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Adcock Ingram

Group Results Presentation

for the six-month period ended **31 March 2014**

Adding value to life

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Financial Results

for the six-month period ended [31 March 2014](#)

FINANCIAL RESULTS

Income Statement

	2014	2013	Var
	R'm	R'm	R'm
Turnover	2,420.5	2,341.8	78.7
Gross profit	845.9	982.7	(136.8)
<i>Gross profit %</i>	<i>34.9%</i>	<i>42.0%</i>	
Operating expenses	(730.2)	(585.4)	(144.8)
Selling and distribution	(372.2)	(287.1)	(85.1)
Marketing	(103.6)	(97.3)	(6.3)
Research and development	(49.2)	(52.1)	2.9
Fixed and administration	(205.2)	(148.9)	(56.3)
Trading profit	115.7	397.3	(281.6)
Non-trading (expenses)/income	(113.8)	28.1	(141.9)
Transaction costs	(91.0)	-	(91.0)
Impairments	(5.9)	-	(5.9)
Share-based payment expenses	(16.9)	(14.3)	(2.6)
Foreign exchange gain	-	42.4	42.4
Operating profit	1.9	425.4	(423.5)

FINANCIAL RESULTS

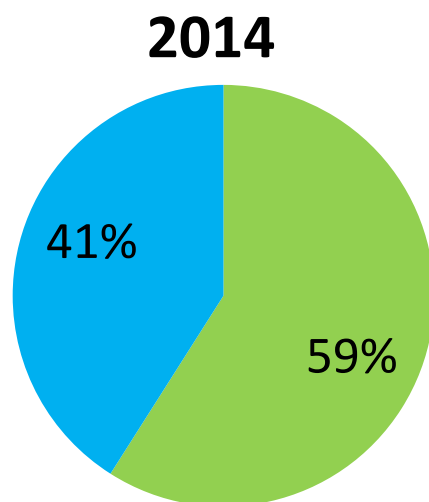
Income Statement (continued)

	2014 R'm	2013 R'm	Var R'm
Operating profit	1.9	425.4	(423.5)
Equity accounted earnings	23.8	33.3	(9.5)
Income from investments	6.5	7.8	(1.3)
Net financing costs	(51.1)	(16.1)	(35.0)
(Loss)/Profit before tax	(18.9)	450.4	(469.3)
Taxation	(19.0)	(127.0)	(108.0)
(Loss)/Profit after tax	(37.9)	323.4	(361.3)
Minority interests	(4.0)	(6.2)	2.2
Net (loss)/profit	(41.9)	317.2	(359.1)
HEPS (cents)	(23.0)	188.1	(211.1)

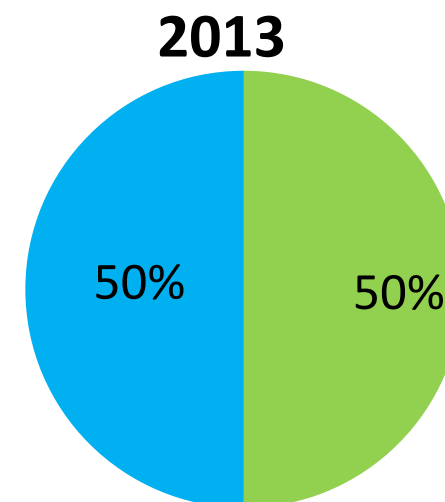
FINANCIAL RESULTS

Segmental Analysis

		2014 R'm	+/- %	2013 R'm
OTC	Turnover	734.1	(19.0)	906.1
	Gross Profit	325.2	(32.3)	480.3
	GP%	44.3%		53.0%
	Selling, distribution & marketing expenses	(174.6)	10.4	(158.2)
	CAM	150.6	(53.2)	322.1
	CAM%	20.5%		35.6%



TURNOVER

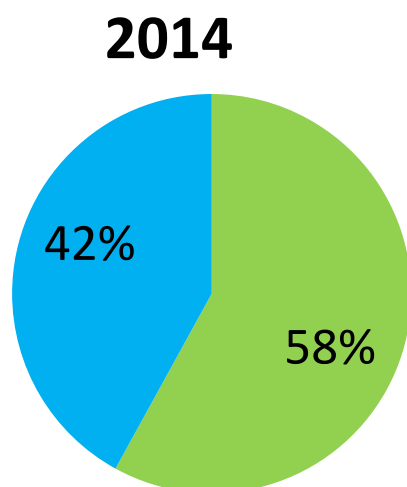


CAM = Contribution after marketing expenses

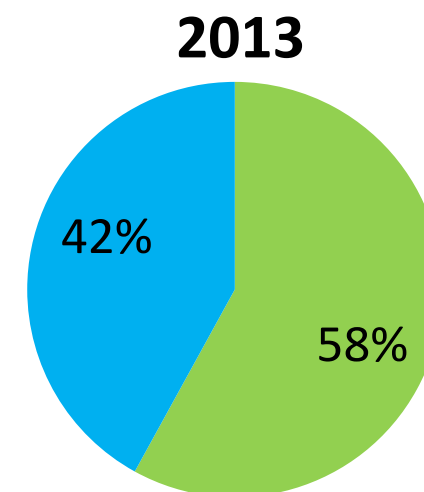
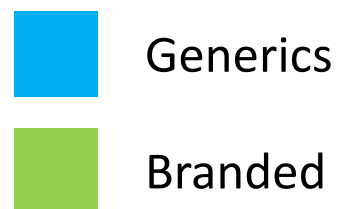
FINANCIAL RESULTS

Segmental Analysis

		2014	+/-	2013
		R'm	%	R'm
PRESCRIPTION	Turnover	975.0	13.8	856.7
	Gross Profit	296.0	(5.1)	312.0
	GP%	30.4%		36.4%
	Selling, distribution & marketing expenses	(147.2)	10.0	(133.8)
	CAM	148.8	(16.5)	178.2
	CAM%	15.3%		20.8%



TURNOVER

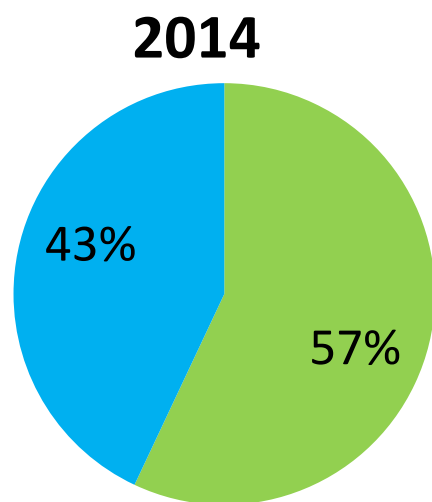


CAM = Contribution after marketing expenses

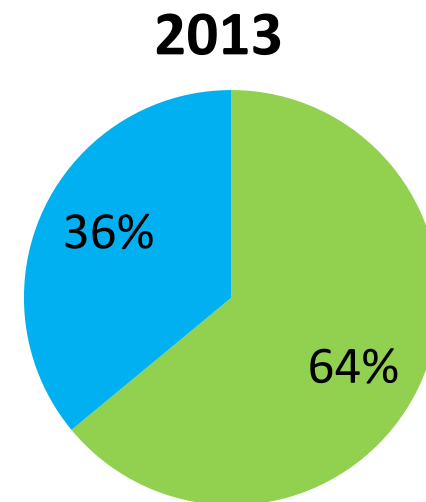
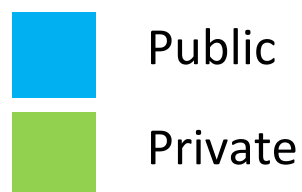
FINANCIAL RESULTS

Segmental Analysis

		2014 R'm	+/- %	2013 R'm
HOSPITAL	Turnover	481.6	3.5	465.2
	Gross Profit	104.1	(21.0)	131.7
	GP%	21.6%		28.3%
	Selling, distribution & marketing expenses	(59.9)	(2.4)	(61.4)
	CAM	44.2	(37.1)	70.3
	CAM%	9.2%		15.1%



TURNOVER

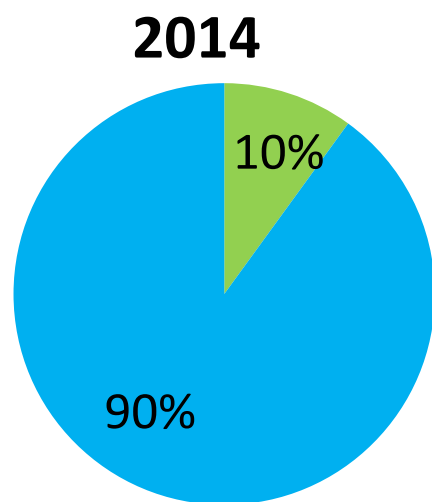


CAM = Contribution after marketing expenses

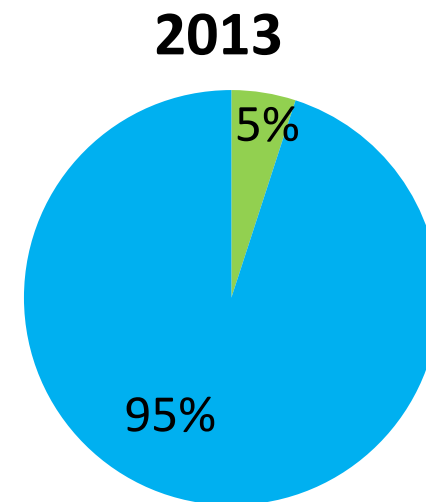
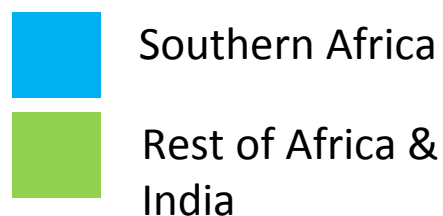
FINANCIAL RESULTS

Segmental Analysis

		2014 R'm	+/- R'm	2013 R'm
REST OF AFRICA & INDIA	Turnover	241.8	121.5	120.3
	Gross Profit	126.2	62.7	63.5
	GP%	52.2%		52.8%
	Selling, distribution & marketing expenses	(94.0)	(63.0)	(31.0)
	CAM	32.2	(0.3)	32.5
	CAM%	13.3%		27.0%



TURNOVER



CAM = Contribution after marketing expenses

FINANCIAL RESULTS

Statement of Financial Position

	March 2014 R'm	Sept 2013 R'm
Working capital	1,751	1,776
Inventories	1,472	1,523
Trade and other receivables	1,395	1,548
Trade and other payables	(1,116)	(1,295)
Borrowings	1,319	1,315
Loans	1,000	100
Net bank overdraft	308	1,210
Other	11	5



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Regulatory Environment

Regulatory Environment

Single Exit Price (SEP)

- SEP increase of 5,82% announced 31 January 2014
- Implementation earliest 21 March 2014
- DoH invitation to comment on methodology: Input due June 2014

International Benchmark Pricing (IBP)

- Draft methodology gazetted 12 May 2014
- Methodology for originator products only
- Two-phase approach starting with average price

Complementary and Alternative Medicines Regulations (CAMS)

- Industry seeking clarification on definition and time lines
- Narrow definition may leave certain products requiring registration as scheduled substances



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In-Market Performance

- Southern Africa**
- Rest of Africa**
- India**

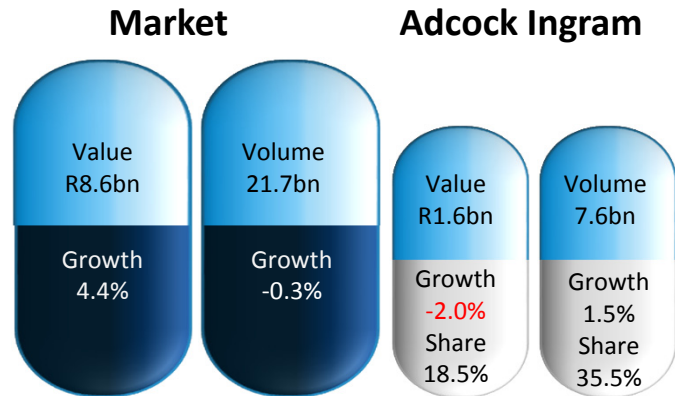


Southern Africa

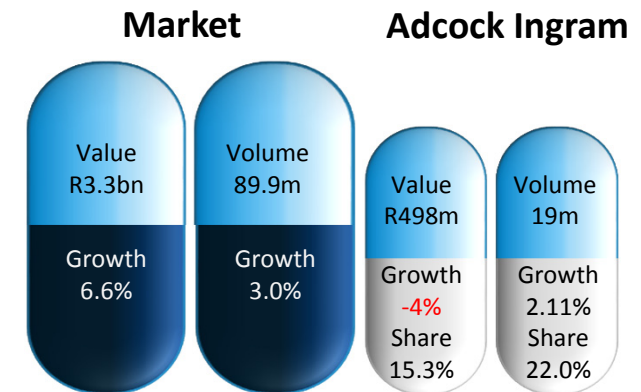
Over the Counter

- #1 rank in Pharmacy
- #2 rank in FMCG
- Market growth constrained over the last year
- Adcock Ingram market share declines over that same period in this weaker market
- Volume growth exceeds value growth as consumers down-trade on our products

Pharmacy



FMCG



Source: IMS TPM-MAT Mar 2014 (CUs)
Source: Aztec MAT Mar 2014 (Packs)

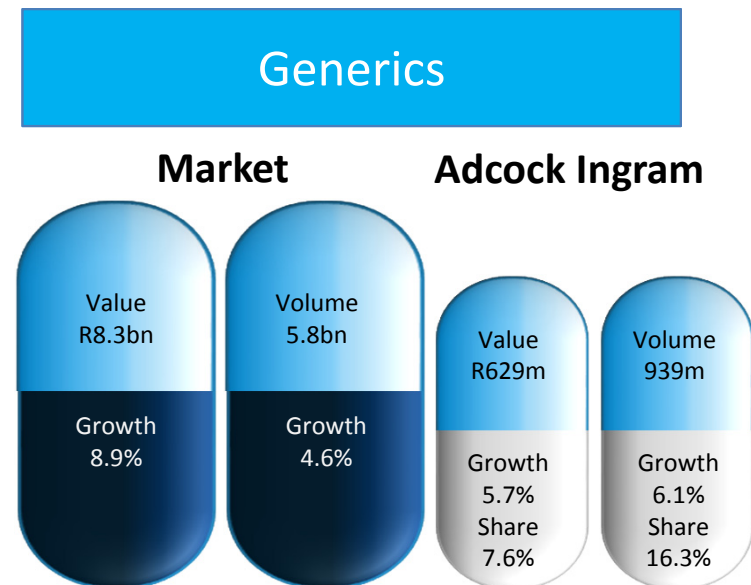
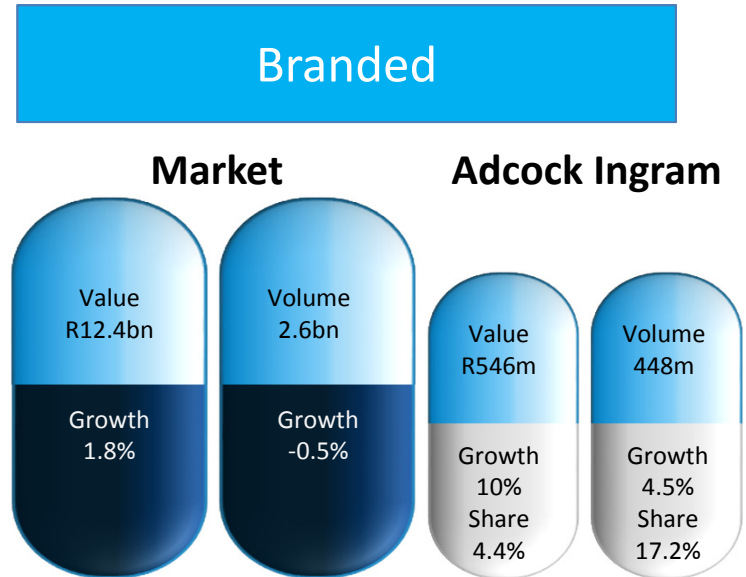
Prescription

Branded

- Largest component of pharmaceutical market
- Dominated by multinationals
- Market growth low due to increase in genericisation
- Adcock Ingram performance well ahead of the market

Generics

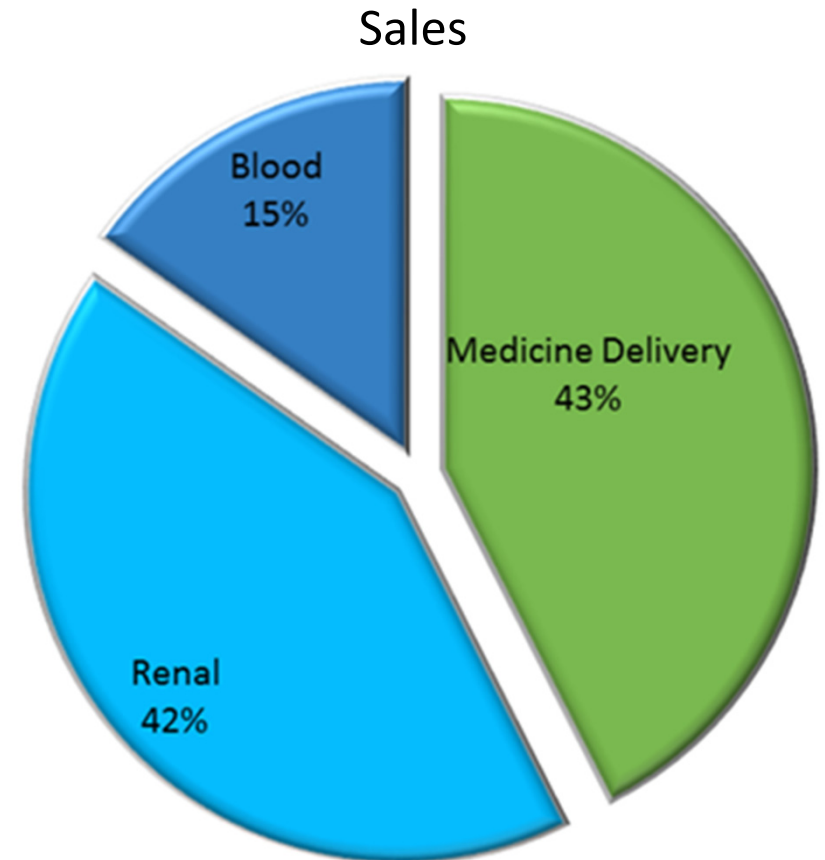
- #2 volume position in the market
- Attractive and growing market



Source: IMS TPM-MAT Mar 2014

Hospital

- Hospital groups continue to invest
- Increase in medical aid memberships
- Renal category growing
- Private / Public sales mix increasing to lower margin State sector



Source: Internal Company Information



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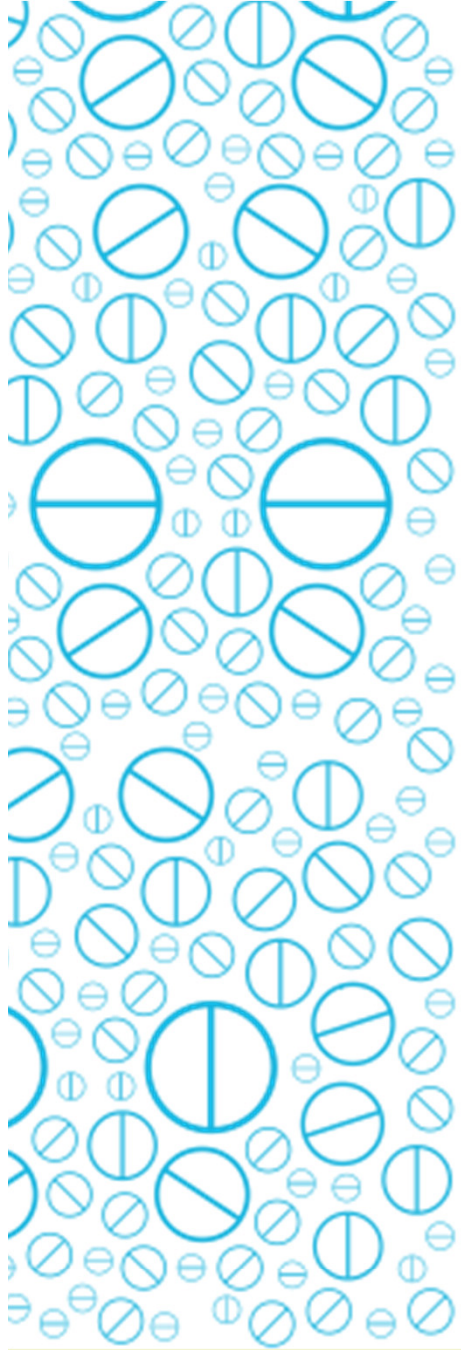
Rest of Africa & India

Rest of Africa

- Ghana and Kenya performances have improved
- Zimbabwe performance hindered by liquidity constraints
- Regulatory environment not harmonised

India

- Regulatory environment becoming increasingly complex
- Affects product registration and pricing



Outlook