



# ANNUAL GENERAL MEETING

JULY 30<sup>TH</sup> 2019

A large graphic on the right side of the slide. It features a central yellow circular icon with a hand symbol and a curved arrow, set against a background of a sunburst pattern of yellow dots. Below this icon, the words "RESET" and "RESURGENT" are written in large, bold, yellow, 3D-style block letters, slanted upwards from left to right.

**RESET  
RESURGENT**

# WHATS INSIDE

Performance Highlights



Marketwise Perspective



Recent Updates



AGM Agenda





# PERFORMANCE HIGHLIGHTS

## Core Business Fundamentals

## Propelling Growth & Future Value Creation



*Concentrated  
Market focus*



*High End  
Manufacturing*



*Integrated  
R&D Base*



*IP led complex  
Portfolio*



*Technology Led  
Compliance*



*3000+ employees  
World over*



**Strong go to market capabilities in US, UK, Europe, Australia, Canada and South Africa**

**Efficient R&D infrastructure to build a wide portfolio with differentiated and limited competition products**

**Global manufacturing base with seven facilities across Italy, Singapore, India and Africa**

**Significant investments in IT deploying best in class technology across all processes**

## REVENUES

₹ **30,264** Million 6%

## EBITDA

₹ **4,695** Million 7%

## EBITDA MARGINS

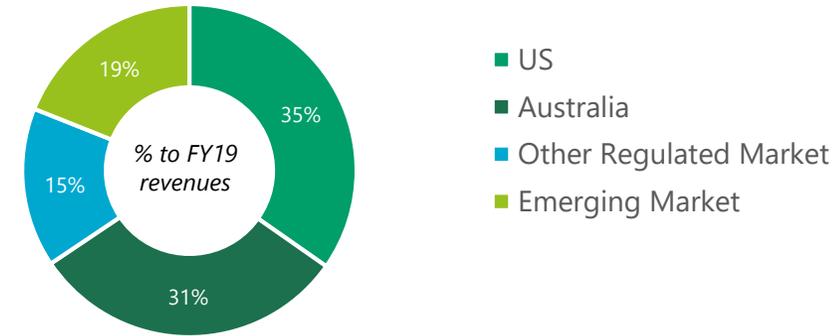
**15.5**% 20 bps

## REGULATED MARKET MARGINS

**20.0**% 300 bps

Year on year growth

## BUSINESS-WISE REVENUE MIX



## US MARKET

₹ **10,514** Million 36%

## AUSTRALIA

₹ **9,331** Million 1%

## OTHER REGULATED MARKETS

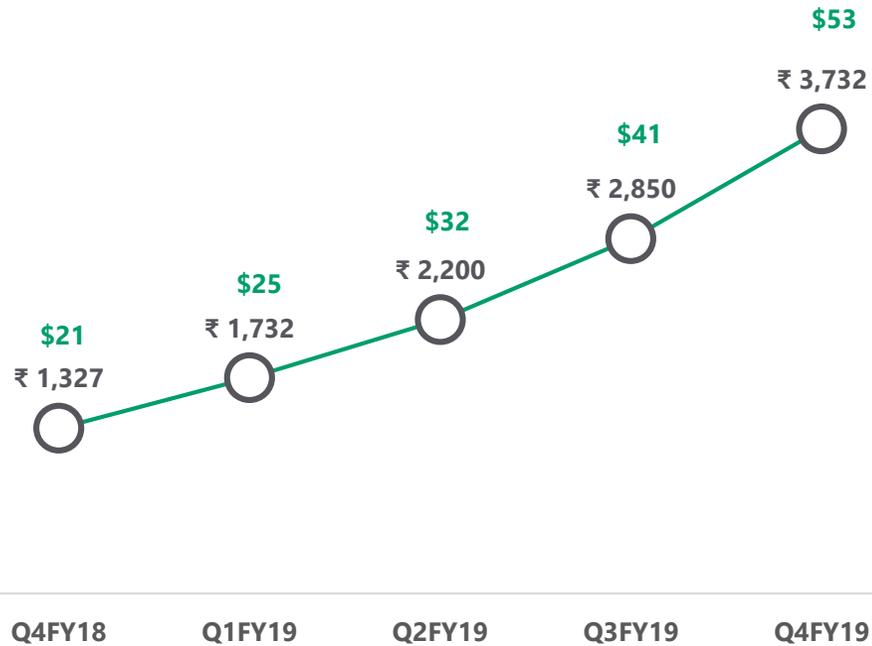
₹ **4,685** Million 39%

## EMERGING MARKETS AND INSTITUTIONAL

₹ **5,735** Million -31%

Year on year growth

## FINANCIAL PERFORMANCE (₹/\$m)



- > Higher revenue and a steady cost base to drive operating leverage delivering **improved EBITDA performance**
- > Re-launched erstwhile partnership molecules through frontend witnessed **encouraging traction** and contributed to sequential ramp up in US business

## PIVOTS FOR THE FUTURE GROWTH

### FOCUS ON MAXIMIZING APPROVED ANDA OPPORTUNITY



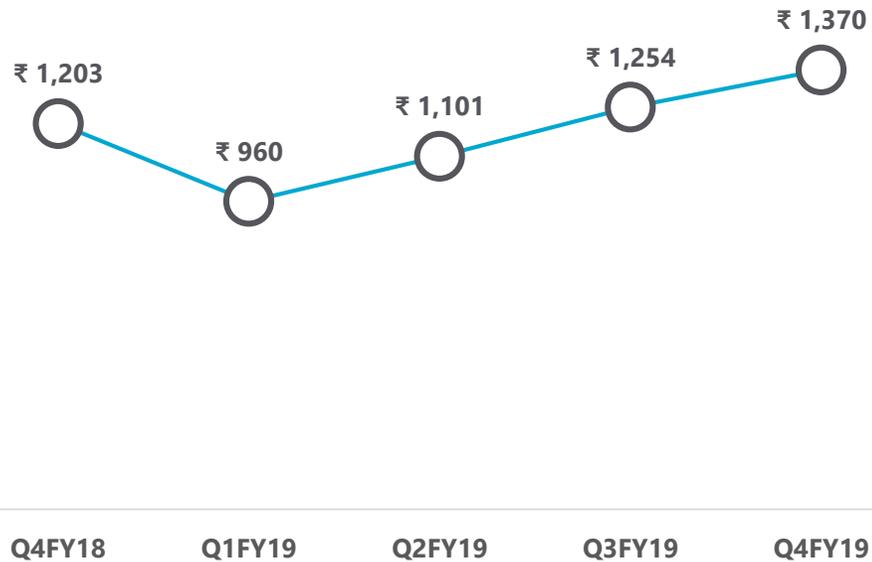
- **60%+** of the currently commercialized portfolio is **amongst top 3** or have **significant share in the market**
- Expecting continued growth in the base portfolio with **market share gains** and **pricing improvements**



### CONTINUED R&D MOMENTUM

- Strong **filing momentum** with 21 filings during the year, in line with the guidance
- Continued **focus on R&D filings** with a **strategic shift towards complex** or speciality generics going forward

## FINANCIAL PERFORMANCE (₹m)



- > UK front end delivered a strong performance during the year driven by increased **wholesaler listings for generics and branded portfolio**
- > Growth in other regulated market ex - UK was driven by addition of new products to the portfolio and entry into new markets

## PIVOTS FOR THE FUTURE GROWTH

### UK



- Strategic focus to sell products through own **front-end**
- Tap **market scarcity** while maintaining significant market share in key molecules

### EU



- Focus on better **customer alignment** for long-term partnership
- Matured business, growth from **new product launches** and **adding new territories**

### RSA



- Growth driven by **Portfolio maximization** and site transfers to India
- Continued focus on **front end compliance** and **market efficiencies**

### CAN



- Foray into Canada through recent acquisition of Pharmapar
- The cost of organic strategy will be **minimum** due to portfolio advantage

## FINANCIAL PERFORMANCE (₹/AUD m)



- > Delivered **over 20% margins** due to increase in the number of products that were integrated to **Strides supply chain**
- > **18 new products** launched in FY19 in line with guidance

## PIVOTS FOR THE FUTURE GROWTH

### EXITED AUSTRALIA BUSINESS TO DELIVERAGE BALANCE SHEET



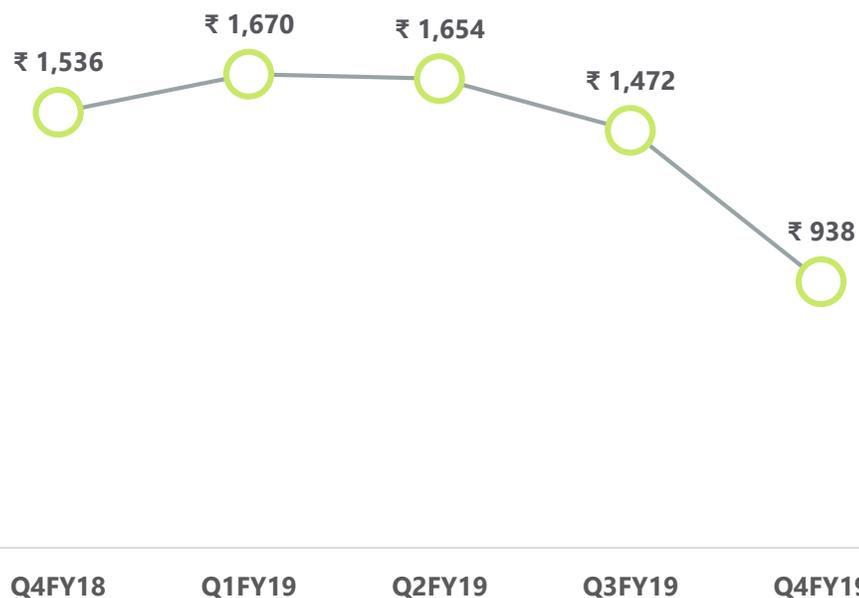
- Strides exited the front end Australia operations unlocking **AUD 394 Million** value, retaining **product IP** and entering into a **long term preferred supply contract** with merged Arrow and Apotex entity (Arrotex)
- Post the closure of transaction on July 10<sup>th</sup>, 2019, Strides received **AUD 300 Million**. The proceeds net of transaction cost have been used to pare down debt
- The balance **AUD 94 Million** is deferred consideration backed by a secured interest-bearing instrument.

### ASSET LIGHT GROWTH STRATEGY



- Strides will retain **40%-50% of the current EBITDA** of its Australian business through long term supplies to Arrotex
- Annual EBITDA potential over **AUD 15-20m** with the assured supplies to the merged entity as Apotex volumes integrate into Arrotex

## FINANCIAL PERFORMANCE (₹m)



- > Course correction achieves major **strategic outcomes**
- > Revamped **business leadership**, field force & agency in key markets
- > Steady secondary sales growth in key focused markets
- > Completed all **the contractual obligations** of low margin institutional supplies partnered under long-term contracts

## PIVOTS FOR THE FUTURE GROWTH



### PROFITABLE GROWTH IN BRANDS BUSINESS

- Market offers **sustainable growth** opportunity due to strong macro tailwinds and a large unmet need
- Strides remains focused to become a **PAN Africa branded generic player** with leadership position in key markets and therapies



### LESS IS MORE APPROACH IN INSTITUTIONAL BUSINESS

- Sustain **profitability** of the existing business through **focused pricing and tender participation**
- Focus on **profitable expansion** of the business with cost effective products and leveraging local manufacturing base in Kenya

# FY19

## Strategic Reset for Strides

Coming from a difficult year, our focus in FY19 was to realign the priorities, maximize growth with focus on operational efficiencies

### What did we achieve?

- > Regulated markets reached **>80%** of the revenues with **~20% EBITDA**
- > Major strategy reset initiatives completed in the **emerging markets**, focus on margin-led expansion
- > **Continued momentum** in R&D resulting in a significant build out of the portfolio for the global markets
- > Recent product launches and commercialised ANDAs in US to **support expansion of the base business**
- > Corporate action in Australia to **strengthen balance sheet** and pare **long term debt**

# FY20- Resurgent growth

In FY20, we expect to build on the momentum with **profitable growth**, **superior cash flows**, and **operating leverage**.



**US Growth** to be driven by significant expansion of the portfolio



Redesigned Asset light growth in **Australia**



Portfolio maximization led growth strategy for **other regulated markets**



**Immediate focus** to drive profits in **emerging markets**



Efforts to get a fast reclassification of **Pondicherry facility**



# RECENT UPDATES

## REVENUES

₹ **6,888** Million

44%

## EBITDA

₹ **1,239** Million

155%

## EBITDA MARGINS

**18.0**%

780<sub>bps</sub>

## NET DEBT

₹ **6,955** Million

Year on year growth



Region	Q1FY20	Q1FY19	Q4FY19	YoY%	QoQ%
<b>Regulated Markets</b>	<b>5,607</b>	<b>3,098</b>	<b>5,244</b>	<b>81%</b>	<b>7%</b>
US	3,902	1,732	3,732	125%	10% <sup>1</sup>
Other Reg Markets <sup>2</sup>	1,705	1,366	1,512	25%	13%
<b>Emerging Markets</b>	<b>1,282</b>	<b>1,670</b>	<b>938</b>	<b>-23%</b>	<b>37%</b>
Africa	402	397	493	1%	-18%
Institutional	880	1,273	445	-31%	98%
<b>Group Revenues</b>	<b>6,888</b>	<b>4,768</b>	<b>6,182</b>	<b>44%</b>	<b>11%</b>

1. Reported revenue of \$53m(₹3,732m) for Q4FY19 where seasonal products were Oseltamivir and Benzonatate. Adjusted for seasonal revenues, the Q4FY19 revenues were at \$51m which is ₹3,565m
2. The revenues for other regulated markets have been recast to include supplies to Arrow which were earlier inter-company sales

## INTERIM DIVIDEND TO REWARD SHAREHOLDERS



- To reward the shareholders on divestment of Australia business, The Board of Directors have recommended an **interim dividend** of **₹12 per share**.

## JV WITH SIHUAN PHARMACEUTICAL FOR CHINA



- The JV fast tracks Strides' entry into China which is World's **second-largest pharmaceutical market** offering a \$137 billion market opportunity
- The recent regulatory developments in China enable **fast track approvals** of differentiated high-quality generics. Strides' specialized basket of **140+ products** qualifies for this program
- Sihuan (our partner) has a **4000+ strong salesforce and 3000+ distributors** network across Mainland China
- Strides to license **four products** to JV and receive a licensing fee for each product in-licensed to the JV

## REMEDIATION ACTIVITY AT PUDUCHERRY

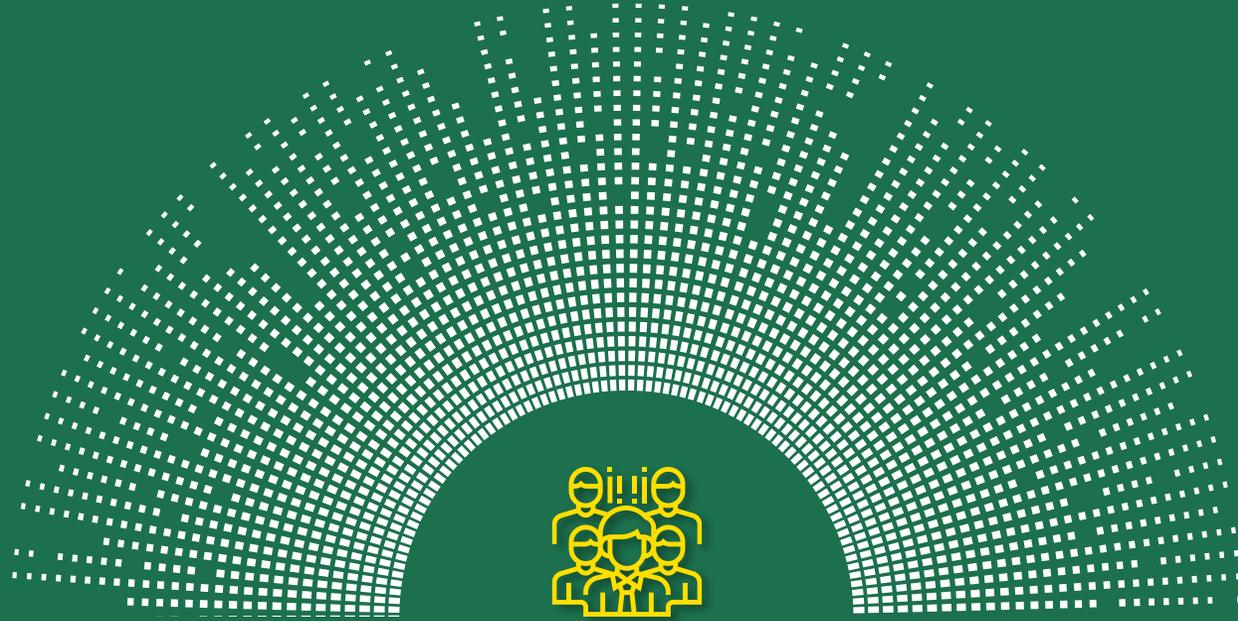


- Our acquired Puducherry site was inspected from January 28 to February 5, 2019. The inspection concluded with eight 483 observations and facility was classified as OAI in May 2019 which was followed by a Warning Letter issued on July 1st, 2019
- We have appointed an **independent third-party consultant** to help with remediation activities and provide assessments and improvements across all our sites. The consulting firm is headed by an ex-FDA investigator with 25+ years experience.

## INVESTMENTS IN STELIS BIOPHARMA



- The Drug Product block completes validation and is ready for **commercial fill-finish sterile business**
- Received the first **CDMO contract** in biopharma fill-finish with commercial revenues starting from FY20 and peak revenues starting from FY23-24
- Progress remains on track for two advanced assets with a combined **market opportunity of ~ \$4b**. The two assets are planned for an incremental phase 3 study in the year 2020 for the US market.



# AGM AGENDA

**Ordinary  
Business**

**Adoption of financial statements for the year ended March 31, 2019**

**Declaration of Dividend of Rs. 3/- per share for the year ended March 31, 2019**

**Appointment of a Director in place of Mr. Deepak Vaidya, retiring director**

**Special  
Business**

**Re-appointment of Mr. S Sridhar as an Independent Director of the Company**

**Re-appointment of Ms. Sangita Reddy as an Independent Director of the Company**

**Continuation of Directorship of Mr. Deepak Vaidya, Non-Executive Director of the Company**

**Ratification of remuneration payable to M/s. Rao, Murthy & Associates, Cost Auditors of the Company for FY19**

**Amendment to Strides Shasun Employee Stock Option Plan 2016**

**Payment of Commission to Non-Executive Directors of the Company**



**THANK YOU**

