



PLUS FIVE PHARMACEUTICALS (PRIVATE) LIMITED PROSPECTUS 2018



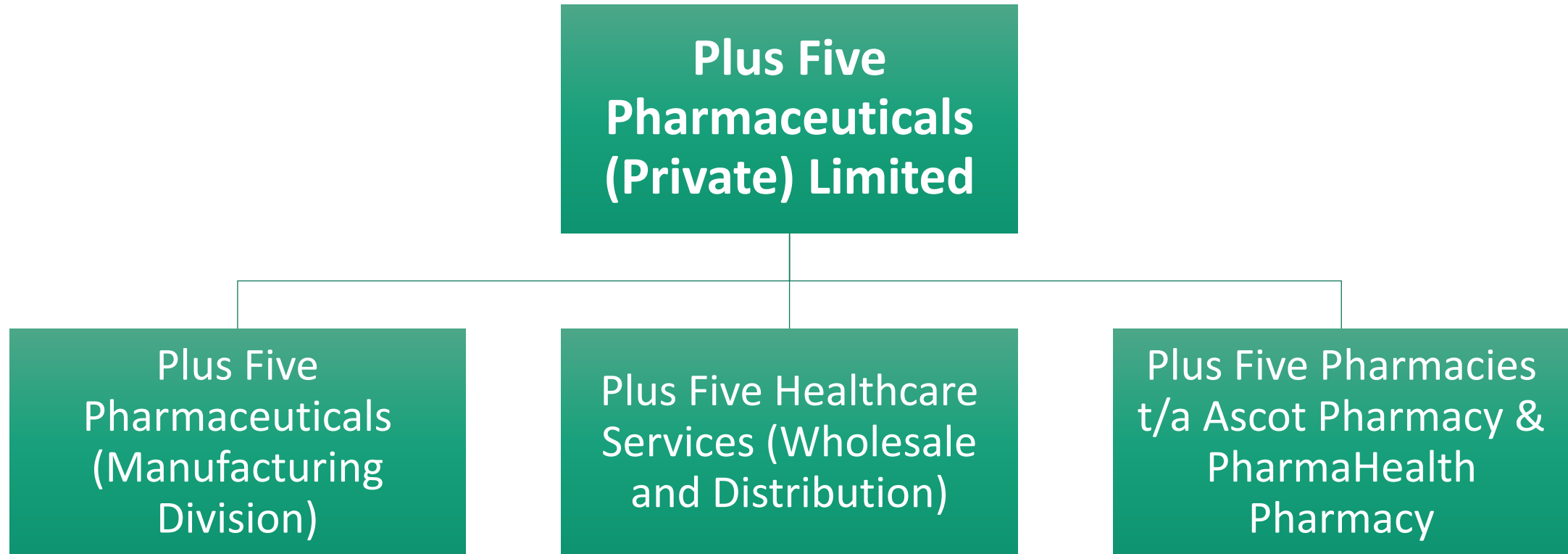


BACKGROUND INFORMATION

- **Plus Five Pharmaceuticals (Private) Limited** herein referred to as **Plus Five** was Incorporated in February **1990**
- It started operating in **1991** with a **retail pharmacy**, Ascot Pharmacy, in the second biggest city, Bulawayo
- In **1995** Plus Five went into **partnership** with the Venture Capital Company of Zimbabwe(VCCZ) who acquired **46% of the equity** and provided funding for a manufacturing facility in the form of equity finance (preference shares), loans and debentures. Plus Five also received funding from **Zimbabwe Development Bank (ZDB)** now the Infrastructure Development Bank of Zimbabwe.
- With the above funding it set up a new plant which was licensed for **pharmaceutical production** in August of **1996**. The company commenced production with 6 finished pharmaceutical formulations and 2 skin care products.
- By the end of year 2000 the company had paid off the ZDB (Zimbabwe Development Bank) loan and Debentures.
- In line with the **venture capital agreement** the **founding shareholders paid off** and acquired VCCZ equity of 46% to bring the **equity to 100%**.
- In **2004 Plus Five** opened a **pharmaceutical wholesale and distribution** division Plus Five Healthcare Services in Harare to ensure effective and efficient distribution of its products.
- In **2016** it opened a **a second pharmacy in CBD area** of the capital city, **Harare, that closes at midnight**.



CORPORATE STRUCTURE



Plus Five Pharmaceuticals is a diversified pharmaceutical company with operations in : **Pharmaceutical Manufacturing, Pharmaceutical Wholesale and Distribution** trading as Plus Five Healthcare Services and Retail Pharmacies that trade as Pharma Health Pharmacies. The Manufacturing business is located in Bulawayo, Zimbabwe's second largest city. The Wholesale and Pharmacies are in Harare and Bulawayo. The distribution business allows the company to extend its reach to most customers in addition to managing the process. There is more than **2 000** square meters of **warehouse floor space in Harare the capital city**. It is by far the biggest market accounting for more than **60% of sales**.



ZIMBABWE MARKET OPPORTUNITIES

We operate in a rapidly growing market with the following key fundamentals for future growth. Carrying out of pharmaceutical manufacturing operations in Zimbabwe offers the following opportunities:

- Both the local and regional markets are experiencing compound double digit **growth of more than 10% annually.**
- It is one of the fastest growing pharmaceutical markets in the world. Increasingly international pharmaceutical companies are looking to Africa to grow their sales revenues.
- The **SADC region**, has a population of more than 250 million people and a combined **GDP of US\$500 billion.** The average growth rate in the region is above **4% per annum.**
- Tremendous progress made in **regulatory harmonization in the SADC region**, through the ZAZIBONA initiative. This means one can **submit registration applications simultaneously to all SADC Member countries** for joint evaluation and approval in all countries. Approval can be granted in less than 9 months. This represents a big opportunity of access into the regional pharmaceutical market second to none in the African continent.
- The SADC pharmaceutical market size is more than **US\$ 5 billion.** The establishment of a free trade area that removed duties and other tariffs from products produced and marketed to member states in the region presents a huge market potential which Plus Five is well positioned to take advantage of. The fact that **75% of pharmaceuticals consumed are imported from outside** the region presents a **rare opportunity for a serious regional player** to take advantage of.
- Local pharmaceutical market size was estimated to be more than **US\$245 million in 2014.** However, this is expected to **double in the next 3 years** because it was at a time when **Government spending** on medicines was **less than 20% of the public health needs.** This was also at a time when Zimbabwe was coming out of an economic recession. Government has since increased expenditure to more **than 50%.** Zimbabwe's economy is now rebounding to its past glory.



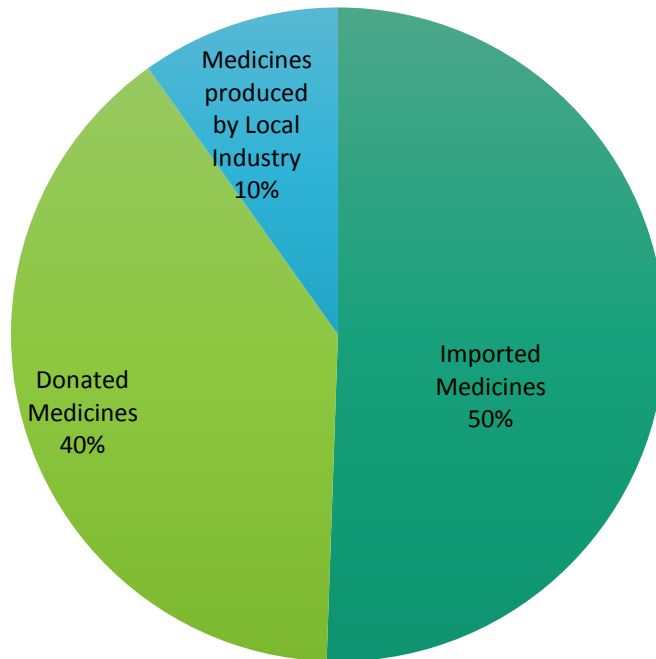
ZIMBABWE MARKET OPPORTUNITIES (continued)

- Potential for local market growth for local manufacturing companies exists because more **than 85% of pharmaceuticals consumed in the local market are imported**. The government has been putting in place policy measures to encourage local production which includes **local preference, import restrictions and removal of duties and VAT on imported pharmaceutical raw materials** among others.
- The regional economic bloc, SADC, has also been encouraging regional production of medicines in order to reduce the 70% of regional import bill. These strategies are contained in the SAC Pharmaceutical Business Plan.
- There is rising demand of medicines for non-communicable diseases such as hypertension, diabetes and cancer because of an epidemic in non-communicable diseases as the standards of living in the region improves. Very soon these will surpass HIV/AIDS as be the major cause of mortality and morbidity in the regions.
- There is potential to supply **the donor market led by the Global Fund, UNICEF and PEPFAR**. They have given a commitment to increase **local procurement** from African based pharma companies. They are currently evaluating companies for eligibility.
- High demand for HIV and Aids medicines since the Southern African Region constitute the epicenter of the HIV/AIDS pandemic. In Zimbabwe more than **1.4 million** are living with the disease these need to be put on treatment according to the new WHO guidelines. Currently only **half are on treatment**. This means this market will more than **double in the next five years**. HIV/AIDS treatment is for life.
- The access to essential medicines in Zimbabwe is currently **below 40% which** means only 40% of demand is being met. The pharmaceutical market is therefore expected to double in the next few years.



SHARE OF DOMESTIC MARKET BY MARKET COMPONENT

2014



MARKET COMPONENT	2014 USD Millions
Imported Medicines	123.6
Donated Medicines	96.8
Medicines Produced by Local Industry	24.1
TOTAL	244.5

The Zimbabwe market was, in the 2014 market demand survey carried out by UNIDO, estimated to be \$244.5 million with: imported medicines \$123.6 million (50%); Donated Medicines \$96.8 million (40%) and Medicines Produced by local industry \$24.1 million (10%). The market has been growing at a compounded growth rate of more 10% annually. However, this market has potential to more than double in the background of increased government expenditure in medicines. At the time of the demand survey in 2014 the public hospitals had less than 20% of their medicines requirements. With the increased budgetary allocations and establishment of the Health Fund which derives its revenues from 5% tax imposed on Mobile phone usage the public health market share is going to be much higher. Also the 10% market share for the local industry was before the imposition of import restrictions on 23 commonly produced medicines in 2016. Fueled by the import restrictions and increased government expenditure on medicines the local industry should be able to substantial increase its market share. We therefore expect its contribution to double to more than 20% in the next 2 years.

INCENTIVES AND OPPORTUNITIES FOR LOCAL COMPANIES

DOMESTIC

- In Zimbabwe customs duties and VAT on imported raw materials and packaging used for pharmaceutical production is zero rated. This means pharmaceutical manufacturers import their requirements duty free.
- There is import restrictions for 23 medicines commonly produced by local manufacturers for which sufficient capacity exists. Import licenses are required for the importation of these products which means they are not totally banned. This list will be increased as local pharmaceutical manufacturers increase their output and product portfolio.
- On all public tenders local companies enjoy a **10% price preference** compared to foreign companies. This gives local companies a price advantage.
- Anti-Retroviral (ARV) Medicines for HIV/AIDS procured by the National AIDS Council (NAC) preference is given to local manufacturers before imported product. Only when the ARV is not manufactured locally is the tender opened to imported products. This is a distinct advantage because Zimbabwe has a huge ARV market of **1.4 million** living with the disease.
- The **new government has removed restrictions on foreign ownership** of companies operating in Zimbabwe. Even **100% foreign** ownership is now allowed. The only exception being Diamonds and Platinum which are considered protected industries foreigners can only own a maximum of 49%. Since then foreign businesses have expressed in investing **US\$7 billion**.
- **Pharmaceutical manufacturing industry** is earmarked to be designated as a **Special Economic Zone (SEZ)**. This will come with **special incentives such as tax holidays, export retentions, special dividend remittance and duty free** inputs among others.
- Zimbabwe uses a **multicurrency system in which the United States Dollar (USD) is the main trading currency**. Earnings are therefore denominated in USD thus protecting them from exchange risk associated with weak domestic currencies in most developing nations.
- Zimbabwe is centrally located in SADC sharing borders with 5 of the 15 SADC countries linked by a good rail, road and air infrastructure which places all SADC member countries within a few hours reach.
- Assets in Zimbabwe are relatively undervalued as the economy recovers from years of stagnation and depression. This therefore presents a unique opportunity for the discerning investor.

REGIONAL

- Registration harmonization has taken foot under the **Zazibona** project which means medicines can be registered in all SADC member countries within 9 months through joint assessments and approvals by member countries' National Medicines Regulatory Authorities. This is a unique opportunity unlike in any region in Africa .



OUR PRODUCTS

We manufacture 40 registered pharmaceutical formulations in solid, liquid and semi-solid dosage forms. Top selling products accounting for more than 75% of Plus Five's revenues are shown in green. The company has either market leadership or come second on any of the products it manufactures. We are expanding our product range by targeting essential medicines for the following disease namely Cardiovascular diseases; HIV/AIDS; Diabetes; and Malaria among others.

- **Anti-biotics – Cotrimoxazole Tablets/Suspension;**
- **Anti-fungal – Griseofulvin Tablets/Suspension;** Econazole cream; Ketoconazole Tablets/suspension
- **Anti-hypertensives – Enalapril tablets;** Amlodipine Tablets; Atenolol Tablets
- **Anti-diabetes – Metformin Tablets;**
- **Ant analgesics/anti-pyretic and anti-inflammatory: Paracetamol Tablets/Syrup**
- **Gastro-intestinal Tract (GIT):** Cimetidine Tablets; **Magnesium Trisilicate Tablets/Mixture;** Metoclopramide Tablets; Prochlorperazine Tablets;
- **Anti-Cough:** Gees Linctus; Cough Stop;
- **Antiseptics : Povidone Iodine Solution/Cream; Silver Sulphadiazine Cream; Glycerin N Icthammol**
- **Others:** Benzhexol Tablets; Chlorpromazine Syrup; Diphenhydramine Tablets/Syrup; Calamine Lotion/Cream;
- **Skin Care Preparations: Camphor Cream and Aqueous Cream**



KEY CUSTOMERS/MARKETS

Private Sector:

- Retail Pharmacies - 550
- Pharmaceutical Wholesalers -150
- Supermarket Chains - 350 shops
- Private Hospitals - 90

Public Sector:

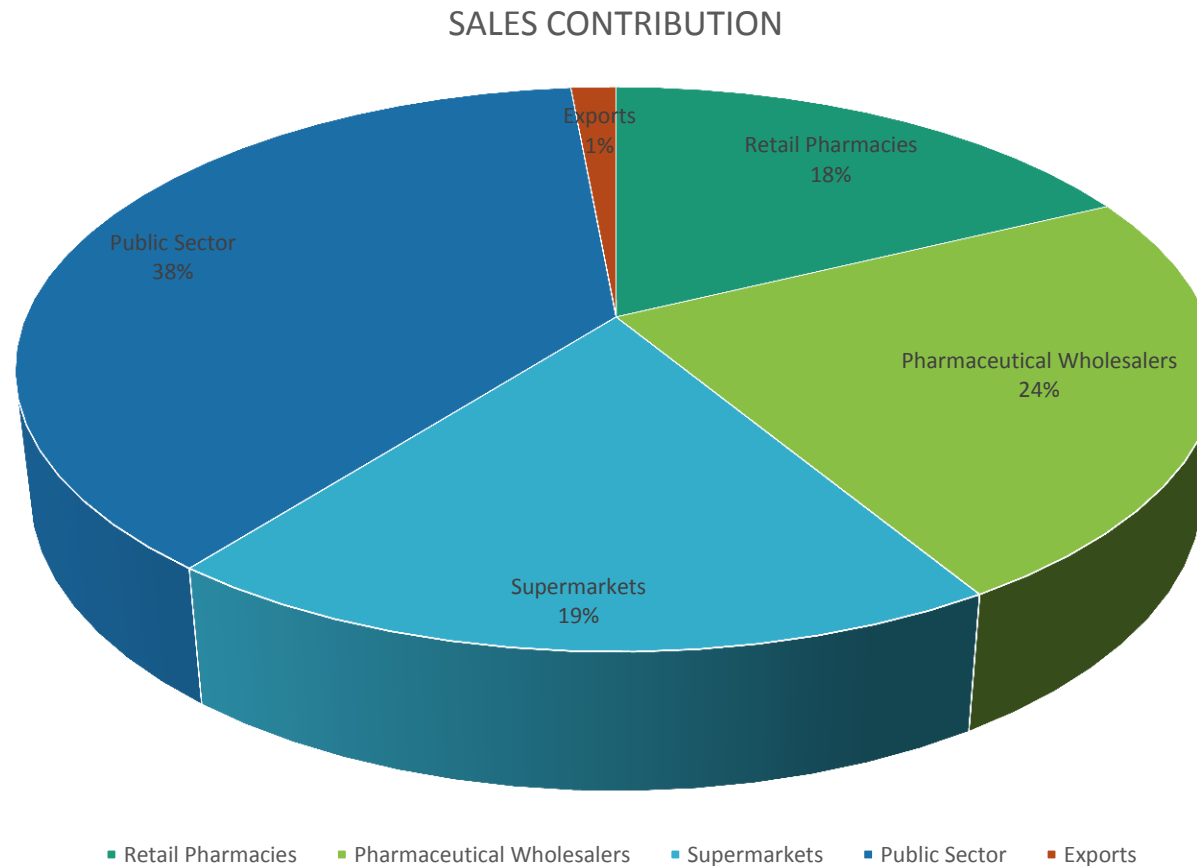
- National Pharmaceutical Company (Natpharm) & National Aids Council - 2
- Public Hospitals & Local Council – 45

Exports

- Morningside Pharmaceuticals - West Indies;
- Swazi Pharma - Swaziland
- Fine Pharmaceuticals - Botswana

Plus Five distribution network covers all outlets in Zimbabwe. We serve the private markets, public and export markets. Our strategic intent is to develop the export market because of its huge potential and size riding on the back of regulatory harmonization under the Zazibona initiative and free trade area status in the SADC (Southern African Development Community).

MARKET SEGMENTS



The pie chart shows Plus Five key market segments. However, the public sector business will soon account for more than 50% of sales because of increased government expenditure on health and specifically medicines. The above figures are historical derived when government's expenditure on medicines was less than 20% of national requirements.



PRODUCTION CAPACITY

- **Number of employees – 138**
- **Tablet Capacity – 550 million tablets per annum**
- **Liquids – 720 000Litres per annum**
- **Semi-solids – 519 960kg per annum**
- **Produces 40 registered pharma formulations in tablet, liquid and semi-solids dosage forms**

In 2018 we are going to spend at least \$550 000 (USD) in equipping our laboratory, acquisition of new production equipment and GMP improvements of our manufacturing facilities. In the past 3 years we invested \$1.6 million from our own resources in facilities and equipment upgrades (CAPEX). This will be funded from our reserves and bank loans. We are also going for ISO9001 certification in the next 2 years. In the next 24 months we be implementing a GMP Road Map which will see the company attain international GMP standards. The implementation plan will be signed and agreed with the Medicines Control Authority of Zimbabwe (MCAZ) who will also be monitoring its implementation through routines regulatory audits. The first phase (2018) which will be for 12 months will focus on strengthening and improving the Quality Management Systems. The second phase (2019) will focus on improvements and renovations/refurbishment of premises and equipment. At the end of 2019 we will have attained international GMP standards. This will open the company's products to the entire SADC markets including South Africa and donor markets including the Global Fund, UNICEF and PEPFAR. We expect exports to end up accounting for more than 300% of our turnover by 2023.

We are also planning acquisition of a diversified regional company in the next 24 months. Such acquisition place us as a major regional player.



INTERNAL FACTORS

We offer the following key strengths to any prospective investor or partner:

- We are a highly profitable business that has consistently posted good numbers since inception.
- We have a strong and profitable product portfolio comprising unique product formulations;
- We have a low production cost structure which gives us price competitiveness across our entire product range compared to local players. In fact, our products are priced at the most competitive price in the market;
- We are vertically integrated with our operations covering most of the pharmaceutical value chain. We have operations in: manufacturing; wholesale and distribution and retail pharmacies. We therefore realize profits at every value creation and control of the marketing and distribution of our products. Retail in addition to contributing to company revenues and profitability is a source of vital marketing data and intelligence which informs our product development and marketing strategies.
- We have a wide distribution network covering all major customers and every corner of the country;
- We have a very strong balance sheet characterized by ownership low borrowings, high current ratios and positive cash flows;
- We own the **land** where we built the **pharmaceutical manufacturing facility** and **owns 17,000 square meters of prime industrial land** in the capital available for factory construction in the capital.
- We have skilled, committed and hardworking workforce which is the company's key strength and
- We have been growing our balance sheet in double digits above market growth in the past five years
- We have the capability to develop **own product formulations and undertake Technological Transfers (TT)**. This can be demonstrated by the fact that we have increased our **product portfolio from 6 at inception to 40 PRODUCTS CURRENTLY**. In 2017 we submitted **5 new applications and in 2018 are submitting 15 new applications**. We have **successfully** undertaken Technology Transfers for **12 human formulations and 1 veterinary formulations we are manufacturing under license** respectively. We are also in the process of finalizing a TT agreement with a leading multinational pharmaceutical company for the production of an essential tropical medicine for the local and regional markets.



WE ARE LOOKING FOR DOSSIERS OR TTs' TO PRODUCE THE FOLLOWING PRODUCTS

Anti-Infective:

- Azithromycin Tablets/Suspension
- Ciprofloxacin Tablets/Pediatric
- Terbinafine
- Fluconazole
- Fucytosine
- Clotrimazole
- Levofloxacin
- Miconazole Cream/Ovules

Cardiovascular

- Atorvastatin Tablets
- Simvastatin Tablets
- Losartan
- Amlodipine/Benazepril
- Amlodipine/Valsartan

Others

- Omeprazole Capsules
- Esomeprazole Capsules
- Domperidone Tablets/Syrup
- Sildenafil Tablets
- Leavenoergestrol Tablets
- Cetirizine Tablets/Syrup
- Hyoscine Tablets
- Ferrous /Folic Acid Tablets

HIV/AIDS – ART

- Tenofovir/Lamivudine/Doluegravir
- Nevirapine Tablets/Syrup
- Truvada – Emitricitabine/Tenofovir
- Abacavir/Lamivudine
- Tenlam E –
Tenofovir/Lamivudine/Efavirenz
- Lopinavir/Ritonavir

HCV

- Sofobir (Solvad)

VETERINARY MEDICINES:

- Oral Anti-infective
- Anti-Helminthic
- Nutraceuticals

Anti-Diabetes

- Glimepiride Tablets
- Pioglitazone Tablets
- Glicazide Tablets
- Metformin ER Tablets

Anti-inflammatory/

Analgesics

- Celecoxib
- Diclofenac
- Ibuprofen
- Tramadol

Anti-Malarial

- Artemether/Lumefantrine
Tablets/suspension
- Artesunate/Amodiaquine
- Artesunate/Mefloquin
- Atresunate/Sulphadoxine/Pyremetha
mine
- Mefloquine
- Primaquine



20 TOP SELLING PRODUCTS

PRODUCT DESCRIPTION	ANNUAL SALES (USD)
Efavirenz/Lamivudine/Tefonovir	\$69,521,597
Lamivudine/Tenofivir	\$5,881,482
Lamivudine/Nevirapine/Zidovudine	\$4,104,677
Cotrimoxazole Tablets	\$3,224,986
Nevirapine	\$1,439,817
Artemether Lumefantrine	\$1,372,731
Nifedipine Tablets	\$1,310,142
Amoxicillin 250mg Capsules	\$1,191,336
AmoxicillinTrhydrate/ Potassium Clavulinate	\$1,179,519
Diclofenac Sodium	\$1,115,443
Lopananivir/Ritnonvir	\$1,040,250
Paracetamol	\$836,808
Celecoxib	\$793,872
Sodium Chloride	\$769,055
Amlodipine besylate	\$756,032
Ceftriaxone Sodium	\$681,180
Abacavir/Ritonavir	\$679,176
Ox tetracycline	\$676,197
Efavirenz	\$606,346
Enoxaparin Sodium	\$435,340
TOTAL	\$97,615,986

These 20 top selling products account for almost 40% of market share. Total sales of these 20 products based on the 2014 demand survey amounted to US\$98 million. Plus Five will be targeting development and registration of most these products in its 5 year product pipelines strategic plan. It's strategic to acquire a diversified regional manufacturer is also be driven by the same motivation.

We are mindful of the fact that HIV/AIDS treatment guidelines are most likely to change over the next 5 year period. Zimbabwe adheres to WHO's HIV/AIDS treatment guidelines. Our product development strategy will be informed and influenced accordingly.

They are three products in the to 20 that are under import restrictions these include:

- Amoxicillin 250mg Capsules;
- Paracetamol and
- Sodium Chloride (LPV).

The top 20 list is dominated by ARV (Anti-retroviral Medicines) for HIV/AIDS. The best selling medicine which is a combination of Efavirenz/Lamivudine/Tenofivir is the current first line treatment for HIV/AIDS in Zimbabwe. Zimbabwe has 1.4 million persons living with HIV AIDS who should be all on treatment. However, only half are on treatment. The potential for these sales of ARVs' to double therefore exists as the country towards universal coverage. The top selling ARV medicine with sales of US\$69 million accounted for 71% of the sales for the top 20 and and 29% of the total local market share. In Zimbabwe if an ARV is manufactured locally procurement by the Public Sector (NAC) is restricted only to the local manufacturer. Above all local companies enjoy 10% price preference on all public tenders.



STRATEGIC OBJECTIVES

- Register at least **15 new formulations annually targeting top 50 selling products** .
- Increase product portfolio from **current 40 to 100 by year 5** focusing on the following categories in the top 50 medicines: anti-infective; cardiovascular; Anti-Diabetics; HIV /AIDS ; Anti-Malaria
- Increase turnover from **\$8 million in 2018** to more than **\$15 million by year 5 (2023)**. This will be driven by **new products** and **expansion into regional markets**.
- Increase regional **exports to at least 30% of turnover** by year 2023. This will be achieved through registration in regional countries through the Zazibona initiative and distribution arrangements with key wholesalers in each market and participating in regional tenders.
- In line with the GMP road map in the short-term (1-2 years) Upgrade current plant and strengthen QMS and premises and equipment upgrades to international GMP standards to facilitate manufacturing and marketing authorizations by NMRA's in the SADC region.
- Achieve ISO 9001 certification
- Access donor funded procurement programs for essential medicines for non-pandemic medicines. We have submitted expression of interest to the **Global Fund for participation in their tenders for non-pandemic medicines starting with 2018**.
- Commence **production of Veterinary medicines targeting oral anti-infective; anti-hemin tics for bovines, poultry and pigs through TT arrangements and dossier purchases**.
- **Acquisition of a diversified pharmaceutical manufacturing facility** with a strong regional footprint operations. We are engaging an international **financial institution in that respect who have expressed interest in funding the transaction**. When this goes through we expect our annual turnover to go above **\$25 million by 2023** driven by sales of products from the acquired company alone.
- Strategically position the company for sustainable local and regional growth and competitiveness.



PARTNERSHIPS EXPECTATIONS

- **Supply Agreements**
 - Supply of product dossiers for local production and assistance with technological transfers and training.
 - Supply of pharmaceutical active ingredients (API's) for our use
 - Supply of production and laboratory equipment – new or used
- **Manufacturing Partnerships**
 - Contract Manufacture or manufacturing and distribution under license of top selling human pharmaceuticals in Zimbabwe and Southern African Regional Markets
 - Contract manufacture or manufacturing and distribution of Veterinary Pharmaceuticals under license in Zimbabwe and Regional markets
- **Distribution:** local and regional distribution of small volume parenteral (injections; eye/ear preparations).
- **FUNDING** for local and regional acquisitions and business expansion.