Grifols

Q2 Earnings Call

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Speakers

Daniel Segarra, VP IR & Sustainability

Nacho Abia, CEO

Rahul Srinivasan, CFO

Roland Wandeler, President Biopharma

Questions from

Charles Pitman, Barclays

James Gordon, JP Morgan

Álvaro Lenze, Alantra

Guilherme Sampaio, CaixaBank BPI

Jaime Escribano, Banco Santander

Joaquín García-Quirós, JB Capital

GRIFOLS Q2 2025 Results

Daniel Segarra, VP, Investor Relations and Sustainability

Hello, everyone. My name is Dani Segarra, and I serve as Head of Investor Relations and Sustainability, and Vice President at Grifols.

Welcome to our review of the company's business results for the first half of 2025.

Today, I am joined by Grifols' Chief Executive Officer Nacho Abia, Chief Financial Officer, Rahul Srinivasan and the President of Biopharma, Roland Wandeler.

A few logistics before we get into the details. Today's call will last about an hour, including a Q&A session. As a reminder, this call is being recorded. You can find additional materials including today's presentation in the Investor Relations section of the Grifols website at grifols.com. The transcript and a replay of the webcast will also be available on the Investor Relations website within 24 hours.

Turning to slide 2, please note that this presentation includes forward-looking statements regarding, among other things, the company's future operating and financial performance, market position, and business strategy. These statements are based on current expectations and available information as of the date of this recording, and they are subject to certain risks and uncertainties that may cause actual results to differ materially from those projected.

Grifols' financial statements are prepared in accordance with EU-IFRS and other applicable reporting provisions including Alternative Performance Measures, or APMs, prepared under the group's financial reporting model, as defined by the European Securities and Markets Authority.

Please note that Grifols' management uses APMs to evaluate financial performance, cash flows, and overall financial position as the basis for operational and strategic decision-making. These APMs are prepared for all time periods presented in this document.

Now, moving to today's agenda, Nacho will start with some introductory remarks, followed by a discussion of our business performance and strategic execution. Then, Rahul will review the financial results for Q2 2025. After Rahul's presentation, we will return to Nacho for his closing remarks. Roland will be joining us for Q&A.

With that, I'll now turn the call over to Nacho.

Nacho Abia, CEO

Thank you, Dani, and hi everyone, thank you for joining us today.
In May, we reported a strong start to 2025 and that momentum continued through the second quarter, with the delivery of a robust set of results across all key business and financial metrics.
This strong performance reflects the strength of our business and operations and puts us firmly on track with our guidance and to continue advancing along a positive trajectory for the rest of the year and it is well aligned with the direction of the Value Creation Plan that we explained at the Capital Markets Day last February.

It's important to note that we achieved these results despite a complex and dynamic environment, marked by persistent uncertainties and external factors. These conditions continue to demand vigilance and discipline and therefore we will continue to closely monitor those developments and, when needed, we will adjust and adapt.
Our vertically integrated and globally diversified footprint provides valuable flexibility and optionality to meet global needs with minimal disruption, while significantly mitigating uncertainty from potential tariffs impact.

Foreign exchange volatility continued to present challenges during the second quarter. As discussed in the Q1 presentation, while this movement has an impact on both our revenues and to a lesser degree in terms of EBITDA in absolute figures it is broadly neutral from a group profit, leverage and FCF standpoint. As global currency dynamics evolve, we continue to proactively monitor our currency exposure and implement agile decision-making to safeguard our financial performance.

Before we dive into the details of the quarter, I want to express my gratitude for the relentless effort of every member of the Grifols team. Their commitment to execute our value creation plan is already yielding tangible and impactful results and this is truly encouraging as it paves the way for us to continue delivering on our commitments, always with the goal of creating more value for our donors, patients, and all our stakeholders.
With that, let's move to the slide 5.

As presented during our Capital Markets Day, our business and operational strategy remains grounded in the foundation laid out by our Value Creation Plan. This plan is not just a roadmap it is also the engine driving our strategic vision.
We are executing against it across all core levers to drive concrete and sustainable results and this disciplined execution is clearly delivering results. Our second-quarter performance is a testament to that: full alignment with our plan and contribution to a strong first half of the year.
Now, turning into the H1'25 results: we achieved revenue of 3.7 billion euros, representing a year-over-year increase of 7.0% on a reported basis and 10.1% like-for-like, both at constant currency.

Adjusted EBITDA reached 876 million euros, a significant increase from the prior year, up 12.7% on a reported basis and 20.1% like-for-like, again, both at constant currency. This demonstrates strong business momentum, even after absorbing the impact of IRA.
To put this performance in perspective, Q2'25 is the second highest revenue quarter in history, only surpassed by Q4 of last year. The strong top-line momentum has translated directly into a improvement in Free Cash Flow of close to 200 million euros year-over-year. This increase builds on the sequential progress we delivered in 2024, and we expect this trend to continue in the second half of the year. At the end of the second quarter, deleveraging landed to a leverage ratio - as per credit agreement - of 4.2 times. We have to look back five years to the first half of 2020 to observe this leverage ratio.

As mentioned many times, Free Cash Flow generation and deleveraging are key metrics for us and therefore will continue to be our key financial priorities.
Such positive performance has been driven by Biopharma which continues its strong growth on the back of increased global underlying demand. On top of this, we remain focused on improving profitability through targeted cost reduction initiatives and operational efficiencies to drive margin expansion.

Another core driver of our strategy is innovation - and we are fully committed to it. We are accelerating our pipeline, enhancing lifecycle management, and staying on track with our product launch roadmap. A clear example is the upcoming launch of Fibrinogen in Europe in Q4'25 and the subsequent launch in the USA in the first half of 2026.
At the same time, we have delivered across all operational fronts without losing sight of our financial backbone: our capital allocation framework. This framework remains at the heart of our execution, enabling us to generate sequential free cash flow, reduce leverage, continue simplifying our corporate structure, and returning value to our shareholders. A relevant milestone in Q2 has been the successful delisting of Biotest, which will help to increase our capacity to unlock value from this strategic asset.

To conclude this slide, and although Rahul will provide more details, I am happy to announce that the strong performance in the first half of the year and the confidence we have to continue delivering positive results in the second half, enable us to fulfill one of our capital allocation key commitments, the reinstatement of dividend payments as a clear sign of our commitment to shareholders and the confidence we have in our Value Creation Plan.

Our strong business and financial performance is a direct reflection of our disciplined execution of our Value Creation Plan, which is based on three core drivers: commercial growth, margin expansion and pipeline execution.

Starting with commercial growth, we continue to experience strong momentum across our portfolio, which is a proof of our strong market position, extensive commercial efforts, and the high demand for our products. As already mentioned, in the first half of the year, our revenue - on a reported basis - grew by 7.0% and LFL it grew more than double digit, driven by Biopharma reported growth of 8.2% and almost 12% LFL.

Margin Expansion remains a core focus, and our persistent efforts in efficiency and cost discipline are yielding results. We are taking a multi-faceted approach, driven by both targeted cost reduction initiatives and substantial improvements in yield across our plasma and manufacturing processes. These operational enhancements are directly contributing to our profitability in Q2, with a gross margin of close to 40%, and an Adjusted EBITDA margin that grew to 25%, up 80 basis points in reported figures and 171 basis points LFL versus last year. This demonstrates our ability to convert top-line growth into stronger bottom-line performance.

We are also making good progress on our Pipeline Execution. Our pipeline is the innovative engine set to drive our long-term, sustainable growth. It demonstrates our commitment to bringing new products and indications to market, enhancing patient care, and broadening our therapeutic reach. Our value creation levers are underpinned by two important enablers: our plasma supply and industrial network, and innovation. Our robust, resilient and highly diversified plasma supply and industrial network provides us with a significant competitive advantage in the current global environment and ensures reliable supply for our therapies, allowing us to manage increasing global demand effectively.

We continue to optimize this network. We are well-invested to meet growing underlying demand through 400 plasma centers globally, including 300 plasma centers in the U.S. and the largest non-U.S. network in the industry. This global footprint not only enhances our ability to source plasma efficiently but also provides a significant degree of resilience against cross-border macroeconomic, political, and environmental uncertainties, including any impact from tariffs.
Finally, Innovation is at the heart of our strategy. We continue to invest in R&D and are delivering on our innovation milestones and progressing on several key programs, including the very important Fibrinogen, which will further contribute to both revenue and margin growth, as well as expand our therapeutic reach and address unmet medical needs.

Diving deeper into our commercial performance, the market demand is solid, but we are as well outperforming the market.
In the first half, our Biopharma portfolio recorded an 8.2% growth, with our IG franchise delivering a growth of 12.5%, both at constant currency. On a like-for-like basis, our IG franchise grew by 17.8%. This performance was primarily driven by the strength of our leading brands, Gamunex and Xembify.

Over the last twelve months, IVIG and SCIG continue marking an outstanding growth with an increase of 14% and a 66%, respectively.
We continue to feel extremely confident with Xembify as we see continuous growth fueled by strong performance in the USA but also in Europe, as in the past 6 months it was launched in nine countries with additional launches in queue.
We saw strong growth in PID and SID, while we further strengthened our leading position in CIDP. Demand across all three indications increased, as IG remains the first-line treatment of choice due to its proven efficacy and safety.

Our IG strategy is fundamentally focused on expanding indications, increasing diagnosis rates for primary and secondary immunodeficiencies, and the reinforcement of IG as the standard-of-care for a range of autoimmune conditions like CIDP. This is rigorously supported by compelling clinical experience and strong validation from KOLs and healthcare professionals worldwide.
Grifols is uniquely positioned to capitalize on the market evolving needs and as we mentioned before, our robust plasma supply, vertically integrated manufacturing, and deep scientific expertise mean that as the market expands, we stand as the foundational supplier capable of meeting the growing demand for IG.

Turning to our Albumin performance, our Q2 performance grew by close to 2%, an improvement over Q1 - which was temporary impacted by a planned drug license renewal process in China. While we anticipate some pricing pressures in China, our strategic alliance with Haier and our extended

exclusive distribution agreement with SRAAS continues to position us to capitalize on the significant demand for albumin in this market.
In addition, our first Canadian-made albumin, manufactured at our facility in Montreal, has successfully reached our patients. The Montreal site, along with Grifols' growing network of in-country plasma collection centers, positions us to fulfill our commitment to Canadian Blood Services to support Canada's goal of increasing self-sufficiency levels.

We are also making significant strides in our Alpha-1 franchise. For the first half, Alpha-1 and specialty proteins revenue grew 6.6% at constant currency. These figures reconfirm our market leadership and advanced testing capabilities. Our current strategy is centered on leveraging our new specialty distributor program in the U.S., and continue supporting patient identification initiatives to treat some of the estimated 85% of patients who remain undiagnosed worldwide. These efforts, along with active engagement with key opinion leaders and health care providers, have resulted in more patients regaining and enrolling in timely and appropriate treatment.

Furthermore, enhancements to life cycle management for this critical therapy are underpinned by our SPARTA trial, which will potentially prove efficacy of our Alpha-1 augmentation therapy. Concurrently, our subcutaneous 15% trial is progressing well, promising enhanced convenience and improved quality of life for Alpha-1 patients. These innovations will expand the reach and impact of our Alpha-1 franchise for both the US and ex-U.S. patients in the near term.

Now, let's turn to the second lever within our Value Creation Plan: margin expansion. Our strategic initiatives, focused on improving efficiencies across our network, are clearly paying off.
A particularly exciting achievement to highlight is our progress in individualized nomogram implementation, which allows us to maximize plasma yield per donation. We've already achieved over 60% adoption in U.S. centers, and our second wave of implementation is under way and on track to reach 100% adoption by 2026.

This key initiative will continue to contribute to our bottom line and this is a direct outcome of process re-engineering, enhanced training, and the intelligent application of technology, making the donation experience more efficient for both donors and our staff.
This leads me to talk about a key metric within our plasma operations: volume per center. We are on track to deliver solid double-digit growth this year, and we expect to continue to build on this favorable trend to continue to expand our margins going forward.

We are also advancing improvements in IVIG manufacturing yield. This isn't just about incremental improvements; it's about instilling a culture of continuous innovation that permeates our entire manufacturing footprint.
Our continuous optimization of plasma supply has been a long-standing evolution, ensuring a robust and diverse source of plasma. We are not only focused on increased plasma collections, which inherently drives economies of scale, but also on optimizing our plasma sourcing strategies and, notably, improved efficiencies at our collection centers.

And underpinning all these advancements is our strategic investment in AI, advanced analytics, and digitalization. We are leveraging cutting-edge technologies to gain deeper insights into our operations, predict trends, and automate processes.
Our strong Q2 performance, particularly the margin expansion generated by our plasma and manufacturing divisions, underscores the power of our strategy. Our commitment to continuous optimization, technological innovation, and operational excellence is not just a strategic pillar; it's a tangible reality that is driving profitability.

Now, turning to slide 9, the third lever in our Value Creation Plan is Pipeline Execution. As we have been reiterating over the past months, we are focusing much of our targeted investments and resources within our innovation pipeline on life cycle management, new proteins and indications. These efforts will directly contribute to our growth strategy.

We are very excited for our Fibrinogen launch in Europe. On this front, important inroads have been made recently. Last month, Lancet eClinical Medicine, a prestigious peer-reviewed journal, touted the success of the clinical trial and published pivotal data that further validates the significant opportunity Fibrinogen presents in hemorrhage management during major surgeries and acute bleeding episodes. We remain on track to launch this new protein in the fourth quarter of the year in Europe, followed by a launch in the U.S. in the first half of next year.

Also, we continue to make progress on our pipeline milestones – and we have accelerated a few that were expected for the second half of 2025. We successfully enrolled our first patient in our Giga 564 Oncology program, a groundbreaking approach to cancer treatment with the potential to enhance anti-tumor activity and mitigate some immune-related toxicities.

We have also successfully submitted our phase 2 Investigational New Drug (IND) application for the use of IG in Dry Eye Disease, one of the most common ocular disorders worldwide. Our other three milestones completed relate to Gamunex and Xembify: these will further support and bolster our IG franchise. We submitted phase 3 IND for Xembify in CIDP, which combines the proven safety and efficacy of IG with the convenience of subcutaneous treatment to provide further optionality to our patients suffering from CIDP – an indication that keeps growing quarter over quarter. We also completed the FDA submission for Gamunex-C in bags, providing additional convenience and safety for infusions.

Beyond these two milestones, which were expected for the second half of the year, we also want to highlight that our phase 3 IND submission for Gamunex in SID was successfully fast-tracked. Gamunex provides an additional avenue for growth in SID, which, as diagnosis rates and population ages increase, is becoming one of the fastest growing segments for treatment through IG.

Looking ahead to the second half of this year, as mentioned already, we expect the approval and launch of Fibrinogen in the EU and the phase 1/2 topline results of our subcutaneous 15% for our Alpha-1 patients, as we progress to further grow our Alpha-1 franchise.

Turning our attention to our Diagnostic business, it had a very solid start in the first half of the year, reporting a 2.8% growth at constant currency and with all major segments reporting performance growth. Beyond revenues, this complementary Dx business continues to drive significant EBITDA and cash flow generation.

Our Blood Typing Solutions business, expected to be a main driver of growth, grew by 7.1% at constant currency, as we strengthened our presence in core markets and improved operational efficiency. We received FDA approval to begin manufacturing GelCards and reagent Red Blood Cells in our San Diego facility. This will further support our Blood Typing Solutions segment growth and bolster our capacity in the U.S.

In our Molecular Diagnostics business, we are reporting a 2.2% growth at constant currency. I would like to specifically highlight the strategic alliance with Inpeco, a partnership which aims to create the "lab of the future," providing revolutionary solutions in laboratory automation. Combining Grifols' leading diagnostic instrumentation, reagents and technical service with Inpeco's open automation technologies will enable labs to modernize, upgrade and scale their operations quickly and seamlessly.

Our Immunoassay segment also performed well with an 8.1% growth. Worth noting is that we continue to advance the development of the ISARD platform, the first Grifols Immunoassay platform: multiplexing, ultra highly sensitive, modular, and trackable, and it will allow us to untap a 1B$ serology donor screening market.

All together, we are confident that we are well-positioned to capitalize on growth opportunities in transfusion medicine, while we continue focused on solidifying our leadership position.
With that, I will turn the call over to Rahul who will share more details about our financial performance. Thank you.

Rahul Srinivasan, CFO

Thank you, Nacho.

Moving on to the Q2 and H1 numbers on Slide 12. These financials have been subject to the customary H1 Limited Review by our auditors Deloitte.
As a reminder, our Reported numbers are after the impact of IRA and the Fee for Service / GPO reclassification. These Reported numbers understate the true underlying momentum and hence to improve comparability to prior periods we will continue to disclose the Like for like column for the rest of this year, which we believe will be helpful for analysts and investors to track our underlying performance.
Starting with our Reported Q2'25 performance - another very strong quarter with Reported revenues of just under €1.9bn and an Adjusted EBITDA of €475m, our second highest Adj EBITDA quarter ever ! Implying a Reported Adj EBITDA margin of 25.1% and meaningfully higher than that on a LFL basis. And contributing to a robust Group Profit and FCF pre M&A for the quarter.

This strong Q2 performance has supported a Record first half performance for us from both a revenue and Adj EBITDA standpoint and I will touch on the key drivers on the following couple of slides. Year on year Reported Revenue growth was 7% on a constant currency basis and 10.1% on a LFL basis in constant currency terms. Year on year Reported Adj EBITDA growth was 12.7% on a constant currency basis and 20.1% on a LFL basis in constant currency terms. Both the Reported revenue and Adj EBITDA growth delivered in H1'25 is significantly higher than what was implied by our full year guidance for 2025 if you simply extrapolated in a linear manner. And with average EUR USD exchange rate being relatively flat when you compare H1'25 vs H1'24 the year on year comparison of reported results is less distorted by the depreciating US dollar - an aspect that will cause more distortion when we make the same comparisons in H2. More on that a little later in the presentation.

Both Adj EBITDA margin and Gross margins have improved notwithstanding the impact of IRA. Whilst the business now treats the IRA impact like any other cost, the 80bps Year on year improvement in Adj EBITDA margin significantly understates the underlying earnings momentum of the business as evidenced by the 170bps improvement on a like for like basis.

The significant normalising of our business also helps our Group Profit or net income story considerably with H1'25 Group Profit hitting €177m, up around 388% year on year. And continuing to see that Group Profit grow remains a clear priority for us.
With regards to FCF, another solid quarter of progress with H1'25 FCF pre-M&A being €182m higher than H1'24. And like we said in our Q1 call a couple of months ago, unlike Revenues and Adj EBITDA, FCF is more protected from a depreciating USD and I will touch on this again later in the presentation.

Finally on the balance sheet side, there continues to be deleveraging progress supported by a strong liquidity position and significant rainy day secured debt capacity. So the balance sheet continues to be in a very robust position. And this leverage and liquidity picture is after the settlement of our successful delisting offer for Biotest. Very much in keeping with the capital allocation assurances that we provided earlier in the year at our Capital Markets Day.

Turning to our revenues, our top-line performance in Q2 continues the strong growth trends we have observed consistently over the last quarters.
Biopharma remains the primary driver, delivering growth of 8.2% on a reported basis and 11.8% on a like-for-like basis, both at constant currency. This performance was primarily driven by the continued strength of our immunoglobulin portfolio, which saw broad-based demand across all major indications. After the phasing impact associated with the license renewals that we saw and talk about it in Q1, we also saw a positive quarter for Albumin and we still have significant amount to catch-up over the next 12 months or so. And pleasing to see Alpha-1 and specialty proteins maintaining their positive momentum.

Lastly, another positive quarter of growth for Diagnostics and that continues to cruise at a steady pace, a business that benefits from robust margins and strong free cashflow conversion characteristics.

In the first half of 2025, Adjusted EBITDA growth was nearly twice the pace of revenue growth. Reported EBITDA margin grew by 80bps and by 170bps On a like-for-like basis, reflecting the continued benefit of gross margin improvement, operational leverage coming through and general cost discipline.

As previously mentioned, growth was primarily driven by strong underlying demand in Biopharma. Our IG franchise continues to deliver robust, above-market growth across geographies. We also continue to drive down Cost per Liter through focused efficiency initiatives and improved yields. In parallel, we're transitioning toward a more granular cost-per-gram-of-protein model to further enhance operational focus.

To close this slide, let me touch upon IRA impact for the H1'25: our 58 million euros impact for the first six months of the year is aligned with our comments during the Q1 presentation and supports our confidence that the 125 million euros mid-point of our full-year guidance remains a prudent estimate. We remain very focused on execution to capture the operational leverage benefits associated with our top-line growth, while maintaining strict cost discipline across all functions. And finally, whilst we did face some FX headwinds in H1, they were relatively muted - and we expect that to be more meaningful in H2.

As we have talked about a number of times before, a key area of focus has been to proactively reduce the cash adjustments between Adj and Reported EBITDA. it is great to see two key aspects on this slide: the continuing convergence of Adj and Reported EBITDA via a reduction of cash adjustments. Part of that is explained by the normalising of our business and the stresses of the past being far away in our rear view mirror - reducing transaction and restructuring costs, consistent with our prior guidance.

Our cash adjustments have more than halved in H1'25 vs H1'24. The principal non-cash adjustments relate to impairments which are somewhat backward looking and in general are not expected to impact our go forward FCF story that we presented at our Capital Markets Day. Notwithstanding the impact of IRA in 2025, great to see the strong growth rates, particularly the 17.8% growth in Reported EBITDA on a constant currency basis and the significant increase in Reported EBITDA margin.

Free cash flow generation continues to be the cornerstone of our financial focus. After significantly outperforming our free cash flow guidance in 2024, we ended the first half of 2025 with an improvement of 182 million euros year-on-year. This is a clear sign that the progress we saw in 2024 and again in Q1 this year were not one-offs and clearly demonstrates that this business can sustainably generate meaningful FCF.

Obviously with H1'25 FCF pre-M&A still being slightly negative, the upcoming Q3 and Q4 quarters, that are our strongest FCF generating quarters, will be critical.
Working capital continues to be a critical component of our FCF story – and we continue to make good progress as you can see in the favourable comparison vs H1'24. We saw continued investment in inventory to support the strong and sustained demand we benefit from —especially within Biopharma. The profile across receivables and payables are stable and move in lock-step with the strong growth that we continue to benefit from.

Our spend on Capex, capitalised IT and R&D plans are all going as planned and there is a greater weighting of this spend in H1 in 2025, so you can expect H2 spend to be lower. Q2 tends to be a heavier interest payment quarter for us and this year was no exception - with 235 million euros in interest payments driven by the existing phasing of our debt interest servicing. You can expect H2 interest to be meaningfully lower than H1 and full year 2025 interest to be meaningfully lower than 2024 – part of that driven by the deleveraging related to the partial disposition of the SRAAS stake but also lower utilisation of our RCF meaningfully contributing to the lower interest spend.
In conclusion, all going to plan on the FCF side and we continue to manage the business with clear focus and discipline. And we remain confident about our full year FCF pre-M&A outlook, that I will provide further context on later in this presentation.

At our Capital Markets Day, we set out what we believe was a very clear Capital Allocation framework. And we simply continue to execute within that framework in a disciplined manner. Continued Deleveraging and FCF generation are core to that framework and we continue to make good progress on both fronts. As I've said before, With no meaningful maturities till Q4 2027, Our strong liquidity position, demonstrable capital Markets access and continued re-rating progress implied by the yields of our debt instruments, I feel confident about our balance sheet strength. We expect to execute our refinancing plans in a timely and prudent manner at least 12-15 months before our 2027 maturities. Essentially, all going as we expected in this first pillar.

Organic investment plans continue as expected, be it investment in inventory levels and other critical projects supporting our strategic goals in a disciplined manner. Whilst continuing to improve our free cash flow generation. And as I said before, we remain confident about our FCF pre M&A outlook in H2'25.

On the Inorganic front, we successfully delisted Biotest from the Frankfurt Stock Exchange and we did so as we guided to, paying for it from our existing resources whilst continuing our deleveraging profile. And Biotest is progressing as we planned.
And finally on shareholder returns, which is an equally important pillar of our capital allocation framework, entirely consistent with what we said at our Capital Markets Day earlier this year, given the strong earnings and FCF generation momentum and continued progress on each of our other three pillars, we are pleased to confirm a 15 euro cents per share interim dividend that will be paid in accordance with the OIR filed simultaneously with our results release a short while ago.

Accordingly this dividend will be paid shortly in August. It has been over 4 years since Grifols last paid a dividend - having very responsibly paused dividend payments whilst recovering from the once in a 100yr pandemic event. With leverage now being clearly lower than the corresponding leverage when we last made dividend payments (as an example between 2018 and 2021) and our continued confidence on our deleveraging path, we are pleased to confirm this dividend reinstatement .

In conclusion, we continue to execute in a disciplined way against the capital allocation framework we set out at our Capital Markets Day.

Despite a fairly uncertain and dynamic macro-economic backdrop and the various headwinds we have faced this year, be it due to the Inflation Reduction Act, tariffs and geo-politics, inflation and uncertain economic outlook or the elevated volatility and depreciation of the USD, the resilience of the Grifols business is testament to both the efforts of those before us that have built this business as well as the terrific job being done by the over 23,000 team mates delivering for our patients, customers and donors.

This strong underlying momentum in H1 is both very pleasing and reassuring.
Please bear in mind that our guidance was provided at the end of February when EUR USD stood below 1.04. The depreciating USD, as we proactively flagged in our Q1 results call, is a meaningful headwind with differentiated impact along our P&L.
It has a direct impact on absolute Actual revenues due the significant levels of offsetting natural hedges within the business, the impact on EBITDA is meaningfully lower than what it might have otherwise been.

And importantly, due to the various offsetting and natural hedges, the impact on Group Profit, Leverage and FCF is expected to be Broadly Neutral.
For your reference, we have also summarised here a high level sensitivity, if that is helpful – each cent of US Dollar depreciation vs the EUR (and here I mean the average exchange rate for the full year) has a full year headwind impact on EBITDA of approximately €7m.
Note that despite this headwind, as I mentioned earlier, our H1 performance has been far stronger than implied by our guidance.

Given the strong momentum that we have already demonstrated in H1, our expectation is that this momentum will continue in H2. Aided by all the other levers we have available including various cost levers, we expect that it will help us towards mitigating the impact of a depreciating USD based on recent EUR USD levels experienced.

Also, at this juncture of our story, there has been far greater focus from the market on our deleveraging and FCF prospects, which as I mentioned, remain broadly unchanged notwithstanding the USD depreciation.

Of course, we will continue to monitor that closely and update the market if need be.
On that basis, we reaffirm our guidance for 2025, whilst improving our guidance for FCF pre M&A to €375 - €425m (up from previous guidance of €350-€400m) given our confidence around our FCF pre-M&A outlook for H2'25.

With that let me hand it back to Nacho to conclude the presentation.

Nacho Abia, CEO

Thank you, Rahul. I would like to wrap up the presentation with some final points:

The second quarter builds on the strong momentum from the start of the year. Our performance in H1'25 reflects the disciplined execution of the Value Creation Plan and tangible progress across all strategic levers - commercial growth, margin expansion, and pipeline advancement.

We are especially encouraged by the benefits from our ongoing optimization efforts, which continue to enhance efficiencies, further supporting margin expansion and improved free cash flow generation. Deleveraging also remains a top financial priority, and we are well on track with our leverage ratio reduction, reporting the lowest leverage ratio in five years. These achievements reflect not only our commitment to financial discipline, but also our commitment to long-term value creation.

At the same time, we are investing for the future. Our R&D pipeline continues to advance, with key milestones for the year delivered ahead of plan. From the upcoming launch of Fibrinogen in Europe to promising early-stage program advancements, we remain focused on innovation as a core growth driver.

Nevertheless, there is no question that these results were achieved in a complex macroeconomic environment, marked by persistent uncertainties and external factors, particularly FX. In the face of that, Grifols is well positioned to navigate global uncertainty, thanks to our regional operating model, integrated supply chain, and operational agility. This gives us the flexibility to respond decisively and continue executing against our strategic roadmap.

We remain confident that the strength of our business momentum, solid fundamentals, and disciplined execution will largely offset the macroeconomic backdrop, including any pressure from FX headwinds. This positions us to reaffirm our full-year 2025 estimates.

Looking ahead, the alignment across our organization is clear. We remain focused on delivering the second half with the same rigor and discipline that defined the first - confident in our ability to meet FY25 targets, strengthen our financial position, and create lasting value for patients, donors, and stakeholders.

Thank you, as always, for your continued support.

With that, Dani - back to you.

Daniel Segarra, VP, Investor Relations and Sustainability

Thank you, Nacho. Now, let's turn to the Q&A session.

Please remember to press STAR 5 to ask a question. We need to place a limit of two questions per analyst. If you have follow-ups, please dial STAR 5 again to get back on the list. After you ask your question, we will put you on mute to reduce any background noise.

If I'm not wrong, I think that our first question is coming from Barclays, Charles Pitman-King please, the floor is yours...

Charles Pitman, Barclays

Hi, guys. Charles Pitman-King from Barclays. Thank you very much for taking my question, and congrats on the strong results. Two from me, please. Just firstly on the free cash flow and dividend, I'm just wondering if you could quickly confirm the lower interest costs are, in fact, the primary driver of the raised free cash flow target than this year. And just in line with the dividend, can you just walk us through the logic of prioritizing the reinstatement of the dividend ahead of executing the call option on BPC and Haema, which I assume is still on track for execution in '26, '27 as part of the CMD?

And then just the second question on the albumin market, I think, Rahul, you mentioned there's more acceleration to come and you're benefiting from Shanghai RAAS and Haier agreements, but just wondering if you give us a bit of an outlook for what sort of year-on-year growth you might be expecting a return to, given it was that 1% year-on-year currently, and what do you mean by pricing pressure? How should we think about that? Thank you very much.

Rahul Srinivasan, CFO

Thanks, Charles. So let me take the free cash flow and dividend. You're right. Our interest, our cash interest is, we've guided to it being lower in H2, but there are multiple things that go into our free cash flow. So I wouldn't pin our dividend payment only because we're doing better from a free cash flow standpoint. It is a combination of a number of factors, not only that it's consistent with our capital allocation framework, we're deleveraging as we planned, our leverage is back or inside levels when we last paid dividends for whatever, four or five years ago.

And so in our minds, this is very much part of our overall capital allocation strategy and framework. And whilst the interest payment or cash interest is improving, that's not the sole driver of the reinstatement of dividend at this point. Very much in keeping, as you recall, Charles, we mentioned that we would reinstate dividend payments on the back of our 2025 results, and paying an interim dividend is what we had even talked about during our Q&A during our Capital Markets Day. So all very consistent on that front.

On albumin?

Nacho Abia, CEO

Yes, this is Nacho. I think, on albumin, the comment was referred to the, I mean the Chinese government has been for already for a couple of years pushing, trying to decrease the cost of healthcare per capita in China. And part of that is also with intention to reduce the pharmacy cost. Albumin is, as you know very well, a product that is very well appreciated in China and it continue to be. But obviously those pressures from the government are also generating some competitive tensions, maybe a little more than before. This is one of the situations where we appreciate to have a local partner, Shanghai RAAS, as they know very well the market, they know well the market and their customers, and they are navigating well all that tensions, and we will continue paying attention to that.

Rahul Srinivasan, CFO

And on Haema, BPC, Charles, as we guided to, our expectation is around half year next year, 2026, that remains our milestone or target deadline or target date, if you like, for the exercise of the options. So no change in that regard either.

Daniel Segarra, VP, Investor Relations and Sustainability

Thank you, Charles. Now is the turn of J.P. Morgan. James Gordon, please, go ahead.

James Gordon, JPMorgan Chase

Hello. James Gordon, J.P. Morgan. Thanks for taking my questions. Two questions, please. The first one was IG trends. So IG grew 17.5% constant currency in Q1, but it looks like it's accelerated by about 5.5 percentage points to 12% in Q2. So still strong, but it does look like a bit of a deceleration. So is there anything one-off in the Q1 or Q2? And are you seeing any share loss in CIDP to Vyvgart, either people coming off IG earlier because Vyvgart's available or even some people using Vyvgart ahead of IG? Could that be a factor in the slowdown that seems to be Q1 to Q2, or is that just noise? First question, please.

And the second one, just a reminder, Sanofi are meant to report their headline data for Inhibrx in Q4. I know you've got a risk-adjusted competitive headwind already in the medium-term guide and the long-term aspiration. But can you remind me, even if Sanofi does work and they can get the product approved, would that imply any change to your guide? Or even with 100% chance of Inhibrx coming, you would still be able to get to the medium-term guide?

Rahul Srinivasan, CFO

So let me start with the IG trend. I think one key aspect that you need to factor in as well is the currency impact. So I think, if you look at it on a constant currency basis, I think that deals with the trend question. But on Vyvgart, Roland, do you want to pick that up?

Roland Wandeler, President Biopharma

Sure. We're now one year into the launch of FcRns, and we continue to see growth in our own sales in CIDP. And in fact, we do see and hear feedback from both thought leaders and physicians that they see IG as the standard-of-care and first-line treatment of choice in CIDP. We have been seeing use of FcRns, but mostly in the second-line setting. We also seen some patients switch back to IG, and we remain confident in the strong role and in the growth potential that we have in CIDP.

Nacho Abia, CEO

Yes. As per Inhibrx, James, I think that we have mentioned this in the past, but in our Capital Markets Day plan, the long-range plan that we presented in February, we took a risk-adjusted position, which risk adjustment essentially means that we took probably the worst-case scenario for us, which means that Inhibrx is launching the product in 2027, as they have announced, and this is something that still needs to be seen because there is still some required approvals.

But we are assuming that they will launch in 2027, and this is included in our long-range plan. I mean, obviously, we are progressing well with our initiatives to protect the franchise and to protect from any problem that might come from them. But still, we are considering some impact and it is reflected in the plan. If something would happen with the launch in time and this launch will be delayed for whatever reason, that would mean an upside in our long-range plan.

James Gordon, JPMorgan Chase

Thank you.

Daniel Segarra, VP, Investor Relations and Sustainability

Thank you, Nacho. Now, I guess that it's time for Alantra. Alvaro, please.

Álvaro Lenze, Alantra

Hi. Thanks for taking my question. My first one is on margins. I think Rahul mentioned you expect to get the same momentum we've seen in H1 margin and the line margin expansion was very impressive. But I was just wondering, with the comparison base becoming tougher because H2 already saw a significant margin expansion, and also, with the pricing pressure you mentioned in albumin, when you talk about maintaining this margin or this operating trend, do you also mean carrying over the same margin expansion we saw in H1 into H2?

My second question would be on how to think about the dividends going forward. In the past, you used to pay an interim dividend and a final dividend. I don't know if you could guide us what the rationale for this EUR 0.15, or $0.15 per share is. I don't know if you have an absolute figure in mind for the total dividend or a payout. How should we think about this? Thank you.

Rahul Srinivasan, CFO

Thanks, Alvaro. I'll take both questions. On margins, if you recall, we said margin for the full year when we provided our guidance is relatively flat versus last year, given the impact of IRA, which is being absorbed. So no change in terms of margin outlook for the year.

And then on dividends, look, there's been no change in our dividend policy. Again, we talked about this at our Capital Markets Day. Our previous dividend policy that remains unchanged is around a 40% payout ratio and to the extent that there are any changes around that as a result of any Board discussion or decisions, the market will be updated as per normal protocol. So no real change on that front.

And I think you're thinking about it the right way. It is an interim dividend and there will be a subject to a typical we're going back to the normal Grifols cycle of the typical final dividend payment that would be Q2 next year, typically, I think, if I recall correctly, in terms of timeline. So no change in terms of how we're thinking about it as things stand. And if there are changes, obviously, we'll update the market in due course and normal protocol.

Álvaro Lenze, Alantra

Thank you.

Daniel Segarra, VP, Investor Relations and Sustainability

Thank you so much. Now we would like to get questions from Guilherme, from CaixaBank.

Guilherme Sampaio, CaixaBank BPI

Hello. Thank you for taking my question. Two if I may. The first one regarding to your EBITDA guidance. So the low end of your EBITDA guidance implies a 1% year-on-year growth in the second half of the year. I understood that things should remain more or less in line with the first half in which you've grown by 12.7% in constant currency. So do you still maintain this scenario due to effects and certainties?

And the second question is the phasing of the cash flow in Q3 and Q4. So you will have interest payments in Q4, but still should we assume a Q3 cash flow much stronger than the one that you have in Q4? Thank you.

Rahul Srinivasan, CFO

Yes. So, look, I think on your first question around EBITDA guidance, yes, it is as a result of FX. Average FX rate for the first half was roughly about EUR108 million, give or take, which was roughly in line with what it was in H1 '24. And FX remains a little bit of an unknown. I remember when we were setting out our guidance for our Capital Markets Day, most analysts on the street were calling for euro-dollar parity, and here we are at $1.15 or $1.16.

So, look, I think what we're saying is we're not speculating on FX. We've seen the strength of our performance in H1, and your statement that EBITDA guidance, the 1% that you used, it being impacted by FX is fair. But as I reiterated, we have reaffirmed our guidance as well as increasing our free cash flow pre-M&A guidance for the year. So that's the first question on EBITDA guidance.

On phasing of cash flows, look, I think H2 cash flows obviously tend to be a lot stronger for us than H1. You can track that over a long period of time, and nothing's changed. In terms of specific phasing between Q3 and Q4, that is not something that we have provided specific guidance on and not something I necessarily want to be drawn on. But suffice it to say that in increasing our free cash low pre-M&A guidance for the year, it suggests strong confidence from us in order to hit that free cash flow pre-M&A revised upward targets, and we feel pretty good about where we're at, and we'll continue to execute in a very disciplined manner.

Guilherme Sampaio, CaixaBank BPI

Okay. Thank you very much.

Daniel Segarra, VP, Investor Relations and Sustainability

Thank you, Guilherme. Thank you, Rahul. We have a follow-up from Alantra. Álvaro, please, go ahead.

Álvaro Lenze, Alantra

Hi. Thank you for allowing me back into the queue. Just a quick question. You mentioned you expect to launch by the year-end fibrinogen in Europe and then in H1 in the U.S. I don't know if you could provide us with some sort of guidance of what the initial sales could be and at what speed should we see this ramping up through next year? Thank you.

Roland Wandeler, President Biopharma

Yes, Álvaro, we will be providing more color on our launch when we get closer to it. What we can say at this stage is that preparations are on track. Our regular submission, obviously, last year, we're expecting a launch, as Nacho said, Q4 this year in Europe and first half in the U.S., and the launch preparations are advancing very well.

And just to remind you, the opportunity we have is twofold in Europe. It's an established market. It's about competing and gaining share with growth potential in some markets. And in the U.S., it's about establishing a new standard of care, given that this is a new indication with acquired fibrinogen and efficiency that we'll be launching in. This is an uptake that will take time, but the potential, which is very significant, as we discussed in the Capital Markets Day, we see the U.S. market potential north of $800 million. So we're excited about this launch, and as I said, we will provide more color when we get closer to date.

Álvaro Lenze, Alantra

Thank you so much.

Daniel Segarra, VP, Investor Relations and Sustainability

Thank you so much. Álvaro you're ok with that? Now, it's time for Santander. Jaime?

Jaime Escribano, Banco Santander

Hi. Good afternoon. So, a couple of questions for my side. The first one regarding the Canadian operations. Can you summarize or recap a little bit on the case study there? So what products are you going to produce and sell, when, and what is the potential? I don't know if you can quantify revenues, or we call as the production that you expect to be producing in Canada.

And the second question is regarding the subcu IG CIDP indication. When do you think you can have the indication, and how relevant could this be for your subcutaneous revenues? Thank you.

Nacho Abia, CEO

Hi, Jaime. This is Nacho. I'll take the first question, and Roland will take the second one. So the Canadian project is a project that has been in place for a number of years. It's based on an agreement with Canadian Blood Services, where, back in the time, they wanted to increase their level of self-sufficiency in the market. This, as you can imagine, with the current situation, they have even more interest in that project, and we've been advancing over the last years in the project.

So, at this point, we have already a working factory in there. At this point, it's only producing albumin. The plan is in the future it will also fractionate products and we'll do immunoglobulins in Canada as well. And we don't provide the specific numbers about this project, but, essentially, I think we are becoming a very solid partner with the healthcare system in Canada. We are working along with them. I think self-sufficiency is a critical, really a strategy that they have, and we are collaborating with them. So I think that we are seeing a very positive movement in ourselves, in the country, and we continue to collaborate with them and hope to increase even further that contribution.

Roland Wandeler, President Biopharma

And as for your questions regarding CIDP for subcu, this of course is an important driver. Just to remind you, we launched relatively recently, if you want, into the subcu space and are very excited to see the momentum that we have in primary immunodeficiency, which is at the moment underpinning our growth. And you can imagine that unlocking CIDP as well will allow us to really compete in the full market.

And with all of that, we expect that we will be able to get to similar share levels that we have in terms of IVIG. As for the timing, we're obviously very excited to start our Phase 3 and we'll be providing more details, but we will be looking at a couple of years until coming to market there.

Daniel Segarra, VP, Investor Relations and Sustainability

Thank you, Roland. We have a second follow-up today. It's coming from Barclays. Charles, please.

Charles Pitman, Barclays

So just a couple of quick follow-ups from me. Just to your Bio Supplies, I noticed there's not a huge mount of conversation just in the presentation today. I'm wondering what the kind of driver of that year-on-year volatility is, how we should think about that line item going forward?

And then just secondly, you're going to mention the expansion of IG going forward to other indications to drive growth. Just wondering if you mean this primarily for SCIG or in line with the Phase 2 for dry eye disease, if you've got a relatively good roster of indications to continue to expand your IVIG franchise into, just kind of how we should think about that pipeline opportunity for IG going forward. Thank you.

Nacho Abia, CEO

As per Bio Supplies, Charles, I think that we haven't provided the specific numbers. This is a business unit that is quite complementary for both biopharma and diagnostics, as we use those products to complement customers in those markets. It's very much driven by the needs that the Biopharma

and the diagnostic have, and based on that, it keeps developing. I think we're still expecting growth in that business unit this year versus previous year and working towards that.

Roland Wandeler, President Biopharma

Yes. And as it comes to IG moving forward, the biggest opportunity in size is these are indeed secondary immune deficiencies, an area which in the U.S. is still not in the label where we see tremendous growth based on the occurrence of cancer and obviously the advent of hematology treatment that require IG treatment. So we're very excited about the opportunity to educate physicians there and help ensure that patients suffering from secondary immune deficiency actually get access to our medicine.

In addition, as mentioned before, we have for our subcu a CIDP indication, which will be very important, and we have a range of life cycle management programs that will strengthen our brand offering for Xembify, which we're very excited about. When it comes to the dry eye disease opportunity, we're very excited about bringing IG to this completely new field with intraocular formulation there. It's an exciting growth opportunity for the long term, but as you think about the IG market as it stands today, the key drivers are SID and CIDP.

Daniel Segarra, VP, Investor Relations and Sustainability

Thank you so much, Roland.

Charles Pitman, Barclays

Thank you.

Daniel Segarra, VP, Investor Relations and Sustainability

Let's move to the next and probably last question from JB Capital. Joaquin, please.

Joaquín García-Quirós, JB Capital

Yes. A quick one from my side. Just on the Alpha-1 and specialty proteins. It has performed fairly well this quarter. I just wanted to have a bit more information on if the growth was coming more from Alpha-1 or from the rabies and other specialty proteins. And if it was from Alpha-1, is it coming from a bit of gaining market share, pricing, or just having more patients? And what can we expect for the coming quarters and years? Levels around similar to this quarter or more towards previous quarters, which was more towards low-single digits? Thank you.

Roland Wandeler, President Biopharma

Yes. Thank you, Joaquin, for the question. And we don't provide detailed results for each one of the Alpha-1 versus specialty proteins, but suffice to say that we were pleased with growth in each one of these. And as you zoom in on Alpha-1, we're obviously happy to see how we're progressing with the change of our specialty pharmacy provider in the U.S., which allows us to bring to the market a stronger offering for our patients.

And you touched on share, you touched on price, and you touched on patients, which all three are part of our plan to continue to grow this brand, and notably in an area where 85% of patients still remain undiagnosed and where we are leaning in to see that we can help diagnosis efforts and thus help grow the market in the U.S.

Daniel Segarra, VP, Investor Relations and Sustainability

Thank you so much, Roland. It was our last question today. Thank you very much for having us. If you have any further questions in the upcoming days, please feel free to reach the IR team. Thank you so much.