



# Hikma Pharmaceuticals PLC

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H1 2015 Interim Results

19 August 2015



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# A solid H1 performance with strong strategic momentum for future growth



- ▶ Acquisition of Roxane Laboratories will transform Hikma's US business, establishing Hikma as the sixth<sup>1</sup> largest US generics company
- ▶ Successful Integration of Bedford is delivering new approvals for US Injctables
- ▶ Inaugural bond issue raised \$500 million, providing financial flexibility to support future growth
- ▶ Partnership with Vitabiotics, announced today, broadens Hikma's MENA portfolio with leading OTC brands
- ▶ New product introductions across all countries and markets – launched 40 products and received 118 product approvals – expand and enhance Hikma's global product portfolio
- ▶ Group delivered a strong first half performance in line with expectations
- ▶ On track to achieve guidance for full year 2015

# Financials

# Consolidated P&L

## Solid Group performance in H1 2015, in line with expectations



\$ million	H1 2015	H1 2014	Change
<b>Revenue</b>	<b>709</b>	738	<b>-4%</b>
<b>Gross profit</b>	<b>400</b>	441	<b>-9%</b>
<i>Gross margin</i>	56.4%	59.8%	<b>-3.4pp</b>
<b>Operating profit</b>	<b>194</b>	236	<b>-18%</b>
<b>Adjusted operating profit<sup>1</sup></b>	<b>204</b>	244	<b>-16%</b>
<i>Adjusted operating margin</i>	28.8%	33.1%	<b>-4.3pp</b>
<b>EBITDA<sup>2</sup></b>	<b>227</b>	269	<b>-16%</b>
<b>Profit attributable to shareholders</b>	<b>134</b>	169	<b>-21%</b>
<b>Adjusted profit attributable to shareholders<sup>1</sup></b>	<b>142</b>	176	<b>-19%</b>
Basic EPS (cents)	<b>67.3</b>	85.4	<b>-21%</b>
Adjusted basic EPS (cents)	<b>71.4</b>	88.9	<b>-20%</b>
Dividend per share (cents)	<b>11.0</b>	7.0	<b>+57%</b>
Special dividend per share (cents)	<b>--</b>	4.0	<b>-100%</b>
Total dividend per share (cents)	<b>11.0</b>	11.0	<b>--</b>
<i>Effective tax rate</i>	<b>20.6%</b>	21.9%	<b>-1.3pp</b>

<sup>1</sup> Before the amortisation of intangible assets (excluding software) and exceptional items

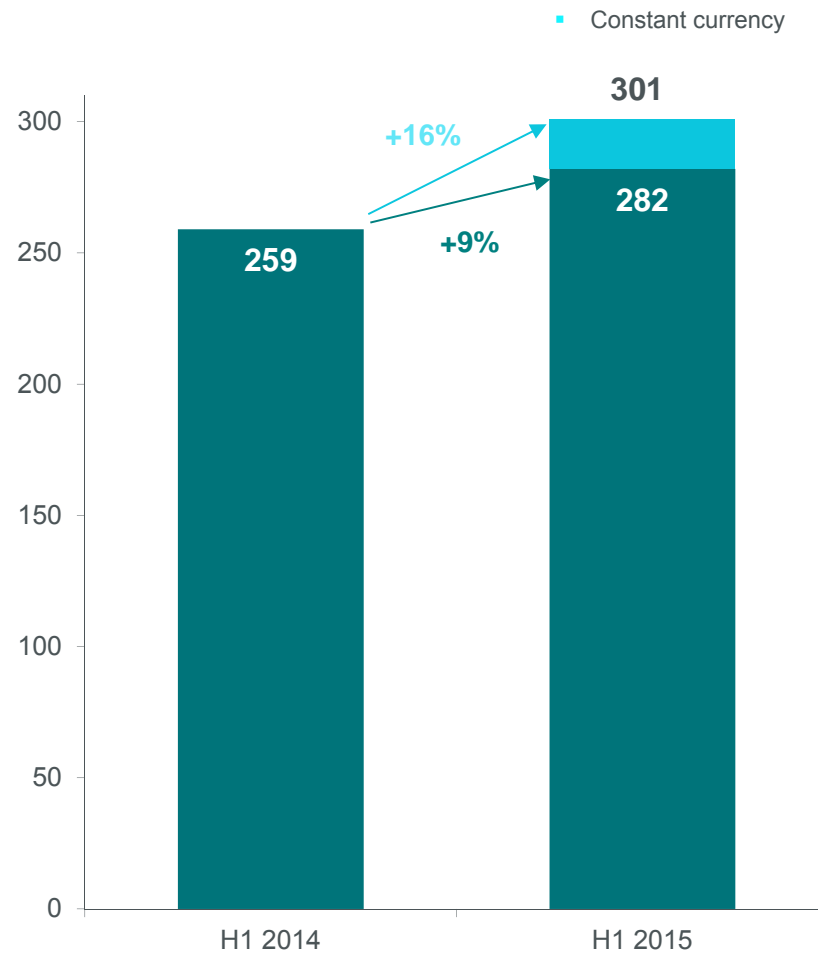
<sup>2</sup> Before interest, tax, depreciation and amortisation. EBITDA is stated before impairment charges and share of results from associated companies

# Branded

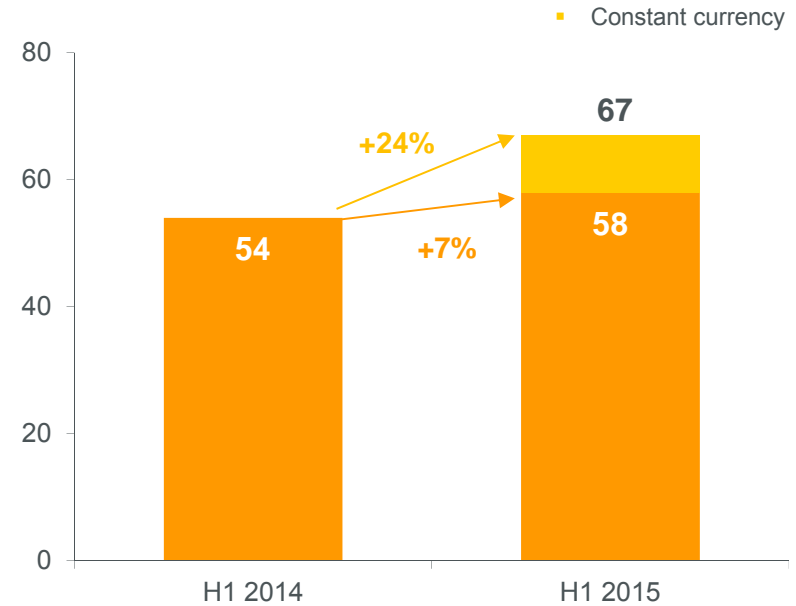
## Good growth in revenue and profitability



Revenue(\$ million)



Adjusted<sup>1</sup> operating profit (\$ million)



Operating margin

	H1 2014	H1 2015	Change	H1 2015 Constant Currency	Change
Reported	18.9%	17.4%	-1.5pp	19.3%	+0.4pp
Adjusted <sup>1</sup>	20.8%	20.6%	-0.2pp	22.3%	+1.5pp

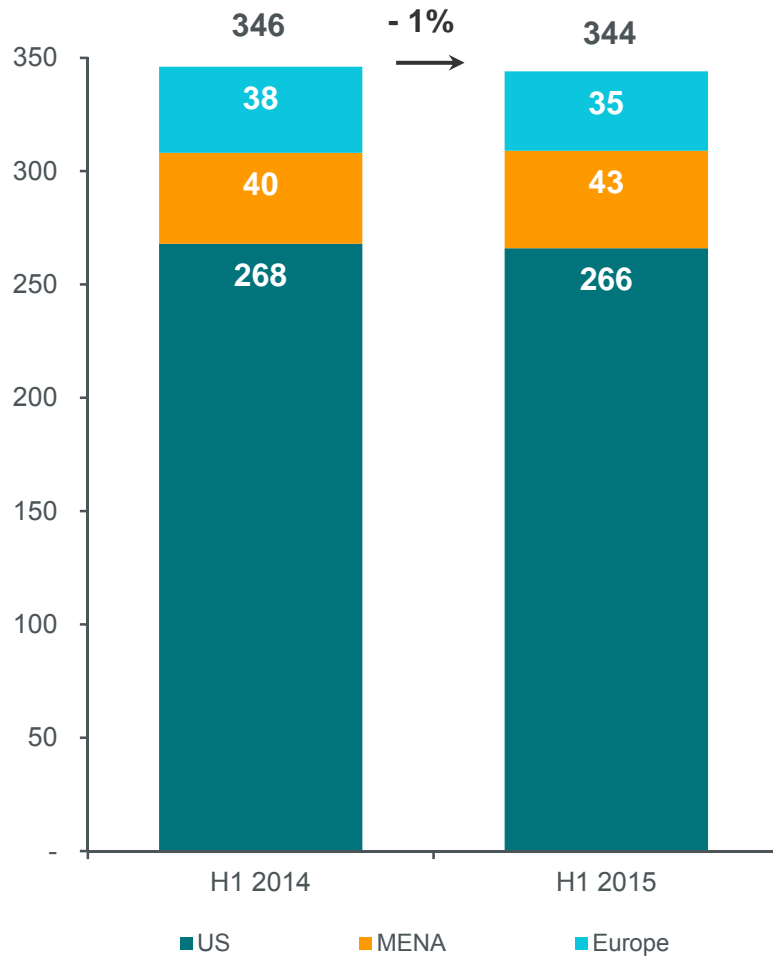
5 <sup>1</sup> Before the amortisation of intangible assets (excluding software) and exceptional items

# Injectables

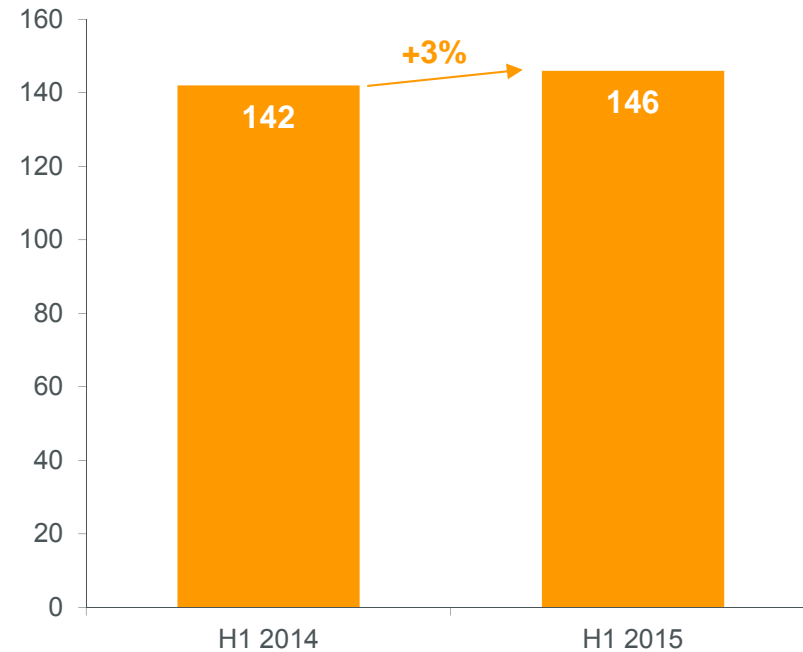
## Maintaining strong revenue and profitability



Revenue (\$ million)



Adjusted<sup>1</sup> operating profit (\$ million)



Operating margin

	H1 2014	H1 2015	Change
Reported	40.5%	42.4%	+1.9pp
Adjusted <sup>1</sup>	41.0%	42.4%	+1.4pp

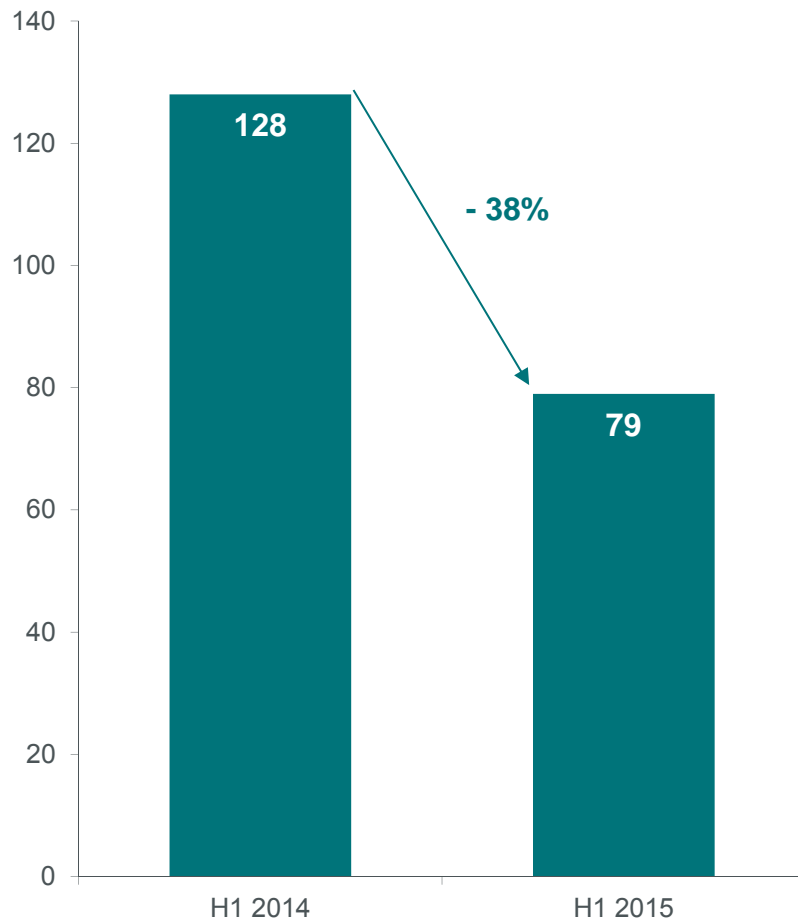
6 <sup>1</sup> Before the amortisation of intangible assets (excluding software) and exceptional items

# Generics

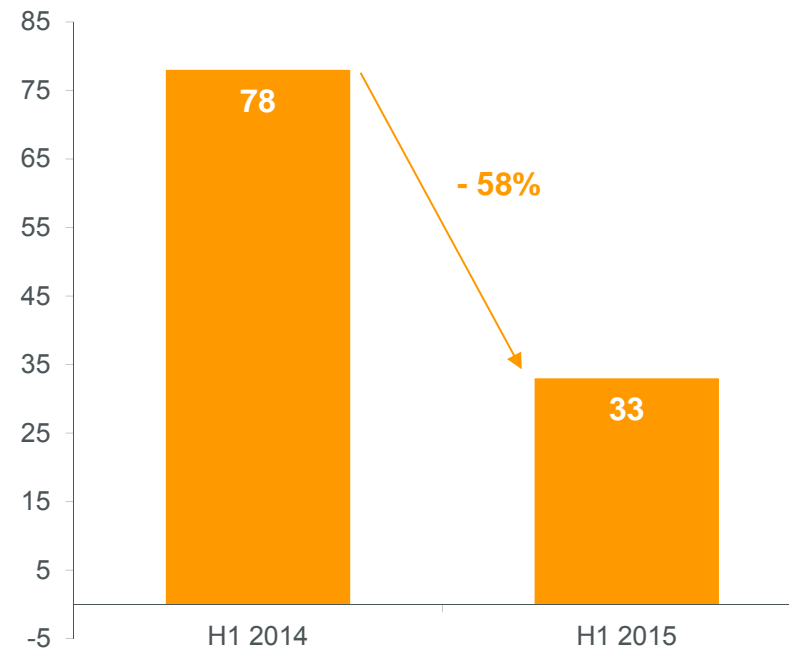
Continued growth from legacy products and decline of specific market opportunities as expected



Revenue (\$ million)



Adjusted<sup>1</sup> operating profit (\$ million)



Operating margin

	H1 2014	H1 2015	Change
Reported	60.9%	41.8%	-19.1pp
Adjusted <sup>1</sup>	60.9%	41.8%	-19.1pp

7 <sup>1</sup> Before the amortisation of intangible assets (excluding software) and exceptional items

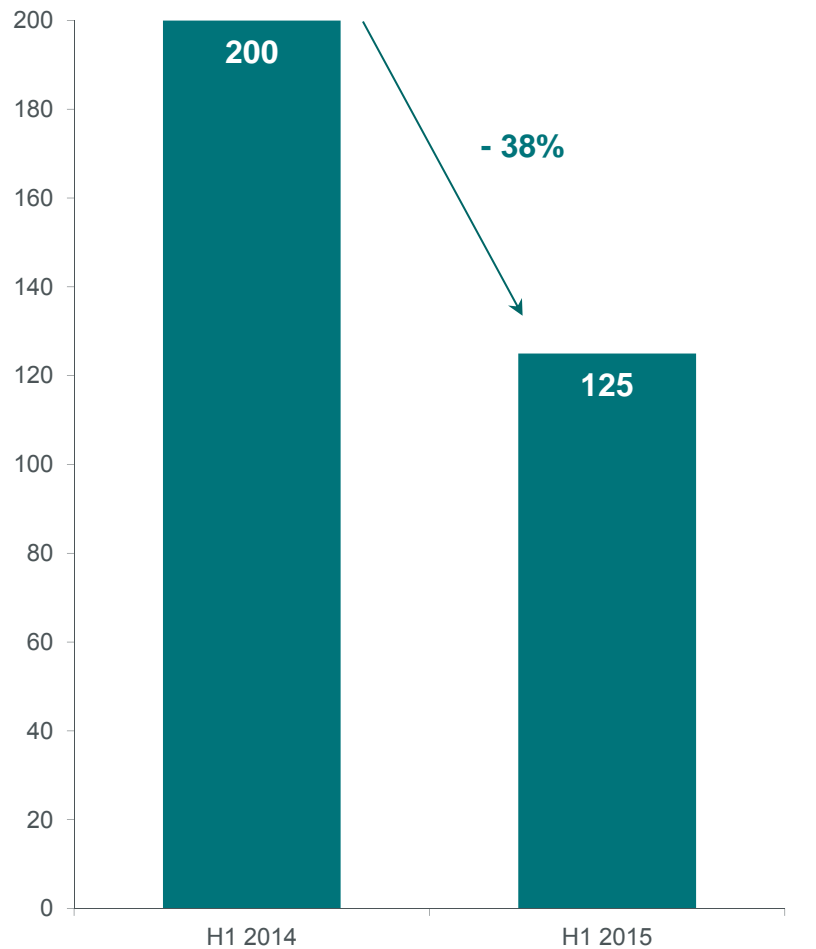


# Cash flow

## Lower contribution from specific market opportunities



Operating cash flow (\$ million)



- ▶ Operating cash flow was \$125 million, compared with \$200 million in H1 2014, reflecting the lower contribution from specific market opportunities in the Generics business
- ▶ The primary uses of cash were capex and product related investments

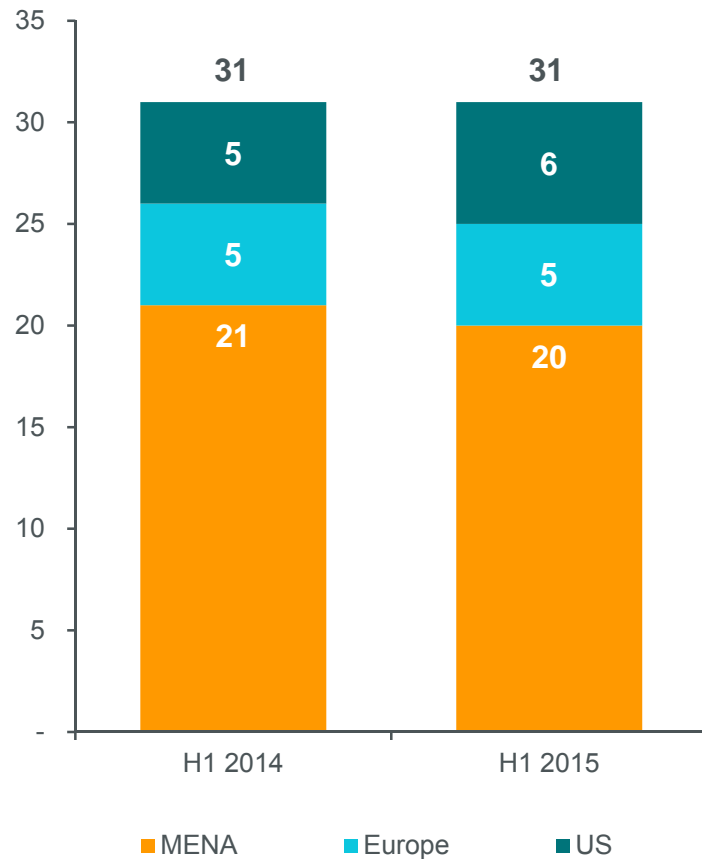
	H1 2014	H1 2015	Change
Working capital days	200	<b>192</b>	<b>-8</b>
Operating cash flow / revenue	27%	<b>18%</b>	<b>-9</b>

# Capital expenditure

## Continued investment in quality and capacity for future growth



Capital expenditure (\$ million)



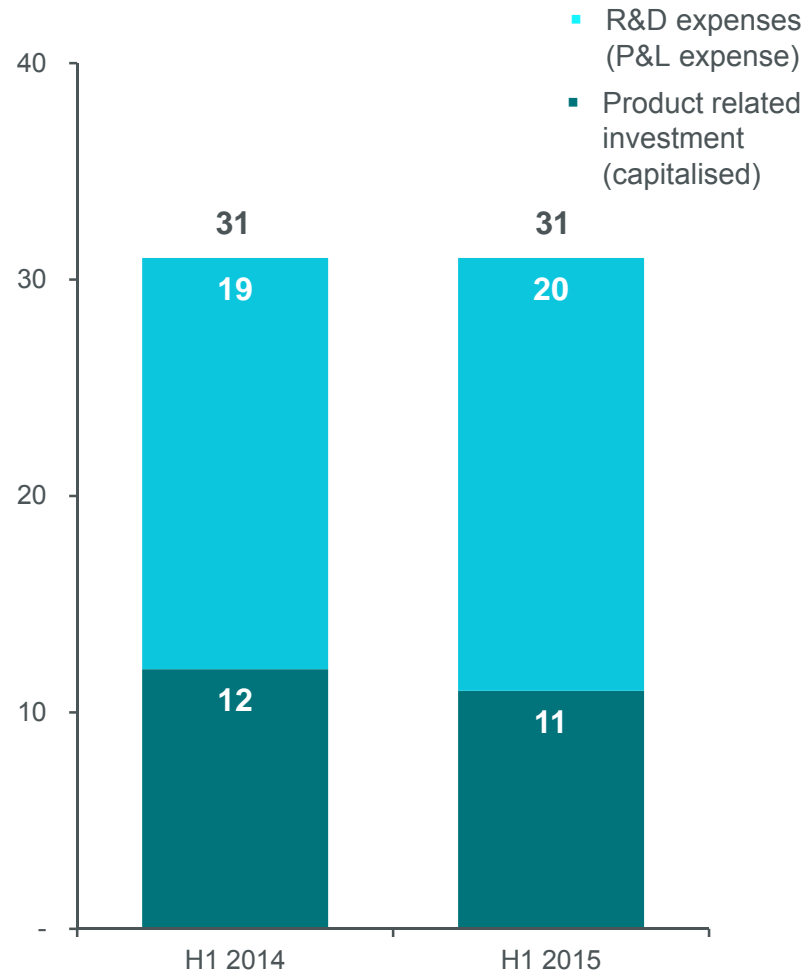
- ▶ Maintenance and expansion of our facilities across the Group, including the US, Portugal, [Egypt, Jordan, Saudi Arabia, Sudan, and Tunisia]
- ▶ Transferring manufacturing and laboratories equipment from Ben Venue to Cherry Hill and our three Europe sites – Portugal, Italy and Germany
- ▶ Full year capex expected to be between \$100 and \$115 million

# Product related investments

## Expanding and enhancing our product portfolio



Product related investments<sup>1</sup> (\$ million)



- ▶ In addition to R&D costs expensed to the P&L, we continue to make product related investments that are capitalised on the balance sheet
- ▶ Product related investments include product file acquisitions, licensing agreements and co-development partnerships, particularly injectable and non-injectable products for the US
- ▶ Our investment in products is expected to increase in the second half of 2015

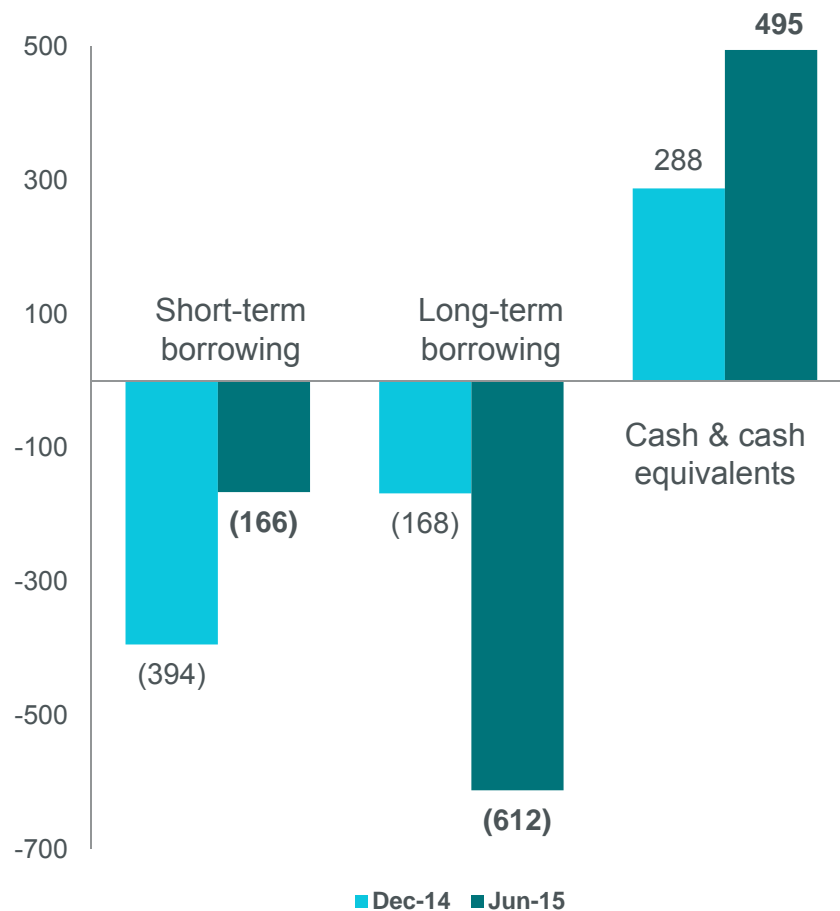
<sup>1</sup> In H1 2015, \$11 million (H1 2014: \$8 million) of the product-related investments were capitalised within intangible assets and \$nil million (H1 2014: \$4 million) were capitalised within non current on the balance sheet

# Balance sheet

## Strong financing position



Net debt position at 30 June 2015 (\$ million)



- ▶ Net debt of \$283 million, in line with end of 2014
  - Increased cash from issuance of eurobond and cash generation in H1 2015
  - Reduction in short term borrowing following repayment of \$225 million bridge loan
  - Higher borrowing due to eurobond and other term loan facilities
- ▶ Expecting full year financing expense of around \$54 million, excluding the impact from the Roxane acquisition, expected to close in Q4-2015

	Dec 2014	Jun 2015
Net debt	274	<b>283</b>
Net debt/EBITDA*	0.58x	<b>0.66x</b>
Net debt/Equity	0.23x	<b>0.22x</b>

\* Net debt/ EBITDA is calculated on an annualised basis

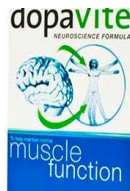
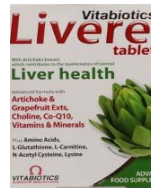
# Outlook for 2015



<b>Group revenue</b>	Around 6% in constant currency, or around 2% reported if current exchange rates prevail, reflecting the high end of our guidance range for the Generics business
<b>Branded</b>	Growth in the low-teens in constant currency, or high single digits at current exchange rates, and an improvement in adjusted operating margin
<b>Injectables</b>	Injectables revenue to be maintained at 2014 levels, with a robust adjusted operating margin of around 35%
<b>Generics</b>	Revenue of in the range of \$175 million to \$200 million
<b>Net finance expense</b>	Around \$54 million, including the cost of the 4.25% eurobond
<b>Capital expenditure</b>	Around \$100 to \$115 million
<b>Effective tax rate</b>	Between 21% and 23%

# Branded

# Broadening our MENA product portfolio with leading OTC brands

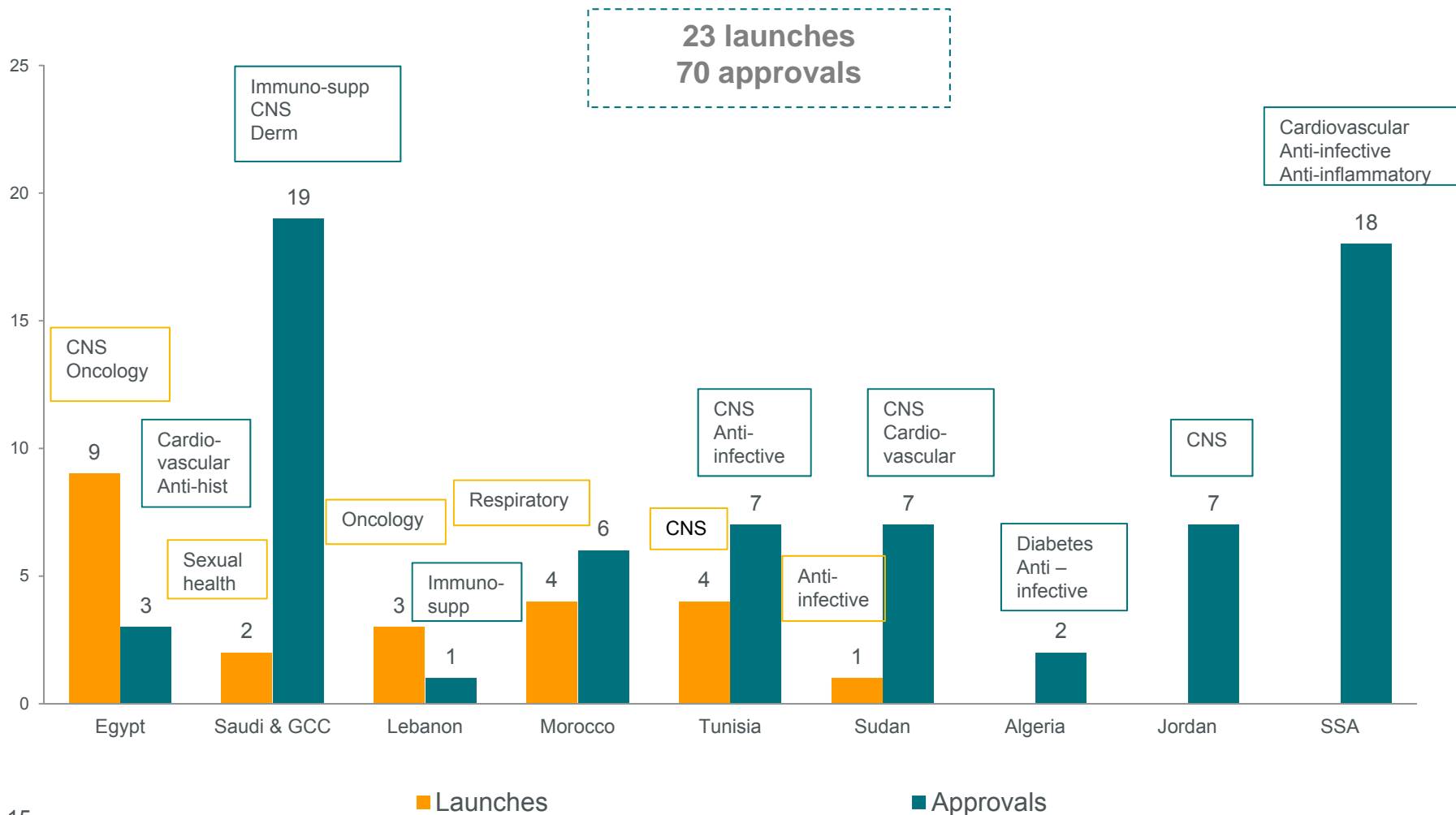


- ▶ Agreement with Vitabiotics to market and distribute their leading nutraceutical and vitamin brands
- ▶ Exclusive rights to register, market, distribute and sell five of Vitabiotic's leading specialist products in 15 MENA markets
- ▶ Exclusive rights to market distribute and sell the full range Vitabiotics products range in 5 MENA markets
- ▶ Leverages Hikma's local presence and experienced sales teams
- ▶ Strengthens product portfolio in key therapeutic areas – CNS, cardiovascular and diabetes
- ▶ Building a position in the fast growing nutraceuticals market

# Focusing on higher value product launches and approvals across MENA and sub-Saharan Africa



## H1 product launches and approvals



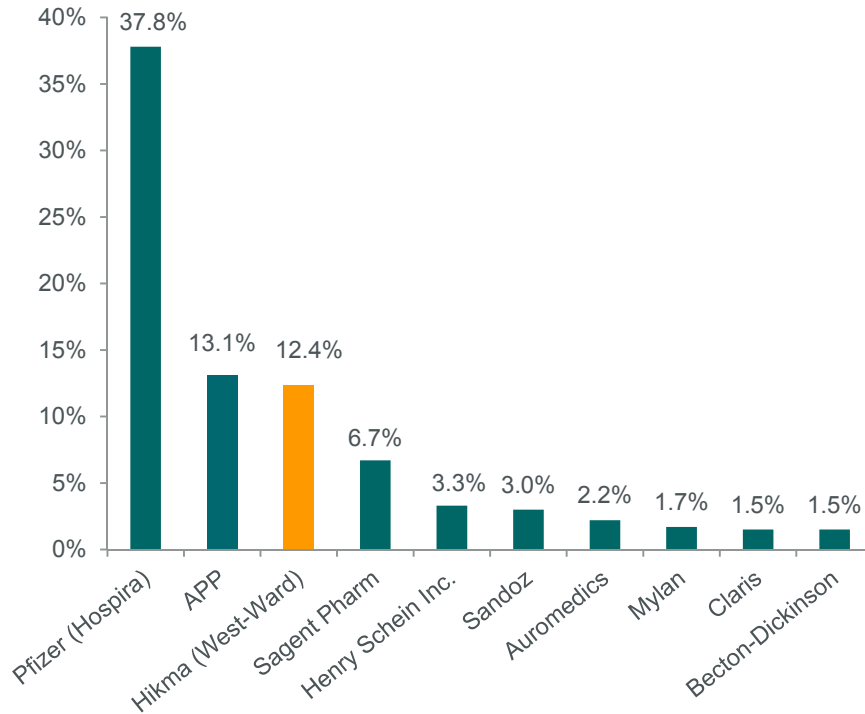


# Injectables

# Successfully growing our US market share by value



US generic Injectables market share (million eaches)

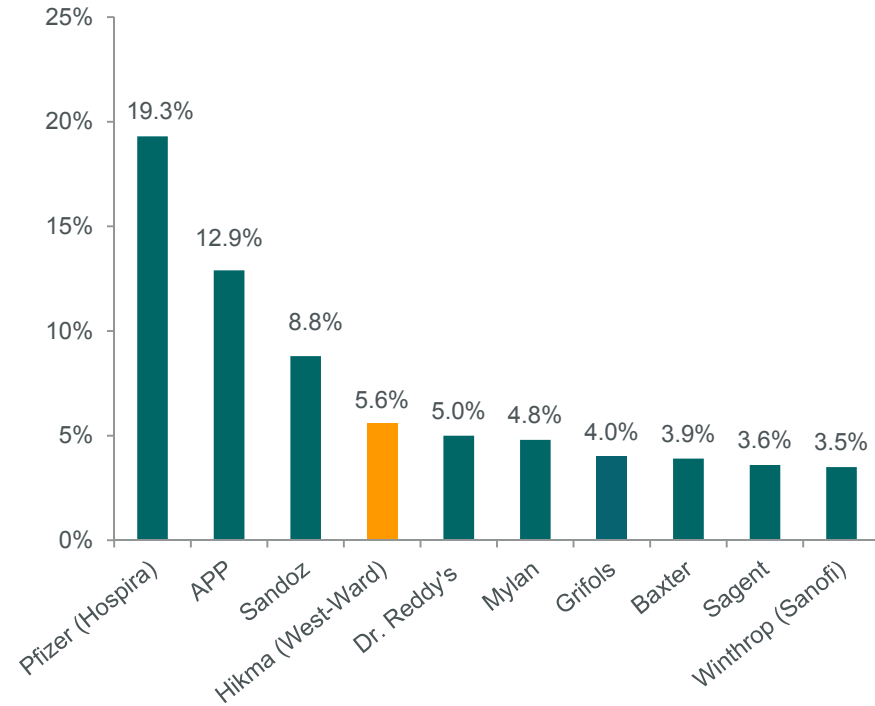


Source: IMS Healthcare, MAT June 2015

**Market share**

	Dec 2014	Jun 2015	Change
Volume	13.0%	12.4%	-0.6 pp

US generic injectables market share (\$ million)



Source: IMS Healthcare, MAT June 2015

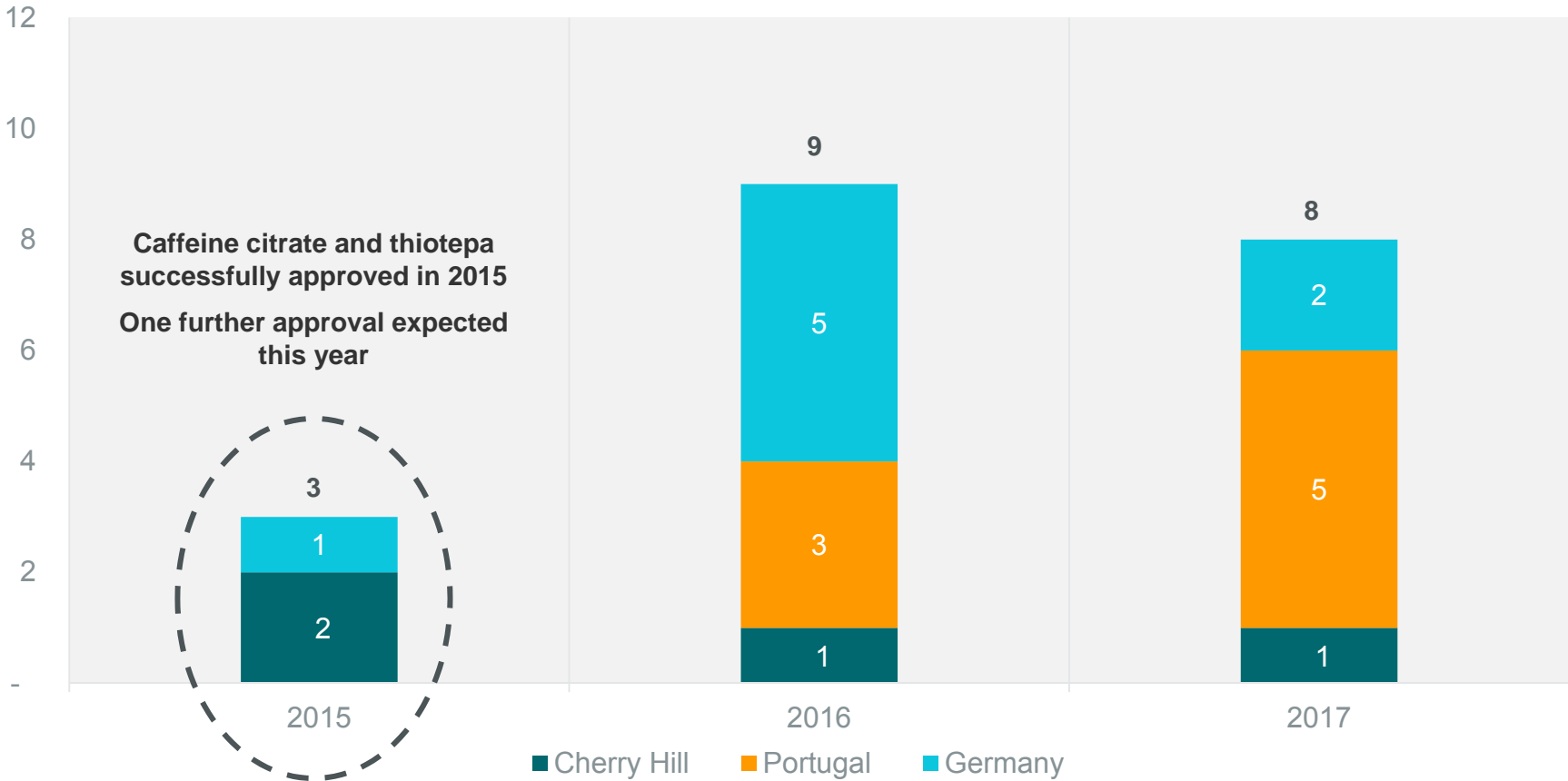
**Market share**

	Dec 2014	Jun 2015	Change
Value	6.1%	5.6%	-0.5 pp

# Successfully launching Bedford products in the US market



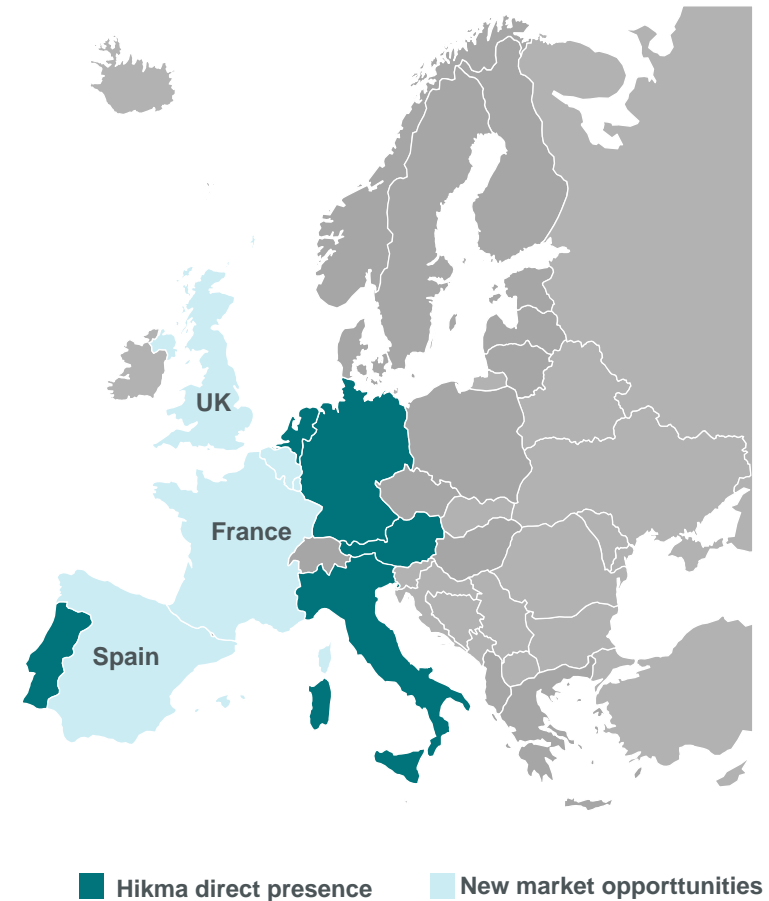
Launch plan for the first 20 Bedford products, 2015 to 2017



# Increased focus on commercial opportunities in Europe



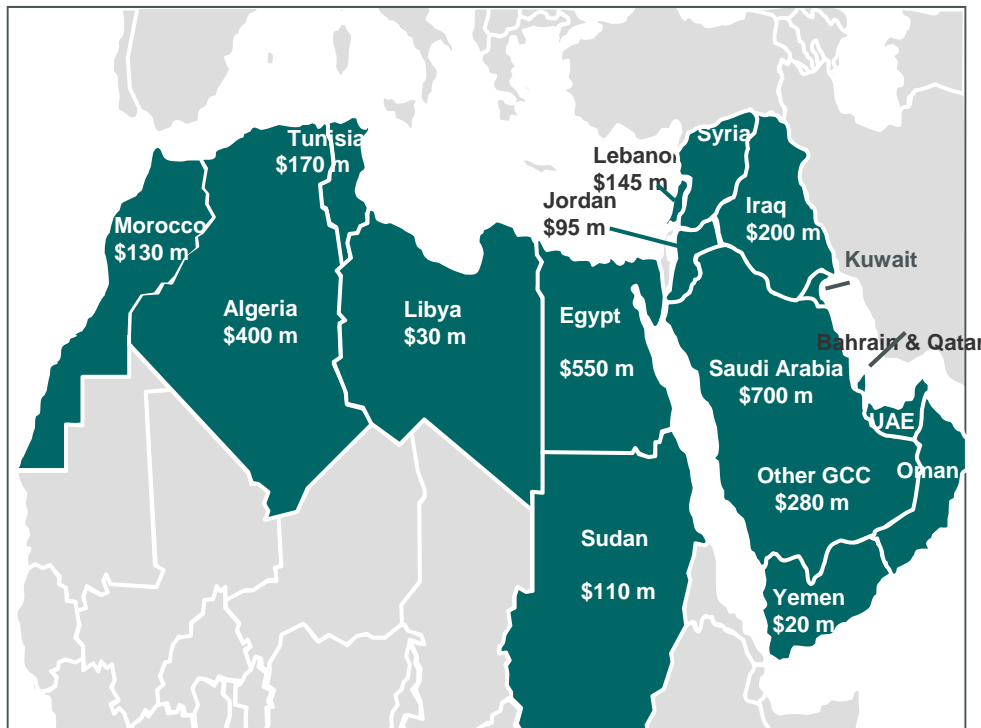
- ▶ Appointed a head of commercial operations in Europe to address additional market opportunities
- ▶ Actively registering products and establishing new distribution channels to grow our presence in Europe
- ▶ Leveraging our existing manufacturing and sales infrastructure to access new markets, including the UK, France and Spain
- ▶ Assessing the potential for M&A opportunities in Europe to build our product pipeline – including the acquisition of injectable products being divested by big pharma companies



# Successfully driving growth in MENA, including launch of first biosimilar product



## Injectables market size in MENA<sup>1</sup>



**Injectables market size: approx. \$2.8 billion**

- ▶ Restructuring of MENA injectables is driving an improved performance in 2015
  - ▶ Total of 177 sales reps dedicated to injectables sales across the region
  - ▶ Dedicated injectables regulatory team
  - ▶ Tailored product portfolio reflects different market needs
- ▶ Successfully launched the first of Celltrion's biosimilar products, Remsima (infliximab)
  - ▶ Reinforcing Hikma's high quality image with doctors and KOLs
  - ▶ Initial approval and launch in Jordan, with approvals expected in our largest markets in 2016/ 2017
  - ▶ Remsima market size in MENA is estimated at \$70 million<sup>1</sup>



# Generics

# A transformational deal, delivering our strategy for growth



Highly complementary with Hikma's existing US business, creating top 6 player in US generics market<sup>1</sup>

Adds broad US portfolio with 88 differentiated products across specialised segments

Enhances pipeline with 89 R&D projects including 57 Paragraph IV opportunities

Complex formulation and alternative dosage form capabilities expected to support sustainable long-term growth

Best-in-class facility with strong regulatory inspection track record with multiple global authorities

Adds an experienced and longstanding management team and highly skilled employees

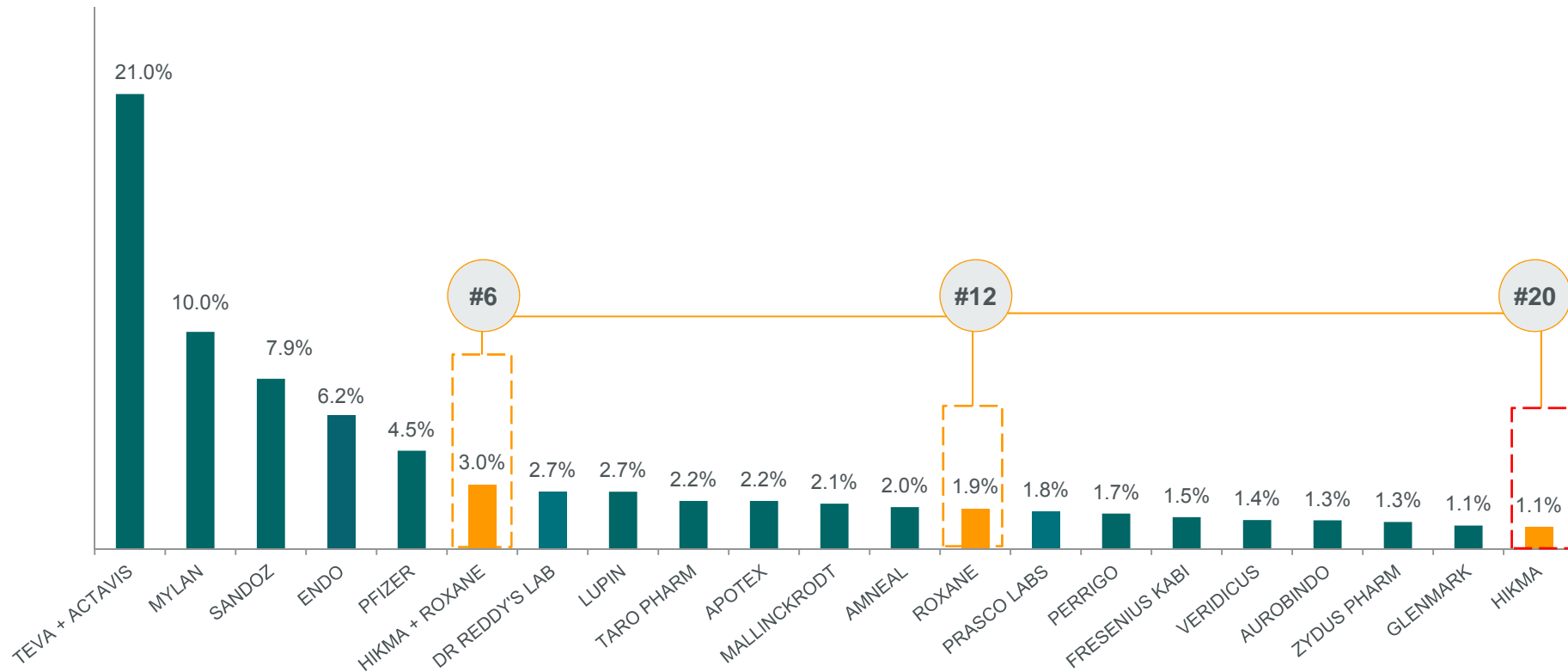
Strong financial rationale and support from new long-term shareholder, Boehringer Ingelheim

# Transforms Hikma's position in the US generics market



- ▶ Combining Roxane and Hikma creates the sixth largest company in the US generics market by revenue

US generics market share (%)





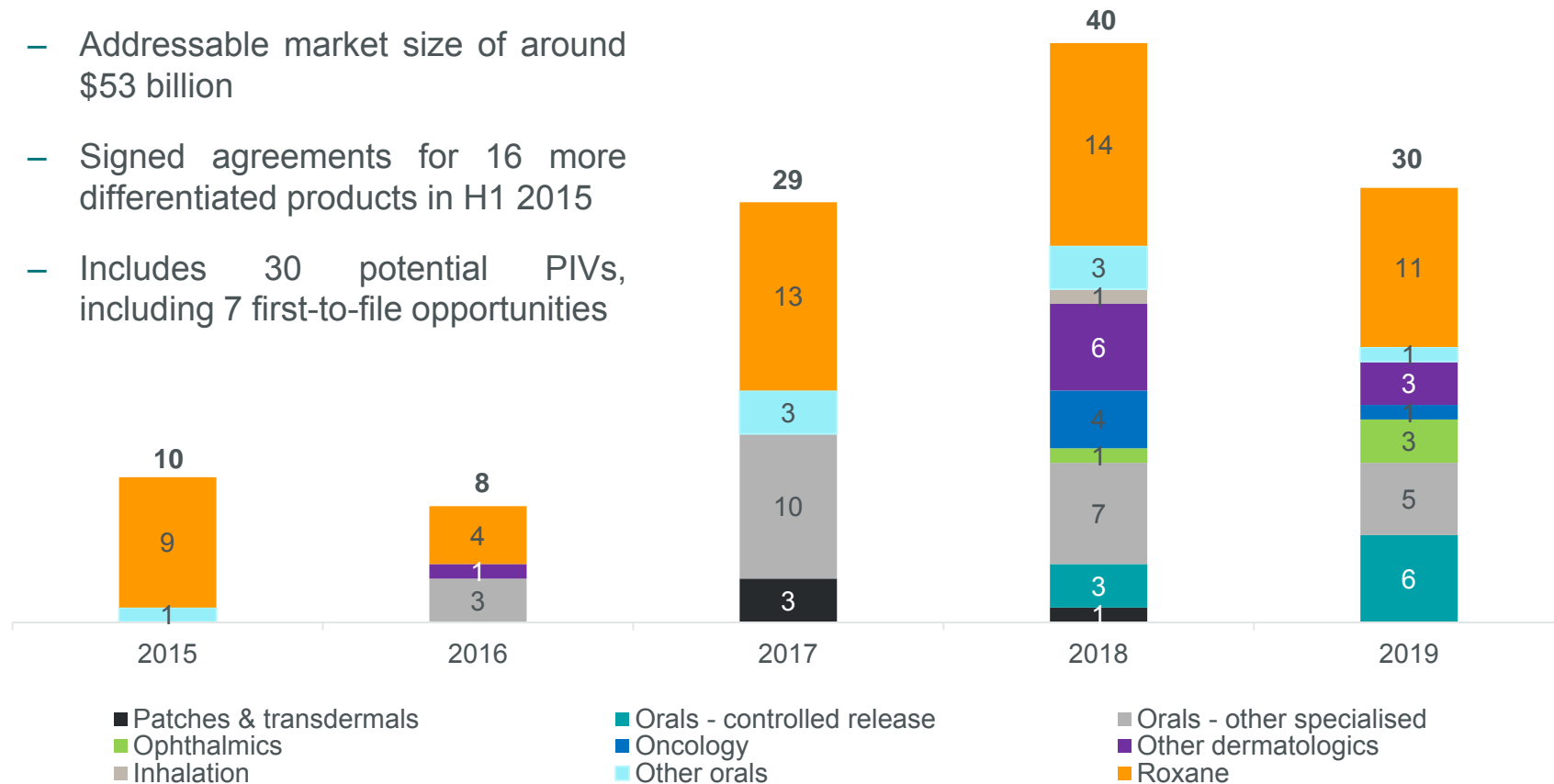
# Impressive combined pipeline creates significant growth potential



## Generics expected launches, 2015 to 2019 (Number of products)

► Combined pipeline of 117 products expected to launch in 2015-2019:

- Addressable market size of around \$53 billion
- Signed agreements for 16 more differentiated products in H1 2015
- Includes 30 potential PIVs, including 7 first-to-file opportunities



# Creates a more balanced and diversified business model



2014 Hikma Group revenue

2014 Hikma Group + Roxane revenue (illustrative)<sup>1</sup>



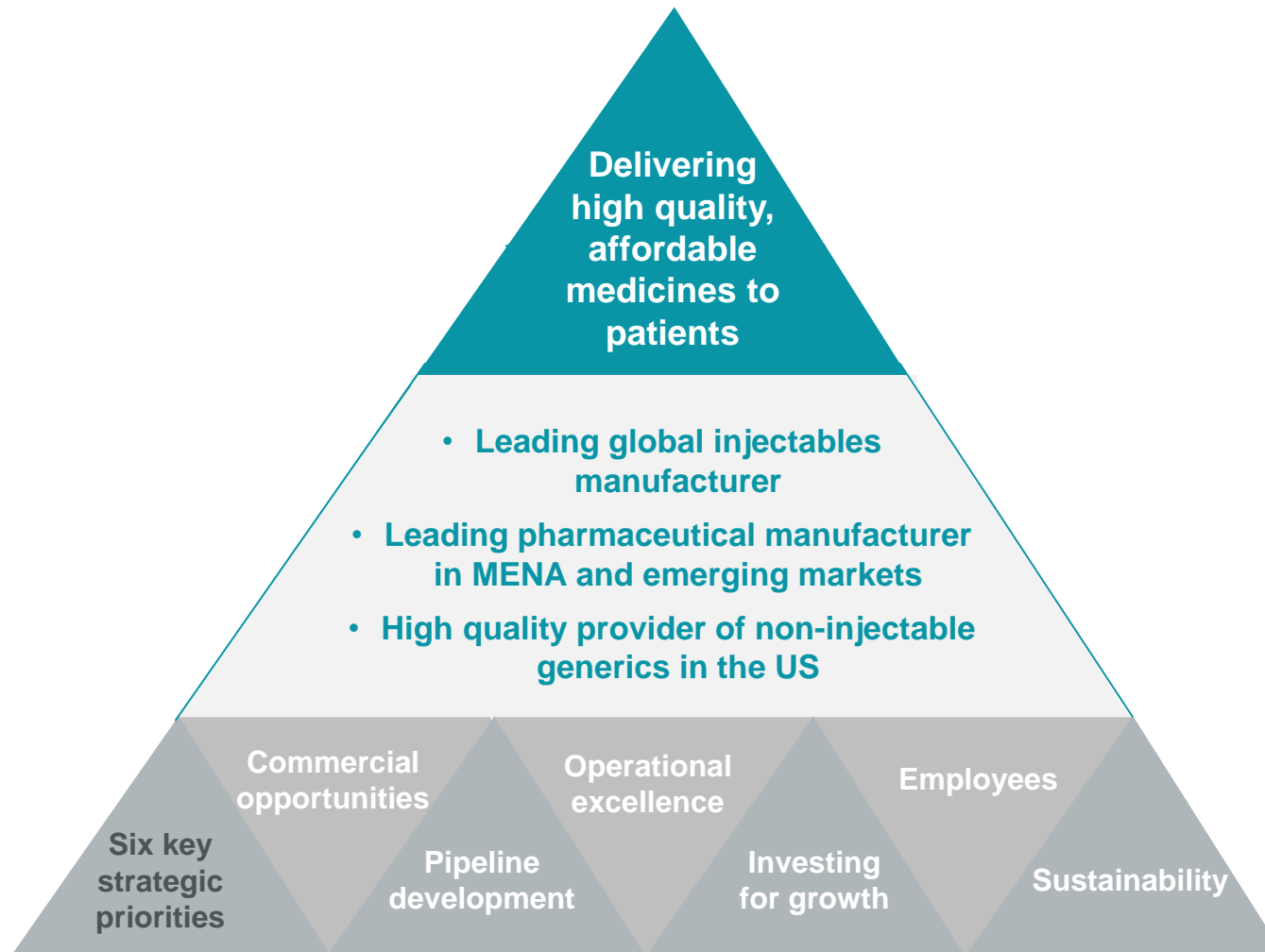
■ Branded ■ Injectables ■ Generics

■ Branded ■ Injectables ■ Generics

<sup>1</sup>The chart above is for illustrative purposes only. Revenue for Hikma is extracted from its audited financial statements for the year ended 31 December 2014, prepared in accordance with IFRS. Revenue for Roxane is extracted from unaudited, draft financial statements, prepared in accordance with US GAAP. A shareholder circular to be prepared by Hikma for the purposes of, among other things, seeking shareholder approval for the transaction, will include financial information for the three years ended 31 December 2014 prepared under IFRS and in accordance with Hikma's accounting policies

# Summary

# Building a leading global provider of generic pharmaceuticals



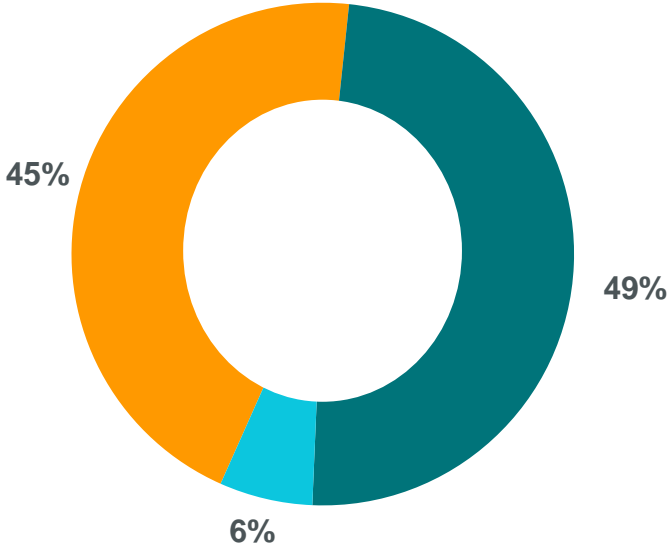
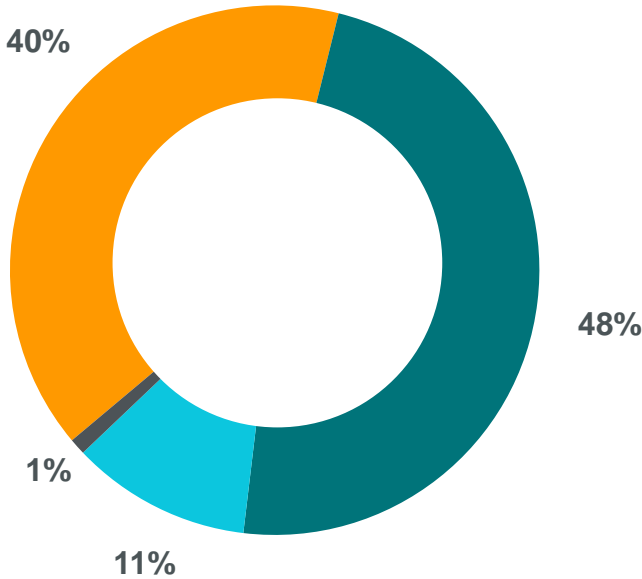
# Appendix

# Revenue by segment and region



H1 2015 revenue by segment

H1 2015 revenue by region



■ Branded ■ Injectables ■ Generics ■ Other

■ MENA ■ US ■ Europe & ROW

# Cash flow statement



\$ million	H1 2015	H1 2014
Profit before tax and minority interest	170	219
Adjustments for non-cash items	43	40
Change in working capital	(72)	(14)
Income tax paid	(38)	(60)
Other	22	15
<b>Net cash generated from operating activities</b>	<b>125</b>	<b>200</b>
Investment in property, plant and equipment	(37)	(43)
Purchase of intangible assets	(16)	(13)
Investments designated at fair value	(20)	-
Interest received	1	1
Other	2	(4)
<b>Net cash used in investing activities</b>	<b>(70)</b>	<b>(59)</b>
Change in debt	218	23
Dividends paid	(44)	(35)
Interest paid	(18)	(16)
Other	3	-
<b>Net cash generated from/ (used in) financing activities</b>	<b>159</b>	<b>(28)</b>



# Balance sheet



\$ million	Jun-15	Dec-14	Growth \$	Growth %
Cash	495	288	207	72%
Trade and other receivables	484	439	45	10%
Other current assets	38	13	25	192%
Inventories	280	273	7	3%
<b>Total current assets</b>	<b>1,297</b>	<b>1,013</b>	<b>284</b>	<b>28%</b>
Intangible assets	585	602	(17)	-3%
Tangible fixed assets	504	514	(10)	-2%
Investment in associated companies and joint ventures	14	16	(2)	-13%
Other long-term assets	107	106	1	1%
<b>Total long-term assets</b>	<b>1,210</b>	<b>1,238</b>	<b>(28)</b>	<b>-2%</b>
<b>Total assets</b>	<b>2,507</b>	<b>2,251</b>	<b>256</b>	<b>11%</b>
Financial debts and capital lease obligations	166	394	(228)	-58%
Trade accounts payable	234	248	(14)	-6%
Other current liabilities	196	199	(3)	-2%
<b>Total current liabilities</b>	<b>596</b>	<b>841</b>	<b>(245)</b>	<b>-29%</b>
Long-term financial debts and capital lease obligations	612	168	444	264%
Other long-term liabilities	25	26	(1)	-4%
<b>Total long-term liabilities</b>	<b>637</b>	<b>194</b>	<b>443</b>	<b>228%</b>
<b>Total liabilities</b>	<b>1,233</b>	<b>1,035</b>	<b>198</b>	<b>19%</b>
Minority interest	18	19	(1)	-5%
<b>Total shareholders' equity</b>	<b>1,274</b>	<b>1,216</b>	<b>58</b>	<b>5%</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,507</b>	<b>2,251</b>	<b>256</b>	<b>11%</b>