

The background of the slide is a photograph of a man and a young child sleeping together on a couch. The man is lying on his side, wearing a grey hoodie, with his hand resting on the child's head. The child is wearing a blue long-sleeved shirt and is also sleeping peacefully. The scene is intimate and conveys a sense of care and protection.

# A world leader in allergy immunotherapy

**2016 results & 2017 outlook**  
**Teleconference**  
**7 February 2017**

# Today's agenda

## Highlights

- Market trends and financials

## Strategic growth investments

- North America
- Europe and Int'l markets
- ACARIZAX<sup>®</sup>
- Product Supply

## 2017 outlook

- Market dynamics and key figures

## Q&A session



**President & CEO**  
Carsten Hellmann



**EVP, Group CFO**  
Flemming Pedersen



**VP, Head of IR**  
Per Plotnikof

*This presentation contains forward-looking statements, including forecasts of future revenue and operating profit, as well as expected business-related events. Such statements are subject to risks and uncertainties as various factors, some of which are beyond ALK's control, may cause actual results and performance to differ materially from the forecasts made in this presentation.*

# Highlights: High growth driven by market disruptions

## Q4 2016

- 10% growth in base business, 12% overall

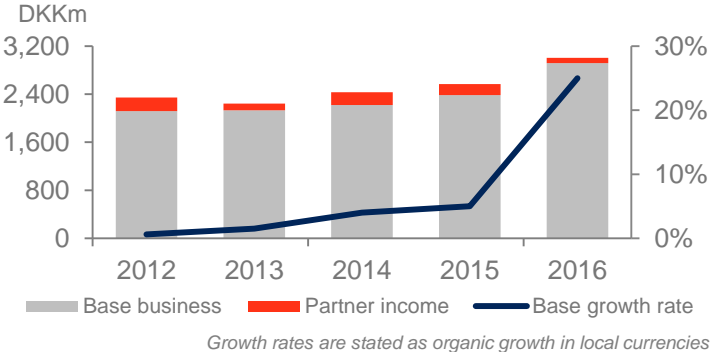
## FY 2016

- Competitor problems boosted European sales
- Record-high revenue and EBITDA result
- Asthma evidence continues to build
- Encouraging uptake of ACARIZAX<sup>®</sup> / GRAZAX<sup>®</sup>

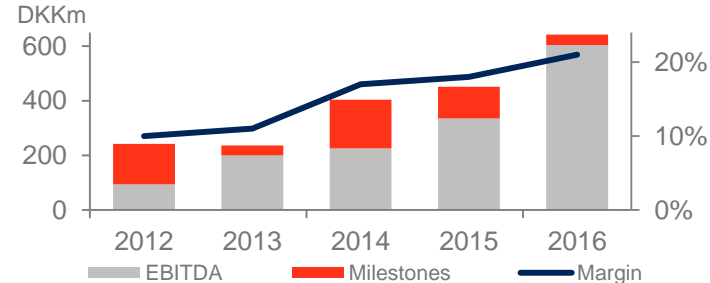
## 2017

- 2016 “disruption” profits to be reinvested in building growth and robustness

### Base business growth



### Reported EBITDA

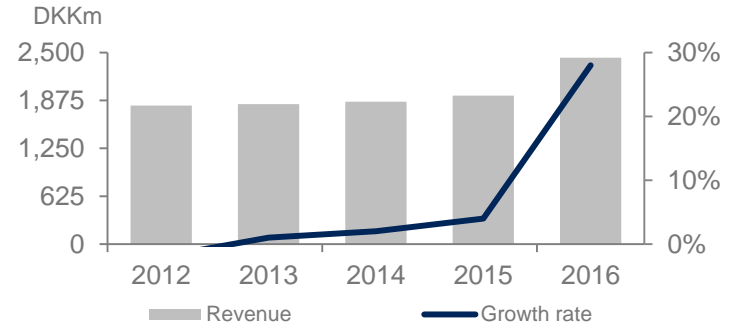


# Europe: Record results despite lower SCIT sales

DKK 2,434m revenue (+28%)

- Market volatility played out in ALK's favour
- Record-high number of patient initiations
- 61% growth for SLIT-tablets
- Weaker SCIT sales during capacity upgrades
- >40% market share for total AIT (~33)
- 75% market share for SLIT-tablets (~60)

## Base business growth



*Growth rates are stated as organic growth in local currencies*



# North America & Int'l markets: A year of transition

**North America:** DKK 512m revenue (+15%)

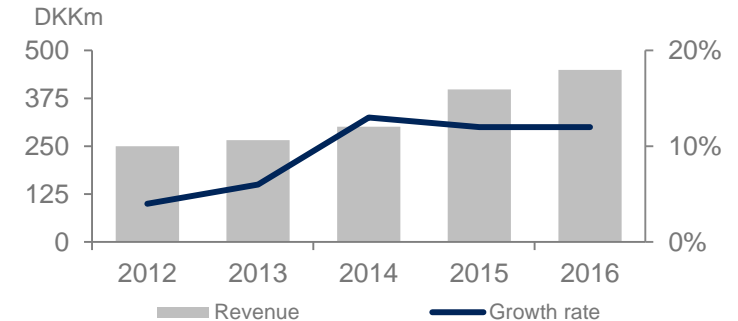
DKK 449m product sales (+12%)

- Temporary reduction of SCIT capacity in Q4

DKK 63m partner income (+42%)

- Incl. DKK 34m milestone payment
- Phase-out of MSD partnership completed

**Base business growth**



*Growth rates are stated as organic growth in local currencies*

**International markets:** DKK 59m revenue (-68%)

DKK 35m product sales (-19%)

- New distribution set-up in China

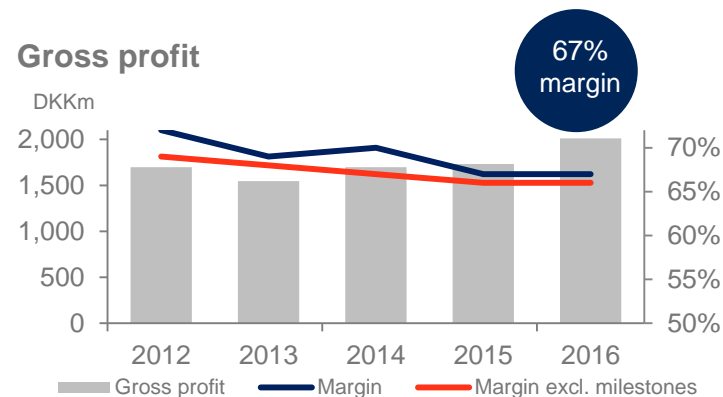
DKK 24m partner income (-83%)

- DKK 112m decline in milestone payments

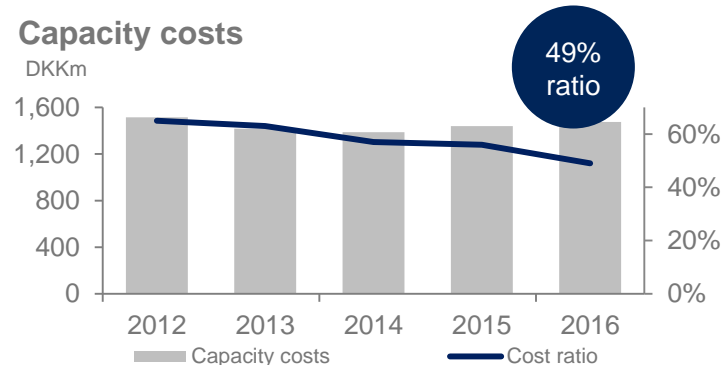
# Full-year results

DKK million	2016	2015
Base business	2,918	2,384
SLIT-tablet partnerships	87	185
<b>Revenue</b>	<b>3,005</b>	<b>2,569</b>
Gross profit	2,011	1,733
Capacity costs	1,476	1,440
<b>EBITDA before special items, excl. milestones and royalties</b>	<b>659</b>	<b>331</b>
<b>Reported EBITDA</b>	<b>642</b>	<b>451</b>
Net profit	270	344
Free cash flow	201	18

## Gross profit



## Capacity costs



# ALK's path to long-term growth

*2017: Extra allocations of DKK ~275 million (OPEX) and DKK 150-200 million (CAPEX) to fund growth initiatives*



EU market shaping



EU market expansion



North American build-up



Geographical expansion

## Across regions

- ACARIZAX® launches
- Explore adjacencies: in-license or acquire
- Jext® in new markets
- Customer-centric approach

## Basis

- Expand capacity and robustness in Product Supply

# North America: A significant opportunity

DKK 150 million to support tablet franchise

## Build organisation and grow sales

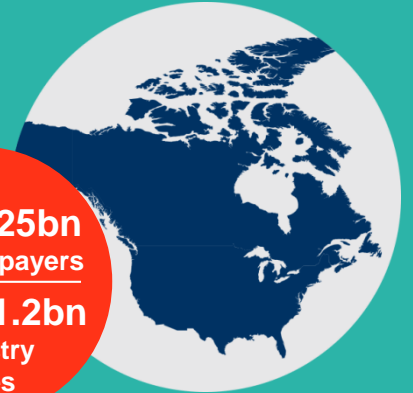
- Hiring of ~50 new employees
- Pilot → learn → scale market approach
- Support allergists in retaining patients
- Broad range of products and solutions
- HDM SLIT-tablet launch and extension of label

~3m  
AIT patients

>6m  
eligible  
patients

~DKK 25bn  
billing to payers

~DKK 1.2bn  
industry  
sales



Main allergies:  
HDM, grass, ragweed and tree



# Market-shaping and expansion

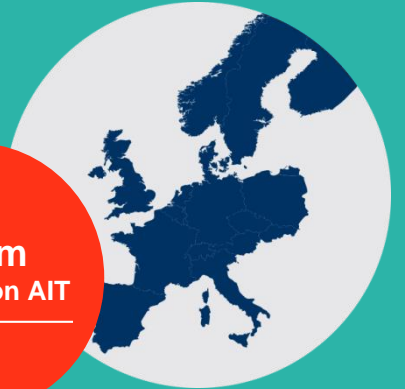
*DKK 50 million in additional sales, marketing and R&D expenses*

## Europe:

- Lock-in market share gains
- Additional sales resources
- Expansion in Eastern Europe
- ACARIZAX®: Paediatric development, extend label to adolescents
- Tree tablet and ragweed tablet

**~DKK 5bn**  
industry sales

**~1.4m**  
patients on AIT



Main allergies:  
HDM, grass and tree

## International markets:

- Build-up in China and the Middle East
- Tablet launches



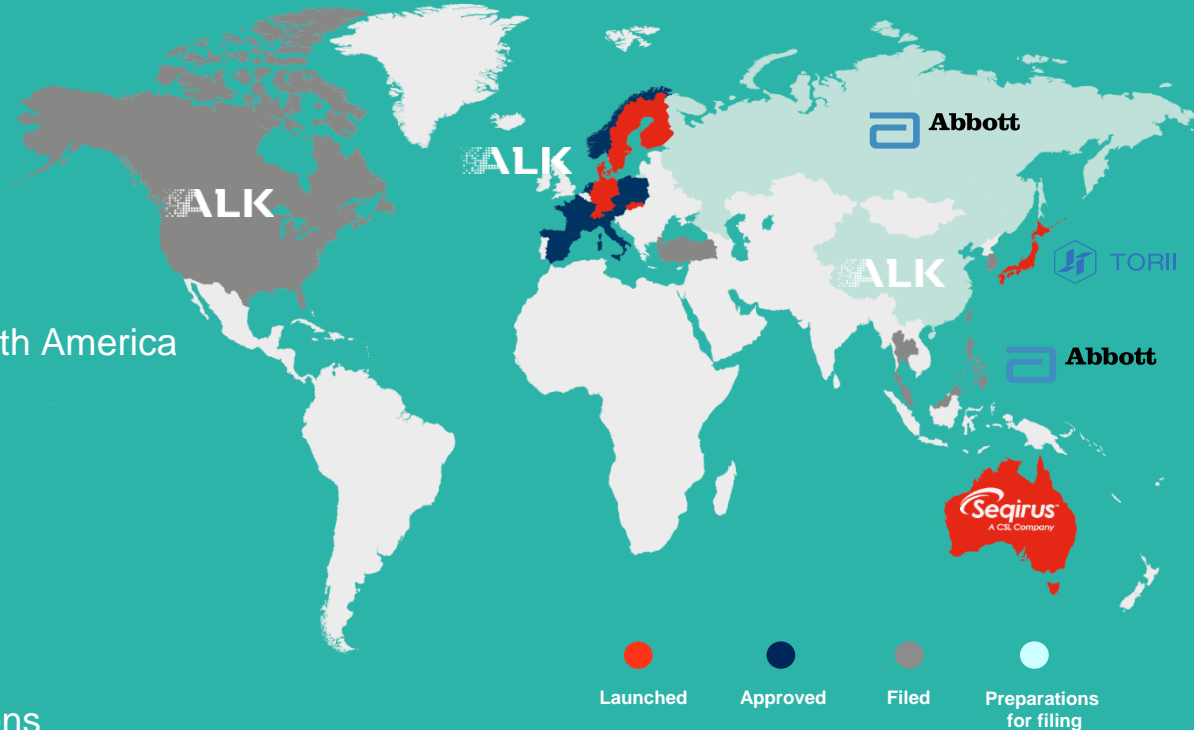
# Update on ACARIZAX<sup>®</sup> globalisation

## 2016 highlights

- Launched in eight markets
- ~25,000 patients
- Approved in ESP, NL, CH
- Filings in South-East Asia and North America
- Development in China

## 2017 highlights (expected)

- Strong growth in existing markets
- New launches in Europe
- New registrations
- Approvals/launches in Abbott regions
- Approvals in North America



\* ACARIZAX<sup>®</sup> is the trade name for ALK's HDM SLIT-tablet in Europe

# Capacity expansion and Product Supply robustness

*DKK 75 million in extra costs, DKK 150-200 million increase in CAPEX*

## SLIT-drops:

Capacity expansion



## SCIT:

Continued upgrades



## SLIT-tablets:

Continued expansion



- Full-year effect of staff and capacity doubling
- Retain market leadership

- Staff and upgrades to equipment and facilities in DK and the USA
- Quality documentation

- HDM source material facility in the USA
- HDM drug substance in DK
- Scale to roll-out tree tablet

*Digitalisation of workflow • IT capabilities and applications • Compliance*

# Anticipated market dynamics in 2017



- ALK to retain part of market share gains
- Markets expected to gradually find a “new normal”
- SCIT sales squeezed by upgrades; strong growth for ACARIZAX®
- Revenue lower than 2016 but significantly above 2015 (DKK 1.9bn)



- Revenue to grow driven by allergen extracts, diagnostics and SLIT-tablets
- Conversion of tablet sales royalties to revenue
- Contribution from recent acquisitions



- Revenue to grow in current markets, expansion into new markets
- No milestone or upfront payments (2016: DKK 38m)

# 2017 outlook

	2016A	2017E	Comments
Revenue	DKK 3.0bn	DKK 2.8-3.0bn	Lower revenue in EU, growth in North America and Int'l markets
Gross margin	67%	↓	Changes in product mix, increased fixed costs
Capacity costs	DKK 1,476m	↑	Significant growth investments
EBITDA	DKK 642m	DKK ~300m	Earnings on 2015-level, excluding milestones
CAPEX	DKK 204m	DKK 350-400m	Accelerated investments in capacity and robustness
Free cash flow	DKK 201m	Down to minus DKK 500m	Growth investments (incl. acquisitions and continued inventory build-up), relatively high tax payments

# Q&A Session



# Thank you for your attention

Read more: [www.alk.net](http://www.alk.net)

## Upcoming events:

8 February: Roadshow Copenhagen

9 February: Roadshow Paris

10 February: Roadshow London

20 February: Roadshow Zurich

21 February: Roadshow Milan

1 March: Roadshow Frankfurt

16 March: Carnegie Healthcare Seminar, Stockholm

22 March: Oppenheimer Annual Healthcare Conference, New York

23 March: Roadshow New York

19 April: Kempen & Co Life Sciences Conference, Amsterdam

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