Aspen Pharmacare Holdings Limited ("Aspen")
(Incorporated in the Republic of South Africa)
(Registration Number 1985/002935/06)
(Share code APN ISIN: ZAE000066692)

# PRESS RELEASE

**8 March 2018** **Aspen One**

## Aspen delivers double digit revenue and earnings growth

**Johannesburg** - JSE Limited listed Aspen Pharmacare Holdings Limited (APN), a leading global pharmaceutical company, has announced favourable results for the six months ended 31 December 2017.

Stephen Saad, Aspen Group Chief Executive said, "We have sustained the positive momentum from the second half of the 2017 financial year and have yet again delivered double digit growth in both revenue and earnings in the first half of the year. We acquired the remaining rights to the intellectual property and manufacturing know-how related to AstraZeneca's Anaesthetics portfolio on 1 October 2017. This, along with the realisation of benefits flowing from initiatives to improve cost of goods has been margin accretive. We are particularly pleased with the performance from our Thrombosis Brands and the South African business which were the primary drivers of the organic growth achieved. This year, Aspen celebrates its 20th anniversary since listing on the Johannesburg Stock Exchange in 1998. We are proud of what we have achieved over the past 20 years, and look forward to what the future holds for Aspen."

### GROUP PERFORMANCE

- Revenue grew by 11% to R21,9 billion.
- Normalised EBITDA[1] improved 15% to R6,3 billion.
- Normalised headline earnings per share ("NHEPS") increased by 26% to 872 cents.
- A higher gross profit margin of 51.0% compared to 48.2% in the previous period, benefitting from the acquisition of the residual rights to the AstraZeneca Anaesthetics portfolio, the effect of synergies and higher volumes lowering unit cost of goods.

[1] *Operating profit before depreciation and amortisation adjusted for specific non-trading items as defined in the Group's accounting policy.*

The significant influences on performance were:

- Healthy organic growth driven by continued positive momentum in performance from the South African pharmaceutical business and a strong result from the Thrombosis Brands;
- The inclusion for the full period of the AstraZeneca ("AZ") global (excluding the USA) Anaesthetics portfolio ("AZ Anaesthetics") for which the commercial rights were acquired with effect from 1 September 2016. The profitability of the AZ Anaesthetics was further enhanced by the acquisition, with effect from 1 October 2017, of the residual rights to the portfolio for a consideration of USD 555 million plus further performance-related payments of up to USD 211 million;
- Improved profit margins were further assisted by the effect of synergies and higher volumes lowering unit cost of goods;
- Additional operating expenditure related to the development of structures in China and Japan; and
- The reversal of foreign exchange losses incurred in the prior period.

Relative exchange rate movements had a marginally favourable impact on financial performance as is illustrated in the table below which compares performance for the reporting period to performance in the prior comparable period at previously reported exchange rates and then at constant exchange rates ("CER").

| Six months ended 31 December | Reported 2017 R'billion | Reported 2016 R'billion | Change at reported rates | CER* 2016 R'billion | Change 2017/2016 at CER |
|---|---|---|---|---|---|
| Revenue | 21,9 | 19,8 | +11% | 19,8 | +11% |
| Normalised EBITDA | 6,3 | 5,5 | +15% | 5,6 | +13% |
| NHEPS (cents) | 871,9 | 692,0 | +26% | 695,2 | +25% |

* *Restatement of performance for the six months to 31 December 2016 at the average exchange rates for the six months ended 31 December 2017.*

***From this point forward in the release, all December 2016 revenue numbers are stated in CER and all percentage changes in revenue between December 2017 and December 2016 are based on December 2016 CER revenue in order to enhance the comparability of underlying performance.***

## Therapeutic Focused Brands

Therapeutic Focused Brands comprising the Anaesthetics, Thrombosis and High Potency & Cytotoxic portfolios, delivered revenue of R9,9 billion contributing 45% of total Group revenue. The gross profit margin from Therapeutic Focused Brands expanded due to the benefits from the acquisition of the residual rights to the AZ Anaesthetics and the realisation of synergies.

### Anaesthetics Brands

Revenue of R4,4 billion was achieved, an increase of 59%. The inclusion of the AZ Anaesthetics acquisition for the full six months compared to four months in the prior period helped elevate the growth rate. Developed Europe remained the largest contributor (R1,1 billion), followed by China (R0,9 billion) and Japan (R0,7 billion). The sound performance from this portfolio was constrained by disruptions in supply from the AZ production network during the period.

### Thrombosis Brands

All of the Thrombosis Brands showed excellent growth. The portfolio grew revenue by 17% to R3,3 billion, increasing 28% in Emerging Markets[2] and 10% in Developed Markets[3]. Performance was enhanced by the addition of Fraxiparine and Arixtra in China effective 1 January 2017. Compared to the revenue from the portfolio in the second half of the 2017 financial year, which included the products in China for the full period, the portfolio grew by 7%.

### High Potency & Cytotoxic Brands

Revenue from High Potency & Cytotoxic Brands declined 8% to R2,2 billion. Supply constraints for the Ovestin brand and product returns in the USA arising from a change in pack size were the primary causes. This offset good results from the balance of the portfolio in Emerging Markets which grew revenue 8%.

## Other Pharmaceuticals

Other Pharmaceuticals comprise Regional Brands and Manufacturing. Revenue from this category increased by 2% to R10,4 billion while the gross profit remained relatively flat.

### Regional Brands

Regional Brands comprise 33% of Group revenue with Sub-Saharan Africa (“SSA”) and Australasia making up more than 80% of this category. Revenue from Regional Brands increased by 4% to R7,2 billion. The absence of Hydroxyprogesterone Caproate (“HPC”) sales in the period resulted in reduced sales in the USA. Excluding HPC from the results, the underlying revenue growth in the Regional Brands was 10%. SSA was the primary growth driver, underpinned by the South African business which raised revenue 21%. The Asia Pacific countries and Brazil also returned good revenue growth.

[2] *Emerging Markets as defined by MSCI ACWI Index and Frontier Markets Index*

[3] *Developed Markets as defined by MSCI ACWI Index and Frontier Markets Index*

## Manufacturing

Manufacturing revenue was flat at R3,2 billion. Revenue from sales of active pharmaceutical ingredients improved 6% to R2,3 billion. Revenue from finished-dose-form sales declined 16%, largely as a consequence of Aspen's acquisition of the Thrombosis Brands in China which the Group previously supplied to GlaxoSmithKline.

## Nutritionals

Revenue from Nutritionals was unchanged from the prior period at R1,6 billion. Sales were stable in each of Australasia, SSA and Latin America, being the three territories in which the Nutritionals Brands are sold. The transition of the S-26 and SMA brands to Aspen's new global infant milk formula brand, Alula, has commenced in Australasia with strong performance in stage 3 and 4 products since launch. Aspen also recorded its first sales of Alula in China during the period.

## FUNDING

Debt levels remain comfortably within the lenders' covenants. Borrowings, net of cash, increased by R6,0 billion to R43,1 billion. Operating cash generated of R3,0 billion was offset by R9,4 billion of payments relating to acquisitions, other capital expenditure and dividends to shareholders. Operating cash flow per share of 658 cents represented a 78% rate of conversion of operating profit as the settlement of acquisition related trade creditors lifted the investment in working capital. Net interest paid was covered 8 times by EBITDA.

## PROSPECTS

The sales achieved in the first half of the 2018 financial year are expected to be maintained in the second half in spite of the continued supply constraints which will prevent realisation of full potential. Over the six months ended 31 December 2017, revenue from Commercial Pharmaceuticals grew 22% in Emerging Markets, making up 54% of revenue from this segment. Emerging Markets should continue to be the most important contributor to growth.

Performance in the second half will benefit from the additional rights to the AZ Anaesthetics for the full six months. Operating expenses should stabilise at present levels while net interest paid is expected to rise and there is no certainty that the exchange gains of the first half will be repeated.

It is anticipated that operating cash flows will remain strong and a conversion rate of 100% of operating profits is targeted for the full financial year.

The Group results are inevitably influenced by relative currency movements given that 80% of sales are not denominated in ZAR. Should the current strengthening of the ZAR against other trading currencies be maintained, sales from offshore territories will convert into a lower value of ZAR revenue. This potential unfavourable dilution will be partially offset by a weakening USD which reduces the cost of goods, given that a material portion of purchases are priced in USD.

**Ends**

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**About Aspen**

Aspen is a leading global player in specialty, branded and generic pharmaceuticals with an extensive basket of products that provide treatment for a broad spectrum of acute and chronic conditions experienced through all stages of life.

With an acknowledged presence of nearly 2 decades in the pharmaceutical sector, Aspen remains committed to its core values of providing quality and effective healthcare solutions to millions of patients in more than 150 countries, with its core focus being in the Thrombosis, Anaesthetic, High Potency & Cytotoxic and Nutritional therapeutic categories.

Aspen has a strong presence in both emerging and developed countries. Its emerging market footprint includes Sub-Saharan Africa, Latin America, China, South East Asia, Eastern Europe and the Commonwealth of Independent States, comprising Russia and the former Soviet Republics. It is also a leading pharmaceutical company in developed countries including Australia and most notably in Western Europe.

Aspen operates with an established business presence in approximately 50 countries spanning 6 continents and employs more than 10,000 people. The Group operates 25 manufacturing facilities across 17 sites. Aspen holds international manufacturing approvals from some of the most stringent global regulatory agencies including the FDA, TGA and EMA. Aspen's manufacturing capabilities are scalable to demand and cover a wide variety of product-types including oral solid dose, liquids, semi-solids, steriles, biologicals, APIs and infant nutritionals.

With a market capitalisation of approximately $10 billion, Aspen is the largest pharmaceutical company listed on the JSE Limited (share code: APN) and ranks amongst the top 20 listed companies on this exchange. For more information visit [www.aspenpharma.com](http://www.aspenpharma.com)