories | No plannability of production and demand on product level | Optimize operational planning and increase order book forecast | ●●●●● |
| | Cash flow | Inability to lever to the planned extent based on the cash flows | Increasing cash flows by performing less add-on acquisitions | ●●●●● |
| Legal | Non-EU regulation | Potential hurdling of internationalization due to global regulation | Including legal capability in the global sales management team | ●●●●● |
| | Direct sales regulation | Expiring permission of direct selling in Germany | Retaining current customers in Axicorp-like partner programs | ●●●●● |
| | Patents | Competitive threats within the current patent portfolio | Increasing brand values by systematic target group marketing | ●●●●● |
| | Cannabis regulation | Cannabis' inability to be rolled out as a lifestyle product | Development of plan A for medical and B for lifestyle purposes | ●●●●● |
| Tax | Tax structure | Inefficient tax structure within the corporate group | Tax due diligence shall assess tax optimization potential | ●●●●● |
| | Tax shield utilization | Inability of utilization due to "Zinsschranke" (German §4h EStG) | Reallocating between common stock and subordinated loan | ●●●●● |

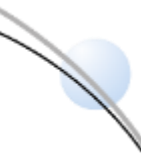
B | 8 | Due diligence | Extensive due diligence (2/2)



Various in-depth questions are required to be answered throughout the full-blown due diligence, which is priced in the uses and sources

| | Topic | Potential red flags | Mitigation strategies | Relevance |
|-----------|---------------------------------|---|---|-----------|
| HR | Direct sales recruitment | Inability of HR to hire planned extent of experienced sales force | Increasing remuneration and work-life-balance benefits | ●●●●● |
| | Pension liabilities | Covered pension liabilities that mature during investment period | Uncover liabilities in contracts and adjust net debt for them | ●●●●● |
| | Benefit system | Improper alignment of incentives within the group | Increasing variable benefits can provide value creation | ●●●●● |
| IT | IT infrastructure | IT infrastructure differ between subsidiaries; efficiencies | Unify and standardize IT infrastructure between sub firms | ●●●●● |
| | Scalability | The current IT is not able to scale the planned growth | Hire additional IT workforce to support growth | ●●●●● |
| | Complexity | Complexity and decentralized knowledge leads to dependency | Review throughout the company for potential interface issues | ●●●●● |
| Technical | Facilities | The renewed facilities do not have the anticipated capacities | Setting up a monitoring system for optimal capacity utilization | ●●●●● |
| | Logistics | Logistics do not utilize full potential of recent acquisitions | Review logistic network based on all subsidiaries available | ●●●●● |
| | R&D process | The R&D process is inefficient due to iterations or stoppages | Optimization and automation to smoothen processes | ●●●●● |
| | Production | Production inefficiencies lead to additional cost | Consult an external expert for production processes | ●●●●● |
| ESG | Pollution | Waste production grows faster than drug production | Invest in better filters and potentially install recycling capabilities | ●●●●● |
| | Energy use | Energy use is not sustainable/grows too fast | Review energy mix and install further solar capabilities | ●●●●● |
| | Worker satisfaction | Fluctuation is high and new competent workers can't be found | Offer more benefits and flexibility, such as home office | ●●●●● |
| | Ethics | Dermapharm has pricing power in a unique and vital drug | Identify products and review pricing, consider public dialogue | ●●●●● |

Sources



C | List of abbreviations and color code (1/2)

| Abbreviation | Meaning |
|--------------|---|
| AMNOG | Pharmaceuticals market reorganization act (German: Arzneimittelmarktneuordnungsgesetz) |
| API | Active pharmaceutical ingredient |
| AUM | Assets under management |
| BfArM | Federal institute for drugs and medical devices (German: Bundesinstitut für Arzneimittel und Medizinprodukte) |
| BPI | Federal association of the pharmaceutical industry (German: Bundesverband der Pharmazeutischen Industrie e.V.) |
| BS | Balance sheet |
| CBD | Cannabidiol |
| CBDO | Chief Business Development Officer |
| CDD | Commercial due diligence |
| CDMO | Contract development and manufacturing organization |
| CF | Cash flow (statement) |
| D2C | Direct to customer business model |
| DACH | Germany, Austria, and Switzerland |

| Abbreviation | Meaning |
|----------------|---|
| D&A | Depreciation and amortization |
| DD | Due diligence |
| DMP | Dermapharm (Dermapharm Holding SE) |
| EEA | European economic area |
| ESG | Environment, social, governmental (also known as corporate social responsibility (CSR) or sustainability) |
| EV | Enterprise value |
| EU-GMP | EU good manufacturing practice, executed in Germany through the Pharmaceuticals and active ingredients manufacturing law (German: Arzneimittel- und Wirkstoffherstellungsverordnung) |
| FTE | Full-time employee |
| GCP | Good clinical practice |
| IC(P) | Investment committee (paper) |
| IE | International Units (German: Internationale Einheiten), WHO-mandated measurement of pharmaceutical dosages |
| IS | Income statement |
| J&J | Johnson & Johnson |
| LIBOR | London inter-banking offering rate |



C | List of abbreviations and color code (2/2)

| Abbreviation | Meaning |
|--------------|---|
| LNP | Liquid nano particles, biological molecules in fluid |
| LOI | Letter of Intent |
| MM | Money multiple |
| N/A | Not applicable/available |
| NWC | Net working capital |
| OTC | Over-the-counter |
| PIB | Public information book |
| PMI | Post-merger integration |
| PP&E | Property, pants, and equipment |
| Rx | Prescription, non-OTC drugs |
| SGB | German federal social law books I-XIV (German: Sozialgesetzbuch I-XIV) |
| SHI | Statutory health insurance |
| SOTP | Sum of the parts |
| THC | Tetrahydrocannabinol |
| USP | Unique selling point |
| VAT | Value-added tax, taxed at sale |

| Code | Meaning |
|---------|---|
| #00355F | Dermapharm in general; titles; text body (as table or box) |
| #7399C6 | Subtitles; logic (as arrow); separation (as line); governance (in ESG context) |
| #005CA4 | Branded pharmaceuticals segment |
| #5AA2AE | Herbal extracts segment |
| #417B85 | Parallel import segment |
| #6EA92D | Advantage; environment (in ESG context) |
| #C00000 | Disadvantage; social (in ESG context) |
| #FFC000 | No advantage or disadvantage, neutral |



C | List of formulas (1/2)

| Balance sheet | |
|------------------------------------|---|
| Invested capital | Net working capital + Intangible assets + Fixed assets |
| Working capital | Current assets – Current liabilities |
| Net working capital | Current assets – Cash and equivalents – Current liabilities |
| NWC according to Dermapharm | Accounts receivable + Inventories + Other current assets – Trade payables – Other current liabilities |
| Net debt | Noncurrent financial liabilities + Other noncurrent financial liabilities + Current financial liabilities + Derivatives (liabilities) + Leasing liabilities + Non controlling interest |

| Capital structure | |
|---------------------------------|---|
| Gearing ratio | $\frac{\text{Total debt}}{\text{Total assets}}$ |
| Solvency ratio | $\frac{\text{Net debt}}{\text{Invested capital}}$ |
| Financial autonomy ratio | $\frac{\text{Equity} - \text{Non controlling interest}}{\text{Total assets}}$ |

| Liquidity ratios | |
|----------------------|---|
| Cash ratio | $\frac{\text{Cash and equivalents}}{\text{Current liabilities}}$ |
| Quick ratio | $\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}}$ |
| Current ratio | $\frac{\text{Current assets}}{\text{Current liabilities}}$ |

| Cash flow / activity ratios | |
|---|--|
| Cash conversion cycle | DIO + DSO – DPO |
| Days inventory outstanding (DIO)/ holding period | $\frac{\text{Inventories}}{\text{Cost of material}} \times 365$ |
| Days sales outstanding (DSO)/ collection period | $\frac{\text{Accounts receivable}}{\text{Sales}} \times 365$ |
| Days payables outstanding (DPO)/ payable period | $\frac{\text{Accounts payable}}{\text{Cost of material}} \times 365$ |

| Cost base | |
|--------------------------------------|--|
| Fixed core operating costs | Personnel expenses + Depreciation and amortization + Contributions, fees, and charges + Legal and consulting fees + Rent and maintenance |
| Variable core operating costs | Cost of material + Marketing and advertising + Warehousing and freight + R&D + Other various expenses |

| Covenant ratios | |
|-----------------------|--|
| Leverage cover | $\frac{\text{Net debt}}{\text{EBITDA}} = \frac{\text{Liabilities} - \text{cash}}{\text{EBITDA}}$ |
| Interest cover | $\frac{\text{EBITDA}}{\text{Interest expense}}$ |

C | Expert interview 1 (1/3)

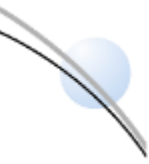
An interview with Dermapharm's Investor Relations team enabled deep insights towards Dermapharm's market, business model, and regulatory hurdles



| | Questions | Answers |
|----------------|---|---|
| General | Date | October 4, 2021 |
| | Name interviewer | Lukas Holz, Marco Höfer, Maximilian Kempf, Jonas Kurth |
| | Names interview partner | Britta Hamberger, Christian Weiß |
| | Company name | Dermapharm Holding SE |
| | Positions of the interview partner | Head of Investor Relations and Corporate Communication, Manager Investor Relations and Corporate Communication |
| Business model | Could you please lead us through your business model and point out the most significant differences between the three segments? | <ul style="list-style-type: none"> ▪ BP USP - Covering entire value chain, own center for clinical studies and logistics hub in Brehna, 90% in own inhouse production, Customers: Wholesalers, pharmacies, hospitals; Key Account manager and marketing for hospitals and doctor's very important as 80% of pharmaceuticals need prescription. ▪ HE: B2B business - Purchases raw materials from several suppliers from different countries (no independencies) → Production of extracts → Sale to customers ▪ PI: Arbitrary business - Purchase of originals abroad → Repackaging → German package slip → Resale |
| | Could you please explain the process of issuing marketing authorizations? | <ul style="list-style-type: none"> ▪ Screening of the market based on expiring patents in niche markets (no competition with big players) to retain pricing power and independence from discount agreements → Phase III clinical study after patent expiration to prove effectiveness (1 to 2 years) → Approval after study (18 to 24 month). ▪ Entire process is 2 to 5 years; Cost of clinical study: €1m to €3m, depending (pills easier than creams); brand names used for memorability at doctor and patient. |
| | What are Dermapharm's main competitors in the individual segments Branded Pharmaceuticals, Herbal Extracts and Parallel Import? | <ul style="list-style-type: none"> ▪ BP: For each individual niche treatment area different competitors, sometimes only one (Dekristol) ▪ HE: Frutaroom, Finzelberg (Martin Bauer) ▪ PI: Kohl Medical AG, MPA Pharma, Orifarm, among others |

C | Expert interview 1 (2/3)

An interview with Dermapharm's Investor Relations team enabled deep insights towards Dermapharm's market, business model, and regulatory hurdles



| | Questions | Answers |
|----------------|--|--|
| Business model | Is there a clustering to their products by application area? | <ul style="list-style-type: none"> ▪ BP: For each individual niche treatment area different competitors, sometimes only one (Dekristol) ▪ HE: No reporting on product level, however, Saw palmetto grass one of the main products, harvested, extracted, dried in USA. ▪ PI: No product split, more opportunistic according to popularity of the pharmaceutical |
| | Apart from the mentioned key products, what other key products (by sales) do you see for Dermapharm in the upcoming years? | <ul style="list-style-type: none"> ▪ Tromcardin Complex (cardiac rhythm) from Strathmann, Neocilin via sales force of Trommsdorf, bite away ▪ Top five products make up 30% of Branded Pharmaceutical's revenues. |
| | Could you please give us an overview of the production sites of Dermapharm? | <ul style="list-style-type: none"> ▪ BP: Most important and largest in Brehna (mibe) + central logistics hub (centralized logistics) → Customer gets one package for all products he ordered; Allergopharma in Reinbeck (2nd largest), Trommsdorff in Alsdorf, Strathmann in Seevetal, Hübner in Reinbeck, Melasan in Neumarkt (AT), Sun-farm in Poland ▪ HE: Two production facilities in Spain and one drying facility in Okeechobee, Florida (USA). ▪ PI: Axicorp in Friedrichsdorf (newly constructed with 40% higher productivity) |
| | Have only bite away® (BP) and Herpotherm® (BP) been internationalized to date? What are the next steps for the planned internationalization? | <ul style="list-style-type: none"> ▪ Those products are important driver for internationalization strategy in DACH, Poland and Ukraine; in last two years foundation of Start-ups in UK, Spain and Italy → Start of sales force in Italy, UK already breakeven, Spain uses sales force of Allergopharma (Synergies) ▪ Euromed 98% of sales in Spain/ ROW → Revenues are biased due to legal revenue realization in Spain Bite away is most important growth driver in USA; Anton Hübner does 40% of revenues abroad |
| Market | How does Dermapharm define the target market in the equity story? Is it limited by sales, products or both? | <ul style="list-style-type: none"> ▪ Dermapharm's revenues are divided by the summed-up revenues of the competitors identified ▪ Data come from Apofusion and Insight Health |

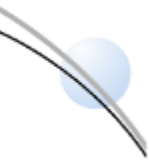
C | Expert interview 1 (3/3)

An interview with Dermapharm's Investor Relations team enabled deep insights towards Dermapharm's market, business model, and regulatory hurdles

| | Questions | Answers |
|------------|--|--|
| Market | Could you please elaborate on the most important value drivers of your target markets? | <ul style="list-style-type: none"> Top priority is patient and thus, demographic development plays more or less into our hands Growth within niche markets is strategic goal Low-margin markets of Bayer, etc. are not attractive Selection criteria: Few players in the market, favorable cost structure in market and distribution Entry hurdle for competitors: volume of production is small, but low-cost production is possible; expensive trained sales force paid off in lockdown (Since May working again → Correlation between sales force deployment and sales is visible in 2021 figures) |
| | Could you please explain why you divested your recent at-equity investment in FYTA? | <ul style="list-style-type: none"> In general, Dermapharm is convinced of the cannabis market and saw a good strategic partner in FYTA However, after 1.5 years, FYTA did not get the permission to export its products and thus, could not generate revenues. Therefore, Dermapharm exercised its right to step back from the purchase agreement as not all conditions they agreed on upon acquisition were satisfied. |
| Regulation | What regulatory aspects does Dermapharm pay particular attention to? | <ul style="list-style-type: none"> BP: GMP (Good Manufacturing practice), GCP, World Medical Association, Pricing Moratorium, Reference Pricing, German Social Security Code, PI: GMP (Good Manufacturing practice), Law for more security in the supply of medicine (GSAV), German Social Security Code |
| | What are the main entry barriers of your competitors? | <ul style="list-style-type: none"> Wrong impression for generics: Approval takes 1-6 years, is not certain and can lead to high costs (e.g. new clinical studies, more samples, market entry postponed) Pharmaceutical should not be better than original, otherwise repetition of phase I and II of clinical studies Even if one knows active ingredient of the original, it must be tested → Thus, inhouse testing clearly USP Allergoly: regulation was lifted, many competitors kicked out as they now must prove effectiveness |

C | Expert interview 2 (1/2)

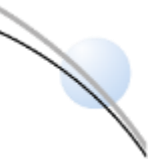
A first interview with Dermapharm's Chief Financial Officer Hilde Neumeyer allowed first-hand insights into the financial statements and the company's strategy



| | Questions | Answers |
|-------------------|---|---|
| General | Date | October 29, 2021 |
| | Name interviewer | Lukas Holz, Marco Höfer, Maximilian Kempf, Jonas Kurth |
| | Names interview partner | Hilde Neumeyer |
| | Company name | Dermapharm Holding SE |
| | Positions of the interview partner | Chief Financial Officer |
| General questions | How high is the organic growth of Dermapharm without acquisitions? | <ul style="list-style-type: none"> Most numbers are available in the official financial documents, but the BioNTech partnership will drive growth substantially With new products and vaccine production a revenue growth of 24-26% and EBITDA growth of 45-50% is possible |
| | Which percentage of revenue did each topic in the branded pharma segment of Dermapharm make? | <ul style="list-style-type: none"> No information is given, but 90% of revenue comes from Germany, foreign business is non-substantial |
| | How were personnel efficiencies reached in the past? Why did the average compensation rise from €49k in 2014 to €65k in 2020? | <ul style="list-style-type: none"> Rise in average compensation comes from the Allergopharma acquisition (bought from Merck) There have been cost-cutting measures, e.g., 30 tax accountants have been laid off |
| | Under which company was CORAT Therapeutics consolidated? | <ul style="list-style-type: none"> Dermapharm AG, not Dermapharm Beteiligungs GmbH |
| | Will there be back-track clauses in the future like for FYTA? | <ul style="list-style-type: none"> No, this was just risk control, since cannabis was a new and unknown business Cannabis remains very interesting (see expert interview 3) |
| | Are there concrete plans to expand into the USA? Will this be BP or also HE? | <ul style="list-style-type: none"> USA is very important to their strategy, especially BiteAway Getting FDA approval as Germans takes around 4-5 years |

C | Expert interview 2 (2/2)

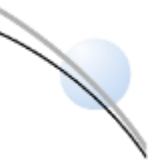
A first interview with Dermapharm's Chief Financial Officer Hilde Neumeyer allowed first-hand insights into the financial statements and the company's strategy



| Questions | Answers |
|---|--|
| Why did marketing expenses rise in the past years? What other marketing concepts are on the way? | <ul style="list-style-type: none"> ▪ Rise was due to Allergopharma acquisition ▪ Fitvia uses an influencer-based program, will increase reach and marketing expenses |
| Why did the EBITDA in Parallel Import sink in 2019 and 2020? | <ul style="list-style-type: none"> ▪ Axicorp suffered under Covid 19, especially since profitable products like travel medication and travel vaccines were not demanded anymore |
| What are the constituents of the immaterial assets? | <ul style="list-style-type: none"> ▪ Activated R&D costs, especially costs for clinical trials – Dermapharm uses third party providers, especially for allergology and pediatrics ▪ Trials are difficult because effects have to be directly observed in humans (Dermapharm does not regularly test on animals) ▪ Personal costs make up the highest percentage in immaterial assets related to R&D |
| Why did inventory, and subsequently, the CCC rise so strongly since 2017? | <ul style="list-style-type: none"> ▪ Caused by Axicorp, since they have a high throughflow and could not sell as much |
| Is Dermapharm interested in a longer partnership with BioNTech? | <ul style="list-style-type: none"> ▪ Of course, there are a lot of possibilities of cooperation in the future |

C | Expert interview 3 (1/2)

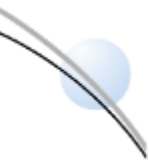
Receiving feedback from the company's CFO Hilde Neumeyer on the value creation strategy allowed to reassure feasibility by alignment towards company projections



| | Questions | Answers |
|----------------|---|---|
| General | Date | November 25, 2021 |
| | Name interviewer | Lukas Holz, Marco Höfer, Maximilian Kempf, Jonas Kurth |
| | Names interview partner | Hilde Neumeyer |
| | Company name | Dermapharm Holding SE |
| | Positions of the interview partner | Chief Financial Officer |
| Revenue growth | How big is the added revenue of the BioNTech partnership in 2021? | <ul style="list-style-type: none"> More than €95m, €110m is a „good guess“ for the total year |
| | What kind of international sales structures already exist for BiteAway, Herpothorm, EPIVO? In which countries is Dermapharm already selling? | <ul style="list-style-type: none"> Sales already in DACH region; tried it in Poland and Croatia, but there was no market; now Japan and USA via drug stores; online already via Amazon US bureaucracy a big hurdle, Covid 19 is making things even worse Biggest problem: Maintaining sale space (placement in store) Internationalization is a first shot at this time, offices with locals are a must |
| | How many direct sales FTEs does Dermapharm have at the moment and how do they cover physicians, hospitals and pharmacies? | <ul style="list-style-type: none"> 250-300 FTEs in direct sales Some in hospital sales (door-to-door), respectively unspecified door-to-door Depending on season and products employees target different customers |
| | How many potential customers are currently covered by the sales force? | <ul style="list-style-type: none"> 90% of all suitable physicians, hospitals and pharmacies in Germany |

C | Expert interview 3 (2/2)

Receiving feedback from the company's CFO Hilde Neumeyer on the value creation strategy allowed to reassure feasibility by alignment towards company projections



| | Questions | Answers |
|--------------------------|---|--|
| Additional growth levers | <p>What percentage of personnel cost could be saved in case of an acquisition, for example by eliminating double positions?</p> | <ul style="list-style-type: none"> ▪ Hard to answer, depends on the sub firm; more production (necessary for growth) means more personnel costs ▪ Difficult to achieve, will take some time, the desire to save is there ▪ PE-led companies have less potential to save compared to owner-led companies |
| | <p>Can you share concrete strategic steps with us, for example expansion into cannabis?</p> | <ul style="list-style-type: none"> ▪ There is something concrete in the pipeline ▪ No proprietary M&A team (but considers building it in the future), works mainly via advisors (Ferber & Co, (C)DD at Big 4) |
| | <p>How is ESG respected at Dermapharm? How are ethical problems handled, especially price setting power?</p> | <ul style="list-style-type: none"> ▪ Dermapharm reports sustainability extensively (see ESG slide), ethical problems do not take up a lot of room ▪ ESG has to be put aside for growth at the moment, especially infrastructure like photovoltaics, it is mainly about maintaining a level of sustainability |
| | <p>What kind of strategic steps are planned to the expansion of Euromed?</p> | <ul style="list-style-type: none"> ▪ HE: Acquisition of a firm named Zernella; confident that revenue reductions can be overcome; growth rate of 6% is realistic |
| | <p>What costs are included in communication costs?</p> | <ul style="list-style-type: none"> ▪ Mainly IT costs (internet, software, etc) |
| | <p>How are you (Ms. Neumeyer) judging our acquisition of Dermapharm?</p> | <ul style="list-style-type: none"> ▪ Interesting strategies; they rejected offers from BC Partners, Nordic Capital and PAI Partners ▪ Very interested in building their own M&A team with qualified people |



Source

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Notes: (1) Main sources utilized for the thesis creation as agreed with the advisory team