

# Group Chief Executive's review



**Stephen Saad**  
Group Chief Executive

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## 25 years of providing access to medicines

This year we commemorate the 25th anniversary of Aspen's listing on the JSE Limited. As someone who is always looking forward, it is only at these times that I get the opportunity to pause and reflect on what we have achieved at Aspen over this period. We could never then have envisaged our position today and the positive impact we have made on so many lives globally, particularly those most in need. As a startup company, we had humble beginnings, with sales of just R3,7 million in 1998, without manufacturing and a presence only in South Africa. Today, we have turnover of over R40 billion, have manufacturing facilities across almost every continent, and sell medicines in over 115 countries through our own operations in 50 territories.

Without an organisational purpose that transcends the personal, we could never have achieved these milestones. Purpose gives you the drive and energy to want to sustainably embrace challenges and opportunities. We have seen many changes over the years, for which we have had to adapt our strategy from time to time, but one factor has remained our guiding north star – our unwavering commitment to placing the patient at the forefront of our business and living our credo *Healthcare. We Care.*

There have been many financial and other highlights over the past 25 years, but my proudest has been the work we did to build the manufacturing capability and obtain the necessary waivers to manufacture generic ARVs on South African soil. We were at the forefront of creating access for the millions of patients who simply had no prospects of receiving these treatments. Over the years, we have continued to play an active and leading role in responding to the need for affordable and more effective ARVs as well as other medicines to address related diseases such as multi-drug resistant tuberculosis. Looking back, I am humbled to note how, as a small company in global pharmaceutical terms, we have played such an outsized role in pandemics and creating access to medicines.

### Key features of 2023

#### Revenue increased by 5% (-3% CER) to R40,7 billion

Record second half revenue performance with strong contributions from both Commercial Pharmaceuticals and Manufacturing.

See [page 18](#)

#### Sterile manufacturing agreements secured

Four sterile manufacturing agreements secured with multinational pharmaceutical companies lay the foundation for our sterile capacity fill strategy.

See [page 16](#)

#### Advances made in portfolio enhancement strategy

Strategic acquisitions in Commercial Pharmaceuticals significantly broaden our emerging market footprint.

See [page 16](#)

#### Delivering on our sustainability commitments

Meaningful impact across the four pillars of our Sustainability Strategy.

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## Group Chief Executive's review continued

In 2020, we were called upon again to respond to an unprecedented global health crisis. We could only respond because of the foresight we had in building sterile manufacturing capability in Africa. Throughout the COVID pandemic we maintained the supply of our medicines and prioritised the manufacture of those critical to treating patients with life-threatening symptoms. Our supply chain efforts were rapidly adapted to ensure that anaesthetics were supplied to Europe and that demands for dexamethasone were met to treat critically ill patients. As the world pivoted to rapidly developing a vaccine to flatten the rate of infection, we were immensely proud to be able to successfully manufacture the Johnson & Johnson COVID-19 vaccine at our Gqeberha site. We manufactured over 225 million doses of COVID-19 vaccines for the African continent.

After years of intense endeavour, focused on delivering on our strategic ambition to be a meaningful player in the global sterile segment, we are now in a position to harvest the fruits of these efforts. As demonstrated by Aspen's role in treating COVID and now in manufacturing insulins, it also affords us the opportunity to expand our contribution to equitable access to medicines and improve supply security of vaccines, biologicals and other sterile products. Through the long-term contract manufacturing agreements reached with leading pharmaceutical companies, we have secured additional sustainable volumes for our sterile manufacturing facilities in South Africa and in France.

### Delivering a strong financial performance amid a challenging macro environment

The Group delivered record revenue and normalised EBITDA\* in H2, landing a strong financial performance for the year, despite global headwinds. Salient features of our performance, as detailed further in the Group Chief Financial Officer's review on [page 18](#), and further expanded in the Business Segment overviews on [pages 66 to 69](#) include:

- revenue growth of 5% (-3% CER) to R40,7 billion;
- a resilient performance from Commercial Pharmaceuticals with revenue increasing 6% (-1% CER);
- strong second-half recovery from Manufacturing, which posted a 3% increase (-6% CER) in revenue, despite the loss of COVID vaccine revenue; and
- normalised EBITDA 1% higher (-6% CER) with improved Commercial Pharmaceuticals gross profit margins being more than offset by the loss of COVID vaccine contribution.

### Our growth objectives

Within the context of our overarching Group Business Strategy set out on [page 35](#), we are focusing on the following core growth imperatives to meet our short- and medium-term objectives and create value for our shareholders and other stakeholders:

- Building and advancing our Commercial Pharmaceuticals footprint with a focus on emerging markets. This includes a particular focus on further developing in China.
- Ensuring returns on the significant investments made in building sterile capacity by filling the facilities with value-enhancing manufacturing contracts.
- Creating business value through embedding sustainability.

EBITDA\* EBITDA represents operating profit from continuing operations before amortisation and depreciation adjusted for specific non-trading items as set out in the segmental analysis contained in the Audited Annual Financial Statements.

### Advances in Commercial Pharmaceuticals portfolio enhancement strategy

In a global pharmaceutical context, Aspen's focus and relative breadth and size of our emerging markets sector is unique. We have a strong track record of growth and compliance across these markets, making us an attractive partner of choice. Our portfolio will be bolstered through the conclusion of transactions in Latin America and South Africa, supplementing our base growth and leveraging our emerging market footprint. The transactions in South Africa include an agreement reached with Amgen securing the distribution rights for its products in Southern Africa and an agreement with Eli Lilly Export S.A. ("Lilly") in terms of which Aspen will distribute and promote its products in sub-Saharan Africa. In Latin America, Aspen acquired a portfolio of products from Viatris Inc ("Viatris"). These transactions are expected to contribute incremental annualised revenue upwards of R2,5 billion.

We have had strong historical growth in China and have developed confidence in our capabilities and have a clearer focus on our future positioning. We are committed to building on our business in China and we are in advanced negotiations on opportunities to diversify our business there to manage exposure to VBP.

Our Commercial Pharmaceuticals business is well positioned to deliver sustainable positive momentum and to continue to generate strong cash flows to support future growth.

### Sterile manufacturing agreements secured

Filling sterile capacity has been a core focus area for management. Significant progress has been made. Three sterile manufacturing agreements with multinational pharmaceutical companies have been secured for production at Notre Dame de Bondeville, including one for mRNA technology. In addition, we have concluded a contract manufacturing agreement with Novo Nordisk for the local production of Human Insulin at our Gqeberha site. These agreements, together with the Serum Institute agreement concluded in 2022, will contribute materially to the foundation of our medium-term strategy to fill our sterile manufacturing capacity. These contracts demonstrate the confidence that multinational pharmaceutical companies have in Aspen. We are committed to contributing to strengthening global pharmaceutical supply chains through these collaborations. Over and above these agreements, our strategy remains to transfer part of our anaesthetic production into our own facilities presenting opportunities for further margin and supply security improvements. The increase in Sterile volumes will have a material impact on Group profitability. Contributions are very accretive, given the high level of fixed costs and operating expenditure already incurred.

Our manufacturing sites continued to support our growth by delivering successful launches, maintaining product supply, and advancing new technological capabilities. Equally, our ongoing investment in modernising our manufacturing facilities, achieving operational efficiency and maintaining our excellent regulatory compliance record bodes well for future growth prospects and enhanced shareholder returns.



## Group Chief Executive's review continued

### Creating business value through embedding sustainability

We are on a journey to embed sustainability in everything we do. We recognise that sustainability is a critical component of our long-term strategy and it is important to our stakeholders. Under the direction of the Executive Sustainability Forum, we continue to work on embedding the Group's overall approach to sustainability and crafting goals and targets that will align our performance throughout our operations. As work continues across the four pillars of our Sustainability Strategy, refer to [page 42](#) priority has been given to the development of an access to medicines position for the Group. This is at the forefront of our delivery on our purpose and it is linked to our long-term incentive scheme. As such, we recently established a Global Access to Medicines Committee to provide the mechanism for Group senior executive direction in the development, implementation, and integration of our Access to Medicines Strategy.

Our performance is attributable to the combined skills, talent and energy of our diverse team across our 65 established offices in more than 50 countries and territories. This starts with attracting and retaining a talented, diverse and highly engaged workforce and offering a culture of learning and development, which enables our people to reach their highest potential. In the context of fierce competition for talent, we are intent on positioning Aspen as an employer of choice and on investing in the skills we need for the future. We have prioritised equity, diversity and inclusion ("EDI") and have embarked on programmes to create positive and supportive work environments for our people. In South Africa, we have established an Executive Transformation Committee to drive our transformation goals and we are building robust talent pipelines and developing succession plans to position us for future success.

#### Performance expectations for FY2024

- Double-digit reported revenue growth in Commercial Pharmaceuticals
- Potential acquisitive upside in China to offset VBP impact
- Sterile manufacturing agreements to deliver R2 billion contribution in CY2024
- Additional manufacturing agreements under review
- Normalised EBITDA growth over prior year
- Operating cash conversion rate greater than 100%

### Strong short- to medium-term prospects

Aspen has been through a period of consolidation, building sterile infrastructure and assessing our relative capabilities and strengths in global markets. We have set the foundation that will serve as a springboard for our next growth phase.

Our model for Commercial Pharmaceuticals across global Emerging Markets has real traction and we have confidence that we can continue to drive both organic and acquisitive growth. Our footprint will continue to attract leading global partners as demonstrated by the transactions announced in this period. Based on current exchange rates we are targeting double-digit reported revenue growth.

Our Manufacturing business has moved out of the building phase. This business offers significant returns and cash flows, given the fixed and operational investments already incurred. We have made substantial progress in achieving our medium-term strategy to fill our existing sterile manufacturing capacity which has a potential annual contribution of at least R8 billion. Our focus is on the successful execution of recently concluded contracts which have the potential to deliver contributions of R2 billion in CY2024, increasing to R4 billion in CY2025. We continue to pursue additional contracts to increase utilisation and enhance contributions.

We are well positioned to achieve accelerated earnings growth over the medium term, as we drive both organic growth and acquisitive growth in Commercial Pharmaceuticals and realise the positive impacts from the initiation of the sterile manufacturing contracts.

While pursuing our strategy, we expect to continue to face a challenging operating environment. I am confident in our leadership team and the people of Aspen who have, over the past 25 years, consistently demonstrated their resilience and resolve to overcome challenges and deliver results. I thank them for their ongoing commitment.

I also thank the Board for its continued support and for their valuable contributions and wisdom. It is with the ongoing support of our shareholders, our employees and our many partners that we can continue our 25-year legacy of enhancing equitable access to medicines and positively impacting the lives of patients across the world.

**Stephen Saad**  
Group Chief Executive