



8 August 2017

MAYNE PHARMA MARKET UPDATE

Considering current market volatility, the Board of Mayne Pharma Group Limited (ASX: MYX) believes it is prudent and in shareholders' interest to provide the following market update.

- Mayne Pharma announces expected preliminary earnings for FY17 with underlying EBITDA up by more than 140% on FY16
 - Non-cash (pre-tax) charge of A\$25m relating largely to intangible asset impairment and reassessment of the useful life of acquired Teva portfolio assets to 15 years
 - Expanding Specialty Brands sales force by 100% to further accelerate growth of the Doryx® franchise, Fabior® and Sorilux®
 - Mayne Pharma CEO Scott Richards to be based in the United States
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Full year FY17 expected preliminary financial performance

(All numbers are preliminary, unaudited and subject to final sign-off by the Board)

Mayne Pharma Group Limited's preliminary full year FY17 results¹ are anticipated to be the following:

- Total revenue of approximately A\$581 million;
- Underlying EBITDA of between A\$212 - A\$216 million² (excluding A\$25m non-cash charge); and
- Reported NPAT of between A\$92 - A\$95 million.

Revenue is expected to be up by more than 115%, underlying EBITDA up by more than 140% and reported NPAT up by more than 145% versus the prior corresponding period driven by product acquisitions, new product launches and continuing growth in Metrics Contract Services.

The effective tax rate is expected to be approximately 27% across the full year. This is higher than the first half, which benefited from abnormally high US domestic product allowances and a one-off non-assessable item.

The acquired Teva products are expected to achieve FY17 EBITDA of approximately US\$94.5 million. Sales were down in the second half reflecting a more competitive generic sector pricing environment coupled with very strong trading in December. In addition, the results relating to the acquired Teva products were negatively impacted in May and June by approximately US\$5m due to unanticipated pricing and one-off shelf stock adjustments associated with the finalisation of bids with large buying consortiums.

¹ NPAT and EBITDA is profit attributable to members of the Company

² Adjustments to Reported EBITDA in the full year include A\$22.4m net patent litigation gains (A\$26.2m of patent settlement income less A\$3.8m of litigation expenses relating to Mayne Pharma's allegation that Merck's Noxafil® product infringes a Mayne Pharma patent); A\$5.6m of transaction and other related costs; A\$1.5m of legal costs associated with the US Department of Justice investigation; A\$2.1m to remove the HedgePath Pharmaceuticals Inc. (HPPI) losses attributable to members of the Company and A\$5.3m credit for the revaluation of HPPI warrants.

The base generics business revenue (excluding Teva acquired products) grew by more than 75% year on year in USD, with dofetilide being a key driver of growth, followed by new product launches such as the first-to-market generic to Acticlate® (doxycycline hyclate immediate release tablets). The launch of three patent-protected dermatology products, Doryx MPC (doxycycline delayed-release tablet), Fabior (tazarotene foam) and Sorilux (calcipotriene foam) drove a much stronger result in the second half for Specialty Brands, with USD revenue up 30% on the first half. Metrics Contract Services' USD revenue grew 22% year on year reflecting growing customer demand for its end-to-end analytical and pharmaceutical development solutions.

These results are preliminary and subject to the completion of the Auditor's review and final sign-off by the Board. The Board intends to announce the full year results on Friday 25 August.

Impairment and changes to accounting useful life

As part of the annual year-end reporting process a detailed review of the Company's intangible assets has been conducted taking into account the current and projected US market dynamics for the portfolio and the industry. The Board now expects to record a non-cash (pre-tax) charge of A\$25m relating largely to intangible asset impairment and reassessment of the useful life of the acquired Teva portfolio assets. Considering the generic market environment and asset specific factors, the Company has reduced the useful life of the Teva related intangible assets from 20 to 15 years commencing 1 January 2017. These changes align tax and accounting useful lives and do not affect the cashflow or underlying profitability of the Company.

Outlook

Whilst Generic Products is facing competitive pricing pressure in the retail channel, the Company is focused on a number of initiatives to offset these headwinds, including diversifying its channels to market into government and specialty pharmacy, pursuing new market share opportunities with the retail customer base, extracting US\$12 million of annual product cost savings from transferring the Teva products into new manufacturing sites by FY19, new product launches and further business development activity.

The Company's three other segments, Specialty Brands, Metrics Contract Services and Mayne Pharma International are expected to grow strongly in FY18 on a constant currency basis driven by the key branded franchises (Doryx, Fabior and Sorilux), the pipeline of committed business for Metrics Contract Services and other product launches.

To accelerate the growth of Specialty Brands, the Company has commenced an expansion of its sales force from 60 to 120 speciality sales representatives. Following the successful launch of Doryx MPC in August 2016 and Fabior and Sorilux in January 2017, the Company is confident it can further accelerate market share and the contribution of these three patent-protected dermatology brands as well as supporting any future brands that are added to the dermatology portfolio.

Doryx competes in the US oral tetracycline antibiotic market and Fabior competes in the topical retinoid acne market, which together represent 8 million prescriptions annually³. Currently the Doryx franchise holds approximately 8% market share of the tetracycline oral acne market and

³ IMS Health, 4 weekly average TRx / week as at 28 July 2017



ASX Announcement

Fabior holds approximately 1% market share of the topical retinoid acne market. The expanded sales team will significantly enhance prescriber and patient reach to optimise coverage of the 10,000 target US dermatologists. Until January 2017, Doryx was the only brand promoted by the sales team and with generic competition facing key branded competitors to Doryx (Acticlate) and Fabior (Tazorac®), the Company believes the timing is ideal to increase promotional efforts across the Specialty Brands product portfolio.

CEO to be based in the United States

To oversee the next stage of growth, Mayne Pharma's CEO, Mr Scott Richards, will relocate to the United States. The US is Mayne Pharma's most strategically important market representing 94% of group revenue. By being based in the US, Mr Richards will be able to focus on the critical growth drivers of the business and help lead and execute the Company's various strategic initiatives.

Mr Richards already travels extensively to the US, and subject to pending visa requirements being met is expected to relocate from late September 2017.

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About Mayne Pharma

Mayne Pharma is an ASX-listed specialty pharmaceutical company focused on applying its drug delivery expertise to commercialise branded and generic pharmaceuticals. Mayne Pharma also provides contract development and manufacturing services to more than 100 clients worldwide.

Mayne Pharma has a 30-year track record of innovation and success in developing new oral drug delivery systems and these technologies have been successfully commercialised in numerous products that have been marketed around the world.

Mayne Pharma has two product development and manufacturing facilities based in Salisbury, Australia and Greenville, USA with expertise in formulation complex oral dose forms including highly potent compounds, controlled substances, modified release products and inherently unstable compounds.

Acticlate®, Noxafil® and Tazorac® are registered trademarks of third parties.