Eris Acquires Oaknet Healthcare

Deal Announcement

4th May 2022

Eris has consistently leveraged acquisitions/ alliances to create value

Eris

	Deal	Rationale	Value Creation
2017	Acquisition of Domestic Formulations portfolio of Strides Shasun	• Entry into CNS therapy • Flagship Renerve brand group	• Launched several new products in Neurology and Psychiatry to build a CNS franchise growing at > 30% p.a. • Flagship brand Renerve has grown from Rs. 77 crore p.a. to ~ Rs. 130 crore p.a. since acquisition • Improved field-force productivity by ~ 3x • Improved Gross Margin from 65% to ~ 80% through in-sourcing of manufacturing to Guwahati facility
2019	Acquisition of Zomelis (Vildagliptin) brand from Novartis	Strengthen position in the lucrative DPP4 inhibitors market	• Scaled up monthly revenue from Rs. 1 crore to Rs. 7 crore since acquisition • Maintained #1 rank among 200+ Gx brands since acquisition • Improved Gross Margin by 500+ bps by in-sourcing
2021	Equity Alliance with MJ Biopharm	Entry intro Human Insulin, Analogues and GLP1 Agonists	• Launched Human Insulin in Feb 2022 • Glargine expected to be launched in calendar year 2023 • Liraglutide expected to be launched in calendar year 2024

Oaknet fits a strategic gap in Eris' choice of therapeutic segments

Eris

Eris has identified 7 therapy areas as strategic segments for future investments and efforts

Eris' Strategic Segments	Eris	+ Oaknet	= Eris Oaknet
Oral Diabetes Care	✓		✓
Insulin	✓		✓
Cardiovascular Care	✓		✓
Women's Health	✓	✓	✓
VMN	✓		✓
CNS	✓		✓
Dermatology	✗	✓	✓

Eris' Specialty Franchise gets a significant impetus from the acquisition

Eris

- Eris is now present in **87%** of the Rs. 55,000 crore **Chronic Market**, with a **leading presence** in the **major Chronic Therapies** in the IPM – **Cardiology, Oral diabetes care, Insulin, Neuro/CNS** and **Dermatology**

- Oaknet has **deep coverage** of the **Dermatology** specialty in India
  - **Near 100%** coverage of Dermatologists across India with a **60% penetration**
  - Derives **43%** of its total **prescriptions** (in the Dermatology business) from **Dermatologists** – compared to **38% for the market –** hence Oaknet has a stronger **Specialty** presence compared to the market
  - **Very strong in Medical Dermatology** which is curative and, in a tropical country like India, will always remain the **bedrock of Dermatology** business
  - Gives an opportunity to **scale-up the Cosmetology** franchise, which is largely **driven** by **Dermatologists**

- **Eris** is in a **high-growth phase** in the **Women's Health** category (**24%** yoy gr in FY22); the addition of Oaknet will provide the **opportunity to cross-sell** the Oaknet portfolio as well

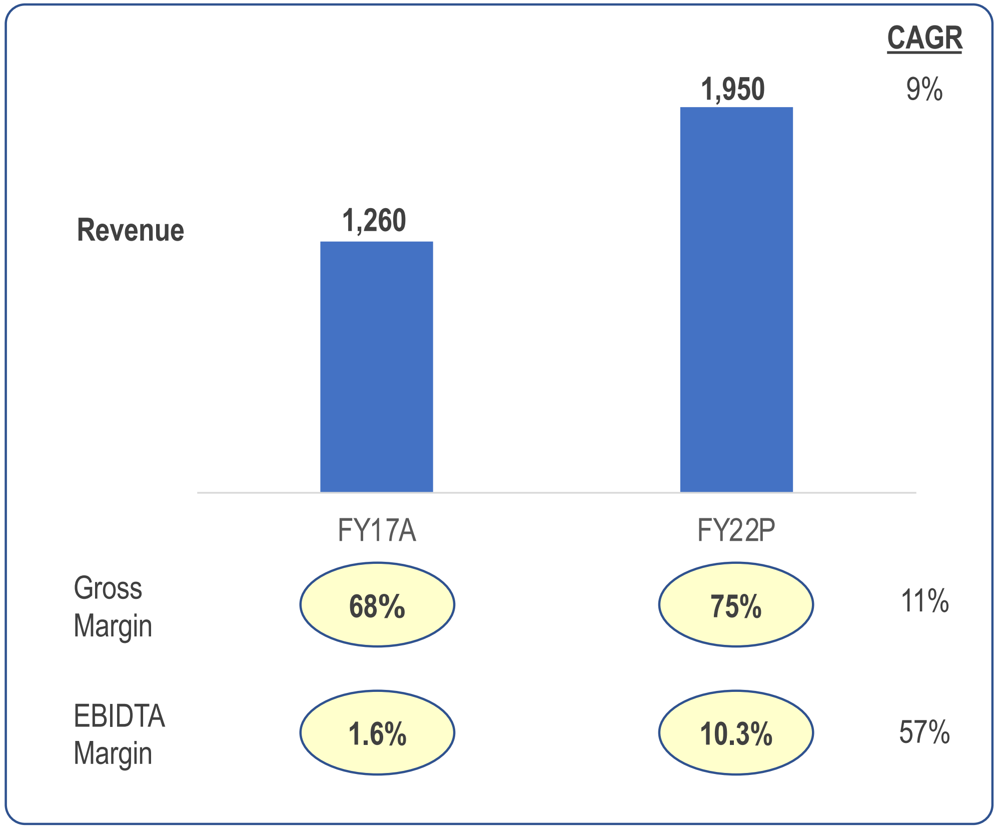
Source: AWACS MAT MAR 22

Oakf Business and Financial Overview

Business Overview

- Revenue base of **INR 1,950 mn** in FY22 (P)
- Ranked among the **Top 10 Dermatology** companies in the covered market
- Leading brands in the Dermatology segment
  - **Cosvate** ranked **#4** in its segment
  - **Cosmelite** ranked **#5** in its segment
  - 4 out of Top-5 Derma brands are ranked among the **Top-5** in their respective segments
- Pan India field force of ~ **650 MRs** covering a total of 60,000 doctors including ~ **11,000 Dermatologists**
- **NLEM** exposure ~**10%** of portfolio
- Debtor Days ~ **25**

Financial Overview (INR Millions)



Source: AWACS MAT Mar 22.
FY 22 P figures are provisional and unaudited

Key Deal Contours

- Eris will acquire **100% equity stake** in Oaknet at an Equity Valuation of **INR 6,500 mn**
- The business will be housed in **Eris Oaknet Healthcare Ltd**., a wholly owned subsidiary of Eris Lifesciences
- The deal will be financed with a **judicious mix** of **internal accruals** (INR 3,000 mn) and **borrowings**
- We expect the transaction to achieve **financial closure** before the end of **May 2022**
- Growth Projections (FY24)
  - Revenue – INR 2,500 mn
  - EBIDTA – INR 500 mn
- Key **value creation levers**
  - **Expansion** of medical **dermatology franchise**
  - New product **launches** – **Cosmetology**
  - Cross-selling in **Women's Health** franchise
  - Improvement in **field-force productivity**
  - **COGS reduction** through **in-sourcing of manufacturing**

THANK YOU

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ERIS LIFESCIENCES LIMITED