21 February 2020

Manager, Company Announcements
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Mayne Pharma Group Limited - Results presentation for the half year ended 31 December 2019

Please find attached the slides for the presentation on the half year results.

The briefing will be webcast and can be accessed in the investor section of the Mayne Pharma website (https://www.maynepharma.com/investor-relations/webcast/)

Authorised for lodgement by:

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Mayne Pharma Group Limited

1HFY20 Results Presentation
21 February 2020

Scott Richards, Chief Executive Officer
Nick Freeman, Group Chief Financial Officer

mayne pharma

Disclaimer

The information provided is general in nature and is in summary form only. It is not complete and should be read in conjunction with the company's audited Financial Statements and market disclosures. This material is not intended to be relied upon as advice to investors or potential investors.

Non-IFRS information

- Other than as indicated, the financial information contained in this document is directly extracted or calculated from the audited Financial Statements. Throughout this document some non-IFRS financial information is stated, excluding certain specified income and expenses. Results excluding such items are considered by the Directors to provide a meaningful basis for comparison from period to period.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) – a non-IFRS term – is considered by Directors to be a meaningful measure of the operating earnings and performance of the Group and this information may be useful for investors.
- The non-IFRS financial information has not been audited by the Group's auditors.

Forward looking statements

- This presentation contains forward-looking statements that involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to the Company. These forward looking statements use words such as 'potential', 'expect', 'anticipate', 'intend', 'plan' and 'may', and other words of similar meaning. No representation, warranty or assurance (express or implied) is given or made in relation to any forward looking statement by any person (including the Company). Actual future events may vary materially from the forward looking statements and the assumptions on which the forward looking statements are based. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements. Subject to the Company's continuing disclosure obligations at law and under the listing rules of the Australian Securities Exchange, the Company disclaims any obligation to update or revise any forward looking statements. The factors that may affect the Company's future performance include, among others: changes in economic conditions, changes in the legal and regulatory regimes in which the Company operates, litigation or government investigations, decisions by regulatory authorities, changes in behaviour of major customers, suppliers and competitors, interruptions to manufacturing or distribution, the success of research and development activities and research collaborations and the Company's ability to protect its intellectual property.

Other

- A glossary of industry terminology is contained in the Mayne Pharma Annual Report which can be accessed at maynepharma.com/investor-relations/results-reports and product descriptions are detailed at maynepharma.com/us-products and maynepharma.com/australian-products.
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Executive summary

Financial results

- Reported sales of A$227.2m, down 17% on prior corresponding period (pcp) impacted by competition on key generic products
- Reported EBITDA of A$34.6m and underlying EBITDA of A$47.4m
- Reported net loss after tax of A$17.5m
- Positive operating cash flow of A$46.2m with strong cash conversion
- Significant spend base reduction of A$20m (annualised) to further right size organisation and optimise global infrastructure and product development priorities
- Restructured debt facility to provide additional flexibility for the E4/DRSP transaction
  - Bank leverage ratio (net debt/EBITDA) 2.5x (versus covenant 3.5x)

Operational highlights

- Specialty Brands performance improved in the 2QFY20 with sales up 50% on 1QFY20
- Metrics Contract Services delivered solid revenue growth and now has global supply agreements with two top 10 global pharma companies
- Licensed novel oral contraceptive E4/DRSP in the US
- Generic NUVARING® complete response letter (CRL) submitted to FDA with launch anticipated in CY20
- Launched two topical generic dermatology products and in-licensed two to launch in CY20
- Filed three generic ANDAs including a potential first-to-market women's health product
- Commenced phase 2 program with trifarotene in patients with lamellar ichthyosis
- Building out contract services platform in Salisbury and Greenville with new clients, staff and capabilities

Key financials[1]

A$million	1HFY20	2HFY19	1HFY19
Reported revenue	**227.2**	250.8	274.4
Reported gross profit[2]	**105.7**	129.5	160.4
Reported EBITDA	**34.6**	46.2	65.4
Reported net profit / (loss)	**(17.5)**	(283.6)	2.6
Underlying EBITDA[3]	**47.4**	49.7	81.2
Cash flow from operations	**46.2**	53.1	53.5

- Revenue and gross margin decline largely due to additional competition on key generic products
- 1HFY20 EBITDA benefits from new leasing standard AASB16 by A$2m with immaterial impact at bottom line
- ~100% operating cash flow conversion to EBITDA

1. Attributable to members with exception of cash flow which is consolidated.
2. Gross profit includes A$6.6m depreciation in cost of sales
3. Adjustments to underlying EBITDA outlined on page 5

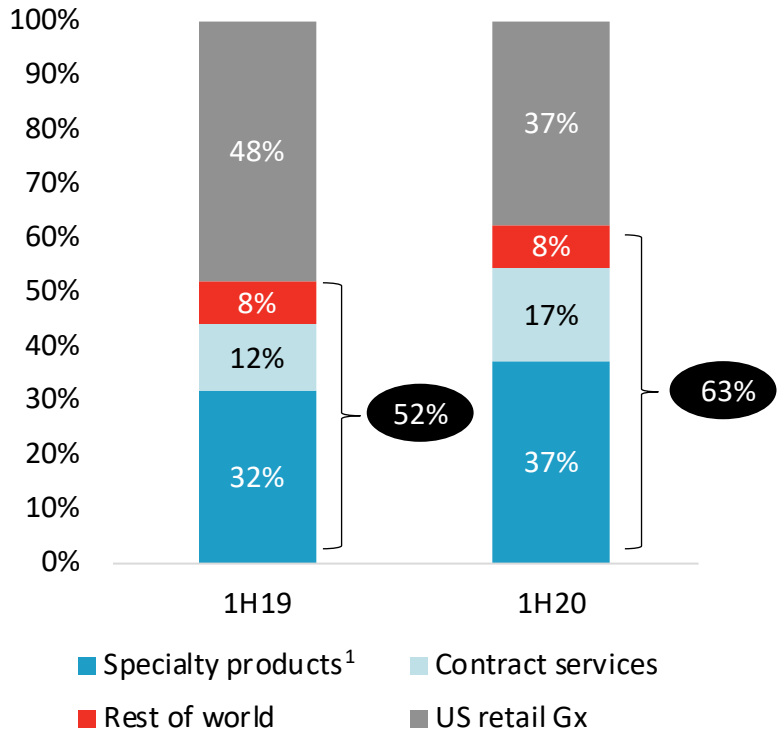
Adjustments to earnings[1] – 1HFY20

A$million	Gross Profit adjustments	EBITDA adjustments	PBT adjustments	Comments
Reported	**105.7**	**34.6**	**(23.8)**	
Restructuring – stock	5.5	5.5	5.5	Principally relates to stock write-downs on discontinued generic stock
Restructuring – other	-	5.3	5.3	One-off costs to lower the cost base over the half, largely people related
Gross to net adjustments	5.5	5.5	5.5	Abnormal gross to net charges (eg. returns and govt rebates)
Impairments	-	-	5.9	Relates to an internal R&D project and a number of discontinued on market products due to changed market conditions and PPE surplus to requirements
Earnout revaluation	-	(6.4)	(6.4)	Non-cash credit arising from a decrease in the fair value of earn-out liabilities
Drug pricing investigations	-	1.2	1.2	Legal costs associated with drug pricing litigation
E4/DRSP related costs	-	0.3	2.1	Transaction costs and unwind of the discount on earn-out liabilities
Inhibitor Therapeutics	-	1.4	1.6	Represents Mayne Pharma's share of Inhibitor Therapeutics, Inc. (INTI) losses plus the fair value loss on restatement of INTI warrants
Total adjustments	10.9	12.7	20.6	
Underlying	**116.7**	**47.4**	**(3.1)**	

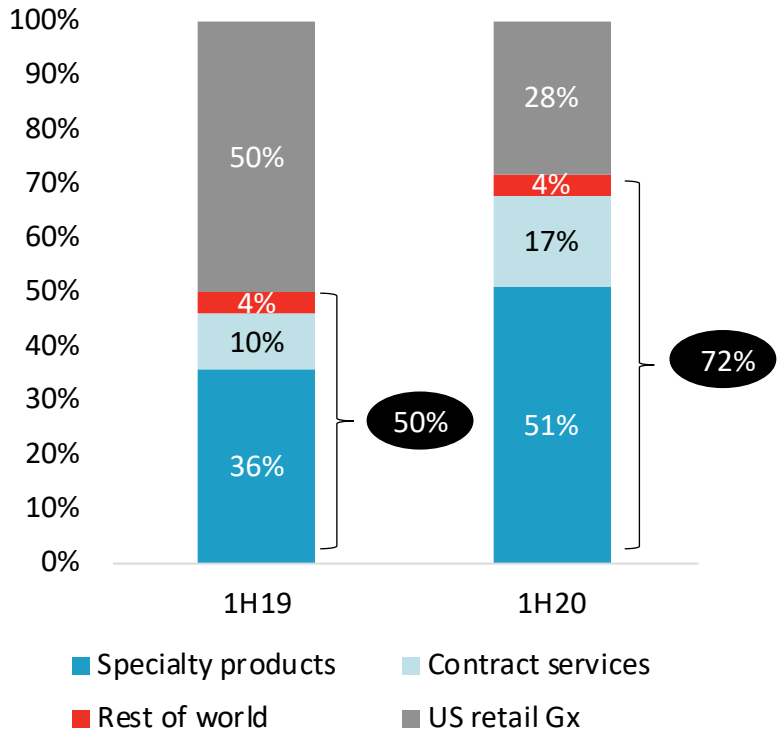
1. Attributable to members

Portfolio rebalancing to more sustainable categories

Reported revenue by type (A$m)

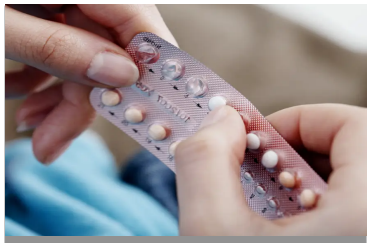


Reported gross profit by type (A$m)

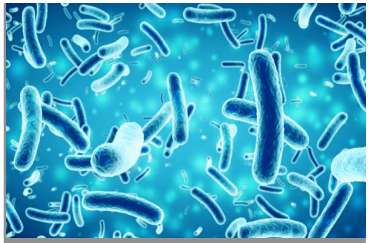


1. Specialty products includes dermatology, women's health and infectious disease products (brand and generic)

Our key strategic initiatives to return Mayne Pharma to sustainable growth



1.
Commercialisation of novel oral contraceptive E4/DRSP



2.
Build out infectious disease platform with TOLSURA®

3.
Expand dermatology and women's health portfolios and supporting commercial capabilities

4.
Accelerate MCS platform leveraging Salisbury and Greenville's technical and manufacturing capabilities

5.
Cost base optimisation

E4/DRSP a novel, next generation oral contraceptive

Estetrol (E4) sourced from nature with potential across various women's health fields

Estetrol will be the first new estrogen introduced in the US in ~50 years*

E4/DRSP has the potential to have a lower impact on the environment

Novel oral contraceptive with a unique mode of action

* Subject to FDA approval

E4/DRSP oral contraceptive update

Regulatory

- NDA submission targeted for 1HCY20 with potential approval 1HCY21
- Finalising selection of brand name and logo, subject to FDA approval

Medical/ Commercial

- Multiple advisory boards and conferences across CY20 (eg. APGO/CREOG, ISGE, ESC) to educate healthcare professionals
- Medical Science Liaison team in place to educate pre-launch
- Commercial launch to occur immediately upon approval – planning well advanced
- Launch to be supported by new women's health sales force

Market opportunity

- Participates in US$4b short-acting combined hormonal contraceptive market
- Peak net sales potential to exceed US$200m per annum

TOLSURA is gaining momentum in the US

- TOLSURA® now approved on 8 major hospital networks and under active review at another 18
- Continued quarter on quarter growth in new patients and script volume
- Addressable market: US$300m and expect to broaden the therapeutic use through further clinical programs
  - Ongoing endemic phase IIb study has potential to support an expanded therapeutic use into other fungal infections eg. coccidioidomycosis. Primary endpoint data expected to be published at IDWeek 2020, Oct 2020
  - Strong evidence of a clinical benefit in select transplant patients[1]
  - Targeting 25% itraconazole US prescription market share by end of FY22
- Continue to explore complementary business development opportunities to expand infectious disease portfolio

TOLSURA
itraconazole
65 mg capsules

1. SUBA-itraconazole has been deemed a safe first-line agent for the prevent of invasive fungal infections in stem cell transplant or hematological malignancy patients, B Nield, SR Larsen, S van Hal. J Antimicrob Chemother, 2019; doi:10.1093/jac/dkz303

Expanding dermatology and women's health product portfolio

Dermatology

Feb 2015 — Acquired DORYX® brand

Jun 2017 — Launched gACTICLATE® to treat acne

Aug 2016 — Acquisition of FABIOR® and SORILUX®

Jul 2018 — Acquired gEFUDEX® to treat actinic keratosis from Spear

Oct 2018 — Acquired LEXETTE® for treatment of psoriasis

Oct 2019 — Licensed topical acne product from Encube

Nov 2019 — Launched gCORDRAN® and gLOCOID®

Feb 2020 — Launched gTRIANEX® TBC

2015 | 2016 | 2017 | 2018 | 2019 | 2020

Women's health

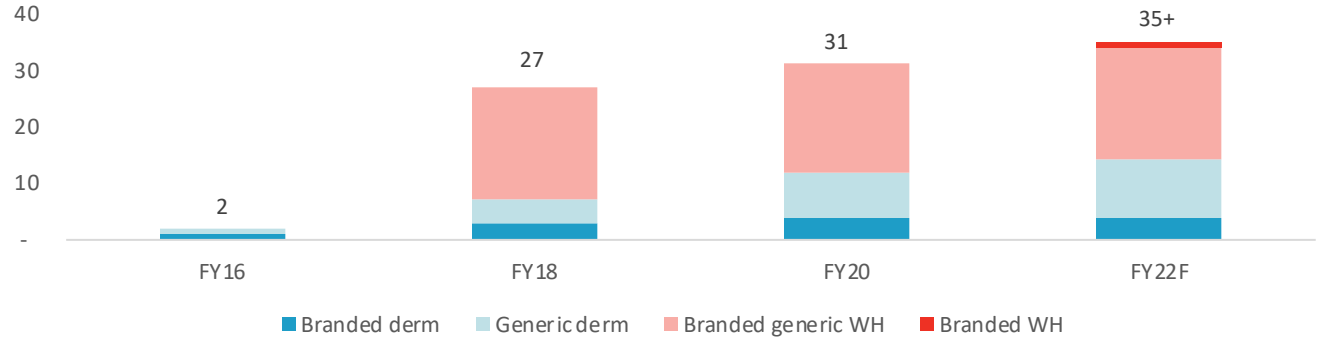
Aug 2016 — Acquired portfolio of 20 oral contraceptives from Teva

Feb 2017 — In-licensed gNUVARING® from Mithra Pharmaceuticals

Nov 2019 — In-licensed E4/DRSP from Mithra Pharmaceuticals

Nov 2019 — Filed generic oral contraceptive with FDA

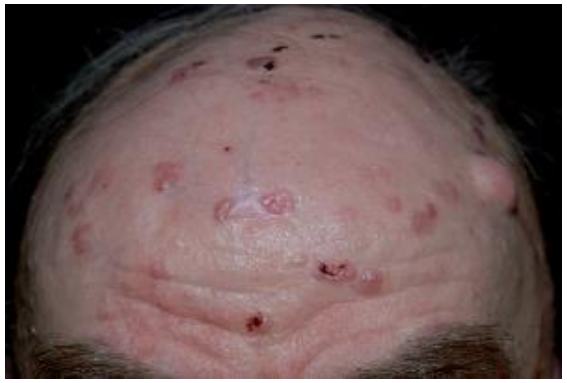
Number of dermatology and women's health (WH) products on market in the US



Development pipeline includes two high impact, rare skin disease product opportunities

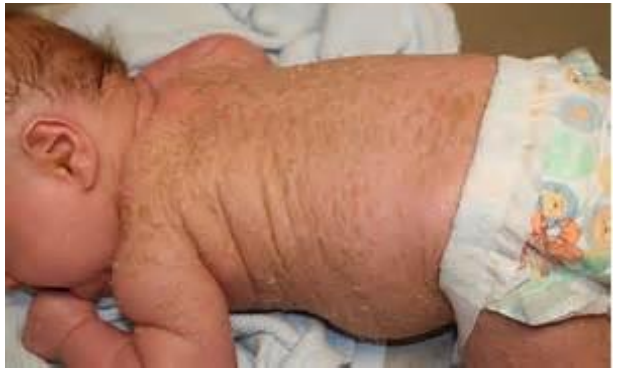
SUBA®-itraconazole in BCCNS

- Basal Cell Carcinoma Nevus Syndrome (BCCNS or Gorlin syndrome) is a rare inherited condition that can lead to chronic tumours on the face and body
- Granted Orphan Drug Designation in US / EU
- Phase IIb clinical trial concluded in 2018 showed majority of target lesions decreased in size and SUBA-itraconazole was well tolerated
- Global phase III trial in moderate-to-severe BCCNS patients expected to commence CY20
- Global market potential US$300m[1]



Trifarotene in lamellar ichthyosis

- Lamellar ichthyosis is a rare disease that begins at birth causing severe skin scaling
- Granted Orphan Drug Designation in US / EU
- Global phase II study in ~120 patients with autosomal recessive ichthyosis with lamellar scale has commenced
  - Randomised, multi-center, double-blind, placebo controlled study
  - 11 patients now on study
- Global market potential US$200m[1]

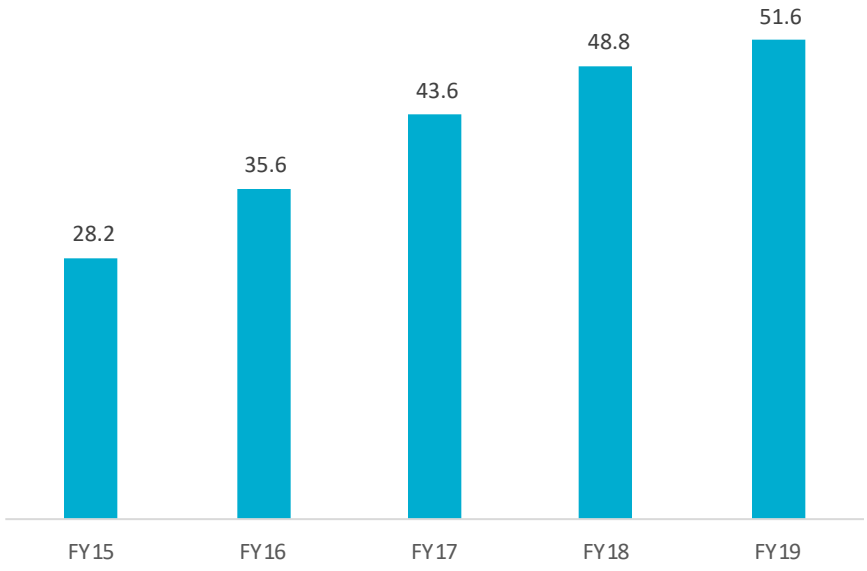


1. Total addressable market based on target patient population, pricing and current healthcare costs to treat patient population

Accelerate CDMO platform globally

- Metrics Contract Services (MCS) delivered strong historical revenue and earnings momentum
  - 16% Sales CAGR FY15-FY19
  - Attractive margins: gross profit ~50%
- MCS well established in high potent oral solid dose
- Replicate success of MCS in Australia
  - Recruiting a head of contract services in Australia to drive new business
- Convert pipeline of 20+ commercial manufacturing opportunities to build new recurring revenue stream

MCS historical sales (US$m)

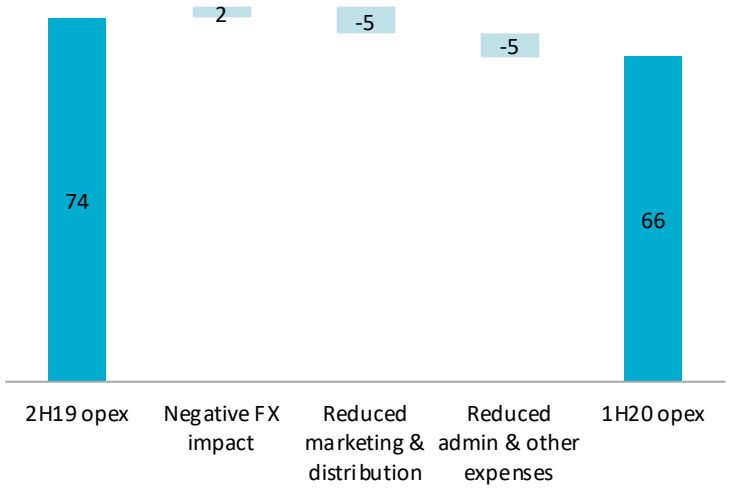


Realignment of cost base to improve profitability

Achievements to date

- Reduced global workforce by ~9% across 1HFY20
- Discontinued unprofitable generic skus
- Opex reduced by ~A$10m v 2HFY19 on constant FX rate
- Streamlined generic R&D and reduced gross spend by A$4m v 2HFY19

Opex reduction[1] (A$m)



Future benefits

- Cost savings in future periods are expected to be largely in COGS eg. API savings, overhead recovery benefits from product transfers in house and cost savings from transfers to new contract manufacturers

1. Consolidated and excludes certain non cash and non operating items as detailed in note 3 of the accounts.

1HFY20 segment and financial information

Specialty Brands Division (SBD)

- In USD terms, SBD revenue was US$30.8m, down 2% on 1HFY19
  - SORILUX® and DORYX® sales were down on pcp impacted by new competitor launches offset by growth in FABIOR®, LEXETTE® and TOLSURA®
- 2QFY20 performance improved with sales up 50% on the 1QFY20
- LEXETTE® continues to perform well in its first year following launch capturing 6% of the halobetasol market[1]
- Restructured sales team in 1HFY20 which is expected to improve profitability in future periods
- TOLSURA® gaining new formulary access and patient adoption
  - Now listed on 8 hospital networks with 18 under active review

A$million	1HFY20	1HFY19	Change 1HFY20 v 1HFY19
Reported revenue	44.9	43.3	4%
Gross Profit	38.4	37.8	1%
Gross Profit %	85%	87%	

1. IQVIA, weekly TRx, January 2020

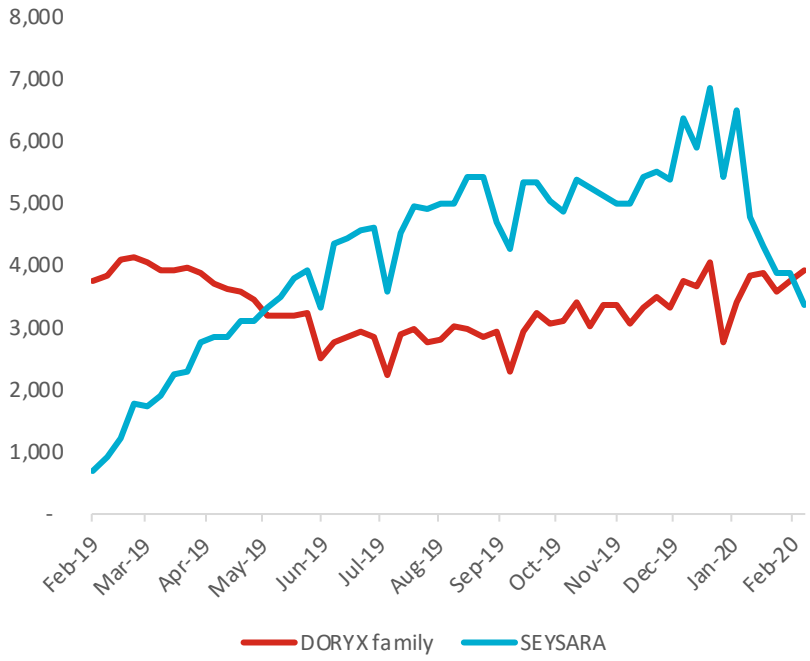
Improving dermatology prescription performance in 2QFY20

Ave Weekly TRx	1HFY20	1HFY19	Change (%)	2QFY20	1QFY20	Change (%)
FABIOR (tazarotene) Foam, 0.1%	2,100	1,941	8%	2,026	2,175	(7%)
Sorilux (calcipotriene) Foam, 0.005%	551	684	(19%)	607	496	22%
LEXETTE (halobetasol propionate) Topical Foam, 0.05%	818	-	Nm	873	772	13%
DORYX 200mg+50mg	1,909	1,348	42%	2,152	1,666	29%
DORYX other	1,188	2,441	(51%)	1,205	1,171	3%
Total TRx	**6,566**	**6,414**	**2%**	**6,863**	**6,280**	**9%**

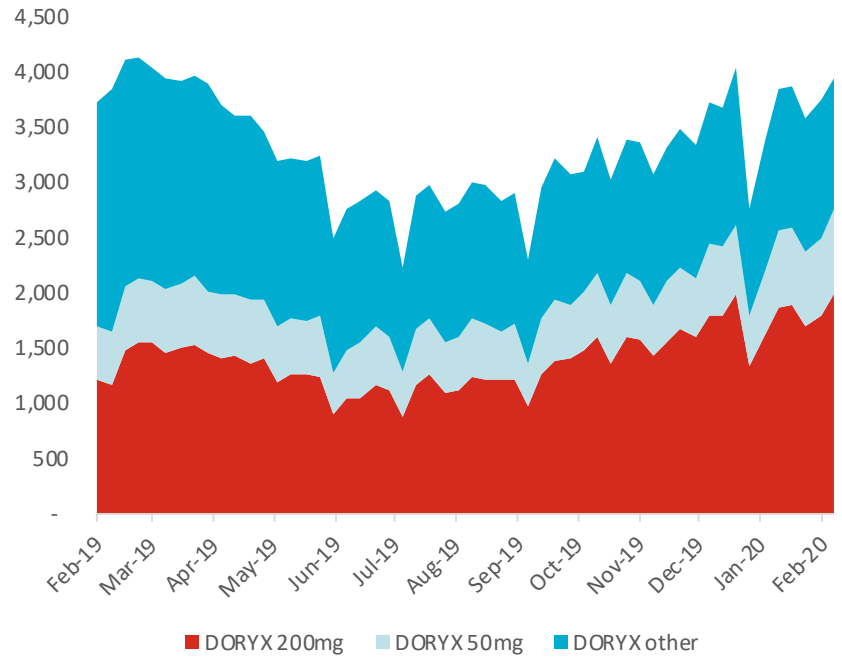
Source: IQVIA weekly TRx, includes all dose strengths of DORYX and AGs

DORYX® family leading edge data

Select tetracycline acne market prescriptions (TRx)



DORYX family prescriptions by strength (TRx)



Source: IQVIA weekly TRx, includes all dose strengths of DORYX and AGs

Metrics Contract Services (MCS)

- In USD terms, MCS revenue was US$26.3m, up 7% on pcp benefiting from additional analytical services and formulation development revenue
- Softer gross margin impacted by the expanded MCS workforce which is expected to be fully utilised in the 2HFY20 and higher overhead costs for the Greenville facility
- Global supply agreements with two top 10 pharma companies
- Key focus is to convert pipeline of 20+ commercial manufacturing opportunities to build new recurring revenue stream
  - MCS expected to have five commercial manufacturing clients by end of FY20

A$million	1HFY20	1HFY19	Change 1HFY20 v 1HFY19
Reported revenue	38.4	33.9	13%
Gross Profit	17.5	16.5	6%
Gross Profit %	46%	49%	

Generic Products Division (GPD)

- GPD reported revenue was US$85.3m down 33% on pcp and down 16% on 2HFY19
  - Key products (Liothyronine, dofetilide and butalbital) contributed to the majority of the sales decline down US$30m versus pcp
  - Largest product liothyronine represents 11% of sales in 1HFY20 versus 21% of sales in the pcp
- 1HFY20 impacted by abnormal gross to net charges A$5.5m (eg. returns and govt rebates), A$5.5m of stock writedowns relating to discontinued products and supplier delays
- GPD focused on stabilising its portfolio through:
  - Portfolio optimisation
  - Extracting cost savings from realigning the supply network
  - Launching new products from the pipeline of products pending at the FDA and further business development activities

A$million	1HFY20	2HFY19	1HFY19	Change 1HFY20 v 1HFY19
Reported revenue	124.5	144.9	175.9	(29%)
Gross Profit	45.5	64.2	100.3	(55%)
Gross Profit %	37%	44%	57%	
Underlying Gross Profit	56.5	64.2	100.3	(44%)
Underlying Gross Profit %	44%	44%	57%	

Mayne Pharma International (MPI)

- MPI sales and gross profit impacted by reduced commercial manufacturing and end of 20-year KAPANOL® royalty income in Japan
- SUBA®-itraconazole launched in Argentina and obtained regulatory approval in Chile
- 4 active contract service projects, up from 2 in the prior period
- Signed a distribution agreement with Kaper Pharma to register and distribute SUBA®-itraconazole capsules in the Middle East region
- MPI focused on:
  - Expanding its Australian portfolio of specialty branded products in dermatology and women's health
  - Growing international revenues in Europe and China via its network of distribution partners
  - Building its contract service client base leveraging Salisbury's oral and topical development capabilities

A$million	1HFY20	1HFY19	Change 1HFY20 v 1HFY19
Reported revenue	19.3	21.3	(9%)
Gross Profit	4.3	5.8	(26%)
Gross Profit %	22%	27%	

Significant reduction in operating expenses over last 12 months

R&D spend[1]

A$million	1HFY20	2HFY19	1HFY19	Change 1HFY20 v 1HFY19	Change 1HFY20 v 2HFY19
R&D expensed	12.7	13.9	14.6	(1.9)	(1.2)
R&D capitalised	7.5	10.4	11.4	(3.9)	(2.9)
Total R&D	**20.2**	**24.3**	**26.0**	**(5.8)**	**(4.1)**
R&D capitalisation rate	*37%*	*43%*	*44%*		
R&D as % revenue	*9%*	*10%*	*9%*		

- >70% of 1HFY20 R&D spend directed to key therapeutic categories (dermatology, women's health and infectious disease)
- Reduced R&D spend consistent with the reduction in sales

Operating expenses[1]

A$million	1HFY20	2HFY19	1HFY19	Change 1HFY20 v 1HFY19	Change 1HFY20 v 2HFY19
Marketing & distn	37.0	40.9	35.8	1.2	(3.9)
All other admin[2]	28.5	32.9	34.8	(6.3)	(4.4)
Total opex expenses	**65.5**	**73.8**	**70.6**	**(5.1)**	**(8.3)**

- Opex expenses benefited from the restructure to further right size organisation and optimise global infrastructure
- AASB16 has not materially impacted opex expense as operating lease cost of A$2.3m now treated as depreciation in the same expense line

1. 100% consolidated. Depreciation included in R&D expense (A$1.5m), marketing & distn (A$1.0m) and all other admin (A$1.5m)
2. Refer to 'All other administration and other expenses' in note 3 of the Appendix 4D. Excludes non-cash items and adjustments to underlying earnings

Reported to underlying profit and loss attributable to members

A$million	Reported 1HFY20	Earn-out reassessment	Restructuring	Impairment	Drug pricing investigations	INTI	Gross-to-net adjustment	E4/DRSP	Underlying 1HFY20
Revenue	**227.2**						**5.5**		**232.7**
Gross profit	105.7		5.5				5.5		116.7
Gross profit %	*47%*								*50%*
EBITDA	**34.6**	(6.4)	10.8		1.2	1.4	5.5	0.3	**47.4**
Depreciation / Amortisation	(41.0)					0.2			(40.8)
Impairments	(5.9)			5.9					-
PBIT	**(12.3)**	**(6.4)**	**10.8**	**5.9**	**1.2**	**1.6**	**5.5**	**0.3**	**6.6**
Net Interest	(11.5)	-	-	-	-	-		1.8	(9.7)
PBT	**(23.8)**	**(6.4)**	**10.8**	**5.9**	**1.2**	**1.6**	**5.5**	**2.1**	**(3.1)**

Consolidated balance sheet position

A$million	As at 31 Dec 19	Pre AASB16 As at 31 Dec 19	As at 30 Jun 19
Cash	98.5	98.5	89.0
Inventory	93.3	93.3	100.3
Receivables	219.3	219.3	256.6
PP&E	229.5	229.5	236.0
Intangibles & goodwill	1,047.9	1,047.9	797.6
Right of use assets	13.4	-	-
Other assets	167.0	167.0	156.8
Total assets	**1,868.9**	**1,855.5**	**1,636.3**
Payables	113.3	113.3	129.9
Borrowings	388.7	375.2	369.4
Other financial liabilities	224.4	224.4	73.9
Other liabilities	46.6	46.6	49.0
Equity	**1,095.9**	**1,096.0**	**1,014.1**
Equity (attributable to members)	**1,090.6**	**1,090.7**	**1,007.8**
AUD:USD FX rate	0.7013	0.7013	0.7022
Net debt	290.2	276.7	280.4

- Growth in intangibles and financial liabilities reflects inclusion of E4/DRSP
  - A$274m of intangibles and A$162m of other financial liabilities recognised for E4/DRSP
  - Unwind of the discount on E4/DRSP earnout liabilities which appears in finance expense will be a significant non-cash item going forward (estimate FY20 at US$6.5m for 7.5months)
- Increase in borrowings due to new leasing standard AASB16
  - No change to syndicated facility in base currency
  - Receivables financing slightly higher due to timing of payments/ receipts
  - Net debt lower excluding lease liabilities

Consolidated cash flow – EBITDA to cash reconciliation

	Half Year ending	
A$million	**31 Dec 19**	**31 Dec 18**
Reported EBITDA attributable to members[1]	34.6	65.4
Minority share of INTI EBITDA	(0.9)	(1.4)
Consolidated EBITDA (100% INTI)	33.3	64.0
Share based payments (non cash)	3.8	4.1
INTI warrants fair value (non cash)	0.4	8.4
Movement in earn-outs (non cash)	(3.2)	5.1
Provisions (non cash)	9.4	(1.8)
Other	(3.2)	(2.1)
Operating Cash flow Before WC, interest and tax	**40.9**	**77.8**
WC movements	12.2	(35.1)
Net tax (paid) / received	0.0	16.9
Net interest paid	(6.9)	(6.1)
Net operating cash flow	**46.2**	**53.5**
Capitalised R&D	(7.5)	(11.4)
Acquisitions	(19.2)	(44.3)
Capex	(4.2)	(6.6)
Earn-out, warrant & deferred settlement payments	(7.9)	(1.1)
Free cash flow	**7.5**	**(9.8)**
Net proceeds borrowings & shares	2.3	16.0
Net cash flow	**9.8**	**6.1**

- Net interest paid was down in 1HFY20 (excl. $1.8m gain on interest rate swaps in 1HFY19) benefiting from lower LIBOR/BBSY
- Cash flow working capital movements based on average AUD/USD exchange rate for the period whereas the June and December balance sheet balances based on closing rates

1. Reported EBITDA in Director's Report is attributable to members. Cash flow in the Financial Statements is on a consolidated basis and includes 100% of INTI

Capital structure

- Dual currency debt facility
  - US$150m, 3 year bullet facility, matures December 2021
  - US$200m, 5 year revolving facility, matures December 2023
  - US$50m, 364 days receivables financing facility (non-recourse facility), matures December 2020
  - US$20m, 2 year working capital facility, matures November 2021
  - A$10m, 2 year working capital facility, matures November 2021

- Key bank covenants have significant headroom:

Financial metrics	As at 31 Dec 19	As at 30 Jun 19
Leverage ratio: Net financial debt[1] / EBITDA Covenant <3.5x	2.5x	2.0x
Interest cover ratio: EBITDA / interest Covenant >3x	7.3x	8.4x
Shareholders funds Covenant > A$700m	A$1.1b	A$1.0b

External debt / cash

	As at 31 Dec 19	As at 30 Jun 19
AU cash (A$m)	3.6	7.0
AU debt (A$m)	110.0	110.0
US cash (US$m)	66.6	57.6
US – receivables financing (US$m)	29.1	25.7
US - syndicated loan (US$m)	160.0	160.0

Net debt

A$millions	As at 31 Dec 19	As at 30 Jun 19
Syndicated facility	333.8	332.7
Receivables financing	41.4	36.6
Lease liabilities	13.5	0.0
Borrowings	388.7	369.4
Net debt	290.2	280.4
Net debt (excl. lease liabilities)	**276.7**	**280.4**

1. Leverage ratio excludes any drawn funds under receivables financing facility and lease liabilities