



Acquisition of Grupo Somar

Establishing Procaps as one of the Fastest Growing Pharma Consolidators in Latin America

May 2022



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Team Members Presenting Today

Ruben Minski

Procaps | Founder + Chairman of the Board + Chief Executive Officer



Alejandro Weinstein

Procaps | Board Member + Chairman of M&A Committee + Shareholder



Patricio Vargas

CFO



Northeastern University
Chemical Engineering



HARVARD BUSINESS SCHOOL
Owners / President Management Program



PROCAPS GROUP
Founder, President and Director (44 years)



PONTIFICIA UNIVERSIDAD CATÓLICA DE CHILE
Business Administration



HARVARD BUSINESS SCHOOL
Owners / President Management Program



WM PARTNERS LP
Co-Founder



Board member for several healthcare companies in US and Europe



Vanterra Accelerator Fund

Co-Founder Olive Tree ventures and Vanterra accelerator fund



CEO (US\$ 370mm IPO in 2011 and sold to Abbott Lab. for US\$ 2.9bn in 2014)



Electrical & Industrial Engineering



MBA



HARVARD BUSINESS SCHOOL
Advanced Management Program



cmpec
Finance Vice President & Treasurer



agrofoods
Chief Executive Officer



CFR
Chief Finance Officer

Delivering on our M&A Growth Strategy

With an important acquisition in an attractive market

Executive Summary

- **Procaps Group S.A.** (NASDAQ: PROC) has entered into a **definitive agreement to acquire 100% of “Grupo Somar”** (including Grupo Farmacéutico Somar, S.A.P.I. de C.V., Química y Farmacia S.A. de C.V. (“Quifa”)⁽¹⁾ Gelcaps Exportadora de Mexico S.A. de C.V. (“Gelcaps”)⁽¹⁾, and subsidiaries⁽¹⁾) **from Advent International** (“the Transaction”)
- The Transaction represents a **significant step forward for Procaps’ regional expansion strategy**
- The acquisition is expected to **add significant value** to Procaps’ shareholders **with anticipated long-term double-digit earnings accretion**
- **The Transaction is expected to close in the fourth quarter of 2022**, subject to closing conditions, including the approval from anti-trust regulator in Mexico



Key Highlights

The acquisition of Grupo Somar is aligned with Procaps’ long-term business strategy to become one of the fastest growing pharma organizations in Latin America

Entry into the highly attractive Mexican market by acquiring one of the most relevant independent players

Grupo Somar is expected to help accelerate Procaps’ growth into the near future in an accretive manner

Procaps has a proven track record of realizing synergies, leveraging our own and the acquired companies’ capabilities to strengthen the integrated business

Notes:

(1) Former operations of Perrigo Company plc in Mexico

Grupo Somar at a Glance

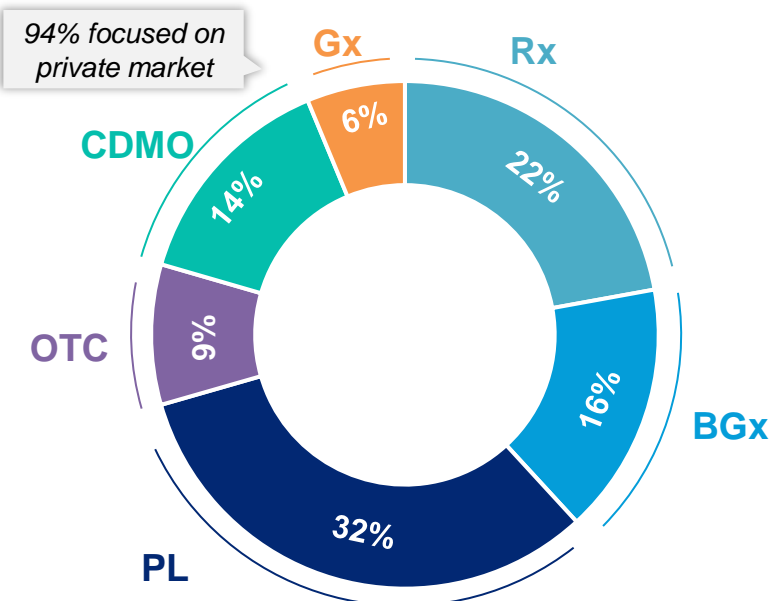


(including Quifa, Gelcaps, and Subsidiaries)

- A relevant Mexican **integrated pharma company** focused on the entire life cycle of products
- **Diversified portfolio** focused on Rx, BGx, private label, OTC and CDMO, **targeted to the private market**
- **Mature portfolio complemented by a robust product pipeline** and **strong R&D capabilities**
- **Strong manufacturing capabilities**, with **6 production facilities** in Mexico, including **3 FDA-approved plants**
- **Institutionally run**, with a **strong management team** and **robust compliance** practices in place. **Former subsidiaries of U.S. public companies**
- **Strong historical financial performance**, with Grupo Somar's combined EBITDA '19-21A CAGR of 12.3%⁽¹⁾⁽²⁾
- **Additional potential from the realization of synergies** from the further integration of Grupo Farmacéutico Somar, S.A.P.I. de C.V. and Química y Farmacia S.A. de C.V., Gelcaps Exportadora de Mexico S.A. de C.V, and subsidiaries

Grupo Somar by Segment

Consolidated Gross Profit Breakdown | 2021⁽²⁾



Revenues	Gross Profit	EBITDA
2021 ⁽²⁾		
US\$184 MM	US\$70 MM	US\$32 MM

Notes:

(1) '19-'21A EBITDA CAGR (compounded annual growth rate)

(2) Estimated figures based on audited financial statements of Somar and unaudited financial information of Quifa, PDM and Gelcaps as of and for the fiscal year ended December 31, 2021, on an expected combined basis

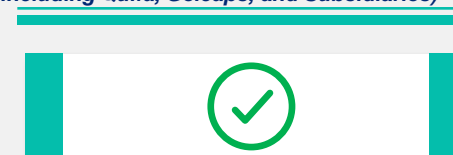
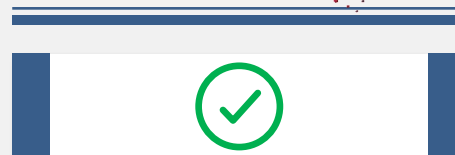
Strong Strategic Alignment with Procaps' Agile Business Model

The business models and cultures of Procaps and Grupo Somar are well-aligned and highly complementary, which is expected to allow Procaps to leverage its core capabilities to drive accelerated growth in the Mexican market and capture substantial synergies

Core Capability



Proprietary Portfolio of Branded Prescription and OTC Products, Focused on the Private Market



State-of-the art facilities capable of manufacturing highly complex products



Partner of Choice to Leading Global Pharma Companies Through CDMO Business



Strong R&D capabilities and focus on innovation translating into robust pipeline of new products



Highly experienced, specialized salesforce



Experienced and proven Management Team



Transaction Rationale

1 Entry into the second largest pharma market in Latin America

2 Acquisition of an Attractive product portfolio of branded generics targeted to private market and with strong market positions



3 Increased manufacturing and R&D capabilities

4 Strong local management team with ample industry experience

5 Significant synergies through cross-selling opportunities and cost efficiencies

Procaps + Grupo Somar: Business Combination Resulting in Attractive Synergies



Anticipated OPEX EFFICIENCIES

- Corporate back-office optimization is expected to result in expense reduction
- Standardization of technological platforms and administrative processes
- Optimization of manufacturing facilities



Anticipated COGS EFFICIENCIES

- Strategic alliances with suppliers to become key regional customer
- Exports packaging concentration in a free trade zone to optimize costs
- Specialization and concentration in Mexico of solids, semi-solids and liquids for the region



CROSS-SELLING

- More than 100 products of Grupo Somar's existing and developing portfolio are expected to be launched in the regions Procaps operates in between 2023 and 2025
- Products of Procaps' existing and developing portfolio are expected to be launched in Mexico via Grupo Somar



R&D EFFICIENCIES

- Implementation of best practices and know-how in the development of products is expected to increase the current capacity of launches

Transaction Structure

Transaction Consideration

- **Enterprise Value** of approximately US\$342 MM
 - **Cash Consideration:** Approximately US\$303 MM (subject to customary net debt and working capital adjustments)
 - **Equity Consideration:** Approximately 3,081,730 Procaps' ordinary shares (~US\$24 MM equivalent)
 - **Earnout Consideration** Up to US\$15 MM based on Grupo Somar achieving certain gross profit target milestones in 2022 (payable after the release of FY2022 audited financials)

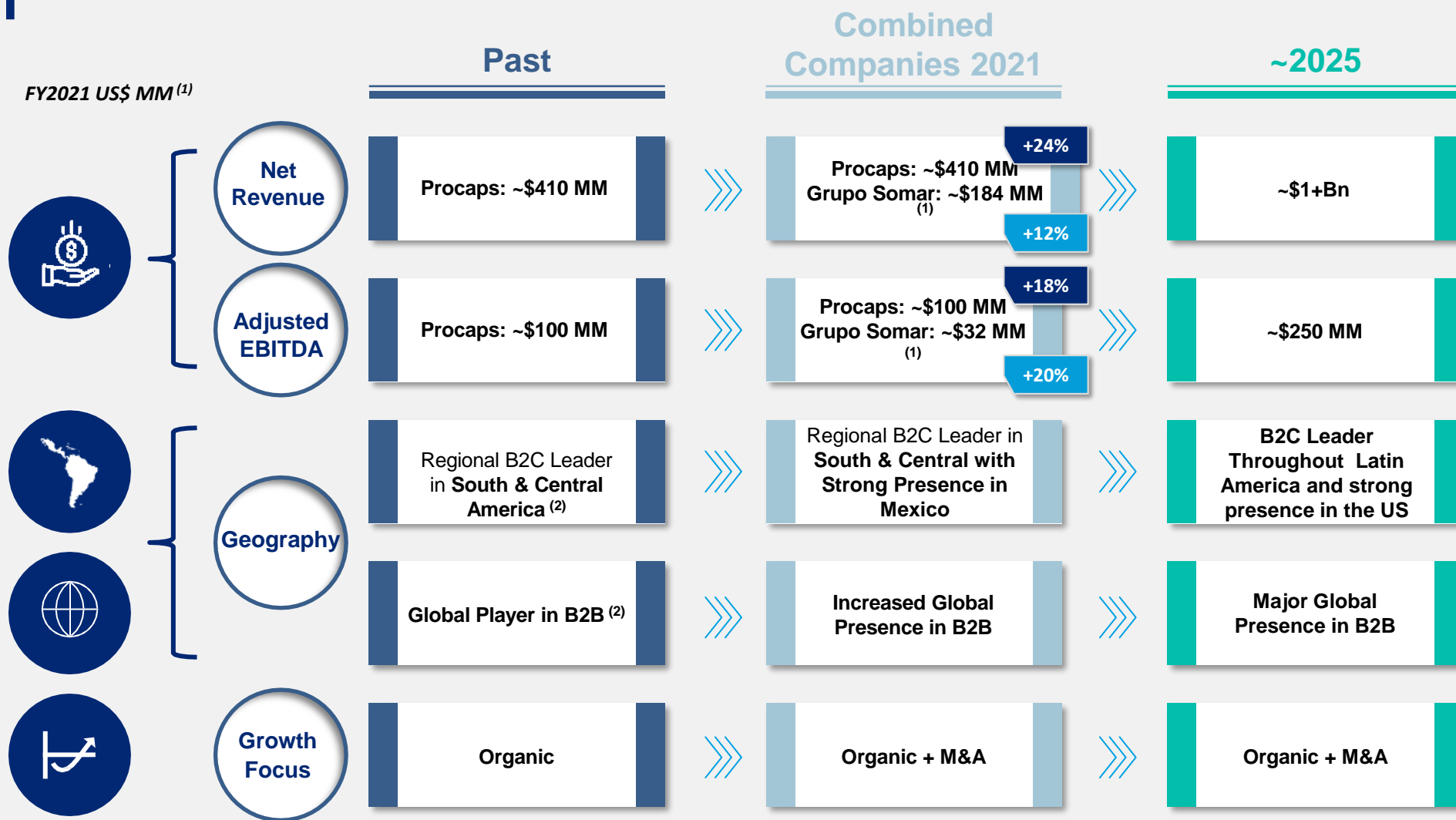
Funding

- Procaps **expects to fund** the cash portion of the consideration with a **combination of cash from its balance sheet and incremental debt**
 - The company has **secured a fully committed bridge credit facility** with three financial institutions
 - Procaps **expects to fund the transaction with permanent financing prior to Closing** or refinance the bridge facility with permanent financing shortly after Closing
- **Net Leverage at Closing** is expected to be approximately **3.9x Adjusted EBITDA on an expected combined basis**⁽¹⁾
 - The cash generated by the combined business is expected to allow Procaps to **deleverage its balance sheet**, taking our **net debt to Adjusted EBITDA ratios** to be near **3x, within 12 to 18 months of closing** the acquisition.

Notes:

(1) Assuming Closing occurs in 4Q22.

Where We Want To Be in ~5 Years...



Procaps' 2021A YoY Growth

Grupo Somar's 2021A YoY Growth

Notes:

(1) Assumes an FX of USD =Ps\$20.89 for illustrative purposes

(2) In terms of Softgel production capacity

(3) Figures based on audited financial statements of Somar and unaudited financial information of Quifa, PDM and Gelcaps as of and for the fiscal year ended December 31, 2021, on expected combined basis



Q&A



Appendix – Overview of Grupo Somar

“Right Place, Right Time for Procaps...”

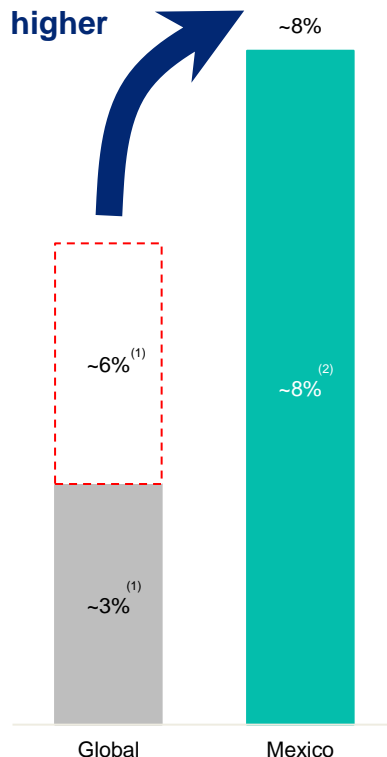
- Mexico's pharma sales expected to **outperform global pharma growth**
 - Mexico Pharma Market **expected to continue growing ~8%** annually
- The **private market** represents 35% of the total Mexican market by volume but **78% in terms of value** relative to the public market
 - Over the past years, **the private market has been growing at faster pace vs. the public market**, which has shown recent deceleration due to structural factors
 - Private market acceleration is expected to benefit from the **tailwinds of an aging population**
- By 2040, **65+ year-old demographic** expected to **nearly double**
 - Mexico's aging population** is expected to boost demand for pharma products
- Procaps is expected to be **well positioned to grow and capture share in the Mexican Pharma market**

Pharma Sales in México

■ CAGR 2021E – 2025E *Expected CAGR by Region (%)*
■ 2021-2022E Growth

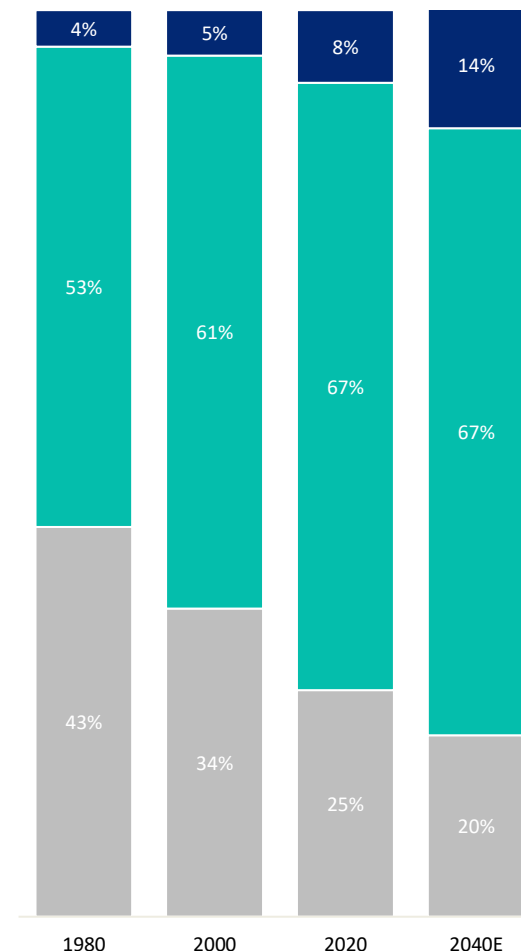
Mexico's Pharma Market totals ~US\$8 Bn

1.3x – 2.7x higher



Aging Population in México

■ 0-14 years ■ 15-64 years ■ 65+ years *Population by Age (1980 – 2040E)*



Source: IQVIA Institute 2021 Global Medicine Spending and Usage Trends, Outlook to 2025, 2021Fitch Pharmaceuticals & Healthcare Report 2020, UN Department of Economics and Social Affairs, INEGI. Latin America Pharma & Healthcare Sector 2021/2025 EMIS
 Note: (1) Derived from 2022E-2025E expected CAGR of 3% & 2021-2022 growth of 6%, per IQVIA. (2) Considers Private Market 2021E-2023E CAGR calculation

Grupo Somar: Segments Overview

Well-Diversified Portfolio and Focus on the Entire Life Cycle of Products



	Description	Market Dynamics	
Branded Prescription (Rx)	<ul style="list-style-type: none"> – Branded prescription products for the private market 	<ul style="list-style-type: none"> – Salesforce and marketing intensive (mainly directed to doctors) 	<ul style="list-style-type: none"> – Relevant position in all of its top Rx products – No relevant product concentration – Highly trained and specialized sales force
Branded Generics (BGx)	<ul style="list-style-type: none"> – Primary care branded generics for the private market, sold to independent pharmacies through distributors 	<ul style="list-style-type: none"> – Salesforce focused on depots – Sales through specialized distributors – Few relevant players in the space 	<ul style="list-style-type: none"> – Strong relationships with distributors – Relevant player in the segment
Private Label (PL)	<ul style="list-style-type: none"> – Private label primary care generics for pharmacy chains and supermarkets 	<ul style="list-style-type: none"> – No salesforce or marketing needed – Segment concentrated in the largest pharmacy chains 	<ul style="list-style-type: none"> – Top class service levels – Broad product portfolio – Strong customer relationship with key accounts
Over-the-Counter (OTC)	<ul style="list-style-type: none"> – Over-the-counter branded products (no prescription needed) 	<ul style="list-style-type: none"> – Salesforce and marketing intensive (mainly directed to end consumer) 	<ul style="list-style-type: none"> – Highly recognized brands – Relevant untapped potential in exports
CDMO	<ul style="list-style-type: none"> – Development and manufacturing services to 3rd parties 	<ul style="list-style-type: none"> – Sales are mainly through long term contracts with other pharmaceutical companies 	<ul style="list-style-type: none"> – Relevant softgel player in Mexico – Relevant CDMO player in Mexico
Government	<ul style="list-style-type: none"> – Primary care generics for the public market (government) 	<ul style="list-style-type: none"> – Sales mainly through centralized annual tenders, and secondarily through decentralized purchases 	<ul style="list-style-type: none"> – Not a priority market

Grupo Somar: Segments Overview (cont'd)

Well-Diversified Portfolio Across Products and Segments



Selected Products / Customers

Private Market	RX	Derma	
		Anti-biotics	
	BGx	Primary Care	
	PL	Primary Care	
	CDMO	CDMO	
Public	Gx	Primary Care	

Quifa, Gelcaps, and Subsidiaries

Selected Products / Customers

Private Market	CDMO	CDMO		
		OTC	Primary Care	Impulso
	Exports			
	PL	Primary Care	Private Label	
Public	Gx	Primary Care	Gov.	






Grupo Somar: Segments Overview (cont'd)

Well-Diversified Portfolio Across Products and Segments



(including Quifa, Gelcaps, and Subsidiaries)

Grupo Somar's Top 10 Products

Product / Brand	% of Gross Profit	Therapeutic Area	OB ⁽¹⁾ / PL / CDMO
 Ácido Ascórbico (Vitamina C)	5%	Vitamins	OB & PL
Paracetamol	4%	Pain	PL
 Isotretinoína	3%	Derma	OB
	3%	Pain	CDMO
	3%	Antibiotics & Anti-infectives	CDMO
Tamex	2%	Corticosteroids	OB & PL
	2%	Cough & Cold	CDMO
Binotal	2%	Anti-infectives	OB
Ethinylestradio + Levonorgestrel	2%	Gyneco	PL
Naproxen	2%	Pain	PL

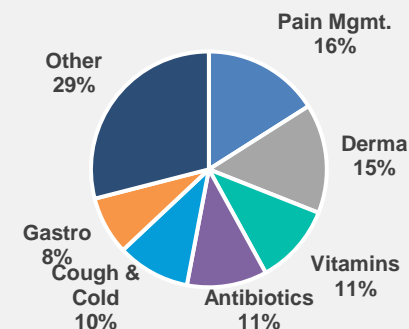
Notes:

(1) OB: Owned Brand; PL: Private Label

Source: Figures based on audited financial statements of Somar and unaudited financial information of Quifa, PDM and Gelcaps as of and for the fiscal year ended December 31, 2021, on an expected combined basis

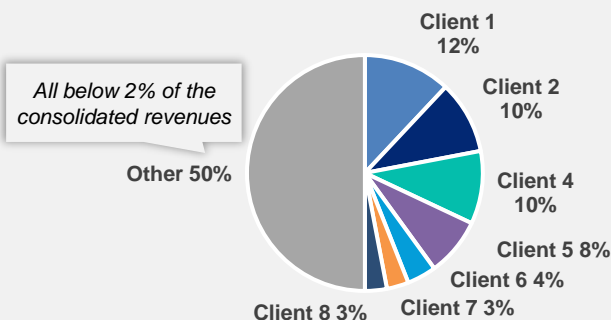
Highly Diversified Offering...

Grupo Somar Revenue breakdown by therapeutic area | 2020



...and Client Base

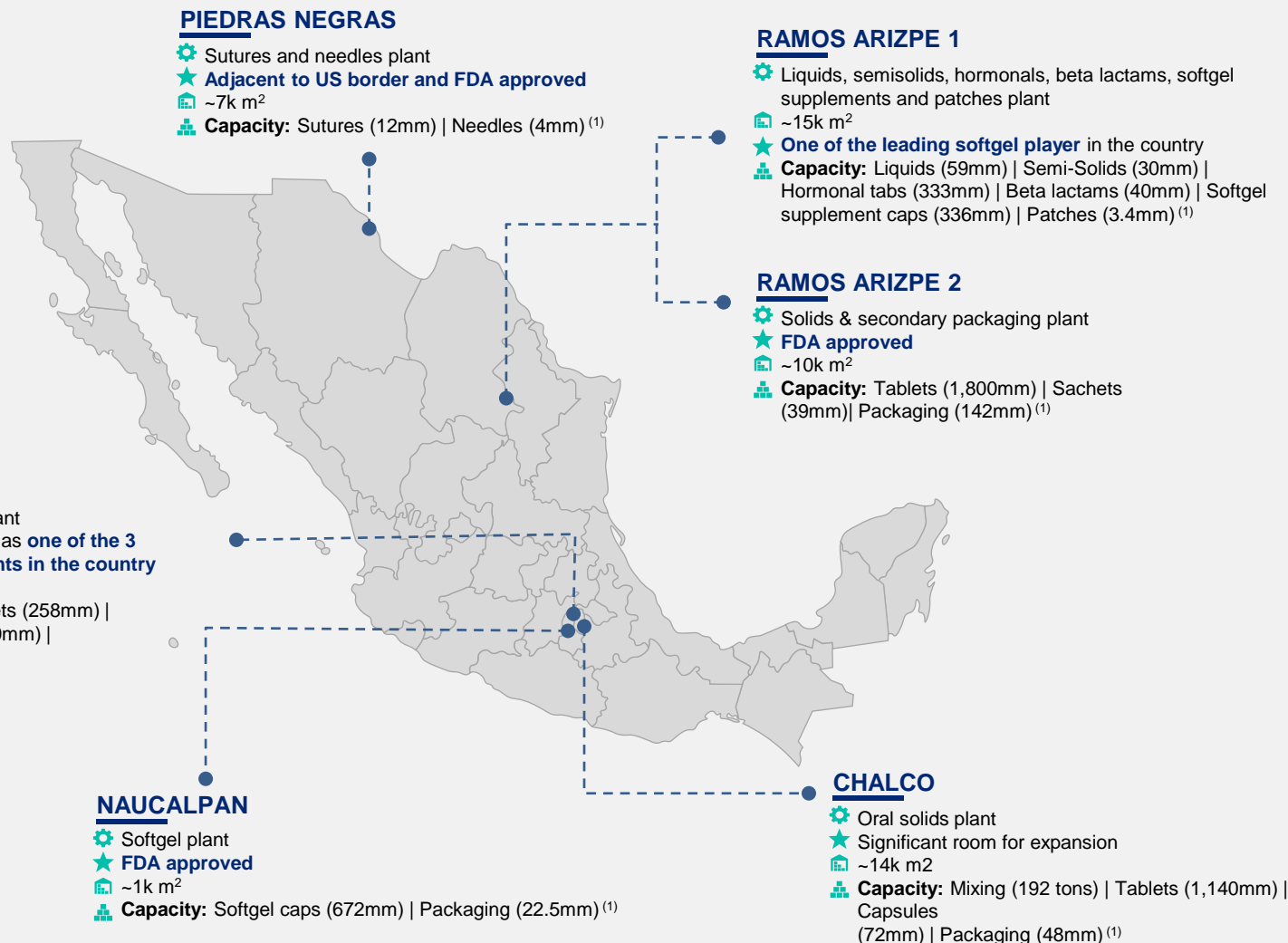
Grupo Somar Revenue breakdown by Client | 2020



Grupo Somar: Strong manufacturing capabilities for several pharmaceutical forms that can support sustainable growth



(including Quifa, Gelcaps, and Subsidiaries)



Notes.

(1) In terms of units

Grupo Somar: Management Team With Relevant Experience in the Industry

Daniel del Conde
CEO since 2019
+10yrs in the pharma industry



Luis Lazarini
CCO since 2019
+23yrs in the pharma industry



Marco Zepeda
COO since 2012
+35yrs in the pharma industry



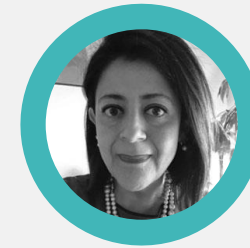
Guillermo Perea
CFO since 2019
+3yrs in the pharma industry



Francisco Padilla
R&D since 2017
+25yrs in the pharma industry



Araceli Perez
Business Dev. & Portfolio Strategy
Director since 2020 **+18yrs** Experience



Grupo Somar Key Financial Highlights⁽¹⁾

- **Grupo Somar have grown its revenues over the last three years by 5.7% annually**
 - Growth is expected to continue accelerating as pipeline matures
- **Average expected combined gross margin of ~37.5% since 2019**
 - 2021 expected combined gross margin of ~37.9%
- **Over the last 3 years, Grupo Somar has grown its EBITDA at a CAGR of ~12.3%**
 - 2021 EBITDA grew ~20%
- **Average expected combined EBITDA margin has been 16.5% since 2019**
 - 2021 EBITDA margin of 17.5%



US\$ MM

(including Quifa, Gelcaps, and Subsidiaries)

2021A Net Revenues	\$183.8 MM
2019-2021 Net Rev. CAGR	5.7%
2021A Gross Profit	\$69.6 MM
Gross Margin	37.9%
2019-2021 Gross Profit CAGR	6.0%
2021A EBITDA	\$32.2 MM
EBITDA Margin	17.5%
2019-2021 EBITDA CAGR	12.3%

Note:

(1) Figures based on audited financial statements of Somar and unaudited financial information of Quifa, PDM and Gelcaps as of and for the fiscal year ended December 31, 2021, on expected combined basis