

# Interim Results

Six months ended 31 October 2012

5 December 2012

Jonathan Glenn, CEO  
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## Financial Highlights

	H1 FY2013 (GBPm)	H1 FY2012 (GBPm)	Growth %
<b>Revenue from products and services</b>	69.9	68.8	1.7
<b>Operating profit (before special items*)</b>	11.5	11.2	3.2
<b>Operating profit (after special items*)</b>	9.9	11.2	(20.2)
<b>EBITDA (before special items*)</b>	15.2	14.4	5.6
<b>Profit before tax and special items*</b>	10.5	10.2	2.6
<b>Profit before tax</b>	8.9	11.5	(22.6)
<b>Adjusted basic earnings per share</b>	28.5p	26.7p	6.7
<b>Basic earnings per share</b>	24.4p	30.3p	(19.5)

\*Special items of £1.6m included £1.1m of continuing amortisation of intangible assets following the acquisition of King Systems in 2005 and The Medical House in 2009, and £0.5m for a provision against a lease from The Medical House

## Operational Highlights

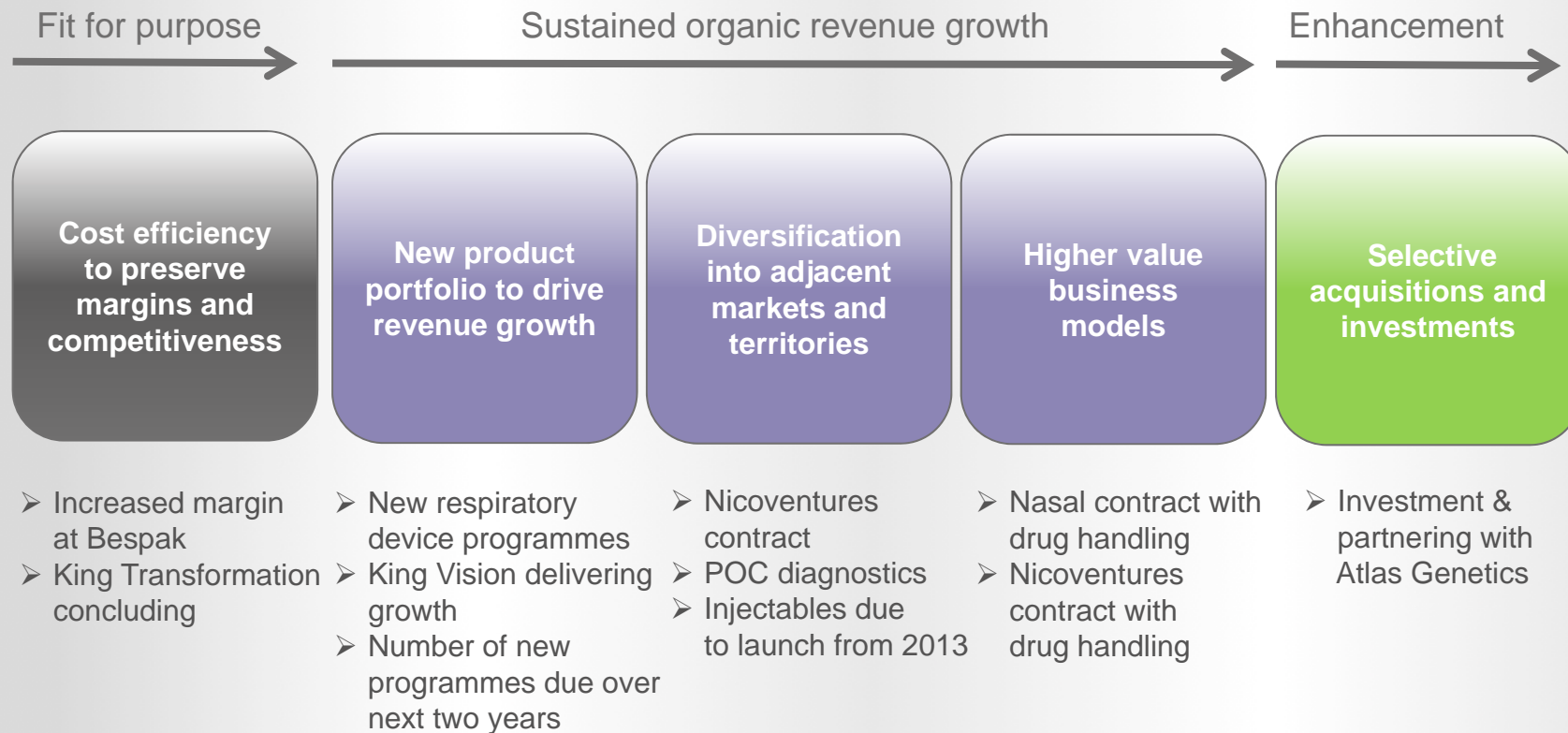
### ➔ Bespak

- ➔ Operating profit before special items increased by 8.9% to £10.2m
- ➔ Secured multiyear inhaled nicotine device contract with Nicoventures
- ➔ Further execution on other Bespak development portfolio milestones

### ➔ King Systems

- ➔ King Systems revenue grew by 4.4% to £22.0m, led by strong King Vision sales
- ➔ King Vision follow-on product making good progress, the first due to launch in H1 2013
- ➔ Transformation programmes on schedule

## Our strategy for sustainable growth





## Bespak - the gold standard in drug delivery devices

- Leading manufacturer of drug delivery devices
- High volume, high quality manufacturer, producing over 500m devices per annum
- World class regulatory expertise and track record of FDA inspections and regulatory filings
- Balanced portfolio – proprietary and contract manufacturing, multiple market segments



**Cipla**



**bespak**   
A Consort Medical Company



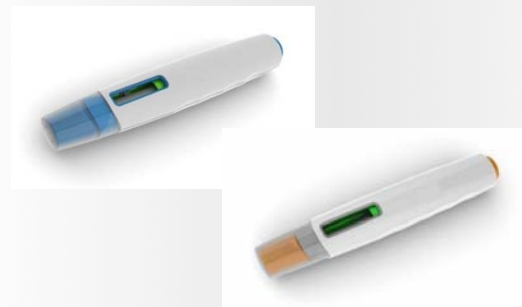
### Respiratory



Global market leader

MDI valves, actuators, dose counters, dry powder inhalers, medical check valves

### Injectables



Emerging market segment to meet needs of the biologics market

Autoinjectors and needle-free injectors

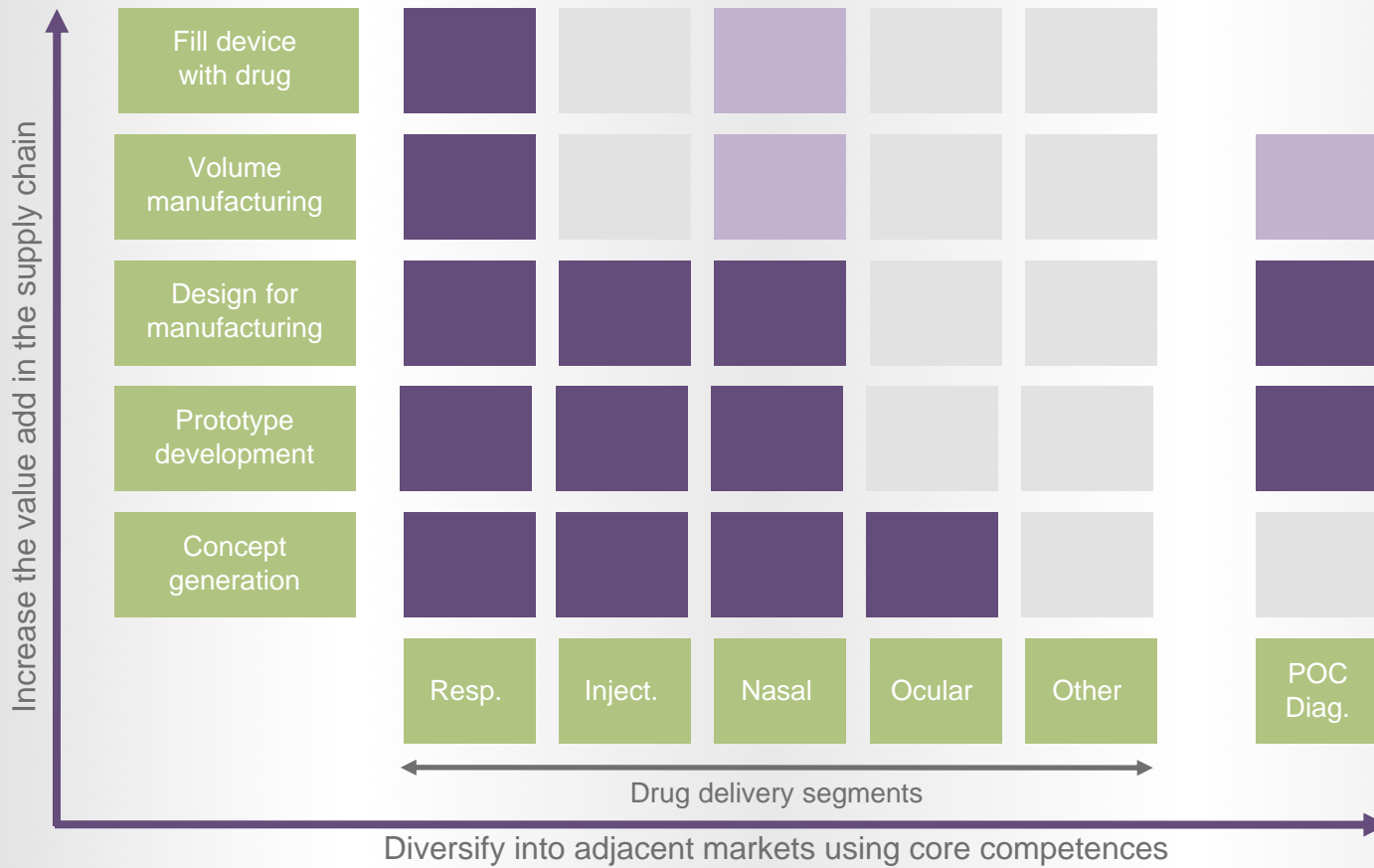
### Innovations



Broadening the range of markets served

POC diagnostics components, nasal drug delivery devices

# Delivering Bespak's diversification strategy



## Bespak – increase in profitability

- Valve growth more normalised following stocking orders in comparative period
- Operating profit growth of 8.9% to £10.2m (2012 £9.3m) and margin up to 21.2% (2012 19.5%)
- Teva QNASL rollout with our proprietary IDC proceeding in line with expectations
- Reconfiguration of parts of King's Lynn site to accommodate new programmes under development
- Good progress with development pipeline – in particular with Nicoventures....





## Nicoventures contract

- Bepak awarded multi-year exclusive contract with Nicoventures, a stand-alone company within British American Tobacco
- Innovative nicotine inhalation product (formerly DEV200)
- Licensed nicotine product as safer alternative to smoking
- Supply by Bepak would follow regulatory approval
- Revenues dependent on take-up following consumer launch
- Capital Expenditure over 3 years, funded from existing lending facilities
- Contract includes:
  - Manufacture of inhalation system
  - Bepak proprietary valve supply
  - Device moulding and final assembly
  - Drug handling and pharmaceutical packaging

## Bespak Development Portfolio



- New MDI opportunities
  - VAL020 Continued progress but launch now expected 2014
  - VAL310 (Easifill or primeless valve). Customer completed FDA responses and re-filed. Approval awaited
- Accelerated activity in Device programmes
  - DEV750, combination DPI device. Manufacture for launch stocks continuing on schedule. Launch expected in Europe H1 2013
  - DEV610, platform DPI device. Producing clinical trial batches. Expected launch 2015
- Atlas Genetics – development making good progress. Launch expected in calendar H1 2014

## Bespak Development Portfolio (contd.)

- Autoinjectors on track
  - INJ300 Dr Reddy's labs expected to launch 2013, as expected
  - INJ570 industrialisation scale up of device continuing
- Nasal programmes update
  - NAS010 programme is currently under review by customer
  - NAS020 using Bespak Unidose Extra™ design with drug handling. Manufacturing clinical batches
- Innovations Team
  - Broad range of opportunities, developing new diversified platforms
  - Doubling of investment
  - Expect unveiling over next 12 months



## Bespak Development Portfolio – significant progress

Project	Opportunity	Customer	Status
<b>DEV750</b>	DPI Device	European pharma	Launch stock build continuing
<b>INJ300</b>	Autoinjector	Dr Reddy's Lab's	Awaiting FDA approval
<b>VAL020</b>	MDI valve	Global pharma	New supply contract signed
<b>VAL310</b>	Easifill valve	US Pharma	Re-filed with FDA; awaiting approval
<b>INJ570</b>	Autoinjector	Global pharma	Industrialisation scale up continuing
<b>POC010</b>	POC test cartridge	Atlas Genetics	Development programme on-going
<b>DEV200</b>	Nicotine delivery	Nicoventures	Awarded multi year commercial agreement
<b>NAS010</b>	Nasal device	Global pharma	Programme currently under review by customer
<b>DEV610</b>	DPI device	Global pharma	Producing clinical trial batches
<b>NAS020</b>	Nasal device	Global generic	Early stage clinical batches being produced

## King Systems – US leader in devices for airway management

- Proprietary devices with strong brand loyalty
- US market leader with >30% market share
- Direct sales force (c40 reps) to Operating Room and Emergency Room
- In-house manufacturing and distribution model
- International footprint growing
- Innovation driving growth: King Vision and line extensions

### Circuits, Masks and Breathing Bags



Disposable products used in surgery

Patented Flex2 circuit with clinical and patient benefits

Market leading mask range

### Airway Devices



Fast growing segment in both OR and EMS

King Laryngeal Tube (KLT) range offers premium performance

King Laryngeal Airway Device (KLAD)

### Visualisation



Fast growing segment

King Vision offers low cost visualisation with market leading optics



## King Systems – Vision delivering; Transformation concluding

- ⇒ Revenues up 4.4% at to £22.0m
- ⇒ King Vision growth in line with expectations
- ⇒ Airway volumes weaker from reduction in military demand
- ⇒ Operating profit £1.4m and margin consistent with H2 FY 2012
- ⇒ Continuing drag on Operating profit from implementation / commissioning of automation
- ⇒ Transformation programme concluding. Full benefits expected from Q2 2013....



## King Systems – transforming manufacturing

Flex2 line - outperforming expectations



- Successfully implemented
- High quality
- High efficiency

Breathing bag dip line - commissioning



- Commissioning trials underway
- Inventory build complete
- H&M Bag production ceased July
- In production Q1 2013

Breathing mask line - installation



- Factory debug concluding
- H&M Cushion production to cease around end of calendar year
- Installation in Q4 2012
- Commissioning Q1 2013
- Live Q2 2013

## King Vision video laryngoscope

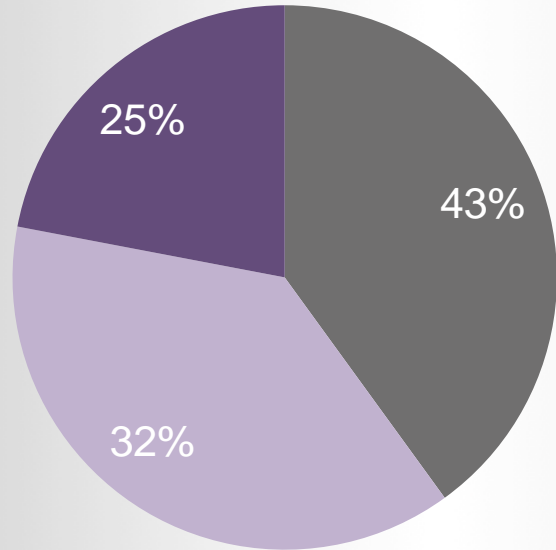
- Digital video laryngoscope
- Premium quality visualisation of the airway using OLED screen
- Affordable pricing with display at <\$1,000
- Extremely positive response from clinicians
- Shipments in first sixteen months in line with expectations
- Winner of prestigious 'Medical Design Excellence Awards' 2012
- 18 clinical studies completed, on-going or planned
  - - 4 studies complete; 2 abstracts presented
  - - 5 studies in progress
  - - 3 studies awaiting final approval
  - - 6 in the planning stages
- Development of product family progressing well
- Global launch boosts the international portfolio...



# King Vision – domestic and international sales

## Revenue analysis by market

■ US hospital ■ US EMS ■ OUS



## Approved in 65 countries, sales in 51





## Summary

- Both divisions have delivered on our expectations in a ‘transitional’ period
- We are executing on the stated strategy – significant milestones achieved
  - New products in core businesses: new respiratory, King Vision
  - Diversifying the business: Nicoventures, Nasal devices, POC, Injectables
  - Capturing greater value: drug handling content and pharmaceutical packaging
  - Increasing investment in innovation: growing Cambridge team
  - Cost efficiency: Bespak margin, King Transformation
- We are confident in the outlook for both Bespak and King Systems
- We have laid the platform for sustainable growth in the medium term





Financial Review

## Income statement – 6 months ending 31 October 2012

	H1 FY2013 (GBPm)	H1 FY2012 (GBPm)	Growth	
			(GBPm)	%
Revenue	72.2	71.1	1.1	1.5%
<b>Revenue from products and services</b>	<b>69.9</b>	<b>68.8</b>	<b>1.1</b>	<b>1.7%</b>
<b>Operating profit before special items</b>	<b>11.5</b>	<b>11.2</b>	<b>0.3</b>	<b>3.2%</b>
Net interest	(1.0)	(1.0)		
<b>Profit before tax and special items</b>	<b>10.5</b>	<b>10.2</b>	<b>0.3</b>	<b>2.6%</b>
Special items	(1.6)	1.3		
Profit before tax	8.9	11.5	(2.6)	-22.6%
Taxation	(1.9)	(2.8)		
Profit after tax	7.0	8.7	(1.7)	-19.8%
<b>Adjusted earnings per share</b>	<b>28.5p</b>	<b>26.7p</b>	<b>1.8p</b>	<b>6.7%</b>
Earnings per share	24.4p	30.3p	(5.9p)	-19.5%

## Divisional performance – 6 months ending 31 October 2012

	H1 FY2013 (GBPm)	H1 FY2012 (GBPm)	Growth (GBPm)	%
<b>Revenue from goods and services</b>				
Bespak	48.1	47.9	0.2	0.5%
King Systems	22.0	21.0	1.0	4.4%
Intra-divisional	(0.1)	(0.1)		
	<u>69.9</u>	<u>68.8</u>	<u>1.1</u>	1.7%
<b>Operating profit</b>				
Bespak	10.2	9.3	0.9	8.9%
King Systems	1.4	1.9	(0.5)	-25.4%
	<u>11.5</u>	<u>11.2</u>	<u>0.3</u>	3.2%
<b>Operating margin</b>				
Bespak	21.2%	19.5%		
King Systems	6.3%	8.8%		
	<u>16.5%</u>	<u>15.8%</u>		

## Cash flow statement – 6 months ending 31 October 2012

	H1 FY2013 (GBPm)	H1 FY2012 (GBPm)	Growth (GBPm)	%
<b>Operating profit</b>	9.9	12.4	(2.5)	-20%
Depreciation, amortisation & impairment	4.7	3.8		
Working capital	(4.9)	(5.1)		
Provisions	(0.3)	(2.2)		
Other	0.8	0.5		
<b>Cash generated from operations</b>	<b>10.2</b>	<b>9.4</b>	<b>0.8</b>	<b>9%</b>
Interest	(1.4)	(1.1)		
Tax	(0.9)	(1.7)		
Capital expenditure	(6.1)	(7.3)		
Equity issued less own shares	0.7	0.0		
Pension fund deficit	0.0	(1.4)		
<b>Free cash flow</b>	<b>2.5</b>	<b>(2.1)</b>	<b>4.6</b>	

## Net debt at 31 October 2012



	31-Oct-12	30-Apr-12	31-Oct-11
Net debt £m	(38.5)	(37.7)	(42.6)
Headroom £m	35	29	26
Net debt / EBITDA	1.3	1.3	1.3
Interest cover	13x	13x	14x



## Other

- Borrowing facilities committed through November 2016 with RBS and HSBC
  - \$56m USD RCF and £40m GBP RCF
  - Margin 2% to 3% over LIBOR
  - £25m “accordion” facility to support growth, if needed
  
- Specials
  - Onerous lease £0.5m ex-Medical House, Sheffield – 6 years
  - Follows sale of other freehold site for £0.2m in July
  - Amortisation of Intangibles of £1.1m on acquisitions of King System and Medical House
  
- Tax rate: underlying rate 22.1%; overall 21.5%
  
- IAS 19 Pension deficit £4.8m (30 April 2012 £3.4m)

## Financial outlook

- **Execution on our strategic initiatives continues at both businesses, underpinning a strong portfolio of sustainable growth opportunities.**
  - At Bepak, the Nicoventures contract opens up significant potential future growth in revenues, with diversification in service offering and sector. The remaining broad portfolio has expanded further, with many significant milestones passed.
  - At King, the King Vision laryngoscope continues to exceed our expectations, with an exciting pipeline of further developments / enhancements the first of which is scheduled to launch in calendar H1 2013. The Transformation programme will complete in mid-2013, delivering productivity and fixed cost improvements.
  
- **Both Bepak and King Systems Divisions performed in line with our expectations in the first half.**
  
- **Our expectations for the full year remain unchanged.**

# Interim Results

Six months ended 31 October 2012

5 December 2012

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