

Quarterly Statement February to October 2019

Following the disclosure requirements for publicly traded companies, PHOENIX Pharmahandel GmbH & Co KG 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 PHOENIX Pharmahandel GmbH & Co KG		1st nine months 2018/19	1st nine months 2019/20
Total operating performance	in EUR m	24.408,1	25.700,2
Revenue	in EUR m	19.052,3	20.110,0
Total income	in EUR m	2.031,5	2.160,2
Adjusted EBITDA	in EUR m	337,0	332,5
EBITDA	in EUR m	308,2	323,9
EBIT	in EUR m	206,4	219,6
Profit after tax	in EUR m	117,5	139,2

		31. Oktober 2018	31. Januar 2019	31. Oktober 2019
Equity	in EUR m	3.371,8	3.144,8	3.235,6
Equity ratio	in %	37,0	36,2	36,2
Net debt	in EUR m	1.763,8	1.451,2	1.578,5

* 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 PHOENIX. 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	20,106,719	3,309	20,110,028	1,057,742	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	2,046,148	3,309	2,049,457	131,990	6.9
Other operating income	114,071	111,504	-771	110,733	-3,338	-2.9
Personnel expenses	-1,048,113	-1,113,804	0	-1,113,804	-65,691	6.3
Other operating expenses	-684,926	-610,169	-112,985	-723,154	-38,228	5.6
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)	308,238	434,344	-110,447	323,897	15,659	5.1
Amortisation of intangible assets and depreciation of property, plant and equipment	-101,857	-202,746	98,452	-104,294	-2,437	2.4
Earnings before interest and taxes (EBIT)	206,381	231,598	-11,995	219,603	13,222	6.4
Financial result	-24,211	-46,452	20,088	-26,364	-2,153	8.9
Profit before tax	182,170	185,146	8,093	193,239	11,069	6.1
Income taxes	-64,670	-52,026	-2,058	-54,084	10,586	-16.4
Profit for the period	117,500	133,120	6,035	139,155	21,655	18.4

Business development

PHOENIX 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 5.1 per cent, or €15.7 million, to €323.9 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 €332.5 million (comparative period €337.0 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	308,238	434,344	-110,447	323,897	15,659	5.1
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	337,045	442,948	-110,447	332,501	-4,544	-1.3

Profit for the period grew by 18.4 per cent, representing an increase of €21.7 million to €139.2 million.

Financial position

Equity – excluding IFRS 16 – increased by €90.8 million compared to 31 January 2019. The equity ratio as of 31 October 2019 came to 36.2 per cent (31 January 2019: 36.2 per cent).

Cash flow from operating activities – excluding IFRS 16 – came to €-185.4 million (comparative period: €-62.7 million) and was largely affected by a higher increase of €118.9 million in working capital compared to the same period of the previous year. Cash flow from investing activities came to €38.0 million and was €-134.5 million in the comparative period. The partial repayment of a purchase price loan granted to PHOENIX Pharma SE of €200.1 million had a positive effect. 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 €127.3 million compared to 31 January 2019 to € 1,578.5 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	1,103,737	-741,175	362,562	-299,720	-45.3
- Derivative financial instruments (non-current)	-187	-159		-159	28	-15.0
+ Financial liabilities (current)	543,324	1,051,610	-124,565	927,045	383,721	70.6
- Derivative financial instruments (current)	-5,733	-11,692		-11,692	-5,959	103.9
- Cash and cash equivalents	-152,845	-115,566		-115,566	37,279	-24.4
+ 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	1,451,178	2,444,250	-865,740	1,578,510	127,332	8.8

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 as of 1 November 2019.

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

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

Mannheim, 6 December 2019

The Management Board of the unlimited partner

PHOENIX Verwaltungs GmbH



Financial information
for the first nine months
2019/20

CONSOLIDATED INCOME STATEMENT

for the first nine months of 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	6,783,333	19,052,286	20,106,719
Cost of purchased goods and services	-5,835,391	-6,100,311	-17,134,819	-18,060,571
Gross profit	651,842	683,022	1,917,467	2,046,148
Other operating income	42,822	40,879	114,071	111,504
Personnel expenses	-357,896	-372,481	-1,048,113	-1,113,804
Other operating expenses	-235,104	-207,132	-684,926	-610,169
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)	110,535	144,733	308,238	434,344
Amortisation of intangible assets and depreciation of property, plant and equipment	-34,672	-68,234	-101,857	-202,746
Earnings before interest and taxes (EBIT)	75,863	76,499	206,381	231,598
Interest income	4,971	4,352	11,748	12,617
Interest expenses	-12,567	-17,919	-36,653	-55,696
Other financial result	1,175	-1,403	694	-3,373
Financial result	-6,421	-14,970	-24,211	-46,452
Profit before tax	69,442	61,529	182,170	185,146
Income taxes	-27,470	-17,908	-64,670	-52,026
Profit for the period	41,972	43,621	117,500	133,120
thereof attributable to non-controlling interests	7,936	6,815	26,402	25,036
thereof attributable to owners of the parent company	34,036	36,806	91,098	108,084

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	966,580	1,789,183
Investment property	10,042	9,938
Investments in associates and joint ventures	7,220	5,912
Trade receivables	309	722
Other financial assets	88,050	114,709
Deferred tax assets	65,811	79,083
	2,975,817	3,902,238
Current assets		
Inventories	2,301,048	2,531,316
Trade receivables	2,552,315	2,712,441
Income tax receivables	35,970	34,019
Other receivables and other financial assets	501,061	294,821
Other assets	135,279	181,815
Cash and cash equivalents	152,845	115,566
	5,678,518	5,869,978
Non-current assets held for sale	39,417	32,492
Total assets	8,693,752	9,804,708

EQUITY AND LIABILITIES

EUR k	31 January 2019	31 October 2019
Equity		
Unlimited and limited partners' capital	1,000,000	1,000,000
Reserves	2,136,450	2,246,344
Accumulated other comprehensive income	-260,448	-281,491
Equity attributable to partners	2,876,002	2,964,853
Non-controlling interests	268,750	275,525
	3,144,752	3,240,378
Non-current liabilities		
Financial liabilities	662,282	1,103,737
Trade payables	0	435
Provisions for pensions and similar obligations	249,589	264,538
Other non-current provisions	2,481	1,745
Deferred tax liabilities	116,460	119,217
Other non-current liabilities	1,452	1,661
	1,032,264	1,491,333
Current liabilities		
Financial liabilities	543,324	1,051,610
Trade payables	3,613,235	3,643,651
Other provisions	37,271	36,460
Income tax liabilities	32,206	31,518
Other liabilities	290,700	309,758
	4,516,736	5,072,997
Liabilities directly associated with assets held for sale	0	0
Total equity and liabilities	8,693,752	9,804,708

CONSOLIDATED STATEMENT OF CASH FLOWS

for the first nine months of 2019/20

EUR k	31 October 2018	31 October 2019
Profit after tax	117,500	133,120
Income taxes	64,670	52,026
Profit before income taxes	182,170	185,146
Adjustments for:		
Interest expenses and interest income	24,905	43,079
Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property	101,857	202,746
Result from associates and other investments	-9,739	-665
Net result from the disposal of assets related to investing activities	5,621	-2,384
Other non-cash expense and income	82,227	55,878
	387,041	483,800
Interest paid	-48,954	-57,227
Interest received	12,099	9,059
Income taxes paid	-55,802	-51,883
Dividends received	282	244
Result before change in assets and liabilities	294,666	383,993
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	-21,814	-24,583
Result before change in operating assets and liabilities	272,852	359,410
Change in inventories	-232,971	-239,679
Change in trade receivables	-113,141	-183,949
Change in trade payables	113,559	51,142
	-232,553	-372,486
Change in other assets and liabilities not related to investing or financing activities	-102,999	-82,023
Change in operating assets and liabilities	-335,552	-454,509
Cash flow from operating activities	-62,700	-95,099
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	-106,056	-125,299
Investment in other financial assets and non-current assets	-2,339	-2,500
Cash outflows for investments	-239,749	-180,360

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	2,665	12,428
Proceeds from other financial assets and non-current assets	102,541	203,659
Cash inflows from realised investments and divestments	105,270	218,365
Cash flow from investing activities	-134,479	38,005
Cash available for financing activities	-197,179	-57,094
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	64,534
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	60,000	8,111
Repayment of loans from shareholders in the parent company	-71,939	-779
Proceeds from the issue of loans from related parties	300,000	103,130
Repayment of loans from related parties	-300,000	-100,220
Change in ABS / Factoring	23,911	10,999
Change in finance lease	-651	-90,343
Change in other financial liabilities	-324	177
Cash flow from financing activities	203,438	19,008
Changes in cash and cash equivalents	6,259	-38,086
Effect of exchange rate changes on cash and cash equivalents	-151	807
Cash and cash equivalents at the beginning of the period	104,415	152,845
Cash and cash equivalents at the end of the period	110,523	115,566
Cash and cash equivalents presented in the balance sheet at the end of the period	110,523	115,566

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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.