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

CONDENSED GROUP FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2024 AND CASH DIVIDEND DECLARATION

Over the reporting period, Aspen has successfully delivered on several of its important strategic objectives including:
- Delivering its highest ever 6-month normalised EBITDA in H2 2024, growing 17% over H1 2024. This is a significant step in shaping the Group's sustainable growth path;
- Robust cash generation from earnings, reflected in the return to a cash conversion ratio in excess of 100% and underpinned by a sustainably lower working capital investment;
- The Commercial Pharmaceuticals business having absorbed the sharp price decreases incurred in China under the national volume based procurement ("VBP") programme. Together with Russia CIS, sales were impacted by circa R2 billion. Resolving this negative overhang, coupled with successfully concluding regional acquisitions in China and Latin America has not only derisked the base business but also puts it firmly on a growth trajectory;
- The introduction of a new operating model for the Heparin business which has resulted in an unwind of R2,9 billion in associated inventory;
- Utilising existing capacity and successfully transferring manufacturing contracts into its facilities, is core to the future growth strategy. The contribution from these contracts in FY 2024 exceeded the guidance provided of R500 million; and
- Its pursuit of manufacturing and commercial opportunities to enter the rapidly growing GLP-1 market for breakthrough products in the treatment of diabetes and obesity which has advanced positively. Some GLP-1 patents have lapsed in specific markets with further patent expirations anticipated starting 2026.

SALIENT RESULTS

Aspen reported the following salient results:
- Revenue increased by 10% (5% in constant exchange rate ("CER")) to R44,7 billion (FY 2023: R40,7 billion);
- Normalised EBITDA increased by 1% (-3% in CER) to R11,3 billion (FY 2023: R11,1 billion);
- Normalised headline earnings per share remained flat (-4% in CER) to 1 492,1 cents (FY 2023: 1 498,5 cents);
- Headline earnings per share decreased by 3% (-7% in CER) to 1 356,6 cents (FY 2023: 1 405,4 cents)
- Earnings per share decreased by 16% (-18% in CER) to 991,4 cents (FY 2023: 1 176,9 cents);
- Operating cash flow per share increased by 13% to 1 401,4 cents (FY 2023: 1 242,6 cents);
- Dividend declared to shareholders increased by 5% to 359 cents per ordinary share (FY 2023: 342 cents)

GROUP PERFORMANCE

H2 2024 was the start of Aspen's journey to both realising the tangible benefits from sterile manufacturing investments and the delivery of a predictable, resilient, growing Commercial Pharmaceuticals business that has managed and absorbed the VBP risks in China. In FY 2024 the Group has achieved a record H2 normalised EBITDA of R6 061 million up 17% on H1 2024. The higher than anticipated negative impact of VBP resulted in Aspen falling short of its targeted mid-single digit growth in EBITDA.

Group Revenue for the reporting period was up 10% led by Manufacturing growing by 25% and Commercial Pharmaceuticals increasing by 4%. Gross Profit grew 3% diluted by an increased Manufacturing sales mix with the primary driver being the liquidation of Heparin inventory of R2,9 billion. Normalised EBITDA of R11 255 million was up 1%.

Net financing costs of R1 232 million (R1 284 million adjusted for capital raising fees on transactions of R52 million) remained flat compared to the prior financial year. Increased net interest costs, fueled by higher rates and increased net debt levels, were offset by lower foreign exchange losses resulting from reduced volatility in emerging market currencies relative to the Euro. Financing costs in FY 2025 will continue to be influenced by the interest rate cycle and currency volatility. NHEPS of 1492 cents ended marginally below FY 2023. HEPS declined by 3% and earnings per share ended 16% lower affected by higher acquisition related transaction costs and the impairment of VBP impacted intangible assets respectively.

Operating cash flow per share of 1401 cents grew 13%, supported by an improved operating cash conversion rate of 103% (FY 2023: 88%). This exceeded our internal benchmark of 100%. Solid operating cash flows, even after partial funding of the Latin American product portfolio acquisition of R2,1 billion, coupled with the benefit of reducing the Group's investment in Heparin inventory by R2,9 billion were the key catalysts in this positive shift. Net debt increased from R22,2 billion in June 2023 to R26,9 billion in June 2024 with net acquisitions totalling R7,7 billion being key to the rise. The leverage ratio ended at 2,3x comfortably within the Group's targeted range.

SEGMENTAL PERFORMANCE

Commercial Pharmaceuticals
Commercial Pharmaceuticals revenue grew by 4% to R30 570 million with the growth in Prescription and OTC more than offsetting the decline in Injectables revenue. Gross profit margins were marginally lower at 59.4% (FY 2023: 60.0%) after absorbing the impact of VBP in China.

Prescription
Prescription Brands enjoyed double digit growth of 15%, recording revenue of R11 380 million. The revenue growth was underpinned by solid organic growth in its largest region, Africa Middle East, and organic and acquisitive growth in the Americas which is now the second largest region.

Gross profit percentage was up at 60.9% (FY 2023: 60.7%) with favourable sales mix more than offsetting the impact of the regulated price cuts in Australia.

OTC
OTC, the second largest segment in Commercial Pharmaceuticals, grew revenue by 7% to R9 706 million with all regions reporting solid growth. Gross profit percentage of 58.7% remained in line with the prior year of 58.6%.

Injectables
Injectables was impacted by the more severe than expected outcome of VBP in China on Fraxiparine and Diprivan. Growth in Africa Middle East and the Americas (most notably Brazil) partly mitigated the overall segment sales reduction which recorded a revenue decline of 9% to R9 484 million.

Gross profit percentage declined to 58.2% (FY 2023: 60.6%) influenced by the impact of VBP, partly offset by cost of goods savings from the continuing insourcing of sterile production.

Manufacturing

Manufacturing revenue grew significantly, increasing 25% partly aided by exchange rate tailwinds. FDF revenue growth accelerated from 10% in H1 2024 to 33% at year-end, supported by an increased contribution in H2 2024 from third party contracts for sterile manufacturing. Heparin revenue growth of R1 469 million over the comparable period was largely due to the transition to toll manufacture. API sales were up 2%, following a rebound in H1 2024.

Gross profit of R1 307 million was 2% ahead of FY 2023. The gross profit percentage ended lower at 9.2% (FY 2023: 11.4%) influenced by the increased sales mix of Heparin and the non-recurrence of the grant funding enjoyed in the prior year.

PROSPECTS

The Group has achieved a solid set of results for the year ended 30 June 2024 even after absorbing the more severe impact of VBP in China. The 17% growth in normalised EBITDA in H2 2024 compared to H1 2024 sets a firm foundation in building momentum for anticipated strong growth in FY 2025.

The Commercial Pharmaceuticals business has been derisked and is well poised for future growth. We anticipate Commercial Pharmaceuticals will achieve double digit CER revenue growth in FY 2025 supported by underlying growth in all three business segments and underpinned by organic growth accompanied by annualised growth from recent portfolio acquisitions.

For Manufacturing we expect FDF, supported by an increased sterile capacity fill contribution, to be the main contributor to CER EBITDA growth in FY 2025. Over the period FY 2025 to FY 2026 (compared to FY 2024) we estimate CER EBITDA to increase incrementally by R2 450 million from these initiatives. This value growth is consistent with previous guidance, but the realisation may vary between the two financial years, dependant on the timing of the South African regulatory approvals.

Supporting our capacity fill and commercial initiatives, Aspen has also secured a commercial license for the intellectual property necessary to commercialise GLP-1s post the expiry of the originator product patents.
In addition, Aspen will be the exclusive global supplier of these products to the licensor. This exciting opportunity could benefit Aspen from calendar year 2026 onwards and consequently also be additive to the capacity fill contributions for FY 2026.

Finance costs will continue to be influenced by the interest rate cycle. We are expecting an increase in net interest costs driven by the residual impact of current higher interest rates being carried forward to FY 2025. We expect the effective tax rate to increase in FY 2025 as the profit contribution from sterile manufacturing increases.
Lower working capital investment and strong operating cash flows should assist us in achieving an operating cash conversion rate greater than our target of 100%.

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. The full announcement has been released on SENS and is available on Aspen's website. Any investment decision must be based on the information contained in the full announcement.

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 03 September 2024 and accordingly does not contain full or complete details. The full announcement can also be accessed online at https://senspdf.jse.co.za/documents/2024/jse/isse/APN/YEresults.pdf

REVIEW BY INDEPENDENT AUDITOR

These condensed Group Financial Results for the year ended 30 June 2024 have been reviewed by independent external auditors, Ernst & Young Inc. and their unmodified review report is included in the full announcement.
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 review 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 refer to the full announcement.

DECLARATION OF DIVIDEND

The Board has declared a gross dividend of 359 cents per ordinary share (2023: 342 cents per share)
(or 287.2 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 and will be paid from income reserves.

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 rate 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, 17 September 2024
Shares commence trading ex-dividend	Wednesday, 18 September 2024
Record date	Friday, 20 September 2024
Payment date	Monday, 23 September 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 September 2024 and Friday, 20 September 2024.

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). Copies of the full announcement may be requested by contacting Raeesa Khan via email at: cosec@aspenpharma.com .

For and on behalf of the Board

K D Dlamini	S B Saad	S M Capazorio
Chair	Group Chief Executive	Group Chief Financial Officer

Durban
03 September 2024

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