



STRATEGY AT  
**PLAY**

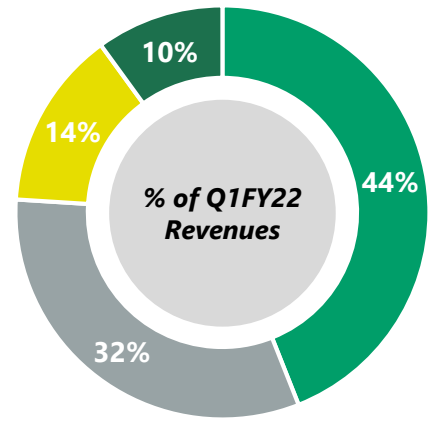
**Q1FY22 Earnings**

August 6, 2021





## Revenues



■ US ■ Other Reg Mkts ■ Institutional ■ Africa

Revenues	EBITDA	EBITDA %
<b>₹6,919m</b>	<b>-₹468m</b>	<b>-6.8%</b>
-12% YoY	-130% YoY	

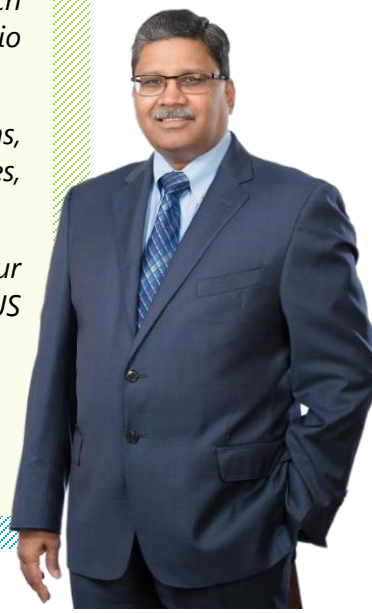
*Q1FY22 has been a unprecedented quarter for Strides amidst multiple macro headwinds from the recent wave of Covid-19. This has led to significant disruptions both on the demand and supply side. The above headwinds have resulted in the company reporting an operating loss for the first time ever. While we are witnessing near term challenges due to price erosions, we are taking a number of actions to adapt to the new market realities.*

*We are excited to announce signing of a definitive agreement to acquire Endo's basket of ANDA's having limited competition including controlled substances, hormones, nasal sprays, liquids, modified release, gels and oral solids along with the US manufacturing site at Chestnut Ridge, New York. The acquired portfolio will help us significantly ramp up our new product launches. We are also undertaking various cost measures to improve our operating leverage. We are consolidating our West Palm Beach operations with site at Chestnut Ridge to deliver operational synergies. Size of the combined portfolio will help optimize R&D spends which will now be targeted towards building specialty products .*

*While the Other Regulated Markets delivered a weak quarter led by significant drop in prescriptions, price challenges in key markets and supply spills owing to Covid-19 impact at our manufacturing sites, our order book continues to remain robust and we expect a bounce back in Q2FY22*

*With all the above actions we expect to see full recovery in H2FY22 driven by growth across all our businesses. We expect to end the year with a 10-15% revenue growth over US\$ 215m reported in the US for FY21.*

**Dr. R Ananthanarayanan**  
**Managing Director & CEO**





## Sector Headwinds

- Major headwinds faced by the sector owing to current Covid-19 pandemic particularly for the regulated markets
  - Prescription rates trends below historical levels in the US
  - Significant fall in prescriptions rates down over ~20%, aggravated by lockdown in UK
  - Acute portfolio impacted severely
  - Continued drop in new product approvals for the industry due to travel restrictions and slowdown in inspections
- Above dynamics has led to heightened competitive intensity to capture a higher wallet share for existing products, industry witnesses unprecedented price erosion
- Rise in Covid-19 cases leads to intermittent lockdowns and restrictions across multiple geographies disrupting supply chain, increasing cost of operations



## Implications for Strides

- Witnessed double digit price erosion in our US portfolio with higher competitive intensity leading to significant drop in revenues
- New product launches from Q4FY21 have witnessed steep price erosion in the US
- Delays in products approvals impact new product launch cycles
- Significant rise in Covid-19 cases during the second wave at all our manufacturing sites in India lead to operational disruptions and impacted supplies
- Failure to supply (FTS) cost pre-Covid in FY20 was <1% of US sales. The same has increased to ~4% due to Covid led supply disruptions
- Logistics cost higher by US\$4m YoY due to higher air shipments



## Mitigation Strategies

### US Business






- Strides announced acquisition of basket of ANDAs and manufacturing site at Chestnut Ridge, New York from Endo Pharmaceuticals
- Acquired basket of products to deliver the following outcomes :
  - Adjusting for overlapping products, our portfolio of 100 approved products will more than double
  - Transaction immediately adds 20 commercial products to Strides portfolio
  - Mitigates delays in approvals due to Covid-19 induced travel restrictions and delay in inspections. and now provides a large basket of commercializable portfolio
  - Enabling 5-6 new launches from the combined portfolio each quarter for consistent growth
  - Adds new dosage capabilities including Controlled Substances, Hormones, Nasal Sprays, Gels
  - Significantly enhances our nascent modified release and liquids portfolio
  - Middle of pyramid basket now expands 2x to over 100+ products having limited competition and superior margin
  - 100+ TAA compliant products in the combined portfolio for government supplies
- Consolidating West Palm Beach operations with Chestnut Ridge site to optimize cost

### Other Regulated Markets

- Continued R&D investments for portfolio building, focus on consistent product launches
- Minimize stockout to drive higher order fulfillment rate for partnered business

### Other Initiatives

- Initiatives in place to lower logistics cost and FTS in H2FY22
- Organization wide cost control programs to deliver operating leverage
- R&D to focus on specialty portfolio and portfolio maximization

	Q1FY22	Q4FY21	Q1FY21	QoQ%	YoY%
 <b>Revenues</b>	₹6,919m	₹9,115m	₹7,847m	- 24%	-12%
 <b>Gross Margins</b>	₹3,428m 49.5%	₹5,400m 59.2%	₹4,825m 61.5%	- 37% - 970bps	- 29% -1,200 bps
 <b>EBITDA</b>	- ₹468m -6.8%	₹1,602m 17.6%	₹1,578m 20.1%	-129%	-130%
 <b>Adj PAT<sup>1</sup></b>	- ₹1,169m				
 <b>Adj EPS<sup>1</sup></b>	- ₹13.0				

<sup>1</sup>. 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



### Regulated Markets

Market	Q1FY22	Q4FY21	Q1FY21	QoQ%	YoY%
US <sup>1</sup>	3,016	4,273	3,738	-29%	-19%
Other Reg	2,232	2,722	2,606	-18%	-14%
<b>Total</b>	<b>5,248</b>	<b>6,995</b>	<b>6,344</b>	<b>-25%</b>	<b>-17%</b>

### Emerging Markets

Market	Q1FY22	Q4FY21	Q1FY21	QoQ%	YoY%
Inst. Biz	970	1,448	810	-33%	20%
Africa	701	671	693	4%	1%
<b>Total</b>	<b>1,671</b>	<b>2,119</b>	<b>1,503</b>	<b>-21%</b>	<b>11%</b>

### Consolidated Group Revenues

	Q1FY22	Q4FY21	Q1FY21	QoQ%	YoY%
<b>Total</b>	<b>6,919</b>	<b>9,115</b>	<b>7,847</b>	<b>-24%</b>	<b>-12%</b>

### Key Updates

#### Regulated Markets

##### US

- US revenues at \$41m for Q1FY22 versus \$50m in Q1FY21, US contributed 44% of consolidated revenues in Q1FY22
- Markets witnessed significant drop in prescription rates along with lower pharmacy footfalls and lesser number of elective surgeries
- Witnessed double digit price erosion in our portfolio with heightened competitive intensity

##### Other Regulated Markets

- Other regulated markets revenues at \$30m for Q1FY22 versus \$35m in Q1FY21, Other regulated markets contributed 32% of consolidated revenues in Q1FY22
- Shutdown in the UK due to significant surge in Covid-19 cases led to lower prescription generations by ~20% for Rx and OTC products
- Supply disruptions from our manufacturing facilities due to increase in Covid-19 cases significantly impacted partnered business
- Business to bounce back in Q2FY22 and continue on its growth momentum

##### Emerging Markets

- Emerging markets revenues at \$23m for Q1FY22 versus \$20m in Q1FY21, business contributed 24% of consolidated revenues in Q1FY22
- Institutional business was subdued during the quarter on account of lower off take of TLD
- Africa business delivered steady performance despite slowdown in certain markets

##### Operating Cost

- Logistics cost continued to be high during the quarter at ₹755m up 70% YoY, expect normalization in H2FY22

##### Puducherry update

- Successful completion of the EU GMP inspection at Puducherry during Q1FY22.
- Awaiting facility inspection by the USFDA



### Transaction Details

- Strides will pay ~US\$24m for the acquisition of basket of ANDAs and the manufacturing facility at Chestnut Ridge, NY
- The transaction will be financed by a combination of internal accruals and debt financing
- The transaction is expected to close in 60-70 days subject to customary closing conditions

### Acquired Portfolio

1

Adjusting for overlapping products, our portfolio of 100 approved products will more than double with the acquired basket

2

20 commercialized products will transition from Endo to Strides on closing and along with a basket of commercializable ANDAs (IQVIA MAT - US\$4.7bn).

3

Differentiated portfolio comprising of Controlled Substances, Hormones, Nasal Sprays, Gels, Modified Release products, Liquids.

4

Significantly expands our middle of pyramid product basket enabling sustainability of margins

5

Mitigates delays in approvals due to Covid-19 induced travel restrictions and delay in inspections

### Immediately Accretive

1

Accelerate product launches in the US with 5-6 new product introductions each quarter from the acquired portfolio solving for its current dry run of key approvals from our filings

2

Scale of the combined portfolio helps us refocus R&D spends to more complex and specialty programs

3

Transaction delivers over 100 TAA compliant ANDAs allowing us to broad base our offering to federal procurements

4

Readily available basket ensures lower dependency on new ANDA filings and approvals

5

Leverage IP to expand our product offering for the global markets through portfolio maximization

**Despite impact in Q1 and a subdued Q2, with this acquisition we remain confident of achieving a 10-15% revenue growth over US\$ 215m reported in the US for FY21**

**We now have sufficient approved products that will enable us to achieve our target of US\$ 400m in our phase 1 for the US markets over 24 months**



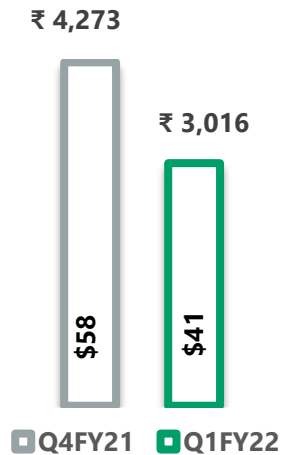
## Multi-dosage Facility At Chestnut Ridge, New York

- 1** Built over an area of ~200,000 sq ft, the site adds new growth capacities of 2 billion units for the US markets
- 2** Site expands our capabilities into niche domains including Hormones, Nasal Sprays, Gels, Modified Release products, Liquids and Controlled Substances that mostly need to be manufactured in USA
- 3** The facility has long history of successful USFDA inspections, site to risk mitigate our manufacturing footprint for the US markets by mirroring capacities at the facility in Bangalore
- 4** Site strengthens our ability to service federal contracts with 100+ TAA compliant products in the combined portfolio
- 5** Access to a strong technical talent pool having several years of manufacturing and new product launch experience
- 6** Consolidating our West Palm Beach operations with much larger and multi-dosage site in Chestnut Ridge, New York to deliver manufacturing cost synergies



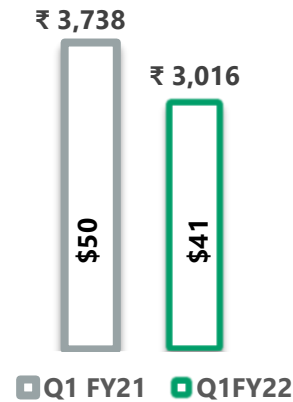
## Financial Performance (₹/\$M)

### QUARTER ON QUARTER



**>> - 29% QoQ**

### YEAR ON YEAR



**>> - 19% YoY**

YoY comparison in INR reported

## Business Updates

- Revenues from the US for Q1FY22 stood at ₹3,016m (\$41m), down 19% YoY, representing 44% of consolidated revenues for Q1FY22
- Fewer prescriptions seen with acute portfolio being the most impacted
- Higher inventory in the market combined with lower prescriptions rates has led to a higher competitive intensity
- Witnessed double digit price erosion in our portfolio inline with market trends due to heightened competitive intensity
- New product launches of Q4FY21 have not played out to plan as they witnessed steep price erosion in the current quarter

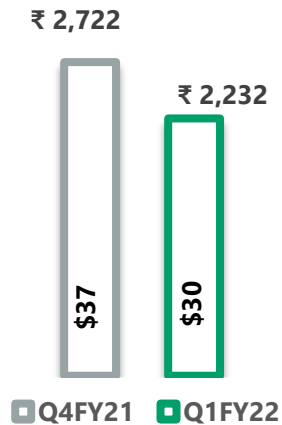
### Near Term Outlook

- Adjusting for overlapping products, our portfolio of 100 approved products will more than double with the acquired basket and will help optimize our future R&D investments
- Focus to shift towards faster commercialization by enabling 5-6 new product launches every quarter from the combined portfolio
- With new product launches from the combined portfolio, we remain confident of a bounce back during H2FY22
- We expect to end the year with a 10-15% revenue growth over US\$ 215m reported in the US for FY21



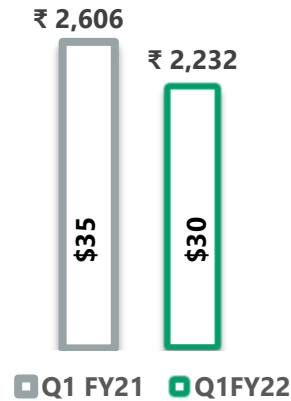
## Financial Performance (₹/\$M)

### QUARTER ON QUARTER



**>> - 18% QoQ**

### YEAR ON YEAR



**>> - 14% YoY**

YoY comparison in INR reported

## Business Updates

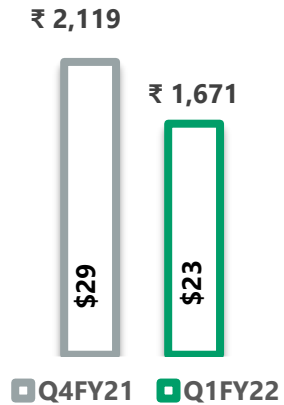
- Revenues from other regulated markets for Q1FY22 stood at ₹2,232m (\$30m), down 14% YoY, representing 32% of consolidated revenues for Q1FY22
- Performance during the quarter was impacted due to significant decline in prescription generations for Rx and OTC products owing to 2<sup>nd</sup> Covid-19 wave and lockdown in UK / other parts of Europe
- Witnessed supply delays for partnered business owing to significant disruptions at our manufacturing sites in India with surge in Covid-19 cases during the quarter
- Continued R&D investments for portfolio building, focus on consistent product launches

### Near Term Outlook

- Healthy order book across markets to drive a bounce back starting Q2FY22
- Business outlook continues to be robust, the business will benefit from an enhanced market footprint and a large product basket available for commercialization

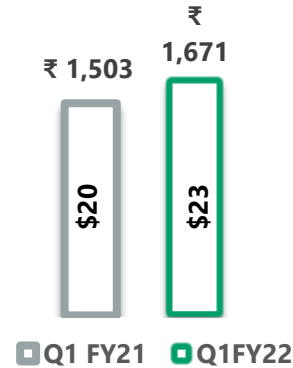
## Financial Performance (₹/\$M)

### QUARTER ON QUARTER



» - 21% QoQ

### YEAR ON YEAR



» 11% YoY



## Business Updates

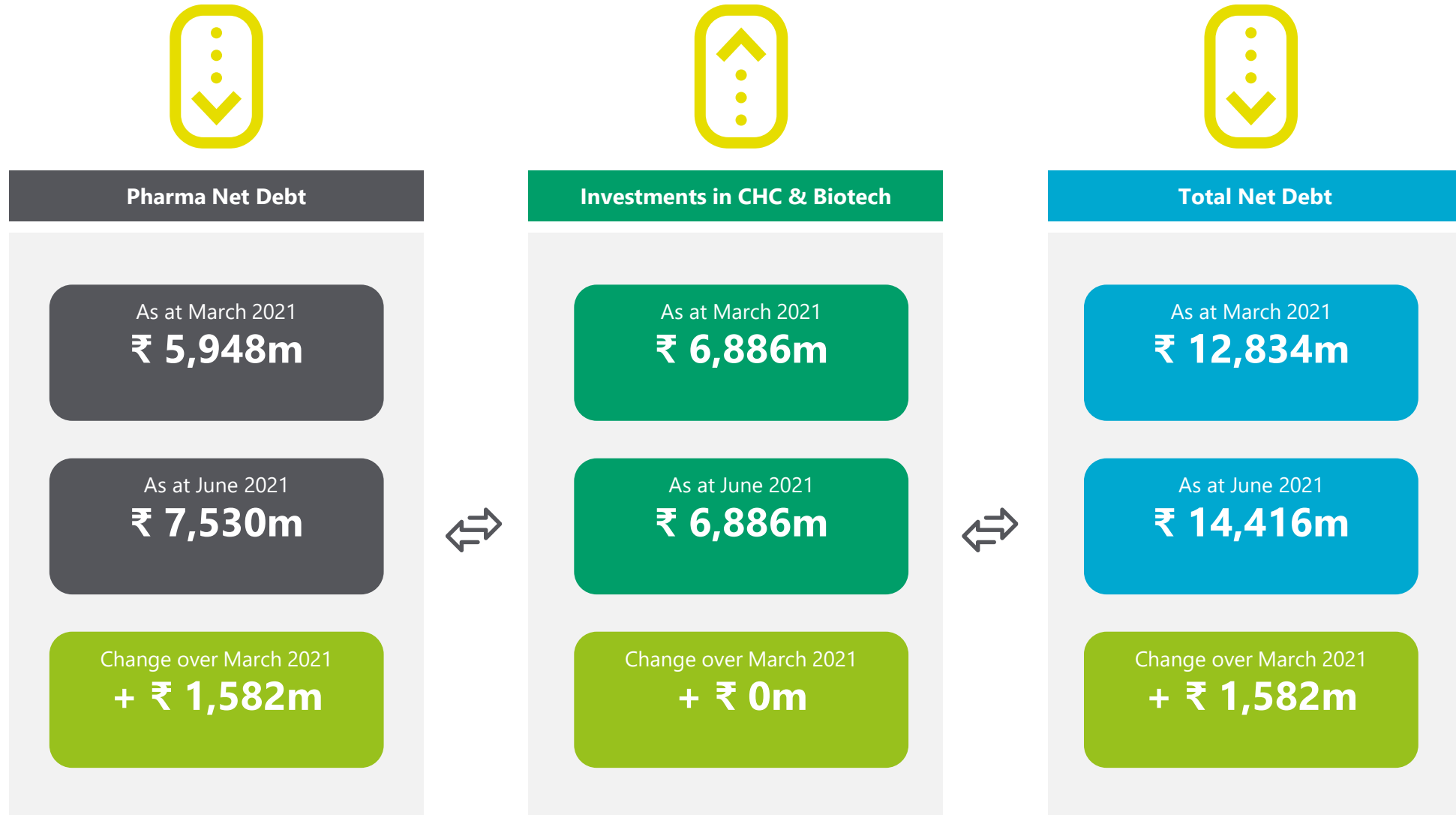
- Revenues from emerging markets for Q1FY22 stood at ₹1,671m (\$23m), up 11% YoY, representing 24% of consolidated revenues for Q1FY22
- The Africa business delivered a steady performance despite macro headwinds and lower demand for acute portfolio, the business reported revenues of ₹701m in Q1FY22, up 1% YoY
- Leveraging digital platforms for a better doctor connect, focus on new product introductions and improved MR productivity to drive next leg of growth for the Africa business
- Institutional business reported revenues of ₹970m in Q1FY22 up 20% YoY, sequential decline in revenues due to lumpy nature of the business
- While we have witnessed softness during Q1FY22, we expect growth to continue for the full year
- Re-looking the business to be a cost leader in the space with a strong product pipeline

YoY comparison in INR reported



# Financial Performance





*Notional impact of ~ ₹310m on Net debt due to appreciation of USD versus INR during the quarter*

**Income statement (₹m)**

Particulars	Q1 FY22	Q4 FY21	Q1 FY21	QoQ	YoY
<b>Revenues</b>	6,919	9,115	7,847	-24%	-12%
<b>EBITDA</b>	-468	1,602	1,578	-129%	-130%
<b>EBITDA %</b>	-6.8%	17.6%	20.1%		
<b>Adj PAT<sup>1</sup></b>	- 1,169				
<b>Adj EPS<sup>1</sup></b>	-13.0				

**Reconciliation of EBITDA (₹m)**

As per SEBI results	Q1 FY22	Q4 FY21	Q1FY21
<b>Profit before exceptional items &amp; tax</b>	<b>-1,330</b>	<b>768</b>	<b>812</b>
Less: Interest, Dividend income	100	101	94
Add : Depreciation and Amortization	549	519	491
Add : Finance costs	415	416	369
<b>Consolidated EBITDA as per press note</b>	<b>-468</b>	<b>1,602</b>	<b>1,578</b>

<sup>1</sup>. 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



*invites you to interact with the senior management on Q1FY22*



**FRIDAY, AUGUST 6, 2021**

**3:30pm IST / 11:00am BST / 06:00am EDT / 06:00pm HKT**

**Speakers:**



**Arun Kumar**

*Founder & Non - Executive Chairman*



**Dr. R. Ananthanarayanan**

*Managing Director & CEO*



**Badree Komandur**

*Executive Director & CFO*

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# Thank you

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## **Investor Relations**

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