

ASPEN PHARMACARE HOLDINGS LIMITED AND ITS SUBSIDIARIES
(Incorporated in the Republic of South Africa)
Registration number: 1985/002935/06
Share code: APN
ISIN: ZAE000066692
LEI: 635400ZYSN1IRD5QWQ94
("Aspen" or "the Group")

REVIEWED CONDENSED GROUP FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2023 AND CASH DIVIDEND DECLARATION

STERILE MANUFACTURING AGREEMENTS SECURED

Aspen is pleased to announce that it has now secured three sterile manufacturing agreements with multinational pharma companies for production at its French manufacturing facility. These new long-term opportunities together with the Serum agreement, concluded in 2022, will materially contribute to the foundation of Aspen's medium-term strategy to fill its sterile manufacturing capacity. Additional agreements are under negotiation including one agreement for the Gqeberha facility already progressed to an advanced technical transfer stage.

COMMERCIAL PHARMACEUTICALS MAKES ADVANCES IN ITS PORTFOLIO ENHANCEMENT STRATEGY

Aspen has concluded an agreement with Eli Lilly Export S.A. a subsidiary of Eli Lilly and Company (Lilly), in terms of which Aspen will distribute and promote Lilly's products in Sub-Saharan Africa for an initial term of 10 years, automatically renewable for two further periods of 5 years ("the Transaction"). The sales revenue of the Lilly portfolio in Sub-Saharan Africa was approximately ZAR 440 million in 2022. This is expected to be materially increased by the launch of key Lilly pipeline products in the short to medium term. The pipeline includes Lilly's Tirzepatide, marketed globally as Mounjaro, a molecule currently under evaluation by SAPHRA and expected to be launched in South Africa in the near future. The Transaction is conditional upon the fulfilment of customary conditions precedent applicable to transactions of this nature, including competition authority approvals. It is anticipated that the Transaction will complete by the end of Q1 of calendar 2024.

The recently announced agreement for the acquisition of a portfolio of products from Viatris is an exciting and significant step forward in building on and expanding our footprint in Latin America. The annualised revenue for the product portfolio is USD92 million and includes well-known brands such as Viagra, Lipitor, Zylift, Norvasc, Lyrica, and Celebrex. This transaction will enable Latin America to become a greater contributor to Regional Brands going forward.

These transactions, together with the recently announced transaction securing distribution rights for Amgen products in Southern Africa, will enhance the Commercial Pharmaceuticals product portfolio in emerging markets and aligns with the previous guidance of adding incremental annualised revenue upwards of USD100 million in Latin America and South Africa.

SALIENT RESULTS

Aspen reported the following salient results:

- Revenue increased by 5% (-3% in constant exchange rate ("CER")) to R40,7 billion (June 2022: R38,6 billion);
- Normalised EBITDA increased by 1% (-6% in CER) to R11,1 billion (June 2022: R11,0 billion);
- Normalised headline earnings per share decreased by -8% (-15% in CER) to 1 498,5 cents (June 2022: 1 627,6 cents);
- Headline earnings per share decreased by -4% (-11% in CER) to 1 405,4 cents (June 2022: 1 461,2 cents);
- Earnings per share decreased by -18% (-23% in CER) to 1 176,9 cents (June 2022: 1 432,3 cents);
- Dividend declared to shareholders increased by 5% to 342 cents per ordinary share (June 2022: 326 cents);
- Sterile manufacturing agreements secured;
- Commercial Pharmaceuticals makes advances in its portfolio enhancement strategy.

GROUP PERFORMANCE

The Group achieved the guided recovery from H1 with H2 2023 delivering record revenue and normalised EBITDA. Factors which negatively impacted the first half performance relative to the prior comparative period included the Russia Ukraine war, inflationary pressures, COVID lockdowns and volume-based procurement ("VBP") impacts in China, the loss of COVID vaccine revenue as well as investing in non-revenue generating technical transfer activities relating to the onboarding of new sterile manufacturing opportunities.

Group revenue for the financial year ended 30 June 2023 grew 5% (-3% CER) to R40 709 million, with Commercial Pharmaceuticals revenue growing 6% (-1% CER) and Manufacturing revenue increasing by 3% (-6% CER). Gross profit grew 3% (-4% CER) ending lower than the growth in revenue with the impressive improvement in Commercial Pharmaceutical gross profit margins being more than offset by the loss of COVID vaccine contribution in Manufacturing. Normalised EBITDA rose 1% (-6% CER) to R11 100 million.

The substantial year-on-year negative swing in net financing costs of R753 million, primarily driven by foreign exchange losses of R434 million arising from weaker emerging market currencies relative to the Euro and partly due to higher interest rates, caused NHEPS to decline by -8% (-15% CER) to 1499 cents. The lower percentage reduction in HEPS of -4% (-11% CER) compared to NHEPS is attributable to reduced transaction costs in the current financial year. The higher percentage decline in earnings per share of -18% (-23% CER), relative to HEPS is due to the prior year benefit of a profit on sale of a product portfolio divested in South Africa.

Despite the Group having to increase heparin inventory levels to support the conclusion of an extended heparin supply agreement with Viatrix (which forms part of the recently announced transaction in Latin America) it managed to achieve a healthy H2 2023 cash conversion rate of 115% (H1 2023: 58%), ending the full year at 88% and growing operating cash flow per share by 5%.

PROSPECTS

The Group has achieved a solid set of results for the year ended 30 June 2023, well aligned to the guidance provided at the interim results announced in March 2023.

The Group has strong short to medium term prospects for both Commercial Pharmaceuticals and Manufacturing. Based upon current exchange rates, we anticipate Commercial Pharmaceuticals to achieve double-digit reported revenue growth in FY 2024 with a heavier H2 weighting driven by organic growth and the recently announced product portfolio additions in Latin America and South Africa. This targeted growth takes into account further VBP risk expected in China in FY 2024. To mitigate this VBP risk, potential acquisitive opportunities are being actively explored to diversify and de-risk the product portfolio in that country on a sustainable long-term basis.

Substantial progress has been achieved in the medium-term strategy to fill existing sterile manufacturing capacity which has a potential annual total contribution of at least R8 billion. We are focused on securing additional contracts to further enhance utilisation and related contributions. The short-term focus is on successfully executing on the existing agreements to achieve the guided contributions of R2 billion in calendar year 2024, increasing to R4 billion in calendar year 2025. Non-revenue generating technical transfer activities for the onboarding of the sterile manufacturing opportunities, including mRNA filling capabilities, planned for H1.

Anticipated FY 2024 reported results will receive an uplift should the currently weaker ZAR continue in the year ahead. Based upon current exchange rates, reported normalised EBITDA is expected to grow over the prior year. H1 reported normalised EBITDA is anticipated to be in line with the prior year comparative period impacted by the potential downside of VBP in China and the loss of grant funding of USD 20 million which benefited the prior year H1. H2 reported normalised EBITDA is expected to benefit from the new Commercial Pharmaceuticals portfolio additions, potential transaction related offsets to VBP in China and increased Manufacturing contract revenue flowing from the secured agreements. Finance charges will continue to be influenced by the interest rate cycle. Lower targeted Manufacturing inventory levels are expected to reduce working capital cash flow investment compared to FY 2023 and an operating cash conversion rate of greater than 100% is expected.

H2 2024 should represent a significant inflection point for the Group and should form the foundation for sustainable strong future earnings growth. Over the medium term the Group is anticipating accelerated growth. This will be underpinned by the annualised income streams covered above, flowing from new opportunities realised during H2 2024.

Any forecast information in the above-mentioned paragraphs has not been reviewed or reported on by the Group's auditors and is the responsibility of the directors.

REGULATORY REQUIREMENTS

The contents of the short form announcement are the responsibility of the Board of directors of Aspen. The information in the short form announcement is a summary of the full announcement available on the Company's website at <https://www.aspenpharma.com/investor-relations/#financial-results-and-presentations> on 30 August 2023 and accordingly does not contain full or complete details. The full announcement can also be accessed online at <https://senspdf.jse.co.za/documents/2023/jse/isse/APN/YEresults.pdf>

The Group Chief Financial Officer, Sean Capazorio (CA) SA, supervised the preparation of the Group's reviewed condensed Group Financial Results.

The information in this announcement has been extracted from the reviewed condensed Group financial results for the year ended 30 June 2023, but the short form announcement itself has not been reviewed by the Company's auditors.

REVIEW BY INDEPENDENT AUDITOR

These reviewed condensed Group Financial Results for the year ended 30 June 2023 have been reviewed by independent external auditors, Ernst & Young Inc. and their unmodified review report is available for inspection at the Company's registered office. The review was performed in accordance with ISRE 2410 'Review of Annual Financial Information Performed by the Independent Auditor of the Entity'. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's external auditors. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Group's registered office.

DIVIDEND TO SHAREHOLDERS

The Board has declared a gross dividend of 342 cents per ordinary share (2022: 326 cents per share) (or 273,6 cents net of a 20% dividend withholding tax, where this maximum rate of tax applies) which represents an increase of 5% in gross dividend per share.

Shareholders should seek their own advice on the tax consequences associated with the dividend and are particularly encouraged to ensure their records are up to date with Aspen so that the correct withholding tax is applied to their dividend. The Company income tax number is 9325178714. The issued share capital of the Company is 446 252 332 ordinary shares. Future distributions will continue to be decided on a year-to-year basis. In compliance with IAS 10 - Events After Balance Sheet Date, the dividend will be accounted for in the financial statements in the year ended 30 June 2024.

Last day to trade cum dividend	Tuesday, 19 September 2023
Shares commence trading ex-dividend	Wednesday, 20 September 2023
Record date	Friday, 22 September 2023
Payment date	Tuesday, 26 September 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 September 2023 and Friday, 22 September 2023.

Any investment decisions by shareholders/investors should be based on the full announcement as released by the JSE and published on the Company's website, <https://www.aspenpharma.com>. The full announcement is also available at the Company's registered office (for inspection, at no charge, during office hours on any business day) and at the offices of the sponsor, Investec Bank Limited, from 1 September 2023 to 30 September 2023, both days inclusive. Copies of the full announcement may be requested by contacting Reg Haman via email at: cosec@aspenpharma.com.

For and on behalf of the Board

K D Dlamini
Chair

S B Saad
Group Chief Executive

S M Capazorio
Group Chief Financial Officer

Registered office: Building 8, Healthcare Park, Woodlands Drive, Woodmead, Sandton

Durban
30 August 2023

Sponsor:
Investec Bank Limited