

# Allergy solutions for life

IR roadshow presentation

February 2019



## Allergy solutions for life

More than 500 million people worldwide have allergies. Many of them suffer in silence because the way ahead is too confusing.

By collecting information and the latest and most trusted solutions together in one place, we want to make allergy surprisingly simple to manage. With 100 years of experience, nobody knows allergy like us, and we continuously apply our scientific knowledge and expertise to help people take control of their allergy and their life.

We want to make a difference by offering solutions for everyone who is touched by allergy – through a comprehensive range of products, services and resources that offer a fast-track to a more balanced life.



# 2018: First year with new strategy

- Strong progress for ALK's new strategy
- Financial results for 2018 much better than originally expected
  - In line with recent guidance upgrade
- ALK on track to deliver accelerated growth in 2019
  - Growth across all sales regions
  - SLIT-tablets as the key growth driver



# Point of departure

*Strategy in place to transform ALK into a broader-based allergy company*

## Foundation

- **96 years** of pioneering allergy research and treatment
- Leader in AIT, treating **1.7m patients**
- Portfolio of new, standardised tablets with **global potential**
- Exclusivity via **biological manufacturing** processes
- Present in **38 countries/2,400 employees**

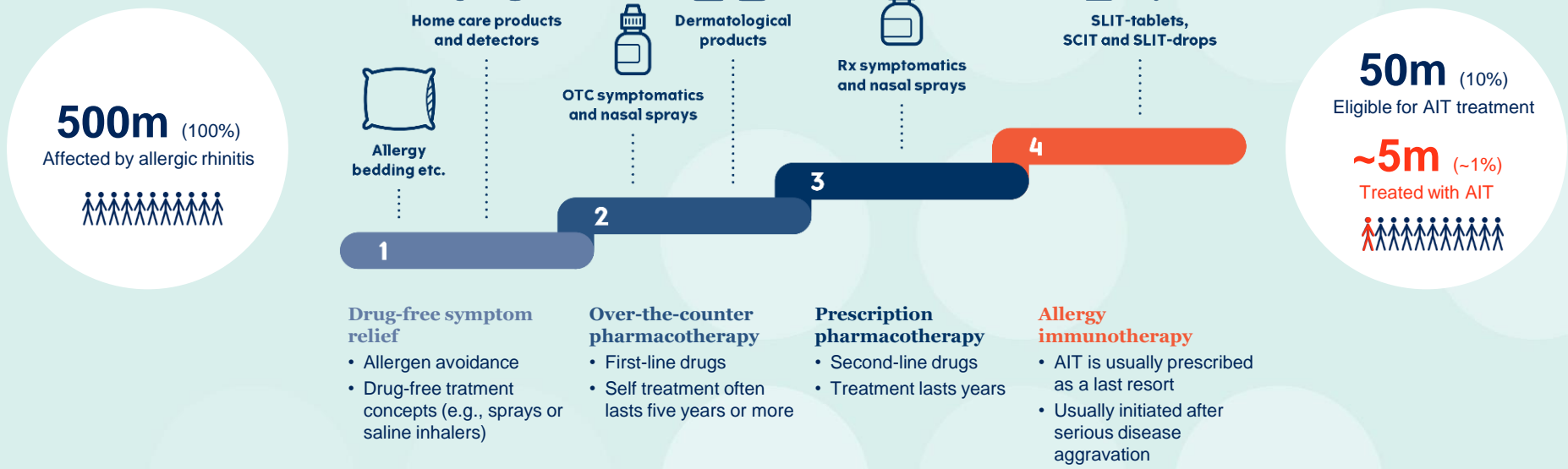
## Transformation in process

- Reach **>1% of patients**
- Unlock the **commercial potential** of tablets
- Overcome structural barriers in **the USA**
- Future-proof legacy production
- Embrace **market changes**
- Drive patient-centric **culture**



# Living with allergies

People with allergies are often actively seeking information, products and services to help them manage their condition



# Strategy: AIT leadership and patient engagement

*Three-year strategy launched in December 2017 to transform and grow ALK*

**Succeed in  
North  
America**

**Complete and  
commercialise  
the tablet  
portfolio**

**Patient  
engagement  
and  
adjacencies**

**Optimise and  
reallocate  
resources**

## **Financial ambitions**

An ALK capable of delivering sustainable, high revenue and earnings growth

Revenue growth of  $\geq 10\%$  annually

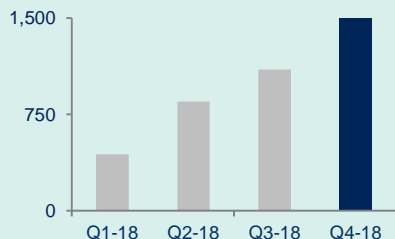
Raise margins as quickly as possible to specialty pharma levels after 2020



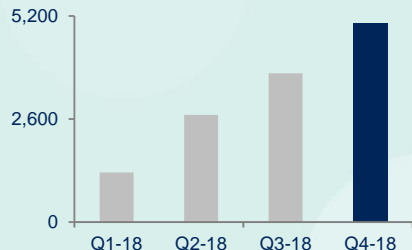
# Succeed in North America

## 2018 tablet milestones

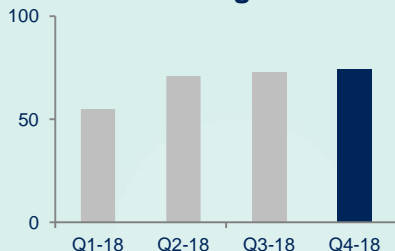
### 1,500 US prescribers



### ~5,000 US patients



### 74% US coverage



### 160 CAN prescribers



## 2019 key metrics

**≥10%** Sales growth in North America across main product categories



Increase acceptance of tablets, grow prescriber base and Rx depth



Expand penicillin business with launch of new version of Pre-Pen®



Grow value of SCIT and other products

# Complete and commercialise the tablet portfolio

## 2018 milestones



80-100,000 new HDM patients initiated  
Launches in five new markets  
Doubling of ACARIZAX® sales



Filing of tree tablet in the EU based on  
very strong data package



An ALK SLIT-tablet now most frequently  
initiated AIT product in 11 EU markets



Solid uptake in Japan of MITICURE™  
and CEDARCURE™

## 2019 key metrics



Maintain commercial momentum for tablets



Approval/launch of tree tablet in the EU  
Regulatory filing of tree tablet in Canada

Deliver on ACARIZAX® paediatric trial  
programme in EU and the USA



Pivotal trial with ACARIZAX® in China



# Build patient engagement and adjacencies

## 2018 milestones

**klarify.me** klarify.me launched in Germany with ~50 products and the UK; ~1m visitors

**klara** klara smartphone app launched >25,000 downloads



Increased traffic to patient sites, including allergiecheck.de, and social media



Adjacent deals: FeNo biomarker, gluten tester, on-site diagnostics

## 2019 key metrics

**klarify.me** 20 million klarify.me messages seen

**klara** >100,000 downloads



85,000 allergy tests



45,000 searches for an allergy doctor



Leverage digital platform to support the tree tablet launch

# Optimise and reallocate resources

## 2018 milestones



Improved supply chain robustness;  
new production site strategy



Output and inventories for key  
SCIT and SLIT-drops lines restored



Portfolio pruning on track: ~250  
product variants phased out vs. 2016



Roll-out of new cultural beliefs  
and mind-set

## 2019 key metrics



Increase production efficiency  
to improve margins



Maintain supply chain quality,  
robustness and scalability



Continue portfolio  
rationalisation programme



Maintain momentum of  
cultural change

# Financial status

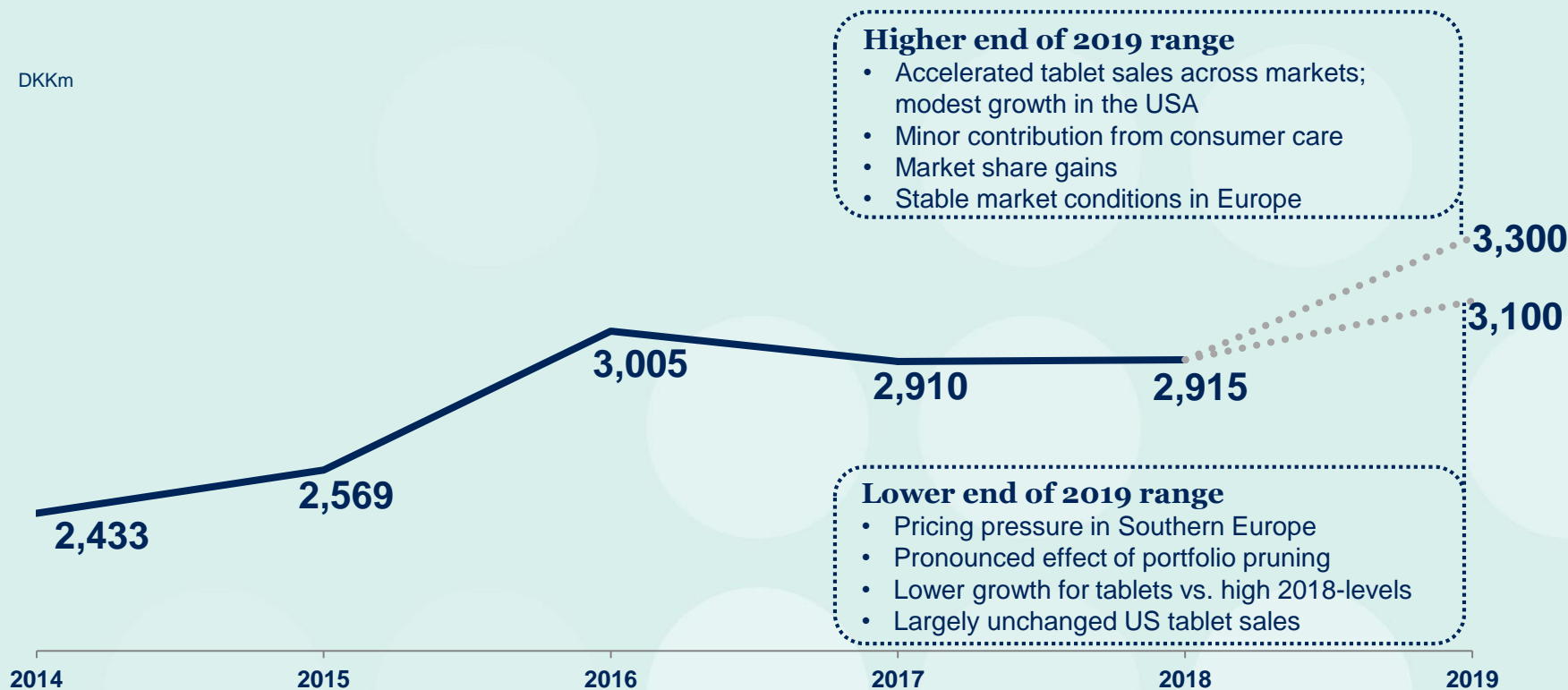
DKK million	2015	2016	2017	2018	2019G
<b>Revenue</b>	<b>2,569</b>	<b>3,005</b>	<b>2,910</b>	<b>2,915</b>	<b>3,1-3,300</b>
Gross margin	67%	67%	56%	56%	
R&D	407	385	426	392	
(% of revenue)	16%	13%	15%	13%	
Sales/Marketing & Adm.	1,033	1,140	1,298	1,364	
<b>EBITDA</b>	<b>451</b>	<b>642</b>	<b>253</b>	<b>136</b>	<b>100-200</b>
CAPEX	199	204	267	178	
Free cash flow	18	201	(745)	(264)	~(400)
Cash and marketable sec.	608	840	711	396	

## 2019 revenue

- Growth in all segments
- Strong tablet growth
- Largely unchanged SCIT/SLIT-drops sales
- Growth of ~10% in sales of other products

# 2019 FY revenue outlook

DKKm



# 2019 outlook

DKK	2018 actual	2019 outlook	Comments
<b>Revenue</b>	2.915m	<b>3.1-3.3bn</b>	Broad-based growth across regions and products, particularly within tablets; increasing SCIT sales. Negative impact from portfolio pruning and SLIT-drops. Minor positive currency impact.
<b>EBITDA</b>	136m	<b>100-200m</b>	Incrementally higher gross margins. Significantly higher R&D costs, increasing S&M costs. DKK 40m income from IFRS16. Immaterial currency impact.
<b>Free cash flow</b>	(294)m	<b>~(400)m</b>	Subdued earnings and strategic investments incl. DKK 200-250m CAPEX to streamline/specialise production.

*Assumptions: Current exchange rates. No revenue from acquisitions and/or partnerships. No sizeable payments to M&A/in-licensing.*



# Appendix





Pioneer since 1923 – Prevention, Diagnosis & Treatment

Leader in disease modifying allergy immunotherapy (AIT)

World's 1<sup>st</sup> producer of sublingual AIT tablets (SLIT-tablets)



# Allergy at a glance

Allergies occur when the body's immune system overreacts to substances that are usually considered harmless, such as various types of pollen, house dust mites, moulds and animal fur.

## Symptoms of respiratory allergies

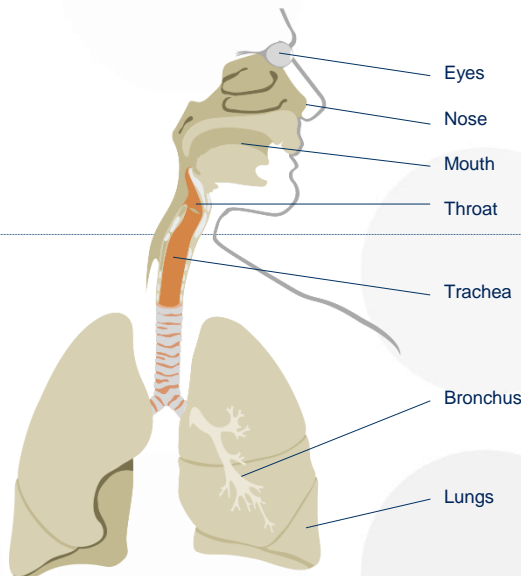
Respiratory allergies can affect both the upper and lower respiratory tract.

### Upper respiratory tract – allergic rhinitis

Running or blocked nose, itchy eyes, sneezing.

### Lower respiratory tract – allergic rhinitis

Shortness of breath, narrowed airways, coughing, wheezing.



## Insufficient sleep

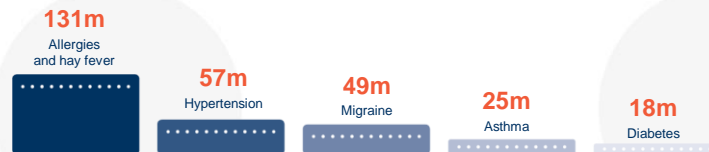
Allergies can impact the amount of sleep we get:

26%

of people with uncontrolled allergic rhinitis (AR) lack a good night's sleep

## Lost work days

Allergy is also a leading cause of lost work days\*, outstripping other conditions in its cost to businesses:



\* Work days lost in the USA to chronic conditions

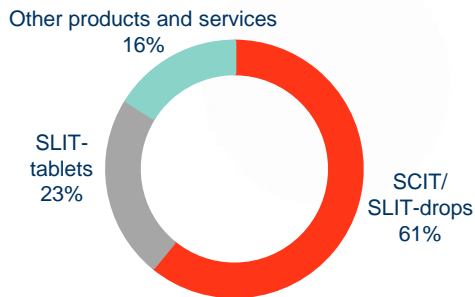
## Lower quality of life

Allergies have a significant impact on quality of life and our ability to get things done:

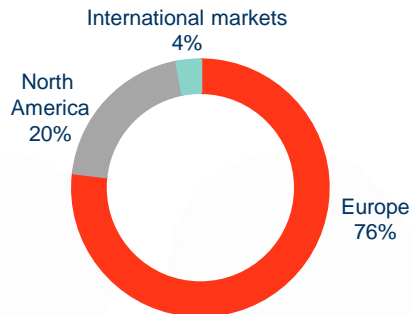


# ALK's current portfolio

Revenue by product line



Revenue by geography



# ALK's core products

*Market exclusivity secured via biological manufacturing processes and know-how*

ALK offers products, services and resources covering a wide range of allergies. The company also has products in related areas, including early allergy intervention, diagnosis and emergency treatment.

ALK's AIT products come in three different forms:

**Injections:** Subcutaneous immunotherapy (SCIT) is given as regular injections under the skin. The treatment is administered by a doctor.

**Sublingual drops:** Sublingual immunotherapy (SLIT) is taken in the form of drops administered under the tongue. Patients administer the drops themselves, avoiding the need for regular visits to the doctor.

**Tablets:** SLIT-tablets are administered by the patient at home and are available for all the most important respiratory allergies. Tablet-based AIT is the most well-documented allergy treatment

## Manufacturing footprint

*Centres of excellence*



# Pipeline covers >80% of respiratory allergy sufferers



# Q4 2018: Results in line with expectations

## Group performance

- 3% top-line growth driven by tablets and Jext®
- Encouraging trends in SCIT/SLIT-drops sales
- EBITDA reflects high activity level and one-offs
  - R&D clinical trials, US DTC campaign, restructuring and optimisation activities, write-down, VAT refund

## Q4 key figures

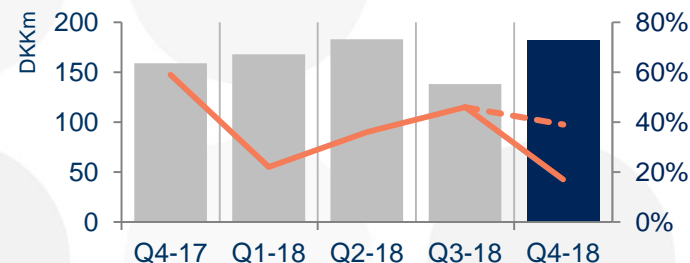
DKK million	2017	2018
Revenue	763	787
Gross profit	376	434
Capacity costs	517	542
EBITDA	61	10

*Growth rates are in local currencies*

## Tablet sales

- 39% growth when disregarding Q4-2017 stockpiling
- Underlying growth consistent with recent quarters

## Q4 tablet sales and growth





# FY 2018 revenue highlights

## Markets

### Europe

+0.3%

Tablets and Jext® growth outweigh impact from product pruning and previous supply issues



### North America

+0.5%

Higher SCIT sales offset decline in sales of other products (disregarding Q4-17 one-offs)



### International markets

+41%

Growth driven by shipments to Japan; positive contribution from China



## Products

### SCIT and SLIT-drops

-7%

Portfolio rationalisation, impact of previous supply issues; market normalisation in France



### SLIT-tablets

+28%

Strong growth in Europe and Intl. markets; NA sales down due to Q4-17 stockpiling



### Other products and services

+4%

Jext® benefits from supply issues in adrenaline auto-injector market



*Growth rates are in local currencies*

# 2018 performance better than originally expected

Results in line with 14 December outlook upgrade

DKK million	2017	2018
<b>Revenue</b>	<b>2,910</b>	<b>2,915</b>
Gross profit	1,642	1,633
Gross margin	56%	56%
Capacity costs	1,724	1,756
<b>EBITDA</b>	<b>253</b>	<b>136</b>
<b>EBIT</b>	<b>(80)</b>	<b>(96)</b>
Net financials	(42)	(7)
Tax	(36)	(67)
<b>Net profit</b>	<b>(158)</b>	<b>(170)</b>
Free cash flow	(745)	(294)

+1% despite  
portfolio pruning;  
~DKK 200m  
above original  
**outlook**

Investments in  
compliance  
& robustness

~DKK 185m  
above  
original outlook

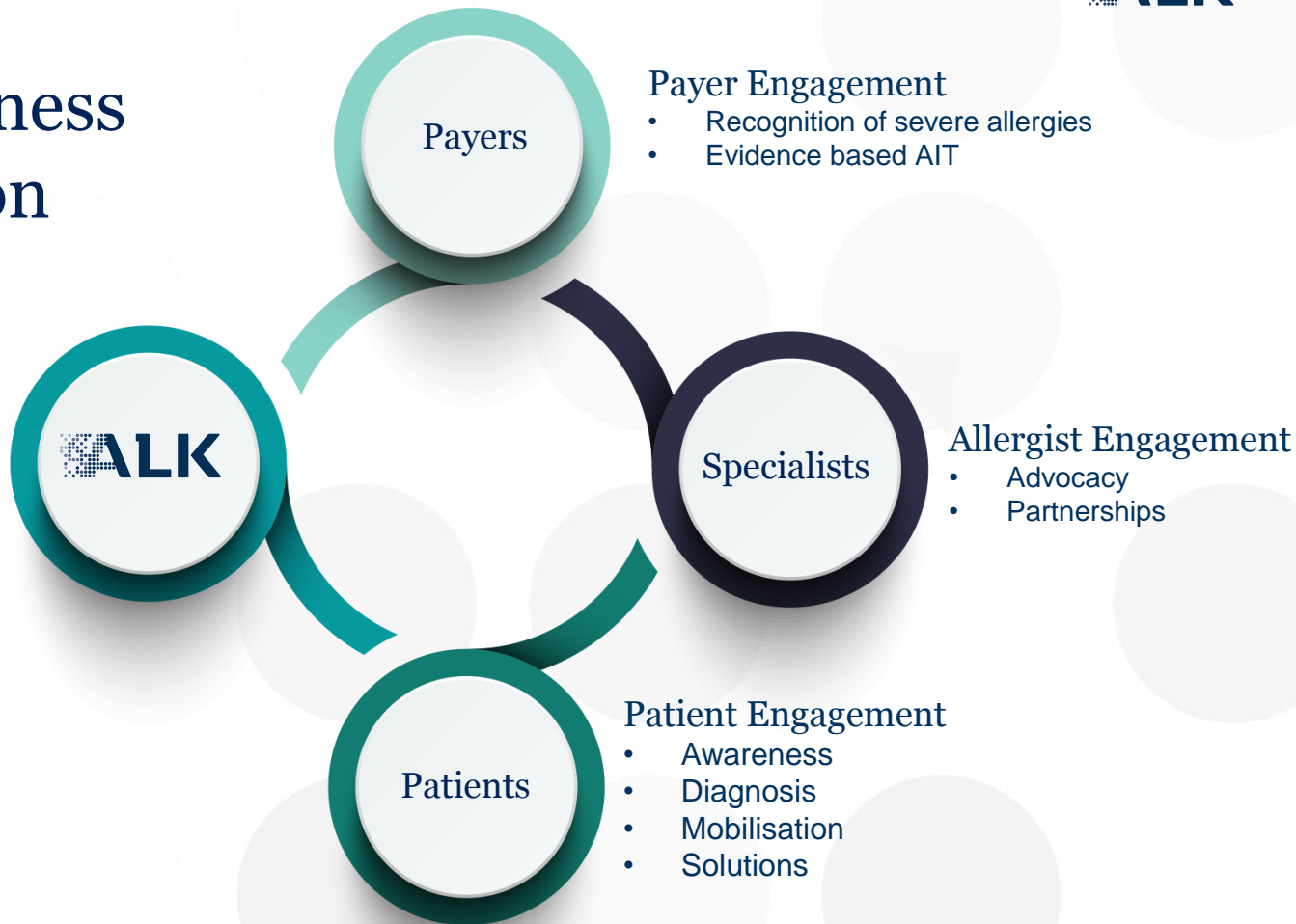
Investments in  
transformation  
& growth

2018 cash flow  
better  
than expected

# The ALK Business Transformation

## ALK

- Tablet portfolio
- Consolidated legacy portfolio



# Forward-looking statements

This presentation contains forward-looking statements, including forecasts of future revenue, operating profit and cash flow as well as expected business-related events. Such statements are naturally subject to risks and uncertainties as various factors, some of which are beyond the control of ALK, may cause actual results and performance to differ materially from the forecasts made in this announcement. Without being exhaustive, such factors include e.g., general economic and business-related conditions, including legal issues, uncertainty relating to demand, pricing, reimbursement rules, partners' plans and forecasts, fluctuations in exchange rates, competitive factors and reliance on suppliers. Additional factors include the risks associated with the sourcing and manufacturing of ALK's products as well as the potential for side effects from the use of ALK's existing and future products, as allergy immunotherapy may be associated with allergic reactions of differing extents, durations and severities.

# Thank you for your attention

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