

SeQuent Announces Q1 FY22 results

Revenues at ₹ 3,205 Million up by 8.6%, Operating EBITDA at ₹ 358 Million

Mumbai, August 10, 2021

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

Consolidated Financial Highlights

₹ in millions

	Q1 FY22	Q1 FY21	Growth (%)
Revenues	3,205	2,953	8.6%
Operating EBITDA*	358	466	(23.2%)
EBITDA Margin %	11.2%	15.8%	(460bps)

*Operating EBITDA pre-ESOPs

Detailed presentation on the performance forms part of this press release

Commenting on the Company's performance, **Manish Gupta, Managing Director** stated "The quarter gone by has indeed been the most challenging one, both from demand and execution perspective. We are pleased to report an over 15% growth in our formulations business even as our API business reported a de-growth after many quarters of consistent growth. We reported revenues of ₹ 320 Crores for the quarter, reflecting a growth of 8.9% YOY on constant currency basis while the EBITDA stood at ₹ 35.8 Crores excluding ESOP costs.

On the business side, we are pleased with continuing strong growth in the key markets of India & LATAM, and we expect improved performance in Europe and Turkey going forward. We shall continue to invest both in expanding our footprints as well as strengthening our presence in existing markets.

We expect strong recovery in our API business in the second half. Our strategy for API business continues to play out well as we continue to improve the quality of business with ever increasing contribution of regulated markets business, which now stands at 72% vs. 66% last year.

Despite a slower start to the year, we stay confident and on track of achieving our financial and strategic objectives for the year."

Earnings Call with Investors

The Company will conduct an Earnings call at **9:00 AM IST** on **Aug 11, 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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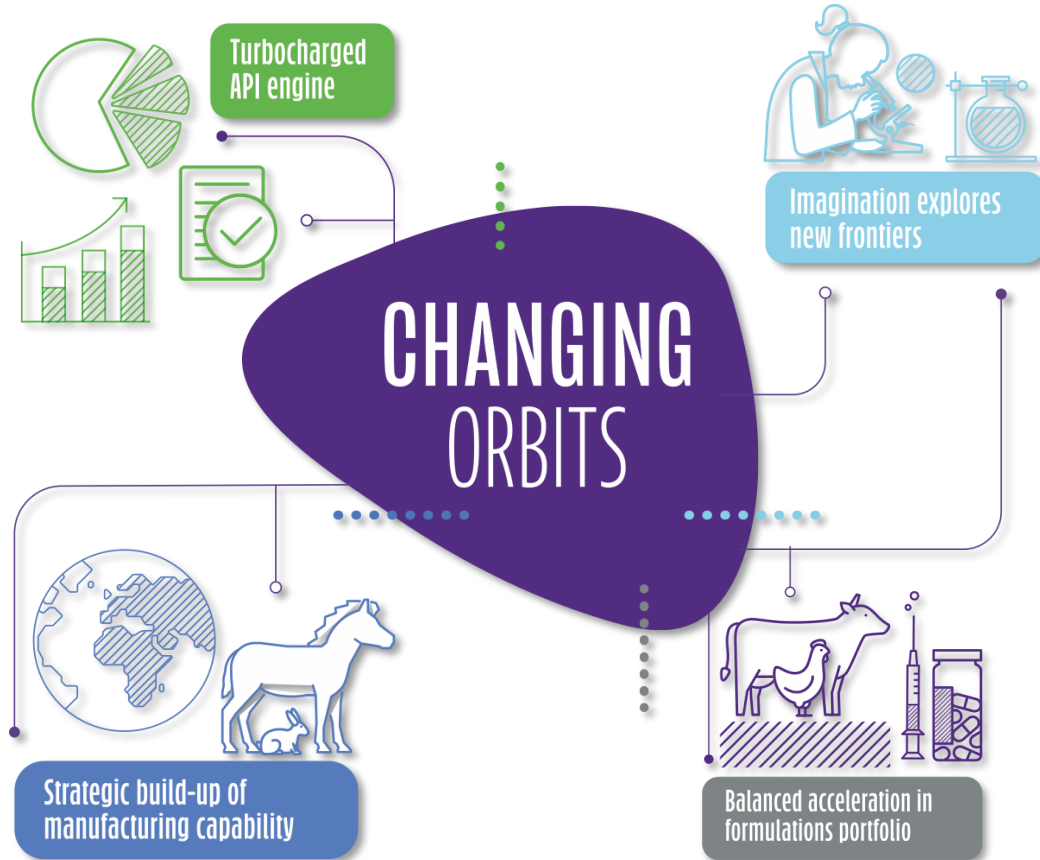
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BSE Code:512529 | NSE: SEQUENT

ISIN: INE807F01027 | REUTERS: EQU.BO

Websites: www.sequent.in

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.



Earnings Presentation

Q1, FY22

August 10, 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 quarter gone by has indeed been the most challenging one, both from demand and execution perspective. We are pleased to report an over 15% growth in our formulations business, even as our API business reported a de-growth after many quarters of delivering consistent growth. We reported revenues of ₹ 320 Crores for the quarter, reflecting a growth of 8.9% YOY on constant currency basis, while the EBITDA stood at ₹ 35.8 Crores excluding ESOP costs.

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Manish Gupta, Managing Director



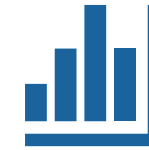
Operating Environment

- Second wave Covid impact in April & May in India – “Safety First approach adopted over operations”
- Resurgence of cases; Brazil, EU



Supply Chain Disruption

- Increased input cost – APIs, excipients, fuel, logistics
- Material availability – uncertainty, delays from suppliers and CMOs
- Inefficient operations – availability drives frequent manufacturing plan changes



Business Challenges

- Subdued API demand
- Slowdown in Spain, Turkish Lira depreciation
- Manufacturing delays in Turkey

Performance Overview



Q1 FY22: Formulations leading the way

All values in ₹ Mn

Business-wise	Q1FY22	Q1FY21	Growth YoY	Growth CC
Formulations	2,294	2,001	14.7%	15.3%
Europe	1,053	1,069	(1.5%)	(7.5%)
LATAM	510	334	52.6%	54.8%
Turkey	291	334	(12.9%)	9.6%
Emerging Markets	213	180	18.6%	15.9%
India	227	84	171.2%	171.2%
API	911	952	(4.3%)	(4.7%)
Total Sales	3,205	2,953	8.6%	8.9%

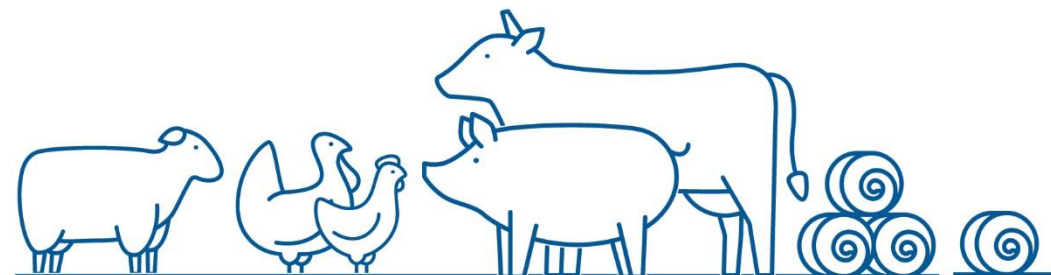
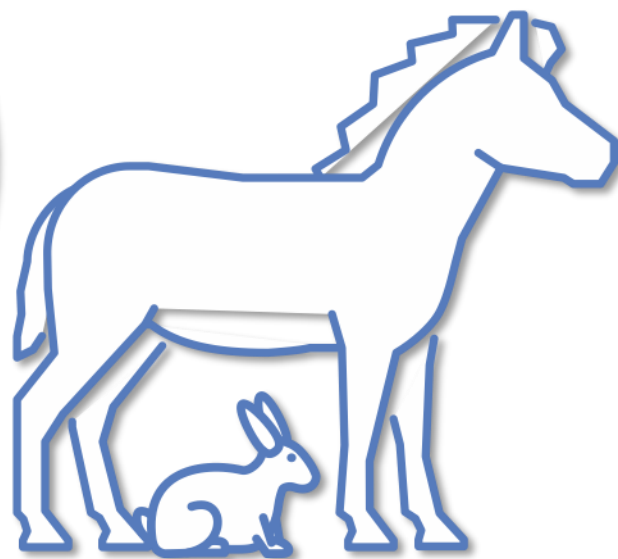
Overall business grew by 8.9% cc YoY; Formulations +15.3% cc YoY

- India and LATAM drive formulations growth
- Europe sales muted, primarily due to lower sales in Spain
- Turkey growth subdued on account of operational challenges, to pick up from Q3
- API business impacted due to supply chain rationalization by customers, normalization by H2





Business Highlights



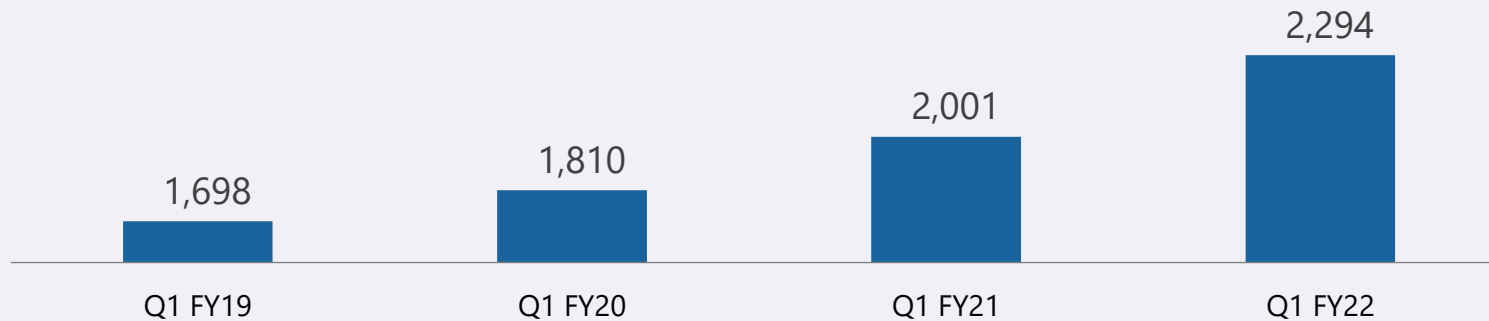
Formulations delivered strong growth across key geographies

Highlights

- Strong sales of ₹ 2.3 Bn, 15.3% YoY growth
- Europe: Tulathromycin, first in-house developed injectable performed ahead of expectations
- Turkey: 20% depreciation in currency erodes above market business performance
- Brazil records strong growth driven by 3 recent launches
- India business continues strong growth track
 - Strong outperformance in cattle business, recovery in poultry
 - Launch of companion animal division with 4 products – 8 HQs

Revenues

All values in ₹ Mn



FDFs

1000+

Manufacturing facilities

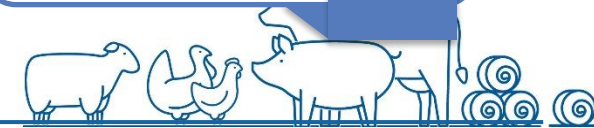
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Sales to regulated markets

62%

Countries with marketing presence

80+



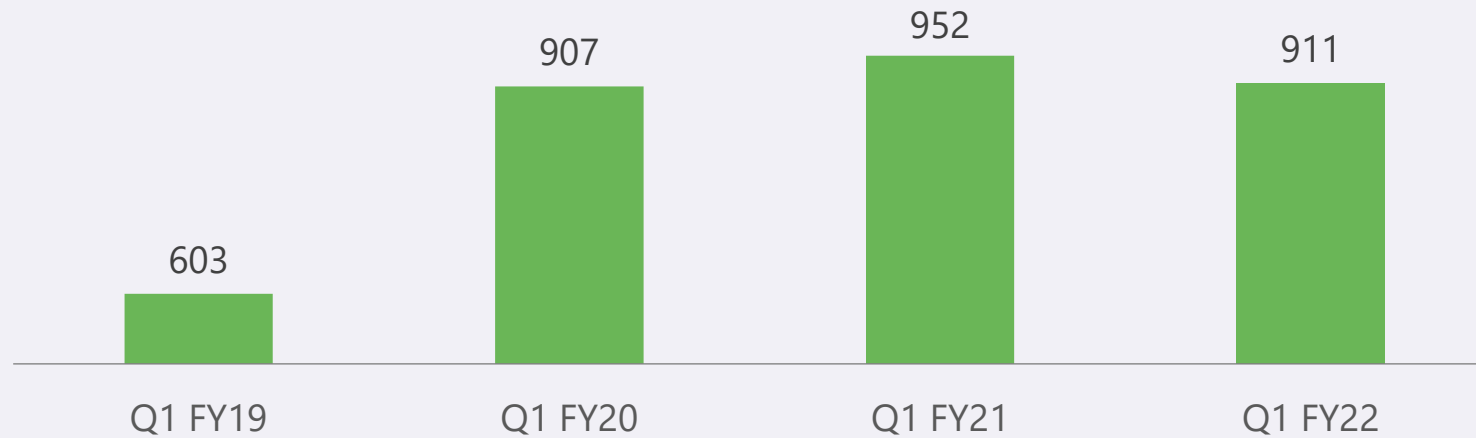
API: Muted quarter, recovery expected from H2

Highlights

- ⦿ Lower offtake given inventory rationalization by key customers
- ⦿ Regulated markets contribution to sales at ~72% vs 66% in FY21
- ⦿ Vizag plant update:
 - ⦿ R&D pilot plant commissioned, headroom for better utilization of commercial capacity
 - ⦿ Additional clean room commissioned – Capacity enhanced by ~20%
- ⦿ Focused team to help win higher wallet share from the large animal health companies

Revenues

All values in ₹ Mn



Commercial APIs

30

Manufacturing facilities

3

Sales to regulated markets

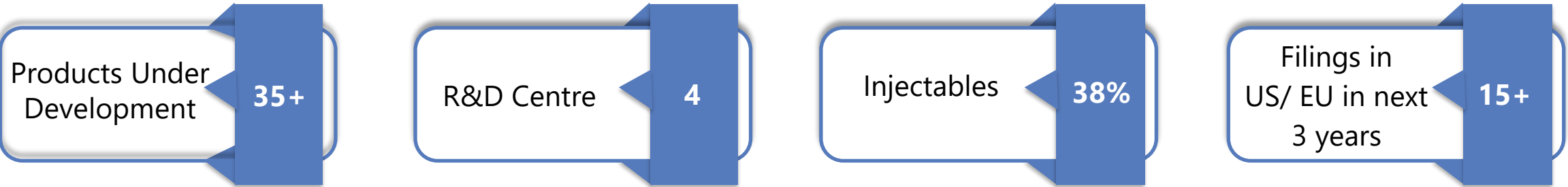
72%

Asset turnover ratio

2.2x

Focused R&D Initiatives to drive future growth

Formulations



API



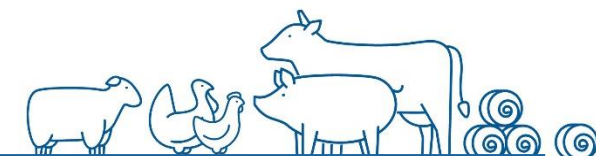


Financials



Consolidated Financials

Particulars	Q1 FY22 Audited	Q4 FY21 Audited	Q1 FY21 Audited	FY21 Audited
Revenue from Operations	3,205	3,618	2,953	13,616
Material Consumption	(1,663)	(1,857)	(1,503)	(6,947)
Gross Margin	1,542	1,761	1,450	6,670
%	48.1%	48.7%	49.1%	49.0%
Employee Benefit Expenses	(499)	(485)	(441)	(1,818)
Operating Expenses	(684)	(780)	(543)	(2,634)
EBITDA (pre ESOP)	358	496	466	2,217
%	11.2%	13.7%	15.8%	16.3%
New ESOP Scheme cost	(156)	(54)	-	(54)
EBITDA	202	442	466	2,163
%	6.3%	12.2%	15.8%	15.9%
Exchange Gain / (Loss)	12	(9)	(11)	(42)
Other Income	15	14	15	84
Finance Cost	(30)	(32)	(76)	(244)
Depreciation	(126)	(127)	(130)	(506)
Exceptional Items	-	2	-	(88)
Earnings Before Tax	72	290	264	1,366
Taxes	(46)	(55)	(70)	(322)
Earnings After Tax	27	235	194	1,045
Minority Interest	18	29	36	90
Earnings after Minority Interest	9	206	158	954



Incremental cost items during the Quarter

All values in ₹ Mn

	Q1 FY22	Remarks
New Initiatives	(28.5)	
Covid death compensation	(7.0)	Compensation to families of two employees
One-offs / exceptional costs	(23.0)	
Total impact	(58.5)	
<i>Total incremental impact on EBITDA Margin</i>	<i>182 bps</i>	



Key Balance Sheet Items

All values in ₹ Mn

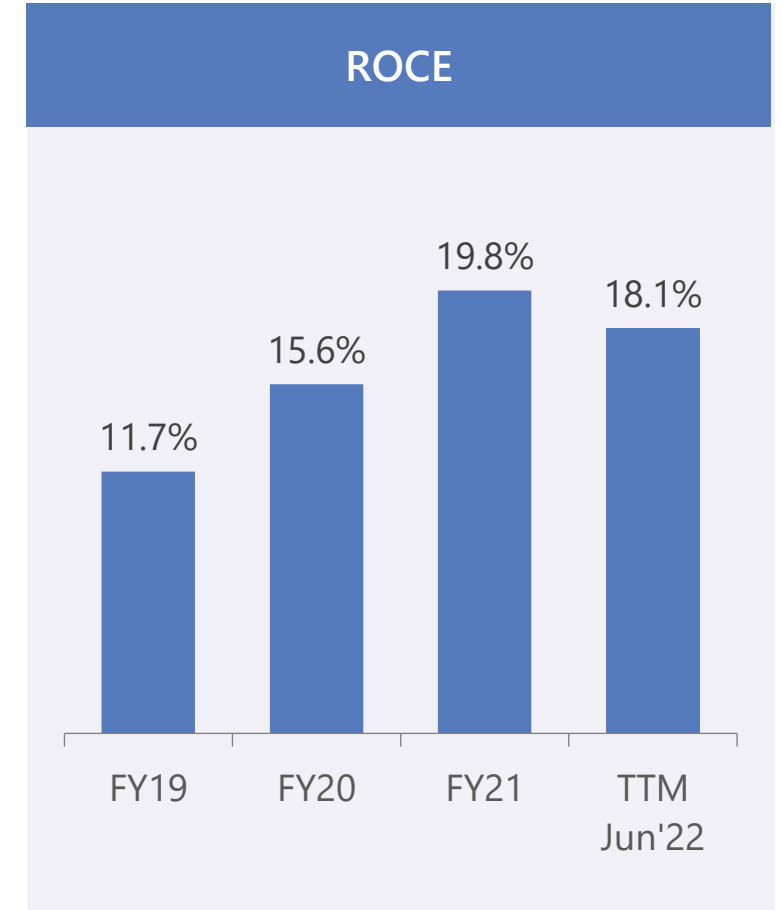
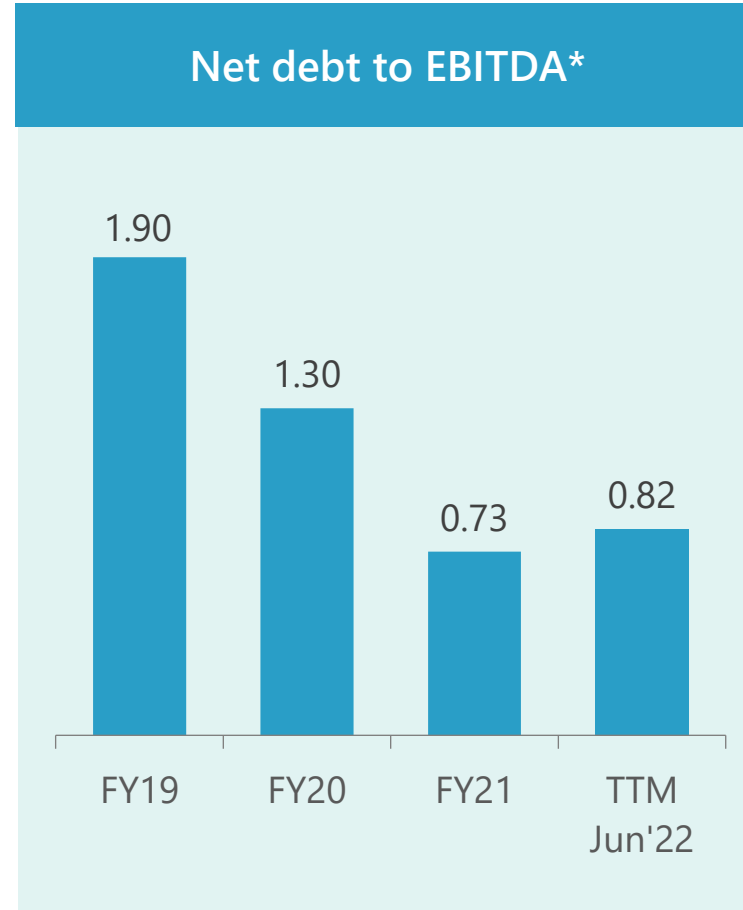
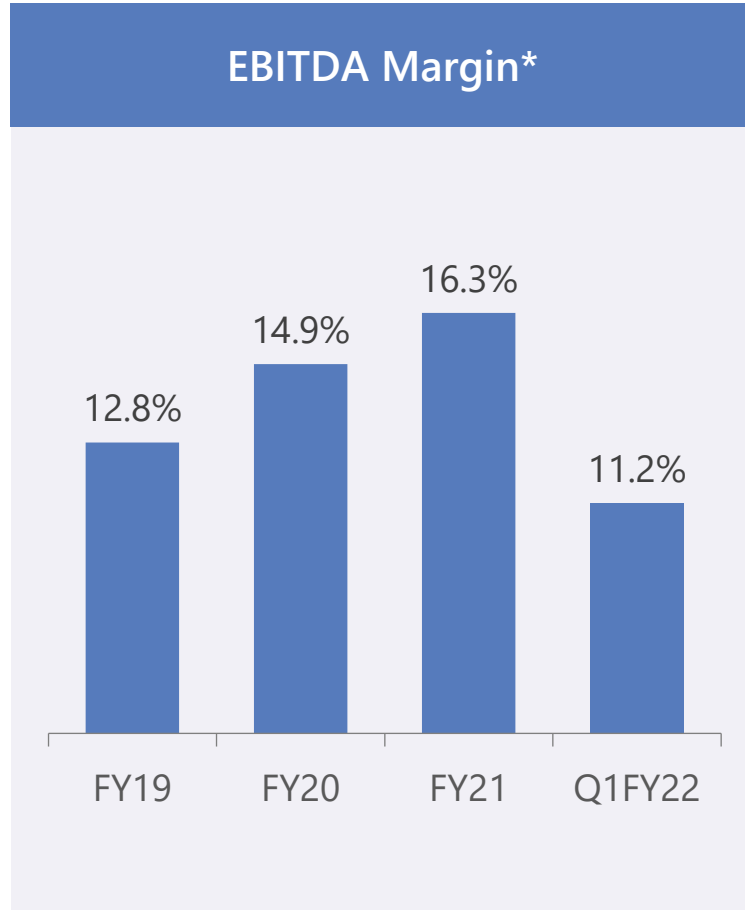
Particulars	Jun-21	Mar-21
Shareholders Funds	7,564	7,277
Minority Interest	510	487
Net Debt	1,727	1,628
Investments	930	769
Tangible Assets	3,472	3,479
Intangible Assets	2,238	2,186
Working Capital	3,877	3,644
Put option liability	490	454

Balance Sheet Highlights

- Higher working capital driven by increase in inventory
- Increase in net debt, in-line with increase in working capital
- Put option towards minority stake in Brazil. To be consolidated in Q2



Financial Ratios



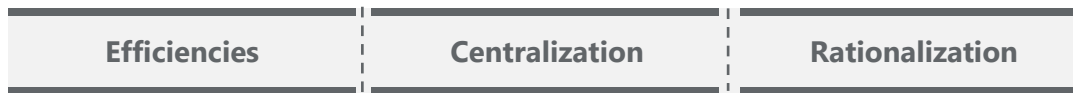
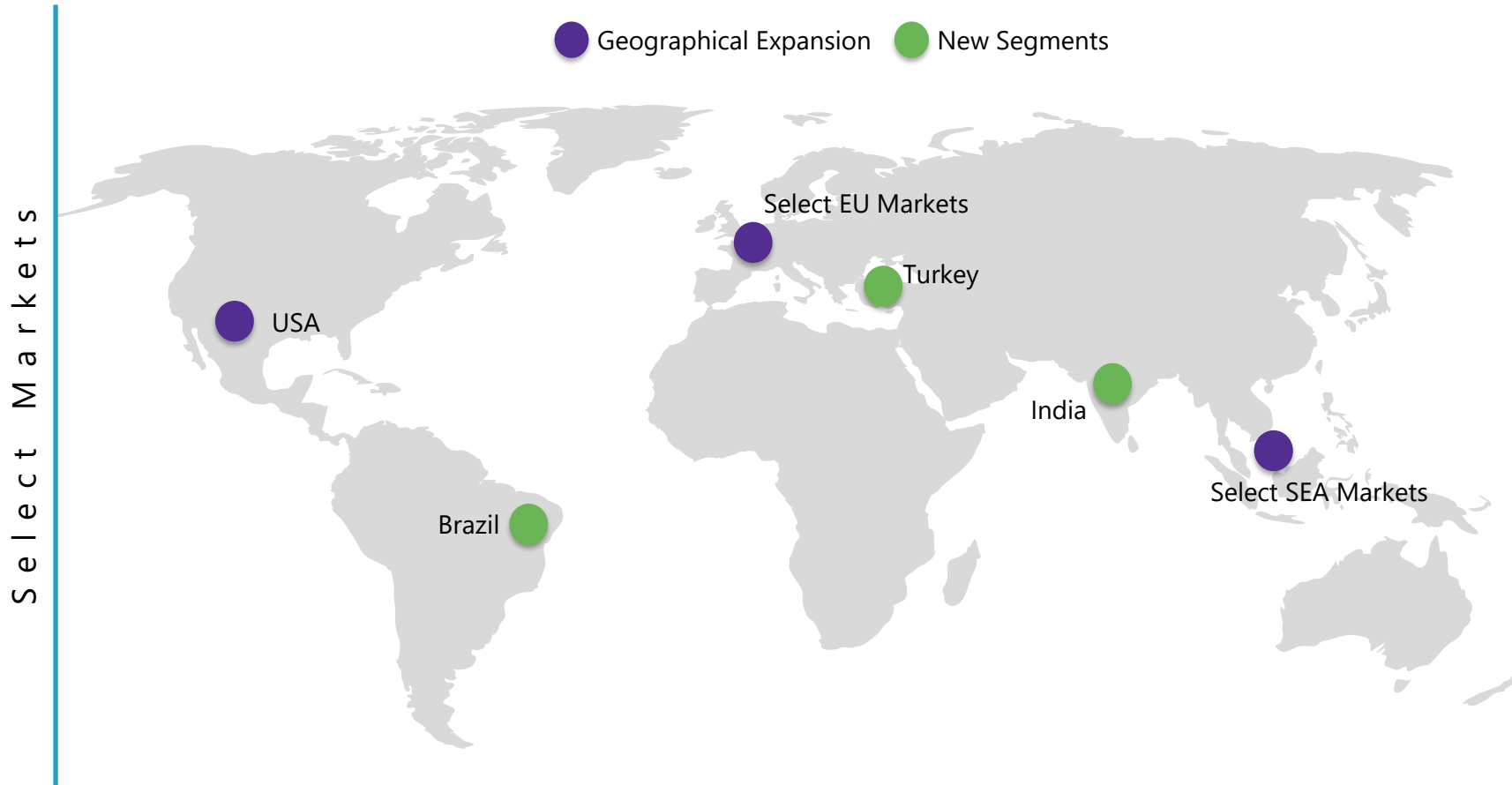
*Pre-ESOP EBITDA



Sequent 2.0 Updates



SeQuent 2.0: Building a global value leader in animal health



Sequent 2.0 Progress

India - Pet Division launched

Expansion projects

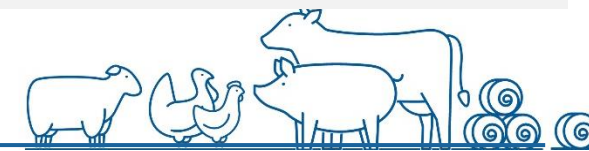
- Sterile capability in Germany for US
- Turkey Manufacturing
- Vizag:
 - Pilot plant commissioned
 - Additional Clean room, Enhanced capacity ~20 %

Turkey - EUGMP Approval

- Tablets line (New)
- Other lines (Renewal)

Key Appointment

Alexis Goux: VP Formulations



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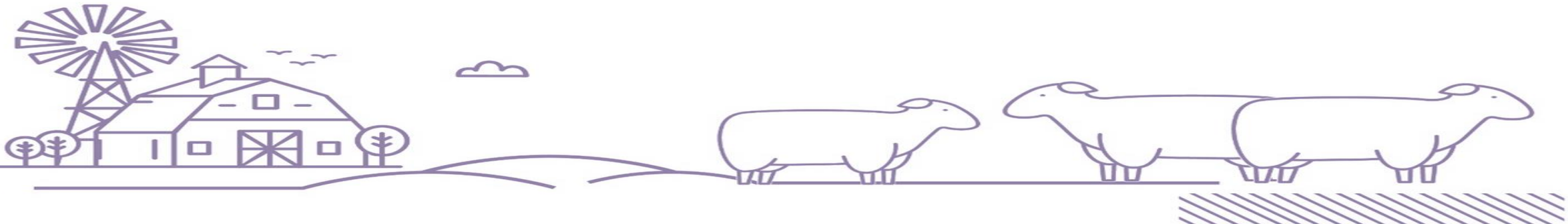
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Thank You

