

SeQuent Announces Q2 FY23 Results

Revenues at ₹ 3,376 Million, Emerging Markets and India drive formulations growth
Company to acquire 100% stake in Tineta Pharma Private Limited

Mumbai, November 07, 2022

SeQuent Scientific Limited (SeQuent) which has businesses across Animal Health (Alivira) & Analytical Services today announced its financial results for the period ended September 30th, 2022

Consolidated Financial Highlights

₹ in Millions

	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
Revenues	3,376	3,506	6,789	6,711
EBITDA (pre-ESOP)	150	342	351	700
<i>EBITDA (pre-ESOP) %</i>	4.4%	9.8%	5.2%	10.4%
EBITDA	51	197	161	398
<i>EBITDA %</i>	1.5%	5.6%	2.4%	5.9%

Detailed presentation on the performance forms part of this press release.

Commenting on the Company's performance, **Rajaram Narayanan, Managing Director** stated "Q2 FY23 has been challenging owing to macro environment headwinds, even though we continue to see strong performance in select markets. While the overall business grew 2.9% in constant currency terms, the reported revenue declined by 3.7% over Q2 FY22. EBITDA before ESOP costs stood at ₹ 150 Mn for Q2. Normalized margins (after one-time costs & currency impact) are trending upwards.

The API business was subdued due to slower revival in demand and delays in concluding a few contracts. Our efforts in developing strong partnerships with the Top 10 Animal Health global companies are yielding results and we are confident to restore momentum in this business. We continue to invest in API business across key projects and upgradation of our facilities. Our Mahad facility received the prestigious EcoVadis Sustainability Silver Medal and certificate, following on from the recent TÜV Nord ISO certifications for Environment, Health & Safety (EHS) in Q1, further validating our commitment to global EHS standards.

Our Formulations business grew by 14.8% on constant currency basis, driven by a strong performance in Emerging Markets and India. We continue to accelerate our efforts in these markets while simultaneously implementing profitability improvement initiatives in our businesses in Europe & Turkey. SeQuent's business model is robust, we continue to believe in it & are executing on key growth levers.

We are pleased to announce that we have signed a definitive agreement on 07 November 2022 to acquire 100% stake in Tineta Pharma Private Limited, a company incorporated in India. This acquisition, which is in line with our strategic priority to scale up India formulations business, will be EBITDA accretive and gives a significant boost to our SeQuent 2.0 plans.

While the business environment is challenging due to high input costs, currency deterioration in some markets and subdued demand, the company is undertaking multiple initiatives to prioritize growth segments, remain competitive on costs and deepen our engagement with customers. We continue to invest in capabilities and talent required to deliver our ambitious plans and are confident that our initiatives would create a sustainable, long-term advantage for the company as it returns to higher levels of profitable growth."

Earnings Call with Investors

The Company will conduct an Earnings call at **04:00 PM IST on Nov 08, 2022**, 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 ~\$180 Mn in FY22 with ~2/3rd revenues from regulated markets. The company has 9 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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ISIN: INE807F01027 | REUTERS: EQU.BO

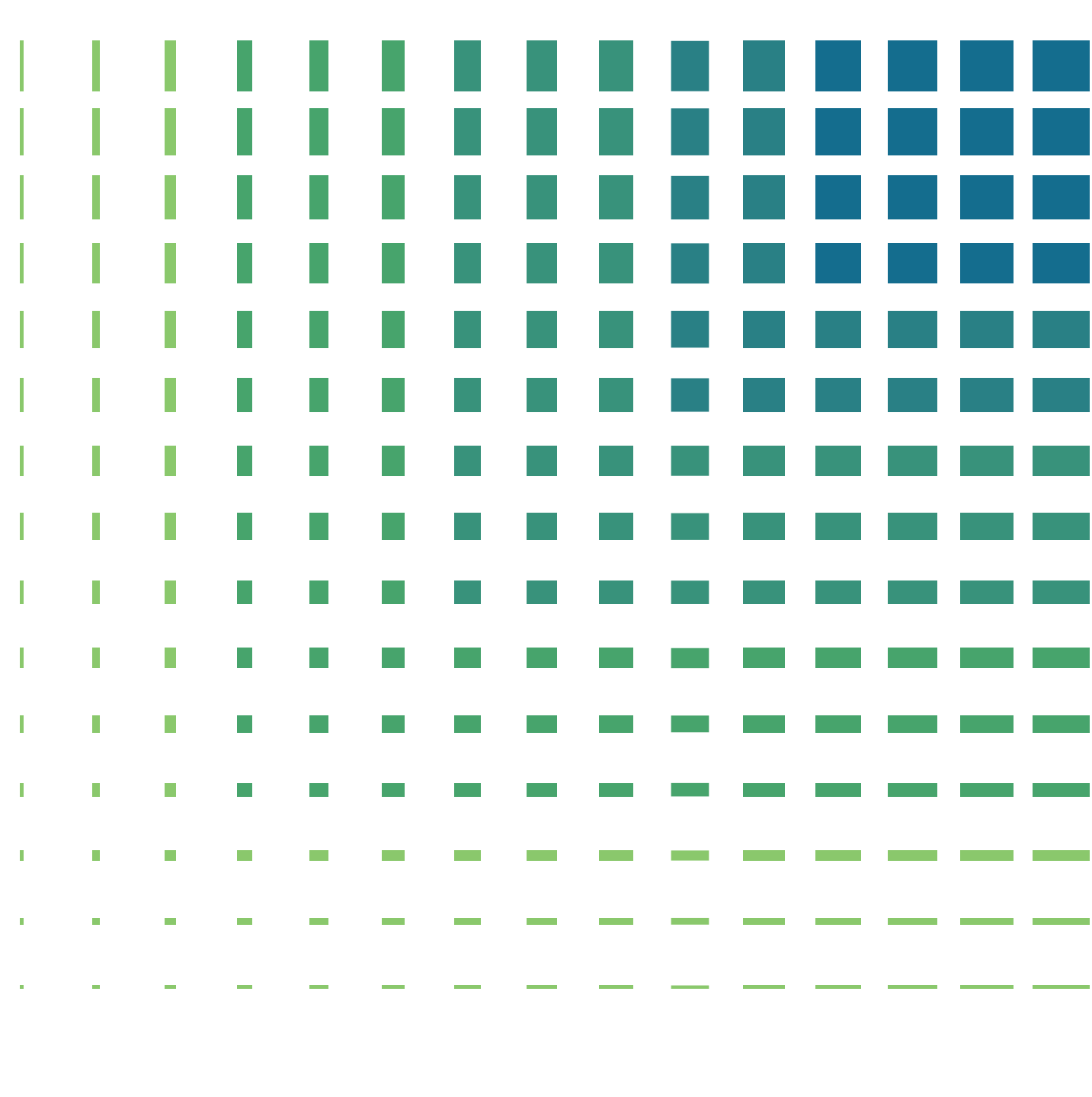
Website: www.sequent.in

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

Q2 FY23

7th November 2022



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.

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Rajaram Narayanan, Managing Director

Q2 FY23 : Challenging quarter in a tough macro environment



Macro-environment Headwinds

Geo-political uncertainty

Currency volatilities

Inflation



Short-Term Industry Challenges

Subdued demand

EU Antibiotic regulations

High energy & Input costs



Business Response

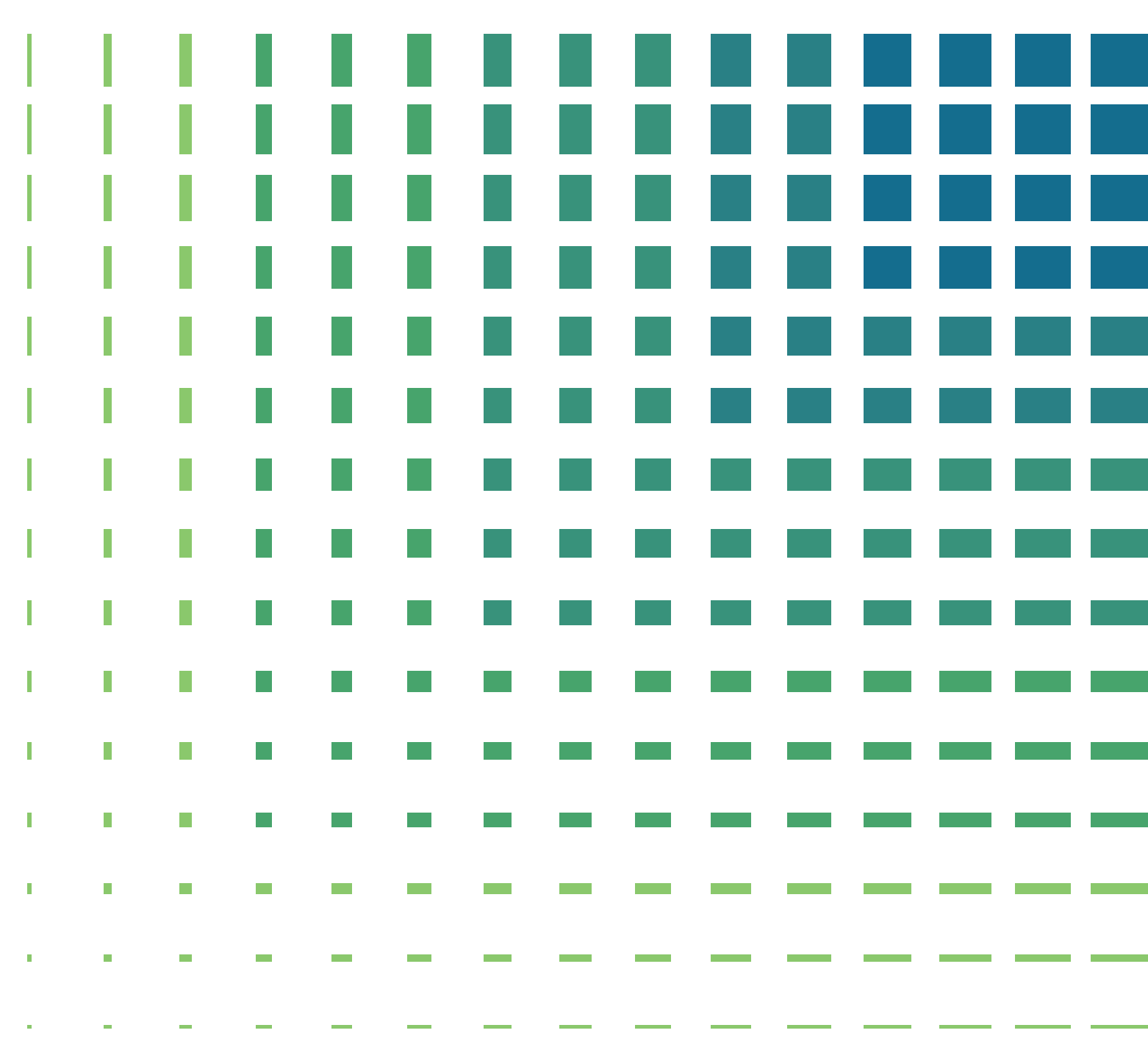
Reprioritize markets & segments

Productivity Enhancement and Cost Management

Accelerate new products

Deepen customer relationships

Performance Overview



Revenue performance by Geography

All values in ₹ Mn

Revenue Distribution	Q2 FY23	Q1 FY22	QoQ Gr%	QoQ Gr% (in CC)	Q2 FY22	YoY Gr%	YoY Gr% (In cc)	H1 FY23	H1 FY22	YoY Gr%	YoY Gr% (In cc)
Formulations	2,395	2,448	(2.2%)	1.1%	2,365	1.3%	14.8%	4,842	4,632	4.5%	17.1%
Europe	899	1,036	(13.3%)	(11.2%)	1,055	(14.8%)	(7.3%)	1,935	2,108	(8.2%)	(0.5%)
Emerging Markets	1,178	1,175	0.2%	5.2%	1,022	15.2%	34.2%	2,351	2,010	17.0%	31.2%
India	319	237	34.4%	34.4%	288	10.9%	10.9%	557	515	8.2%	8.2%
APIs	920	888	3.6%	0.9%	1,104	(16.6%)	(21.4%)	1,808	2,015	(10.2%)	(14.4%)
Other Sales	26	47	NM	NM	37	NM	NM	74	64	NM	NM
Global Sales	3,341	3,383	(1.2%)	0.6%	3,506	(4.7%)	2.9%	6,724	6,711	0.2%	7.6%
Adjustment* - Ind AS 29	35	30			-	-	-	65	-	-	-
Reported Sales	3,376	3,413	(1.1%)	0.6%	3,506	(3.7%)	2.9%	6,789	6,711	1.2%	7.5%

- ❖ Overall business grew by 2.9% cc during Q2 FY23, H1 achieving in-market cc growth of 7.5% y-o-y
 - ❖ Formulations maintains momentum in Q2 with 14.8% cc growth
 - ❖ Emerging Markets and India continue to deliver double digit growth, despite currency pressures in Turkey
 - ❖ Europe had a muted quarter given macro headwinds – near-term focus on cost efficiencies
 - ❖ API performance impacted by subdued demand owing to macro weaknesses impact on formulations customers – however, growth in focus areas of Regulated markets business, Top 10 Animal Health players and new products remains strong

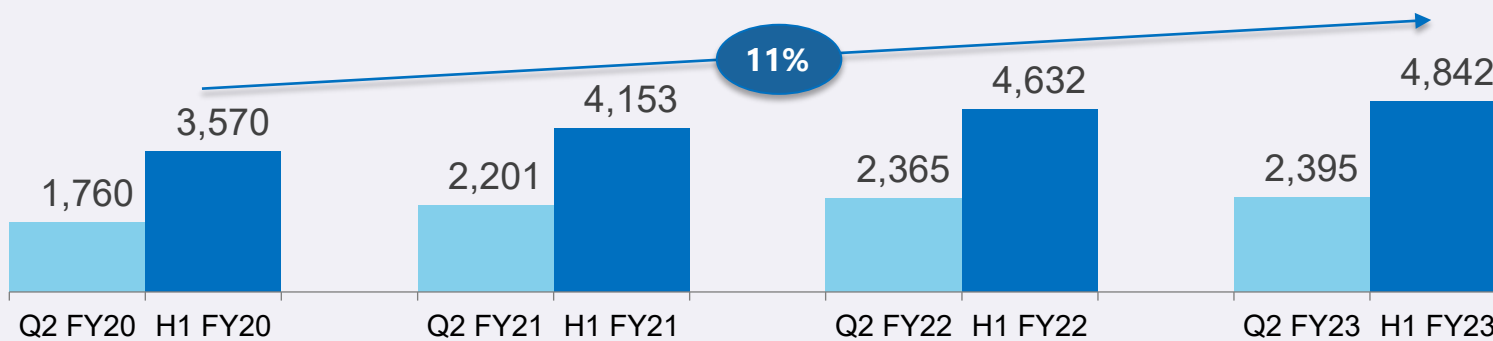
Formulations : Sustaining momentum in key markets

Key Updates

- ❖ Q2 revenues at ₹ 2.39 Bn, +14.8% (cc) in markets despite stiff macro environment
- ❖ H1 revenues at ₹ 4.84 Bn; +11% 3-year CAGR anchored by a globally diversified business model
- ❖ Strong performance in focus growth areas: Emerging markets and India continue to perform well, driving overall formulations growth
 - ❖ **India business delivers consistent growth despite market tailwinds and seasonal variations. Further building India with a substantive acquisition (detailed slides follow)**
- ❖ Macro challenges in the near term in certain markets: Europe and Turkey impacted by tough macro situation leading to demand contraction; currency volatilities and high inflation continue
 - ❖ Near-term focus is to manage costs to counter macro headwinds

Revenues

All values in ₹ Mn



FDFs

1000+

Manufacturing facilities

6

R&D Centres

4

Countries with marketing presence

80+

Diversified formulations to continue driving sustainable value creation

	India	Emerging Markets	Europe
Market Presence			
Species Coverage	<input type="checkbox"/> Cattle & Poultry	<input type="checkbox"/> LATAM - Swine & Poultry <input type="checkbox"/> Turkey - Cattle & Ruminant <input type="checkbox"/> Other EMs - Multi species	<input type="checkbox"/> Cattle, Swine, Poultry, ^Companion, ^Equine – Multi species model
Commercial Strength*	<input type="checkbox"/> ~150	<input type="checkbox"/> ~100	<input type="checkbox"/> ~50
Revenues (₹ Mn) & Growth			
Infrastructure Capabilities	<input type="checkbox"/> Mfg. – India <input type="checkbox"/> R&D – India	<input type="checkbox"/> Mfg. – All manufacturing sites <input type="checkbox"/> R&D – Spain, Brazil, Turkey	<input type="checkbox"/> Mfg. – Spain & Germany <input type="checkbox"/> R&D – Spain & India
Growth Drivers / Strategic Initiatives	<input type="checkbox"/> 60%+ CAGR over last 3 years via organic initiatives <input type="checkbox"/> Reliable macro environment for strategic investments <input type="checkbox"/> TINETA acquired (FY23)	<input type="checkbox"/> Portfolio leveraged for new markets entry <input type="checkbox"/> New product launches driven by R&D <input type="checkbox"/> Consolidation of acquired businesses <input type="checkbox"/> NOURRIE acquired (FY22) – entry into Companion animal segment in Brazil	<input type="checkbox"/> New launches & R&D Pipeline (Tulaject, Citramox LA, Halofusol, Gastro-Herb Plus..) <input type="checkbox"/> New BD partnerships <input type="checkbox"/> Driving cost efficiencies

* On ground presence through direct field force, distributor channel field force additional

^ Primarily through Distributed portfolio

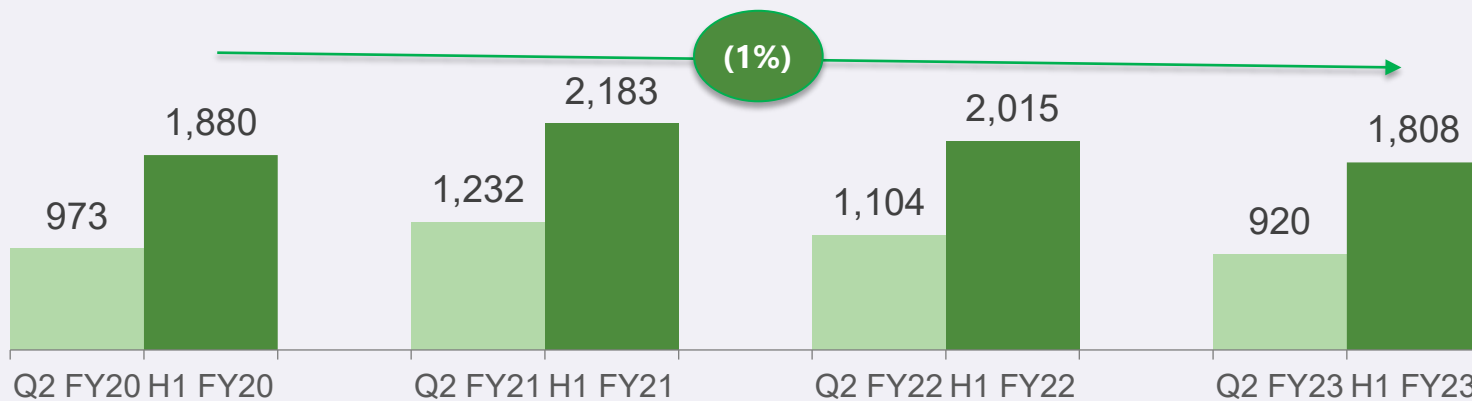
API : Challenging quarter... Acceleration program in place

Key Updates

- ❖ Q2 revenues at ₹ 920 Mn, performance impacted by erratic demand and price pressures
- ❖ H1 revenues at ₹ 1.81 Bn, 3-year CAGR flat, new product pipeline to drive near-term growth
- ❖ Business contribution from regulated market customers & Top-10 AH players well sustained
- ❖ Mahad site received EcoVadis Sustainability Silver Medal and certificate: Sequent's sustainability management system ranked among Top 25% of participating companies – significant milestone in validation of the EU GMP approved facility's EHS standards
- ❖ Submitted 1 new CEP filing – total 25 USVMF filings, 12 CEP approvals

Revenues

All values in ₹ Mn



Commercial APIs

33

Manufacturing facilities

3

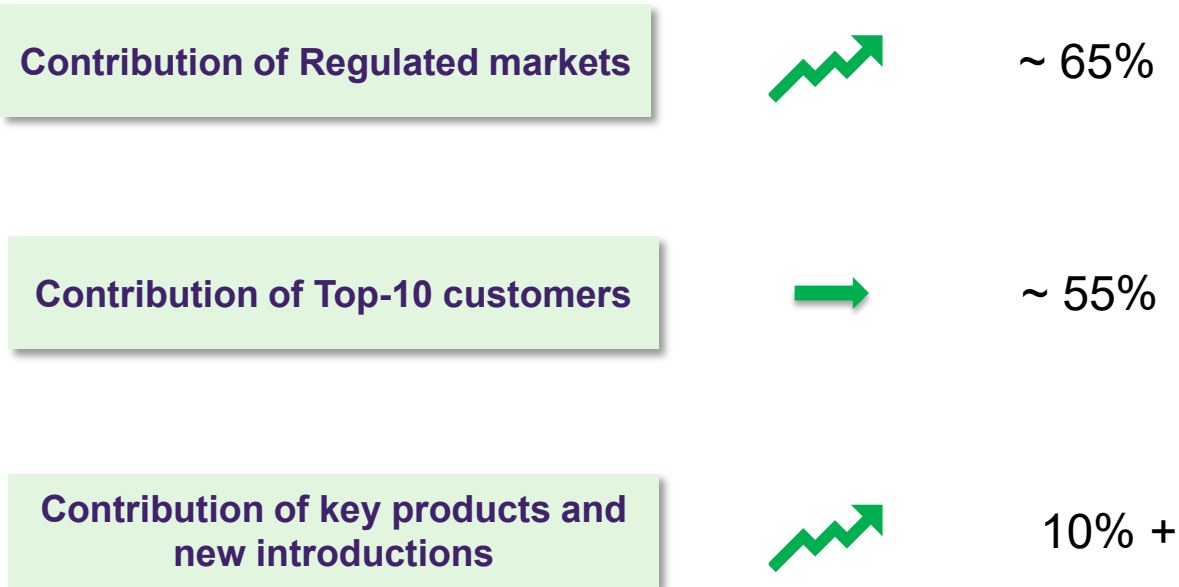
R&D Centre

1

Sales to Regulated Markets

65%+

API business quality Improving : Regulated markets, Top customers and new products

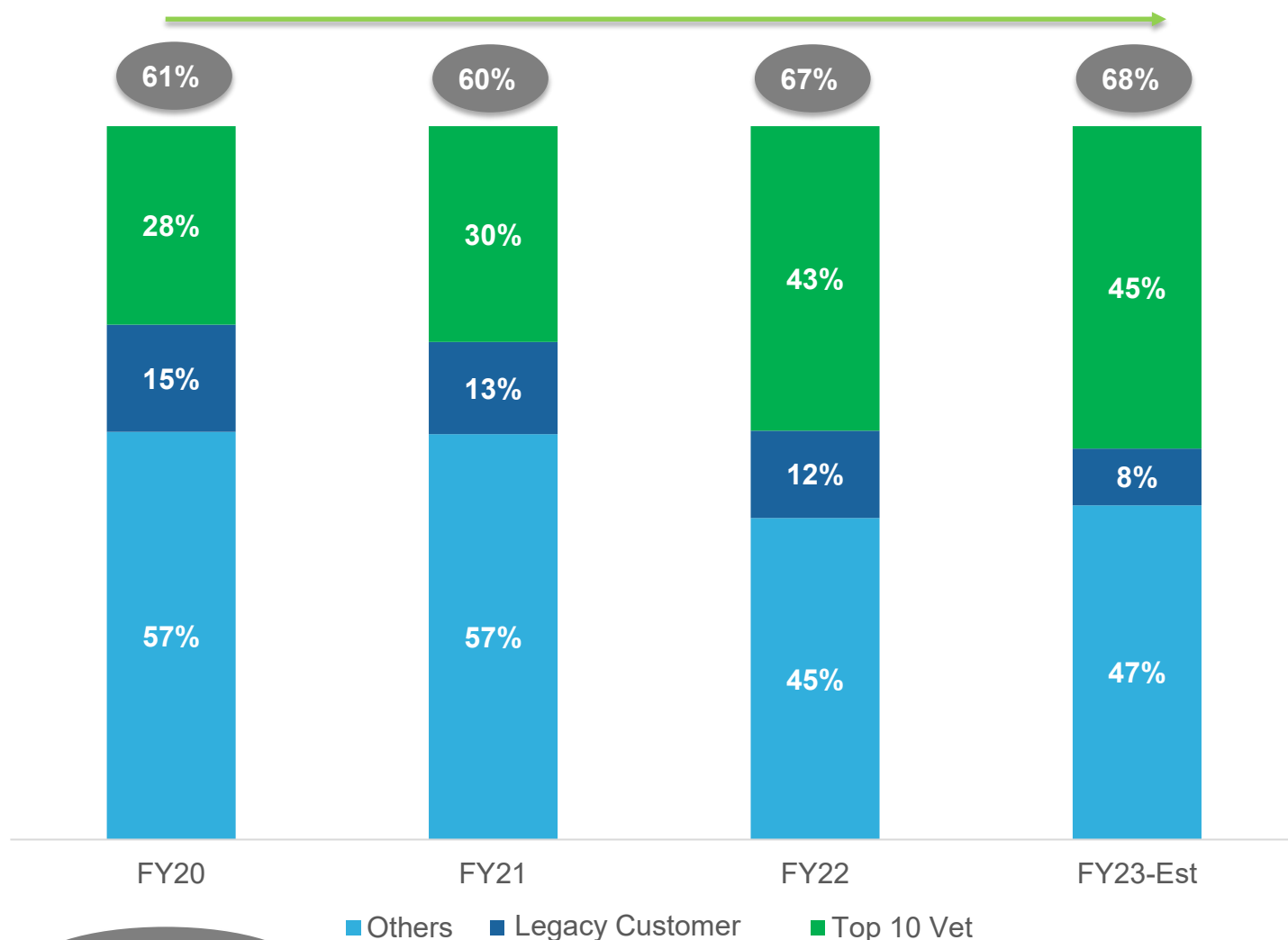


Key Growth Drivers

- Long-term partnerships & CDMO *(3 projects underway)*
- Deepen Customer engagement *(New customer organization implemented)*
- R&D Pipeline; New Qualifications New seedings, Early Lock-ins *(API R&D center expanded)*
- Cost and yield optimization, Portfolio mix improvement Operational excellence *(Cost Improvement projects on 5 large APIs underway)*

Focus on Regulated markets and New products to deliver sustainable long term growth

Improving quality of API business: Regulated markets & Top animal health customers contribution continuously increasing



Regulated Markets Contribution

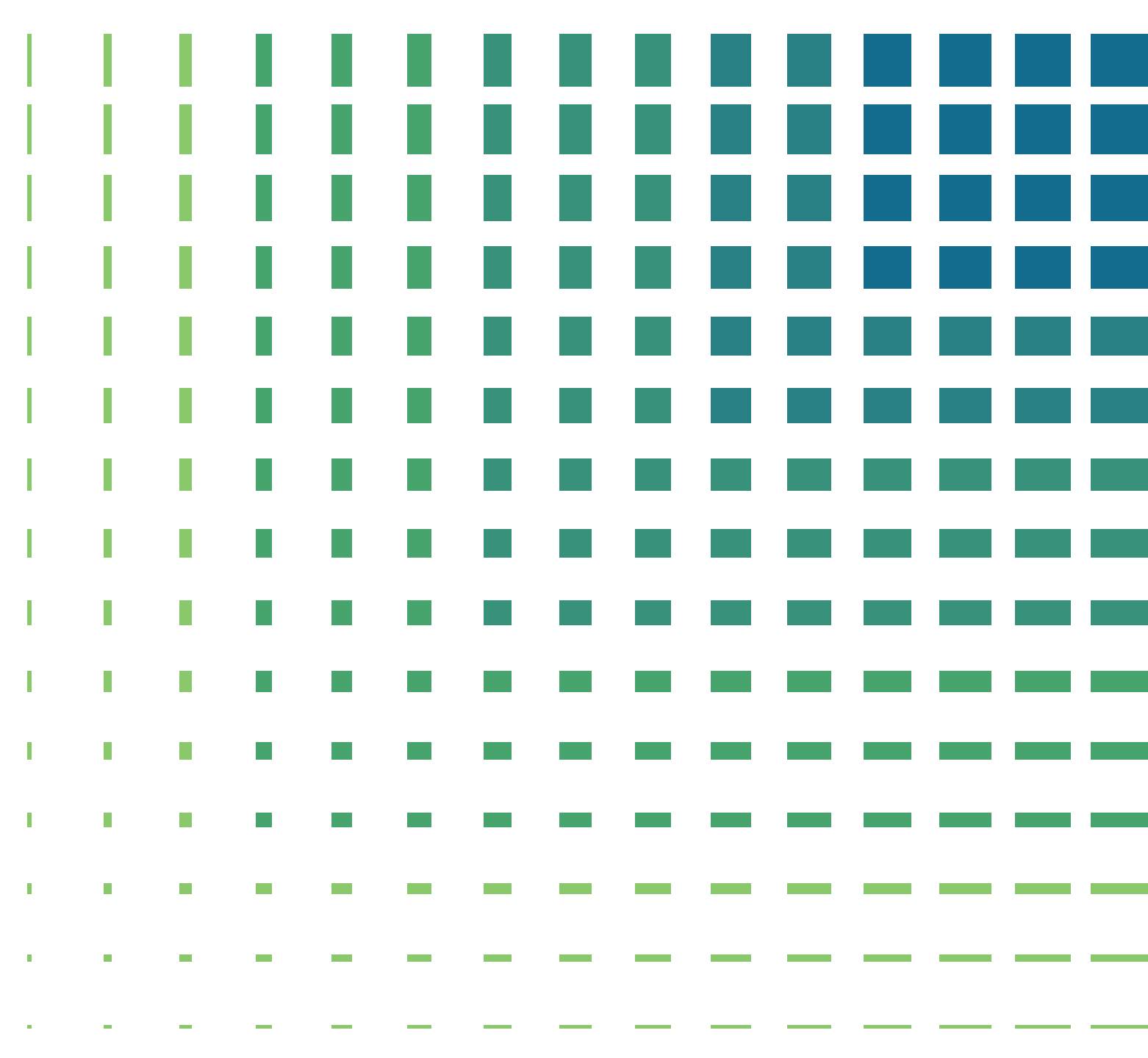
Sustainable Growth Model

Regulated markets penetration increasing - predictable & stable

Contribution of Top-10 animal health players ramping up fast

R&D pipeline commercialization driving higher Vet API contribution

New Business Acquisition in India



Tineta Pharma Pvt. Ltd.



- 25 year old profitable company in India
- FY 2021-22 Revenues exceeded ₹ 810 Mn
- Top Animal Health player focused on livestock sector
- Strong on ground commercial presence with robust field force of 270+
- Established leading brand "Vitum" range with revenues of ₹ 500 Mn+
- 30 commercialised brands with a strong pipeline

Key Transaction Terms



- Sequent to acquire 100% stake of promoters
- Total Enterprise value : ₹ 2,180 Mn
 - Cash consideration – ₹ 1,530 Mn
 - Preferential allotment of Sequent shares – ₹ 650 Mn
- Transaction expected to close in Q4 FY 23, subject to customary closing conditions
- One founder – promoter to continue with the business for around 1 year



Top-10

Animal Health company in India, key player in livestock



Vitum

Pioneer in udder management - Premium brand, preferred choice



Performance

Commercial engine to drive upswing in formulations run-rate



~ ₹1,900 Mn

*LTM combined revenues in India business



50+ Brands

Nutritional supplements, tonics, antibiotics, fertility solutions...



Synergies+

Cross / up sell opportunities
Wider branded portfolio basket
Broad-based value chain



~400

Field force ramp up



2x+ Customers

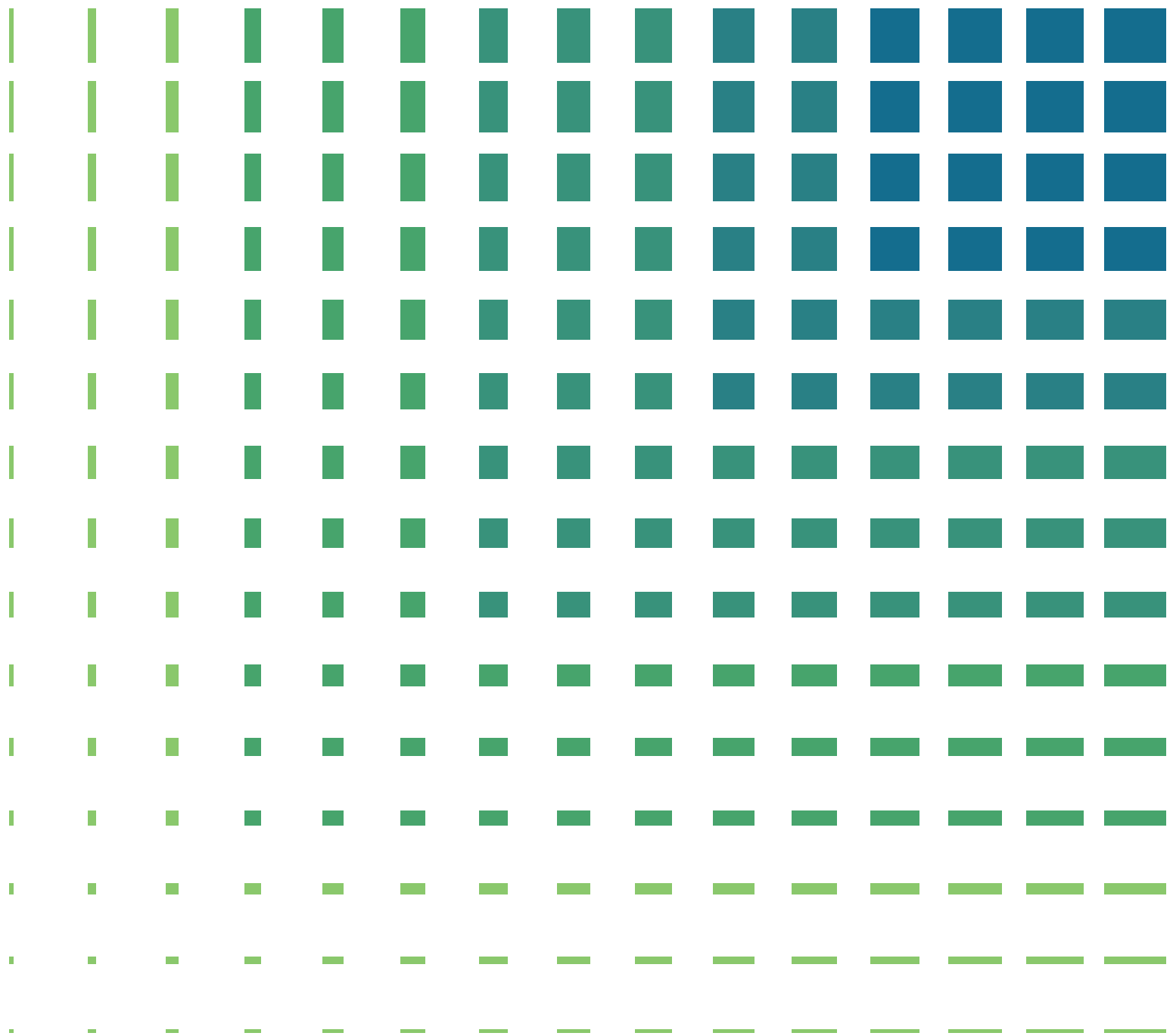
Market penetration scale up



2x+ Coverage

Deeper distribution network





Financials

Consolidated Financials

All values in ₹ Mn



ALIVIRA

Particulars	Q2 FY23 Unaudited	Q1 FY23 Unaudited	Q2 FY22 Unaudited	H1 FY23 Unaudited	H1 FY22 Unaudited	FY22 Audited
Revenue from Operations	3,376	3,413	3,506	6,789	6,711	14,128
Material Consumption	(1,979)	(1,967)	(2,004)	(3,946)	(3,667)	(7,930)
Gross Margin	1,397	1,446	1,501	2,843	3,044	6,198
%	41.4%	42.4%	42.8%	41.9%	45.4%	43.9%
Employee Benefit Expenses	(526)	(554)	(477)	(1,080)	(977)	(1,985)
Operating Expenses	(721)	(691)	(682)	(1,412)	(1,366)	(2,791)
EBITDA (pre ESOP)	150	201	342	351	700	1,423
%	4.4%	5.9%	9.8%	5.2%	10.4%	10.1%
ESOP cost	(98)	(91)	(145)	(190)	(302)	(329)
EBITDA	51	110	197	161	398	1,094
%	1.5%	3.2%	5.6%	2.4%	5.9%	7.7%
Exceptional Items	-	(32)	-	(32)	-	-
Ind AS 29 Adjustment	(33)	(40)	-	(74)	-	-
Exchange Gain / (Loss)	11	(49)	(0)	(38)	11	63
Other Income	9	9	8	18	23	45
Finance Cost	(81)	(68)	(33)	(149)	(63)	(158)
Depreciation	(134)	(139)	(132)	(273)	(258)	(515)
Earnings Before Tax	(177)	(209)	39	(387)	112	529
Taxes	133	56	99	189	53	(82)
Earnings After Tax	(44)	(153)	138	(198)	165	448
Minority Interest	(7)	(4)	(5)	(10)	13	38
Earnings after Minority Interest	(38)	(150)	143	(187)	152	410

Q2 Operating Performance – One offs

All values in ₹ Mn

Particulars	Q2 FY23	Q1 FY23
EBITDA (Pre ESOP)	150	201
<i>% of Revenue</i>	<i>4.4%</i>	<i>5.9%</i>
<u>One offs</u>		
<i>Plant safety and improvement</i>	<i>32</i>	<i>-</i>
<i>Hyperinflation impact</i>	<i>24</i>	<i>17</i>
Adjusted EBITDA (pre ESOP)	205	218
<i>% of Revenue</i>	<i>6.1%</i>	<i>6.4%</i>

Key Balance Sheet Items

All values in ₹ Mn

Particulars	Sep- 22*	Mar-22^
Shareholders Funds	7,375	6,921
Minority Interest	443	480
Net Debt	3,405	2,542
Investments	1	368
Tangible Assets	3,565	3,263
Intangible Assets	2,981	2,498
Working Capital	4,604	4,222
Put / Buyout Liabilities	-	159

Balance Sheet Highlights

- ❖ Rise in Net Debt on account of additional working capital facility in India and Turkey – ₹ 396 Mn
- ❖ Capex increase in Vizag post fire incident ~ ₹ 165 Mn
- ❖ Buyout Liabilities of ₹ 159 Mn paid on account of Nourrie acquisition


* Sep'22 is adjusted for impact of hyperinflation accounting in Turkey as per Ind AS 29 - 'Accounting for Hyperinflationary economies'


^ Mar'22 is restated on account of Nourrie amalgamation

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Thank You