

# SPIMACO Announces SAR 40 million net income in 1Q 2024

- SPIMACO's 1Q24 revenue declined by 11% to SAR 475 million.
- The gross profit margin improved to 53.1% in 1Q24, up by 4.7 percentage points year-on-year, driven by lower cost of revenue.
- In 1Q24, SG&A expenses dropped to 31.1% of revenue, down from 30.4% in FY23, due to further spending optimization.
- The company's EBITDA margin totaled 16.3% in 1Q24, and Net income amounted to SAR 40 million.
- In January 2024 SPIMACO established a strategic alliance with Chinese vaccine company Jiangsu Recbio Technology, aligning with its growth and innovation goals.
- R&D expenses accounted for 3.6% of SPIMACO's revenue in 1Q24, underscoring the company's increased focus on innovation and product development.

**Riyadh, 16 May 2024** – In 1Q24, SPIMACO's top-line decreased by 11% year-over-year. Cost of revenue declined by 19% year-on-year, which was attributed to product mix and operational efficiency. As a result, the gross profit margin for 1Q24 reached 53.1%, an increase of 4.7 percentage points from 1Q23. EBITDA for 1Q24 stood at SAR 77 million, representing a 16.3% margin, while net profit amounted to SAR 40 million.

**Jerome Cabannes, Chief Executive Officer of SPIMACO, said:** "The generics market in Saudi Arabia, especially within the private sector, remains central to SPIMACO's strategic approach, underlining our resilience and leadership in the region. As we look to the future, we are actively pursuing expansion into international markets, with a focused strategy on the GCC and North Africa."

**Atef Zouari, Chief Financial Officer of SPIMACO, added:** "At the close of 2023, we initiated a comprehensive restructuring of our corporate commercial operations to enhance sales accountability and deepen market insights. This move, coupled with a sharpened sales strategy and improved productivity in 1Q24, significantly boosted our operational efficiency.

Complemented by our focus on specialty products in 1Q24, these efforts contributed to a notable 4.7 percentage points year-on-year increase in our gross profit margin. SPIMACO's EBITDA margin amounted to 16.3% in 1Q24 and the company's net income totaled SAR 40 million."

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## Financial Review

### Income Statement and Cash Flow Highlights

SAR million	1Q 2024	1Q 2023	Δ%
Revenue	475	532	-11%
Cost of revenue	(223)	(274)	-19%
<b>Gross profit</b>	<b>252</b>	<b>257</b>	<b>-2%</b>
Selling & marketing expenses	(81)	(99)	-18%
General & administrative expenses	(67)	(63)	+6%
Research & development expenses	(17)	(13)	+37%
Other operating expenses	(30)	(13)	+129%
<b>Total operating expenses</b>	<b>(195)</b>	<b>(187)</b>	<b>+4%</b>
<b>Operating profit / (loss) (EBIT)</b>	<b>58</b>	<b>70</b>	<b>-18%</b>
<b>EBITDA</b>	<b>77</b>	<b>91</b>	<b>-15%</b>
<b>Net profit / (loss)</b>	<b>40</b>	<b>57</b>	<b>-30%</b>
Gross Profit Margin	53.1%	48.4%	+4.7 pts
EBIT Margin	12.1%	13.2%	-1.0 pts
EBITDA Margin	16.3%	17.1%	-0.8 pts
Net profit Margin	8.4%	10.7%	-2.3 pts
Net cash from operations	(47)	(152)	-69%

In 1Q24, SPIMACO's revenue saw an 11% decrease to SAR 475 million. Despite the revenue downturn, gross profit margin improved to 53.1%, up by 4.7 percentage points from the previous year. This improvement was driven by a 19% reduction in the cost of revenue, reflecting product mix and operational efficiency.

Selling and marketing expenses decreased by 18% year-on-year to SAR 81 million. This reduction was due to strategic restructuring within the sales and commercial teams and reduced sales promotion expenses on the back of cost optimization and resource allocation.

General and administrative expenses rose by 6% to SAR 67 million, reflecting a measured approach to spending.

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. 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

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innovative Chinese vaccine company Jiangsu Recbio Technology. These partnerships are foundational to SPIMACO's strategy to innovate and lead in the regional pharmaceutical industry.

Other expenses in 1Q24 totaled SAR 19 million, largely from currency losses in Egypt.

Total operating expenses rose by 4% year-on-year, contributing to a 15% decrease in EBITDA to SAR 77 million, with the EBITDA margin reducing to 16.3%.

Net finance and other expenses reached SAR 12 million, affected by rising interest rates and a higher net debt balance, although partially mitigated by profits from associates. Despite challenges, SPIMACO's bottom line in 1Q24 remained positive at SAR 40 million, though it marked a 30% decline from the previous year.

Net cash used in 1Q24 in operating activities was SAR 47 million, driven by the cyclical increase in working capital usually witnessed in Q1 due to higher trade receivables, which was partially offset by higher payables.

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## Revenue Trends

### By Channel<sup>1</sup>

SAR million	Channel contribution, %			Channel sales, SAR million	
	1Q 2024	FY 2023	Δ%	1Q 2024	FY 2023
Private	63.9%	58.3%	5.7%	266	803
Government	19.0%	18.3%	0.7%	79	252
International	12.4%	13.4%	-0.9%	52	184
CMO	1.8%	2.2%	-0.4%	8	30
Other	2.8%	7.9%	-5.1%	12	109
<b>Total pharmaceutical revenue<sup>2</sup></b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>416</b>	<b>1,378</b>

In 1Q24, SPIMACO maintained a robust position in Saudi Arabia's private market, capturing a 7.2%<sup>3</sup> market share by the end of March. Sales from this channel amounted to SAR 266 million, accounting for 63.9% of pharmaceutical revenue, marking an increase of 5.7 percentage points from FY23.

Government channel sales in 1Q24 constituted 19.0% of pharmaceutical revenue, up by 0.7 percentage points from FY23.

International sales accounted for 12.4% of pharmaceutical revenue, down by 0.9 percentage points from FY23, facing 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.

Revenue from contract manufacturing operations (CMO) in 1Q24 made up 1.8%.

Revenue from the Other channel, which includes non-SPIMACO products, cosmetics, and APIs, dropped to 2.8% of pharmaceutical revenue in 1Q24, down significantly from 7.9% in FY23.

<sup>1</sup> Based on pharmaceutical revenue.

<sup>2</sup> Non-IFRS measure. Pharmaceutical revenue excludes other types of revenue such as revenue from hospital business, etc. Pharmaceutical revenue represents 87.5% of Total revenue in 1Q24 (83.4% in FY23).

<sup>3</sup> IQVIA Moving Annual Total (MAT) for the period from April 2023 to March 2024.

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### Balance Sheet Highlights

SAR million	1Q 2024	4Q 2023	Δ%
Total Non-Current Assets	2,044	2,049	-0%
Total Current Assets	2,311	1,975	+17%
<b>Total Assets</b>	<b>4,356</b>	<b>4,024</b>	<b>+8%</b>
<b>Total Equity</b>	<b>1,713</b>	<b>1,668</b>	<b>+3%</b>
Total Non-Current Liabilities	938	951	-1%
Total Current Liabilities	1,705	1,405	+22%
<b>Total Liabilities</b>	<b>2,643</b>	<b>2,356</b>	<b>+12%</b>
Cash, cash equivalents & time deposits	364	276	+32%
Net Debt <sup>4</sup>	888	825	+8%

Total assets as of 31 March 2024 amounted to SAR 4,356 million, an 8% growth from the previous year-end driven by higher trade and other receivables driven by higher sales during 1Q24 compared to 4Q23, and an increase in time deposits and cash and cash equivalents.

Total liabilities as of 31 March 2024 totaled SAR 2,643 million, a 12% increase from 31 December 2023, which was mostly driven by higher trade payables and short-term borrowings.

Days sales outstanding decreased by 10 days from 282 days in 1Q23 to 272 days in 1Q24 (on an LTM basis), driven by better collections. Faster receivables turnover in 1Q24 was supported by slower payables turnover, yet counterbalanced by higher inventory turnover days, which led to a 267-day cash conversion cycle in 1Q24 (-1% vs 269 days in 1Q23, on a trailing basis).

As of March 31, 2024, the net debt stood at SAR 888 million, marking an 8% increase from the prior year-end. This was driven primarily due to a 14% rise in total debt partially counterbalanced by a 32% increase in cash, cash equivalents and time deposits.

<sup>4</sup> Long-term loans and borrowings + Short-term loans and borrowings - Cash and cash equivalents - Time deposits

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## FY24 Outlook

The company is reiterating the previous guidance 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 1Q24 financial results with analysts and investors on Monday, 20 May 2024, at 3:00 pm Riyadh time (1:00 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:

SPIMACO

P.O. BOX 20001 Riyadh 11455

Kingdom of Saudi Arabia

## Institutional investor contact

Ghida Obeid

Head of Investor Relations

[ghida.obeid@spimaco.sa](mailto:ghida.obeid@spimaco.sa)

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## Appendix

### Balance Sheet

SAR million	1Q 2024	4Q 2023	Δ%
Property, plant & equipment	1,255	1,272	-1%
Assets under construction	605	583	+4%
Other non-current assets	184	194	-5%
<b>Total Non-Current Assets</b>	<b>2,044</b>	<b>2,049</b>	<b>-0%</b>
Inventories	578	589	-2%
Trade & other receivables	1,179	924	+28%
Cash & cash equivalents	227	160	+42%
Other current assets	310	279	+11%
<b>Total Current Assets</b>	<b>2,295</b>	<b>1,953</b>	<b>+17%</b>
Assets from discontinued operations	17	22	-25%
<b>Total Assets</b>	<b>4,356</b>	<b>4,024</b>	<b>+8%</b>
Share capital	1,200	1,200	+0%
Treasury Shares	(8)	(8)	+0%
Retained earnings	32	(4)	NA
Reserves	323	319	+1%
Equity attr. to shareholders of the parent	1,547	1,507	+3%
Non-controlling interest	166	161	+3%
<b>Total Equity</b>	<b>1,713</b>	<b>1,668</b>	<b>+3%</b>
Loans & borrowings	576	575	+0%
Employees' end-of-service benefit obligations	269	283	-5%
Other non-current liabilities	92	93	-1%
<b>Total Non-Current Liabilities</b>	<b>938</b>	<b>951</b>	<b>-1%</b>
Loans & borrowings	676	525	+29%
Trade payables & other liabilities	587	507	+16%
Dividends payable	158	158	-0%
Other current liabilities	281	209	+34%
<b>Total Current Liabilities</b>	<b>1,702</b>	<b>1,400</b>	<b>+22%</b>
Liabilities from discontinued operations	3	5	-36%
<b>Total Liabilities</b>	<b>2,643</b>	<b>2,356</b>	<b>+12%</b>

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### Income Statement

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<b>Gross profit</b>	<b>252</b>	<b>257</b>	<b>-2%</b>
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General & administrative expenses	(67)	(63)	+6%
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Other operating expenses	(30)	(13)	+129%
<b>Total operating expenses</b>	<b>(195)</b>	<b>(187)</b>	<b>+4%</b>
<b>Operating profit / (loss) (EBIT)</b>	<b>58</b>	<b>70</b>	<b>-18%</b>
Depreciation & amortization	20	21	-6%
<b>EBITDA</b>	<b>77</b>	<b>91</b>	<b>-15%</b>
Total finance & other income / (cost), net	(12)	(4)	+218%
<b>Profit / (loss) before zakat, income tax &amp; discontinued operations</b>	<b>46</b>	<b>66</b>	<b>-31%</b>
Zakat & income tax	(7)	(9)	-24%
<b>Net profit / (loss) for the period before discontinued operations</b>	<b>39</b>	<b>57</b>	<b>-32%</b>
Loss from discontinued operations	1	(1)	NA
<b>Net profit / (loss) for the period</b>	<b>40</b>	<b>57</b>	<b>-30%</b>



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## Cash Flow Statement

SAR million	1Q 2024	1Q 2023	Δ%
Profit before zakat & income tax	47	66	-29%
Adjustments	99	87	+14%
<b>Net income before zakat &amp; after adjustments</b>	<b>146</b>	<b>153</b>	<b>-4%</b>
Working capital changes	(167)	(282)	-41%
<b>Cash flows generated from / (used in) operating activities</b>	<b>(22)</b>	<b>(130)</b>	<b>-83%</b>
Zakat & income tax paid	(0)	(0)	-73%
Employees' end-of-service benefit obligations paid	(25)	(23)	+11%
<b>Net cash generated from / (used in) operating activities</b>	<b>(47)</b>	<b>(152)</b>	<b>-69%</b>
<b>Net cash generated from / (used in) investing activities</b>	<b>(29)</b>	<b>(53)</b>	<b>-45%</b>
<b>Net cash (used in) / generated from financing activities</b>	<b>136</b>	<b>166</b>	<b>-18%</b>
Net changes in cash & cash equivalents during the period	60	(40)	NA
<b>Cash &amp; cash equivalents at the beginning of the period<sup>5</sup></b>	<b>163</b>	<b>335</b>	<b>-51%</b>
Foreign exchange translation	5	4	+32%
<b>Cash &amp; cash equivalents at the end of the period<sup>7</sup></b>	<b>228</b>	<b>299</b>	<b>-24%</b>

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<sup>5</sup> Including cash from discontinued operations where applicable.