

Hikma Pharmaceuticals PLC

2015 preliminary results

16 March 2016

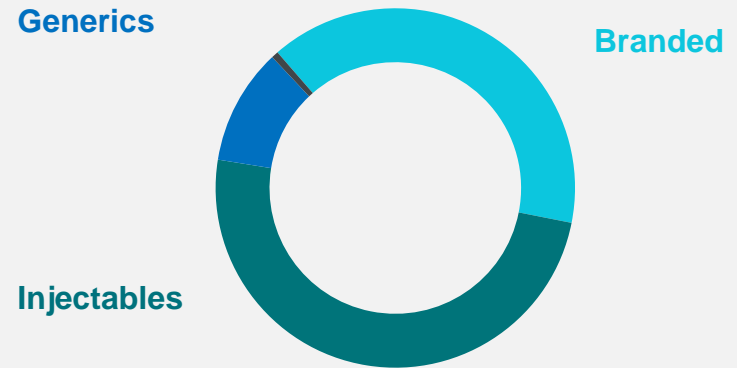


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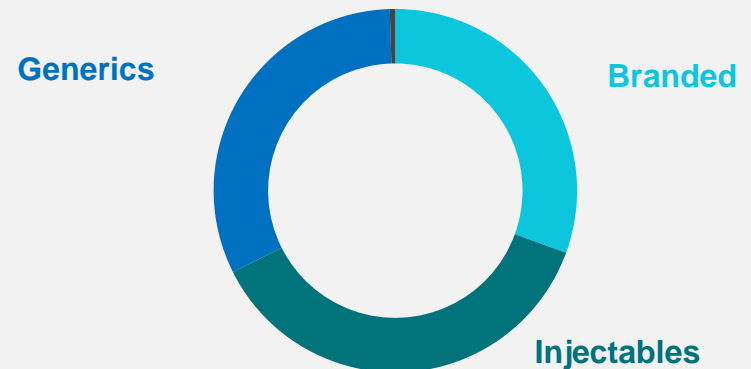
Strong performance with excellent strategic momentum for future growth

- ▶ Successful execution of Group's growth strategy across all three business segments
- ▶ Swift integration of Bedford, delivering new high value products for US Injectables
- ▶ Strategic acquisition of Roxane brings a broad portfolio and large, differentiated pipeline and transforming the prospects of the Generics business
- ▶ Balance sheet strengthened through inaugural bond issue, raising \$500 million, and new \$1.2 billion revolving credit facility, providing financial flexibility to support future growth
- ▶ Launched 92 products and received 220 product approvals – expanding and enhancing Hikma's global product portfolio

Group revenues in 2015



Group revenues in 2016 (expected)



Financial performance

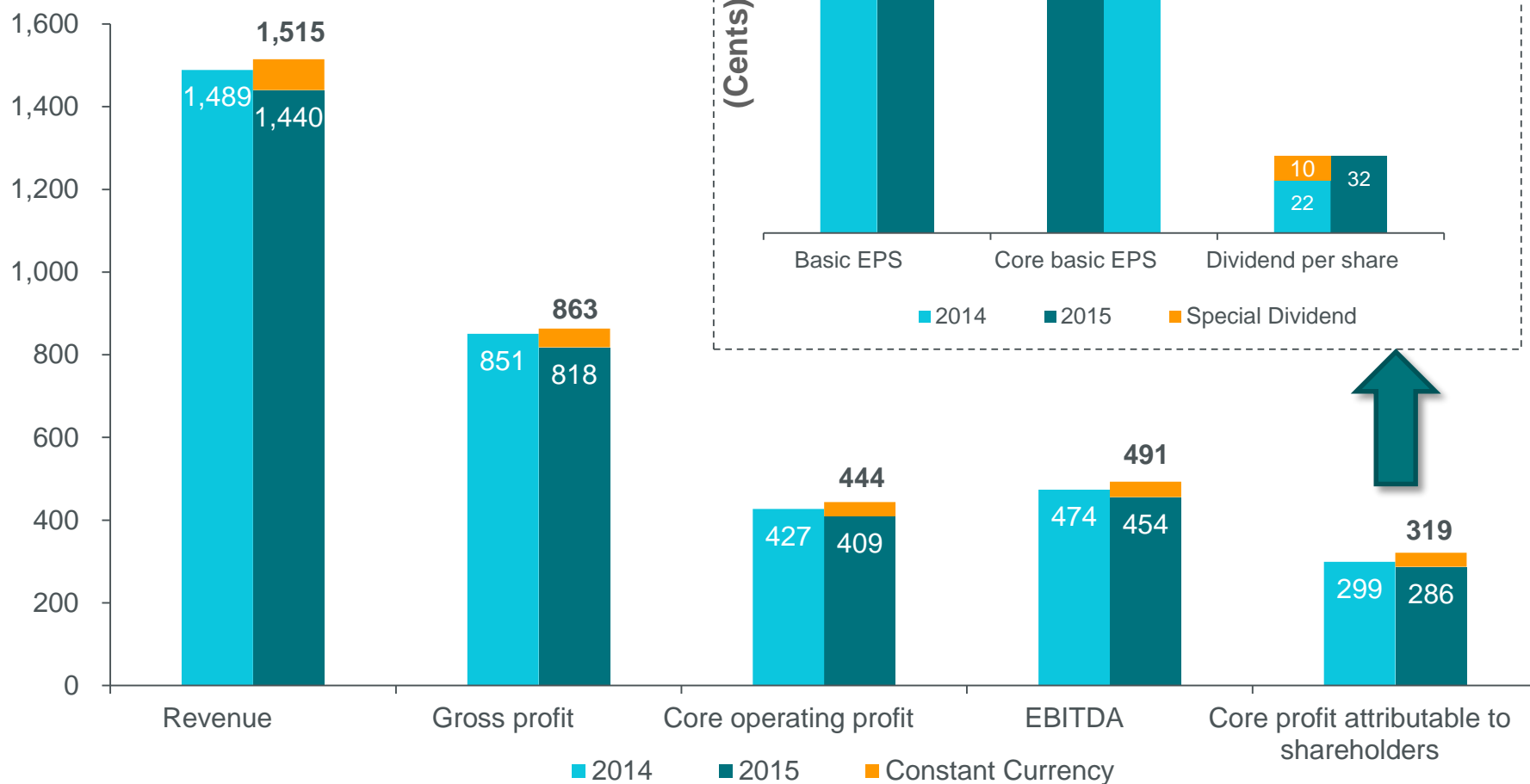


Group financial highlights

Solid Group performance in 2015



(\$ millions)

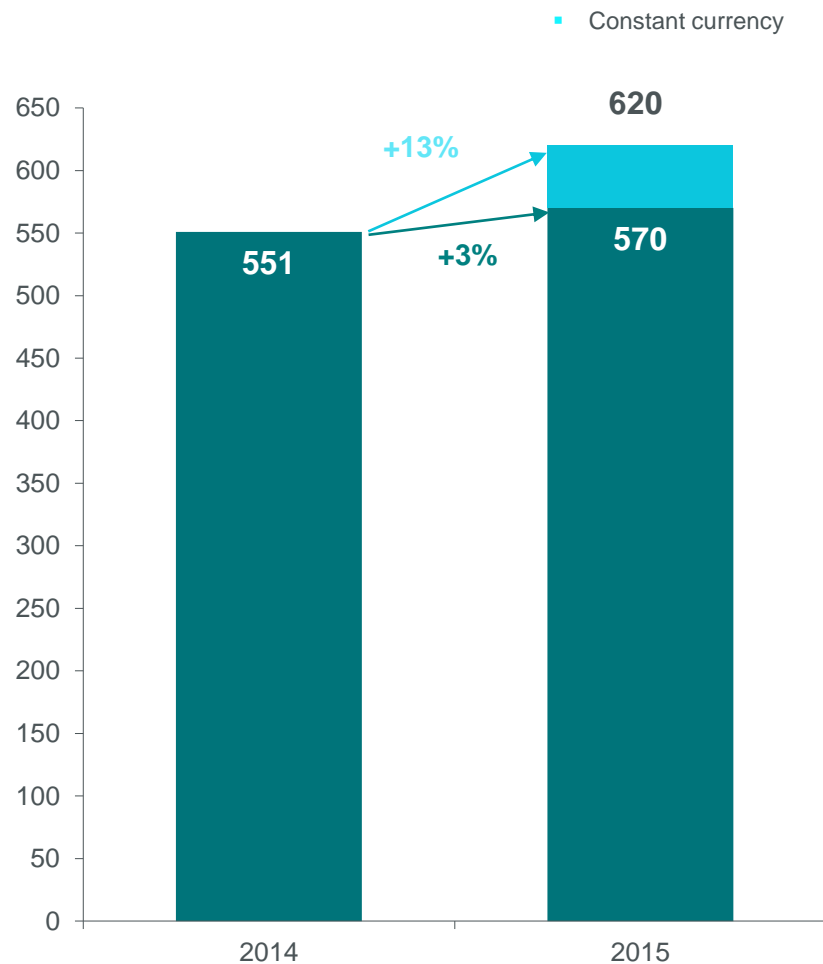


Branded

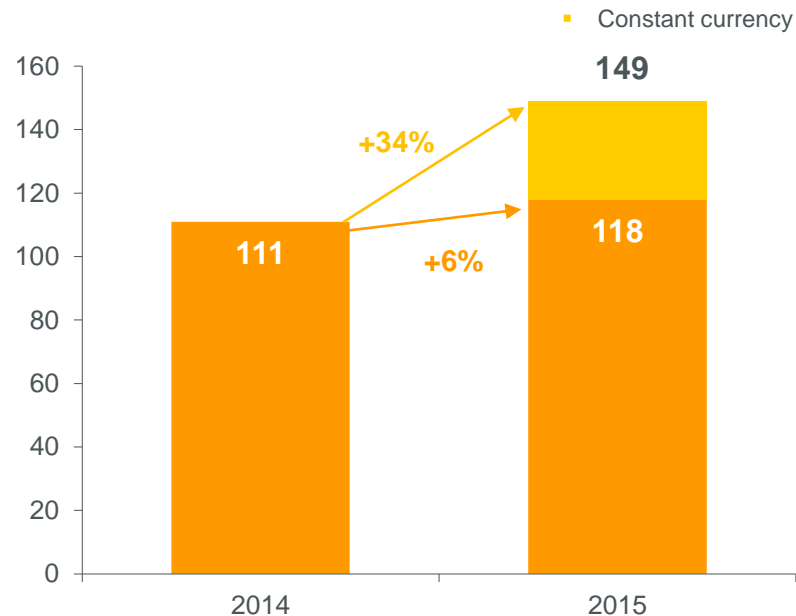
Delivering strong underlying growth in revenue and profitability



Revenue(\$ million)



Core¹ operating profit (\$ million)



Operating margin

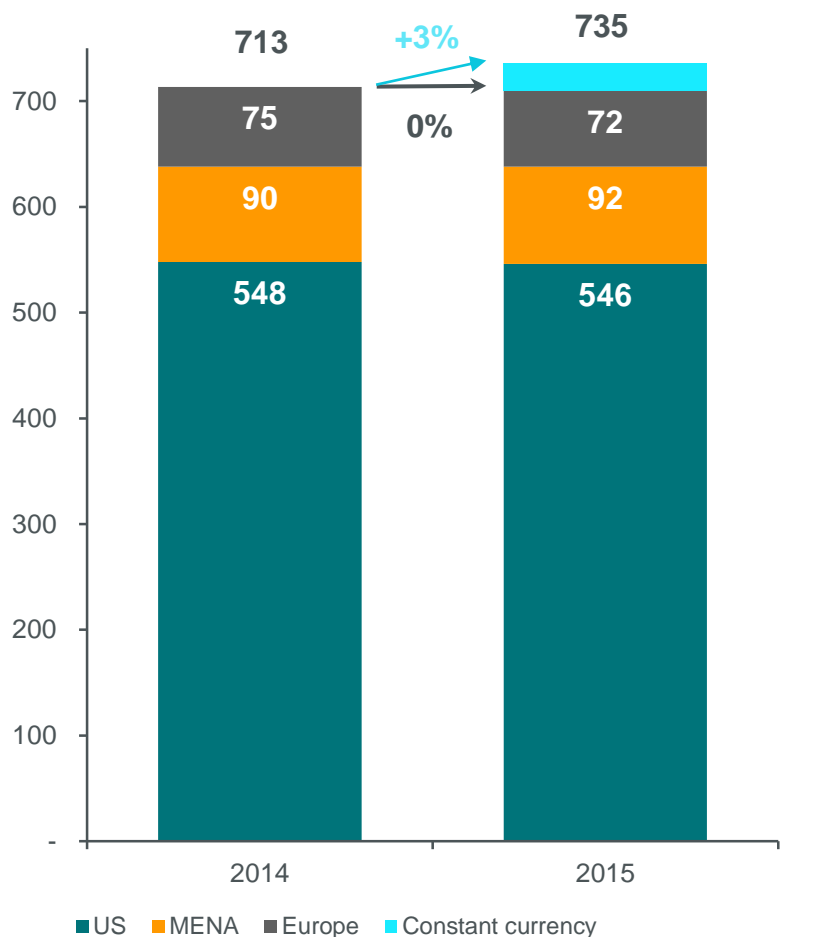
	2014	2015	Change	2015 Constant Currency	Change
Reported	18.5%	18.4%	-0.1pp	21.8%	+3.3pp
Core ¹	20.1%	20.7%	+0.6pp	24.0%	+3.9pp

Injectables

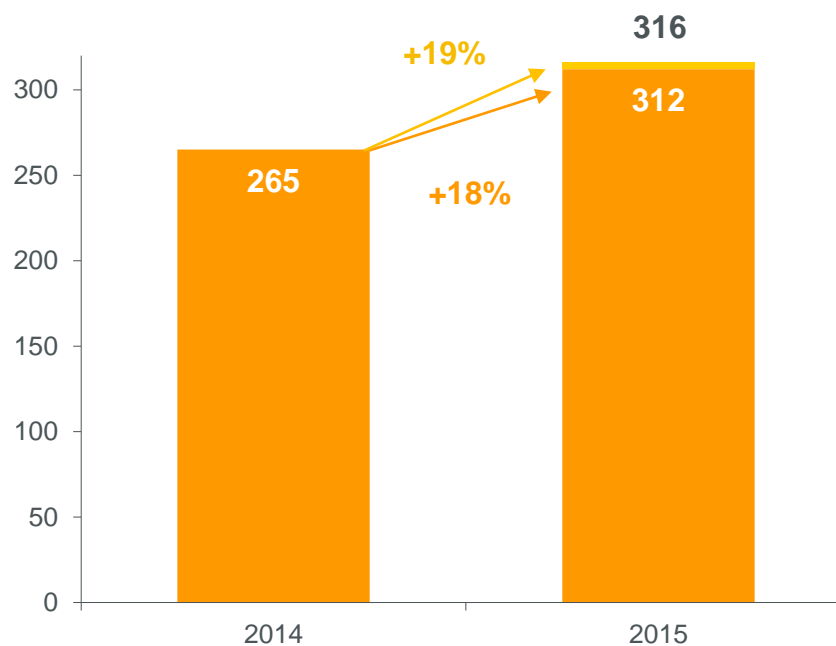
Stable revenue and excellent profitability



Revenue (\$ million)



Core¹ operating profit (\$ million)



Operating margin

	2014	2015	Change	2015 Constant Currency	Change
Reported	36.5%	43.8%	+7.3pp	43.0%	+6.5pp
Core ¹	37.2%	43.9%	+6.8pp	43.0%	+5.8pp

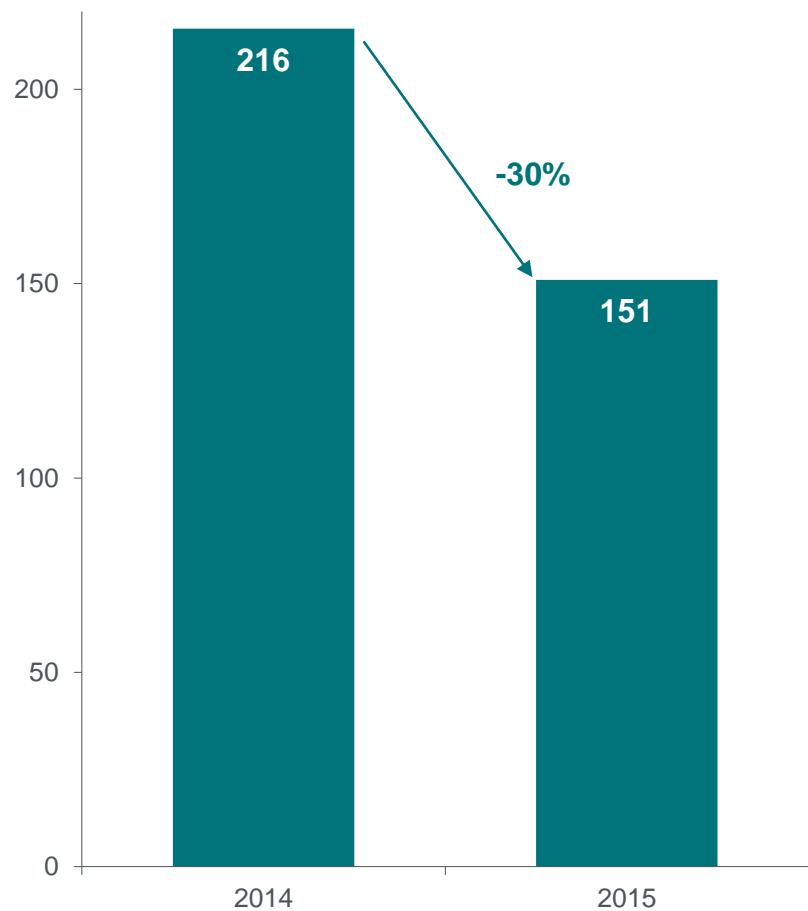
6 ¹ Before the amortisation of intangible assets other than software and exceptional items

Generics

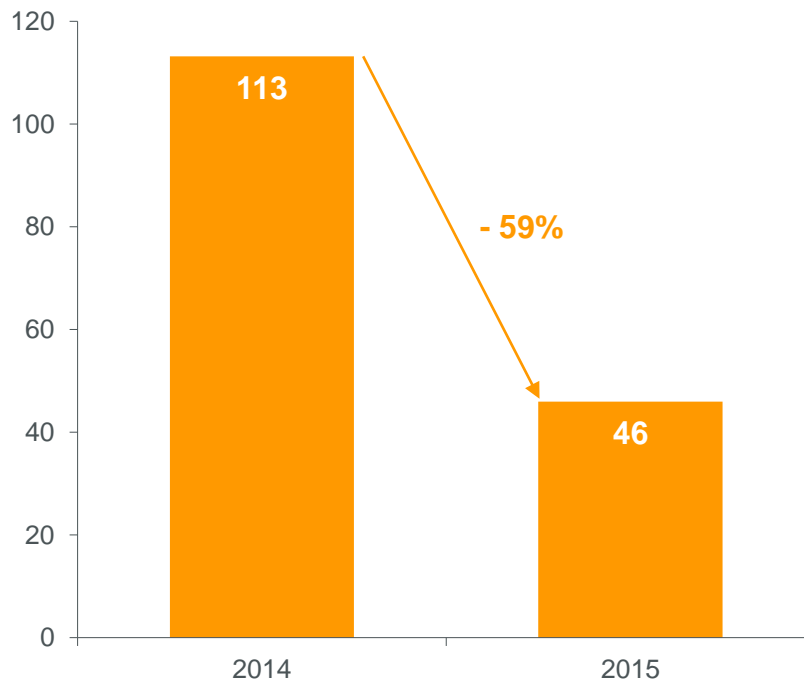
Continued decline of specific market opportunities, as expected



Revenue (\$ million)



Core¹ operating profit (\$ million)



Operating margin

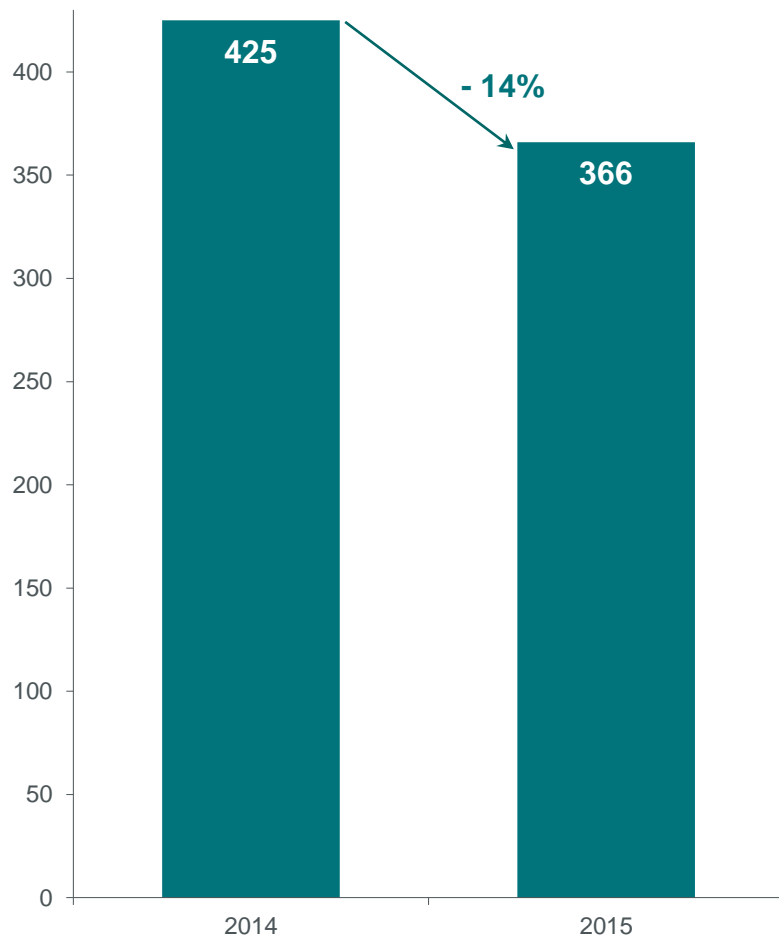
	2014	2015	Change
Reported	52.3%	29.1%	-23.2pp
Core ¹	52.3%	30.5%	-21.9pp

Cash flow

Lower contribution from specific market opportunities



Operating cash flow (\$ million)



- ▶ Operating cash flow was \$366 million compared with \$425 million in 2014, reflecting the lower contribution from specific market opportunities in the Generics business
- ▶ The primary uses of cash were capex and product related investments

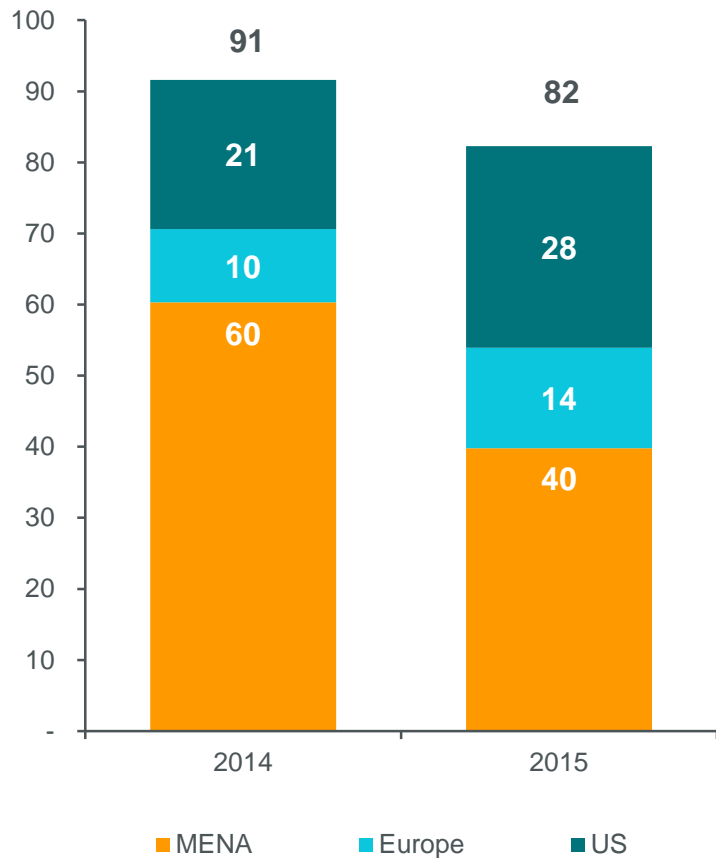
	2014	2015	Change
Working capital days	177	177	-
Operating cash flow / revenue	29%	25%	- 4 pp

Capital expenditure

Continued investment in quality and capacity for future growth



Capital expenditure (\$ million)



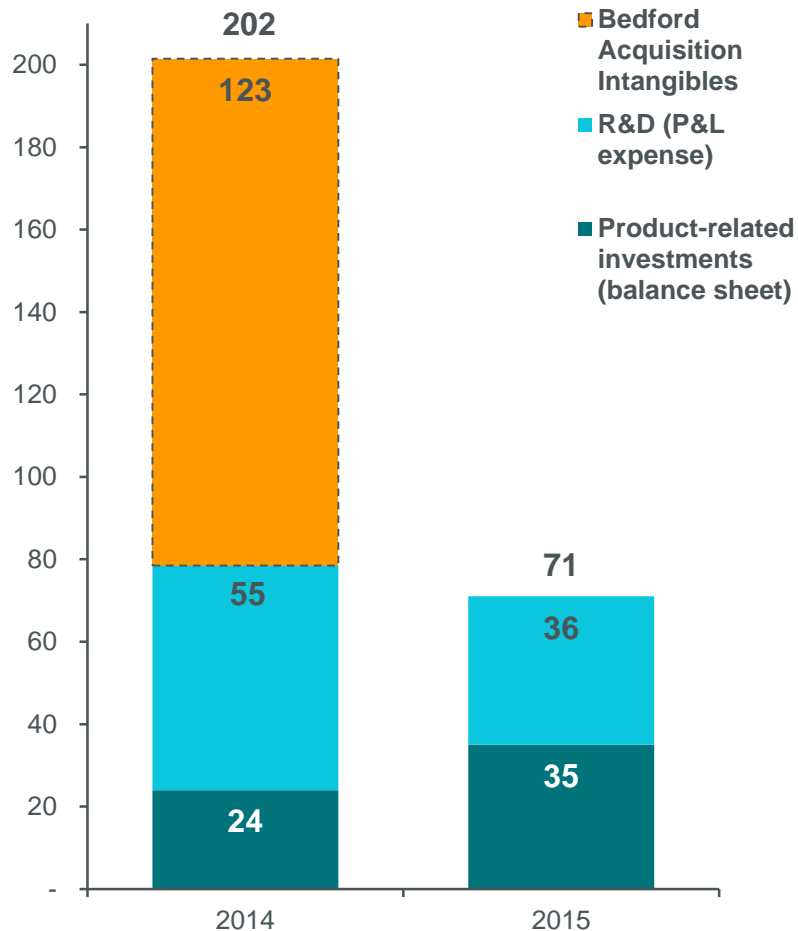
- ▶ Maintaining and expanding our facilities across the MENA including Jordan, Egypt and Sudan
- ▶ Integrating Bedford and expanding capacity in Europe including a new injectables plant in Portugal
- ▶ Expanding capacity in the US, maintaining and installing new machinery - as well as implementing certain upgrades including IT in preparation for the integration of Roxane

Product related investments

Expanding and enhancing our product portfolio



Product related investments¹ (\$ million)



- ▶ Group R&D expenditure including product-related investments and acquisitions of \$71 million
- ▶ Expecting R&D expenditure to increase significantly with the consolidation of Roxane

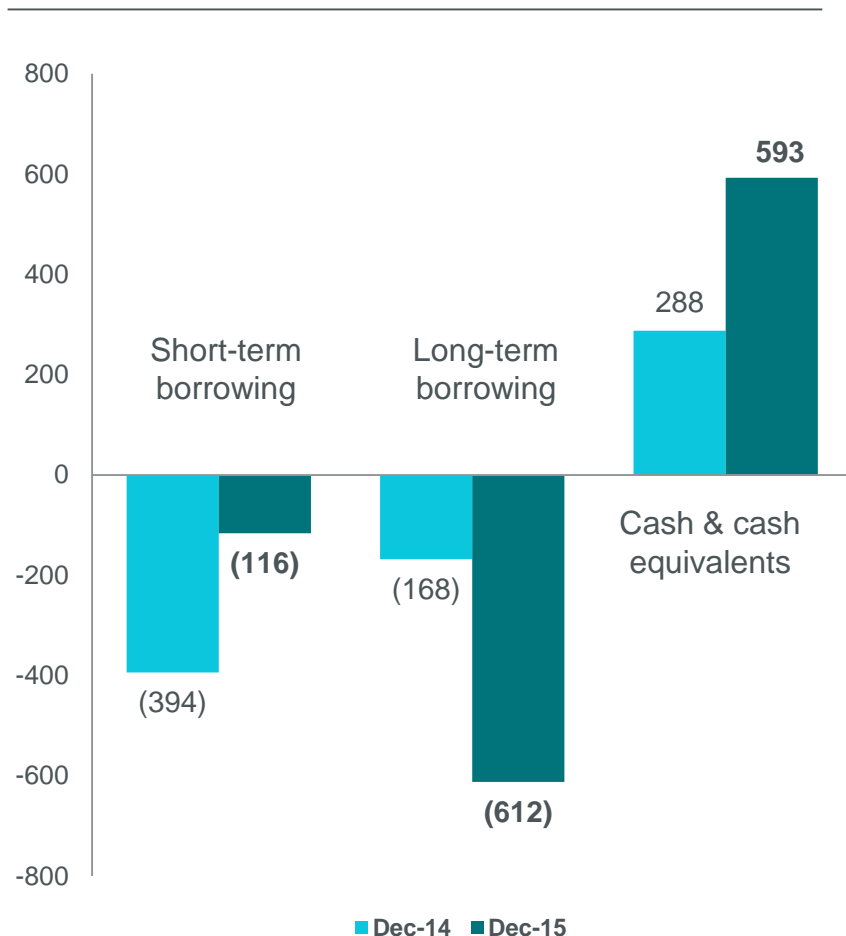
¹In 2015, \$35 million (2014: \$19 million) of the product-related investments were capitalised within intangible assets and \$nil million (2014: \$5 million) were capitalised within non current assets on the balance sheet

Balance sheet

Strong financing position remains



Net debt position at 31 December 2015 (\$ million)



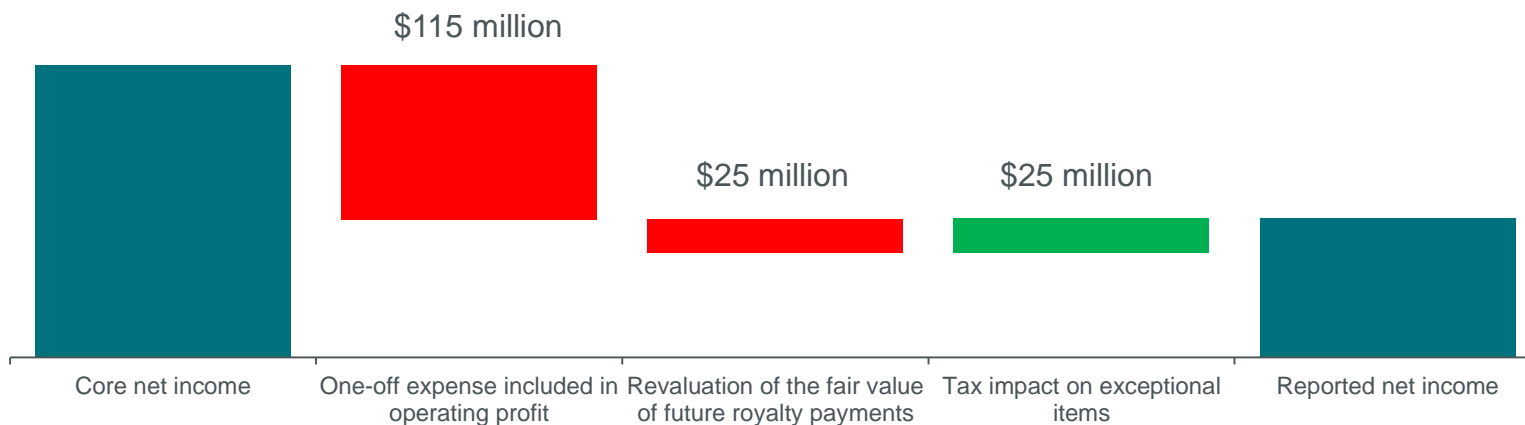
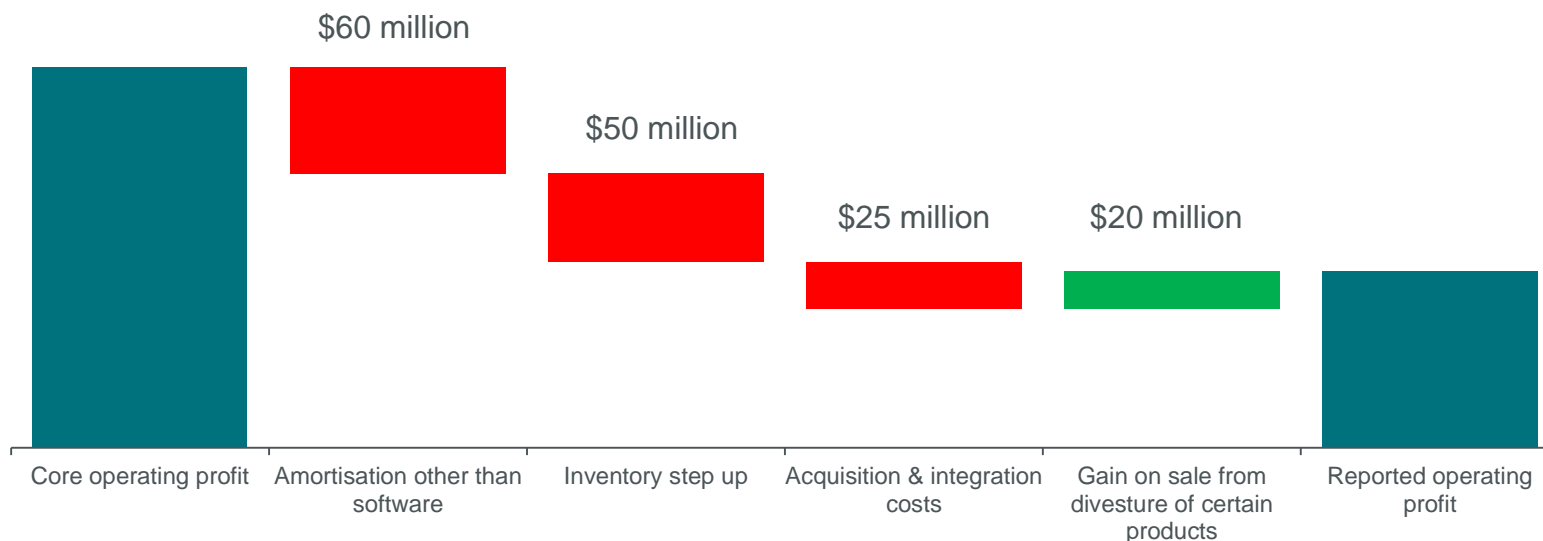
- ▶ Net debt of \$135 million decreased significantly compared with Dec 2014
 - Strong cash generation in 2015
 - Reduction in short term borrowing following repayment of \$225 million bridge loan

	Dec 2014	Dec 2015
Net debt	274	135
Net debt/EBITDA	0.58x	0.30x
Debt/EBITDA	1.2x	1.6x

Bridge between core and reported operating profit and net income in 2016



*** These figures are based on estimates and are subject to change ***



Outlook for 2016



Group revenue	<ul style="list-style-type: none">• In the range of \$2.0 to \$ 2.1 billion
Branded	<ul style="list-style-type: none">• Revenue and core operating profit in line with historical trends, on a constant currency basis
Injectables	<ul style="list-style-type: none">• Revenue growth in the mid to high-single digits• Core operating margin of around 36%
Generics	<ul style="list-style-type: none">• Revenue in the range of \$640 million to \$670 million - includes ten months of Roxane and product divestitures• Combined core operating margin in the low-double digits
Net finance expense	<ul style="list-style-type: none">• Around \$62 million
Capital expenditure	<ul style="list-style-type: none">• Around \$200 including Roxane
Effective tax rate	<ul style="list-style-type: none">• Around 25%• Decreasing to 2014 levels over the medium-term
Other one-off and acquisition related expenses	<ul style="list-style-type: none">• 2016 reported results will include around \$150 million of exceptional and non-cash charges

Branded



Building on our leading position in MENA



2015 achievements

- ▶ Delivered excellent growth through continued focus on strategic, higher value products and increasing efficiencies
- ▶ Acquired EUP in Egypt strengthening our oral oncology portfolio
- ▶ Signed three new licensing agreements
- ▶ Successfully cut tail-end products across our main markets
- ▶ Launched a total of 54 products and received 139 approvals

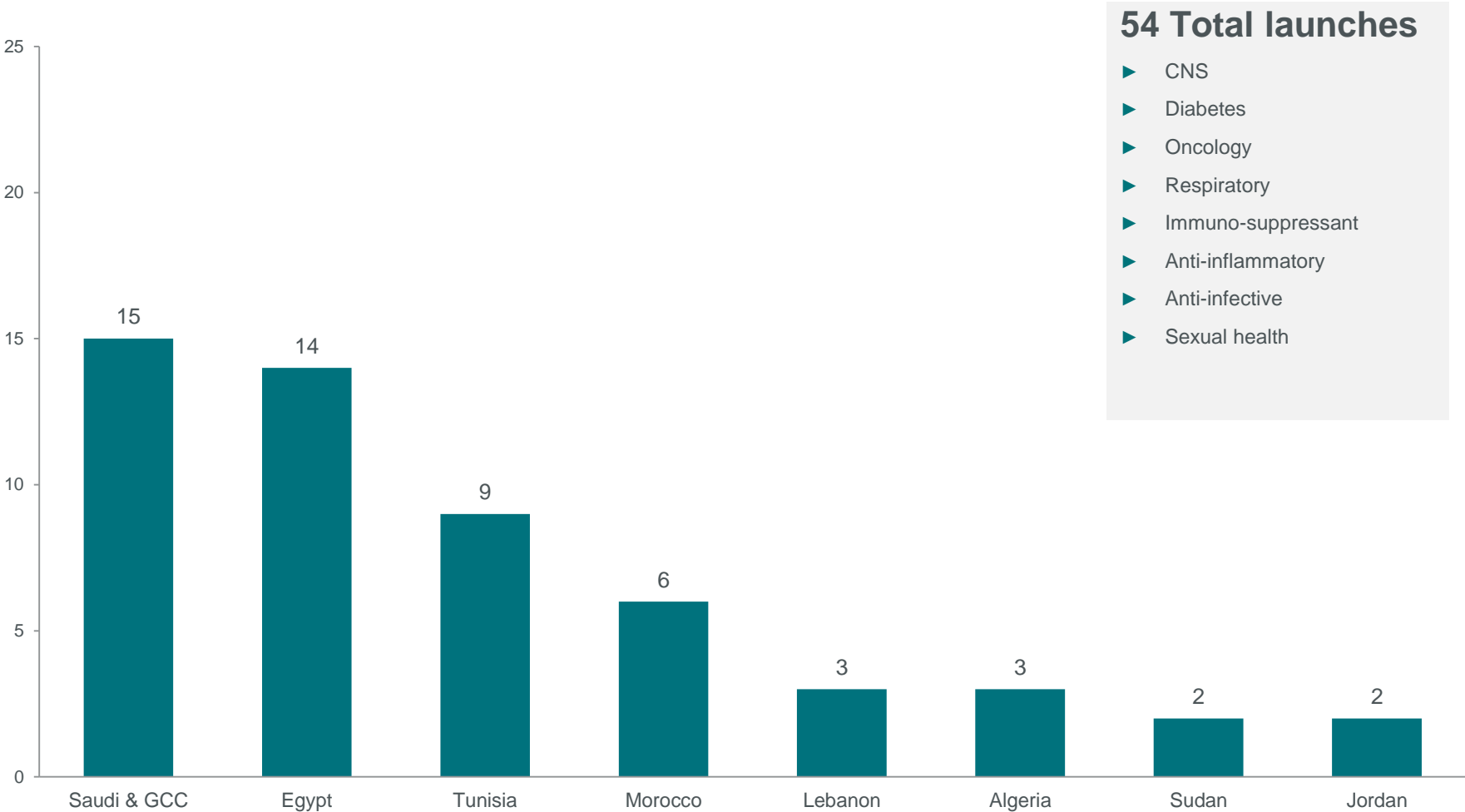
2016 objectives

- ▶ Leverage our MENA R&D centres to further enhance our pipeline
- ▶ Continue to focus on higher value product launches
- ▶ Enhance efficiencies across our operations in the region
- ▶ Explore investment opportunities in our core and new emerging markets
- ▶ Target new licensing agreements with innovative partners

Focus on higher value product launches



2015 product launches



Injectables



Strengthening our global injectables platform



2015 achievements

- ▶ Delivered strong performance across our three geographies
- ▶ Returned Portugal facility to full FDA compliance
- ▶ Launched three new products from Bedford
- ▶ Transferred significant machines and equipment from Ben Venue to the US and Europe, and sold the Ben Venue site
- ▶ Built a strong pipeline for new European markets with over 200 new product file submission
- ▶ Penetrated the Egyptian injectables market through acquisition of EUP

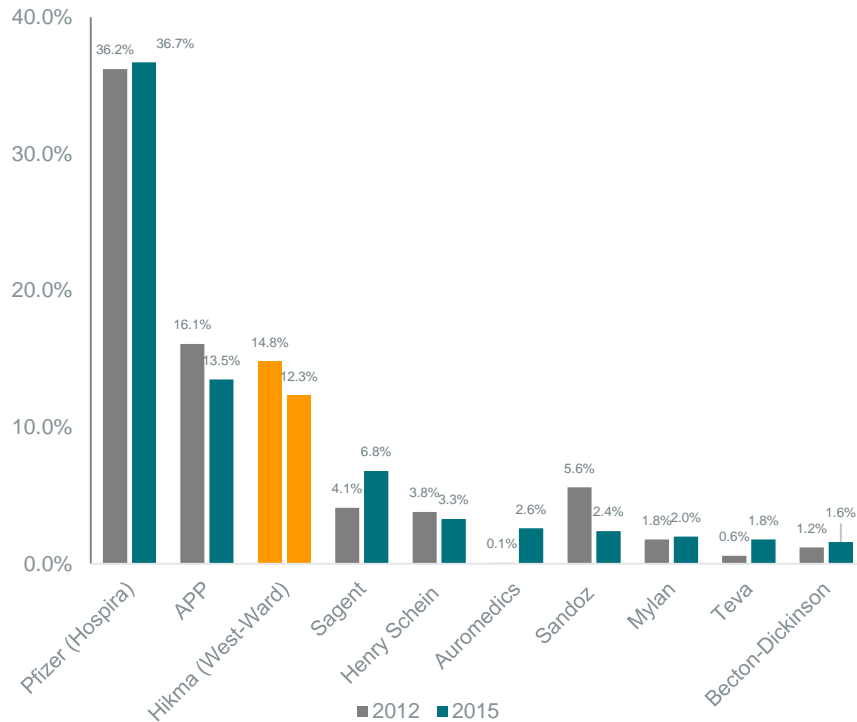
2016 objectives

- ▶ Launch more differentiated products from the Bedford and Hikma R&D pipelines, offsetting expected declines in certain market opportunities
- ▶ Leverage Bedford QDC to continue developing a more differentiated pipeline
- ▶ Continue the expansion of the Portugal facility
- ▶ Integrate and upgrade EUP in Egypt
- ▶ Invest in our global facilities to ensure maintenance of highest quality standards

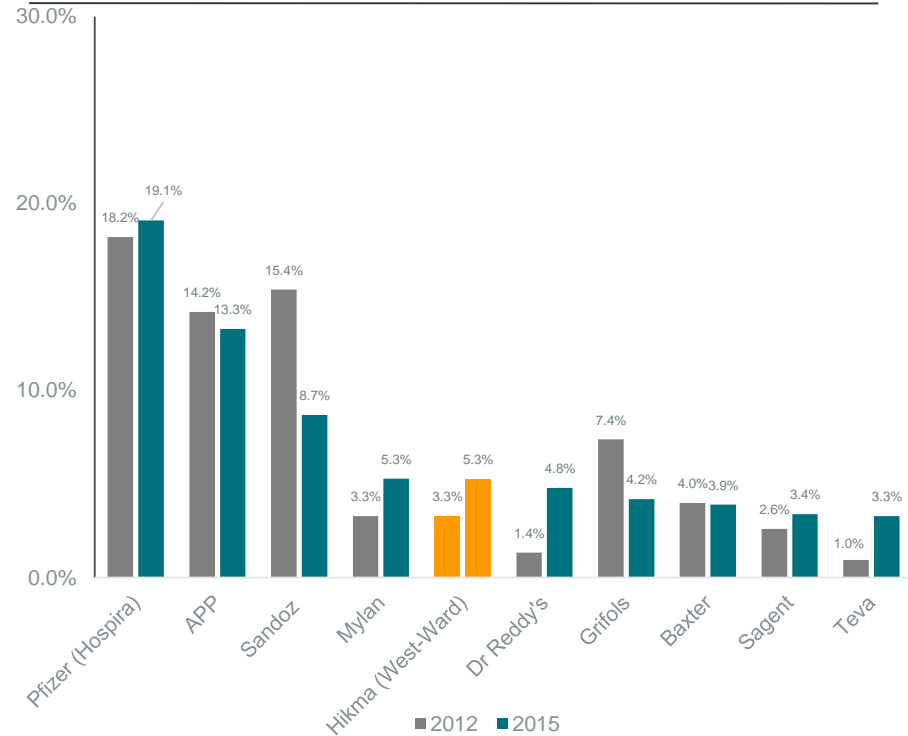
Growing our US market share by value



US generic Injectables market share (million eaches)



US generic injectables market share (\$ million)



Market share

	Dec 2012	Dec 2015	Change
Volume	14.8%	12.3%	-2.5 pp

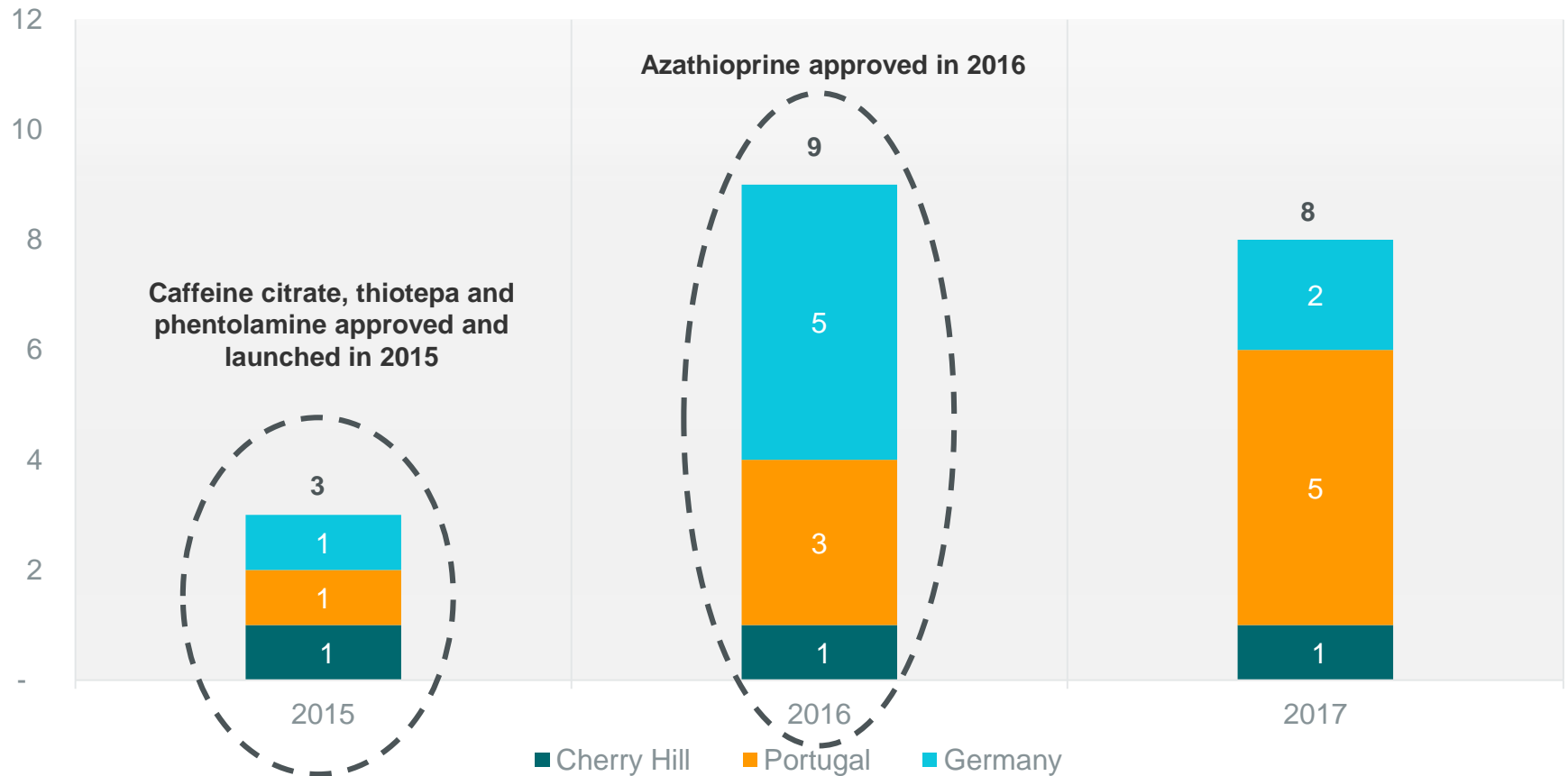
Market share

	Dec 2012	Dec 2015	Change
Value	3.3%	5.3%	+2.0 pp

Successfully launching Bedford products in the US market



Launch plan for the first 20 Bedford products, 2015 to 2017



Generics



2015 achievements

- ▶ Strong performance from our legacy portfolio helped to offset the decline in specific market opportunities
- ▶ Established nationwide branded sales force to promote colchicine
- ▶ Leveraged our FDA approved facilities in MENA to supply the US market
- ▶ Acquisition of Roxane transforms long-term prospects of the business

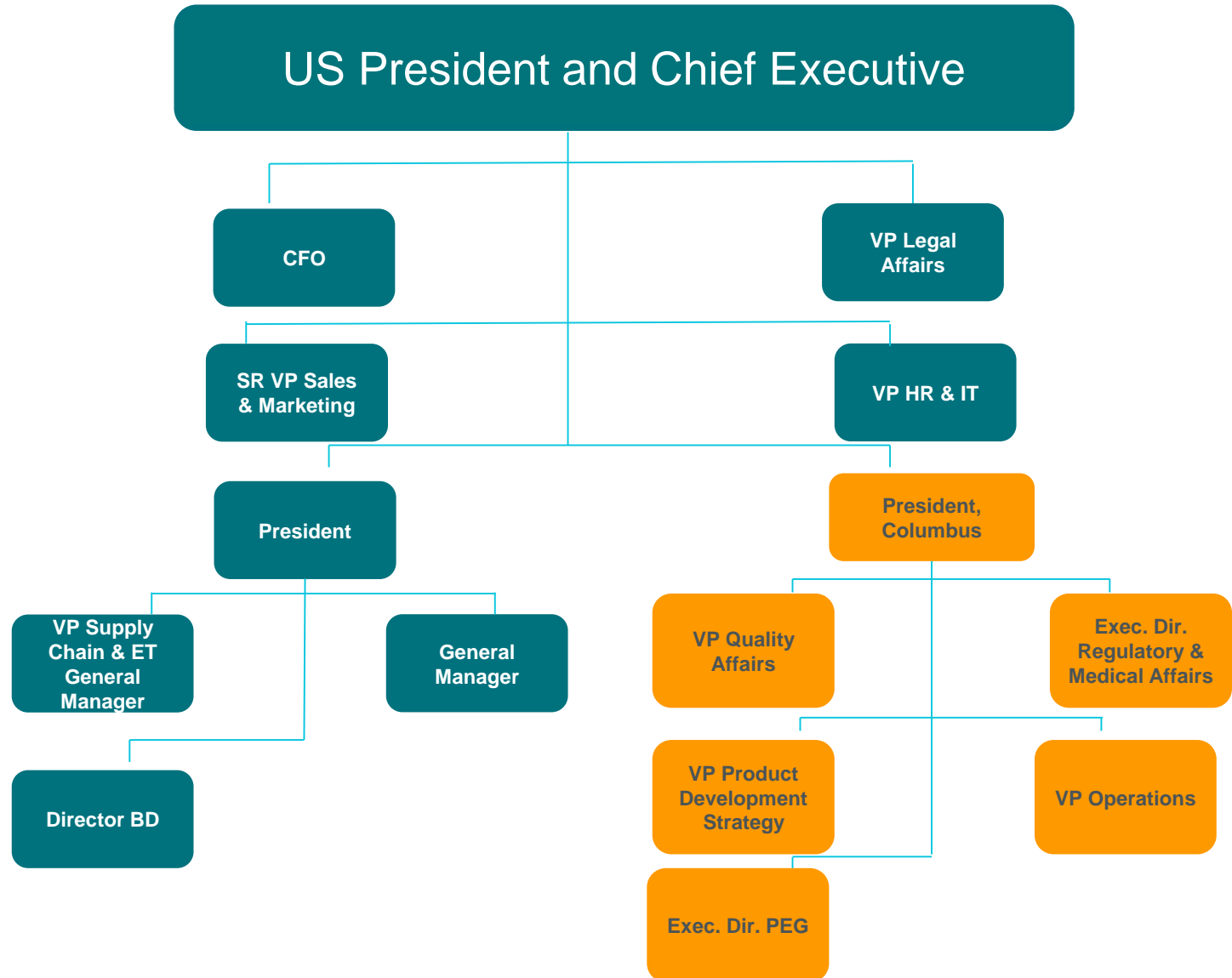
2016 objectives

- ▶ Successful Implementation of integration plan
 - Combining Hikma and Roxane teams
 - Optimising pipeline management process
 - Implementing IT plan
 - Achieving targeting cost savings
- ▶ Launch more differentiated products from our Hikma pipeline

Organisational chart

Hikma
team

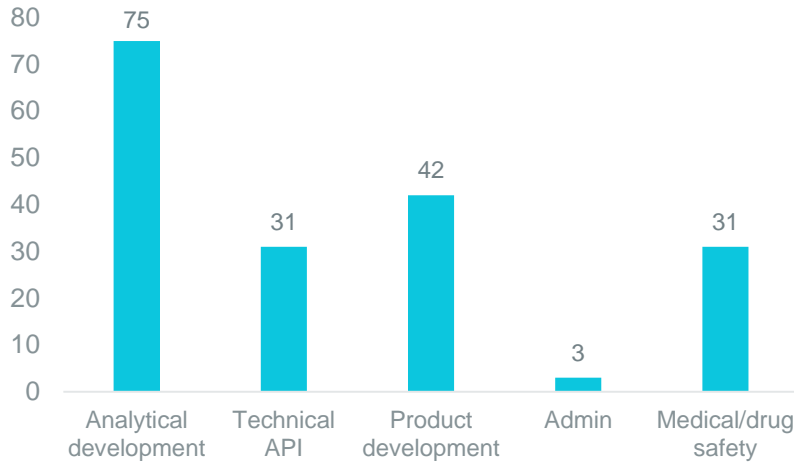
Roxane
team



Established R&D team with strong track record ensures development and launch of more differentiated products

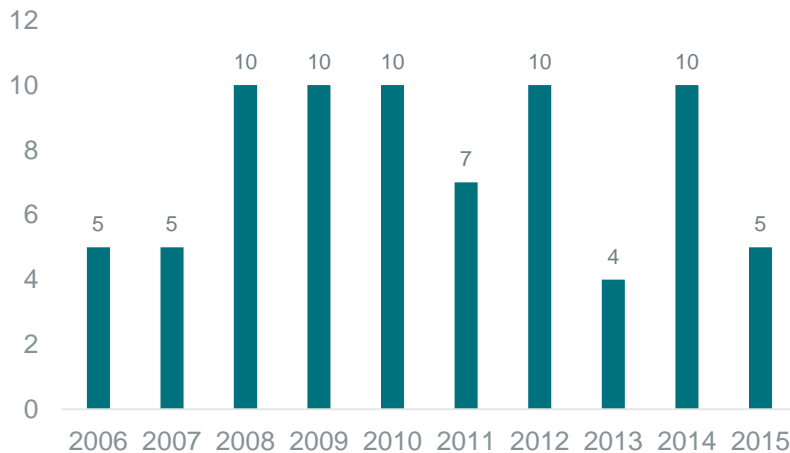


R&D organisational structure (Number of employees)



- ▶ Large team of 182 full-time employees focused on the development of more differentiated products
- ▶ Expertise in conducting patent and market research targeting PIVs, and products in more niche segments
- ▶ State-of-the-art laboratory facility with high quality and containment development capabilities

Number of product launches

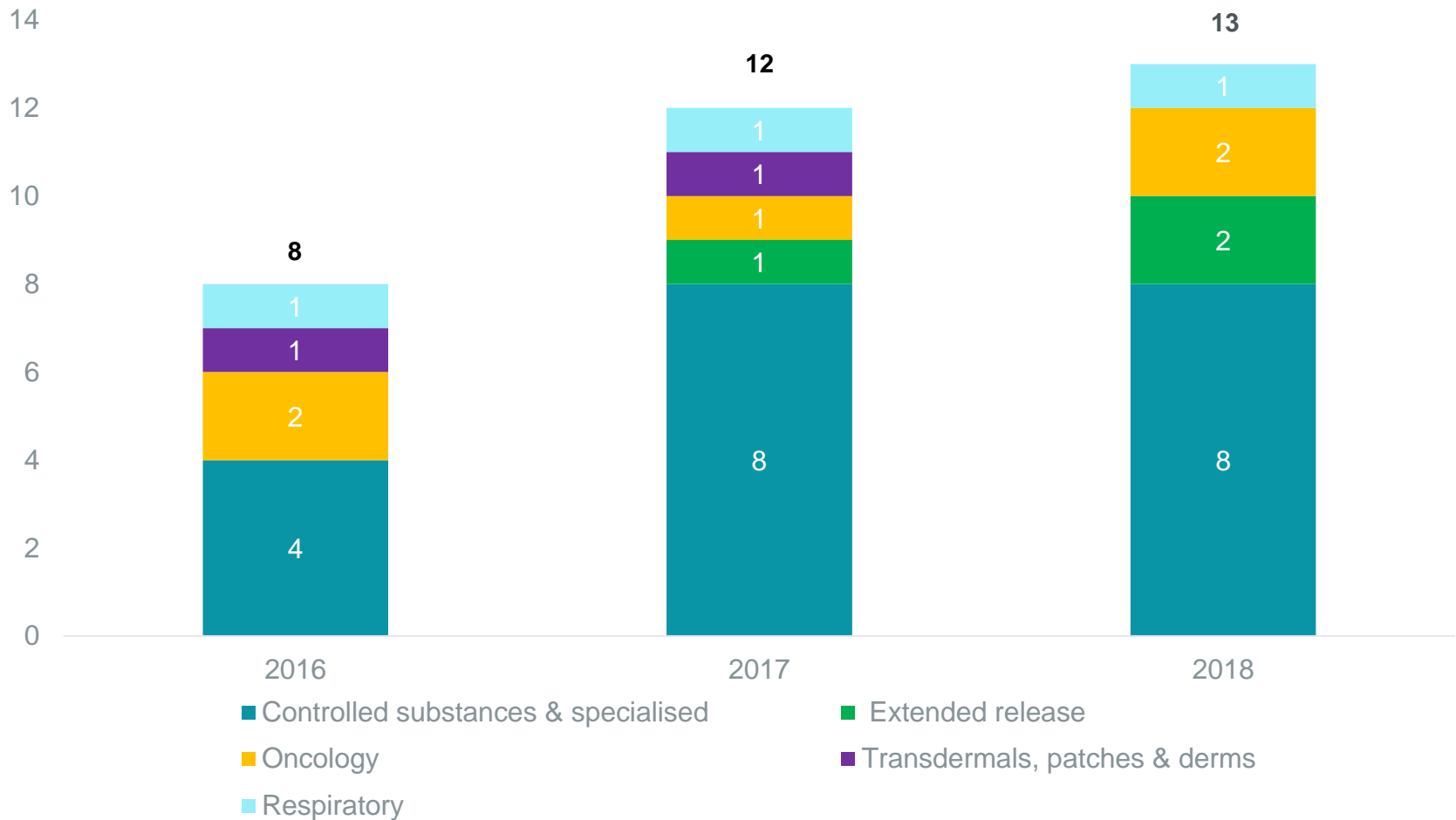


- ▶ Average of eight products launched annually since 2010
- ▶ 80% marketed products have more than one of layer of differentiation
- ▶ Pipeline includes 57 PIVs

Over 30 launches expected in the next three years



Roxane expected launches, 2016 to 2018 (Number of products)



Synergy targets identified across the Roxane business



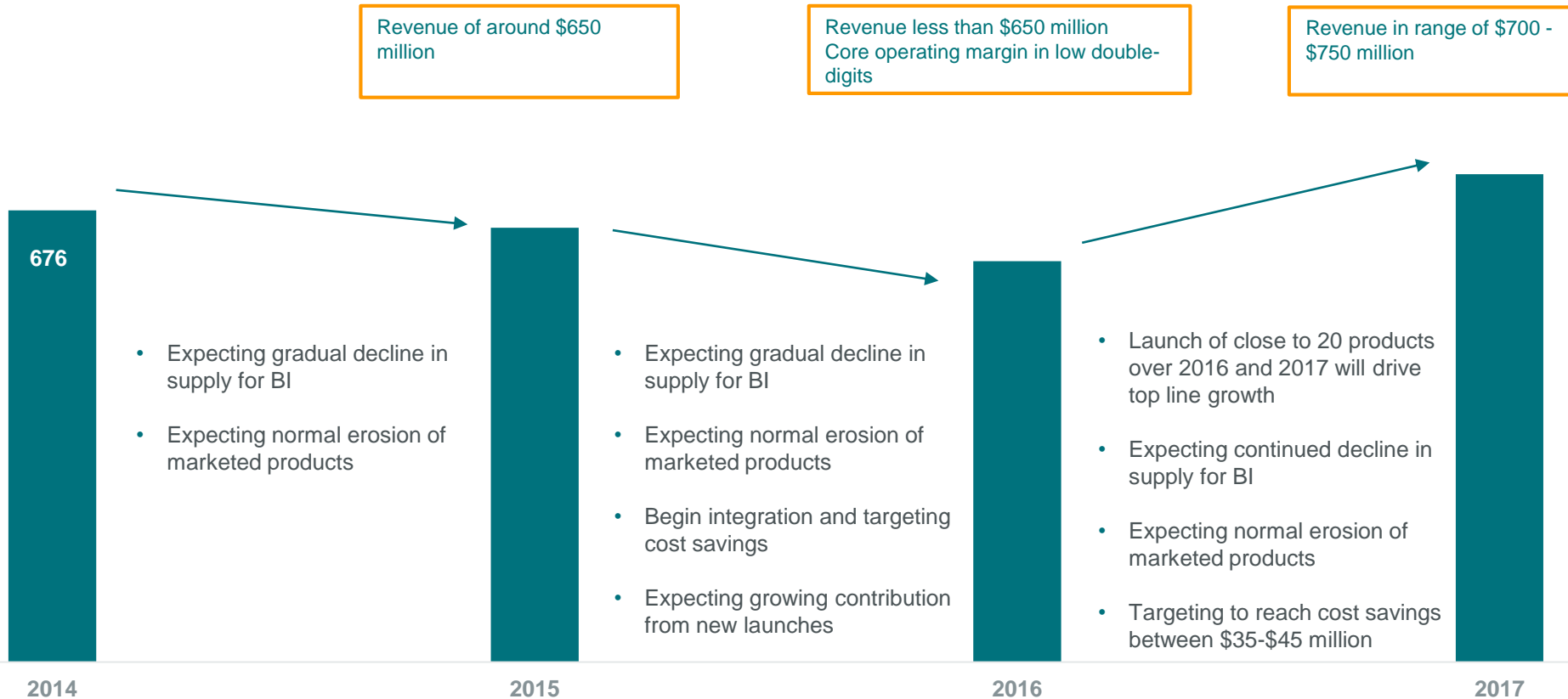
Area	Description
R&D	<ul style="list-style-type: none">▶ Improving cost control through enhanced pipeline management
Legal costs	<ul style="list-style-type: none">▶ Strengthening in-house legal team
Sales and marketing	<ul style="list-style-type: none">▶ Enhancing sales and marketing activities and optimising customer relationships
Supply chain	<ul style="list-style-type: none">▶ Better management of inventory controls
Operations	<ul style="list-style-type: none">▶ Optimising shift management and reducing employee overtime
Indirect procurement	<ul style="list-style-type: none">▶ Review of terms with indirect customers
Shipping / Transportation	<ul style="list-style-type: none">▶ Optimising costs across the legacy Hikma and Roxane portfolios

Targeting annual cost savings to reach \$35 to \$45 million by 2017

On track to deliver 2017 revenue between \$700 - \$750 million, with medium-term EBITDA margins of around 35%



Roxane revenue (\$ million)

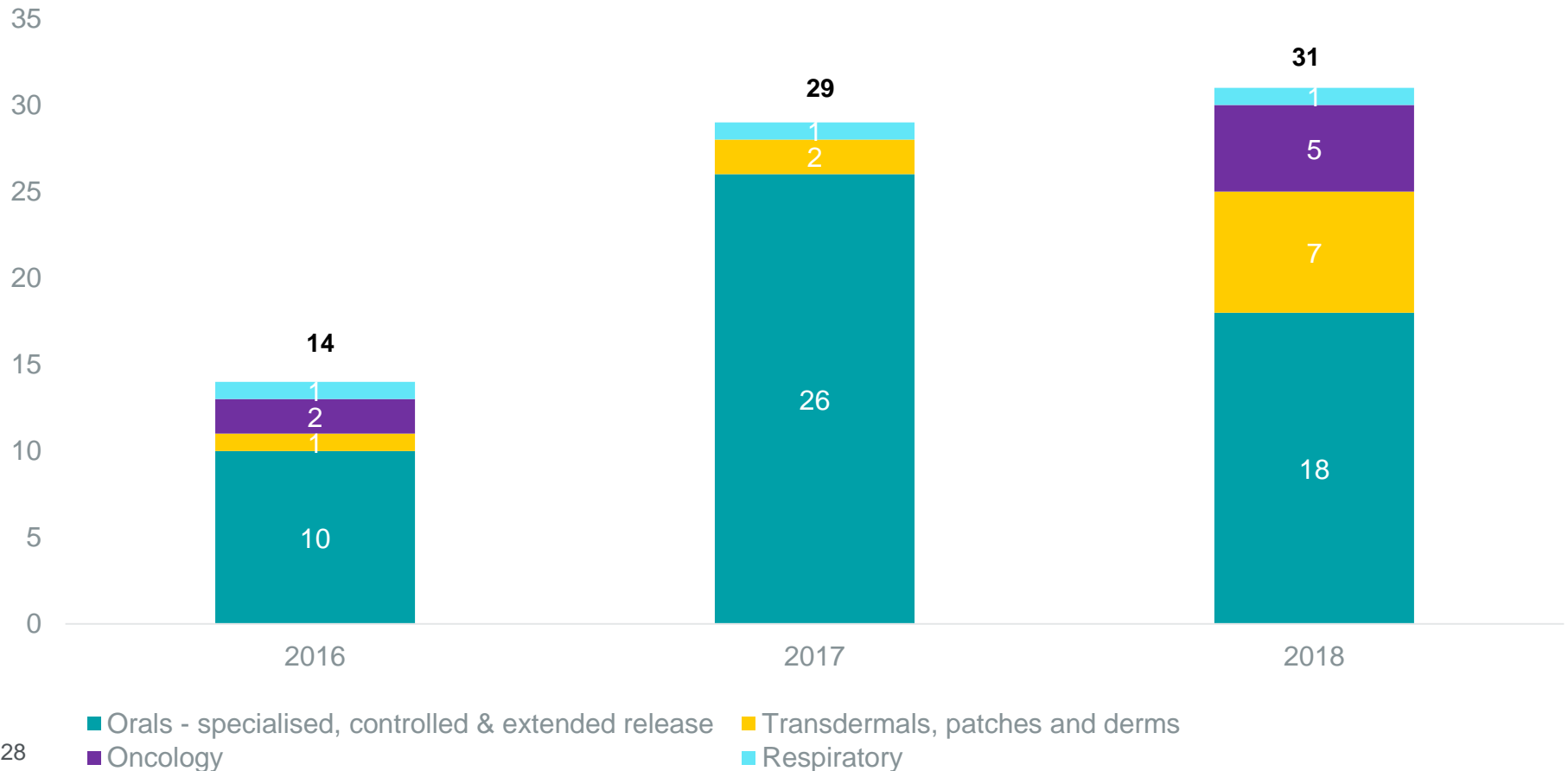


Combined Generics pipeline creates significant growth potential



Roxane and legacy business expected launches, 2016 to 2018 (Number of products)

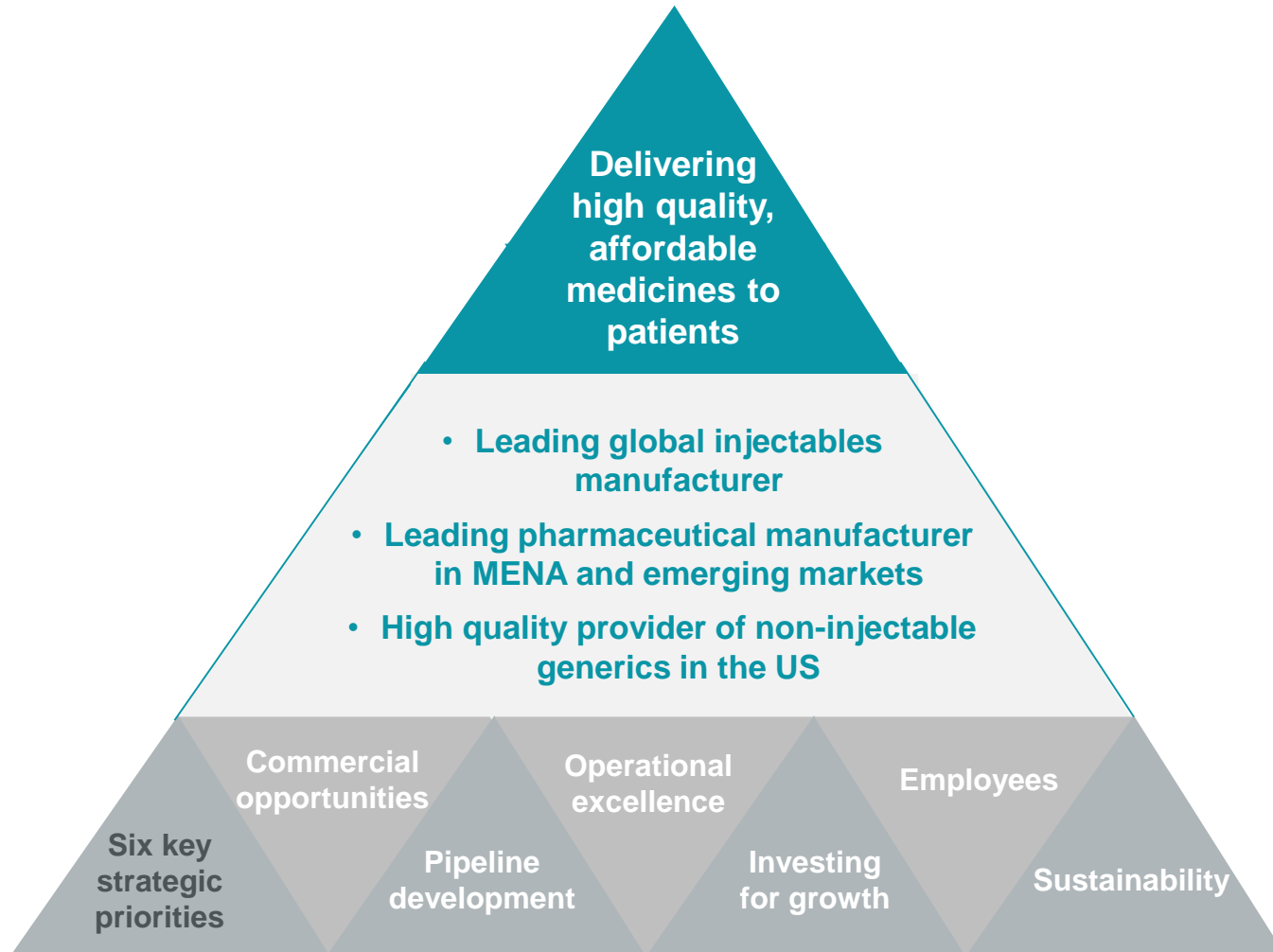
- ▶ Combined pipeline of 74 products expected to launch in 2016-2018:
 - Signed agreements for 18 more differentiated products in 2015



Summary



Building a leading global provider of generic pharmaceuticals



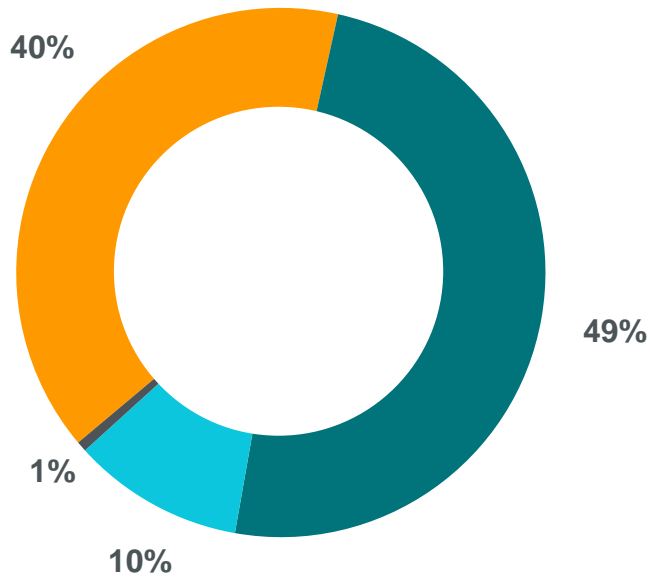
Appendix



Revenue by segment and region

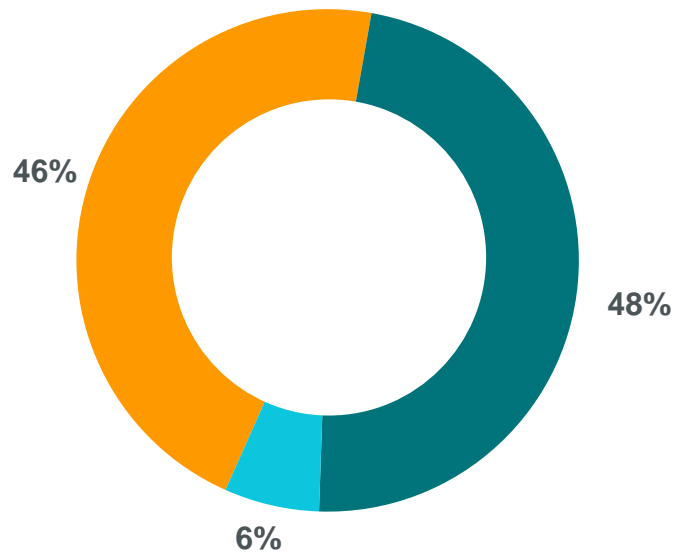


2015 revenue by segment



■ Branded ■ Injectables ■ Generics ■ Other

2015 revenue by region



■ MENA ■ US ■ Europe & ROW

Consolidated P&L

Solid Group performance in 2015



\$ million	2015	2014	Change	Constant currency change
Revenue	1440	1489	-3%	+2
Gross profit	818	851	-4%	+1
<i>Gross margin</i>	<i>56.8%</i>	<i>57.2%</i>	-0.3pp	-0.2pp
Operating profit	381	402	-5%	+3%
Core operating profit¹	409	427	-4%	+4%
<i>Core operating margin</i>	<i>28.4%</i>	<i>28.7%</i>	-0.3pp	+0.6pp
EBITDA²	454	474	-4%	+4%
Profit attributable to shareholders	252	278	-9%	+2%
Core profit attributable to shareholders¹	286	299	-4%	+7%
Basic EPS (cents)	126.6	140.4	-10%	--
Core basic EPS (cents)	143.7	151.0	-5%	--
Dividend per share (cents)	32.0	22.0	45%	--
Special dividend per share (cents)	-	10.0	--	--
Total dividend per share (cents)	32.0	32.0	--	--
<i>Effective tax rate</i>	20.1%	22.1%	-2.0pp	

33 ¹ Before the amortisation of intangible assets other than software and exceptional items

² Before interest, tax, depreciation and amortisation. EBITDA is stated before impairment charges and share of results from associated companies

Cash flow statement



\$ million	2015	2014
Profit before tax and minority interest	318	362
Adjustments for non-cash items	89	91
Change in working capital	(44)	17
Income tax paid	(51)	(79)
Other	54	34
Net cash generated from operating activities	366	425
Investment in property, plant and equipment	(82)	(91)
Purchase of intangible assets	(55)	(27)
Investments designated at fair value	(20)	-
Acquisition of business undertakings net of cash acquired	-	(225)
Proceeds from disposal of property, plant and equipment	31	-
Acquisition related amounts held in escrow account	(38)	-
Interest received	3	4
Other	(1)	(3)
Net cash used in investing activities	(162)	(342)
Change in debt	168	125
Dividends paid	(66)	(56)
Interest paid	(49)	(38)
Proceeds from co-development and earnout payment agreement	17	-
Other	7	(1)
Net cash generated by financing activities	77	30

Balance sheet



\$ million	Dec-15	Dec-14	Growth \$
Cash	593	288	305
Trade and other receivables	488	439	49
Other current assets	28	13	15
Inventories	251	273	(22)
Total current assets	1,360	1,013	347
Intangible assets	607	602	5
Tangible fixed assets	507	514	(7)
Investment in associated companies and joint ventures	7	16	(9)
Other long-term assets	116	106	10
Total long-term assets	1,237	1,238	(1)
Total assets	2,597	2,251	346
Financial debts and capital lease obligations	116	394	(278)
Trade accounts payable	276	248	28
Other current liabilities	200	199	1
Total current liabilities	592	841	(249)
Long-term financial debts and capital lease obligations	612	168	444
Other long-term liabilities	41	26	15
Total long-term liabilities	653	194	459
Total liabilities	1,245	1,035	210
Minority interest	15	19	(4)
Total shareholder's equity	1,337	1,197	140
Total liabilities and equity	2,597	2,251	346

Exchange rate movements impacting 2015 revenue and profit



Currency	2015	2014	Change%
	Average	Average	
USD/Algerian Dinar	100.4033	80.6145	(20)%
USD/Egyptian Pound	7.7160	7.0972	(8)%
USD/Moroccan Dirham	9.8008	9.0155	(8)%
USD/Tunisian Dinar	1.9623	1.7001	(13)%
USD/Sudanese Pound	9.6600	6.0277	(38)%