



Annual General Meeting

24 October 2017

Today's Meeting

- **Presentation**
- **Questions**
- **Formal meeting**
 - **resolutions (poll)**
- **Meeting adjourns for counting of votes**
 - **refreshments**
 - **Directors available for discussion**
- **Meeting resumes**
 - **report results of poll**

Today's Presentation

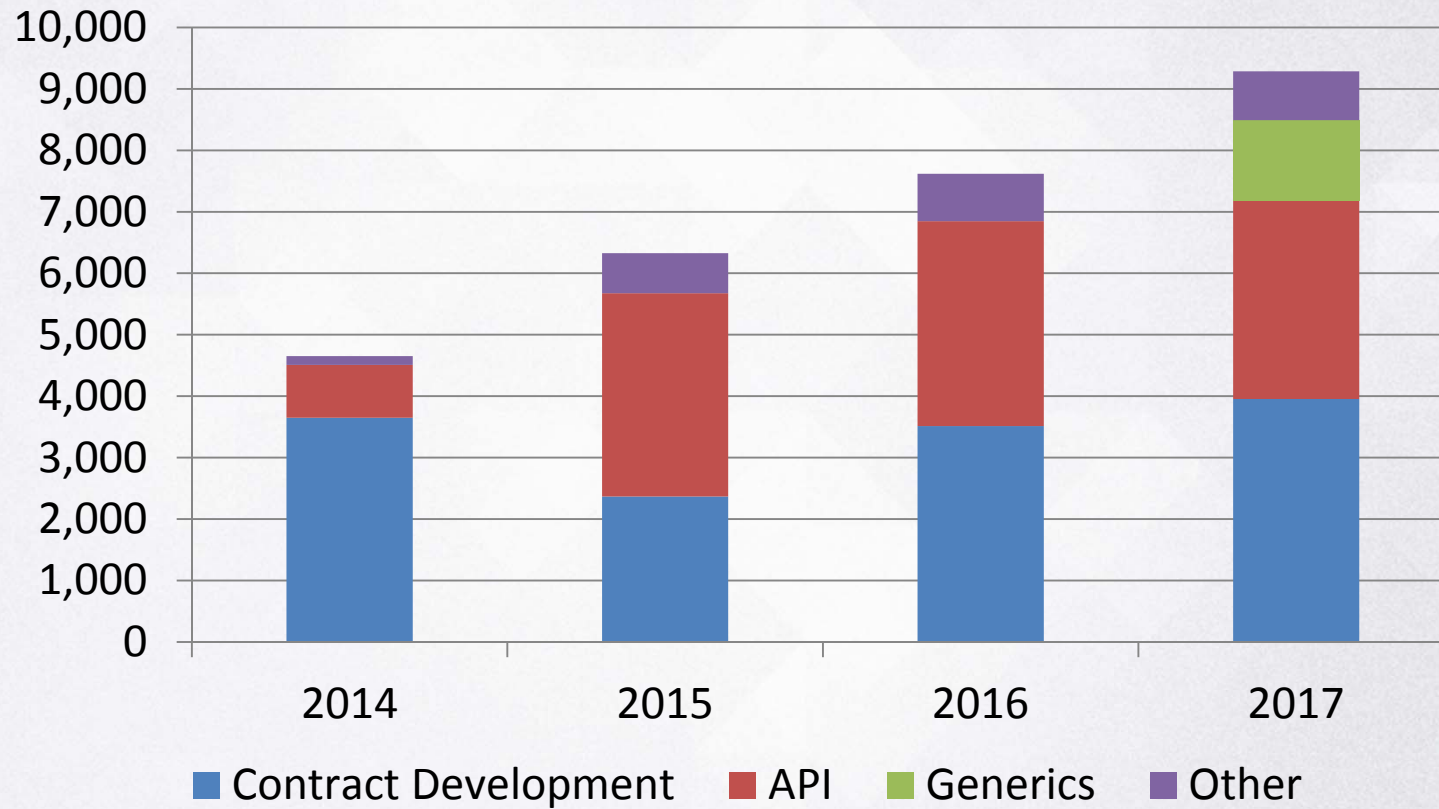
- **Financial results**
- **Revenue streams**
- **Business overview**
 - **API manufacture**
 - **Contract development**
 - **Generics**
 - **CMAX**
- **Confronting the issues**
 - **execution**
 - **efficiency**
 - **planning**
 - **CEO/Restructure**
- **Outlook**

Financial Results

	2017 \$'000	2016 \$'000
Revenue (excluding discontinued operations)	9,543	7,611
Raw materials	1,953	1,261
Employee benefits	9,747	7,939
Depreciation and amortisation	2,163	2,117
Finance costs	15	44
Impairment of intangibles	7,622	
Other operating expenses	2,889	2,208
Net loss before tax – continuing operations	14,846	5,779
Net profit before tax – discontinued operations	13,730	75
Net loss after tax	773	4,006

Cash on hand as at Jun 2017 \$8.4m, additional \$8m received from CMAX completion and R&D tax incentive

Revenue excluding CMAX (\$'000)



CAGR 26%

Contract Development

- Historically, good revenues but
 - elevated technical risk
 - client initiated variations
- Aiming for revenue growth with improved profitability
 - more selective in projects accepted
 - focus on opportunities to generate ongoing API/FDF manufacturing revenues

API Manufacture

- Revenues predictable but flat
- Base business continues with retention of existing customers
 - timing of orders remains an issue, cyclical business
- Identification of new clients critical for long term revenue growth

Generics

- Temozolomide launched in US (Mayne) October 16
- Pindolol launched in US (ANI) April 17
- Doxazosin, Leucovorin, Mexiletine, Prazosin, Thiotepa in development
- Delays in product launches
 - internal – manufacturing and testing issues
 - major restructure – responsibility, accountability, efficiencies
 - simplifying documentation
 - employment of specialist skills
 - equipment – reliability, suitability, preventive maintenance
 - external – regulatory (FDA)
- Actions taken to improve scheduling/planning:
 - resource/facility utilisation
 - fixed 13 week schedule
 - visible performance measures
 - DIFOT

Generics

- Marked acceleration in price erosion through increased competitor activity and customer consolidation is making this market increasingly difficult
 - recent major shift in market conditions
 - normally expect (and plan for) around 3-5% annual decline, very recently more like 7-10%
 - overall decline across portfolio since acquisition around 20% (range +20% to -60%)
- Reviewing portfolio to identify and prioritise most profitable products
 - some opportunities, but need to be more selective
 - potential for internally generated products, eg Thiotepa
 - ongoing plan to reduce costs, both labour and materials, to stay ahead of cost curve

US Distributors

ANI Pharma (NASDAQ:ANIP)

- Located Minnesota, USA
- US wide distribution capability
- Focus on specialty generics sales
- Aggressive market shares for their own products to date

Mayne Pharma (ASX:MYN)

- Located Salisbury, Australia and North Carolina, USA
- US wide distribution capability
- Focus on specialty generics sales
- Good sales into specific channels such as HMOs

CMAX Divestment

- Non-core business
- Simplifies structure, extends access to cash R&D tax rebate
- \$16.2m cash received in two tranches

Issues

- Strategic review by Board
 - improving execution speed – time to market
 - planning/scheduling/project management
 - specialist skills
 - improving efficiency – cost containment
 - restructure for accountability
 - simplifying processes
 - new reporting systems
 - achieving critical mass – plant utilisation
 - new product opportunities
 - partnerships, joint ventures

CEO Recruitment/Restructure

- Search underway, but
 - first priority to finalise strategic direction
 - need to recruit experienced operational manager
 - prepared to invest the time to find the right person
- With appointment of VP Operations, clarity around CEO skill set
 - emphasis on commercial skills in pharma, particularly generics
- Several good candidates

Outlook

- Challenging year ahead
 - generics pricing
 - maintaining/building legacy businesses
 - cost containment
 - conserving cash
- Continuing generics rollout
- Achieving critical mass
- Evaluating options to maximise shareholder value while minimising cash burn