

# Syngene

Putting Science to Work

Investor presentation  
March 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.



Putting Science to Work

# Introduction

## The Biocon Group

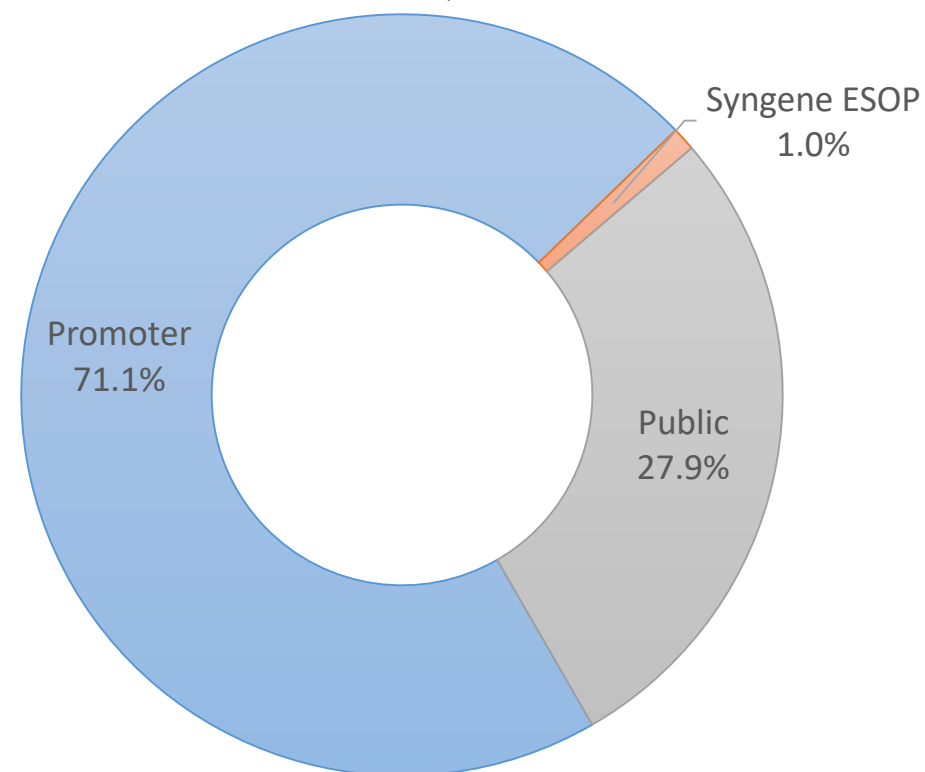
- Services Based
- Contract Discovery
- Contract Development
- Contract Manufacturing

**Syngene**

**Biocon**

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

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







- Established in 1994 as India's first Contract Research Organization – 25 years of unparalleled experience in novel molecule discovery and development services.
- Integrated service platform for small and large molecules, antibody-drug conjugates and oligonucleotides.
- World class infrastructure audited successfully by US FDA, EMA, AAALAC and major life sciences partners.
- 331\* global clients across industries ranging from pharma, biotech, nutrition, agrochemicals, animal health, specialty chemicals, consumer goods, academic and nonprofit organizations.
- 1.4 mn sq. ft. world-class R&D and manufacturing infrastructure; ~4,600 professional workforce including ~4000 qualified scientists\*.

## Quarter highlights:

- Revenue crossed Rs 500 Cr. for the first time.
- PAT of Rs 100 Cr. for the first time.
- Strong revenue growth in the quarter was driven by sustained growth in the discovery and development services.

All figures in INR Cr unless otherwise specified

P&L Summary	Q4 FY19	Q4 FY18	YoY Change
Revenue	555	426	30%
EBITDA	181	146	24%
<i>EBITDA Margin</i>	33%	34%	
PAT	100	84	19%
<i>PAT Margin</i>	18%	20%	

P&L Summary	FY19	FY18	YoY Change
Revenue	1,901	1,485	28%
EBITDA	612	527	16%
<i>EBITDA Margin</i>	32%	35%	
PAT	332	305	9%
<i>PAT Margin</i>	17%	21%	

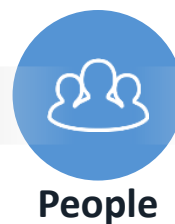
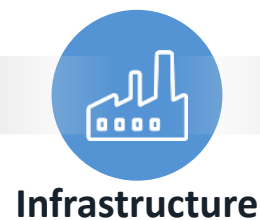
2002

20,000 sq. ft facility

100+

- Chemistry
- Preliminary biology

\$5 million



1.4 million sq. ft facility

~4,600

- End-to-End discovery, development and manufacturing capabilities

\$350 million

2019\*

**One of the leading** India-based CROs

**Integrated** discovery and development platform

**Focus on novel** molecular entities

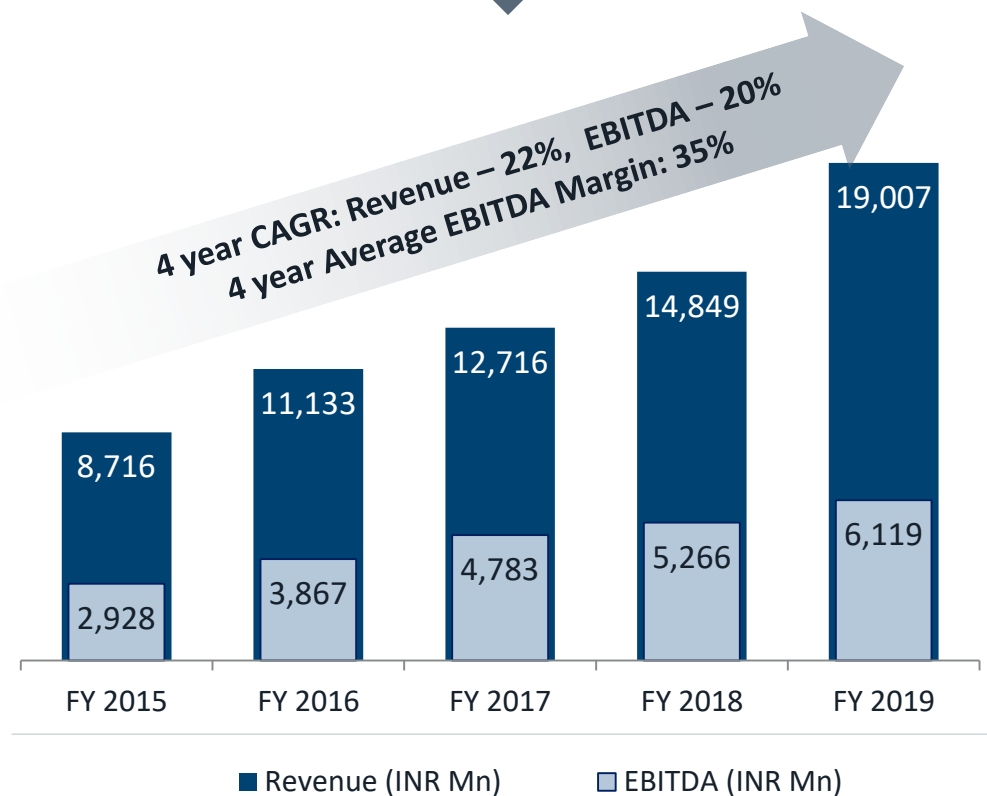
**331<sup>(1)</sup>** clients across multiple sectors

**94%<sup>(1)</sup>** of sales from outside India

**~4,000<sup>(1)</sup>** qualified scientists

**World-class** R&D and manufacturing infrastructure spread over 1.4<sup>(1)</sup> million sq. ft facility.

## Strong growth and profitability





## 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





Putting Science to Work

# Our industry

- **Large and growing addressable market**

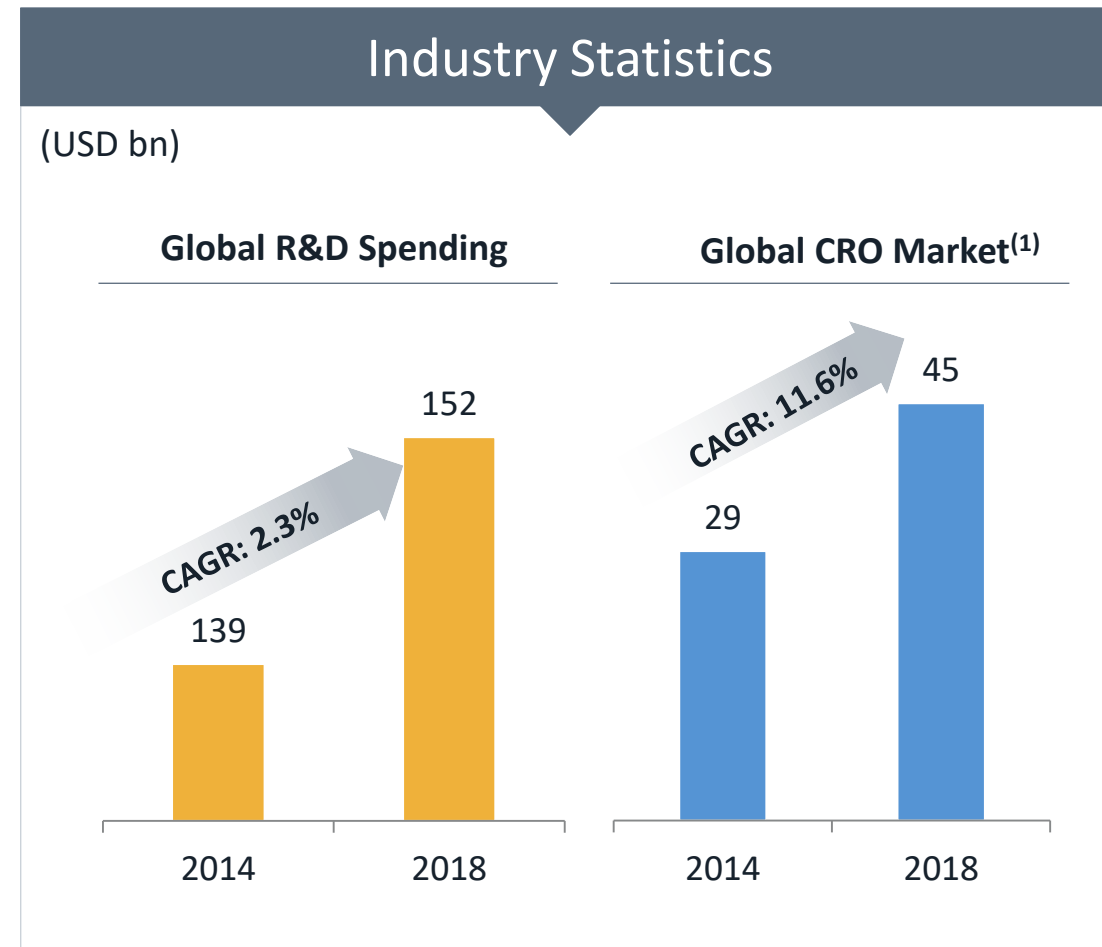
- Global R&D expenditure expected to increase from \$139bn in 2014 to \$152bn in 2018 (CAGR of 2.3%)
- 75% of R&D spend can be potentially outsourced

- **Increasing per unit R&D cost for pharma**

- 8x increase in cost per Novel Molecular Entity from \$140m in the mid-1970s to \$1,200m early-2000s

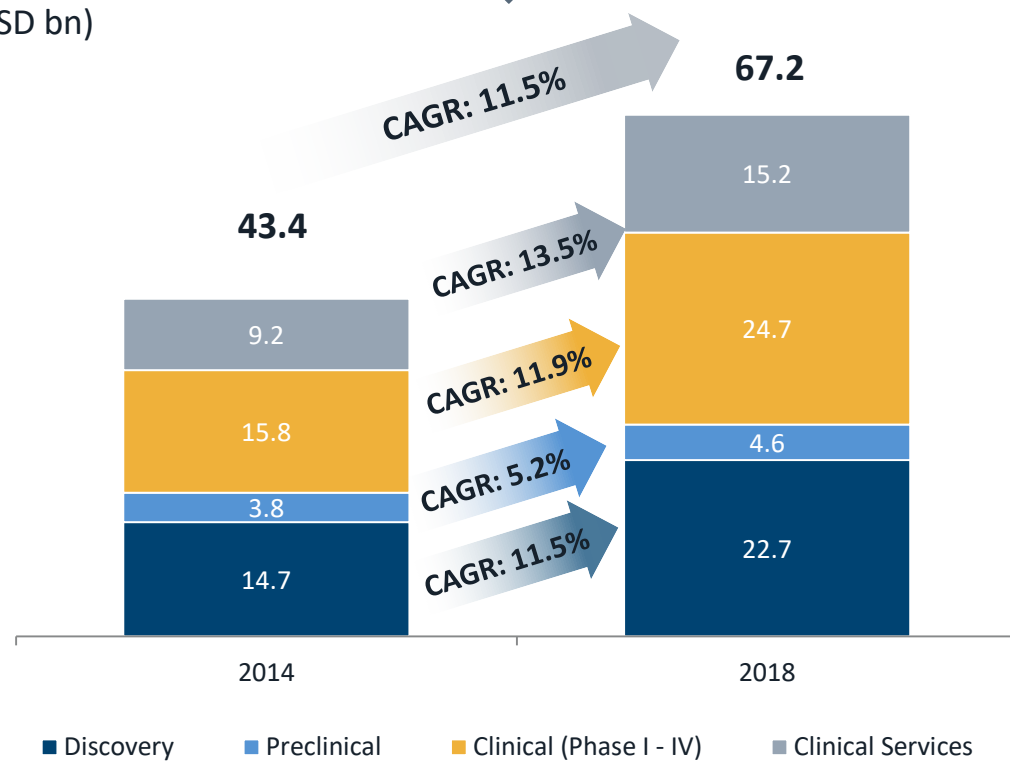
- **Increasing outsourcing penetration driven by:**

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



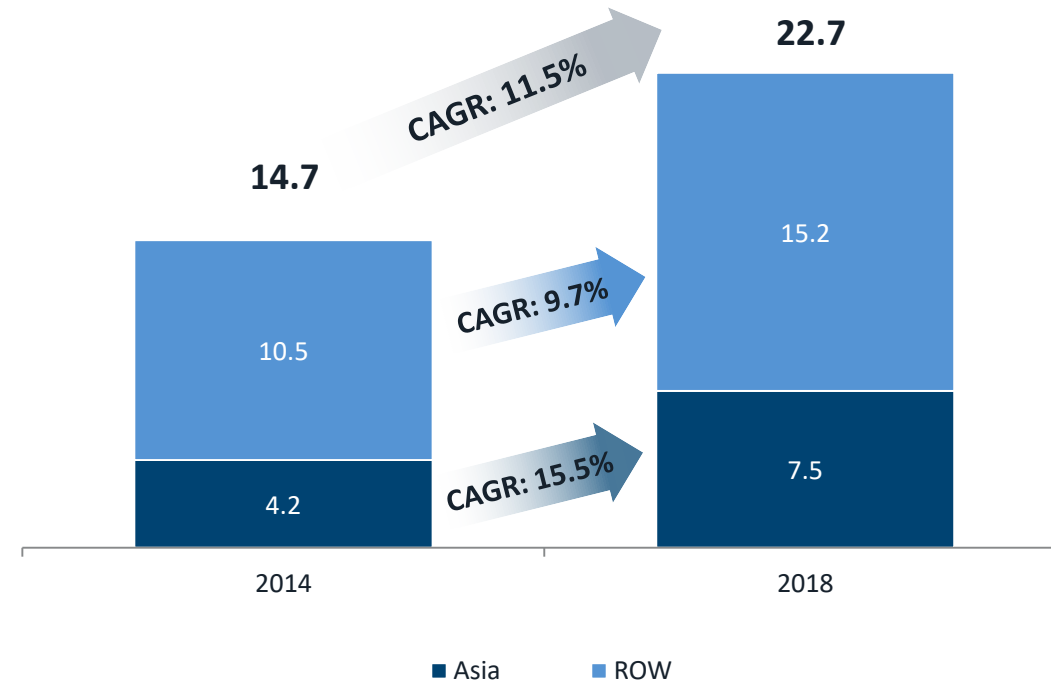
## Outsourcing market by stage of DD Continuum

(USD bn)



## Significant growth in APAC

Global NME Discovery Outsourcing Market (USD bn)



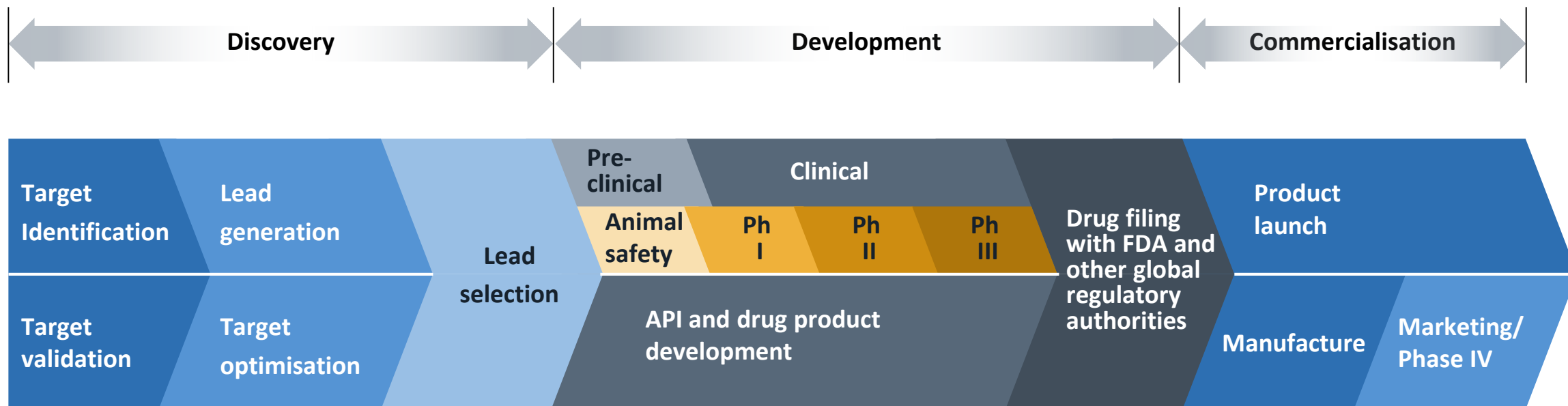


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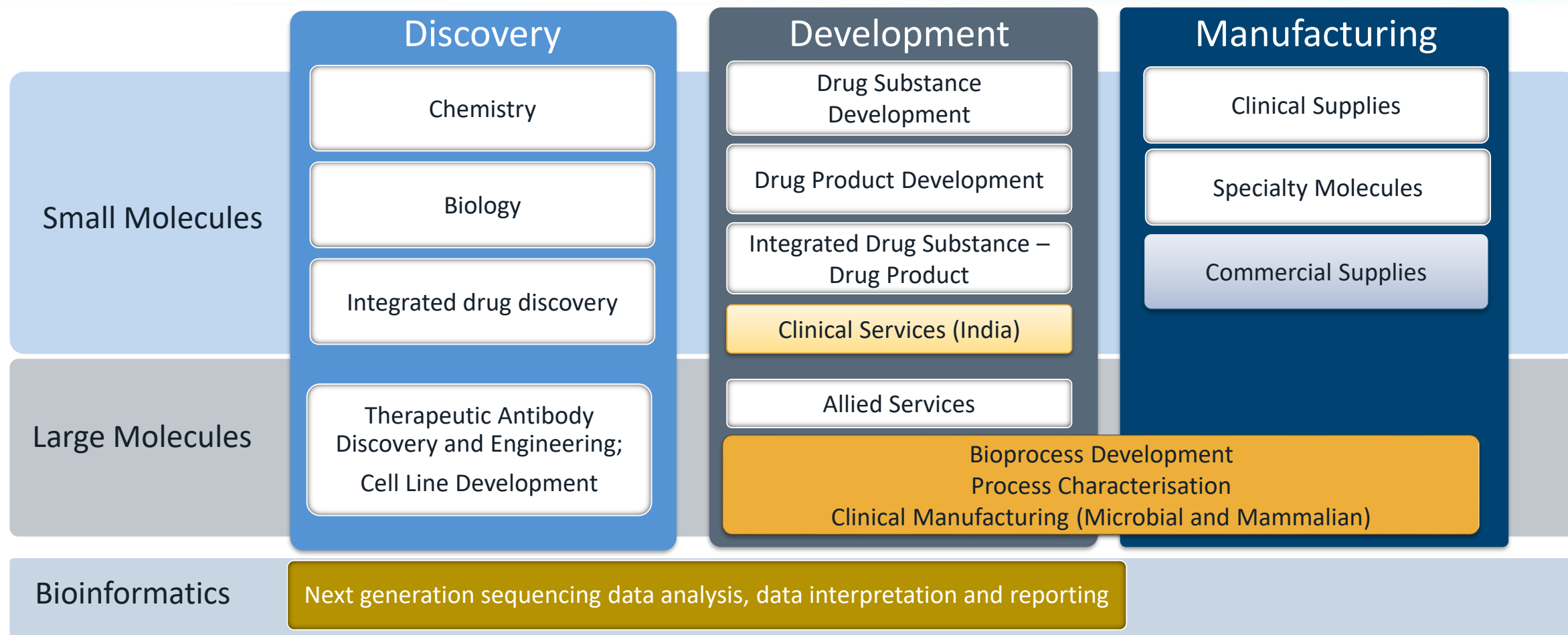
# Business overview



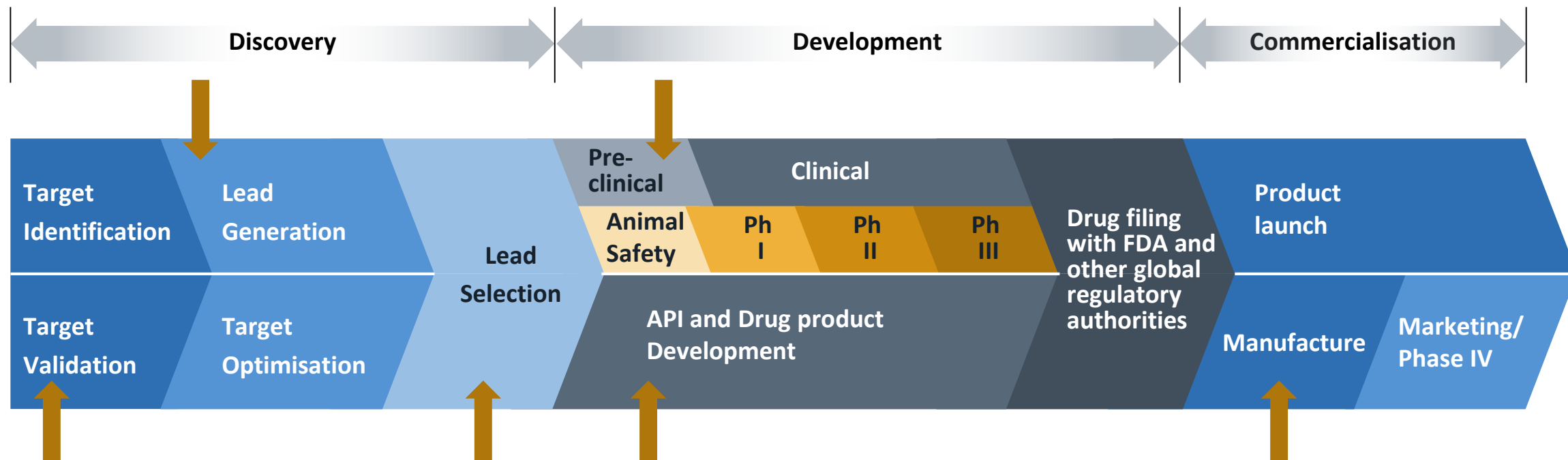
# The drug discovery continuum



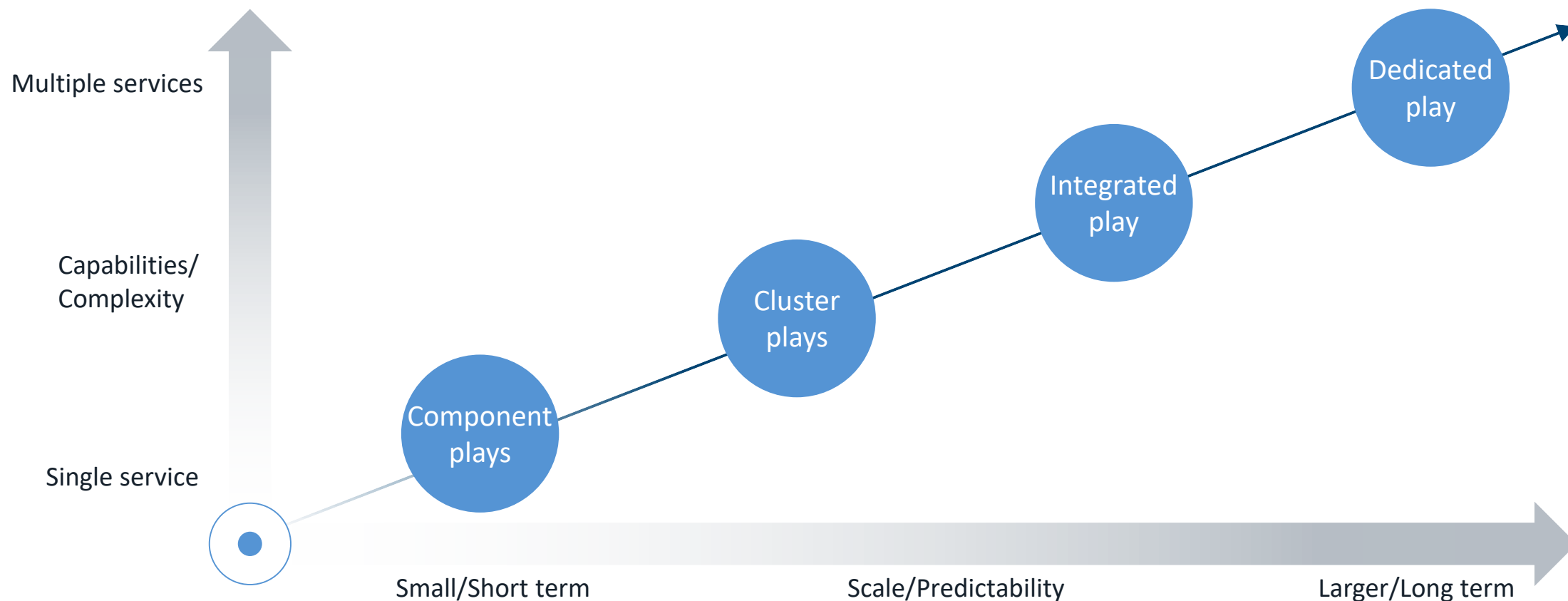
Syngene offers an **Integrated Service Platform** for both small and large molecules



**Wide spectrum of services across a range of molecules including antibody-drug conjugates and oligonucleotides**



**Entry points create opportunity for customer engagement expansion**

**Customer Focus****Cost arbitrage****R&D productivity****Innovation**



## Dedicated Centers

- Integrated Services
- Dedicated Infrastructure customized for client's requirements
- Long term, FTE based contracts
- Currently 4 in place: BBRC, BGRC SARC and Herbalife Nutrition Research Centre

## Discovery Services

- Discovery Chemistry, Discovery Biology and in-vivo services
- Peptide Synthesis
- Multi-client infrastructure
- Largely FTE based engagements, typically renewed annually
- High renewal rates

## Development and Manufacturing Services

- Preclinical studies, Stability, Formulation, Biologics, CMC and Clinical supplies, Clinical development etc.
- Largely FFS based services (both short and long term)
- High renewal rates in Manufacturing services





Bristol-Myers Squibb

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

Dedicated Center of research excellence with world class facilities.

Over 500 scientists supporting Novel Molecule research in small and large molecules.

Produced nine drug candidates for further study and advanced new compounds for first-in-human studies.

## Baxter

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

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

Expansion of multidisciplinary team of existing ~200 scientists.

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

## AMGEN

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

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

Engages a multidisciplinary team of ~185 scientists.

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

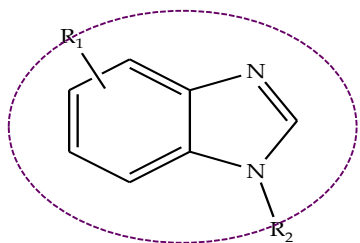
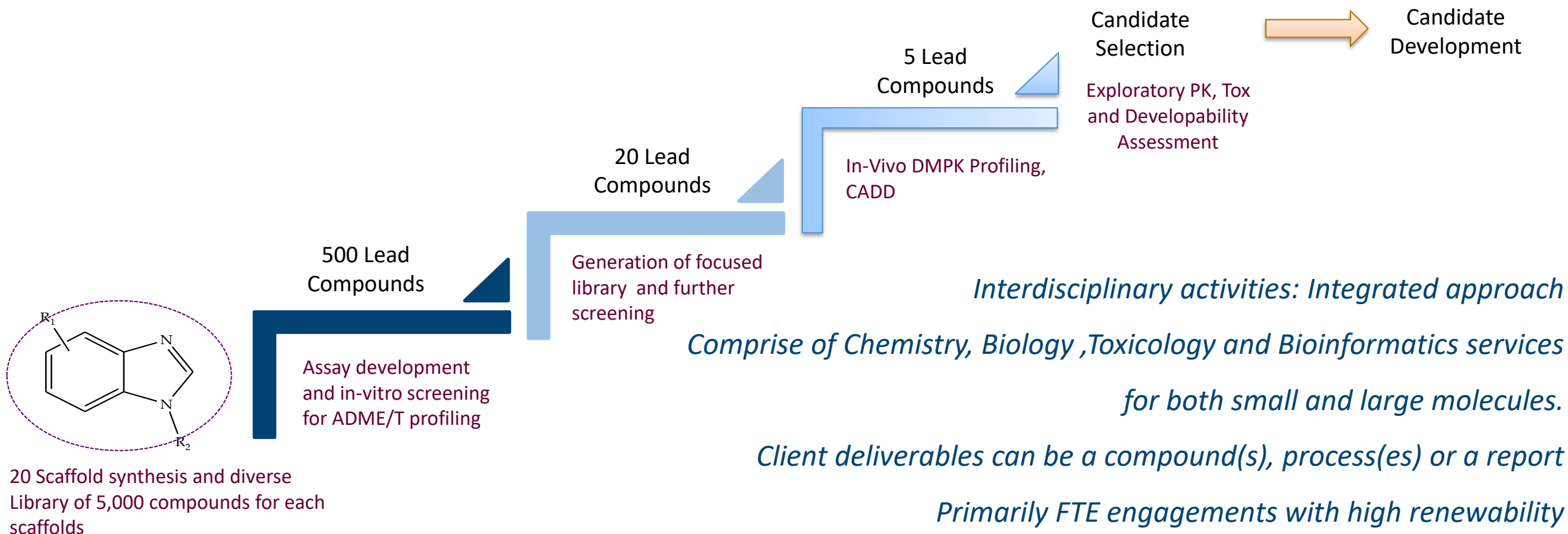


HERBALIFE  
Independent Distributor

Herbalife's 1<sup>st</sup> Nutrition Research and Development Lab in India (2016).

Dedicated Center 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.



20 Scaffold synthesis and diverse  
Library of 5,000 compounds for each  
scaffolds



- 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 optimization)*
  - *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

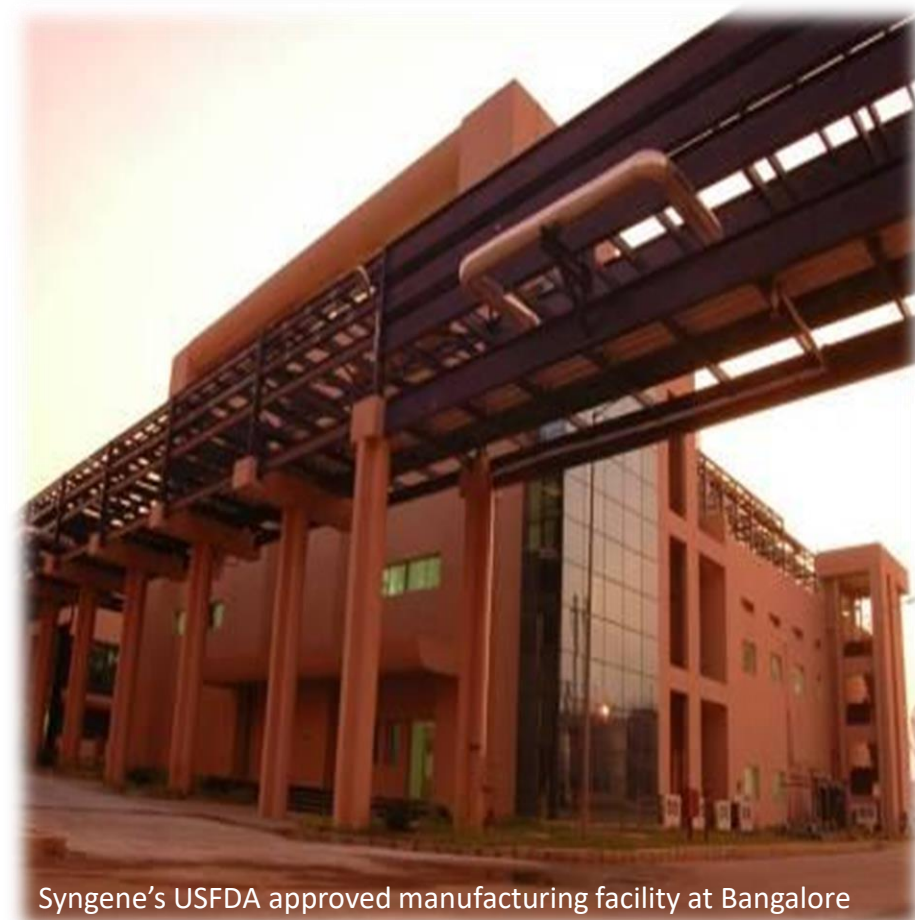


- State-of-the-art cGMP facility to Manufacture NCEs
- Designed to support multi gram to 100s of kgs/ batch of Intermediates and APIs for Clinical Trials; Current capacity can support initial commercial supplies
- New greenfield investment being made in Mangalore to support larger commercial scale requirements

## 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 Bangalore



## Expand/Extend Existing Clients

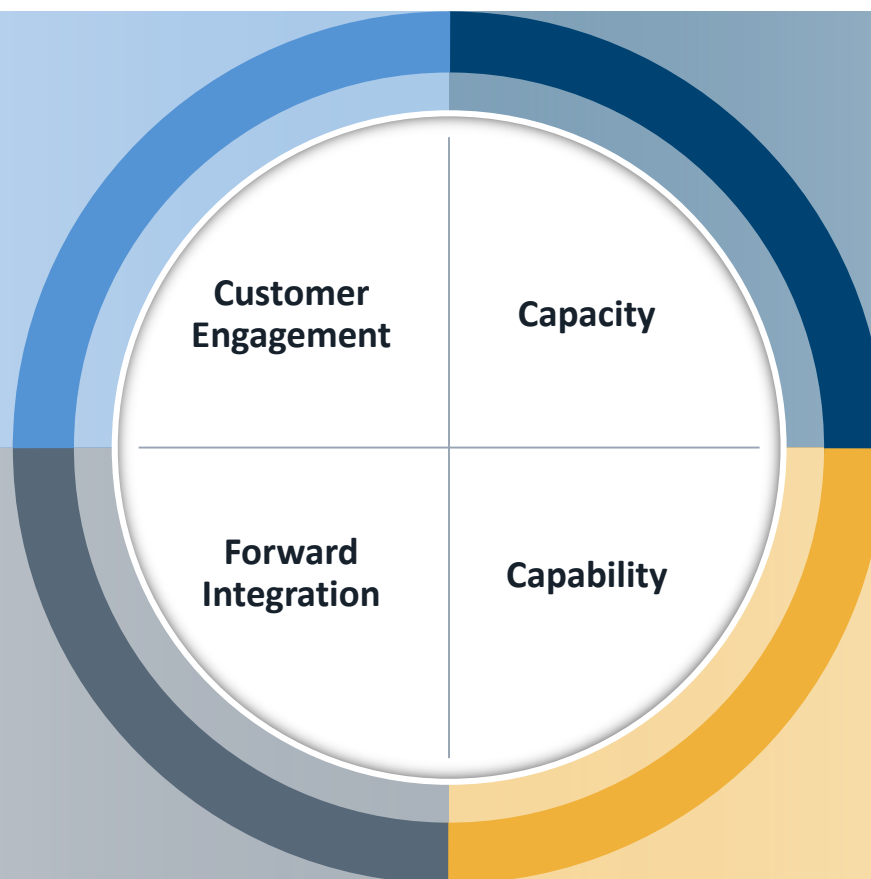
- High service integration
- Dedicated centres model

## 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





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## Financial highlights

# Q4 FY19 financial highlights

All figures in INR Mn unless otherwise specified

Particulars	Q4 FY19	Q4 FY18	YoY Change
Revenue	5,547	4,257	30%
Material and Power costs	1,607	1,352	19%
Employee costs	1,312	1,041	26%
<b>Gross Margin</b>	<b>2,628</b>	<b>1,864</b>	<b>41%</b>
Gross Margin (%)	47%	44%	
Foreign Exchange (net)	79	(309)	(126%)
Other Expenses	741	716	3%
<b>EBITDA</b>	<b>1,808</b>	<b>1,457</b>	<b>24%</b>
EBITDA Margin (%)	33%	34%	
Depreciation, Interest and tax	807	612	32%
<b>Profit After Tax</b>	<b>1,001</b>	<b>845</b>	<b>19%</b>
PAT Margin (%)	18%	20%	

All figures in INR Mn unless otherwise specified

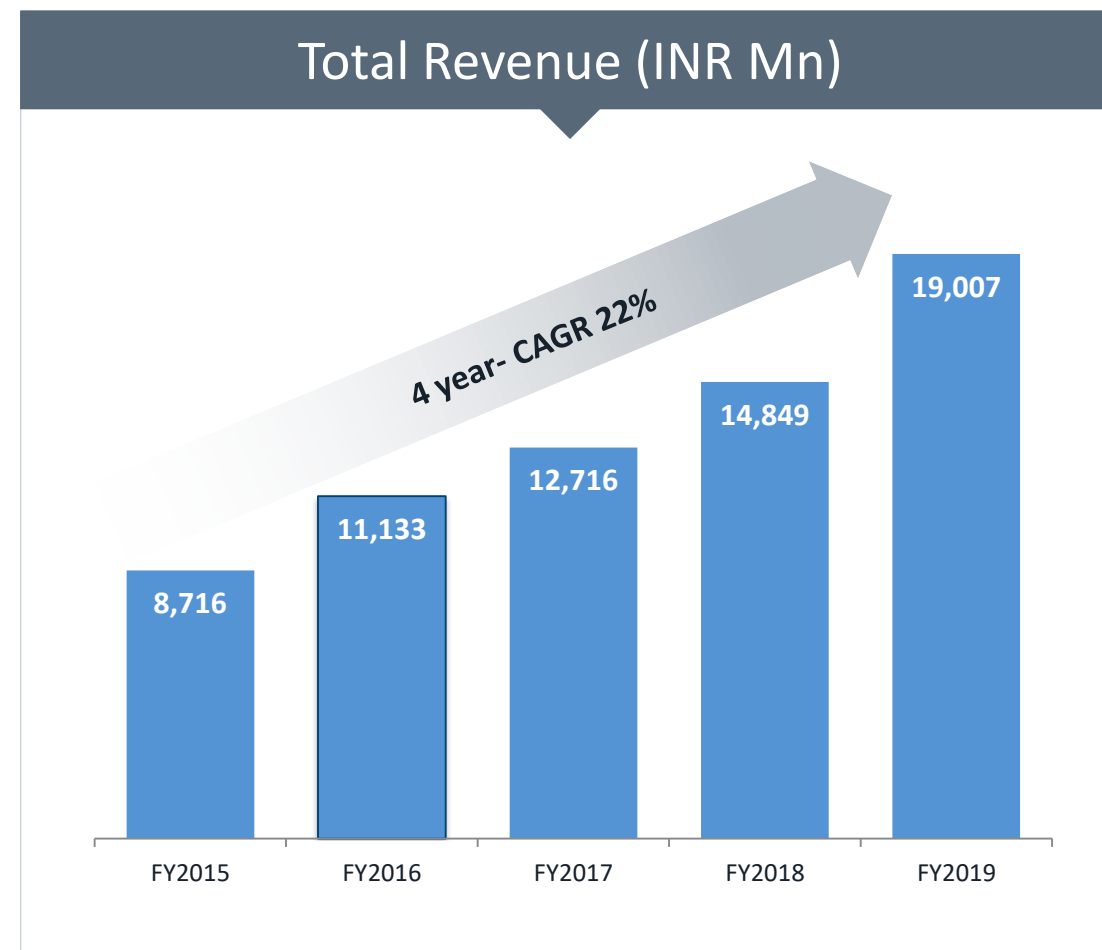
Particulars	FY19	FY18	YoY Change
Revenue	19,007	14,849	28%
Material and power costs	5,725	4,164	37%
Employee costs	4,727	3,796	25%
<b>Gross Margin</b>	<b>8,555</b>	<b>6,889</b>	<b>24%</b>
Gross Margin (%)	45%	46%	
Foreign Exchange (net)	19	(739)	(103%)
Other Expenses	2,417	2,362	2%
<b>EBITDA</b>	<b>6,119</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

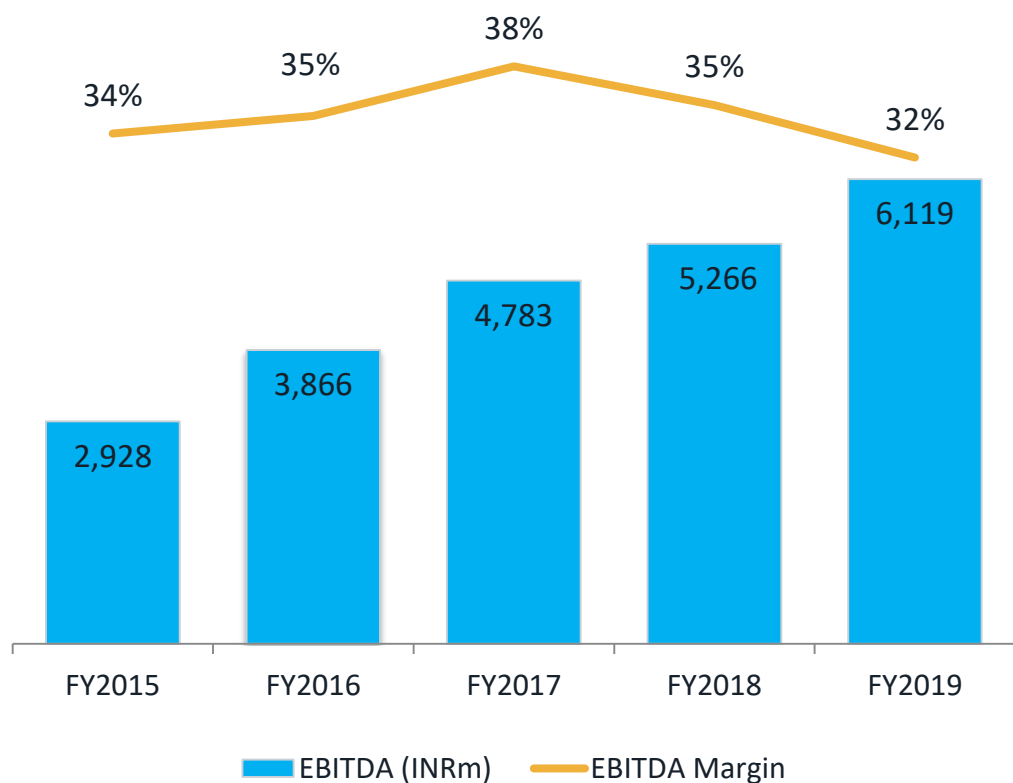
<b>Shareholders' funds</b>	<b>19,684</b>
Net Fixed assets	16,505
Other net assets <sup>(1)</sup>	(217)
Net cash/(debt) <sup>(2)</sup>	3,396
<b>Total Use of Funds</b>	<b>19,684</b>

- 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

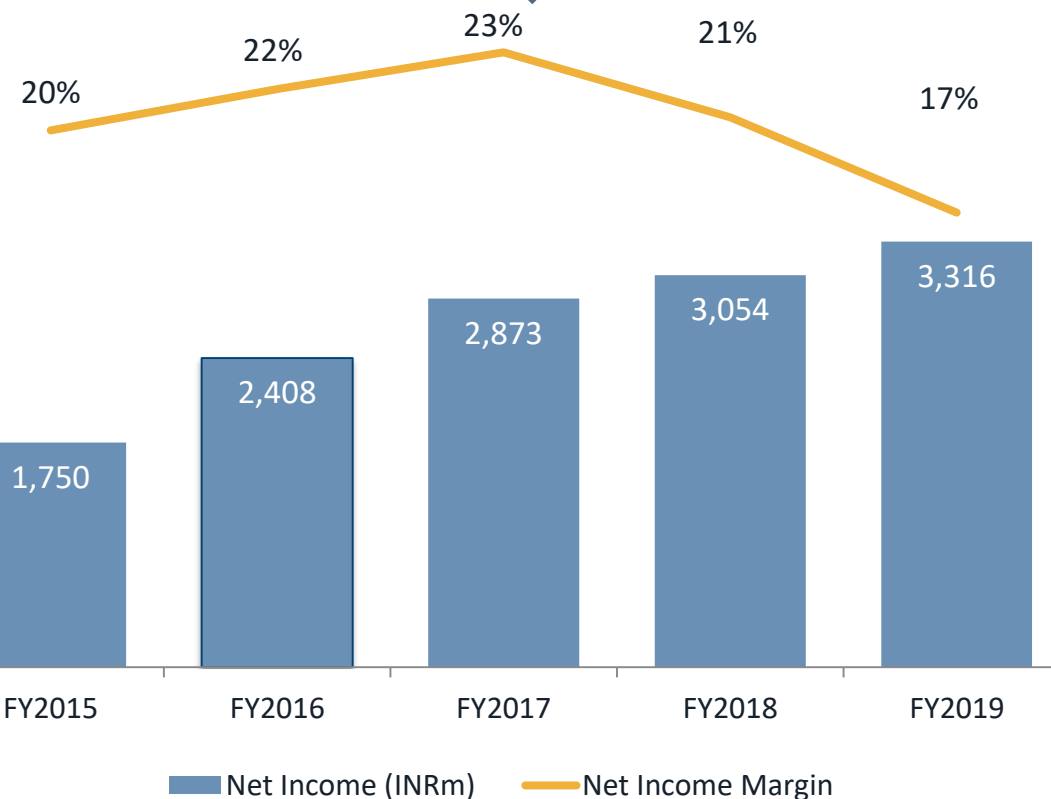


All figures in INR Mn unless otherwise specified

### Operating Margin (EBITDA)

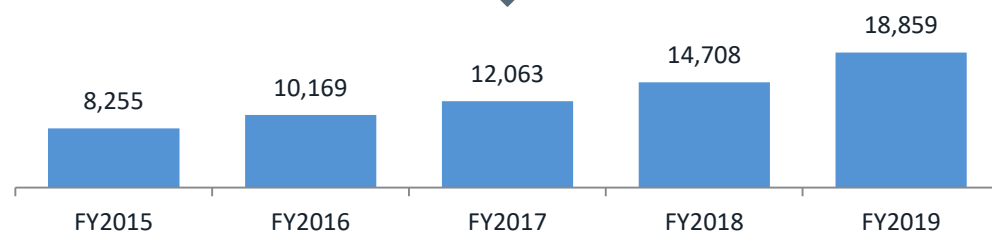


### Profit After Tax Margin (Net Income)

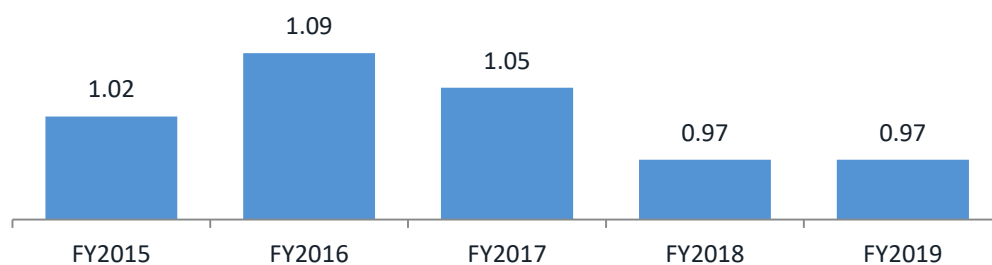




## Historical capital investments – Average gross block (INR Mn)



## Gross Block Turnover Ratio<sup>(1)</sup>



## Planned capital expenditure

- Overall planned capex of US\$550 million by FY21.
- US\$350 million invested as of FY19.
- Additional capex of US\$200 million envisaged by FY21.

### Capex investment area

- Discovery services
- Biologics
- Commercial manufacturing

- Capex towards capacity expansions, capability additions and technology up-gradations.
- Key facility additions during the last three years include dedicated facility for Baxter, Amgen, Herbalife, new formulation facility and new biologics plant.

Risk	Mitigation
Client growth and sustained retention	<i>Proactive client engagement and sustained quality</i>
Currency fluctuation (USD/INR)	<i>Comprehensive hedging policy and tracking mechanism in place</i>
Significant capex investment over next few years	<i>Staggered investments in line with business visibility</i>
Sustainability of margin profile	<i>Strong cost control systems, productivity improvement initiatives</i>

# THANK YOU

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

For more details

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