



ASX Release

TPE acquires European opiate pharmaceuticals business

Melbourne, Australia, 12 July 2017

Key Highlights

- TPI Enterprises (ASX: TPE) has signed a binding agreement to acquire the opiates and tableting division of Vistin Pharma ASA in Norway for A\$25.4 million.
- The acquisition has an implied EBITDA multiple of 5.6x for FY17. The transaction is expected to be EPS accretive on a pro-forma NPAT basis in FY18, in excess of 10 cps.
- The acquisition is a major step towards delivery of TPE's strategy of building Narcotic Raw Material (NRM) volume growth by moving downstream and will increase the company's profit margins.
- At the time of signing, a A\$18 million equity raising had been conducted by way of private placement. This capital raise, combined with cash on hand, will be used to fund the acquisition.

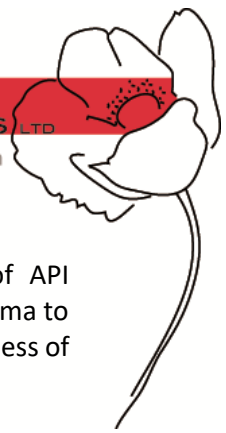
Overview

TPE has acquired the opiate and tableting assets of Vistin Pharma ASA, a Norwegian pharmaceutical company listed on the Oslo Børs. The acquisition will take place through a de-merger of Vistin's two principal pharmaceutical businesses. The acquisition is an important development for TPE, as the assets represent a significant downstream business with growth potential and access to attractive European markets. The acquisition will be significantly earnings accretive in FY18.

The acquisition consideration is A\$25.4 million cash subject to the successful demerger of Vistin Limited and the transfer of the operating license to TPI Norway AS. The acquired operations are based in Kragerø, 200 km south-west of Oslo, and have the capacity to produce Active Pharmaceutical Ingredient ("API") and Finished Dosage Form ("FDF"). More specifically 35 tonnes of codeine phosphate API, 5 tonnes of pholcodine API and manufacture 1.6 billion FDF tablets per annum.

The existing experienced site management and operations team will be complimented by the inclusion of TPE's extensive European based senior executive team, who each have over 20 years' experience in various opiate areas ranging from research and development, manufacturing, regulatory and sales.

Chief Executive Officer of TPE, Mr Jarrod Ritchie, said: "The acquisition of Vistin's opiate business represents an important strategic step in the development of TPE as a global leader in the opiate pharmaceuticals sector. Identifying and securing downstream operations has been a key objective of



the company's 5-year plan. This acquisition, together with the planned construction of API manufacturing facilities in Portugal and the toll manufacturing arrangements with Sterling Pharma to supply API into the UK market, will turn TPE into a fully integrated opiate pharmaceuticals business of global scale."

"TPE has been focused on building a reliable, industry leading low-cost base for the production of NRM in Australia. We have constructed a world-class extraction facility that gives us the world's lowest cost base for the extraction of NRM from poppy straw. In addition, we have diversified our poppy straw supply and significantly reduced its cost through the development of mainland Australian supply sources and the facilitation of the importation of northern hemisphere product. In the process, we have largely eliminated agricultural production risk from the company's supply chain."

"In November 2016, TPE entered into a contract manufacture agreement with UK manufacturer Sterling Pharma. This agreement provides us access to the world's largest codeine market. More recently we have announced two supply contracts with leading UK customers. This provides an opportunity for growth in our production of NRM and achieves a major objective in our stated strategy of moving into downstream markets."

"This acquisition will transform TPE into a vertically integrated producer of opiate pharmaceuticals with global scale. Acquiring Vistin's opiates and tableting division provides TPE with the opportunity to aggressively push to increase market share in Europe and grow in Asia's emerging markets. In turn, this will provide the demand to expand our NRM production in Australia, further driving down our unit costs of production and improving our capacity to grow market share."

Strategic rationale

TPE enjoys the lowest cost of production of NRM due to its proprietary water-based extraction process. By moving downstream into API and FDF, it expects to deliver significant margin improvements. When combined with TPE's low cost base for NRM production, the company will be well positioned to build its customer base in Europe, South America and Asia.

This acquisition is a significant step towards the successful delivery of TPE's previously stated target production of 100 tn of NRM by 2019 and 200 tn by 2021.

There will also be important synergistic benefits in the areas of working capital requirement and procurement.

Financial Impact

The transaction will enable TPE to improve its overall profit margins and result in a significant strengthening of the company's financial performance. Based on total cash consideration of A\$25.4 million, the transaction will have an implied EBITDA multiple of 5.6x for FY17. Further, it is expected to be EPS accretive on a pro-forma NPAT basis for FY18, at more than 12.5 cps, compared to TPE's position if the acquisition had not proceeded.

Beyond these financials, the transaction will also reduce the company's financial and operating risk. Importantly, the customer base will be significantly broadened from approximately 8 customers today to over 40 going forward.

Transaction details

The transaction has two conditions precedent. The first is that the Vistin demerger is successfully completed. The second is that the operating license issued by Norwegian Medicines Agency (NoMA) needs to be transferred to TPI Norway AS. TPE anticipate that the two conditions will be satisfied by the middle of Q4 CY17.



Capital Raising

TPE has conducted an equity offering to raise A\$18 million to fund the acquisition and provide TPE with sufficient funds to meet its ongoing working capital requirements under its vertical integration strategic growth plan.

The capital raising was conducted as a placement to institutional and professional investors, including some existing TPE shareholders at A\$2.20 per share, the same price at which the Company raised equity in April this year. Settlement of the capital raising is due to occur on 14 July 2017, with the new shares expected to be quoted on 17 July 2017.

TPI Enterprises will today hold an investor and analyst conference call to provide details on its acquisition of Vistin Limited's Active Pharmaceutical Ingredients (API) business.

Analyst Briefing

11.00 am – Analyst Briefing with TPI Enterprises CEO Jarrod Ritchie.

Analysts are invited to dial into the briefing and take part in a Q&A session.

At the time of the conference, please dial in with one of the numbers below and provide the **conference ID 535411** to an operator.

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| Hong Kong Toll Free: | 800 968 273 | Taiwan Toll Free: | 0080 112 7377 |
| India Toll Free: | 000 800 100 8070 | UAE Toll Free: | 8000 3570 2706 |
| Indonesia Toll Free: | 007 803 321 8057 | UK Toll Free: | 0800 051 1453 |

Further information:

Investors

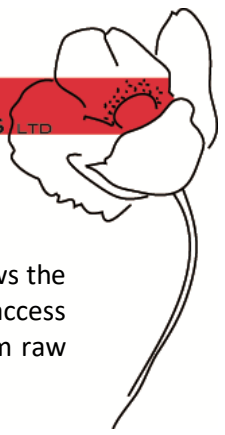
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About TPI Enterprises Limited

TPI Enterprises Limited (ASX:TPE) is one of three licensed poppy processors in Australia, and the only Australian-owned company. It is one of eight processors worldwide producing Narcotic Raw Material for the international pharmaceutical industry. TPI Enterprises has developed an innovative, efficient



and environmentally-sustainable extraction and purification manufacturing process which allows the company to deliver a highly competitive pricing platform. The company's strategy is to secure access to regulated downstream narcotics markets to leverage its reliable, cost-competitive upstream raw material capability.