



**Investor Presentation, September 2018** 



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# Strides 1.0 delivered value. Strides 2.0 is next.



## Value creation over time

Strategic progression, Significant value unlocked





# **Evolution of Strides 2.0**

#### Growth pivots in place with organic and inorganic strategies





# **Strongly Positioned Today**



CAPEX AND INVESTMENT CYCLE NOW COMPLETE, GEARED FOR EXECUTION



# Strides 2.0 strategy is in place. Focus is on execution.

**United States** 

Australia

Other Regulated – UK, Europe, South Africa

Africa

**Institutional Business** 



# **Execution in Play**

Sharpened focus across all value drivers



manufacturing base

**R&D** Capability



# **Diversified market positioning**

Consumer facing formulation businesses



# **Differentiated Strategy for Continued Growth**

Focused approach for each market



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# Growth Markets. Competitive Positioning.



## **United States**

#### In growth phase, Anchor market for future

#### Opportunity

- \$467b+ market with patent expiry of brands worth
  \$77.2b in the next 5 years
- Indian generics have 40% of volumes in US market
- Regulatory overhang paving way for fully compliant players
- New GDUFA guidelines accelerating entry of new players and products

#### **Strategy**

- Focus on niche, low competition, high technology barrier products built around modified release, soft gel capsules, topicals
- Target of 20-25 filings every year , to benefit from new GDUFA regulations
- Exit partnership business, no new partnership contracts being entered into



#### **Business Today**

- Portfolio of 78 filed ANDAs 26 pending approval)
- Strong go to market capability through own frontend
- Key frontend products have captured leadership position:

Ergocalciferol 53%, Ranitidine 32%, PEG Rx 30%, Dutasteride 30%, Buspirone 39%, Methoxsalen 38%

- This portfolio witnessed a single digit price erosion

#### **Growth Enablers**

- Strong and efficient R&D capability, Filings momentum to continue with 20-25 ANDA filings per year
- Future ready mirrored facilities with capabilities across dosage forms
- Leveraging front end capabilities to go direct to market





# Strong and Efficient R&D Capability

Calibrated to Version 2.0



# In a sweet spot under new GDUFA guidelines

Filing and approvals seeing strong momentum



# **Exciting growth pipeline nearing approval**

#### Bigger products faster to market



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# **Future ready manufacturing base**

Highly compliant manufacturing base, capacity mapped



#### \*JV with Vivimed Private Limited.



# **Technology and Compliance**

#### Continued focus on quality, compliance & governance



Proprietary Interactive Mobile App for awareness & feedback





## Australia Generic Market Landscape

A market with high entry barrier



#### Current Generic Market Shares 2017 Source: Sinapse data analytics

# Attractive pharmaceutical and OTC market

- Generic market size at \$1.8b, market consolidated due to high cost of operation and high competitive barriers
- Generic substitution currently at ~75%, significantly lower than other developed markets
- Presence of 4 major generic companies Apotex, Arrow, Mylan and Sandoz, all have their market positioning and customer base
- Total range across 4 major companies is between 160 220 molecules
- Top 3 wholesaler Sigma, Symbion and API command 95% market share and are mapped to a generic supplier as a preferred partner
- Attractive OTC market currently pegged at \$ 3.7b
- Fragmented base of 5,500 retail pharmacies, with no pharmacist owning more than 5 pharmacies
- Tie up with buying groups and banner groups a critical success factor

\*Arrow acquired Amneal's Australian business in 2017

### Australia

#### Settled Strategy, poised for leadership

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#### Opportunity

- Market to stay consolidated with high entry barriers for new entrants
- Pharmacy ownership to stay independent by law, opportunity to consolidate under buying and banner groups
- Changes in PBS reimbursements regulations driving expansion of generics market

#### **Strategy**

- To become market leader in Australia
- Expansion of product portfolio through in-house development and in-licensing opportunities
- Enhance pharmacy coverage to 2000+ first line pharmacies with high loyalty across footprints
- Backward integration momentum to continue and supplies from India to contribute to further COGS savings

#### **Business Today**

- Ranks #2 by volume and #3 by revenues
- Strong OTC portfolio through Chemist's Own OTC franchise
- Own nation wide sales force driving distribution and loyalty in generics and proprietary Chemist's own portfolio
- First-line pharmacy coverage of 1,400+ stores

#### **Growth Enablers**

- Signed a 10 year exclusive distribution agreement with Sigma, a major distributor
- New product introduction (Rx and OTC) including drugs going off patent
- Continue to enhance pharmacy footprint
- Increase in loyalty and substitution through Pharmacy Alliance, across the pharmacy footprint



# Strides & Apotex agree to merge in Australia

#### Getting to pole position in Australia

# arrow + APOTEX = LEADERSHIP

#### 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

#### **Management team**

- Dennis Bastas, Arrow, will lead the merged business as Executive Chairman, Roger Millichamp, Apotex, as CEO and Andrew Burgess, Arrow, as CFO
- The team brings 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 merge
- The transaction is subject to customary closing conditions and statutory approvals, including approval from the Australian Foreign Investment Review Board



#### **Key Highlights**



- 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
- The proposed merger to be EPS accretive from Year 1 through synergies



# **Other Regulated Markets**

Portfolio and geographical expansion to be the key growth drivers

#### Opportunity

- The European pharmaceutical market is likely to grow to \$230b by 2022
- Growth expected on innovations in medicinal drugs across therapy areas including multiple sclerosis, chronic heart failure, rheumatoid arthritis and Alzheimer's.
- Recent foray into South Africa, a large private market for Anti – retroviral' s

#### Strategy

- Focus on portfolio maximization through global regulated market portfolio
- Increasing coverage by expanding front end presence in UK
- Strategic partnerships to carry own IP generics to rest of Europe



#### **Business Today**

- Diversified portfolio including Rx soft gelatin capsules, sachets and oral solids in wide ranging therapies
- Established UK Front end supplying generics to hospitals approved by NHS
- Registration Capability for regulatory markets of Europe including UK

#### **Growth Enablers**

- Leveraging existing portfolio of US and Australia
- More listing at wholesalers in the UK
- Expansion of product offering through strategic tie ups in the rest of Europe and other new geographies
- Manufacturing facilities with key EU approvals including MHRA
- Leverage Trinity's established distribution channel in South Africa







"In Africa for Africa" theme with focus on Branded Generics

MEGAZA

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#### Opportunity

- Macro tailwinds with increased urbanization, purchasing power and healthcare infrastructure
- Increasing incidences of chronic lifestyle diseases
- Market expected to reach \$44b by 2020

**Strategy** 

therapies

brands

 Regulatory trend towards global standards such as WHO pre-qualification for manufacturing

To become a Sub-Saharan Africa branded generic player with leadership position in key markets and

Focus on lifestyle chronic therapies- driven by

#### **Business Today**

- Footprint in 40+ countries across Sub-Saharan Africa, Local medical field force with coverage of 30,000 doctors
- Industry leading secondary sales growth
- 750 product registrations with a pipeline of 500 product registrations
- Strong brand equity being a local player with the doctors and community

#### **Growth Enablers**

- Manufacturing consolidation under the WHO approved facility in Kenya and dedicated EM plant in India
- Well established player in West Africa, expanding footprint in East Africa to strengthen the branded generic platform
- Focus on introduction of new products and better penetration of high growth markets



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## **Institutional Business**

#### Focus on new treatment regimens

#### Opportunity

- Market opportunity of \$2.5b in terms of procurement
- Concentrated market with 5-6 key players holding majority of the business
- New treatment regimen attracting donor funding



#### **Business Today**

- Approved supplier to institutionally funded aid projects and global procurement agencies like UNITAID, PEPFAR, CHAI and Global Fund
- Strong Portfolio of products in HIV, anti-malaria, and Hep-C
- Filed dossiers with product registrations across Emerging markets

#### Growth Enablers

- Capitalizing on WHO Approved manufacturing facility in Kenya for global donor agencies and local government tenders
- Robust delivery track record with superior supply chain execution
- 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
- Increased collaboration for voluntary licensing



#### **Strategy**

- R&D focus on developing next generation products as per donor agency guidelines
- Leverage strong visibility with innovator organization to be amongst the first wave of launches in select emerging markets









# Robust Planning. Sustainable growth.

# **Strides 2.0- Continued Growth & Value Creation**

#### Strong Business Foundation

- Highly compliant manufacturing base
- Strong and efficient R&D infrastructure
- Capabilities in multiple delivery technologies and dosage formats
- Front-end presence in regulated and Africa continent

#### Steady Growth through Execution

- Expanding portfolio range with addition of differentiated and limited competition products
- Leveraging a strong "Go To Market" capability to expand distribution network across Australia, US and Europe
- Building portfolio of strong brands in Africa



# Steady returns to the stakeholders

- Focus on generating operating leverage
- Identifying newer growth avenues to deliver sustainable growth
- Enhancing shareholders return with an improved ROE profile

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Experienced Management team

Foundation of Quality, compliance & governance

Transparent and open culture



# **Consolidated Financials**

#### Key Financial Highlights FY 18



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, SCPL goodwill impairment ₹ 14M, restructuring expense ₹ 196M, CHC loss 446M.



# **Experienced Board and Management team**

High engagement on areas of strategic focus



Arun Kumar Founder, Group CEO and MD



Deepak Vaidya Non-Executive Chairman



Sangita Reddy Independent Director



**Bharat Shah** Independent Director



S. Sridhar Independent Director



Homi R Khusrokhan Independent Director



Executive Director and CFO



Shashank Sinha CEO - International Business



Ramaraju PVS **Chief Operating** Officer



Umesh Kale Chief Quality Officer



Lakshmi Narayanan Chief Information and Technology officer



**Badree Komandur** 



# Thank You



## **Shareholding Pattern**

As on 31st March 2018

