FORMOSA LABORATORIES, INC.

台耀化學股份有限公司

# Formosa Laboratories, Inc.

## 1H 2016 Overview

TWSE 4746

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# Agenda

- ◆Introduction
- ◆Business Overview
- ◆Business Outlook
- ◆Investment List

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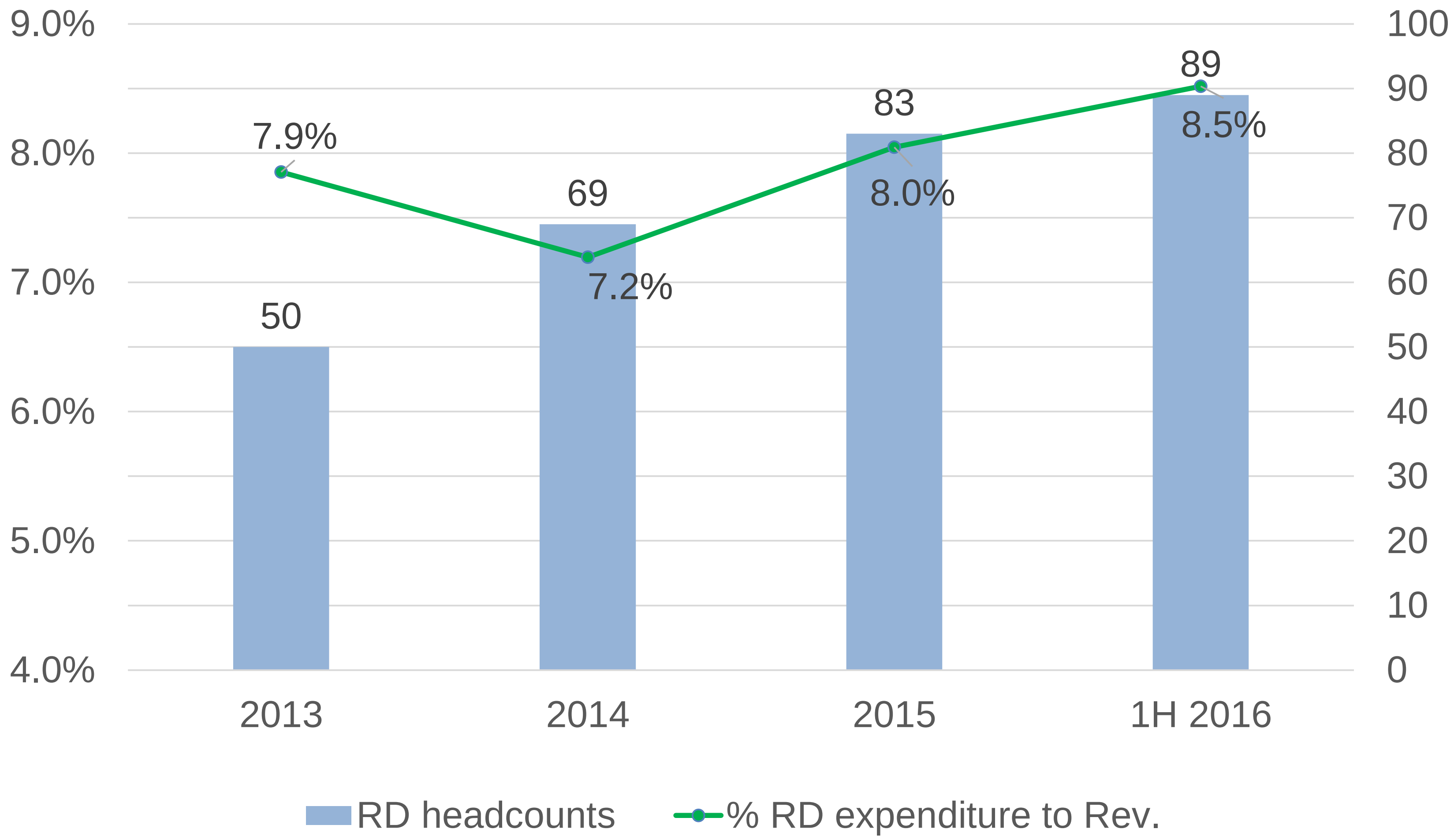
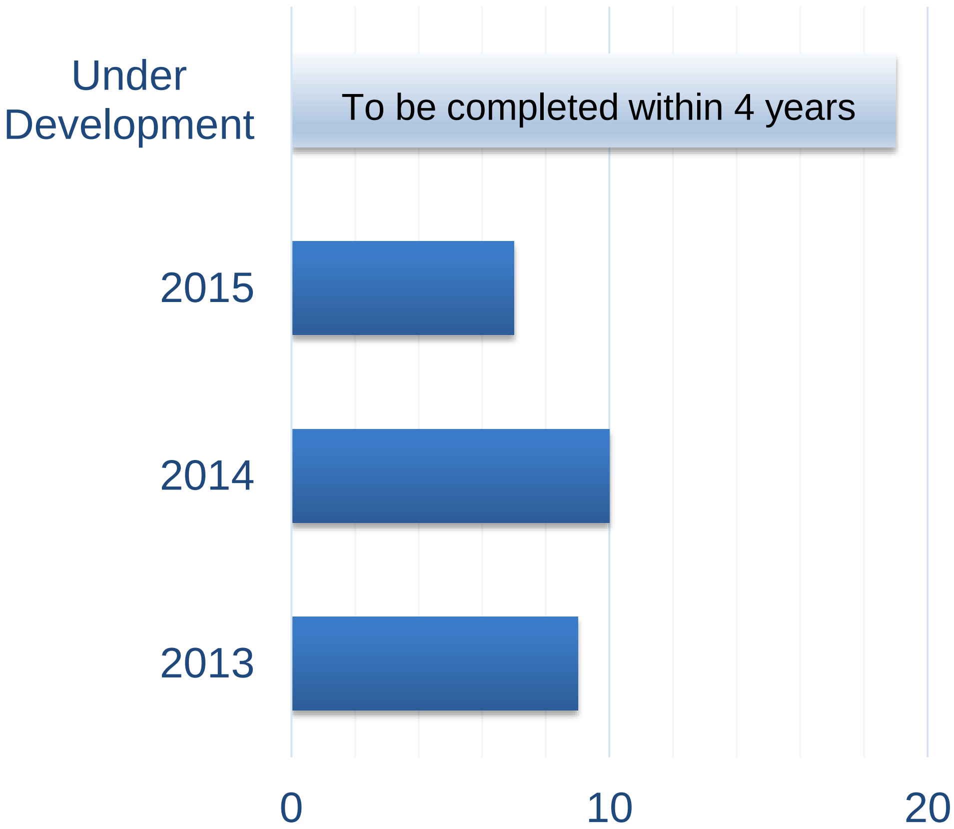
# Introduction

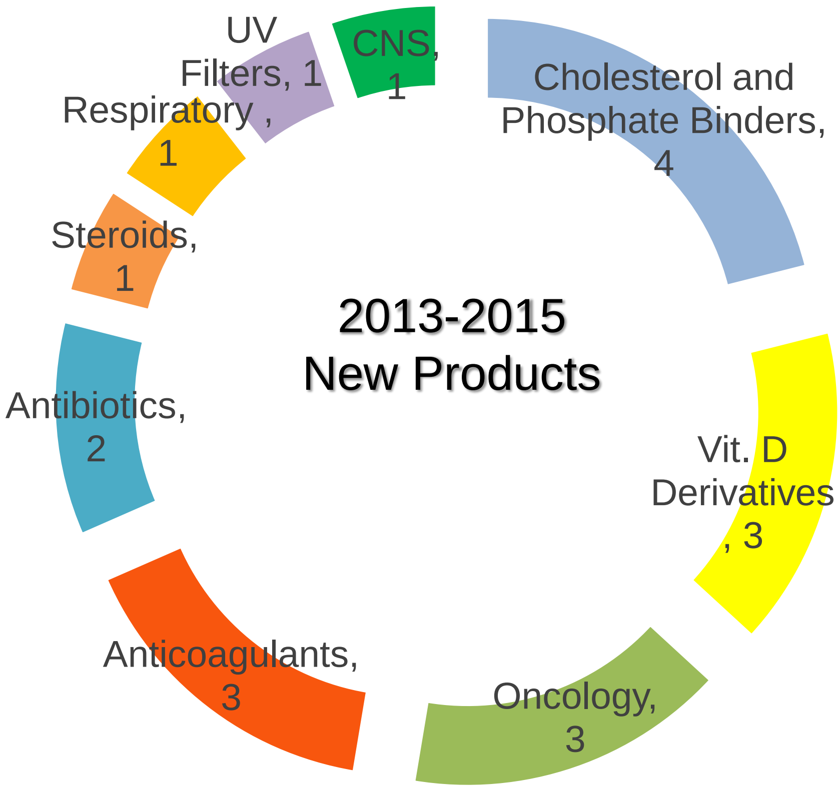
- Established on Dec. 29, 1995
- SHO： 87.5 M
- Employee headcount：Total 652ppl, R&D 89ppl (14%)
- Area：45,508 $m^2$
- Business scope ：APIs (37 US DMFs, 16 EU DMFs, 8 JMFs)
  UV Filters
  Contract API RD & Manufacturing
- Inspected by TFDA, US FDA, Japan PMDA, German BGV, EDQM and Mexican COFEPRIS

# Enhanced R&D Capacity



# Strong Pipeline



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# Dividend Data

| Year | EPS | Dividends | Payout Ratio |
|---|---|---|---|
| 2015 | 3.32 | 1.98 | 60% |
| 2014 | 3.11 | 1.98 | 64% |
| 2013 | (0.97) | 0.00 | 0% |
| 2012 | 0.08 | 0.00 | 0% |
| 2011 | 3.49 | 3.50 | 100% |

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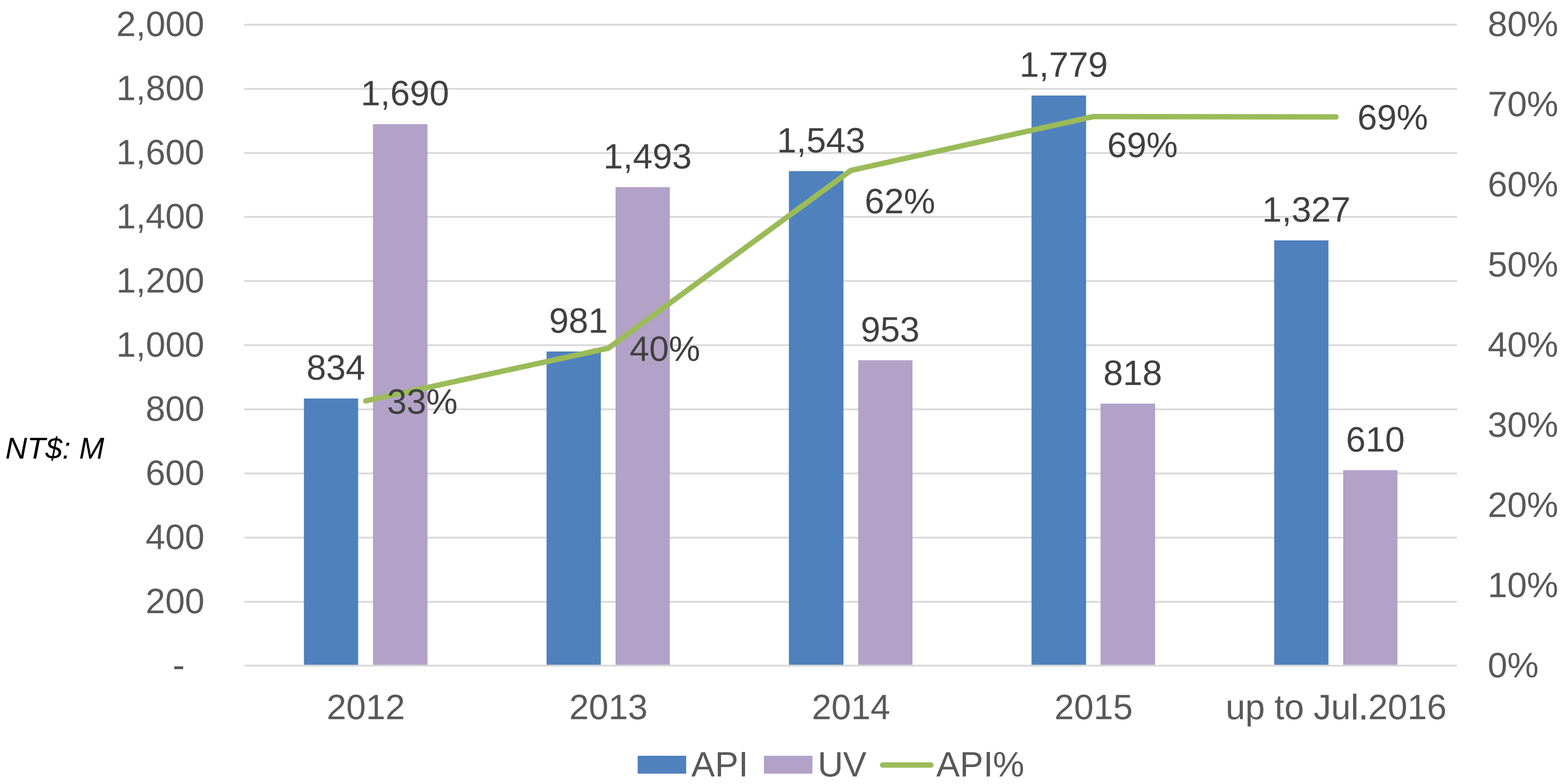
# Business Overview

# API: Strong Growth



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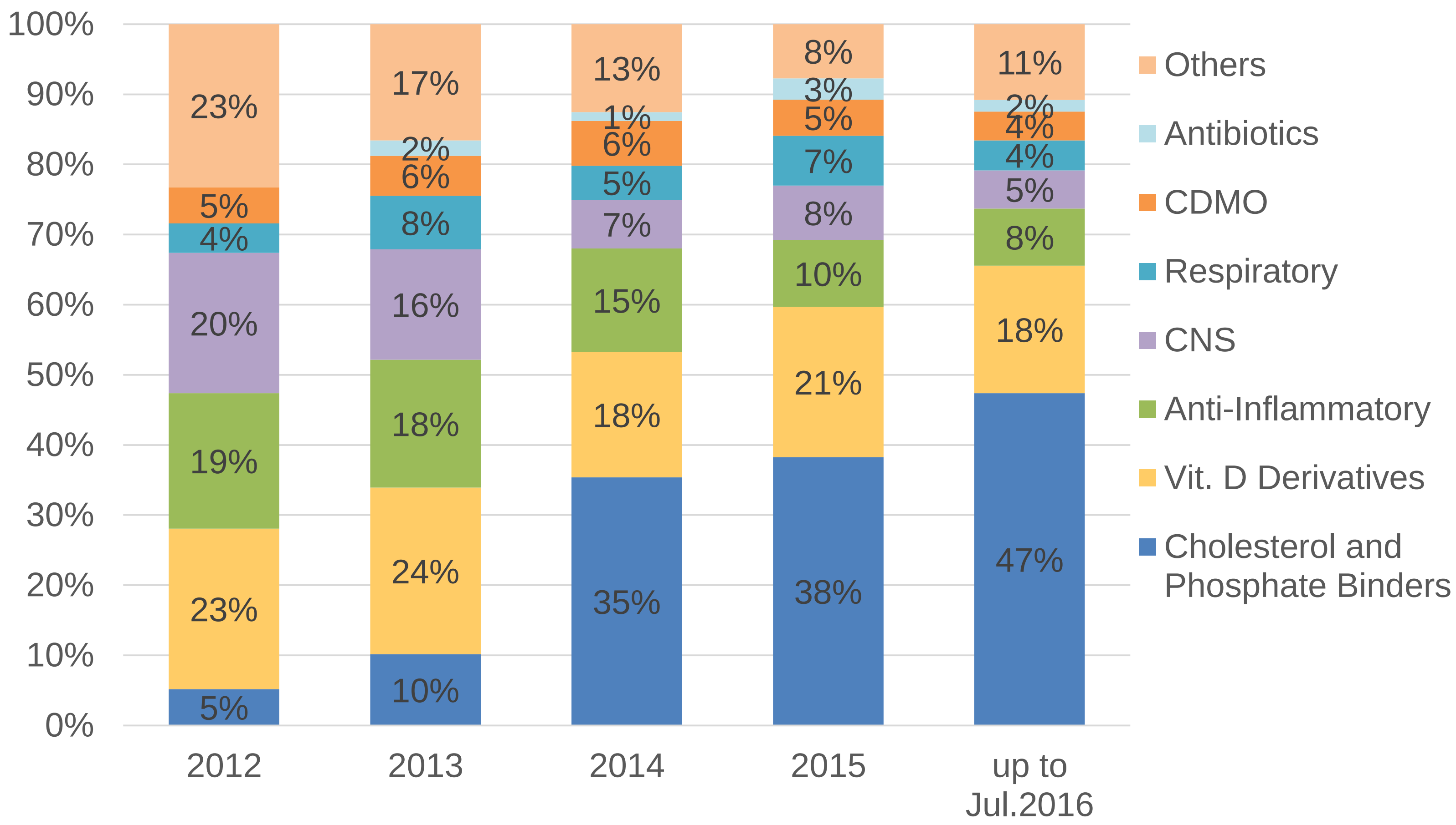
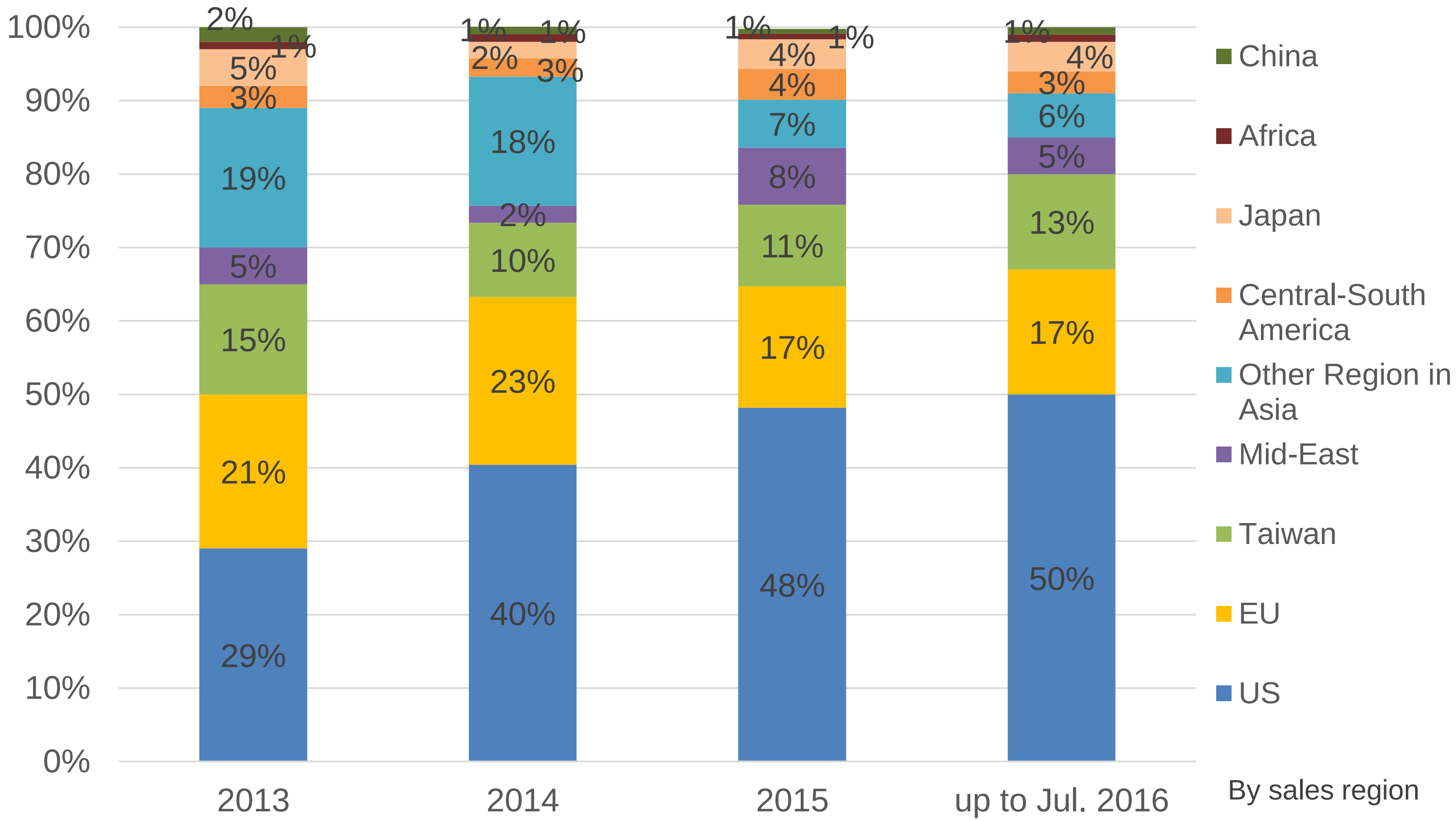
# Optimized API Product Mixture

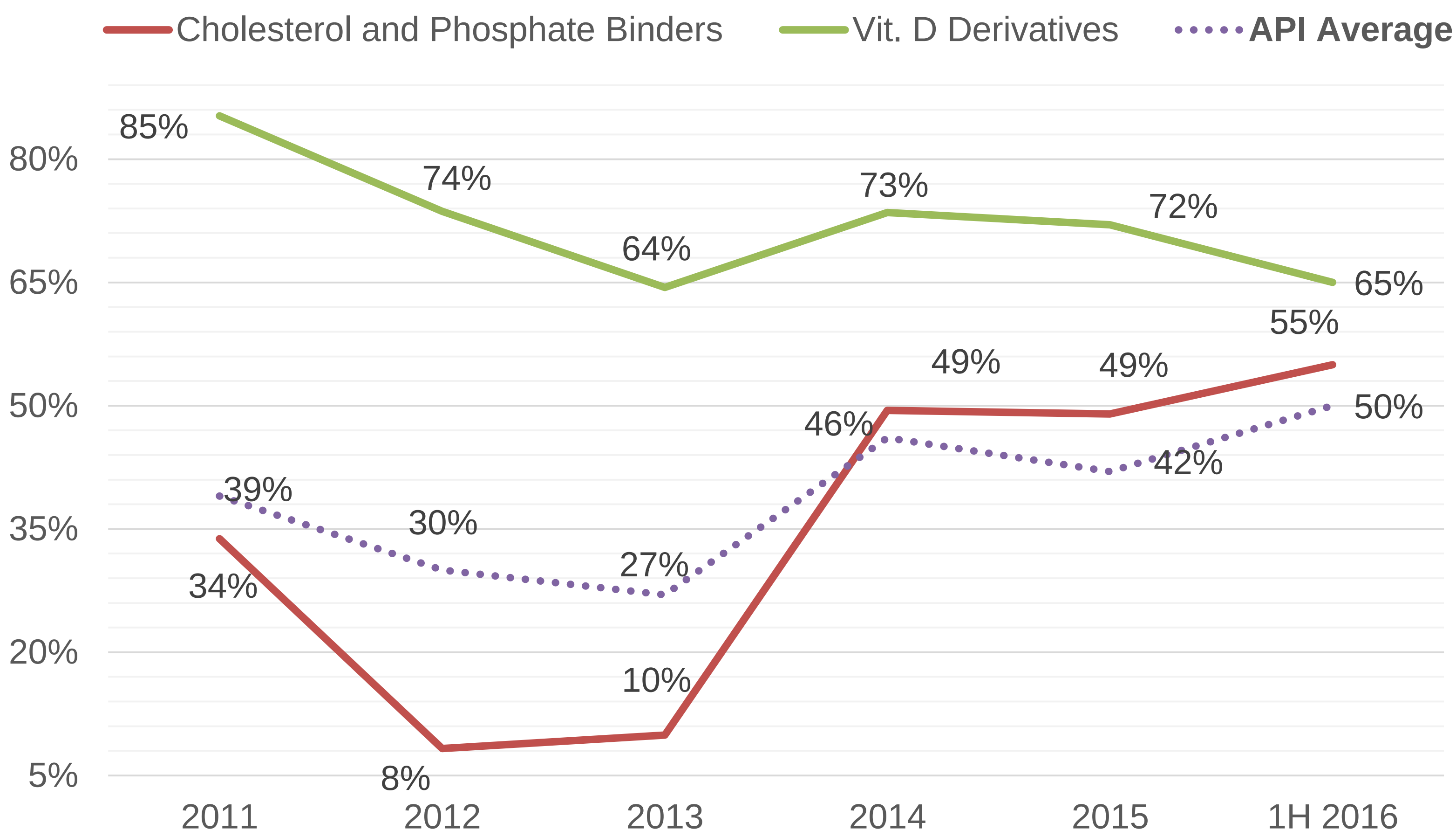


# Expansion in the Developed Market

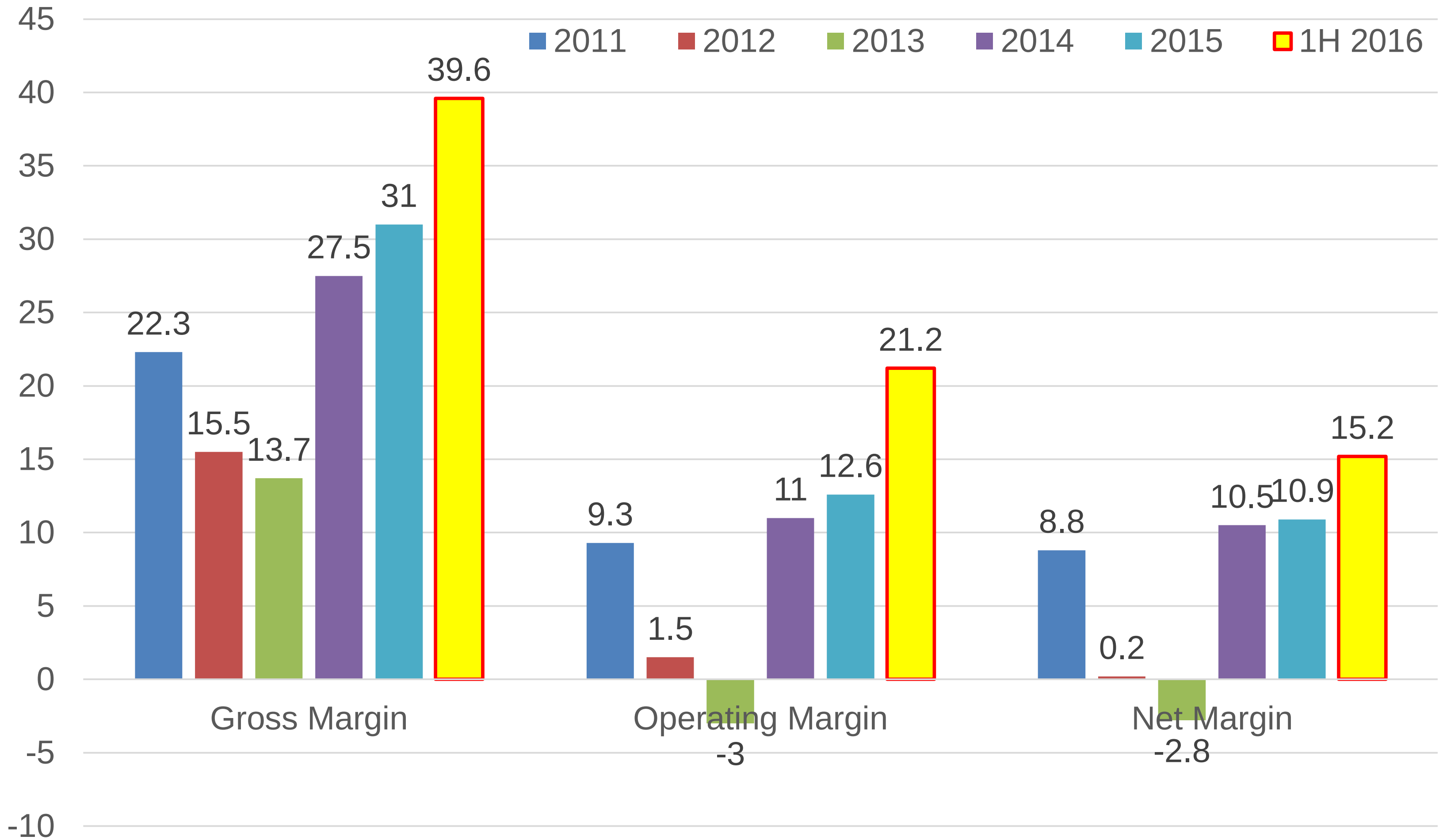



By sales region

# API GM 2011~now



# Improved Profitability



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# 2012~1H 2016 Consolidated Income Statement

| *NT$ M* except for EPS | 2012 | 2013 | 2014 | 2015 | 1H 2016 |
|---|---|---|---|---|---|
| **Revenue** | 2,524 | 2,474 | 2,496 | 2,597 | 1,641 |
| **Gross Profit** | **391** | **339** | **687** | **806** | **650** |
| **Gross Margin** | **16%** | **14%** | **28%** | **31%** | **40%** |
| Operating Expenses | 354 | 414 | 413 | 480 | 302 |
| **Operating Income** | **37** | **-75** | **274** | **326** | **349** |
| **Operting Margin** | **1%** | **-3%** | **11%** | **12%** | **21%** |
| Non-operating Income | -16 | 17 | 36 | 18 | -30 |
| **Net Income** | **5** | **-69** | **262** | **282** | **250** |
| **Earning Before Tax** | **1%** | **-2%** | **12%** | **13%** | **19%** |
| **Net Margin** | **0%** | **-3%** | **10%** | **11%** | **15%** |
| **EPS** | **0.08** | **-0.97** | **3.11** | **3.32** | **2.86** |

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# 2016Q2 Consolidated Income Statement

| *NT:M* except for EPS | 2015Q3 | 2015Q4 | 2016Q1 | 2016Q2 |
|---|---|---|---|---|
| Revenue | 713 | 871 | 744 | 897 |
| **Gross Profit** | **198** | **275** | **304** | **346** |
| **Gross Margin** | **28%** | **32%** | **41%** | **39%** |
| Operating Expenses | 114 | 144 | 148 | 154 |
| **Operating Income** | **84** | **131** | **156** | **193** |
| **Operating Margin** | **12%** | **15%** | **21%** | **22%** |
| Non-operating Income | 51 | 3 | -30 | 0 |
| **Net Income After Tax** | **114** | **109** | **104** | **146** |
| **Earning Before Tax** | **19%** | **15%** | **17%** | **21%** |
| **Net Margin** | **16%** | **13%** | **14%** | **16%** |
| **EPS (NTD)** | **1.34** | **1.29** | **1.19** | **1.67** |

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# 2012~1H 2016 Consolidated Balance Sheet

| *NT$ M* | 2012/12/31 | | 2013/12/31 | | 2014/12/31 | | 2015/12/31 | | 2016/06/30 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash & cash equivalents | 255 | 6% | 413 | 8% | 405 | 7% | 419 | 6% | 627 | 9% |
| Receivable-net | 672 | 17% | 779 | 16% | 684 | 12% | 909 | 14% | 901 | 13% |
| Inventories | 697 | 17% | 679 | 14% | 957 | 17% | 1113 | 17% | 1,065 | 15% |
| Long-term investments | 67 | 2% | 270 | 5% | 554 | 10% | 786 | 12% | 1,034 | 15% |
| Total fixed assets | 1,835 | 45% | 2,307 | 46% | 2,562 | 45% | 2,640 | 41% | 2,742 | 39% |
| Total other assets | 507 | 13% | 543 | 11% | 528 | 9% | 589 | 9% | 573 | 8% |
| **Total Assets** | **4,033** | **100%** | **4,991** | **100%** | **5,690** | **100%** | **6,456** | **100%** | **6,942** | **100%** |
| Total current liabilities | 1,409 | 35% | 1,772 | 36% | 1,469 | 26% | 1,893 | 29% | 2,037 | 29% |
| Long-term liabilities | 465 | 12% | 520 | 10% | 673 | 12% | 585 | 9% | 712 | 10% |
| Other liabilities | 500 | 12% | 183 | 4% | 513 | 9% | 516 | 8% | 509 | 7% |
| **Total Liabilities** | **2,374** | **59%** | **2,475** | **50%** | **2,655** | **47%** | **2,994** | **46%** | **3,258** | **47%** |
| **Total Shareholders' Equity** | **1,659** | **41%** | **2,516** | **50%** | **3,035** | **53%** | **3,462** | **54%** | **3,684** | **53%** |
| **Book Value per Share** | **24.74** | | **29.93** | | **35.96** | | **39.58** | | **42.05** | |

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# 2012~1H 2016 Consolidated Cash Flow Summary

| *NT$ M* | 2012 | 2013 | 2014 | 2015 | 1H 2016 |
|---|---|---|---|---|---|
| **Cash and cash equivalents at beginning of period** | **73** | **255** | **413** | **405** | **419** |
| Cash flows from operating activities | 171 | 32 | 280 | 255 | 436 |
| Additions to property, plant and equipment | -487 | -549 | -457 | -392 | -141 |
| Cash flows from investing activities | -348 | -124 | -71 | -81 | -136 |
| Cash flows from financing activities | 846 | 799 | 240 | 232 | 48 |
| **Cash and cash equivalents at end of period** | **255** | **413** | **405** | **419** | **626** |

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# Up to Jul. 2016 Performance

| *NT$ M* | up to Jul. 2015 | | up to Jul. 2016 | | YoY |
|---|---|---|---|---|---|
| **Category** | **Sales** | **%** | **Sales** | **%** | |
| UV Filter | 313.9 | 25% | 610.0 | 31% | 94% |
| API | 939.4 | 75% | 1,327.4 | 69% | 41% |
| Total | 1,253.3 | 100% | 1,937.4 | 100% | 63% |

| | | | | |
|---|---|---|---|---|
| 1. Cholesterol and Phosphate Binders | NT$ | 629 m | YoY | 90% |
| 2. Vit. D Derivatives | NT$ | 241 m | YoY | 18% |
| 3. Anti-Inflammatory | NT$ | 108 m | YoY | 2% |
| 4. CNS | NT$ | 72 m | YoY | 81% |
| 5. Respiratory | NT$ | 57 m | YoY | -42% |

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# Business Outlook

# Business Development

- **Strengthen the global leadership of APIs with high entry barrier**
- **Extend product life cycle and optimize product value**
  - ✓ Commercial and regulatory advantages of products launched in EU, US and Japan markets
  - ✓ No additional R&D costs.
  - ✓ Actively explore emerging markets in China and other regions outside EU and North America.
- **API CDMO opportunities**
  - ✓ Process development and scale-up
  - ✓ Short-term: Sales boost<br>Long-term: Pipeline expansion
  - ✓ New lab has been commissioned.
  - ✓ Expand CDMO business for Antibody Conjugated Drug(ADC)
  - ✓ Established partners with many TW biopharmaceutical companies
  - ✓ Foreseeable rewarding outcome from Japan market in 2017

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# Pipelines

- **Vit. D. Derivatives**
  - ✓ New generation of API for osteoporosis. Aiming Japan generic drugs market which market value of USD 300m. Expect for 80% generic drugs market share.
  - ✓ For US and EU market, supplier for internal prestigious pharmaceutical companies in 2017; expected positive top line and bottom line impact
- **Polymer Technology Platform**
  - ✓ Products on market: Cholesterol and Phosphate Binders
  - ✓ Developing a new generation product for new indication. Global drug product market expected to reach US$1bn.

# Pipelines

- **Hepatic Cancer**
  - ✓ Market launched in South America. API supply increased.
  - ✓ Collaborating with renowned generic drug company to develop EU market. Global drug product market around USD 700m. Expected market share 20%.
- **Respiratory Agents**
  - ✓ Dominant in the market. Significant increase in the numbers of US clients. Expected to launch in 2017.
  - ✓ Steady supply for Mexico gov. project.
- **Antibiotics**
  - ✓ Supply for the top 3 Korean biologic pharmaceutical companies. Business development aiming on US and EU market. Expected 20% market share.

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# Launch Schedule

US: EU: JP: RoW:

| Product | Indication | 2015 | 2016 | 2017 | 2018 | Total Global Market (US$ M) 2015 |
|---|---|---|---|---|---|---|
| **Calcipotriol Monohydrate*** | Psoriasis | RoW | EU | | US | 740 |
| **Calcium Acetate** | Anti-Hyperphosphatemia | | US | | | 55 |
| **Colesevelam HCl*** | Lower Cholesterol Level | | US | | RoW | 749 |
| **Sevelamer Carbonate*** | Anti-Hyperphosphatemia | EU | US | | RoW | 2,233 |
| **Sevelamer HCl** | Anti-Hyperphosphatemia | RoW | | US | | |
| **Linezolid** | Antibiotic | EU, US, JP | | RoW | | 1,034 |
| **Temozolomide** | Brain Tumor | US | EU | JP | | 672 |
| **Benzonatate** | Cough Suppressant | RoW | US | | | 74 |

**2018 launch in China*

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# Investment List

# Investment

| Company | Business Scope | Investment (NT$ M) | % |
|---|---|---|---|
| EirGenix | Biosimilar、CDMO | 209 | 16.3% |
| Formosa Pharmaceuticals | New Drug Development | 120 | 100% |
| TaiRx | New Drug Development | 68 | 6.4% |
| Glory Biotech | Fermentation | 30 | 9.9% |
| Senhwa Biosciences | New Drug Development | 19 | 2.8% |
| TOT Biopharm | Anti-tumor treatment Development | 84 | 3.0% |
| Total | | 530 | |

*updated by 2016/7/31

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# Q&A