

**The United Laboratories  
International Holdings Limited**

**2019 Annual Results Announcement  
Corporate Presentation**

**March 2020**





**Results Snapshot**



**Financial Highlights**



**Business Review**



**Outlook & Strategies**



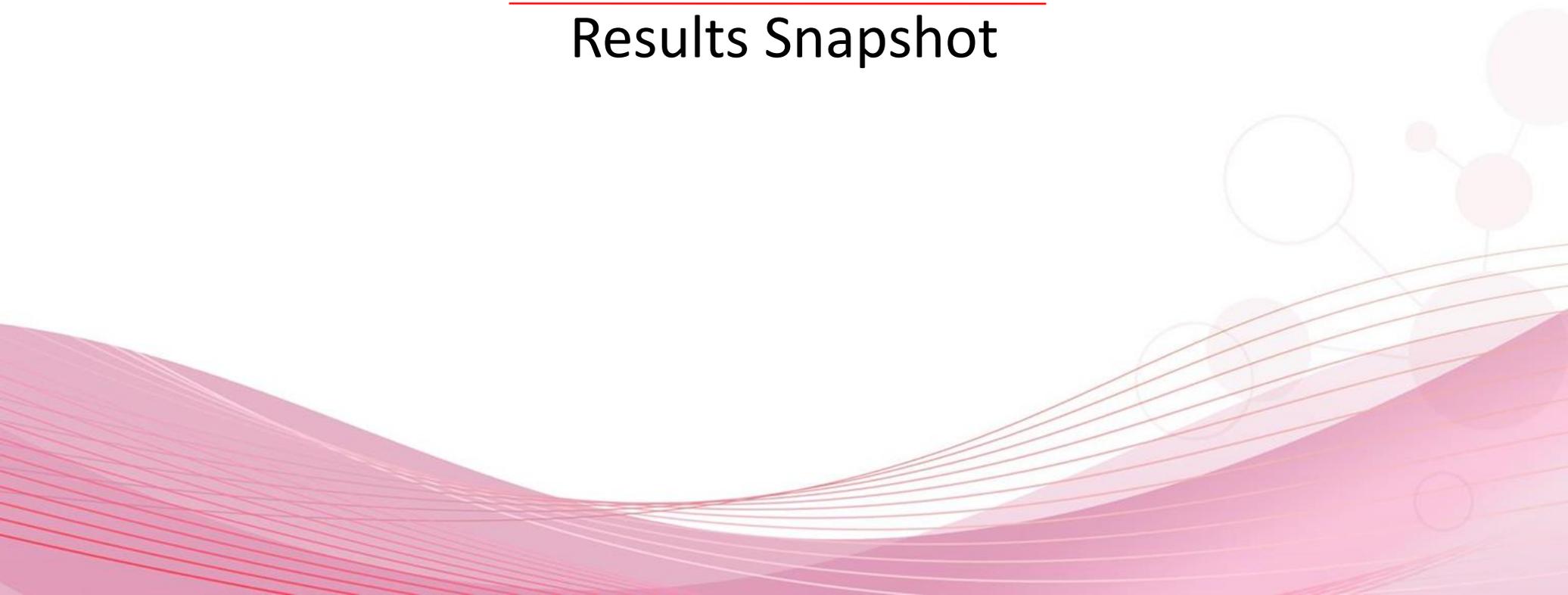
**Q & A**



# **Section 1**

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## Results Snapshot





## 2019 Annual Results Snapshot

- ◆ Turnover: +11.7% to RMB8,392.6 million
- ◆ Gross profit: +18.6% to RMB3,621.3 million
- ◆ Profit attributable to equity holders: -6.0% to RMB641.8 million
- ◆ Adjusted core business profit: +13.0% to RMB676.3million
- ◆ The Board recommends payment of final dividend of RMB7.0 cents per share
- ◆ Revenue & segment margin
  - ◆ Intermediate products: +3.8% to RMB1,280.4 million with segment margin of 3.1%
  - ◆ Bulk medicine: +6.0% to RMB3,593.1 million with segment margin of 5.7%
  - ◆ Finished products: +21.9% to RMB3,519.1million with segment margin of 22.3%
- ◆ Insulin series achieved 30.6% of sales growth to RMB909.6 million<sup>#</sup>
  - ◆ Recombinant human Insulin: Sales volume increased by 12.7% to 16.8 million vials (Sales revenue: RMB686.9 million<sup>#</sup>)
  - ◆ Insulin Glargine: Sales volume highly increased by 158.5% to 1.6 million vials (Sales revenue: RMB222.7 million<sup>#</sup>)
- ◆ Overseas sales: +23.7% to RMB2,435.0 million, accounting for 29.0% of total sales
- ◆ Recorded gain of RMB200.4 million on disposal of United Laboratories (Chengdu) Limited in 2019
- ◆ Entered into a facility agreement with a syndicate of banks for the dual currency loan of up to HK\$2 billion in Nov 2019

<sup>#</sup> Sales revenue denotes gross sales including sales discounts.

# COVID-19 Outbreak: Challenges and Opportunities



## All-out Efforts in COVID-19 Prevention

- ◆ First batch of anti-pandemic supplies were delivered to Wuhan on Jan 29, 2020
- ◆ Implemented pandemic prevention measures before resuming work to ensure the safety of all employees
- ◆ All production lines have resumed full operations at the end of Feb
- ◆ TUL has donated a total of RMB4 million and anti-pandemic supplies worth RMB1 million



## Opportunities brought by COVID-19

- ◆ Finished Products
  - ◆ Sales of oral antibiotics and vitamin C increased significantly
- ◆ Intermediate Products and Bulk Medicine
  - ◆ Price of intermediate products is expected to gradually climb to reasonable levels
  - ◆ Demand from domestic and overseas markets on the rise
  - ◆ A shortage of supplies as the production capacity affected by the pandemic outbreak



## Challenges posted by COVID-19

- ◆ Offline marketing initiatives has experienced a gloomy period
- ◆ Restrictions on logistics have been slowing down the delivery of products





# **Section 2**

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## Financial Highlights

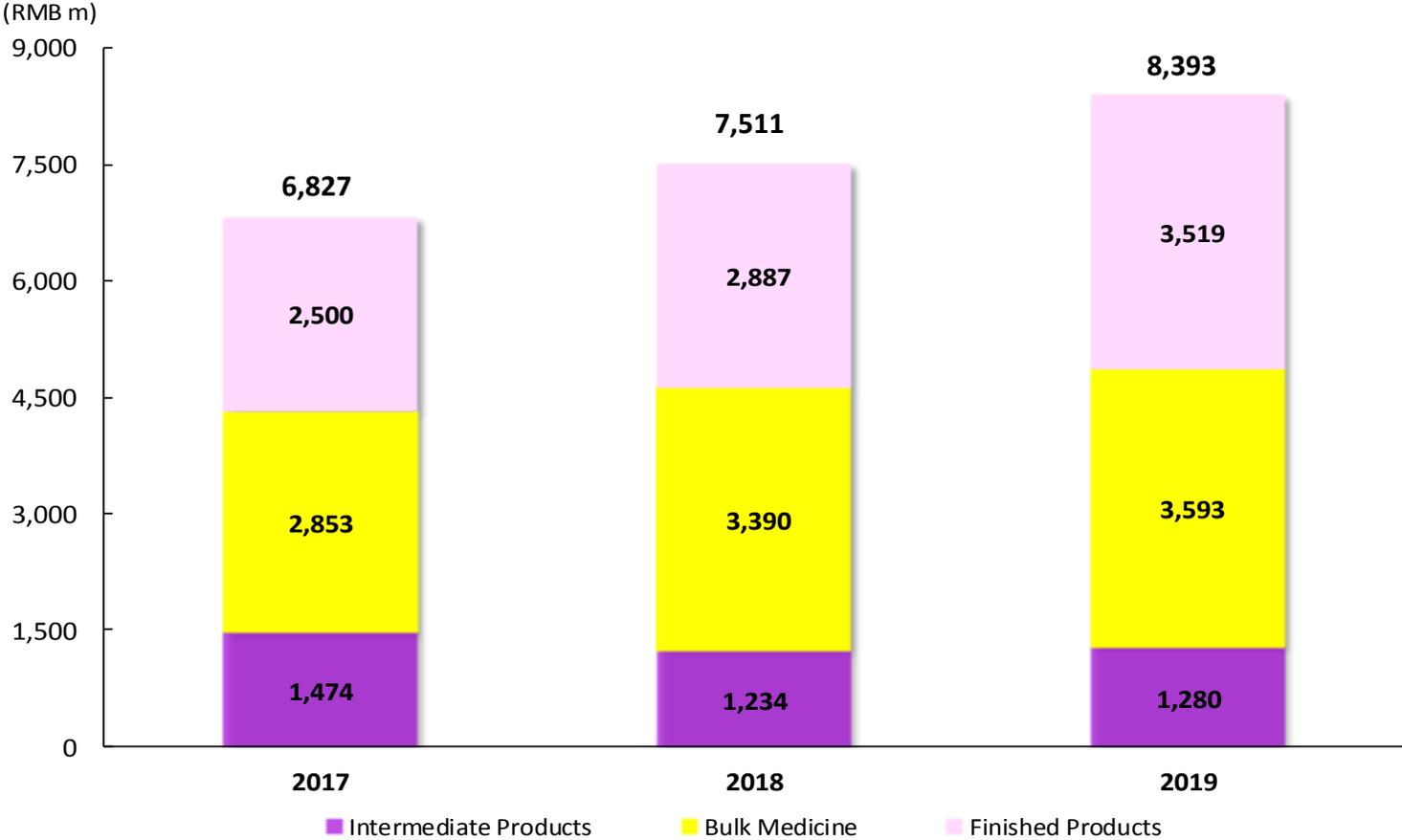


# Financial Overview

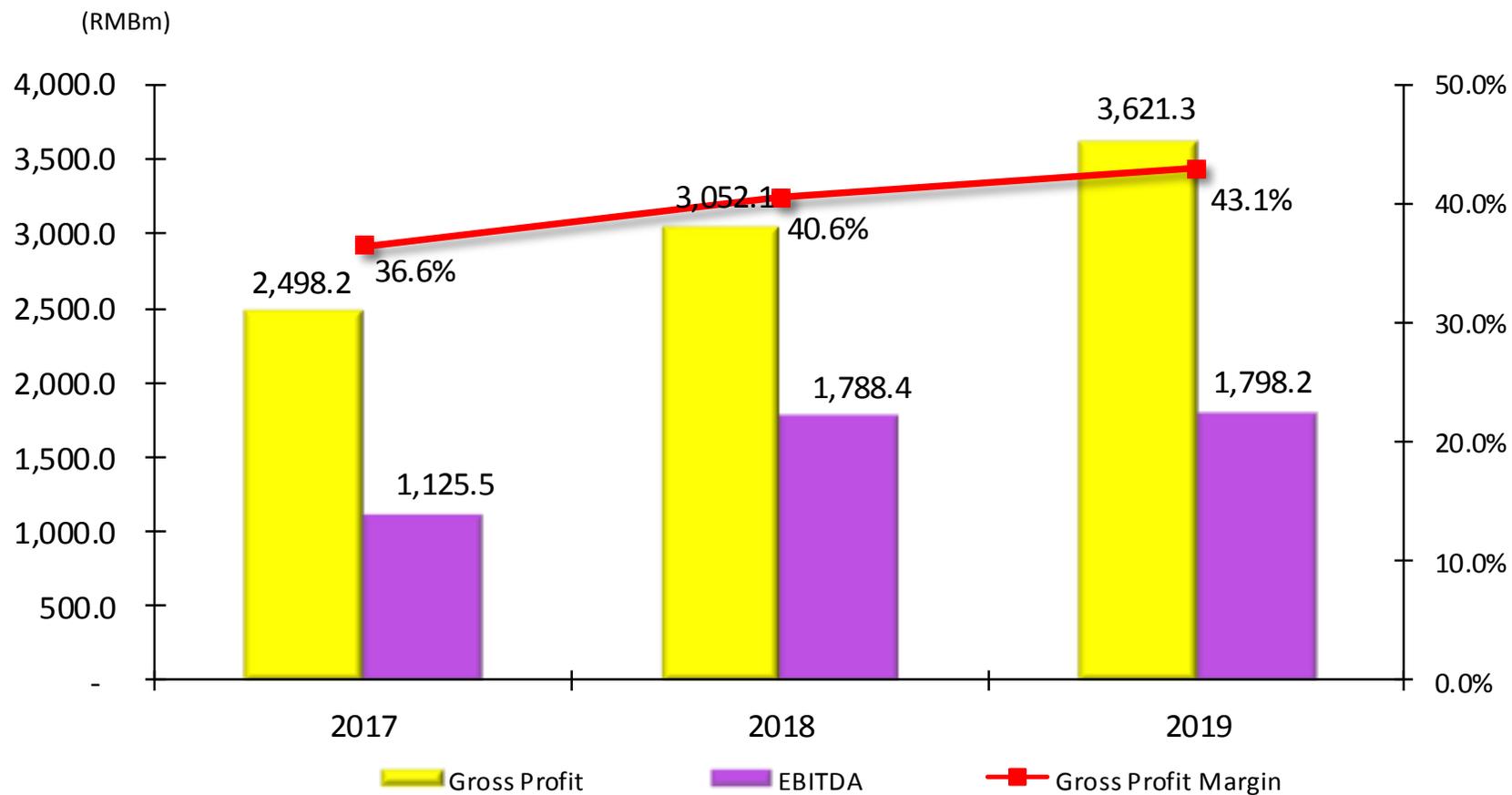


RMB million	2019	2018	yoy change	1H2019	2H2019
<b>Revenue</b>	<b>8,392.6</b>	7,510.6	+11.7%	4,090.0	4,302.6
<b>Gross Profit</b>	<b>3,621.3</b>	3,052.1	+18.6%	1,721.0	1,900.3
<b>EBITDA</b>	<b>1,798.2</b>	1,788.4	+0.5%	781.1	1,017.1
<b>Profit Attributable to Equity Holders</b>	<b>641.8</b>	682.9	-6.0%	295.9	345.9
❖ Loss on fair value change on investment properties	<b>97.6</b>	94.9	-2.8%	93.3	4.3
❖ Reversal of deferred tax liabilities on fair value change on investment properties	<b>(38.1)</b>	(52.3)	+27.2%	(51.5)	13.4
❖ Impairment loss recognized in respect of property, plant and equipment	<b>14.4</b>	29.5	-51.2%	13.5	0.9
❖ Loss/(Gain) on fair value change of derivative components of convertible bonds	<b>110.1</b>	(226.4)	--	(52.4)	162.5
❖ Net foreign exchange loss/(gain)	<b>(7.1)</b>	70.0	--	--	(7.1)
❖ Gain on disposal of a subsidiary net of tax	<b>(142.4)</b>	--	--	--	(142.4)
<b><u>Adjusted core business profit</u></b>	<b>676.3</b>	598.6	+13.0%	298.8	377.5
<b>Earnings per share (RMB cents)</b>					
- Basic	<b>39.14</b>	41.80	-6.4%	18.05	21.09
- Diluted	<b>39.14</b>	32.27	+21.3%	18.05	21.09
<b>Final Dividend per share(RMB cents)</b>	<b>7.0</b>	6.0	+16.7%	--	--

# Revenue



# Gross Profit, EBITDA & Gross Profit Margin



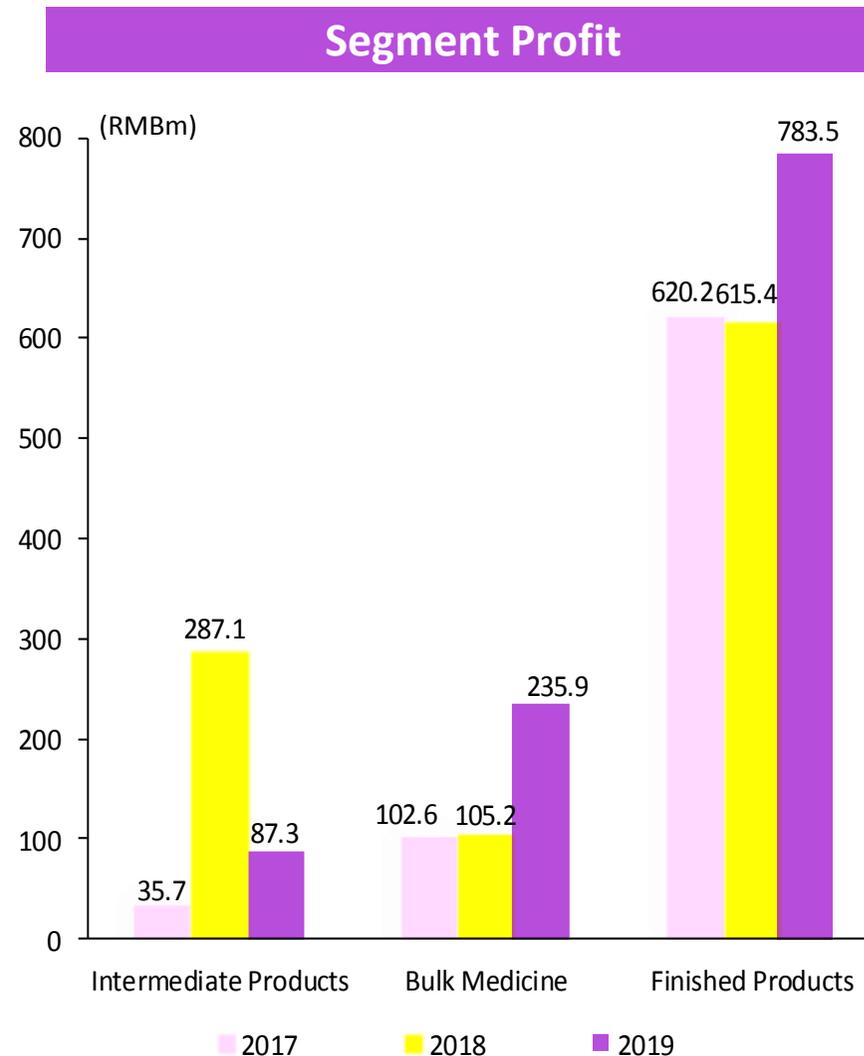
# Segment Results & Margins



Segment Profit Breakdown			
	2019	2018	2017
Intermediate Products	<b>7.9%</b>	28.5%	4.6%
Bulk Medicine	<b>21.3%</b>	10.4%	13.6%
Finished Products	<b>70.8%</b>	61.1%	81.8%
Total	<b>100%</b>	100%	100%

Segment Margin (EBIT#)			
	2019	2018	2017
Intermediate Products	<b>3.1%</b>	10.1%	1.3%
Bulk Medicine	<b>5.7%</b>	2.8%	3.2%
Finished Products	<b>22.3%</b>	21.3%	24.8%

# EBIT: Earnings before interest and taxation.



## Other Key Financial Indicators



	As at 31 Dec2019	As at 31 Dec 2018
Trade and bills receivable turnover (days)	111.9	144.1
Trade and bills payable turnover (days)	174.7	186.8
Stock turnover (days)	120.5	119.9
Current ratio	1.35	1.03
Net current assets (RMB million)	2,254.7	181.8
Net gearing ratio <sup>#</sup>	36.4%	49.8%
Cash and cash equivalents (RMB million)	3,164.8	1,578.5
Total assets (RMB million)	15,699.7	14,602.3

<sup>#</sup> calculated as total bank overdraft, borrowings, bills payables, obligations under finance leases and convertible bonds less cash and bank balances, pledged bank deposits and other pledged deposits to total equity.

	2019	2018
Net cash from operating activities (RMB million)	1,801.2	1,213.2



# Section 3

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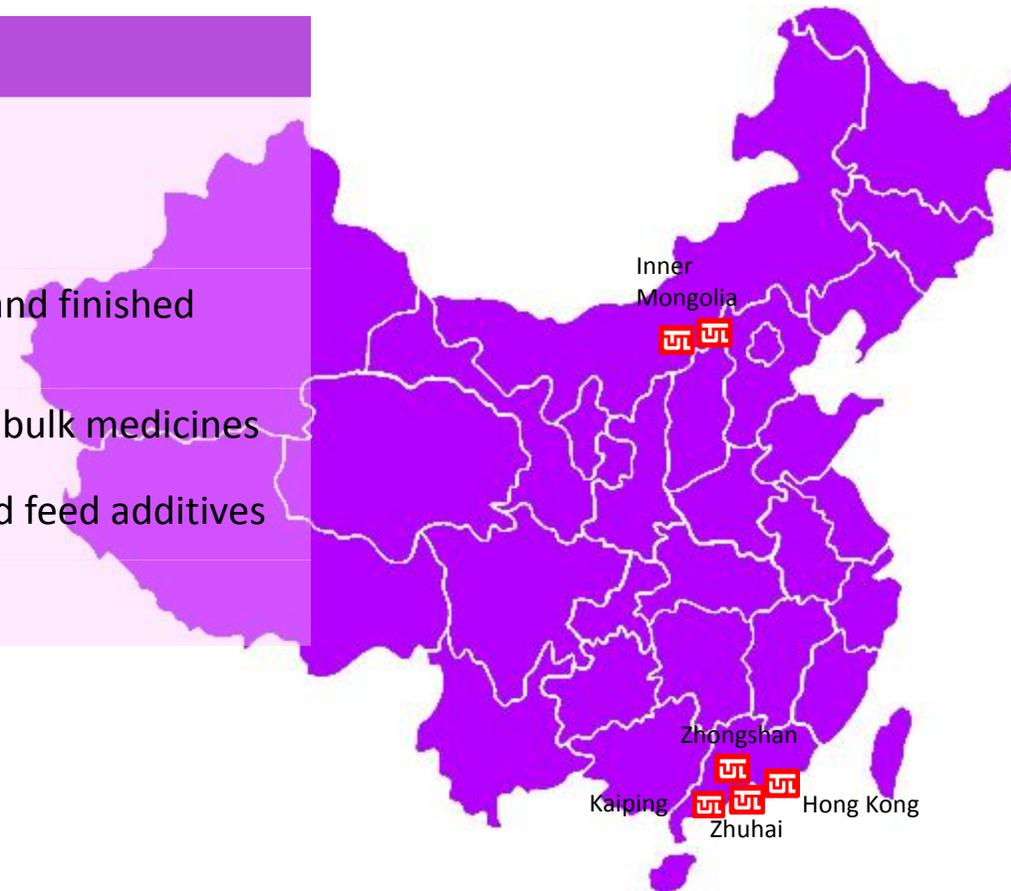
## Business Review



# Plant Locations



Plant Location	Key Product(s)
Hong Kong	Finished products
Zhongshan	Finished products
Zhuhai	Bulk medicines, biological and finished products
Inner Mongolia <sup>1</sup>	Intermediate products and bulk medicines
Inner Mongolia <sup>2</sup>	Veterinary preparations and feed additives
Kaiping	Empty capsule casings



# Vertical Integration



## Intermediate products, accounted for 15.3% of total external sales in 2019

6-APA (60-70%#) 10.5 %	T-Octylammonium Clavulanate N/A	Penicillin G Potassium First Crystal 4.8%
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## Bulk medicine, accounted for 42.8% of total external sales in 2019

Semi-synthetic penicillins type (50-60%#)  27.0%	Cephalosporins type  3.6%	$\beta$ -lactamase inhibitors type  11.6%	Carbapenems type  0.6%	Insulin API  N/A
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## Finished products, accounted for 41.9% of total external sales in 2019

Semi-synthetic penicillins antibiotics  8.4%	Cephalosporins antibiotics  1.9%	$\beta$ -lactamase inhibitors antibiotics  10.9%	Carbapenems antibiotics  1.6%	Insulin products  10.2%	Others (including capsule casings)  8.9%
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#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
- ◆ TUL will expand the investment on marketing and academic education



## Recombinant Human Insulin Injection

- ◆ Included in the “National Essential Drug List”(2018 version)
- ◆ Outstanding sales performance from Anhui, Henan, Shandong, Guangdong and Jilin Province
- ◆ The Group has won the bidding of recombinant human insulin nationwide
- ◆ Recombinant Human Insulin recorded sales revenue of RMB686.9million<sup>#</sup> in 2019

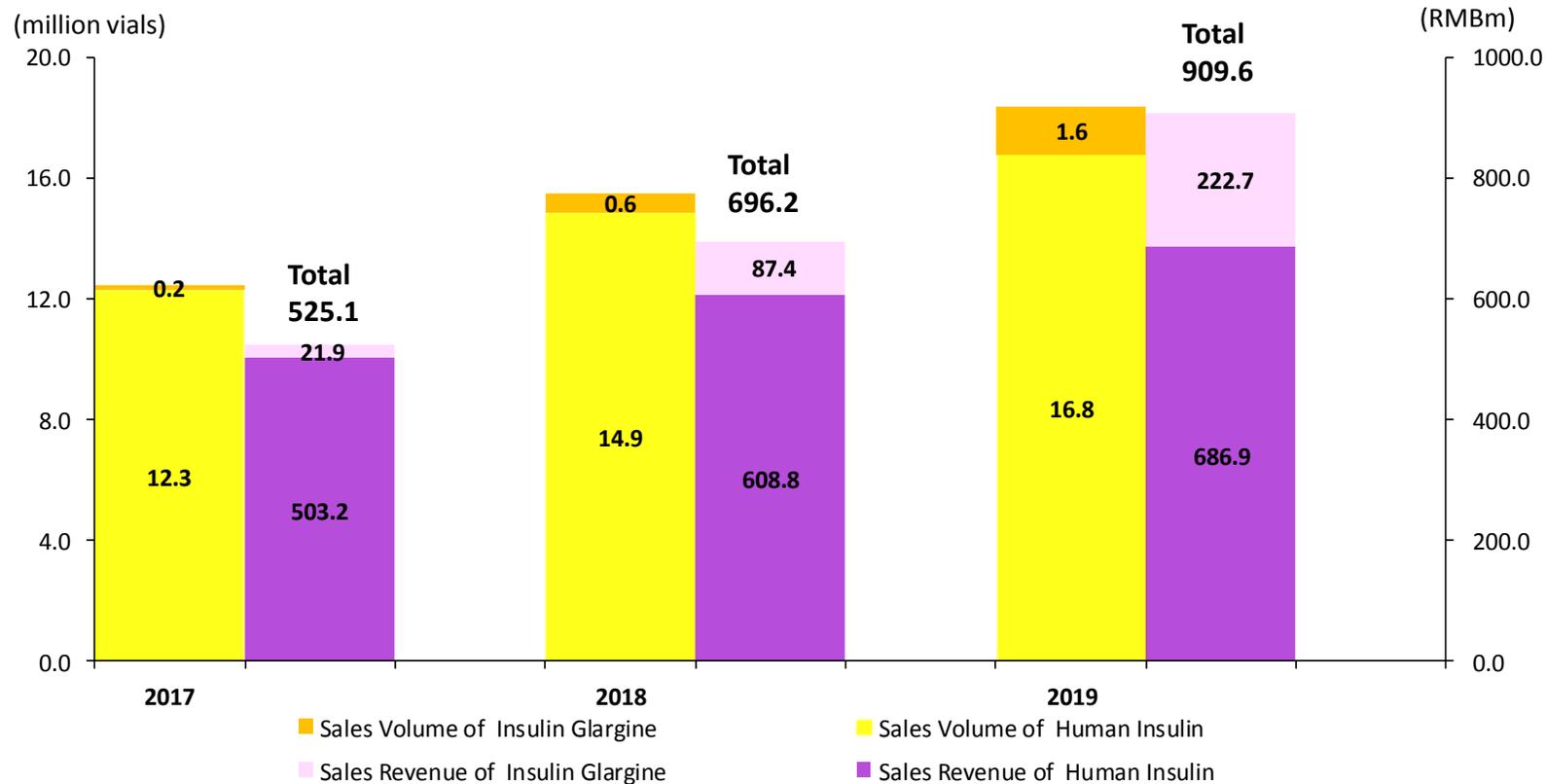


## Insulin Glargine Injection

- ◆ Included in the “National Medical Insurance Drug List”(2019 version) & “National Essential Drug List”(2018 version)
- ◆ Two specifications including refilled pen-type and disposable pen-type
- ◆ Launching in May 2017, marketing and team expansion in progress
- ◆ Insulin Glargine recorded sales revenue of RMB222.7 million<sup>#</sup> in 2019

<sup>#</sup> Sales revenue denotes gross sales including sales discounts.

# Sales Performance of Insulin Series

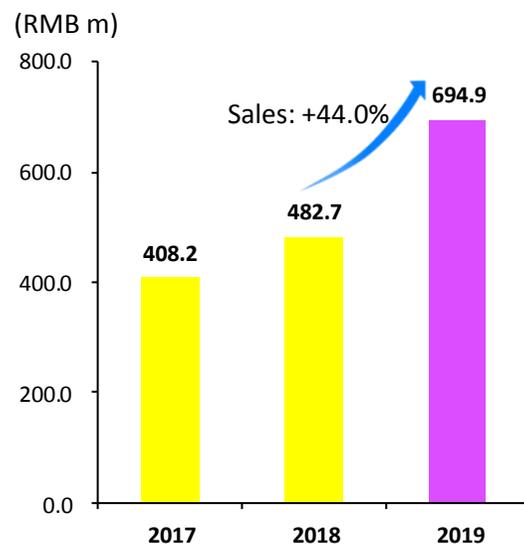


# Business Review of Other Finished Products



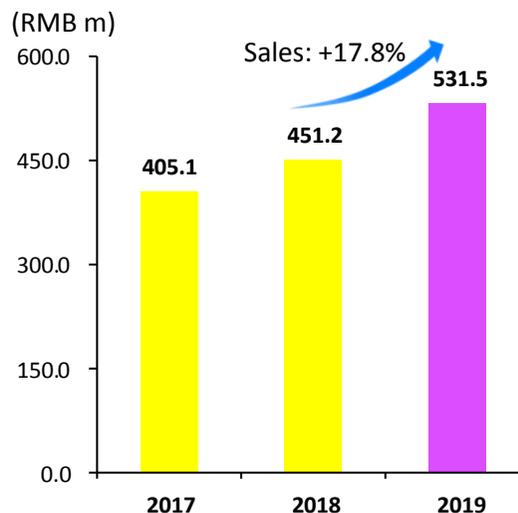
## Piperacillin Sodium and Tazobactam Sodium for Injection

- ◆ Listed in National Essential Drugs List (2018 version)
- ◆ TLUL owns 5 specifications
- ◆ Sales achieved 44.0% growth to RMB694.9 million in 2019



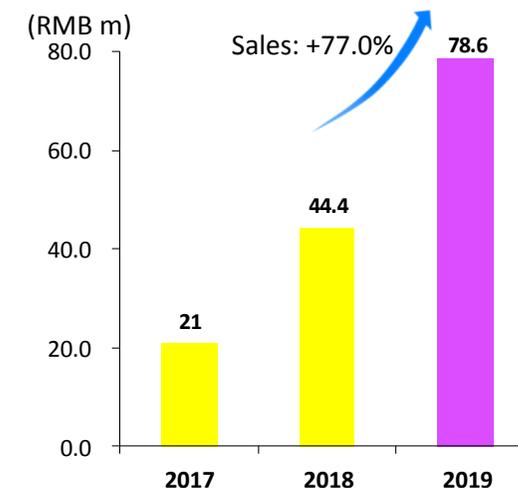
## Amoxicillin Capsules

- ◆ TUL's Amoxicillin Capsules (0.25g) passed the consistency of quality and efficacy evaluation for generic drugs in April 2018
- ◆ Sales achieved 17.8% growth to RMB531.5 million in 2019

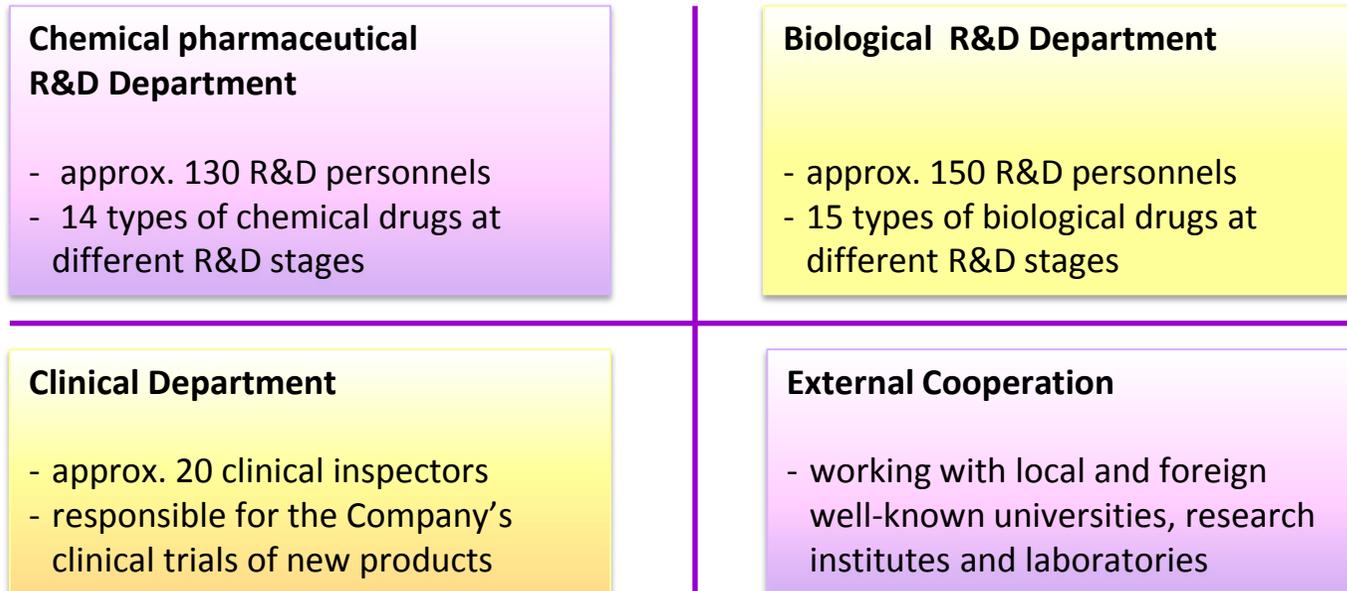


## Memantine Hydrochloride

- ◆ Listed in National Medical Insurance Drug List (2017 version)
- ◆ TUL was the first generic drug manufacturer of Memantine Hydrochloride in the PRC
- ◆ Sales achieved 77.0% growth to RMB78.6 million in 2019



- ◆ 29 new products were under research & development
  - ◆ 21 new products at the stage of pre-clinical-trial
  - ◆ 2 new products pending for clinical approval
  - ◆ 2 new products at the stage of clinical trial
  - ◆ 4 new products pending for production approval
  - ◆ Series of product include those diabetes, anti-hepatitis B, eye drop series and new drugs
- ◆ To leverage on R&D strengths to develop products with high margins and great demand



# Pipeline



Therapeutic Area	New Products	Pre-Clinical	Clinical Trial Application	Clinical Trial	Production Application	Expected Approved
Diabetes	Insulin Aspart Injection					2020
	Insulin Aspart 30 Injection					2020
	Liraglutide Injection					2023
	Insulin Degludec Injection					2025
	Insulin Aspart 50 Injection					2022
	Insulin Degludec/Insulin Aspart					2024
	Insulin Degludec/Liraglutide					2024
	Semaglutide Injection					2027
	GLP-1 Oral Preparation					--
	Intelligent Insulin					--
Rheumatoid Arthritis	WXSH0150					--
Hepatitis B & AIDS	Tenofovir Disoproxil Fumarate Tablets					2021
Dermatosis	Mupirocin Ointment					2020
Xerophthalmia	Polyvinyl Alcohol Eye Drops					2021
	Sodium Hyaluronate Eye Drops					2022
Conjunctivitis	Moxifloxacin Eye Drops					--

# Plant Capacity in 2019



	Designed Capacity	Utilization Rate	External Sales
<b>Intermediate products (tonnes)</b>			
• 6-APA	<b>18,000</b>	91.2%	40.6% <sup>1</sup>
• Penicillin G Potassium First Crystal (in BOU) <sup>2</sup>	<b>13,333,333</b>	66.4%	100%
• T-Octylammonium Clavulanate	<b>720</b>	58.3%	N/A
<b>Bulk medicine (tonnes)</b>			
• Semi-synthetic penicillins type	<b>20,000</b>	78.2%	90%
• Cephalosporins type	<b>1,200</b>	58.9%	90%
• $\beta$ -lactamase inhibitor antibiotics type	<b>1,568</b>	86.2%	90%
<b>Finished products (mil)</b>			
• Amoxicillin & Ampicillin capsules	<b>1,540</b>	97.2%	100%
• Tazobactam sodium and piperacillin sodium for injection	<b>28</b>	90.9%	100%

<sup>1</sup> Opening inventory is not included in calculating the percentage of external sales.

<sup>2</sup> 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 2019	External Sales volume in 2018	yoy change
<b>Intermediate products (tonnes)</b>	6-APA	<b>6,659.8</b>	4,863.8	+36.9%
	Penicillin G Potassium First Crystal ( <i>In BOU</i> )	<b>8,629,039</b>	6,355,198	+35.8%
<b>Bulk medicine (tonnes)</b>	Semi-synthetic penicillins type	<b>13,947.7</b>	13,554.4	+2.9%
	Cephalosporins type	<b>438.3</b>	375.5	+16.7%
	β-lactamase inhibitors type	<b>1,156.6</b>	1,027.5	+12.6%
<b>Finished products (million packs)</b>	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) <sup>#</sup>	<b>28.9</b>	20.3	+42.4%
	Amoxicillin capsules(250/500mg) <sup>#</sup>	<b>70.7</b>	60.7	+16.5%
	Carbapenems for injection	<b>3.8</b>	3.3	+15.2%
	Recombinant human Insulin <sup>#</sup>	<b>16.8</b>	14.9	+12.8%
	Insulin Glargine <sup>#</sup>	<b>1.6</b>	0.6	+166.7%
	Memantine Hydrochloride	<b>0.4</b>	0.2	+100%

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

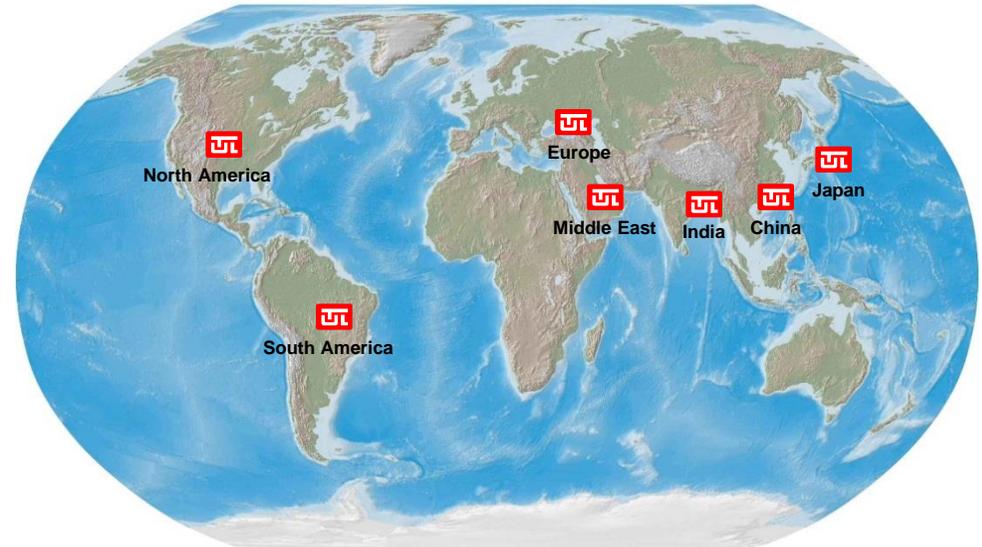
# Average External Selling Price



Average External Selling Price <sup>#</sup>	2019	2018	y-o-y change
<b>Intermediate products</b>			
6-APA (RMB/kg)	<b>130.5</b>	178.5	-26.9%
Penicillin G Potassium First Crystal (RMB/BOU)	<b>46.4</b>	53.4	-13.1%
<b>Bulk medicine (RMB/kg)</b>			
Semi-synthetic penicillins type	<b>161.4</b>	160.3	0.7%
Cephalosporins type	<b>676.8</b>	707.2	-4.3%
β-lactamase inhibitors type	<b>844.4</b>	824.4	2.4%

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

# Extensive Sales and Distribution Network



## Domestic Market

- ◆ Around 3,500 sales staff in 28 sales offices of finished products
- ◆ Cooperate with approx. 1,200 distributors
- ◆ Further penetrated into hospital, essential drugs market, OTC and rural areas

## Overseas Markets

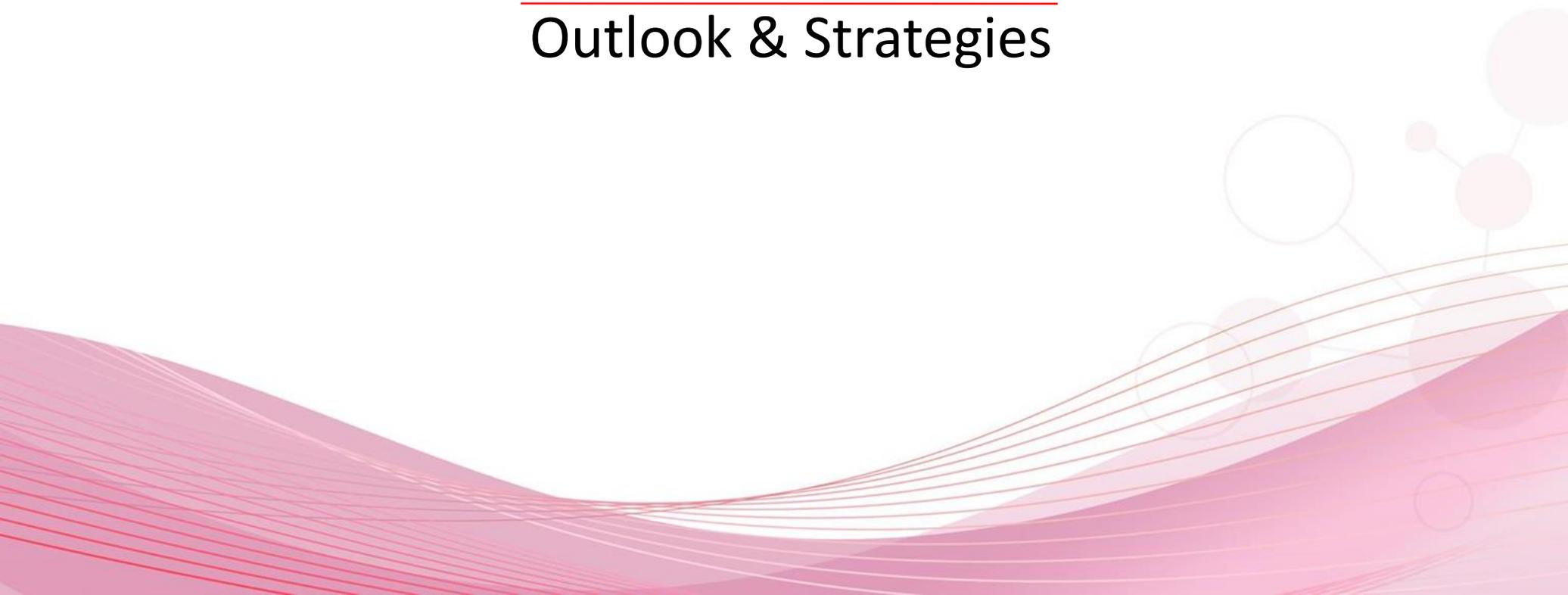
- ◆ Accounted for 29.0% of the Group total sales in 2019
- ◆ Sales of bulk products to Europe, India, Middle East, South America and other Asian regions
- ◆ 11 European CEP certificates; 2 German GMP certificates; 1 Intermediate product and 5 bulk medicines received the approval from US FDA; 14 API approvals from India; 4 got Japanese GMP; 5 official approvals from Mexico

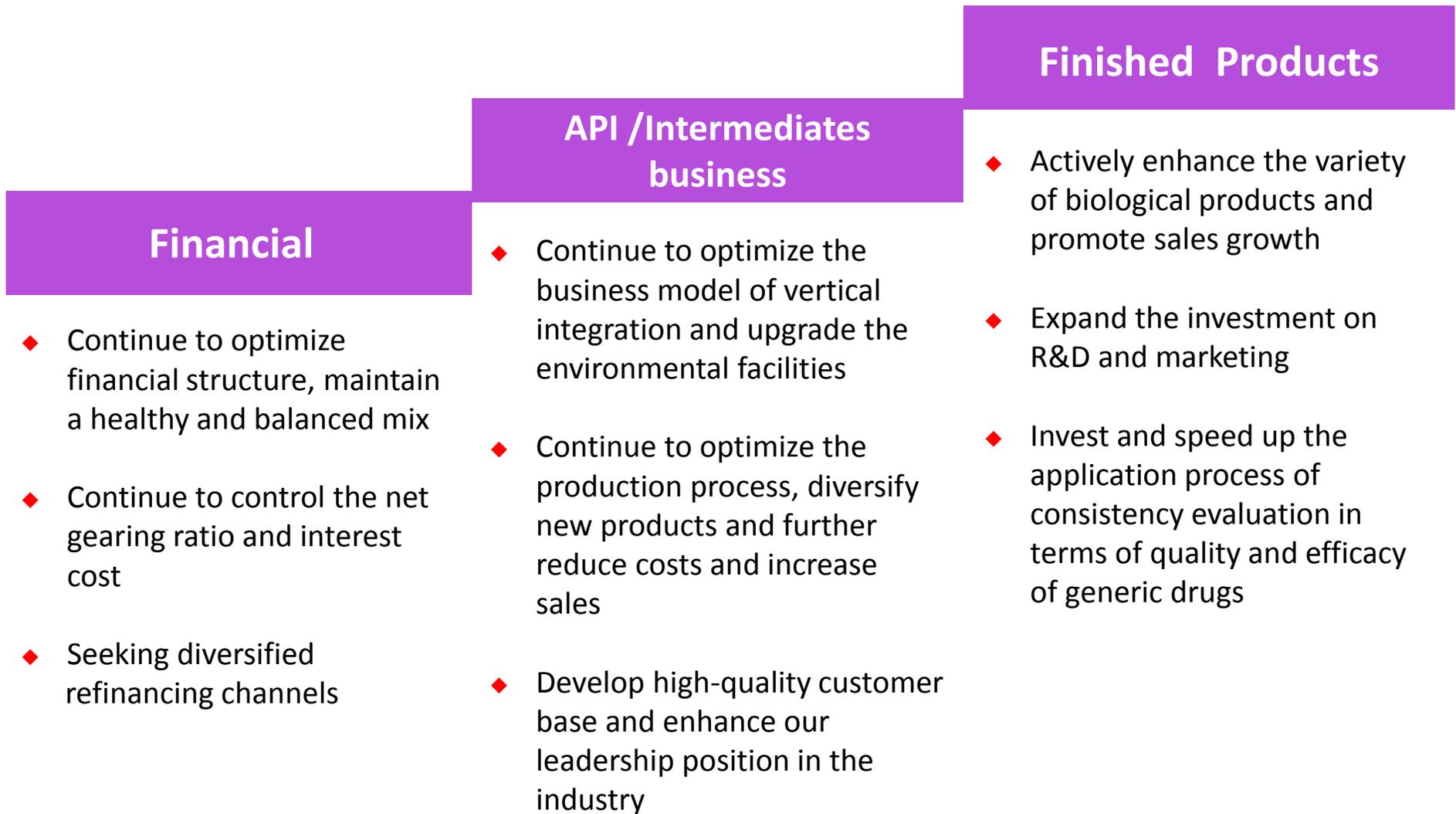


# **Section 4**

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## Outlook & Strategies







# Section 5

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Q & A Session

