

**The United Laboratories  
International Holdings Limited**

# **2017 Interim Results Announcement Corporate Presentation**

**August 2017**





**Results Snapshot**



**Financial Highlights**



**Business Review**



**Outlook & Strategies**



**Q & A**



# Section 1

---

## Results Snapshot

# 2017 Interim Results Snapshot



- ◆ Turnover: +12.7% to RMB3,339.8 million
- ◆ Gross profit: +9.0% to RMB1,182.4 million
- ◆ Profit attributable to equity holders: RMB109.1 million (1H2016: Loss of RMB13.5 million)
- ◆ Adjusted core business profit: RMB68.0 million (1H2016: Loss of RMB9.6 million)
- ◆ Segment margin 1H2017 compared with 1H2016
  - ◆ Intermediate products: from -1.1% to 1.0%
  - ◆ Bulk medicine: from -0.4% to 2.2%
  - ◆ Finished products: from 26.2% to 25.7%
- ◆ Utilization rate of 6-APA highly improved to 95.9%
- ◆ Sales of finished products: +2.8% to RMB1,181 million
- ◆ Sales volume of recombinant human Insulin products +13.3% to 4.4 million vials, contributed RMB167.7 million to the revenue
- ◆ Insulin Glargin launched to market in May 2017, and recorded RMB4.4 million sales in 1H2017
- ◆ Overseas sales: +7.0% to RMB872.4 million, accounting for 26.1% of total sales
- ◆ Liquidity continued to be improved:
  - ◆ Net gearing ratio was 55.0% as at 30 Jun 2017
  - ◆ Net current assets amounted to RMB156.1 million as at 30 Jun 2017



# **Section 2**

---

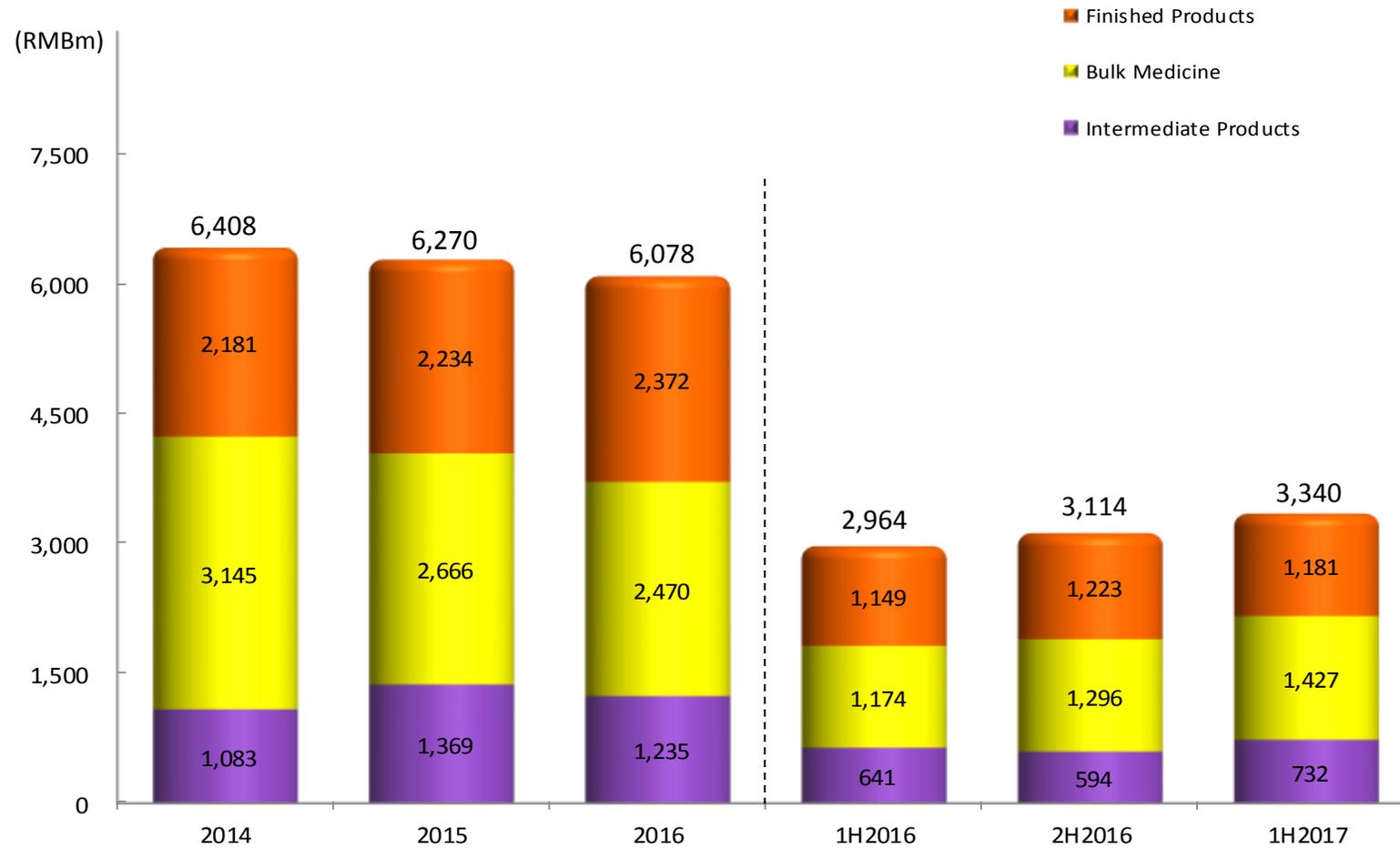
## Financial Highlights

# Financial Overview

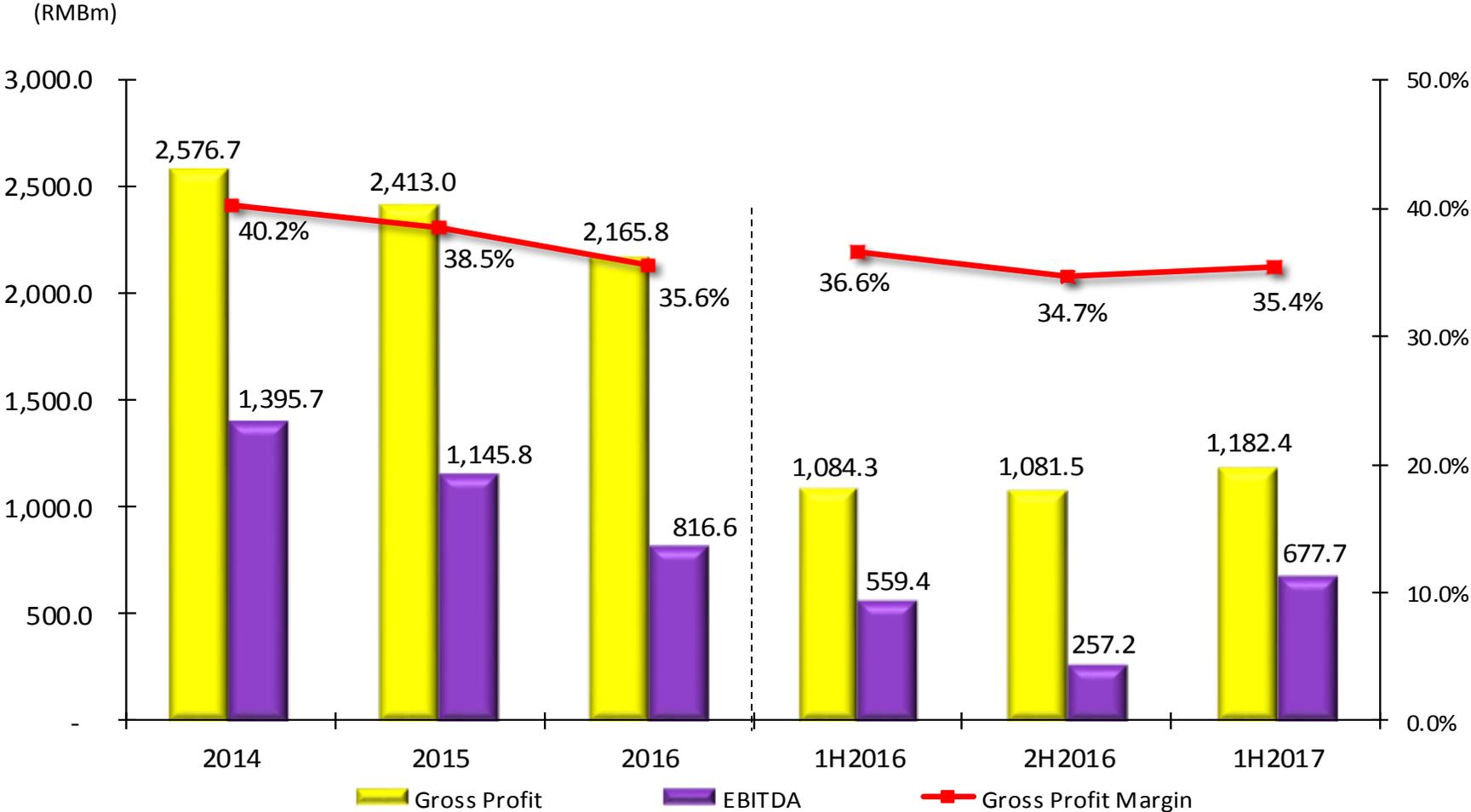


RMB million	1H2017	1H2016	yoy change	2H2016	1H17 vs 2H16 change
<b>Revenue</b>	<b>3,339.8</b>	2,964.1	12.7%	3,113.9	7.3%
<b>Gross Profit</b>	<b>1,182.4</b>	1,084.3	9.0%	1,081.5	9.3%
<b>EBITDA</b>	<b>677.7</b>	558.7	21.3%	257.2	163.5%
<b>Profit/(Loss) Attributable to Equity Holders</b>	<b>109.1</b>	(13.5)	N/A	(258.7)	N/A
❖ Loss on fair value change on investment properties	<b>49.0</b>	-	N/A	120.0	-59.2%
❖ Reversal of deferred tax liabilities on fair value change on investment properties	<b>(30.7)</b>	-	N/A	(38.9)	21.1%
❖ Impairment loss recognised in respect of property, plant and equipment	<b>8.9</b>	13.4	-33.6%	-	-
❖ Loss/(gain) on fair value change of derivative components of convertible bonds	<b>(68.3)</b>	(9.5)	-618.9%	109.2	-162.5%
<b>Adjusted Core Business Profit/(Loss)</b>	<b>68.0</b>	(9.6)	N/A	(68.4)	N/A
<b>Earnings/(Loss) Per Share (RMB cents)</b>					
- <b>Basic</b>	<b>6.71</b>	(0.83)	N/A	(15.90)	N/A
- <b>Diluted</b>	<b>3.31</b>	(0.83)	N/A	(15.90)	N/A

# Revenue



# Gross Profit, EBITDA & Gross Profit Margin



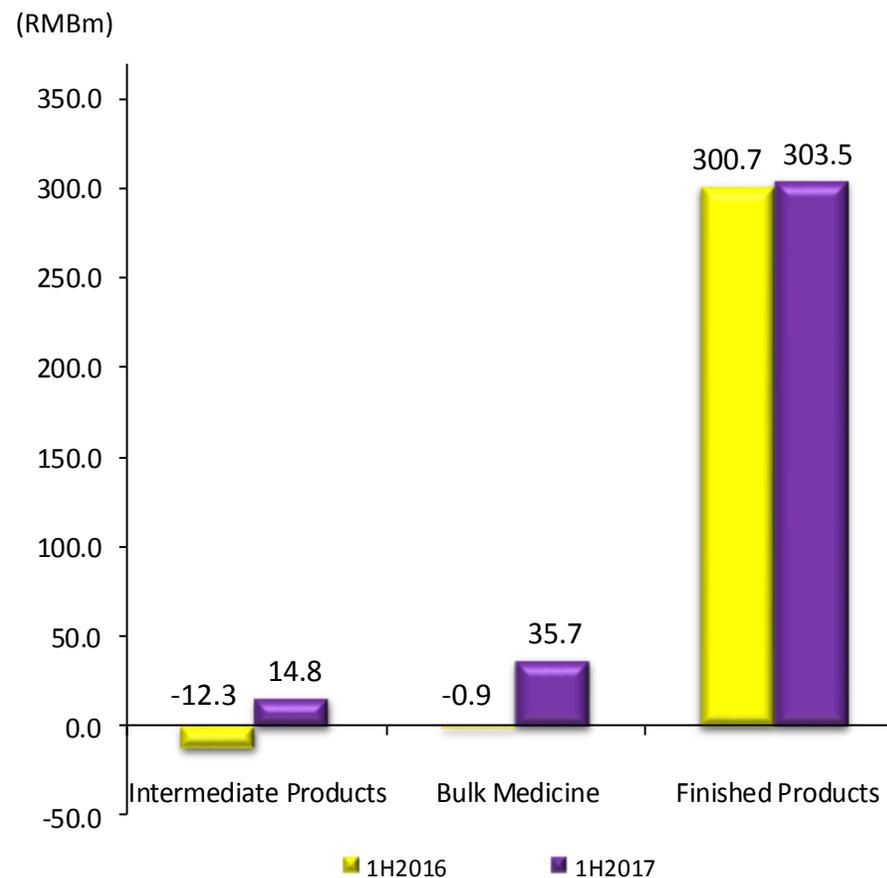
# Business Segment Results & Margins



Segment Profit Breakdown		
	1H2017	1H2016
Intermediate Products	4.2%	(4.3)%
Bulk Medicine	10.1%	(0.3)%
Finished Products	85.7%	104.6%
Total	100%	100%

Segment Margins		
	1H2017	1H2016
Intermediate Products	1.0%	(1.1)%
Bulk Medicine	2.2%	(0.4)%
Finished Products	25.7%	26.2%

## Segment Profit



## Other Key Financial Indicators



	As at 30 Jun 2017	As at 31 Dec 2016
Trade and bills receivable turnover (days)	106.6	103.9
Trade and bills payable turnover (days)	133.8	136.2
Stock turnover (days)	93.7	86.1
Current ratio	1.03	0.86
Net Current assets (liabilities) (RMB million)	156.1	-968.4
Net Gearing ratio <sup>#</sup>	55.0%	55.7%
Cash and cash equivalents (RMB million)	1,522.1	1,782.9
Total assets (RMB million)	14,772.6	14,966.1

# Calculated as total borrowings, obligations under finance leases and convertible bonds less bank balances and cash, pledged bank deposits and pledged deposit against finance leases to total equity

	1H2017	1H2016
Net cash from operating activities (RMB million)	352.8	283.1



# Section 3

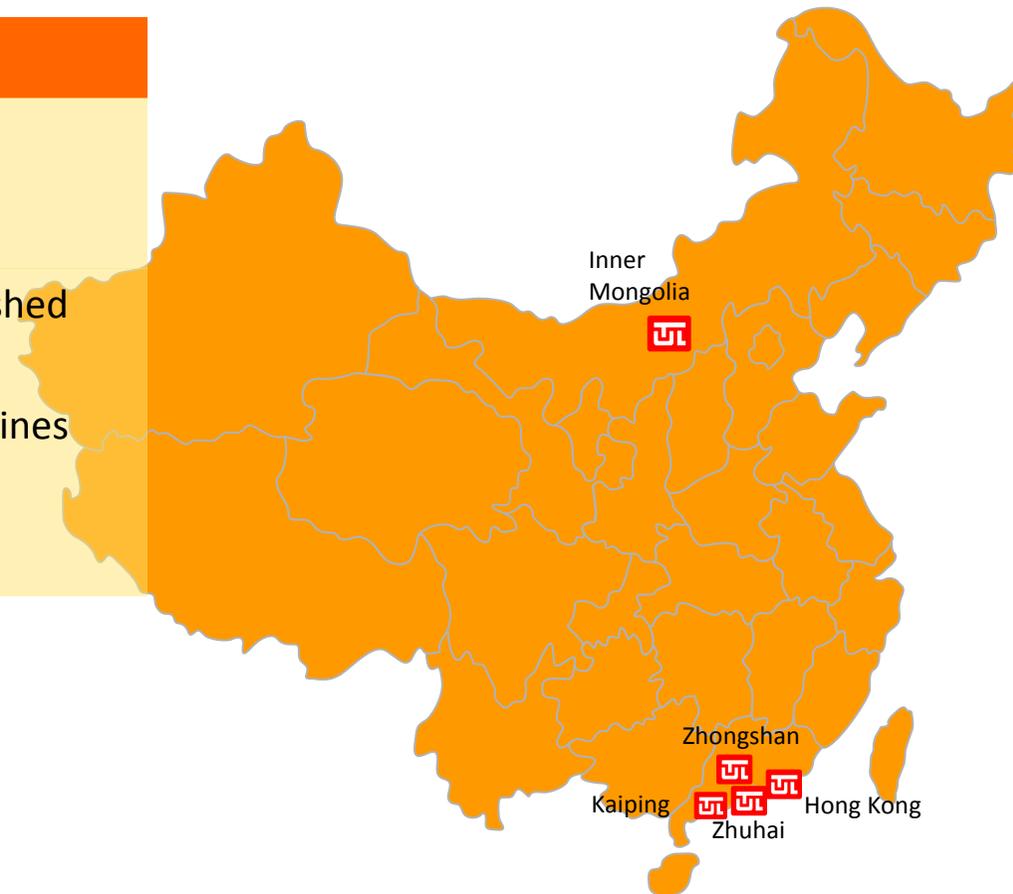
---

## Business Review

# Plant Locations



Plant Location	Key Product(s)
Hong Kong	Finished products
Zhongshan	Finished products
Zhuhai	Bulk medicines, biological and finished products
Inner Mongolia	Intermediate products, bulk medicines and finished products
Kaiping	Empty capsule casings



# Plant Capacity in 1H2017



	1H Designed Capacity	Utilization Rate	External Sales
<b>Intermediate products (tonnes)</b>			
• 6-APA	9,000	95.9%	45%#
• Penicillin G Potassium First Crystal (in BOU)##	6,666,667	95.7%	100%
• T-Octylammonium Clavulanate	360	53.5%	N/A
<b>Bulk medicine (tonnes)</b>			
• Semi-synthetic penicillins type	10,000	75.5%	90%
• Cephalosporins type	600	76.2%	90%
• $\beta$ -lactamase inhibitor antibiotics type	784	85.9%	90%
<b>Finished products (mil)</b>			
• Amoxicillin & Ampicillin capsules	770	63.8%	100%
• Amoxicillin granules	80.6	59.6%	100%
• $\beta$ -lactamase inhibitor antibiotics	71.6	75.9%	100%

# Opening inventory is not included in calculating the percentage of external sales.

## It is the market practice to use BOU as the measuring unit of Penicillin G Potassium First Crystal.

1 BOU represents around 0.63 kg of this product.

# Sales Volume



Types	Products	External Sales volume in 1H2017	External Sales volume in 1H2016	yoy change
Intermediate products (tonnes)	6-APA	3,886.4	4,634.7	-16.1%
	Penicillin G Potassium First Crystal (In BOU)	5,793,901	1,067,800	442.6%
Bulk medicine (tonnes)	Semi-synthetic penicillins type	6,519.8	4,498.9	44.9%
	Cephalosporins type	196.9	266.4	-26.1%
	$\beta$ -lactamase inhibitors type	609.7	522.9	16.6%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) (bottles)	9.2	8.4	9.5%
	Amoxicillin capsules (250/500mg) <sup>#</sup>	26.5	25.9	2.3%
	Ampicillin capsules (250/500mg)	8.7	9.7	-10.3%
	Ibuprofen capsules <sup>#</sup>	5.4	4.8	12.5%
	Recombinant human Insulin <sup>#</sup>	4.4	3.9	12.8%
	Insulin Glargin	0.03	-	N/A
	VC effervescent tablets	1.1	0.1	1000%
Eye drops <sup>#</sup>	6.8	6.2	9.7%	

<sup>#</sup> Listed in Essential Drugs List. Eyes drops partially listed.

# Average External Selling Price



Average External Selling Price <sup>#</sup>	1H2017	1H2016	y-o-y change
<b>Intermediate products</b>			
6-APA (RMB/kg)	125.5	126.5	-0.8%
Penicillin G Potassium First Crystal (RMB/BOU)	40.0	41.2	-2.9%
<b>Bulk medicine (RMB/kg)</b>			
Semi-synthetic penicillins type	125.3	135.5	-7.5%
Cephalosporins type	645.3	632.1	+2.1%
β-lactamase inhibitors type	730.7	673.9	+8.4%

*<sup>#</sup>Selling price not including VAT and other tax*

# Vertical Integration



Intermediate products, accounted for 21.9% of total external sales in 1H2017

6-APA (70-80%#) 14.9%	T-Octylammonium Clavulanate N/A	Penicillin G Potassium First Crystal 7.0%
--------------------------	------------------------------------	--

Bulk medicine, accounted for 42.7% of total external sales in 1H2017

Semi-synthetic penicillins type (50-60%#) 24.5%	Cephalosporins type 3.8%	$\beta$ -lactamase inhibitors type 13.6%	Carbapenems type 0.8%	Insulin API N/A
--	-----------------------------	---	--------------------------	--------------------

Finished products, accounted for 35.4% of total external sales in 1H2017

Semi-synthetic penicillins antibiotics 8.7%	Cephalosporins antibiotics 2.4%	$\beta$ -lactamase inhibitors antibiotics 8.9%	Carbapenems antibiotics 1.8%	Insulin products 5.2%	Others (including capsule casings) 8.4%
--	------------------------------------	---	---------------------------------	--------------------------	--

#Chinese market share



## Insulin series will continue to be the Group's key products

- ◆ Insulin series received relatively high international recognition in terms of quality and production technology



## Recombinant Human Insulin Injection

- ◆ Included in the “National Essential Drug List” 《国家基本药物目录》 (2012 version) in May 2013
- ◆ Outstanding sales performance from Anhui, Shandong, Henan, Guangdong and Jilin Province
- ◆ The proposed bidding result for each regulation was more than 20 provinces and municipalities

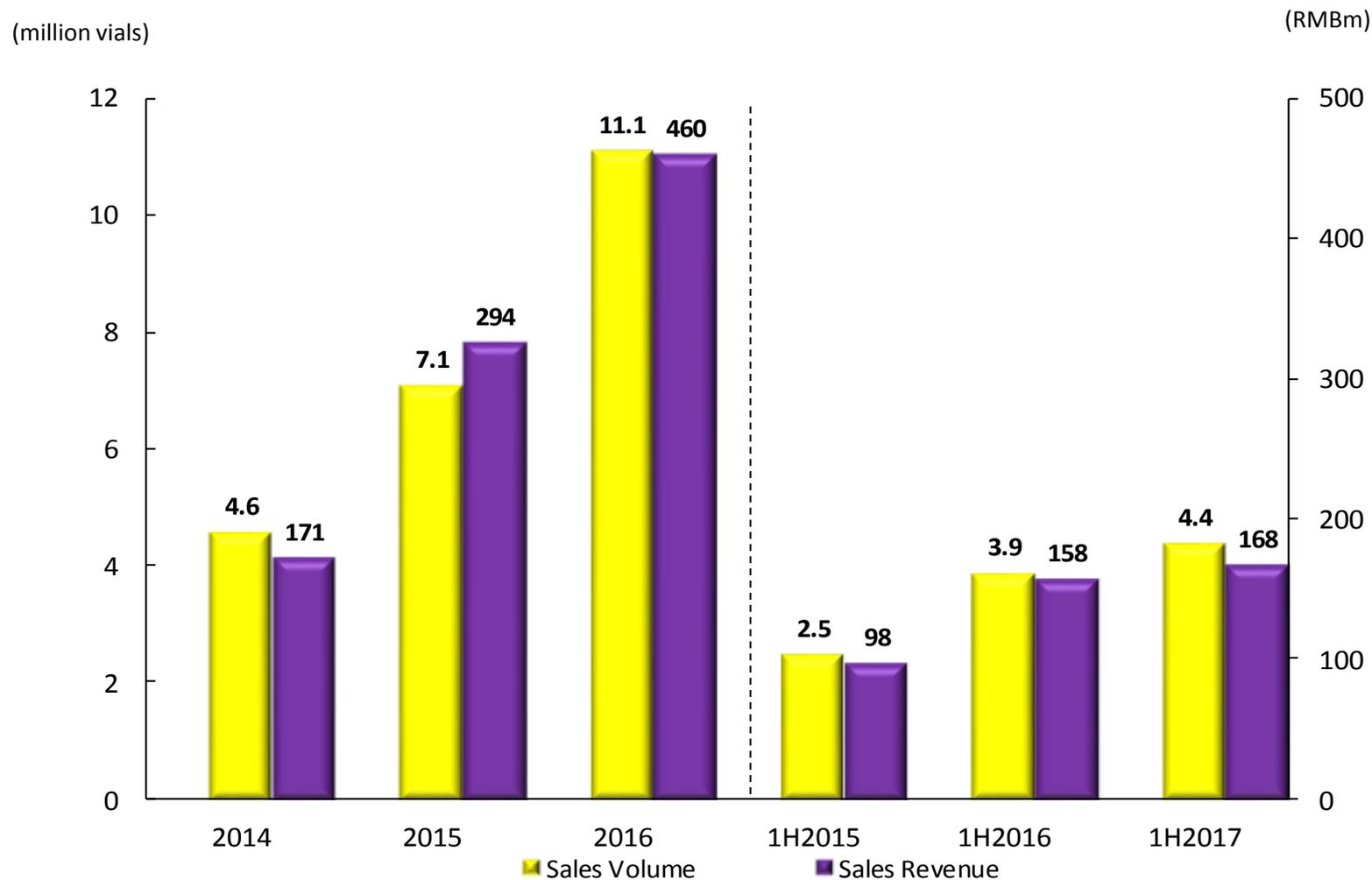


## Insulin Glargine Injection

- ◆ Approved by CFDA in Jan 2017, including the specification of refilled pen-type and disposable pen-type
- ◆ Insulin Glargine launched to market in May 2017, and recorded 33,670 vials sales in 1H2017
- ◆ Insulin Glargine has won the bidding in Fujian, Chongqing, Henan, Heilongjiang and Guangdong



# Sales Volume & Revenue of Recombinant Human Insulin





## Piperacillin Sodium and Tazobactam Sodium for Injection

- ◆ TUL owns 5 specifications, including one for pediatric drug
- ◆ Sales contributing RMB204 million, accounting for 17.3% of finished products sales



## Carbapenems series maintained high-speed growth

- ◆ High-end antibiotics for treatment of severe infection
- ◆ TUL's carbapenems series included Imipenem, Meropenem and Biapenem
- ◆ Carbapenems series achieved RMB61.7 million sales in 1H2017



## TUL will continue to expand the sales of eye drops series

- ◆ TUL's eyes drops series were partially listed in Insurance Catalogue (2017 version)
- ◆ Eye drops series achieved RMB69.8 million sales in 1H2017



## Enrich OTC products variety and expand sales of OTC products

- ◆ OTC products cover the variety of eye drops series, cream series, Ibuprofen capsules, etc
- ◆ TUL will enrich OTC products variety and expand sales by cooperating with large-scale chain drugstores

# Research & Development



- ◆ 39 new products were under development, in which 18 in the process of patent registration and 23 patents approved by the government

- ◆ 26 new products at the stage of pre-clinical-trial
- ◆ 12 new products at the stage of clinical trial
- ◆ 1 new products pending for production approval
- ◆ Series of product include those anti-diabetes, eye drop series, anti-hepatitis B, anti-cancer, as well as antibiotics series

- ◆ To leverage on R&D strengths to develop products with high margins and great demand

## Chemical pharmaceutical R&D Department

- approx. 110 R&D personnels
- 24 types of chemical drugs at different R&D stages

## Biological R&D Department

- approx. 90 R&D personnels
- 15 types of biological drugs at different R&D stages

## Clinical Department

- approx. 20 clinical inspectors
- responsible for the Company's clinical trials of new products

## External Cooperation

- working with local and foreign well-known universities, research institutes and laboratories

# Pipeline of Biological Products



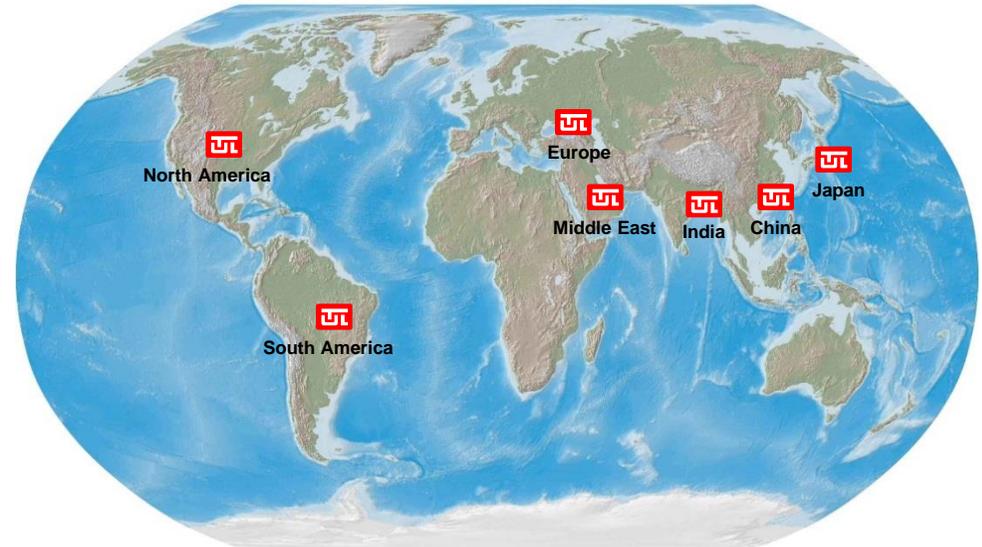
New Products	R&D Progress	Main curative effects
Insulin Aspart Injection 门冬胰岛素注射液（超速效）	Clinical trial finished	For treatment of type I & II diabetes
Insulin Aspart 30 Injection 门冬胰岛素30注射液（超速效）	Clinical trial finished	For treatment of type I & II diabetes
Insulin Detemir Injection 地特胰岛素注射液（长效）	Approval for clinical permit	For treatment of type I & II diabetes
Insulin Degludec Injection 德谷胰岛素注射液（超长效）	Pre-clinical-trial	For treatment of type I & II diabetes
Liraglutide Injection 利拉鲁肽（GLP-1 类似物）	Pre-clinical-trial	For treatment of type II diabetes
Insulin Aspart 50 Injection 门冬胰岛素50注射液（超速效）	Pre-clinical-trial	For treatment of type I & II diabetes

# Pipeline of Chemical Pharmaceutical Products



New Products	R&D Progress	Main curative effects
Tenofovir Disoproxil Fumarate Tablets 富马酸替诺福韦二吡呋酯片	Approval for clinical permit	Anti-hepatitis B & Anti-AIDS
Tadalafil Tablets 他达拉非片	Approval for clinical permit	For treatment of erectile dysfunction
Clopidogrel Hydrogen Sulphate Tablets 硫酸氢氯吡格雷片	Approval for clinical permit	Anti-thrombosis
Sitagliptin Phosphate Tablets 磷酸西格列汀片（DPP-4 抑制剂）	Pre-clinical-trial	For treatment of type II diabetes
Posaconazole Enteric-coated Tablets 泊沙康唑肠溶片	Pre-clinical-trial	Anti-fungal
Vitamin C Effervescent Tablets Series 联邦多维他维C泡腾片系列	Pre-clinical-trial	Strengthen immunity

# Extensive Sales and Distribution Network



## Domestic Market

- ◆ Around 3,000 sales staff in 28 sales offices of finished products as at 30 Jun 2017
- ◆ Over 1,000 distributors, 80 of them are top class distributors
- ◆ Further penetrated into hospital, essential drugs market, OTC and rural areas
- ◆ Expand the sales of OTC products, Chinese medical healthcare products in chain store pharmacies

## Overseas Markets

- ◆ Accounted for 26.1% of the Group total sales in 1H2017
- ◆ Sales of bulk products to North America, Europe, India, Japan, Middle East, South America and other regions
- ◆ 11 European CEP certificates; 2 German GMP certificates, 1 Intermediate product, 7 Bulk Medicines and 1 Finished Product received the approval from US FDA; 15 API approvals from India; 3 got Japanese GMP, 6 official approvals from Mexico



# **Section 4**

---

## Outlook & Strategies

## Financial

- ◆ Continue to optimize financial structure, maintain a healthy and balanced mix
- ◆ Maintain the balance in the ratio between onshore and offshore borrowings

## API /Intermediates business

- ◆ Continue to optimize the production process, improve the utilization rates, further reduce costs and increase sales
- ◆ Develop high-quality customer base and enhance our leadership position in the industry

## Finished Products

- ◆ Expand production capacity
- ◆ Actively enhance the variety of biological products and promote sales growth
- ◆ Enrich OTC products variety and expand sales of OTC products by cooperating with large-scale chain drugstores
- ◆ Expand the sales channels and client base of animal drugs veterinary drug series



# Section 5

---

Q & A Session