

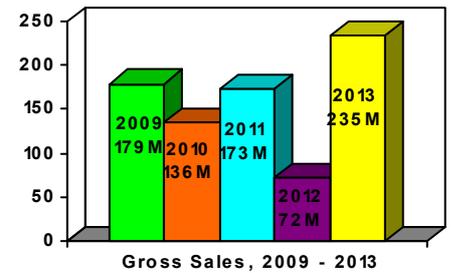
PPI nets Php 17.2 M in first half, hits sales target

PITC Pharma, Inc. met its first semester sales target and grew its net income by 939% percent over budget to P17.2 million - way, way above last year's loss of Php 25.73 million as the company sold higher volumes even at lower margins.

Total sales for the first six months of 2013 amounted to Php 234.675 million which is slightly higher of its six-month target of Php 234.502 million. The first half sales performance is 885% better than last year's performance over the same period of Php 23.83 million driven by strong sales to the Department of Health (DOH) for its influenza and pneumococcal vaccines. Year-on-year, all three (3) customer sectors, the DOH account, the government agencies (GAs) accounts and the local government units (LGUs) accounts posted double-digit growth. Given a more focused organization, PPI has turned around sales and profits.

Gross profit for the first half of the year totaled Php 39.33 million, higher by 5,154% over the same period last year and 36% over the budget of Php 28.98 million. This is the result of an efficient procurement system and higher volumes being bid out. Operating expenses for the first semester was Php 13.95 million, lower by 39% versus the budget of Php 23.00 million. Operating income for the six-month period was higher than budget at Php25.38 million versus Php 5.98 million and better than last year's loss of Php 17.51 million.

The company also continued to improve its business processes to further accelerate growth in the GA and LGU account sectors which are expected to bring in sales in the second half of the year. Management expressed confidence that the measures put in place in the first half of this year would help sustain the gains it has achieved for the rest of the year.



PPI 5-year Gross Sales. The chart above shows PITC Pharma, Inc.'s gross sales from 2009 to June 2013. 2009 to 2012 are sales for the whole year while 2013 reflects sales for the first 6 months

BOD approves PPI Business Plan

The PPI Board of Directors held a special board meeting last May 24, 2013 to review and approve the 8-year business plan submitted by management. Presenting a new business model, the proposed business plan showed its shareholders the opportunities that the company can tap and the strategies it will employ to turn these opportunities into actual sales thereby illustrating that the company can still be viable. An approved business plan is also one of the requirements for the restructuring of its long-outstanding loan with the National Development Company (NDC).

Capitalizing on its sustainable competitive advantage as the only pharmaceutical government owned and controlled corporation (GOCC) that consolidates all orders for medicines of public health facilities and government agencies in order to achieve competitive prices, PPI seeks to leverage its strength towards servicing the medicine requirements of the public sector as well as the big private corporations and foundations, particularly their corporate social responsibility (CSR) programs on health.

The opportunities in the public sector are huge with the Philippine Health Insurance Corporation (Philhealth) reimbursements for medicines alone accounting for Php14.1 billion and the medicines procurement of the Department of Health



Health System Shapers Launch. President Pet during the Project Launch of the Health System Shapers at the Department of Health in Manila on June 19, 2013 with (from L-R) Dr. Kenneth Hartigan-Go, Director General of the Food and Drug Administration (FDA), Teodoro Padilla, Executive Director of the Pharmaceutical Healthcare Association of the Philippine (PHAP), Dr. Ernesto Domingo of the Universal Health Care Study Group, Mayor Sonia Lorenzo, Executive Director of the Union of Local Authorities of the Philippines (ULAP), Usec. Teodoro Herbosa of the DOH, (seated L-R) Ms. Odette Magno, Country Manager of Hi-Esai Philippines and former DOH Secretaries Dr. Alberto Romualdez and Dr. Esperanza Cabral. (Photo credit: AIM Dr. Stephen Zuellig Center)

BOD approves PPI Business Plan

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(DOH) and the local government units (LGUs) contributing an additional Php8.275 billion. Targeting just 5% of this estimated public sector expenditure on medicines can generate for PPI annual sales of Php 1.2 billion. An additional revenue stream will be the private corporations and foundations that require medicines for their regular medical missions and relief operations during natural disasters and calamities. In 2012, it was estimated that private corporations and foundations spent Php2 billion for their CSR programs.

Presented with these opportunities, PPI targets to grow its business by 4,466% in 2021 or generate total sales of Php17.4 billion over a period of 9 years. It intends to be a major partner of the government in achieving Universal Health Care or *Kalusugan Pangkalahatan*, the cornerstone of the Aquino administration's health agenda as well as in meeting the country's commitments under the United Nation's Millennium Development Goals (MDGs). Hence, most of its strategies are geared towards being able to supply the medicine requirements to ensure the successful implementation of these programs.

As reflected in the plan, PPI will be able to pay-off its loan with NDC in 8 years at a decreased interest rate of 7% per annum and a longer repayment period. The Board's approval of the business plan is one of the last remaining steps in the company's restructuring process.

PET'S CORNER



It has been a busy two months for all of us and they were a combination of joy and pain. On the joy side there were significant accomplishments on the Sales side - both for the public and private sectors; the hiring ban as relates to the recent national elections was finally lifted allowing us to process new hires to help move forward our company as it gets bigger. We continued to work with the DOH as we partner and fulfil their expectations that we are a viable procurer of their medicine requirements, and we were vigilant that both scheduled deliveries as well as moved forward deliveries, like those connected with cancer requirements were adequately met on time and in required quantities. Private organizations got to know us, then ordered their vaccines from us – sales which would not have been possible just a few months ago.

The pain side was for me personally, losing a younger sister to the dreaded Cancer. Cherie Bautista Galvez is the first among us 12 brothers and sisters to pass away and somewhat hard as one of the things our parents do not teach us is how to cope with the loss of a sibling.

But life has to go on; and PPI has to plan well to ensure that the balance of the year will be as successful as the first half. The numbers have just come in – we have hit our 1st half sales target, while Net Income is above by a whopping 939% versus budget, and way, way above last year's loss of Php 25.73 million. These numbers would not have been possible without your help, and I am grateful for everyone's contributions as we go from strength to strength.

In July your Mancom will have its Balance of the Year Planning Meeting and we will talk about highs and lows, analyze carefully our SWOT which stands for Strengths, Weaknesses, Opportunities and Threats; and we will see what needs to be done for the balance of the year; do an estimate of how we will end the year which then becomes our guidepost to do our 2014 Budget. But all these are new to us – we are in a position (like finally making money!) we have never been before and so we are going into uncharted waters. But we now have 8 months under our belt and we surprised even ourselves with our tenacity of purpose, our uncompromising integrity, our industry and refusing to buckle even when faced with lots of resistance from our customers. May I say, with some boasting, that our customers now look at us with more respect and raised expectations; and our suppliers now consider us as their partner to tap business which heretofore was considered too complex and foreboding.

And so as we look at more challenges in the future remember that the success of PPI will depend on the motivation, drive, ability and enthusiasm of all its employees. Our PPI basketball team won its first two games and then came crashing down in the third game, losing by double digits. Why is that? Overconfidence probably or not enough planning or the lack of talent in critical positions. PPI could be like that in the balance of the year. Sure I will be here to lead you, but your destiny is in your hands.

So ask yourself whether you are ready for more challenges and do you have the passion to win, the integrity to stay the course, the courage to move forward despite the hindrances and the ability to support your leadership? I hope you have seen enough of me, of my style, that you like what you see. Because I have seen all of you, through these many months, and I love what I see. Together we fight as PPI marches on to scale new heights.

Thank you and *mabuhay ang PPI!*

Pet

Bienvenido "Pet" Bautista
President & CEO

EDITORIAL TEAM

Writers: **Joy Riel, Atty. Ben Cruz & Boots Trillana**

Lay-out Artists: **Jess Belen and Isa Jurado**

People, Programs, Initiatives is a bi-monthly publication of PITC Pharma, Inc. with offices at 2/F NDC Building, 116 Tordesillas St., Salcedo Vill., 1227 Makati City. Telephone numbers: (02) 840-1123, 840-2680, 840-3704, 840-4540, 840-4056 and website at www.pitcpharma.com.ph



First general assembly of BCGMAP healthcare providers held

The Department of Health sponsored the first general assembly of healthcare providers for the Breast Cancer Medicines Access Program (BCMAP) last June 27 – 28, 2013 at The Oriental Hotel in Legazpi City, Albay. The activity was attended by the program coordinators and pharmacists of the six (6) access

sites, officials from the National Center for Pharmaceutical Access and Management (NCPAM), the Philippine Cancer Society, Inc. (PCSI), PITC Pharma, Inc. (PPI) and the National Kidney and Transplant Institute (NKTI).

The BCGMAP was launched in May 2011 by NCPAM with PCSI handling the patient navigation part and PPI as its procurement arm for the medicines needed based on the approved protocol. The program seeks to promote early screening and cancer awareness, as well as improve survival rates of breast cancer among Filipinos. It provides free chemotherapy for patients with early breast cancer Stages I to IIIA at its inception and was expanded to include IIIB patients in June 2012. Testing for ER/PR and

Her2-Neu immunochemistry is free for these patients as well as Tamoxifen for those who are recommended to have hormonal treatment.

The PCSI and PPI presented updates on the patient navigation program and status on the utilization of medicines, respectively. It was reported that 1,137 patients have already enrolled in the program with more than half having completed their chemo treatment. The findings of a study conducted by Dr. Ma. Pamela Patdu, Dr. Willie Liangco and Dr. Corazon Ngelangel were presented which showed that the BCGMAP improved the quality of care among patients with breast cancer in the Philippine General Hospital (PGH). There was a significant decrease in the rate of patients lost to follow up from 62 percent in 2011 to 18 percent in 2012. The research highlights how access to medicines in the context of a patient navigation program increased coverage of cancer care for indigent Filipinos.

Treatment access for Filipinos with breast cancer is a problem especially among patients with limited resources. The program gives them an opportunity to access appropriate treatment, which is available initially at the PGH, Rizal Medical Center, East Avenue Medical Center, Jose R. Reyes Memorial Medical Center, Amang Rodriguez Memorial Medical Center and the Bicol Regional Training and Teaching Hospital.



MOA Signing on Expansion of BCGMAP to BRTTH. President Pet together with Dr. Melissa Guerrero, Deputy Director of NCPAM, Dr. Virgilio Ludovice of CHD V, Dr. Rogelio Rivera, Chief of Hospital of BRTTH and Dr. Rachael Rosario, Executive Director of PCSI sign the MOA expanding the BCGMAP to the Bicol Regional Training and Teaching Hospital in a ceremony held at the BRTTH Cancer Center, Legazpi City, Albay on June 26, 2013.

COA expresses unqualified opinion on 2012 AAR

Commission on Audit (COA) held an Exit Conference on 23 May 2013 to discuss with PPI management its preliminary audit findings and observations on the accounts and operations of PPI for the year ended 2012.

Present during said Exit Conference were COA representatives headed by Director Joseph B. Anacay, Director IV of the Corporate Government Sector, and the PPI management led by its President, Mr. Bienvenido S. Bautista.

COA audited PPI's financial statements, which comprise the balance sheet as of 31 December 2012, and the statement of income and expenses, statement of changes in net capital deficiency and statement of cash flows for the year then ended.

While taking cognizance of the observations made by the COA as regards its capital insufficiency and continued losses in the previous years of its operations, PPI likewise continues to address all the other observations raised by COA.

With the new leadership and a new business model, PPI has a renewed hope that it will be able to turnaround the Company and sustain its operations. PPI's sustainable competitive advantage remains, being the only pharmaceutical GOCC that aggregates all orders of medicines of public health facilities and government agencies in order to achieve competitive prices for quality medicines.

COA noted PPI's 2013 performance for the first quarter alone showing that PPI is headed in the right direction, making the outlook for the rest of the year positive.

Ultimately, in the COA's **Annual Audit Report** released on 28 June 2013, COA expressed an **unqualified opinion** that the PPI's financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with State Accounting Principles.

PPI to supply vaccines for Hajj pilgrims

PITC Pharma Inc. has been tapped by the National Commission on Muslim Filipinos (NCMF) to handle the procurement of meningococcal and influenza vaccines for the Filipino pilgrims who will be joining the Hajj in October 2013.

The project amounting to Php 10 M will benefit more than 6,000 Filipino Muslims.



A Taste of Summer: PPI's company outing in Laguna



PITC Pharma, Inc. held a company outing last May 11, 2013 for fun and to foster camaraderie among its employees. The event which was held at 88 Hotspring Resort in Calamba, Laguna was the first in six years.

It was a whole day event of games, swimming, food and good time. At PPI, employees love to have a great time and unwind while strengthening their workplace bonds and friendships with each other. What made the event special was the presence of the employees' kids and spouses. However, it would have been more fun had Sir Pet been around.

Jess Belen was kind enough to capture some activities of the outing with some pictures. We are printing the wholesome and decent ones - lest we be censored.

PPI provides workplace vaccination program to keep employees healthy

PPI offered to all its employees free vaccination against influenza and pneumococcal for those employees aged 50 and above. Influenza vaccination is a proven, safe and effective way of protecting people against flu. Vaccinating healthy individuals against influenza can generate substantial savings and minimize disruption to staff performance and productivity.

The vaccines were also offered to the employees' dependents at cost.



BIRTHDAY CELEBRATORS!

MAY

Joy Riel - 1
Joe Cortez - 6

JUNE

Agui Arugay - 8
Che Pantaleon - 22

PPI holds 1st State of the Business Meeting

PITC Pharma, Inc. held its first State of the Business Meeting (SOBM) on May 24, 2013 at the Alberto Barretto Hall, NDC Building, Makati City.

The SOBM is designed to be held every quarter to provide the employees a picture on how the company is doing as well as a venue for them to have their issues and concerns addressed by management.

President Pet presented the company's performance for the first

four months of 2013 and the outlook for the 2nd quarter. An open forum followed right after the President's presentation.

Among the issues raised were employee benefits such as the uniform allowance, HMO benefit and additional leave benefits. The Account Officers also requested that an orientation session be conducted to better equip them to handle questions about government procurement and PPI.



President Pet addresses the issues and concerns raised by the employees during the 1st State of the Business Meeting.

UPCOMING ACTIVITIES and EVENTS.....

22 - 23 July 2013 - PPI Planning Session
31 July - 01 August 2013 - PPI Mid-Year Sales Conference