SPIMACO Maintains Top Position in Private Sector with Consistent Revenue Growth in FY 2023

- SPIMACO's FY23 revenue grew by 16% to SAR 1.7 billion, supported by an improved client mix, enhanced sales in both private and government sectors, and better product demand, capitalizing on the overall positive momentum in the Saudi pharmaceutical sector.
- The gross profit margin improved to 42.8% in FY23, up by 3.0 percentage points from last year, driven by revenue growth and better operational efficiency.
- In FY23, operating expenses dropped to 37.4% of revenue, down from 47.9% in FY22, due to operating leverage benefits and controlled spending.
- The Company's EBITDA margin reached 10.2% in FY23, in line with the Company's guidance, and Net loss amounted to SAR 3 million.
- SPIMACO registered 91 new Stock Keeping Units (SKUs) both locally and internationally during FY23. As of the end of December 2023, SPIMACO launched 8 new products including the first localized biosimilar, marking the Company's continuous efforts to expand its product range.
- In 4Q23, SPIMACO formed strategic partnerships with CanSinoBIO and Sinopharm to boost biopharmaceutical access and API production in Saudi Arabia, aligning with its growth and innovation goals, and reinforcing its regional industry leadership.
- R&D expenses, including capitalized costs, made up 3.2% of the FY23 revenue, highlighting SPIMACO's increased investment in innovation and product development.

Riyadh, 31 March 2024 – In FY23, SPIMACO's top-line grew by 16% year-over-year, primarily driven by an increase in pharmaceutical revenue, which aligned with the growth of the Saudi pharmaceutical sector. This is attributed to a favorable shift in the client mix, enhanced sales across both private and government sectors, and a rise in sales volumes, fueled by product demand. Benefiting from the operating leverage effect, Company's revenue dynamics surpassed the increase in costs, leading to improved profitability. As a result, the Gross Profit margin for FY23 reached 42.8%, an increase of 3.0 percentage points from FY22. EBITDA for FY23 stood at SAR 168 million, representing a 10.2% margin, while net loss amounted to SAR 3 million. The operational improvement was underpinned by the ongoing structural changes and a revamp of the Company's business strategy, following strategic investments made in 2022. It was further supported by a realignment of spending, which included adjusting resources to balance the long-term need to build and maintain capabilities essential for achieving SPIMACO's long-term strategic objectives. The positive operational changes were counterbalanced by higher finance costs and Zakat expenses.

Jerome Cabannes, Chief Executive Officer of SPIMACO, said: "As we reflect on FY 2023, our journey has been marked by dedicated efforts to strengthen SPIMACO through our 'fixing the core' strategies initiated in 2022.

Despite facing challenges, which resulted in pressure on our financial results, our path towards operational efficiency has been characterized by a sharpened sales strategy and enhanced organizational productivity. The generics market in Saudi Arabia, particularly within the private sector, continues to be pivotal to our strategy, highlighting SPIMACO's resilience and leadership in the region. Our strategic direction remains clear and unaltered, further supported by recent partnerships that lay a solid foundation for future growth.

In our quest for operational excellence, we have recently streamlined our commercial operations, implementing a structure that improves sales accountability, product positioning, and market insights. This enhancement strengthens our presence both in local and international markets. Furthermore, we have made strategic executive appointments to drive our commitment to operational excellence and growth, ensuring that SPIMACO is on track to achieve its ambitious goals.

Moving forward, SPIMACO is in a strong position to pursue its growth objectives. With a clear strategy in place and a team dedicated to our vision, we are well-prepared to face potential challenges and seize opportunities."

Atef Zouari, Chief Financial Officer of SPIMACO, said: "In FY23, we navigated legacy challenges, demonstrating the resilience of our strategic framework. Despite trailing our revenue targets, our team's efforts highlighted a strong commitment to our core objectives. This year has been a testament to SPIMACO's adaptability and determination, setting a foundation for future growth.

As we enter FY24, our focus intensifies on operational efficiency, growth, and profitability. Specifically, our goals include further refining our sales strategy to reduce the Selling and Marketing cost ratio and optimizing our operations to maintain a stable level of General and Administrative expenses, even as we make necessary investments. Innovation remains a key priority, with planned increases in R&D spending to ensure we continue to deliver high-quality products and solutions.

Our ambition extends beyond numbers; it encompasses a comprehensive strategy aimed at maintaining SPIMACO's market positions and enhancing shareholder value. The lessons learned from FY23 have prepared us well for the challenges and opportunities ahead, and I am confident in our team's ability to drive SPIMACO towards continued success."

Financial Review

Income Statement and Cash Flow Highlights

SAR million	4Q 2023	4Q 2022	Δ%	FY 2023	FY 2022	Δ%
Revenue	331	365	-9%	1,653	1,422	+16%
Cost of revenue	(229)	(227)	+1%	(945)	(855)	+11%
Gross profit	**102**	**138**	**-26%**	**708**	**567**	**+25%**
Selling & marketing expenses	(86)	(114)	-25%	(349)	(370)	-5%
General & administrative expenses	(68)	(69)	-1%	(255)	(253)	+1%
Research & development expenses	(10)	(16)	-35%	(41)	(43)	-3%
Other operating expenses	64	(22)	NA	27	(16)	NA
Total operating expenses	**(100)**	**(220)**	**-55%**	**(619)**	**(681)**	**-9%**
Operating profit / (loss) (EBIT)	**1**	**(83)**	**NA**	**89**	**(114)**	**NA**
EBITDA	**19**	**(60)**	**NA**	**168**	**(26)**	**NA**
Net profit / (loss)	**(43)**	**(104)**	**-59%**	**(3)**	**(171)**	**-98%**
Gross Profit Margin	30.8%	37.8%	-7.0%	42.8%	39.9%	+3.0%
EBIT Margin	0.4%	-22.6%	+23.1%	5.4%	-8.0%	+13.5%
EBITDA Margin	5.6%	-16.5%	+22.1%	10.2%	-1.8%	+12.0%
Net profit Margin	-13.0%	-28.6%	+15.6%	-0.2%	-12.0%	+11.9%
Net cash from operations	133	140	-5%	48	(99)	NA
Capital expenditure	(39)	(8)	+393%	(104)	(78)	+34%
Free Cash Flow	82	125	-35%	(72)	(184)	-61%

In FY23, SPIMACO's revenue grew by 16%, reaching SAR 1,653 million, supported by strong performance in the first nine months. However, 4Q23 saw a 9% decline in year-on-year revenue negatively affected by the penalty booked from NUPCO in the amount of SAR 29 million. Adjusted for this penalty, FY23 net revenue totaled SAR 1,682 million, +18% year-on-year, broadly in line with the guidance of top line annual growth of 19-21%. Overall FY23 revenue growth was backed by a favorable client mix shift, increased private and government sales channels, and higher product sales volumes, driven by better demand.

The reported gross profit margin for FY23 grew to 42.8%, up by 3.0 percentage points year-on-year. This improvement was primarily attributed to a 16% revenue growth outpacing the 11% rise in cost of revenue, reflecting operational efficiency and successful cost management strategies. Nevertheless, it is worth noting that cost of revenue during 4Q23 was impacted by an additional charge of SAR 11 million related to slow moving inventory of NUPCO products. Excluding the NUPCO effect on both net revenue and cost of revenue, adjusted gross profit for FY23 amounted to SAR 748 million implying an adjusted gross profit margin of 44.5%.

Selling and marketing expenses in FY23 experienced a 5% year-on-year decline, totaling SAR 349 million. The decline can be attributed to strategic optimizations within the sales and commercial teams, particularly in their structure and workflow. This efficiency improvement, alongside adjustments in compensation frameworks initiated in 2023, played a crucial role, and was further supported by reduced travel, freight costs, and customs duties, all thanks to increased efficiency at the subsidiary level. Meanwhile, sales promotion expenses increased on the back of intensified marketing activities to support the directional change in the commercial benefits in the private sector. Consequently, selling and marketing expenses constituted 21.1% of the revenue in FY23.

In FY23, SPIMACO's general and administrative expenses remained relatively flat, increasing a mere 1% to SAR 255 million, demonstrating a cautious approach to spending, despite higher professional fees for acquisitions and IT investments. This was offset by salary and benefit adjustments from further optimizations, along with decreases in other administrative costs and amortization expenses, thanks to the full amortization of several intangible assets. Consequently, the ratio of general and administrative expenses to revenue decreased to 15.4% in FY23.

Research and development (R&D) expenses increased by 6% in FY23 including capitalized costs due to increased investments in product innovation. 13 SKUs were registered in Saudi Arabia within Oncology, Anti-infectives, Blood and Neurology in FY23, with 78 SKUs registered internationally. The Company maintains a focus on fostering continuous innovation and improving the quality of in-house development. As a reflection of this commitment, the R&D expenses, including capitalized costs, constituted 3.2% of the revenue in FY23.

In 3Q23, SPIMACO launched Endosa, Saudi Arabia's inaugural locally-made biosimilar, marking a pivotal advancement in blood clot prevention and treatment. Signifying the Company's dedication to innovation, Endosa provides a cost-saving option for Saudi healthcare.

In 4Q23, SPIMACO strengthened its market position through key partnerships with CanSinoBIO and Sinopharm International, focusing on expanding biopharmaceutical access and enhancing API production capabilities within Saudi Arabia. These strategic collaborations, aligning with SPIMACO's vision for growth, are aimed at product registration, localization of manufacturing, and bolstering research and development efforts. In January 2024 SPIMACO established a strategic alliance for the licensing, supply and technology transfer of Recombinant Human Papillomavirus (HPV) 9-valent vaccines with an innovative Chinese vaccine company Jiangsu Recbio Technology. These partnerships are foundational to SPIMACO's strategy to innovate and lead in the regional pharmaceutical industry.

In FY23, other income totaled SAR 41 million, primarily due to SAR 16 million recovery in bad debts, a labor dispute gain at a subsidiary and reversal of a number of provisions. This was partially offset by a SAR 4 million currency loss from our operations in Egypt and an accrual of SAR 20 million relating to provisional charges intended to cover potential liabilities stemming from labor disputes.

In FY23, SPIMACO reported a SAR 13 million impairment loss on dues from related parties and trade receivables.

The decrease in operating expenses to SAR 619 million, down by 9% year-on-year in FY23, was influenced by strategic cost management and efficiency improvements. This, combined with positive revenue performance, led to a turnaround in EBITDA, which stood at SAR 168 million, moving from a negative figure in FY22. These factors contributed to an EBITDA margin increase of 12.0 percentage points, reaching 10.2% in FY23.

Net finance and other expenses totaled SAR 53 million due to increased finance costs from rising interest rates and net debt balance, partially offset by associate-contributed profits.

Despite the improvement in operating profit, SPIMACO FY23 bottom line came at a loss of SAR 3 million, negatively impacted by higher Zakat charges which included a SAR 21 million charge relating to a Zakat assessment for previous years. This outcome, which is still a substantial year-over-year improvement from the SAR 171 million net loss reported in FY22, was driven by financial results of the first half of the year, despite facing challenges in the second half.

Net cash generated in FY23 from operating activities was SAR 48 million, an improvement from SAR 99 million used cash in FY22, influenced by better financial results for FY23, which was offset by higher working capital and elevated Zakat and income tax payments.

SPIMACO's capital expenditure in FY23 saw an increase of 34% year-on-year, amounting to SAR 104 million.

Revenue Trends

By Channel[1]

	Channel contribution, %			Channel sales, SAR million	
SAR million	**FY 2023**	**FY 2022**	**Δ%**	**FY 2023**	**FY 2022**
Private	58.3%	55.9%	2.3%	803	691
Government	18.3%	14.4%	3.9%	252	178
International	13.4%	16.2%	-2.8%	184	200
CMO	2.2%	1.9%	0.2%	30	24
Other	7.9%	11.6%	-3.7%	109	143
Total pharmaceutical revenue[2]	**100%**	**100%**	**-**	**1,378**	**1,236**

In FY23, SPIMACO retained a strong presence in the Saudi private market with a market share of 7.4%[3] by the end of December. Sales from this channel generated SAR 803 million, making up 58.3% of the pharmaceutical revenue, a 2.3 percentage points increase from FY22. This growth stems from an updated go-to-market strategy, emphasizing key account management specifically chain pharmacies, in addition to further refinement of the marketed product portfolio. The increased exposure to the private channel was the upshot of the shift in sales away from the challenged international segment which was compensated by the private KSA channel.

For FY23, sales in the government channel represented 18.3% of the pharmaceutical revenue, a rise of 3.9 percentage points from FY22. The boost is attributed to increased sales of high-margin items and the continued strategic push to become a leader in the market segment.

International sales represented 13.4% of pharmaceutical revenue in FY23, a decrease of 2.8 percentage points from FY22. Global sales faced headwinds from the unrest in Sudan and Egypt's currency woes. However, this decline was partially mitigated by an uptick in revenue from the UAE thanks to the revamped commercial approach from 1Q23 that began showing results.

Revenue from contract manufacturing operations (CMO) in FY23 amounted to 2.2% of total pharmaceutical revenue supported by stable demand from partners.

Lastly, the other segment, encompassing non-SPIMACO products, cosmetics, and APIs, comprised 7.9% of the pharmaceutical revenue in FY23 on lower revenue from one of our licensor products.

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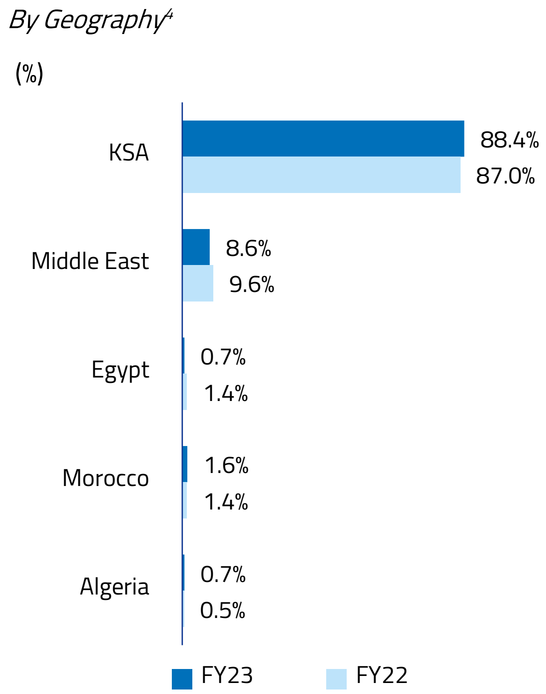
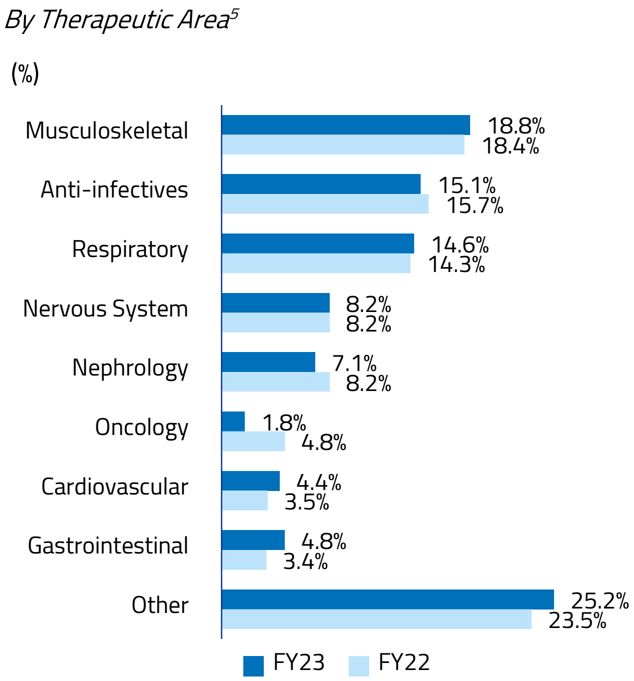
[1] Based on pharmaceutical revenue.

[2] Non-IFRS measure. Pharmaceutical revenue excludes other types of revenue such as revenue from hospital business, etc. Pharmaceutical revenue represents 83.4% of Total revenue in FY23 (86.4% in FY22).

[3] IQVIA Moving Annual Total (MAT) for the period from January 2023 to December 2023.





KSA advanced its lead in FY23, contributing 88.4% of the Company's total revenue. The share of international revenue declined during this period due to its slower growth when compared to the Saudi Arabian market as well as negative impact from external factors in select international markets.

In FY23, SPIMACO sharpened its product focus further, targeting high-profit SKUs in specialized therapeutic areas (TA). Musculoskeletal, Respiratory, Cardiovascular and Gastrointestinal areas saw increased shares, while the Nervous System TA reported solid revenue growth keeping the sales share flat. The decline in Oncology TA's share was linked to reduced licensor product sales. These changes highlight SPIMACO's further strategic push to high-potential segments to drive further growth and profitability.

[4] Based on Total revenue.

[5] Based on pharmaceutical revenue.

Balance Sheet Highlights

SAR million	4Q 2023	4Q 2022	Δ%	3Q 2023	Δ%
Total Non-Current Assets	2,049	1,956	+5%	1,972	+4%
Total Current Assets	1,953	1,875	+4%	2,158	-10%
Total Assets	**4,024**	**3,832**	**+5%**	**4,131**	**-3%**
Total Equity	**1,668**	**1,693**	**-1%**	**1,705**	**-2%**
Total Non-Current Liabilities	951	790	+20%	1,049	-9%
Total Current Liabilities	1,400	1,349	+4%	1,377	+2%
Total Liabilities	**2,356**	**2,139**	**+10%**	**2,426**	**-3%**
Cash, cash equivalents & time deposits	276	380	-28%	236	+17%
Net Debt[6]	825	676	+22%	847	-3%

Total assets as of 31 December 2023 amounted to SAR 4,024 million, a 5% growth from the previous year-end driven by higher trade and other receivables driven by improved sales volumes in FY23 and an increase in time deposits.

Total liabilities as of 31 December 2023 totaled SAR 2,356 million, a 10% increase from 31 December 2022 which was mostly driven higher trade payables. The Company focused on increasing the debt maturity profile by adding long-term debt and cutting short-term debt correspondingly.

SPIMACO's Extraordinary General Assembly resolved in its meeting held on November 15, 2023 to transfer from the general reserve balance an amount of SAR 150 million and from the consensual reserve balance and amount of SAR 34.71 million to the retained earnings to extinguish the accumulated losses.

Days sales outstanding decreased by 43 days from 238 days in 4Q22 to 194 days in 4Q23 (on an LTM basis), further reflecting the effects of the revised commercial contract terms. The improvement in receivables turnover in 4Q23 was counterbalanced by slightly higher inventory turnover days and faster payables turnover, which led to a 228-day cash conversion cycle in 4Q23 (-8% vs 248 days in 4Q22, on a trailing basis).

As of December 31, 2023, the net debt stood at SAR 825 million, marking a 22% increase from the prior year-end. This jump was primarily due to a 28% reduction in cash, cash equivalents and time deposits on rapid turnover of payables coupled with a 3% rise in total debt.

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

FY24 Outlook

The Company is guiding towards the following financial results for FY24 (year-on-year if not stated otherwise):

- Revenue growth of 13-15%.
- Improvement in the gross profit margin .
- Lower selling & marketing costs as percentage of revenue.
- Stable general & administrative costs as percentage of revenue.
- Research & development costs up to 3.4% of revenue (pre-capitalization).
- An EBITDA margin of 12.5-13.5%.

Earnings Call

The Company is holding an earnings call to discuss FY23 financial results with analysts and investors on Tuesday, 2 April 2024, at 3:00 pm Riyadh time (12:00 pm London, 4:00 pm Dubai, 8:00 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 million	4Q 2023	4Q 2022	Δ%	3Q 2023	Δ%
Property, plant & equipment	1,272	1,040	+22%	1,199	+6%
Assets under construction	583	790	-26%	640	-9%
Other non-current assets	194	126	+54%	132	+46%
Total Non-Current Assets	**2,049**	**1,956**	**+5%**	**1,972**	**+4%**
Inventories	589	495	+19%	530	+11%
Trade & other receivables	924	834	+11%	1,207	-23%
Cash & cash equivalents	160	335	-52%	135	+18%
Other current assets	279	211	+33%	286	-2%
Total Current Assets	**1,953**	**1,875**	**+4%**	**2,158**	**-10%**
Assets from discontinued operations	22	1	+1687%	1	+1687%
Total Assets	**4,024**	**3,832**	**+5%**	**4,131**	**-3%**
Share capital	1,200	1,200	+0%	1,200	+0%
Treasury Shares	(8)	0	NA	0	NA
Retained earnings	(4)	(179)	-98%	(149)	-97%
Reserves	319	519	-39%	499	-36%
Equity attr. to shareholders of the parent	1,507	1,540	-2%	1,549	-3%
Non-controlling interest	161	154	+5%	156	+4%
Total Equity	**1,668**	**1,693**	**-1%**	**1,705**	**-2%**
Loans & borrowings	575	380	+51%	649	-11%
Employees' end-of-service benefit obligations	283	313	-10%	302	-6%
Other non-current liabilities	93	97	-4%	97	-4%
Total Non-Current Liabilities	**951**	**790**	**+20%**	**1,049**	**-9%**
Loans & borrowings	525	677	-22%	434	+21%
Trade payables & other liabilities	507	403	+26%	527	-4%
Dividends payable	158	159	-0%	158	-0%
Other current liabilities	209	110	+91%	258	-19%
Total Current Liabilities	**1,400**	**1,349**	**+4%**	**1,377**	**+2%**
Liabilities from discontinued operations	5	0	+11979%	0	+11978%
Total Liabilities	**2,356**	**2,139**	**+10%**	**2,426**	**-3%**

Income Statement

SAR million	4Q 2023	4Q 2022	Δ%	FY 2023	FY 2022	Δ%
Revenue	331	365	-9%	1,653	1,422	+16%
Cost of revenue	(229)	(227)	+1%	(945)	(855)	+11%
Gross profit	**102**	**138**	**-26%**	**708**	**567**	**+25%**
Selling & marketing expenses	(86)	(114)	-25%	(349)	(370)	-5%
General & administrative expenses	(68)	(69)	-1%	(255)	(253)	+1%
Research & development expenses	(10)	(16)	-35%	(41)	(43)	-3%
Other operating expenses	64	(22)	NA	27	(16)	NA
Total operating expenses	**(100)**	**(220)**	**-55%**	**(619)**	**(681)**	**-9%**
Operating profit / (loss) (EBIT)	**1**	**(83)**	**NA**	**89**	**(114)**	**NA**
Depreciation & amortization	17	24	-28%	79	90	-13%
EBITDA	**19**	**(60)**	**NA**	**168**	**(26)**	**NA**
Total finance & other income / (cost), net	(22)	(5)	+312%	(53)	(18)	+192%
Profit / (loss) before zakat, income tax & discontinued operations	**(21)**	**(88)**	**-77%**	**36**	**(133)**	**NA**
Zakat & income tax	(29)	(5)	+530%	(45)	(26)	+75%
Net profit / (loss) for the period before discontinued operations	**(49)**	**(92)**	**-47%**	**(9)**	**(158)**	**-94%**
Loss from discontinued operations	6	(12)	NA	6	(13)	NA
Net profit / (loss) for the period	**(43)**	**(104)**	**-59%**	**(3)**	**(171)**	**-98%**

Cash Flow Statement

SAR million	FY 2023	FY 2022	Δ%
Profit before zakat & income tax	43	(146)	NA
Adjustments	311	128	+143%
Net Income before zakat & after adjustments	**353**	**(18)**	**NA**
Working capital changes	(200)	(6)	+3119%
Cash flows generated from / (used in) operating activities	**154**	**(25)**	**NA**
Zakat & income tax paid	(35)	(25)	+37%
Employees' end-of-service benefit obligations paid	(72)	(49)	+45%
Net cash generated from / (used in) operating activities	**48**	**(99)**	**NA**
Net cash generated from / (used in) investing activities	**(172)**	**485**	**NA**
Net cash (used in) / generated from financing activities	**(32)**	**(341)**	**-91%**
Net changes in cash & cash equivalents during the period	(156)	44	NA
Cash & cash equivalents at the beginning of the period[7]	**335**	**330**	**+2%**
Foreign exchange translation	(16)	(38)	-58%
Cash & cash equivalents at the end of the period[6]	**163**	**335**	**-51%**

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[7] Including cash from discontinued operations where applicable.