

ONDERSTEPOORT BIOLOGICAL PRODUCTS

Innovative Bio-Science

**BRIEFING TO THE
PORTFOLIO COMMITTEE
ON OBP'S QUARTER 4
PERFORMANCE REPORT
2021/2022**



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1. Executive Summary

- The net revenues moved from a total of R209 million in 2020/2021 (Q4- year to date) to R190.5 million in 2021/2022.
- The net sales contribution in Q3 (December 2021) was R46.3 million compared to R41.8 million in Q4 (March 2022), representing a decrease of R4.5 million.



2. Financials



Quarter 4: Performance Report For Financial Year 2021/22

Statement of Financial Performance for the period ending 31 March 2021.



Month:				Month: Prior year	Year to Date:				Year to Date: Prior year
Actual	Budget	Variance: R	Variance %	Actual	Actual	Budget	Variance: R	Variance %	Actual
Mar-22				Mar-21	Mar-22				Mar-21

A1: Income Snapshot:

Revenue	16,900,361	10,369,563	6,530,798	63%	27,582,571	186,722,623	190,000,000	- 3,277,377	-2%	243,877,961
Discount granted	923,131	1,085,805	- 162,674	-15%	1,690,862	16,616,249	20,900,000	- 4,283,751	-20%	29,105,254
Cost of sales	7,761,960	1,562,778	6,199,182	397%	22,155,067	37,505,529	23,459,620	14,045,908	60%	68,544,206
Gross profit	8,215,269	7,720,980	494,289	6%	3,736,642	132,600,845	145,640,380	- 13,039,535	-9%	146,228,501
Other income	-10,629,389	521,565	- 11,150,954	-2138%	1,490,359	5,549,433	5,940,533	- 391,100	-7%	13,489,560
Operating expenses	14,332,345	12,332,430	1,999,915	16%	18,390,486	135,597,691	157,966,655	- 22,368,964	-14%	165,355,488
Administrative expenses	871,718	981,097	- 109,379	-11%	2,200,034	19,098,496	13,043,258	6,055,238	46%	18,339,676
Operating (loss) profit	-17,618,183	- 5,070,983	- 12,547,200	247%	- 15,363,518	- 16,545,910	- 19,429,000	2,883,090	-15%	23,977,103
Interest revenue	1,022,795	930,167	92,628	10%	1,534,922	8,615,534	11,162,000	- 2,546,466	-23%	10,028,366
Appreciation of deferred government grants	692,546	1,632,250	- 939,704	-58%	3,417,498	8,961,674	19,587,000	- 10,625,326	-54%	11,812,062
(Loss) profit before tax	-15,902,842	- 2,508,566	- 13,394,276	534%	- 10,411,099	1,031,298	11,320,000	- 10,288,702	-91%	2,136,675
Taxation	-	-	-	-	3,590,223	-	-	-	-	3,590,223
Profit (Loss) for the month	-15,902,842	- 2,508,566	- 13,394,276	534%	- 6,820,876	1,031,298	11,320,000	- 10,288,702	-91%	1,453,548
Change in Revenue	40%	-10%	51%	-61%	-19%	0%	0%	0%	0%	0%
Cost of Goods Sold (COGS) %	45%	15%	30%	-15%	80%	20%	12%	7%	5%	28%
Gross profit %	53%	83%	-30%	114%	14%	78%	86%	-8%	94%	60%
EBITDA %	-88%	-24%	-64%	40%	-111%	10%	6%	4%	2%	10%
Operating Profit Margin %	-89%	-24%	-65%	41%	-183%	3%	6%	-3%	9%	1%
Net Profit Margin %	-94%	-32%	-62%	29%	-183%	3%	8%	-5%	13%	52%
Local Revenue %	39%	55%	-16%	71%	57%	53%	55%	-2%	57%	52%
Export Revenue %	61%	45%	16%	29%	37%	47%	45%	2%	43%	46%
Employee cost as % to Revenue	42%	76%	-33%	109%	27%	52%	49%	3%	47%	37%

Utilities Costs/ Energy costs:

Water and Electricity	- 406,302	1,031,083	- 1,437,385	-139%	-	- 3,709,547	12,373,000	- 16,082,547	-130%	13,983,493
Energy - Coal, Gas and Steam	319,899	192,452	127,447	66%	71,839	2,244,401	2,401,822	- 157,421	-7%	2,075,985

Financial Analysis

Revenue

For the quarter ending 31 March 2022, OBP generated gross sales of R44.7 million, compared to the budget of 30.9 million. There is an over-performance of R13.8 million.

Revenue Breakdown

Category (R'000)	Q4 – March 2021/22 YTD	Q4 – March 2020/21 YTD	%
		'000	
Vaccine Sales	186,722	238,664	97.0%
Distribution Income	3,493	4,660	1.8%
Dry ice	290	548	0.2%
Media Sales	160	186	0.1%
Rental Income	817	761	0.4%
Other Income	952	1,248	0.5%
	192,434	246,067	

Vaccines sales revenue contributes 97% to OBP's overall revenue.



Per Market

	2021/22 March YTD	2020/21 March YTD	2021/21 March YTD % Composition
Local	84 024	107 398	45%
Export	93 361	119 332	50%
Government	9 336	11 933	5%
	186 722	238 664	

The Local market sales equate to 45% of the total sales for the period ended March 2022, while the export market equates to 50%. The government sales contributed 5%.



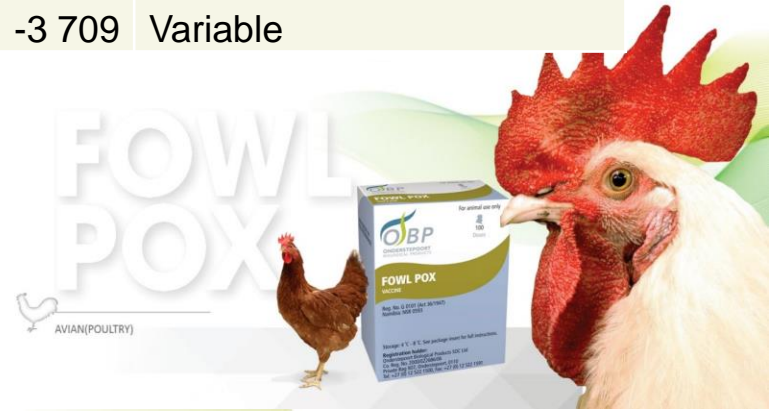
Operating expenses (OPEX)

Operating expenses amount to R37.1 million, with a budget of R39.8 million for the quarter ending 31 March 2022. The company has underspent by approximately 2.6 million.

The table below indicates the cost for the period under review of actual expenses for OBP.

Fixed Costs and Variable Costs (March 2022 – Q4)

	R'000	Fixed Costs and variable costs
Payroll	90 913	Fixed
Repairs and Maintenance	8 744	Fixed
Depreciation	12 649	Fixed
Energy- coal	2 244	Variable
Computer Expenses	3 651	Variable
Electricity and Water	-3 709	Variable



(a) Employee Costs

Employee costs continue to be the biggest contributor to the business total cost component. During the period under review, employee costs amounted to R90.9 million as compared to the budget of R93.9 million.

(b) Water and Electricity

OBP and ARC/OVI share the electricity and water connection from the City of Tshwane municipality whereby the bill is sent to ARC/OVI. ARC/OVI has changed to a prepaid meter since December 2015 which is shared with OBP. The bill is then split into two between OBP and ARC/OVI. For the current quarter under review, current expenditure at credit use, - R 3 709. The water billing is at a credit currently as the municipality overcharged water usage. A total of credit advanced on the water billing is R6.3 million, on a shared basis OBP is entitled to 50% of the credit and to date, OBP has utilised R1.7 million of the credit.

(c) Research and development

Research and development costs for the period under review are under-spent by R 0.2 million. The anticipated expenditure by R&D might have been interrupted by the delays in projects due to lack of an animal facility. The budget for the quarter was 1.4 million.



(d) Insurance

Insurance is very critical to safeguarding of the entity's assets. A yearly insurance has been paid to cover all assets of the entity.

(e) Amortization and Depreciation

Entity's assets are depreciated over their various useful lives. During the quarter, the recognised wear and tear of assets is R 3.0 million, which is in line with the budget.

(f) Government grant

Grant is recognised after fulfilling the requirements stipulated on the contractual agreement. The current grant recognized for the quarter under review amounts to R2.0 million with the budget of R 4.8 million. The underspent was mainly due to the under spent by research and development department. The department has various grants awarded to them.

(g) Repairs and maintenance

The repairs and maintenance for the quarter were overspent by R 748 594. The costs of repairs were attributed by old infrastructure/ equipment that is constantly breaking down.



(h) Coal

Boilers mainly uses coal to produce steam that is being utilised by production departments. Actual expenditure for coal is R 2 244 401 year-to-date compared to a budget of R 2 401 822.

3.4 Inventory movements

During the quarter under review, inventory movement amounted to R 10 million with the budget of R 5 million.

3.5 Interest on investments

The interest on investments for the quarter ending 31 March 2022 of R 3.4 million was realized against the budget of R2.7 million.



Sales Value of stock in distribution

Stock excludes expired and unknown and consignment stock

We have 25 various stock units in batch control location (Distribution).

The location is used to manage the stock to ensure that the first batch received is the first to be sold.

- 12 M ---- Means products with shelf life of greater than 12 months
- 4 to 6 M ---- Means prod with shelf life of between 4 to 6 months
- 7 to 12 M ---- Means prod with shelf life of between 7 to 12 months

AFRICAN
HORSE
SICKNESS



3. Measuring Outcomes



Programme:
Purpose:

Financial Sustainability
To increase revenue and profitability

Outcome	Outputs	Output indicator	Annual Targets	Quarter Target	Actual Performance	Variance	Reason for variance	Action Plan
Financial Growth and Sustainability	Increased Revenue	Increased Revenue (R)	R190m	R31m	R43 974 526	R13 010 251 Overachieved	Sold more BTV, AHS and FMD	Focus more on high value products
	New products	Number of new products dossiers submitted to regulatory authorities for registration	2	2	-	0 Achieved	Target was achieved in quarter 2. Timely conclusion of negotiations with Third party on new products, led to an overachievement in Q2, superseding the annual target of 2, by +1.	NONE Target achieved in the second quarter
	Product dossier submitted to new markets	Number of product dossiers submitted to new markets	2	1	1	0 Achieved	Target met	Target met
	Increased EBITDA	Increased EBITDA (%)	3%	3%	173%	+170% Overachieved	Cost management was implemented across the organisation with results in expenses being monitored closely and hence decreasing	Target achieved
	Increased Vaccines Sold	Increased vaccine doses sold (%)	6%	6%	-41.5%	-47.5% Not achieved	Key products not available, especially blood vaccines	Promote more bacterial products

Programme:

Continuous Improvement of Business Processes

Purpose:

To ensure the supply of improved quality products to the market through advanced technology.

Outcome	Outputs	Output indicator	Annual Targets	Quarter Target	Actual Performance	Variance	Reason for variance	Action Plan
Optimised business processes	Production efficiency index	Improved Production Efficiency	6.0	6.0	10.47	+4.47 Overachieved	Overachievement is due to higher transfers to distribution than planned, and to greater sales than predicted by sales forecast: 1: Opportunistic sales of Rift Valley Fever to Sudan. 2: Domestic sales higher than Q4 sales forecast due to making up of backlog from Q2 and Q3	Target met
	Percentage of achieved progress on action items against the GMP roadmap	Implemented action items against the GMP roadmap (%)	20% of GMP roadmap achieved	20%	4%	-16% Not achieved	Inadequate resources	Ensure conformance to ISO 9001 requirements and whilst updating systems, include GMP requirements as per the GMP Roadmap
	ICT enterprise architecture plan	Board approved plan to inform ICT strategy	Approved ICT Enterprise Architecture Plan	Board Approved enterprise Architecture Plan	Plan approved	0 Achieved	Plan approved by board	Target achieved
	Vector proof facility	Improved facilities- Accredited vector proof facility	Vector proof facility	Handover of Building	Tender was re-advertised. Proposals were received and tender was closed.	Tender process restarted (Not achieved)	Previous suppliers were non-compliant, and there is a new process that is now with the BEC.	BAC to finalise the recommendation of award of supplier for the tender
	GMP facility	Improved facilities GMP	GMP Facility	Phase 1	Phase 1 incomplete	Not achieved	Due to suspension of works arising from contractual issues with principal consultant.	Legal avenues with principal consultant. Principal contractor to continue with costing re-evaluation
	Top 20 products produced	Improved Output of Top 20 Products (%)	70%	70%	+177.5%	+107.5% Overachieved	Overachieved, due to higher transfers to distribution than planned – making up of backlog from Q2 and Q3 (Lumpy Skin Disease; Rift Valley Fever live; Blue Tongue; Pulpy Kidney)	Target Met

Programme: Customer Service

Purpose: To provide excellent customer service.

Outcome	Outputs	Output indicator	Annual Targets	Quarter Target	Actual Performance	Variance	Reason for variance	Action Plan
Improved Customer Services	Satisfied customers	Increased customer satisfaction (%)	80%	80%	58%	-22% Not achieved	Customer complaints mainly about the availability, or lack thereof, of OBP's products	Improve communication on product availability.
		% of customer complaints resolved	80%	80%	12.5%	-67.5% Not achieved	1/8 complaints received were closed. 2/8 complaints are still under investigation. 5/8 complaints are awaiting further communication/ feedback from client.	Recruit QA Officer to handle customer complaints. Position is currently vacant
	Top 20 customers retained	Top 20 customers retained (%)	75%	75%	75%	0 Achieved	Focussed on key clients/customers	Will continue to improve and strengthen relations with customers
	New distribution channels	Increased distribution channels	3	1	-	0 Achieved	Although the quarter target of 1 was not met, 4 distributors were registered in Q3, thus meaning, the annual target of 3 distributors was exceeded in the same quarter. This was therefore an overachievement which took place in Q3.	More potential distributors will be invited to apply.
	Trained farmers	Trained farmers	550	176	543	+367 Overachieved	Better/improved attendance by farmers after COVID lockdown	We will continue to invite farmers and broaden our reach.

Programme: Governance and Leadership

Purpose: To drive an ethical and accountable corporate culture.

Outcome	Outputs	Output indicator	Annual Targets	Quarter Target	Actual Performance	Variance	Reason for variance	Action Plan
Capable Ethical and Developmental Leadership	Board approved policies	Number of reviewed policies approved	14	3	0	-3 Not achieved	Instability in HR environment and lack of capacity to conduct review analysis.	RFQ to on-board a service provider for 3 months in progress, to review and/or develop HR policies. Labour consultation omitted in process – task team being constituted for future policy reviews and/or development.
		Number of new policies developed/ frameworks	2	1	1 Draft policy-still to be consulted with labour.	0 Achieved	No variance	Post consultation with labour, the policy will still go to EXCO for review before submission to the Board.
	Staff Retained	Staff turnover	<5%	<5%	2.9%	2.1% Achieved	Target is achieved	This target is achieved.
	Report with Recommendations from the culture survey	(%) implemented recommendations from the report	65% implementation of recommendations and outcomes	5%	0	-5% Not achieved	The absence of an HR Manager resulted in the lack of a consolidated approach to the implementation of recommendations.	Target reviewed and refined in new financial year with measurable targets.
	Trained staff as per WSP	(%) implemented staff training against the WSP	60%	60%	2.2%	-57.8% Not achieved	HR instability resulted in reprioritisation of training interventions.	Training plan to identify priority-training interventions for the new financial year.

4. Overall Performance

Number of Planned Targets for the Year	Number of Targets Planned for the Quarter	Number of Targets Achieved in the Quarter	Number of Targets Not Achieved In the Quarter	% of Achievements for the Quarter
21	21	12	9	57%

NOTES

- Reasons for deviation are captured for both achieved and unachieved KPIs.
- Indicators not meant for reporting in this quarter have also been indicated.



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THANK YOU!!!

