

SPIMACO Announces a Revamped Patient-Centric Strategy to Build the National Champion in the Saudi Pharma Industry

- SPIMACO's patient-centric strategy is built around a combination of organic growth, business development, and M&A, and focuses on extending the Company's leadership position in KSA and key regional markets.
- The Company targets a compounded average revenue growth of 13-15% up to 2027, above market level, and a 15-17% EBITDA margin by 2027.
- Key efforts will be focused on optimizing the existing product portfolio, and effectively launching new products by finding value accretive inorganic opportunities, complemented by upgrading the existing internal development process, while rationalizing infrastructure to create a more efficient cost base.
- Building the National Champion in the Saudi pharma industry aims at improving the wellbeing of patients while benefiting all groups of SPIMACO's stakeholders.

Riyadh, 7 February 2023 – Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO, Tadawul: 2070) announces the details of its revamped 5-year strategy. The strategy focuses on building the National Champion in the Saudi pharma industry by capitalizing on long-term opportunities offered by the conducive market outlook, while aiming at improving the wellbeing of patients and benefiting all groups of the Company's stakeholders in the long-term.

SPIMACO's strategy sets ambitious targets to grow revenue by a CAGR of 13-15% and achieve a 15-17% EBITDA margin by 2027 by adopting a new, improved business model built around a combination of organic growth, business development and M&A. The Company will focus on developing and acquiring a robust portfolio of innovative products centered around the needs of patients, growing faster than the market to solidify its leadership in KSA and to become a regional player in key MENA markets.

These ambitions will be further fueled by effective product launching, rationalizing infrastructure and building functional synergies, enhancing commercial success, while fostering an aligned and innovative culture within the organization.

Khaled Saleh Al-Khattaf, Chief Executive Officer of SPIMACO, said: "We aim to transform SPIMACO, the leading vertically integrated pharma manufacturer in KSA, into a National Champion, and today we are excited to share the details of our path forward with the investment community."

Having assembled a strong management team with relevant experience and professional skills in 2022, we started work on realigning the Company for the future by initiating a series of capability upgrades to “fix the core.” which entailed extra investment and costs weighing on profitability during 2022. Despite resulting in short term pressures, these initiatives were necessary to set the foundation for future growth and included improvements in the science organization, streamlining commercial and manufacturing operations, fixing logistics and distribution, and hiring the right talent to execute our strategy.

These efforts have already started to bear fruit, and we are now embarking on the next phase of the SPIMACO journey: implementing a revamped strategy to make a leap forward and make the Company a National Champion and significant regional player.

In the coming years, our strong team will relentlessly pursue the ambitious targets set forth in our strategic plan by generating a pipeline of innovative products, outpacing market growth, improving profitability, and establishing ourselves as an employer of choice and a responsible corporate citizen.

In the challenging pharmaceutical industry, we realize that there are inherent complexities to achieving success, and we are confident in our ability to mitigate this risk through an unwavering commitment to our patients, partners, and shareholders. We believe that we have all the necessary elements to make a leap forward and build the National Champion in the Saudi pharma industry.”

The Kingdom of Saudi Arabia is the largest pharmaceuticals market in MENA and is expected to expand at 5% per annum in 2022E-2026E¹. This is driven by a favorable demographic structure, increasing incidences of chronic diseases, supportive government policies for localized production, growing acceptance of generics and biosimilar products, and a robust macroeconomic environment.

After “fixing the core”, SPIMACO will be well aligned to capture the existing and future market opportunities. These efforts have set the foundation for recalibrating the Company for the future and successful execution of the strategy.

The revamped strategy focuses on extending SPIMACO’s leadership position in KSA and key regional markets, capturing untapped growth opportunities by strengthening the existing product base and launching new products, creating a more efficient cost base, and finding value accretive inorganic opportunities. This will suit the needs of the Company’s stakeholders better and enable it to target the premium segments of the market.

These efforts will allow SPIMACO to grow above market levels, increasing revenue at a CAGR of 13-15% up to 2027. Thanks to the structural shift in the business, the EBITDA margin will improve to 15-17% by 2027, achieving the industry benchmarks of MENA-based companies.

Inorganic growth opportunities will be a key driver of future expansion, allowing SPIMACO to stay ahead of the curve and effectively introduce qualitative adjustments to the portfolio. The Injectables, Biopharma and

¹ Source: IQVIA Market Prognosis 2021–26 (May 2022).

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Oncology, and Vaccine segments have the highest potential for value-accretive M&A and business development efforts with an immediate focus on Injectables. To ensure that SPIMACO generates additional value for its stakeholders through inorganic opportunities, the Company follows a comprehensive framework securing the quality and feasibility of potential deals.

Organic development is another essential growth driver in the revamped strategy, with the science organization at the core of the Company's success. Continuous innovation and improvements in the development process will complement the Company's inorganic efforts and help develop a differentiating portfolio across several specialized therapeutic areas, including Alimentary Tract & Metabolic, Nervous System, Cardiovascular and Oncology. By 2027, SPIMACO plans 114 new, high value launches across nine different therapeutic areas, with the first biosimilar in KSA expected to be launched in 2Q 2023.

These initiatives will require operational capabilities upgrades and improvements in commercial efforts. The new capital allocation approach will ensure that prioritized areas receive the necessary resources. And a team of executives with extensive corporate and pharma experience are ready to steer the process.

Creating the National Champion in the pharma industry will benefit all groups of SPIMACO's stakeholders supporting the local and regional economies, better answering the needs of the patients, and fostering an aligned and innovative culture beneficial for employees and society, as well as improving profitability and shareholder returns in the long-term.

The Company is holding a Virtual Capital Markets Event for analysts and investors today at 3:00 pm Riyadh time (12:00 London, 4:00 pm Dubai, 7:00 am New York). For further details on the call including dial-ins, please contact Investor Relations.

For more information, please get in touch with us:

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