GALDERMA

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PRESS RELEASE

Galderma delivers record net sales of 2.2 billion USD and 10.8% year-on-year growth at constant currency for the first half of 2024

Ad hoc announcement pursuant to Art. 53 LR

Zug, Switzerland, July 25, 2024 – Galderma Group AG, the pure-play dermatology category leader, today announced its financial results for the first half of 2024.

- **Record net sales of 2.2 billion USD in the first half of 2024**, with net sales growth of 10.8% on a constant currency basis[1], predominantly driven by volume growth complemented by favorable mix
- **Broad-based growth across all product categories**, with constant currency year-on-year growth of 13.4% for Injectable Aesthetics, 11.8% for Dermatological Skincare, and 2.2% for Therapeutic Dermatology
- **Growth across geographies,** especially in International markets with continued growth momentum, including in China
- **Progress updates on its two biologic candidates with blockbuster potential**, with RelabotulinumtoxinA's (QM-1114) first marketing authorization in Australia under the brand name Relfydess™ and nemolizumab's launch readiness after filing acceptances
- **Profitability improvement in the first half of 2024**, with Core EBITDA[2] of 514 million USD, a 23.4% margin, up 30 basis points (up 40 basis points at constant currency) compared to the 2023 full year Core EBITDA margin
- **Leverage[3] reduced to 2.6x by end of June 2024 and 100 million USD of debt repaid early post-IPO**, resulting in an expected interest cash expense of approximately 120 million USD for the second half of 2024, with interest rate on gross debt down approximately 50 basis points
- **2024 full year guidance updated on net sales**, towards the upper end of the previously communicated growth range of 7-10% at constant currency, while confirming Core EBITDA margin guidance, in line with 2023 at constant currency

"Galderma delivered a strong first half of the year with excellent sales, profit and cash generation results, underscoring the benefits of our unique and growth focused integrated business model. Dermatology continues to be an attractive market despite some slowdown in a few segments which we have been able to overcompensate via market share gains and continued global expansion. We are also progressing our late-stage pipeline with two potential blockbusters on track to start contributing to the overall company performance as early as 2025. We remain confident in delivering strong 2024 full year results and are well set up for continued future growth."

FLEMMING ØRNSKOV, M.D., MPH
CHIEF EXECUTIVE OFFICER
GALDERMA

Commercial performance

Galderma achieved record net sales of 2.2 billion USD for the first half of 2024, representing 10.8% year-on-year net sales growth on a constant currency basis, predominantly driven by volume complemented by favorable mix.

Performance in the first half of the year was underpinned by continued execution of Galderma's growth-focused integrated dermatology strategy and its three strategic pillars, including new launches and progress on its two biologic candidates with blockbuster potential, focus on commercial execution, and delivery of market-leading education and services.

Net sales growth was widespread across product categories and geographies. All product categories grew, with notably strong performance in Injectable Aesthetics and Dermatological Skincare. Across International markets, there was continued double-digit growth momentum fueled by strong performance in major markets in Asia, Europe and Latin America. Notably, in China, Galderma maintained a robust double-digit growth trajectory in both Injectable Aesthetics and Dermatological Skincare. The U.S. continued to deliver growth despite a softer market environment.

Injectable Aesthetics

Injectable Aesthetics net sales for the first half of 2024 were 1,139 million USD, with year-on-year growth of 13.4% on a constant currency basis. Growth was rebalanced after the phasing impact of the first quarter of the year, while driving quarter-on-quarter growth.

Both Injectable Aesthetics sub-categories performed strongly. For the first six months of 2024, Neuromodulators net sales were 622 million USD, with year-on-year growth of 16.6% on a constant currency basis, and Fillers and Biostimulators net sales were 517 million USD, with year-on-year growth of 9.8% on a constant currency basis.

Growth was driven by strong brand performance and scaling execution across its Injectable Aesthetics portfolio, along with increasing penetration in terms of geographic reach, portfolio breadth as well as healthcare professional education and training.

Commercial highlights for the past quarter included sales force expansion in China to reach additional cities, broad activation in Thailand with city banners to support the continued strong uptake from its recent Sculptra launch, and celebrating key milestones in the U.S. such as Dysport's 15-year anniversary, coinciding with the 25th anniversary of Sculptra globally. Galderma also continued to demonstrate its commitment to healthcare professional education and training, with leading presence at major medical congresses, including Vegas Cosmetic Surgery (VCS), and local Galderma Aesthetic Injector Network (GAIN) events, covering market-shaping topics such as the treatment with Restylane and Sculptra for patients experiencing rapid weight loss.

Innovation highlights for the past quarter include launching Restylane VOLYME™ in China, designed for contouring and volumization of the mid-face region, as well as regulatory and manufacturing updates for RelabotulinumtoxinA (QM-1114). Restylane SHAYPE™, launched in Canada in the first quarter, as the first filler with 'bone-mimicking' properties using NASHA HD™ technology for temporary augmentation of the chin region, also continues to perform well.

In terms of RelabotulinumtoxinA, Galderma's next generation neuromodulator, Galderma received its first marketing authorization from Australia's Therapeutic Goods Administration for the treatment of both frown lines and crow's feet under the brand name Relfydess™. Galderma expects first launches in its International markets could take place in the first half of 2025 subject to additional regulatory approvals to gain relevant production scale. Galderma's Uppsala site already received license updates from the Swedish Medical Products Agency authorizing the future manufacture of the first and only ready-to-use liquid neuromodulator created with Galderma's proprietary PEARL™ Technology, which provides sustained results for six months and fast onset of action as early as day one. Results from the phase III READY-1 study were recently published in the Aesthetic Surgery Journal[4].

Dermatological Skincare

Dermatological Skincare net sales for the first half of 2024 were 675 million USD, with year-on-year growth of 11.8% on a constant currency basis. Growth in the U.S. was rebalanced after the first quarter phasing impact in Cetaphil.

Cetaphil in International markets and Alastin both grew double-digits, more than offsetting the skincare market softness in the U.S.. Galderma continued to drive tailored strategies in key markets to deliver growth, such as Brazil, Canada, China, India, the Philippines, and the U.K. & Ireland.

Growth was based on focused execution behind science-based flagship brands, with an emphasis on detailing, sampling, as well as notable digital and e-commerce activation, all underpinned by targeted innovation and scientific engagement.

Commercial highlights for the past quarter included increasing Cetaphil digital- and influencer-first efforts to activate viral campaigns and drive e-commerce growth. Building on the first quarter success of its 'Face of Cetaphil' and 'Game Time Glow' campaigns in the U.S., Cetaphil recently went viral in India, for example, and became one of the top trending topics in the country by capitalizing on local trends with men's skincare. E-commerce remained Cetaphil's fastest-growing channel, whether in the U.S. with continued growth momentum at Amazon or in China with growth boosted by the recent '618' shopping event performance. Leveraging the science behind the brand, Galderma continued to engage consumers and healthcare professionals through sales force detailing, healthcare professional education, and its Galderma Sensitive Skincare Faculty (GSSF). Alastin momentum also remained strong in the U.S. while continuing to expand internationally.

Innovation highlights for the past quarter ensured a consistent flow of targeted new Cetaphil launches designed for sensitive skin, particularly supporting our face range and relevant line expansions globally. Recent launches for Cetaphil included two high potency face serums in the U.S. and its Baby line expansion in Asia, including a tailored product specifically designed for China. Meanwhile, the recently launched Alastin C-Radical Defense Antioxidant Serum continued its robust market uptake, based on strong clinical differentiation and external recognition, with awards as a top performing Vitamin C serum.

Therapeutic Dermatology

Therapeutic Dermatology net sales for the first half of 2024 were 388 million USD, with year-on-year growth of 2.2% on a constant currency basis. The growth was mainly driven by International markets, more than offsetting anticipated lower volumes and ongoing market genericization in the U.S.

The main highlight is the progress on launch preparations for nemolizumab in prurigo nodularis and atopic dermatitis. In addition to the filing acceptances announced for the U.S., including priority review for prurigo nodularis, Europe, Australia, the U.K., Singapore and Switzerland, filing acceptance has also been received for Canada. Focus in relevant markets has been on launch readiness, first and foremost in the U.S., where the required infrastructure is in place, including commercial, medical and market access teams with extensive biologic launch expertise. In key International markets, launch teams are also in place, including experienced market access and medical affairs teams. Galderma remains focused on disease education for prurigo nodularis and atopic dermatitis at medical congresses. In terms of data dissemination, detailed results from the phase III ARCADIA 1 and 2 trials evaluating the safety and efficacy of nemolizumab in atopic dermatitis were just published for the first time in The Lancet. Data from this robust phase III program demonstrate the potential of nemolizumab (in combination with background therapy) to improve skin lesions, itch, and sleep disturbance in adolescent and adult patients with moderate-to-severe atopic dermatitis.

Meanwhile, a phase II proof-of-concept dose-finding study for the reduction of itch intensity in adult patients with advanced chronic kidney disease associated pruritus (CKD-aP) reinforced the potential for nemolizumab in other indications to be explored. The study demonstrated rapid onset of action in itch as well as a favorable safety and tolerability profile, aligned with previous phase III clinical trial results in prurigo nodularis and atopic dermatitis, with no safety signals identified. Given the multiple potential indications for nemolizumab, along with the existing CKD-aP treatment landscape, Galderma

has decided to deprioritize the CKD-aP program and explore additional dermatological indications with significant unmet treatment needs to have the greatest impact for patients.

Financial scorecard

Galderma delivered 514 million USD in Core EBITDA for the first half of 2024, representing a 17.7% year-on-year growth at constant currency and a 23.4% Core EBITDA margin. Core EBITDA margin at constant currency was 23.4%, an increase of 30 basis points (an increase of 40 basis points at constant currency) compared to a 23.1% Core EBITDA margin for the full year 2023.

Core EBITDA growth was driven by sales growth and benefits from a scalable platform driving operating leverage, along with positive phasing impact from nemolizumab costs which are expected to ramp-up in the second half of 2024. Beyond an increase in underlying profitability in the first six months of 2024, spend for nemolizumab was of 95 million USD, representing 38% of the expected spend for the year.

Galderma also progressed on its deleveraging trajectory, with leverage reduced to 2.6x by end of June 2024. Net debt was reduced to 2,589 million USD, including early debt repayment of 100 million USD behind confidence in cash generation. Debt repayment after the IPO was possible despite 108 million USD payments in the first half of 2024 for two out of the three expected milestones and earn-out payments planned for the year. For the full year, leverage is expected to be towards the lower end of the previously communicated 2.25-2.50x range. In addition, the second half of the year will benefit from an improvement of approximately 50 basis points in the interest run-rate expense on gross debt, resulting in an expected interest cash expense of approximately 120 million USD for the second half of the year.

Galderma also continues to advance its ESG agenda, having published its 2023 Environmental, Social and Governance (ESG) update, developed based on the Task Force on Climate-Related Financial Disclosures (TCFD) framework. Galderma remains committed to advancing its ESG agenda and progressively increasing the disclosed ESG metrics which are already tracked internally and linked to the compensation of its senior leaders.

Full year guidance

Based on a strong first half year, Galderma is updating its 2024 full year guidance on net sales, towards the upper end of the previously communicated growth range of 7-10% at constant currency, and is confirming guidance on Core EBITDA margin, in line with 2023 at constant currency. With better visibility following the IPO, Galderma also updated select modeling metrics for the year, with details available in the Appendix.

Webcast details

Galderma will host its financial results call today at 12:30 CEST to discuss first half 2024 results and respond to questions from financial analysts. Investors and the public may access the webcast by registering on the Galderma Investor Relations website at https://investors.galderma.com/events-presentations.

Appendix

Net sales by product category and geography

In million USD	First half net sales		Year-on-year growth	
	2023	2024	Constant currency	Reported
Group total	**2,003**	**2,202**	**10.8%**	**9.9%**
By product category				
Injectable Aesthetics	**1,014**	**1,139**	**13.4%**	**12.2%**
Neuromodulators	536	622	16.6%	16.0%
Fillers & Biostimulators	479	517	9.8%	8.0%
Dermatological Skincare	**608**	**675**	**11.8%**	**11.1%**
Therapeutic Dermatology	**381**	**388**	**2.2%**	**1.8%**
By geography				
International	**1,119**	**1,277**	**15.7%**	**14.1%**
U.S.	**884**	**925**	**4.7%**	**4.7%**

Reconciliation of H1 2024 P&L from IFRS to Core reporting

In million USD	IFRS - as reported	Exceptional & transformation related items	Amortization	Depreciation	Core reporting	% Net Sales based on Core reporting
Net Sales	**2,202**	**-**	**-**	**-**	**2,202**	
Other revenue	14	-	-	-	14	
Cost of goods sold	(667)	-	89	9	(569)	
Gross profit	**1,549**	**-**	**89**	**9**	**1,647**	**74.8%**
Research and development	(135)	-	-	1	(134)	6.1%
Sales and marketing	(701)	-	-	5	(695)	31.6%
General and administrative	(287)	57	22	15	(194)	8.8%
Medical and regulatory	(45)	-	-	-	(45)	2.0%
Distribution	(65)	-	-	1	(65)	2.9%
Other income / (expenses)	(2)	2	-	-	-	-
Operating profit as reported	**313**					
Total adjustments		**59**	**112**	**30**		
Core EBITDA					**514**	**23.4%**

Reconciliation of H1 2024 of Core EBITDA to IFRS Net Income

In million USD	H1 2023	H1 2024
Core EBITDA	**450**	**514**
% margin	*22.5%*	*23.4%*
Exceptional and transformation related adjustments	(23)	(57)
Other income / (expenses)	(18)	(2)
Total EBITDA adjustments[5]	**(40)**	**(59)**
EBITDA	**410**	**455**
% margin	*20.5%*	*20.7%*
Depreciation	(25)	(30)
Amortization	(107)	(112)
Operating profit	**278**	**313**
Net interest expenses incl. VCB revaluation	(278)	(206)
Foreign exchange loss on financing activities	(18)	(30)
Income / (loss) before tax	**(17)**	**77**
Income taxes	21	(30)
Net income	**4**	**47**

Reconciliation of H1 2024 from IFRS Net Income to Core Net Income[6]

In million USD	H1 2023	H1 2024
Net income	**4**	**47**
Total EBITDA adjustments[5]	40	59
VCB financing revaluation	(19)	(28)
Amortization	107	112
Foreign exchange loss on financing activities	18	30
Income taxes on above items	(18)	(10)
Core Net Income	**131**	**210**

H1 2024 Total Net Indebtedness

In million USD	Dec 31 2023	June 30 2024
Total Indebtedness[7]	5,001	2,974
Cash and Cash Equivalents	(368)	(385)
Total Net Indebtedness	**4,633**	**2,589**

Latest additional modeling metrics for full year 2024

	Modelling metrics at IPO	Latest modelling metrics
Transformation costs[8]	~30 million USD	Slightly below 30 million USD
Milestone and earnouts[9]	~175 million USD	~175 million USD
Core CAPEX[10]	3-4% of net sales	3-4% of net sales
Effective tax rate	~27%	~30%, with the 2024 tax rate impacted by one-off IPO items
Leverage	2.25 – 2.50x[11]	Towards the lower end of 2.25 – 2.50x[11]
Interest (post IPO expected Run Rate)	~8.5%[12] average interest rate; ~250 M USD interest expense	~120 M USD in interest cash expenses in H2, corresponding to ~50 bps improvement of the yearly interest run-rate[13] on gross debt as of H2

Notes and references

1. Constant currency year-on-year growth is defined as the annual growth rate of net sales excluding the impact of exchange rates movements and excluding hyperinflation economies. The impact of changes in foreign exchange rates are excluded by translating all reported revenues during the two periods at average exchange rates in effect during the previous year.
2. Core EBITDA is defined as EBITDA excluding the following items that are deemed exceptional, including acquisition and disposal, integration and carve-out related income and expenses, onerous contracts, business disposal gains and losses, restructuring and reorganization related items, litigation related items, impairment of PPE and software, IPO related incentive plans as well as other income and expense items that management deems exceptional and that are expected to accumulate within the year to be over 1 M USD threshold. These include transformation, carve-out and build-up related project costs as well as post-acquisition related accounting impacts
3. Leverage is defined as Total Net Indebtedness divided by Core EBITDA on a twelve-months rolling basis
4. https://academic.oup.com/asj/advance-article/doi/10.1093/asj/sjae131/7697878?utm_source=advanceaccess&utm_campaign=asj&utm_medium=email&login=true
5. 2023 EBITDA adjustments include 13 million USD for platform transformation costs, 10 million USD for VCB bonus, 11 million USD litigation and onerous items, 3 million USD for IPO, 1 million USD for operating FX, 3 million USD on Restructuring and Others. 2024 adjustments include 48 million USD for IPO related incentive plans, 5 million USD for platform transformation costs, 4 million USD for VCB bonus, 2 million USD for IPO
6. Core Net Income is defined as net income / (loss) from continuing operations adjusted for the same items that are treated as exceptional for purposes of defining Core EBITDA, as well as amortization of intangible assets, foreign exchange gains and losses on financing activities. Taxes on the adjustments between IFRS net income and Core Net Income take into account, for each individual item included in the adjustment, the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact
7. Indebtedness includes financial debt and lease liabilities
8. In addition, assuming ~20 M 'other income & expenses', e.g., litigation and onerous items, excluding 48 M USD costs in relation to the 'IPO Incentive Plans' and the 'IPO Cash Bonus' described in the Offering prospectus, recognized at fair value, 38 M of which were settled non-cash, in restricted existing shares funded and delivered by the Selling Shareholders upon completion of the offering. The 'IPO Incentive Plans' were inversely related to the final offer price, i.e., the higher the final offer price, the lower the amount of the awards under the 'IPO Incentive Plans'. The purpose of the 'IPO Incentive Plans' was to align the interests of the members of the Board of Directors and the Executive Committee, management and selected employees of the Group with the interests of the new shareholders at the time of the offering by limiting the impact of the final offer price on the amount of the awards payable to the Board of Directors and the Executive Committee, management and selected employees of the Group as a result of the completion of the offering
9. Year-end metric, relates to nemolizumab, Alastin and other products
10. Core CAPEX is defined as the capital expenditures (Property, plant and equipment as well as Intangible assets) excluding transformation related investments and acquisitions of IP and operating rights
11. Based on 2024 expected Core EBITDA. Includes ~175 M USD milestones and earnouts
12. Based on 3M SOFR + 2.75% subject to hedging strategy
13. Based on 3M SOFR + 2.25% subject to hedging strategy

Forward-looking statements

Certain statements in this announcement are forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as "plans", "targets", "aims", " believes", "expects", "anticipates", "intends", "estimates", "will", "may", "continues", "should" and similar expressions. These forward-looking statements reflect, at the time, Galderma's beliefs, intentions and current targets/ aims concerning, among other things, Galderma's results of operations, financial condition, industry, liquidity, prospects, growth and strategies and are subject to change. The estimated financial information is based on management's current expectations and is subject to change. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial consequences of the plans and events described herein. Actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, but not limited to, future global economic conditions, changed market conditions, intense competition in the markets in which Galderma operates, costs of compliance with applicable laws, regulations and standards, diverse political, legal, economic and other conditions affecting Galderma's markets, and other factors beyond the control of Galderma). Neither Galderma nor any of their respective shareholders (as applicable), directors, officers, employees, advisors, or any other person is under any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak of the date of this announcement. Statements contained in this announcement regarding past trends or events should not be taken as a representation that such trends or events will continue in the future. Some of the information presented herein is based on statements by third parties, and no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, reasonableness, accuracy, completeness or correctness of this information or any other information or opinions contained herein, for any purpose whatsoever. Except as required by applicable law, Galderma has no intention or obligation to update, keep updated or revise this announcement or any parts thereof.

About Galderma

Galderma (SIX: GALD) is the pure-play dermatology category leader, present in approximately 90 countries. We deliver an innovative, science-based portfolio of premium brands and services that span the full spectrum of the fast-growing dermatology market through Injectable Aesthetics, Dermatological Skincare and Therapeutic Dermatology. Since our foundation in 1981, we have dedicated our focus and passion to the human body's largest organ – the skin – meeting individual consumer and patient needs with superior outcomes in partnership with healthcare professionals. Because we understand that the skin we are in shapes our lives, we are advancing dermatology for every skin story. Galderma's portfolio of flagship brands includes Restylane, Dysport, Azzalure, Alluzience and Sculptra in Injectable Aesthetics; Cetaphil and Alastin in Dermatological Skincare; and Soolantra, Epiduo, Differin, Aklief, Epsolay, Twyneo, Oracea, Metvix, Benzac and Loceryl in Therapeutic Dermatology. For more information: www.galderma.com.

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