



Financial Report 2018

Following Distinct Growth in Previous Years, Siegfried Reports again a Sound Result for 2018: Sales of 794.3 Million Francs Set a New Record.

Key Figures

	2018	2017 ¹	Change CHF (LC)
Net sales (million CHF)	794.3	750.5	+5.8% (+4.4%)
Gross profit (million CHF)	156.5	138.8	+12.8%
Gross profit margin (%)	19.7%	18.5%	
Results before special effects²			
EBITDA (million CHF)	127.4	111.3	+14.5%
EBITDA margin (%)	16.0%	14.8%	
EBIT (operating result) (million CHF)	77.8	61.9	+25.7%
EBIT margin (%)	9.8%	8.3%	
Net profit (million CHF)	57.5	40.8	+40.9%
Net profit-margin (%)	7.2%	5.4%	
Non-diluted earnings per share (CHF)	13.81	10.28	+34.3%
Diluted earnings per share (CHF)	13.38	9.97	+34.2%
Results after special effects			
EBITDA (million CHF)	125.9	111.3	+13.1%
EBITDA margin (%)	15.8%	14.8%	
EBIT (operating result) (million CHF)	76.3	61.9	+23.2%
EBIT margin (%)	9.6%	8.3%	
Net profit (million CHF)	56.3	40.8	+37.9%
Net profit-margin (%)	7.1%	5.4%	
Non-diluted earnings per share (CHF)	13.52	10.28	+31.5%
Diluted earnings per share (CHF)	13.10	9.97	+31.4%
Cash flow from operating activities (million CHF)	106.0	84.6	+25.2%
Free cash flow (million CHF)	46.0	32.3	+42.1%
Investment in property, plant and equipment and intangible assets (million CHF)	60.1	52.8	+13.7%
	December 31, 2018	December 31, 2017 ¹	Change
Equity (million CHF)	678.8	667.8	+1.6%
Total assets (million CHF)	1 103.1	1 071.0	+3.0%
Equity ratio (%)	61.5%	62.4%	
Employees (number of FTEs)	2 294	2 260	+1.5%

¹ Restatement see accounting policies – Employee benefits.

² Restructuring costs Siegfried Evionnaz.

Financial Commentary



Dr. Reto Suter
Chief Financial Officer

Growth, widening of margins, significant increase in the Operating Cash Flow and the Free Cash Flow

Siegfried reports higher sales for the 2018 financial year of CHF 794.3 million (2017: CHF 750.5 million, +5.8% in CHF or +4.4% in local currencies). Gross profit grew faster than sales (CHF 156.5 million) owing to higher utilization, portfolio effects and price increases.

EBITDA¹ (CHF 127.4 million), EBIT¹ (CHF 77.8 million) and Net Income¹ (CHF 57.5 million) were reported clearly higher than for the previous year. Sustained growth is reflected in increased margins at all levels: EBITDA margin¹ amounted to 16.0% (2017: 14.8%²), EBIT margin¹ (9.8%, 2017: 8.3%²) and Net Income margin¹ (7.2%, 2017: 5.4%²) improved significantly.

¹ Before special effects, restructuring costs Siegfried Evionnaz.
² Restatement see accounting policies – Employee benefits.

Cash Flow from Operating Activity for the first time exceeded the CHF 100 million mark; in the year under review it amounted to CHF 106.0 million. Deduction of Net Investments in Property, Plant and Equipment and Intangible Assets resulted in a Free Cash Flow of CHF 46.0 million.

Robust, Disproportionately High EBITDA Growth

Sales of CHF 794.3 million comprises CHF 595.5 million derived from Drug Substances and CHF 198.8 million from Drug Products. While Gross Profit grew by 12.8% to CHF 156.5 million, the Gross Profit margin increased by 1.2% to 19.7%.

Marketing and distribution costs in the year under review of CHF 16.1 million remained practically constant despite higher sales. Research & Development costs reflect the significance of this department and rose slightly to CHF 27.5 million. Administration and general costs increased to CHF 43.4 million.

This resulted in EBITDA¹ of CHF 127.4 million, a distinct increase of 14.5%.

Lower Financing Cost, Significantly Higher Net Profit

The financial result of CHF –6.1 million is reported higher than for the previous year (2017: CHF –4.1 million²). This is due to higher currency differences (CHF –2.5 million, 2017: CHF –0.1 million). Expenses for interest on borrowed capital and fees of CHF 3.5 million were reported slightly lower than for the previous year (2017: CHF 3.7 million²). The financial result was influenced by a correction concerning interest effects from pension obligations. The previous year's values were restated accordingly.

Tax expense for 2018 amounted to CHF 13.9 million, resulting in higher net profit¹ of CHF 57.5 million, or 40.9% above that of the previous year. Undiluted earnings per share (EPS)¹ amounted to CHF 13.81, diluted earnings per share¹ CHF 13.38 (2017: EPS² CHF 10.28, diluted EPS² CHF 9.97).

Substantial Increase in Operating Cash Flow and Free Cash Flow

In 2018, Siegfried reported operating cash flow after changes of net current assets of CHF 106.0 million (2017: CHF 84.6 million), representing substantial growth of 25.2 percent. Worth mentioning is a stock reduction (CHF -19.8 million) and the lower increase in trade receivables, loans and other receivables compared to the previous year (CHF +27.3 million; 2017: CHF +33.7 million). As in 2017, high sales were recognized in the last quarter of the year which resulted in above-average accounts receivables at year-end.

Investments in tangibles and intangibles of CHF 60.1 million are reported slightly above the previous year's level (2017: CHF 52.8 million).

In 2018, the net amount of CHF 29.4 million was expended for the acquisition of treasury shares. Interest paid and bank charges amounted to CHF 10.4 million in 2018. Dividend distribution from capital reserves to shareholders implemented in April 2018 amounted to CHF 10.0 million.

At year-end, Siegfried had at its disposal more than CHF 39.9 million in liquid assets. Outstanding loans amounted to gross CHF 110.0 million. Consequently, net debt at the end of 2018 amounted to CHF 70.1 million, thereof CHF 56.1 million treasury shares. Net debt in relation to EBITDA at year end was reported at 0.56 and the level of equity financing at 61.5 percent. Siegfried therefore has at its disposal necessary debt capacity to finance further growth steps.

The Board of Directors proposes to the General Meeting to be held on 17 April 2019 the distribution out of the capital contribution reserve of CHF 2.60 per share which, based on the number of shares entitled to a dividend, will result in a distribution of approximately CHF 10.7 million.



Dr. Reto Suter,
CFO

Consolidated Balance Sheet

In 1000 CHF (as of December 31)	Notes*	2018	2017 ¹
Assets			
Non-current assets			
Property, plant and equipment	2	520 597	500 209
Intangible assets	3	10 625	9 425
Investments in associated companies and joint ventures	4	416	475
Financial and other non-current assets	5	579	3 483
Employer contribution reserves	17	8 617	9 222
Deferred tax assets	6	28 402	34 645
Total non-current assets		569 236	557 459
Current assets			
Inventories	7	227 546	248 294
Trade receivables	8	217 009	189 160
Other current assets		38 566	35 403
Accrued income and prepaid expenses		6 373	6 034
Current income taxes		3 992	192
Securities		30	30
Derivative financial instruments	9	477	296
Cash and cash equivalents		39 880	34 137
Total current assets		533 873	513 546
Total assets		1 103 109	1 071 005
Liabilities and equity			
Equity			
Share capital		8 514	8 422
Treasury shares		-56 139	-21 601
Capital reserves		79 668	74 193
Hybrid capital		255 985	255 985
Retained earnings		390 749	350 789
Total equity		678 777	667 787
Non-current liabilities			
Non-current financial liabilities	12	110 000	100 000
Non-current provisions	13	28 917	16 951
Deferred tax liabilities	6	8 559	6 948
Other non-current liabilities	14	1 576	1 392
Non-current pension liabilities	17	123 986	130 197
Total non-current liabilities		273 038	255 488
Current liabilities			
Trade payables		69 344	71 316
Other current liabilities	16	31 887	19 221
Accrued expenses and deferred income	15	34 548	44 874
Derivative financial instruments	9	-	97
Current pension liabilities	17	499	406
Current provisions	13	10 598	6 917
Current income tax liabilities		4 418	4 899
Total current liabilities		151 294	147 730
Total liabilities		424 332	403 218
Total liabilities and equity		1 103 109	1 071 005

* The Notes on pages 56–64 are an integral part of the Group Financial Statements.

¹ Restatement see accounting policies – Employee benefits.

Consolidated Income Statement

In 1000 CHF (for the years ended December 31)	Notes*	2018	2017 ¹
Net sales	26	794 297	750 468
Cost of goods sold		-637 769	-611 657
Gross profit		156 528	138 811
Marketing and sales costs		-16 122	-16 228
Research and development costs		-27 471	-25 631
Administration and general overhead costs		-43 350	-41 290
Other operating income	19	6 733	6 264
Income of associated companies		-38	-8
Operating result		76 280	61 918
Financial income	20	74	35
Financial expenses	20	-3 661	-3 994
Exchange rate differences	20	-2 529	-96
Profit before income taxes		70 164	57 863
Income taxes	6	-13 854	-17 041
Net profit		56 310	40 822
Non-diluted earnings per share (CHF)	21	13.52	10.28
Diluted earnings per share (CHF)	21	13.10	9.97

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