

Quarterly Statement February to October 2019

Following the disclosure requirements for publicly traded companies, PHOENIX Pharma SE published quarterly financial reports up to now. With the implementation of the Transparency Directive Amending Directive (Transparenzrichtlinie-Änderungsrichtlinie), there is no longer an obligation to publish a quarterly financial report in the first and third quarters of a given fiscal year. As of the third quarter of 2019/20, we will therefore report on the first and third quarters of each fiscal year in the form of a quarterly statement in accordance with Article 53 of the Exchange Rules for the Frankfurt Stock Exchange (Börsenordnung für die Frankfurter Wertpapierbörse). This contains the relevant information from the perspective of the company.

The first nine months at a glance

- Total operating performance and revenue increased again
- Significant increase in profit for the period
- Further reduction in net debt compared to the third quarter 2018/19
- Purchase agreements signed to acquire pharmacies from Thio Pharma in the Netherlands, Proxi Pharm in Romania, and FAJN Lékárna in the Czech Republic

Key figures of the PHOENIX group*		1st nine months 2018/19	1st nine months 2019/20
Total operating performance	in EUR m	24,408.1	25,699.9
Revenue	in EUR m	19,052.3	20,109.7
Total income	in EUR m	2,031.6	2,158.9
Adjusted EBITDA	in EUR m	352.4	342.6
EBITDA	in EUR m	323.6	334.0
EBIT	in EUR m	220.3	228.7
Profit after tax	in EUR m	125.0	142.8

		31 October 2018	31 January 2019	31 October 2019
Equity	in EUR m	2,720.7	2,806.6	2,901.0
Equity ratio	in %	30.9	33.5	32.9
Net debt	in EUR m	2,096.3	1,432.6	1,792.9

* 2019/20 excluding IFRS 16

Comparability of figures

The mandatory initial application of IFRS 16 “Leases” as of 1 February 2019 has a material impact on the consolidated financial statements of the PHOENIX group. The new standard requires payment obligations from existing operating leases to be discounted and recognised as lease liabilities; at the same time, a right-of-use asset is recognised. As a result, net debt increases. Lease payments in connection with operating leases were previously recognised as operating expenses. IFRS 16 requires to recognise depreciation charges on right-of-use assets and interest expenses on lease liabilities. This will increase EBITDA without any attendant change in the economic circumstances. In the statement of cash flows, the principal repayment portion of the lease payments from existing operating leases will reduce cash flow from financing activities and no longer affect cash flow from operating activities. The interest portion of the payments will remain in cash flow from operating activities.

IFRS 16 was applied using the modified retrospective approach. For this reason, prior-year comparative figures have not been restated. To facilitate comparability, the effects from IFRS 16 have been adjusted in the first nine months of 2019/20:

EUR k	1st nine months 2018/19	1st nine months 2019/20 including IFRS 16	Impact of IFRS 16	1st nine months 2019/20 excluding IFRS 16	Change excluding IFRS 16	Change excluding IFRS 16 in %
Revenue	19,052,286	20,106,388	3,309	20,109,697	1,057,411	5.6
Cost of purchased goods and services	-17,134,819	-18,060,571	0	-18,060,571	-925,752	5.4
Gross profit	1,917,467	2,045,817	3,309	2,049,126	131,659	6.9
Other operating income	114,121	110,557	-771	109,786	-4,335	-3.8
Personnel expenses	-1,048,117	-1,113,805	0	-1,113,805	-65,688	6.3
Other operating expenses	-669,619	-610,904	-100,896	-711,800	-42,181	6.3
Result from associates and joint ventures	9,597	546	0	546	-9,051	-94.3
Result from other investments	142	119	0	119	-23	-16.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	323,591	432,330	-98,358	333,972	10,381	3.2
Amortisation of intangible assets and depreciation of property, plant and equipment	-103,310	-192,576	87,267	-105,309	-1,999	1.9
Earnings before interest and taxes (EBIT)	220,281	239,754	-11,091	228,663	8,382	3.8
Financial result	-29,759	-50,536	18,551	-31,985	-2,226	7.5
Profit before tax	190,522	189,218	7,460	196,678	6,156	3.2
Income taxes	-65,540	-52,035	-1,857	-53,892	11,648	-17.8
Profit for the period	124,982	137,183	5,603	142,786	17,804	14.2

Business development

The PHOENIX group continued its growth in the third quarter of 2019/20. In the first nine months of 2019/20 (February to October 2019), total operating performance, which comprises revenue and handled volume not recognised as revenue but instead charged as a service fee, increased by 5.3 per cent to €25.7 billion. Adjusted for foreign exchange rate effects, total operating performance grew by 5.5 per cent. The healthcare provider, which is active in 27 European countries, saw its revenue grow by €1.1 billion (5.6 per cent) to €20.1 billion. Adjusted for foreign exchange rate effects, revenue grew by 5.8 per cent. The increase is mainly due to increased revenue in Western Europe, as well as in Eastern Europe as a result of the acquisition of the pharmaceutical wholesaler Farmexim and the nationwide pharmacy chain Help Net in Romania as of 31 July 2018.

Results

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 3.2 per cent, or €10.4 million, to €334.0 million compared to the same period of the previous year. An EBITDA figure adjusted for interest from customers, expenses related to ABS and factoring, and other non-recurring effects (adjusted EBITDA) came to €342.6 million (comparative period: €352.4 million) and is calculated as follows:

EUR k	1st nine months 2018/19	1st nine months 2019/20 including IFRS 16	Impact of IFRS 16	1st nine months 2019/20 excluding IFRS 16	Change excluding IFRS 16	Change excluding IFRS 16 in %
EBITDA	323,591	432,330	-98,358	333,972	10,381	3.2
Interest from customers	6,968	7,101		7,101	133	1.9
Factoring fees	1,122	1,140		1,140	18	1.6
Other non-recurring effects	20,717	363		363	-20,354	-98.2
Adjusted EBITDA	352,398	440,934	-98,358	342,576	-9,822	-2.8

Profit for the period grew by 14.2 per cent, representing an increase of €17.8 million to €142.8 million.

Financial position

Equity - excluding IFRS 16 - rose by €94.4 million compared to 31 January 2019. The equity ratio as of 31 October 2019 came to 32.9 per cent (31 January 2019: 33.5 per cent).

Cash flow from operating activities - excluding IFRS 16 - came to €-177.3 million (comparative period: €-55.0 million) and was largely affected by a higher increase of €121.2 million in working capital compared to the same period of the previous year. Cash flow from investing activities came to €-162.3 million and was €-222.1 million in the comparative period. In the previous year, cash flow from investing activities mainly included the acquisition of a pharmaceutical wholesaler and a pharmacy chain in Romania.

According to the calculation below, net debt increased by €360.3 million compared to 31 January 2019 to €1,792.9 million (excluding IFRS 16):

EUR k	31 January 2019	31 October 2019 including IFRS 16	Impact of IFRS 16	31 October 2019 excluding IFRS 16	Change excluding IFRS 16	Change excluding IFRS 16 in %
+ Financial liabilities (non-current)	662,282	1,246,570	-664,008	582,562	-79,720	-12.0
- Derivative financial instruments (non-current)	-187	-159		-159	28	-15.0
+ Financial liabilities (current)	525,215	1,032,706	-110,206	922,500	397,285	75.6
- Derivative financial instruments (current)	-5,733	-11,692		-11,692	-5,959	103.9
- Cash and cash equivalents	-153,309	-116,662		-116,662	36,647	-23.9
+ Receivables sold in the course of factoring and ABS transactions	463,065	468,675		468,675	5,610	1.2
- Factoring receivables	-24,412	-25,415		-25,415	-1,003	4.1
- Receivables from ABS programmes	-34,316	-26,940		-26,940	7,376	-21.5
Net debt	1,432,605	2,567,083	-774,214	1,792,869	360,264	25.1

Risks and opportunities

The opportunities and risks of significance to us are presented extensively in our annual report for fiscal year 2018/19. The risks and opportunities presented in that report are still essentially relevant.

Forecast

For fiscal year 2019/20, the PHOENIX group expects to further expand its market position in Europe through organic growth and acquisitions and thereby increase revenue slightly above the level of growth on the European pharmaceutical markets. We expect revenue growth in nearly all markets in which we are present.

We expect a slight increase in the equity ratio (adjusted for effects from the first-time application of IFRS 16).

Subsequent events

In July 2019, the PHOENIX group signed an agreement to acquire pharmacies from Thio Pharma in the Netherlands. The transaction became effective on 1 November 2019.

In July 2019, the PHOENIX group signed an agreement to acquire Proxi Pharm in Romania. The transaction became effective on 1 November 2019.

In October 2019, the PHOENIX group signed an agreement to acquire FAJN Lékárna in the Czech Republic. The transaction became effective on 1 November 2019.

Mannheim, 6 December 2019

The Executive Board of PHOENIX Pharma SE

Financial information
for the first nine months
2019/20

CONSOLIDATED INCOME STATEMENT

for the first nine months 2019/20

EUR k	3rd quarter 2018/19	3rd quarter 2019/20	1st nine months 2018/19	1st nine months 2019/20
Revenue	6,487,233	6,783,207	19,052,286	20,106,388
Cost of purchased goods and services	-5,835,391	-6,100,311	-17,134,819	-18,060,571
Gross profit	651,842	682,896	1,917,467	2,045,817
Other operating income	42,841	39,891	114,121	110,557
Personnel expenses	-357,896	-372,481	-1,048,117	-1,113,805
Other operating expenses	-231,363	-207,736	-669,619	-610,904
Result from associates and joint ventures	8,823	384	9,597	546
Result from other investments	48	61	142	119
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	114,295	143,015	323,591	432,330
Amortisation of intangible assets and depreciation of property, plant and equipment	-35,320	-64,830	-103,310	-192,576
Earnings before interest and taxes (EBIT)	78,975	78,185	220,281	239,754
Interest income	3,160	3,790	9,706	9,903
Interest expenses	-13,896	-18,748	-40,262	-57,169
Other financial result	1,209	-1,369	797	-3,270
Financial result	-9,527	-16,327	-29,759	-50,536
Profit before tax	69,448	61,858	190,522	189,218
Income taxes	-27,280	-17,648	-65,540	-52,035
Profit for the period	42,168	44,210	124,982	137,183
thereof attributable to non-controlling interests	7,313	6,815	23,548	25,037
thereof attributable to owners of the parent company	34,855	37,395	101,435	112,146

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 October 2019

ASSETS

EUR k	31 January 2019	31 October 2019
Non-current assets		
Intangible assets	1,837,805	1,902,691
Property, plant and equipment	993,060	1,736,118
Investment property	10,042	9,938
Investments in associates and joint ventures	7,220	5,912
Trade receivables	309	722
Other financial assets	88,071	114,730
Deferred tax assets	65,812	79,279
	3,002,319	3,849,390
Current assets		
Inventories	2,301,048	2,531,316
Trade receivables	2,552,312	2,711,494
Income tax receivables	36,231	34,205
Other receivables and other financial assets	146,986	146,795
Other assets	135,444	164,733
Cash and cash equivalents	153,309	116,662
	5,325,330	5,705,205
Non-current assets held for sale	39,417	32,492
Total assets	8,367,066	9,587,087

EQUITY AND LIABILITIES

EUR k	31 January 2019	31 October 2019
Equity		
Issued capital	2,786	2,786
Capital reserves	961,106	961,106
Revenue reserves	1,837,523	1,951,483
Accumulated other comprehensive income	-259,984	-281,027
Equity attributable to the shareholders of the parent company	2,541,431	2,634,348
Non-controlling interests	265,119	271,891
	2,806,550	2,906,239
Non-current liabilities		
Financial liabilities	662,282	1,246,570
Trade payables	0	435
Provisions for pensions and similar obligations	256,914	271,453
Other non-current provisions	2,556	1,820
Deferred tax liabilities	116,672	119,484
Other non-current liabilities	1,452	1,661
	1,039,876	1,641,423
Current liabilities		
Financial liabilities	525,215	1,032,706
Trade payables	3,597,814	3,643,364
Other provisions	37,271	36,460
Income tax liabilities	32,406	31,563
Other liabilities	327,934	295,332
	4,520,640	5,039,425
Liabilities directly associated with assets held for sale	0	0
Total equity and liabilities	8,367,066	9,587,087

CONSOLIDATED STATEMENT OF CASH FLOWS

for the first nine months of 2019/20

EUR k	31 October 2018	31 October 2019
Profit after tax	124,983	137,183
Income taxes	65,540	52,035
Profit before income taxes	190,523	189,218
Adjustments for:		
Interest expenses and interest income	30,556	47,266
Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property	103,310	192,576
Result from associates and other investments	-9,739	-665
Net result from the disposal of assets related to investing activities	349	-2,384
Other non-cash expense and income	71,365	55,878
	386,364	481,889
Interest paid	-50,495	-55,902
Interest received	10,057	9,126
Income taxes paid	-56,441	-52,000
Dividends received	282	244
Result before change in assets and liabilities	289,767	383,357
Changes in assets and liabilities, net of effects of changes in the scope of consolidation and other non-cash transactions:		
Change in non-current provisions	-22,237	-24,993
Result before change in operating assets and liabilities	267,530	358,364
Change in inventories	-232,971	-239,679
Change in trade receivables	-113,143	-183,005
Change in trade payables	128,486	66,276
	-217,628	-356,408
Change in other assets and liabilities not related to investing or financing activities	-104,874	-87,305
Change in operating assets and liabilities	-322,502	-443,713
Cash flow from operating activities	-54,972	-85,349
Acquisition of consolidated companies and business units, net of cash acquired	-131,354	-52,561
Capital expenditures for intangible assets, property, plant and equipment, and investment property	-106,714	-125,490
Investment in other financial assets and non-current assets	-2,360	-2,500
Cash outflows for investments	-240,428	-180,551

EUR k	31 October 2018	31 October 2019
Cash received from the sale of consolidated companies and business units, net of cash disposed	64	2,278
Cash received from disposal of intangible assets, property, plant and equipment and investment property	2,666	12,428
Proceeds from other financial assets and non-current assets	15,641	3,559
Cash inflows from realised investments and divestments	18,371	18,265
Cash flow from investing activities	-222,057	-162,286
Cash available for financing activities	-277,029	-247,635
Capital contribution from/repayment to non-controlling interests	-4	642
Acquisition of additional shares in already consolidated subsidiaries	-3,982	-1,245
Proceeds from disposal of interests in subsidiaries without loss of control	0	324
Dividends paid to non-controlling interests	-11,938	-17,120
Proceeds from bond issuance and bank loans	138,139	284,534
Repayment of bonds and bank loans	-46,261	-31,637
Change in bank loans which have a maturity period of 3 months or less	116,487	72,435
Proceeds from the issue of loans from shareholders in the parent company	135,950	0
Repayment of loans from shareholders in the parent company	-128,580	-19,874
Proceeds from the issue of loans from related parties	419,450	103,130
Repayment of loans from related parties	-359,301	-100,220
Change in ABS / Factoring	23,911	10,999
Change in finance lease	-651	-91,964
Change in other financial liabilities	-324	177
Cash flow from financing activities	282,896	210,181
Changes in cash and cash equivalents	5,867	-37,454
Effect of exchange rate changes on cash and cash equivalents	-151	807
Cash and cash equivalents at the beginning of the period	106,223	153,309
Cash and cash equivalents at the end of the period	111,939	116,662
Cash and cash equivalents presented in the balance sheet at the end of the period	111,939	116,662

Investor Relations

PHOENIX group
Pfungstweidstraße 10-12
68199 Mannheim, Germany

Karsten Loges

Head of Corporate Finance and Asset Management
Phone +49 (0)621 8505-741
k.loges@phoenixgroup.eu

Publisher

Ingo Schnaitmann

Head of Corporate Communications
Phone +49 (0) 621 8505-8593
i.schnaitmann@phoenixgroup.eu

Jacob-Nicolas Sprengel

Senior Manager Corporate Communications
Phone +49 (0) 621 8505-8502
j.sprengel@phoenixgroup.eu

Financial calendar

18 May 2020: Annual Report 2019/20
23 June 2020: Quarterly Statement February to April 2020
24 September 2020: Half-year Report February to July 2020
17 December 2020: Quarterly Statement February to October 2020

Further information about the PHOENIX group | www.phoenixgroup.eu

The PHOENIX group, headquartered in Mannheim, is a leading healthcare provider in Europe. Active in 27 countries, the company offers unique geographical coverage throughout Europe, making a vital contribution to comprehensive healthcare with more than 37,000 employees. The PHOENIX group's vision is to be the best integrated healthcare provider – wherever it is active.