

# TPE Company Update

1 November 2017

TPI Enterprises Ltd

ABN 26 107 872 453





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# Achievements

## *Key Business Updates*

1. Confirm EBITDA positive second half 2017 expectation
2. Completion of Norwegian acquisition
3. Signed non-binding agreement for sale of Portugal Asset
4. TPE's first shipment to China occurring Q4 2017



## TPE Background

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# TPE Background

## *Technology and Innovation Based Company*

- |    |                                |  |
|----|--------------------------------|--|
| 1. | Founded:                       | January 2004   |
| 2. | Listed on the ASX (TPE):       | August 2015  |
| 3. | Employees:                     | 150  |
| 4. | Core competency:               | Lowest cost Narcotic Raw Material (NRM) producer based on novel environmentally friendly water based extraction technology |
| 5. | Manufacturing and Head Office: | Melbourne, Victoria (relocated from Cressy in 2016)  |
| 6. | Other sites:                   | Kragerø, Norway; Lisbon, Portugal; Cressy, Tasmania  |
| 7. | Market Cap:                    | \$220 million  |



# What We Do

## *One of Four fully integrated pain relief suppliers globally*

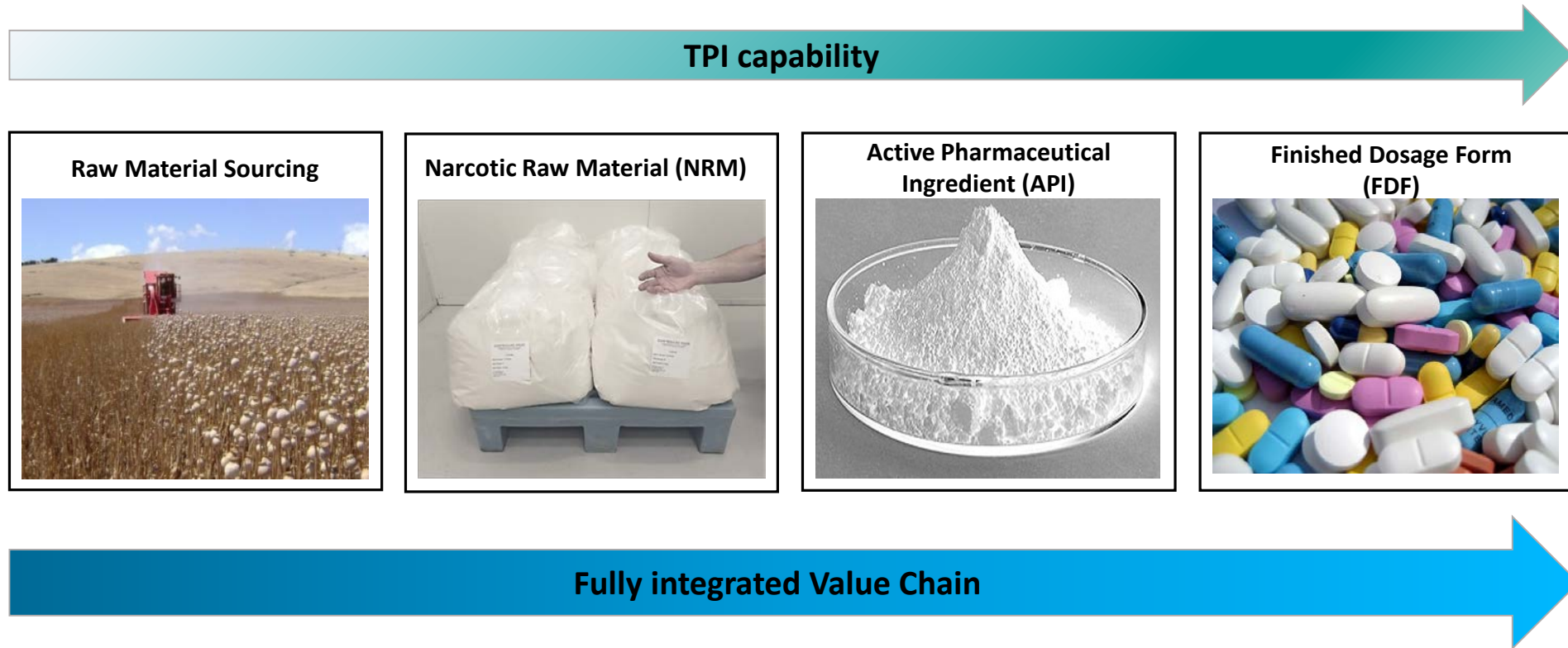
1. Source Raw Material (Opium Poppies) globally
  - a. Only company to source in both hemispheres.
2. Extract, isolate and purify and sell Narcotic Raw Material (NRM) at our Melbourne based facility
  - a. Morphine
  - b. Codeine
  - c. Oripavine
  - d. Thebaine
3. Covert NRM into Active Pharmaceutical Ingredients (API) at our Norwegian facility (Codeine Phosphate and Pholcodine) and sell globally
4. Convert to API into Finished Dosage Formulation (FDF) at our Norway facility selling within Scandinavia and the UK
5. Sell poppy seed for culinary purposes globally





# Complete Supply Chain Control

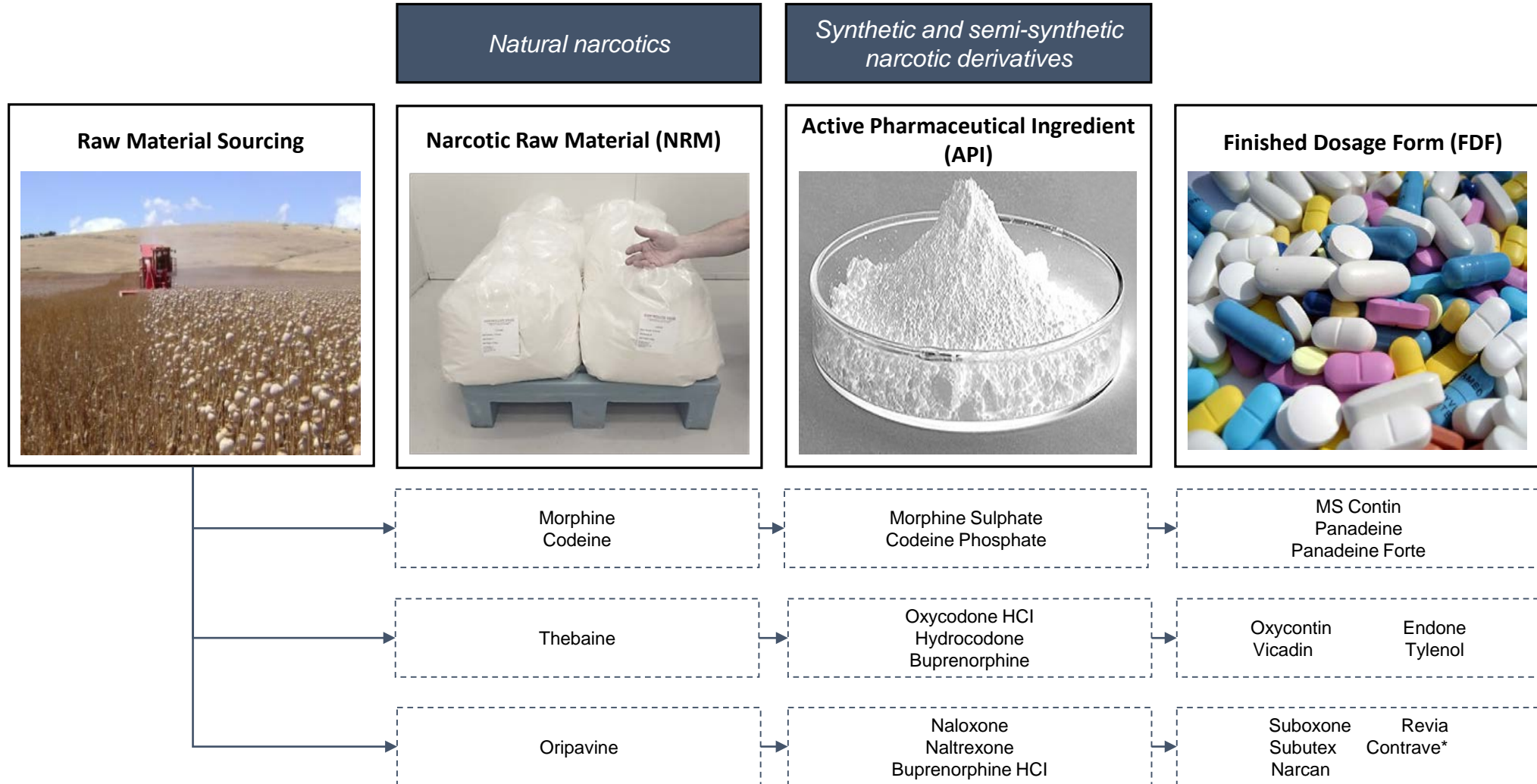
*One of Four (4) Fully Integrated Narcotic Suppliers Globally*







# Narcotics Industry Overview





Q3 Highlights  
& Key Focuses

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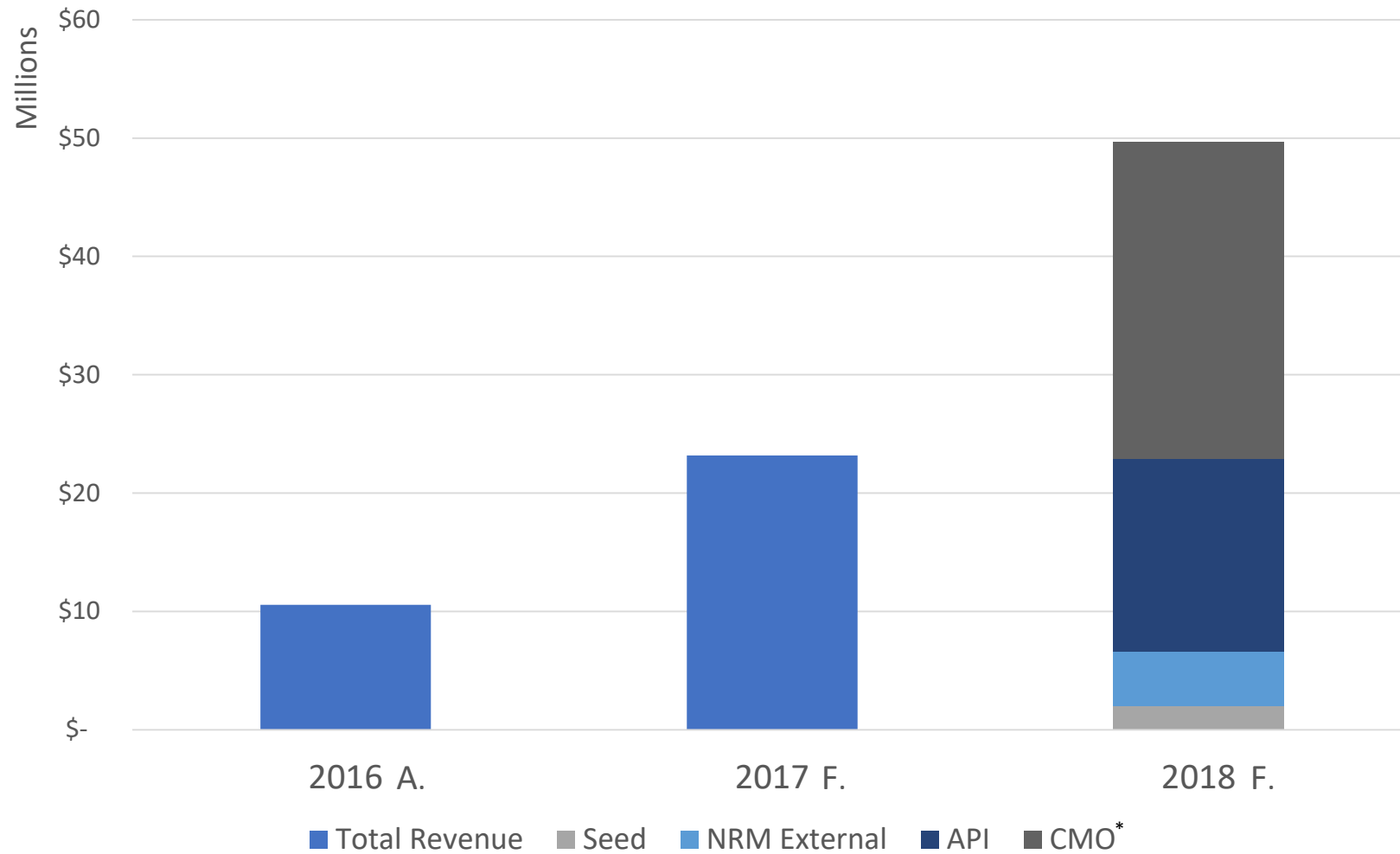


## Q3 Highlights

- |  |                   |
|--|-------------------|
| 1. Medicinal Cannabis licence approved   | 29 September 2017 |
| 2. Completion of Norwegian acquisition and bringing on line API and FDF capabilities, with access to new markets & customers | 2 October 2017    |
| 3. Signed non-binding agreement for sale of Portugal Asset   | 2 October 2017    |
| 4. First toll processing batch passes specification  | 13 October 2017   |



# 2017 and 2018 Revenue Projections

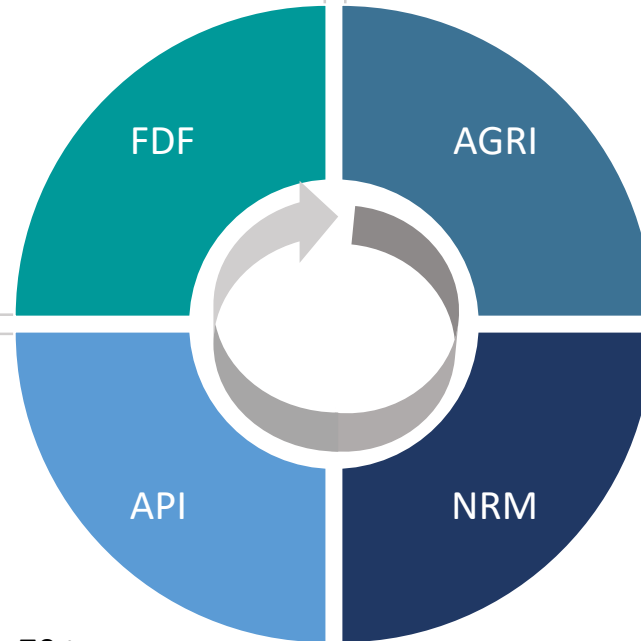




# Business Key Priorities

1. Purchase of dossiers (formulas for Pharmaceutical products)
2. Efficiency gains through production planning
3. Focus on government tenders
4. Investment and validation of multi-tip tablet punch to increase throughput by a factor of 5 for CMO business

1. Expand API product portfolio
  - a. Naloxone
  - b. Morphine Sulphate
  - c. Dihydrocodeine
2. File pholcodine CEP\*
3. Expand production capacity from 32 tonnes to 70 tonnes
4. Install automation at the Norwegian facility



1. Further expansion of mainland Australia growing
2. Additional northern hemisphere supply chains
3. Reduce straw freight costs
4. GMO research to reduce farming input costs

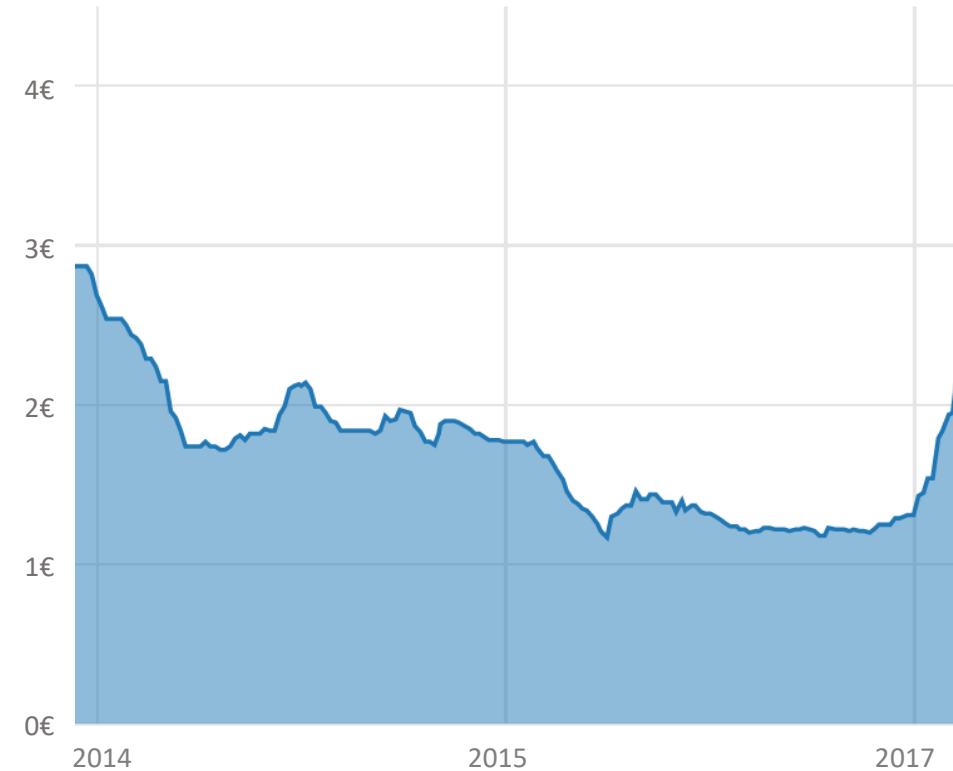
1. Continue to improve operating leverage
2. Implement 24/7 operation at Coolaroo factory
3. Increase factory efficiency by 5%
4. Sale of 1500 tonnes of seed for calendar year





# Seed Update

1. Seed prices increasing
2. Market segments products according to quality requirements;
  - a. Alkaloid residues
  - b. Colour
  - c. Smell/taste
3. Sold to new markets in Eastern Europe
4. Forward sold 30% of next years crop at an average of €1.5 per kilo for bulk unrefined poppy seed.



Blue Poppy Seed

DDU - Origin: Czech Republic - Location: Germany

High: 2.870€

Low: 1.170€

Current: 2.440€

## US Opioid Media Coverage





# Majority of abuse is fentanyl based (non-opiate)

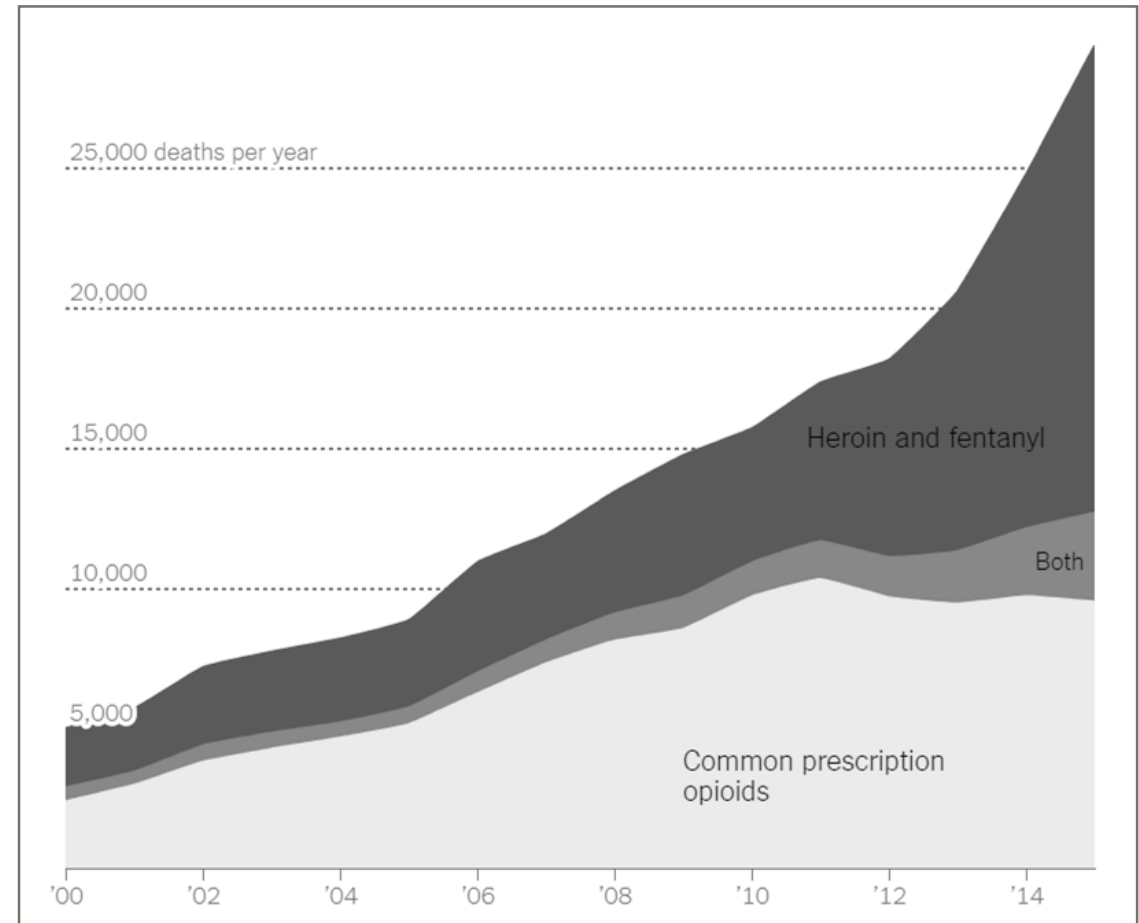
1. Majority of deaths in the US are the result of heroin and fentanyl abuse, not prescription opioids.

2. Fentanyl is a synthetic drug not derived from poppies.

3. Average annual change US overdose deaths 2010-2015;

Opioid Pain Relief excluding synthetic opioids      1.8%

Synthetic opioids excluding Methadone      26.5%





## Acquisition Update







# Acquisition Rationale

## *Fully Integrated from the Farm to the Pharmacy*

1. Experienced team in API and FDF
2. Expands TPE customers from less than 10 to greater than 50
3. Stand alone opiate API and FDF capability (rare)
4. Site capacity and sales potential through minimal CAPEX
  - a. 32 tonne CPO to 70+ tonnes p.a over 3 years
  - b. 0.9 Billion tablets expandable to 1.6 billion tablets sales over 3 year
5. Successful ongoing implementation of operational efficiency program
  - a. \$3 million AUD saving (annualised) already realised, but not yet in reported results
  - b. Further saving identified and will be quantified after closing
6. Fully integrates TPE from the Farm to the Pharmacy
7. EPS accretive deal >10 cps in 2018, with target payback period (excluding inventory) of 3 years



# Acquisition Fast Tracks UK Supply of Codeine Phosphate (CPO)

*Site change using the Norwegian CEP will speed up UK supply by 6 months*

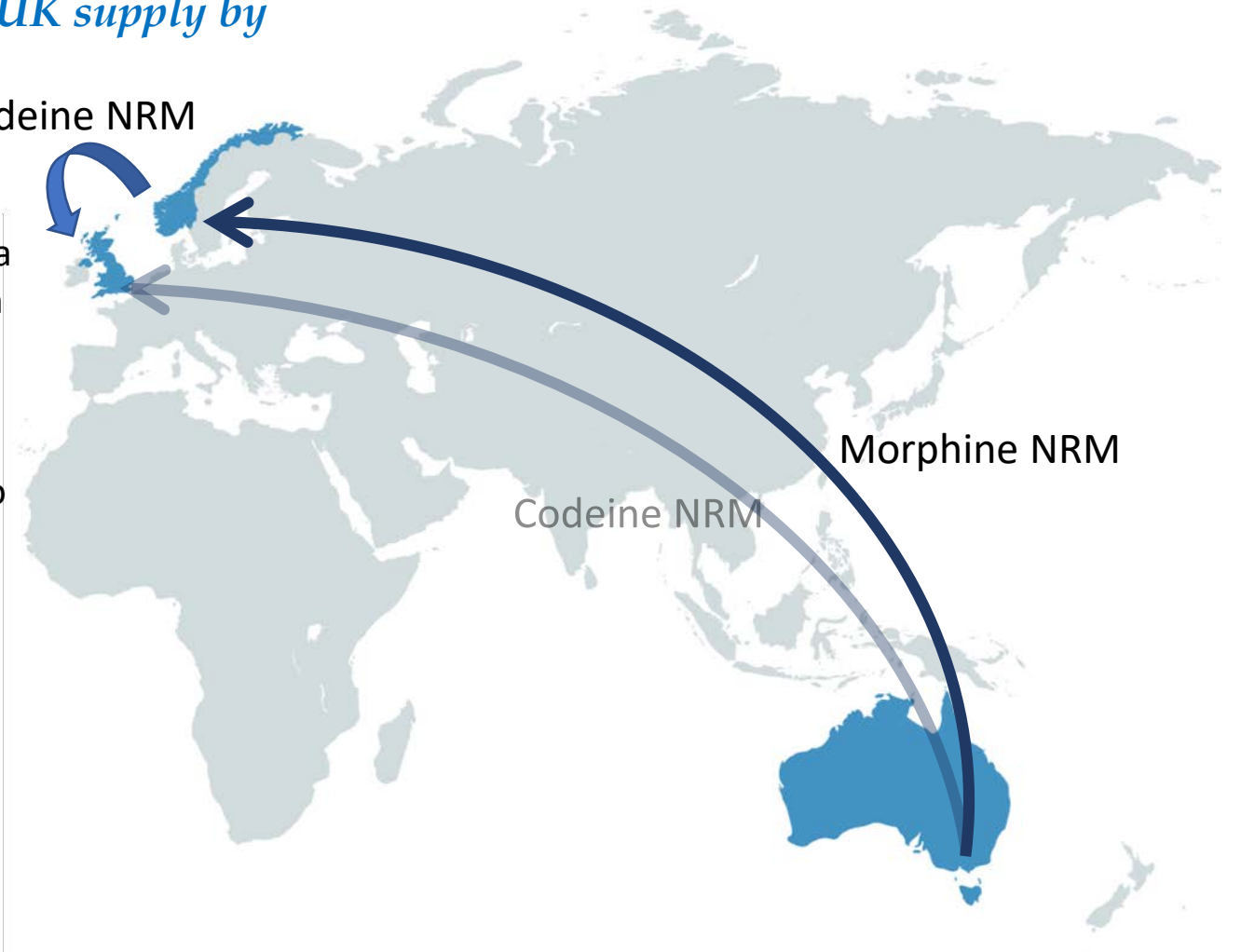
1. Original UK supply of CPO was Q4 2018 at earliest
2. Plan was to supply Codeine CPS direct to UK and register a site change for Codeine to Codeine Phosphate production
3. Using the Norwegian CEP, Morphine NRM will be sent to Norway, converted to Codeine NRM and then sent to Sterling Pharma Solutions Limited (SPSL) for conversion to Codeine Phosphate
4. Production savings through longer production runs
5. This new route will bring forward sales announced this year by 6 months
6. Now expect >30% UK market share to start in Q3 2018

Codeine NRM



Morphine NRM

Codeine NRM

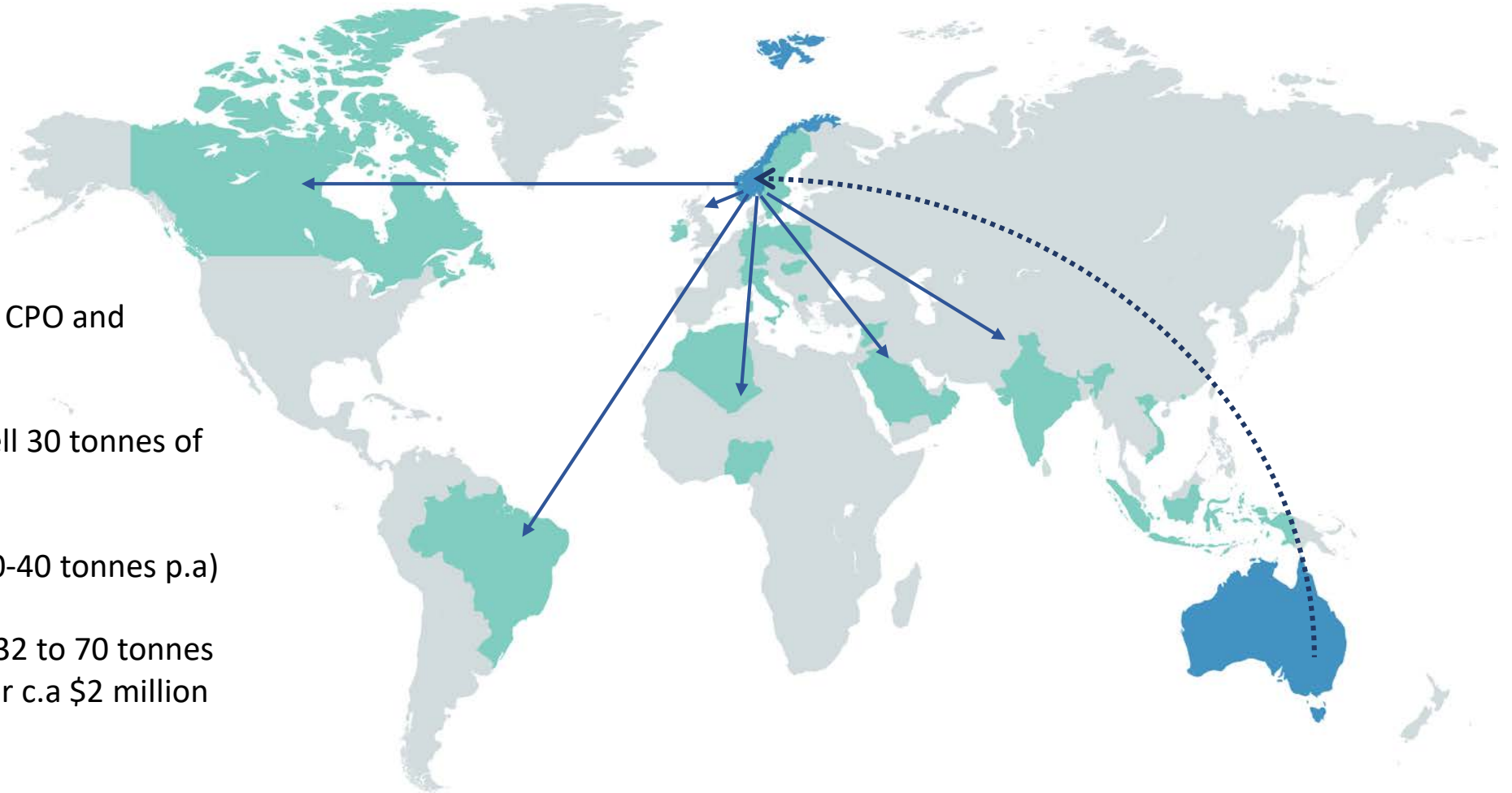




# Access to Major Open Codeine Phosphate (CPO) API markets

*Supply of Morphine NRM to Norway then Supply of CPO API Globally*

1. Norway has >50 registered CPO and Pholcodine customers
2. FY 17 Vistin Budgeted to sell 30 tonnes of CPO
3. Access to Indian Tender (20-40 tonnes p.a)
4. Will expand capacity from 32 to 70 tonnes of CPO over next 3 years for c.a \$2 million AUD

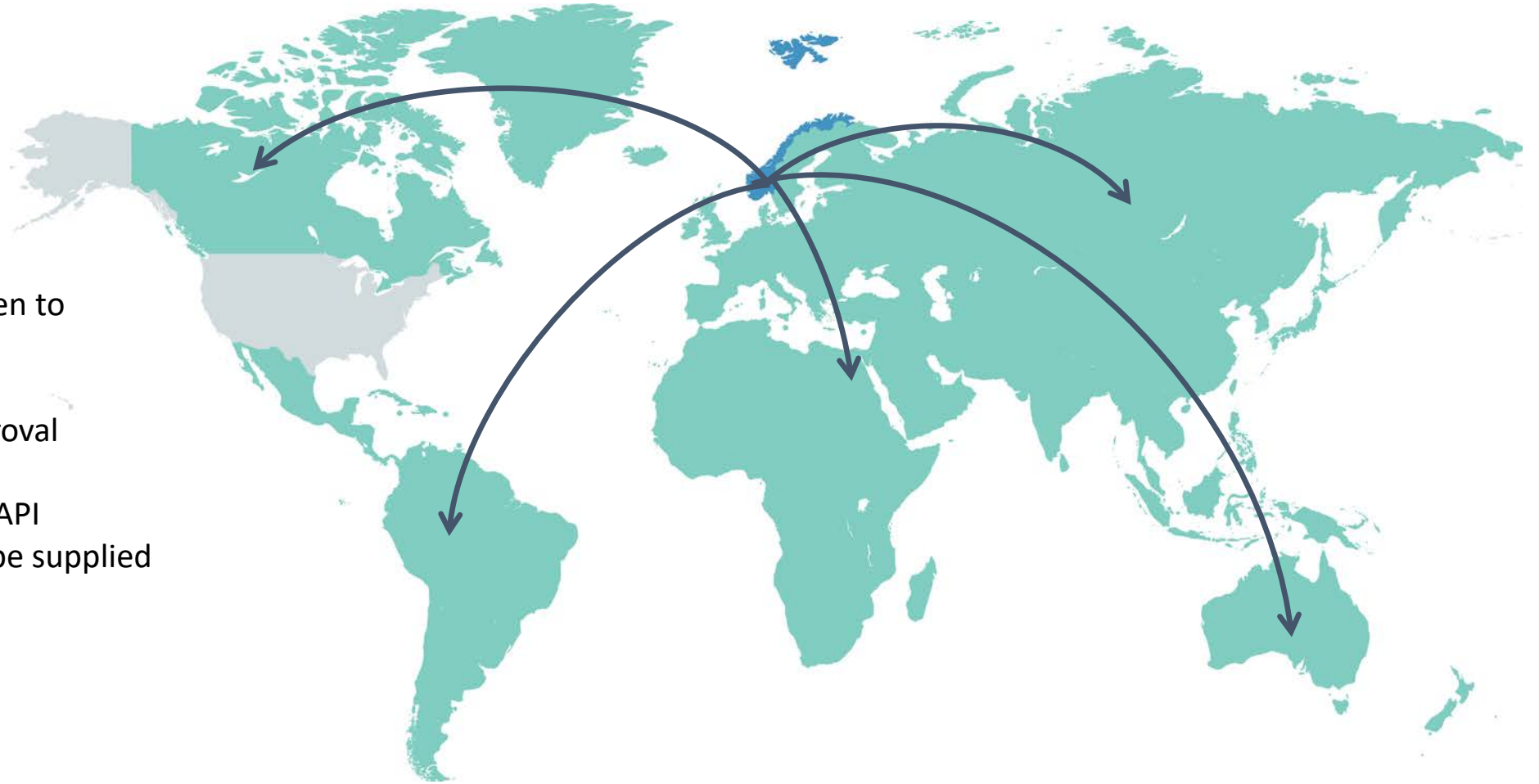




# Access to Codeine Phosphate (CPO) Finished Dosage Markets

*Supply of Morphine NRM to Norway then supply of Tablets to most countries except USA*

1. Most countries are open to importation of tablets
2. USA requires FDA approval
3. Countries with closed API markets (e.g. UK) can be supplied via tablets





## Agricultural Update







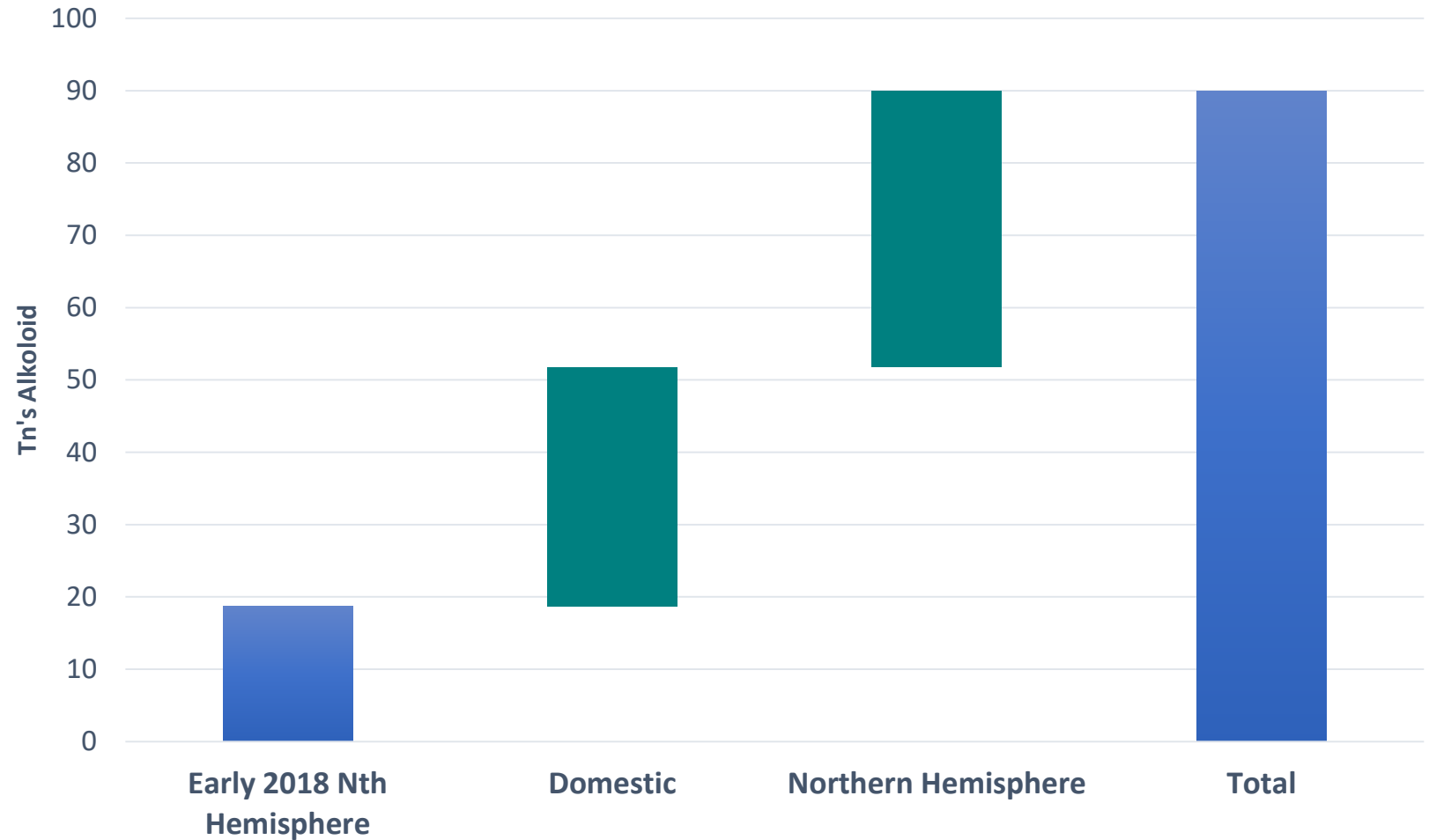
## 2018-First Year TPE has Sufficient Straw to Meet Sales





# 90 tonne projected available alkaloid in 2018

1. 90 tonnes of alkaloid projected from domestic and international sourcing
2. Majority contributed by Australian sources
3. Expect average price to reduce by 10-15%

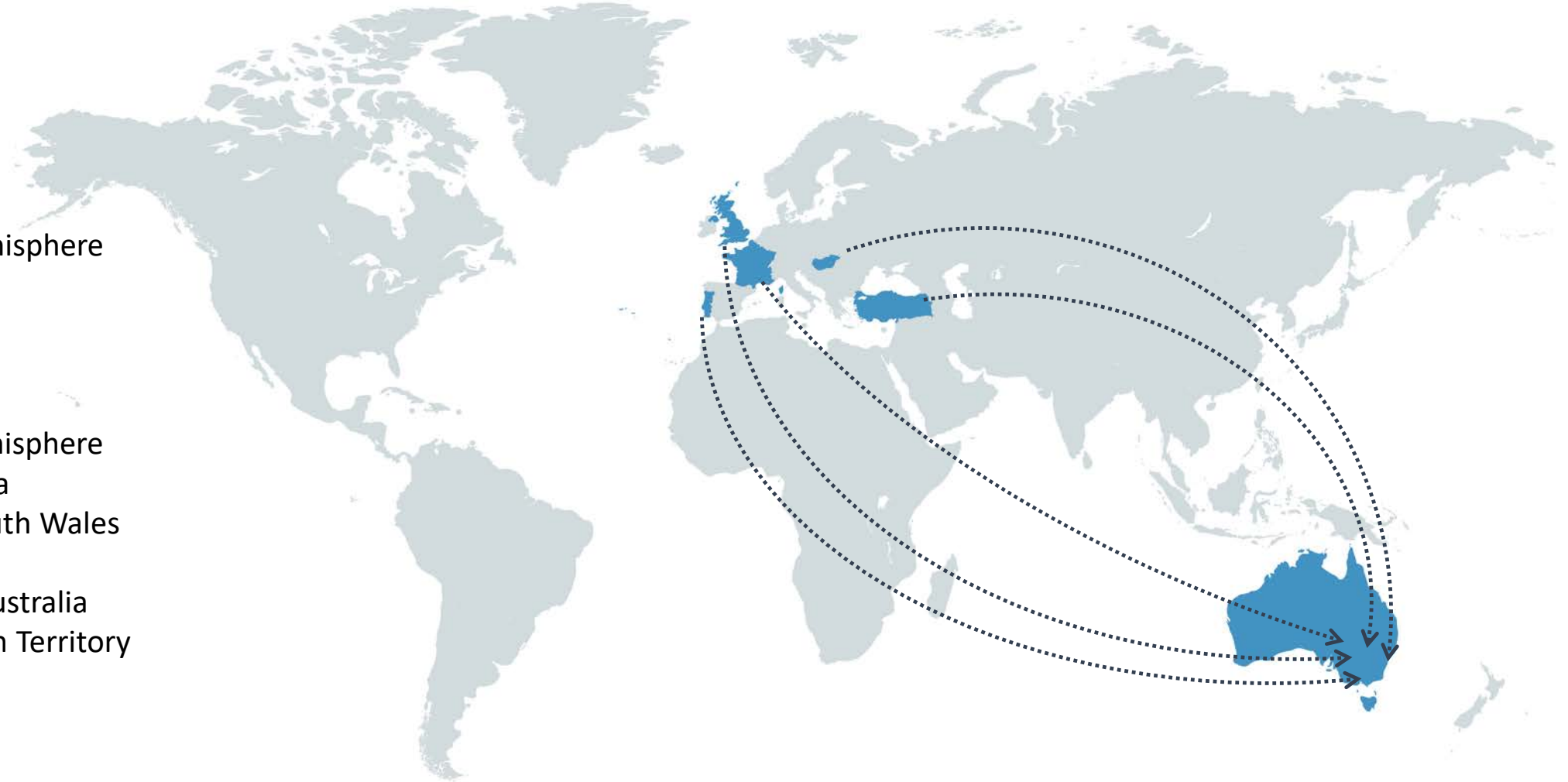




# Sourcing Poppies Globally

*TPE has completely changed the industry supply dynamics*

1. Northern Hemisphere
  - a. Hungary
  - b. Turkey
  - c. Portugal
2. Southern Hemisphere
  - a. Tasmania
  - b. New South Wales
  - c. Victoria
  - d. South Australia
  - e. Northern Territory





## Strategic Progress





# Progress Update

## On Track

NRM and Seed Production		Supply Chain		Cost Reduction		Expanded Customer base		UK CPO API Strategy	
KPI	Result	KPI	Result	KPI	Result	KPI	Result	KPI	Results
Production throughput	✓	NSW/SA Growing	✓	15% fixed cost	✓	US Market	Samples supplied	Codeine NRM Produced	✓
Sufficient contracts	✓	Codeine & Thebaine varieties	✓	20% Reduction in Crop Cost	✓	Asia	✓	CPO UK Registration batches	Nov 2017
Sufficient raw material	✓	Hungary imports	✓	Reduced Interest costs	✓	UK CPO Contract	✓	CPO CEP Submission	Jan 2018
Sufficient Poppy Seed	✓	Toll Processing	✓	Agri overhead Reduction	✓	India contracts	Nov 2017	CPO Validation	Sept 2018
Clean Poppy Seed production	✓	3000Ha Contracted in Australia	2700 Ha	Reduction in COGS	✓	Other Toll contracts	N/A	CPO CEP Approval	Mar 2018



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