

SPIMACO reports 43% YoY growth in EBITDA to SAR 188 million in 9M 2024

- SPIMACO's 9M24 top-line decline was contained to 2% year-on-year with SAR 1,296 million revenue.
- The gross profit margin expanded by 3.9 percentage points year-on-year to 49.9% in 9M24, driven by the continued focus on the portfolio's quality.
- SG&A expenses accounted for 33.8% of revenue in 9M24, 0.2 percentage points lower year-on-year.
- The company's EBITDA margin increased by 4.5 percentage points year-on-year to 14.5% in 9M24.
- R&D expenses accounted for 3.4% of SPIMACO's revenue in 9M24 vs 2.4% a year ago, which indicates the company's focus on innovation and product development.
- Net profit grew 3.8x year-on-year to SAR 68 million in 9M24.

Riyadh, 10 November 2024 – SPIMACO's revenue decreased by 2% year-on-year to SAR 1,296 million in 9M24, as a softer performance in the first half was offset by a strong 17% year-on-year revenue growth in 3Q24. Cost of revenue declined by 9% year-on-year, reflecting the company's continued efforts to drive efficiency improvements and focus on contracts meeting internal profitability requirements. This resulted in the gross profit margin expansion of 3.9 percentage points year-on-year to 49.9% in 9M24. EBITDA grew 43% year-on-year to SAR 188 million, for a 14.5% margin. Net profit increased 3.8x year-on-year, reaching SAR 68 million in 9M24.

Jerome Cabannes, Chief Executive Officer of SPIMACO, commented: "We are encouraged by the positive momentum reflected in SPIMACO's 3Q24 financial results as we continue our efforts to strengthen the core business, optimize our portfolio, and cost utilization, while tapping into the new market opportunities. These initiatives have driven a solid acceleration in revenue growth and significant profitability improvements in the third quarter, the trends we expect to sustain in the quarters ahead.

Our focus remains on disciplined growth. With the launch of high-potential products with differentiated technologies, we aim to solidify our market position, broaden our product portfolio, and drive returns. We are optimistic about the future and the opportunities that lie ahead."

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Financial Review

Income Statement and Cash Flow Highlights

SAR mn	3Q 2024	3Q 2023	Δ%	9M 2024	9M 2023	Δ%
Revenue	447	381	+17%	1,296	1,321	-2%
Cost of revenue	(230)	(215)	+7%	(650)	(713)	-9%
Gross profit	217	166	+30%	646	607	+6%
Selling & marketing expenses	(75)	(83)	-11%	(225)	(262)	-14%
General & administrative expenses	(92)	(66)	+38%	(213)	(187)	+14%
Research & development expenses	(13)	(8)	+73%	(44)	(31)	+40%
Other operating expenses	(5)	(28)	-82%	(39)	(57)	-32%
Total operating expenses	(184)	(186)	-1%	(520)	(537)	-3%
Operating profit (EBIT)	32	(19)	NA	126	70	+79%
EBITDA	53	1	+81.0x	188	132	+43%
Net profit for the period	(6)	(43)	-86%	68	18	+3.8x
Gross Profit Margin	48.5%	43.6%	+4.8%	49.9%	46.0%	+3.9%
EBIT Margin	7.2%	-5.1%	+12.3%	9.7%	5.3%	+4.4%
EBITDA Margin	11.9%	0.2%	+11.7%	14.5%	10.0%	+4.5%
Net profit Margin	-1.4%	-11.3%	+9.9%	5.2%	1.4%	+3.9%
Net cash from operations	(107)	127	NA	(292)	(88)	+3.3x
Capital expenditure ¹	2	(34)	NA	(56)	(72)	-22%
Free Cash Flow	(114)	92	NA	(360)	(164)	+2.2x

In 9M24, SPIMACO's revenue declined 2% year-on-year to SAR 1,296 million as strong top-line growth in 3Q24 partially offset weaker performance in 1H24. Revenue in 3Q24 increased by 17% year-on-year to SAR 447 million, driven by increased sales volumes and capitalizing on market opportunities in both private and government segments. The gross profit margin expanded by 3.9 percentage points year-on-year to 49.9% in 9M24, supported by a 9% reduction in the cost of revenue. This improvement was primarily due to SPIMACO's efforts to optimize its portfolio and concentrate on high-margin contracts, which started yielding positive results in 2Q 2024 and continued through 3Q 2024.

Selling and marketing expenses decreased by 14% year-on-year to SAR 225 million, representing 17.4% of revenue in 9M24, down 2.5 percentage points year-on-year. The improvement reflected the continued positive effect of the strategic restructuring within the sales and commercial teams along with a rationalized approach to advertising and promotion.

General and administrative expenses grew 14% year-on-year to SAR 213 million in 9M24, representing 16.4% of revenue in 9M24, up 2.3 percentage points from the previous year. The increase was driven by a 38% year-on-year growth in general and administrative expenses in 3Q24. This was primarily driven by investments in system upgrades and employee training.

¹ Net changes in property, plant, equipment, assets under construction and right of use assets

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Research and development (R&D) expenses increased by 40% year-on-year to SAR 44 million in 9M24 as the company continued to step up investments in product innovation, while retaining a highly qualified and well-paid workforce. As a result, the R&D expenses accounted for 3.4% of revenue in 9M24, marking a 1.0 percentage point increase year-on-year.

Other expenses decreased by 93% year-on-year to SAR 3 million in 9M24, primarily due to a partial reversal of provisional charges for potential liabilities from labor disputes recorded in 2023. Losses related to the depreciation of the Egyptian Pound in 9M 2024 remained largely stable compared to the previous year.

Total operating expenses and impairment charges remained broadly flat year-on-year, which coupled with a gross profit improvement ensured a 43% EBITDA growth year-on-year to SAR 188 million in 9M24. EBITDA margin increased by 4.5 percentage points year-on-year to 14.5%.

Net finance and other expenses grew 9% year-on-year to SAR 34 million in 9M24, driven by increased loans and reduced profits from associates and joint ventures compared to the previous year. Zakat payment increased by 41% year-on-year to SAR 23 million in 9M24 driven by an increased Zakat recognition in 3Q24.

As a result, SPIMACO's net profit grew 3.8x year-on-year to SAR 68 million in 9M24, with net profit margin increasing by 3.9 percentage points year-on-year to 5.2% in 9M24.

Operating cash flow remained negative at SAR 292 million in 9M24, primarily due to ongoing seasonal pressure from working capital requirements, driven by elevated trade receivables and an increase in inventory levels. Net capital expenditures² decreased by 22% year-on-year, amounting to SAR 56 million in 9M24.

² Net changes in property, plant, equipment, assets under construction and right of use assets

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Revenue Trends

By Channel³

SAR million	Channel contribution, %			Channel sales, SAR million	
	9M 2024	FY 2023	Δ%	9M 2024	FY 2023
Private	61.1%	58.3%	2.8%	700	803
Government	18.0%	18.3%	-0.3%	206	252
International	13.6%	13.4%	0.2%	156	184
CMO	4.5%	2.2%	2.3%	51	30
Other	2.9%	7.9%	-5.0%	33	109
Total pharmaceutical revenue⁴	100%	100%	-	1,146	1,378

In 9M24, SPIMACO retained a strong position in Saudi Arabia's private market, holding a 6.8%⁵ market share by the end of September. Sales from this channel amounted to SAR 700 million, accounting for 61.1% of pharmaceutical revenue, marking an increase of 2.8 percentage points from FY23.

Government channel sales in 9M24 accounted for 18.0% of pharmaceutical revenue, down by 0.3 percentage points from FY23.

International sales made up 13.6% of pharmaceutical revenue, 0.2 percentage points above the FY23 level, affected by unstable situation in Sudan and currency depreciation in Egypt.

Revenue from contract manufacturing operations (CMO) in 9M24 increased to 4.5% of pharmaceutical revenue compared with 2.2% for FY23.

Revenue from the Other channel, which includes non-SPIMACO products, cosmetics, and APIs, declined to 2.9% of pharmaceutical revenue in 9M24, notably below the 7.9% recorded in FY23.

³ Based on pharmaceutical revenue.

⁴ Non-IFRS measure. Pharmaceutical revenue excludes other types of revenue such as revenue from hospital business, etc. Pharmaceutical revenue represents 88.4% of Total revenue in 9M24 (83.4% in FY23).

⁵ IQVIA Moving Annual Total (MAT) for the period from October 2023 to September 2024.

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Balance Sheet Highlights

SAR mn	3Q 2024	4Q 2023	Δ%	2Q 2024	Δ%
Total Non-Current Assets	2,011	1,991	+1%	2,022	-1%
Total Current Assets	2,456	1,958	+25%	2,391	+3%
Total Assets	4,467	3,949	+13%	4,413	+1%
Total Equity	1,627	1,593	+2%	1,629	0%
Total Non-Current Liabilities	841	951	-12%	879	-4%
Total Current Liabilities	1,999	1,405	+42%	1,904	+5%
Total Liabilities	2,841	2,356	+21%	2,784	+2%
Cash, cash equivalents & time deposits	340	276	+23%	387	-12%
Net Debt ⁶	1,221	825	+48%	1,095	+12%

Total assets as of 30 September 2024 increased by 13% to SAR 4,467 million from the 2023 year-end level driven by higher trade and other receivables and an increase in cash and cash equivalents.

Total liabilities as of 30 September 2024 increased by 21% to SAR 2,841 million from the 2023 year-end level, which was mostly due to higher short-term borrowings, trade payables, and short-term contract liabilities.

Days sales outstanding grew from 208 days in 9M23 to 229 days in 9M24 (on an LTM⁷ basis), reflecting a slower receivables turnover. This was partially offset by a longer payables cycle that extended from 176 days in 9M23 to 214 days in 9M24. Inventory turnover also slowed from 193 days in 9M23 to 248 days in 9M24. Overall, these changes resulted in a cash conversion cycle of 263 days in 9M24, compared to 226 days in 9M23.

As of 30 September 2024, the net debt stood at SAR 1,221 million, marking a 48% increase from the 2023 year-end level. This reflected a 42% growth in gross debt, partially counterbalanced by a 23% increase in cash, cash equivalents and time deposits.

⁶ Long-term loans and borrowings + Short-term loans and borrowings - Cash and cash equivalents - Time deposits

⁷ Last twelve month, all cash conversion cycle metrics calculated based on the Company's internal methodology

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Earnings Call

The company will hold the earnings call to discuss its 9M24 financial results with analysts and investors on Tuesday, 12 November 2024, at 3:00 pm Riyadh time (12:00 pm London, 4:00 pm Dubai, 7:00 am New York). For further details about the call, including dial-in details, please contact Investor Relations.

For more information, please contact us:

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Appendix

Balance Sheet

SAR mn	3Q 2024	4Q 2023	Δ%	2Q 2024	Δ%
Property, plant & equipment	1,239	1,272	-3%	1,251	-1%
Assets under construction	568	583	-3%	570	-0%
Other non-current assets	204	136	+50%	201	+1%
Total Non-Current Assets	2,011	1,991	+1%	2,022	-1%
Inventories	604	589	+3%	523	+16%
Trade & other receivables	1,298	901	+44%	1,310	-1%
Cash & cash equivalents	240	160	+50%	315	-24%
Other current assets	299	285	+5%	227	+32%
Total Current Assets	2,441	1,935	+26%	2,375	+3%
Assets from discontinued operations	15	22	-33%	15	-3%
Total Assets	4,467	3,949	+13%	4,413	+1%
Share capital	1,200	1,200	+0%	1,200	+0%
Treasury Shares	(20)	(8)	+2.5x	(19)	+4%
Retained earnings	(31)	(79)	-61%	(18)	+72%
Reserves	324	319	+2%	319	+1%
Equity attributable to Shareholders of the Parent	1,472	1,431	+3%	1,482	-1%
Non-controlling interest	154	161	-5%	147	+5%
Total Equity	1,627	1,593	+2%	1,629	-0%
Loans & borrowings	524	575	-9%	529	-1%
Employees' end of service benefit obligations	228	283	-19%	257	-11%
Other non-current liabilities	90	93	-3%	93	-3%
Total Non-Current Liabilities	841	951	-12%	879	-4%
Loans & borrowings	1,037	525	+97%	953	+9%
Trade payables & other liabilities	536	494	+8%	436	+23%
Dividends payable	170	171	-1%	170	-0%
Other current liabilities	254	209	+21%	342	-26%
Total Current Liabilities	1,996	1,400	+43%	1,901	+5%
Liabilities from discontinued operations	3	5	-31%	3	+13%
Total Liabilities	2,841	2,356	+21%	2,784	+2%

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Income Statement

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Other operating expenses	(5)	(28)	-82%	(39)	(57)	-32%
Total operating expenses	(184)	(186)	-1%	(520)	(537)	-3%
Operating profit (EBIT)	32	(19)	NA	126	70	+79%
Depreciation & amortization	21	20	+5%	62	61	+1%
EBITDA	53	1	+81.0x	188	132	+43%
Total finance & other income / (cost), net	(16)	(17)	-8%	(34)	(31)	+9%
Profit before zakat, income tax & discontinued operations	16	(37)	NA	92	39	+2.4x
Zakat & income tax	(17)	(4)	+3.9x	(23)	(16)	+41%
Net profit for the period before discontinued operations	(1)	(41)	-98%	69	23	+3.0x
Loss from discontinued operations	(5)	(2)	+2.8x	(1)	(5)	-74%
Net profit for the period	(6)	(43)	-86%	68	18	+3.8x

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Cash Flow Statement

SAR mn	9M 2024	9M 2023	Δ%
Profit before zakat & income tax	91	34	+2.7x
Adjustments	195	333	-41%
Net Income before zakat & after adjustments	286	367	-22%
Working capital changes	(421)	(334)	+26%
Cash flows generated from / (used in) operating activities	(136)	33	NA
Finance costs paid	(52)	(43)	+19%
Zakat & income tax paid	(19)	(28)	-32%
Employees' end of service benefit obligations paid	(86)	(49)	+73%
Net cash generated from / (used in) operating activities	(292)	(88)	+3.3x
Net cash generated from / (used in) investing activities	(45)	(128)	-65%
Net cash (used in) / generated from financing activities	413	24	+17.2x
Net changes in cash & cash equivalents during the period	76	(192)	NA
Cash & cash equivalents at the beginning of the period⁸	163	335	-51%
Foreign exchange translation	2	(8)	NA
Cash & cash equivalents at the end of the period⁸	241	135	+78%

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⁸ Including cash from discontinued operations where applicable.