

# Syngene

Putting Science to Work

Investor Presentation  
June 2019

Quality  
Innovation  
Confidentiality  
Science



Certain statements in this release concerning our future growth prospects are forward-looking statements, which are subject to a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated in such forward-looking statements.

Important factors that could cause actual results to differ materially from our expectations include, amongst others general economic and business conditions in India, business outlook of our clientele and their research and development efforts our ability to successfully implement our strategy, our growth and expansion plans and technological changes, changes in the value of the Rupee and other currencies, changes in the Indian and international interest rates, change in laws and regulations that apply to the Indian and global biotechnology and pharmaceuticals industries, increasing competition, changes in political conditions in India and changes in the foreign exchange control regulations in India.

Neither the company, nor its directors and any of the affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after this date or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition.



# Introduction

Putting Science to Work

### The Biocon Group

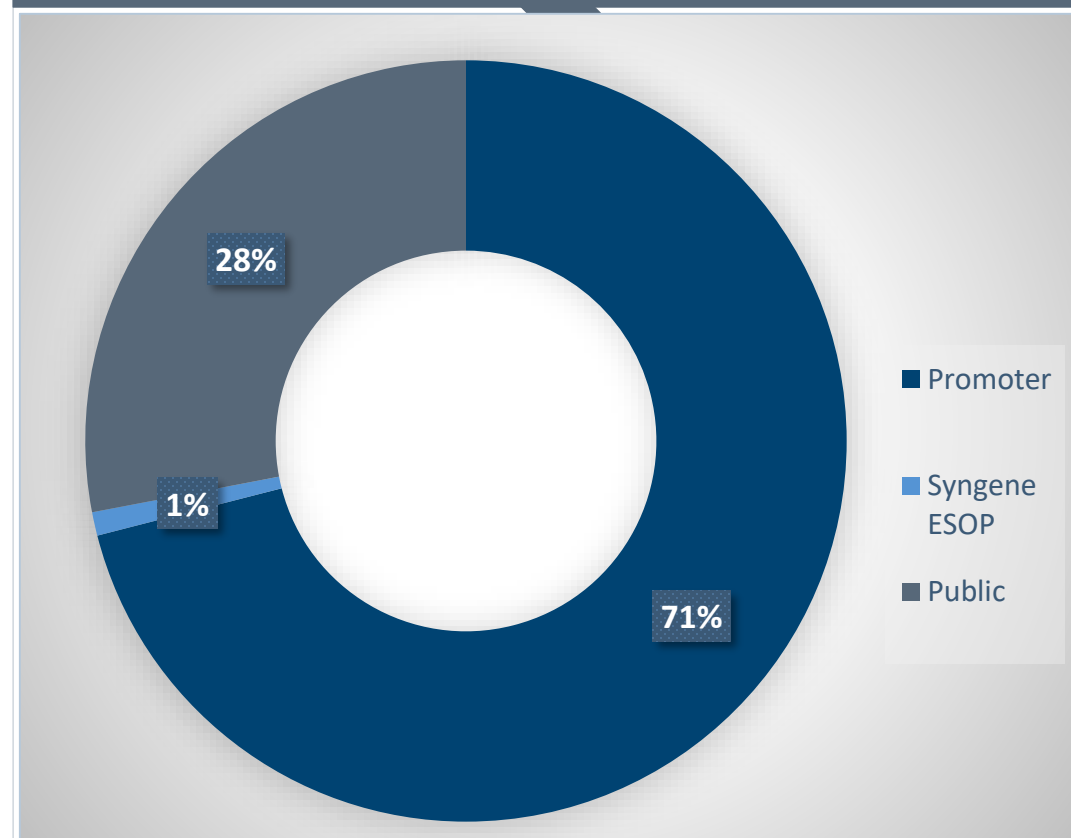
- Services Based
- Contract Discovery
- Contract Development
- Contract Manufacturing

**Syngene**

**Biocon**

- Product Based
- Biosimilars
- Formulations and Compounds
- Alternative Therapeutic Drugs

### Syngene's Shareholding Pattern<sup>1</sup>



### Overview

- A global scale integrated research services organization listed on Indian Stock Exchanges (NSE and BSE)
- Highly experienced scientific and project management teams
- State of art facilities
- 331 active marquee clients\*

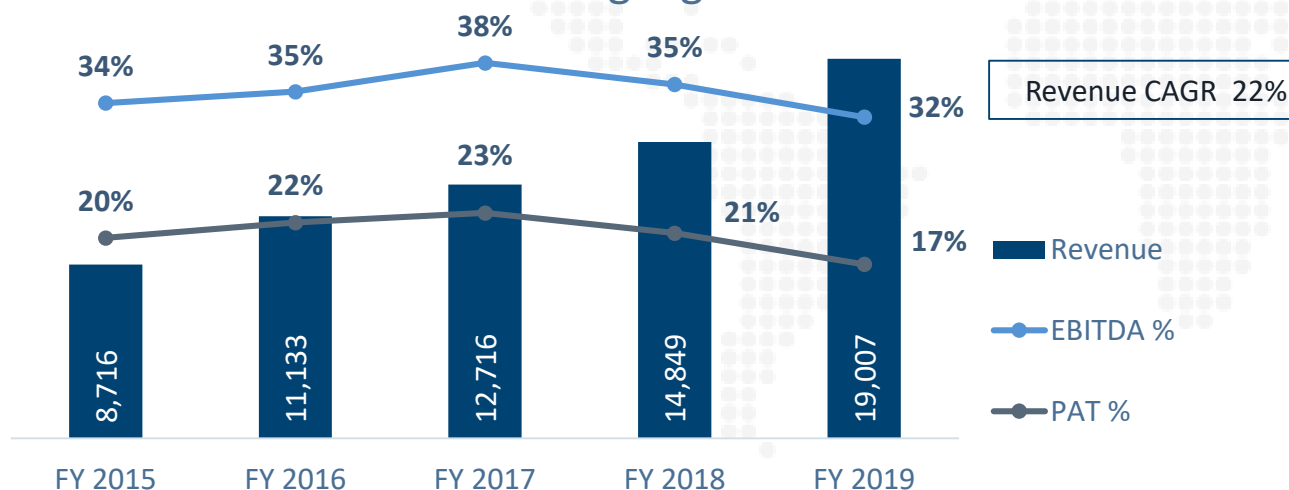
### Track Record

- Collaborations and partnerships to deliver numerous clinical candidates
- Delivery history for integrated CMC programs towards FIH and beyond
- 25 years of Scientific Excellence

### Quality and Certifications

- Committed to providing services and products that meet or exceed client's expectations and regulatory requirements
- Good Manufacturing Practices (cGMP) Certified
- US FDA Redacted EIR
- NABL Accreditation Certificate (ISO 15189:2012) : For Central Laboratory

### Financial Highlights



### Our Vision

To be a world class partner delivering innovative scientific solutions.

### Scientific Ecosystem

- ~1.5 Mn sq. ft. world-class R&D and Manufacturing infrastructure\*
- ~4600 professional workforce including ~ 4000 qualified scientists\*
- World class Supply Chain practices to support business



### Foundation

- Operations started
- Expansion of R&D Lab
- Granted 100% Export Oriented Unit (EOU) status by the Government of India

1993 -  
2000

### Globalization and strategic acquisition

- Expanded into formulations development
- Contract with Endo Pharmaceuticals to develop novel anti cancer biological therapeutic molecules
- Collaboration with Baxter and Abbott to set up dedicated R&D centres
- Extension of collaboration with BMS for BBRC; Merger of Clinigene
- Crossed annual turnover of INR 5,000 M

2010 -  
2014

### Expansion

- Expanded service offerings to include Chemical Development, Safety Assessment, Biologics Development
- Collaboration with BMS for setting up BBRC, Syngene's first dedicated R&D Centre
- Crossed annual turnover of INR 1,000 M

2001 -  
2009

### Next stage of growth

- IPO and listing
- Collaboration with Amgen and Herbalife for setting up dedicated R&D centres
- Acquisition of bioinformatics assets of Strand Life Sciences
- Crossed annual turnover of INR 15,000 M
- Expands collaboration with Baxter till 2024; BMS till 2026

2015 -  
2019



### Who we are and what we do

- Combining world class research talent and infrastructure with the Indian cost advantage
- Converting R&D to a variable cost for clients
- Moving beyond cost arbitrage to R&D productivity and innovation

### Key differentiators of growth



Scalable



Predictable



De-risked



Profitable

## Quarter highlights:

- Revenue growth in the quarter was driven by good growth in discovery services and steady performance in dedicated R&D centres businesses
- Successfully cleared the USFDA inspection of the HPU facility in Bengaluru without any observations
- The Company has identified a facility in Hyderabad as the location for the next phase of R&D expansion. The facility is in the final stages of commissioning and is scheduled to be operational during Q2 FY20.

P&L Summary	Q1 FY20	Q1 FY19	YoY Change
Revenue	4,414	4,248	4%
EBITDA	1,416	1,283	11%
<i>EBITDA Margin</i>	32%	30%	
PAT	720	662	9%
<i>PAT Margin</i>	16%	16%	

P&L Summary	FY19	FY18	YoY Change
Revenue	19,007	14,849	28%
EBITDA	6,119	5,266	16%
<i>EBITDA Margin</i>	32%	35%	
PAT	3,316	3,054	9%
<i>PAT Margin</i>	17%	21%	





# Our Industry

Putting Science to Work

- Global healthcare Contract Research Organisation (CRO) market size is expected to reach USD 57.8 billion by 2023;
- Demand for CROs is expected to increase in emerging markets such as China and India due to huge growth opportunities with reduced development time and R&D costs;
- Contract Manufacturing Organisation (CMO) market size is expected to reach USD 116.5 billion by 2023.

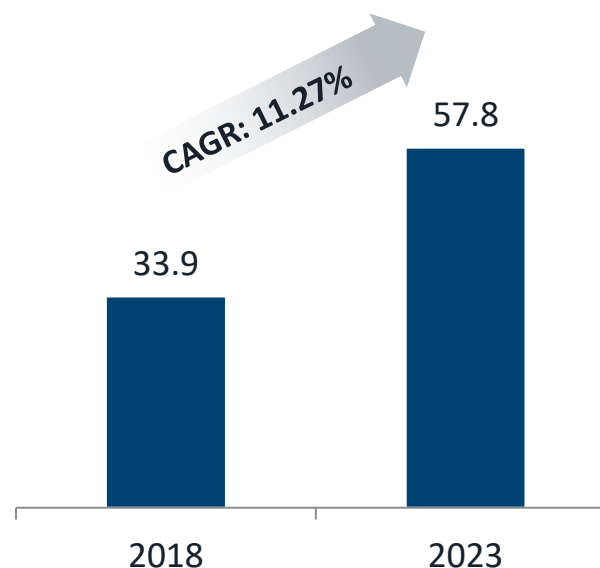
## Increasing outsourcing penetration driven by:

- Focus on core competencies
- Emergence of “virtual” companies
- Shift from fixed to variable cost models

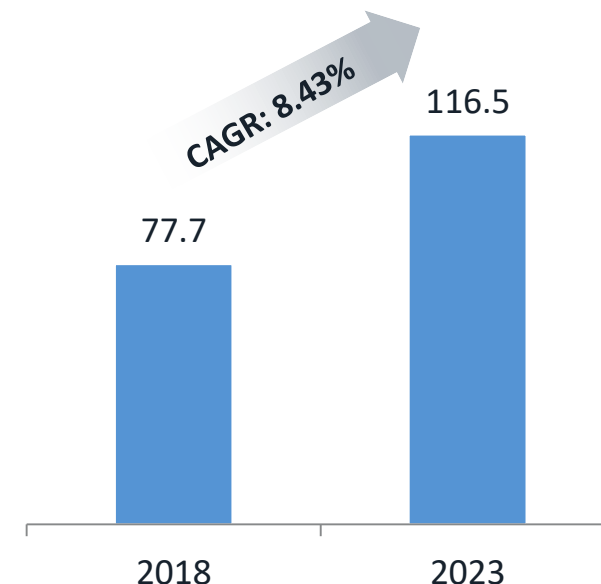
## Industry Statistics

(USD bn)

### CRO- Market size and forecast



### CMO- Market size and Forecast





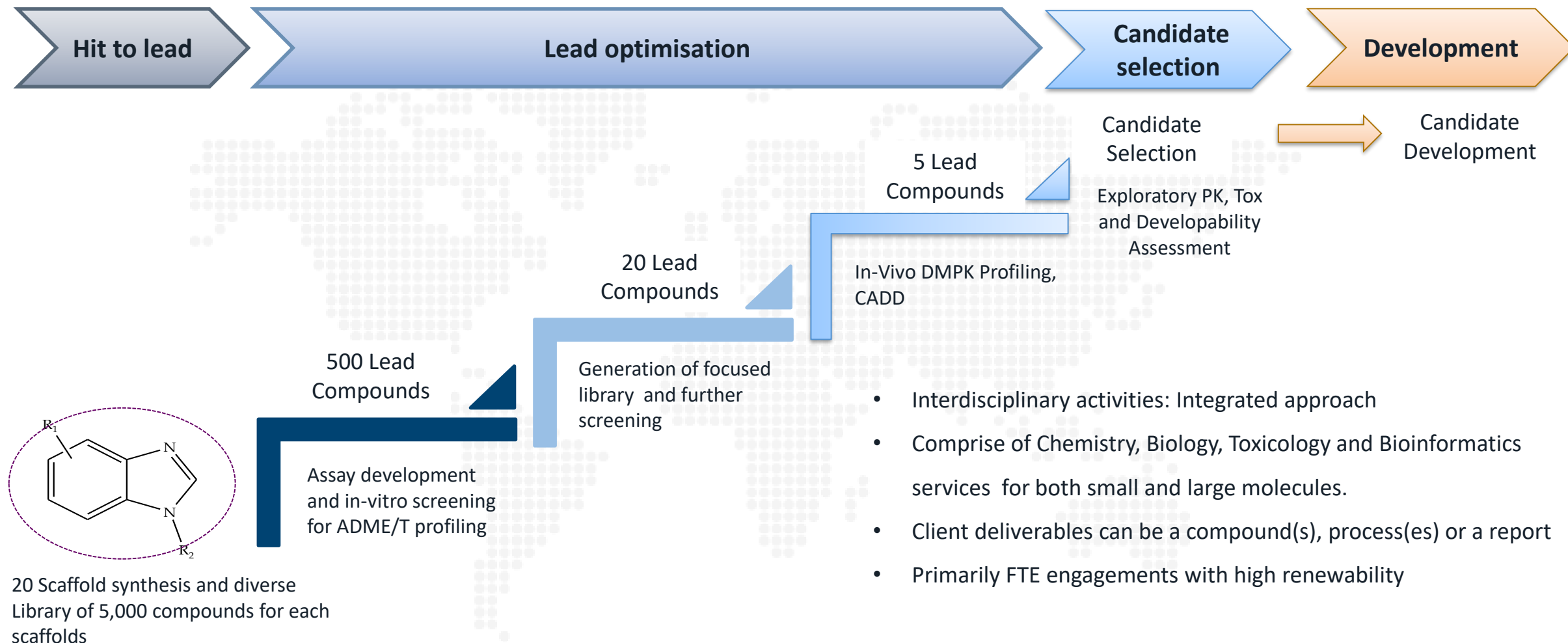
# Business overview

Putting Science to Work

Our platforms allows us to be a “one-stop-shop” for discovery and development requirements..



Discovery	Development	Manufacturing
Chemistry	Drug Substance	Clinical Supplies
Biology	Drug Product	
	Integrated Drug Substance – Drug Product	HPAPI
Safety Assessment		Specialty Molecules
Integrated Drug Discovery	Human Pharmacology Unit (Phase 1)	Commercial Supplies
Therapeutic Antibody Discovery & Engineering; Cell Line Development	Bio Analytical Lab (Large Molecules)	
	Stability Services	
	Bioprocess Development, Process Characterisation Clinical Manufacturing (Microbial & Mammalian)	
Bioinformatics : Target Dossiers, NGS, Integrated Data Analytics, Modeling, Systems Biology, Drug repurposing		



- Interdisciplinary activities: Integrated approach
- Comprise of Chemistry, Biology, Toxicology and Bioinformatics services for both small and large molecules.
- Client deliverables can be a compound(s), process(es) or a report
- Primarily FTE engagements with high renewability





- Encompass activities across multiple disciplines as a molecule moves from pre-clinical to clinical trials
- Key activities include:
  - Drug substance development (process R&D and optimisation)
  - Drug product development (pre-formulation and formulation development)
  - Allied services (stability services, viral testing, bioanalytical)
- Primarily FFS engagements which increase in volume/scale over time

### Small Molecules



- State-of-the-art cGMP facility to manufacture NCEs
- Designed to support multi gram to 100s of kgs/ batch of Intermediates and APIs for clinical trials; current capacity can support initial commercial supplies
- New greenfield investment being made in Mangaluru to support larger commercial scale requirements

### Biologics



- Mammalian and Microbial capabilities
- Can support early stage, late stage and commercial launch supply requirements in mammalian
- Capacities to support large volumes for late stage clinical requirements



Syngene's USFDA approved manufacturing facility at Bengaluru

### Bengaluru, India - Biocon Park

Spread across 90 acres where most of Syngene's capabilities are housed today



### Near - Term Expansion

**Biocon Park Biologics**  
Manufacturing plant, full capacity will be operational by end 2019;  
Two R&D centres under development



### Near - Term Expansion

**Commercial Manufacturing Support**  
project launch Mangalore, India  
Operational by March 2020; Capacity:  
68KL ; Reactor size: 2-12KL





### Dedicated R&D Labs

- Dedicated scientific and support personnel, customised and managed to partner requirements
- Dedicated infrastructure implemented and maintained by Syngene based upon partner specifications
- Access to additional R&D, Manufacturing and support functions at Syngene
- Long-term (5-7 years) contractual commitment



### FTE

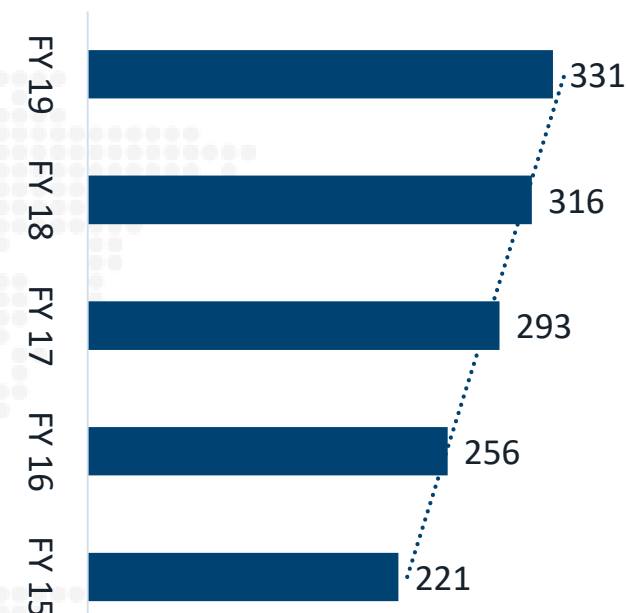
- Dedicated scientific resources selected from partner-specified disciplines
- Deliverables and team composition evolve as project advances
- Typically ~3 year contract term ensures team continuity, adjustable with specified notice period
- Effective for longer-term research commitments



### FFS

- Flexible, on-demand resources with targeted skill sets
- Clearly defined project, limited in scope and deliverables
- Effective way to manage fluctuating demand, ad-hoc requests or uncertain quantity of work

### Client Base



Client base includes top companies in pharmaceuticals, biotech, agrochemical, consumer goods and other industries.

Over the last five years the Company has increased its client base from 221 in FY15 to 331 in FY19.

*... and are open to taking single or combining any of the above*



Largest R&D Centre in Asia for BMS (2009). Contract extended till 2026

Dedicated Centre of research excellence with world class facilities

Over 500 scientists supporting ground-breaking, novel small and large molecule R&D

Produced >10 drug candidates for further study and advanced new compounds for first-in-human studies



Dedicated R&D Centre in India for Baxter (2013). Contract extended till 2024

State-of-the-art facility supporting R&D of medical products and devices worldwide

Engages multidisciplinary team of ~200 scientists

R&D activities centred on product and analytical development, preclinical evaluation in parenteral nutrition and renal therapy



Exclusive R&D Centre for Amgen Inc. in India (2016)

State-of-the-art dedicated Centre supporting variety of discovery & development projects for biotechnology and small molecule medicines

Engages multidisciplinary team of ~200 scientists

Focus on medicinal & process chemistry, biologics, bioprocess, drug metabolism, pharmacokinetics, bioanalytical research and pharmaceutical development



Herbalife's 1st Nutrition Research and Development Lab in India (2016)

Dedicated Centre spans at 3,000 sq. ft. and houses cGMP formulation lab to support product testing, sampling and end-product development

Focus on product development, sensory evaluation and testing, scientific content writing, project management, formulation development, analytical service, stability study and other related services



### Expand/Extend Existing Clients

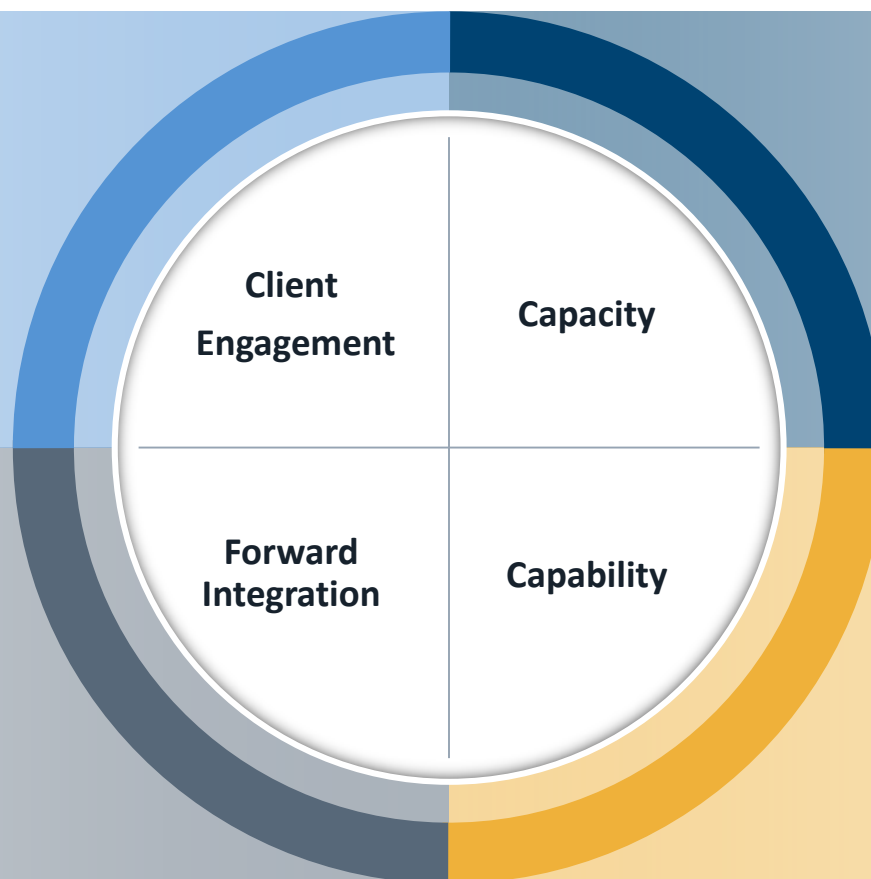
- High service integration
- Dedicated centres model

### Engage New Clients

- Tailored service offerings and dedicated personnel

### Moving from CRO to CRAMS with commercial manufacturing

- “Follow the molecule” by expanding into commercialisation



### Capacity Expansion

- Consistent expansion
- FTE services, manufacturing, formulation, biologics, stability

### Capability Additions

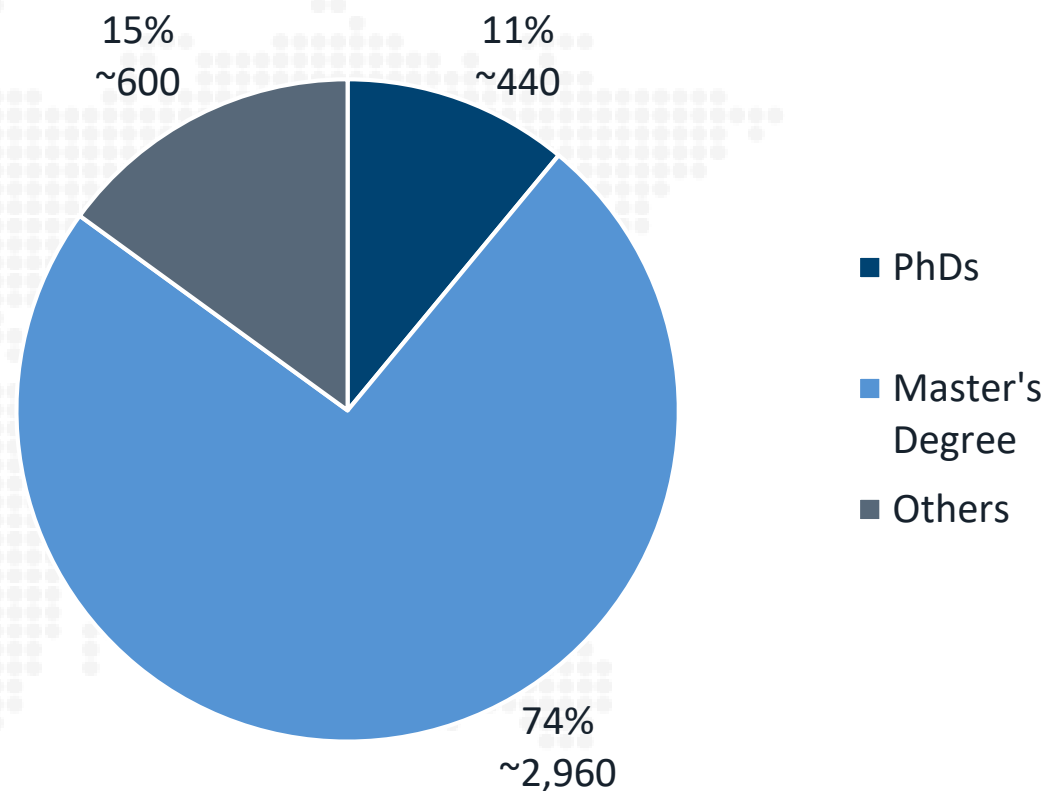
- New capabilities across multiple domains incl. the allied sectors
- Stability, analytical and bio-analytical services, viral testing, Oligonucleotide bioinformatics
- New platforms: siRNA, ADC

~4,000 Strong pool of scientists\*

- 01 Create competitive edge over peers
- 02 Deliver quality output to clients
- 03 Led by dedicated and experience management team

We are one of the largest "Contract Research" employers


Alliances and partnerships with some of the world's largest Pharmaceutical companies



Risk	Mitigation
Inadequate client retention and client base growth	Widening scope of engagement through new service offerings, Investment in business development activities.
Information Technology threats and vulnerabilities	Regular evaluation and upgrade of systems/applications, Disaster recovery plan in place.
Unhedged currency exposure (USD/INR)	Comprehensive hedging policy and tracking mechanism in place.
Inadequate design of Quality Management system	Strengthening the Quality Management Framework, regular Audits and process automation.
Non adherence to Health and Safety standards	Launched “KAVACH” a corporate safety initiative, institutionalising a strong organisation culture of safety, increased investments in safety related infrastructure.
Non compliance to regulatory requirements	3 layer approach Code of Conduct and defined Internal Controls, Zero tolerance policy towards misconduct and periodic training and audits



# Financial highlights



Putting Science to Work

# Q1 FY20 financial highlights

All figures in INR Mn unless otherwise specified

Particulars	Q1 FY20	Q1 FY19	YoY Change
Revenue	4,414	4,248	4%
Material and Power costs	1,173	1,396	(16%)
Employee costs	1,322	1,077	23%
<b>Gross Margin</b>	<b>1,919</b>	<b>1,775</b>	<b>8%</b>
Gross Margin (%)	43%	42%	
Foreign Exchange (net)	(16)	(106)	(85%)
Other Expenses	519	598	(13%)
<b>EBITDA</b>	<b>1,416</b>	<b>1,283</b>	<b>11%</b>
EBITDA Margin (%)	32%	30%	
Depreciation, Interest and tax	696	621	12%
<b>Profit After Tax</b>	<b>720</b>	<b>662</b>	<b>9%</b>
PAT Margin (%)	16%	16%	



All figures in INR Mn unless otherwise specified

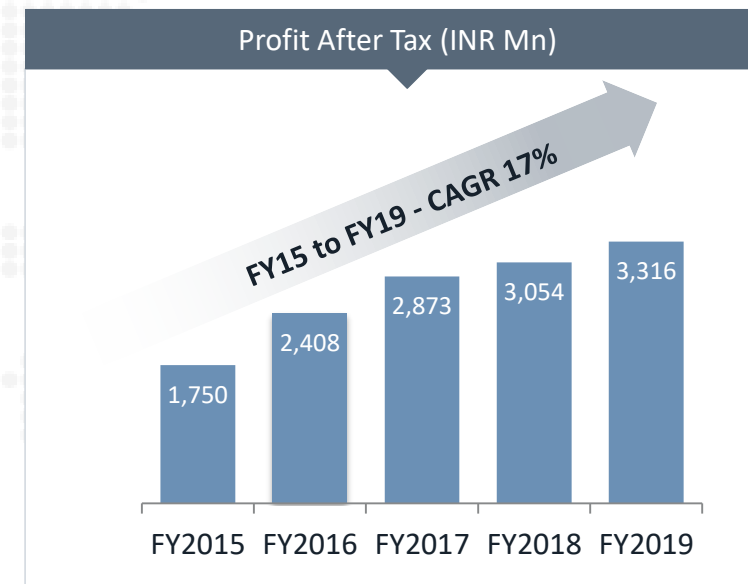
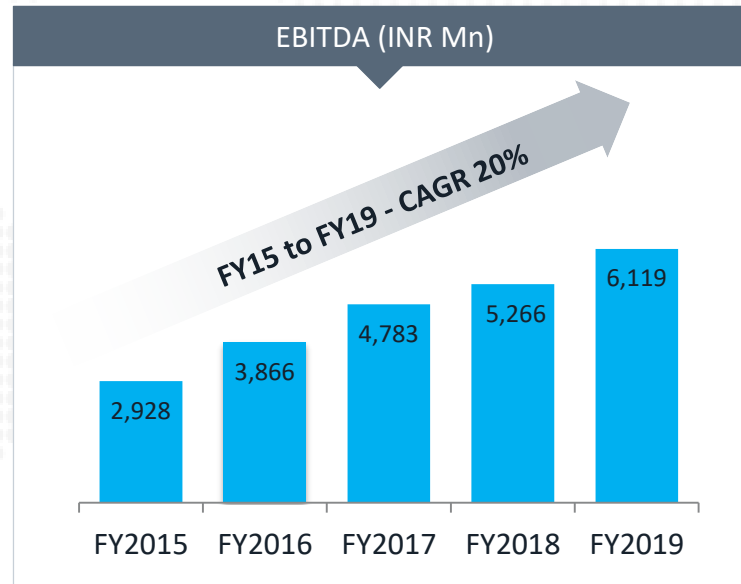
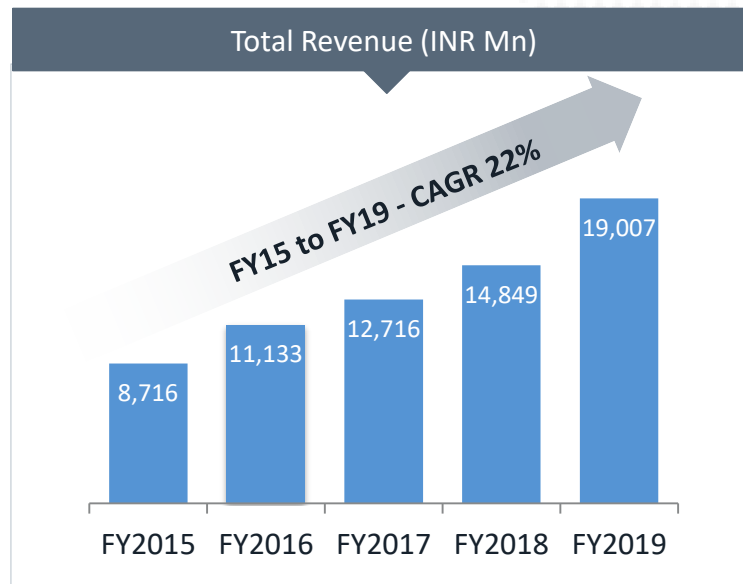
Particulars	FY19	FY18	YoY Change
Revenue	19,007	14,849	28%
Material and power costs	5,725	4,164	37%
Employee costs	4,727	3,796	25%
<b>Gross Margin</b>	<b>8,555</b>	<b>6,889</b>	<b>24%</b>
Gross Margin (%)	45%	46%	
Foreign Exchange (net)	19	(739)	(103%)
Other Expenses	2,417	2,362	2%
<b>EBITDA</b>	<b>6,119</b>	<b>5,266</b>	<b>16%</b>
EBITDA Margin (%)	32%	35%	
Depreciation, Interest and tax	2,803	2,212	27%
<b>Profit After Tax</b>	<b>3,316</b>	<b>3,054</b>	<b>9%</b>
PAT Margin (%)	17%	21%	

## Balance Sheet Highlights

As on 31<sup>st</sup> March 2019

<b>Shareholders' funds</b>	<b>19,684</b>
Net Fixed assets	16,505
Other net assets <sup>(1)</sup>	(217)
Net cash/(debt) <sup>(2)</sup>	3,396
<b>Total Use of Funds</b>	<b>19,684</b>

- Growth driven by increase in sales from existing clients and acquisition of new clients
- “Engage, expand and extend” strategy to extend client relationship over a longer period of time
  - Growth in total number of clients
  - Increase in average revenue from largest clients
  - Increase in number of services offered to clients



## We have consistently received industry recognition for our scientific capability and best practices

- **CMO Leadership Awards 2019** - Presented by Life Science Leader Magazine
- **FICCI CSR Award for Environmental Sustainability** - At the 17th Edition of the awards in New Delhi
- **Safe Workplace Champion Award** - At the 8th Manufacturing Supply Chain Summit and Awards
- **Best Leadership Development Program for Middle Management Award** - At the 6th Global Training and Development Leadership Awards
- **Best Contract Research Organization (CRO) Provider - Runner-up Award** - At The 4th Annual World ADC Awards 2017
- **Bio Services Excellence Award 2017** - Bangalore Tech Summit
- **Organization with Innovative HR Practices Award** - At the 14th Annual Asia Pacific HRM Congress 2015
- **CIO100 Award 2015** - The Versatile Honoree Award & The CIO 100 Networking Pioneer Special Award
- **Bangalore India Bio** - Bio Excellence Award for outstanding contribution to the Biotech services sector



2019



2018



2017



2016



2015



- **Bio-Excellence Award 2018** - At Bengaluru Tech Summit, Bengaluru
- **Best Bioprocessing Excellence Award 2018** - At 5th Biologics Manufacturing Asia, Singapore
- **Healthcare Company of the Year 2018** - At the 7th Annual VC Circle Awards 2018, Mumbai
- **HR Excellence Award 2018 'For Best Talent Management Strategy'** - World HRD Congress, Mumbai
- **Dynamic Enterprise of the Year 2016** - At the 9th Annual Pharmaceutical Leadership Summit & Pharma Leaders Business Leadership Awards 2016- in recognition for its contribution to the field of Research and Development for the Life Science Industry
- **CII Award** - Won first place in the Office/Software/Service Sector
- **CII Award** - Four Star Rating on Environment Health & Safety Management System

- ✓ Integrated service provider offering end-to-end discovery and development services on a single platform.
- ✓ World-class infrastructure spread across more than 1.4 million sq ft.
- ✓ Talented and experienced scientific and techno-commercial teams with significant management bandwidth.
- ✓ International accreditations - OHSAS 18001 Certified Facilities, GLP, cGMP, AAALAC & CPCSEA Certified Facility.
- ✓ Proven track record of quality, speed and deliveries.
- ✓ Most operations based out of a Special Economic Zone (SEZ).
- ✓ Flexible and varied business models.
- ✓ Offers both small and large molecule discovery and development.
- ✓ Successfully audited by top pharma/ biotech companies and approved by regulatory authorities.
- ✓ Robust communication system for efficient project management on a real-time basis.
- ✓ Assured IP protection and data confidentiality.
- ✓ Experienced in successfully managing large relationships.
- ✓ 25+ years of unparalleled experience.

# THANK YOU

[www.syngeneintl.com](http://www.syngeneintl.com)

Putting Science to Work

## For more details

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