

**U.S.
Business**
(Upsher-Smith)



**Upsher-Smith -
Re-building for Future Growth**

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Upsher-Smith’s Fiscal Year ending March 2021 was a challenging year. Extreme competition in the U.S. generic market drove prices much lower in key generic products and COVID-19 slowed brand product growth. COVID-19 effects on patient behavior and physician access thwarted the Tosymra™ product launch and led to a significant impairment on that product, further impacting our net income performance. In addition, management underestimated the impact of the 3 novel CGRP products launched between October 2019 and March 2020. These impacts on our brand strategy expansion delayed a key effort to offset the risks in our generic business. While the nature of the competitive U.S. generic market was known at the beginning of the FY18-FY20 mid-term plan, the degree and duration of price impact could not be foreseeable at that time.

Throughout these great challenges, we maintained our “best in industry” supply to our customer and kept expenses well below plan. In March 2021 we completed a restructuring to better align our operating structure and expenses with our revenue base.

The next mid-term plan will be focused on repositioning Upsher-Smith for growth beyond FY24 and beyond. There are four critical strategies to accomplish this. First, we will drive growth from our brand portfolio and add new brand products. After deep analysis and evaluation of lessons learned, we implemented changes in August 2020 in key brand distribution strategies doubled Tosymra™ unit growth between October 2020 and March 2021. In April 2021, we implemented strategies to improve Tosymra™’s Average Selling Price (ASP). In addition to these strategies, new Direct-to-Consumer (DTC) strategies will be added Q1-Q2 FY21 to further enhance performance and drive to recoup some of the impairment losses. Second, we will reconstruct our organic pipeline portfolio to focus on commercially complex generic products and 505(b)(2)* small brands. The changes in R&D structure and talent 2019-2020 position us well to accomplish this. Commercially complex

products include unique and challenging patient services. Third, we will complete consolidation of manufacturing to drive efficiency and quality for the future. Finally, we will further restructure the business to ensure our capabilities align with these strategies and lower operating costs to better position cash flow and operating profit into the future.

Our leadership and employees are deeply committed to doubling Upsher-Smith’s business by 2030 in line with the Sawai Group Holdings long range plan. The near term will be challenging and strategies to mitigate these challenges and position the company for longer term growth are underway. The partnership with Sawai Group Holdings leaders is stronger than ever and the depth of understanding and involvement in our business strategies will enhance our performance into the future.

* 505(b)(2) : A regulatory pathway that allows a sponsor to reference previous studies and information, e.g. safety studies, efficacy studies, literature and other information to seek FDA approval for the development of enhancements to an already approved molecule. These enhancements generally include new routes of administration or new formulations.

Revenue / Core operating profit

