Aspen establishes its international platform for future growth

Issued by Shauneen Beukes Communications

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JSE listed Aspen Pharmacare Holdings Limited, Africa's largest pharmaceutical manufacturer, is pleased to announce positive results for the year ended 30 June 2008.

The Group delivered sustained growth from its existing bases in South Africa, Australia and Asia. A series of significant transactions were concluded to expand the Group's footprint into Latin America, East Africa and more than 100 new markets globally. This sets the platform for a new growth trajectory.

GROUP PERFORMANCE:
- Group revenue increased by 21% to R4.9 billion (R4.0 billion).
- Group operating profit improved by 14% to R1.2 billion (R1.1 billion).
- Group earnings per share increased by 19% to 245.3 cents (205.7 cents).
- Group headline earnings per share (HEPS) grew by 10% to 231.3 cents (210.1 cents).

Stephen Saad, Aspen Group Chief Executive said, “Aspen has retained its leadership position in the South African market, while the Group has increased its presence in emerging markets with particular growth in the southern hemisphere. In addition, Aspen's worldwide product portfolio has been expanded by the addition of four established branded products from GlaxoSmithKline (“GSK”) and an investment in an oncology franchise.”

SOUTH AFRICAN OPERATIONS CONTINUE TO LEAD THE MARKET
The South African business grew revenue by 15% to R3.8 billion and increased operating profit to R1.1 billion. The Pharmaceutical division recorded satisfactory revenue growth of 17% at R2.8 billion, amidst increasing pricing pressures, adverse economic conditions, sharp rises in the cost of materials and legislative challenges. The annual single exit price increase of 6.5% was granted in May 2008, four months later than anticipated. Closure of Chinese raw material facilities ahead of the Beijing Olympics led to a worldwide shortage of raw materials resulting in sharp base price increases which impacted the cost of manufactured goods.

The Consumer division increased revenue by 9% to R950.9 million.

Despite heightened competition and challenging market conditions, Aspen continued to be the preferred supplier to the public sector. More than 70% of the volumes in the South African government's anti-retroviral (“ARV”) tender, awarded in June 2008, were secured, providing further evidence of Aspen's international competitiveness.

A SURGE OF ACTIVITY IN ASPEN'S INTERNATIONAL OPERATIONS
Aspen Australia continued its impressive record of growth with revenue up 39% to R708.9 million and EBITA up by 34% to R95.7 million. In a market which faces price cuts, Aspen Australia delivered organic growth through innovative management, making it the sixth largest pharmaceutical company in Australia in terms of the number of Aspen products prescribed.

Indian-based ARV active pharmaceutical ingredient (“API”) producer, Astrix, benefitted from the rise in demand for ARV's. Astrix's revenue doubled to R198.8 million with EBITA growing proportionally to R47.3 million.

Aspen increased its presence in emerging markets with the conclusion of deals in Latin America and East Africa. In March Aspen acquired 50% of the Latin American businesses from Strides which are situated in Brazil, Mexico and Venezuela. This holding has since been raised to a controlling interest of 51%. In May 60% of Shelys Africa was purchased, providing access to the Tanzanian, Kenyan and Ugandan markets.

Close to year-end, Aspen announced two watershed deals with leading multinational GSK. Four branded products, namely, Eltroxin, Imuran, Zyloric and Lanoxin, were acquired for GBP170 million, giving Aspen access to more than 100 new global markets. In a subsequent deal, a licensing and supply agreement was signed whereby GSK will source a range of generic products from Aspen and its Bangalore-based joint venture, Onco Therapies (“Onco”), for distribution into its developing markets. Onco will commence commercialisation of specialist oncology and generic products in 2010.

COMMITTED INVESTMENT IN MANUFACTURING CAPABILITY

The Group's investment in manufacturing capabilities in South Africa continued during the year with capital expenditure of R379.3 million.

The upgrade to the Heritage Facility in Port Elizabeth is progressing according to schedule and is aimed at maintaining pace with increasing international production standards as well as adding capacity. The US Food and Drug Administration-accredited Oral Solid Dosage Facility, underwent further expansion to unlock additional capacity to meet increased domestic and export demand. The Sterile Facility is in the process of being validated with the commercialisation of eye drops for export into the US market expected during the first half of 2009.

PROSPECTS

As a consequence of the Group's transformation during the past twelve months profits from international operations are expected to more than double during the forthcoming year. The international business currently contributes 16% to the Group's operating profit.

In spite of moderate growth from the South African business, the Pharmaceutical division is favourably positioned as the market leader in both the private and the public sectors. A healthy product pipeline has the potential to further accelerate performance. As South Africa's generics brand of choice, Aspen is suitably positioned to benefit from the local and emerging market switch to quality generics. Increased manufacturing capabilities, a credible international presence and a diverse portfolio of products bodes well for continued growth prospects.

Pricing pressures, legislation and inflationary factors continue to pose challenges to the pharmaceutical industry in general. Aspen will mitigate and manage these risks through new procurement initiatives, efficient commercial management and proactive engagement with legislators.

Since its listing in 1998, Aspen has delivered an unbroken growth trajectory in both revenue and EBITA at a compound annual growth (CAGR) of 52% and 58% respectively. Shareholders have shared in this success through a CAGR of 50% in HEPS over the last ten years. The Group has embarked on a path of internationalisation by the successful conclusion of a number of strategic transactions over the past year. The acquired businesses and products add immediate value to Aspen's earnings potential, supported by an established infrastructure which should enable growth to be sustained into the next decade.
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