Results for the half year ended 31 July 2017

Focused and simplified

22 August 2017

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Introduction

Chris Rigg, Chief Executive Officer

Highlights

Strategic	Financial	Niche	Specials
➲ Conclusion of initial phase of strategy ➲ Simplified with improved quality of earnings ➲ Confidence in value & deliverability of UK pipeline ➲ International development commenced ➲ ERP efficiency projects started	➲ Revenue up 13% to £36.2m ➲ Adjusted EBITDA up 23% ➲ Niche EBITDA 28% of the Group*, up from zero in H1 FY17 ➲ Net debt c.1.0x adjusted EBITDA	➲ Rapid growth in licensed division with revenue up 129% ➲ Licensed portfolio meeting expectations ➲ Commercial partnerships established ➲ Largest UL2L development to be submitted imminently to MHRA ➲ First exports of licensed product	➲ Revenue growth of 4% ➲ Hospital volumes growing ➲ Long-term contracts renewed ➲ Pricing and mix pressures in sales to community pharmacies challenging margin

All figures for continuing operations
*Pre-central costs

Financial review

Gerard Murray, Chief Financial Officer

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Financial summary

Continuing operations	H1 FY17 restated	H1 FY18	Chg
Revenue	£32.1m	£36.2m	+13%
Gross profit	£13.1m	£14.3m	+10%
Adjusted EBITDA	**£4.7m**	**£5.7m**	**+23%**
Adjusted EBITDA %	*14.5%*	*15.9%*	
Depreciation & amortisation	(£0.9m)	(£1.1m)	
Share based payments	(£0.3m)	(£0.6m)	
Exceptional items	(£1.4m)	*(£0.4m)	
Operating profit	**£2.1m**	**£3.6m**	**+74%**

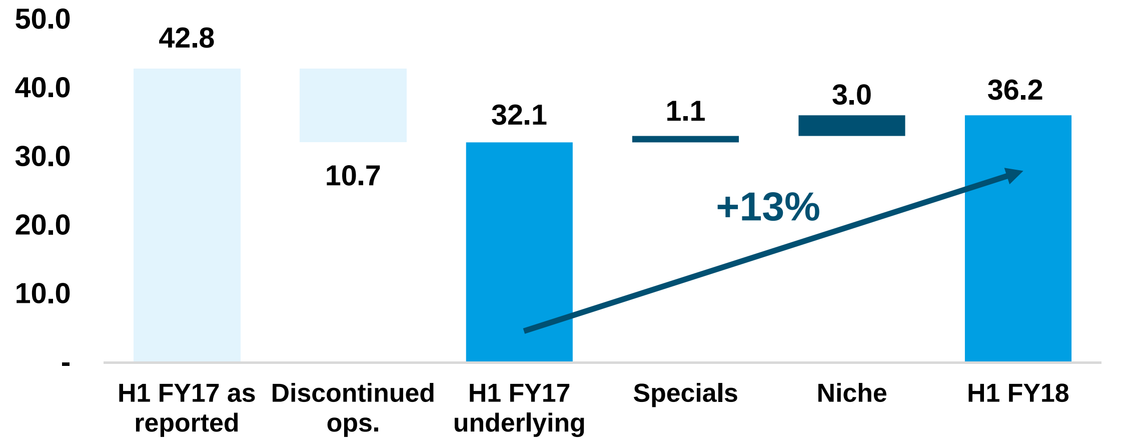
Restated figures reflect post-simplification strategy with exclusion of NuPharm (ceased trading January 2017) and Biodose Services (disposed of June 2017), which were both reported as part of continuing operations in H1 FY17

***Lamda deferred consideration**

Performance

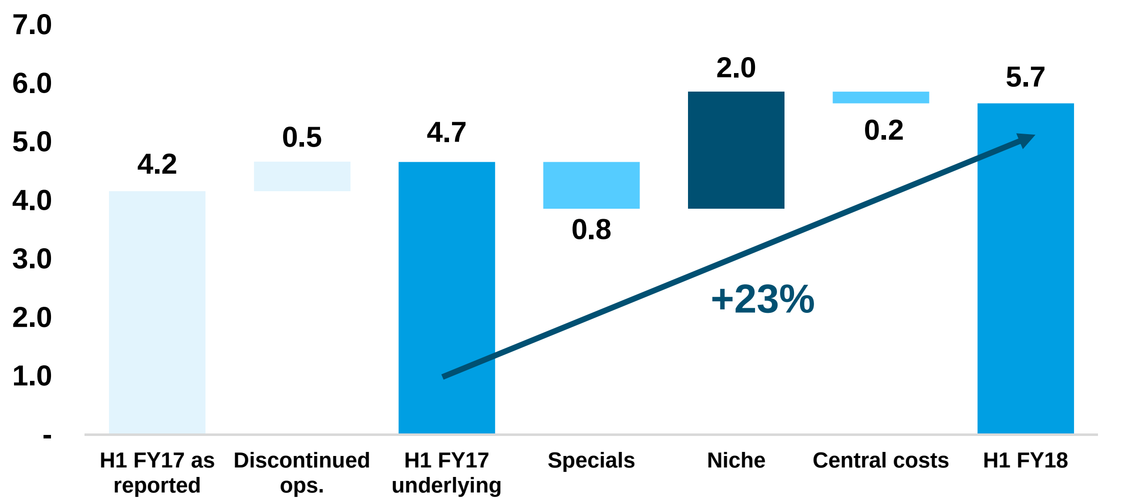
- **Revenue**
  - Prior period revenue restated to £32.1m following removal of Biodose and NuPharm contributions post-simplification
  - Niche now 15% of Group revenue (H1 2017: 7%)
  - Underlying growth driven by FY17 licensed product contribution annualising and new launches in current period

Revenue bridge (£m)



- **Adjusted EBITDA**
  - Margin grew to 15.9% from 14.5% on a like-for-like basis following restatements
  - Growth mainly in higher-margin Niche division
  - Niche benefiting from revenue growth and lower cost base following restructuring actions taken late last year
  - Growth partially offset by Specials (tariff / non-tariff mix)

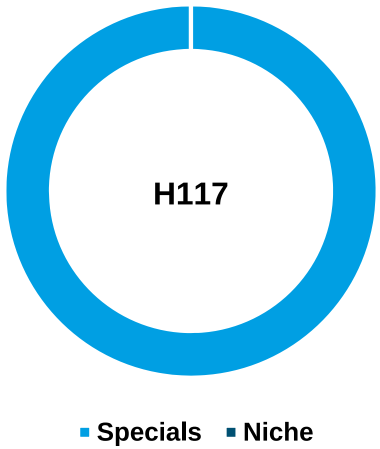
Adjusted EBITDA bridge (£m)

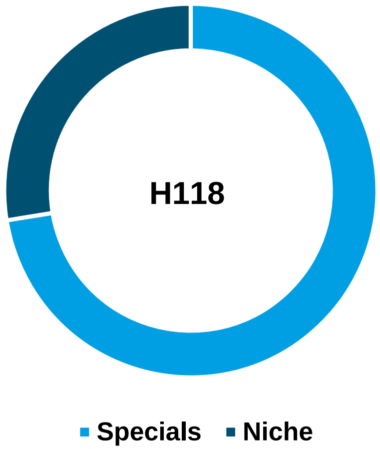


Higher quality of earnings

- Sale of Biodose Services marks end of initial phase of strategic plan
- Removal of low-margin homecare business strengthens Group margin profile
- Growth in higher-margin Niche division driving improved quality of earnings
- Niche now 28% of Group adjusted EBITDA pre-central costs, compared to a nil contribution in H1 FY17

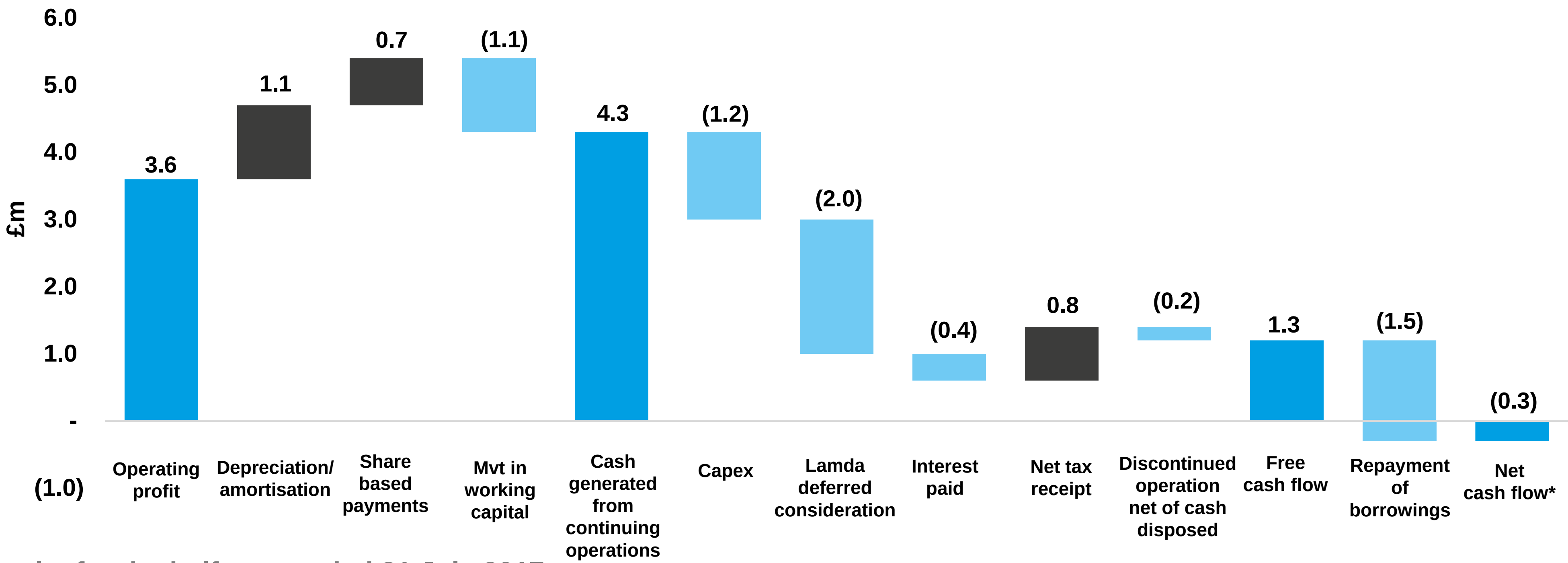
Adjusted EBITDA composition by division (pre central costs)





Cash flow

- Net debt reduced from £13.0m to £11.9m (£1.3m free cash flow less £0.2m of loan issue cost amortisation)
- Reduction despite final payment of £2.0m of deferred consideration in relation to the Lamda acquisition
- Movement in working capital driven by increase in revenue
- Development capex expenditure is expected to be H2 FY18 weighted



*Difference due to roundings

Strategic progress

Chris Rigg, Chief Executive Officer

Focused & simplified business model

Specials

- UK market leader in unlicensed specials
- One of the largest suppliers of imported licensed medicines into UK hospitals
- Specials industry mature

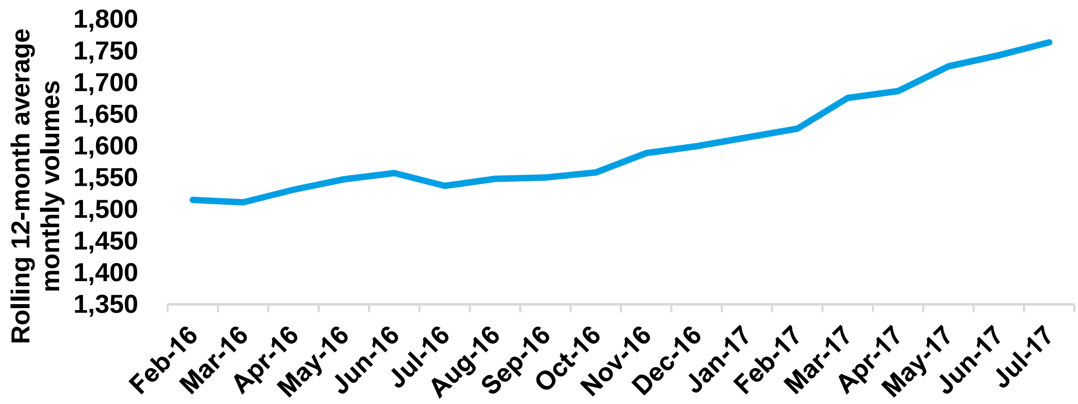
Niche

- The licensing of products provides pathway to growth
- UK-licenced medicines covering a number of therapeutic areas including gastrointestinal, endocrinology, respiratory, neurology, and general health
- UK pipeline progressing, focused on licensing largest products in Specials division
- In-house development capability
- International expansion underway

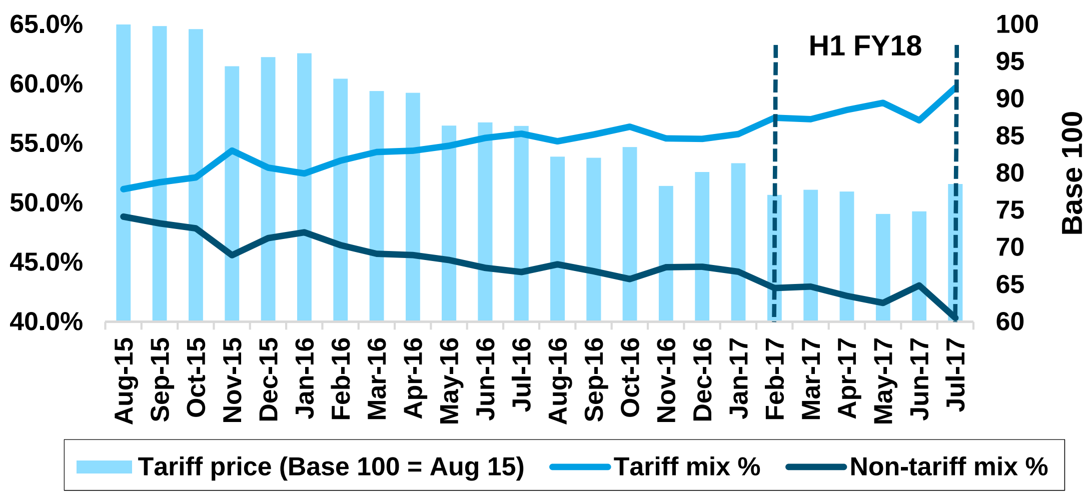
Specials division update

- Market-leading Specials division remains profitable and cash generative in a mature market
- Division central to UL2L strategy
- Divisional revenue impacted by licensing of products as expected
- Pricing and mix pressures in community pharmacy driven by tariff and prescribing trends
- Largely balanced by strong performance of sales of unlicensed medicines into hospitals
- ERP-driven efficiency plans commenced

Unlicensed specials orders into hospitals



% of orders tariff vs. non-tariff and average tariff selling price



Niche division update

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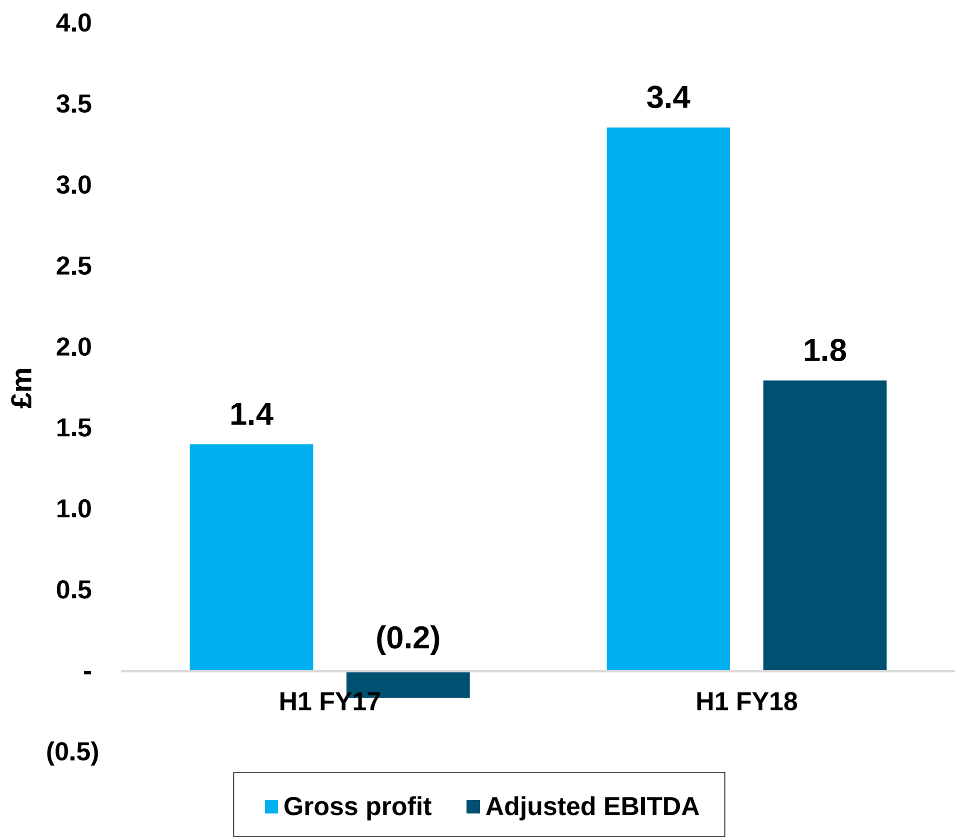
Licensed division profitability progression



- Licensed division profitability transformed year-on-year as revenue increased 129%
- Gross profit increased by 140%, adjusted EBITDA up from £0.2m loss to £1.8m
- Key drivers include:
  - Strong performance from Glycopyrronium Bromide Oral Solution 1mg/5ml ('Glyco') which is ahead of budget
  - Successful product launches, largest being Gabapentin Oral Solution 50mg/ml and Acetylcysteine 200mg sachets
  - UK commercial partnerships established with two global pharma businesses for:
    - Trazodone Oral Solution lines; and
    - Memantine Soluble Tablet lines
  - Initial export of licensed product into the Middle East

Licensed portfolio & pipeline progress

Pipeline evolution	Percentage by value (%)
Commercialised	18
In active development	58
Technical feasibility assessment	24
Total	**100**

- Focused on quality, not quantity
- All major UL2L and niche generic progressing through development phases
- Active development and MHRA registration period for UL2L products can span 36 months – these are complicated developments
- Largest UL2L opportunity to be submitted to the MHRA imminently
- Extension of Glyco to paediatric indication commenced

Global UL2L opportunity

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- Access global partner data
- Feed into new product development process
- Utilise UL2L expertise
- In-house product development
- Partner distribution

Strategic opportunity

- REPLICATE UL2L model globally
- Product ACQUISITIONS
- EXPORT UK-licensed products
- EXTEND UK licences into other territories

Outlook

- H2 FY18 outlook positive
- Confident in building on success to date
- Expect margin pressure in specials to continue
- Continued product and market diversification in Niche division expected over next 24 – 36 months
- Increased confidence in deliverability and value of UK pipeline
- Selective product acquisition considered to complement portfolio / build IP
- Increased focus on global UL2L strategy requiring international partner / partnerships