NextPharma

Jefferies 2014 Global Healthcare Conference
19th - 20th November

Andy Kelley - COO
Agenda

- Market Overview
- Introduction to NextPharma
- Services, Operational set-up and Markets supplied
- Key Success Factors, Customers and Products
- Strategic Outlook
- Q&A Session
I. MARKET OVERVIEW
Global drugs sales are estimated to grow 5% a year, with oncology being the largest category growing 10% a year.

Key comments:

- Demand for drugs is increasing driven by increases in chronic disease levels and an aging global population.
- Oncology is one of the largest and fastest growing therapeutic areas, followed by anti-infectives and endocrine.
- Small and medium pharma are playing an important role in the market.

**Global drugs sales by therapeutic area (£ bn)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Oncology &amp; Immunomodulators</th>
<th>Systemic Anti-infectives</th>
<th>Central Nervous System</th>
<th>Musculoskeletal</th>
<th>Endocrine</th>
<th>Other</th>
<th>Total</th>
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<tbody>
<tr>
<td>2010</td>
<td>333</td>
<td>356</td>
<td>382</td>
<td>382</td>
<td>37%</td>
<td>9%</td>
<td>356</td>
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<td>44%</td>
<td>42%</td>
<td>38%</td>
<td>38%</td>
<td>9%</td>
<td>9%</td>
<td>333</td>
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<tr>
<td>2012</td>
<td>382</td>
<td>356</td>
<td>382</td>
<td>382</td>
<td>9%</td>
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<td>8%</td>
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<td>9%</td>
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<td>10%</td>
<td>356</td>
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<tr>
<td>2014</td>
<td>423</td>
<td>382</td>
<td>382</td>
<td>382</td>
<td>9%</td>
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<td>423</td>
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<td></td>
<td>9%</td>
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<td>10%</td>
<td>10%</td>
<td>9%</td>
<td>10%</td>
<td>382</td>
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<tr>
<td>2016</td>
<td>464</td>
<td>382</td>
<td>423</td>
<td>423</td>
<td>9%</td>
<td>12%</td>
<td>464</td>
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<td>10%</td>
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<td>12%</td>
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<td>12%</td>
<td>382</td>
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<tr>
<td>2018</td>
<td></td>
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</table>

CAGR 2012-2018: 1.6%, 7.6%, 8.5%, 0.3%, 6.2%, 10.0%

Source: Evaluate Pharma, theoncologist.alphamedpress.org; Expert interviews
Development of the Global CMO market

Global CMO market is estimated to grow 7% a year across all geographies, and solid dose form constitutes 62% of the market.

Global CMO market by regions (US$ bn)

Breakdown by dosage forms (% of total market value)

Source: Frost & Sullivan, BCC Research
II. INTRODUCTION TO NEXTPHARMA
NextPharma ‘snapshot’

Double digit growth **€143m** turnover

Over **150** customers including 7 out of the top 10 pharmaceutical companies

**1,000+ employees**

**6 centres of excellence**
- Capability to produce 4 billion tablets
- **500m** finished packs produced

25%+ of employees work in quality & regulatory roles

Approximately **100** customer & authority audits each year

More than **10,000** batch releases

Smart every time
Our 6 Centres of Excellence

With over 150 customers across 6 continents
NextPharma today is a business refocused on a Commercial Core & Niche Capabilities

Development since SUN’s Acquisition

Acquisition of NextPharma by an affiliate of Sun Capital Partners LLC
Closure of unprofitable Belgium site
Sold US site to prevent ongoing losses and shutdown costs
Appointment of COO and EVP of Sales & Marketing
Replacement of CEO and consolidation of growth
FDA approval of the sites in Bielefeld and Göttingen

2011
2012
2013
2014

Today:
- NextPharma is focusing on its core capabilities and expertise, specialising into niche markets.
- Focus on commercial scale contract manufacturing, supported by product development services
III. SERVICES, OPERATIONAL SET-UP AND MARKETS SUPPLIED
NextPharma positioning as a CMO

- Technical expertise and excellent quality
- Flexibility and responsiveness
- Commercially competitive
- Reliability
- Speed in execution
NextPharma: What do we do in simple terms?

NextPharma provides contract manufacturing services to pharmaceutical companies serving global markets.

NextPharma manufactures, amongst others:

- Oral contraceptive for 10+ pharmaceutical companies across Europe
- Antibiotics (penicillins and cephalosporins) to treat infections
- Controlled drugs (narcotics)
- Painkillers (tablets, gels, sprays)
- Testosterone gels
- Vitamin supplements (pellets)
# Commercial Manufacturing

Broad range of dosage forms

<table>
<thead>
<tr>
<th>Solids</th>
<th>Powders for Suspensions</th>
<th>Pellets</th>
<th>Tablets</th>
<th>Film Coated Tablets</th>
<th>Hard Gelatine Capsules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paediatric Formulations</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Modified Release</td>
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</tbody>
</table>

- Dry syrups
- Bottles
- Sachets
- Taste masking
- Modified release of API
- Protection of API
- Organic solvents
- Compressed Powder
- Compressed Granules
- Compressed Pellets
- Bi-layer (2 different blends compressed in one tablet)
- Modified release matrix tablets
- Orodispersible
- Mini-tablets
- Coating for taste masking
- Coating for modified release of API
- Coating for protection of API
- Aqueous/organic solvents
- Powder blend in capsules
- Granules in capsules
- Pellets in capsules
- Tablets in capsules

### Semi Solids

- Topical gels & creams
- Ointments
- Suppositories

### Liquids

- Buccal sprays
- Topical sprays
- Nasal sprays
- Oral solutions & Suspensions in bottles or ampoules
NextPharma’s services: Pharmaceutical development

- Formulation and process development
- Analytical method development
- Stability testing

NextPharma develops and provides the process for transferring the product formulation to industrial scale manufacturing.

Pharmaceutical development services support contract manufacturing services and include:

- formulation development
- analytical and microbiological testing, manufacturing of clinical batches as well as clinical trial labelling and
- stability testing
- tech transfer / scale-up
NextPharma’s services: Clinical supply

- Clinical Manufacturing, Packaging & Labelling
  - Blinding/Encapsulation capabilities for all major dosage forms
  - Primary and secondary packaging of solids, semi-solids, liquids
- Storage & Distribution
- Regulatory Support
NextPharma’s services: Commercial Manufacturing

NextPharma’s manufacturing centres of excellence provide customers with reliable product supply in facilities that include European, US FDA and ANVISA approvals.

- Validation batches
- Technology transfer
- Launch and supply

✓ Sourcing and testing of materials
✓ Bulk manufacture
✓ Primary packaging
✓ Secondary packaging
✓ Quality Control and market release
✓ Shipment to customer
Markets we supply

<table>
<thead>
<tr>
<th>Markets we supply</th>
<th>Europe</th>
<th>USA</th>
<th>ROW</th>
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</thead>
<tbody>
<tr>
<td>Berlin</td>
<td>✔️</td>
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<td>✔️</td>
</tr>
<tr>
<td>Bielefeld</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Göttingen</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Limay</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Waltrop</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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</table>

**NextPharma Group FDA success update:**

- Waltrop: successful routine re-inspection January 2014
- Bielefeld: first FDA audit for US market successfully completed August 2014
- Göttingen: first FDA audit for US market successfully completed September 2014
IV. KEY SUCCESS FACTORS, CUSTOMERS AND PRODUCTS
Why customers select NextPharma as a partner?

**Service**
- Strong, secure foundations
- Demonstrating innovation and world-class technical skills
- Modern outlook / facilities
- Competitive

**Passion**
- Proven excellence creating client specific solutions
- Depth of understanding and flexible approach
- Application of enthusiastic scientific expertise
- Proactive communication

**Speed**
- Recognised by customers for delivering a fast response
- Ability to react and deliver the ‘smart’ solution

smart every time

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Customer and Products

- NextPharma has long-standing relationships with over 150 international blue chip customers (incl. 7 out of the Top 10 Big Pharma) as well as mid-size pharma and biotech businesses
- The customer base is stable and diversified and more than 50% of revenue is generated with speciality/mid pharma
- Top 10 customers contribute c. 56% of revenue
- The products are well diversified and generic products make up c. 40% throughout the portfolio
- There is no over-dependency on single products
V. STRATEGIC OUTLOOK
Strategic Outlook (1/2)

✓ **Focus on core expertise**

  - Further focus on its core expertise in Contract Manufacturing Services, including specialised product types/technologies (e.g. hormones, antibiotics, pelleting)

✓ **Focus on key strategic customers with long-term supply agreements**

  - Growth is expected to be in line with market average over the period, with growth from existing key strategic customers. Revenue assumptions from new business wins for CMS are based on known projects within the sales pipeline.

✓ **Strategic or customer-funded capital investment**

  - Focus on strategic or customer-funded capital investment to support growth and secure future business
Strategic Outlook (2/2)

✓ FDA approvals to further penetrate the US market

• It is a strategic objective to upgrade the quality level in most of our sites to comply with FDA regulations, in order to penetrate the US market (the largest Pharma market in the world) and to access US customers bringing products to Europe.

✓ Cost savings

• Drive cost savings through implementation of the on-going reorganisation programme

✓ Improvement of efficiency and profitability

• Generate efficiency savings and improve profitability through rationalisation of low margin customers/products/SKUs
CMO market split by key players

Contract manufacturing market is highly fragmented, with top five players having only 35% of the market share.

Notes: *: 2012 figures since 2013 data not publicly available; DPx incl. Patheon and DSM; Aenova incl. Temmler and Haupt Pharma; Others include Lonza, Quintiles, Camprex, Albany, Rottendorf and other companies
Source: Frost & Sullivan, Capital IQ, Amadeus, Company websites
The CMO market is experiencing rapid consolidation

CMOs are following different M&A strategies. This leads to a significant M&A activity which results in increasing acquisition multiples.

Key Transaction themes

1. Scale and market Share - selected transactions include:
   - **Aptar**
     - Acquisition of Meda’s New Jersey facilities to add additional cold storage and a larger analytical laboratory (Sep 14)
   - **aenova**
     - Acquisition of Temmler to establish the group’s position as a European market leader and add new dosage form capabilities/service segments e.g., clinical trial materials, distribution logistics and licensing (Oct 12)

2. New capabilities and service segments - selected transactions include:
   - **Consort Medical**
     - Acquisition of Aesica provides horizontal integration in oral delivery and vertical integration in drug formulation and finished dose manufacturing (Sep 14)
   - **Recipharm**
     - Acquisition of Corvette Group strengthens capabilities in lyophilisation, specifically handling hormones in both vials and ampoules (Aug 14)
   - **aenova**
     - Acquisition of Contract Packaging Resources to enhance its global packaging services (Sep 14) and Haupt Pharma in line with adding capability to manufacture steriles and other complex products, such as hormones, antibiotics and cytostatics (Oct 13)

3. Increased focus - selected transactions include:
   - **Patheon**
     - Divestment of clinical trial supply and packaging services to Bellwyck (Sep 12)
   - **Catalent**
     - Divestment of commercial pharmaceutical packaging operations to Frazier Healthcare, creating PCI (Jun 12)
Market trends support NextPharma’s business model

The CMO market is driven by a number of key trends of the pharma industry, such as:

- Big Pharma outsourcing of mature products
- Health care reforms and price pressure
- Pharma companies focusing on core competencies
- Reduction of complexity of supply chains
- Virtual pharma companies becoming more successful

• These trends support NextPharma’s business model
  - Mid size CMO focusing on core business
  - Long term relationships
  - Focus on specialty companies
  - Solid growth over the last three years on revenue and profitability