



**渤海制药**  
BoHai Pharmaceutical

**BOHAI** PHARMACEUTICALS GROUP INC.

**OTC QB:BOPH**

**INVESTOR PRESENTATION**

**July 2014**





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## COMPANY OVERVIEW



- ❖ Leading Traditional Chinese Medicine (TCM) producer focusing on Chinese market since 2004
- ❖ Modern manufacturing facilities in Yantai exceed 5.8 acres (plus 1.24 acres from Tianzheng)
- ❖ 15 sales offices throughout China; Over 90 distributors in 20 Provinces
- ❖ 660+ employees: 136 in sales department
- ❖ Five Major Products Included on National Drug Reimbursement List (NDRL)

## SUMMARY OF FINANCIAL RESULTS

### ❖ FY2013

➤ Revenue:	\$ 151.8M
➤ Net income:	\$ 19.1M
➤ EPS:	\$ 1.07

### ❖ First 9M2014

➤ Revenue:	\$ 129.3M
➤ Net income:	\$ 18.0M
➤ EPS:	\$ 1.01

❖ Outstanding Shares:	17.9M
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## GROWTH OF TCM IN CHINA

- ❖ Chinese Healthcare Reform greatly expands the TCM market
- ❖ Aging population spiking demand for TCM treatment
- ❖ Growing wealth of middle class expands buying power for TCMs
- ❖ Creation of Essential Drugs List (EDL) in 2009 allows full insurance coverage



## BOHAI'S EDL STATUS

- ❖ **Essential Drugs List (EDL)** : Drugs regulated by the government to be available to the public at all times in appropriate dosages at affordable prices
- ❖ Included on the new EDL for all China: **Lung Nourishing Syrup** and **Fangfeng Tongsheng Granule**
- ❖ Included on the EDL for Shandong and Hubei Provinces: **Tongbi Capsule** and **Tongbi Tablet**
- ❖ All rural hospitals/clinics and Level 2 hospitals in China mandated by law to limit prescriptions to EDL products



## PROTECTED / PATENTED STATUS

### ❖ “Protected” Status

- Exclusive Manufacturing rights to TCM formulas
- Initial 7 Year Term with another 7 Year renewal
- Bohai products covered: Tongbi Capsule, Zhengxintai Capsule

### ❖ “Patented” Status

- Covers the process as well as the formula
- Granted for 20 Years
- Bohai products covered: Lung Nourishing Syrup, Tongbi Capsule & Tablet

## PRODUCT OVERVIEW



Product	For Treatment of	FY2013 Rev.	OTC/Rx	Status
Tongbi Capsule	rheumatism, rheumatoid arthritis	\$46.3M	Rx	Protected, Patented, EDL, NDRL
Fangfeng Tongsheng Granule	Cold, upper respiratory tract infection; eczema, urticaria	\$28.2M	Rx	EDL, NDRL
Lung Nourishing Syrup	chronic tracheitis, bronchitis	\$27.9M	OTC	Patented, EDL, NDRL
Tongbi Tablet	rheumatism, rheumatoid arthritis	\$19.1M	Rx	Patented, EDL, NDRL
Zhengxintai Capsule	coronary heart disease, angina pectoris	\$19.0M	Rx	Protected, NDRL
Bazhenyimu Cream	menstruation disorder	\$ 3.2M	OTC	
Shenhailong Medicinal Wine	kidney deficiency; impotence, premature ejaculation	\$ 1.1M	OTC	

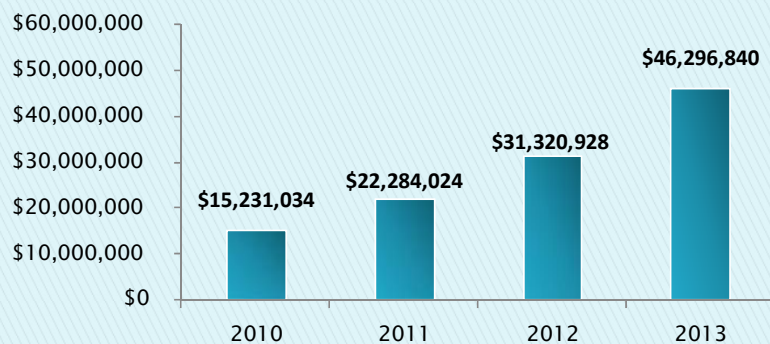
❖Pipeline: 41 additional herb-based pharmaceutical formulations



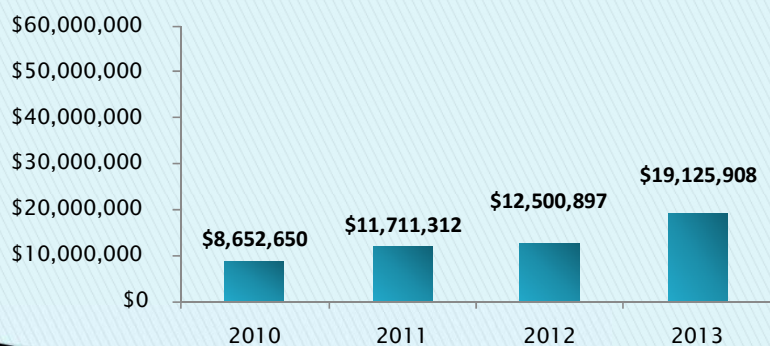
## KEY PRODUCTS

### TONGBI CAPSULE / TABLET

**Tongbi Capsule Revenue (\$US)**



**Tongbi Tablet Revenue (\$US)**



#### ❖ Advantages:

- Effective Arthritis Treatment
- Price-competitive
- Minimum side-effects
- Reimbursement under National Health Insurance
- Protected Status
- Included on Shandong and Hubei Provinces EDLs



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## KEY PRODUCTS

### FANGFENG TONGSHENG GRANULE



**Fangfeng Tongsheng Granule  
Revenue (\$US)**



#### ❖ Advantages:

- Effective Cold and Dermatology Condition Treatment
- Covered by National Health Insurance
- Included on EDL



## KEY PRODUCTS LUNG NOURISHING SYRUP

Lung Nourishing Syrup Revenue (\$US)



\*15% of total market of the lung syrup market

### ❖ Advantages:

- Price-competitive
- Treats multiple Lung/Bronchial conditions, including effects from air pollution
- Minimum side-effects
- Reimbursement under National Health Insurance
- Included on EDL
- Both Protected and Patented status



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# SALES AND DISTRIBUTION

Over 90 distributors in 20 Provinces



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## ❖ Rx Products

- More than 2,000 level 2+ hospitals and nearly 17,000 rural hospitals/clinics throughout China
- Advertised in Medical Journals
- Promoted via Conferences and Seminars

## ❖ OTC Products

- 2,900 retail drugstores and pharmacy chains
- Print and TV Advertising





## BOHAI GROWTH STRATEGY

- Focus on EDL and lower-price drug market
- Promote Lung Nourishing Syrup in OTC market
- Increase the number of all levels of hospitals/clinics and chain pharmacies
- R&D on new drugs primarily for treating cancer and increasing leukocyte count (WBC)
- Expand Promotions : TV ads, educational seminars/ trainings, news articles and professional conferences

## MANAGEMENT

### **Hongwei Qu, Chairman ,CEO & Sales Manager**

- 20+ years experience in the medical and pharmaceutical sectors in China
- Founder of Yantai Hongwei Medical Trading Co., a Chinese wholesale drug and medical products company
- Led acquisition of Bohai in May 2007

### **Chunhong Jiang, Secretary and Treasurer**

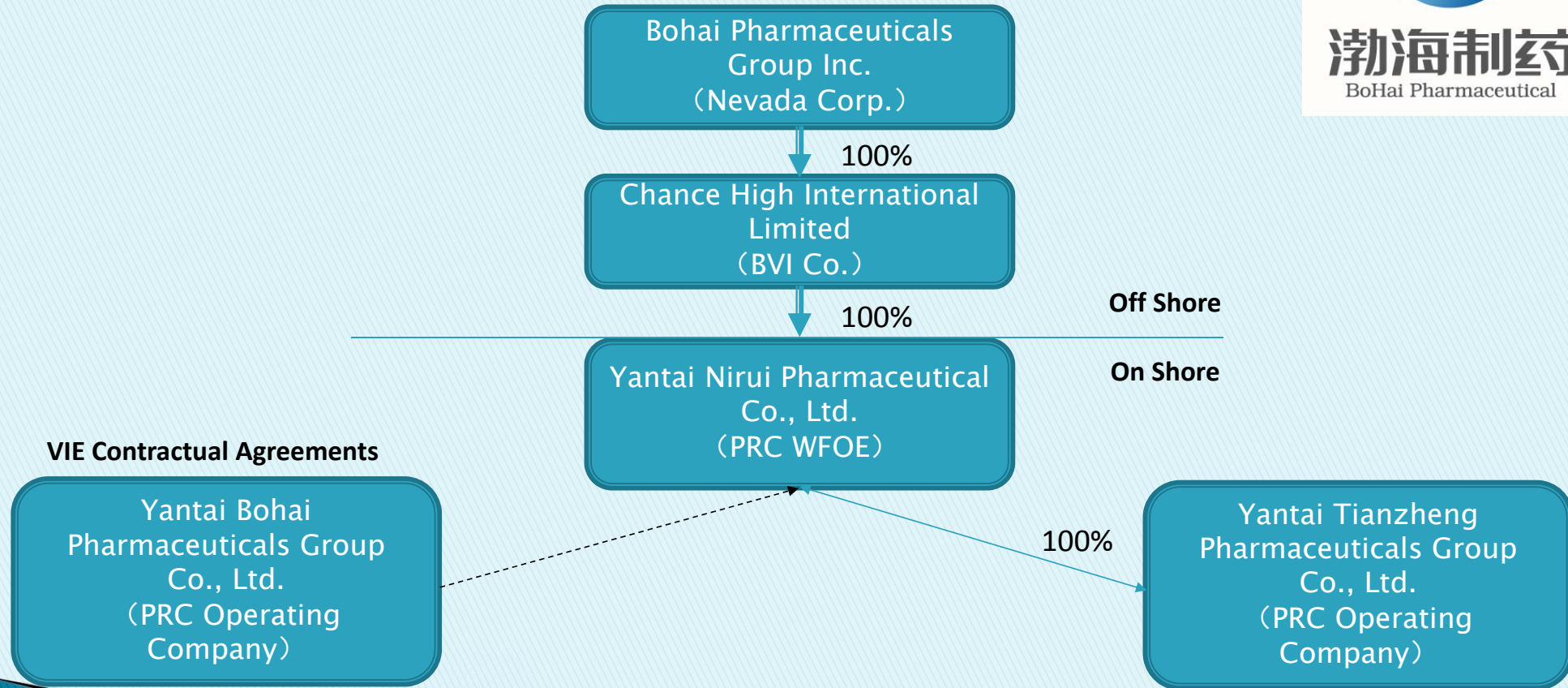
- Extensive experience in financial management
- Former manager of Yantai Garment Company and Yantai Furao Trading Group

### **Zhizhong Jia, VP – Operations**

- 10+ years management experience



# ORGANIZATION



## FINANCIALS: INCOME STATEMENT SUMMARY



	<b>FY2011</b>		<b>FY2012</b>		<b>FY2013</b>	
Sales	\$	81,328,555	\$	137,372,492	\$	151,792,917
Gross Profit	\$	64,034,875	\$	103,839,592	\$	114,596,348
Net Profit	\$	14,004,875	\$	9,648,025	\$	19,123,517
EPS	\$	0.81	\$	0.54	\$	1.07



## FINANCIALS: BALANCE SHEET DATA

All numbers \$USD in thousands

Period Ending	Mar 31, 2014	Dec 31, 2013
Current Assets	75,816 *	70,475
Total Assets	175,708	173,026
Current Liabilities	33,675	41,176
Total Liabilities	49,216	49,274
Stockholder Equity	126,492	123,752
Net Tangible Assets	44,925	40,138

\* Includes \$23.88 million in cash

## INVESTMENT HIGHLIGHTS



- ❖ Strong Balance Sheet
- ❖ Low P/E ratio compared to industry average
- ❖ Revenue growth supported by government program
- ❖ Positioned to expand significantly within China and into foreign markets



# Thank you !



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