

# Hikma Pharmaceuticals PLC

## 2014 Preliminary Results

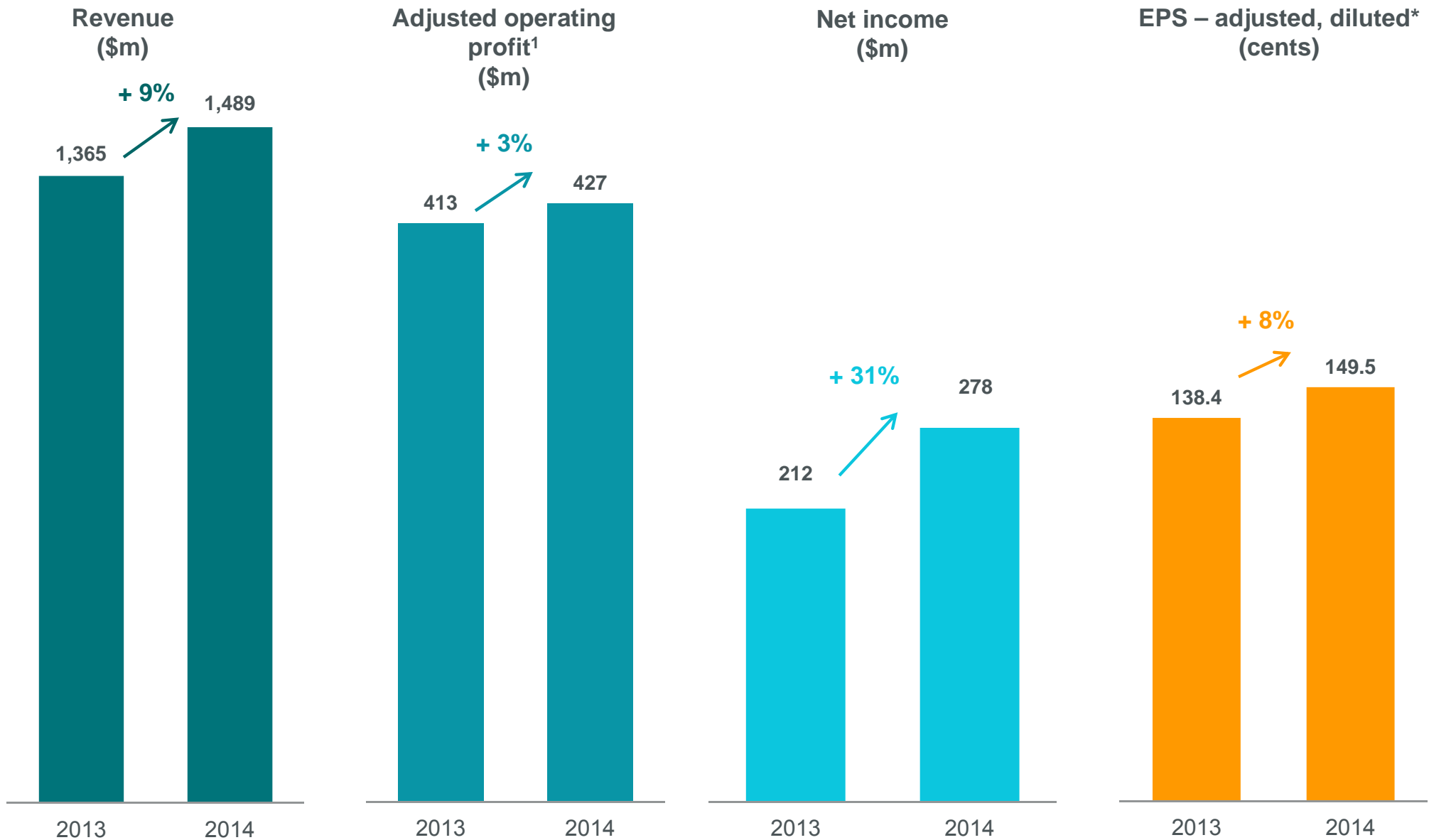


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# Financials

# Consolidated income statement

## Strong Group performance in 2014



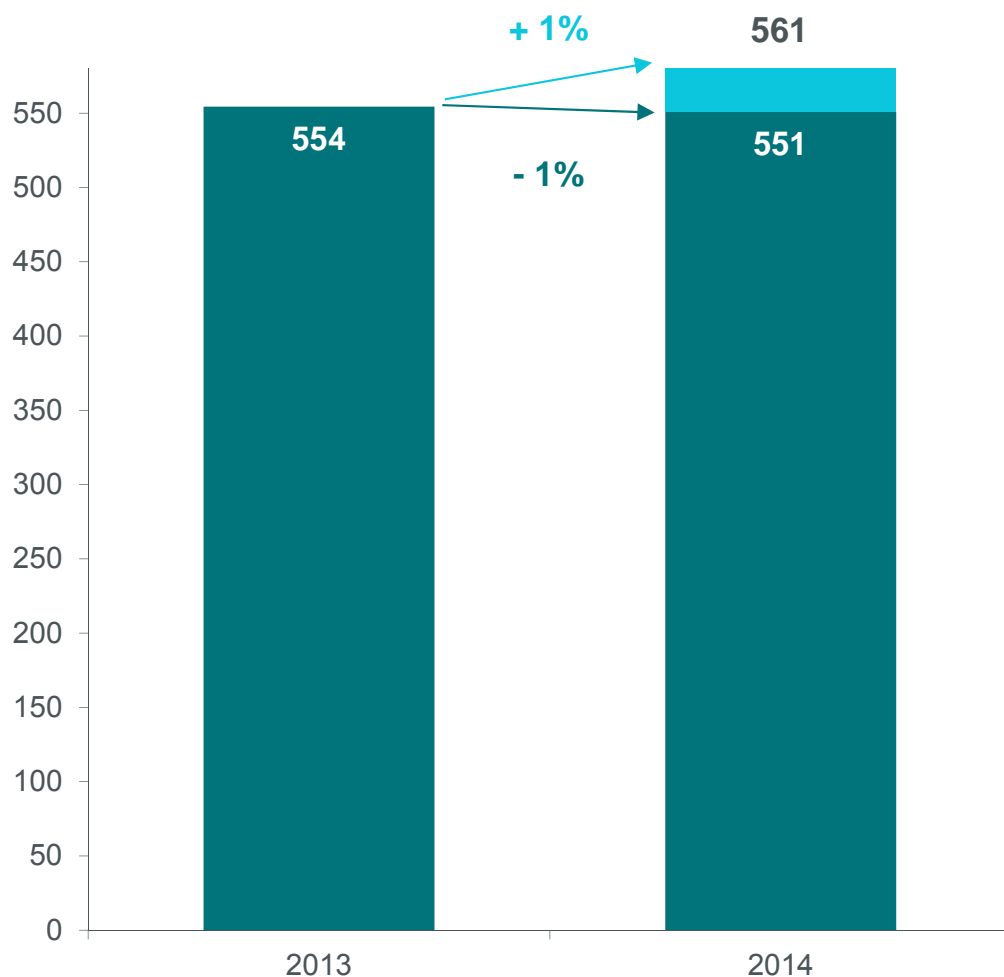
<sup>1</sup> Before the amortisation of intangible assets (excluding software) and exceptional items

# Branded

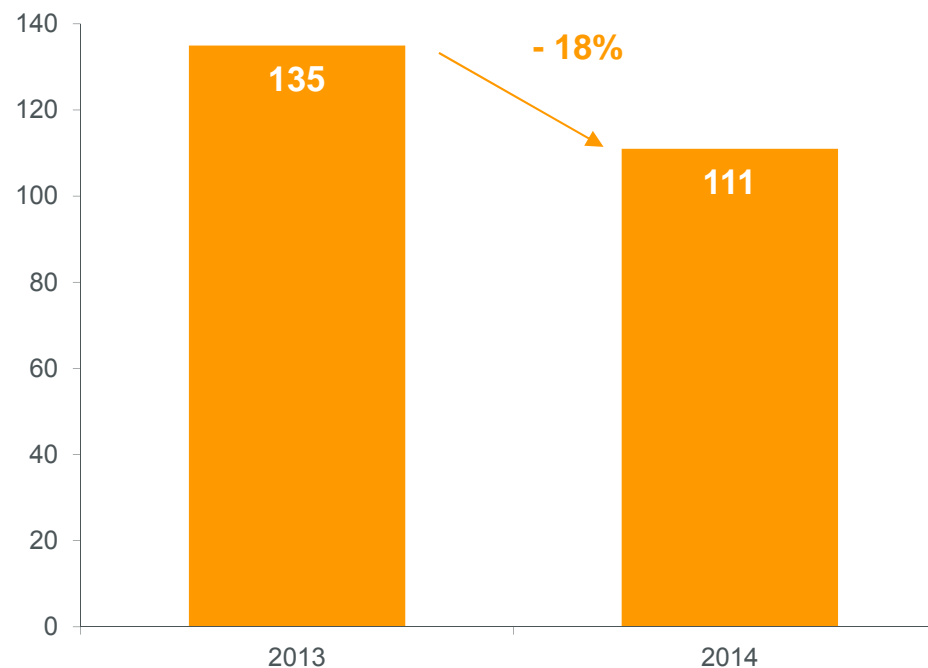
## Strong performance in most markets offset by restructuring in Algeria



Revenue (\$ million)



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



Operating margin

	2013	2014	Change
Reported	22.4%	18.5%	- 3.9pp
Adjusted <sup>1</sup>	24.4%	20.1%	- 4.3pp

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

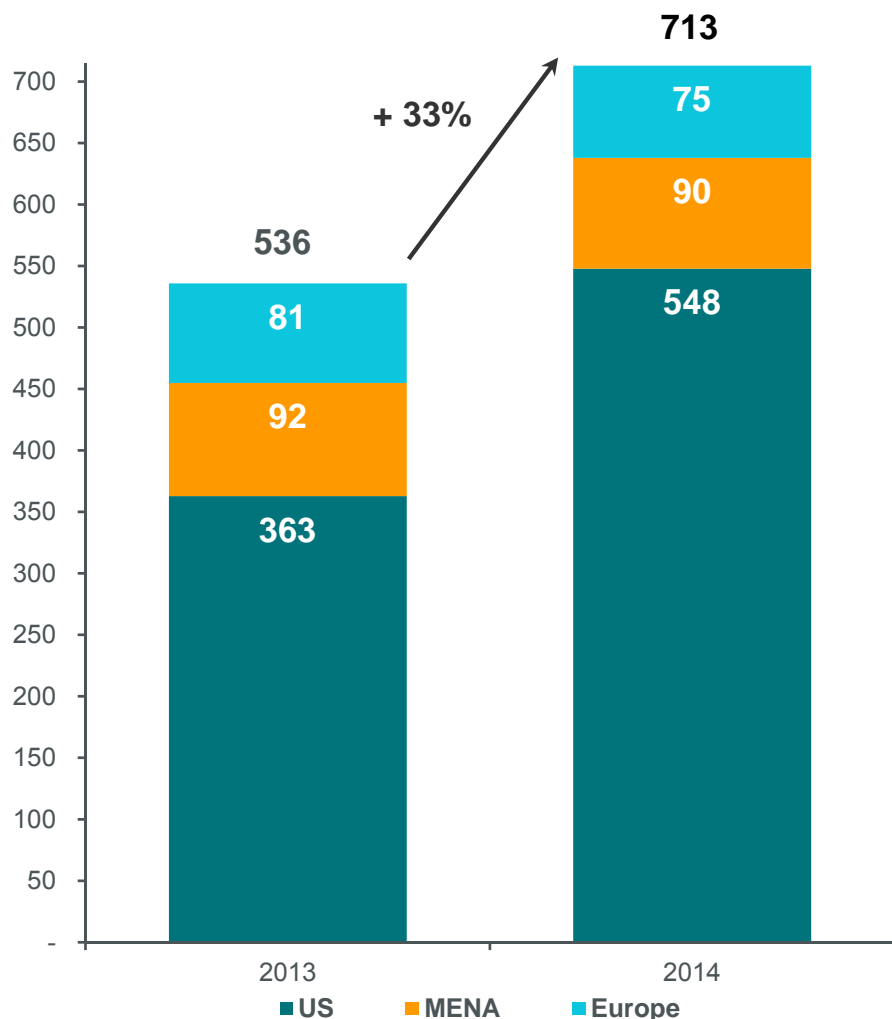


# Injectables

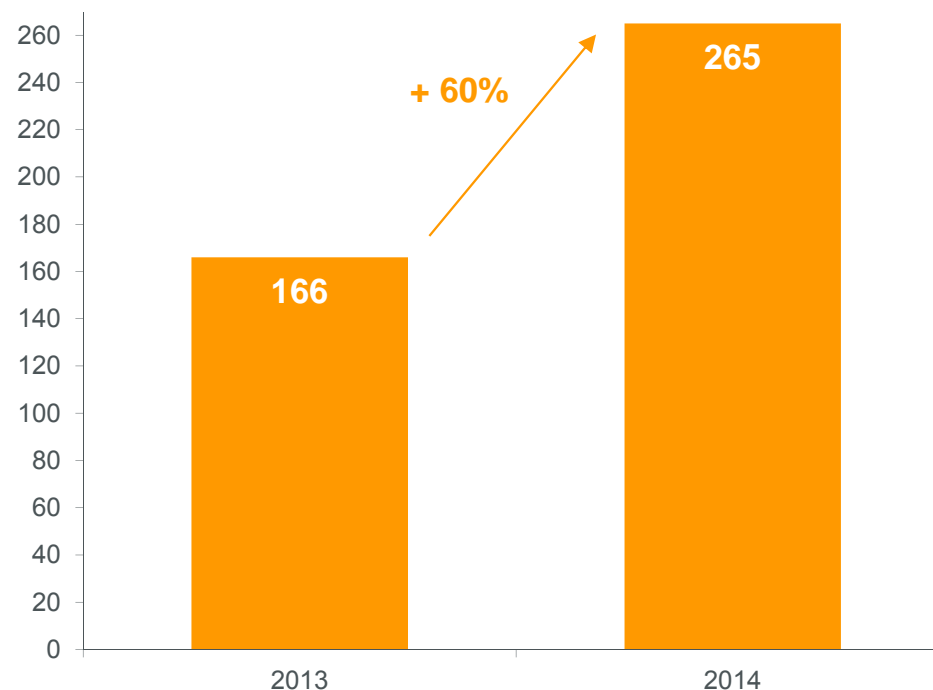
## Excellent revenue growth and profitability



Revenue (\$ million)



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



Operating margin

	2013	2014	Change
Reported	28.9%	36.5%	+7.6pp
Adjusted <sup>1</sup>	31.0%	37.2%	+6.2pp

# Generics

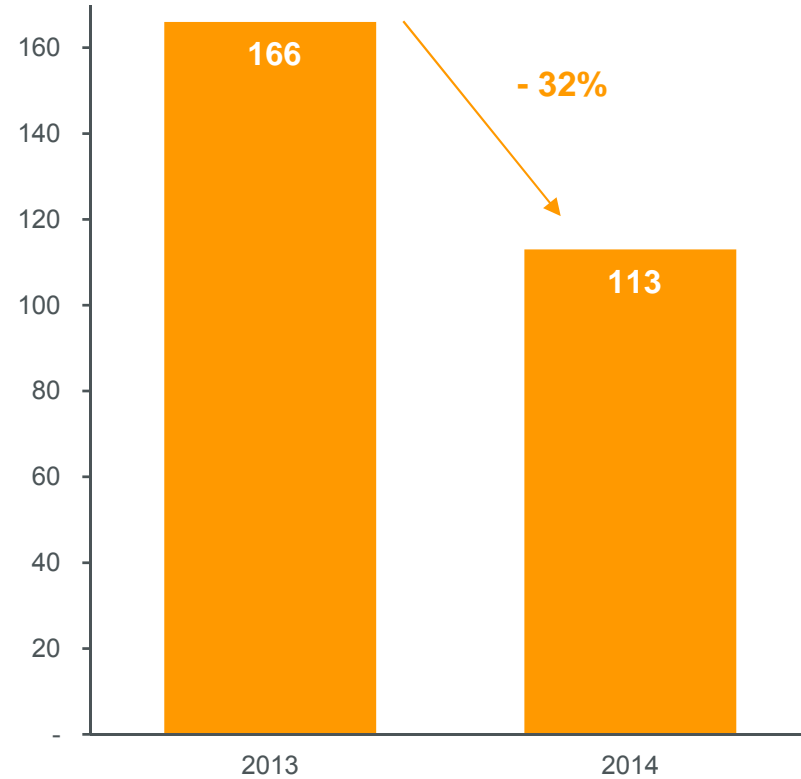
Strong underlying growth from legacy products, with expected decline of specific opportunities



Revenue (\$ million)



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



Operating margin

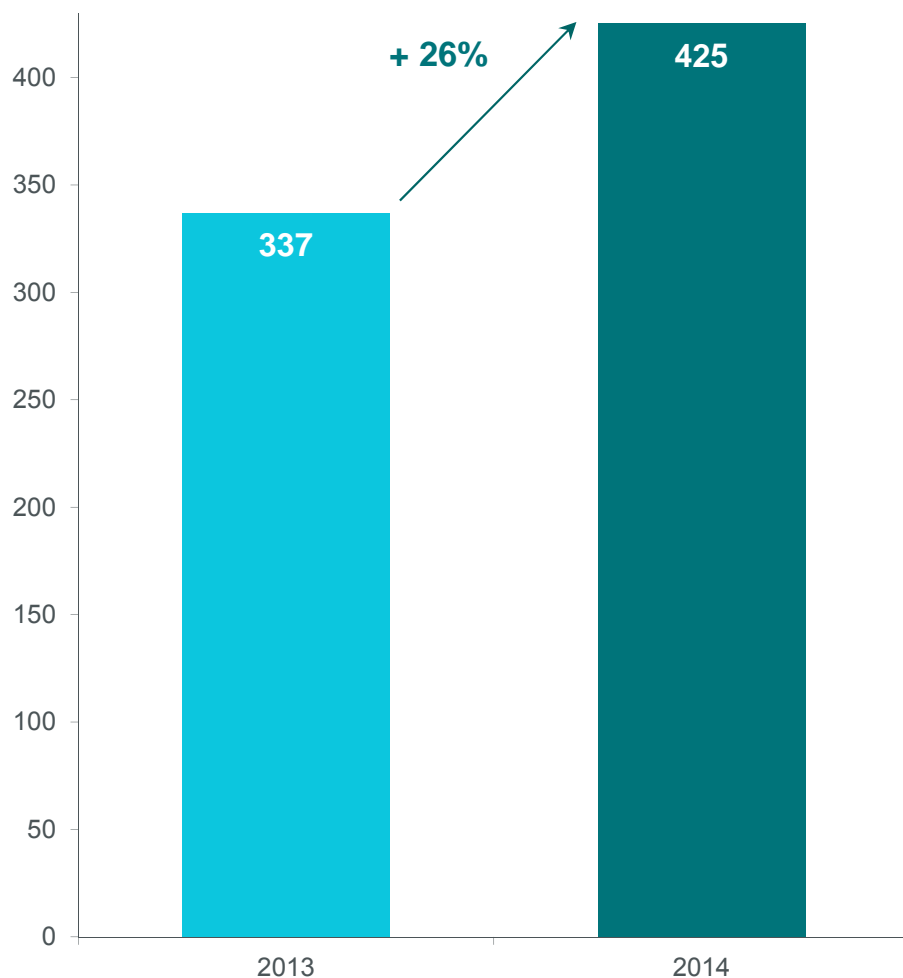
	2013	2014	Change
Reported	47.4%	52.3%	+4.9pp
Adjusted <sup>1</sup>	61.9%	52.3%	-9.6pp

# Cash flow

## Strong cash flow driven by our US businesses



### Operating cash flow (\$ million)



- ▶ Operating cash flow increased by \$88 million to \$425 million, reflecting the very strong performance of the US Injectables and Generics businesses
- ▶ Cash primarily used to fund capex and product related investments

	2013	2014	Change
Working capital days	198	177	-21
Operating cash flow / revenue	24.7%	28.5%	+3.8

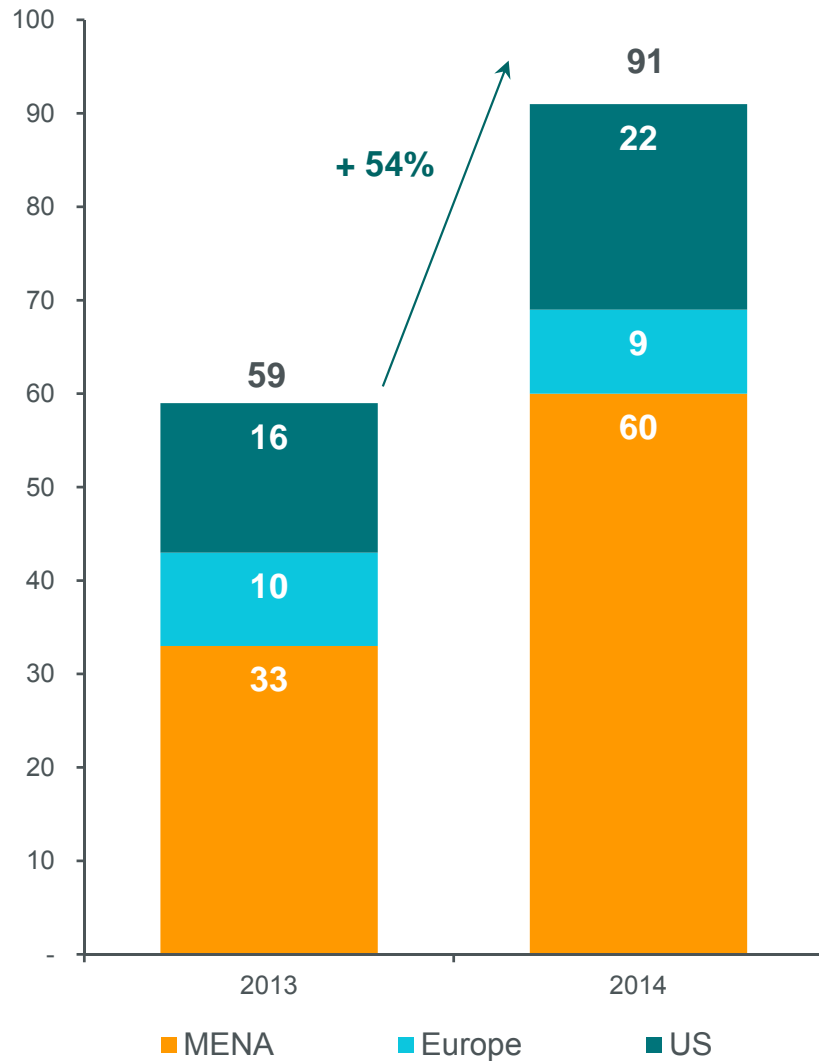


# Capital expenditure

## Investing in facilities and capacity for future growth



### Capital expenditure (\$ million)



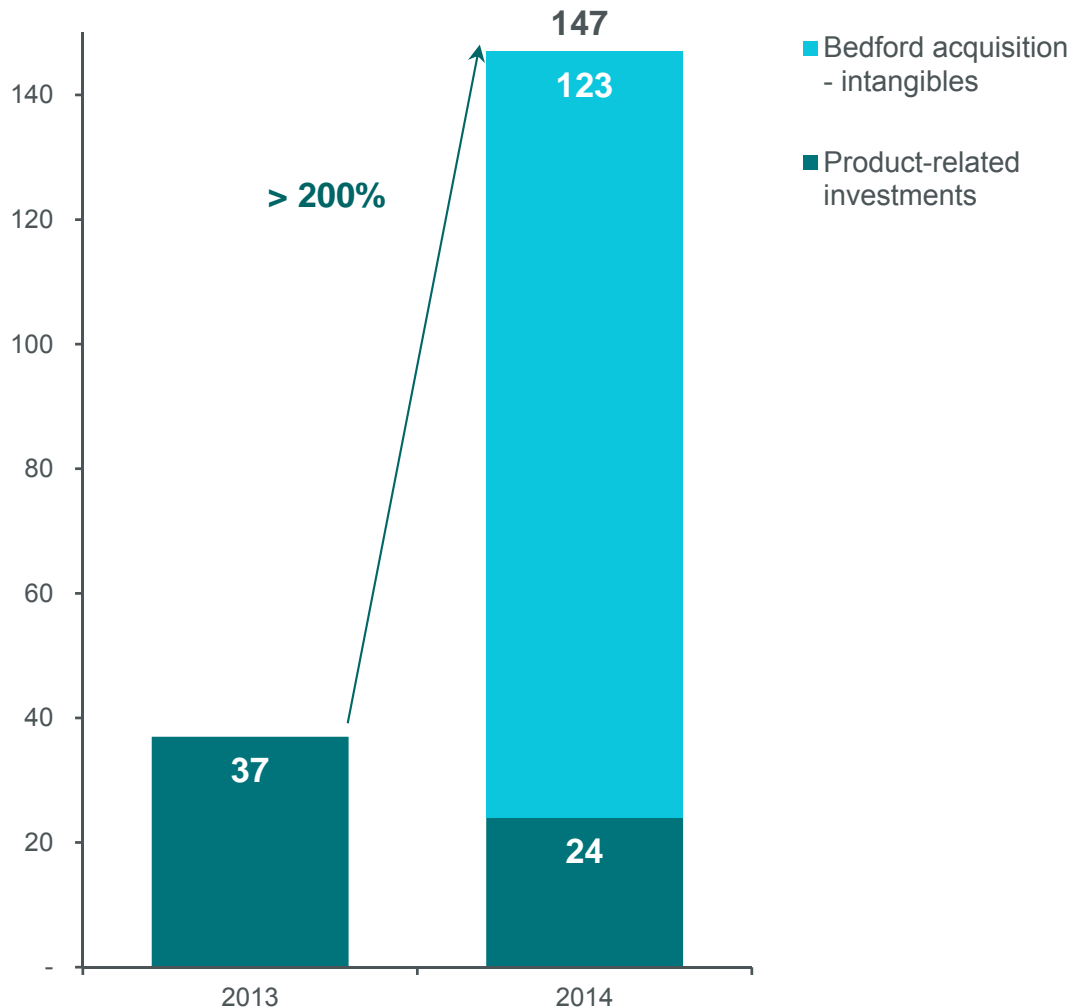
- ▶ Capex of \$91 million reflects continued investment in our facilities across the Group
- ▶ Maintenance and equipment additions across our MENA facilities, including Algeria, Egypt, Jordan, Morocco, Saudi Arabia, Sudan and Tunisia
- ▶ Adding Injectables capacity – completing installation of a high speed line in Portugal and a pre-filled syringe line in the US

# Product-related investments

## Expanding our product portfolio to drive future growth



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



- ▶ In addition to the \$55 million of R&D spend in 2014, the Group invested a further \$24 million in products that were capitalised on the balance sheet
- ▶ We are supplementing internal R&D with product file acquisitions, licensing agreements and third party partnerships
- ▶ The investment in 2014 related to agreements signed for products in the US and MENA
- ▶ The acquisition of Bedford added a large product portfolio and pipeline. The intangible asset value is \$123 million

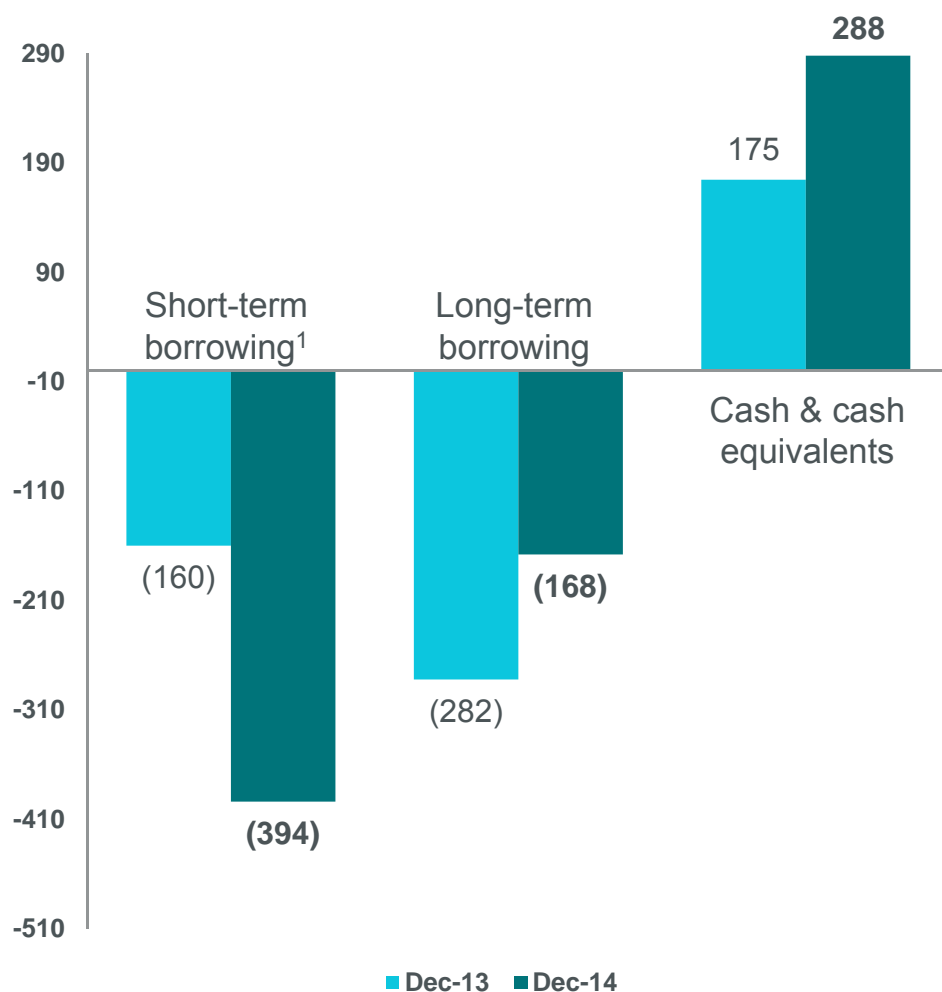
<sup>1</sup> In 2014, \$142 million (2013: \$14 million) of the product-related investments were capitalised within intangible assets and \$5 million (2013: \$23 million) were capitalised within non current assets on the balance sheet

# Balance sheet

## Strong financing position



### Net debt position at 31 December 2014 (\$ million)



- ▶ Net debt of \$274 million, reflecting very strong cash generation in 2014
- ▶ Full year net financing expense of \$34 million

	Dec 2013	Dec 2014
Net debt	267	274
Net debt/EBITDA	0.63x	0.58x
Net debt/Equity	0.26x	0.23x

<sup>1</sup> Short-term borrowing mainly comprises a one-year syndicated bridge loan of \$225 million, which was entered into in July 2014. The bridge loan was used to finance the Bedford acquisition

# Summary

## Outlook for 2015

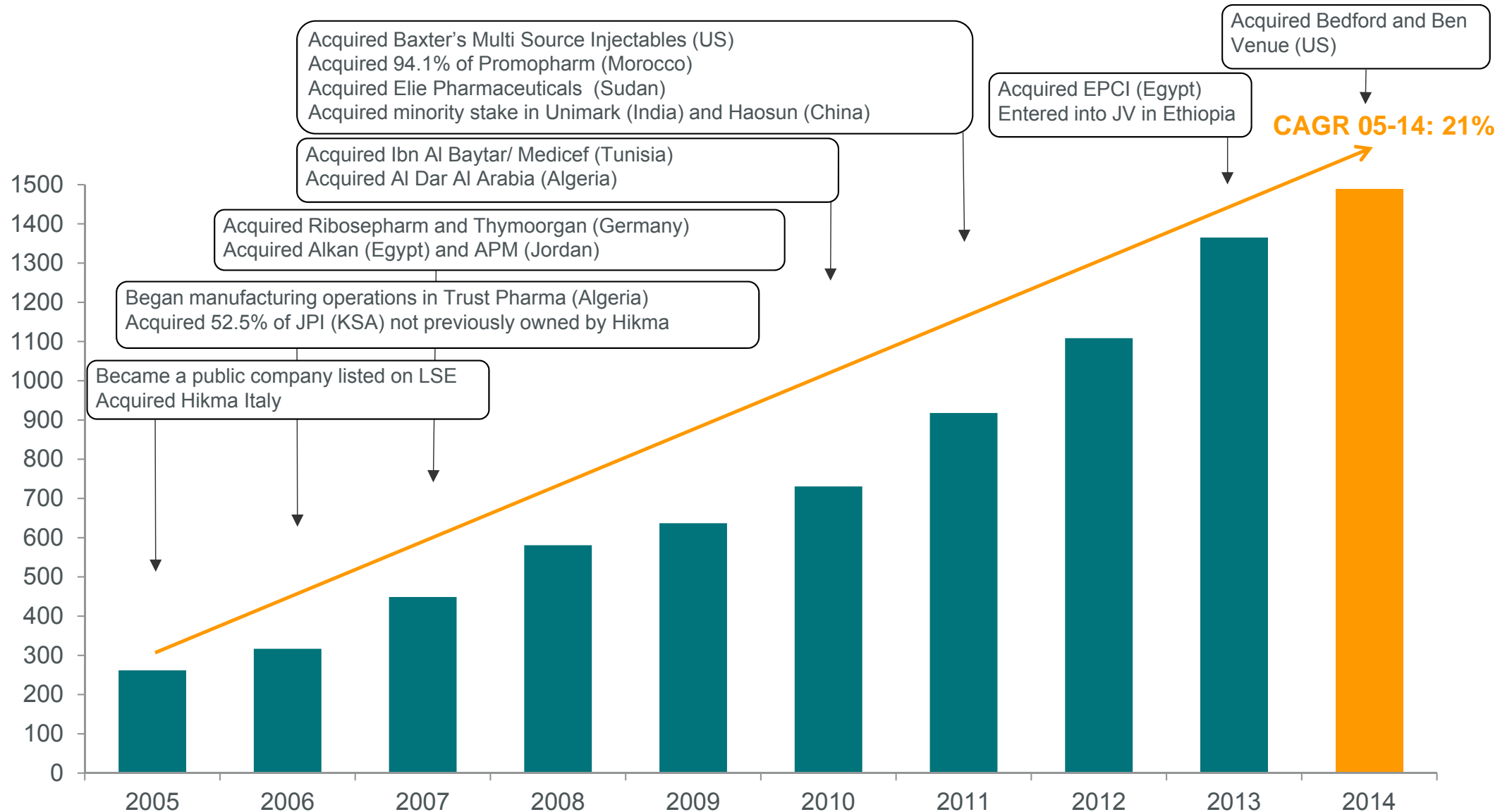


- ▶ Group revenue growth of around 6% in constant currency, or around 3% reported if current exchange rates prevail
- ▶ Branded revenue growth in the low-teens in constant currency, or high single digit at current exchange rates, and an improvement in adjusted operating margin
- ▶ Injectables revenue to be maintained at current levels, with a robust adjusted operating margin of around 35%
- ▶ Generics revenue of around \$200 million
- ▶ Net finance expense of around \$40 million
- ▶ Capital expenditure of \$100 to \$115 million
- ▶ Effective tax rate of between 21% and 23%

# Our diversified business model continues to deliver strong growth



Group revenue (\$ million)

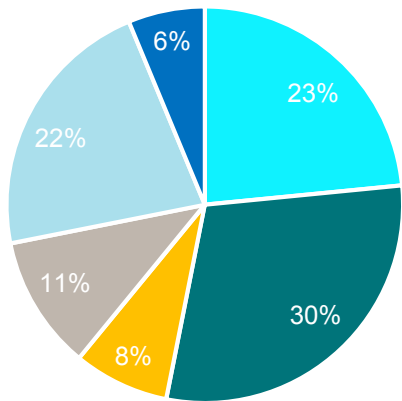


# Branded

# Developing our Branded pipeline to meet growing demand in specific therapeutic areas

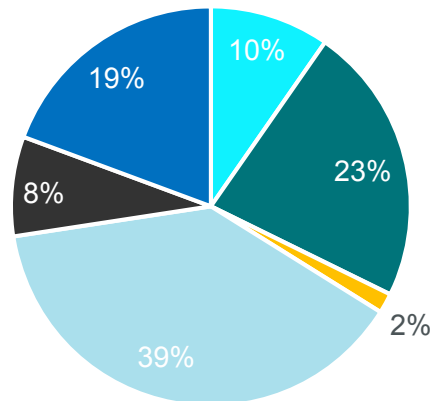


## Branded launches by therapeutic area



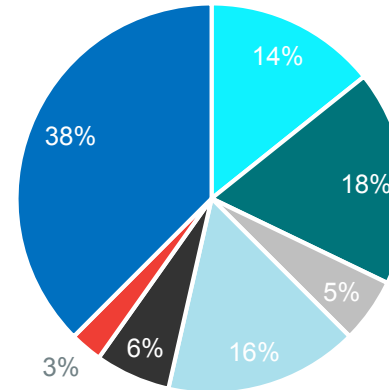
2013

69 launches



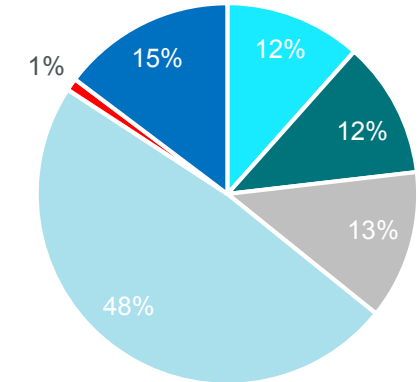
2014

59 launches



2015E

Expecting to launch around 200 products over the next two years



2016E

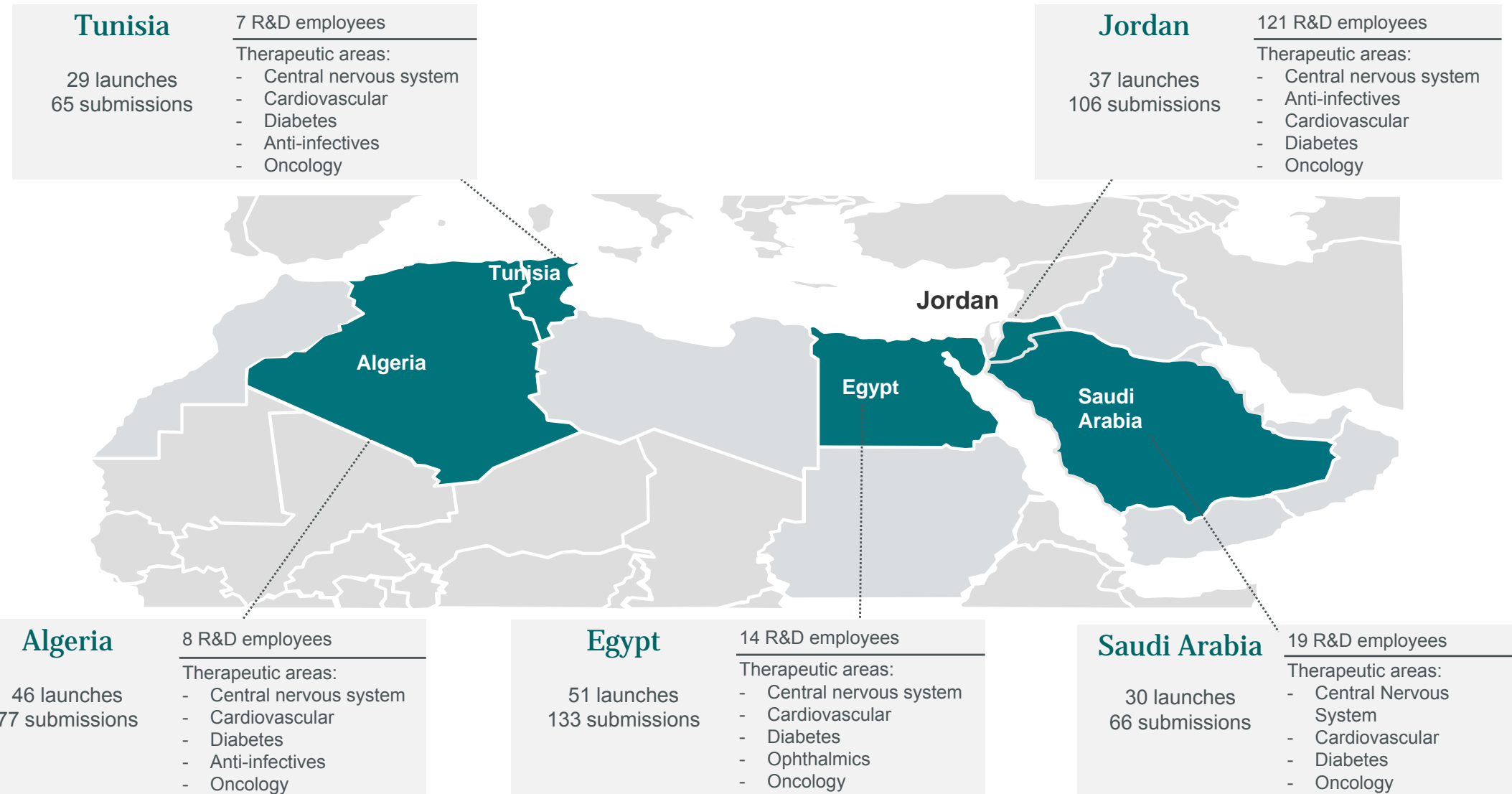
■ Cardiovascular 
 ■ Anti-infectives 
 ■ Ophthalmic 
 ■ Dermatology & creams 
 ■ CNS 
 ■ Diabetes 
 ■ Oncology 
 ■ Others



# Successfully leveraging our corporate and local R&D centres



## Launches and submissions in Algeria, Egypt, Jordan, Saudi Arabia and Tunisia, 2009 to 2014



Total number of launches and submissions since 2009

# Investments across our markets are driving strong growth



## Saudi & GCC

- ▶ Increasing focus on strategic products through restructuring of sales force
- ▶ Strengthening customer and distribution channels through use of third party distributor
- ▶ Improving promotional efforts and increasing efficiency of sales reps

## Egypt

- ▶ Increasing automation and efficiency of manufacturing through facility redesign and upgrades
- ▶ Improved market position to be 12<sup>th</sup> largest player, from 36<sup>th</sup> in 2008
- ▶ Launched 5 higher value products, including 3 CNS, 1 cardiovascular and 1 ophthalmic

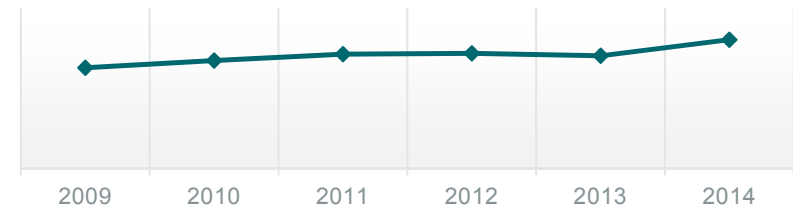
## Sudan

- ▶ Maintaining leadership position despite challenging market conditions
- ▶ Increasing geographic coverage through improved distribution channels and marketing efforts
- ▶ Expanding general formulation plant
- ▶ Reinforced high quality image through uninterrupted supply of medicines to areas with drug shortages

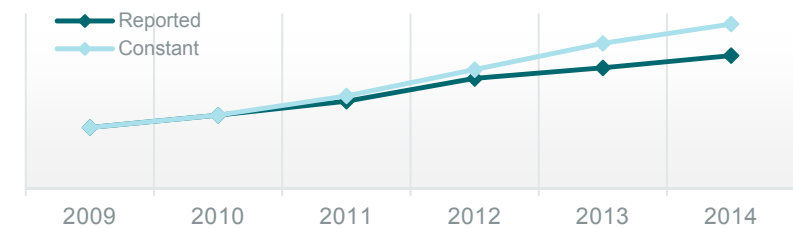
## Algeria

- ▶ Restructuring in 2014 will support stronger relationships with wholesalers
- ▶ Increasing focus on higher value products and eliminating tail products with lower profitability
- ▶ Launched 9 higher value products, including 8 CNS and 1 cardiovascular

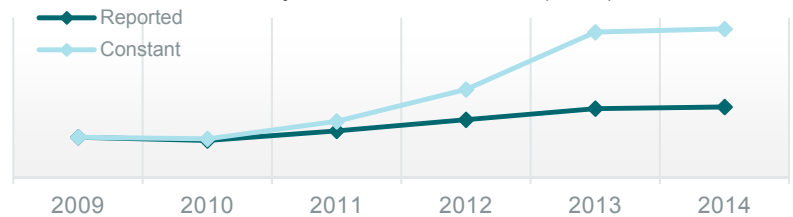
Saudi/GCC 5-yr revenue CAGR: 5%



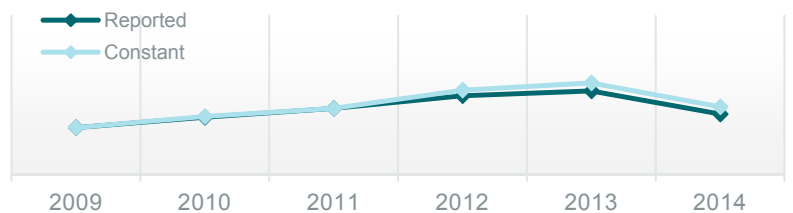
Egypt 5-yr revenue CAGR: 17% (22%\*)



Sudan 5-yr revenue CAGR: 12% (30%\*)



Algeria 5-yr revenue CAGR: 5% (7%\*)

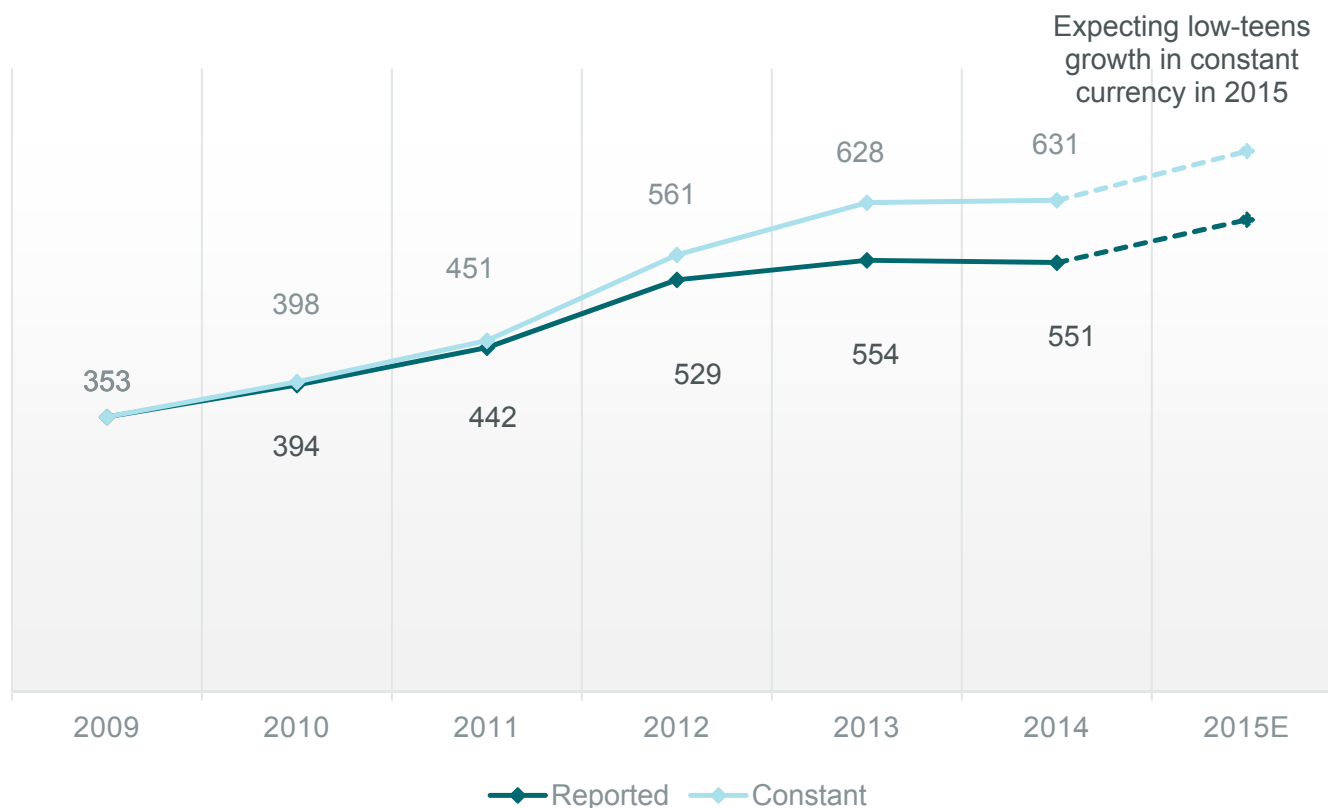


# Our strong track record of growth across the MENA markets



## Branded revenue, 2009 to 2014

Hikma 5-year CAGR (reported): 9%  
Hikma 5-year CAGR (constant): 12%\*  
MENA market 5-year CAGR: 9%\*\*



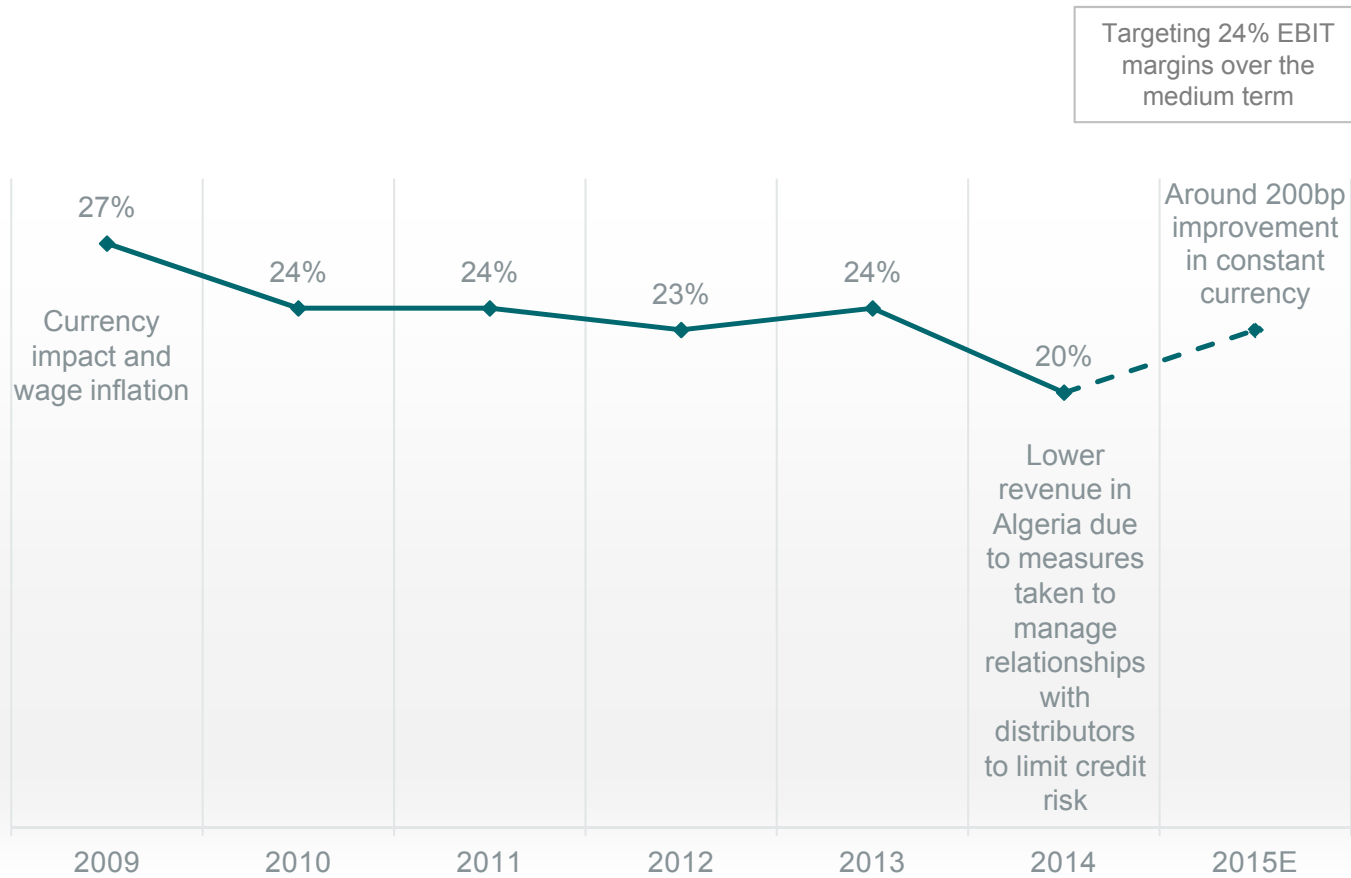
- ▶ Expecting to return to low-teens growth in 2015 (constant currency)
- ▶ MENA pharmaceutical market continues to offer very attractive growth opportunities
- ▶ Expanding our portfolio of higher value products
- ▶ Leveraging our large and experienced sales and marketing team
- ▶ Future growth will be driven by expansion in existing and new markets, through greenfield investments and M&A

\*Constant currency; based on 2009 exchange rates

\*\*Source: IMS Health.

# Improving profitability is a key priority

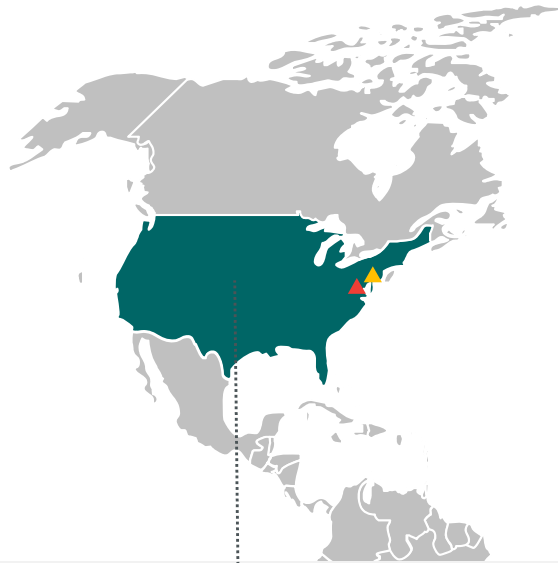
## Branded adjusted operating margin, 2009 to 2014



- ▶ Expecting to see improvement in adjusted operating margin in 2015
- ▶ Improving sales in Algeria will support margin improvement
- ▶ Focus on higher value product
- ▶ Increasing productivity of sales and marketing teams
- ▶ Driving manufacturing and operational efficiencies

# Injectables

# Building strong market positions in the US, MENA and Europe



**US**

Focusing on growing our market share by value and developing our portfolio

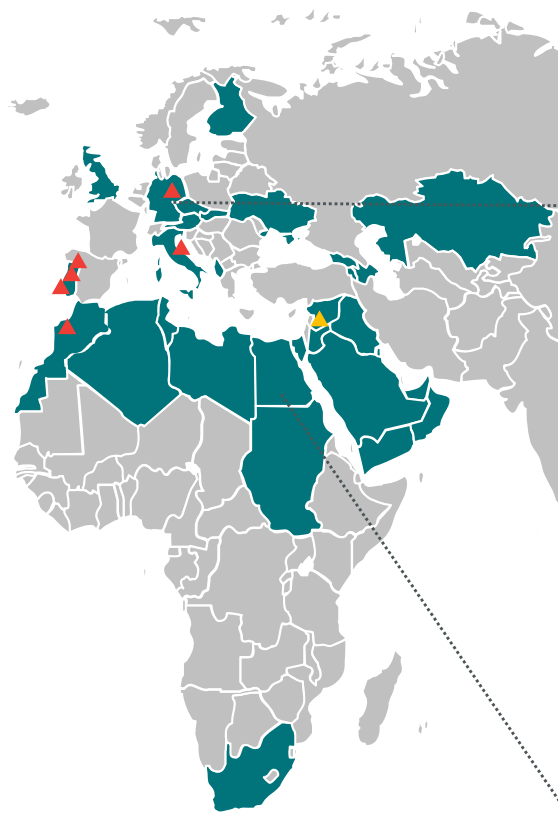
**76.9%**  
of Injectables revenue\*

**CAPABILITIES**  
Vials, ampoules, pre-filled syringes

**MANUFACTURING:**  
Multi Source Injectables

**COMPETITORS**  
Hospira, APP, Sandoz, American Regent, Sagent

**TOP PRODUCTS:**  
Glicopyrrolate    Fentanyl  
Neostegmine    Argatroban  
Phenylephrine



**EUROPE**

A broad portfolio across a range of product types and therapeutic areas

**10.5%**  
of Injectables revenue\*

**CAPABILITIES**  
Vials, ampoules, bags, cytotoxics, pre-filled syringes

**MANUFACTURING:**  
US FDA, EU and MENA approved manufacturing facilities in Portugal, Italy and Germany

**COMPETITORS**  
Actavis, Fresenius, Sandoz, Stada, Teva

**TOP PRODUCTS:**  
Meropenem    Imipenem  
Vancomycin    Cefazolin  
Cefuroxime

**MENA**

Continued new product launches and expansion into new markets

**12.6%**  
of Injectables revenue\*

**COMPETITORS**  
Roche, Sanofi, Julphar, Tabuk, MSD, Pfizer

**TOP PRODUCTS:**  
Samixon    Prizma  
Ciprotron    Cefizox  
Hibor

**KEY**

▲ 7 MANUFACTURING PLANTS

▲ 2 R&D CENTRES

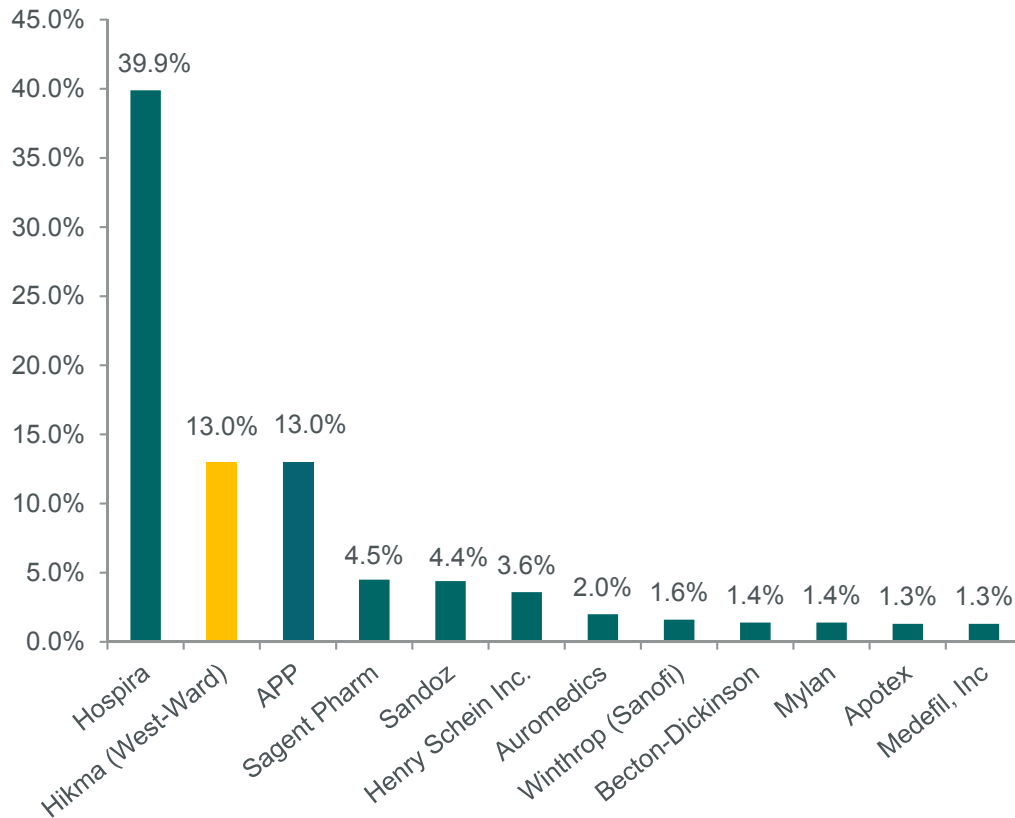
\* 2014 Injectables revenue



# Successfully growing our US market share by value



## US generic Injectables market share (million eaches)

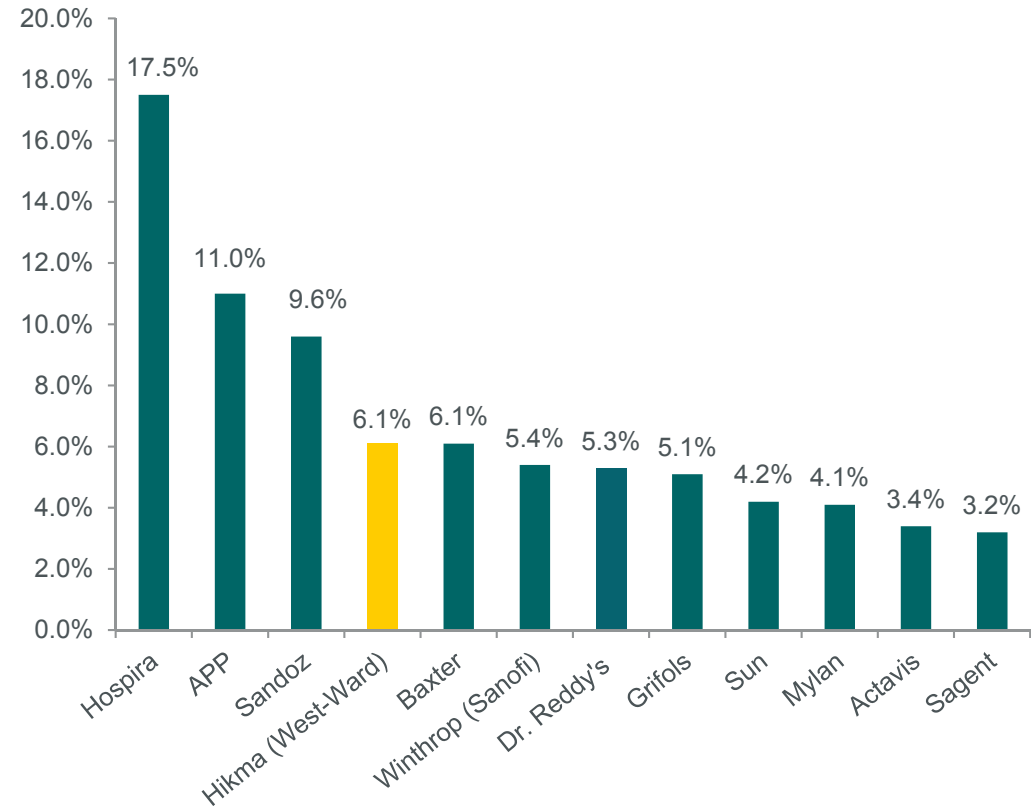


Source: IMS Healthcare, YTD 12/2014

### Market Share

	Dec 2013	Dec 2014	Change
Volume	13.9%	13.0%	(0.9) ppt

## US generic injectables market share (\$ million)



Source: IMS Healthcare, YTD 12/2014

### Market Share

	Dec 2013	Dec 2014	Change
Value	4.0%	6.1%	+2.1 ppt

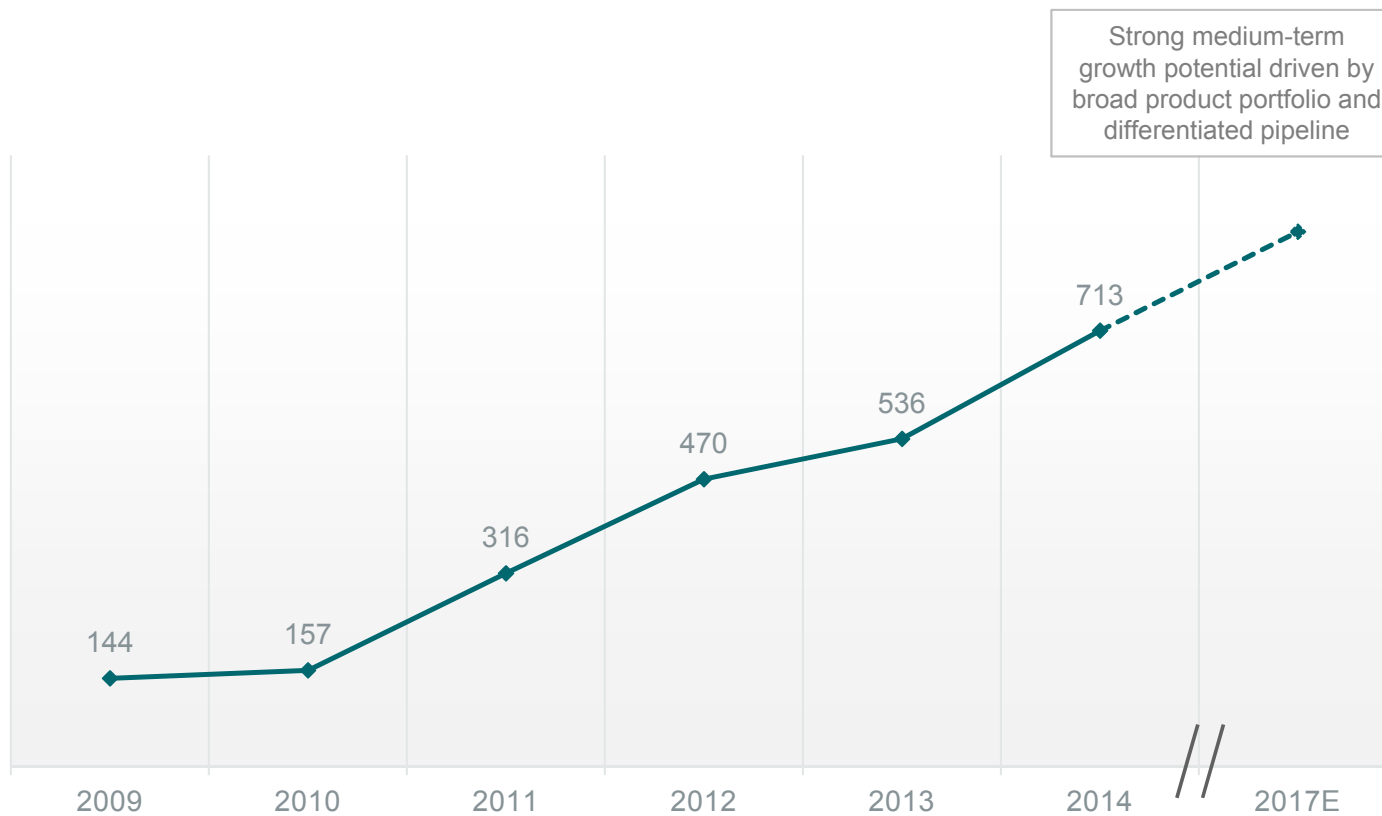


# Building a leading global manufacturer of high quality, affordable generic injectable products



## Injectables revenue, 2009 to 2014

Hikma 5-year revenue CAGR: 38%



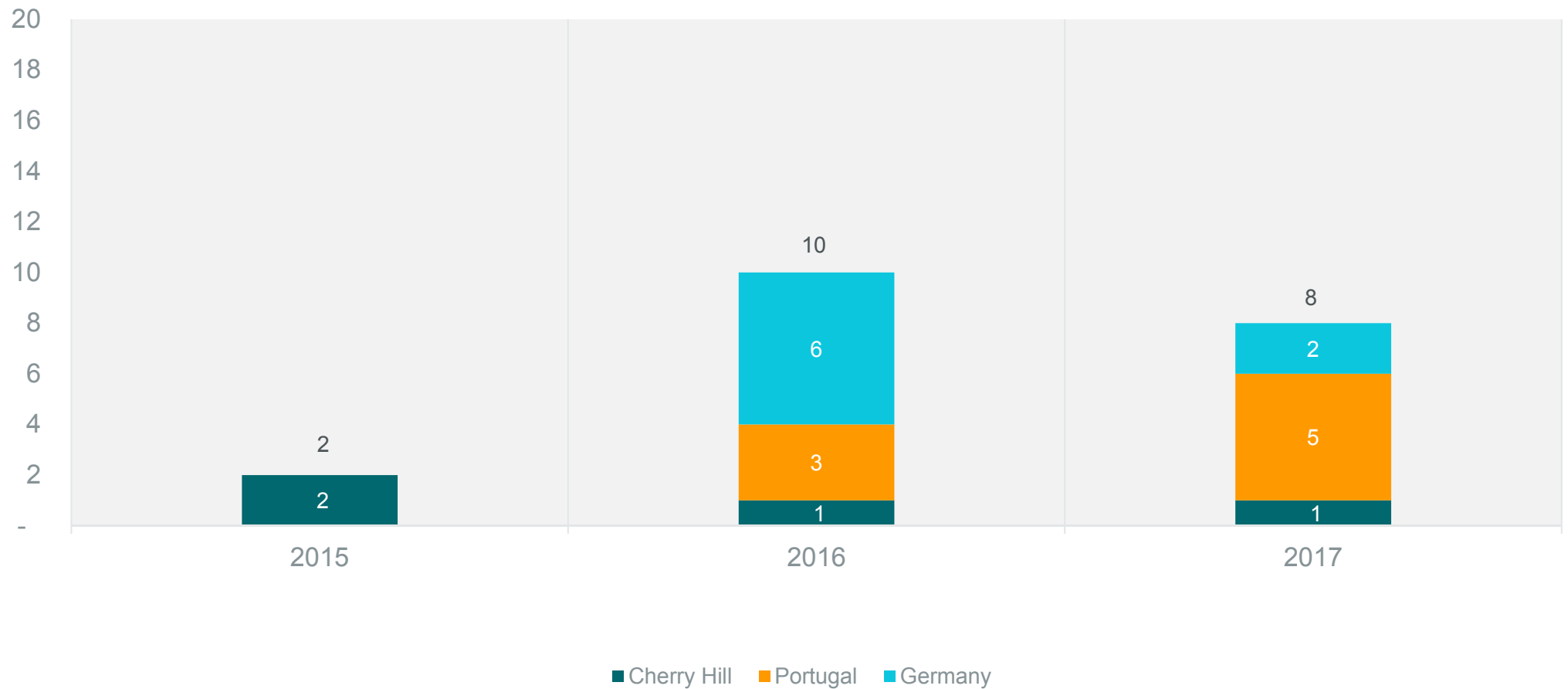
- ▶ Launch of Bedford products will be a key driver of growth
- ▶ Leveraging Bedford's R&D capabilities, external R&D partners and business development to build our pipeline
- ▶ Expanding our presence in Europe and MENA will enhance revenues and profitability
- ▶ Focusing on maintaining the highest quality standards across our manufacturing facilities

# Launch of Bedford products will be a key driver of growth



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

Launch plan



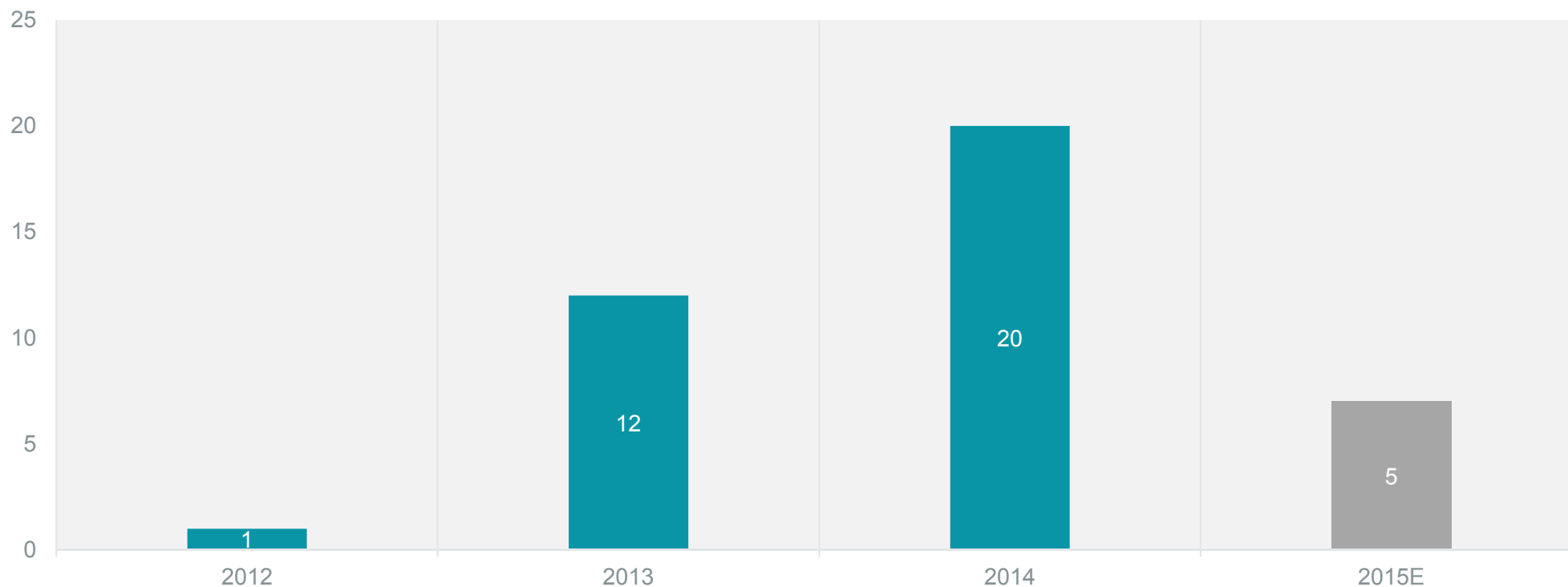
# Generics

# Developing our generics portfolio by continuing to re-launch our legacy products



- ▶ Re-introduced a total of 33 products since 2012 and expecting to bring back a further 5 in 2015
- ▶ Currently marketing a portfolio of 24 molecules in 66 different dosage forms and strengths
- ▶ Continuing to leverage our FDA-approved facilities in MENA, selling 39 products in the US market

## Generics re-launch of legacy products, 2012 to 2015

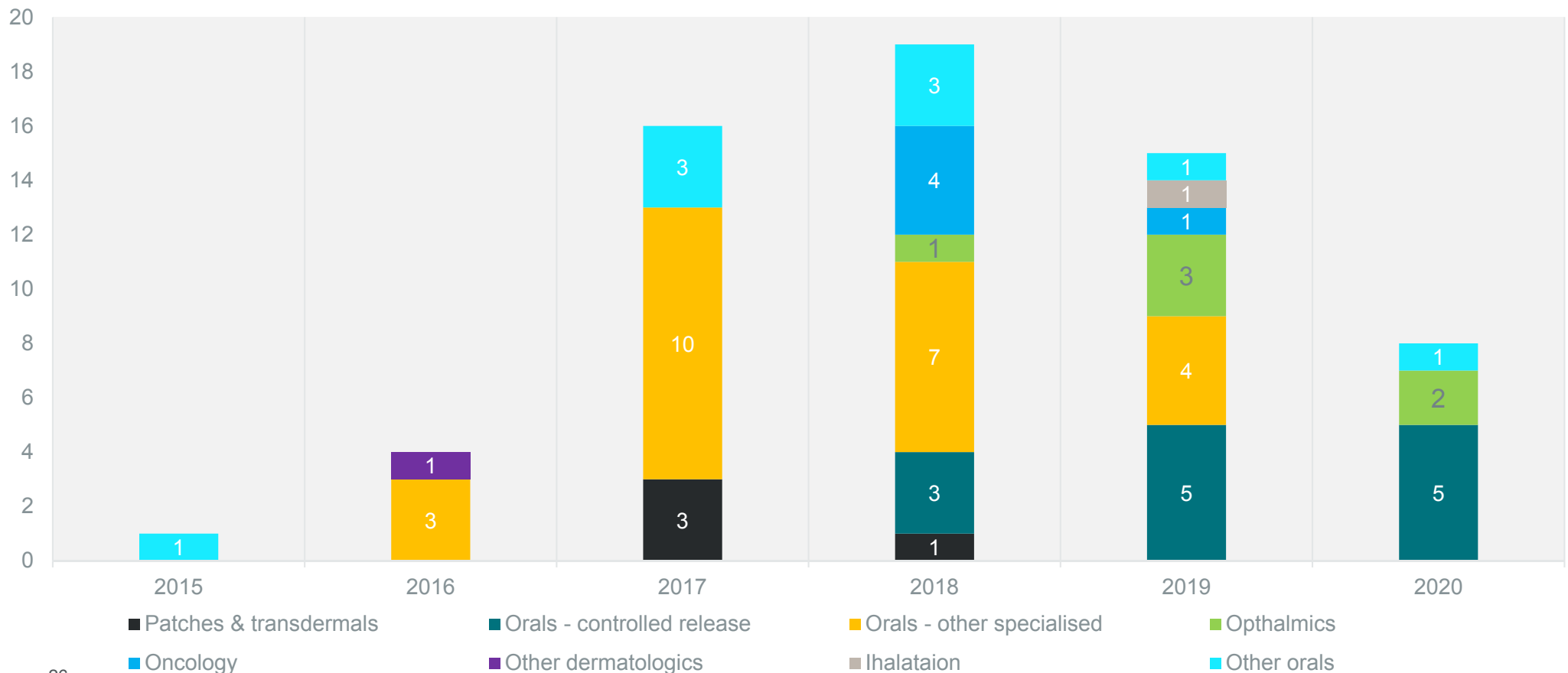


# Investing in R&D and business development to build a strong pipeline



- ▶ Developing related growth strategies that build on and reinforce our strong legacy business
- ▶ Diversifying into new areas with attractive market dynamics – such as dermatologics, ophthalmics and oncology
- ▶ Focusing on niche market segments, including controlled substances, transdermals, inhalations, PIV/ 505(b)(2)s and authorised generics

## Generics expected launches, 2015 to 2020





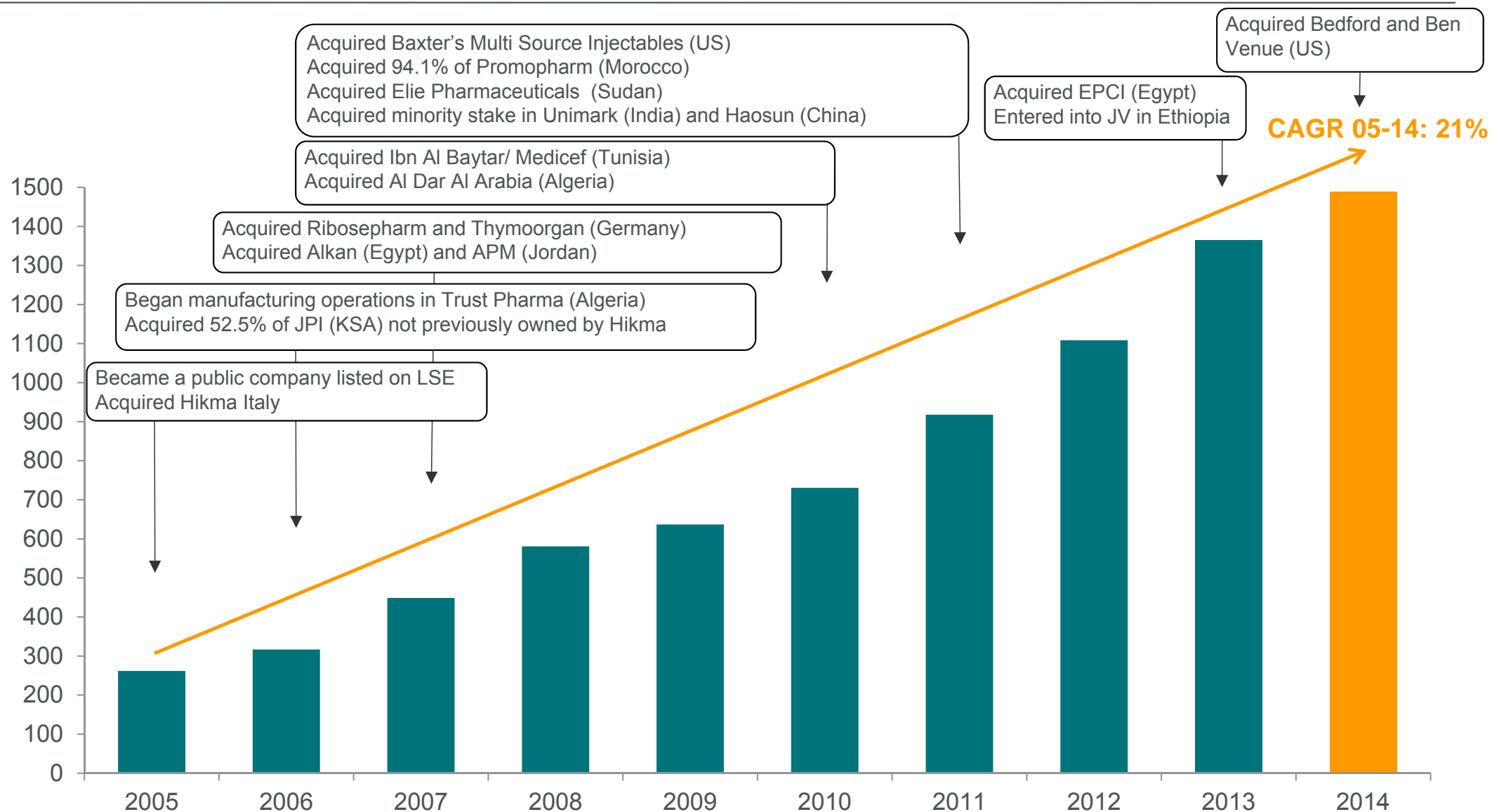
# Summary

# Our diversified business model

## A strong platform for growth



Group revenue (\$ million)





# Appendix

# Consolidated income statement



\$ million	2014	2013	Change
<b>Revenue</b>	<b>1,489</b>	1,365	<b>+9%</b>
<b>Gross profit</b>	<b>851</b>	764	<b>+11%</b>
<i>Gross margin</i>	57.2%	56.0%	<b>+1.2</b>
<b>Operating profit</b>	<b>402</b>	352	<b>+14%</b>
<b>Adjusted operating profit<sup>1</sup></b>	<b>427</b>	413	<b>+3%</b>
<i>Adjusted operating margin</i>	28.7%	30.3%	<b>-1.6</b>
<b>EBITDA<sup>2</sup></b>	<b>474</b>	427	<b>+11%</b>
<b>Adjusted EBITDA<sup>1,2</sup></b>	<b>485</b>	463	<b>+5%</b>
<b>Profit attributable to shareholders</b>	<b>278</b>	212	<b>+31%</b>
<b>Adjusted profit attributable to shareholders<sup>1</sup></b>	<b>299</b>	274	<b>+9%</b>
Basic EPS (cents)	<b>140.4</b>	107.6	<b>+30%</b>
Adjusted diluted EPS (cents) <sup>1</sup>	<b>149.5</b>	138.4	<b>+8%</b>
Dividend per share (cents)	<b>22.0</b>	20.0	<b>+10%</b>
Special dividend per share (cents)	<b>10.0</b>	7.0	<b>+43%</b>
Total dividend per share (cents)	<b>32.0</b>	27.0	<b>+19%</b>
<i>Effective tax rate</i>	22%	28%	<b>-6</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

# Consolidated cash flow statement



\$ million	2014	2013
Profit before tax and minority interest	362	298
Adjustments for non-cash items	91	110
Change in working capital	17	(22)
Income tax paid	(79)	(84)
Other	34	35
<b>Net cash generated from operating activities</b>	<b>425</b>	<b>337</b>
Investment in property, plant and equipment	(91)	(59)
Purchase of intangible assets	(27)	(16)
Acquisition of subsidiaries	(225)	(18)
Investment in associated companies and joint ventures	(5)	(25)
Interest received	4	2
Other	2	1
<b>Net cash used in investing activities</b>	<b>(342)</b>	<b>(115)</b>
Issuance of new shares	0	2
Change in debt	125	(143)
Dividends paid	(56)	(42)
Interest paid	(38)	(37)
Other	(1)	(9)
<b>Net cash generated from/(used in) financing activities</b>	<b>30</b>	<b>(229)</b>

# Consolidated balance sheet

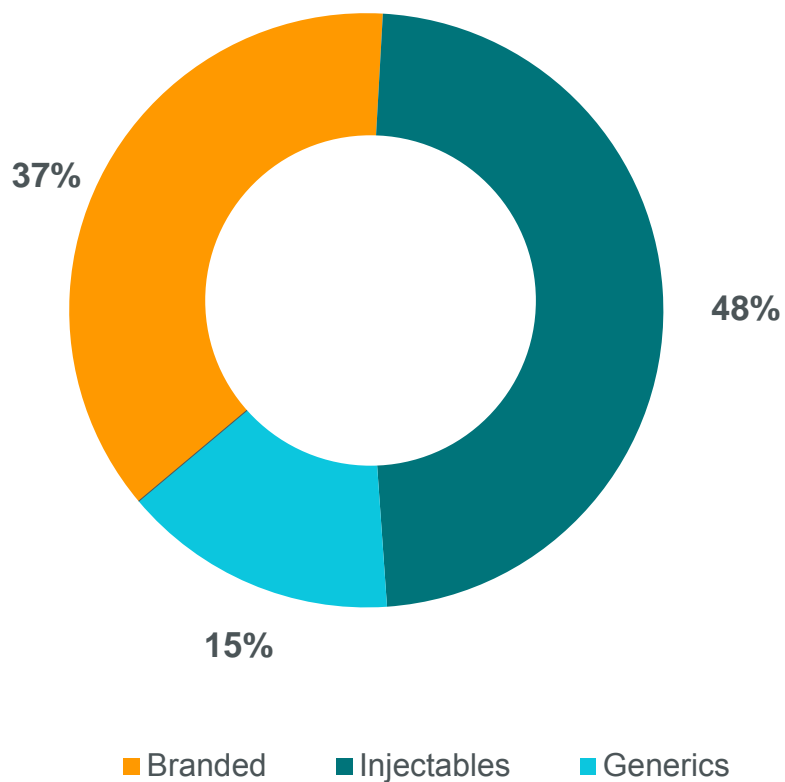


\$ million	2014	2013	Growth \$	Growth %
Cash	288	175	113	65%
Trade and other receivables	439	439	-	0%
Other current assets	13	7	6	86%
Inventories	273	276	(3)	(1)%
<b>Total current assets</b>	<b>1,013</b>	<b>897</b>	<b>116</b>	<b>13%</b>
Intangible assets	602	447	155	35%
Tangible fixed assets	514	443	71	16%
Investment in associates and joint ventures	16	22	(6)	(27)%
Other long-term assets	106	120	(14)	(12)%
<b>Total long-term assets</b>	<b>1,238</b>	<b>1,032</b>	<b>206</b>	<b>20%</b>
<b>Total assets</b>	<b>2,251</b>	<b>1,929</b>	<b>322</b>	<b>17%</b>
Financial debts and capital lease obligations	394	160	234	146%
Trade accounts payable	248	241	7	3%
Other current liabilities	199	185	14	8%
<b>Total current liabilities</b>	<b>841</b>	<b>586</b>	<b>255</b>	<b>44%</b>
Long-term financial debts and capital lease obligations	168	282	(114)	(40)%
Other long-term liabilities	26	27	(1)	(4)%
<b>Total long-term liabilities</b>	<b>194</b>	<b>309</b>	<b>(115)</b>	<b>(37)%</b>
<b>Total liabilities</b>	<b>1,035</b>	<b>895</b>	<b>140</b>	<b>16%</b>
Minority interest	19	17	2	12%
<b>Total shareholders' equity</b>	<b>1,216</b>	<b>1,034</b>	<b>182</b>	<b>18%</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,251</b>	<b>1,929</b>	<b>322</b>	<b>17%</b>

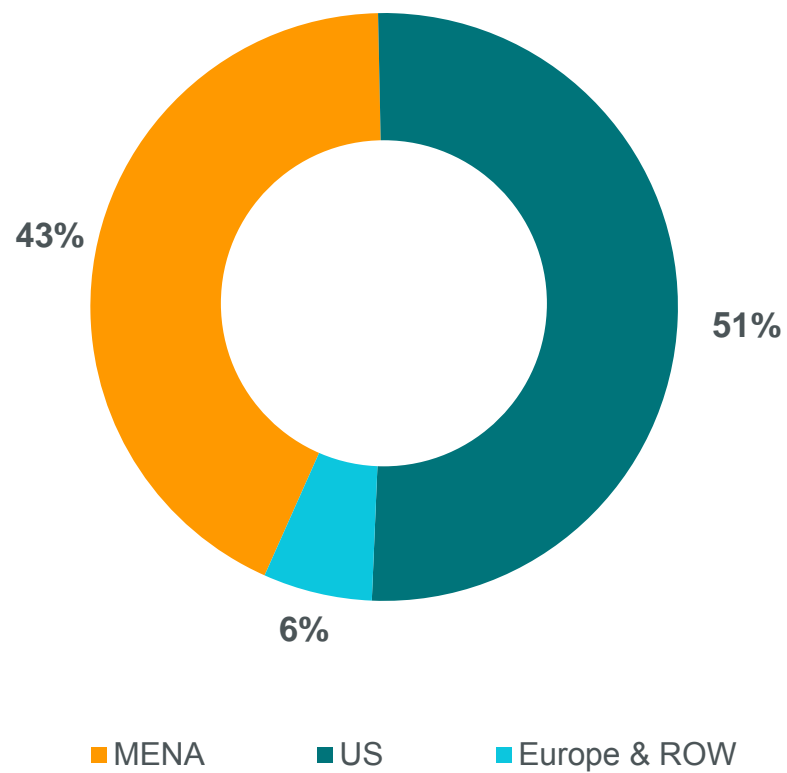
# Revenue by segment and region



### 2014 revenue by segment



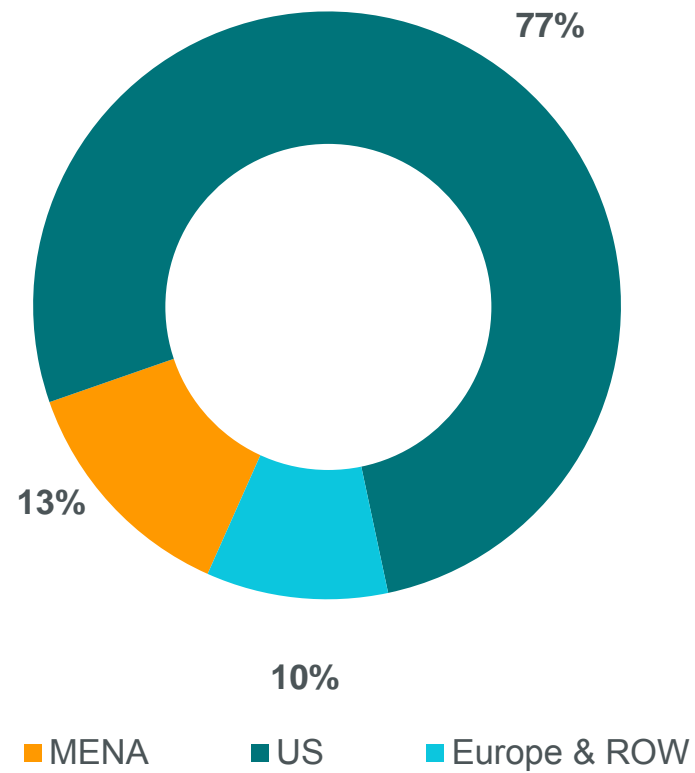
### 2014 revenue by region



# Injectables sales by region



## 2014 Injectables revenue by region



# Exchange rate movements



Currency	2015 Spot 28th February	2014 Average	Change%
USD/Algerian Dinar	94.8583	80.6145	(15)%
USD/Egyptian Pound	7.6278	7.0972	(7)%
USD/Moroccan Dirham	9.6714	9.0155	(7)%
USD/Tunisian Dinar	1.9501	1.7001	(13)%
USD/Sudanese Pound	6.3171	6.0277	(5)%