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Krka Group FY 2025 Preliminary Business Performance Results Webcast

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HOST:

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BUSINESS PERFORMANCE PRESENTATION:

Gregor Gavranič

Dear ladies and gentlemen, welcome to today's webcast on the FY 2025 preliminary business performance of the Krka Group. My name is Gregor Gavranič and I am hosting this event, together with Mr. David Bratož, Member of the Management Board, and Mr. Uroš Ožbolt, Finance Director. They will provide detailed insight in Krka's record FY 2025 figures. After the presentation both will be available for the Q&A session. May I remind you that this webcast is intended for professional audience only, not media representatives and is being recorded. Mr. Bratož, the word is yours.

David Bratož

Good afternoon, dear ladies and gentlemen, it is a great pleasure and privilege to welcome you all today to this conference call. I will present our preliminary 2025 results, and the 2026 outlook. This will be followed by the renewed 5-year Krka Group Strategy for 2026-2030, which reflects our long-term vision and commitment to sustainable growth. After the presentation, we will open the floor for your questions. Thank you for your interest in Krka.

There are a few key messages I would like you to take away from this webcast. Firstly, this past year was a very successful one. We have marked a notable milestone, exceeding 2 billion euro in revenue for the first time in history. Sales amounted to 2,041 million euros and increased by 7% in most key markets and across all product and service groups.

Prescription medicines remain the most important group, contributing the most to the increase in sales figures. Secondly, sales growth led to increased profitability. We achieved a strong EBITDA margin of 27.4%, exceeding our strategic forecast and last year results. Net profit reached an all-time high of 401 million euro. This is up 13% year-on-year. The increase was driven primarily by an improved product mix. Again, with a shift towards newer products, and towards more combinations, and was also partly supported by positive FX impact from Russian Ruble. And lastly, during 2025, we successfully launched 17 new products, most of which are highly promising single-pill combinations. We are aware that long-term sales growth also depends on expansion of our product portfolio. Last year we manufactured nearly 19 billion finished products.

Krka's activities are geographically very well-diversified. We offer our high-quality, affordable medicines in over 70 markets worldwide, and we organize our operations in 6 regions. Eastern Europe remains our largest region, accounting for 35% of sales. Russia leads with 422 million euro in revenue, supported by strong 13% growth, and local production covering about 70% of sales for this market of 145 million people. We hold the position number one among foreign generics in Russia, and we rank first in the pharmacy segment.

Growth was also recorded in other regional markets, including Uzbekistan, plus 8% and all other markets, such as Belarus and others. Sales in Ukraine remained at the previous year level. This is at 96 million euro, with 5% volume growth. Central Europe is our second largest region, representing almost 23% of sales, with Poland being the largest market in this region, growing by 12% in value and 9% in volume. We ranked third among foreign generics in Poland and our Warsaw production site manufactures selected products for all Krka markets. Sales also increased in other countries in this region. This includes Czechia, Hungary, Slovakia, Lithuania, Latvia, and Estonia.

Western Europe follows with nearly 18% of sales, where Germany remains the key market with 4% growth, despite strong price competition. We achieved growth in most other regional markets of West European region, with the highest increases in the Scandinavian countries, Finland, Portugal, and Belgium. Southeast Europe and Slovenia together contribute approximately 21%, driven mainly by good sales in Romania, Slovenia, and Croatia. Our domestic market recorded an 8% increase, and we are the market leader with about 7% market share in value and 25% market share in volume.

Overseas markets, our smallest region, account for less than 4% of sales, and this is the only region, the smallest one, with a slight, and I would say temporary decline, mainly due to geopolitical instability in Iran. We believe that during the first quarter and first half of this year, we will already be with the index above 100, also, in this region.

Prescription medicines remain our core business, accounting for 83% of total sales, and providing us, I would say, stability. Please note that sales of prescription medicines increased for 125 million euros, or by 8% year on year. With this, we actually reinforce our leadership in this segment.

The second most important segment for us is OTC. We have strong brands, mainly for cough and cold relief, as well as for pain management and vitamins. This is an important and complementary business to our RX portfolio. Business-wise, OTC products can also serve as a door opener when negotiating with pharmacies.

Regarding vet products, we focus mainly on companion animals, particularly cats and dogs, and there is currently a strong and growing market for this segment and products for companion animals already represent 70% of our total VET business.

As you can see, on your right, we have a diversified product portfolio of Cardiovascular medicines, which are the largest groups of products, representing over 50%, including treatments for hypertension, cholesterol, anticoagulation. This is followed by central nervous system therapies for depression and mental health disorders. Then we have gastrointestinal medicines, and a range of painkillers, and then we have anti-infectives, antidiabetics, and oncology drugs. All these products are predominantly by treatments for chronic diseases, which drive long-term demand and ongoing revenue.

Coming to R&D, I would just say that R&D is a strategic priority for Krka, with 10% of sales reinvested annually and constantly, year after year. We have over 800 in-house experts engaged in research and development activities. And Krka is actively developing 170 new products and approximately 60% out of our R&D budget, this is, as I said before, 10% of our revenues, is allocated to new product development, while 40% of this money supports lifecycle management, focusing on improved quality standards, regulatory compliance and optimizing production processes.

Last year, we launched 17 new products, mostly in cardiovascular, but also from gastro and diabetes area. We also registered and launched 2 OTC products and 2 VET. Beside these products, we completed 900 registration procedures, and we also obtained 15 patents in different countries. All together, we have 250 valid product pattents right now. Krka is recognized as a leading innovative branding generic manufacturer with in-house research and development capabilities. By utilizing state-of-the-art equipment and technologies, we develop advanced pharmaceutical formulations with unique strengths and high therapeutic value.

We are the leader in single-pill combinations, with over 150 launched up to date, and many are based on innovative approach, and they are supported by clinical trials. These products deliver strong therapeutic outcomes and represent one of the most important and high-potential segments of our portfolio.

Our approach to product lifecycle management's focus is on continuously improving improvements of our portfolio through the strategic addition of new and new single-pill combinations. And as you know, many elderly patients require multiple drugs to achieve treatment goals, but increasing the number of necessary drugs decreases the patient's ability to follow the treatment. Therefore, already the medical guidelines for hypertension and hyperlipidaemia recommend combination as an important solution of this issue. That's why we are so much focused on this opportunity. This strategy not only strengthens our clinical offering, but also helps us to mitigate pricing pressures. Because our deep understanding of patient needs, and prescribing practices allow us to tailor solutions that are both clinically effective and commercially sustainable.

As far as investments are concerned, we are mainly investing in technological improvement of production processes, R&D and quality assurance. And last year, we allocated nearly 96 million euros to investments, and we plan to allocate 140 million euros this year.

On slide number 8, we listed some of the most important investment projects. For instance, we replaced 16 packaging lines, we installed robotic cells, and we finished the construction of the technologically advanced wastewater treatment plant here in Slovenia. Strategic investments, also include joint ventures in China and India. We can say that our Chinese joint venture is fully operational, leveraging long-term leased production facilities to supply both Chinese and European markets. They already have an EU GMP certificate, which is a precondition to be able to produce for the markets outside China. Recently, we strengthened our cooperation with Laurus Labs, our long-term and strategic API partner, by establishing JV Krka Pharma Private Limited, headquartered in Hyderabad in India, where Krka holds a 51% stake, and partner holds 49%. We have purchased land, and we have already begun construction of a state-of-the-art facility that will include finished dosage products manufacturing, and also R&D centre, and this is scheduled for completion in approximately 2 years from now.

These investments really secure our ability for long-term growth. It will also, enable us to expand our global reach and strengthen innovation capabilities. In the first phase, we will secure additional production capacity of 3 billion tablets in India.

On slide number 9, we have preliminary financial results. Krka generated 2,041 million euros in revenue last year. Delivering 7% year-on-year growth, supported by solid demand across all key markets. EBITDA totalled 560 million euros, up 7%, with a good and stable margin, above 27% reflecting, cost control. I would say it is on a high level and showing robust operational efficiency. EBIT increased by 9%, driven by improved product mix and continuous productivity enhancements. Net profit grew by 13% outpacing revenue growth and demonstrating strong operating leverage. Earnings per share is projected at 13.14 euro, an increase of 13%, further strengthening valuation for shareholders. Overall, the 2026 outlook highlights Krka's ability to maintain robust profitability, strong cash generation, and consistent growth, even in a competitive environment.

On next slide we have margins, and again, all margins are pretty stable and high. From the long perspective, we maintain EBITDA margin well above strategic threshold. The same is with other KPIs related to profitability. All of them increased compared to the year before. We are improving operational efficiency at all levels. Selling and distribution expenses, as well as R&D and general costs, have been well contained, and they did not exceed revenue growth.

That's all contributed to overall margin stability. The last but not the least, economy of scale is also important for us. This year, we are approaching 20 billion finished dosage forms to produce and sell.

The currency movement, and Ruble remains the primary driver of foreign exchange volatility, as illustrated in the chart. Despite historical fluctuations, 2025 has been favourable, with the ruble showing consistent strength during the year, because the average exchange rate was 6.4% higher and the currency has appreciated since the beginning of the year.

The impact of the other currencies was marginal. We also continue to hedge our short US Dollar exposure with using financial instruments. As you know, we have long positional in Rubles. Thus, receivables, less payables, and hedging of this exposure with financial instruments is not possible in the last almost 4 years, mainly due to sanctions which are both on the Russian and Western sides. Therefore, we use natural hedging whenever possible, and occasionally also factoring in order to reduce our exposure. In 2025, foreign exchange movements had a positive impact on Krka's Net Financial result, with the net financial result totalling 28 million euro.

The next slide illustrates the sustained and robust growth in both revenue on the left and EBITDA on the right. Over the last 5 years, you can see revenues have achieved an average annual growth of 6%. That was supported by strong performance, as you saw before, across key markets and all product segments. EBITDA margin remains solid, highlighting the efficiency of our operations. During the same period, the net profit has grown faster, reflecting improved efficiency and effective cost management. The growth was nearly 7% annually. In summary, we can say that consistent growth in sales and profitability over the last 5 years has delivered also the strong growth of earnings per share, which has achieved CAGR of about 7%.

Dividend policy is an extremely important part of our capital allocation. We remain committed to our long-term and stable dividend policy, allocating every year at least 50% of annual profits to dividends. Last year, this was a value of 252 million euros, distributed to dividends. Our dividend has risen continuously for more than 25 years already. This approach has resulted in an average dividend yield of 14% per year over the past 10 years, and nearly 1.4 billion euro were distributed to the shareholders.

Many investors value, besides dividends, also buybacks. Therefore, we continue to execute our share buyback program, which is in place in accordance with shareholders' resolution. We currently hold 7.4% own shares.

Our shares are listed in two stock exchanges in Slovenia, and also in the Warsaw stock exchange. We have rather stable shareholder structure with more than 47,000 shareholders.

The structure is stated on this pie chart, the Slovenian private investors scored 41.7%, almost 42%. The state owns 27%, international investors have about 18%, if I mention just 3 of the biggest groups. The price of Krka share increased by 46% in 2025, and the total return of share in 2025 amounted to 52%.

The price of our shares further increased by more than 10% since the beginning of this year, currently our market cap is well about 7 billion euros.

On the left-hand side of the slide, you can see our key material sustainability topics, with accessible healthcare and product quality and patient safety at the very top.

Here, I would just like to say that last year, for the first time in our history, we fulfilled the European Sustainability Reporting Standards, which were included in Sustainability Statement, and published in our annual report. For the third year already, we achieved a strong ESG ratings by S&P Global, placing us well above the pharmaceutical industry average and higher than most of our competitors.

For 2026, we expect continued solid growth. Sales are planned to reach 2,144 million euro. This is plus 103 million euro year over year, or 5% more. CapEx will increase to $140 million to support our vertical integrated business model, and to support long-term development. We plan net profit at 405 million euro, and net profit growth is projected to average 5.6 over the last 5-year period. This concludes the first part of my today's presentation, where I reviewed our performance in 2025, and financial outlook for 2026.

I would end with the statement that strong figures and positive projections reaffirm our confidence in the resilience of our business and our ability to deliver sustained value for shareholders.

In the next couple of slides, I will outline the Krka Group development strategy, I will highlight the key facts and strategy objectives that will guide our growth in the years to come.

The next slide shows why Krka's strategic focus on chronic diseases and small molecules is the correct direction for sustained success. We see main trends strongly supporting this focus. First one, rising life expectancy. People are simply living longer, leading this to more years spent managing chronic conditions. Secondly, approximately half of all the adults is affected by common long-term diseases, which requires daily affordable and reliable treatments. Thirdly, tablets and capsules remain. The most trusted delivery method globally, due to their simplicity, scalability, and effectiveness. These trends confirm that our broad and high-volume product portfolio is not only relevant today, but also built for the long run.

In this table, you can see the market outlook across different therapeutic areas, shown both as expected consumption and projected annual growth in the last column. The strongest growth is expected in oncology and obesity treatments, driven by new therapies and innovation, often very complex and high-cost medicines. But Krka's power lies somewhere else. We're strongly present in chronic disease treatments, especially cardiovascular, central nervous system, gastrointestinal disorders, diabetes, and pain relief. And as you can see, all of these are important, and all of these therapies are needed for millions of patients worldwide.

And all these areas are expected to continue growing in the years ahead. The next slide reinforces our previous point. When we compare biologics with small molecules a clear pattern can be seen. Small molecules dominate by volume almost 98% of all volumes in all ATC groups are related to small molecules. Biologics account for a large share of value, and to some extent, volume, only in certain therapeutic areas. As you can see, these are, for instance, oncology and immunology. These are specialized high-cost treatments for complex diseases. Across most other therapeutic areas, particularly those addressing chronic diseases, biologically presents only small fractions of total use.

Now we move to Krka's core business, prescription generics, which will present, in our case, almost 85% of our revenues. And on this slide, you can see sales of generics by markets divided by volume, these are green columns, and value, these are blue. This clearly illustrates a significant gap between high volume penetration and lower value penetration markets. The average share of generic consumption in volume approaches 70%, and the costs account for only 30% of total medicine expenditures. On the left side, you can see less developed countries, on the right, more developed countries, and we see countries with lower level of generic penetration, such as Spain or even Italy, which is not seen here. I was saying that we can conclude that producers of generic medicines play an essential role in ensuring sufficient medicine quantities and the time of delivery of highest quality products.

Some of the key critical measures for our long-term strategy are per capita spending and projected market growth across our key markets. Growth in spending can be driven by several key trends, first, governments are promoting use of generics in order to decrease the healthcare costs. Secondly, emerging markets are improving access to healthcare. As you can see, mature markets, like Germany or Slovenia, are expected to grow slightly below 5%. This is basically due to highly regulated environments, but high-growth markets, such as countries like Uzbekistan, Romania and Ukraine are forecast to grow substantially faster, 10%, 8.5%, 8.3, and also, Poland and Russia are expected to grow above 5% annually. Strategic conclusion out of this is that we must maintain strength in our traditional markets, but at the same time, we have to aggressively utilize opportunity in faster-growing regions.

The generic market is, in our view, much more mature now. Today, the key advantage is the ability to deliver enough quality products, and to be able to regularly deliver these goods. Here a talk about established products, not just about the new. So, it's no longer just about the new launches or patent expiries. This thing matters, that's why we launch new products, but supply and availability matter even more, because many markets face shortages, which are caused by supply chain issues, tighter regulations, and stricter quality control. That's why maintaining a compliant and existing portfolio is so important, or even crucial.

Based on all this, we shaped a clear three-pillar strategy, because this helps everyone to present our goals simply and clearly. The first pillar is providing access to medicines. It means that we supply, we ensure continuous availability of high-quality, safe and effective, innovative, and affordable generic medicines. The second pillar is vertical integration, which connects research and development activities with production, quality, and investments. The third pillar is value creation, which covers all activities that drive strong performance and positive impact for stakeholders. So just let's have a close and quick look at these pillars. The first one is providing access to medicines. It means that we provide high-quality medicines for over 100 million people in over 70 markets. It means that we are a strong regional player. When we say region, we mean Europe in a broad sense, the complete EU, Balkans, Eastern Europe, and parts of Central Asia. Our aim is to exceed the local generic market growth and stay among top 5 in our key markets and therapeutic areas. We focus on the markets like Russia, Poland, Ukraine, Germany, Slovenia, Romania, Hungary, Czech Republic, Slovakia, and Croatia, where we are among top 5. We also aim to rank among the top 10 generics in West European markets. We use our own marketing and sales network. We have almost 4,000 people in sales and marketing. We also focus on our own brands. Our leading therapeutic areas are, as I said, cardio, gastro, central nervous system, then antidiabetics, and pain. We are also focusing on oncology. Our second pillar is vertical integration. It means we constantly invest in order to enhance our production capacities. Vertical integrated model actually enables us to manage the full product life cycle, to reduce different kinds of risks, and to react fast to new opportunities. It means that our lead times are very short, so we are able to react on the market opportunities.

Most of our production is still in Slovenia, and almost all R&D is located at our headquarters. In addition to domestic production sites, we operate. major production sites in Croatia, Poland, Germany, and Russia, and we also collaborate with strategic partners and especially joint ventures in India and China to increase our output.

The second pillar ensures steady supply, because it focuses very much on product availability. Then we have our third and last pillar, which connect all other goals and initiatives. Our key objectives are profitability, people, and sustainability. Here we have two main goals. We aim for long-term profitability, with an EBITDA margin about 25%, and we aim to ensure at least 5% growth.

Let me briefly highlight the key updates of our strategy. It could be put like this, globalization of capacities, expanding outsourcing of production to a certain extent, and development at joint ventures and strategic partners in Asia. By this, we leverage efficiency and scale while maintaining quality through our vertically integrated business model. Secondly, supply reliability as a strategic asset. Today, it's not only about launching new products, but also about ensuring volumes, continuity, and I would say a reliable delivery. We are placing even greater emphasis on resilience and large-scale production. Then, lifecycle management redefined, adapting to even more complex regulatory landscape, managing the full lifecycle of established and new products under increasingly demanding compliance frameworks.

The fourth place, I would say, therapeutic expansion. We are entering, besides previously mentioned, core therapeutic areas also new areas, such as heart failure and obesity, which are important in the later period of our strategy. Then after innovation within generics. We are leading in single pill combinations and advanced complex formulation and peptides, pushing the boundaries of what generics can offer. These priorities are incorporated in our three-pillar framework. As I said, access to medicines, vertical integration, and value creation.

Ladies and gentlemen, as it was shown in the first part of my presentation, our current strategy is not only solid, but also delivering concrete results. The performance in 2025 confirmed the Krka's direction is working. We are growing faster than the market, broadening our portfolio, strengthening our position across key regions and key therapeutic areas.

The last slide shows our performance from 2005 until 2025, and during this period, we have grown faster than the market. That's why our renewed strategy for 2026-2030 is not a revolution, it's rather an evolution, but it's built on a strong foundation. It was refined to the matter where we needed it to be and we stay focused, on key priorities. These are the following. We are a sales-driven company. Sales through our own network, we expect further growth in both volume and value. Profitability remains a top priority. We don't chase sales at the cost of margins. We grow mainly organically, making our business more stable and still faster than the market.

Ladies and gentlemen, with this, I will end today's presentation, and I hope that you have gained a clear insight into our results for 2025. Also, our outlook for 2026, and also on updated strategy. Thank you for your interest.

Q&A SESSION:

Gregor Gavranič
Thank you Mr. Bratož. We are now starting with the Q&A session. You are most warmly welcomed to address your questions live by raising your virtual hand, and you will be given a word.

Tea Pevec:
Hi, good day to everybody, and thank you for the presentation. I would just like to ask, how long is your FX position in rubles, or in euros in Russia? I think it was lastly reported in the last annual report. So can you give us an update.
What is the situation in Ukraine? Because we see that the sales are flat, all the other markets are growing. Is growth going to happen again next year?

David Bratož
Thank you, Ms. Pevec for all these three questions. Regarding first one, our long position in Rubels or in Russia is a rather stable one. Similar to the one, disclosed in the last annual report. As I said, from time to time, we use factoring in order to decrease it, but generally, this exposure is, I would say, on the level from previous years.

Regarding situation in Ukraine, as you said, the sales are flat, which is actually a good result. As already mentioned, we managed to grow 5% in quantities. So, it means that we improved our distribution of our products. Taking into account that population decreased comparing to the years before, achieving the value of sales on a similar level is rather good result.

And the third question was regarding sales in general. We believe that these good trend from 2025, will continue in 2026. We cannot talk about 2026 sales yet, but we can say that after the first couple of weeks, we can see that the sales are developing as planned.

Vladan Pavlovič
Are animal health sales still decreasing in West European markets?

David Bratož
The animal health segment is developing very well, overall. Of course, there can be some sales growth volatility quarter to quarter. But especially companion animals' segment, is growing. To answer more precise to your question, the Animal Health sales actually grew in West Europe in 2025 compared to 2024. And basically, we grew almost in all regions, in Central Europe by 8% in Southeast Europe by 16%. So yeah, the sales results for animal health are rather good, sales increased.

Gregor Gavranič
If there are no other questions, we will end today's session. I believe we have answered the most important questions. With this I shall conclude this webinar today. So, thank you again

for attending. In case you have further questions, you can easily reach out to our investor relations team. The transcript of today's webcast will be available on our website in the following days. Thank you for participation and have a nice rest of the day. Goodbye.

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