

# **ONDERSTEPOORT BIOLOGICAL PRODUCTS**

**CORPORATE PLAN**

**2021/22 - 2023/24**

**&**

**ANNUAL PERFORMANCE PLAN**

**2021 - 2022**





# Focus areas

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# Executive summary

Onderstepoort Biological Products SOC Ltd (OBP) is a state-owned entity established by the Onderstepoort Biological Products Incorporation Act of 1999 and is responsible for the development, manufacturing, and distribution of animal vaccines in the country and beyond its borders. OBP is a schedule 3B public entity in terms of the Public Finance Management Act, Act 1 of 1999 which accounts to the Minister of Agriculture, Forestry and Fisheries (Executive Authority). OBP delivers on the government's responsibility to ensure food safety and security through maintaining animal health.

OBP has a staff complement of 209 employees who are based at the campus in Onderstepoort, Pretoria North.

The OBP product portfolio comprises more than 50 veterinary vaccines (in more than 90 presentations) against viral, bacterial, and protozoal diseases of cattle, sheep, goats, poultry and horses. These diseases are of major relevance to South Africa and Africa. OBP products are distributed in Africa, the Middle East, Asia and Europe with most of the sales generated in South Africa and the rest through exports. Most of the company's local revenue is generated from the sale of vaccines to the commercial livestock sector and the balance from emerging farmers, the horse industry, and government.

Like many other State-Owned Companies (SOCs), the OBP is battling with aging infrastructure and outdated equipment with diminishing financial resources. Other Section 3B public entities operate with their mandatory focus and mandate being public service delivery, and receive funding to assist in this respect. OBP must balance the public service delivery with private service delivery, and do this with efficiency, competitiveness and responsiveness in the private sector market in which it operates without internally generated reserves and without operational funding.

In order to comply with industry norms, the company has embarked on a Good Manufacturing Practices (GMP) roadmap which, together with the ongoing upgrade of the facility, will increase its ability to access previously inaccessible international markets, but also will assist in complying with new local and international regulations for animal vaccines and biologicals.

Within that context, we remained cognizant of our legislative and mandatory responsibility as a public entity, and this is evident in our targets for all strategic goals. This plan reflects OBP's continued commitment to deliver on its mandate despite operational challenges, which we turned into learning opportunities.

I would like to express my appreciation to the honorable Minister, the Deputy Ministers, Chairperson and members of the OBP Board for their guidance and support as well as the Director-General and officials of the Department of Agriculture, Land Reforms, Rural Development. In addition, I must extend my sincere gratitude to my peer agricultural State-owned entities, the agricultural research, scientific and educational fraternity, as well as stakeholders for their understanding and unwavering support in the past financial year.

OBP is committed to ensuring that all elements contained in this Annual Performance Plan will be achieved where possible. I am therefore confident that, working together in collaboration with our stakeholders, we will rise above any challenges experienced in the 2020/2021 financial year.



# 01

## About OBP



# ONE OBP STRATEGY

## OUR PURPOSE

To provide innovative and disruptive solutions for animal health

## OUR VISION

To be the first choice in animal health solutions

## ONE GOAL 3-5-1

Triple (3X) EBITDA in 5 years by:

- Being a great place to work at
- Providing exceptional customer service
- Delivering leading "return on investment"

## CURRENT STRATEGIC RISKS

- Fraud and corruption
- Insufficient research and development output
- Lack of market share growth/ loss of market share
- Production inefficiencies
- Threat to financial sustainability
- Inadequate HR Capacity
- ICT system inefficiencies/inadequate functionality/underutilization

## ONE SET OF VALUES

People first  
Respect

PRIDE

Integrity (incl. accountability)

Dedication

Excellence (includes innovation)

## OUR SET OF STRATEGIC OUTCOMES

- Financial growth and sustainability
- Optimized business processes
- Improved customer services
- Capable, ethical and developmental organisation

## SOCIETAL IMPACT

ANIMAL HEALTH

SKILLS DEVELOPMENT

ECONOMIC TRANSFORMATION

FOOD SECURITY

## OUR BUSINESS MODEL



Develop and Produce Biological Solutions



Smart digital solutions for Animal Health



Managed Distribution Services

# OBP production capacity challenges

- Very large range of products: more than 50 different vaccines and more than 90 presentations
  - Some not profitable products, but of national importance
- Aged equipment and poor maintenance: limited Preventative Maintenance plan for more than many years
  - More than 800 process equipment of different sizes and capacity
  - Equipment replacement not prioritized (most way beyond their normal lifespan)
  - Loss of key technical expertise in most aspects
  - No new products or technologies brought in
  - Different forms of mismanagement
  - Grant from Government (2014) for part facility upgrade inefficiently utilized
  - Minimal progress on quality standards & GMP implementation
  - Poor production planning; challenges in forecast
- Several changes in the animal health market (limited growth in some sectors)
- Increased competition on the local market



# Actions taken over the past 2 years

## Urgent actions for timely product availability

- Improved management & expertise
- Effective Production planning & inventory management
- Addressing equipment maintenance & availability
- Adjusting the facility upgrade project
- **GMP roadmap established & Initiated**

## Actions with long lasting impact

- Initiated GMP Roadmap
- Comprehensive equipment & maintenance strategy
- Initiated capital funding applications to National Treasury
- Increased effective partnerships & collaborations locally & internationally
  - Pipeline: Snotsiekte, Heartwater, multivalent vaccines
  - Process modernization
- Improved product distribution systems
- Revised business model:
  - Distribution of specific critical 3<sup>rd</sup> party products (FMD etc.)
  - Vaccine banks
  - Clinical services

### Results so far...

- Increased sales revenue
- Broadened revenue streams
- Better streamlined production processes
- ICT: improved digitalization of business & operational processes initiated



# Our Product Range

14 Viral  
Vaccines



28  
Bacterial  
Vaccines



4 Parasitic  
Vaccines



6 diagnostics  
reagents  
Autogenous  
vaccines  
Therapeutic sera



ONDERSTEEPOORT  
BIOLOGICAL PRODUCTS

More than 200 million doses annually  
Livestock species covered: cattle, sheep, goats, poultry & equines (horses)



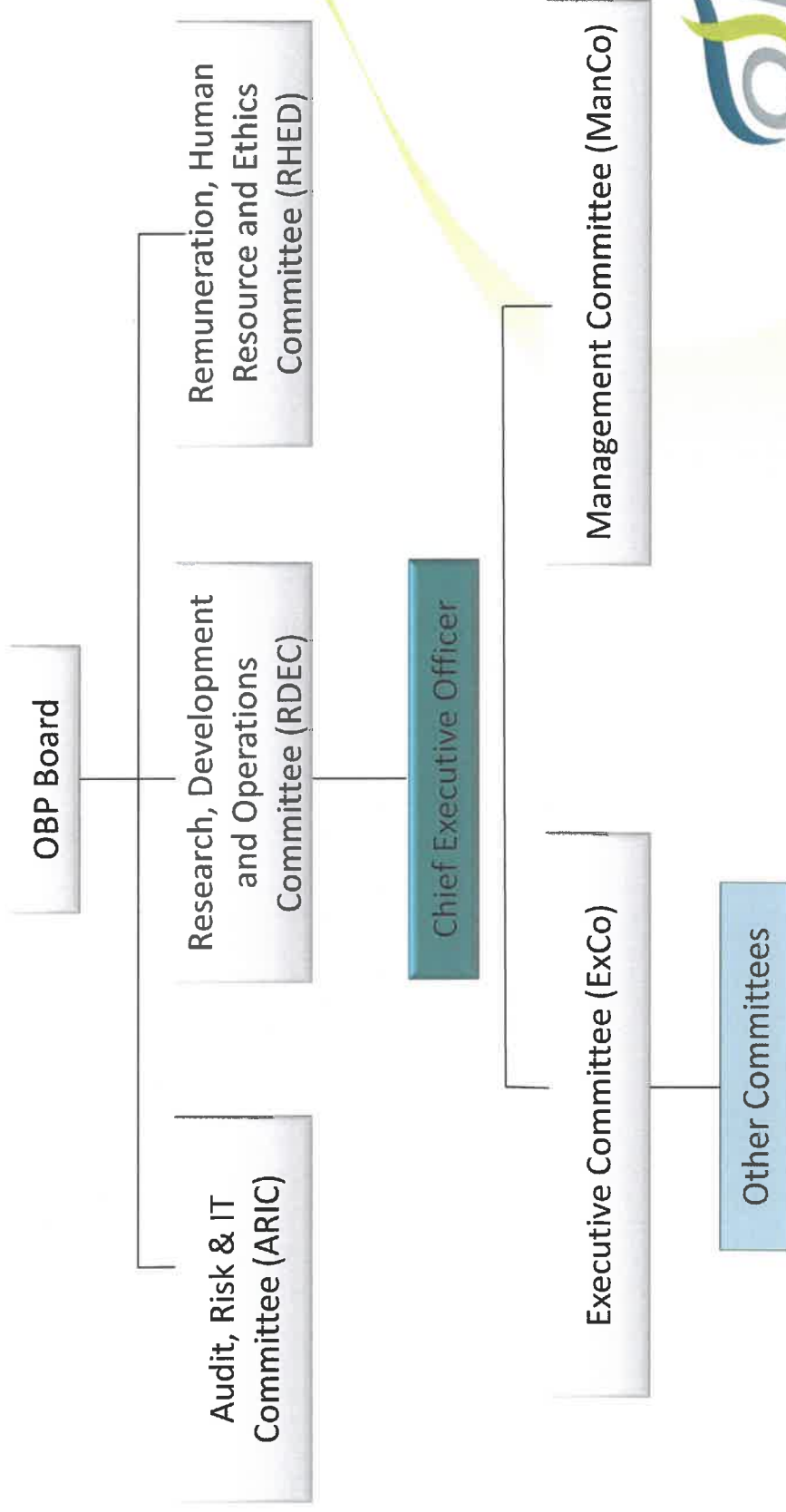


# 02

## Governance



# Governance Structure



# Board of Directors



Chairperson: Ms R A Kenosi



Dr B Ntshabele



Mr. L. Nematswerani



Ms. N Sonjani



Ms. K Naidoo



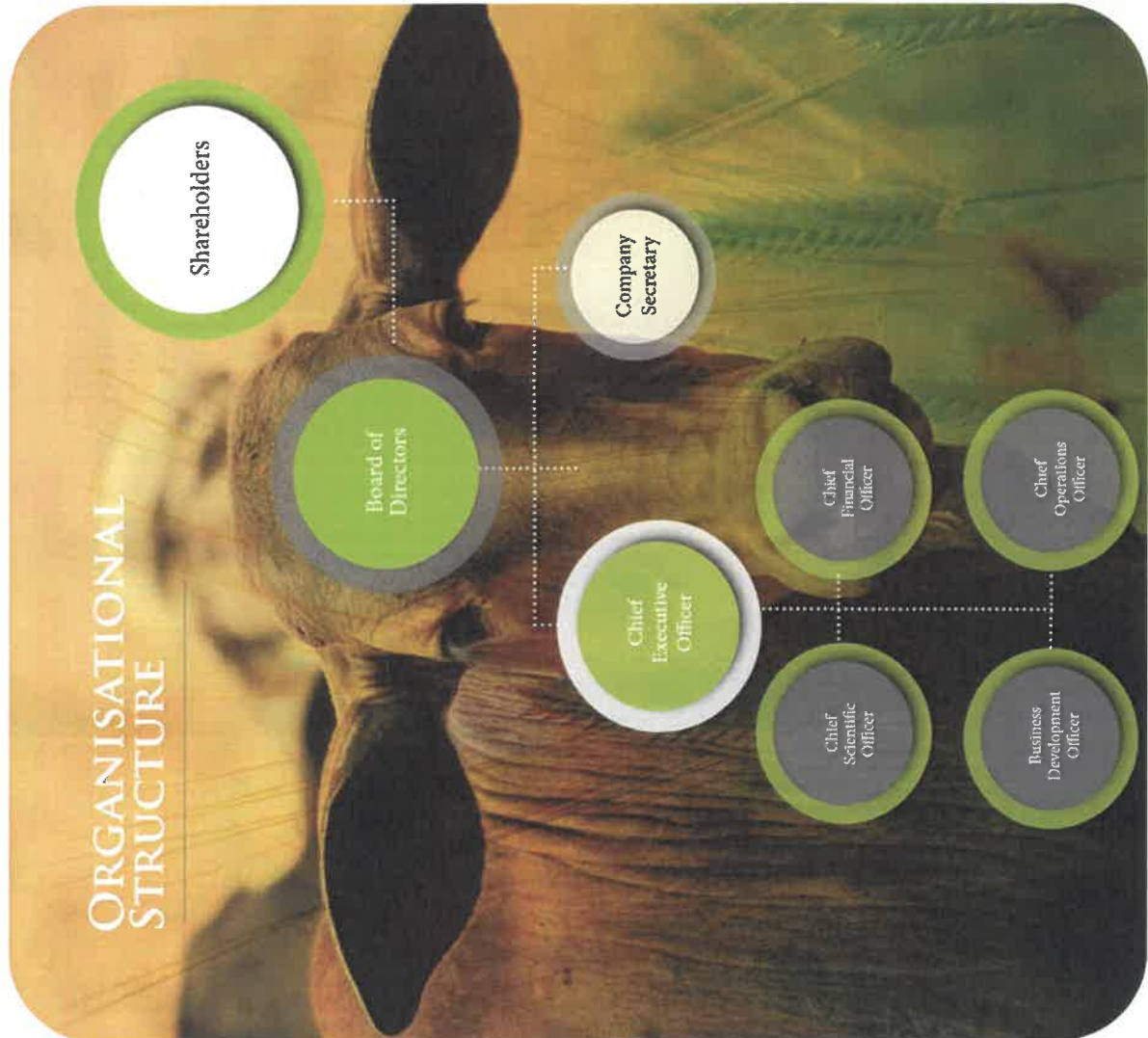
Mr. L Mabombo



Professor K A Nephawe



# ORGANISATIONAL STRUCTURE



# Executive Management team



CEO: Dr Baptiste Dungu



Ms Elspeth Govender  
CFO



Ms Lizette Janse van Rensburg  
COO



Dr Jacob Modumo  
BDO



Dr Bethuel Nthlangeni  
CSO





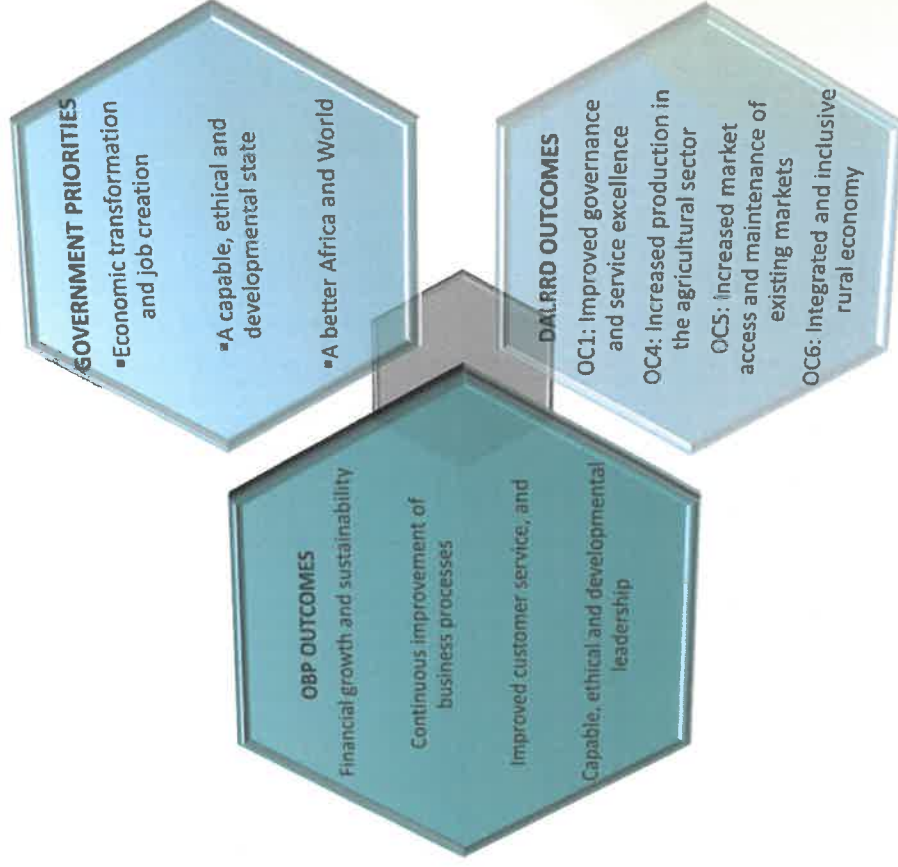


# 03

## Performance programmes



# Alignment to Government Priorities



# Institutional Performance

## Programme: FINANCIAL SUSTAINABILITY

To increase revenue and profitability

Outcome	Output	Output Indicator	Estimated performance 2020/21	2021/22 Target	Comment
Financial growth and sustainability	Income	Increased revenue (R)	R170 m	R190 m	Ensure profitability and sustainability
	New products	Number of new products dossiers submitted to regulatory for registration	3	2	Expand product portfolio
	Product dossier submitted to new markets	Number of product dossier submitted to new markets	New indicator	2	Critical for ensuring entrance to new markets
	A positive EBITDA	Revenue less expenses before interest, tax, depreciation, and amortisation (R)	New indicator	3%	Accurately measure organisational profitability
	Vaccines sold	Increased Vaccine doses sold (%)	New indicator	8%	Increase market share





# Institutional Performance

## Programme: Continuous Improvement of Business Processes

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

Outcome	Output	Output Indicator	Estimated performance 2020/21	2021/22 Target	Comment
Optimised business processes	Improved efficiency	Production efficiency index	7.9	8.0	Incremental improved performance as compared to the previous year
	Implemented action items against the GMP roadmap	Percentage of achieved progress on action items against the GMP roadmap	New indicator	40% of GMP roadmap achieved	Move towards GMP culture
	ICT enterprise architecture plan	Board approved plan to inform ICT strategy	New indicator	Approved ICT Enterprise Architecture Plan	Implement integrated telecommunication processes
	Accredited vector proof facility	Progress report as per project plan	New indicator	Vector proof facility	Improved OBP competitiveness and accelerate new product development
	GMP Facility	Progress report as per project plan	100% phase 1/50% phase 2	GMP facility	GMP compliant facility will allow OBP to acquire cGMP certification, thus operate as a globally competitive manufacturer and distributor of vaccines and other biological products
	Top 20 products produced	Percentage of top 20 products produced	New indicator	90%	Ensure product availability & profitability



# Institutional Performance

**Programme: Customer Services**  
To provide excellent customer service.

Outcome	Output	Output indicator	Estimated performance 2020/21	2021/22 Target	Comment
Improved Customer Services	Satisfied customers	% of satisfied customer	80%	80%	Continuous customer satisfaction improvement
		% of Customer complaints resolved	80%	80%	
	Top 20 customers retained	Top 20 customers retained (%)	New indicator	90%	
	New distribution channels	Number of new registered distributors	2	3	Create job opportunities and improved OBP product reach
	Farmers trained	Number of farmers trained	150	150	Support for emerging and small holder farmers





# Institutional Performance

## Programme: Governance and Leadership

To drive an ethical and accountable corporate culture

Outcome	Output	Output indicator	Estimated performance 2020/21	2021/22 Target	Comment	
Capable Ethical and Developmental Leadership	Board approved policies	Number of reviewed policies approved	10	14	To relevantly guide decision-making, and streamline internal processes	
		Number of new policies developed/ Frameworks	New indicator	2		
	Staff Retained		Number of employees that resigned	New indicator	5%	Retain critical and core staff
			Number of employees dismissed/ retrenched	New Indicator	1%	
			Number of employees that retired	New indicator	3	
Report with Recommendations from the culture survey	(%) implemented recommendations from the report	Culture survey report	65%	Improve/transform organisational culture		
Trained staff as per WSP	(%) implemented staff training against the WSP	75%	80%	Improve employee performance and develop skills to enable employees to deliver on mandate		



# 04

## Financials



# Income Statement

**ONDERSTEPOORT BIOLOGICAL PRODUCTS SOC LTD  
FINANCIAL PERFORMANCE  
INCOME STATEMENT**

Description	Revised Estimate 2020-21	BUDGET MTEF		
		2021-22	2022-23	2023-2024
<b>Gross Revenue</b>	<b>170 000</b>	<b>190 000</b>	<b>205 000</b>	<b>220 000</b>
Local	102 000	120 000	123 000	132 000
Export	68 000	76 000	82 000	88 000
Discount Granted	13 600	20 900	22 550	24 200
<b>Net Revenue</b>	<b>156 400</b>	<b>169 100</b>	<b>182 450</b>	<b>195 800</b>
<b>COST OF SALES</b>	<b>34 000</b>	<b>38 000</b>	<b>41 000</b>	<b>44 000</b>
<b>GROSS MARGIN</b>	<b>122 400</b>	<b>131 100</b>	<b>141 450</b>	<b>151 800</b>
Other income	3 267	3 463	3 671	3 891
<b>EXPENSES</b>	<b>125 667</b>	<b>134 563</b>	<b>145 121</b>	<b>155 691</b>
Staff Cost	112 067	120 573	127 191	133 551
Travel	89 063	93 516	98 192	103 102
Marketing	2 012	2 112	2 218	2 329
Water and Electricity	3 489	3 663	3 847	4 039
Depreciation	11 351	11 919	12 515	13 140
Repairs and maintenance	12 391	13 010	13 661	14 344
Animal Feed	7 481	7 855	8 248	8 661
Research and development	3 290	3 455	3 628	3 809
Audit fees	11 333	11 899	12 494	13 119
Computer expenses	3 124	3 280	3 444	3 617
Insurance	2 610	2 740	2 878	3 021
Coal	2 170	2 279	2 392	2 512
Security	1 890	1 985	2 084	2 188
Other	2 200	2 310	2 426	2 547
Grant Recovery	12 585	13 214	13 875	14 569
Included in COS	(18 655)	(19 587)	(20 567)	(21 595)
	(34 267)	(33 078)	(34 142)	(35 849)
<b>OPERATING PROFIT/(LOSS)</b>	<b>13 600</b>	<b>13 990</b>	<b>17 929</b>	<b>22 140</b>
Interest	18 603	11 162	6 697	4 018
<b>PROFIT BEFORE TAX</b>	<b>32 202</b>	<b>25 152</b>	<b>24 626</b>	<b>26 158</b>
<b>OPERATING PROFIT/(LOSS) as a % of Gross Sales</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>10%</b>
<b>EBITDA</b>	<b>25 990</b>	<b>27 000</b>	<b>31 590</b>	<b>36 484</b>



# Balance Sheet

<b>ONDERSTEPOORT BIOLOGICAL PRODUCTS SOC LTD</b>				
<b>STATEMENT OF FINANCIAL POSITION</b>				
	Revised Estimate	BUDGET MTEF		
		2019-20	2020-21	2021-22
Non Current Assets	323 980	392 451	452 277	464 068
Current Assets	449 472	383 017	292 966	262 867
<b>Total Assets</b>	<b>773 453</b>	<b>775 468</b>	<b>745 243</b>	<b>726 935</b>
<b>Equity and Liabilities</b>	<b>757 717</b>	<b>751 041</b>	<b>726 187</b>	<b>711 421</b>
Share capital	1	1	1	1
Accumulated surplus/(deficit)	272 266	338 408	375 449	413 293
Deferred income	485 450	412 632	350 737	298 127
<b>Current liabilities</b>	<b>15 736</b>	<b>24 427</b>	<b>19 055</b>	<b>15 514</b>
<b>Total equity and liabilities</b>	<b>773 453</b>	<b>775 468</b>	<b>745 242</b>	<b>726 935</b>



# Cash Flow Position

## ONDERSTEPOORT BIOLOGICAL PRODUCTS SOC LTD STATEMENT OF CASH POSITION

	Revised Estimate 2020-21	BUDGET MTEF		
		2021-22	2022-23	2023-2024
	R' 000	R' 000	R' 000	R' 000
<b>Cash flows from operating activities</b>				
Cash receipts from Stakeholders	218 823	175 992	194 069	204 437
Cash paid to suppliers and employees	(134 557)	(134 685)	(192 100)	(206 313)
Cash utilised in operations	84 266	41 307	1 969	-1 876
Interest income	(18 603)	(11 162)	(6 697)	(4 018)
<b>Net cash from operating activities</b>	<b>65 663</b>	<b>30 146</b>	<b>(4 728)</b>	<b>(5 894)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(80 201)	(120 321)	(25 102)	(25 102)
<b>Net cash from investing activities</b>	<b>(80 201)</b>	<b>(120 321)</b>	<b>(25 102)</b>	<b>(25 102)</b>
<b>Cash flow from Investing activities</b>				
Government grant	-	-	-	-
<b>Total cash movement for the 12 months</b>	<b>(14 538)</b>	<b>(90 175)</b>	<b>(29 830)</b>	<b>(30 996)</b>
Cash at the beginning of the 12-months	286 239	271 701	181 526	151 696
<b>Total cash at the end of the 12 months</b>	<b>271 701</b>	<b>181 526</b>	<b>151 696</b>	<b>120 700</b>

\* Included in the Purchase of property, plant and equipment is R25 million relating to internal capex. The balance is for the GMP.

	2021-22	2022-23	2023-2024
<b>Capital Expenditure</b>	<b>80 201</b>	<b>120 321</b>	<b>25 102</b>



05

# Strategic risks



# Key Strategic Risks

Outcome	Key risks	Risk mitigation
Financial growth and sustainability	<p>Fraud and corruption</p> <p>Inefficient sales and marketing model</p> <p>Inadequate costing model</p> <p>Noncompliance to Supply Chain Management (SCM) and other key legislation</p> <p>Operational expenses surpassing sales generated</p> <p>Discounts</p> <p>Inadequate expertise and funding to improve an fast-track product development and product range</p> <p>Insufficient research and development outputs</p>	<p>Investigate and report all fraud and corruption to the authorities</p> <p>Review current sales model/develop and implement an effective model</p> <p>Review the current model/improve the costing model with the use of ICT</p> <p>Continuous training and monitoring of legislation updates</p> <p>Cost management strategy</p> <p>Review discount models</p> <p>Collaboration with institutions to acquire technologies and licenses</p>
Continuous improvement of business processes	<p>Production inefficiencies</p> <p>Inadequate ICT infrastructure</p> <p>ICT technical failures and electronic threats</p> <p>Supplier and customer concentration</p> <p>Unreliable equipment</p> <p>Aging/unmaintained infrastructure</p>	<p>Introduction of cGMP and improvement of processes</p> <p>Organisation-wide enterprise architecture and plan roll out to address ICT gaps</p> <p>Fair SCM processes to rotate suppliers where applicable</p> <p>Increase of customer base within South Africa and internationally</p> <p>Strengthen engineering and maintenance capacity to establish and implement preventative maintenance</p> <p>Replace/repair infrastructure and equipment</p>
Improved customer care	<p>Unavailable products</p> <p>Reputational risk</p>	<p>Explore investment into new (external supplier) product dossier</p>
Capable, Ethical and Development Leadership	<p>Inadequate HR capacity/poor policy and governance framework/poor internal controls</p>	<p>Ensure skills transfer</p> <p>Align training to skills development within current job profile</p> <p>Develop and implement policies</p> <p>Monitor internal controls</p>

06

## Conclusion



## Conclusion

In conclusion we wish to reiterate our initiatives for 2021/22 financial year

- Increased revenue, competitiveness & acceleration in market growth
- Implementation of a dynamic distribution strategy for further growth, particularly targeting Smallholder & Emerging farmers
- Improved stakeholder satisfaction through innovative products and service
- Focus on GMP, including progress on facility upgrade and modernisation of production plant
- Focus on attracting, developing and retaining the best talent through 4<sup>th</sup> industrial revolution inspired –human resource strategy





**Thank You**

