# ATS

Build. Grow. Expand.

SP Industries Inc.
ACQUISITION

TSX: ATA

Nov 7th, 2021

# Forward Looking Statements & Non-IFRS Measures

This presentation and the oral statements made during this meeting contain certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of ATS, or developments in ATS' business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include all disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. ATS cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things: completion of and timing for completion of the acquisition, funding of the transaction, expectations related to quantum and timing of cost and revenue synergies, expectations relating to impact on ATS' earnings and cash flow per share metrics, and return on invested capital. The risks and uncertainties that may affect forward-looking statements include, among others: performance of the market sectors that SP and ATS serve; the progression of COVID-19 and its impacts on the Company's and SP's ability to operate their respective assets, general market performance including capital market conditions and availability and cost of credit; foreign currency and exchange risk; the relative strength of the Canadian dollar; impact of factors such as increased pricing pressure and possible margin compression; the regulatory and tax environment; failure or delays associated with new customer programs; that closing is delayed or prohibited as a result of the completion of regulatory filing process or delayed due to other closing conditions; that expected cost and revenue synergies are not realized within the expected timeframe or at all; that earnings and cash flow per share metrics are not accretive in the first year for any number of reasons, including those stated above; that return on invested capital targets are not reached within the expected timeframe or at all; that one or more customers, or other persons with which SP has contracted, experience insolvency or bankruptcy with resulting delays, costs or losses; political, labour or supplier disruptions; imposition of new duties, tariffs or other legal barriers that impact SP's markets; that growth in markets SP serves is less than expected; risks relating to legal proceedings to which SP and/or ATS is or may become a party; exposure to product liability claims; risks associated with greater than anticipated tax liabilities or expenses; and other risks detailed from time to time in ATS' filings with Canadian provincial securities regulators. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and other than as required by applicable securities laws, ATS does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

**Non-IFRS Measures**: This presentation uses the non-IFRS measures EBITDA, adjusted EBITDA, adjusted EBITDA margin, and return on invested capital associated with this investment. These terms do not have any standardized meanings prescribed within IFRS and therefore may not be comparable to similar measures presented by other companies. These measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA is defined as earnings from operations excluding depreciation and amortization (which includes amortization of intangible assets). Adjusted EBITDA is defined as EBITDA before items excluded from management's internal analysis of operating results, such as acquisition-related transaction and integration costs and certain other adjustments which would be non-recurring in nature. Adjusted EBITDA margin is an expression of an entity's adjusted EBITDA as a percentage of revenues. Adjusted EBITDA is used by the Company to evaluate the performance of operations. Management believes that adjusted EBITDA is an important indicator of ability to generate operating cash flows to fund continued investment in operations. Management believes that ATS shareholders and potential investors in ATS use these non-IFRS financial measures in making investment decisions and measuring operational results. Return on invested capital associated with this investment, as used herein, means in respect of any fiscal year, the net income of SP in such fiscal year, divided by the purchase price for the acquisition. Return on invested capital, as used herein, is used by ATS to evaluate the efficiency of the allocation of ATS' capital.

# ATS to Acquire SP Industries

- Global player in sterile and non-sterile lyophilization equipment, aseptic fill-finish solutions, life sciences benchtop equipment, and consumable labware and glassware products used in pharmaceutical drug development and production
- Natural expansion of ATS‘ life sciences portfolio into attractive, fast-growing spaces which can benefit from ATS‘ advanced automation capabilities
- Strong relationships with a blue-chip customer base
- Attractive deal economics with compelling synergy potential



# Acquisition Highlights

1. **Expands and complements existing ATS capabilities in biopharma and life sciences**
2. **Strengthens our ability to serve customers from drug discovery to commercial production**
3. **Differentiates through combining leading lyophilization, fill-finish and automation capabilities**
4. **Produces attractive recurring consumables and services revenues**
5. **Generates significant synergies to create shareholder value**

# Transaction Summary

## Transaction Details

- **Purchase Price:** US$445mm (~C$550mm)
  - 15.3x TTM(1) Adjusted EBITDA of US$29mm (11.9x including Year 3 synergies)
- **Funding:** Debt (revolving credit facility)
- **Pro-forma Leverage:** 3.0x Net Debt / LTM EBITDA
- **Estimated Close:** Calendar Q4, 2021(2)

## Financial Benefits

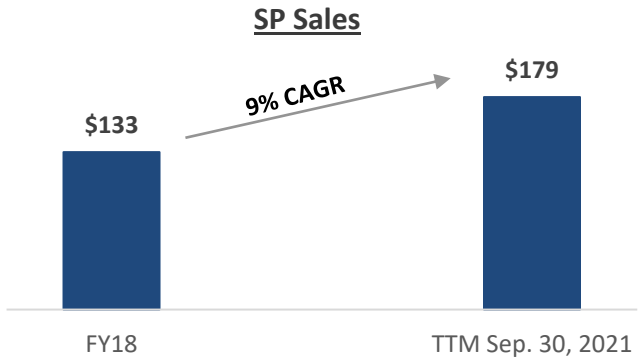
- **Meaningful Synergies Expected by Year 3**
  - Cost synergies ~US$3.5mm (material cost savings, production process optimization)
  - Revenue synergies ~US$5.0mm (aseptic containment, handling, inspection and packaging integration, and joint innovation)
- **EPS / CFPS Impact:** Accretive in Year 1
- **ROIC:** Double digit ROIC target by Year 4

*1) TTM Adjusted EBITDA as of Sep. 30, 2021; 2) Transaction expected to close in calendar Q4, 2021, but no later than calendar Q1, 2022, pending completion of customary regulatory filings*

# SP Overview

- Founded in 1982 and based in Warminster, Pennsylvania
- Designer and manufacturer of high-grade biopharma processing equipment, life sciences benchtop equipment and labware and glassware products
- SP's products are used throughout the lifecycle of pharmaceutical development and production, as well as in diagnostics, broader life sciences and applied sciences applications
- 9 facilities in US, UK and Spain; ~700 employees

## Attractive Financial Profile




**US$29mm Adj. EBITDA** (TTM Sep. 30, 2021)

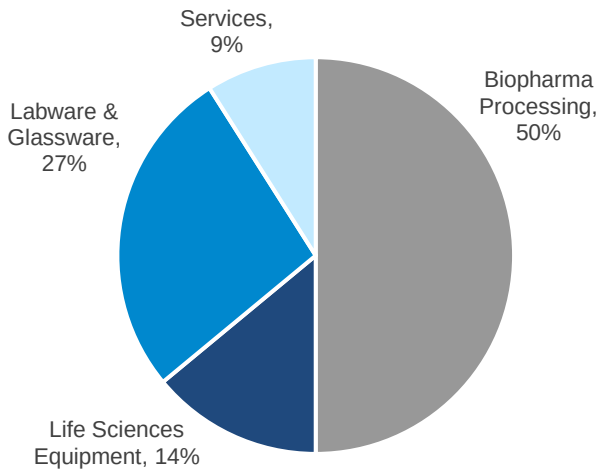
**~16% Adj. EBITDA Margin** (TTM Sep. 30, 2021)

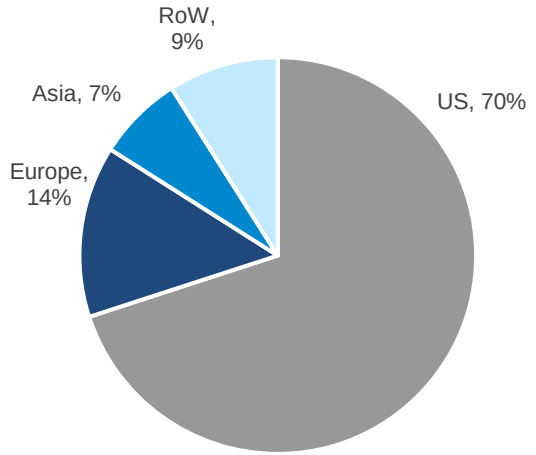
**> 90% FCF Conversion** [2] (Avg. FY19-21)

**< 2% Capex to Sales** (Avg. FY19-21)

*Figures in US$ Millions* [1]

## Diversified Revenue Stream [3]




*1) SP's fiscal year end is Mar. 31; 2) FCF conversion defined as adj. EBITDA minus capex divided by adj. EBITDA; 3) Revenue breakdown based on FY21 financials*

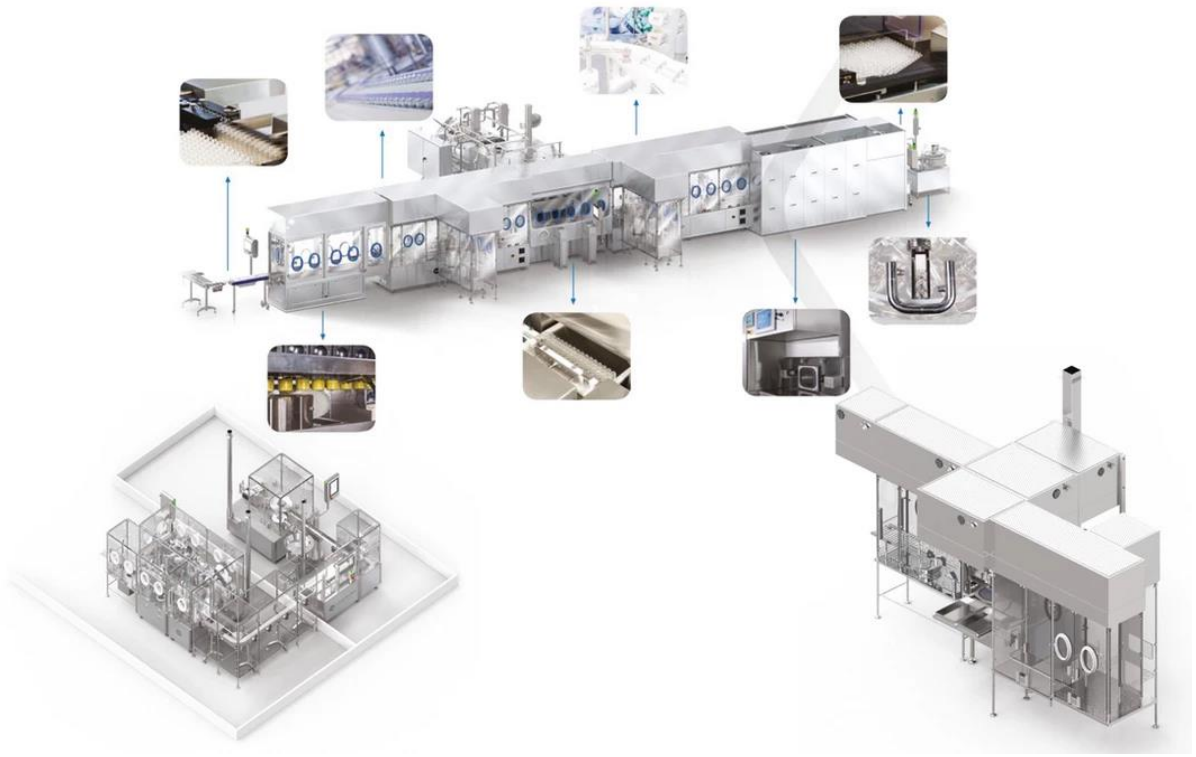
# SP Market Opportunity

| | Biopharma Processing | Life Sciences Equipment | Labware and Glassware |
|---|---|---|---|
| |  |  |  |
| **2021-26 TAM** (1) | ~US$2.3bn | ~US$100mm | ~US$5.7bn |
| **2021-26 CAGR** (1) | **Low-double Digit** | **Mid to High-single digit** | **Low-single digit** |
| **SP's Offering** | • Aseptic and non-aseptic lyophilizers<br>• Aseptic fill-finish systems | • Centrifugal evaporators (CEVAP)<br>• Thermal control systems | • Single and multiple use glass and labware products |
| **Markets** | • Pharma drug development and production | • Biopharma, environment, food and academic research | • Research Labs |
| **Market Drivers** | • Expanding biologics / small molecule pipeline<br>• Small batch production<br>• Re-deployable capacity | • Novel drug discovery, new small molecule modalities<br>• Growth in high throughput screening approaches | • Continued need for disposable plasticware<br>• Increased investment in R&D across multiple industries |
| **Brands** | SP Hull, SP VirTis, SP i-Dositecno | SP FTS, SP Genevac, SP Hotpack | SP Wilmad-LabGlass, SP Bel-Art |

*1) Industry Reports, ATS estimates*

# Lyophilization & Fill-Finish Present An Attractive Space

- High growth, regulated market with attractive dynamics
- Growth driven by robust phase 1 drug pipeline, rising usage of biologics and increasing lyophilization of pharma products
- Lyophilization results in improved stability, longevity and ease of handling of products
- Fill-finish solutions provide preparation, filling, sealing and secondary packaging of products
- Customers see value in suppliers capable of delivering end-to-end lyophilizer and fill-finish solutions with differentiated handling, inspecting and packaging automation



# Strategic Rationale

- Trusted, long-term partner, with a strong track record of supporting successful validation of drug discovery and production processes
- Proven, patented technology across portfolio
- Combination provides fully-integrated, smartly automated end-to-end solutions
- Attractive recurring revenue-like streams from labware, glassware and aftermarket services
- Solid profitability with meaningful margin expansion potential

## Selected Synergy Opportunities

| | | |
|---|---|---|
| **Commercial** | ATS LIFE SCIENCES; IWK an ATS company; COMECER an ATS company | • Combine product portfolios to provide end-to-end customer solutions |
| **Digital** | illuminate MANUFACTURING INTELLIGENCE  | • Integrate ATS' digital tools to enhance data analytics capabilities of SP portfolio |
| **Operational** | ATS | • Material cost savings & production process optimization<br>• Project execution expertise |

**ATS BUSINESS MODEL**

Drive Continuous Improvement Mindset

# Application of the ATS M&A Playbook

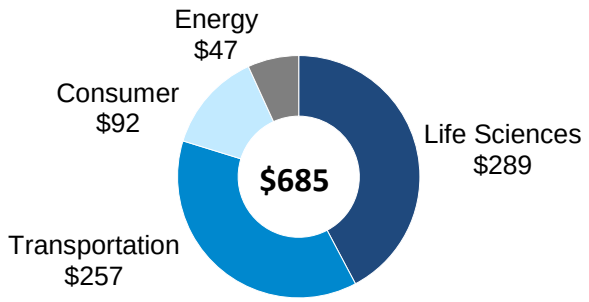
| | What We Look For | | SP |
|---|---|---|---|
| **Attractive Markets** | ▪ Growth oriented<br>▪ Low cyclicality<br>▪ Regulated spaces | ✓ | ▪ Global biopharma processing equipment market is ~US$2.3bn; expected to grow at low-double digit CAGR(1)<br>▪ Strong market demand driven by pharma drug pipeline creating a need for future capacity additions |
| **Strategic Value** | ▪ Differentiated technology<br>▪ Innovative products<br>▪ Geographic penetration<br>▪ Brand | ✓ | ▪ Expands ATS' LS portfolio with addition of proven lyophilization and fill-finish solutions<br>▪ Leverage ATS' offerings to become a turnkey solution provider to pharma drug/vaccine production market |
| **Operational Fit** | ▪ Ability to manage<br>▪ Synergy potential<br>▪ ABM implementation | ✓ | ▪ Experienced and motivated leadership team<br>▪ Commercial, digital and operational synergies<br>▪ Leverage ABM to drive revenue growth & operational efficiencies |
| **Financial Returns** | ▪ Recurring revenue<br>▪ Strong EBITDA Profile<br>▪ ROIC > Cost of capital<br>▪ EPS / Cash Flow accretion | ✓ | ▪ Meaningful recurring revenue with growth opportunity<br>▪ Robust margins<br>▪ Double digit ROIC target by Year 4<br>▪ EPS & Cash flow accretive in Year 1 |

*1) 2021-26 TAM based on Industry reports and ATS estimates*

# On the Move to Higher Value and Higher Growth

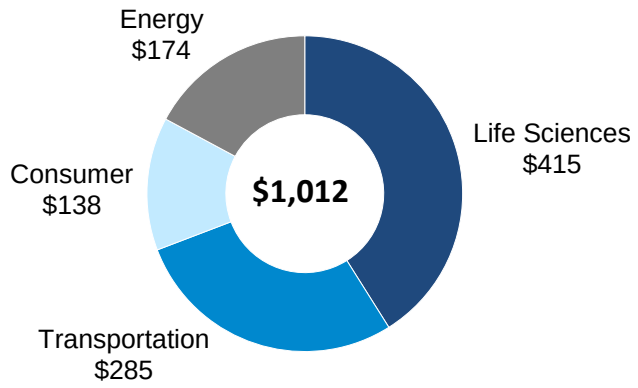
## 2013 Revenue Profile (1)

*Figures in C$ mm*



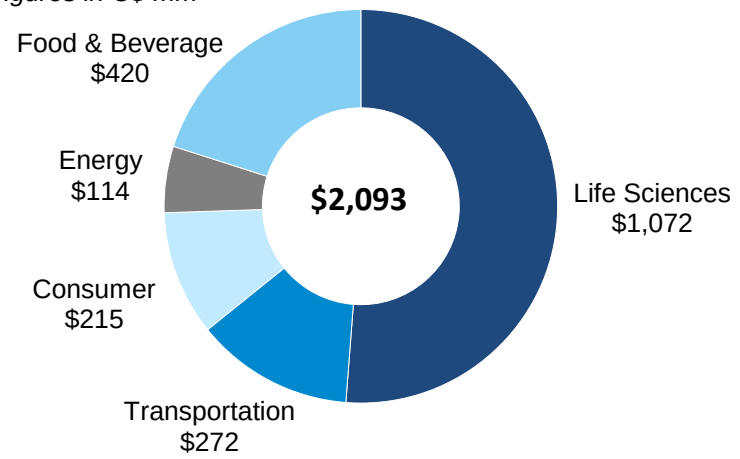

## 2016 Revenue Profile (1)

*Figures in C$ mm*




## ATS Pro-Forma Today (1)

*Figures in C$ mm*




[1] 2013/2016 split based on ATS FY14/FY17 financials. Pro-Forma split based on FY21 financials for ATS, TTM financials (as of Sep. 30, 2021) for SP, and FY20 financials for CFT and BioDot

## Acquisitions

*Figures in C$ mm*
*PP = Purchase Price*

**2013-2015**

- Automation Solutions, PP $355
- Filling & Packaging, PP $137

**2018**

- EV Micro-assembly Systems, PP $27

**2019**

- Aseptic Technologies, PP $172
- Business Analytics
- Yield Control/Recipe Formulation, PP $57
- Process Automation Services

**2020**

- Digital Solutions

**2021**

- Food Automation Solutions, PP $260
- Automation Integrator
- Process Consulting
- Dispensing Technologies, PP $106
- Conveyance Solutions, PP $50
- Pharma Equipment
- Pharma equipment, PP $550

# Key Takeaways

- **Attractive industry fundamentals with SP holding strong positions in its key end markets**
- **Strengthens ATS' presence in Pharma with leading and differentiated end-to-end solutions**
- **Attractive financial profile with recurring revenue streams and opportunity for margin expansion**
- **Accretive to EPS / CFPS in Year 1 and targeting double digit ROIC by Year 4**

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