



Hikma Pharmaceuticals PLC

2017 Interim results

17 August 2017

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Strategic highlights



Delivering stable profitability and strong cash generation and maintaining a solid balance sheet



H1 2017 highlights

- ▲ Stable revenue and profitability in H1 2017
- ▲ Generated good cash flow, supporting a strong and flexible balance sheet
- ▲ Continued focus on operational efficiency and cost reduction
- ▲ Strengthened our management teams across our three businesses
- ▲ Enhanced portfolio with 75 product launches
- ▲ Expanded existing partnership with Takeda, reinforcing our position as partner-of-choice in the MENA



Focusing on five key priorities to achieve our strategic objectives



Maximise portfolio potential across our markets



Optimise operations and drive efficiencies



Develop a differentiated product portfolio by building best-in-class R&D capabilities



Attract and develop talent across the Group

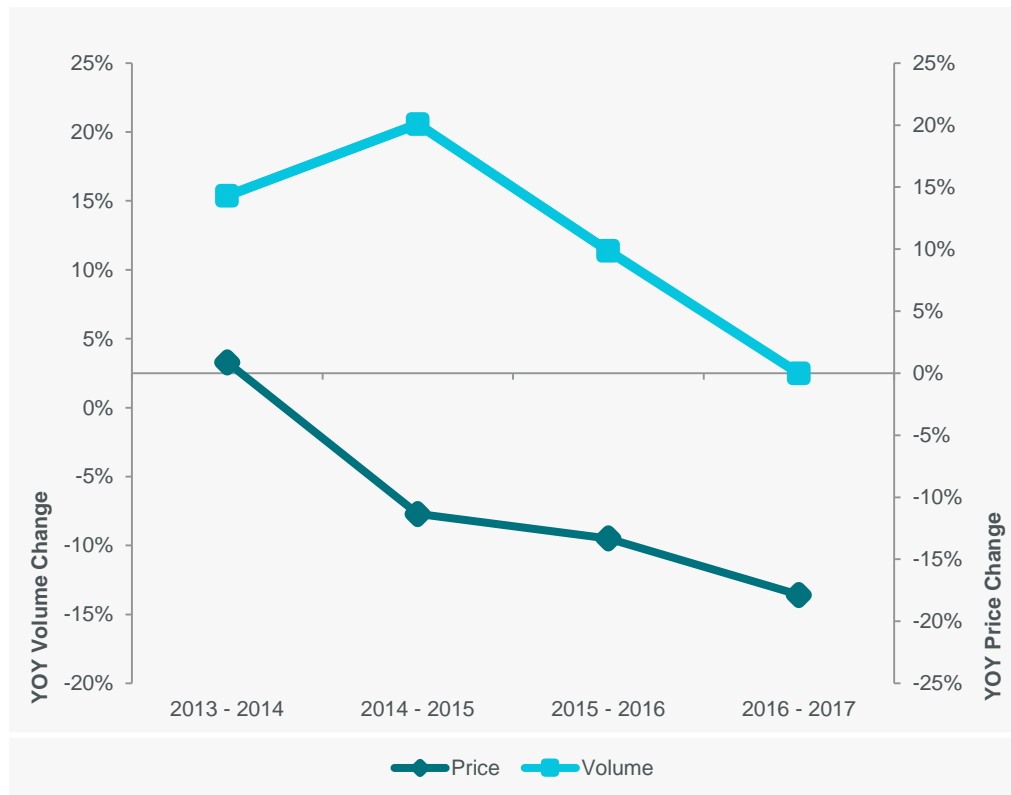


Use M&A and capital investment to accelerate organic growth

Significant challenges are impacting the US generics market



US generics market volume and price change¹



- ▲ Increased consolidation among chains and independent pharmacies
 - In 2017, the three largest purchasing groups will represent 80% of all generics purchases in the US²
- ▲ More generic products are being approved
 - In FY16, the FDA approved 651 Abbreviated New Drug Applications (ANDAs) – 159 more than the number of approvals for FY15 and 242 more than in FY14³
- ▲ Generic products facing greater competition
 - In July 2017, approximately 65% of approved ANDAs had three or more generic competitors⁴

¹ IMS healthcare data

² MarketWatch, 2017

³ Regulatory Affairs Professionals Society, 2016

⁴ Citi research, 2017

Ensuring the Generics business is well positioned for future growth

Commercial focus

- ▲ Expanding customer channels for certain products
- ▲ Continuing portfolio optimisation
- ▲ Enhancing engagement with customers through regular face-to-face meetings
- ▲ Improving service levels and customer relationships



Cost reductions

- ▲ \$35 million cost savings in 2016
- ▲ Further reduction in overhead costs in 2017 are offsetting incremental costs in H1
- ▲ Identifying cost savings and efficiencies in R&D
- ▲ Scope for further cost savings across all business functions

Product development

- ▲ Experienced team and first-class development facilities
- ▲ Focusing on developing differentiated products, whilst balancing overall pipeline risk
- ▲ Reviewing and prioritising in-process projects to enhance R&D productivity and accelerate launches



Business development

- ▲ Entering 3rd party partnerships
- ▲ Assessing product acquisition opportunities
- ▲ Financial flexibility to enhance portfolio and pipeline

Strengthening the Generics management team through internal promotion and external recruitment



Brian Hoffmann

President of Generics

Previously with L.E.K. Consulting and Boehringer Ingelheim



Frank Savastano

Supply Chain and Operations

Previously with Schering-Plough/ Merck



Jerald Andry

Regulatory and Medical Affairs

Previously with Boehringer Ingelheim and Baxter International



Craig Heneghan

Commercial Development Strategy

Founding President of Red Oak Sourcing



Michael Balog

Plant Manager, West-Ward Columbus

Previously with Aprexia Pharmaceuticals and Teva



Mark Fletcher

Product Development

Previously with Purdue, Qualitest, Endo, PBM and Douglas



Matthew Zrebiec

Business Development and Portfolio Strategy

Previously with Teva, Endo, Par, Wyeth and Lupin

Focusing on weathering near-term headwinds while positioning for long-term growth



2017

- Challenging market conditions, leading to price erosion and volume decline
- Strengthened management team
- Focus on cost reductions and portfolio optimisation

2018

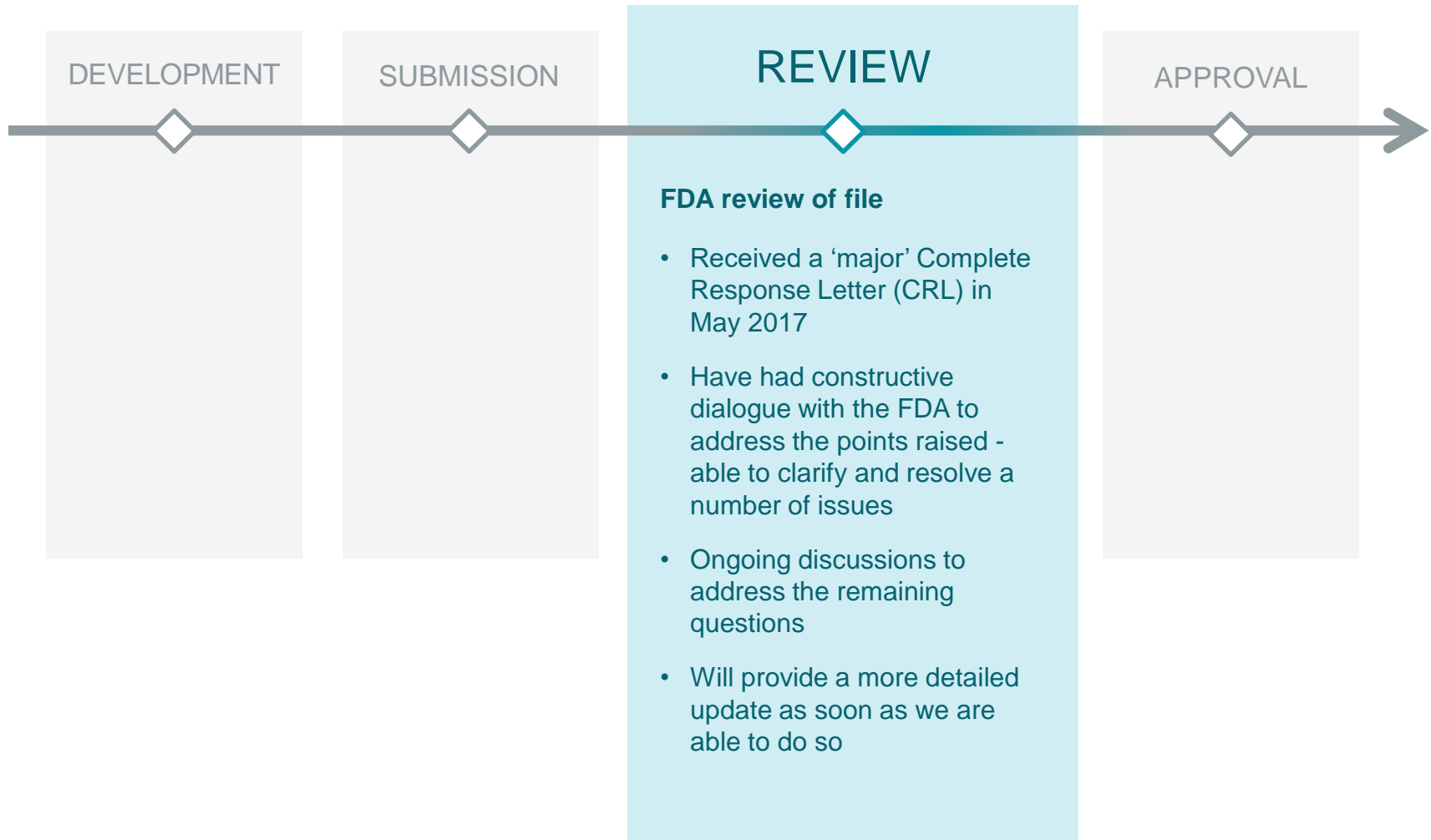
- Industry headwinds expected to continue
- Full-year benefit of cost reduction and portfolio optimisation
- Further cost reductions
- Management changes deliver improved performance in R&D and commercial operations
- Acceleration in product launches, including two 'date certain launches'

2019 and beyond

- Market conditions expected to improve
- Strong pipeline of products to drive growth
 - Additional respiratory launch opportunities
 - Multiple significant PIV opportunities
- M&A upside potential

Potential generic Advair launch

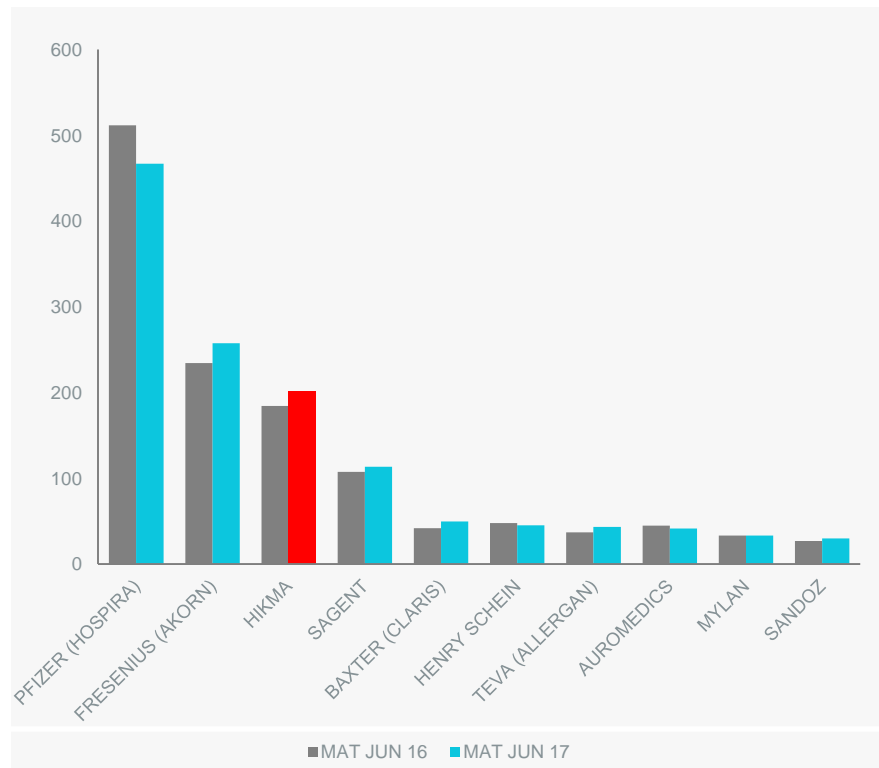
Developing generic Advair for the US market



Maintaining our position in the US generic injectables market despite increasing competition



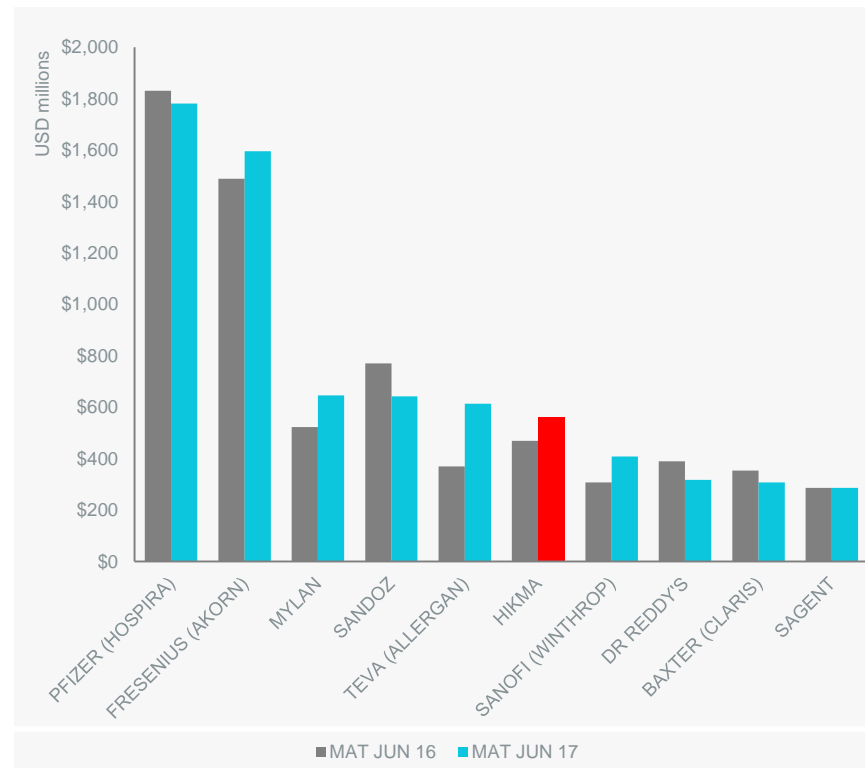
US generic injectables market share¹
June 2017 (eaches)



Market Share

	H1 2016	H1 2017
Volume	12%	13%

US generic injectables market share¹
June 2017 (sales)



Market Share

	H1 2016	H1 2017
Value	5%	6%

¹ IMS healthcare data

Building best-in-class R&D capabilities to deliver global Injectables growth

- ▲ Significant investment in Injectables R&D over the last five years
- ▲ Dedicated R&D facility with pilot plant
- ▲ Consolidated function preparing global files to efficiently access our markets
- ▲ Building a pipeline of complex and differentiated generic injectable products
- ▲ Developing portfolio of ready-to-use products, including pre-filled syringes, bags and auto-injectors
- ▲ Key success factors:
 - State-of-the-art R&D facilities
 - Quality-driven, diversified manufacturing operations



>160
products¹ launched
in the last three
years

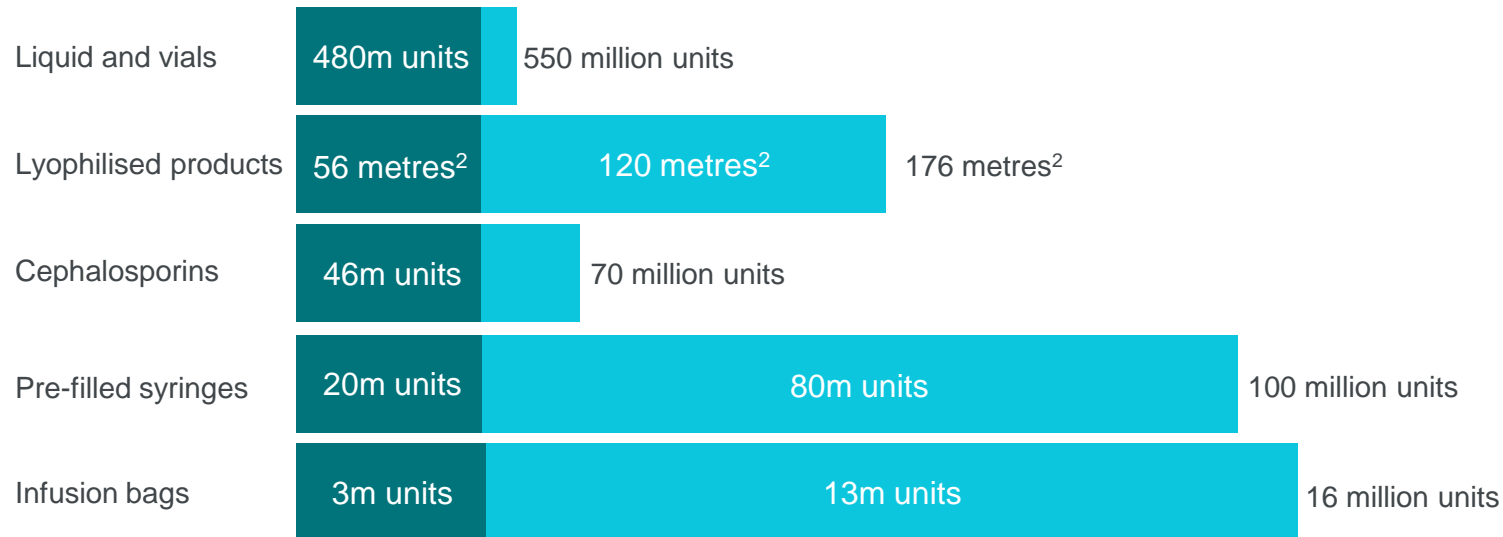


>440
products¹
in our pipeline

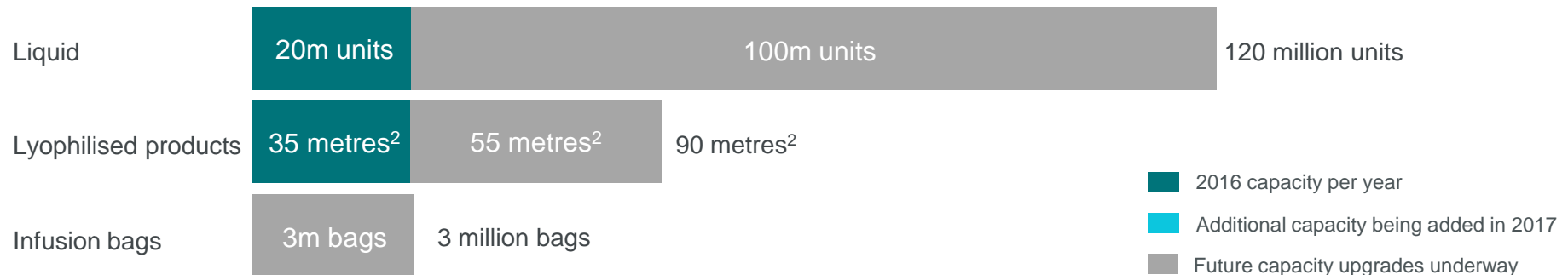
¹ Includes all dosage forms and strengths, across all markets

Investing in our Injectables facilities and capabilities

Injectable products – building additional capacity in Cherry Hill and Portugal



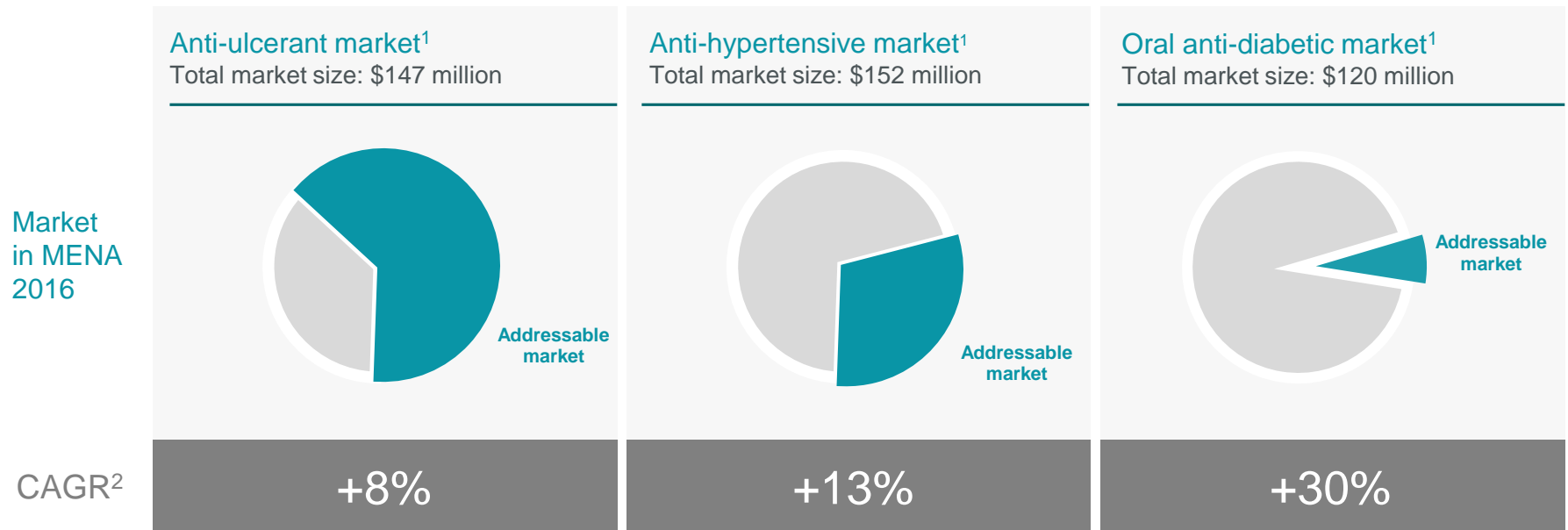
Injectable oncology products – building dedicated state of the art facility in Portugal



Expanding existing partnership with Takeda reinforcing our position as a partner of choice in MENA



- ▲ Builds upon a long-standing partnership – successfully commercialised eight of Takeda’s products in MENA
- ▲ Adds attractive branded products to our portfolio – Vipedia® (alogliptin), Edarbi® (azilsartan) and Dexilant® (dexlansoprazole)
- ▲ Strengthens Hikma’s product portfolio in strategic therapeutic areas – cardiovascular, diabetes and gastro-intestinal



¹ MIDAS data

² Compound annual growth rate of packets sold for addressable market, 2014 - 2016

Successfully launching high-value products in our largest MENA market

6

new products
launched in Saudi Arabia



3

first-
to-market
generics

2

second-
to-market
generics

1

in-licensed
branded
product



Products cover key therapeutic areas – 4 central nervous system, 1 anti-infective and 1 diabetes

Strategic outlook for the Group



Clear and consistent strategy across all our segments



Experienced management teams focused on execution



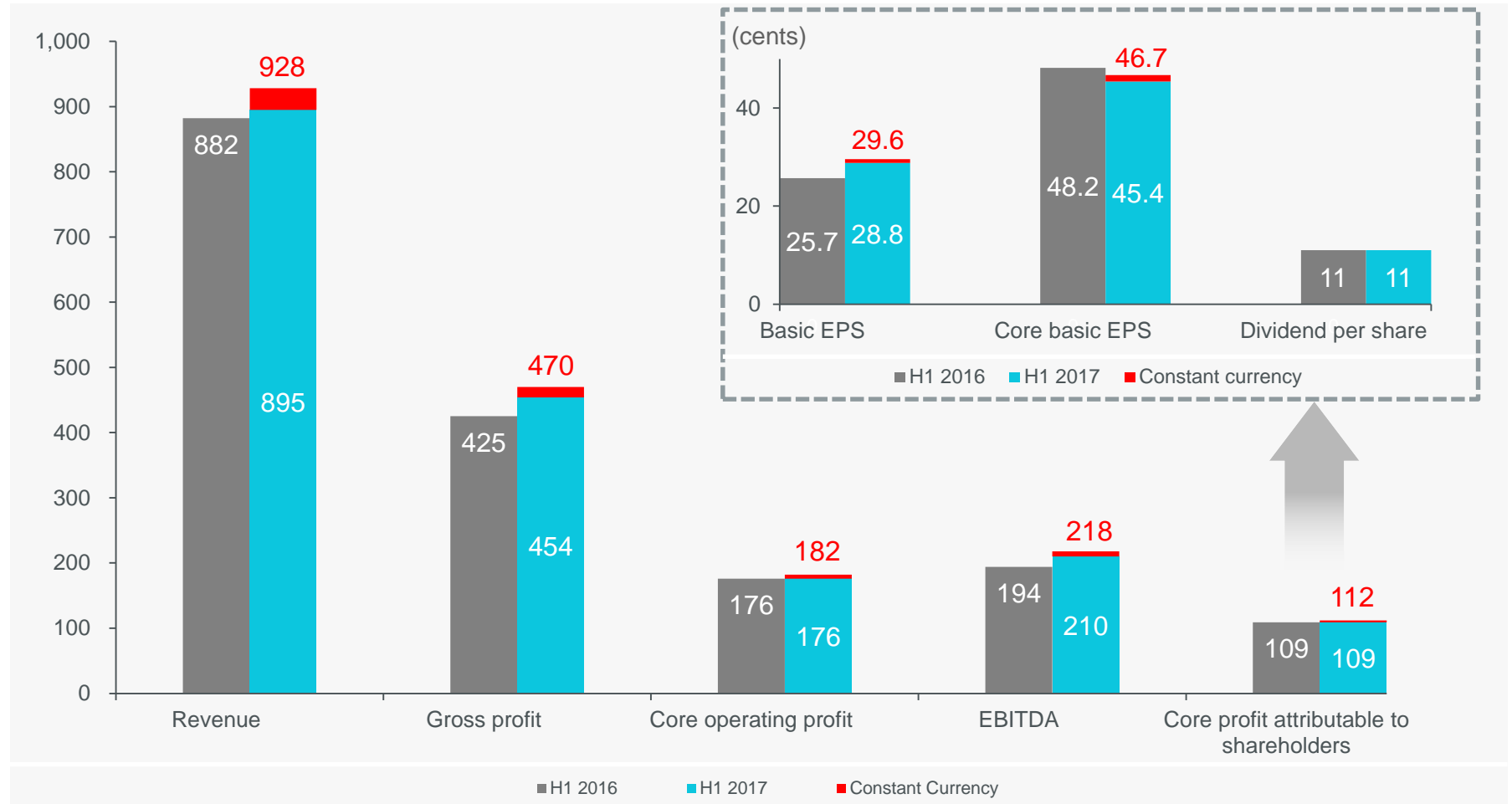
Strong balance sheet to support growth

Financial performance



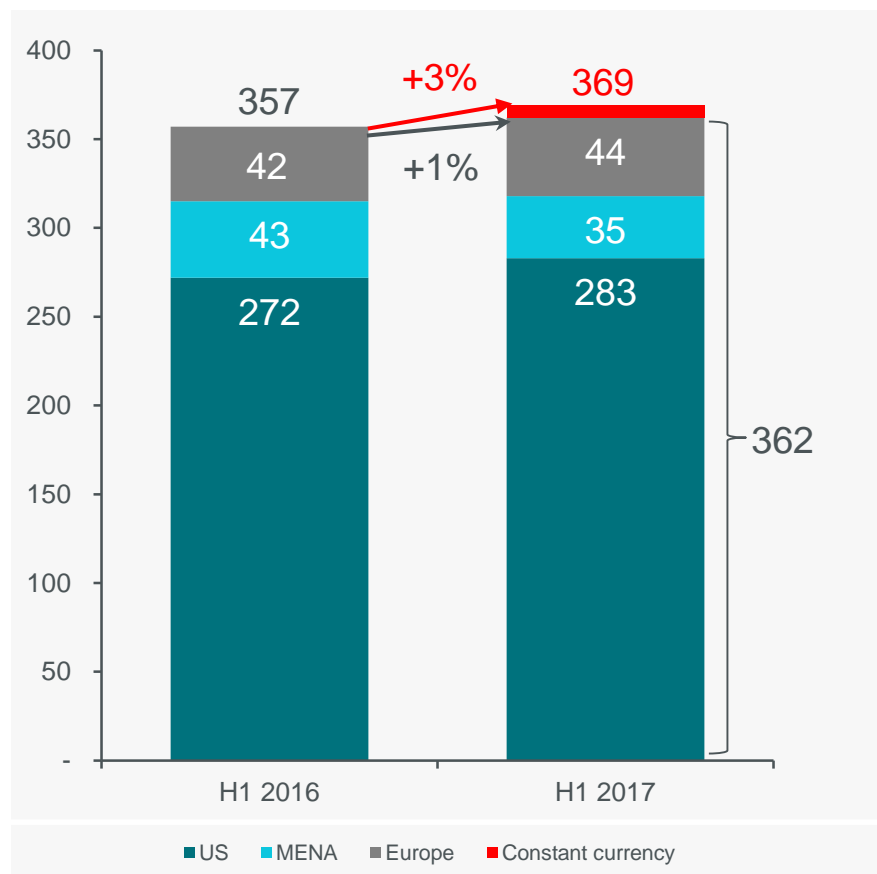
Stable profitability and strong cash generation

H1 2017 Group financial highlights (\$ million)

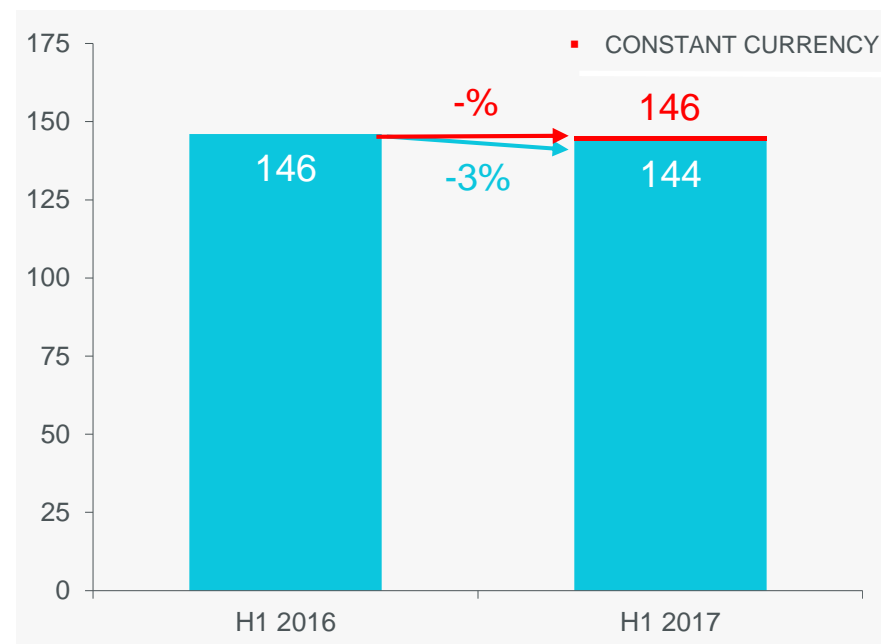


Maintaining strong profitability in Injectables

Injectables revenue (\$ million)



Injectables core¹ operating profit (\$ million)



Operating margin

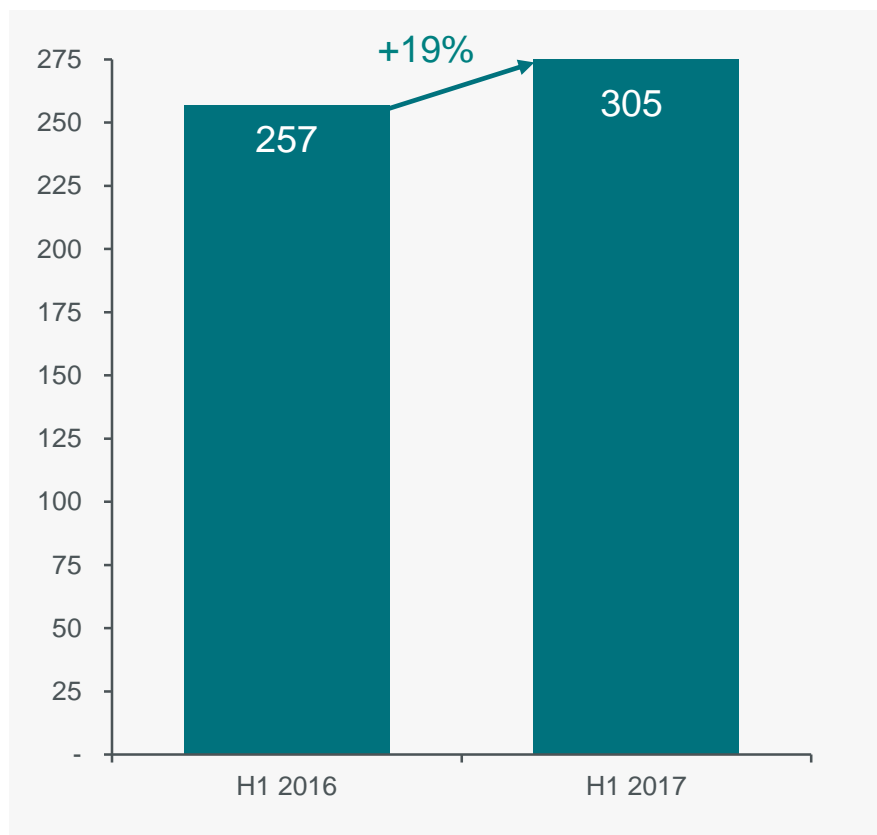
	H1 2016	H1 2017	Change	2017 Constant currency	Change
Reported	40.3%	37.0%	-3.3pp	36.6%	-3.7pp
Core ¹	40.9%	39.8%	-1.1pp	39.6%	-1.3pp

¹ Before the amortisation of intangible assets other than software and exceptional items

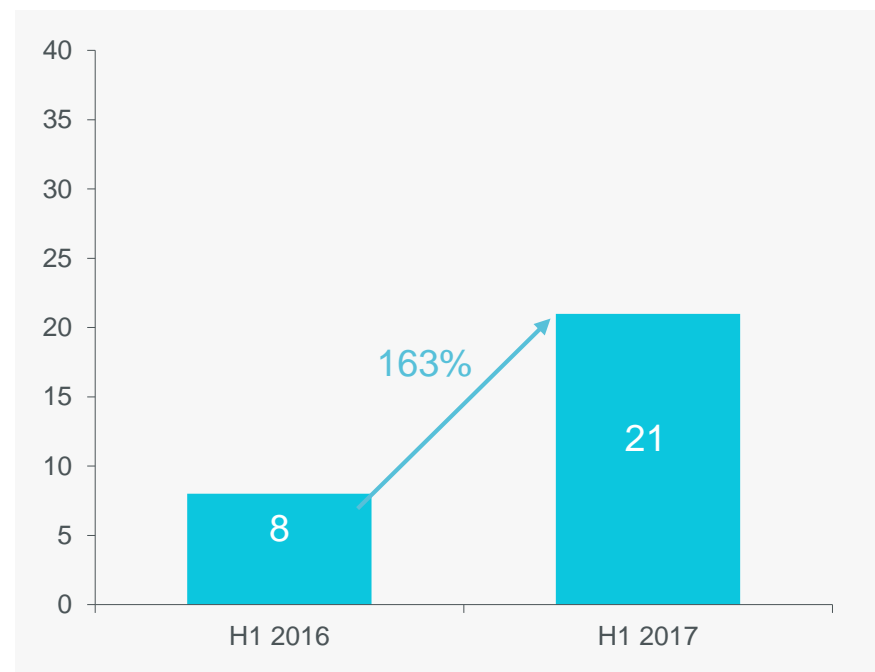
Growth reflects an additional two months of West-Ward Columbus in H1 2017



Growth revenue (\$ million)



Growth core¹ operating profit (\$ million)



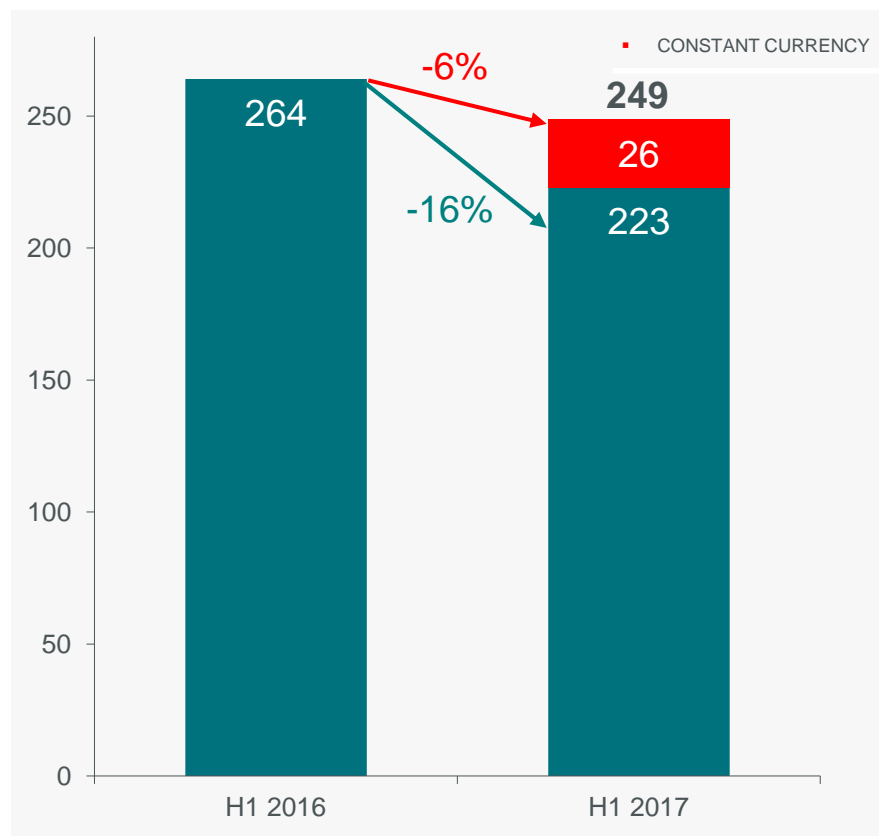
Operating margin

	H1 2016	H1 2017	Change
Reported	-3.5%	-9.2%	-5.7pp
Core ¹	3.1%	6.9%	3.8pp

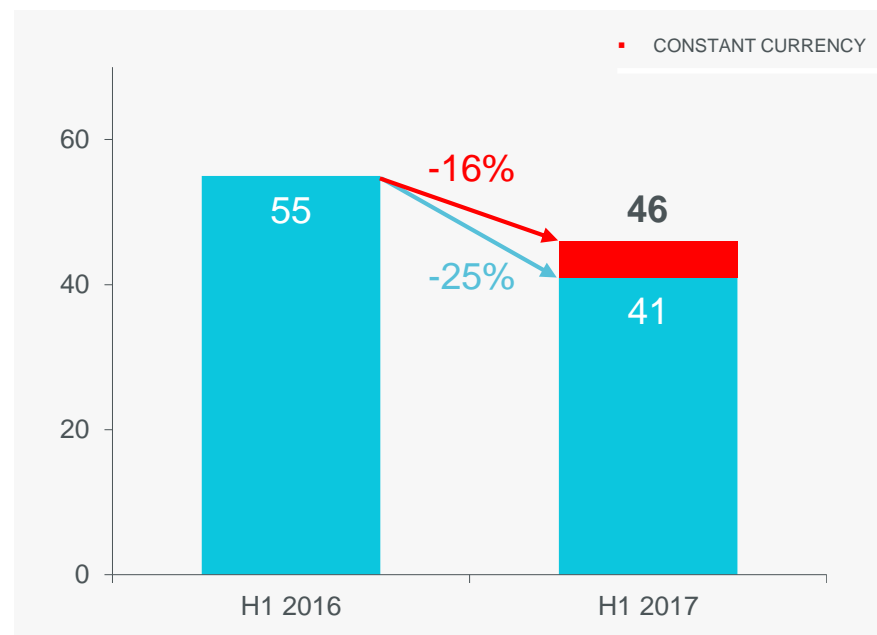
¹ Before the amortisation of intangible assets other than software and exceptional items

Branded results impacted by currency headwinds and seasonality

Branded revenue (\$ million)



Branded core¹ operating profit (\$ million)



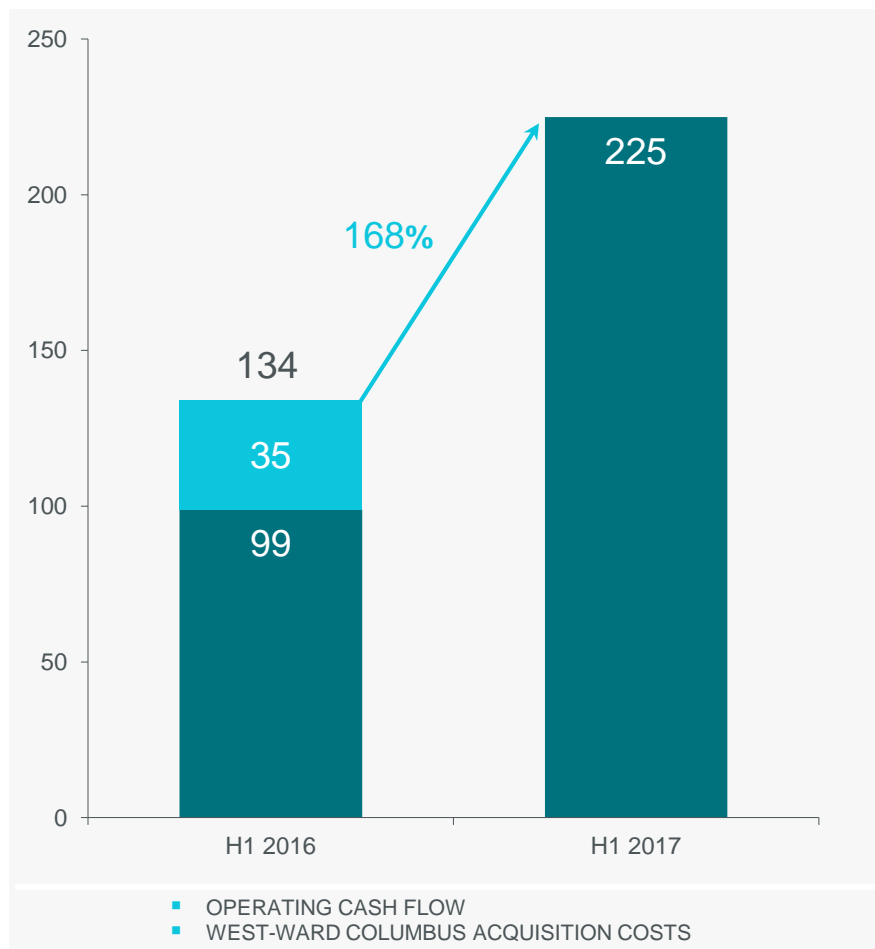
Operating margin

	H1 2016	H1 2017	Change	2017 Constant Currency	Change
Reported	19.3%	16.6%	-2.7pp	16.2%	-3.1pp
Core ¹	20.8%	18.4%	-2.0pp	18.5%	-2.4pp

¹ Before the amortisation of intangible assets other than software and exceptional items

Strong cash generation

Group operating cash flow (\$ million)

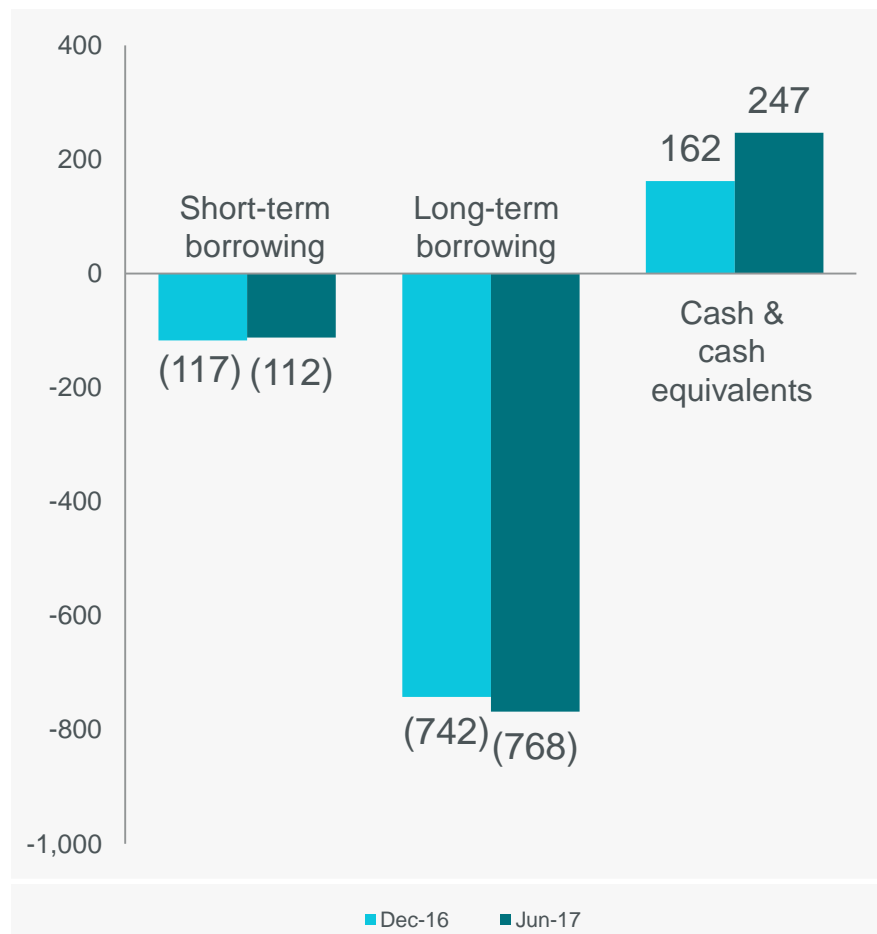


- ▶ Operating cash flow was \$225 million, up from \$134 million excluding WWC acquisition and integration costs
- ▶ Increase reflects the working capital investment made in the West-Ward Columbus business in H1 2016 following the acquisition
- ▶ Primary uses of cash were capex, product-related investments and the paydown of debt

	H1 2016	H1 2017	Change
Working capital days	211	230	+19
Operating cash flow / revenue	11%	25%	+14pp

Solid balance sheet providing financial flexibility

Group net debt position at 30 June 2017 (\$ million)



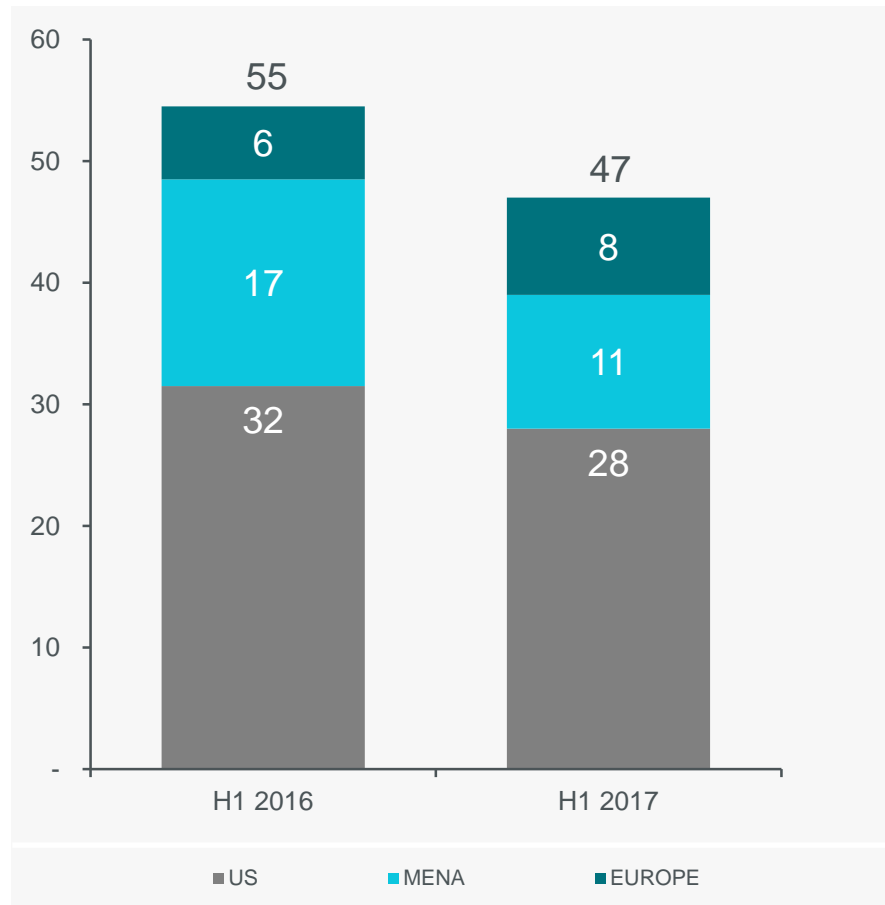
- ▶ Net debt of \$633 million, down from \$697 million
- ▶ Reflects paydown of debt in the period
- ▶ Financing position remains strong – Net debt/EBITDA of 1.3x

	Dec 2016	Jun 2017
Net debt	697	633
Net debt/EBITDA	1.40x	1.27x
Debt/EBITDA	1.73x	1.77x

Continued investment in capacity and capabilities to support future growth



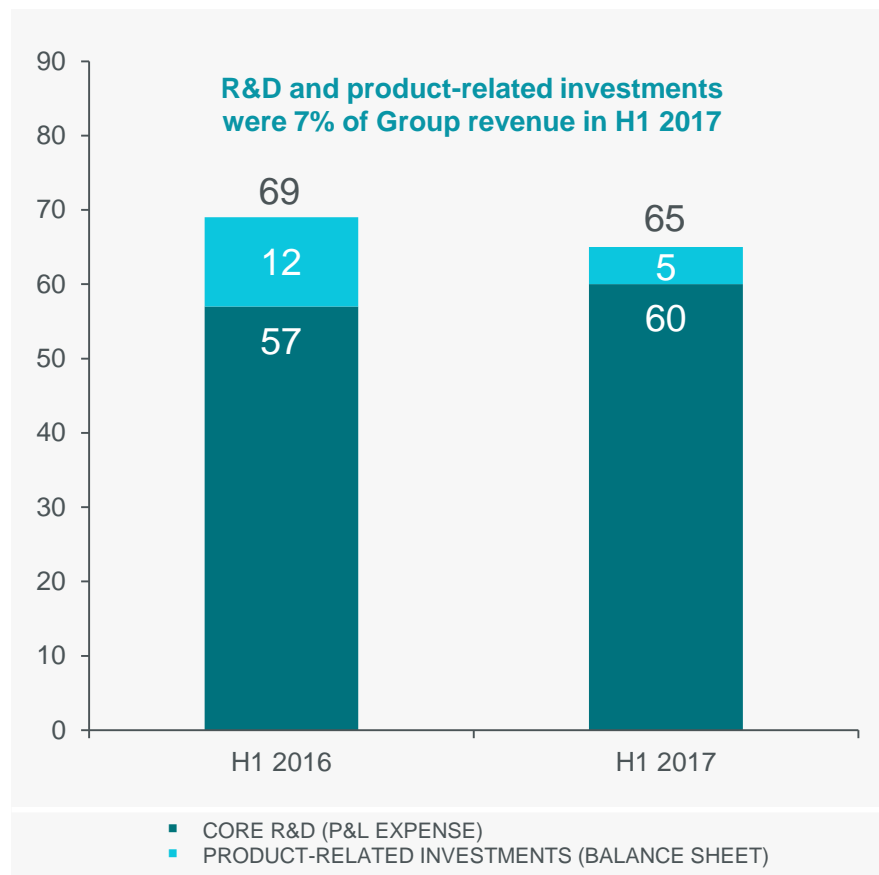
Group capital expenditure (\$ million)



- ▶ Expanding Injectables capacity and capabilities in the US
- ▶ Investing in the West-Ward Columbus facility
- ▶ Expansion of Injectables manufacturing capacity in Europe – including lyophilisation and oncology lines
- ▶ Maintaining and enhancing our operating facilities across the MENA – Algeria, Jordan, Egypt and Saudi Arabia

Expanding and enhancing our portfolio through R&D and product-related investments

Group product-related investments¹ (\$ million)



- ▶ Continuing to invest in pipeline development across the Group
- ▶ Supplementing internal R&D with though external partnerships
- ▶ Expect full year R&D expense of around \$140 million after identified cost and efficiency savings

¹ In H1 2017, \$5 million (H1 2016: \$12 million) of product-related investments were capitalised on the balance sheet within intangible assets.

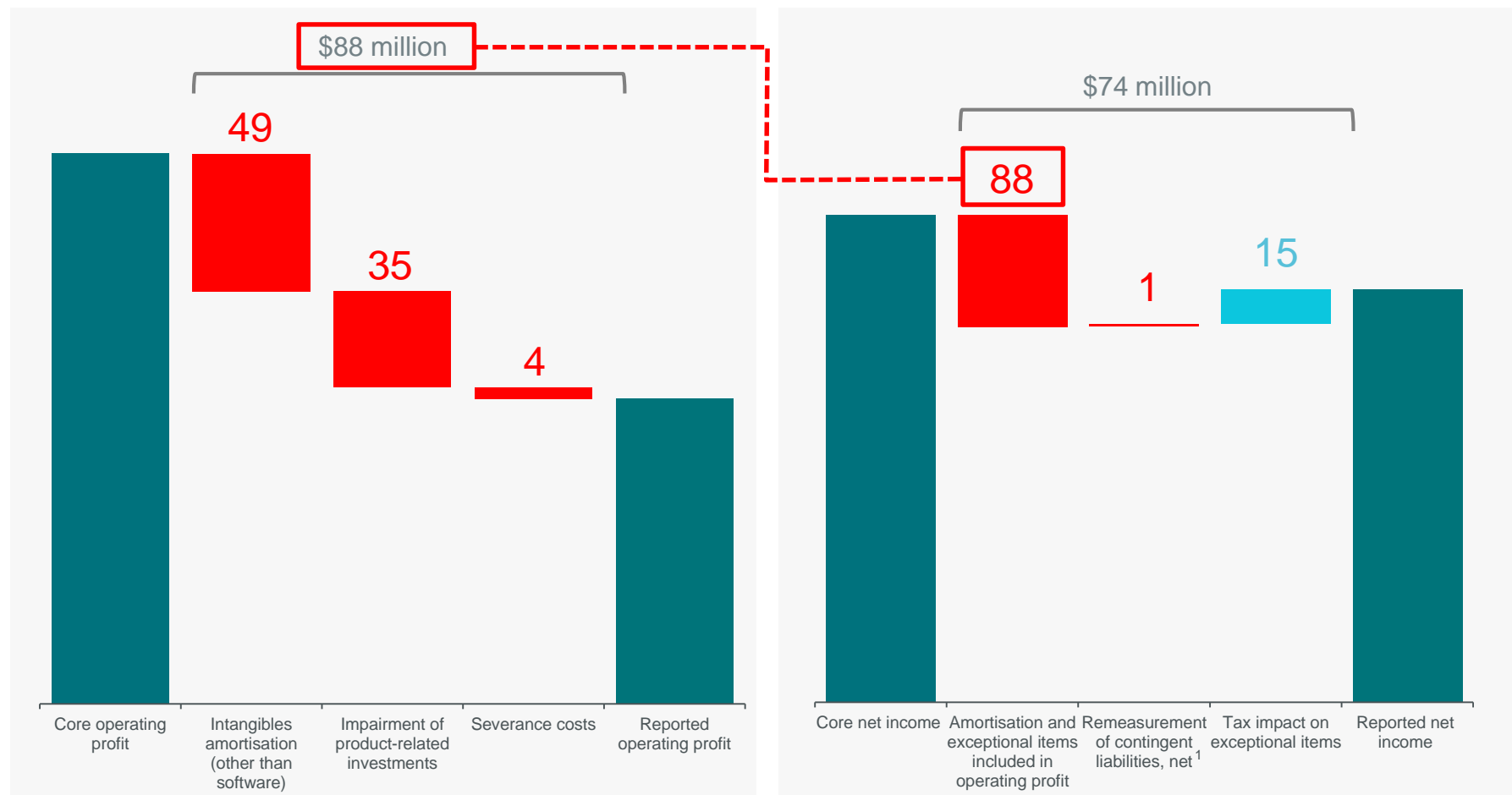
Outlook for full year 2017

Group revenue	<ul style="list-style-type: none"> Group revenue of around \$2.0 billion in constant currency
Injectables	<ul style="list-style-type: none"> Revenue of around \$775 million Core operating margin of around 39%
Generics	<ul style="list-style-type: none"> Revenue of around \$620 million Core operating profit of around \$30 million
Branded	<ul style="list-style-type: none"> Revenue growth in the mid-single digits in constant currency Reported revenue and core operating profit broadly in line with 2016
Net finance expense	<ul style="list-style-type: none"> Core finance expense of around \$60 million
R&D expense	<ul style="list-style-type: none"> Around \$140 million before any additional product-related investments
Capital expenditure	<ul style="list-style-type: none"> Around \$125 million
Effective tax rate	<ul style="list-style-type: none"> Core ETR of around 26%

Appendix



Bridge between core and reported operating profit and net income for the full year in 2017



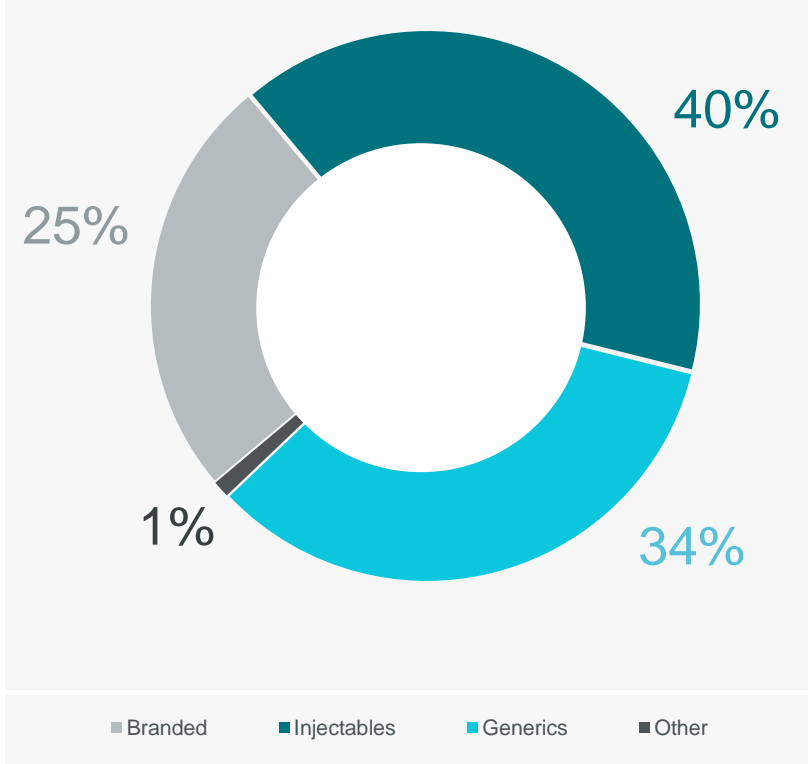
*** These figures are based on estimates and are subject to change ***

*** Graphs are not to scale ***

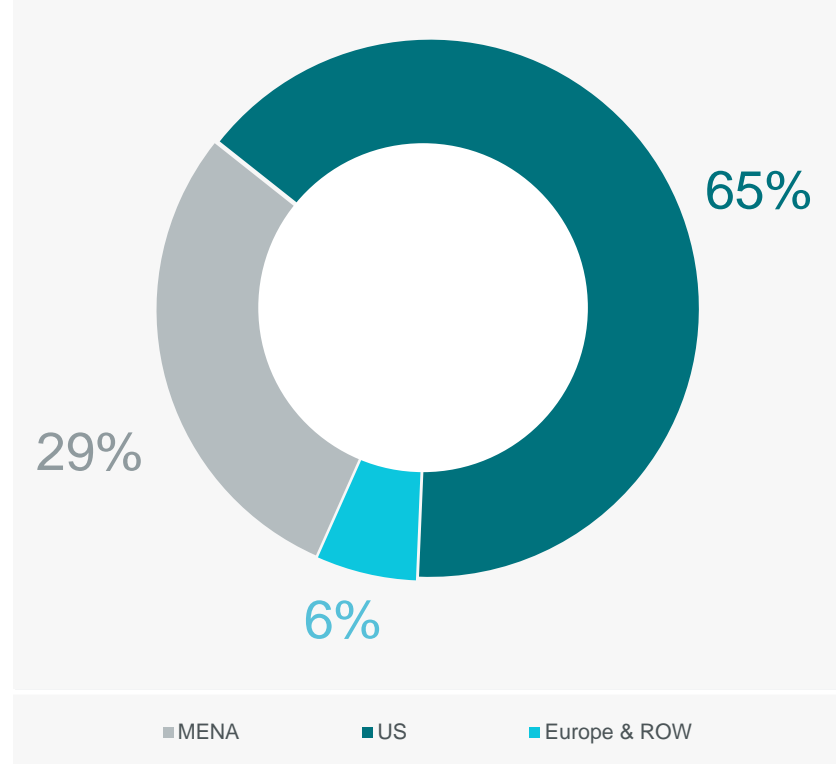
¹ In H1 we recognised a net non-cash income of \$15 million primarily resulting from the remeasurement of the contingent consideration payable to Boehringer Ingelheim as part of the West-Ward Columbus acquisition. We expect a full year non-cash expense of around \$1 million.

Revenue by segment and region

H1 2017 revenue by segment



H1 2017 revenue by region



Consolidated P&L

\$ million	H1 2017	H1 2016	Change	Constant currency change
Revenue	895	882	+1%	+5%
Gross profit	454	425	+7%	+11%
Gross margin	50.7%	48.2%	+2.5pp	+2.5pp
Operating profit	113	121	-7%	-2%
Core operating profit ¹	176	176	--	+3%
Core operating margin	19.7%	20.0%	-0.3pp	-0.4pp
EBITDA ²	210	194	+8%	+12%
Profit attributable to shareholders	69	58	+19%	+22%
Core profit attributable to shareholders ¹	109	109	--	+3%
Basic EPS (cents)	28.8	25.7	+12%	+15%
Core basic EPS (cents)	45.4	48.2	-6%	-3%
Dividend per share (cents)	11.0	11.0	--	--
Core effective tax rate	25.7%	25.2%	+0.5pp	0.6%

¹ Before the amortisation of intangible assets other than software and exceptional items

² Before interest, tax, depreciation and amortisation

Cash flow statement

\$ million	H1 2017	H1 2016
Profit before tax	100	83
Adjustments for non-cash items	125	84
Change in working capital	63	(38)
Income tax paid	(63)	(30)
Net cash generated from operating activities	225	99
Purchases of property, plant and equipment	(47)	(55)
Purchase of intangible assets	(28)	(42)
Proceeds from disposal of intangible assets	-	23
Investment in financial and other non-current assets	-	(11)
Investment in available for sale investments	(2)	-
Acquisition of business undertakings net of cash acquired	1	(597)
Finance income	1	1
Net cash used in investing activities	(75)	(681)
Change in debt	23	358
Dividends paid	(55)	(51)
Interest Paid	(27)	(30)
Purchase of non-controlling interest in subsidiary	(6)	-
Proceeds co-development and earnout payment agreement, net	2	3
Net cash (used in)/generated from financing activities	(63)	280
Net increase/(decrease) in cash and cash equivalents	87	(302)

Balance sheet

\$ million	Jun-17	Dec-16	Growth \$	Growth %
Inventories	507	459	48	10%
Trade and other receivables	669	759	(90)	(12)%
Cash	247	162	85	52%
Other current assets	43	68	--	--
Total current assets	1,466	1,448	43	3%
Goodwill and intangible assets	1,686	1,719	(33)	(2)%
Property, plant and equipment	982	969	13	1%
Investment in associates and joint ventures	7	7	--	--
Deferred tax assets	183	172	11	6%
Financial and other non-current assets	68	48	20	42%
Total long-term assets	2,926	2,915	11	--
Total assets	4,392	4,363	54	1%
Bank overdrafts and loans	111	117	(6)	(5)%
Trade and other payables	327	343	(16)	(5)%
Other current liabilities	334	458	(99)	(22)%
Total current liabilities	772	918	(121)	(13)%
Long-term financial debts and finance leases obligations	768	742	26	4%
Other long-term liabilities	400	292	108	37%
Total long-term liabilities	1,168	1,034	134	13%
Total liabilities	1,940	1,952	13	1%
Minority interest	12	15	(3)	(20)%
Total shareholders' equity	2,452	2,411	41	2%
Total liabilities and shareholders' equity	4,392	4,363	4	1%

Exchange rate movements impacting 2017 revenue and profit

Currency	H1 2017 Average	H1 2016 Average	Change%
USD/Algerian Dinar	109.5352	108.0838	1%
USD/British Pound	0.7935	0.6976	14%
USD/Egyptian Pound	17.9856	8.4602	113%
USD/EUR	0.9228	0.8955	3%
USD/Japanese Yen	112.4076	111.4201	1%
USD/Jordanian Dinar	0.7090	0.7090	0%
USD/Moroccan Dirham	9.8814	9.7860	1%
USD/Saudi Riyal	3.7495	3.7495	0%
USD/Sudanese Pound	15.8479	11.2740	41%
USD/Tunisian Dinar	2.3646	2.0530	15%