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Sub: Transcript of the 40th Annual J.P. Morgan Healthcare Conference

Dear Sir/Madam,

We are enclosing herewith copy of the transcript of the Company's 40th 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 40th Annual J.P. Morgan Healthcare Conference on Wednesday, January 12, 2022 at 9:00 AM ET

Sanjay Mookim: Hello, ladies and gentlemen. My name is Sanjay Mookim. I am the head of research and strategist for J.P. Morgan in India.

It gives me great pleasure to introduce Mr. Umang Vohra, the MD and CEO of Cipla, and his colleague, Mr. Jasdeep Singh, Chief Strategy Officer at Cipla as well. Umang will make an introductory presentation with a few slides, after which we will have a short Q&A.

Umang, over to you.

Umang Vohra: Thank you, Sanjay, and thank you, everyone, for joining. Thank you, J.P. Morgan, for hosting us. A warm welcome on a cold day, at least on the East Coast of the US, to all of you. Thank you for your interest in Cipla. Happy to go through the slides.

Could be maybe just project the slide deck as well, please.

We can skip straight to the next slide and the slide after that. Just a reminder of the disclosures and the disclaimers for any listed company.

Coming to slide 3, just a quick recap for some of you not being familiar with Cipla, joining this new. Cipla is about \$3 billion in revenue. It's about one third of it from India, actually, slightly more than one third from India. About slightly more than one third of that from the emerging markets. That includes South Africa, the rest of the world, and about 800 million-odd dollars from the developed markets of North America and Europe. A truly diversified model, reasonably strong in the respiratory space. That's the broad breakup. I'll talk through some of these markets, and I'll talk through some of these slides as we go through. It'll give you a great understanding of our business model if you are new to Cipla.

Can we go to the next slide, please?

Just before we start our regular presentation, I wanted to give you a good overview and an update on some of the key action items we have taken over the last two years. Right at the top is

the lung leadership goal. As many of you are aware, Cipla is the second-largest seller of devices across the world. I think GSK sells the largest number, closely followed by Cipla. We've seen a huge amount of ramp up in our respiratory aspiration and the portfolio. We'd outlined almost 300 to 500 million dollars' worth of revenue globally through this to FY '25. We are well underway there, and we've had some good progress on some of the assets we've launched.

The second goal we had was to maintain very strong market leadership, both in India and South Africa, some of our home markets. Proud to report that the last three years, we've beaten market growth very convincingly, whether it's South Africa or in India. Some of this is COVID-related, but if you look at even non-COVID market-shaping growth as well as market-beating growth is very significant for Cipla.

We had a goal to diversify our market base into some of the more deeper markets of China, Brazil, and I think there has been good action there. China takes a longer period to actualize, but we're tracking overall emerging market revenues of about 400 million. We're on track there and, of course, trying to create pivotal positions in deep markets by consumer behavior, as well as healthcare systems are more solidified in their approach and outlook.

If you go to the next slide, please.

We wanted to leverage a lot of our digital capabilities. I'll speak a little bit about digital. We rarely see digital as something that can unleash operating model flexibility for us. The more we can substitute digital assets for hardcore resources and more tangible assets, it allows us to improve our EBITDA profile. At Cipla, we're trying to do just that.

The next goal was regulatory compliance, as well as ESG, which is soon becoming almost a mantra to do business today. I'll speak about ESG more specifically later, but in terms of regulatory compliance, we've set benchmarks for ourselves. We're complying with the regulations. We are in touch with the FDA. In ESG, we've recently been included in the Dow Jones Sustainability Index, so good progress there.

I'll talk a little in the last point, which is the metrics. We have a slide there. I believe it's the next slide, so if you can just move a slide probably, please. These are how our metrics have responded. You can see that ROIC, which used to be about 7 percent, is now close to 22 percent. Growth in revenue and, of course, EBITDA growth is significantly outstripping revenue growth, and strong controls on cash and on net debt-to-EBITDA. You can see that net debt-to-EBITDA is now...We're a more cash-positive company than we used to be.

Can you go to the next slide, please?

I will talk a little about our markets. I should have started by saying I have a slight cough, so please do bear with it. If you were to look at our One India strategy, this is a combination of three businesses. We like to service India, not just in the metros and Tier 1 towns, but also in the Tier 2 to 6 towns, which is where we are seeing very significant growth as the government unlocks its insurance program and consumption bases and healthcare penetration shifts. Then there's a third category in India, which is about wellness and consumer wellness. It's about people making conscious healthy choices of what they want to do. We have launched our consumer wellness business to look at that.

We are attentioning India in the metros, we are attentioning India in the Tier 2 to 6 cities, and we are attentioning a population in India which is very, very sensitive to their own healthy choices and in making wellness a part of their lives. All three of these have shown phenomenal growth, as you see in this slide. That's our One India strategy, where we're trying to keep all these three businesses from continuing to support growth in India.

Can we go to the next slide, please?

In our branded prescriptions business, which is the largest of the three, the focus has been on trying to create strong leadership positions in therapies, which is what we're doing, as well as in big brands, which you can see. The focus has been in trying to get resources aligned to franchises that we want to grow. Also, the in-licensing business. Remember, with the patents regime in India, the only way you can get assets is by partnering with multinational corporations. You can see then in all these three aspects, Cipla has a preferred partner, as well as therapy ranks are beginning to show increases for our portfolio in the market.

On our generics business, it's the same focus in growing products which are large brands, large therapies, as well as broadening our reach within the market. We've augmented this with our digital push. That business has also shown phenomenal growth in the first half of the year. We continue to focus on both the metro, the large-franchise prescription business, as well as the business that's going to the Tier 2 to 6 cities. We see that India will continue to see huge amounts of growth in both legs on both parts of the country. That continues to remain the largest market for us, and we seem very excited about the prospects that India could offer.

Can we go to the next slide, please?

The other part of the business that we spoke about was this people make these choices to be

more well as against ill. The consumer business we've outlined a goal of trying to be 10 percent of our revenues should come from consumer categories by fiscal year '25. We are about 7.5 percent or so there right now. I'd like to draw your attention to the amount of work we're doing in the brands here, both in India and in South Africa, as well as the relative growth we are getting versus market both in India and South Africa. Some of our brands are on the slide. They're largely in the areas of cough and cold, vitamins, pain, gut health. These are typical categories that we believe will be responsive to the wellness wave that we see is rapidly shaping up in India.

Can we go to the next slide, please?

The second home market is South Africa. We've seen over the past five years that we've beaten market growth convincingly. You can see our therapy positions there, very strong. In terms of priorities, we do want to grow our franchise here both in terms of wellness, but also in terms of trying to launch as much of portfolio as we can. We have a strong partnership with Teva in this market and we hope to broaden that partnership with several other multinational corporations. It's a business which is number three in the market today, but we believe that we will aspirationally try to gain more market ranks as we can in South Africa. We've got a very strong growth platform here and a solid momentum to this business.

Can we go to the next slide please?

I'd like to talk a little bit about North America, and we'll try and combine that a little with the complex genetics journey that we've had. Firstly, this business was small for Cipla in FY '17. We've doubled it almost in FY '21. We continue to believe that this business has very strong legs to add another 300 to 500 million dollars on top of this over the next three to four years. That's all coming out of the limited-competition pipeline, which I'll speak about later. Note the respiratory product revenues here, which is where Cipla comes alive and has capabilities as a company, and the launch of several limited-competition products. If you go to the next slide, I'm happy to talk about some of these in more detail.

If you look at the North America generics opportunity, generics relies on two key aspects. One is your supply reliability. The second is your portfolio. In terms of portfolio, we have key assets. We've spoken about them. They're the Advair program. We also have some other late-stage assets, which we have not disclosed. We've proven over a period of time that limited-competition assets where we can be first in the market is not uncommon to Cipla. As we await a lot of the peptide assets, one of which recently got approved -- it's a partnered asset that we have, we are trying to broaden this pipeline beyond respiratory into peptide and several other categories. The result of that is as we begin to look at new technology platforms, that we're also likely to be able

to extend this over long-term into repurposing some of the older molecules that we have through the 505(b)(2) route. There's a fair amount and innovation that's happening for the North America business.

If you go to the next slide, the diversification in our portfolio is very apparent. If you see the respiratory in FY '22 as a part of the pie, increasingly, we will move to injectables, as well as continue to focus on the respiratory portfolio. That's how the portfolio has moved over a period of time, trying to incorporate more complex forms and a delivery of really strong generic launches. If you look at what we've delivered, both in terms of arformoterol, albuterol, lanreotide, some of these are first-to-market in their category launches, and we hope to add more to this as we go ahead. It's no easy task to add these, and no one should think that this happens just by itself. There's a lot of work that happens inside the company. Like many other companies, we are disappointed if we can't get a launch in, but we are humble to the fact that this is a complex kind of a product portfolio, and that some will succeed and some will fail. I'd just like to caution everyone with that, but our track record looks reasonably good as that. Of course, we want it to improve as we go forward in this journey in the future.

Go to the next slide, please.

I'd like to talk about international markets. We spoke about international markets. We spoke about diversified business model. It's very important for us to create diversification through a larger base out of our emerging market franchise. So about four years back or three years back, we had this problem of having smaller markets and more scattered and diversified but did not add materially to the growth. We've gone on this journey of trying to add more mass to Australia, more mass to China, more mass to Brazil in terms of pipeline and trying to create more deeper markets that we can use in the future. That's happened in Europe and in the emerging side of the world, which is on the right side of the slide. We've tried to broaden not only the number of markets, but we've also tried to broaden the portfolio that we can offer within these markets. Along with that are partnerships that we're trying to build to deepen markets of interest for us.

Good numbers here. This adds very strong diversification pieces to the overall company just not being one for the US or for India, but also has a third very strong, profitable leg in the emerging side of the world. Good franchise, we hope to continue to see growth being added here. One big shift is the shift in DTM. A lot of these markets used to be B2B, in line with the Cipla historical model, but now going forward, a lot of these markets are becoming direct, where Cipla would go and try to service the customers and patients on their own.

Go to the next slide, please.

I want to talk about innovation, because it's very, very important for us to be able to drive the innovation journey for Cipla significantly in the future while we are doing what we can with the generic assets. We're also investing significantly in new technology platforms. Some of these could be in the area of respiratory. Some of these could be in other areas. For example, we decided about three years back to invest a little bit in peptides. We are trying to move that engine further. We are trying to invest in devices, because we believe that the thesis of diagnosis through these devices in some of the areas like India, some of the parts of the world like India and South Africa, and other emerging markets, is very significant. If you want more patients in the funnel, we've got to provide diagnosis solutions to the market. That's part of our innovation strategy as we begin to attention that.

Our innovation strategy is centered around generic assets. It's around repurposing assets in the B2 engine, and it's also about devices and diagnostics that we can bring to the market. We have a significant outreach. We spend about six to seven percent on R&D and innovation. If you look at the spread of our businesses, we feel that is enough for us to continue to see growth as we go forward. We just recently announced that we will also be doing a lot of work on biopharma, on biogenerics to begin with and biosimilars to begin with. It's India, you have respiratory and some other areas that are of interest to us. All these will begin to fructify as we begin to look at our pipelines beyond FY '25, both in terms of respiratory in biomedicines, as well as in the area of devices.

Can we go to the next slide, please?

I'm going to speak about this a little bit, but this is more in terms of interest. As we begin to become more wellness-related company as well, it's important to get the right insighting into what consumers want from your brands. These are some great stories that we've been able to bring. Part of the wellness journey, part of the journey of trying to make big brands bigger, is about understanding the nuance of that insighting and driving it to get your growth. If you look at some of our product growth rates, they're a result of us trying to effectively build marketing insights and connecting those with opportunities that exist with our portfolio.

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Like many other businesses that are trying this transition of trying to own the patients, Cipla is doing its part as well of trying to go beyond the pill. A lot of this today is possible because digital allows you to attract and attention adjacencies at cheaper costs than it would have costed us about five years or seven years back. To build an outreach into a new area of business is very,

very significant investment. With digital, it is a lot lesser.

When it comes to patients, our respiratory endeavor of trying to create more brick-free digital educators. For physicians, we've tried to create platforms where they can come alive as against having direct reach all the time. For the channel, we've also invested significantly in trying to get more real-time data and trying to get a network possible, rather than investing and significantly moving behind it. Whether it's about creating awareness for patients and solutions for them, or it's for the physicians and their outreach, or it's for the channel, there has been significant amount of work on digital. I believe, if we go to the next slide, we're also talking about digital.

Can we go to the next slide, please?

Yes. We're also talking about the backend impact of digital, which is where I think there is significant amount of productivity that can be unleashed, and we are looking at this as something that can increase the business margin profile for our operations.

If you look at some of the initiatives here, it's about making a plant operation touchless. It's about making our product planning systems more automated, and also using the whole digital and data that's available. Pharma companies gather a lot of data, and some of these data, we don't use ourselves as effectively as we should be. There is real power in being able to use these for improving our operations and releasing that into our operating model and releasing the leverage back into our operating model. A lot of digital-related, automation-related work ongoing within the company, where it's in our innovation factories, whether it's in manufacturing factories, or in the supply chain and quality function. In fact, we believe a lot of quality tests could also be made a lot more reliable and a lot more productive, just by using digital and data more effectively.

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None of this happens, none of this trajectory of being a bigger organization happens without the talent. Most of us are now aware of talent shortages in the world. Most of us are aware about how talent has behaved, because they have better options in terms of employment, and they need flexibility going forward. We are embarking quite significantly in trying to create more future leaders. We have programs with Cornell. We have local domestic programs.

We are building strong capability engines and academies within our organization to be able to withstand the amount of attrition that can happen, as well as focus on the well-being of employees, create a culture yardsticks which allow employees to be connected in an environment like ours, which is transitioning into a hybrid workplace, and get more attestations of what makes us tick as a company, our purpose, and everything else.

Some recognition like from Great Place to Work, these are all indications that we are on the right track from a perspective of trying to build up people capital. It's a very significant initiative, and it's important just considering what we're seeing worldwide in terms of talent and the options that they have.

If you go the next slide, please, probably the last slide here.

This is about our ESG goals. We spoke about being included in the Dow Jones index. We have a couple of goals that we've outlined for ourselves in 2025. We want to be carbon-neutral. We've made significant progress with that in terms of both energy consumption. We want to be water-neutral, because in a country like India where a large portion of our facilities are located, water is a very critical resource. We've been able to recycle and withdraw a lot of the water that we use in our operations. We want to be zero-based to landfill. There's no point, you're doing everything and then landfilling your waste. I don't think that's what we want to do. We got zero waste on almost 40 percent of our facilities.

We want to continue to steer AMR, because the worst thing we can have from this pandemic is the incessant use of antibiotics and that creating more resistance and more pandemics in the future. Of course, trying to be green and make sure that the well-being of our employees and partners stays where it is. A lot of this has happened. We've invested significantly in more green power. We've invested significantly in making sure that we have programs in health and skill building. A lot of that is helping overall improve the profile of the company, as well as make ESG an operating metric and something that's deeply ingrained in our operations.

We're very happy of the work we're doing, and we hope to reach these '25 goals sooner than we have laid out for us. If we can do that, it's going to be very significant.

With that, I've come to the end of the presentation. We might be slightly before time. I'd like to thank you for your interest in Cipla. Sanjay, over to you. Happy to take questions.

Sanjay: Thanks for the presentation, Umang. We only have about a couple of minutes left, but I am tempted to sneak in one question from my end, which is your outlook on the domestic markets, Umang.

You've talked about the prescription business crossing a billion-dollar mark, strong growth in generics, and the emerging consumer franchise, but what therapies do you see bringing sustainable traction post-COVID, and how do you expect to leverage that?

Umang: The therapy of lung health will always be important for us. The impact of long COVID on the lung is something that we are very passionate about. We are very passionate about cardiac and diabetes, because India is likely to be a capital on the diabetes side, unfortunately. Lifestyles have changed and we are predisposed to this genetically. Those are two categories we feel very strongly about.

We think wellness is going to be very big in India, and COVID has increased that. Offering people options to stay healthy as against approach us when they get sick. Those are the three or four big areas that we are looking at.

Sanjay: That's very useful. Thank you, Umang, for taking time to address our investors. Thank you, Jasdeep, for joining as well. It was a pleasure listening to you going through the slides. Have a great day, Umang.

Umang: Thank you very much. Bye-bye.



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