

# **Sale of generic pharmaceutical operations in Australia and Southeast Asia for AU\$375 million**

## **Analyst Presentation**

**24 January 2012**

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# Transaction overview



- On Tuesday, 24 January 2012, Strides Arcolab sold Ascent Pharmahealth, its generic pharmaceutical operations in Australia and Southeast Asia, to Watson Pharmaceuticals
- All-cash transaction valuing Ascent at an enterprise value of AU\$ 375 million (US\$393 million at current exchange rate)
- Watson acquired 100% of Ascent, including 94% from Strides Arcolab and the remaining 6% from Dennis Bastas, Founder and CEO of Ascent
- Simultaneous signing and closing of the transaction fully de-risked the transaction

# Overview of Ascent Pharmahealth Limited



## Australia

- Top 5 generic pharmaceutical company
- Second largest pharmacy field force
- Robust portfolio of marketed and pipeline products across generics, OTC, skin care and dermatology as well as established off-patent brands on behalf of global innovator companies
- Contributes c.80% of Australasia revenue

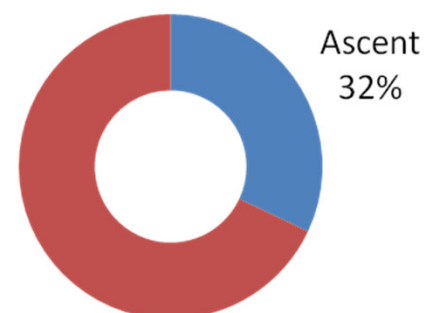
## Southeast Asia

- Leading generic pharmaceutical company in Singapore (Drug Houses of Australia)
- Scalable platform across Malaysia, Hong Kong, Vietnam, Thailand, Myanmar and Brunei
- Branded generics model
- Manufacturing facility in Singapore
- Contributes c.20% of Australasia revenue

## Contribution to Group 2011 guidance

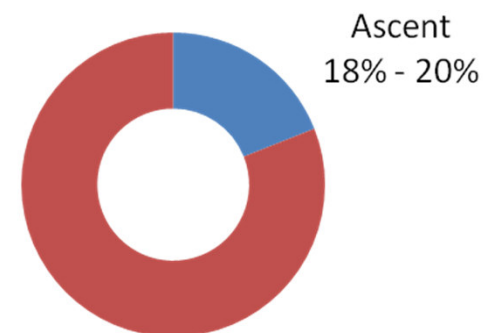
### Consolidated revenue

US\$ 482 million



### Consolidated EBIDTA range

US\$ 96 million – US\$ 105 million



# Transaction rationale and use of proceeds



1

Executing on the announced strategy to focus on core high-growth Agila business

2

Monetising significant value creation at Ascent

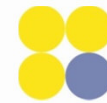
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Strengthening balance sheet

1

# Executing on the announced strategy to focus on core high-growth Agila business

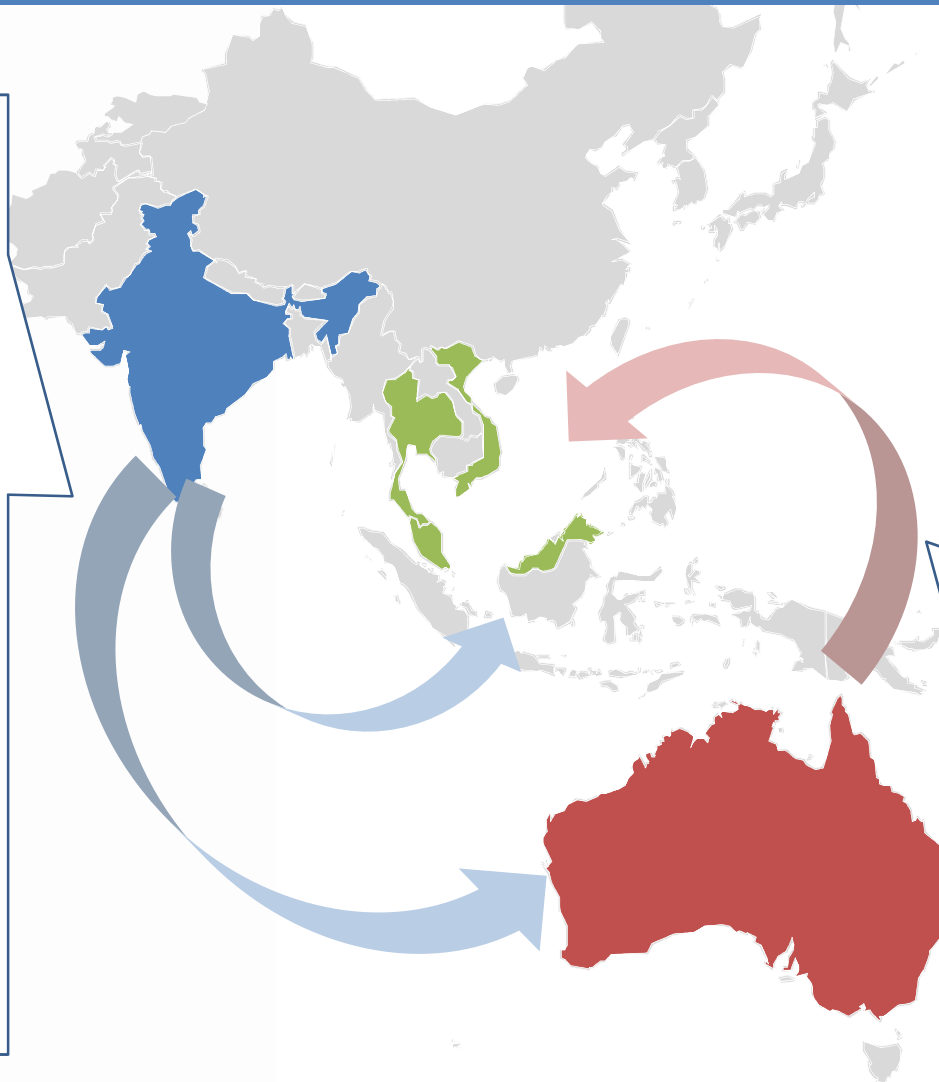




Strides has significantly increased the value of Ascent since initial investment in 2008

**R&D collaboration with Strides, improved sourcing through site transfer and improved bargaining position**

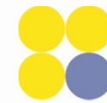
- Leverage Strides' development capabilities
- Emphasis on IP ownership: 14 IP projects undertaken
- Strong, deep product pipeline with day-1 launch capabilities: 17 actual and 5 potential projects
- Improved profitability and competitiveness through superior COGS: 11 completed projects with cost reduction of 15%–75%. Eight projects to complete in 2012



**Strategic combination with Drug Houses of Australia (DHA) in Southeast Asia**

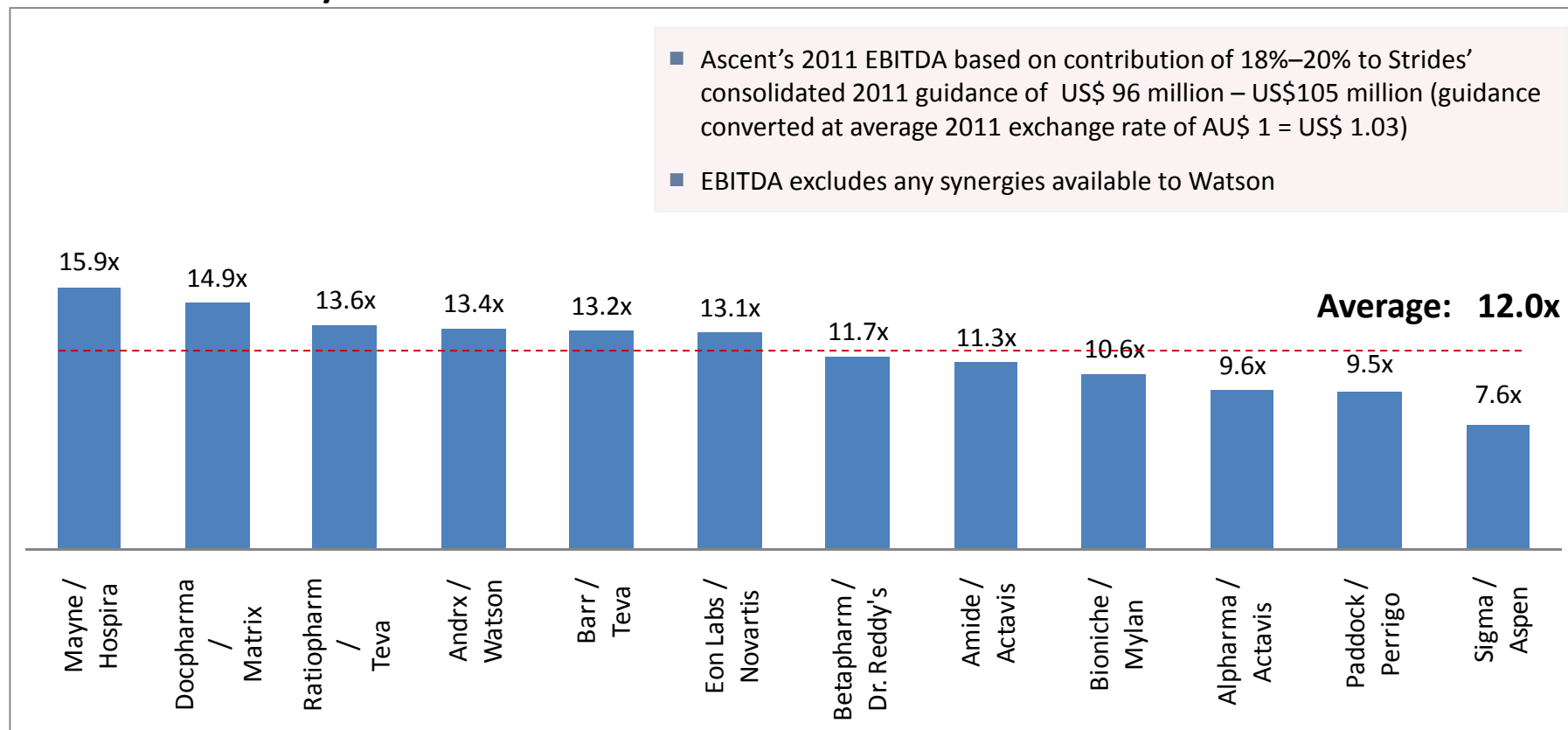
- Creating a regional leader: US\$ 10 billion market
- Roll-out of Ascent products across markets
- Sharing of best-practices, particularly in sale and marketing and registration
- Geographic expansion in Southeast Asia: Vietnam, Thailand, Philippines

# Monetising significant value creation at Ascent



Valuation achieved is at the top end of the very best transactions in the industry

## Transaction value / LTM EBITDA ratio <sup>(1)</sup>

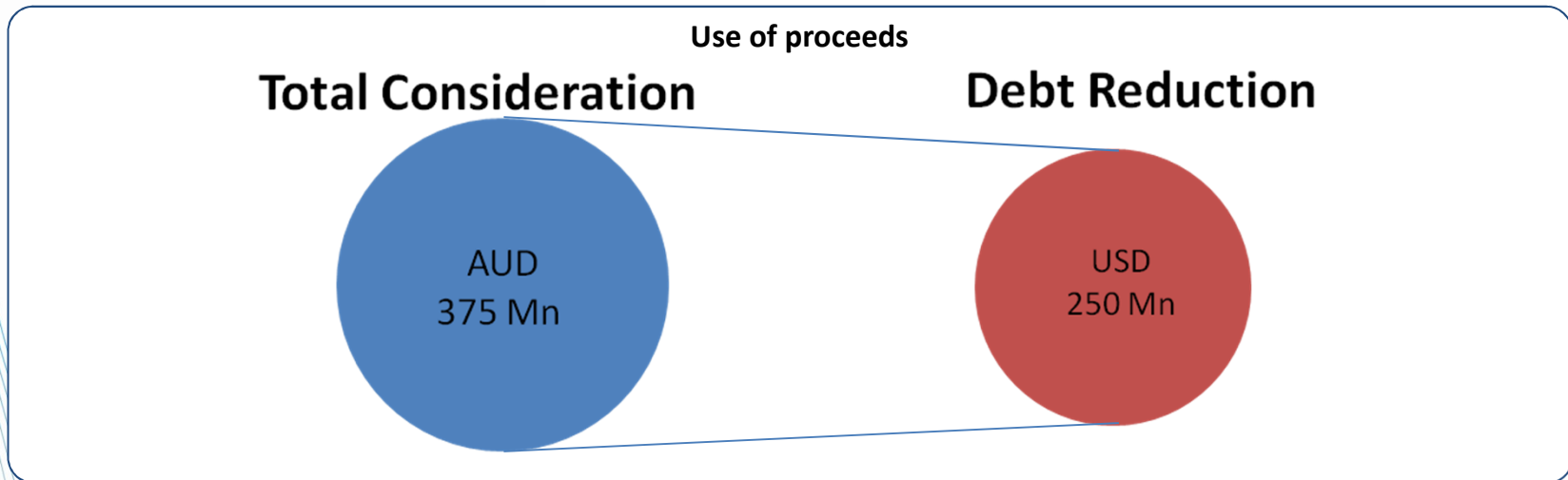


(1) LTM = last twelve months.

Source: Press releases, equity research and Company estimates.



# Strengthen balance sheet



- Proceeds being used to
  - Pay down US\$250 million debt, of which US\$120 million will be used for redemption of the convertible bond due in June-2012
  - Growth Capital for Agila
- These funds will allow Strides to radically improve its leverage position, reducing its net debt
- Dual Positives
  - Substantial reduction in Debt
  - Increase in Net Worth on Profit from the transaction.
- Company will be better placed to fund future capital expenditure in Agila, its steriles business
- All debts and obligations of Ascent have been repaid or transferred to Watson as part of the transaction



Thank You