



Procaps Group Reports Third Quarter 2023 Results

December 26, 2023

Net Revenues Increased 5% in 9M23 Year-over-Year on a Constant Currency Basis, Driven by 13% RX Growth

MIAMI & BARRANQUILLA, Colombia--(BUSINESS WIRE)--Dec. 26, 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 September 30, 2023 ("3Q23") and the nine months ended September 30, 2023 ("9M23").

Financial Highlights 3Q23 & 9M23

- Net revenues totaled \$118 million for 3Q23, positively impacted by the performance of RX and OTC portfolios, offset by lower CDMO revenues. On a constant currency basis, net revenues increased by 2% in 3Q23. For 9M23, net revenues totaled \$313 million, an increase of 5% on a constant currency basis.
- Gross profit for 3Q23 totaled \$68 million with a 58% gross margin and totaled \$176 million for 9M23 with a 56% gross margin, mainly impacted by higher costs and mix of products sold.
- Adjusted EBITDA was \$22 million in 3Q23, with an Adjusted EBITDA margin of 19%. For 9M23, Adjusted EBITDA was \$51 million.

<i>U\$ million</i>	3Q23	3Q22	Δ%	9M23	9M22	Δ%
Net Revenues	118	110	7%	313	308	1.4%
FX Impact on Net Revenues	6	-		(12)	-	
Constant Currency Net Revenues	112.9	110	2%	325	308	5%
Gross profit	68	68	1%	176	187	-6%
<i>Gross margin</i>	58%	61%	-343 bps	56%	61%	-454 bps
Adjusted EBITDA	22	23	-4%	51	60	-14%
FX Impact on Adjusted EBITDA	1	-		(2)	-	
Constant Currency Adjusted EBITDA	21	23	-9%	53	60	-11%
<i>Adj. EBITDA margin</i>	19%	21%	-212 bps	16%	19%	-291 bps

Management Commentary

Procaps Chief Executive Officer, Ruben Minski, commented:

"The third quarter of 2023 showed signs of improvement after a challenging first half of the year. We are encouraged by our strong operational execution and refinement of our strategic plan to ensure a stronger, more resilient organization that thrives beyond short-term hurdles.

"Multiple macroeconomic factors continued to challenge the industry in our region, impacting our revenues. We continue to adapt our strategies to navigate this dynamic landscape and protect our profitability and are seeing positive trends materializing in 4Q23 which we expect will lead to improved results over 4Q22.

"During the quarter we announced an agreement with BDR Pharmaceuticals for 27 oncology molecules for Latin America, including 20 TKIs (Tyrosine Kinase Inhibitors). Under the agreement, Procaps is responsible for registration, branding, marketing and commercialization throughout Latin America. We are very excited to expand our oncology portfolio in the region and add more partner companies and potentially broaden cancer treatment options with several new molecules to better serve more patients and physicians.

"To support increased U.S. demand of our advanced gummy technologies for the global nutraceutical industry capacity expansion in the U.S. continue as planned with the ongoing construction of a new gummy manufacturing facility in Florida. We expect operations to commence in 1Q24 with revenues following later in the quarter. Also in the U.S. we are exploring new products, especially high potency compounds, to take advantage of the West Palm Beach facility which has production capacity of approximately 1.8 billion softgel capsules per year for our iCDMO business unit.

"During the quarter we participated as one of the five sustainable sponsors at CPHI Barcelona 2023 and welcomed over 300 business partners, current and new, at our booth. We were very pleased with the level of interest across the global pharma community of attendees.

"As we continue to focus on growth, and after months of considering how to best serve the Company, earlier this year I announced that leading the Company on important strategic initiatives rather than on day-to-day matters would be of better value to the Company. We have in place the necessary capabilities to position the Company for long-term success and as announced, I will transition to Executive Chairman of the Company on January 15, with the announcement of Jose Antonio Vieira as the new CEO," concluded Minski.

Guidance Update

Given the slowdown in growth in some markets, especially during the month of September and October and the current macroeconomic environment, we are revising our guidance for the full year.

The impact of the macroeconomic conditions that the industry has experienced through the year, followed the same pattern in the third and fourth quarter - order phasing from CDMO partners, OTC taking longer to recover, launches delays due to delay in registration approvals, and sales of brands that were postponed.

The Company now expects full year 2023 net revenues growth of approximately 6% on a constant currency basis, and an adjusted EBITDA in the range of \$77M - \$82M.

This short-term scenario does not change our medium and long-term expectations for the Latin American market. We believe this market slowdown is only temporary and in the next years the market will continue to benefit from the aging of the population, greater market access and increase in health coverage.

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 in late January 2024, after the arrival of the new CEO. The Company will inform the market about the date and time during the month of January.

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.

Important Note Regarding Unaudited Estimates and Non-IFRS Measures

The Company is not able to reconcile its forward-looking non-IFRS estimates of Adjusted EBITDA presented in this press release for the year ending December 31, 2023 without unreasonable effort because of the inherent difficulty of accurately forecasting the occurrence and financial impact of the various adjusting items necessary for such reconciliation that have not yet occurred, are out of our control, or cannot be reasonably predicted, which could have a material impact on its future IFRS financial results.

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