Grifols

Q3 Earnings Call

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Speakers

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Nacho Abia, CEO

Rahul Srinivasan, CFO

Roland Wandeler, President Biopharma

Questions from

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Guilherme Sampaio, CaixaBank BPI

Jaime Escribano, Banco Santander

James Gordon, JP Morgan

Tom Jones, Berenberg

GRIFOLS Q3 2024 Results

Dani Segarra, VP, Investor Relations and Sustainability

Hello everyone, and welcome to Grifols' third quarter 2024 financial results conference call.

My name is Dani Segarra, and I am Vice President and Head of Investor Relations and Sustainability. Today I'm joined by Grifols' Chief Executive Officer, Nacho Abia, Chief Financial Officer, Rahul Srinivasan CFO and Roland Wandeler, President of Biopharma.

Today's call will last about an hour, including a Q&A session.

All materials used during the call are available on the Investor Relations website at grifols.com.

The transcript and video replay will also be available on the Investor Relations website within 24 hours.

Moving to slide two. I would first like to share a disclaimer on forward-looking statements.

Forward-looking statements are subject to substantial risks and uncertainties. They are only valid on the day of the call, and the company is under no obligation to update or revise them.

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

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

On today´s call, Nacho will start off shortly with some introductory remarks and a discussion on business performance. Then Rahul will discuss the financial results for the quarter and year-to-date, before turning the call back over to Nacho for his final remarks.

With that, thank you very much for joining us today. Nacho, over to you.

Nacho Abia, CEO

Thank you, Dani, and good evening, afternoon, and morning to all of you depending on where you are in the world. I appreciate you dialing in for our third quarter results call.

Before I turn to the results, I would like to provide you with a few updates on key matters.

First, please note that the focus in this session will be on Grifols' third-quarter results, which, as you'll see, are reflective of our progress and indicating we are heading in the right direction.

We will not be addressing any questions or comments related to Brookfield or any potential transaction. As you are aware, Grifols entered into an NDA with Brookfield, whereby Brookfield was granted access to perform due diligence, and all that I can confirm is that it is ongoing as per today.

Any further update will be communicated to the market in due course and in accordance with applicable laws and regulations.

As always, the Grifols Board of Directors and management team are committed to acting in the best interest of all the shareholders, and we remain very focused on continuing to execute the company's strategy and deliver on our commitments. Please understand that we are not going

to make any further comments on this matter on today's call. I thank you in advance and appreciate your understanding.

The second key update I want to provide is regarding Spain's National Securities Market Commission, CNMV and the SEC as well.

As we reported last month, CNMV has concluded their review of our financial reporting, having identified no additional elements to those initially reported in March 2024.

The SEC has also conveyed that they have completed the review of the company's filings, with no additional comments or actions.

Finally, I'd also like to touch on some leadership changes.

In September, we announced that Thomas Glanzmann would transition into the role of non-executive Chairman of the Board. This is another step in our previously announced governance enhancements, which we first began in 2022; and it allows Thomas to fully dedicate his time to the non-executive chairmanship role.

I would like to extend – on behalf of the Board of Directors and the entire company – our deepest gratitude to Thomas for his time and dedication to Grifols in his executive role over the last years.

Personally, I also want to show my strong appreciation to Thomas for his invaluable support during my first months at Grifols. Thank you, Thomas, and I look forward to continuing to work with you in your non-executive role.

While I will miss sitting next to Thomas on these calls, I am pleased to welcome our new CFO, Rahul Srinivasan, who has joined me on the call today and will introduce himself shortly. The addition of Rahul marks the completion of a broad management transition and represents the final piece to complete the new executive management team. Rahul brings a proven track record of financial success, and we look forward to benefiting from his expertise.

Finally, and before starting the presentation, I want to take a moment to highlight and appreciate the many initiatives we have taken over the last two years as we work to transform the business and deliver strong results on a sustainable basis.

Over the last few years, our business has faced a number of headwinds -as it was heavily impacted by the Covid pandemic- that led to a re-evaluation of our operations and strategic direction.

Grifols responded by doubling down on the fundamental growth of the business, strengthening corporate governance, refreshing executive management, imposing greater financial discipline, and reinforcing a culture of performance and accountability.

Such actions are reflected in the positive results we're reporting today and are a direct consequence of the resilience and adaptability we've demonstrated during these times. I am confident that these actions will keep leading our business to outperform expectations for years to come.

Shifting to our financial results, we continued to build on our momentum with another strong performance in the third quarter. This quarter's results underscore our capacity to capture robust global demand effectively across our key markets and demonstrate how we are well-positioned to sustain this trajectory moving forward.

Revenue in the third quarter totaled nearly EUR 1.8 billion, representing 12.4% increase on a constant currency basis over the previous year, while year-to-date revenues reached EUR 5.2 billion, representing a 9.1% increase.

Adjusted EBITDA for the quarter came in at EUR 462 million with a margin of nearly 26%. This increase is an improvement of 26.7% at constant currency from the previous year.

Free Cash Flow for the quarter improved to EUR 127m; and we continued our deleveraging path, reducing our deleverage ratio to 5.1x from 6.8x in the first quarter.

Looking ahead to our fourth quarter, we view our strong third quarter performance as a positive indicator of our ability to meet full-year guidance. While we recognize that the upcoming quarter will be a demanding one, we remain focused in our commitment to ensure we close out the year in a strong manner.

Plasma continues to play a significant role in driving profitability. Our Cost *Per* Liter continued to decline in 2024 and we expect the trend to continue. We have managed plasma supply to ensure we are able to meet the growing demand. Going forward, we will continue to execute on its initiatives to further improve plasma and manufacturing efficiencies helping to reduce costs and expand profitability.

Grifols continues to view innovation as one of its top pillars, and I'm pleased to share that we are on track to achieve all of our 2024 innovation milestones. Hitting these targets is key to continue building on our fundamentals for future growth.

Of particular importance, Fibrinogen's regulatory process has seen significant progress, which I will cover in more depth later on this call. Additionally, I am excited to announce that we were awarded a U.S. BARDA contract to develop GigaGen's recombinant polyclonal antibody therapeutic platform.

We have made significant strides in corporate stewardship as we advance our sustainability agenda, achieving our highest score ever in the 2024 S&P Global Corporate Sustainability Assessment and being awarded a Gold Medal by EcoVadis.

Turning to Slide 6, let´s take a look into our key financial metrics, which shows a clear sequential growth across the board.

As mentioned, we achieved nearly EUR 1.8 billion in sales in this quarter, representing a 12.4% increase on a constant currency basis. On the profitability side, adjusted EBITDA for the last twelve months reached EUR 1.7 billion with margins increasing to 25.8% in the third quarter from the 21.6% reported in the first quarter of this year.

Free cash flow generation continues to be a priority, and we are pleased with the sequential improvement we've seen over the year. As discussed, on my first quarter earnings call last May, optimizing of working capital was a pivotal driver for improved free cash flow in 2024. This is reflected in our third quarter positive free cash flow generation of EUR 127 million, which significantly bridged the gap towards our full year 2024 guidance. That said, we expect additional working capital consumption in the fourth quarter, as we will be building up inventory to meet the strong underlying demand we expect in 2025.

Finally, we continued to reduce our leverage ratio *per* our Credit Agreement, led by the repayment of senior secured debt following the receipt of EUR 1.6 billion in SRAAS funds as well as the significant EBITDA improvement.

Rahul will delve deeper in these and other relevant financial metrics later in the presentation.

Turning to topline, you will see that total revenue year-to-date has increased 9.1% on a constant currency basis, driven by strong performance across all business units.

Revenue growth has continued escalating from 5.5% in Q1, to 9.3% in Q2 to a remarkable 12.4% in Q3, all on a constant currency basis. This acceleration was steered by Biopharma, growing at +12.1% for the quarter and 9.1% year-to-date.

The immunoglobulin franchise continued to show strong results, with double-digit growth driven by IVIG and SCIG. Our Alpha-1 trend is improving as well in Q3, reversing the impact of prior quarters, and Albumin also performed well.

Growing demand in the U.S., Canada and ROW, gives us confidence in our upside potential moving forward.

In Diagnostics, we saw a 1.3% uptick on a constant currency for the quarter, landing at a 1.7% advance year-to-year, on a like-for-like basis, guided by the BTS. I will also cover more on this Business Unit later.

Biopharma continued to be the main growth driver in the third quarter. The IG franchise remains the highest growth protein, with up 16.6% in the third quarter and 14.3% this year, both on a constant currency basis.

IVIG growth was driven by strong demand in the U.S. and international markets. At the same time, subcutaneous IG continues to gain traction and grew a remarkable 52% on a constant currency basis year-to-date, reinforced by a strong performance in the U.S. and multiple launches within the European Union.

Albumin was up 11.7% in the third quarter and 10.3% year-to-date, both on a constant currency basis, caused by a higher demand in China.

Alpha-1 and specialty proteins revenues improved by 3.8% on a constant currency basis from last quarter, bringing our year-to-date growth to 1.3%. In the US, our Alpha-1 franchise is re-gaining momentum following the transition of specialty pharma distributor in the US, while demand for Rabies treatment has increased this quarter.

Now I would like to show and overview of our priorities to further enhance our performance, which focus upon efficiencies to strengthen our leading market position in both the commercial and plasma center operations.

First, we further build out our portfolio as our SCIG Xembify gains further traction in the European market, with 8 launches executed so far in 2024. We see that our IG product offering with both Gamunex and Xembify is well received, reflected by momentum in pull through across geographies. In addition, we are reinforcing the value proposition for Alpha-1 patients, which is already offering expanded capabilities to our Prolastin users.

We are seeing increased momentum in the US, and our commercial strategy continues to focus on growth both in existing and new key accounts. In Europe, our teams again excelled, reporting another quarter of double-digit growth.

Product life cycle management, paired with new product development, also continues to be key. We secured approval for Xembify© biweekly dosing from the FDA in July, and enrolled our first patient for Alpha-1 AT-15% subcutaneous phases 1 and 2. Furthermore, we are progressing in our filing for Fibrinogen, as I will cover in the next slide.

Finally, we are enhancing the performance and accentuating the talent of our teams. In line with our strategic efforts across the company, we are currently building skills and new capabilities in our commercial team in the US while enhancing customer and patients' engagement.

In addition to these key efforts that are fueling our strengthened market positions, we continue to improve our operational effectiveness. As part of these, we are optimizing our global plasma center network, which comprises 405 plasma centers around the US, Europe, Canada and Egypt.

Additionally, we are working to leverage new technologies and implement process efficiencies. We have been increasing our IG yields through the deployment of nomogram and development of a roadmap to expand continuous improvement initiatives. While implementing these strategies, we are also prioritizing enhancing the donor experience and improving donor satisfaction.

Turning to Slide 10, let me reiterate that innovation continues to be one of our main cornerstones, and, as I mentioned earlier, we are on track to accomplish our 2024 innovation-related milestones.

Through the first three quarters of the year, we've completed all but two of these milestones, which we anticipate will see positive updates by year-end. In July, Xembify© bi-weekly dosing received FDA approval, and in September, Gamunex© in bags began conformance lot testing.

In Fibrinogen, there are some exciting advancements in the EU, where the marketing authorization application was successfully submitted through a decentralized procedure including several countries. Additionally, the US regulatory pathway is progressing well, maintaining its scheduled pace. These developments mark important milestones in bringing this protein to the markets, ultimately benefiting patient care on a broader scale.

We have also begun clinical start up activities for (Investigational New Drugs/IND) application of GIGA2339, which is a next generation antibody drug targeting (anti-hepatitis B virus), following the receipt of FDA approval.

We are excited as well with the contract awarded to GigaGen by the U.S. BARDA to develop a recombinant polyclonal antibody therapy for two proteins. This contract marks a milestone and will additionally support Grifols in the manufacturing and phase 1 trial and has a value of up to $135m over the next six years.

Turning to Slide 11, our Diagnostic business remains an important part of our operations, and I wanted to shine a spotlight on the business and what we envision for further growth. Currently, our primary segments in transfusion medicine are Blood Typing Solutions (BTS) and NAT (Nucleic Acid Testing) Donor Screening.

The transfusion medicine market is a critical field that ensures the safe and effective supply of blood and plasma to patients in need. Within the BTS segment, Grifols' focus is to become the leading player through capitalizing on our current position and expanding through improved profitability, execution of our commercial plan, focusing on our core markets, and continuing our development of the next generation of instruments.

Our performance in the third quarter is reflective of our progress. We have grown double-digits in our core market, our flagship Eflexis instrument continues to gain market share in conjunction with successful tenders in key markets.

In our NAT segment, testing for diseases and viral markers are critical to ensuring a safe blood and plasma supply. This is an important segment, we are focused on driving steady growth through life-cycle management of our Procleix Panther instrument, maintaining and strengthening our strategic accounts, and developing immunoassay technology for blood and plasma screening. Our performance in the third quarter reflects our near-term goal through steady levels of donations in the US, solid progress in the tissue and organ testing segments, and successful tenders in growth markets.

With our near-term focus of strengthening and growing our core BTS and NAT segments, we envision a broader expansion by our Diagnostics business. Leveraging our expertise in transfusion medicine, we view expansion into the Clinical Diagnostics segment as a natural progression. Driven by increasing prevalence of chronic disease, emphasis on preventative healthcare, and advancement in technology, this segment is growing and is an area we can explore leveraging our IVD expertise and focus on the development of new testing platforms.

Finally, an additional area of growth is expanding our testing capabilities internally to provide a best-in-class and seamless support model for our Biopharma business. Creating further synergies between our largest business' will allow for accelerated testing and new drug development.

And with this, I now would like to turn the call over to Rahul. Rahul...

Rahul Srinivasan, CFO

Thank you, Nacho, for the warm welcome and for all your help with my transitioning since my start at Grifols a few weeks ago. It is an absolute privilege to be here in this capacity for Grifols and I'm aware with this privilege comes the huge responsibility towards the company and all its stakeholders, including the critical institutional investors across our equity and debt complex.

Moving to Page 13, as some of you might be aware, I have followed the Grifols story for a number of years from a different vantage point, from where I developed much admiration for the company's commitment to its inspiring mission of improving patients' lives globally and serving our donors as well as the company's growth mindset – and by doing so, delivering not only for all our stakeholders, but also to society. The strong momentum and growth prospects that the company benefits from today is as a result of the bold and visionary actions taken in the past giving us a solid foundation and a market leading position with significant scale in a highly attractive industry that is characterized by secular tail winds and high barriers to entry. Notwithstanding all the challenges and considerable distractions that the company has faced this year, to grow our top line by almost double digits and EBITDA by c.25%, speaks to the attractive business fundamentals and the resilience of our over 23,000 teammates and the company, as a whole. As a senior management team, we are now in a fortunate position to be able to harvest over the coming years this highly defensive portfolio with very exciting growth levers and related cashflow prospects. And, in this fortunate position of being able to harvest our various growth legs, there is much greater focus on analytical rigor and general discipline, be it financial, cost or capital allocation discipline. And to continue our relentless efforts on deleveraging and improving free cashflow generation.

An aspect that has been particularly great to see in these initial weeks since I started is the organization's focus and progress on continuous improvement and operational excellence and to drive efficiencies. The success of the Operational Improvement plan and evidencing its conversion into significant actual cash EBITDA has been the catalyst for this mindset change across the organization and it bodes well for the quarters and years ahead.

Moving on to the last point on this page, from everything that I have seen in my first few weeks here, I continue to have very strong conviction for the Grifols story – and I believe that we have a significant communication and engagement opportunity to share the strength of this story in the coming months with each of our various stakeholders.

For all these reasons I had no hesitation in making the significant change after receiving Nacho's and the Board's offer – and to leave the safety and considerable comfort of my prior role to take on this invigorating challenge and deciding to relocate my family from London to Barcelona.

With that, let's now go through our Q3 and YTD financial performance on Page 14.

Before I go into our Q3 & YTD financial performance in 2024, please consider 2024's relative performance to what was a record financial performance in 2023 given the sales and adjust adjusted EBITDA records that Grifols achieved in 2023. With that important context to frame our 2024 performance, YTD and Q3 2023 revenues are up very strong vs. our record 2023 by over 9% and 12.3% on a constant currency basis, respectively, taking our YTD sales up to €5.237bn and very much tracking to our €7+bn revenue guidance for the year.

YTD gross profit was up 14.5% vs. 2023 and YTD adjusted EBITDA was up 25% vs the record 2023. Three of Grifols best ever quarterly adjusted EBITDA results have been achieved in the last four quarters, which hopefully is not lost on all our stakeholders that follow our financial performance. I will elaborate on the drivers of this growth in the next page.

As a result, our YTD reported Net Result has swung from being meaningfully negative in 2023 to positive €88m. That said, financial expenses and our P&L are higher than 2023 YTD for three reasons: 1) non-cash one-off impact of deferred financial costs of €50m that is linked to the redemption of senior secured debt from the SRAAS proceeds in keeping with our commitment to delever; 2) non-cash one-off FX impact of over €30m related to SRAAS transaction; and 3) higher

cash interest expense from the €1.3bn senior secured notes principally used to repay the senior unsecured notes maturing in 2025.

As Nacho mentioned earlier, the free cash flow generation excluding the effect of the SRAAS transaction continues as we expected with a strong Q3 and YTD free cashflow being significantly higher than 2023 and we remain on course to achieve our guidance. I will go into more detail about free cashflow generation in a subsequent slide.

And finally, on leverage. Our total net leverage *per* the credit agreement has declined further from 6.8x in Q1 to 5.5x in Q2 and now to 5.1x at the end of Q3– with the debt redemption from the SRAAS proceeds and our continued strong momentum in EBITDA, driving this significant deleveraging in only a couple of quarters. In addition, I also wanted to draw your attention to our net secured leverage ratio which stands at 3.1x *per* our credit agreement and (at one of the lowest levels that I can ever remember it being for Grifols) and the significant secured capacity buffer that exists to the extent that is ever needed and in contrast to the past. So, the meaningful strengthening of our balance sheet continues at pace and continued deleveraging and improved cash flow generation remain key priorities for Grifols.

Moving on to Page 15, we highlight the significant momentum in our adjusted EBITDA. Adjusted EBITDA Margin for Q3'24 is 25.8%, with the margin up 260bps vs Q3'2023 and a quarter-on-quarter growth of 26.7%. We see similar strong momentum if you consider the YTD performance with YTD adjusted EBITDA being up 25% on our record 2023. This momentum across Gross margin and adjusted EBITDA margin is primarily being driven by volume growth in Biopharma, the continuing improvement in the cost *per* liter, the benefits of our Operational Improvement Plan coming through *via* plasma and manufacturing yield improvements and finally from operational leverage, which I will touch upon on the next page.

As Nacho mentioned, we need to achieve similar growth vs. 2023 in this final quarter to achieve guidance. The momentum within the business is certainly there and the entire organization remains very focused on that objective.

Moving to page 16.

Notwithstanding the very robust bounce back in Adjusted EBITDA margin from the Covid years, we remain below our pre-Covid margin levels. We expect an improving trend in our margin levels in the years to come and we will share more details in our next earnings call with respect to guidance and targets for 2025. The drivers of the Adjusted EBITDA margin over the years are similar to the drivers I mentioned on the prior page. In addition, it is our expectation that the adjustments to EBITDA will reduce as our transaction activity and restructuring activity reduces. And, finally, our track record of converting Adjusted EBITDA to actual cashflow quickly is very positive, often occurring in less than 12 months.

On the right-hand side of the slide, you see the clear benefit of our operational leverage momentum coming through. These numbers appropriately exclude the one-offs, and you see that our Opex as % sales is even lower than our pre-Covid levels. And we believe that there is an opportunity to continue to squeeze that going forward. Equally, we do expect some of our SG&A savings to be reinvested into R&D in the coming years - to be able to better monetize some of the exciting opportunities that we see in front of us.

Page 17. The all-important free cashflow slide. The bottom line of this page is that we are very much still tracking to our guidance to the market to be free cash flow breakeven by the end of the year. We took a big step forward towards achieving that guidance with €127m of free cash flow generation pre-SRAAS in Q3. Whilst it might be tempting to extrapolate the Q2 and Q3 free cash flow progression to an even bigger number in Q4, we would caution against that approach and would simply reiterate our breakeven target. The various cash flow optimizing initiatives that have been implemented are yielding results - be it our working capital and inventory management focus or our disciplined approach with respect to cash across the board. Like we saw in Q2, you will see interest paid in Q4 to be higher than Q3, to reflect the interest periods of our debt instruments. And at the bottom of page, the extraordinary growth capex is almost entirely due to Immunotek payments, and I will touch on this further on the next page. Transaction and restructuring costs, whilst elevated in 2024, is expected to decline significantly in 2025. Our liquidity at the end of Q3 stood at €704m – we used some liquidity during Q3 to repay debt at the Biotest level and in doing so optimized our consolidated interest expense.

Page 18. On the left-hand side of this slide, we show our capex evolution over time, and I also make the distinction between maintenance and growth capex each year. We have typically guided the market to annual capex that includes both maintenance and growth capex to be around €300m. Some years slightly lower and other years higher, but around 300 million on average. The extraordinary growth capex in 2024, which we expect to be around 280 million for the full year almost entirely relates to Immunotek – and we expect this extraordinary growth capex to halve in 2025 and then further halve again in 2026.

On the right-hand side of the slide, we summarize the evolution of stock turnover days to show progress on inventory management. As you might be aware, in 2020 and 2021, during Covid, we suffered inventory shortages that resulted in artificially low inventory levels. Given the characteristics of the industry, as you are aware, the length of stock turnover period is quite high which is entirely normal but what this chart does reflect is some of our recent improvements on the back of initiatives to better balance the liter. Given the strong growth tailwinds, we do expect to continue to invest in having the right levels of inventory, but the combination of our operational improvement as well as taking a more dynamic approach to our inventory levels, the aspiration continues to be to remain efficient going forward.

Page 19. We have had a number of questions about how we used the SRAAS proceeds. The entirety of the net proceeds we received went to prepay our secured debt as shown in this table. And we summarize the tranches that were paid down. This contributed significantly to our deleveraging progress.

And finally, our near-term priorities

#1 Achieving FY24 free cash flow and Adjusted EBITDA guidance

#2 Continue our relentless focus on deleveraging

#3 The process to extend our RCF is already underway, and we have received very encouraging feedback from our bank syndicate in general

#4 Terming out our 2025 senior secured debt maturities, for which we have a number of different options, unsurprisingly, given the strong momentum we continue to see and the lowest secured leverage that we have had that I can remember.

Let me wrap this up, by leaving you with the following final points:

- The momentum of the Grifols story has meant that it has grown back into its capital structure rapidly after a once in a hundred-year pandemic. The resilience of this business is very clear and has been proven.
- The outlook continues to be very encouraging and the entire Grifols team is focused on capturing the tailwinds that we observe across our different business segments led by Biopharma

- This next phase of the Grifols story is very much a harvesting one and capturing the full value of the portfolio that enjoys high growth potential, strong margins and high cashflow conversion prospects with meaningful momentum from our operational initiatives that are clearly yielding results.
- The entire organization remains very focused on continued deleveraging and improving free cashflow generation
- I have significant conviction for the Grifols story and as a senior management team we look forward to discussing our perspective with all stakeholders in the coming months and quarters

And with that I will hand over to Nacho to conclude the presentation.

Nacho Abia, CEO

Thank you, Rahul. As we wrap up our call, I want to take a moment to emphasize several important points.

Despite many unprecedented events having transpired this year, we remain steadfast in our commitment to executing our strategy and optimizing our business. With our new Management Team now fully in place, we are optimally positioned to drive our initiatives forward.

Our Q3 results have been strong, placing us to meet our FY24 guidance. We are laser-focused on delivering a successful Q4, while not losing sight of our top priorities: generating free cash flow, reducing leverage and efficiently allocating capital. These efforts are not just about numbers; they are about ensuring that we have the financial strength to continue growing and navigating any uncertainties.

The plasma industry is engaging in an expansionary momentum, fueled by strong underlying demand in core markets. We see this as a prime opportunity to continue widening our footprint and further strengthening our market share.

Furthermore, we are dedicated to improving our operations through increased efficiencies and leveraging the growing use of technology in our plasma centers and manufacturing facilities. Streamlining processes and adopting innovative solutions have been, and will remain, instrumental going forward.

Finally, I want to emphasize our commitment to innovation. We are making significant progress in our R&D pipeline, which will enable us to broaden our product offerings, add new indications and launch new products. This focus on innovation is crucial for staying competitive and meeting the evolving needs of the market.

And with this, thank you again for your continued support. And, Dani, back to you.

Dani 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* person. After you ask your question, we will put you on mute to reduce any background noise.

Our first question comes from… James Gordon from JP Morgan.

James Gordon, JP Morgan

Hello, James Gordon, JP Morgan. Thanks for taking the question. One question is about immunoglobulin and how it's doing in CIDP. Two links that I have today...US CIDP approval. About half of the US plants are now covering it. And it says they've 300 patients by the end of September on therapy and that 85 or 90% are from IG. Does that tally what you're seeing? Are they partly coming from Grifols IG or are they coming from somewhere else? You saw 17% growth this quarter, so that does look good. Is that sustainable or is there anything exceptional about how you grew so strongly with maybe a bit more competition? The second question was China, a number of western healthcare and consumer companies have talked about a slowdown in demand for their products in China, maybe partly local competition and co-pay issues in terms of economic sensitivity and some other things going on. Are you seeing anything there? I saw a comment that China was still doing well, but any impact on how you meet demand at SRAAS? And if I could squeeze in a clarification that someone asked me. Is the target to get 4.5x net debt to EBITDA by the end of the year or where are we on that target? Is that part of the guidance that you reiterated? Thank you.

Nacho Abia, CEO

Let me address the China question. I would like Roland to talk about CIDP and what we are seeing there and finally the last question Rahul will comment on that, James. So, I just came back from China, I was there last week and I can see that -- I understand the comment. I understand the concerns. But that's not what we are seeing in our business. We see the business growing in our conversations with our partners there. We at least for albumin products and plasma derived products we see a continuous demand and we're planning the next year based on that. As for CIDP, Roland would you like to comment.

Roland Wandeler, President Biopharma

Thanks for the question. Yes, indeed we have as expected seen some trials for CIDP patients in second line for patients that have, the few patients that have not been responding or have not been tolerating IG. So, in second line. As *per* our expectations we continue to see growth in that segment, and we remain very confident that IG will remain the standard of care for CIDP. We hear from OLs that the suitability for IGs in this multifocal disease is one aspect that really stands out with its multimodal... mode of action.

We also see the high response rate. Our proven safety, longstanding experience and expect that pricing at year ends, while with increasing pay off coverage, will really put that treatment more into the second line space.

So, in addition, we're increasing our engagement in this space. We build on increasing awareness and our longstanding experience with Gamunex. And while we remain absolutely confident in the role that IG plays in CIDP, we also want to highlight that our continued growth in primary immune deficiency and sectoral immune deficiency are very encouraging beyond that.

Rahul Srinivasan, CFO

Then, on the question on the 4 and a half times target by year end. The short answer we remain on course to achieve that, James. And it is inextricably linked to us achieving our EBITDA guidance because most of the deleveraging is coming from EBITDA expansion. One other point of detail that I think will be helpful to most of you guys is that the delta between adjusted EBITDA and credit agreement Adjusted EBITDA will be much lower as at the end of Q4 than is currently the case and has been for the last couple of quarters. And that's probably what is perhaps thrown some of the numbers when you guys do your back of the fact-pact calculations. So, very much remain on course to achieve the 4.5x.

Dani Segarra, VP, Investor Relations and Sustainability

Thank you, I appreciate that. Now, yes, Tom Jones please.

Tom Jones, Berenberg

Hello, thanks for taking the two questions. I have one on the Preciosa study and one onfree cash flow. Just on free cash flow...it's a question for both of you really, both of you kind of having an opportunity to look at the business with fresh eyes when it comes to free cash flow. I appreciate you're doing a lot of things to kind of improve the day-to-day free cash flow. But having followed this business for over 20 years now, I've been through several cycles of kind of poor cash flow in advance of growth. And then the growth slows a bit and the cash flow improves and then more cash goes back into growth. And then the cash flow comes down and goes up and it goes through these cycles. Across the whole cycle, it's always been a very capital-intensive business. Beyond small operational improvements that you are clearly trying to implement, have either of you had any thoughts or got any ideas how you can improve the structural free cash flow of Grifols, be that through geographic mix, business mix, industries, however you may go about it? We can look at short-term free cash-flow trends, and I know you're doing everything you can to improve it, given your leverage situation, but the short-term small marginal improvements you can make. But is there anything. with your opportunity to look at this business with completely fresh eyes, thought about in terms of improving through the cycle structural cash flow nature of the business?

And then on the Preciosa study, I just kind of wondered what you're assuming the results are good, which I think they probably will be, what your approach to commercializing that data is likely to be? I think it was the 2018 capital markets day. There was a whole session dedicated to albumin and liver failure with chronic or acute and chronic and we didn't hear much since. I just wondered how you're thinking about how you're thinking about taking these data to market and leveraging it. Do you see it as a volume driver or price driver? Just some thoughts on that would be interesting.

Nacho Abia, CEO

Thank you for your question, Tom. As per the first question, I would say that finally cash flow generation has been on our radar, on my radar since the beginning of my tenure and finally on Rahul's since he's here. You're right, this business is capital intensive and requires a significant amount of working capital to operate. And we see the answer to that question in two ways. So, one is -- to optimize cash flow, we finally need among other things to optimize working capital. To do that, first of all, I think there is some efficiency that can be seen just by doing a better job working on our end-to-end supply chain business model.

I think we can really work across different steps and in the life of the business, in order to identify where working together and not in silos in the different areas, we can be more optimal. That's what we have been doing this year and that's what we can see improving working capital this year.

In the middle long-term, I think that there are considerations that can be made in terms of streamlining the manufacturing side and considering product portfolio and those might have significant implications as well in working capital. We will explore those and the potential impact of those decisions as we move forward. Finally, we will keep an eye on this area and free cash flow generation will continue to be our top priority in the years to come.

Dani Segarra, VP, Investor Relations and Sustainability

The second question is gonna be answered by Roland.

Roland Wandeler, President Biopharma

On Preciosa, as we shared before, the study's finished. We said we will be sharing top end results in Q4. We're still awaiting the final date. We're on track to actually sharing the data later on this quarter. We're happy to contribute to the understanding of the role of albumin and liver disease with this study. But keep in mind that albumin is used in a wide range of diseases and conditions. We continue to educate and aim to differentiate the use of our albumin impacts across our markets across, beyond liver disease around all of these stages.

Tom Jones - Berenberg

I guess my question is your approach more likely to be an educational one.

Dani Segarra, VP, Investor Relations and Sustainability

Thank you very much Tom. We're going to switch to Santander, Jaime, please.

Jaime Escribano, Santander

Hi, good afternoon. So, two questions from my side. The first one regarding working capital. There is one line for the working capital and adjustments of 158 million. So, if you could elaborate what substantiates this line, because it is obviously a big amount that allows to generate quite a bit of free cash flow and how should we think about this line in Q4? And then the other question is regarding the allowance of 1.8 billion for the year. This means that in Q4 you need to do an EBITDA adjustment of around 550. So, it's a big jump. Obviously, we are in mid-November, so probably you already have quite a nice visibility to year end. So, my question basically is, what drives this 550 million EBITDA in Q4? Is it more than that top line that is coming very strong? Is it that we should expect a very high increase of gross margin or further operating leverage? I know you're going to tell me it's a combination of the three. But if you can give us a little bit more color on how these three moving parts should make the 1.8 billion EBITDA. Thank you very much.

Nacho Abia, CEO

Jaime, I'll take the second question and I'll pass to Rahul the first one. And the second one, I think that it has been said that we know Q4 will be a demanding quarter and that we have to continue performing well, as well as we have been performing in Q1 to Q3, in order to deliver that EBITDA. And, indeed, there's a combination of the three, right. So, we expect, we have expectations of strong sales in the quarter. The gross margins will continue improving, as they have on the back of the reduce, plasma cost per liter that we have been enjoying through the year, thanks for the efforts in previous periods. And finally, a strong cost control and expenses control.

So, I think that, as I say, we are committed to deliver those numbers. We believe they're feasible. But we still have to work a lot in the quarter. And we are doing that as per the first question, Rahul?

Rahul Srinivasan, CFO

Yeah. Jaime, if you you're referring to other adjustments and other changes in working capital, the $110 million vs $34 million in 2023 year to date, most of that difference relates to the non-cash adjustment of the non-controlling interest result. That's I would say 70% of that difference. And if

there are further aspects of detail related to that question that you have, we can that I can that offline with our investor relations team. Thank You.

Dani Segarra, VP, Investor Relations and Sustainability

Thank you, Jaime. Álvaro Please ...

Álvaro Lenze, Alantra

Thanks for taking my question. First, welcome Rahul and congratulations on relocating Barcelona. Hopefully, you'll enjoy the beautiful city and the people there. My first question would be on your first thoughts and your top priorities as the group's new CFO. I don't know whether you're focused on cost cutting or getting a closer grip on working capital or liquidity or negotiating with the banks? In particular, I would like to know if you would provide more detail on your current liquidity position and how do you see the revolving credit facility being extended? I don't know if you can provide some timeline on that.

Then, my second question would be, if you feel now some comfort to provide free cash flow guidance for 2025? I think you mentioned something on the extraordinary growth capex which should halve for next year, but that's actually higher than what I have in mind. I thought it should go down to some 70 million. If you could clarify, if you could provide free cash flow guidance or some ball park number and clarify the extraordinary capex. Thank you.

Rahul Srinivasan, CFO

OK, so let me start off with the first question which was just around general impressions as well as giving a little bit of an update around status of the RCF extension.

Look, as I think about general impressions, I think you saw my...there was a slide that talked about my first impressions. But if I think about priorities... let me start with priorities from a financial perspective. From a financial perspective in the short term, it is all about continuing to deliver the strong business performance and continuing to delever and improve free cash flow generation. I see meaningful opportunities across the board to be able to do that, and I also think that there is an opportunity to be a lot more analytical and rigorous in our approach. As part of which I certainly look forward to contributing to better discipline, whether it's cost discipline, whether it's financial discipline, whether it's capital allocation discipline. I think there are opportunities there in my mind.

Another point that I would say is risk management. In my prior seat spent a long time just managing risk and I believe I can contribute to that quite considerably in the coming months.

I also referred in my initial impressions about the opportunity, the communication opportunity that we have here. I fundamentally believe that there is an opportunity to better understand the Grifols story. And I look forward to engaging and sharing my perspective on the Grifols story in the coming months and quarters.

One final thing I would also say is, to the extent that we can simplify, whether it's business dealings, financial interests and so on, just in terms of whether it's simplified structuring, I think that is something that frankly might be helpful for various stakeholders to better understand and engage with us on the Grifols story. Of course, that does not talk about the long list of business improvements that Nacho has touched on previously, which clearly remains a priority that I think we can develop a good story around it together.

I think your second question was your second question, did it relate to guidance for 2025? On the RCF, yes, on the RCF, as I mentioned in my remarks, the process of extending the RCF has already commenced. I think our... the general feedback has been very constructive and positive.

Clearly the Q3 results here are helpful in that respect. And now with the Q3 results out, my expectation is that we will have this wrapped up rapidly in the coming weeks.

And as you think about the RCF extension, I touched on this in my presentation. Secured leverage at Grifols today per the credit agreement is at 3.1 times. It is going to be in the 2s, in the 2s by the end of Q4. So, the extension of the RCF or liquidity and so on, I have no concerns about. And we will be able to demonstrate that very effectively in the coming weeks. So, I feel very well supported by the bank groups on that front.

The second question is....

Dani Segarra, VP, Investor Relations and Sustainability

On the guidance cash flow.

Rahul Srinivasan, CFO

So, free cash flow guidance, certainly for... we expect to provide free cash flow guidance at the next earnings call for 2025. And, we look forward to discussing that in more detail at the time.

Dani Segarra, VP, Investor Relations and Sustainability

Very clear, thank you Rahul. Thank you, Álvaro. Now, Guilherme please, go ahead.

Guilherme Sampaio, BPI

Thank you for taking my question. For the first one, still on cash-flow guidance. You clearly have guidance for 2025, 2027. Are you still planning to provide an update on this guidance or just going to release an update on 2025 guidance alone for cash flow with the next earnings call?

And the second question is devoted to Q4 again. So, IG has been outperforming in terms of growth to other proteins, which is not optimal to gross margins. How do you see the proteins growth balance in Q4? Similar to Q3? Or are there going to be some changes here? Thanks.

Nacho Abia, CEO

Yes, thank you, Guilherme. As for the cash flow guidelines, I think, as Rahul just said, in the next earnings call, as is customary, we will provide guidance for the year, including free cash flow for 2025. As for projections for cash flow for the next years, we're still evaluating this position and having internal discussions. In due time, we will communicate with the markets.

As for the proteins questions, Roland will comment.

Roland Wandeler, President Biopharma

Indeed, we are very pleased with the momentum that we see in IG and especially in the US, building within IG. But one thing I want to double click, and if you look at the split between IVIG and sub-QIG with the growth rate that we see with sub-QIG with the premium pricing. And with significant potential to further grow, given that we only launched it a few years ago. As you think about IG, we see this as a very important contributor and growth driver for the future. As we think about the rest of our portfolio in proteins, similarly we see as continuing to build where, of course, for Alpha 1, we are offered the transition to a specialty pharmacy provider in the US in a position to rebuilding

growth. And the one thing perhaps to add to Q4 is that rabies naturally has seasonality. That's the one thing to keep in mind. But the takeaway is really, I think the one point is the growth potential and the momentum we see behind sub-Q Xembify.

Dani Segarra, VP, Investor Relations and Sustainability

Thank Roland, thank you so much. Thank you Guilherme. With that, we've taken all the questions today. As Rahul said, please feel free to contact the IR team for any follow up. Thank you so much for joining us today.