

CORPORATE BRIEFING SESSION

Q2 - 2022

CORPORATE INFORMATION

Pattern of Shareholding

AitkenStuart Pakistan (Pvt.) Limited	55.80%
Muller & Phipps (Pakistan) (Pvt.) Limited	13.54%
Baltoro Growth Fund	9.57%
Aspin Pharma (Pvt.) Limited	4.79%
Other shareholders	16.30%

Shariah Compliance

Meezan Bank Limited reviewed the accounts of AGP and found them to be in compliance with Karachi Meezan Islamic Index – 30 Criteria set out by Pakistan Stock Exchange.

Entity Rating

Entity Rating:
Long-Term : **A+**
Short-Term : **A1**
Outlook : **Stable**

"The rating reflects AGP's established market position and proven track record in the pharmaceutical industry. AGP's core profitability remains strong and sustained over the periods. Ratings incorporate AGP's consistent sales growth, strong cash flow generation capacity and their adequacy to service the debt. Consequently, debt servicing ratios and interest coverages showed improvement. Going forward, on the back of expansion of existing product range and benefits expected from recently acquired portfolio, including its possible internalization, AGP is expected to improve its volumes and hence market share."

As of 26th Oct 2021

BOARD OF DIRECTORS



Mr. Tariq Moinuddin Khan
Chairman



Mr. Naved Abid Khan
Independent Director



Mr. Zafar Iqbal Sobani
Independent Director



Mr. Kamran Nishat
Non - Executive Director



Mr. Mahmud Yar Hiraj
Non - Executive Director



Ms. Nusrat Munshi
CEO & Managing Director



Mr. M. Kamran Mirza
Non - Executive Director

OUR JOURNEY

1989
AGP (Pvt.) Ltd. starts commercial operations

1991
Enters into a JV with Eli Lilly Pakistan for cephalosporins

1995
Signs an agreement with UCB Belgium to manufacture & market their products in PK



2003
Purchase Eli Lilly brand rights for Ceclor & Keflex



2007
Purchase UCB brand rights for Rigix in Pakistan

2013
Acquired 30% stake in Eli Lilly

2014
OBS-led consortium acquires AGP

2016
Signs an agreement with Mylan to market their products in PK

2018
Enlistment on Pakistan Stock Exchange

2019
Acquisition of Nutraceutical Plant

2021
Acquired 22 pharmaceutical brands from Sandoz AG

2022
In process to acquire 18 brands from Viatris Inc. owned by Pfizer in Pakistan

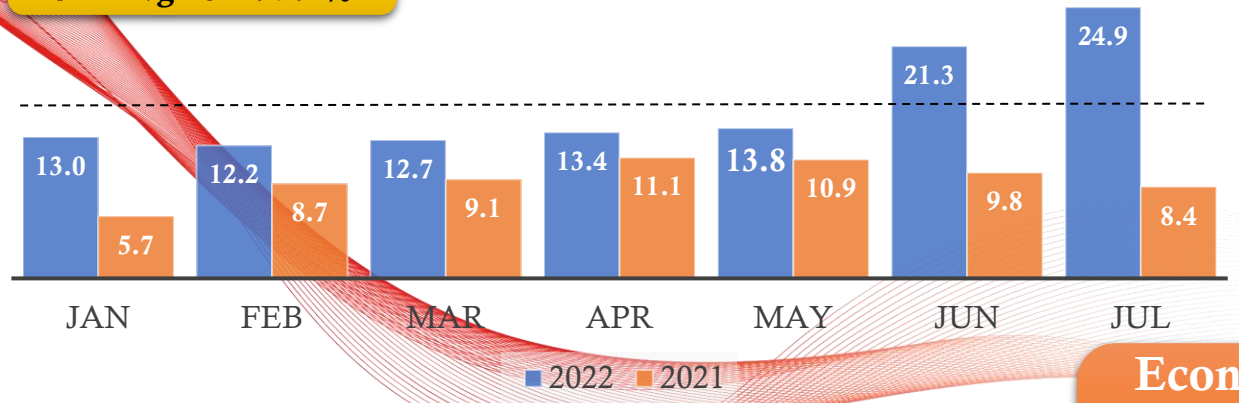
AGP MANUFACTURING PLANTS

			
Particulars	Plant I [General Health Care]	Plant II [Cephalosporin]	Plant III [Nutraceuticals]
Location	Plot B-23/C, SITE, Karachi	Plot D-109, SITE, Karachi	F/46, SITE-II, Superhighway, Karachi
Annual Production 2021	35.4 Million packs	6.9 Million packs	1.1 Million Packs
Area	2.73 acres	1.25 acres	1 acre
Facility Area	1.3 acres	0.36 acres	0.5 acre
Dosage Form	General Pharma manufacturing liquid, capsules, tablets, Sachets and injectables	Oral Cephalosporins	Nutraceutical tablets, liquids and sachets

ECONOMIC INDICATORS [JAN TO JULY 2022 VS 2021]

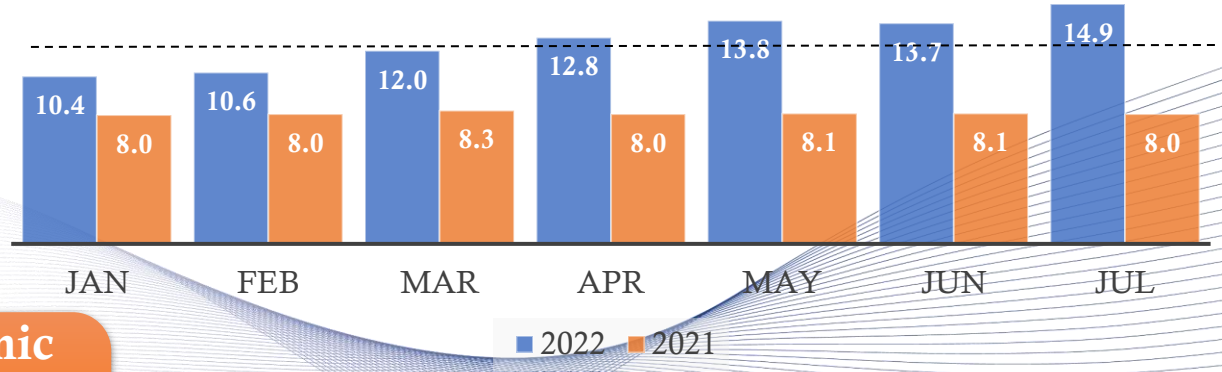
CPI Inflation %

7M Avg 2022: 15.9%
7M Avg 2021: 9.1%



KIBOR Month End Rate %

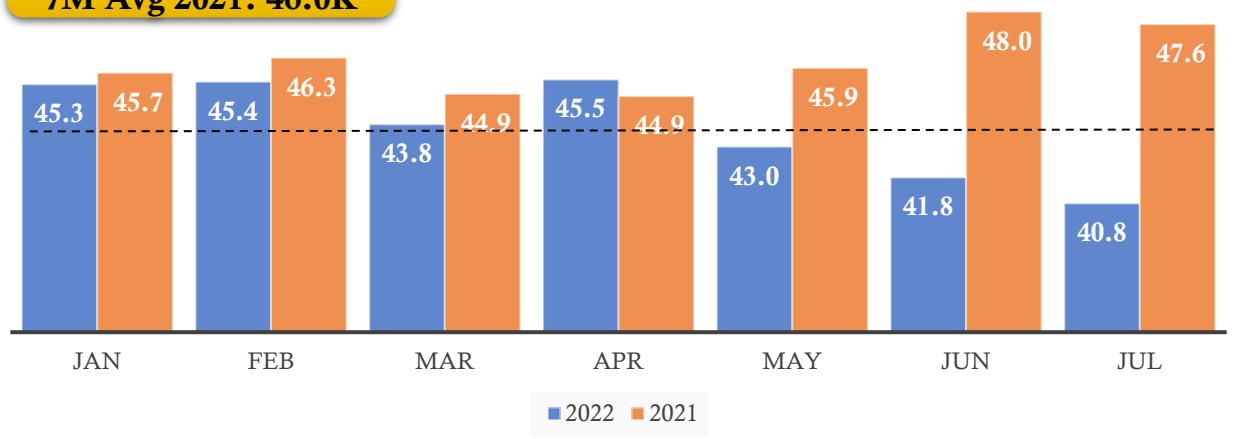
7M Avg 2022: 12.6%
7M Avg 2021: 8.8%



Economic trends have been challenging

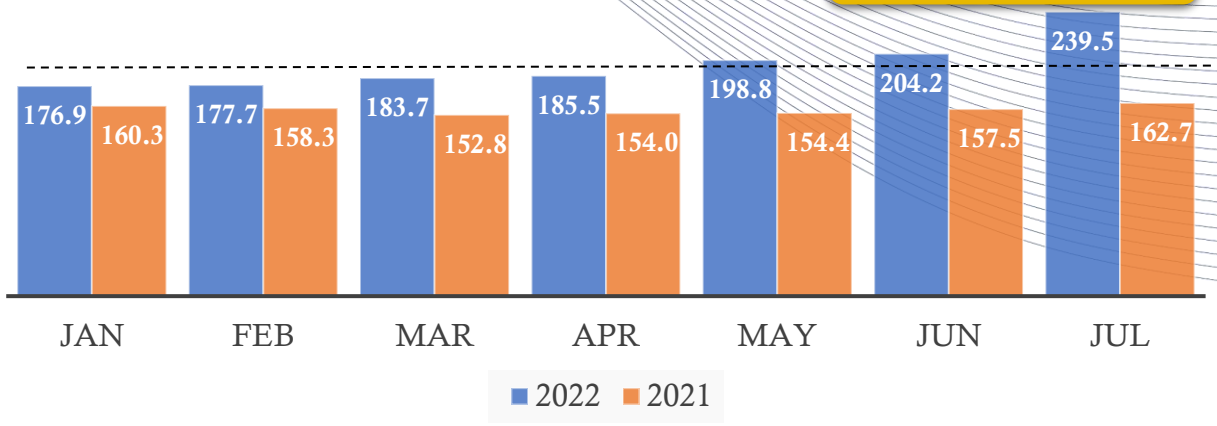
KSE- 100 Monthly Average

7M Avg 2022: 43.7K
7M Avg 2021: 46.0K



Exchange Rates (Monthly Average)

7M Avg 2022: 195.2
7M Avg 2021: 163.5



https://www.pbs.gov.pk/press-releases; https://www.sbp.org.pk/ecodata/kibor_index.asp; http://www.scstrade.com/MarketStatistics/MS_HistoricalIndices.aspx; https://www.sbp.org.pk/ecodata/rates/war/WAR-Current.asp

PHARMA INDUSTRY UPDATE

IQVIA MOVING ANNUAL TURNOVER MAT JUNE 2022	INDUSTRY	AGP	OBS-AGP	Consolidated [AGP + OBS-AGP]
Total Revenue (PKR in Billion)	656.0	7.7	4.3	**12.0**
Value growth (%) Year to date [June 2022]	13.3	19.1	34.9	**23.3**

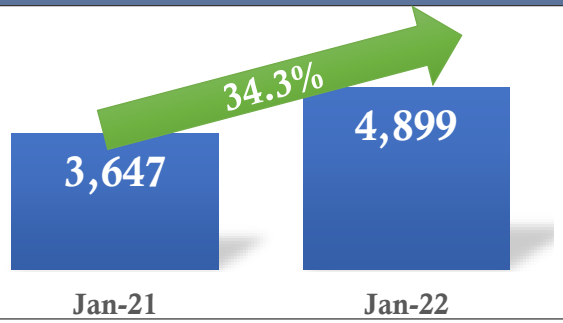
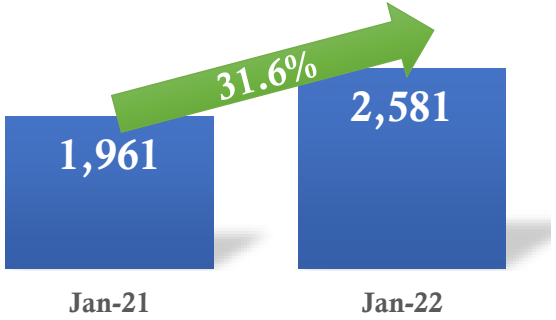
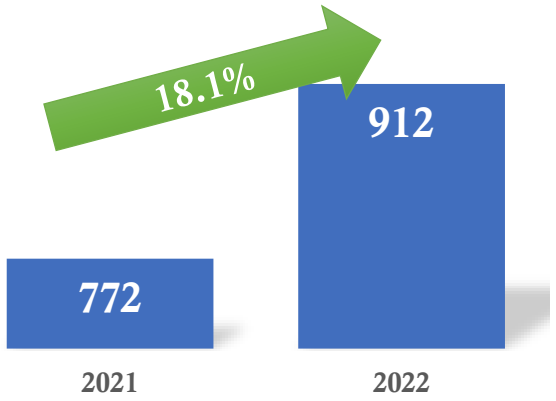
On consolidated level, ranking in terms of revenue stood at 17th position (22nd position pre-acquisition)

HIGHLIGHTS OF HALF YEAR FINANCIAL STATEMENTS 2022

ALL NUMBERS ARE PKR IN MILLION EXCEPT FOR EARNING PER SHARE IN PKR						
PARTICULARS	[-------- STANDALONE --------]			[-------- CONSOLIDATED --------]		
	Jun 2022	Jun 2021	Var %	Jun 2022	Jun 2021	Var %
Net Sales	4,899	3,647	34.3	7,124	3,647	95.3
Cost of Sales	2,319	1,686	37.5	3,506	1,686	107.9
Gross Profit	2,581	1,961	31.6	3,618	1,961	84.5
Net Profit	741	772	(4.0)	853	772	10.5
Net Profit [ignoring super tax]	912	772	18.1	1,068	772	38.3
Owners of the Parent Company				790	772	2.3
EPS -6 months	2.65	2.76	(4.0)	2.82	2.76	2.2
EPS- 6months [ignoring super tax]	3.26	2.76	18.1	3.54	2.76	28.3

- In 2022, Super Tax levy has adversely impacted the profitability of all the industries in Pakistan.
- Excluding the impact of Super Tax (PKR171mn - standalone/PKR205mn – consolidated), the profitability of the Company would have improved by 18.1% on standalone basis and 28.3% on a consolidated basis versus last year.

AGP STANDALONE PERFORMANCE OVERVIEW – HALF YEAR 2022

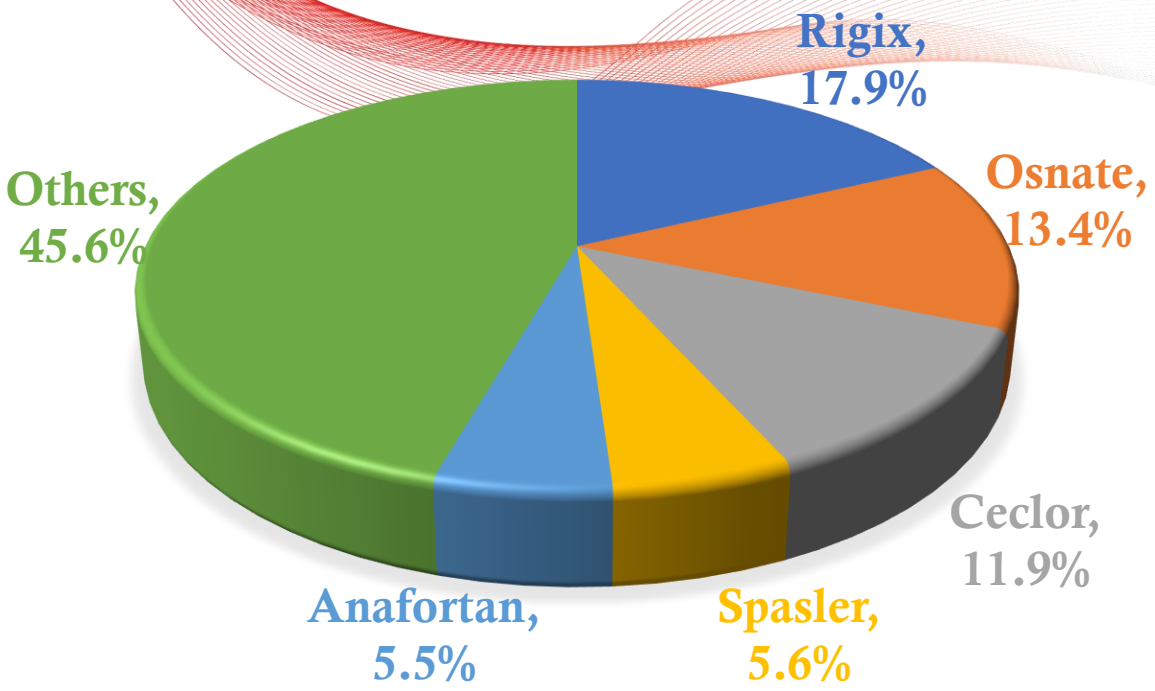
PARTICULARS	BAR GRAPHS	REMARKS
SALES		• AGP delivered an impressive top line performance of PKR 4,899 million • This resulted in a year-on-year (YoY) increase in the revenue by 34.3%, which is mainly on the back of the growth of our top brands. • The sales growth is also supported by exports to Afghanistan, which showed a robust growth of 39.1%, and institutional sales which added PKR 429 million in the topline.
GROSS PROFIT		• Building onto a promising performance in sales, the Gross Profit registered double-digit YoY growth of 31.6%; • However, gross margins remained under pressure as the prevailing macro-financial fundamentals have deteriorated due to economic uncertainty and have raised the cost of doing business; • The impact of forex volatility will be more pronounced in the 2nd half, as inventory management mitigated its impact to an extent in the 1st half.
PROFIT AFTER TAX (excluding super tax)		• Operating expenses remained on the higher side to support business growth and due to macroeconomic factors; • To support robust sales growth, management has strategically and rationally carried out HR planning to strengthen existing teams & form new teams; • Also, the selling activities that were restricted in the last year due to COVID-19 resumed in the current year leading to an increase in the promotional expense; • The transportation and conveyance expenses have also upsurged primarily on account of soaring fuel prices; • Including the impact of PKR171 mn super tax the PAT will be PKR 741 mn.

AGP's TOP PRODUCTS SALES OVERVIEW

Launched **5 brands** consisting of **15 SKUs** in Ortho, Neuro and Cardio segments.

On 12 Months basis, Rigix expected to reach **PKR 2 Billion** milestone whereas Osnate and Ceclor are already in the PKR **1 Billion** club**.**

TOP PRODUCTS CONTRIBUTION TO SALES



BRANDS	JUNE 2022 (PKR IN MILLION)
Rigix	879
Osnate	659
Ceclor	583
Spasler	276
Anafortan	269
Others	2,234
Total	**4,899**

AGP's TOP PRODUCTS MARKET OVERVIEW

As per IQVIA, June 2022











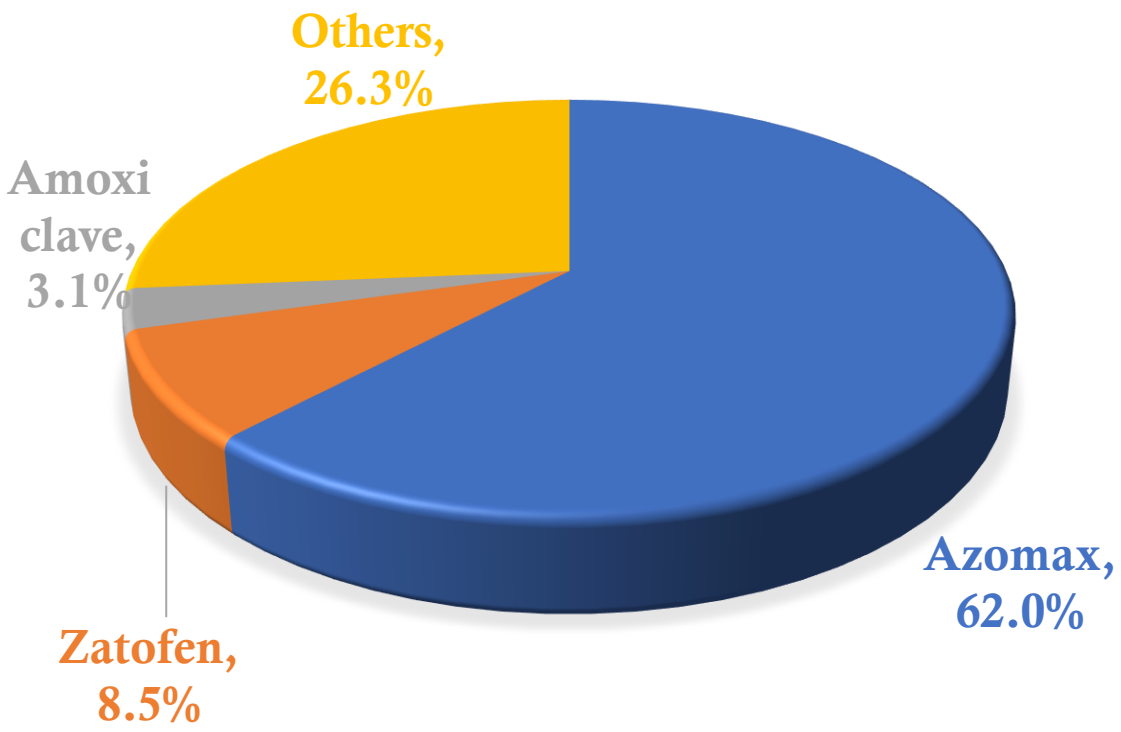
Brand	Yearly Sales in Mn	Market Share %	YTD %	Molecule	Yearly Value in Mn	YTD %	Sub TC	Yearly Value in Mn	YTD %
Rigix	1,946	56.64	27.37	Cetirizine	3,436	21.21	Antihistamines Systemic	9,796	19.19
Osnate-D	1,267	49.82	14.53	Colecalciferol+ Collagen Hydroxyapatite Complex	2,545	10.85	Colecalciferol+ Collagen Hydroxyapatite Complex [OMC + Vit D]	2,545	10.85
Ceclor	1,041	58.65	17.49	Cefaclor	1,775	14.87	Cefaclor	1,775	14.87
Spasler-P	374	100.00	34.61	Scopolamine Butyl Hydroxide	374	34.61	Antispasm+ Antichol Plain	4,578	15.56
Anafortan	535	28.56	24.98	Phloroglucinol+ Trimethylphloroglucinol	1,873	10.64			

OBS AGP's TOP PRODUCTS OVERVIEW

Aligning focus on oral Antimicrobial Penicillins and Oncology portfolio

On 12 Months basis, Azomax near the PKR 3 Billion milestone.

TOP PRODUCTS CONTRIBUTION TO SALES



BRANDS	SALES JUNE 2022 (PKR IN MILLION)
Azomax	1,382
Zatofen	189
Amoxi-clav	70
Others	587
Total	**2,228**

OBS AGP's TOP PRODUCTS MARKET OVERVIEW

As per IQVIA, June 2022







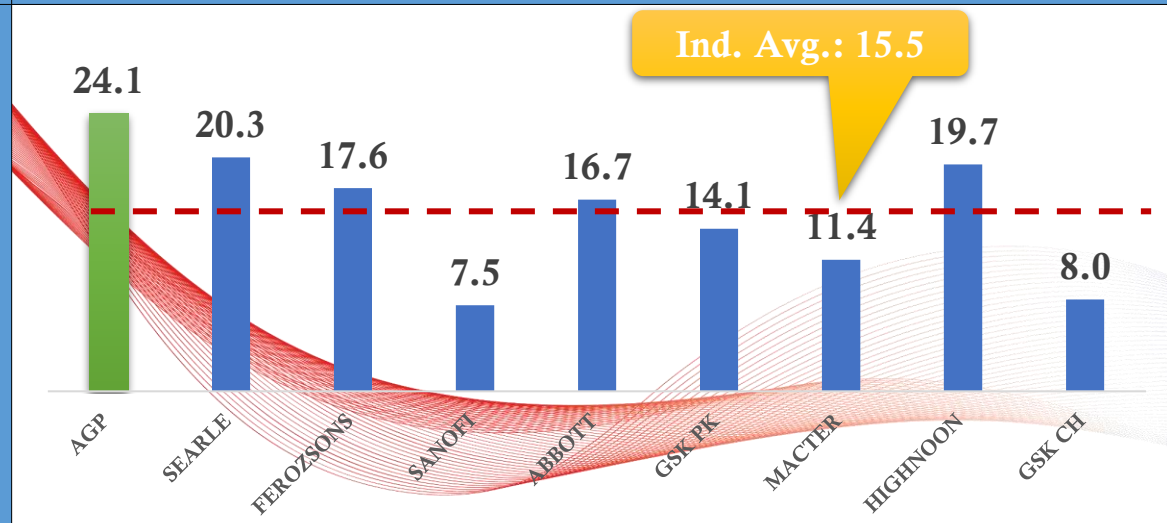
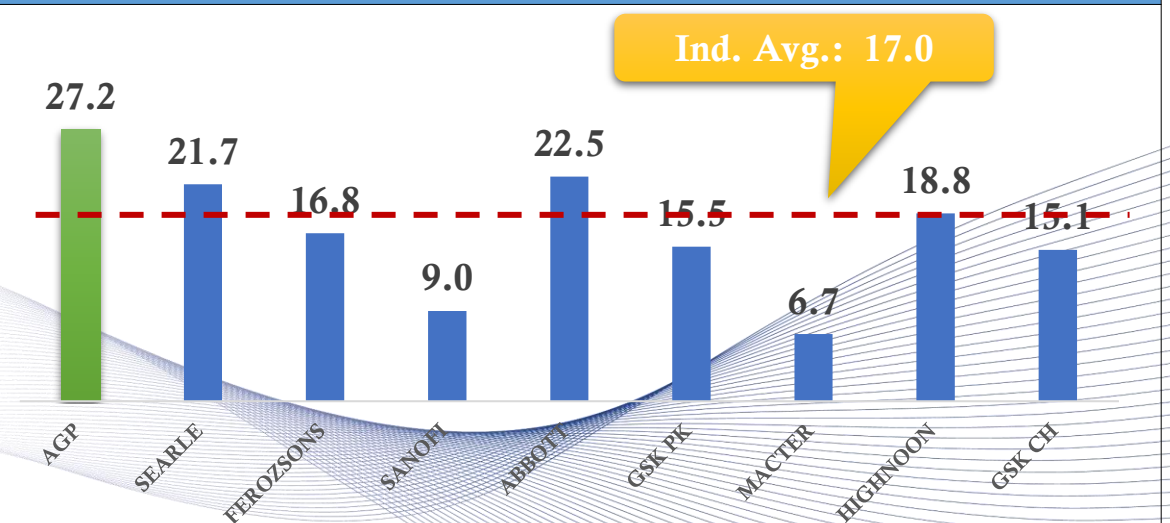
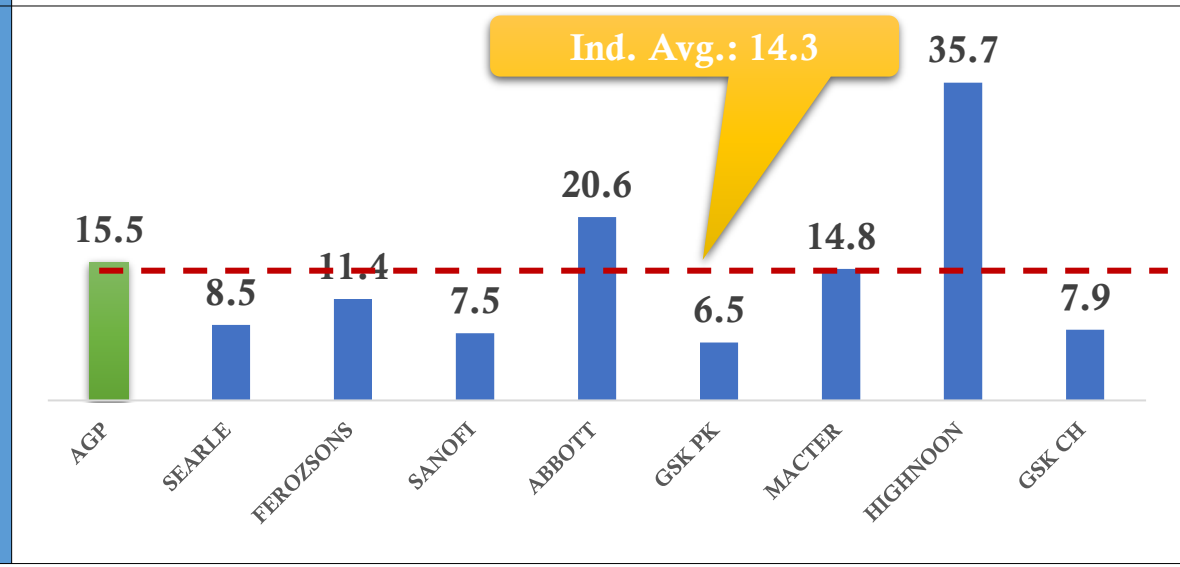
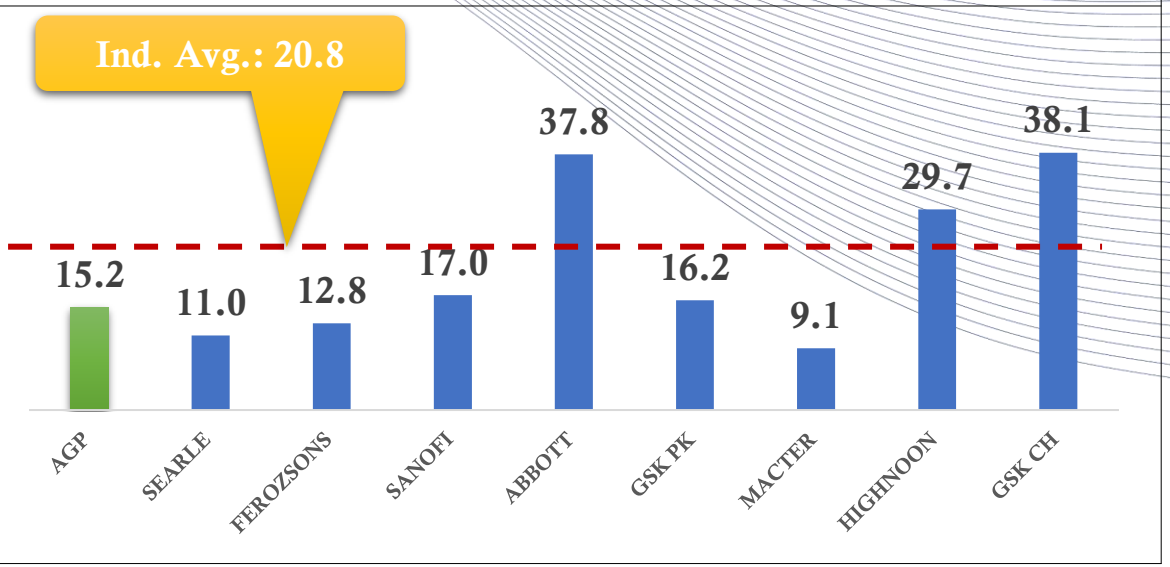
Brand	Yearly Sales in Mn	Market Share %	YTD %	Molecule	Yearly Value in Mn	YTD %	Sub TC	Yearly Value in Mn	YTD %
Azomax	2,807	34.18	42.10	Azithromycin	8,212	20.82	Systemic Antibacterial	124,115	17.04
Zatofen	339	77.50	26.26	Ketotifen	437	28.82	Anti-Asthma & Copd Prod	18,166	24.63
Amoxi-clav	161	1.37	149.53	Amoxicillin+ Clavulanic Acid	11,745	24.97	Systemic Antibacterial	124,115	17.04

OVERVIEW OF FINANCIAL RATIOS



Note: Searle, Ferozsons and Macter have June year end and their latest available accounts are March 2022 which does not include super tax implications. Therefore, we have adjusted super tax from their profits.

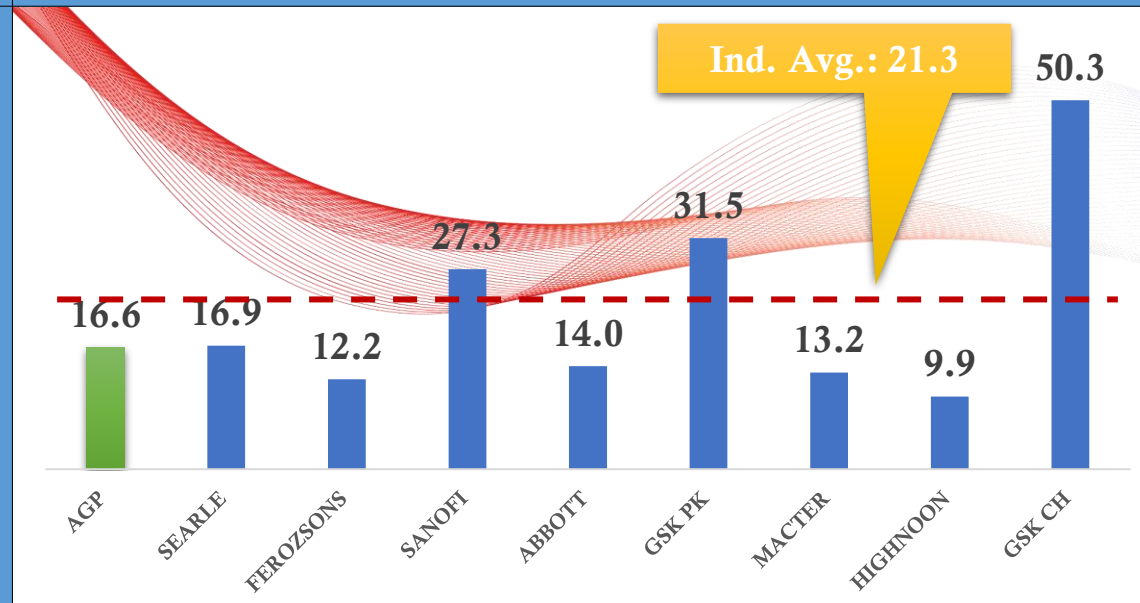
OVERVIEW OF FINANCIAL RATIOS

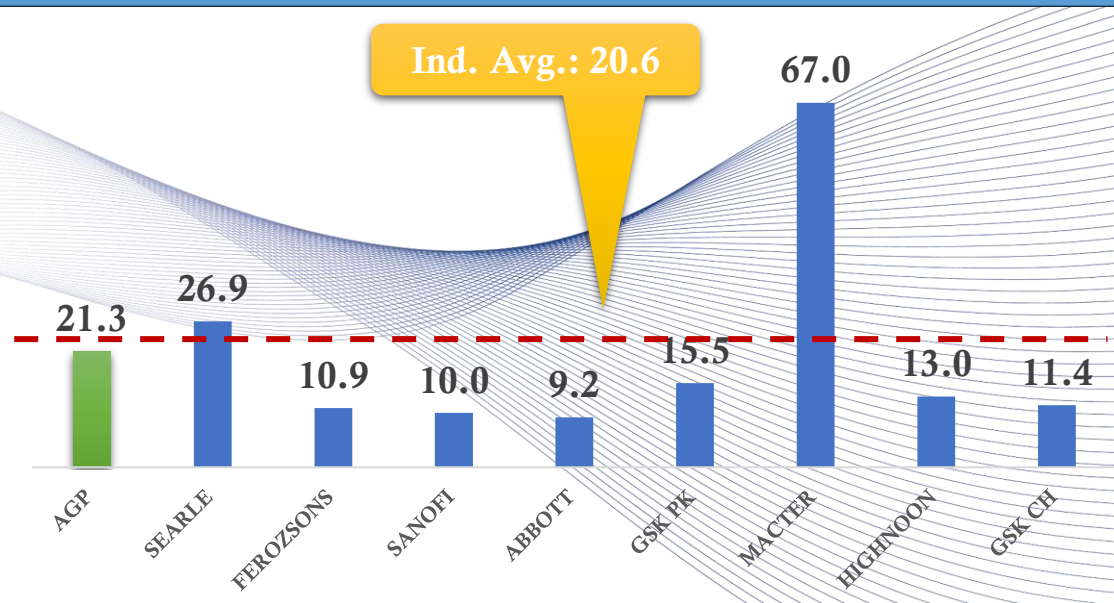
Ratios	2022	2021
EBIT Margin to Sales Ratio (%)		
Return on Equity* (%)		

*ROE has been annualized

OVERVIEW OF FINANCIAL RATIOS

Ratios	2021	2020
Price Earning Ratio* (Times)		





*PE ratio is annualized

RECENT ACHIEVEMENTS



Won awards in 6 different categories in the Global Diversity and Inclusion Benchmarks Conference and Awards 2021



AGP's Annual Report 2020 secured 2nd position in the pharmaceutical sector in BCR Awards held jointly by ICAP and ICMAP

WWF

GREEN OFFICE

2nd Pharmaceutical in the industry to obtained Green Office Certificate from WWF.



Secured position in 1st Pharma Export Summit & Awards 2021

KEY CHALLENGES

With current political and economic turmoil in the country, the cost of doing business is increasing. However, Company continuously monitors market and adopts best possible recourse to ensure smooth operations and minimize impact on profitability.

CHALLENGES		POTENTIAL IMPACT	MITIGATING STRATEGY
	PKR Devaluation	• Higher cost of imported raw materials / inputs; • YTD basis, the local currency depreciated by ~ 36%, [PKR 176 in Jan 2022 vs PKR 239.5 in July 2022]; • For every 1 PKR depreciation, Consolidated PAT impact is ~ PKR 15 million.	• Would be partially offset with CPI-based price increase as per DRAP's pricing policy; • In process to change foreign vendor payment base from USD to Yuan, where possible; • Industry applied to DRAP for price adjustment based on significant PKR devaluation as per DRAP's policy.
	Rising Inflation	• Rising CPI index has increased existing expenditure; • YTD basis, inflation has almost doubled, [13% in Jan 2022 vs 24.9% in July 2022].	• Strict cost control measures, wherever possible • However, cost of doing business will rise in the long term.
	Hike in interest rates	• Higher finance costs • YTD basis, interest rate has increased by ~50%, [9.9% in Jan 2022 vs 14.9% in July 2022]; • For every 1% change, Consolidated PAT impact is ~ 15 million.	• AGP has strong cash flows to meet working capital requirements; • AGP has successfully settled its Sukuk; • OBS AGP Sukuk repayments will start from Oct 2022.
	Super Tax levy	• Super Tax has been levied vide Finance Act 2022; • Impact on profitability is around PKR 200 million which shall be charged in the year 2022.	• Discussion with lawyers is under way to see if legal grounds exist to challenge the Super Tax levy; however, odds are not in favor.

FUTURE OUTLOOK



HIGH POTENTIAL PRODUCTS

Will continue to drive growth from high potential products with high margins;

With the aim to increase market share and penetrate further in therapeutic segments.



NEW LAUNCHES

Focus on launching new and robust product pipeline and therapies;

Over the last 5 years, the Company has launched 18 products in different therapeutic classes.



INORGANIC GROWTH

Capitalizing on the synergies of acquisition of Sandoz brands, the Company is acquiring Pfizer brands from Viatris;

The Company will continue to explore suitable inorganic growth opportunities.



NUTRACEUTICAL SEGMENT

Nutraceutical – *the future of healthcare*, has great potential and going forward the Company will add more products to this range;

Current portfolio consist of 10 Nutra brands.



STRATEGIC ALLIANCES

The Company already has strong alliances with global pharmaceutical powerhouses and will further explore to join with other reputed international companies;

The possibility of tech transfer will be explored depending on success of trading model.



EXPORTS

Will penetrate further in Afghanistan market, with recent state of affairs, we are cautiously optimistic for increasing market share;

Explore and identify new avenues and regions for export business.

ENVIRONMENT, HEALTH & SAFETY



Donated various medicines [including Hepatitis-C PKR 69 million] to various renowned institutions.



Sponsored an annual scholarship fund at IBA to support promising and underprivileged students.

Initiated tree plantation campaign under the theme of "Each One Plant One".



Donated to Ida Rieu Welfare Association – a school for the blind and crippled.





Partnered with ACF to support a program TNVR for mass vaccination and neutering of stray dogs.



Signed an MoU with Sharmeen Khan Foundation [SKMF] to fund a education of 100 students.

Carried out a beach cleaning activity to create awareness and play its role in protecting the environment.



Sponsored a school of 200 students in collaboration with The Citizen Foundation (TCF) in Jacobabad.



THANK YOU

