Strides

Building it Right

Strides Pharma Science Limited | AGM

Safe Harbour

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WHATS INSIDE

- FY18 OVERVIEW
- MARKET WISE PERSPECTIVE
- FINANCIAL PERFORMANCE
- AGM AGENDA

FY18 Overview

FY18 - a difficult year for Strides

LOWLIGHTS

- Overall a subdued financial performance for Strides
- US partnered business severely affected, witnessed intense pricing pressure and loss of market share
- Compressed institutional opportunity with low anti-malarial offtake & increased raw material prices
- Aggressive investment in CHC led to a loss of ₹ 446M
- Low primary sales in Africa branded business

HIGHLIGHTS

- Australia business grew quarter on quarter with improved EBITDA to reach target of ~20% in exit quarter(Q4'FY18)
- Exit of Indian branded generics business for cash consideration of ₹ 5,000M of which ₹ 4,000M were used to pare debt
- Completed demerger of API business to focus on our B2C business
- Acquired controlling stake in Trinity to foray into high entry barrier market of South Africa

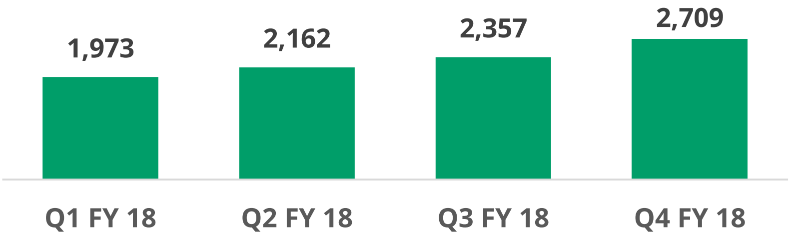
Market wise perspective

Australia (Under Arrow)

Performance Overview FY 18

QUARTER ON QUARTER REVENUES

(Figures in ₹ million)



FY18 Total
₹ 9,200m
$ 143m
AUD 184m

MARKET PERFORMANCE

- Steady business with sequential ramp up in FY 18
- Growth driven by -
  - Addition to pharmacy footprint, now at 1400+
  - 29 new product launches
  - Strong performance in Chemist's own OTC portfolio
- Integration of the Amneal acquisition completed
- Sequential margin expansion of ~300 basis point (Q1-Q4) through operating leverage and efficient supply chain including site transfer to in-house manufacturing

FY 19 Perspective

Australia in FY 19

Expect to grow at early double digits, ahead of the markets with sustained margins

OUTLOOK FOR THE YEAR

- Arrow and Apotex will continue to enjoy preferred partner relationship with Sigma and Symbion respectively
- The merged entity will service ~3200 first line pharmacy accounts taken together. Arrow currently has 1400 + front line pharmacy accounts including Amcal, Guardian, Pharmacy Alliance, DDS & PharmaSave Stores . Apotex presently has 1800+ front line pharmacy accounts including Terry White, Chemmart, Blooms & Pharmacy Choice stores .
- Potential synergies will accrue through higher volumes and improved COGS
- Cross-pollination of the portfolio will help fill gaps in Arrow and Apotex portfolio's immediately
- Merged business will mainly benefit from Strides' and Apotex's manufacturing facilities

Arrow & Apotex agree to merge in Australia

MARKET PERFORMANCE

Strategic rationale

- The combination will enable Strides, through the merged business, to become the number 1 Australian generic pharmaceutical company by both volume and revenue
- The merged business to have the largest portfolio of owned product IP for the Australian market
- The proposed merger to be EPS accretive from Year 1 through synergies

Management team

- Dennis Bastas, Arrow, will lead the merged business as Executive Chairman, Roger Millichamp, Apotex, as CEO and Andrew Burgess, Arrow, as CFO, bringing together Australia's most experienced management team with in-depth knowledge of the Australian generics market

Transaction structure

- The proposed structure will be arrived through a share swap
- Strides to have controlling interest in the merged entity
- The detailed corporate structure will be announced on closing
- Australian Competition and Consumer Commission (ACCC) on Sep 20th decided not to oppose the merger
- The transaction remains subject to the conclusion of definitive agreements, Board approval and the satisfaction of certain other conditions, including approval from the Australian Foreign Investment Review Board

arrow + APOTEX ADVANCING GENERICS = LEADERSHIP

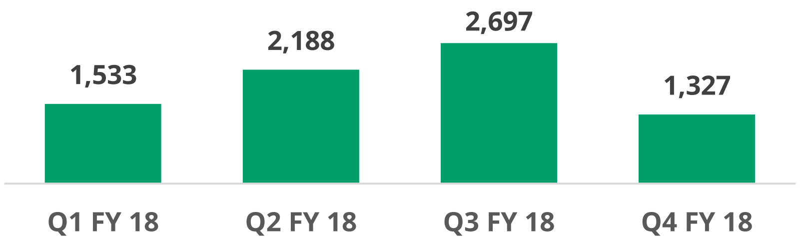
OUTLOOK FOR THE YEAR

- Topline growth continues to be driven by :
  - Expansion of product portfolio – RX and OTC
  - Enhancing pharmacy footprint
  - Better compliance for Arrow products at store level to improve throughput
- Key margin levers for the business:
  - Backward integration momentum to continue and supplies from India to contribute to further COGS savings
  - Stable cost structure to drive operating leverage

Performance Overview FY 18

(Figures in ₹ million)

QUARTER ON QUARTER REVENUES



FY18 Total
₹ 7,744m
$ 120m

MARKET PERFORMANCE

Partnership business (~65% of FY 18 revenues)

- Expected ~25% market share for 2 products not achieved:
  - Launch market opportunity for Potassium Citrate and Omega3 has now shrunk by ~50% due to aggressive price competition
  - Secondary sales for partnered products tracking well, products returning to own frontend and to contribute in H2 FY19

Frontend business (~35% of FY 18 revenues)

- Strides own frontend products continues to track healthy market share - Ergocalciferol 53%, Ranitidine 32%, PEG Rx 30%, Dutasteride 30%, Buspirone 39%, Methoxsalen 38%
- This portfolio witnessed a single digit price erosion
- The company expected Oseltamivir (IMS US$ 735M) approval in Q4 FY 18 (Original TAD Sep' 17) . The product received a CR leading to delay in approval. Subsequently the product received approval in Q1 FY 19

Weak performance in partnership portfolio and delay in approval for Oseltamivir in one of the worst flu seasons additionally impacted Q4 FY 18 and led to missing management's outlook for US given in Q3 FY 18

FY 19 Perspective

US Market in FY 19

Recalibrated strategy with a frontend bias towards a sustainable growth

OUTLOOK FOR THE YEAR

- Growth led by the expansion of own frontend
- 15 new product launches planned
- 50% of the partnered business value to return to our frontend by the end of this fiscal
- Exit partnership business, no new partnership contracts being entered into
- Course corrected US strategy to gain momentum in H2 FY 19

R&D

- R&D investment in FY 18 at ₹1,176M , 12 new product (ANDA) filings were made in FY 18.
- Filings momentum to continue with 20-25 ANDA filings per year
- Received 14 product approvals in FY 18
- Right sized R&D for better productivity

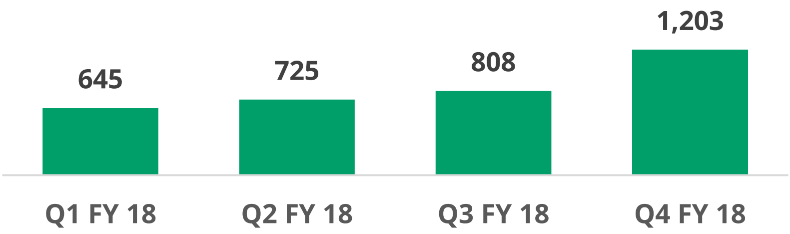
Strides

Other Regulated Markets

Performance Overview FY 18

QUARTER ON QUARTER REVENUES

(Figures in ₹ million)



FY18 Total
₹ 3,381m
$ 52m

MARKET PERFORMANCE

- Continued traction in UK frontend
- New product introduction and Improved market share for key molecules in rest of Europe aided growth in the region
- Recent foray into high entry barrier market of South Africa through acquisition of controlling stake in Trinity Pharma

FY 19 Perspective

Other Regulated Markets in FY19

Recalibrated strategy with a frontend bias towards a sustainable growth

OUTLOOK FOR THE YEAR

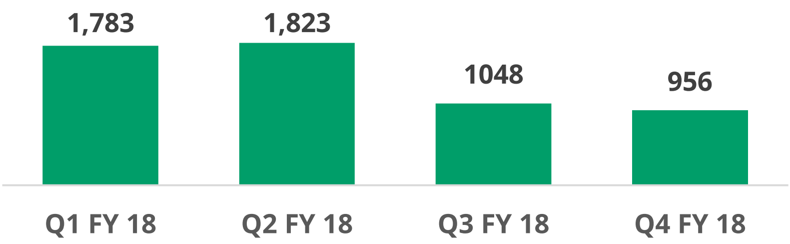
- Continue to build on the Q4 FY 18 topline momentum
- Expansion of UK front end through
  - Expansion of product portfolio – Rx and OTC
  - More listing at wholesalers
- Expansion of product offering through strategic tie ups in the rest of Europe including entry into new geographies
- Leverage Trinity's established distribution channel in South Africa for faster commercialization of existing Strides products including ARV portfolio in non-tender market

Institutional Business

Performance Overview FY 18

QUARTER ON QUARTER REVENUES

(Figures in ₹ million)



FY18 Total
₹ 5,610m
$ 87m

MARKET PERFORMANCE

- A difficult year for ARV business, margin compression for supplies under long-term contracts
- Certain businesses became unviable at current pricing levels
- Sequential decline in anti-malaria business due to skewed tendering activity in H1 FY 18 and negligible contribution during H2 FY 18
- Full year Anti-malaria revenues declined from US$ 35.7M in FY 17 M to US$ 15.6M in FY 18
- Retained our market share in the new malaria tender that concluded in H2 FY 18, overall tender size has shrunk by ~50 %, however we expect to maintain our FY 18 topline

FY 19 Perspective

Institutional business in FY19

Muted growth in a challenging business environment

OUTLOOK FOR THE YEAR

- Anti-malaria business to decline sharply due to significant downsizing in dollar pool value of donor funding, local country tenders in Africa to help offset this decline partially
- Renegotiating pricing for ARV contracts with a focus on improving business margins
- Leg up in ARV growth through the introduction of next-generation combinations drugs inline with evolving treatment regimens, product already in R&D pipeline for development
- Will stay invested in institutional business as it helps recover manufacturing cost

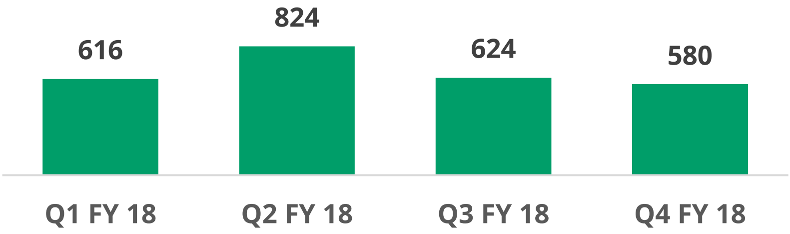
Africa

Performance Overview FY 18

FY 19 Perspective

QUARTER ON QUARTER REVENUES

(Figures in ₹ million)



FY18 Total
₹ 2,643m
$ 41m

MARKET PERFORMANCE

- Branded business in French Africa delivers healthy secondary sales growth of 22% as per IMS, 2x of market growth
- Weak primary sales in Q4 FY 18 , key brands continue to maintain healthy market share
- Witnessed widening of gap between primary and secondary sales

Africa in FY19

Focused on building a portfolio of power brands

OUTLOOK FOR THE YEAR

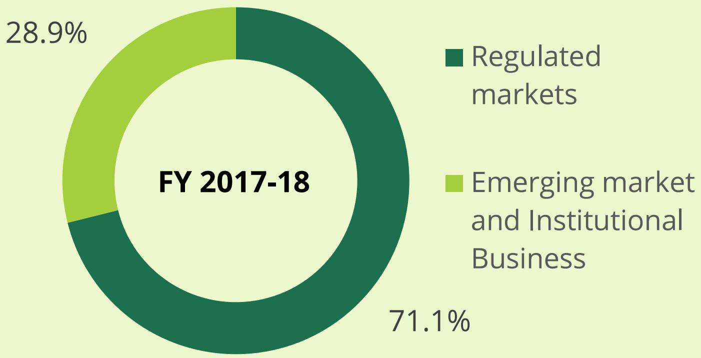
- Brands business in Africa to maintain market leading secondary sales growth trend
- Focus on better alignment of primary and secondary sales to maintain business hygiene, Expect soft H1 FY 19 to optimize this gap
- Top line growth to be driven by
  - Introduction of new products
  - Better penetration of high growth markets
- Superior product portfolio and improved MR productivity to drive margin expansion
- Expanding footprint in East Africa to strengthen the branded generic platform in Africa

Financial Performance

Financial performance

REVENUES (₹ MN)

BUSINESS-WISE REVENUES (%)

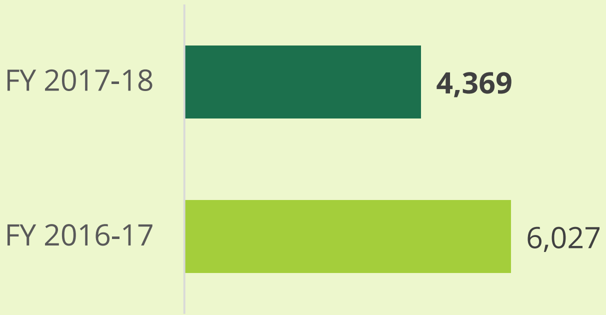


FY 2017-18

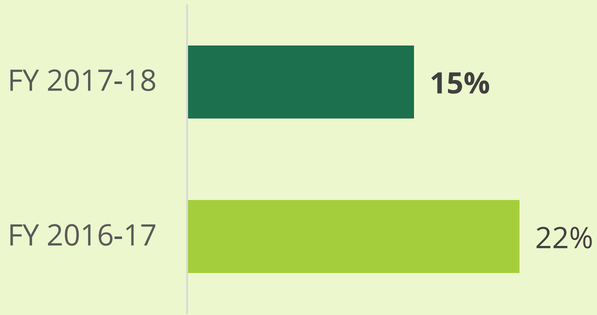
Profit After Tax[2]
₹ 1,304

Earnings Per Share[2]
₹ 14.6

EBITDA (₹ MN)



EBITDA MARGIN (%)



Net worth
₹ 26,092

Net Debt[1]
₹ 17,063

1. *Adjusted debt includes cash receivable of ₹1,310M on account of divestment of SCPL and ₹662M for loans advanced to partners*
2. *Adjusted PAT- For FY18 - Adj for Stelis share of loss ₹144M,, restructuring expense and others ₹ 210M, CHC loss 446M.*

Key Developments post balance sheet date

Name change

- Change of name from 'Strides Shasun Limited' to **'Strides Pharma Science Limited’**

Transaction update

- Divestment of **Strides Chemicals Private Limited completed**
- **Strides & Apotex** agree to merge their Australian businesses
    - The Australian Competition and Consumer Commission on Sep 20th decided not to oppose the merger after finding the transaction would not substantially lessen competition in any market
    - The transaction remains subject to the conclusion of definitive agreements, Board approval and the satisfaction of certain other conditions, including approval from the Australian Foreign Investment Review Board.

Product approvals and acceptance received

- Received **8 product approvals from USFDA** with cumulative market opportunity of US$ 3.6 Bn
- Acceptance from USFDA for two key ANDAs under newly introduced **Competitive Generic Therapy** with cumulative market opportunity of US$ 550 Mn
- Prequalification from the World Health Organization (WHO) for their 100mg **rectal artesunate suppositories**

AGM Agenda

AGM Agenda

Ordinary Business

- **Adoption of financial statements** for the year ended March 31, 2018
- **Declaration of Dividend** of INR 2/- per equity share of face value INR 10/- each for the FY 2017-18
- **Appointment of a Director** in place of Badree Komandur, retiring director and being eligible, offers himself for reappointment

Special Business

- Appointment of Arun Kumar as **Managing Director of the Company**
- Approval for continuation of Homi Rustam Khusrokhan as an **Independent Director of the Company**
- **Ratification of remuneration payable** to M/s. Rao, Murthy & Associates, Cost Auditors of the Company for the FY 2017-18
- Approval for **grant of loan** and continuing of guarantee/ security provided to Stelis Biopharma Private Limited, an Associate Company