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Within reach.  
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**Hikma Pharmaceuticals PLC**  
2018 Preliminary Results

**hikma.**

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## Strong revenue and profit growth

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Core<sup>1</sup>  
revenue

**\$2,076m**

2017: \$1,936m

Core  
operating profit

**\$460m**

2017: \$386m

Core operating  
profit margin

**22.2%**

2017: 19.9%

Core basic  
earnings per share

**137.8¢**

2017: 105.0¢

Operating  
cash flow

**\$430m**

2017: \$443m

<sup>1</sup> Core results are presented to show the underlying performance of the Group, excluding exceptional items and other adjustments

# Injectables

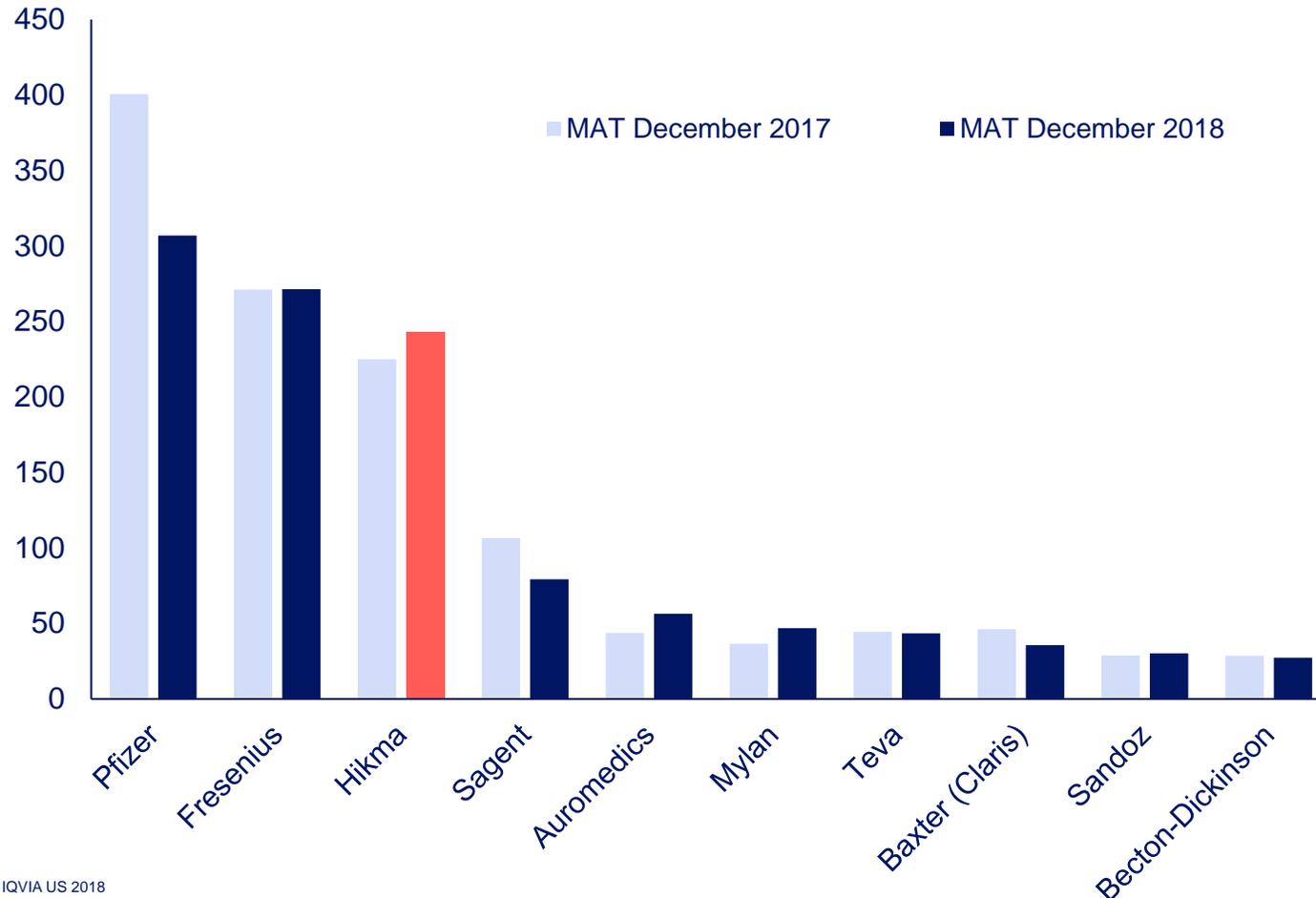


# Large product portfolio and flexible manufacturing enabling us to respond to customers' needs



## US generic injectables market share<sup>1</sup>

(eaches million)



<sup>1</sup> IQVIA US 2018



“By working together with us and US government agencies, Hikma was able to ramp-up production of these important medicines, helping to ease the shortage.”

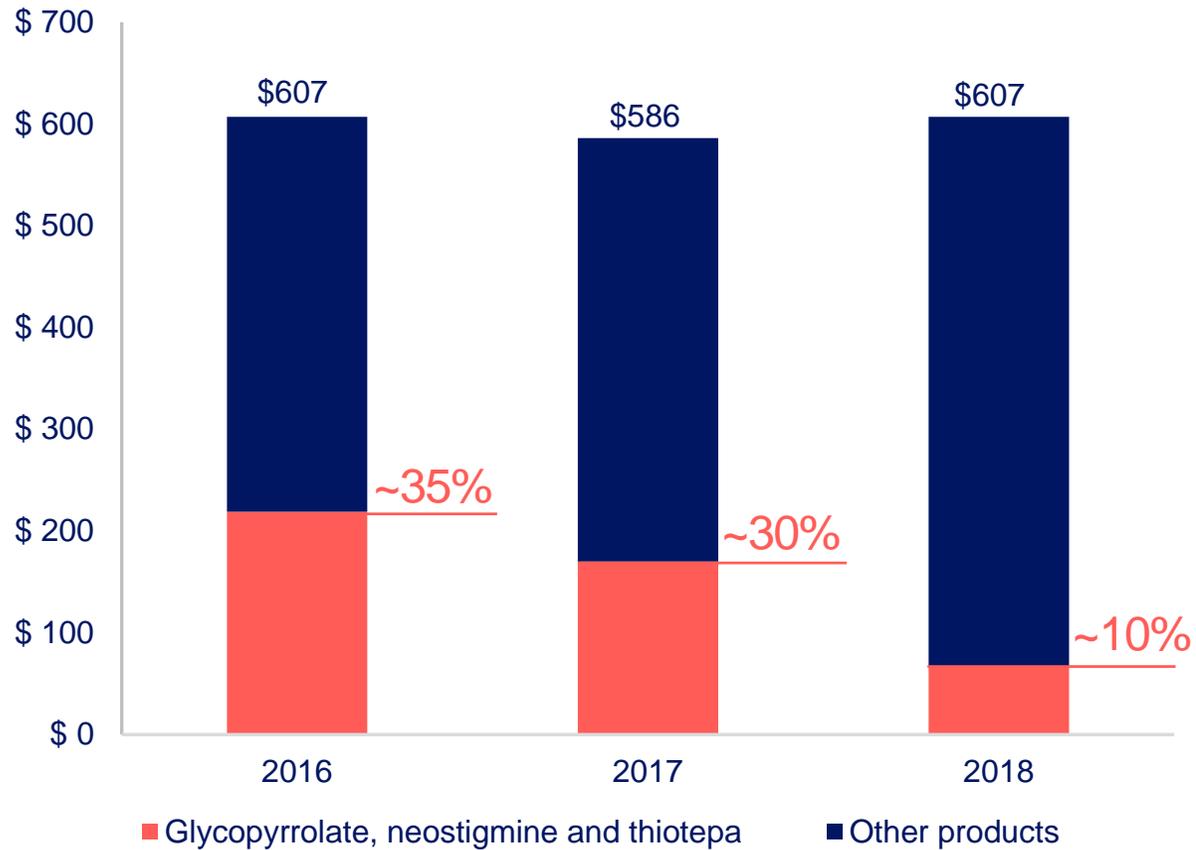
Lee Perlman, President  
Greater New York Hospital Association Ventures, Inc.



# Delivering revenue growth in the US despite significant headwind

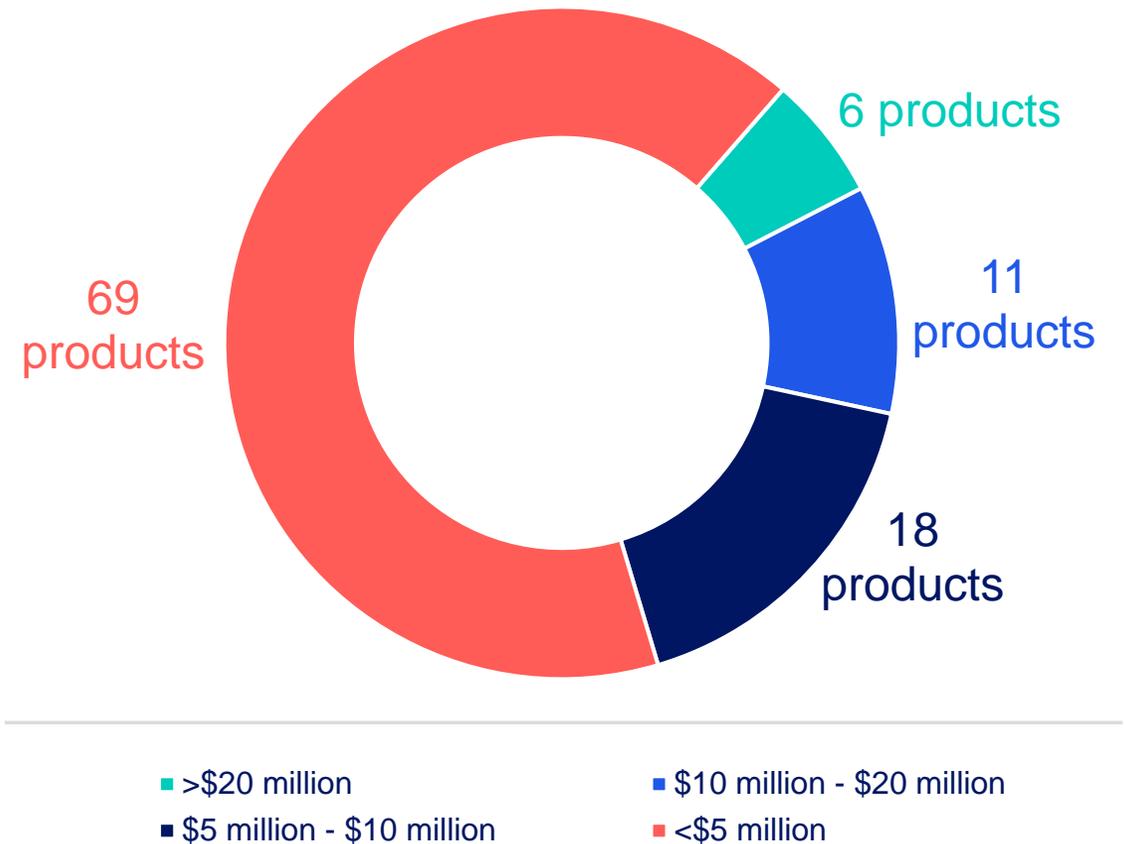
## US Injectables core revenue by product type

2018 (million)



## US Injectables products by revenue contribution

2018

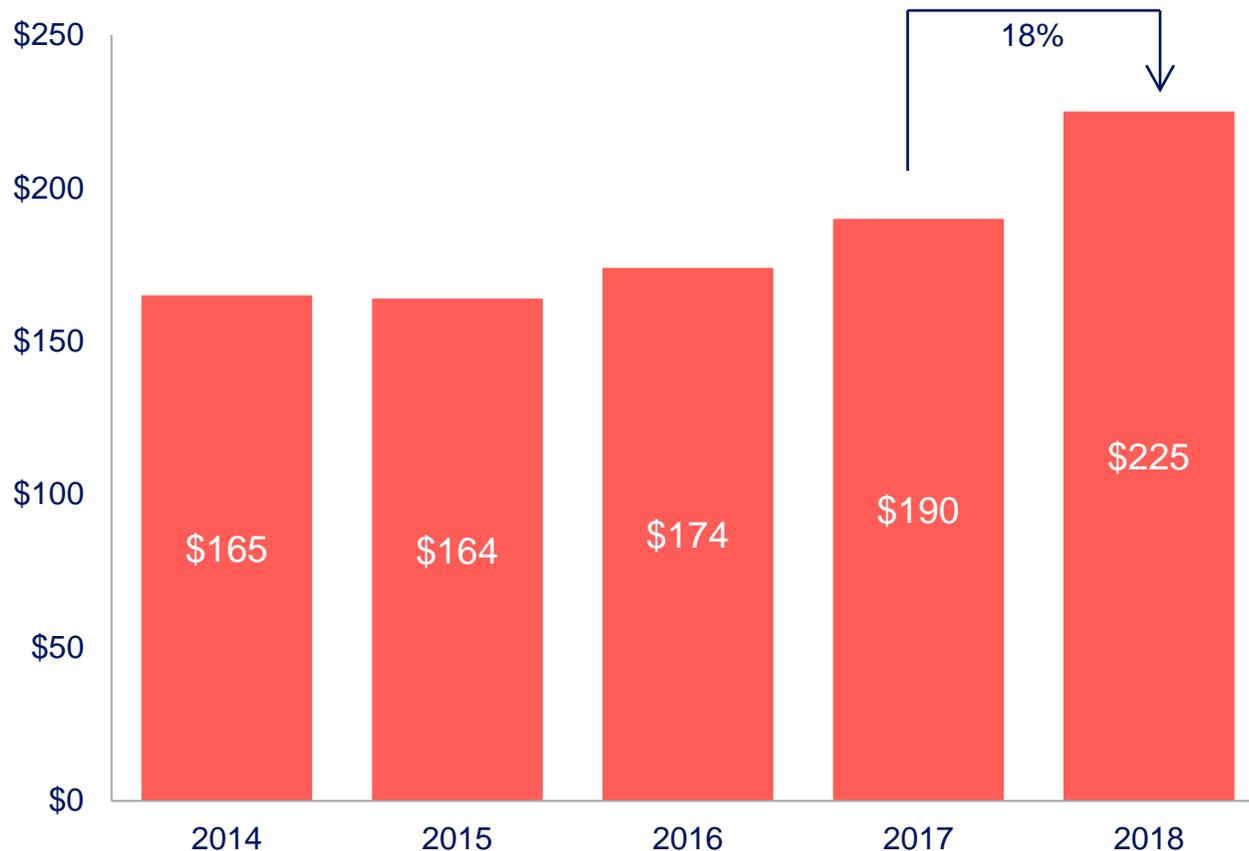


# Strong growth in MENA and Europe expected to continue



## MENA and Europe Injectables revenue

2014-2018 (million)



- Growth accelerating in MENA and Europe
- Focused on growing product portfolio in 2018
  - 17 product launches in MENA
  - 20 product launches in Europe
- Additional manufacturing capacity coming online to support future growth across all markets

# Generics



# Leveraging differentiated portfolio to deliver growth in challenging market



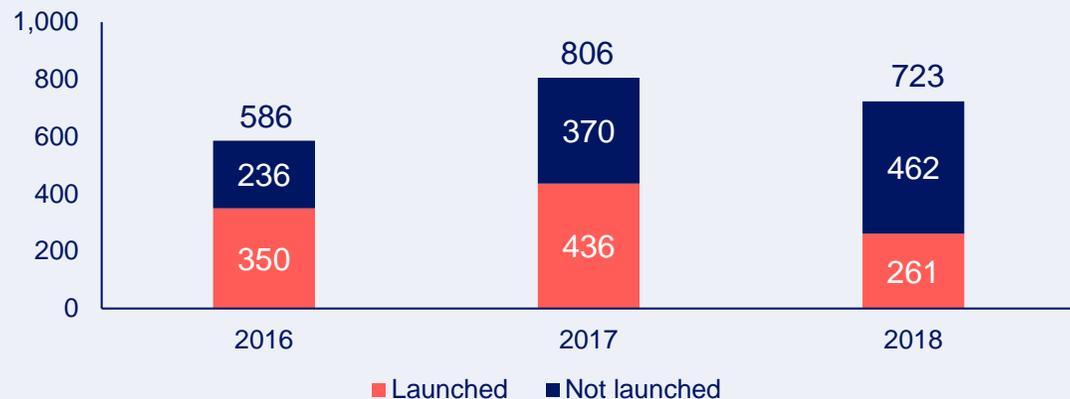
## Price erosion<sup>1</sup>

2014-2018 (price per unit)



## ANDA approvals<sup>1</sup>

as of December 2018



## US retail generic sales by manufacturer<sup>1</sup>

2018

Rank	Company	Sales (\$ million)	YOY growth (%)
1	Teva	5,369	(23%)
2	Mylan	3,973	(26%)
3	Sandoz	3,131	(20%)
4	Amneal/Impax	2,401	3%
5	Endo	1,856	(45%)
6	Lupin	1,618	(3%)
7	Sun	1,591	(16%)
8	Zydus	1,360	26%
9	Prasco	1,208	(11%)
10	Perrigo	1,154	(9%)
11	Aurobindo	1,118	7%
12	Apotex	1,117	(14%)
13	<b>Hikma</b>	<b>1,074</b>	<b>13%</b>
14	Dr. Reddy's	983	(14%)
15	Valeant	963	8%

<sup>1</sup>IQVIA US 2018

# Benefitting from commercial and operational enhancements



## 2018 key achievements

- Improved service levels and customer engagement
- Increased demand for our differentiated portfolio
- Consolidated our manufacturing and distribution facilities
- Launched 13 products, including ritonavir, a first-to-file Paragraph IV product
- Leveraged partnerships to add more specialised products to our portfolio

- Continue to focus on cost reduction initiatives
- Further strengthen our pipeline
- Identify business development opportunities to fill pipeline gaps
- Submit response to the FDA with new clinical data for our generic Advair Diskus® submission

## 2019 priorities



## 2020 and beyond

- Develop and launch additional respiratory products
- Expand number of branded products in the portfolio
- Invest in new development and manufacturing technologies
- Identify business development opportunities

Branded

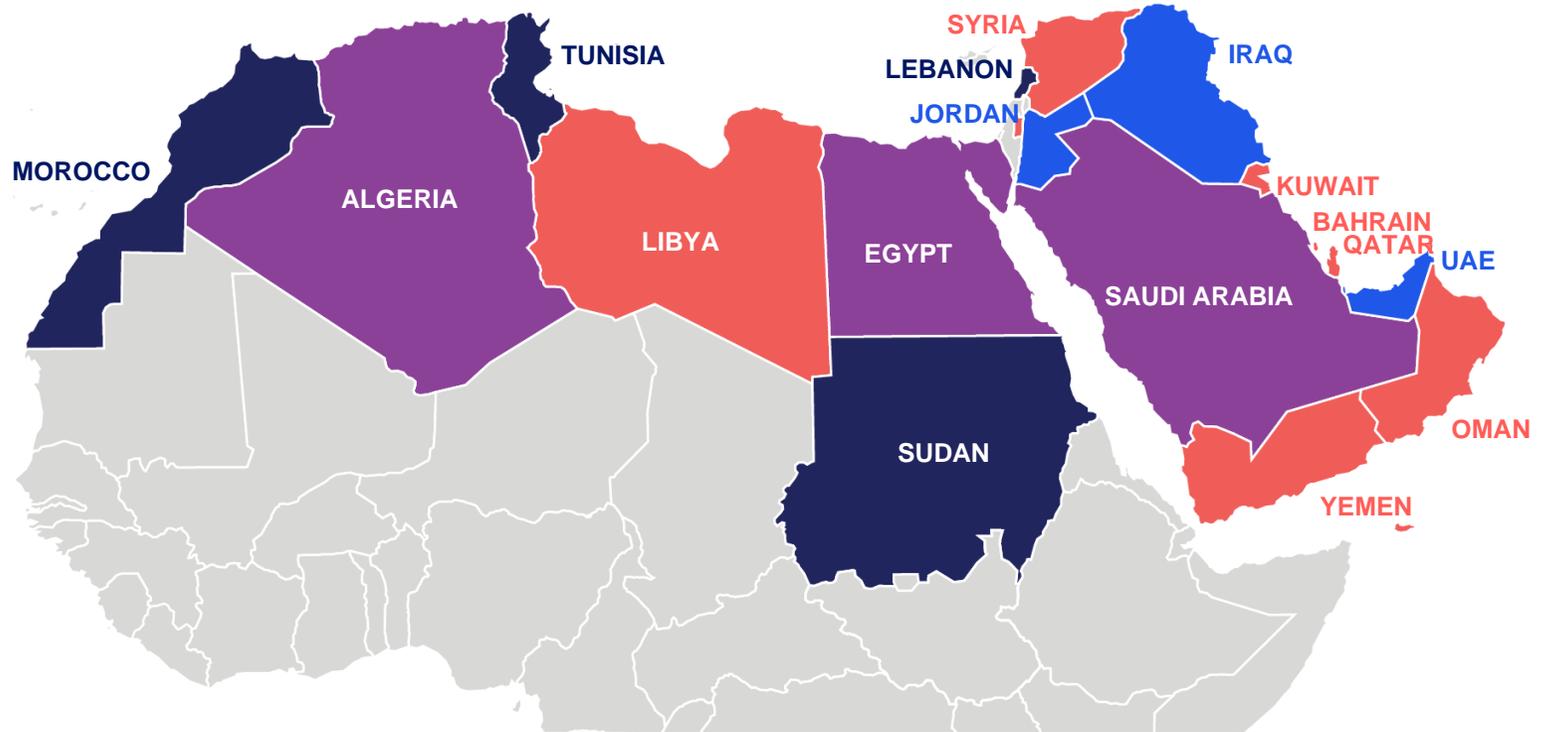


# Adopting a more focused approach to markets, aligning resources with size of opportunity



## 2018 strategic highlights

- Introduced tiered approach to align resources with largest market opportunities
- Acquired cephalosporin facility in Algeria
- Acquired direct distribution license in Saudi Arabia
- Launched 57 products across our markets
- Reinforced our position as 'partner of choice'



### Market prioritisation





# Strengthening our pipeline and leveraging position as 'partner of choice'

## Near-term priorities

- Finalise exit of markets outside of MENA
- Undertake pipeline review to ensure prioritisation of largest opportunities
- Expand existing partnerships and sign new agreements
- Complete construction of oral oncology facility in Algeria

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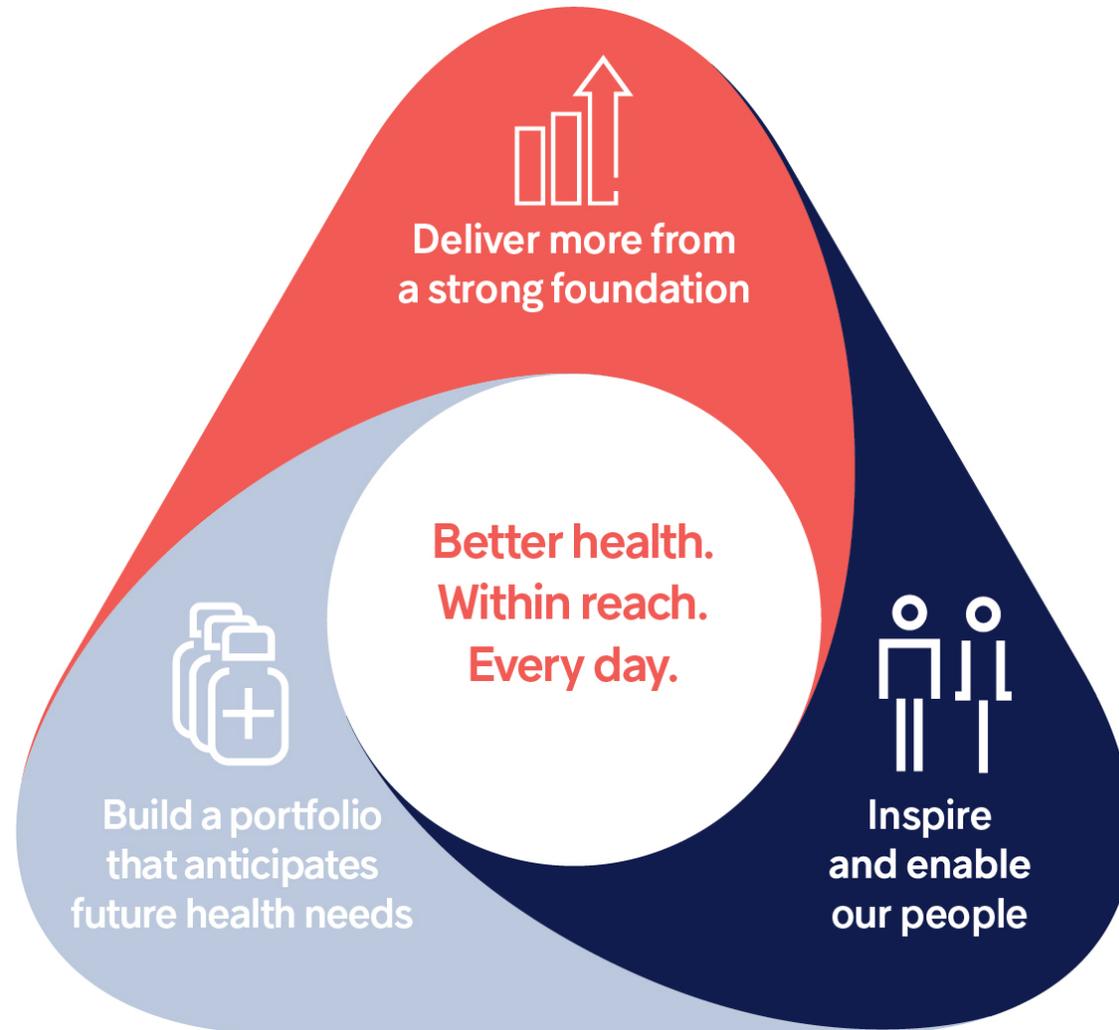
genepharma

dance

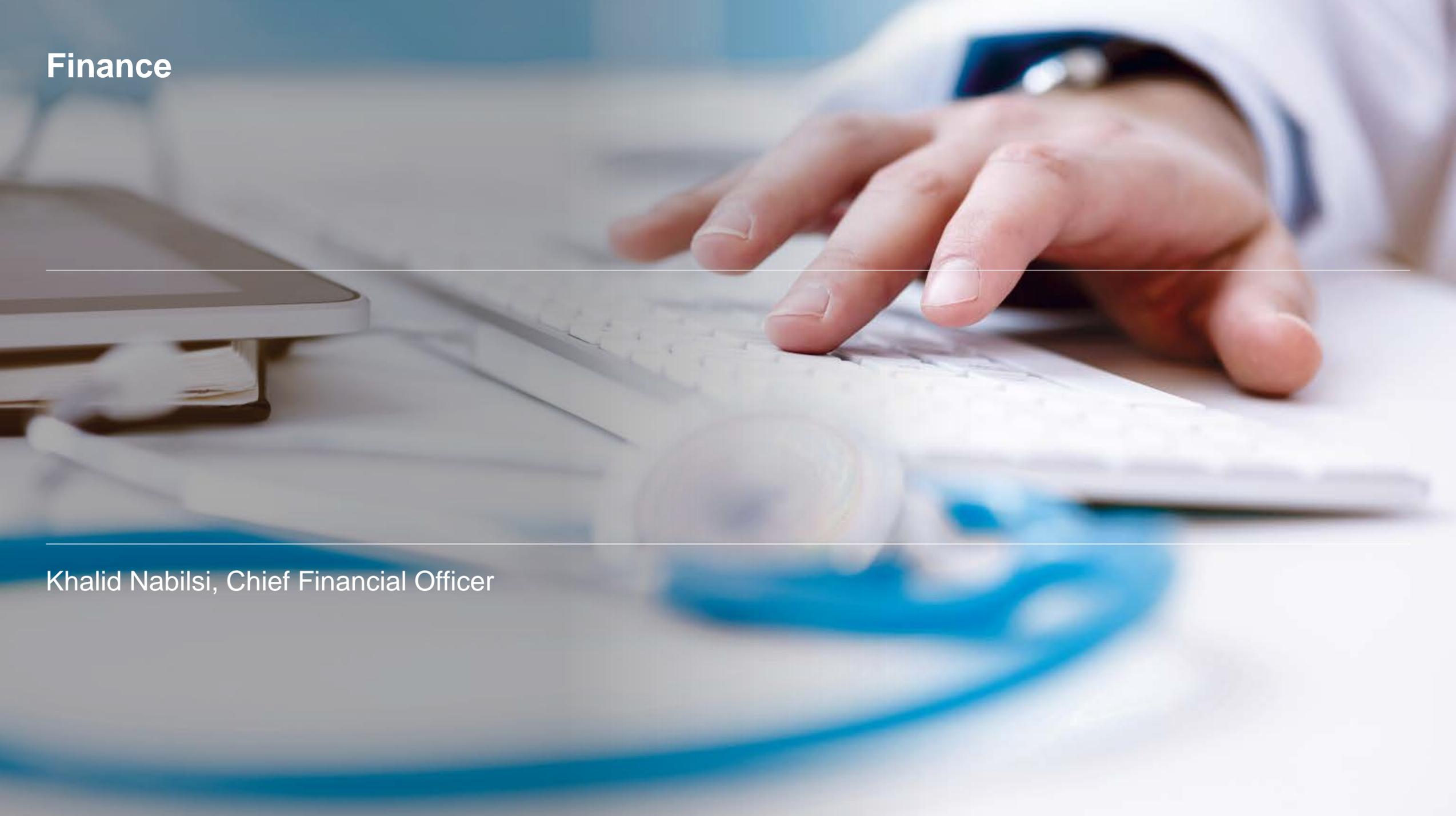
ABL Medical™

# Delivering sustainable growth

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Finance



Khalid Nablsi, Chief Financial Officer

## Group financial highlights

	2017	2018	% change
Core <sup>1</sup> revenue	\$1,936 million	\$2,076 million	+7%
Core gross profit	\$973 million	\$1,072 million	+10%
Core operating profit	\$386 million	\$460 million	+19%
Core EBITDA <sup>2</sup>	\$468 million	\$549 million	+17%
Core profit attributable to shareholders	\$252 million	\$332 million	+32%
Basic earnings/(loss) per share	(351.3) cents	117.0 cents	N/A
Core basic earnings per share	105.0 cents	137.8 cents	+31%
Dividend per share	34 cents	38 cents	+12%

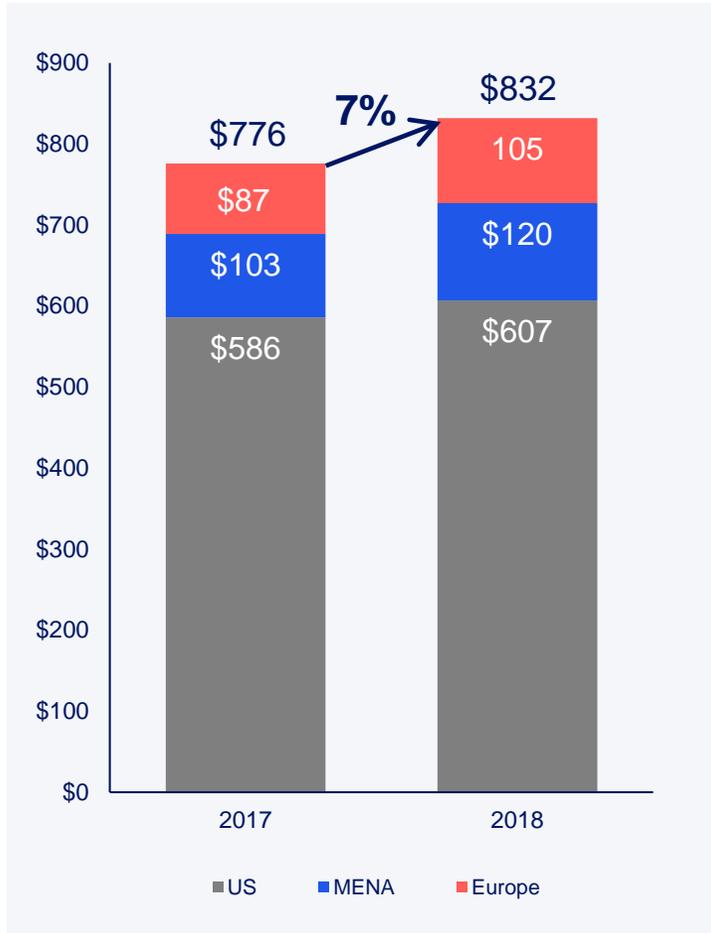
<sup>1</sup> Core results are presented to show the underlying performance of the Group, excluding exceptional items and other adjustments

<sup>2</sup> Earnings before interest, tax, depreciation, amortisation and impairment charges

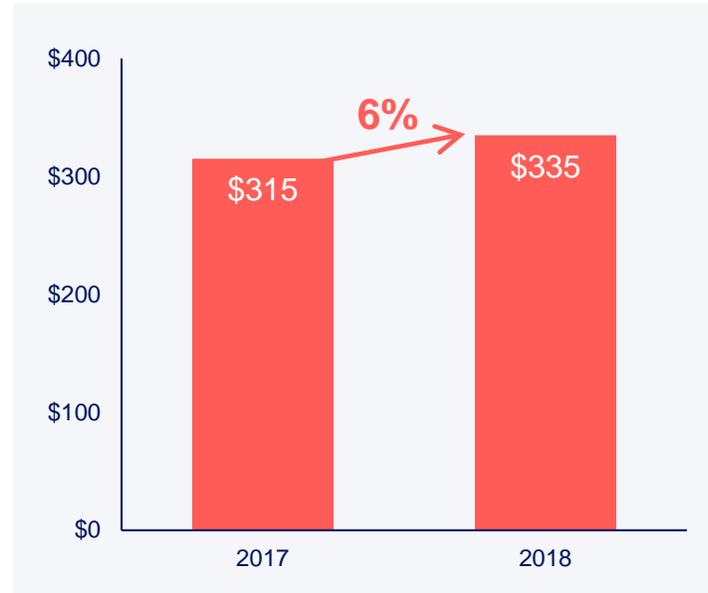
# Injectables



## Core revenue (million)



## Core operating profit (million)



## Operating margin

	2017	2018	Change	2018 constant currency	Change
Reported	37.8%	36.9%	-0.9pp	37.4%	-0.4pp
Core	40.6%	40.3%	-0.3pp	40.8%	0.2pp

## Core revenue

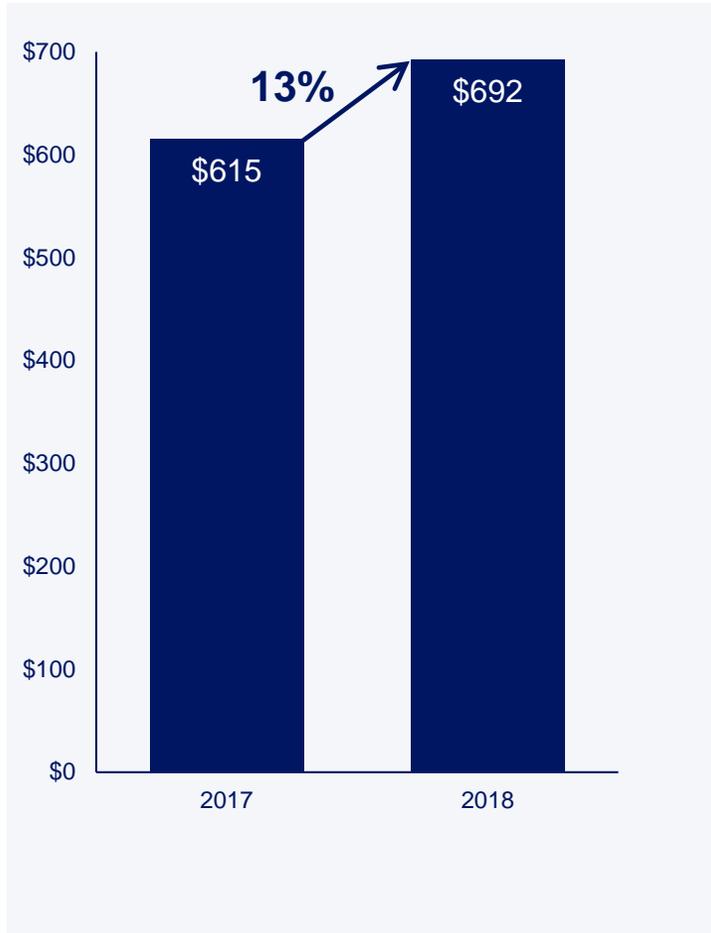
- ⊕ Strong demand for in-market products in US
- ⊕ Responded to supply shortages in US
- ⊕ Grew Remsima® sales in MENA
- ⊕ Launched new products across all markets
- ⊖ Increased competition on glycopyrrolate, neostigmine and thiotepa in US
- ⊖ Increased competition on US base portfolio and continued price erosion

## Core operating profit

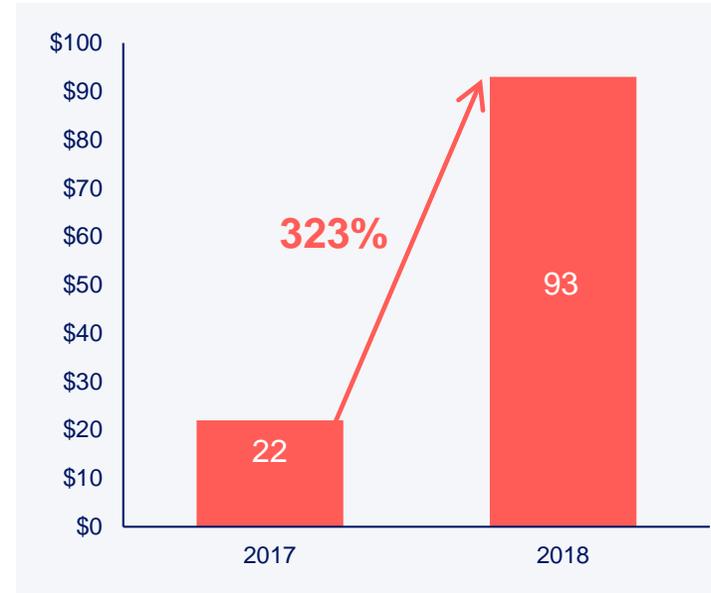
- ⊕ Maintained strong gross margin
- ⊖ Increased investment in R&D



## Core revenue (million)



## Core operating profit (million)



## Operating margin

	2017	2018	Change
Reported	N/A	5.8%	N/A
Core	3.6%	13.4%	9.8pp

## Core revenue

- ⊕ Enhanced commercial and business operations
- ⊕ Good demand for differentiated products
- ⊕ New product launches
- ⊖ Continued price erosion

## Core operating profit

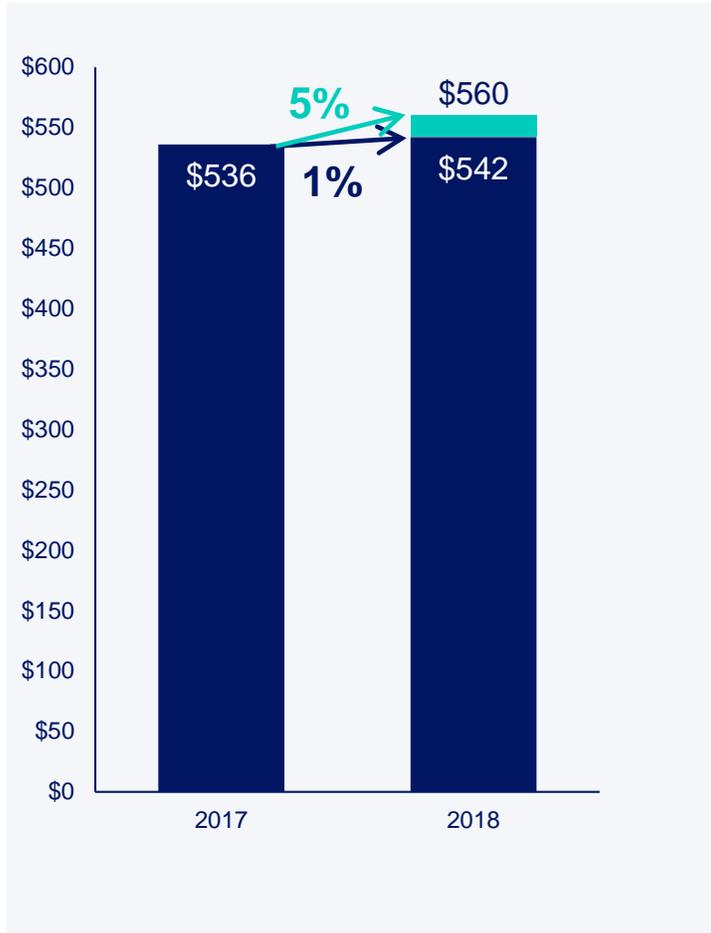
- ⊕ Improved product mix
- ⊕ Operating leverage from revenue growth
- ⊕ Significant reduction in overheads
- ⊕ Consolidated manufacturing and distribution facilities

# Branded



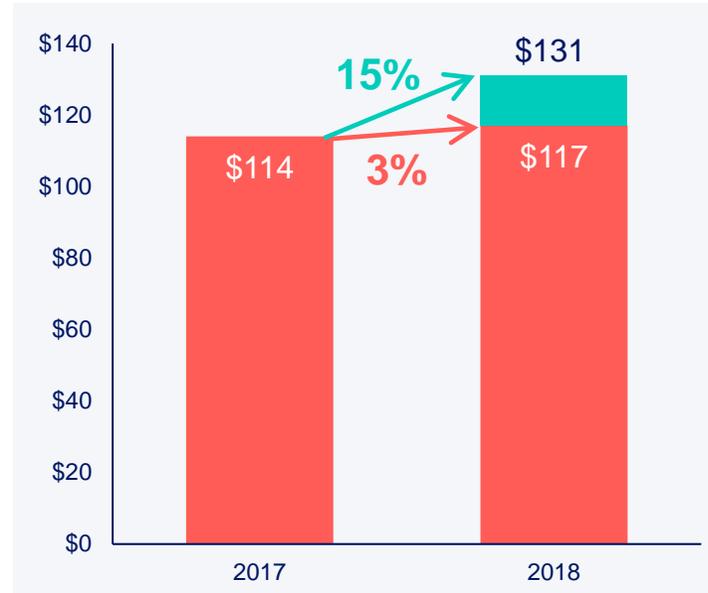
## Core revenue (million)

● Constant currency



## Core operating profit (million)

● Constant currency



## Operating margin

	2017	2018	Change	2018 constant currency	Change
Reported	20.0%	20.5%	0.5pp	22.3%	2.3pp
Core	21.3%	21.6%	0.3pp	23.4%	2.1pp

## Core revenue

- ⊕ Strong growth in Egypt, Iraq, Jordan, Libya and Sudan in constant currency
- ⊕ New product launches across all markets
- ⊖ Slight decrease in Saudi Arabia due to timing of sales
- ⊖ Temporary closure of general formulation plant in Algeria during upgrade work
- ⊖ Depreciation of the Sudanese pound and Algerian dinar against the US dollar

## Core operating profit

- ⊕ Focused on controlling costs and driving efficiencies
- ⊕ Received an allowance from a supplier to compensate for changing market dynamics
- ⊕ Reduced provision for doubtful debts following collection

# Core R&D and capital expenditure

## Core R&D

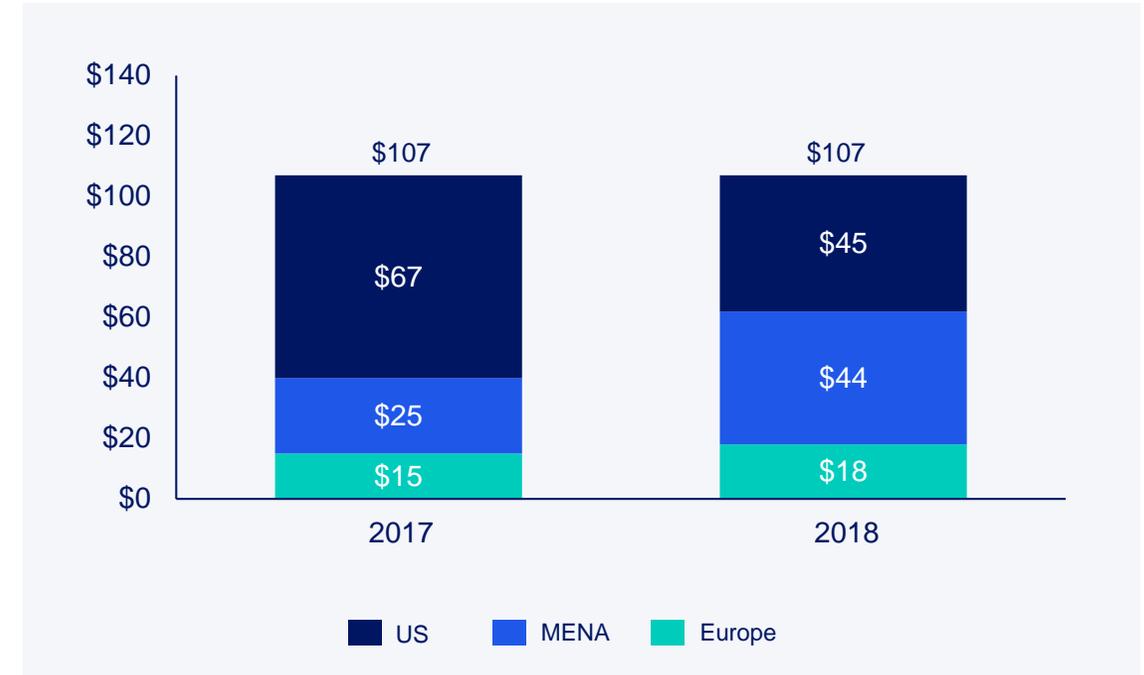
(million)



- Invested 6% of Group revenue in core R&D
- Increased investment in Injectables and Branded R&D programmes
- Reduced Generics R&D spend following pipeline review in 2017

## Capital expenditure

(million)

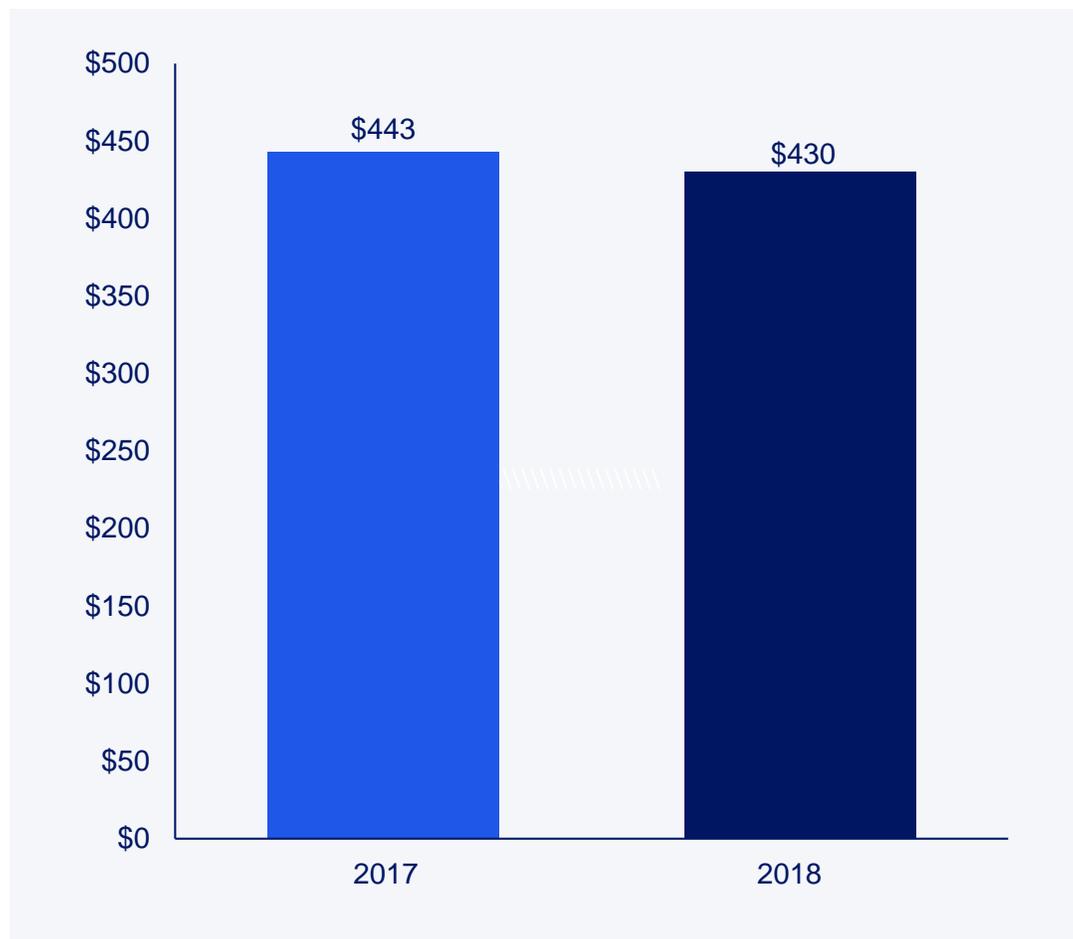


- Expanding capacity and capabilities in the US
- Strengthening manufacturing capabilities in MENA – upgraded facilities in Jordan, Algeria and Egypt
- Expanding manufacturing site in Portugal

# Cash flow and balance sheet

## Operating cash flow

(million)



## Net debt position

(million)

	Dec-17	Dec-18
Short-term financial debts <sup>1</sup>	\$87	\$75
Long-term financial debts	\$690	\$562
Cash and cash equivalents	\$231	\$276
Net debt	\$546	\$361
Net debt/core EBITDA	1.17x	0.66x
Total debt/core EBITDA	1.66x	1.16x

## Working capital

	Dec-17	Dec-18
Working capital days	225	210
Operating cash flow/revenue	23%	21%

## 2019 guidance

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### Injectables



- Revenue:  
**\$850 million to \$900 million**
- Core operating margin:  
**35% to 38%**

### Generics



- Revenue:  
**\$650 million to \$700 million**
- Core operating margin:  
**mid-teens**

### Branded



- Revenue growth in constant currency:  
**mid-single digits**

### Net finance expense



- Net finance expense:  
**c.\$50 million**

### Capital expenditure



- Capital expenditure:  
**\$120 million to \$140 million**

### Tax



- Core effective tax rate:  
**c.21%**

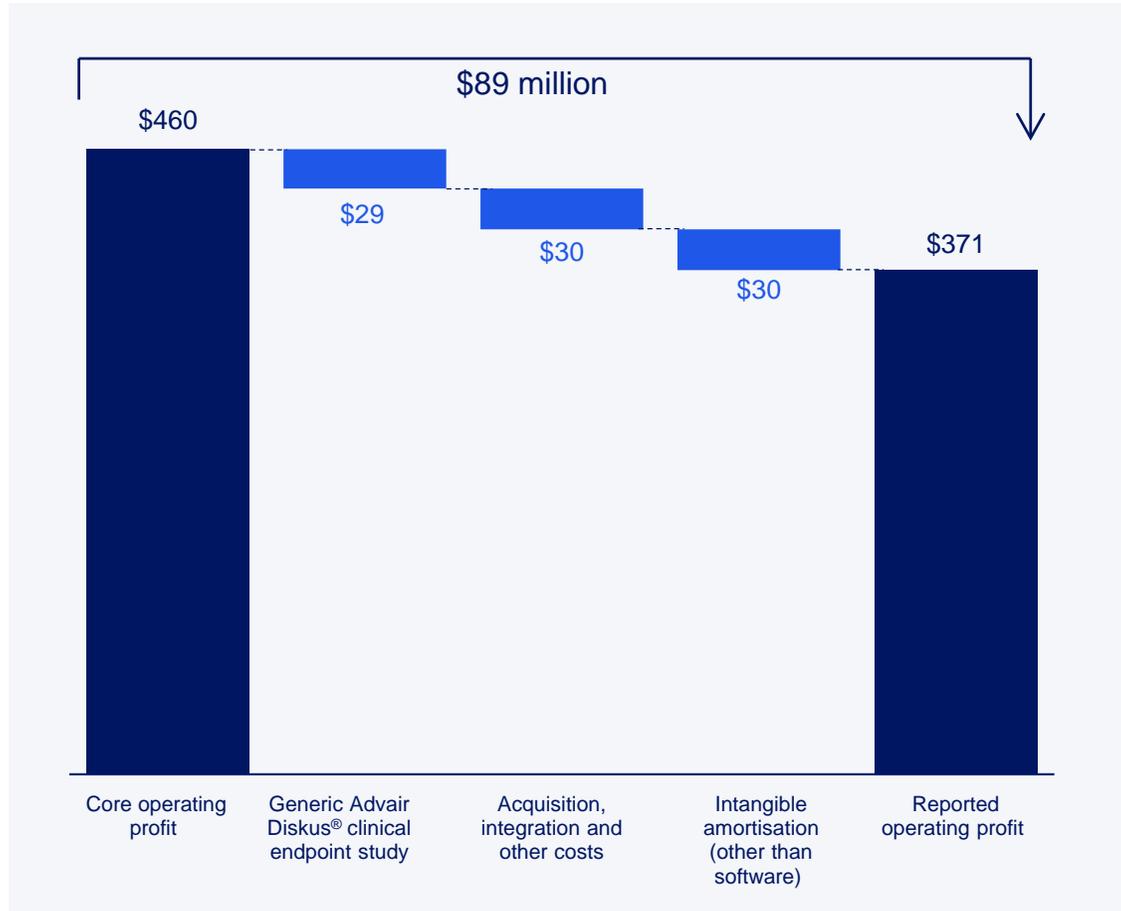
# Appendix

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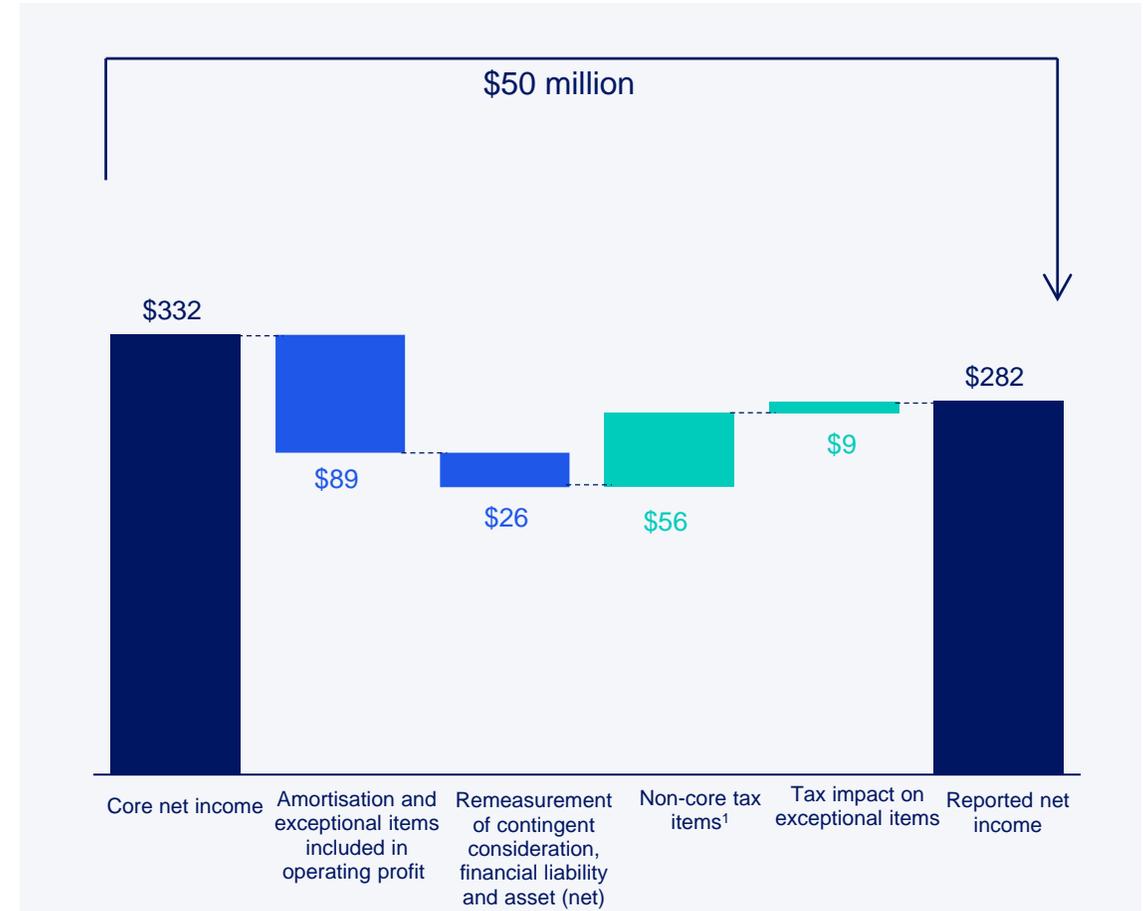


# 2018 exceptional items and other adjustment

**Bridge between 2018 core and reported operating profit**  
(million)



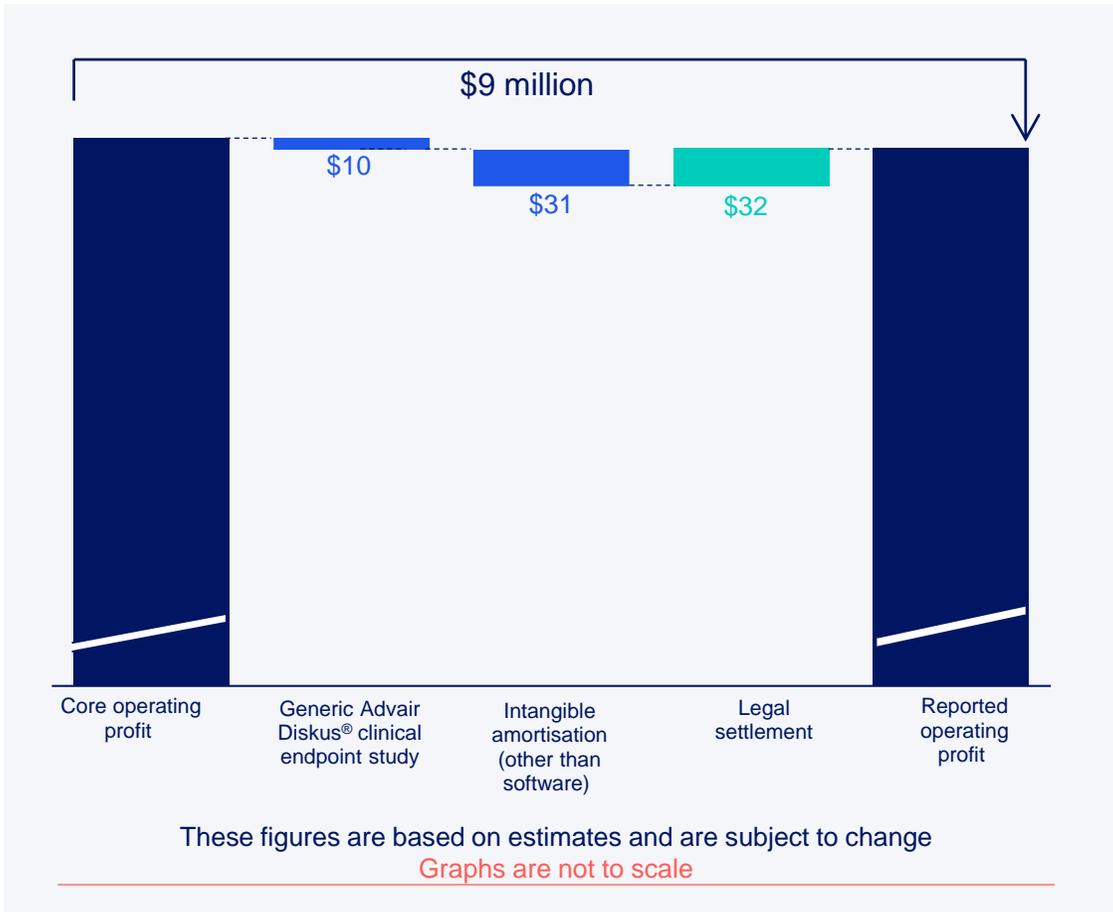
**Bridge between 2018 core and reported net income**  
(million)



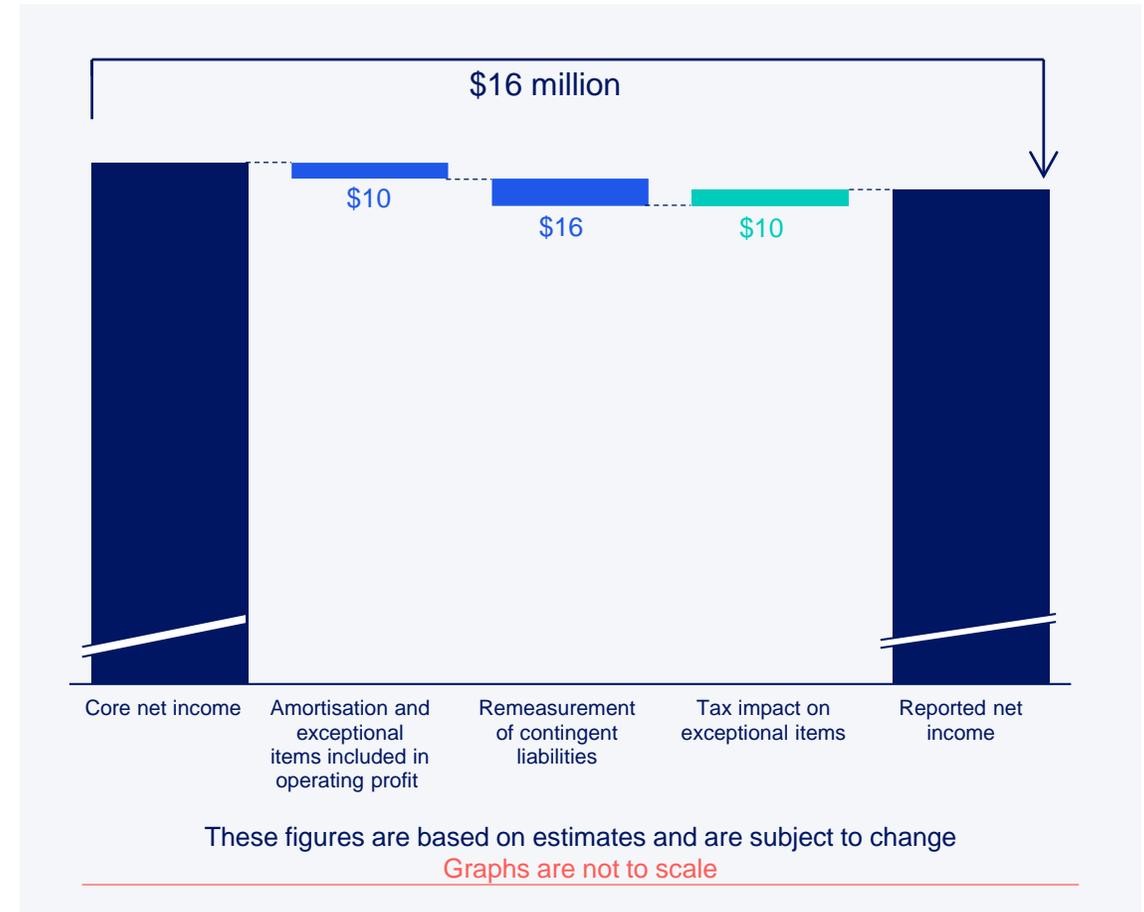
<sup>1</sup> Non-core tax items include a tax benefit associated with the prior year impairment loss (\$43 million) and a prior year favourable US tax ruling (\$13 million)

# 2019 exceptional items and other adjustments

**Bridge between 2019 core and reported operating profit**  
(million)

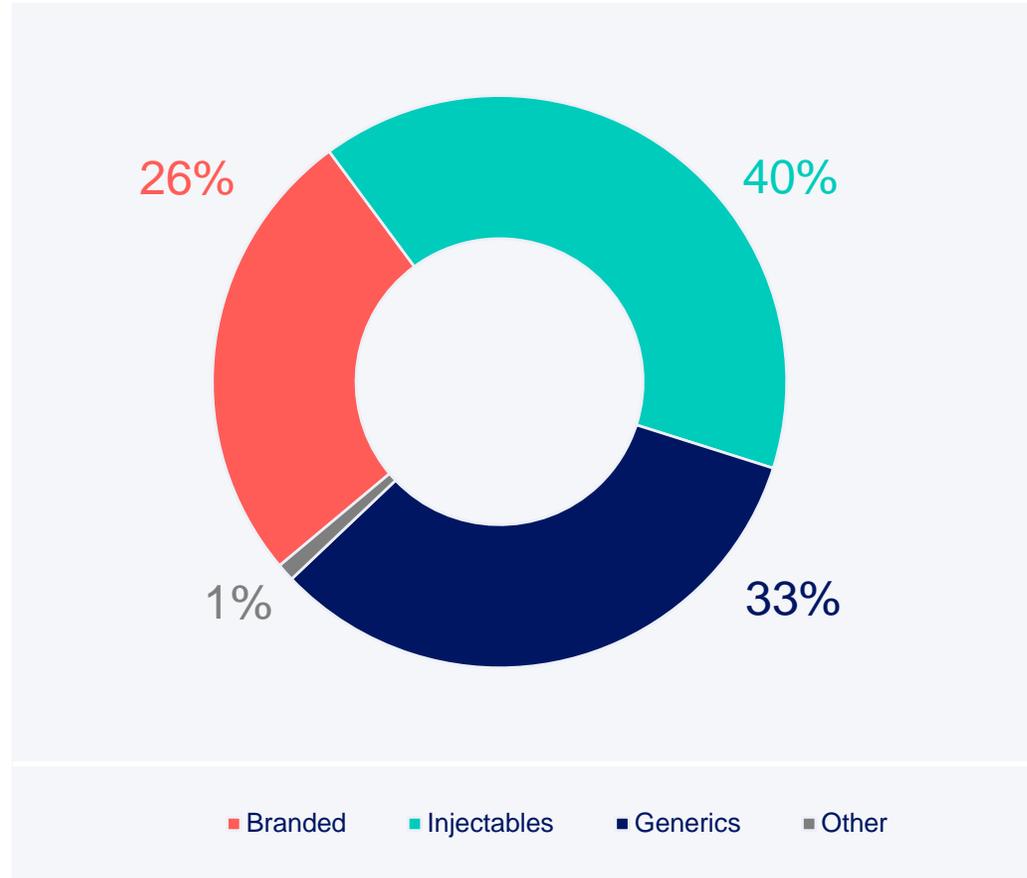


**Bridge between 2019 core and reported net income**  
(million)

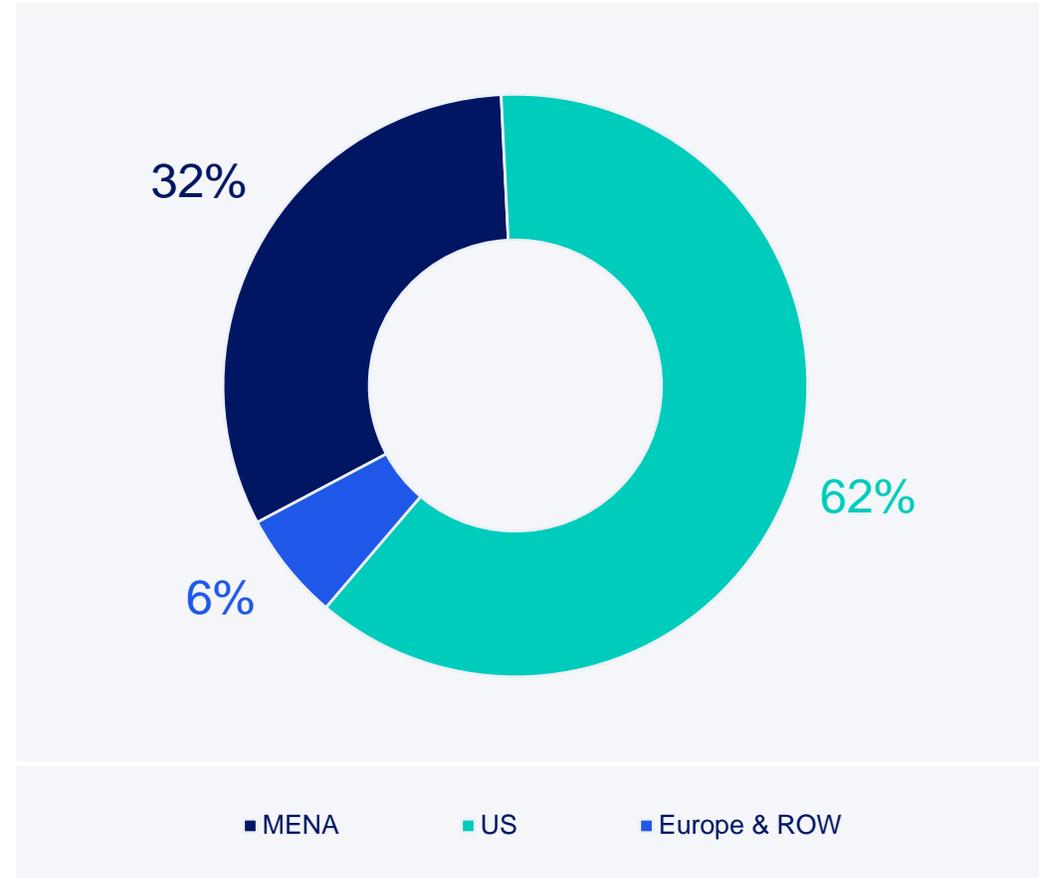


# Group core revenue by segment and region

2018 Group core revenue by segment



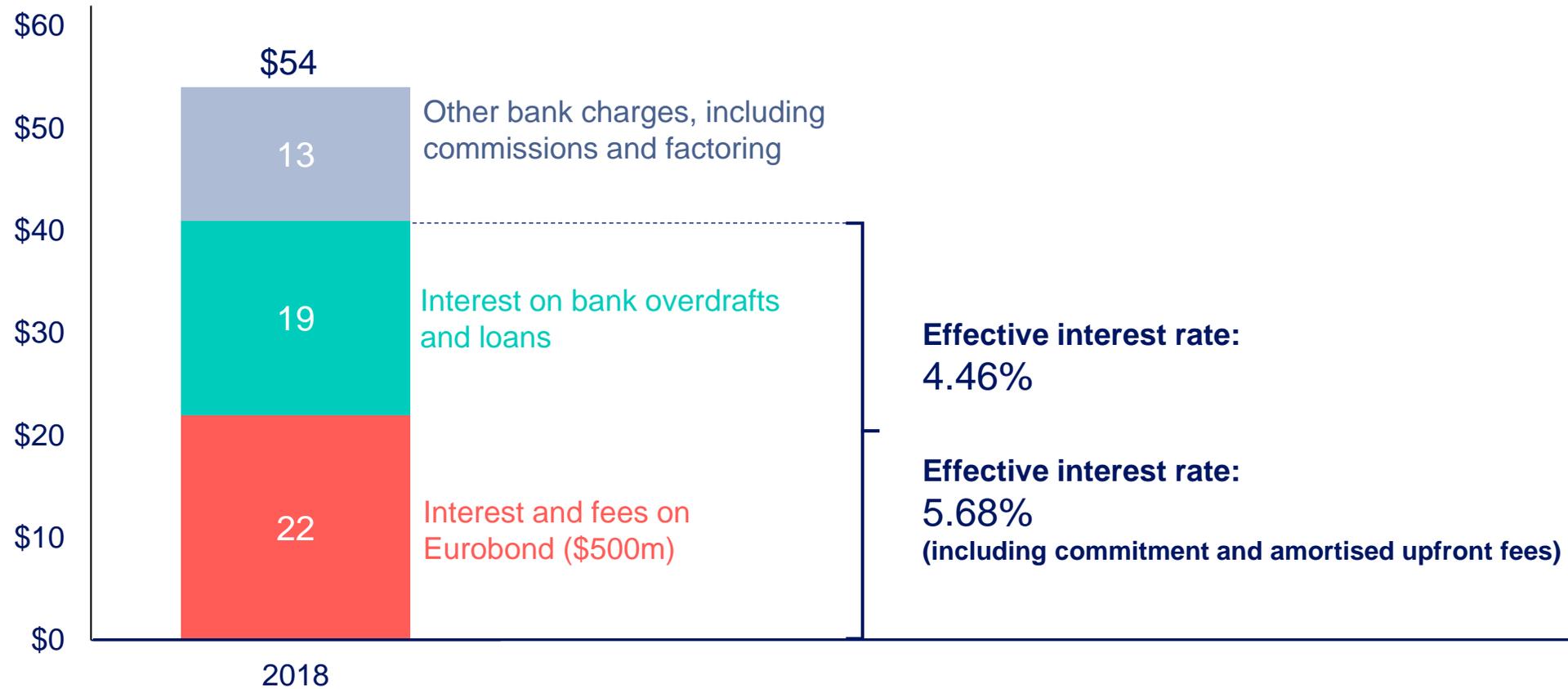
2018 Group core revenue by region



# Core finance expense

## 2018 core finance expense

(million)



# Consolidated P&L

\$ million	2017	2018	% change	% constant currency change
<b>Revenue</b>	<b>1,936</b>	<b>2,070</b>	<b>+7%</b>	<b>+8%</b>
<b>Core revenue</b>	<b>1,936</b>	<b>2,076</b>	<b>+7%</b>	<b>+8%</b>
<b>Gross profit</b>	<b>967</b>	<b>1,050</b>	<b>+9%</b>	<b>+10%</b>
<b>Core gross profit</b>	<b>973</b>	<b>1,072</b>	<b>10%</b>	<b>12%</b>
<i>Core gross margin</i>	50.3%	51.6%	+1.3pp	+1.7pp
<b>Operating profit/(loss)</b>	<b>(747)</b>	<b>371</b>	<b>N/A</b>	<b>N/A</b>
<b>Core operating profit</b>	<b>386</b>	<b>460</b>	<b>+19%</b>	<b>+24%</b>
<i>Core operating margin</i>	19.9%	22.2%	+2.3pp	+2.9pp
<b>EBITDA</b>	<b>488</b>	<b>492</b>	<b>+1%</b>	<b>+5%</b>
<b>Core EBITDA</b>	<b>468</b>	<b>549</b>	<b>17%</b>	<b>21%</b>
<b>Profit/(loss) attributable to shareholders</b>	<b>(843)</b>	<b>282</b>	<b>N/A</b>	<b>N/A</b>
<b>Core profit attributable to shareholders</b>	<b>252</b>	<b>332</b>	<b>+32%</b>	<b>+39%</b>
Basic earnings/(loss) per share (cents)	(351.3)	117.0	N/A	N/A
Core basic earnings per share (cents)	105.0	137.8	+31%	+38%
Dividend per share (cents)	34.0	38.0	+12%	-
<i>Core effective tax rate</i>	22.0%	17.9%	(4.1)pp	(4.7)pp

# Cash flow statement

\$ million	2017	2018
<b>Cash flows from operating activities</b>	<b>546</b>	<b>493</b>
Income taxes paid	(103)	(63)
<b>Net cash inflow from operating activities</b>	<b>443</b>	<b>430</b>
Purchases of property, plant and equipment	(107)	(107)
Proceeds from disposal of property, plant and equipment	4	13
Purchase of intangible assets	(44)	(32)
Cash (paid)/received from investment in joint ventures	2	(4)
Investment in financial and other non-current assets, net	(2)	4
Investments at fair value through other comprehensive income (2017: available for sale investment)	(8)	(4)
Acquisition of business undertakings net of cash acquired	3	1
Contingent consideration adjustment	-	30
Finance income	1	3
<b>Net cash outflow from investing activities</b>	<b>(151)</b>	<b>(96)</b>
Decrease in collateralised and restricted cash	3	3
Proceeds from issue of long-term financial debts	349	93
Repayment of long-term financial debts	(401)	(224)
Proceeds from short-term borrowings	323	138
Repayment of short-term borrowings	(349)	(148)
Dividends paid	(79)	(84)
Dividends paid to non-controlling shareholders of subsidiaries	(2)	(3)
Interest paid	(57)	(51)
Purchase of non-controlling interest in subsidiary	(6)	-
Payment from co-development and earnout payment agreement, net	(1)	(2)
<b>Net cash outflow from financing activities</b>	<b>(220)</b>	<b>(278)</b>
<b>Net increase in cash and cash equivalents</b>	<b>72</b>	<b>56</b>
<b>Cash and cash equivalent at beginning of year</b>	<b>155</b>	<b>227</b>
Foreign exchange translation movements	-	(7)
<b>Cash and cash equivalents at end of year</b>	<b>227</b>	<b>276</b>

## Balance sheet

\$ million	Dec-17	Dec-18	\$ change	% change
Goodwill	282	279	(3)	(1%)
Other intangible assets	503	487	(16)	(3%)
Property, plant and equipment	828	870	42	5%
Investment in associates and joint ventures	6	11	5	83%
Deferred tax assets	135	125	(10)	(7%)
Financial and other non-current assets	60	57	(3)	(5%)
<b>Total non-current assets</b>	<b>1,814</b>	<b>1,829</b>	<b>15</b>	<b>1%</b>
Inventories	488	528	40	8%
Income tax receivable	53	74	21	40%
Trade and other receivables	707	731	24	3%
Collateralised and restricted cash	4	-	(4)	(100%)
Cash and cash equivalents	227	276	49	22%
Other current assets	95	59	(36)	(38%)
<b>Total current assets</b>	<b>1,574</b>	<b>1,668</b>	<b>94</b>	<b>6%</b>
<b>Total assets</b>	<b>3,388</b>	<b>3,497</b>	<b>109</b>	<b>3%</b>
Bank overdrafts and loans	86	74	(12)	(14%)
Trade and other payables	365	465	100	27%
Income tax provision	82	68	(14)	(17%)
Other provisions	26	23	(3)	(12%)
Other current liabilities	238	263	25	11%
<b>Total current liabilities</b>	<b>797</b>	<b>893</b>	<b>96</b>	<b>12%</b>
Long-term financial debts	670	539	(131)	(20%)
Obligations under finance leases	20	23	3	15%
Deferred tax liabilities	49	16	(33)	(67%)
Other non-current liabilities	324	329	5	2%
<b>Total non-current liabilities</b>	<b>1,063</b>	<b>907</b>	<b>(156)</b>	<b>(15%)</b>
<b>Total liabilities</b>	<b>1,860</b>	<b>1,800</b>	<b>(60)</b>	<b>(3%)</b>
<b>Equity attributable to equity holders of the parent</b>	<b>1,514</b>	<b>1,685</b>	<b>171</b>	<b>11%</b>
Non-controlling interest	14	12	(2)	(14%)
<b>Total equity</b>	<b>1,528</b>	<b>1,697</b>	<b>169</b>	<b>11%</b>

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