



# IR Newsletter

September 2019

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## CMO Business Restructuring

September 2019

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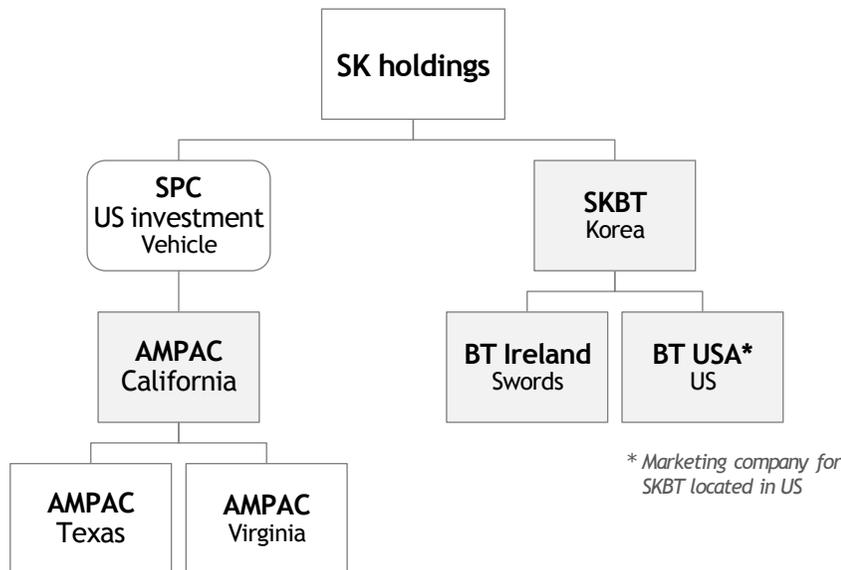
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## Governance restructuring of SK CMO Biz.

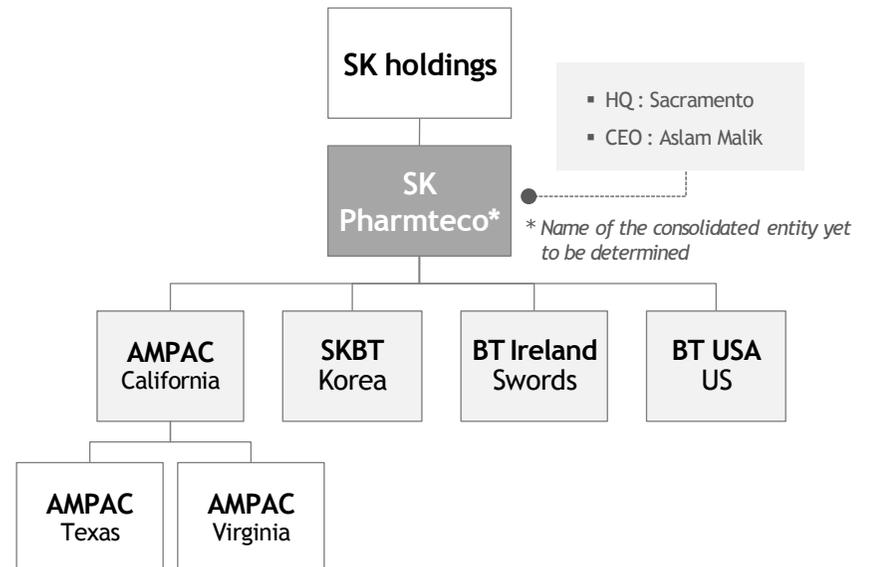
Governance structure of SK group's CMO business to be streamlined to secure and strengthen core competitiveness

- Phase 1 : SK Biotek("BT") Korea transferred its shares of BT Ireland and BT USA by means of a property dividend to SK holdings (disclosed on Jun. 18<sup>th</sup>)
- Phase 2 : SK holdings to inject capital into the consolidated entity with its shares of BT entities and AMPAC
  - \* Governance restructuring to be completed by the end of 2019

<As-is>



<To-be>

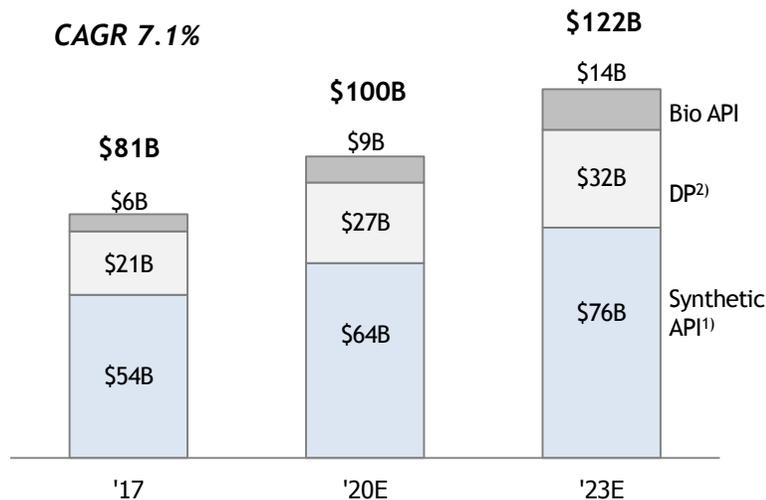


## Governance restructuring of SK CMO Biz.

CMO industry continues to record a high level of growth on on-going trend of manufacturing outsourcing from big pharmas, and the leadership of top-tier players is expected to be more strengthened due to continuous industry consolidation

- The heightened level of technology required and several quality control issues from Chinese and Indian CMOs have caused the demand for top-tier CMOs to grow
- The rise of biotech start-ups is another growth driver for CMO industry as they usually lack own production facilities

「Global CMO Market Size」

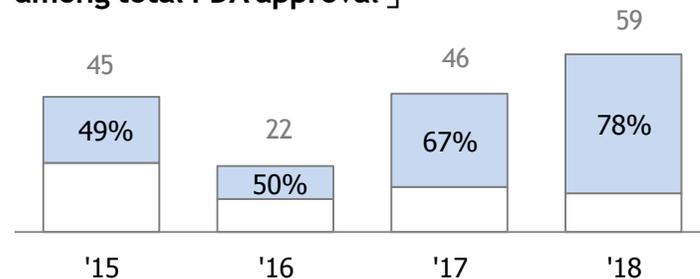


1) API(Active Pharmaceutical Ingredient), 2) DP(Drug Product)

「Growth and Profitability of Industry」

| Last 3 years   | Top-tier CMO | CMO Industry |
|----------------|--------------|--------------|
| Revenue Growth | 17%          | 7%           |
| EBITDA Margin  | 19%          | 7~10%        |

「Proportion of small-scale biotech companies increasing among total FDA approval」

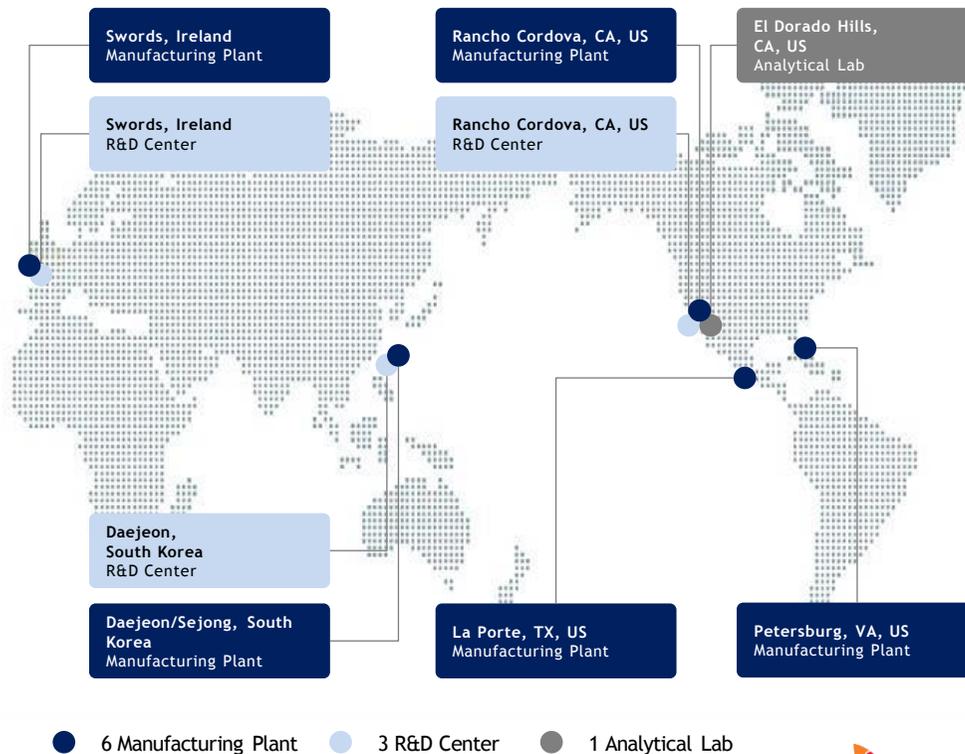


Source : IQVIA, Frost & Sullivan, IMS Healthcare, Mordor Intelligence, Visiongain

## Governance restructuring of SK CMO Biz.

Under the news consolidated entity, SK's CMO businesses achieve competitive scale and seeks to create synergy through optimization of global operations

- Integration of key functions (Marketing, Quality, R&D, SCM) to enhance efficiency of operations
- Customer services to improve with easier access to the US customers, the largest pharmaceutical market



「Comparison to Competitors」

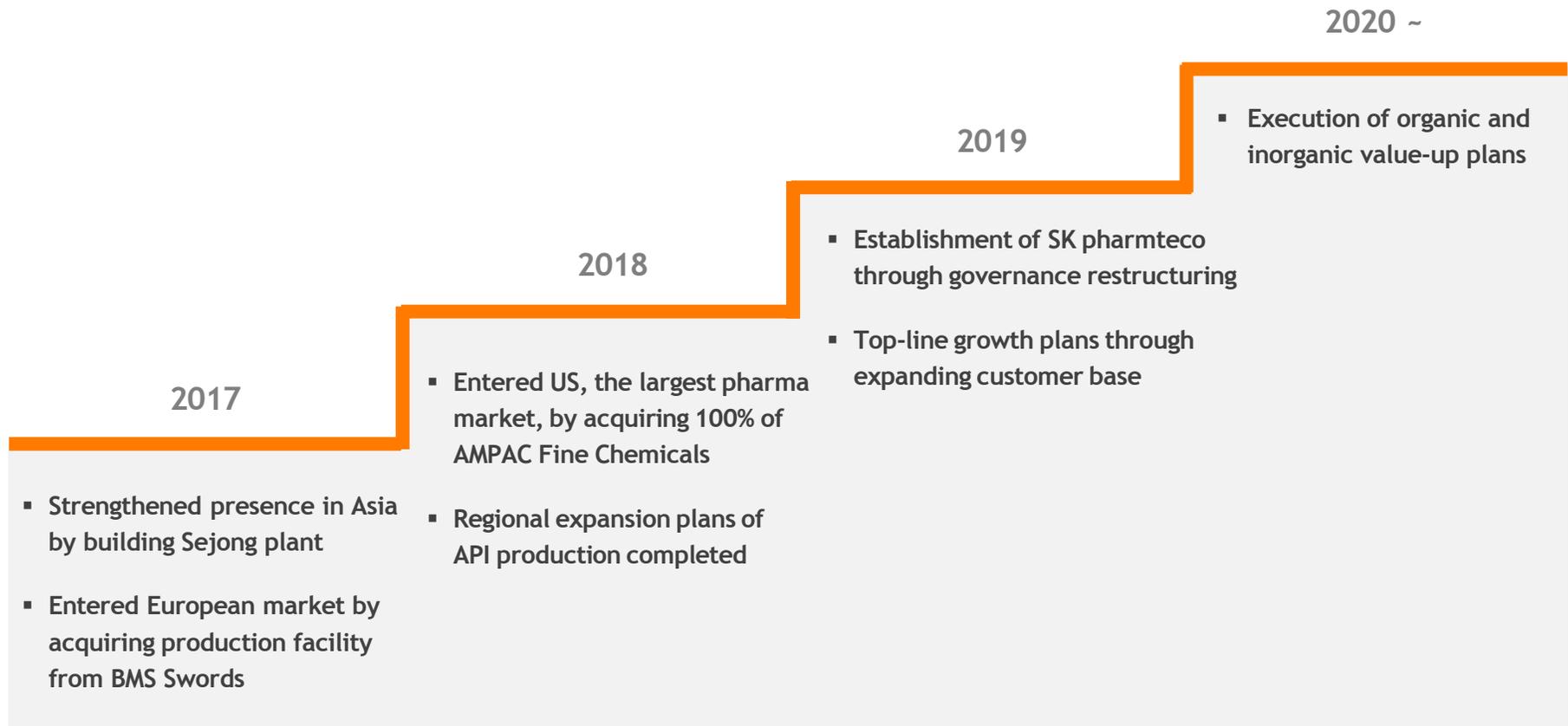
| 구분      | Cambrex                                   | Siegfried | SK Pharmteco      |                     |
|---------|-------------------------------------------|-----------|-------------------|---------------------|
|         | '18A                                      | '18A      | '18A              | '19E                |
| Revenue | \$531M                                    | \$807M    | \$442M            | \$562M              |
| EBITDA  | \$149M                                    | \$127M    | \$93M             | \$105M              |
| Capa.   | 1,000m <sup>3</sup> ~ 1,500m <sup>3</sup> |           | 998m <sup>3</sup> | 1,012m <sup>3</sup> |

※ Cambrex (NYSE), Siegfried(SIX)

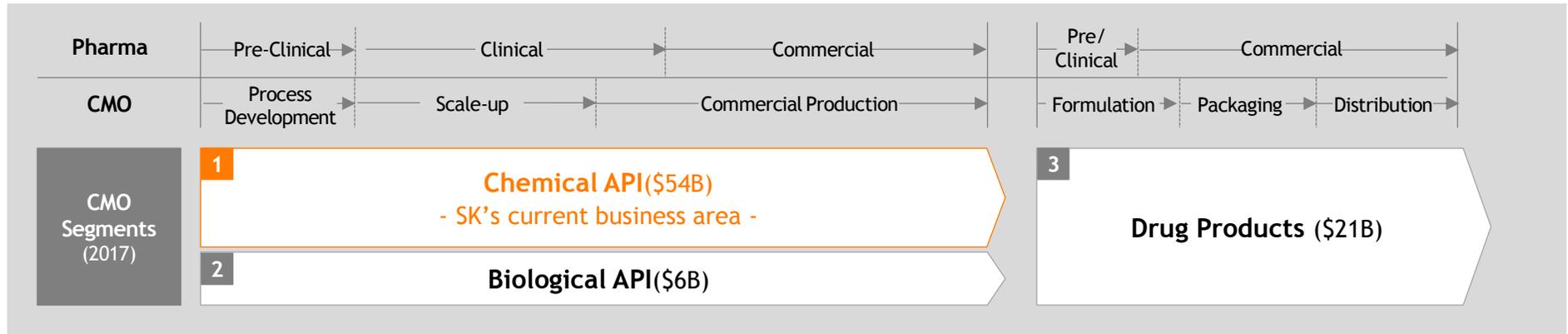
## Governance restructuring of SK CMO Biz.

SK pharmteco aims to become a company worth 10 trillion KRW by 2025 through organic and inorganic approaches,

- SK pharmteco to make business expansions on its own capability and resources after 2020



## Appendix : CMO Value-chain and SK production facilities



|           | SK Biotek (South Korea)                                                                                                                                                                                                                                                   | SK Biotek Ireland                                                                                                                                                                                                 | AMPAC Fine Chemicals (US)                                                                                                                                                                                                                                                                                                                           |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capa.     | <ul style="list-style-type: none"> <li>2 production sites (Total 318m<sup>2</sup>)                             <ul style="list-style-type: none"> <li>- Daejeon : 2 buildings (158m<sup>2</sup>)</li> <li>- Sejong : 1 building (160m<sup>2</sup>)</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>1 production facility (96m<sup>2</sup>)                             <ul style="list-style-type: none"> <li>- Swords : 6 buildings (96m<sup>2</sup>)</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>3 production sites (Total 598m<sup>2</sup>) and 1 analytical lab                             <ul style="list-style-type: none"> <li>- California : 17 buildings(319m<sup>2</sup>)</li> <li>- Texas : 1 building(91m<sup>2</sup>)</li> <li>- Virginia : 4 buildings (188m<sup>2</sup>)</li> </ul> </li> </ul> |
| Customers | <ul style="list-style-type: none"> <li>Major pharma companies</li> <li>SK Biopharmaceutical (Cenobamate)</li> </ul>                                                                                                                                                       | <ul style="list-style-type: none"> <li>Long-term (over 5 years) contracts</li> </ul>                                                                                                                              | <ul style="list-style-type: none"> <li>Customers include Pharma, Biotech, and High Technology Companies</li> </ul>                                                                                                                                                                                                                                  |
| Key Tech. | <ul style="list-style-type: none"> <li>Continuous Process Technology</li> </ul>                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>Highly Potent API (HPAPI)</li> </ul>                                                                                                                                       | <ul style="list-style-type: none"> <li>Energetic &amp; Specialty Chemistry (ESP)</li> <li>Simulated Moving Bed(SMB)</li> <li>Controlled Substances</li> </ul>                                                                                                                                                                                       |