

18th January 2021

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Sub: Transcript of the 39th Annual J.P. Morgan Healthcare Conference

Dear Sir/Madam,

We are enclosing herewith copy of the transcript of the Company's 39th Annual J.P. Morgan Healthcare Conference. The transcript is also available on the Company's website *i.e.* www.cipla.com under the Investors section.

Thank you,

Yours faithfully,
For Cipla Limited

Rajendra Chopra
Company Secretary

Encl: as above



Cipla Ltd

Cipla Ltd presentation delivered at the 39th Annual J.P. Morgan Healthcare Conference on Tuesday, January 12, 2021 at 12:10 PM

Neha Manpuria: Hello, and welcome to the JP Morgan Healthcare Conference. I am JP Morgan's India healthcare analyst, Neha Manpuria. It is my pleasure to introduce Mr. Umang Vohra, the CEO and managing director of Cipla, who will be taking us through a presentation. Thank you so much for taking time to do this presentation with us, sir, and over to you for the presentation.

Umang Vohra: Thank you, Neha, and welcome all of us, everyone on the call today. I know that these are better times. We have really had better times, where we could meet in person, but I'm happy to take you through the Cipla story over the last two to three years, and what we're looking forward to in the future.

I think the slide decks are with all of you, I'm just going to call out the first slide is the slide, which is about Cipla, when it was established. Just a quick summary for people who don't know too much about Cipla. We're the second largest company that sells inhalers in the world. We're the second largest company with revenues in India.

We are the 3rd largest in South Africa, and 10th largest by prescriptions in the US. We also export out of India to emerging markets. We are the largest Indian exporter to the emerging markets. That is a quick snapshot of Cipla. If you would go to the next slide, this is really a reflection of the numbers.

The slide is about our EBITDA and our financial metrics. You can clearly see that in the last three to four years, there's been a pretty robust expansion of both, the EBITDA percentages, the net debt. Essentially, we are now a cash-positive company and a very meaningful expansion in the ROIC. I think a lot of this has come out of focus on execution.

It has come about making the right choices about markets and geographies that we invest in as well as a couple of decisions regarding how we treat innovation, and how much we can fund it.

That's really the snapshot of the financial performance over the past couple of years at Cipla. We are really proud to make sure that we live our credo of caring for life.

What we've been able to do with COVID by introducing various therapies, being the first to bring remdesivir into India, being the first to launch the entire COVID portfolio range, as well as making sure that, in our factories, our employees, our partners and associate companies are safe.

Heartfelt thanks to all, each and every one of Cipla employees for making sure that the company continued to progress during the whole COVID crisis. That was slide three. If you go to slide four, and I'll come back to the slide right at the end of the presentation, this slide is a snapshot of what we believe are our areas that Cipla is going to develop, areas where we believe there will be tremendous value creation.

If you look at this, right at the top is our long leadership aspiration. We are number two in a set of players who sells devices. GSK has that position at number one. We would like to attain that leadership. We are humble about it. It's not something that will happen in a year's time. I think we're well underway into getting into that ambition.

This will also mean we will launch new innovative products with our own respiratory capability, technology and devices. A part of this story is also about unlocking the story of complex generics in the US. Respiratory is a big part and a big pillar of that. We'll talk a little bit about US on the next slide. We're also trying to make sure that we deliver market beating growth in all the key geographies.

You saw number two position by revenue in India, the number three position in South Africa. All of this has happened because we're growing faster than market. We continue to intend to do so. We've also got several markets in the emerging side of the world, where we have pretty dominant positions in terms of market.

The focus on execution gets combined with market leadership and execution in market to deliver superior returns. We're also beginning to lay the blueprint of getting into certain new geographies where we think our advantage in being able to bring respiratory technology will play out well.

Those two markets are China, where we are actually building a site, as well as in Brazil, where our strategy is a little bit more institutional in terms of specialty injectables as well as some other products. We've seen, in the last 10 months, an acceleration on how digital can change business models. It's still early days, but we hope to make this a part of our strategy.

Therefore, we think there is a fair amount of unlocking that can happen through the introduction, the digitization of processes, and the introduction of digital in the way that the company works. We're certainly trying to take that even further. Of course, we want to make sure we have very strong compliance.

We have a very strong blueprint for making sure that our ESG scores improve overtime, and that we leave the planet to be a better planet than what we inherited. Of course, all of this is going to result in a consistent expansion in ROIC. Like we've seen in the past, we hope to replicate some of this in the future. At the end of the presentation, I'll come back summarizing some of these themes.

I think the next slide is about our US business. This might be slide five or six in your presentation deck. We're really excited about the prospect of being able to add almost \$300 to \$500 million of revenue, and our size of somewhere between \$500 to \$600 million, this is fairly significant. This basically indicates that over the next three to four years, we would be doubling our footprint in the US.

This is going to come out of obviously the inhaler and the respiratory franchise, but we've also got some nice partnerships and products fairly in development on the peptide injectable space as well as what comes out through IP challenges, some of which we have demonstrated in the past of being able to unlock like cinacalcet and several others.

We see a lot of synergy. There's a huge focus on execution. All of this can go away if the execution is not right. That's what we're focused on in being able to drive this growth.

On the next slide, again talking about the US, you'll be able to see that the pipeline's nicely diversified from what was earlier focused on oral solid to now focus on respiratory combined with oral solid. We've got about 30 percent of our portfolio already, which is in respiratory and injectables. That's only going to increase further as we go.

We've seen respiratory sales up, increased, and you'll see that on the slide. We've seen a 20 percent CAGR in the last three to four years. This will probably only go higher as we introduce new assets. We've got eight products under development on the respiratory side, two of which are going to get into clinics very shortly.

I can come back to the US later. If anyone has any doubts, then feel free to reach out to us.

We're very excited about this opportunity. Coming back to our largest market, which is our India market, and we have three businesses servicing the market. We have a consumer business that services it. We have a prescription business, which is our largest.

We have the generic business, which is number one in India. I think the beauty is that all these three businesses combined synergistically in terms of being able to offer right portfolio, in being able to offer the clout that we can bring in distribution, as well as taking the access card, going deeper and penetrating deeper into India.

That's what our One India strategy is about. The One India strategy is really about trying to grow the chronic franchisees faster. It's about trying to consumerize our businesses in India, which has the potential to consumerize as well as trying to grow this disproportionately faster with the right focus on productivity and EBITDA.

That's our entire One India strategy. We've already seen an expansion of almost 300 to 500 basis points on EBITDA in the entire One India framework, as well as we're beginning to see synergies across the three businesses as brands move from our generics business to our consumer business.

If you go to the next slide, we're talking about a prescription business. In the prescription business, as you can see, we enjoy leadership positions in the asthma inhalation space, in Urology. We are now number four in cardiology trying to expand that even faster.

Among the chronic categories in IPM, we hold the rank of number two. It's a relatively strong business. The business should grow faster. We have 19 brands among the top 300, and good brand franchises with revenue potential, revenues in India. When they cross 100 crore, which is roughly close to \$15 million, they're considered big brands. We certainly have a fair number of them.

We're trying to expand up that in portfolio. This is the mother business of Cipla. The goal is to keep beating market growth here and if you look at the business in totality.

On the next slide, we're talking about a wellness aspiration. A large part of this wellness aspiration is being able to consumerize parts of our business, like the vitamin segment, the pain segment, like a segment, which is around lozenges, which lend themselves to consumerization. It's our goal that, at Cipla today, the consumer side of our business is today less than five percent.

We want to make this almost 12 to 15 percent in the next three to five years. I think that's our goal. These businesses typically are more sticky. They create more value. Multiple transitions are fairly significant in the businesses here. We have this aspiration for India as well as for South Africa. In India, the business is growing at 30 percent. It's already almost \$50 million plus on size.

We're hoping to take this much bigger as we will in South Africa as well, which is the second place where we have a very solid consumer business. Trading a consumer potential in a business is a strategic aspiration for Cipla. We're well underway into doing that. The next slide is really about generic and the consumer business.

We've spoken a little bit about this, but I think one of the things that is important to highlight is how our brands have shifted from one business to the other. Our consumer business today sells almost I'd like to believe 6 brands that have shifted and eventually we'll sell close to 12 brands that would shift. This would add tremendous clout in our ability to scale the consumer business going forward.

The next slide is about our South Africa and the Global Access business. We call it SAGA. SAGA, as you can see, this is a really strong business, probably growing more than 40 quarters higher than market. We're at rank three here. I think Aspen and Adcock are number one and two. We're number three. We're growing relatively fast.

I can see leadership positions in respiratory and CNS, number two positions clearly in cardiology and some of the other therapies that are listed on the slide. We expect to continue to grow above market growth. The target is take that growth almost 200-300 basis points higher. We have a nice advantage portfolio in HIV, and the rest of the portfolio.

That'll lend to SAGA being a very significant portion of our business. Coming to the next leg of our business, which is emerging markets in EU. Again, the focus on creating two new markets, but also growing the depth of our business. We've got solid partnerships here. We operate in almost 60 markets. The focus is really trying to develop these markets going forward.

We believe this forms a nice hedge to our businesses and offers a great diversification slate for our businesses across the world. Digital has been a very strong part of our story in the last 12 months. We've several digital initiatives ongoing.

There are initiatives which basically start from how people are inducted into the organization, all

the way into automation, quality in manufacturing and the digitization of data, as well as outreach initiatives to patients. We believe that digital story can unlock significant potential in terms of the business profitability going forward. It's early days, but we've tried to set up a transformation office.

We have a digital advisory board, and we are well underway into this journey. We'd like to reimagine our business being more digital in the future. We hope that the entire industry changes in the segment. Compliance is integral to us. We're talking about this in the next slide.

You can clearly see we're audited by several authorities. We also have several facilities that have, of course, the last year has been one where the FDA has not visited. We've been under the scrutiny of compliance through various audits by various authorities. Our record has been satisfactory.

Of course, we have one site, which is under a warning letter, which we're hoping to remediate as soon as the COVID restrictions lift. ESG, its compliance and governance is a very strong part of what Cipla does. We've been winning some awards on the integrated reporting that we've done.

This is also getting recognized through the various governance initiatives and the amount that the board is putting together in trying to make Cipla more well governed organization in the past three to five years, and will continue in the future.

Our ESG map is very clear, that by 2025, we want to be a company that is carbon neutral, we want to be water neutral. We want to have zero waste to landfill and also try stewardship in anti-microbial as well as making sure that safety is the top of the entire agenda for the company.

If you look at what we're looking forward to, of course, the ROIC expansion should continue. We've seen a bump up in this year, but our long-term target is to stay in the 17 to 20 percent range, which is quite significant. If you look at where we were a couple of years back, we were about seven or eight percent. I think there's been strong movement here.

Cost controls are important in the businesses being exercised as well as trying to look at the right decisions from a capital allocation and capital strategy mix. I'm coming to the last slide, which is we're recapping our priorities.

It's really about expanding in the lung leadership area, trying to become the number one seller of devices across the world, offering new innovative solutions in the lung space. This is a science

that Cipla knows relatively well and through this maximizing the value of opportunity in the US.

The second is obviously maintain market beating growth in India and South Africa, grow above market, also create a consumer business that can be 12 to 15 percent of our overall revenues in the markets of India and South Africa.

Create an execution model for our emerging markets business, where we believe that we would be able to take this business significantly higher and offers a great diversification thesis to our story as well. As well as move the needle on digital, create more productivity in the organization, more profitability, continue to stay high on compliance and lead to ROIC expansion of about 300 basis.

That is what I wanted to tell you in a summary and a snapshot. Thank you for taking time and being with us, and being part of the Cipla story.

Neha: Thank you so much, Umang. Since we have some time, if I could ask you some follow-up questions based on the presentation and investor queries that we usually get. First, there were two points that I wanted to pick up from your presentations. The ROIC expansion that you've mentioned, from the 17 to 20 percent number, you briefly mentioned cost control and capital allocation obviously.

Could you give a little more color on what would drive that ROIC? How much of that is dependent on that incremental revenue opportunity that you talked about, the 300 to 500 million. What incremental investment would be required to get to that 17 to 20 percent number?

Umang: I think, Neha, part of the ROIC story is cost, but part of it is making...For example, we're diverting a fair amount of our capital on respiratory. I think that's one of the areas where when you have focus in the organization, your metrics begin to respond to that. I would think a large portion of the 300 to 500 will contribute to ROIC expansion.

In fact, our story this year has also been helped by some launches that we've had in the US, and it's a clear reflection of that. We like this category of respiratory, because eventually even if you have four or five players, the market kind of sticks stable as compared to some of the others. Now, it's no slam dunk to get products approved.

We have to be humble to the challenge of execution here, but I think that's the whole model. My guess is a lot of it, 60-70 percent of it is going to come from the new launch momentum, and

about 20 to 30 percent will come out of focus and cost.

Neha: Is it fair to assume that the other businesses like your emerging market business or India market are probably at peak returns from where we are. Is growth more important there to maintain that return?

Umang: Yes, that's a great question. We're at very healthy returns in India. We're at very healthy returns in some of our other markets like the emerging side of the world. There, our agenda is just to try and make sure that we stay at that level, but also push the top line growth higher.

That's where we want to go. Now, you might see some expansion here, but realistically, from today, this year's base, I think we've seen a bump up because of obviously, the COVID environment. Our objective is to really try and push revenues up higher in that section of the business.

Neha: Since you've mentioned respiratory, I know you're in a silent period, so I won't ask specific questions for the quarter. In terms of post albuterol, if you could give us some color on what your pipeline looks like over the next three years, in terms of what you have filed, what you are planning to file. Any color there is appreciated.

Umang: We're public about the fact that Advair is filed. We're public about the fact that we have a para IV filing on Qvar. We're also public about the fact that we have a partnered asset, which we've not named with another generic company.

These are three that probably you will see as launches in the next, my guess is one-and-a-half to two years. Within the next one, one-and-a-half years, you will begin to see launches here. That's next for respiratory, and the regular respiratory ones, etc., will keep coming, the regular respiratory products.

I think beyond that, it's the rest of the assets. Most of what's in the public domain we will be after, but that's probably the pipeline.

Neha: I think the other area that you mentioned was injectable too. We've seen pretty much every generic company, starting to focus on injectable. Do you think usually given injectable ramp up tends to be more gradual than your oral solid? By when do we see that as being meaningful opportunity? Is that two years away, three years away?

Umang: We don't have a goal for injectable like I do for respi. For example, today, I can tell you that my aspiration is to create a fair amount of revenue out of our respiratory capabilities. In injectables, I don't think we would be a company like Fresenius , which is so deep that we'd worry about it overall from a portfolio.

We have a nice selection of four or five key injectables that we think would create value in the long term. My guess is these will begin to unlock in zero to two-year time period, you could begin to see some unlocking. A lot of the work on development is done, some perhaps are even filed. I think it's really about making sure that we execute at least going forward.

Neha: Umang, in FY '21, we did benefit from the COVID portfolio. Then before COVID, we had put the One India strategy in place. I know it's difficult to judge how the strategy is playing out, but in your assessment, has this strategy worked as per your expectations?

What is the end plan here? What do you see One India strategy achieving for us? Would it be market beating growth, deeper penetration in certain therapies?

Umang: I think it's a mix of all. I sense that we are 60-70 percent of what we set ourselves out to do on the One India strategy. There are reasons why there's 30-40 percent that we can't do, because they are outside the realm of our current operation. If you really look at it, getting into patient services is very difficult. That's an area we do want to go to. That element is still being worked on.

If you were to look at brand shifting, our consumer business has already shifted. We've re-shifted a huge number of brands to the consumer side of the business, and they have now gone into closer formats. They're not just in chemist stores. They've been refurbished. That's working. What's working is deeper distribution penetration, that's working.

Our generic business is obviously clearly moving faster than what we thought it would. What's working is the focus on branding within the prescription business. Some of our key brands are moving faster than market, which is what we wanted to show. There's a fair amount of heft in portion. There will be more that we will unravel, strategies about a year old.

I'm quite pleased with where we are. I think we can do a lot more.

Neha: The one point I missed on the US is to ask you, I didn't see it in your presentation, US specialty. Post the CRL to Avenue, how are you assessing your plan for the US specialty market?

Umang: To a large extent, the specialty strategy will obviously be linked to Tramadol because I think that was the lead asset. We've not included it because I think we have to get through the process where we respond to the CRL. After that, it will be relatively clear.

Our partner company in Avenue is going through that. We don't want to comment on their behalf. They're a public company as well and we are in signing period. This is fairly stock sensitive. We don't want to make a comment at this stage, Neha, about it.

Neha: Understood. On your balance sheet, we are a net debt company now. We'll generate massive cash flow, given the strong launch momentum that we've had. In terms of capital allocation priority, would this be mostly organic growth? Are you open to BD opportunities? Where would that be focused on?

Umang: We would be open to BD opportunities. We would be open to acquisitions, which are manageable to digest. We would be open to that. The bigger issue is, would you find something to do, I think the question. The two markets that we are most bullish about, of course, are the home market in India and the US.

If we can add some pipeline here, this will be great, because we look at our business as just still being little smaller than most of our competitors. Those would be two areas we would be open to look at it, but I don't see huge capital allocations that we'd be making to acquisitions.

Neha: Understood. One last question, if I may. The COVID vaccine opportunity, I know we are not in the development part of the vaccines. Is there any way you think Cipla can participate in it, distribution, or given we have a strong institutional business? Your thoughts there.

Umang: We'd be happy to participate. If there is an opportunity, we would be very happy to participate in it. We've given it some thought. I don't think we have anything on the ground as yet, but we would be happy to participate in this.

Neha: Thank you so much for your time, Umang. Appreciate you taking time to do this virtually, and hope to see you live next year.

Umang: So do I. Thank you, Neha, bye-bye.



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