SPIMACO reports SAR 134 million EBITDA with a 15.8% EBITDA margin in 1H 2024

- SPIMACO's 1H24 revenue declined by 10% year-on-year to SAR 849 million.
- The gross profit margin expanded by 3.7 percentage points year-on-year to 50.6% in 1H24, driven by lower cost of revenue.
- SG&A expenses accounted for 32.0% of revenue in 1H24, down 1.3 percentage points year-on-year.
- The company's EBITDA margin reached 15.8% in 1H24.
- Net profit amounted to SAR 74 million in 1H24.
- In 2Q24 SPIMACO and Altos Biologics, a subsidiary of South Korean bio venture company Alteogen Inc., signed a ten-year agreement to produce and commercialize ALT-L9, a treatment for vision disorders, across 16 key markets of the MENA region, including Kingdom of Saudi Arabia.
- R&D expenses accounted for 3.6% of SPIMACO's revenue in 1H24 vs 2.5% a year ago amid the company's increased focus on innovation and product development.

Riyadh, 11 August 2024 – SPIMACO's revenue decreased by 10% year-on-year to SAR 849 million in 1H24, attributed to the discontinuation of contracts that did not meet internal margin thresholds. Cost of revenue declined by 16% year-on-year, driven by focused efforts to improve efficiencies and streamline business operations. This resulted in the gross profit margin expansion of 3.7 percentage points year-on-year to 50.6% in 1H24. EBITDA amounted to SAR 134 million, for a 15.8% margin, while net profit reached SAR 74 million in 1H24.

Jerome Cabannes, Chief Executive Officer of SPIMACO, said: "SPIMACO's performance in the first half of 2024 reflects our dual focus on further fixing the core of our business and optimizing our portfolio structure. These efforts are already enhancing the profitability of the company. Simultaneously, our recent deal with Altos Biologics highlights our commitment to pursuing growth opportunities that will further strengthen our market leadership, diversify product offering and improve the returns profile. We are positive about the future and our growth potential."

Atef Zouari, Chief Financial Officer of SPIMACO, added: "We continue to move forward with the restructuring of our corporate commercial operations, which was started in the end of 2023 and already brought improvements in sales efficiency and cost optimization. Coupled with our focus on specialty products in 1H24, these initiatives resulted in a 3.7 percentage points year-on-year gross profit margin expansion, which helped to offset operating cost pressures and one-off expenses and increase EBITDA margin to 15.8% in 1H24. Also, to ensure consistency in accounting and business practices and provide better visibility of performance trends, we decided to restate certain prior year period data.

Financial Review

Income Statement and Cash Flow Highlights

SAR mn	2Q 2024	2Q 2023	Δ%	1H 2024	1H 2023	Δ%
Revenue	373	408	-8%	849	940	-10%
Cost of revenue	(196)	(224)	-13%	(419)	(499)	-16%
Gross profit	**177**	**184**	**-4%**	**430**	**441**	**-3%**
Selling & marketing expenses	(70)	(80)	-12%	(151)	(179)	-16%
General & administrative expenses	(54)	(57)	-6%	(121)	(120)	+1%
Research & development expenses	(13)	(11)	+20%	(31)	(24)	+29%
Other operating expenses	(4)	(5)	-20%	(34)	(29)	+16%
Total operating expenses	**(141)**	**(153)**	**-8%**	**(336)**	**(352)**	**-4%**
Operating profit (EBIT)	**36**	**30**	**+18%**	**94**	**89**	**+5%**
EBITDA	**57**	**51**	**+12%**	**134**	**131**	**+3%**
Net profit for the period	**34**	**15**	**+126%**	**74**	**61**	**+21%**
Gross Profit Margin	47.5%	45.1%	+2.5%	50.6%	46.9%	+3.7%
EBIT Margin	9.6%	7.5%	+2.2%	11.0%	9.5%	+1.5%
EBITDA Margin	15.3%	12.5%	+2.8%	15.8%	13.9%	+1.9%
Net profit Margin	9.1%	3.7%	+5.4%	8.7%	6.5%	+2.2%
Net cash from operations	(138)	(63)	+120%	(185)	(215)	-14%
Capital expenditure	(35)	(15)	+134%	(58)	(38)	+52%
Free Cash Flow	(175)	(80)	+120%	(246)	(257)	-4%

In 1H24, SPIMACO's revenue declined 10% year-on-year to SAR 849 million, attributed to the discontinuation of contracts that did not meet internal margin thresholds. Gross profit margin gained 3.7 percentage points year-on-year to 50.6% driven by a 16% reduction in the cost of revenue. This positive shift reflects the strategic portfolio adjustments focused on enhancing profitability.

Selling and marketing expenses fell 16% year-on-year to SAR 151 million. This reflected the positive effect from the continuous strategic restructuring within the sales and commercial teams as well as optimized sales promotion expenses on the back of cost control initiatives and more efficient resource allocation.

General and administrative expenses remained broadly flat year-on-year at SAR 121 million in 1H24, while in 2Q24 the company reduced general and administrative expenses by 6% year-on-year on the back of cost optimization measures.

Research and development (R&D) expenses increased by 29% in 1H24 year-on-year due to increased investments in product innovation and additional investments in retaining a highly qualified workforce. As a reflection of this commitment, the R&D expenses constituted 3.6% of the revenue in 1H24.

In 2Q24, SPIMACO continued to reinforce its market presence by partnering with Altos Biologics for the production and commercialization of ALT-L9, a biosimilar to Aflibercept, across the MENA region. This agreement, in line with Saudi Arabia’s Vision 2030, aims to localize medicine production and address therapeutic needs within the community. ALT-L9, used to treat vision disorders, will be locally manufactured by SPIMACO, which will also handle the regulatory approvals in the region. This strategic move enhances SPIMACO's biosimilar portfolio and positions the company as a leader in the regional pharmaceutical industry.

Other expenses grew 29% year-on-year to SAR 14 million in 1H24, as other income booked in 2Q24 did not offset losses related to Egyptian Pound depreciation in 1Q24.

Total operating expenses and impairment charges decreased by 4% year-on-year, which resulted in a 3% EBITDA improvement year-on-year to SAR 134 million in 1H24. EBITDA margin increased by 1.9 percentage points year-on-year to 15.8%.

Net finance and other expenses amounted to SAR 18 million in 1H24, driven by increased debt, higher interest charges and lower profits from associates year-on-year. Zakat payment halved year-on-year to SAR 6 million in 1H24. As a result, SPIMACO's net profit increased by 21% year-on-year to SAR 74 million in 1H24. Importantly, the company's cost optimization measures coupled with lower Zakat payment and income from discontinued operations resulted in 2.3 times year-on-year surge in quarterly net profit to SAR 34 million in 2Q24.

Operating cash flow remained negative at SAR 185 million in 1H24 on the back of a seasonal increase in working capital typical for the first half of the year due to higher trade receivables, which were not fully counterbalanced by inventories reduction. Net capital expenditures increased 52% year-on-year to SAR 58 million in 1H24.

Revenue Trends

By Channel[1]

	Channel contribution, %			Channel sales, SAR million	
SAR million	**1H 2024**	**FY 2023**	**Δ%**	**1H 2024**	**FY 2023**
Private	64.6%	58.3%	6.4%	479	803
Government	17.3%	18.3%	-1.0%	128	252
International	13.0%	13.4%	-0.4%	96	184
CMO	2.9%	2.2%	0.8%	22	30
Other	2.2%	7.9%	-5.7%	16	109
Total pharmaceutical revenue[2]	**100%**	**100%**	**-**	**741**	**1,378**

In 1H24, SPIMACO maintained a robust position in Saudi Arabia's private market, capturing a 6.7%[3] market share by the end of June. Sales from this channel amounted to SAR 479 million, accounting for 64.6% of pharmaceutical revenue, marking an increase of 6.4 percentage points from FY23.

Government channel sales in 1H24 accounted for 17.3% of pharmaceutical revenue, down by 1.0 percentage point from FY23.

International sales made up 13.0% of pharmaceutical revenue, 0.4 percentage points below the FY23 level, affected by unstable situation in Sudan and currency depreciation in Egypt.

Revenue from contract manufacturing operations (CMO) in 1H24 increased to 2.9% of pharmaceutical revenue compared with 2.2% for FY23.

Revenue from the Other channel, which includes non-SPIMACO products, cosmetics, and APIs, declined to 2.2% of pharmaceutical revenue in 1H24, notably below the 7.9% recorded in FY23.

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[1] Based on pharmaceutical revenue.

[2] Non-IFRS measure. Pharmaceutical revenue excludes other types of revenue such as revenue from hospital business, etc. Pharmaceutical revenue represents 87.4% of Total revenue in 1H24 (83.4% in FY23).

[3] IQVIA Moving Annual Total (MAT) for the period from July 2023 to June 2024.

Balance Sheet Highlights

SAR mn	2Q 2024	4Q 2023	Δ%	1Q 2024	Δ%
Total Non-Current Assets	2,022	1,991	+2%	2,044	-1%
Total Current Assets	2,391	1,958	+22%	2,311	+4%
Total Assets	**4,413**	**3,949**	**+12%**	**4,356**	**+1%**
Total Equity	**1,629**	**1,593**	**+2%**	**1,713**	**-5%**
Total Non-Current Liabilities	879	951	-8%	938	-6%
Total Current Liabilities	1,904	1,405	+36%	1,705	+12%
Total Liabilities	**2,784**	**2,356**	**+18%**	**2,643**	**+5%**
Cash, cash equivalents & time deposits	387	276	+41%	364	+6%
Net Debt[4]	1,095	825	+33%	888	+23%

Total assets as of 30 June 2024 amounted to SAR 4,413 million, a 12% increase 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 June 2024 totaled SAR 2,784 million, an 18% increase from 31 December 2023, which was mostly driven by higher short-term borrowings and other current liabilities.

Days sales outstanding grew from 273 days in 1H23 to 303 days in 1H24 (on an LTM[5] basis). A slower receivables turnover in 1H24 came along with a slower payables cycle that extended from 174 days in 1H23 to 195 days in 1H24. Inventory turnover increased from 197 days in 1H23 to 216 days in 1H24. All in all, this resulted in a cash conversion cycle of 324 days in 1H24 vs 296 days in 1H23.

As of 30 June 2024, the net debt stood at SAR 1,095 million, representing a 33% increase from the 2023 year-end level. This reflected a 35% growth in gross debt and a 41% increase in cash, cash equivalents and time deposits.

[4] Long-term loans and borrowings + Short-term loans and borrowings - Cash and cash equivalents - Time deposits

[5] Last twelve month

Earnings Call

The company is holding an earnings call to discuss 1H24 financial results with analysts and investors on Monday, 12 August 2024, at 3:30 pm Riyadh time (1:30 pm London, 4:30 pm Dubai, 8:30 am New York). For further details about the call, including dial-in details, please contact Investor Relations.

For more information, please get in touch with us:
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Appendix

Balance Sheet

SAR mn	2Q 2024	4Q 2023	Δ%	1Q 2024	Δ%
Property, plant & equipment	1,251	1,272	-2%	1,255	-0%
Assets under construction	570	583	-2%	605	-6%
Other non-current assets	201	136	+48%	184	+9%
Total Non-Current Assets	**2,022**	**1,991**	**+2%**	**2,044**	**-1%**
Inventories	523	589	-11%	578	-10%
Trade & other receivables	1,294	898	+44%	1,179	+10%
Cash & cash equivalents	315	160	+97%	227	+39%
Other current assets	242	288	-16%	310	-22%
Total Current Assets	**2,375**	**1,935**	**+23%**	**2,295**	**+4%**
Assets from discontinued operations	15	22	-31%	17	-8%
Total Assets	**4,413**	**3,949**	**+12%**	**4,356**	**+1%**
Share capital	1,200	1,200	+0%	1,200	+0%
Treasury Shares	(19)	(8)	+139%	(8)	+139%
Retained earnings	(18)	(79)	-77%	32	NA
Reserves	320	319	+0%	324	-1%
Equity attributable to Shareholders of the Parent	1,482	1,431	+4%	1,547	-4%
Non-controlling interest	147	161	-9%	166	-11%
Total Equity	**1,629**	**1,593**	**+2%**	**1,713**	**-5%**
Loans & borrowings	529	575	-8%	576	-8%
Employees' end of service benefit obligations	257	283	-9%	269	-4%
Other non-current liabilities	93	93	-0%	92	+1%
Total Non-Current Liabilities	**879**	**951**	**-8%**	**938**	**-6%**
Loans & borrowings	953	525	+81%	676	+41%
Trade payables & other liabilities	436	494	-12%	587	-26%
Dividends payable	170	171	-0%	158	+8%
Other current liabilities	342	209	+63%	281	+22%
Total Current Liabilities	**1,901**	**1,400**	**+36%**	**1,702**	**+12%**
Liabilities from discontinued operations	3	5	-39%	3	-5%
Total Liabilities	**2,784**	**2,356**	**+18%**	**2,643**	**+5%**

Income Statement

SAR mn	2Q2024	2Q2023	Δ%	1H2024	1H2023	Δ%
Revenue	373	408	-8%	849	940	-10%
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General & administrative expenses	(54)	(57)	-6%	(121)	(120)	+1%
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Other operating expenses	(4)	(5)	-20%	(34)	(29)	+16%
Total operating expenses	**(141)**	**(153)**	**-8%**	**(336)**	**(352)**	**-4%**
Operating profit (EBIT)	**36**	**30**	**+18%**	**94**	**89**	**+5%**
Depreciation & amortization	21	21	+2%	41	42	-2%
EBITDA	**57**	**51**	**+12%**	**134**	**131**	**+3%**
Total finance & other income / (cost), net	(6)	(10)	-40%	(18)	(14)	+30%
Profit before zakat, income tax & discontinued operations	**30**	**21**	**+46%**	**76**	**76**	**+0%**
Zakat & income tax	1	(3)	NA	(6)	(12)	-50%
Net profit for the period before discontinued operations	**31**	**17**	**+76%**	**70**	**64**	**+10%**
Loss from discontinued operations	3	(2)	NA	4	(3)	NA
Net profit for the period	**34**	**15**	**+126%**	**74**	**61**	**+21%**

Cash Flow Statement

SAR mn	1H2024	1H2023	Δ%
Profit before zakat & income tax	80	73	+10%
Adjustments	230	200	+15%
Net Income before zakat & after adjustments	**310**	**273**	**+14%**
Working capital changes	(407)	(402)	+1%
Cash flows generated from / (used in) operating activities	**(97)**	**(129)**	**-25%**
Finance costs paid	(22)	(20)	+10%
Zakat & income tax paid	(19)	(28)	-31%
Employees' end of service benefit obligations paid	(47)	(38)	+24%
Net cash generated from / (used in) operating activities	**(185)**	**(215)**	**-14%**
Net cash generated from / (used in) investing activities	**(2)**	**(81)**	**-98%**
Net cash (used in) / generated from financing activities	**341**	**144**	**+136%**
Net changes in cash & cash equivalents during the period	154	(152)	NA
Cash & cash equivalents at the beginning of the period[6]	**163**	**335**	**-51%**
Foreign exchange translation	(1)	(10)	-94%
Cash & cash equivalents at the end of the period[6]	**316**	**174**	**+82%**

Disclaimer

[6] Including cash from discontinued operations where applicable.