

**Portfolio Company Background:**

Sector	Industry	Business Portfolio
Bio/Pharmaceutical	API (Active Pharmaceutical Ingredient) manufacturer	Generic APIs – Gilead's Hepatitis-C drug (SOVALDI)

**Deal structure:**

Deal Size	\$15.10 million
BRV Lotus Fund II Commitment	\$12.10 million
Co-Investors	BRV Lotus Fund I
Target Equity Position	6.86%
Investment Form	Common Shares
Investment Strategy	Growth Equity
Deal Closing Date	November 17, 2015
Sourcing Background	The founding family and control stake holder of ST Pharm invited BRV to be his exclusive strategic equity partner to develop and execute growth engines and other strategic initiatives with other Dong-A affiliated businesses
Deal Team	Kwan Yoon, Ryan Lee
Board Seat	

**Industry overview:**

Key Players	Kyongbo Pharm, Yuhan Corporation
Market Size	USD \$190 billion (2020) CAGR (08-2020) of 6.9%
Growth Potential	<ul style="list-style-type: none"> <li>- In addition to its solid revenues from manufacturing API for Gilead's Hepatitis C drug (SOVALDI), the company expects substantial sales growth from a new anti-cancer drug currently being developed by Janssen.</li> <li>- New growth initiatives acquired from Dong Ah affiliated companies – IP acquisition or consolidation opportunities</li> </ul>
Market Opportunities	<ul style="list-style-type: none"> <li>- Consistent and stable industry growth (global and domestic)</li> <li>- Comparative advantage in manufacturing yield and long track record of advanced yet cost effective quality assurance (compared to US competitors)</li> <li>- Benefits of government's new policy (incubating pharmaceutical industry and promoting chemically synthesized drugs/biosimilar) in Korea → tax incentives and de-regulation which promote new growth initiatives</li> </ul>

**Investment Thesis:**

Solid Baseline	<ul style="list-style-type: none"> <li>- Due to its advanced manufacturing system and long track record, STP is one of Gilead's top suppliers to manufacture API for a blockbuster drug for Hepatitis C (SOVALDI) → sales volume continues to grow at solid 10% plus.</li> <li>- STP is producing and supplying high quality products manufactured under cGMP (Current Good Manufacturing Practice) certified production system → high entry barrier</li> <li>- Manufacturing cost advantage: Production cost of STP is 10-20% lower compared to other competitors (e.g., Cambrex) located in the US that supplies SOF to Gilead. Main driver is relatively higher yield and lower labor cost, advanced product quality control system → ST Pharm is now building bigger capacity to achieve economy of scale for further cost reduction</li> <li>- Sufficient R&amp;D capability: STP has consistently increased R&amp;D resource since 2012 under the goal of being a "Global pharmaceutical</li> </ul>
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	company trusted for the quality of world class pharmaceutical intermediates,” producing a number of new patents
Growth Initiatives	<ul style="list-style-type: none"> <li>- Customer expansion: STP is in the process of negotiating new contracts with several global pharma companies to expand sales network and volume</li> <li>- Product diversification: late stage discussion with Janssen for its new anti-cancer drug and, bio (oligonucleotide therapeutics) and fine chemical business are foreseen to boost sales.</li> </ul>
Management Team	<ul style="list-style-type: none"> <li>- Highly experienced team: STP has its deep root in the API business that the current CEO Geun-Jo Lim established in order to supply APIs to Dong-A Pharm.</li> <li>- CEO Geun-Jo Lim was a former executive in Dong-A Pharm’s R&amp;D department (He is a founding member and owns 6% of the company’s shares)</li> </ul>
BRV Value-Add	<ul style="list-style-type: none"> <li>- Assisting with global market penetration particularly China, Middle East and Europe</li> <li>- New business/IP acquisitions from Dong-A affiliated companies and BRV affiliated businesses.</li> </ul>
Attractive Valuation	<ul style="list-style-type: none"> <li>- Solid YoY growth rate (topline and margin next 3 years) backed by attractive entry valuation</li> <li>- At the time of investment, sales of ST Pharm (STP) were expected to reach KRW 130 billion in 2015, up from KRW 73.2 billion in 2011, consistently growing at a CAGR of 15.5%. EBIT was expected to reach KRW 23 billion in 2015, up from KRW 8.5 billion in 2011, continuing a rapid growth rate.</li> <li>- Entry equity valuation was KRW 202.8 billion</li> <li>- PER was 13.5x with the 2015 expected NI of KRW 15 billion, which is fairly attractive compared to those of peers, whose average PER multiple was 31x.</li> </ul>

### Company Financials:

(in USD mm)	FY2015	FY2016	FY2017	FY2018
Revenue	138	200	*Not available	*Not available
YoY (%)	43.0%	45.1%		
EBITDA	46	*Not available		
EBITDA Margin (%)	33.4%	*Not available		
Net Profit	25	61		
NP Margin (%)	18.2%	30.6%		

\* Due to nonpublic material information issue, figures are currently unavailable

### Exit Profile

Expected Return	1.2 – 7x
Minimum IRR (worst case)	12.6%
Expected Exit Timing	<ul style="list-style-type: none"> <li>- Liquidity event occurred June 2016 (currently trading at 3x of invested value)</li> <li>- Divestment expected 4Q2017</li> </ul>
Exit Strategy	IPO in Korea