Siegfried with Jump in Sales
Order backlog reached an all-time high

15.03.2017 - Following distinctive growth in the preceding years, the Siegfried Group reports a gratifying result for 2016. With sales of 717.7 million Swiss francs, the company set a new record in its history of more than 140 years. The growth of 49.3% is high because in 2016, for the first time, all of the sites acquired the previous year were fully consolidated and the new site in Nantong (China) made its first contribution. In 2016, EBITDA excluding integration costs grew significantly by 30.1% to 104.2 million francs. EBITDA including integration costs of 7.5 million francs reached 96.7 million francs. As expected, the corresponding EBITDA margin for the 2016 year of consolidation slightly decreased and is reported at 14.5%. Net profit amounted to 27.9 million francs (2015: 39.1 million francs). The decline is attributable to higher tax expenses (approximately 7 million francs) and higher financial expenses in connection with the higher indebtedness. In the previous year Siegfried benefited from tax credits.

Siegfried generated operating cash flow in 2016 (before changes in net current assets) of 95.9 million francs (2015: 65.0 million francs), an increase of 47.5%. Operating cash flow including changes in net current assets grew from 23.1 million francs in 2015 to 57.1 million francs.

Focus on implementation and consolidation

Being aware that every acquisition is only as good as its implementation, Siegfried’s focus in 2016 was on integration and consolidation. The connected one-time expense is shown as integration cost.

Significant milestones achieved

In the year under review, development and restructuring of the global production network achieved several significant milestones. The Chinese authorities issued Siegfried a final operating license for large-scale production at its Nantong plant, which was inaugurated in 2015. Beforehand, the authorities carried out a comprehensive and successful inspection of the plant. Currently, several products are being developed and produced in Nantong. Thus Siegfried is now in a position to take full advantage of this essential cornerstone of its production network and significantly improve its competitiveness. The fact that an important supplier company operates a production plant in China is being positively recognized by the market. The new plant in Zofingen, with a technical design comparable to that in Nantong, started commercial production. In the current year, Siegfried will expand its research and development capacity in order to meet customer requests faster. In Zofingen, about 40 new laboratory workstations are being set up. In addition, construction of the new logistics building comprising some 5,000 pallet positions is to begin shortly.
**Strong market position**

Implementation of its strategic projects in the 2010–2015 financial years has, in several respects, strengthened Siegfried’s position in the market. The company’s customer base grew significantly, especially in the United States of America, the most important pharmaceutical market. Now, and at least for the coming years, Siegfried enjoys the necessary critical size to flexibly meet customer requests and needs. In 2016, APIs (drug substances) stood for about three quarters of Siegfried’s sales and finished dosage forms (drug products) for one quarter. Both areas reported organic growth. Siegfried’s positive sales results are directly related to its market cultivation strategy. In the year under review, the Business Development & Sales team set a new record in Siegfried’s history in terms of new project orders.

**Proposals to the Annual General Meeting**

Thomas Villiger (1951), Vice-Chairman of the Board of Directors and a member since 2011, is not standing for re-election. Seeing that two Board members were elected at the 2016 Annual General Meeting, the Board of Directors decided not to recommend a replacement to the 2017 Annual Meeting.

Based on the positive results, the Board of Directors will recommend to the Annual General Meeting a payout to shareholders from the capital contribution reserves of CHF 2.00.

**Strategy work continues**

Siegfried CEO Rudolf Hanko: “The consolidation process in the industry has by no means been completed. We shall remain active in the change process in order to protect our leading position in the CMO market. As well as welcome additional size and connected flexibility, we aim to achieve, especially, deepening and expansion of our technical expertise.”

**Outlook**

Siegfried expects to achieve a robust result for the current year. The company anticipates high single-digit sales growth for 2017 subject to developments in various foreign currencies. In addition, the earnings situation will continue to improve based on the identified synergies. This will represent the basis on which to increase profit distribution to shareholders, also in the years to come.