



Procaps Group Reports Second Quarter 2023 Results

September 5, 2023

Net Revenues Increased 7% in 1H23 Year-over-Year, on a Constant Currency Basis, Signaling Positive Performance of Rx Products

MIAMI & BARRANQUILLA, Colombia--(BUSINESS WIRE)--Sep. 5, 2023-- Procaps Group, S.A. (NASDAQ: PROC) ("Procaps" or the "Company"), a leading integrated international healthcare and pharmaceutical services company, today announced its financial results for the three months ended June 30, 2023 ("2Q23") and the six months ended June 30, 2023 ("1H23").

"Amidst a challenging 2Q23, we are accelerating our strategic plan, bolstered by operational agility. While short-term impacts were expected, we believe our proactive approach to cost-cutting positions us for a resilient 4Q23. We are addressing cash flow concerns, adapting pricing strategies, and taking a long-term view," said Rubén Minski, CEO of Procaps.

Financial Highlights 2Q23 & 1H23

- Net revenues totaled \$110 million for 2Q23, impacted mainly by currency devaluation and CDMO order phasing. On a constant currency basis, net revenues increased by 4%. For 1H23, net revenues totaled \$194 million, an increase of 7% on a constant currency basis.
- Gross profit for 2Q23 totaled \$61 million, with a 56% gross margin, and totaled \$107 million for 1H23 with a 55% gross margin. Previous year quarters were positively impacted by the sale of brands and mix of products sold.
- Adjusted EBITDA was \$20 million in 2Q23, with an Adjusted EBITDA margin of 18%. For 1H23, Adjusted EBITDA was \$29 million.

| U\$ million | 2Q23 | 2Q22 | Δ% | 1H23 | 1H22 | Δ% |
|--|-------|------|----------|-------|------|----------|
| Net Revenues | 110 | 112 | -2% | 194 | 198 | -2% |
| FX Impact on Net Revenues | (7) | - | -7% | (18) | - | -9% |
| Constant Currency Net Revenues | 117 | 112 | 4% | 212 | 198 | 7% |
| Gross profit | 61 | 73 | -16% | 107 | 120 | -10% |
| <i>Gross margin</i> | 56% | 65% | -901 bps | 55% | 60% | -525 bps |
| Adjusted EBITDA | 20 | 28 | -28% | 29 | 37 | -20% |
| FX Impact on Adjusted EBITDA | (1.4) | - | | (3.3) | - | |
| Constant Currency Adjusted EBITDA | 21 | 28 | -23% | 33 | 37 | -11% |
| <i>Adj. EBITDA margin</i> | 18% | 24% | -645 bps | 15% | 19% | -349 bps |

Management Commentary

Procaps Chief Executive Officer, Ruben Minski, commented:

"In the midst of a challenging 2Q23, we remained steadfast in executing our strategic plan. We are accelerating our efforts to streamline operations, enhance cash generation, and position for sustainable growth.

"There was a combination of factors related to the macroeconomic environment that challenged the entire industry in our region. Rising costs from inflation and high interest rates, along with working capital requirements, and several pharma companies delaying orders of our products to reduce their inventory and their working capital needs.

"It is important to acknowledge that we believe the impacts we have faced, while significant, are temporary. The challenges in the quarter were anticipated, and we are taking proactive steps to address them.

"While we couldn't fully pass on increased costs to our customers, we are adapting our strategies to navigate this dynamic landscape and protect our profitability.

"Customer behavior resulted in inventory fluctuations and exchange rate shifts affected our performance. However, we are seeing some favorable exchange rate shifts benefitting our customers and bolstering our recovery.

"Our partners have navigated similar challenges, resulting in lower inventory levels. We anticipate a few more months of pressure before experiencing relief towards the end of the year.

"We have several product launches expected for the second half of this year and we also have orders from our CDMO partners scheduled that were postponed.

"We're encouraged by the ramp up of new products launched in the last 36 months and growth in demand for our Rx products (15% growth in 1H23),

Clinical Specialties (6% growth in 1H23), and our B2B business which is receiving new orders indicating a potentially stronger 4Q23 after a potentially flat 3Q23.

"While the road ahead may seem challenging, our approach is rooted in a long-term perspective. We acknowledge the need for a more strategic direction and are committed to refining our plans to ensure a stronger, more resilient organization that thrives beyond short-term hurdles," concluded Minski.

Please check Procaps investor relations website for full Earning Release details, at: <https://investor.procapsgroup.com/financials/quarterly-reports>

Conference Call Information:

The Company will host a conference call and webcast at 11:00 a.m. Eastern time on Tuesday, September 5, 2023 to discuss the second quarter and first half 2023 results.

To access the call, please use the following information:

| | |
|------------------------------------|--------------------------------------|
| Date: | Tuesday, September 5, 2023 |
| Time: | 11:00 a.m. ET |
| Webcast: | Click here to access |
| Toll Free dial-in number: | 1-844-204-8586 |
| Toll/International dial-in number: | 1-412-317-6346 |
| Conference ID: | Procaps Group |

The conference call will be broadcast live and available for replay at <https://bit.ly/45sB21M> and via the investor relations section of Procaps' website [here](#).

Forward-Looking Statements

This press release includes "forward-looking statements." Forward-looking statements may be identified by the use of words such as "forecast," "intend," "seek," "target," "anticipate," "believe," "expect," "estimate," "plan," "outlook," and "project" and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. Such forward-looking statements include projected financial information. Such forward-looking statements with respect to revenues, earnings, performance, strategies, synergies, prospects, and other aspects of the businesses of Procaps are based on current expectations that are subject to risks and uncertainties. A number of factors could cause actual results or outcomes to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to: (1) the inability to successfully retain or recruit officers, key employees, or directors; (2) effects on Procaps' public securities' liquidity and trading; (3) the lack of a market for Procaps' securities; (4) changes in applicable laws or regulations; (5) the possibility that Procaps may be adversely affected by other economic, business, and/or competitive factors; (6) the Company's inability to achieve its cost saving goals and value creating initiatives; (7) our ability to remediate our disclosed material weaknesses within certain time frames, if at all and (8) other risks and uncertainties indicated from time to time in documents filed or to be filed with the Securities and Exchange Commission ("SEC") by Procaps. Accordingly, forward-looking statements, including any projections or analysis, should not be viewed as factual and should not be relied upon as an accurate prediction of future results. The forward-looking statements contained in this press release are based on our current expectations and beliefs concerning future developments and their potential effects on Procaps. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control), or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, the ability to recognize the anticipated benefits of any acquisitions contemplated or pursued by the Company, the impact of COVID-19 on Procaps' business, changes in applicable laws or regulations, the possibility that Procaps may be adversely affected by other economic, business, and/or competitive factors, and other risks and uncertainties, including those included under the header "Risk Factors" in Procaps' annual report on Form 20-F filed with the SEC, as well as Procaps' other filings with the SEC. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Accordingly, you should not put undue reliance on these statements.

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