Strides

Q2 and H1FY22 Earnings

November 10, 2021

ADAPT

PERFORM

GROW

Strides reports muted Q2FY22 results
Successfully completes acquisition of Chestnut Ridge site along with ANDA's from Endo

We have reported an operational breakeven in Q2FY22 enabled by a bounce back in other regulated markets, growing 27% QoQ. The performance in other regulated markets was driven by improving demand scenario and resumption of our supplies to partners during the quarter post the Covid related manufacturing disruptions in Q1. Emerging markets continues to track well delivering growth both in Africa and Institutional business.

We continue to face headwinds in our US business. While we have been able to retain volume share on our key products, we continued to witness price challenges in our portfolio during the quarter, magnified by concentration towards acute products.

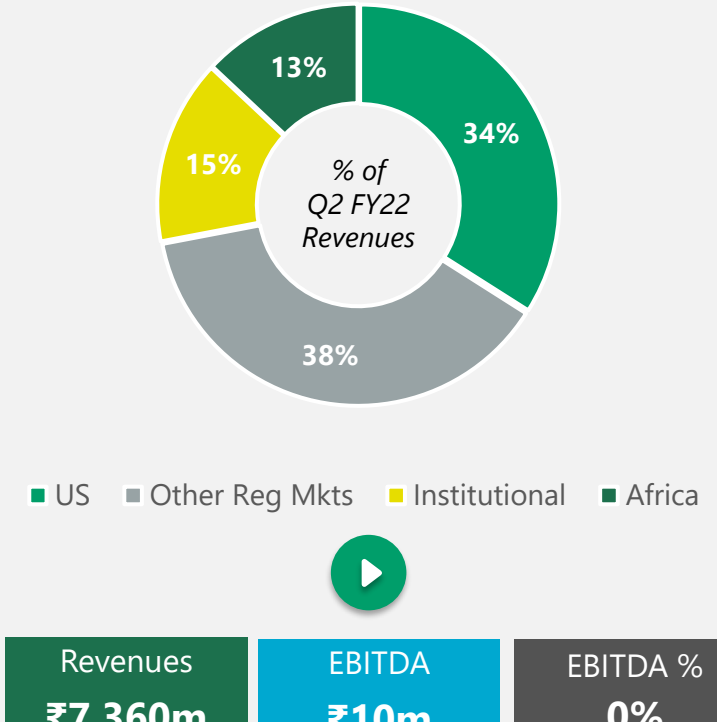
We have completed the strategic acquisition of Chestnut Ridge site in the US along with a portfolio of approved products which will enable us to accelerate new product launches. While there are near term headwinds, we remain optimistic on the US business in the long run. We will start witnessing improvement in our US business starting Q3FY22 and will continue the growth momentum there on. Given the volatile dynamics we believe we will only be able to achieve our current year guided outlook for US in FY23

A muted sales performance accompanied with a drop in gross margins and relatively higher operating costs has led to a negative operating leverage in H1. While cost measures have been initiated to improve operating leverage, the shift will be visible in the coming quarters.

Dr. R Ananthanarayanan

Managing Director & CEO

Revenues Mix



Revenues	EBITDA	EBITDA %
₹7,360m	₹10m	0%

Financial performance in Q2 and H1 FY22

	Q2FY22	Q1FY22	Q2FY21	QoQ%	YoY%	H1FY22	H1FY21	YoY %
REVENUES	₹7,360m	₹6,919m	₹7,971m	6%	- 8%	₹14,279m	₹15,818m	- 10%
GROSS MARGINS	₹4,113m	₹3,428m	₹4,886m	20%	- 16%	₹7,541m	₹9,711m	- 22%
	55.9%	49.5%	61.3%	630 bps	- 540 bps	52.8%	61.4%	- 860 bps
EBITDA	₹10m	- ₹468m	₹1,656m			- ₹458	₹3,234m	
	0.1%	-6.8%	20.8%			-3.2%	20.4%	
PHARMA PAT[1]	- ₹847m	- ₹1,169m	₹792m			-₹2,016m	₹1,580m	
PHARMA EPS[1]	- ₹9.4	- ₹13.0	₹8.8			-₹22.4	₹17.6	

1. *Adj PAT and Adj EPS for Q1 FY22 excludes exceptional items loss of ₹915m, Biotech and CHC share of loss of ₹195m, tax credit of ₹215m on exception items; Adj PAT and Adj EPS for Q2 FY22 excludes exceptional items loss of ₹599m, Biotech and CHC share of loss of ₹234m*

Regulated Markets

Market	Q2FY22	Q1FY22	Q2FY21	QoQ%	YoY%	H1FY22	H1FY21	YoY%
US	2,502	3,016	4,047	- 17%	-38%	5,518	7,785	- 29%
Other Reg	2,825	2,232	2,386	27%	18%	5,057	4,992	1%
Total	5,327	5,248	6,433	2%	- 17%	10,575	12,777	- 17%

Emerging Markets

Market	Q2FY22	Q1FY22	Q2FY21	QoQ%	YoY%	H1FY22	H1FY21	YoY%
Inst. Biz	1,113	970	702	15%	59%	2,083	1,512	38%
Africa	920	701	836	31%	10%	1,621	1,529	6%
Total	2,033	1,671	1,538	22%	32%	3,704	3,041	22%

Consolidated Group Revenues

	Q2FY22	Q1FY22	Q2FY21	QoQ%	YoY%	H1FY22	H1FY21	YoY%
Total	7,360	6,919	7,971	6%	- 8%	14,279	15,818	-10%

Key Updates

Regulated Markets

US

- US revenues at $34m for Q2FY22, US contributed 34% of consolidated revenues in Q2FY22
- Demand continued to be impacted by Covid-19 related headwinds
- Market continued to witness price erosion in Q2 with more pronounced impact in the acute portfolio

Other Regulated Markets

- Other regulated markets revenues at $38m for Q2FY22 versus $30m in Q1FY22, Other regulated markets contributed 38% of consolidated revenues in Q2FY22
- Strong sequential bounce back in other regulated markets with 27% revenue growth
- Witnessing healthy traction across key frontend markets, partnership business benefits from normalization of manufacturing capacity post COVID impact in Q1FY22
- Healthy orderbook visibility and expansion of portfolio to drive business momentum

Emerging Markets

- Emerging markets revenues at $28m for Q2FY22 versus $23m in Q1FY21, business contributed 28% of consolidated revenues in Q2FY22
- Institutional business witnessed healthy growth during the quarter and benefitted from an improved customer offtake
- Africa business delivered a strong performance as Covid-19 related headwinds are now easing out

Operating Cost

- Logistics cost continues to be high despite improving mix towards sea shipments as freight rates witnessed significant jump during the quarter
- Logistics cost during the quarter were at ₹897m up 20% QoQ and up 135% YoY, logistics cost as % of sales at 12.2% for Q2FY22 versus 4.8% in Q2FY21
- Expect logistics cost to ease out in H2FY22 from current levels

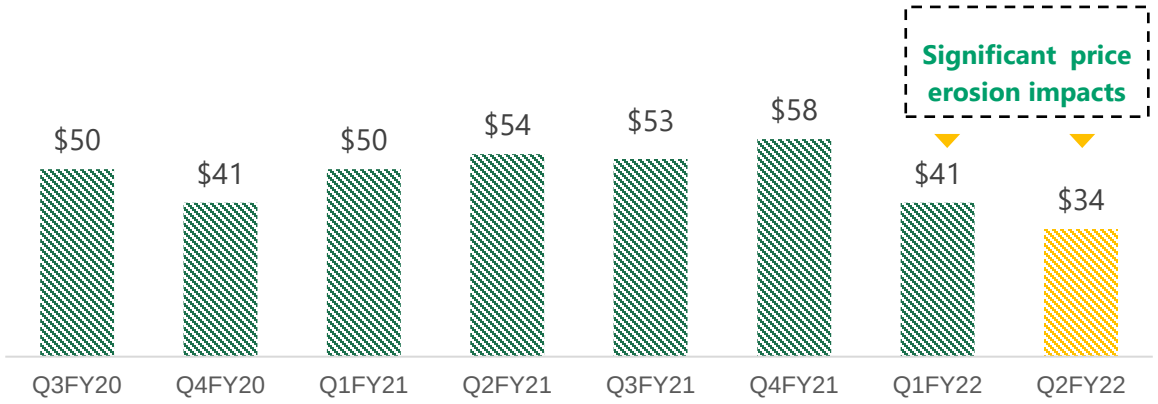
R&D Investments

- R&D investment in Q2FY22 at ₹220m, 3 new products filed in regulated markets year till date

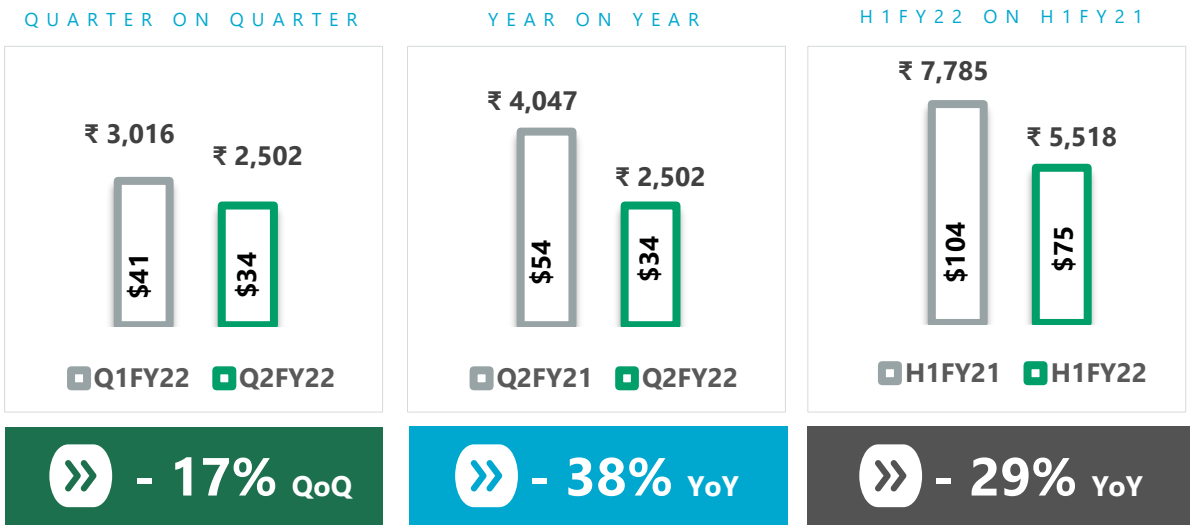
Business Highlights

US business continued to witness headwinds, growth to resume starting Q3FY22

US Revenues - Quarterly Trend (₹/$M)



Financial Performance (₹/$M)



YoY comparison in INR reported

Business Updates

- Revenues from the US for Q2FY22 stood at ₹2,502 ($34m), down 38% YoY, representing 34% of consolidated revenues for Q2FY22
- Continued price erosion in the portfolio, lack of new product launches and aggressive channel procurement during Covid has significantly impacted H1FY22 revenues
- Despite fall in prescriptions, Strides has been able to retain its volume market share on key products in a tough operating environment
- Higher dependence on acute portfolio magnified price erosion as Q2FY22 revenues dropped to $34m, ~40% lower from a peak of $58m (Q4FY21)

Near Term Outlook

- While we are now witnessing a stable pricing environment, we expect prescriptions to recover over the next 2-3 quarters
- With the acquisition of ANDA's at Chestnut Ridge, the combined portfolio enables diversification with addition of chronic products and controlled substances.
- We have re-engaged with the customers for the acquired portfolio which got impacted during transition given the seller was not focusing on defending and growing this business
- We will start realizing the full benefit of Chestnut Ridge portfolio starting Q1FY23, identified first set of 20 products and actions underway to enable launches over the next 3-4 quarters
- Consequently, we believe we will only be able to achieve our current year guided outlook in FY23

Chestnut Ridge transaction achieves completion

Transaction Update

- On August 6, 2021, **Strides inked definitive agreements with Endo to acquire its manufacturing facility in the US along with basket of ANDAs**
- The above-mentioned **transaction achieved its closure on October 20,2021**
- Strides paid a **total of US$ 24.9m** for the transaction and the same was **funded by a combination of Debt and equity**
- **The acquisition represents a key milestone in Strides strategy and will further cement company's position as a relevant player in the US generic industry**

Strategic Outcomes

- Acquisition **strengthens Strides' portfolio, front-end presence and local manufacturing capability for the US**
- The acquisition **more than doubles the approved ANDA basket** for Strides including **20 commercial products** transferred to Strides on transaction closure
- The portfolio brings on board a **mix of acute and chronic products** that will help diversify product offering
- Readily available basket ensures **lower dependency on new ANDA filings and approvals** for growth given the Covid-19 induced travel restrictions and delay in site inspections
- Acquired Portfolio will help **accelerate new product launches in the US**
- Chestnut Ridge site **adds 2 billion units' annual capacity** across **semi-solids, liquids, nasal sprays and other oral solids**
- The facility is registered with the **Drug Enforcement Administration (DEA)** enabling manufacturing of **controlled substances**
- The acquisition will also **strengthen our ability to cater to federal contracts** with **100+ TAA compliant products**
- Consolidation of our loss-making West Palm Beach operations with Chestnut Ridge site **will deliver manufacturing cost synergies**

Key Priorities

- Strides welcomes on board the **experienced team at Chestnut ridge site,** focusing on a **seamless integration of the team to the Strides global talent pool**
- **Integration of processes and systems** to Strides platform initiated
- Targeting to **commercialize 5-6 new product** every quarter from the combined portfolio
- Building an **efficient, reliable and competitive supply chain for the portfolio of already commercial and yet to be commercialized portfolio** will be another key priority for the company
- **Ramping up our VA business** leveraging a vast portfolio of TAA compliant products

Robust portfolio in place to drive growth for the US business

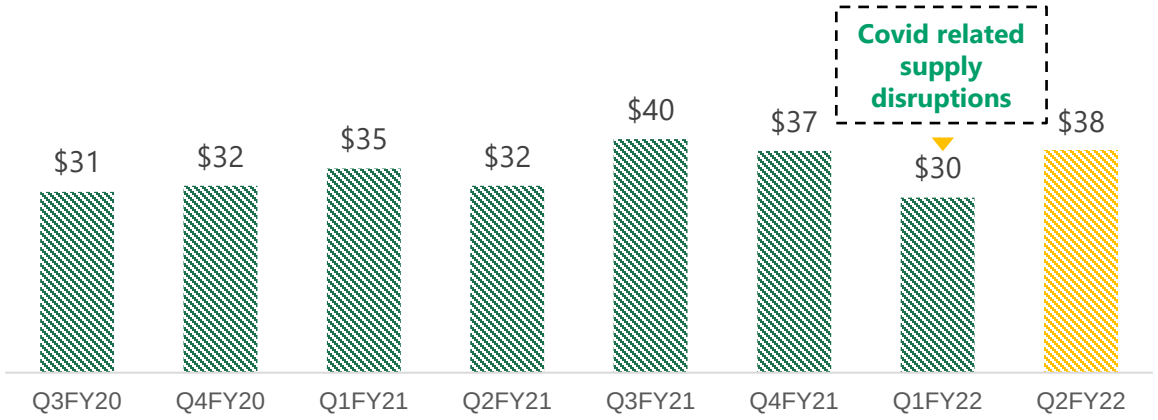
Dosage Format	Strides Portfolio	Endo Portfolio	Combined Portfolio	Addressable Market Size US$ m
Oral Solids ER	12	12	24	2,717
Oral Solids IR	94	120	214	12,574
Oral Suspension, Syrup	15	11	26	523
Topicals, Gels, others	5	4	9	434
Total	126	147	273	16,248

Portfolio Highlights

- **Combined portfolio of 273 ANDA's** spread across multiple dosage format
- Acquired portfolio has an addressable market size of US$4.7 bn , the Combined addressable **market size for the portfolio is pegged at US$ 16 bn**
- Differentiated portfolio comprising of **Controlled Substances, Hormones, Nasal Sprays, Gels, Modified Release products, Liquids**
- Significantly expands our **middle of pyramid product basket** enabling sustainability of margins
- Access to a basket of **13 controlled substance (CII) products**
- Strides currently only has **40 commercial products in the US**. The Chestnut Ridge portfolio will **immediately add 20 commercial products and with 5-6 new product launches planned each quarter** we expect to have a **portfolio of 100+ commercial products over the next 2 years in the US**
- **100+ TAA compliant ANDAs** will allow us to broad base our offering to federal procurements

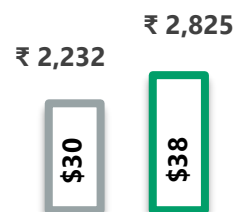
Bounce back in the other regulated markets with growth across key markets

Other Regulated Markets Revenues - Quarterly Trend (₹/$M)



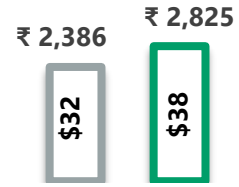
Financial Performance (₹/$M)

QUARTER ON QUARTER



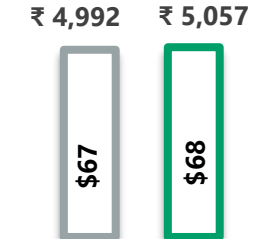
27% QoQ

YEAR ON YEAR



18% YoY

H1FY22 ON H1FY21



1% YoY

YoY comparison in INR reported

Business Updates

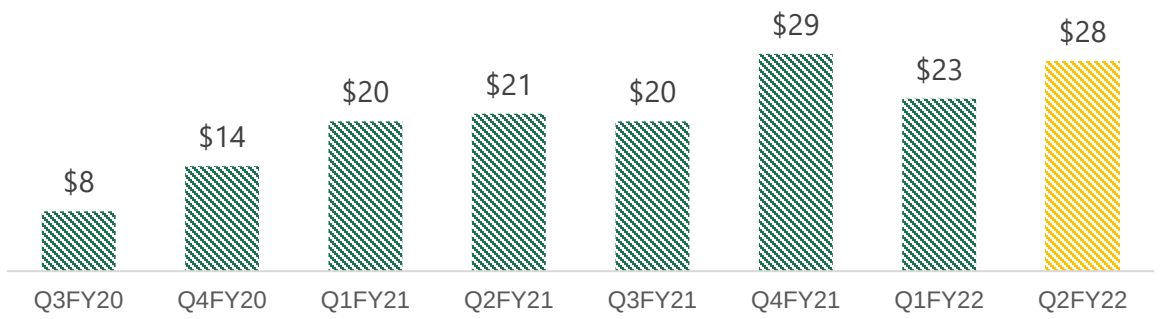
- Revenues from other regulated markets for Q2FY22 stood at ₹2,825m ($38m), up 27% QoQ and 18% YoY
- Other regulated markets represented 38% of consolidated revenues for Q2FY22
- Other regulated markets business witnessed a bounce back driven by improved prescription generations in key frontends and return to normalcy of supplies for our partnered business
- Other regulated markets has now reached closer to its historical peak sales (Q3FY21) and will continue its growth momentum

Near Term Outlook

- Outlook for the business continues to be robust given a strong order book visibility
- Continued R&D investments in portfolio expansion to drive growth through new product launches across geographies

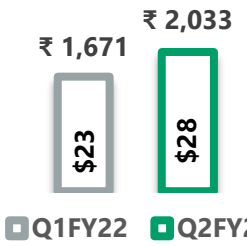
Emerging markets business continues its growth momentum with a 32% YoY growth

Emerging Market Revenues - Quarterly Trend (₹/$M)



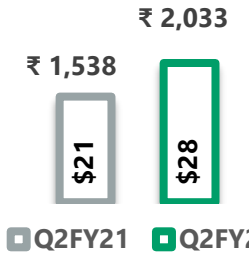
Financial Performance (₹/$M)

QUARTER ON QUARTER



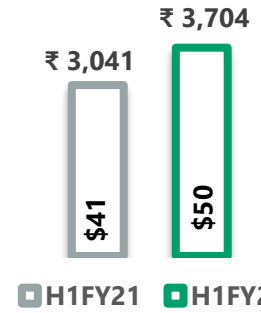
22% QoQ

YEAR ON YEAR



32% YoY

H1FY22 ON H1FY21



22% YoY

YoY comparison in INR reported

Business Updates

- Revenues from emerging markets for Q2FY22 stood at ₹2,033m ($28m), up 22% QoQ and up 32% YoY
- Emerging markets business represented 28% of consolidated revenues for Q2FY22
- The Africa business delivered a strong performance led by healthy demand for key brands, the business reported revenues of ₹920m in Q2FY22, up 31% QoQ and up 10% YoY
- Leveraging digital platforms for a better doctor connect, focus on new product introductions and improved MR productivity to drive growth for the Africa business
- Institutional business reported revenues of ₹1,113m in Q2FY22 up 15% QoQ and up 59% YoY led by better offtake from donor funding agencies
- Focussing on becoming a cost leader in the space with efficient supply chain

Financial Performance

Key P&L Highlights – Q2 and H1FY22

Income statement (₹m)								
Particulars	**Q2 FY22**	**Q1 FY22**	**Q2 FY21**	**QoQ**	**YoY**	**H1 FY22**	**H1 FY21**	**YoY**
Revenues	**7,360**	6,919	7,971	6%	-8%	**14,279**	15,818	-10%
EBITDA	**10**	-468	1,656	101%	-100%	**-458**	3,234	-114%
EBITDA %	**0.1%**	-6.8%	20.8%	690 bps	-2070 bps	**-3.2%**	20.4%	
Adj PAT[1]	**-847**	-1,169	792			**-2,016**	1,580	
Adj EPS[1]	**-9.4**	-13.0	8.8			**-22.4**	17.6	

Reconciliation of EBITDA (₹m)			
As per SEBI results	**Q2 FY22**	**Q1 FY22**	**Q2 FY21**
Profit before exceptional items & tax	**-915**	**-1,330**	**853**
Less: Interest, Dividend income	*77*	*100*	*93*
Add : Depreciation and Amortization	566	549	528
Add : Finance costs	*436*	*415*	*369*
Consolidated EBITDA as per press note	**10**	**-468**	**1,656**

1. Adj PAT and Adj EPS for Q1 FY22 excludes exceptional items loss of ₹915m, Biotech and CHC share of loss of ₹195m, tax credit of ₹215m on exception items; Adj PAT and Adj EPS for Q2 FY22 excludes exceptional items loss of ₹599m, Biotech and CHC share of loss of ₹234m

Net debt and Investments

Pharma Net Debt

As at June 2021
₹ 7,530m

As at September 2021
₹ 9,301m

Change over June 2021
+ ₹ 1,771m

Investments in CHC & Biotech

As at June 2021
₹ 6,886m

As at September 2021
₹ 6,937m

Change over June 2021
+ ₹ 51m

Total Net Debt

As at June 2021
₹ 14,416m

As at September 2021
₹ 16,238m

Change over June 2021
+ ₹ 1,822m

Strides

invites you to interact with the senior management on Q2 and H1FY22

WEDNESDAY, NOVEMBER 10, 2021

4:00pm IST / 11:30am BST / 06:30am EDT / 06:30pm HKT

Speakers:

Arun Kumar

Founder & Non - Executive Chairman

Dr. R. Ananthanarayanan

Managing Director & CEO

Badree Komandur

Executive Director & CFO

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24-hour playback after the call

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Thank You

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Stelis Biopharma

An integrated biologics and vaccine player in the making

Stelis Biopharma Limited | November 10, 2021

Recap: Stelis is a vertically integrated biopharma and vaccine company ready to expand horizons

Large Scale Infrastructure

- **3 World class facilities** with ~600,000 Square feet R&D and manufacturing space with capabilities in microbial, mammalian products and vaccines

One Stop Capabilities

- **One-stop shop solution** from cell line and process development to commercial manufacturing
- **Drug Substance manufacturing** Microbial and Mammalian – (8000L by Mar'22)
- **Drug Product manufacturing** - Vials, Lyophilized vials, Cartridges & Pre-filled syringes

Integrated vaccine suite

- **Dedicated vaccine facility** to cater to multiple vaccine types including viral vector, protein subunit, mRNA & DNA
- **Drug Substance Capacity** of 40,000L with integrated **drug product** manufacturing

Flexible and agile model

- **Multi-platform/multi-product** Biologics capability
- **Sterile injectable fill/finish** for complex small molecules
- **Flexible model** for partner engagement

Strong Core Team

- **Talented scientific and technical teams** with experience from leading global Biotech and Vaccine companies

Embedded Compliance

- **Quality and regulatory expertise** with demonstrated experience in global compliance
- Operations designed, built and validated to meet **Global regulatory market standard**

Stelis Biopharma

Updates on Q2FY22 Performance

3 operating businesses are tracking to the plan albeit delayed facility inspections due to travel restrictions

The CDMO business is on track to achieve operational break even in FY22

Current Business and Orderbook

- **New orders received for the drug product facility**, continued traction for cartridges, high speed vial fill-finish and lyophilized vials
- **Completed large scale batches(1000L)** for microbial drug substance on the site
- CDMO business on track for **achieving operational break even** in FY22

Regulatory approval Status

- **Partnered product filings** have triggered inspections from global regulatory authorities including the EU/EMA and USFDA. However, there has been no **new development on regulatory inspections** as **Covid-19-led travel restrictions** continue to delay the facility audits

Expanded capacity for drug substance

- **Ongoing project work** on mammalian block installation on track, block to be mechanically **completed by end FY22** (8000L Reactor capacity)

Since the outbreak of Covid-19, Stelis has expanded its scope to manufacture vaccines at large scale

Update on Sputnik Vaccine

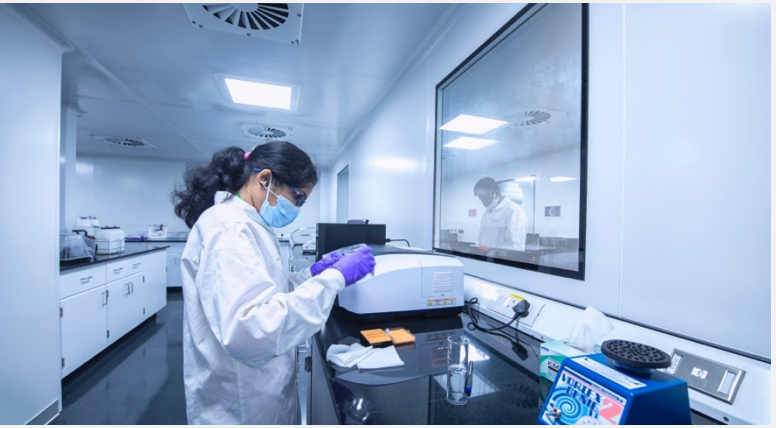
- **First component** of the Sputnik vaccine has been manufactured at the **commercial scale**
- Expected to commercially launch the vaccine within **Q3FY22**

Evaluating new vaccine partnerships

- **Ongoing discussions** to partner with other **global players for vaccines manufacturing**
- On track to on-board **at least one CDMO Contract on vaccines** by **Q4FY22**

- In its **commitment to fight against Covid-19**, Stelis **rose to the challenge** and **planned its foray into vaccines in March 2021**
- Stelis committed to **invest over INR 750 Crores** to **build a best-in-class** facility dedicated to produce **vaccines with integrated capabilities** within the site
- Stelis facility is designed to cater to **multiple vaccine at large scale including the new platform technologies**
- Despite the outbreak of second wave of Covid-19, Stelis vaccine facility has achieved on-time readiness to **produce over 60 million vaccine doses per month (720 million doses per year) in less than 180 days**

IN <180 DAYS, OUR TEAM IS READY TO PRODUCE 720 MILLION VACCINE SHOTS PER YEAR AND CAN EXPAND TO 1 BILLION ANNUAL DOSES CAPACITY



Our biosimilar products are tracking to plan with first insulin analog completing India CT trials

Molecule	Market Size ($b)	Indication	Development Stage	Latest Update
STLP001 (Rh- Teriparatide)	~2	Osteoporosis	Filed in EU/ Phase 1 ready for US	• EU file for MAA under review, on track to received approval by Q4FY22
STLI001 (Glargine)	~13	Diabetes	Clinical	• Phase-1 clinical trial for India dosing completed, study results are encouraging. Global filings for several markets starting FY23
STLI002 (Aspart)	~9	Diabetes	Pre-clinical	• Program on track for late FY24 filing
STLI003 (Lispro)	`7	Diabetes	Pre-clinical	• Program initiation and scale-up ongoing
STLG001 (Undisclosed)	~6	Diabetes	Scale-up	• On track for Q3/Q4FY22 filing via ANDA path
STLG002 (Undisclosed)	~7	Diabetes	Scale-up	• On track for filing in FY23 via ANDA path
STLS001 (Undisclosed)	~5	Anti- hemorrhoid	Pre-clinical	• Pre-clinical stage

Thank you

For details, please visit www.stelisbiosource.com

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