

SeQuent Announces Q2 FY22 results

Revenues at ₹ 3,506 Million, PAT after minority interest at ₹143 Million

Mumbai, November 01, 2021

SeQuent Scientific Limited (SeQuent) which has businesses across Animal Health (Alivira) & Analytical Services today announced its financial results for the period ended September 30, 2021

Consolidated Financial Highlights

₹ in millions

	Q2 FY22	Q1 FY22	Q2 FY21
Revenues	3,506	3,205	3,495
PAT after minority interest	143	9	235
PAT %	4.1%	0.3%	6.7%

Detailed presentation on the performance forms part of this press release

Commenting on the Company's performance, **Manish Gupta, Managing Director** stated "The current quarter though muted compared to corresponding quarter last year, reflects a growth of 10% as compared to the previous quarter. We saw a sharp recovery in our API business, which saw 21% growth vs Q1 FY22 driven by 25%+ growth in API portfolio (ex-Albendazole) while our formulation business continues to deliver consistent growth across geographies.

While the cost environment is concerning for the industry, we have initiated concerted efforts to mitigate the impact of the same. We expect these to start reflecting in our margins in the coming quarter with full benefit from Q4 FY22.

We are achieving significant progress in expanding our portfolio through value-added arrangements for vaccines in Turkey and India and have recently concluded another long-term agreement with a top-10 animal health company.

Despite a challenging first half of the year, we look at the second half of FY22 with increased confidence as we start reaping benefits from our recent initiatives and deliver a near double-digit growth for the business despite a flat API business for the year."

Earnings Call with Investors

The Company will conduct an Earnings call at **9:00 AM IST on Nov 02, 2021** where the Management will discuss the Company's performance and answer questions from participants. To participate in this conference call, please dial the numbers provided below ten minutes ahead of the scheduled start time. The dial-in numbers for this call are **+91 22 6280 1263** or **+91 22 7115 8213**

About SeQuent Scientific Limited

SeQuent Scientific Limited (BSE-512529, NSE-SEQUENT) is India's largest and amongst the 'Top 20' global animal health companies, backed by global investment firm 'The Carlyle Group' as promoter. The company generated annual revenues of ~\$ 200 Mn in FY21 with ~2/3rd revenues from regulated markets. The company has 8 manufacturing facilities across Europe, Turkey, Brazil & India with the Vizag site being India's only USFDA approved dedicated veterinary API facility.

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BSE Code:512529 | NSE: SEQUENT

ISIN: INE807F01027 | REUTERS: EQU.BO

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Certain statements in this document that are not historical facts are forward looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local, political or economic developments, technological risks, and many other factors that could cause actual results to differ materially from those contemplated by the relevant forward- looking statements. SeQuent Scientific Ltd. will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

AHEAD

with purpose
and
confidence

Earnings Presentation

Q2 FY22

1st Nov 2021

Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", seek to, "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements". These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

The current quarter though muted compared to corresponding quarter last year, reflects a growth of 10% as compared to the previous quarter. We saw a sharp recovery in our API business, which saw 21% growth vs Q1 FY22 driven by 25%+ growth in API portfolio (ex-Albendazole) while our formulation business continues to deliver consistent growth across geographies.

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Manish Gupta, Managing Director

Q2 FY22 - challenging operating environment...

Business

Revenues at ₹3.5 Bn+; +1.9%

- Formulations grew +8.3%, ₹ 2,402 Mn
 - Latam: Delivers strong growth, +31.6%, strong rebound in Europe +9.8%
- API: Sales decline by 10.1%, +21% vs Q1'22

New Initiatives

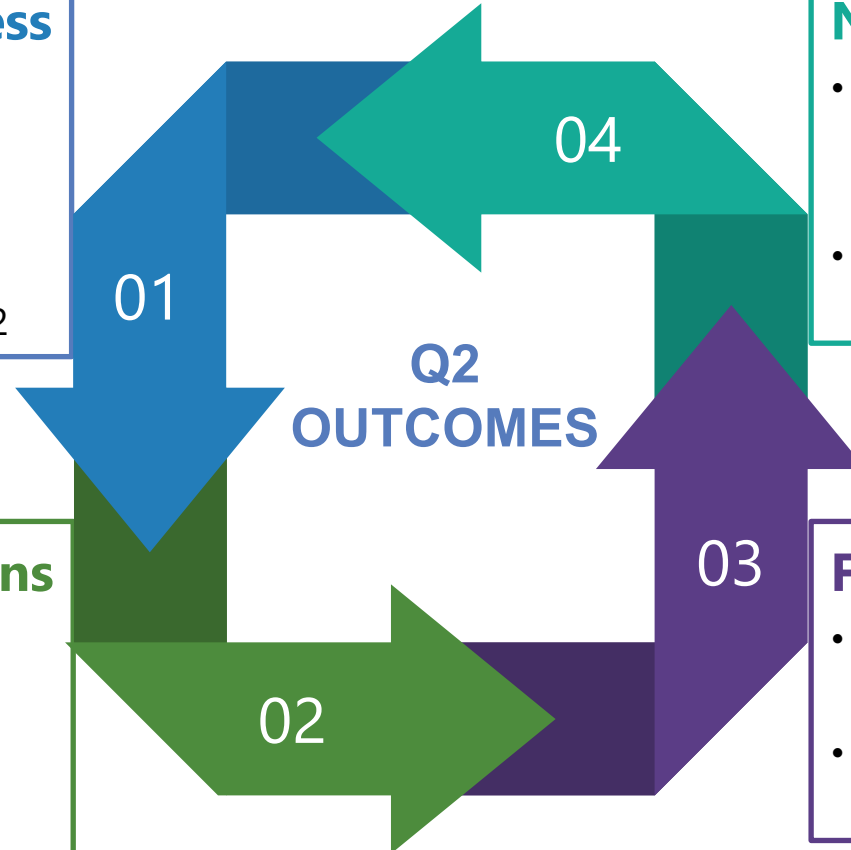
- Formulations: Significant initiatives to in-license value added portfolio including vaccines across geographies
- API: Another long-term supply arrangement with a global top-10 animal health company

Operations

- Sharp rise in input costs – APIs, FDFs
- Logistical challenges continue
- Expenses generally under control
 - Normalization of Sales & marketing spends across geographies

Finance

- Gross margin contracted led by business mix & product mix across geographies
- Marginal increase in net debt to fund inventories for H2 growth



Performance Overview



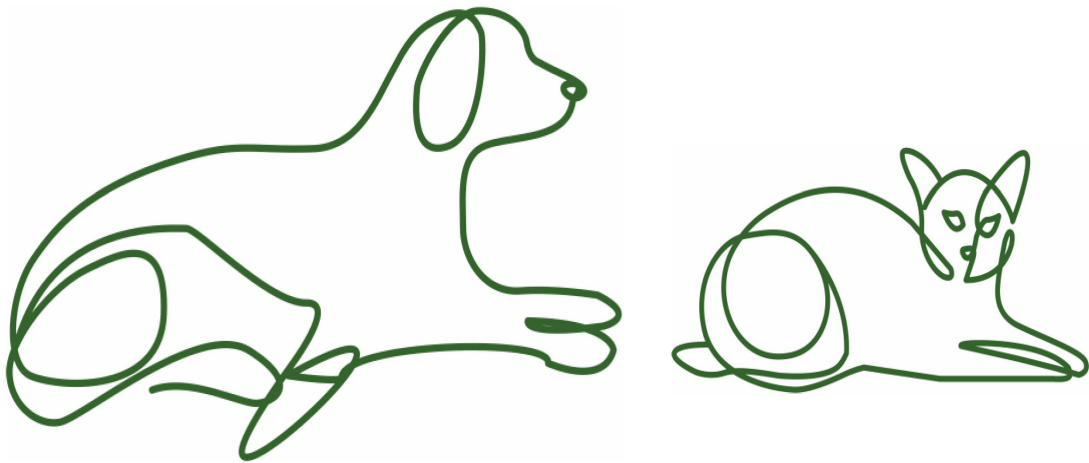
Advancing steadily through a challenging operating environment...

All values in ₹ Mn

Revenue Distribution	Q2 FY22	Q2 FY21	YoY%	YoY% (cc)
Formulations	2,402	2,263	6.1%	8.3%
<i>Europe</i>	1,061	962	10.3%	9.8%
<i>LATAM</i>	474	353	34.5%	31.6%
<i>Turkey</i>	351	376	(6.6%)	11.0%
<i>Emerging Markets</i>	227	296	(23.4%)	(23.5%)
<i>India</i>	288	276	4.2%	4.2%
APIs	1,104	1,232	(10.4%)	(10.1%)
Global Sales	3,506	3,495	0.3%	1.9%

- ❖ Overall business grew by 1.9% cc YoY; Formulations +8.3% cc YoY
 - ❖ LATAM and Turkey drives formulations growth
 - ❖ Turkey – Double digit growth, impacted by currency depreciation
 - ❖ Europe sales back on growth track
 - ❖ API business decline – Demand recovery on track, +21% vs Q1'22 with 25%+ growth in ex-Albendazole portfolio

Business Review

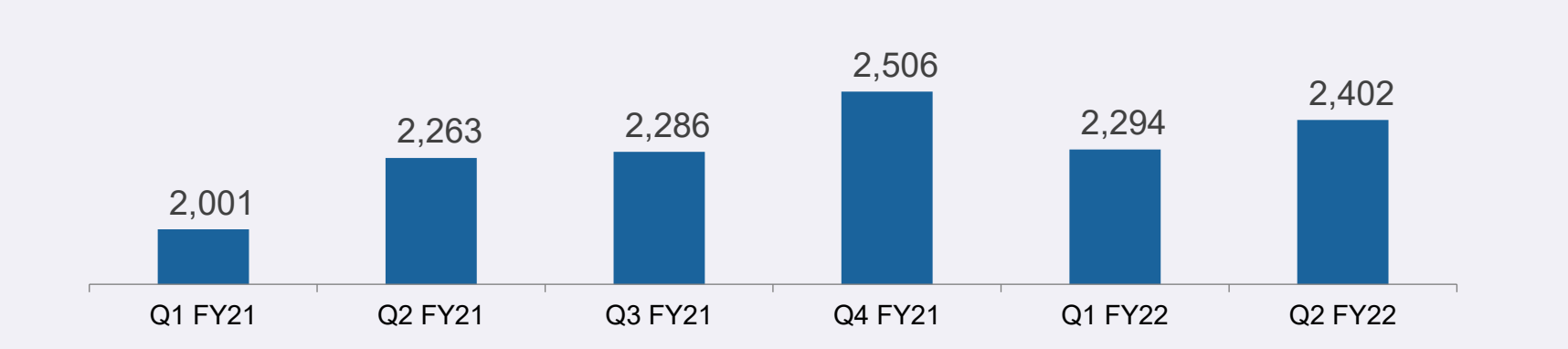


Formulations : Continuing growth momentum

Key Updates

- ❖ Sales of ₹ 2.4+ Bn, 8.8% cc growth vs Q2'21
- ❖ Europe: 9.8% growth, sales back on track across geographies
- ❖ Turkey: Currency depreciation overshadows double digit growth of 11%
- ❖ Latam continues to outshine with ~34% growth
- ❖ India business growth moderated due to base affect of Zoetis commercialization in q2, FY21

Revenues All values in ₹ Mn



FDFs **1000+**

Manufacturing facilities **5**

Sales to regulated markets **59%**

Countries with marketing presence **80**

API : Sequential improvement to play out

Key Updates

- ❖ Strong recovery with ~21% growth over Q1, -10% on YOY basis
- ❖ Stronger Q3 and Q4 orderbook, H2 to be back on growth track
- ❖ Lower offtake of Albendazole, rest of the portfolio grows 25%+
 - ❖ WHO demand lagging due to closure of schools – no deworming program – recovery in H2
- ❖ Established dedicated sales team with focus on top 10 AH companies – First success with supply arrangement with a global top-10 company

Revenues All values in ₹ Mn



Commercial APIs 30

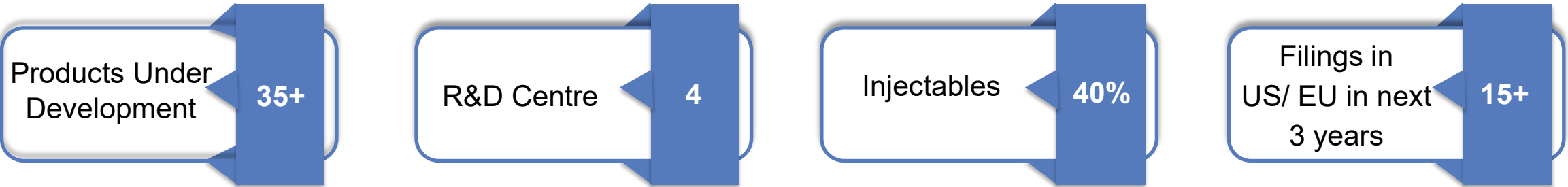
Manufacturing facilities 3

Sales to regulated markets 65%

Asset turnover ratio 2.1x

Focused R&D Initiatives to drive future growth

Formulations



API



Financials



Consolidated Financials

All values in ₹ Mn

Particulars	Q2 FY22 Unaudited	Q1 FY22 Unaudited	Q2 FY21 Unaudited	H1 FY22 Unaudited	H1 FY21 Unaudited	FY21 Audited
Revenue from Operations	3,506	3,205	3,495	6,711	6,447	13,616
Material Consumption	-2,004	-1,663	-1,815	-3,667	-3,317	-6,947
Gross Margin	1,501	1,542	1,680	3,034	3,130	6,670
%	42.8%	48.1%	48.1%	45.4%	48.6%	48.9%
Employee Benefit Expenses	-475	-500	-433	-975	-875	-1,818
Operating Expenses	-682	-684	-625	-1,366	-1,167	-2,634
EBITDA (pre ESOP)	344	358	622	702	1,088	2,217
%	9.8%	11.2%	17.8%	10.5%	16.9%	16.3%
New ESOP Scheme cost	-147	-156	-	-304	-	-54
EBITDA	197	202	622	398	1,088	2,163
%	5.6%	6.3%	17.8%	5.9%	16.9%	15.9%
Exchange Gain / (Loss)	-0	12	-34	11	-45	-42
Other Income	8	15	26	23	42	84
Finance Cost	-33	-30	-74	-63	-150	-244
Depreciation	-132	-126	-133	-258	-263	-506
Exceptional Items	-	-	-90	-	-90	-88
Earnings Before Tax	39	72	317	112	581	1,366
Taxes	99	-46	-81	53	-151	-322
Earnings After Tax	138	26	236	165	429	1,045
Minority Interest	-5	18	1	13	37	90
Earnings after Minority Interest	143	9	235	152	393	954

Key Balance Sheet Items

All values in ₹ Mn

Particulars	Sep-21	Jun-21	Mar-21
Shareholders Funds	7,602	7,564	7,277
Minority Interest	477	510	487
Net Debt	1,898	1,727	1,628
Investments	883	930	769
Tangible Assets	3,384	3,472	3,479
Intangible Assets	2,167	2,238	2,186
Working Capital	4,244	3,891	3,653
Put Option Liabilities	456	490	426

Balance Sheet Highlights

- ❖ Increase in working capital/inventory to support H2 growth, especially in API business
- ❖ Brazil – Minority stake consolidation to be concluded in Q3
- ❖ Decrease in investments due to MTM impact

Way Forward - Business Outlook

Geographies	Q2 FY22 Scenario	Way Forward
Formulations		
<i>Europe</i>	Increase in input costs – Antibiotic APIs from China	Price increases being undertaken – Full reflection from Q4
<i>LATAM</i>		
<i>Turkey</i>	Robust growth continues, currency depreciation impact	Specific actions towards building export business, commercialization of vaccine portfolio
<i>Emerging Markets</i>	Cautious approach	Cautious approach to continue
<i>India</i>	Strong growth moderated due to base effect of Zoetis portfolio commercialization last year	Strong growth to continue - Multiple initiatives across portfolio including vaccines
APIs	Slower WHO demand impact Albendazole offtake, rest portfolio delivers +25% growth	Positive outlook for H2 with growing orderbook Recent agreement with 'Top 10' to drive FY23

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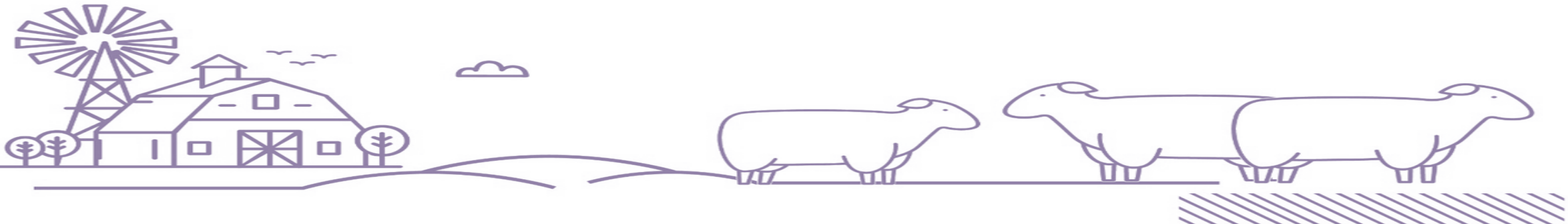
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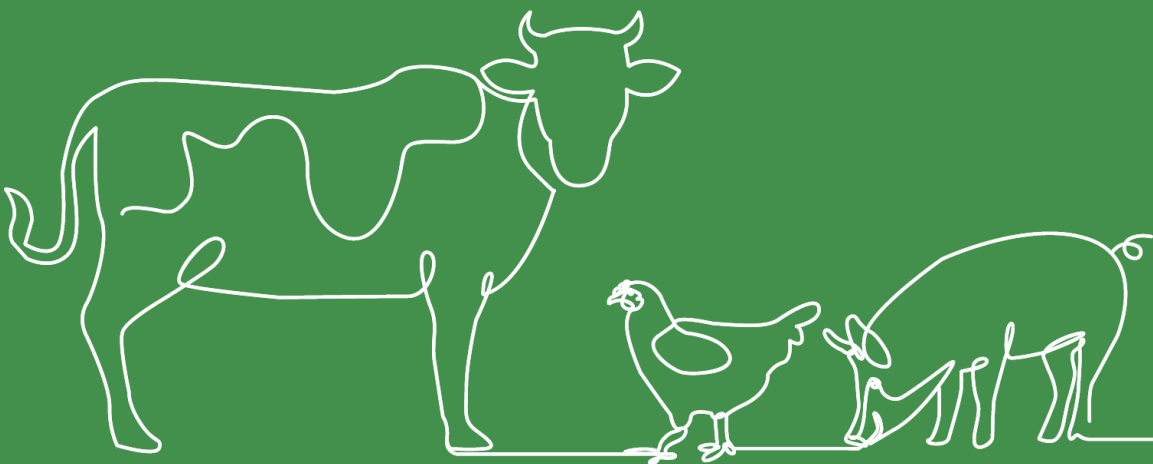
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Thank You