EUROAPI 2022 Half Year Results

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Operator: Hello, and welcome to the EUROAPI 2022 Half Year Results Call. My name is Courtney, and I'll be your coordinator for today's event. For the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the presentation. This can be done by pressing star one on your telephone keypad to register your question at any time. If at any point, you require assistance, please press star zero and you will be connected to an operator. Please note this conference is being recorded.

And I will now hand you over to your host, Guillaume Rosso, Head of Investor Relations, to begin today's conference. Thank you.

Guillaume Rosso: Thank you, Courtney, and thank you all for joining us for EUROAPI's first semester 2022 results. I'm on page three. I am Guillaume Rosso, the Head of Investor Relations. And with me today to comment on this results we have Karl Rotthier, our CEO; Antoine Delcour, our Chief Financial Officer; Cécile Maupas, our Chief CDMO Officer, who will participate to the Q&A session.

We will discuss the following points during the presentation. First, we will go through the business highlights. Second, we will give an update on the ESG roadmap. In the third time we will present the financial performance of the semester. And finally, we will give an update on the 2022 outlook and guidance.

This conference will be recorded and a replay will be made available on our Investor Relations website. The presentation slides are also available to download there.

Before I hand over to Karl, I must warn you that today's conference call contains forward-looking statements, and these future results may differ materially from statements or projection made on today's call. For your convenience, the forward-looking statements are referenced at the beginning of our presentation and should be read in conjunction with the risk factor included in our listing prospectus as amended in our 2022 half year financial report. The presentation will be followed by a Q&A session.

With that, I would like to hand over to Karl Rotthier, our CEO.

Karl Rotthier: Okay. Thank you very much, Guillaume. Well, good morning and good afternoon. Good evening to our Asian colleagues. Hi, everybody. I'm on slide six. Well, thank you for joining us on this call. It's really my pleasure to host you on our first half year results today.

Now when I look back to our first Capital Markets Day we organised in April, there we presented to you, in a detailed way, our strategy going forward. Today's presentation of our 2022 half year results is the perfect illustration of that strategy already bearing fruits, despite a challenging geopolitical and macroeconomic environment we are all facing.

I would like to give you indeed three examples, three highlights of the proof points that we have already been able to accomplish.

First of all, we wanted to maximise the value of the business we have on hand. The proof point is there. We achieved a double-digit sales performance over the first half of the year and improved the company's profitability with a core EBITDA margin at 14.5%, an increase of 128 basis points versus the restated half year 2021.

Secondly, we wanted to structurally change the portfolio mix towards more CDMO. And also here I'm glad to show you the proof points. CDMO is growing double digits. And the CDMO pipeline is experiencing a strong commercial momentum with the number of requests for proposals received in the last half year, which is almost equal to the full year 2021, translating into 19 projects won this year already, notably in our focus areas amongst which oligos and peptides.

Thirdly, we wanted to grow our API Solutions business to other clients. Also here, the proof point is very clear. This business grows 15.3% while our commercial strategy started to deliver with price adjustment initiatives and increased cross-selling. All this was really feasible because we became independent from Sanofi with our listing on the 6th May. And the good performance that we announced today enables us to confirm our 2022 full year guidance with the objective to reach circa €1 billion in net sales and a core EBITDA margin equal to or greater than 14%.

We do update our CapEx guidance to 14% of net sales versus a 12% previously, to support growth in a highly inflationary environment. In the current context, we remain confident in achieving also the midterm financial objectives for 2025, which we announced earlier.

Now, we will keep a close eye, of course, on the challenging market conditions, like you all know, energy inflation, supply chain issues, raw material. And we will continue to focus on executing our strategic road map in the coming months, which remains intact versus everything what we presented to you during the Capital Markets Day back in April.

Looking at slide seven, this picture is bringing us a few months back in time, when I was with my full management team in the premises of Euronext to celebrate the first moments as an independent company. This independence really is key for our customers, who do not see us anymore as an affiliate of Sanofi anymore but as an independent company, and it gives also a very important signal for all the people working with us.

Slide eight. So let's start the detailed analysis of the last six months' net sales and the core EBITDA. As you can see on this slide, we recorded a solid performance after six months. Net sales stood at €483.8 million, 10.1% up compared to last year, driven by both a robust performance in CDMO, plus 22.2%, and a positive contribution from API Solutions, plus 6.5%, in line with our strategy.

Net sales from other clients were up 12.1% to €236.6 million. And net sales from Sanofi were up plus 8.3% to €247.4 million. Our core EBITDA stood at €70.3 million, increasing by 20.2% versus the restated same period in 2021. And the core EBITDA margin ratio was at 14.5% compared to the 13.3% at the same period last year, fuelled by gross margin improvements, higher volumes, and a better product mix. Antoine, he will provide you more details on the core EBITDA in a couple of minutes from now.

On slide nine, let's now comment a bit on the growth of our business activities. During the semester, we recorded a strong momentum in CDMO activities, driven by, first of all, sales to Sanofi, which were up 56%. This is mainly due to a continuous offtake of commercial products and late-stage pipeline products that existed before the finalisation of the carve-out. But also sales to other clients grew. They were up 5.2%, primarily benefiting from the ramp up of a major contract with a US biotech company.

The CDMO projects, which were won in 2021, and in the first half of this year, have started to generate revenue, but will deliver more in the subsequent semesters. And this is due to the milestone-based nature of the development activities. CDMO contracts usually start to generate revenue six months after the kick-off with the clients. And that is why the number of RFPs that coming our way and the contracts that you are able to close are a very important signal for the visibility of our figures going forward.

API Solutions' activities experienced a solid 15.3% growth with other customers, mainly due to an increase in volumes and price to both existing and new customers. The reasons for that: volumes started recover post COVID-19 in certain areas; price adjustment initiatives accelerated against the backdrop of inflationary raw materials and energy with initial effects in Q2, but which will mostly start to materialise further in the second half of the year. Several contracts with existing and new customers were signed with strong levels of cross-selling activity. Let's not forget also that new contracts could also take up to 24 months to generate revenues, as clients need to qualify our APIs in their regulatory files.

Moving to slide 10, and let's now analyse a bit further the net sales performance per type of molecule. Here you see clearly that for the first time we are in a position to offer our peptides and oligo capacities to the market, as this was reserved to Sanofi in the past. This translated into a tremendous increase in our large molecule sales to €48 million.

High potency molecules were down 6.9% at €47 million, experiencing an increase in our prostaglandin sales, which were actually more than offset by the impact of lower demand for veterinary hormones. The biochemistry molecules derived from fermentation decreased by 13.2% to €65 million, notably due to a one-off industrial production stop on our vitamin B12 site in Elbeuf, and the pivoting of our Brindisi portfolio from an anti-infective molecules to really CDMO fermentation projects.

Last but not least, the complex chemical synthesis molecules delivered 6.2% up, growth to €323 million. And this is mainly fuelled by API solutions, benefiting from the normalisation of volumes of certain class of APIs, together with the effects of our price adjustment strategy.

Slide 11, and this one is really important to mention here. We need to really look at the levers we have at hand in the current macroeconomic environment. In a context of a rising inflation of raw materials and energy, we immediately took action by pulling all the levers we have. I would like to thank first of all the tremendous job accomplished by our commercial and industrial teams, who really demonstrated a high level of agility and enabled us to navigate through a complex environment without putting our bottom line at risk.

Our first lever is the price adjustments we are able to pass to our customers. In API Solutions, we have a wide customer base. And approximately 75% of our clients are mono sourced with us, meaning that we are the only source registered in their regulatory files to produce a medicine. This enables strong stickiness of our client base and enables us also to pass inflation on cost via the contractual clauses which is there for the majority of our contracts, or adjusted prices to current condition when purchase orders are placed.

Now we will see the vast majority of the price adjustments flowing in our income statement in the second half of this year as customers are normally placing their orders six to 12 months in advance.

Regarding Sanofi, the effect is more immediate as we have a contract in place, where pass-through clauses on key raw materials and energy are present as well. And these clauses were already activated during the semester.

The second lever corresponds to the cost-based management through operational performance plans to improve yields, reduce bottlenecks, reduce energy consumption, and/or improve manufacturing process.

Finally, I would like to highlight also that we have covered our energy needs, and that we have a minimal exposure to Russia and Ukraine.

Slide 12, moving to the CDMO part. Here, you can see that the CDMO pipeline experienced strong momentum, fully aligned with our strategy to increase the contribution of the CDMO activities to circa 35% of our net sales in 2025. We received almost as many CDMO requests for proposals in the half in the last six months as the full year 2021. And there, you will still remember that we received 120 requests for proposals. This, thanks to the tremendous efforts of our scouting apparatus and the increased brand awareness that we generate on the market right now.

This translated, these requests for proposals, into CDMO projects pipeline reaching now 64 projects with the addition of 19 new projects this year only. Notably, large molecules such as oligos and lipid nanoparticles, complex chemistry, these are our areas of priority.

So here you had a bit of an overview of our business financials, which will come, of course, still more, and presented by Antoine, and also more clarity on what we have done to cope with the current market circumstances. I would also like to go through some specific topics on ESG, which is also very high on our agenda.

On slide 14, just for your information, this is actually the four strong axis of commitments that we have, which are fully aligned with United Nations Sustainable Development Goals and listed on the slide.

On slide 15, you can see several key milestones. And we have achieved that during the last six months. And this also sets the foundations for building a robust ESG trajectory. I would like to highlight a few initiatives here. And we will deep dive into two of them in a couple of following slides.

First of all, we are on track with the ISO certification of all our sites, with 66% now certified already. Secondly, we have been rolling out new cultures and values. And these came bottom-up throughout the entire organisation, really creating our own EUROAPI identity. And you remember how important I thought it was that really that culture needed to change towards a generic/CDMO player.

Thirdly, we signed a global responsible care charter and joined United Nations Global Compact initiatives. Fortunately, we announced also the finalisation of our Board of Directors with the appointment of Rodolfo Savitzky as an Independent Board Member, alongside two employee representatives, Marie-Isabelle Penet and Kévin Rodier.

The two highlights I want to show you on ESG. First of all, slide 16, the employee shareholding plan. In July, we announced the success of our first employee share plan entitled EUROAPI Action 2022, with 67% eligible employees subscribing to the offer. This was a tremendous success, notably in France, where we achieved 92%, and in Germany, also with very, very high subscription rates. And this plan was designed to foster our employees ownership, as well as to associate the more closely with the Group's success and the long-term developments.

We are proud of the very good level of participation that demonstrates the confidence and dedications of our teams in building our future success together.

And now on slide 17, would like to tell you a bit more on the state-of-the-art biomass boiler that we are investing in. In July, we also announced that indeed the construction of a state-of-the-art biomass boiler in Elbeuf with a 140 tonnes – 140,000 tonnes steam generation per year, and that will use wood waste instead of gas, not unimportant in these kinds of circumstances.

This project is indeed a clear depiction that important ESG commitments can also serve our strategic roadmap and deliver financial benefits to our company. While enabling to reduce our CO2 emissions by 20,000 tonnes and putting us in a good position to meet our commitment to reduce our CO2 emissions by 30% in 2030 vs 2020, the boiler will also allow the production of green electricity and the supply heating to local communities.

This project will also be a key enabler to increase the site's vitamin B12 production capacity and support our strategy towards greater energy autonomy. This investment benefits from the French government's financial support of €10.4 million within the framework of the France Relance plan, which is a true recognition of our efforts in favour of decarbonisation.

So with that, let me hand over to Antoine, who will now discuss further our financial performance.

Antoine Delcour: Thank you, Karl. On slide 19, before entering into the key drivers of our H1 performance, I would like to quickly remind you our 2021 restated performance measures have been constructed. These embed adjustments to the consolidated figures to enable comparability with 2022, by adjusting the financial flows with Sanofi to reflect the contractual relationship, which was put in place in October 2021. And also to reflect the target operating model required for EUROAPI to run independently from Sanofi post carve-out.

Moving now to slide 20 on the key financial metrics. As mentioned by Karl earlier, we delivered a strong performance in the first semester in ’22, with net sales growing double-digit to €484 million versus the same period in 2021, benefiting from both API Solutions and CDMO commercial momentum.

Gross profit stood at €98 million, an increase of 20% versus 2021. And gross profit ratio improved by 164 basis points to 20.2%. This margin expansion has been sustained by a clear commitment to profitable growth against costs pressure backdrop.

Core EBITDA amounted €70 million, an increase of 20% versus the same period in 2021, benefiting from gross profit improvements. The core EBITDA ratio improved by 128 basis points to 14.5%.

Moving now to slide 21 to provide more details on core EBITDA margin improvement. As mentioned in the previous slide, core EBITDA margin improved by 128 basis points to 14.5% of revenue, effecting an improvement in efficiencies by 0.9%, including price adjustments and the rollout of our industrial performance plan, which more than offset the impact of inflation; an improvement in volumes by 0.4%, reflecting a better absorption of our cost structure, thanks to the additional volumes; an improvement of business mix by 0.5% reflecting higher contribution for more differentiated business segments within API Solutions and favourable CDMO business mix; a slight decrease of 0.6% in OpEx, reflecting the normalised cost structure required to run our business independently from Sanofi, such as R&D ramp up to support the company's future growth.

Moving now to slide 22 on core free cash flow generation. In H1 2022, core free cash flow amounted to a negative €40 million, not yet effective normalised cash flow generation of a business because of the carve-out. Core EBITDA increased from €58.5 million in H1 '21 to €70.3 million in H2 2022, thanks to the increase in net sales and in gross profits. This was more than offset by around €30 million of operating payables, clearly a one-off events which were exceptionally outstanding at the end of 2021, as mentioned during our 2021 results and due to the execution of the carve-out from Sanofi during the last quarter of the year.

The usual inventory build-up at the end of June as the manufacturing sites anticipates summer shutdown and end of the year maintenance cycle was around €26 million. And the CapEx spend for €51 million in line with our growth strategy. The company benefit from a solid cash position at €20 million end of June 2022 and from a strong financial flexibility with its revolving credit facility.

Moving now to slide 23 on investments. In H1 2022, we invested €51 million in CapEx, encompassing notably the construction of the Hormones building in Vertolaye, and the increase of CDMO capabilities in Budapest. In addition, several major projects were initiated during the semester, in line with the objective to commit about half of our investments in growth to sustain high value capacity constraint segments in API Solutions and fast-paced expanding modalities in CDMO by 2025.

For 2022, we have slightly updated the CapEx guidance to 14% of net sales versus the initial 12% to support growth in highly inflationary environment, but maintaining our financial discipline when evaluating a project, as mentioned on the slide. We have reviewed the strategic projects return on investments, which will remain the same or improve.

Let me now hand over Karl, who will conclude with our 2022 outlook and guidance.

Karl Rotthier: Okay. Thanks, Antoine. Well said. Let's move to slides 25 and 26 indeed. First of all, the outlook for the full year we base on several assumptions. So regarding net sales, price adjustments started in the first half, will materialise further in the second half.

We expect also stronger CDMO sales to other clients as the CDMO contracts signed in '21 and also over the last couple of months are in a ramp up phase. We also foresee a softer second half for CDMO sales to Sanofi.

Regarding the cost structure, we expect that the macroeconomic and geopolitical environment remains very complex with inflation on energy and raw materials. We expect performance optimisation plans also further to mitigate this cost pressure.

Regarding CapEx, we will maintain our growth and performance CapEx trajectory, and we foresee inflation pressure on the cost of the equipment we want to order.

So on slide 26, what does that lead us to? Assuming that the current market conditions do not change materially anymore, we confirm our 2022 guidance. So we target net sales of approximately circa €1 billion, CDMO sales ranging 25-30%, and a reduced dependency on

Sanofi sales compared to 2021. And we target a core EBITDA margin still equal to or greater than 14%.

Like we mentioned, the CapEx guidance is updated to being circa 14% of net sales versus the 12% that we previously guided for, to support the growth in a highly inflationary environment, as mentioned by Antoine earlier.

So with the current environment, we remain confident in achieving our midterm financial objectives as well.

So this concludes actually our first results call of the first half of this year. And I am more than happy to take, together with Antoine and Cécile, whatever question that you might have. Thank you very much.

Guillaume Rosso: Operator, back to you.

Questions and Answers

Operator: Thank you. As a reminder, if you would like to ask a question on today's call, please press star one on your telephone keypad. Please ensure your line is unmuted locally and you will be advised when to ask your question. That was star one on your telephone keypad. And our first question comes in from the line of Gary Steventon calling from BNP Paribas Exane. Please go ahead.

Gary Steventon (Exane BNP Paribas): Thank you very much for taking my question. And first one, just on the margin, please. So I guess looking at the first half margin relative to guidance, which I know is kind of a floor. It'd be helpful if you could just talk to perhaps some of the drags that you're expecting to face over the second half of the year. It would just seem that going into the second half, you've got the continued benefit from the ramp up of existing CDMO projects, potentially some new project wins in there as well. And then also pricing adjustments that should also continue to materialise. So I'm really just wondering what offsets are that support the unchanged margin guidance here?

And then the second question, just looking at the new CDMO project wins. And thanks for providing the split between the different technologies. I was just wondering if you could provide a bit more colour to help us kind of understand the proportion of these project wins that are clinical versus commercial, or between the different types of companies. So whether it's Sanofi or other big pharma or biotech, consumer, animal health?

And also really any detail on where you're winning these projects from. So are you seeing customers begin to move projects away from your competition and towards you? Or are these projects that were previously in-house? Thank you.

Karl Rotthier: All right, Gary. Thank you very much for your question. I would propose the first question on the margin outlook, Antoine, that you give some flavour on it. The second question, the CDMO project, we also have, of course, Cécile here with us. And I prefer that you also hear it from the horse's mouth itself that we give a little bit more flavour on the wins that we had and the balance that we also, indeed, try to bring in our CDMO pipeline.

Antoine, you first on the margin?

Antoine Delcour: Yes. So, on the margin, what I can say is that when you look at the historical accounts in 2021, which are made available on our website, you can see that usually H1 first semester is stronger in terms of core EBITDA margin than the second half. And this can be explained by a low industrial activity coming from the summer break and also maintenance break and also the winter break.

So totally yes, there will be a pricing effect on API Solutions to the clients, which would be stronger second half of the year but which will be compensated by lower industrial activity. And also via energy price increase we saw in first semester will be slightly higher also in second half, which will explain also why in terms of guidance, we do not change our guidance for the full year even if we are above it at the end of H1.

Karl Rotthier: Thank you, Antoine. Cécile on the project pipeline?

Cécile Maupas: Yes. So as you've seen, we have won 19 new projects during the H1 2022. All are on our growth area. Most of them, the vast majority are with other clients and not more with Sanofi, even if you heard that we have extended the collaboration on the second-generation lipids with Sanofi.

I can give you some – a bit more colour of the new project that we have. We have signed a contract with a mid-sized pharma to outsource the entire preclinical oligonucleotide portfolio. We have also an agreement on a small molecule late-stage for a large metabolic disorder with including micronization. We have also new customer who decided to repatriate a key intermediate from China back to Europe. This is a kind of new project that we have now in our portfolio.

And related to the mix between early stage and late stage, we have quite a balanced portfolio. We have today 26 projects which are early stage, and 38 projects which are late stage or even commercial products.

Karl Rotthier: Thank you very much, Cécile. So indeed, we are developing that pipeline. And as you know, we have only started in the first half of last year of six months, the entire development of the portfolio, so which logic that we need to ramp up phase like we mentioned to you in the past. But the numbers that we have presented here to you on the RFPs, but also the conversion rates or the number of contracts and projects that we want are already at industry benchmark. Thanks, Gary.

Gary Steventon: Thank you.

Operator: The next question comes in from the line of Richard Vosser calling from JP Morgan. Please go ahead.

Richard Vosser (JP Morgan): Hi. Thanks for taking my questions. A question on the CDMO contracts as well to start with. Just the current biotech funding environment. You've won some good contracts, but are you seeing any weakness coming through in some of the earlier stage phase one contracts for CDMO from biotechs? Is there a weakness there from the current funding environments in those early stages of development?

And then second question is about the vitamin B12, I think, production issue that occurred, the one-offs in fermentation in the first half. Should we – could you give us any colour on is that resolution? And should we expect fermentation to see a big sequential growth in the second half because of that?

And then maybe if I can squeeze in one more just about the pricing – price increases? Maybe could you give us a little bit of colour of the magnitude of the price increases for Sanofi and what we should anticipate for price increases, benefiting your revenues for other customers in the second half? Thanks very much.

Karl Rotthier: All right. Thank you very much, Richard. So no, we don't see any effect on our pipeline, giving you a first question on the issue of biotech funding. I don't think that Cécile we have seen at all.

Cécile Maupas: No, not at all. And we are also working with larger company, big biotech, or pharma companies, so it's the mix with our customers.

Karl Rotthier: Yeah. Okay. So, on your question on the B12 and the production issue, I can assure you this is completely resolved. It was a one-off. You also are aware that we are there at full capacity and we are doing everything that we can to, indeed, speed up that capacity further still this year, but it is completely resolved. It was a production issue, which sometimes happens in production, Richard. That is also a given.

And then also on the price increases, I would like to turn back to that one slide that we also showed you during the presentation which explains a little bit more the mechanisms that we have in hand to pass on the higher energy and raw material costs. So we cannot give you, of course, exact percentages, but on the contracts that we have in place, the pass-through clauses are there. For 70% of the portfolio where we work with purchase orders, there, we, of course, adapt the price to the latest situation.

And if you then, what I mentioned already, need to know that we have 75% of our business mono-sourced, yeah, it gives us quite some customer stickiness. Also in the Sanofi contracts, we have, indeed, these pass-through clauses and there, Antoine, you can give some more flavour.

Antoine Delcour: So what is important to understand is that on Sanofi contracts we’re able to activate the two pass-through clauses on energy and raw material from the beginning of the year. So looking at it between H1 and H2, the impact will be almost even between two semester. When – for API to our clients, as mentioned, because of the timeline between the order acceptance and the delivery to the clients, there will be a phased approach, which will be more towards the second half of the year.

Karl Rotthier: Yeah. Thanks, Richard.

Richard Vosser: Thanks.

Operator: The next question comes in from the line of Simon Baker calling from Redburn. Please go ahead.

Simon Baker (Redburn): Thank you for taking my questions. Three quick ones that I have. Just firstly, following up on Gary's question. I wonder if you’d give us any colour on the regional split of those contract wins.

And then moving on to the question of energy pricing as well as pass-throughs. You have also indicated that you have price hedging. And just you could give us there was a little bit more of an indication on that in terms of the extent and duration of that hedge. And if you are able to hedge energy prices, does that give you a competitive advantage against your peers in bidding for new business, which is fairly typical across the industry?

And then finally, a general question and then a specific reason for asking it. Can you just talk us through the typical outcome when an API – a branded API for which you're the manufacturer goes off patent, you obviously lose volume from the brand. I was just wondering to the extent to which you gain volume from generic binders as a potential offset? And the reason I'm asking for this is the loss of – expected loss and exclusivity for teriflunomide from Sanofi next year. Just wanted to know how material that would be in 2023. Thanks so much.

Karl Rotthier: Yeah. Well, to start with the last part, that will not be material at all for us. So that I think very clear. The second part of your question was on the energy. Indeed, we have a very detailed and fine-tuned volume and price hedging strategy in place. And this gives us a very good visibility for a 100% coverage already on this year, like I mentioned, for 90% on next year, but like everybody else in the industry, of course, Simon, we are confronted with indeed the higher prices as well.

Hence, we are doing not only the commercial efforts on the price increases that we want to pass-through, but also from the industrial performance. Yeah. We have every possible potential mitigation or contingency plan in place going from reduction plans on energy, going to indeed now strategic discussions. And we already have spoken about one investment in biomass boilers leading us away from gas, also alternatives are in place, eventually if gas would be cut, we could go to other sources.

And last but not least, yeah, we also will remain very, very flexible in our production schedule, also flipping around eventually when we see energy hiccups coming with maintenance, rescheduling, etc., etc. So the entire apparatus is there in place to really take care of it. But indeed, the very detailed focused volume and price hedging policy we have in place gives us good visibility.

The first question that you asked on the regional split on CDMO contracts. I think, Cécile, could you shortly comment on that?

Cécile Maupas: Yes. This is mainly US-based company or European-based company. We are increasing our visibility on Japan as well. But today, it’s mainly US and – North America and Europe.

Karl Rotthier: So it's very close to where all the innovators in the biotech companies are see this, and that's where we also have indeed build out our business scouting apparatus. Okay, Simon?

Simon Baker: Thank you very much.

Operator: Just a reminder, before we move to the next question that if you would like to ask a question on today's call, please press star one on your telephone keypad. That was star one if you would like to ask a question. And the next question comes in from the line of Falko Friedrichs calling from Deutsche Bank. Please go ahead.

Falko Friedrichs (Deutsche Bank): Thank you very much. Good afternoon. Three questions, please. The first one is starting on CDMO. So you said you had about 120 RFPs last year and the same amount again this year in the first half. Why did that only lead to 19 contracts? So we're trying to understand that ratio a little bit better from RFPs to proper contracts and why that number is not higher, given the large amount of RFPs?

Then the second question on your CapEx guidance, the slight increase there. How should we think about that ratio going forward now that it is a little bit bigger this year?

And then the third question on your very strong performance in large molecules in the first half? Is that almost 50 million offset? Is that a run rate we can also assume for the second half of the year now? Thank you.

Karl Rotthier: Okay. Thank you very much, Falko. Well, on your first remark, the request for proposals coming our way, what we see in the industry, and I'll let Cécile go in a second, is that the conversion rate of RFPs towards contracts is between 20-30%. And that is exactly in line with what we see right here. Cécile, do you want to add a comment on this?

Cécile Maupas: Yes. First explanation is that we will not answer all the RFPs. So this is the RFP that we receive, so we will select the best one to answer. And then some of them are still in selection for cities. So it's not closed for us. We will continue the discussion with the customer. But it's not signed yet, so we cannot give the writing.

Karl Rotthier: Yeah. Let's also tackle directly the last question of Falko on the large molecules part. Well, I don't think that we are now in a position to already say what this is going to be in the second half of the year. We do see that the focus of our entire team on going after the projects on oligo and peptides. And how many oligo contracts that we won? Because that's also –

Cécile Maupas: More than 10.

Karl Rotthier: More than 10. That is, of course, an ambition that we will continue in the market. On the CapEx front, Antoine, of course, 14% this year. How is that going to move this figure going forward? Could you give some more flavour here, please?

Antoine Delcour: So what we announced was a €500 million investment between 2022 and 2025 with 50% on growth and 50% on maintenance. So indeed, the inflation is also impacting our CapEx. So we are currently reviewing as a full CapEx envelope, which is likely to be slightly higher than €500 million we mentioned earlier but maintaining our financial discipline evaluating the projects on which we are working. So we'll update you on next year's CapEx guidance and then on the whole CapEx guidance later during the year.

Karl Rotthier: Thanks, Falko.

Falko Friedrichs: Thank you. A quick follow-up, if possible, on the large molecules. Are you able to provide us the rough split between oligos and peptides in the first half, and whether the oligo business is now even a little bit bigger?

Karl Rotthier: No, we are not providing those kinds of details, Falko. We do not provide the split between oligo and peptides. It's both in our focus area.

Falko Friedrichs: Okay, thanks a lot.

Karl Rotthier: Thank you.

Operator: We currently have no further questions coming through. So just as a final reminder, if you would like to ask a question, please press star one on your telephone keypad now. And with that, there are no further callers in the queue. So I shall hand the call back across to yourselves for any closing remarks. Thank you.

Karl Rotthier: Well, I was extremely proud in being able to share with you the solid results that we presented to you. I very much look forward to the next couple of six months, which of course will also be challenging with the current macroeconomic and geopolitical environment. But I think EUROAPI is on a good track and we will continue that.

Thank you very, very much for your attention and speak soon.

Operator: Thank you for joining today's call. You may now disconnect your handset. Speakers, please remain connected and await further instruction. Thank you.

[END OF TRANSCRIPT]