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Stock Ticker :1720

# Standard Chem. and Pharm. Co., Ltd. (SCP) Investor Conference

2018.04.19



生達化學製藥股份有限公司  
STANDARD CHEM.& PHARM.CO.,LTD

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# Agenda



## Introduction to Standard Pharmaceutical Group (SCP Group)

- Historical Milestones
- Resource Integration
- Historical Financial Performance



## 2017 Financial Statements

- Consolidated Financial Statements
- Parent Company Financial Statements



## Forward- looking

- Pharmaceutical Industry Forecast
- Actions for Revenue Growth
- Forward-looking Strategy



## Corporate Social Responsibility (CSR)

- Fan Dao Nan Foundation





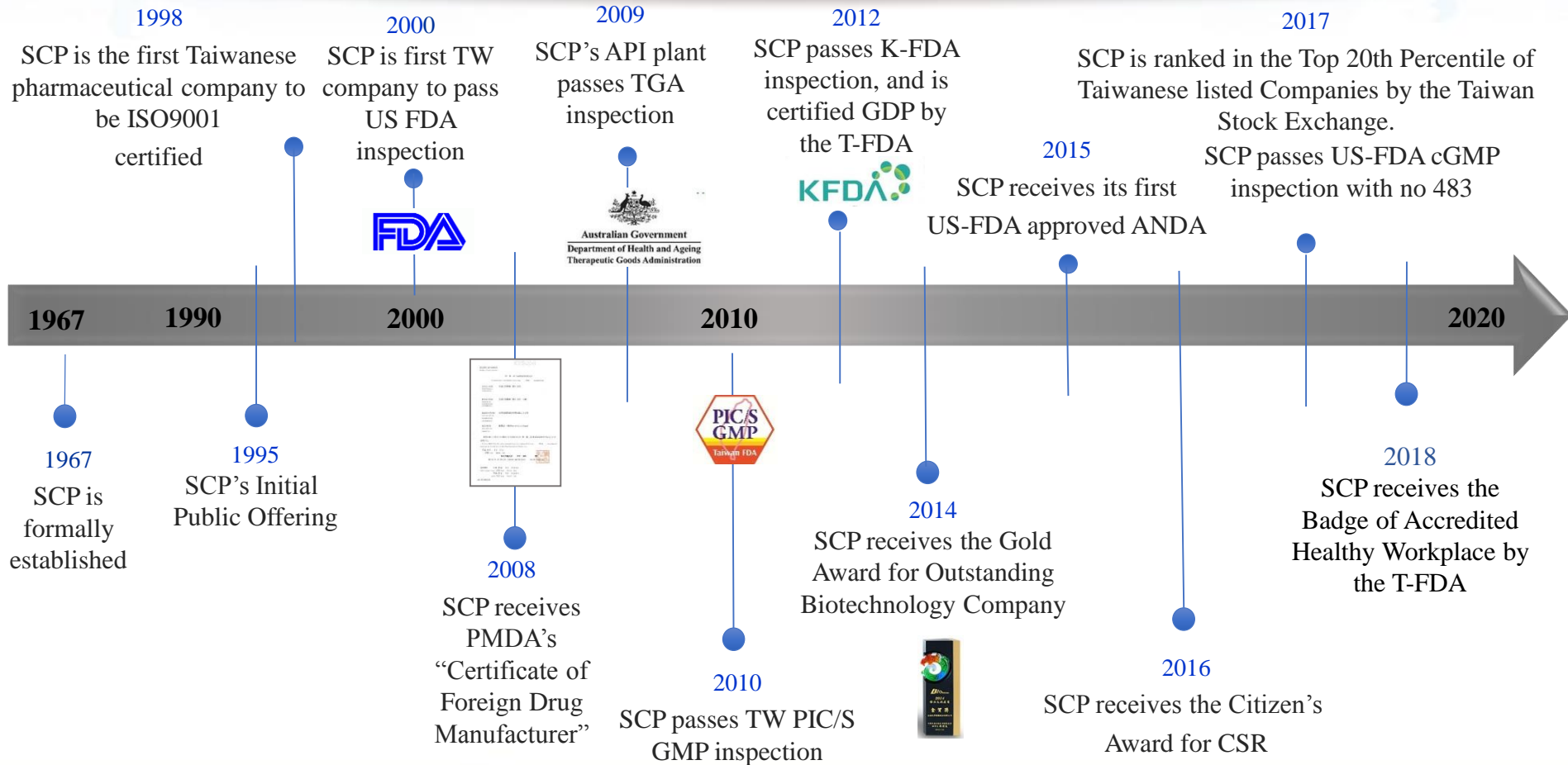
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# **Introduction to Standard Pharmaceutical Group (SCP Group)**



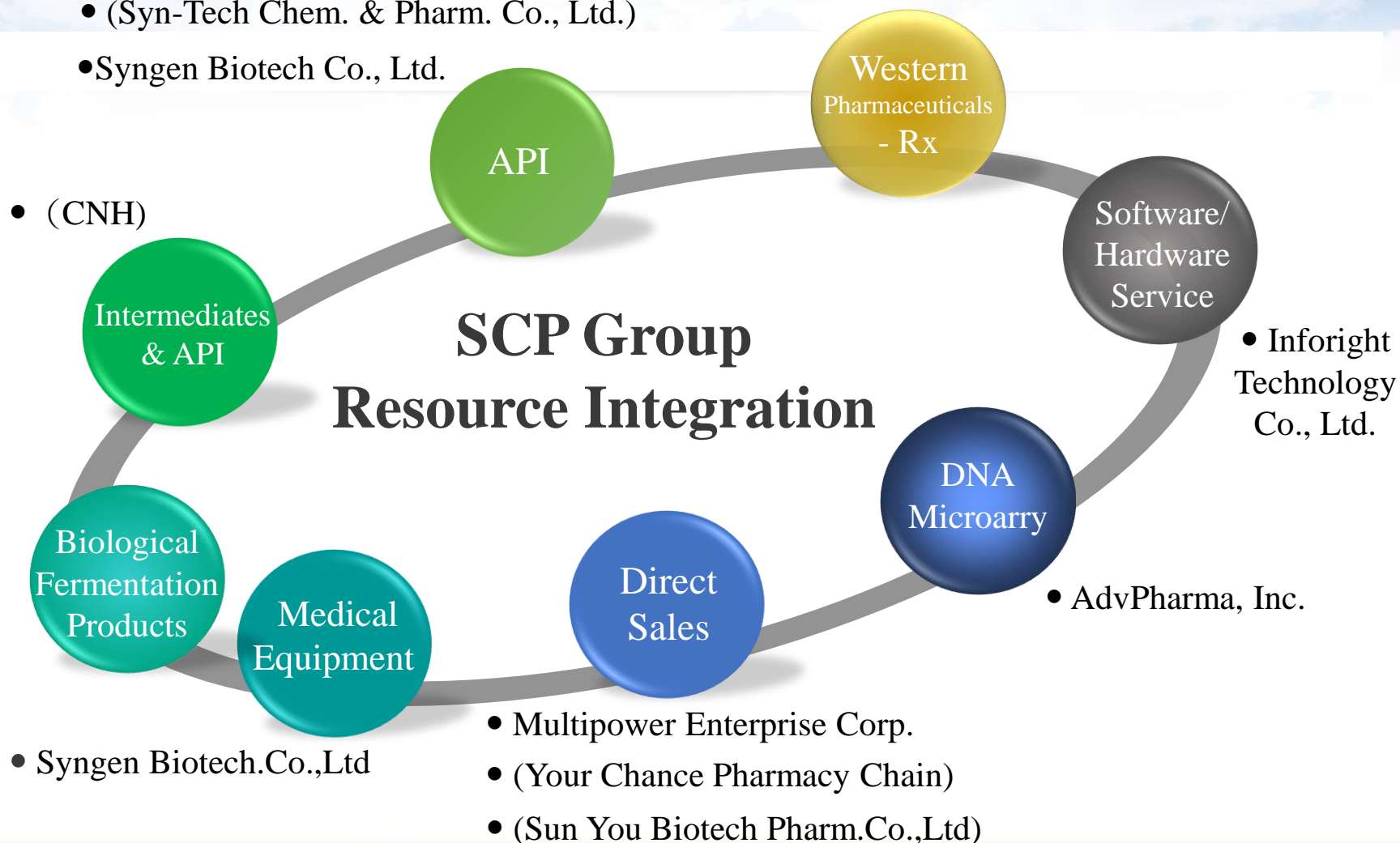
# Historical Milestones



- Standard Chem. & Pharm. Co., Ltd
- Souriree Biotech. Co., Ltd

- (Syn-Tech Chem. & Pharm. Co., Ltd.)
- Syngen Biotech Co., Ltd.

- (CNH)



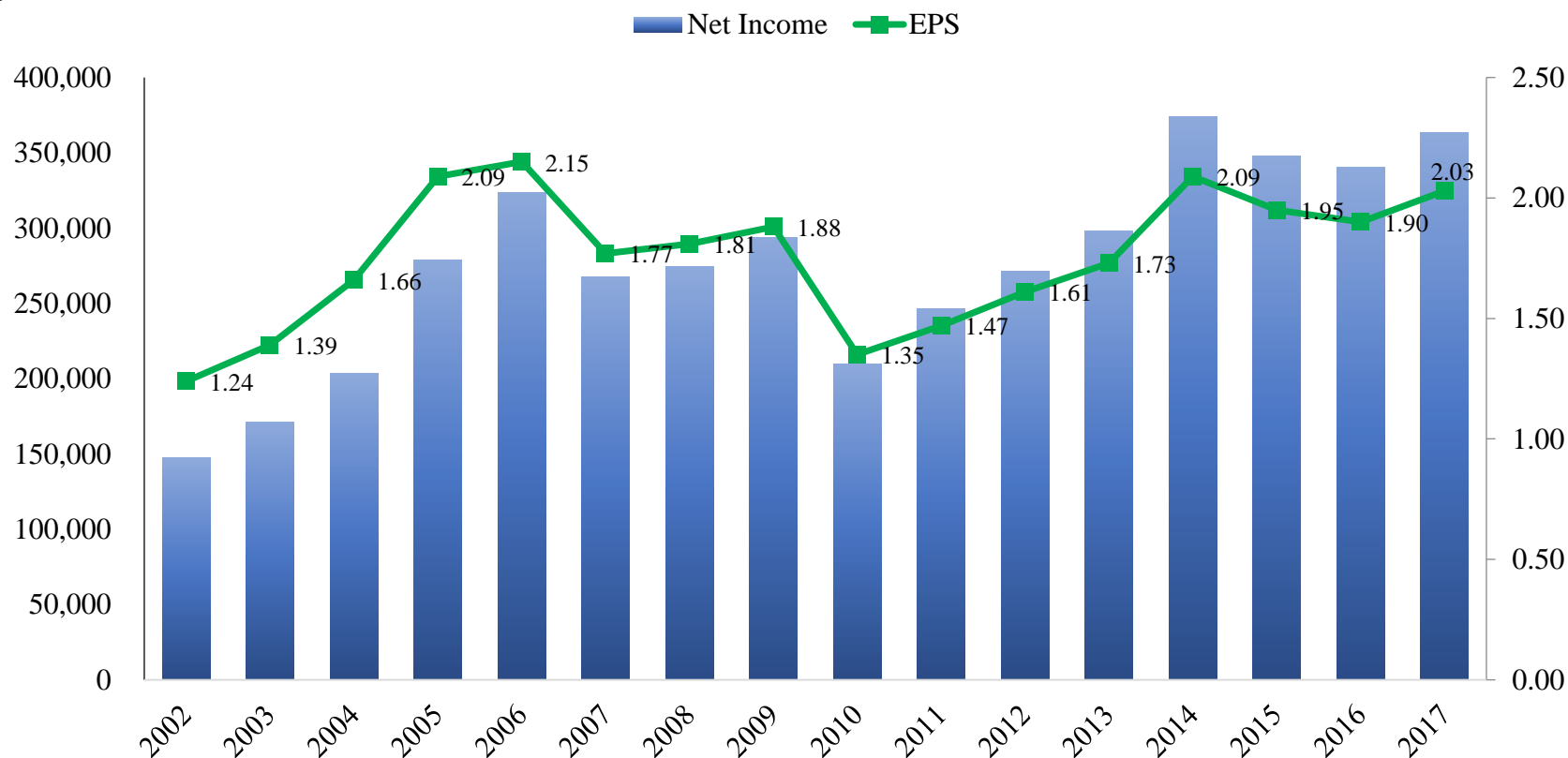
# 50 Years of Profit (Parent Company)



Income after Taxes

EPS

(Expressed in thousands of New Taiwan Dollars)



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# 2017 Financial Statements



# Income Statement

## (Consolidated)

(Expressed in thousands of New Taiwan Dollars)

	2017		2016		Change
	Amount	%	Amount	%	%
Operating revenue	3,848,684	100	3,673,801	100	5
Operating costs	2,099,686	55	2,097,542	57	0
Gross profit	1,748,998	45	1,576,259	43	11
Operating expenses	1,207,523	31	1,158,123	31	4
Operating profit	541,475	14	418,136	12	29
Non-operating income and expenses	8,737	0	43,619	1	-80
Income before tax	550,212	14	461,755	13	19
Net income	433,339	11	371,808	10	17
EPS (NT\$)	2.03		1.90		7



# Balance Sheet

## (Consolidated)



(Expressed in thousands of New Taiwan Dollars)

	2017		2016	
	Amount	%	Amount	%
Cash and cash equivalents	1,192,512	19	876,820	14
Accounts Receivable	936,713	15	975,369	16
Inventories	727,894	11	737,725	12
Investments	650,171	10	798,771	14
Property, plant, and equipment	2,156,720	34	2,090,208	33
Other current and non-current assets	710,207	11	746,947	11
Total Assets	6,374,217	100	6,225,840	100
Current Liabilities	1,646,341	26	1,646,886	27
Long-term loans	187,312	3	47,317	1
Other liabilities	338,379	5	334,973	5
Total liabilities	2,172,032	34	2,029,176	33
Total shareholder's equity	4,202,185	66	4,196,664	67
Total liabilities and shareholder's equity	6,374,217	100	6,225,840	100

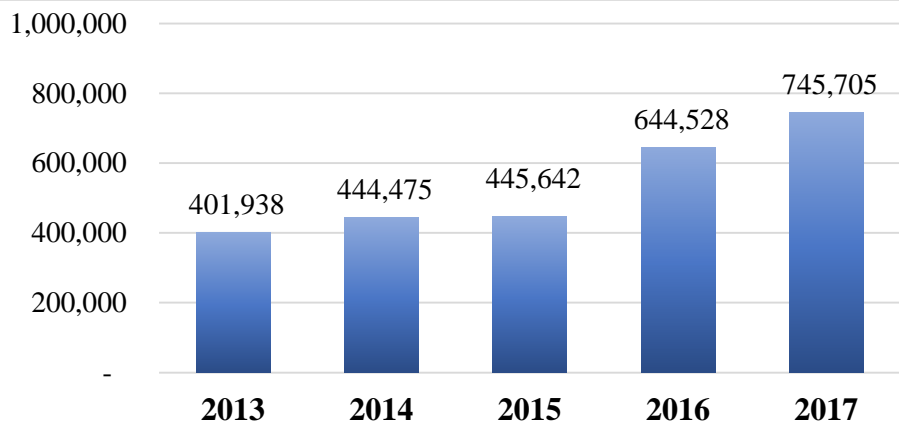


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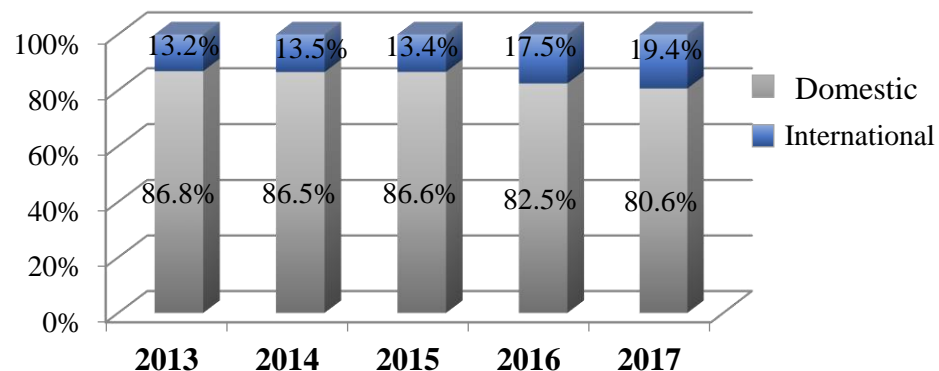
# Global Revenue Ratio of past 5 Years (Consolidated)

(Expressed in thousands of New Taiwan Dollars)

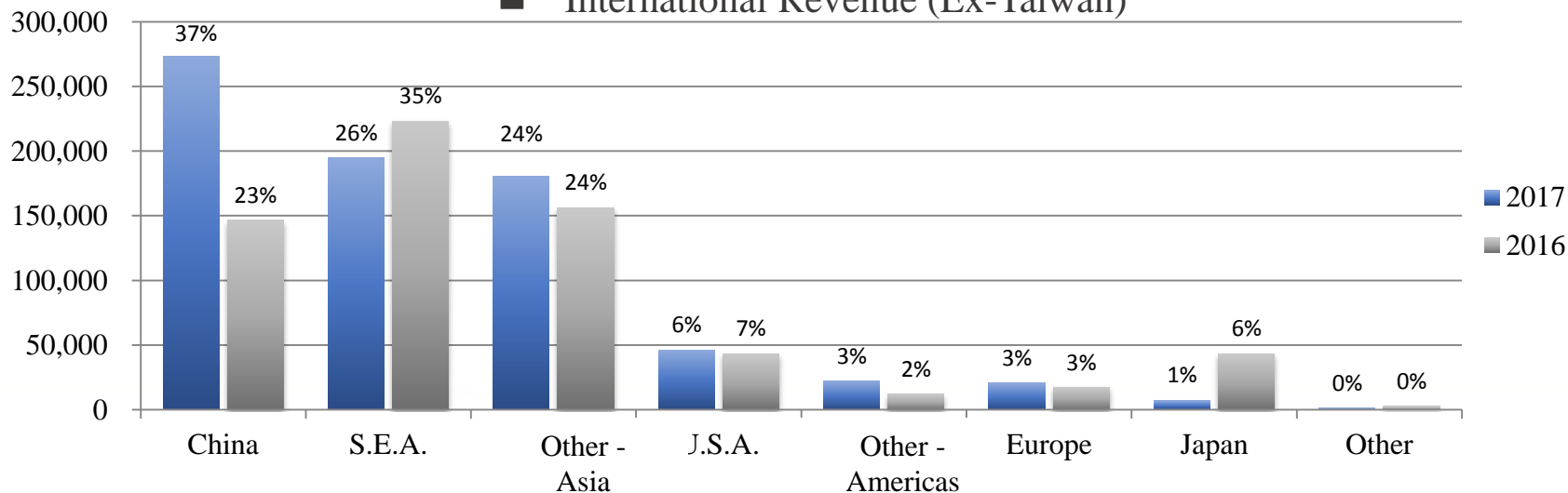
■ International Sales of past 5 years



■ Ratio of International-to-Domestic Sales of past 5 years



■ International Revenue (Ex-Taiwan)



# Income Statement

## (Parent Company)

(Expressed in thousands of New Taiwan Dollars)

Item	2017		2016		Change
	Amount	%	Amount	%	%
Operating revenue	2,410,610	100	2,357,528	100	2
Operating costs	1,290,577	54	1,308,075	56	-1
Gross profit margin	1,120,033	46	1,049,453	44	7
Operating expenses	759,458	31	742,267	31	2
Operating profit	360,575	15	307,186	13	17
Non-operating income and expenses	72,083	3	88,622	4	-19
Income before tax	432,658	18	395,808	17	9
Net income	363,286	15	340,216	14	7
EPS (NT\$)	2.03		1.90		7





# Balance Sheet

## (Parent Company)

(Expressed in thousands of New Taiwan Dollars)

Item	2017		2016	
	Amount	%	Amount	%
Cash and cash equivalents	729,506	14	438,306	8
Accounts Receivable	634,621	12	722,095	14
Inventories	520,549	10	448,633	9
Investments	1,922,635	36	2,036,377	39
Property, plant, and equipment	1,193,519	23	1,170,949	23
Other current and non-current assets	306,553	5	332,270	7
<b>Total Assets</b>	<b>5,307,383</b>	<b>100</b>	<b>5,148,630</b>	<b>100</b>
<b>Current Liabilities</b>	<b>1,198,955</b>	<b>23</b>	<b>1,066,585</b>	<b>21</b>
Long-term loans	100,000	2	30,000	1
Other liabilities	336,005	6	332,693	6
<b>Total liabilities</b>	<b>1,634,960</b>	<b>31</b>	<b>1,429,278</b>	<b>28</b>
<b>Total shareholder's equity</b>	<b>3,672,423</b>	<b>69</b>	<b>3,719,352</b>	<b>72</b>
<b>Total liabilities and shareholder's equity</b>	<b>5,307,383</b>	<b>100</b>	<b>5,148,630</b>	<b>100</b>



# R&D Accomplishments (Parent Company)



## ■ SCP - R&D Expenditures and Ratio of past 5 years

(Expressed in thousands of New Taiwan Dollars)

	2013	2014	2015	2016	2017
R&D Expenditures	167,533	183,196	174,730	182,911	180,985
% of Total revenue	7%	8%	8%	7%	7%

## ■ SCP – Dossier submissions of past 5 years

	2013	2014	2015	2016	2017
Taiwan	14	10	16	9	9
International	10	23	17	14	10
Total	24	33	33	23	19



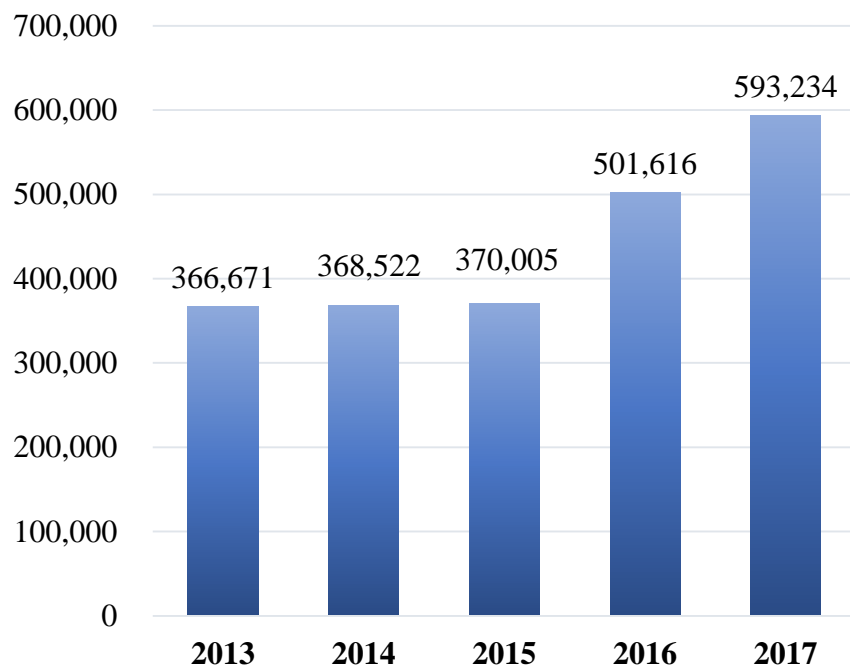
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# Global Revenue Ratio of past 5 years

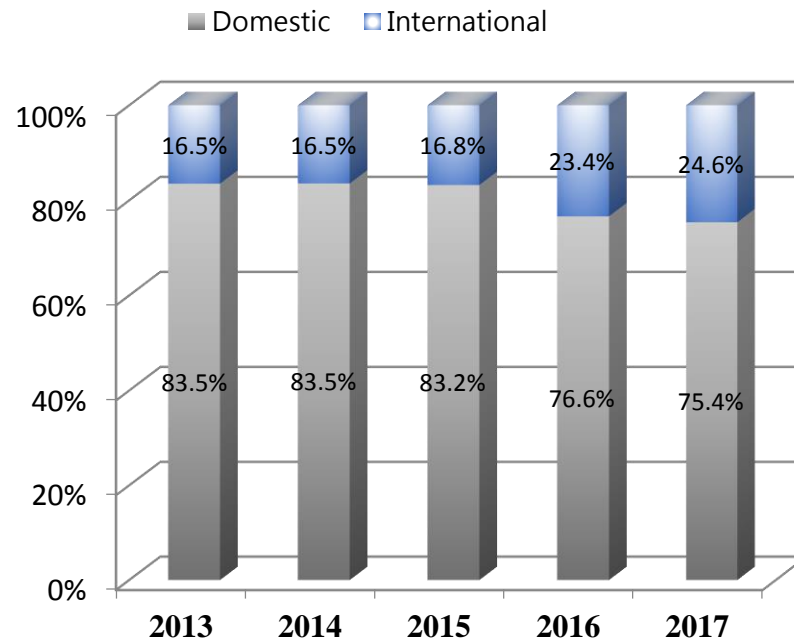
## (Parent Company)

### ■ International Sales of past 5 years

(Expressed in thousands of New Taiwan Dollars)

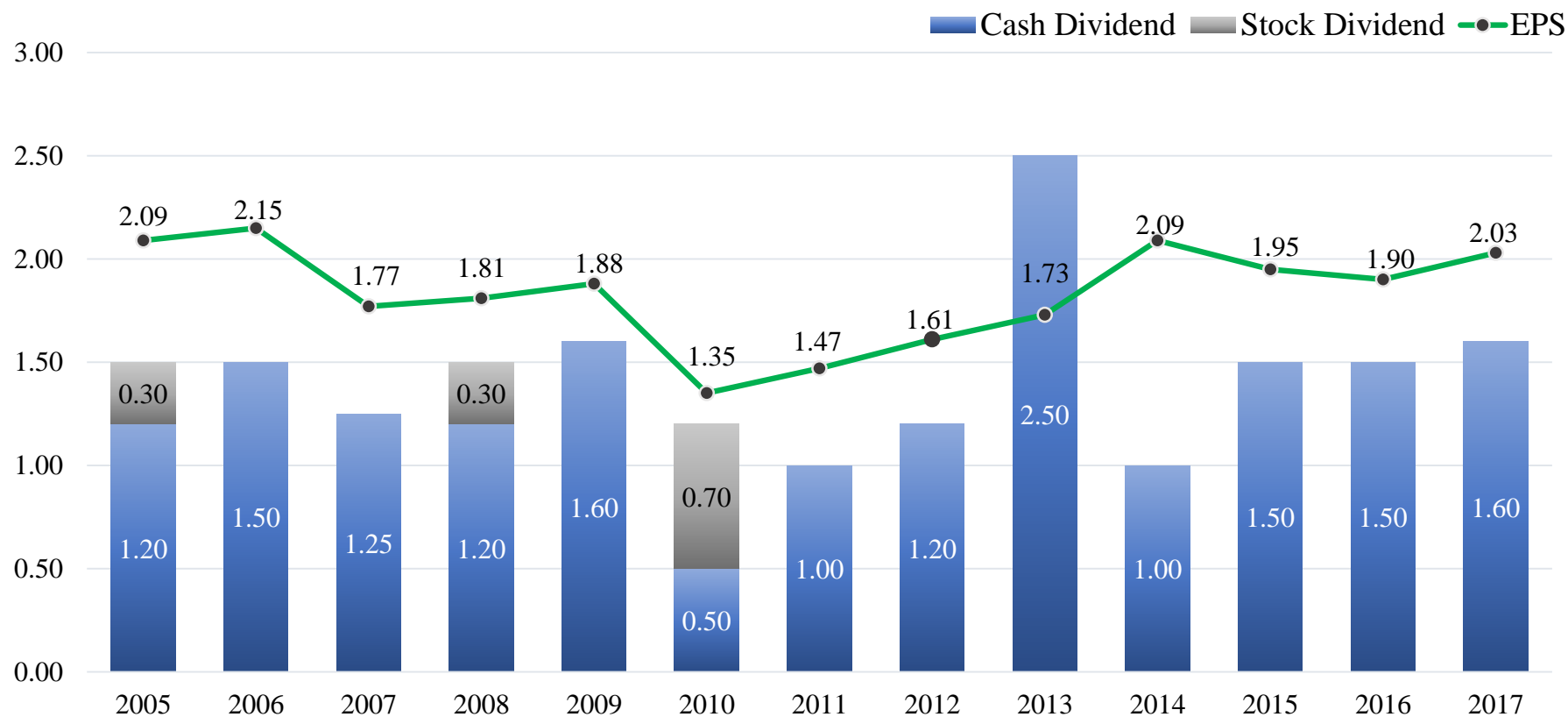


### ■ Ratio of International to Domestic Sales of past 5 years



# Historical Dividend Distributions (Parent Company)

(Expressed in thousands of New Taiwan Dollars)



Note: 2017 Dividends have not yet been confirmed by shareholder's meeting.



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# Forward-looking Strategy



# SCP – Major International Operations of the past 2 years



## Taiwan

- Established dedicated CNS Sales Team; Initiated sales of Japanese CNS NDA Latuda®

## China

- Contracts signed for three products.
- Estimated contract value: NT\$30MM
- Business Model: Profit Sharing

## Japan

- Contract Development of Montelukast (Asthma) with continuous export to Japan
- NT\$10MM sponsorship from Japanese co-development partner.



# Pharmaceutical Industry Forecast

## 2017~2018 Taiwan Pharmaceutical Manufacturing Output and Estimates

(Expressed in billions of New Taiwan Dollars; Percentage %)

Classification	2017				2018		
	Q1~Q3	Q4 (e)	Year (e)		Q1 (e)		Year (f)
	Output	Output	Output	Growth Rate	Output	Growth Rate	Output
API	12.15	4.00	16.14	-12.80	3.83	-2.30	16.40
Pharmaceuticals	32.57	11.66	44.23	6.30	10.94	4.20	47.44
Biologics	1.25	0.41	1.67	43.50	0.25	3.20	1.90
Chinese Medicine	6.29	2.17	8.46	2.80	2.07	1.70	8.82
<b>Total</b>	<b>52.26</b>	<b>18.24</b>	<b>70.50</b>	<b>1.40</b>	<b>17.09</b>	<b>2.30</b>	<b>74.56</b>

Notes: "Growth Rate" compares indicated period with the same period of the previous year; (e) - estimated; (f) - forecast; any variation between quarterly figures and yearly/total figures is due to rounding of data.

Source: Ministry of Finance, Customs Administration; Compiled by DCB Asset Group and ITIS. (2018.02)



# Future Milestone



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**Taiwan Generics**

**International  
Better than Generics**



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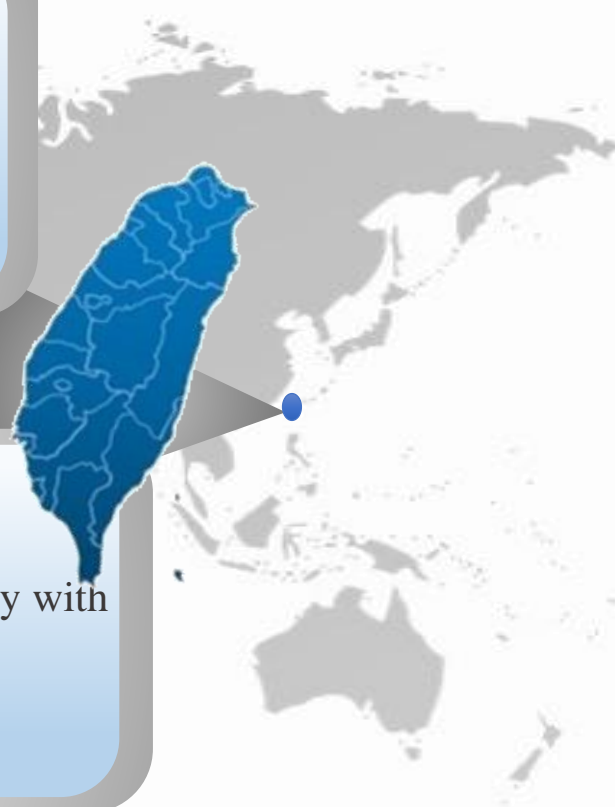
# Revenue Growth Strategy - Taiwan

## ■ Taiwan as Base of Operations for Global R&D and Pharmaceutical Manufacturing

- International sales contributed 24.6% to revenue in 2017.
- Our goal is for revenue to be comprised of 50% international sales by 2021.

## ■ Product Internationalization

- Internationalize product lines via international audits
- Internationalization of product specifications to comply with international regulatory requirements
- Eliminate low-demand, low-margin products
- ‘Trim-the-fat’ and focus on specialization



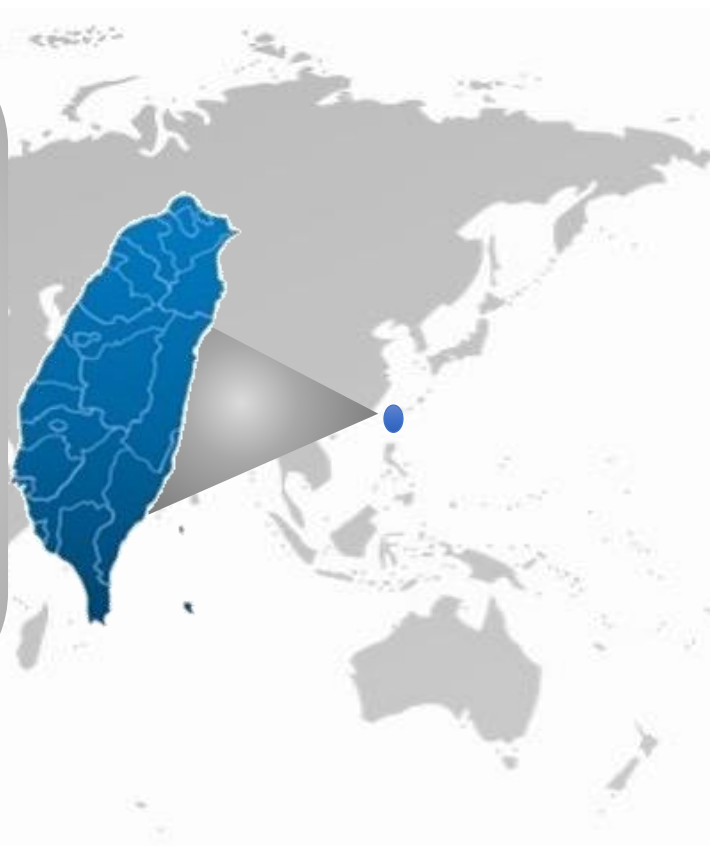
# Revenue Growth Strategy - Taiwan

## ■ As a result of deteriorating prices, strive for new products with accelerated time-to-market

- Each year focus on continuous R&D and launch of new products.

## ■ In-licensing and Fully Integrated Products

- In-license CNS products – Latuda®
- Focus on Anti-hypertension, Urology



# Revenue Growth Strategy - China



## SCP Competitiveness

- SCP has successful experience with U.S. and Japan regulatory dossiers
- SCP to continue to specialize expertise in BE design and execution



## Under Review

- 2 diabetes product
- 1 cardiovascular product



## Client Prioritization

- SMEs have opportunities over large corporations



## Current State

- Substantial revenue growth in 2017



## Collaboration Model

- Tech-transfer
- Co-development
- BE Collaboration
- Profit-sharing Partnerships



## Seize business opportunities

- Co-develop 3 products in 2017
- 5 products in 2018



# Revenue Growth Strategy - Japan



## Collaboration Model

- Japanese Distribution Partner
- Contract Development, SCP Manufacturing



## Raw Material Strategy

- Collaborate with Syn-Tech Chem. & Pharm. Co., Ltd.
- API Vertical Integration



## Current State

- Obtained marketing license for Montelukast (Asthma)
- Partner Sponsored Co-Development



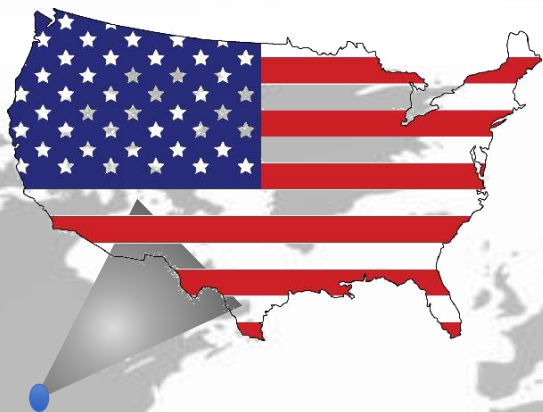
## Under Development

- Co-development of Nonsteroidal Anti-inflammatory Drug (NSAID)
- Estimated Market Launch is 2020 – increase ratio of international revenues





# Revenue Growth Strategy – U.S.A.



## U.S.A. Market

- Largest Rx Market
- Characterized by lengthy review timelines and high costs.
- Part of SCP's long term goals



## Strategy

- Collaboration with .  
Syn-tech Chem. and Pharm. Co. Ltd.
- API Vertical Integration



## Current State

- Actively export one diabetic treatment
- One approval, pending patent settlement terms
- Three ANDA's under review
- KPI – One submission per year



# Forward-looking Strategy Layout



- Increase international business resources
- Recruit international talent



- Develop Taiwan into a base of cutting-edge R&D technology and revenue generation.



- Stable foundation
- Rapid revenue creation
- Step-by-step optimization for minimization of loss
- Focus on market knowledge and business acumen
- Establish strategic partnerships for mid- and long-term goals





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# Corporate Social Responsibility



# Fan Dao Nan Foundation



## Fan Dao Nan Foundation

- Established in 1987
- Endowment Fund: NT\$196 Million
- Annual Budget: NT\$13 Million

## Principal Activities

- Cultural and educational development activities
- Scholarships and Talent Cultivation
- Non-profit education
- Sponsor R&D and Innovation



## Rewards and Honors Received

- 2011: Special Recognition Award – Dept. of Education
- 2012: Tainan City Govt. Grant for Scholarship Program
- 2013: National Special Selection Award for After-School Program – Dept. of Education



# Corporate Social Responsibility



## Scholarships

- University (related fields): 4 universities/8 students
- High school: 6 schools/118 students
- Middle school: 64 schools/828 students
- Elementary school: 221 schools/2,596 students

**Scholarship Totals – NT\$5.6MM**



## Hope After-school Class

- Weekday afternoons
- 20 schools
- 1,500 students

**Scholarship Totals – NT\$1.55MM**



## Sunflower Wednesdays

- Every Wednesday afternoon
- 4 schools
- 1,500 students

**Scholarship Totals – NT\$250KK**



## Other Sponsorships

- Member of 16-corporation alliance for sponsorship cultural and educational advancement

**Grant Total – NT\$1.8MM**



## Meal-Assistance

- In 2017, provided 6,142 meals to students during winter and summer holidays.

**Assistance Totals – NT\$370KK**



## Charity



- SCP Children's Drawing Competition
- SCP National Table Tennis Competition

**Prize Totals – NT\$1.3MM**

※ Funded or provided assistance to 5,820 students in 2017



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# Q & A





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**Thanks for your attention**



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