

## Jamjoom Pharma's Earnings Call for Q3 2023

3:46 pm - 5:09 pm Tuesday, November 7, 2023, | (UTC+03:00) Kuwait, Riyadh

Asalam alaikom and good evening, everyone, this is Sultan from Al Rajhi Capital and welcome in today's Jamjoom's third quarter earnings call, we have from the management Dr. Tarik Yousef the CEO and also Mr. Muhammad bin Khaled head of IR and soon we will be joined by Mr. Anwar CFO.

Without any further delay, I'll pass on the mic to the management to take the call.

75

Tarek 00:16:31.480 --> 00:16:32.760

Thank you.

76

Tarek 00:16:34.240 --> 00:16:54.520

Good afternoon and good morning, Everyone around the call. So, this is Tarik Yousuf Hosni, Chief executive officer of Jamjoom Pharma, pleased to share with you today our third quarter and nine months year- to- date results for twenty- twenty-three. So, if we can move on to the following slide, please Mohammed. So, we'll start with sharing with you, basically the key performance highlights on the business and then we'll get you into some deep dive on the Q three results and some financial highlights, and then we'll share with you the updated guidance.

Moving forward, so very pleased to share with you the nine months, kye performance highlights as you can see on the revenue front, we have grown the business at twenty- four percent year on year, and I'm very pleased with the quality of this growth as well. Not just the, but the absolute number because it came across almost every single Key therapeutic area that we participate in, and we are actively driving brands at. Our number of brands has grown with another nine to ten brands that we have launched so far in nine therapeutic areas, so the EBITDA margin as well has grown tremendously by 35% year on year.

Under this growth came basically through the very effective management of our portfolio, as well as the utilization ratio that we are driving. on the free cash flow conversion, we continue to really perform in a very healthy manner with an eighty seven percent conversion ratio in term of the gross year on year. Net profit has grown by seventy- eight percent with a leading edge of twenty- eight percent net profit Margin Which is one we believe that it's one of the best in the industry, if not the best. the production capacity very pleased with the quantity and the quality of this, if you remember, as I shared with you previously, the total year for twenty- twenty- two, we managed to achieve a twenty- five percent growth at a hundred and three hundred and four million units. Today after just nine months, we

surplused this number with a capacity utilization ratio of ninety- six percent. So very pleased with all the numbers and the quality behind it and really the team ability to execute with excellence on our strategic directions moving into the next slide. So just a quick glimpse on what I always shared with you, which is the updated vision of the company, as well as what are the key foundations operational excellence and strategic execution, so the vision remains strongly to replicate our leadership position in Saudi across all our active markets across Middle Eastern Africa Region to become a leading player by twenty- twenty-six really providing a very affordable and high-quality health care solutions to the customers we serve across this market. our foundations remain basically solidly driven by the leadership team across all our departments under markets that are carefully hand-picked and really, they are well, trained by the multinational and the international pharmaceutical environment or other international environments as well for the support functions. It's driven as well by the real strong vision across the key active markets by the leadership of these countries to drive a very strong national and regional self-sufficiency of high-quality pharmaceutical medications where we are positioned well to serve this, our brands support us in really playing at post- specialty as well as a diverse lucrative and key therapy area category. We have moved from one manufacturing facility that we are currently relying on into four state-of-the-art facilities and I will brief you more on this, and all values remain really driven to their heart by our ESG drive on all fronts. When we come to operational excellence as I shared with you, we are positioned to really replicate our leadership across all their active markets and growing markets that we participate in. We have a very strong track record and we are further strengthening the credible quality and innovation that we bring to the table with every product that we contribute with the portfolio of Jamjoom Pharma enable us to play with the best of the tools really between excelling and leading and specialty while diversifying ourselves into other key lucrative therapy areas, like the diabetes, like other areas and I will even deep dive a little bit on this in the coming slides, our financials, I'm sure that you can agree by now that the Jamjoom Pharma compelling story is a growth story very strong, driving the top line, as well as we we continue to be a zero debt organization and with the Withdrive and leading margins at all fronts. our research and development continue to become a cornerstone to our existing as well as future growth and the key and the name of the game here is speed to markets whether we rely on our internal research and development or we need to rely on future or on external sources that will enable us always to become the number one or number two player when it comes to branded generic in the marketplace. This is all supported definitely and led by a very strong commercial arm, which are always result oriented well developed and well-trained organization of a strong Salesforce as well as the facility that we enabled them with through strong marketing teams, the strategic execution is always at the heart of what we do and basically we really focus on driving ourselves into growing lucrative key therapy area as well as growing markets and big sizable markets across the region. We launch with excellence and with deep understanding of this market dynamics and we really have at the heart of everything we do our people excelling in recruiting at all times training developing and ensuring that we build for the talents of that will lead this company currently, and for the future as well, our tender participation, we continue to further strengthen this playing a bigger part of the total or the total business of Jamjoom pharma, and definitely governance for us is at the DNA of Jamjoom Pharma, how can we reinforce governance as a way of business sustainability. going forward, Next slide, please Mohammed. Yeah, this is as I shared with you earlier, we currently enjoy a very strong main manufacturing facility in Jeddah that continue to be accountable for all the products we sell across the key markets that Jamjoom Pharma participate to, and this existing facility will be supported very soon with three other states of the art facilities, Couple of them are already operational, the own in Egypt. We already got all the needed licenses and actually as

we speak, pleased to share with you that we almost touched on three million unit production out of this facility and hopefully I'm looking forward into a huge reliance on this facility for Egypt next year to be supplied by the local state of the art facility and hopefully in a couple of years' time we move into even exporting out of this facility. Another facility that I'm very pleased is that we brought into action is the one in Algeria through our JV with a key partner there. Vital care and this facility are up and running as well with a strong ten million production capacity per annum.

Also, the other facility in Jeddah, the focus on the sterile facility in Jeddah that is coming very soon. We just managed to get the Saudi FDA inspection a couple of weeks ago and they give us some valuable comments. All of them are within the team ability to, to answer and to ensure that we give them our final comments as well in a couple of days' time and hopefully once we get their approval final approval will be up and running, and I'm still looking forward to production out of this facility in December, January this year, and next year, Insha'Allah.

Of these four facilities quite honestly, I'm very pleased to it the way we are evolving this because what this will give us is real-time insights into serving these markets better. We tailor made solutions into what these markets need rather than supplying everything from Saudi as well as I alluded to earlier how can we use the facility in Algeria, the facility in Egypt to as export hubs to other neighboring markets and definitely make sense to supply the likes of Libia or Ethiopia or Sudan through the Egyptian facility. Makes more sense supply North African markets, as well as the markets of Senegal and other French speaking markets out of our manufacturing facility in Algeria. So, I look forward to evolving into this direction by twenty-five twenty- six, the, as well ability to serve better in the market and have better access into governmental and institutional tender in these markets will definitely play a vital role in driving our growth moving forward. next slide please Mohammed.

The strong commercial pleasant said that we enjoy today really plays a strong part in our ability to continue to drive very healthy growth as you can see, we are already actively present through different business models in thirty- six markets. Our commercial team is well distributed across our three clusters of markets between the cluster of Saudi Iraq, Gulf, as well as the other cluster of Egypt and North Africa and the serve, the cluster of consumer health products and the remain the reminder of the export markets, The commercial team represents fifty- one percent of our total headcounts and continue to strengthen ourselves who's very strong commercial arm so that we can really ensure the future growth is well served across all our markets. next slide, please Mohammed. this is just too quickly show you transition we are, and how we are driving this business to continue to rely on our specialized therapy area, but more importantly to diversify more into other lucrative key areas, if you can see here in twenty- twenty three, which is the, the pie chart on the on the left hand side of ophthalmology and dermatology used to contribute by fifty five percent of the total business, as we speak today, this percentage has gone a little bit down by almost ten percent and the ten percent is now diversified among the other specialties, one can argue that Okay, maybe Jamjoom pharma is down playing and reducing their gross and focus on the ophthalmology and derma to grow other specialties. It's a contrary actually as you can see here on the line below the ophthalmology and dermatology lines for us has growth this year by eighteen percent and twenty- five percent respectfully, which is growth that any company under therapy area gross will be very happy to, to report, but I think the name of the game is

that we continue to grow in other areas like the consumer health, like the general medications, like the central nervous system, like pain and inflammation on an even stronger pace than how we are growing on the Optha and Derma, which will enable us to continue to healthy diversify this business as we go on, while bringing a new child into this really great and well balanced portfolio, which is the antidiabetic, which I'm very pleased that we have launched a couple of strong agents into this and they started to contribute in a very healthy manner as you are going to see in the coming slide, next slide, please Mohammed.

Yeah, so this shows you basically the transition on the left hand side between where we were on nine months basis last year and twenty- twenty- two, seven, seven hundred and twenty million today we track at almost nine hundred million, eight nine three to be more exact and where this difference is coming from basically it's a distributed across all our therapy area with no exception some contributes more than others, namely the general medications, the ophthalmology and derma remain definitely the jewel on our Crown, consumer health is really contributing very strong, but I'm even very pleased even more with the contribution that's coming from antidiabetic bare in mind that we launched only end of first quarter, Beginning of second quarter, The contribution that is coming from our pain and information and the central nervous system products. when you look at the revenue by, by country, which is a top right- hand side here, almost every single market and cluster have grown in a very healthy manner, including Egypt, maybe not in value because of the evaluation impact on the Egyptian pound, but in volume, the Egyptian organization managed to drive an eighteen percent growth in unit year and year, which is very healthy.

Where if we try to dissect it by another way and see main elements of driving such growth, basically, two thirds are driven by existing products and one third is driven by the price increase that we enjoyed in Saudi for the first time this year and the new products contribution that will be launched between this year and later on the previous year moving into next slide. This is a slide that I would like to perhaps conclude the business update to you with, which is very proud of because it really shows that the future growth is hopefully in our hands and we can drive as healthy future growth as we did so far over the last thirty months as you can see basically the summary of this slide is that we have almost sixty- one new agents or new products that are coming out of our R and D powerhouse, almost thirty percent of these products are already either under Saudi FDA review and we are going to get approval soon, hopefully, or we are ready to submit those for Saudi FD submission, which means that over the coming two years three years we will have in our hand, another thirty- six products to launch while under development, we have another twenty- five products to serve our medium to long term growth going forward, which is a position that I'm very pleased with and a good balance between how we can really bring and aid our growth over the shorts and medium- term and long term. With this I will give the mic over to Mr. Anwer Mohiuddin, the chief financial officer of Jamjoom Pharma, and then I will conclude this update to at the end with our guidance and we'll be looking forward to a Q and an onward.

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Anwer Mohiuddin 00:35:07.740 --> 00:35:28.180

Thank you, Dr. Tarik and welcome everyone. Thank you for joining us this important session. Let me start by giving you a quick snapshot of our quarter three, twenty- twenty, three performance firstly, as

you can see our wire year on year performance, turns are very positive, positive growth in all of twenty- twenty- three and third quarter twenty- twenty- three, Our revenue has seen growth of twenty- three percent, which is in line with the momentum we observe in the first nine month of twenty- twenty- three, secondly, EBITDA has an impressive increase of thirty- seven percent. This has pushed our EBITDA margin to a notable thirty-one-point two percent thirdly, our cash flow has been increased by thirty- six percent. You can see finally the net profit is very much better. I mean, the picture is very much better. We have seen a strong surge by sixty- nine percent. This increase has been significantly stirred by our operating profit coupled with the reduced financial cost. Next slide Muhammed.

This is the cost of the revenue momentum movement for the nine months as compared to the last nine months of twenty- twenty- two. We have been proactive in managing our costs, ensuring that they are aligned with our growth while maintaining our competitive edge in the market. Our cost of revenue saw an increase of twenty- three percent to Saudi riyal three hundred eight million due to our efficient scalability and operating our managing our operating expenses operating cost. You can see that okay, this is slightly below our revenue growth. Twenty three percent, the revenue is growth by twenty four percent. So, we have managed our costs, raw material, twenty- seven percent and salaries and employment expenses slightly increased by eight percent. So overall cost increase is twenty three percent where is the revenue, twenty- four percent coming to the right-hand side, Operating expenses you can see that okay, this is only thirteen percent increase selling and distribution expenses only twelve percent while revenue has increased by twenty- four percent. The G&A expenses increased by twenty- four percent. The mainly two expenses, which is IPO related expenses and Egypt pre- operating expenses contributing towards this increase of twenty- four percent. Otherwise, it is in light of our other expenses, this all resulted in our direction in our cost per unit that to two-point seven riyal per unit as compared to last year, it was three points, two and year by year, you can see the improvement in our cost. Next slide.

So next is the EBITDA margin, Jamjoom Pharma continued to display an industry leading margin profile, The EBITDA margin achieved thirty- two point five percent, which is above our margin guidance as thirty- one percent this sustainable growth in our EBITDA can be activated to several factors, firstly, our strong revenue growth, secondly, our lower cost of revenue, the reduction of unit cost as well as our discipline in managing our operating expenses. One of the key elements boosting on margin was the price increase for selected sku's early this year for the third quarter twenty- twenty- three. We also achieved a healthy EBITDA margin of thirty-one-point two percent and managed to achieve a net profit of twenty-six-point four percent. You can see that okay, and to the next slide we will move on the cash flow conversion cycle, our cash flow conversion cycle remain broadly stable year on year days of sales are descending slightly if you can see that. Okay, one fifty-five s- compared to receivable days as compared to one sixty- five last year. the overall cash conversion cycle is remained the same. Despite our growth in our business, the total conversion cycle remains at two hundred seventy- one days also, What the highlighting is that what our working capital has grown six hundred Fifteen million, twenty- two percent increase year to date. This was a result of revenue growth and business expansion comparatively our cash flow conversion cycle stands strong against regional competitors, we aim for its reduction in the coming medium term moving to the next slide, free cash flow conversion, you can see

that okay, the Capex in the last three years we have invested heavily in our two big plants, new sterile Facility and Egypt plant. So, this was already completed last year. So, this year you can see significant degrees in our capital adjustment nature, which is in the nine month is around thirty-seven million and free cash flow movement, if you see that. Okay, it is in the nine month, it is two hundred fifty- three million increased by almost seventy- eight percent from one hundred forty- two million to two hundred fifty- three million capex declined by forty- nine percent, and as on the company held ninety- three million cash at the end of third quarter, excluding despite the paying the dividend twenty million and despite 30 million Investment in our Algeria plant. next slide.

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Tarek 00:41:07.380 --> 00:41:08.020

Thank you, Anwer,

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Anwer Mohiuddin 00:41:10.300 --> 00:41:12.420

I would like to hand it over to doctor Tarik for future guidance.

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Tarek 00:41:15.140 --> 00:41:34.260

Thank you, Anwer, yeah. So just to conclude by reinforcing our short to medium term guidance as I shared with you this year, we remain positive about our revenue growth communicated, which is seventeen to nineteen percent the three year revenue gross remain at twelve to fifteen percent and we'll keep on updating you after the conclusion of twenty- twenty- three, the EBITDA margin as Anwer mentioned, we continue to be positive about our ability to deliver even above the original guidance of thirty percent, which is thirty- one percent hopefully will, will land on thirty one or will exceeded slightly the capex will remain between this year and the plan period at four to six percent moving forward with this. I will stop here. Thank you for your listening and participation in the call and we'll be more than happy to take whatever questions you have in mind.

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Muhammad Khan 00:42:25.500 --> 00:42:39.060

Thank you, Doctor Tarik. So, I'll be opening the floor now for questions and you may either raise your hand on which we will unmute you and ask your question or you can drop your questions in the chat box and then read them out and answer.

160

Al Rajhi Capital 00:42:45.300 --> 00:42:47.860

Thank you, Mohammed, there is a question from Tarik.

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Al Rajhi Capital 00:42:49.820 --> 00:42:51.260

Tarik your Line is open.

162

Tarek 00:43:07.700 --> 00:43:10.180

I'm sorry, we cannot hear the question.

163

Al Rajhi Capital 00:43:15.140 --> 00:43:16.940

Tarik We cannot hear you.

164

Tarek Sleiman 00:43:21.140 --> 00:43:23.060

Can you hear me?

165

Tarek 00:43:23.060 --> 00:43:24.340

Yeah, now we can.

166

Tarek Sleiman 00:43:24.340 --> 00:43:44.820

Okay, hi, thank you for the presentation and congrats on a very set, very solid set of, of results. So just quickly I have like a couple of questions could you please provide first of all, some clarity on the margins of therapeutic areas and on the mix, how is it changing?

As we're seeing some new therapeutic areas growing and in the medium term, I mean, is it, is this lower margin on a sequential basis only because of the ramp up of therapeutic areas and it should normalize back to the high levels that we've seen or is this a structurally lower margin therapeutic area. That's one.

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Tarek 00:44:10.020 --> 00:44:11.700

Sorry, which lower margin are you referring to?

171

Tarek Sleiman 00:44:11.700 --> 00:44:18.740

gross profit declining by one ninety bits, quarter on quarter as, as mentioned in your

172

Tarek 00:44:19.500 --> 00:44:20.660

Compared to the second quarter?

173

Tarek Sleiman 00:44:20.660 --> 00:44:24.500

Yes, yes, as mentioned in your disclosure on Tadawul, the geographical mix and product mix.

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Tarek Sleiman 00:44:26.740 --> 00:44:41.140

The geographical We assume it's from Egypt, but on the therapeutic area, we just want better visibility if it's more structural, so going forward, it will remain the same or on ramp up, it will become better. So just some visibility on that will be helpful.

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Tarek 00:44:41.140 --> 00:44:44.980

Yeah, very good question. Yeah, so sure what else you said there are a couple of questions.



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Tarek Sleiman 00:44:45.380 --> 00:45:06.100

Yeah, yeah, so if you can provide some, I mean, we're assuming that here the pre- opening costs and, and ramp up costs for Egypt plant were limited in Q three. So, what should we be looking into in, in Q four? Should we expect to kind of losses from the, from the ramp up in Q four or

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Tarek Sleiman 00:45:06.100 --> 00:45:13.780

Or you have a plan to directly kind of, you already have kind of a visibility on the pipeline of, of volume sold and some visibility, if possible, Doctor Tarik on the prices in Egypt, I mean, update on the discussion with the regulator given following the EGP valuation.

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Tarek 00:45:30.060 --> 00:45:32.980

You summarized almost all the questions in everyone's mind, so sure.

Yeah, let me try to handle them one by one. So the first question is your spot on the, as we mentioned in the announcement by Tadawul, the third quarter had really some lower sales and it's not only for us, it's for the majority of the players in the pharmaceutical market and it's not abnormal for us sometimes third quarter compared to second is like this, the product mix definitely impacted this and let me dwell on the product mix because you mentioned your understanding of the market mix and the, the driving by Egypt, but the product mix quite honestly, yes, some is our, on doing because this is the requirement in the market, but some as well in, in full transparencies because of the fact that we still suffer from capacity constrain mainly on the of ophthalmology front, which is one of the, highest and the most lucrative products and products line for us that's why you can see that I cannot wait to get the new sterile facility in Jeddah up and running because this will give me a ramp up at another twenty- five million units. So, we almost left twenty- five thirty percent business on the table on the optha front because of supply, I look forward that this will definitely evolve in a far more boasted front. Once we start the new sterile facility. on the second question, which is the ramp up in Egypt and the impact on the fourth quarter, we remain in full transparency Tarak, we remain very conscious of the fact that whatever we sell in Egypt at the moment through Jeddah will a little bit dilute the margin because we're selling at a lower price average than our rest of the markets. So, remain conscious of this and we remain cognitive as I shared with you over the last earning call of the fact is that we have a moral commitment to the market, but we'll have the commercial commitment as well and the financial commitment to our shareholders. So, we play with this, so we provide the market with whatever is sufficient, but we don't oversell and over provide at the moment for out of Jeddah until we really move the market into majority of four reliance on the local production, which will change completely the cost of structure and everything else for the Egyptian market. So, I think we will see the ramp up effectively starting twenty- twenty- four as opposed to in the last quarter this year, but we continue to prepare ourselves for this

there. I'm glad you ask it about the price in Egypt and our discussion with the regulator. I just had a call today with the general manager in Egypt myself and Answer our CFO and we were pleased to hear that out of the products we submitted for, we got a price increase for about seven to eight products.

Maybe the percentage is not exactly what we were looking for, but definitely it's a far better place than where we were before. So, at the moment I can tell you in full transparency that almost forty to fifty percent of our portfolio, existing portfolio in Egypt between the start of the evaluation in February, March, twenty- twenty- two until today we got price increase for almost up to fifty percent of our portfolio and we continue the healthy discussion and we understand as well, the authority struggle there with the fact that it's a very sensitive area for them to keep on pushing price increases while the economy is not going in the right direction, but we work very actively with them in driving the agenda and showing as well partnership understanding there and the position we, we are at today, maybe not many companies can claim that they have fifty percent of the portfolio we got Price increase for. So, I hope I have covered all your questions.

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Tarek Sleiman 00:50:03.140 --> 00:50:03.700

Yeah, yeah.

Very helpful, thank you so much for all the details. I mean, really appreciate it.

If I may add just one final question,

Another question that I had in mind for following up on the Egypt story, should we see kind of like, at least in the beginning a more limited impact on margins as you will be freeing up capacity in Saudi and shifting whatever you have as market share and whatever you sell in Egypt, you'll be just shifting it to the Egyptian facility. So that's a lower cost of production, and in Saudi you will be able to sell it into Saudi or GCC, which are higher margin. So that's my first question. I mean, should this wrap up be tempered more or less by this shift capacity in Saudi and second question.

Fifty percent of the tender market today. I mean in nine months, twenty- three and where do you want to see it in the medium term in your view?

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Tarek 00:50:58.720 --> 00:50:59.240

Absolutely.

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Tarek 00:51:00.520 --> 00:51:20.360

Thank you for volunteering to ask questions on behalf of everyone Tarik. I'm really glad about all your questions. So, listen to the first part, yeah, to put things in perspective. First, I have to remind everyone, Egypt is four five percent out of the total business at the moment. So, the impact really, I look forward don't forget the investment in Egypt as a remind. Everyone was meant to feed our medium to longer term growth. It was never made or done for the short term because at the short term, as you correctly mentioned Tarik and as we alluded to in our presentation as well, I have enough to keep on pushing growth in Saudi and Gulf and some other markets, but I'm looking forward to Egypt starting contributing into driving our growth when we really reach, like capacity full and as well, market maturity in some other active markets, so that's very important to remind ourselves with about our investment in Egypt, when we go to freeing up capacity in our existing facility in Jeddah and the new sterile facility in Egypt start to move into seventy- eighty ninety percent reliance on local facility. Yeah, absolutely your spot on that's why, in our discussion, for the budget for twenty- twenty- four were pushing Saudi under and the Gulf markets and the IRAQ market and saying to them and all the other markets really and saying we are free up capacity. So, if you are already forecasting for next year with capacity constraint in mind, remove this out of your mind completely because we'll free a lot of capacity because of Egypt started relying on its local production facility because as you would appreciate Tarik while Egypt represents only four or five percent for us by value it's multiples of this when it comes to volume. So, when you freeze this volume, definitely it will serve other markets and we look forward to, to really moving into this direction. Sorry, your second question was about what?

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Tarek Sleiman 00:53:20.680 --> 00:53:23.240

So, my second question was about the tender market. I mean.

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Tarek 00:53:23.600 --> 00:53:24.520

Tender market, yeah.

Absolutely, so we're setting ourselves a benchmark really start with where I mean we're lucky today that Saudi market is growing at all fronts in a very healthy manner, but we understand as well, and we're conscious of the facts that some of the, today's drivers are not going to continue to be sustainable going forward, especially in the private market front, but even with growth at all dimensions and at all, Fronts, it's clear that the institution and tender market is growing at the faster pace than the private markets in the Saudi market. So that's why we are very keen to, to have a better piece of the cake. So, two years ago, our, the contribution of both tender and institution for us where a modest eight to nine percent today. I'm pleased too to mention that it's moving into, into the twenty of the twenty- two percent as we speak and as you can see, we are moving into this while continuing to drive a very healthy margins as Answer mentioned to you. So, we're not going there a quantitatively with any product that we can sell at lower prices, which is the name of the game and the tender, but we're going with our quality products that we can still determine the good price and the good value as well as the driving the margin on the,

on the bottom line. So, I'm very pleased. With our steps in this direction and okay, what would be a good place to be in future to your question. I would love to see that the tender and institution market contribute to certified to forty percent out of the total business. So have a balanced presence in segments while we are still driving a very healthy margin and we are not compromising our, our bottom line. So that's my dream in a couple of years, three years from, from now, and hopefully I think we are moving in the right direction. I'm hopefully we'll get there even sooner than this.

Thank you for your questions.

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Tarek Sleiman 00:55:26.160 --> 00:55:26.760

And that's it from me.

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Tarek 00:55:27.000 --> 00:55:27.400

Thank you.

228

Tarek Sleiman 00:55:27.600 --> 00:55:28.680

Thank you for the answers.

229

Tarek 00:55:28.880 --> 00:55:30.600

Any other questions guys?

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Al Rajhi Capital 00:55:31.280 --> 00:55:34.440

Thank you, Tarik will take some questions from the chat box.

231

Tarek 00:55:34.480 --> 00:55:35.600

Sure.

232

Al Rajhi Capital 00:55:36.640 --> 00:55:37.640

We have one.

233

Al Rajhi Capital 00:55:38.360 --> 00:55:48.520

This question from Adnan at last year, fourth quarter was weak in terms of sales and bottom line, and you mentioned that the company did not want to push sales and stop the challenge.

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Al Rajhi Capital 00:55:49.800 --> 00:55:54.600

Do you expect a similar slowdown in the fourth quarter. Twenty- twenty-three.

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Tarek 00:55:55.560 --> 00:56:15.360

Yeah, I'm glad that Adnan and some other people are listening carefully to, to us and our direction. So, listen, yes, you're spot on Adnan since I joined on the, in twenty- twenty- one, what we have done really as, we said, okay, first quarter, really guys the more you push sales, what are you doing?

First, you're shooting yourself and the foot- in term of not healthy liquidity of what you are pushing in the last one or two months and it will come and haunt you in the first quarter, you're bombarding your distributors with hefty payments that they have to pay in ninety days or slightly more under this might really hinder their activity to pay you better. You're adding into your stocks at distributor level, which is not a healthy place. So we said, I think the healthiest place for us to be, is we drive our business in a very healthy gross manner higher than markets in every active market, but with drive this more over the first nine months and in the fourth quarter, remember Adnan and everyone, and I'm sure that Adnan remembered because clearly he listen carefully to what we communicate remember we have two sales going in parallel, the in market sales, which is the sales from our distributors into our final customers and consumers. So, the name leader pharmacies the pharmacy the street pharmacy the hospital pharmacy. Some other key accounts and stuff like this. So that's what we call the in markets, which is what is picked by the patient and really get the liquidation and us to market or shipment sales, which is from our side from our plant into the distributor. So what we are slowing down in the fourth quarter to Adnan spot on point is only the, the second portion, which is our shipment front but the in market will continue to drive very healthy, so the liquidating product or that we are carrying at the distributor in a

far more healthy manner than anyone else and to start the new year, hopefully hitting the ground running in a very healthy Front low stock at the distributor products are liquid.

The in- market is going in a in a healthy manner and then we hit the ground running in the beginning of the year. So that was a very successful strategy in two thousand twenty- one and in two thousand twenty- two and we will continue to do it because I strongly believe that this is the right way of driving the business. Thank you, Adnan, for your question.

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Tarek 00:58:44.520 --> 00:58:46.440

Other questions Sultan?

245

Al Rajhi Capital 00:58:47.120 --> 00:58:59.240

Currently we don't have any more questions. Just a reminder for participant. You can ask a question by clicking the right-hand button or typing the question in the chatbot. We have a question from the Naveed.

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Al Rajhi Capital 00:59:00.520 --> 00:59:01.800

Naveed your mike is open.

247

Naveed Ahmed 00:59:07.600 --> 00:59:26.120

I have two questions. My first question is related to the price increase. So, as we have seen during this year, there has been some price increase. So shall we expect some price increases next year as well or was this a one off which is done. My second question is related to the overall revenue guidance that you gave of twelve to fifteen percent in the midterm. I just wanted to understand. I mean, since you are embarking on various projects and expansions, does the revenue guidance incorporate all the new facilities that you're planning to start and the launch of the different products that you dive into?

250

Tarek 00:59:53.640 --> 01:00:00.040

Yeah, sure, so the second question is definitely a big, yes, we are really incorporating because yeah, the three facilities as, you know, yeah, Algeria is our newest addition, but we definitely planned for the other two facilities for quite some time, and it's all tuned into the market growth and our cell to growth and going forward. So, it is incorporated there, and we'll continue to update you. your first question. Sorry, what was it about?

253

Naveed Ahmed 01:00:39.080 --> 01:00:41.640

My first question was it related to the pricing, so.

254

Tarek 01:00:43.600 --> 01:01:02.120

Yeah, so my, my quick and honest answer is yes, it's a one- off. Are we going to continue to push for more? Yes, do I have evidence today as we speak of further price increase less than fifty percent chance. That's why, in my full transparency I tell you, we'll continue to drive, but my assumption is that even if it happened, it would happen on a far much lower base than what we got this year because we big portion of what we applied for, we got it. We got it this year. We'll continue to push the envelope, but as we speak, this is as good as I know.

257

Naveed Ahmed 01:01:26.280 --> 01:01:28.960

And that's very clear. Thank you so much.

258

Al Rajhi Capital 01:01:34.760 --> 01:01:38.600

We have a question from Usman, your line is open.

259

Usman Siddiqui 01:01:44.560 --> 01:01:48.560

Revenue growth guidance that you gave up around twenty fifteen percent.

Where will this growth come from? Is it mainly from your existing markets or the, the new markets that you have earlier mentioned the African markets.

Are there any low-hang goods that you can acquire from these markets in the short term.

262

Tarek 01:02:07.240 --> 01:02:09.880

Yeah, absolutely, so in all Honesty Usman it will come across as we continue to drive this this year and as I showed you in the slides that clearly highlight that our growth is driven across all therapy areas and coming from all markets, even where we have issues with the evaluation, like Egypt, that volume has grown in a very healthy manner. I believe that this picture will continue to be the case over the coming one of two years, at least, yeah, definitely will continue to drive a historic earlier alluded to, when we free some capacity here we'll continue to drive even stronger markets in Gulf and Iraq which is a very lucrative market for us, drive gross on and hopefully non- constraint basis, considering supply definitely some African markets to your point as well, especially the ones that will operate there at a very healthy margins will continue to drive more because they are already asking us for more, but we cannot satisfy this in the current year because of our capacity constraints and the reliance on one, one plant that is all at any given time is operating at above ninety- six percent capacity utilization. So definitely I look forward to all this materializing in twenty- twenty- four we continue to have, at least we, we will have the option and we'll have the freedom really, it's a great thing when you have the products available and then you can choose which market you send it to, and where you are going to make the best margins, but when you have constraints of supply that limits really your ability for, for everything. So, I look forward to this next year too, to have this. Did you have any other portion of your question?

270

Usman Siddiqui 01:04:01.960 --> 01:04:12.680

Just one question on the ease of doing business in Egypt. I mean, are you guys facing any issues when it comes to procuring dollars to, to import from materials, especially in the Egyptian market.

271

Tarek 01:04:13.320 --> 01:04:33.160

Yeah, I'll be lying if I tell you. No, every, every single player in the Egyptian market really is having these issues though. I think it's a temporary of history is any predictor of what can happen in the future. We've seen the same trends and patterns in twenty sixteen seventeen and it eased up in early eighteen to second quarter eighteen. I hope that this will be the case this time as well. So, I think there is a bit of struggle at the moment, but in all honestly, as well, I'm very happy that this is happening while our plant is up and running rather than continue to rely fully on the, on exporting from here because at least now we can source a material locally and Egypt has this advantage. You can buy a lot of excipients, packaging materials and many stuff locally. It comes a little bit more difficult when you need machinery for the plant, which we supply for majority of it, but yes, we still have some issues. I believe it's going to be on a



short-term basis. We're finding actions and speaking to partners from banks perspective and the other partners on the ground to really find solutions, hopefully on becoming three to six months.

276

Usman Siddiqui 01:05:32.200 --> 01:05:33.320

Thank you so much.

277

Tarek 01:05:37.800 --> 01:05:39.680

Other questions.

278

Al Rajhi Capital 01:05:39.720 --> 01:05:42.920

Yeah, we have a question from Ibrahim.

279

Tarek 01:05:42.920 --> 01:05:44.040

Sure.

280

Al Rajhi Capital 01:05:51.240 --> 01:05:51.880

Ibrahim, we cannot hear you.

281

Ibrahim Atiyah 01:05:53.160 --> 01:05:54.440

Am I audible.

282

Tarek 01:05:56.360 --> 01:05:57.000

Yes, You're audible now.

283

Ibrahim Atiyah 01:05:57.160 --> 01:05:59.560

Hi, good evening, Doctor Tarek and Anwer.

Thank you very much for your presentation and the detailed earnings release and congrats on your excellent set of results. two questions from my side.

284

Tarek 01:05:59.560 --> 01:06:00.200

Thank you.

286

Ibrahim Atiyah 01:06:08.800 --> 01:06:16.520

One is the price impact that you disclosed for around thirty- five million, in nine months, how much of that and came from Saudi?

287

Tarek 01:06:17.520 --> 01:06:24.520

Majority of it actually, Anwer correct me if I'm wrong, but more than ninety five percent is Saudi driven.

288

Anwer Mohiuddin 01:06:25.160 --> 01:06:30.920

Yeah, even ninety- nine percent. very, very little. I think one or two product the rest is all from Saudi.

289

Muhammad Khan 01:06:32.200 --> 01:06:36.040

100 Percent you can consider it in nine months from Saudi and I answered that in the chat box.

290

Tarek 01:06:37.000 --> 01:06:38.600

Go ahead, go ahead.

291

Ibrahim Atiyah 01:06:39.240 --> 01:06:50.560

And probably, I've missed your answer, due to technical issues on one of my colleagues' questions related to what sort of repricing that we should expect next year.

292

Tarek 01:06:52.720 --> 01:07:11.880

Sorry you missed it. I said very little in Saudi, but we keep on, we keep on pushing the envelope, but we are cautious of the fact as well that we got, we cannot be too greedy because we got price increases for majority of the products that we presented a case for, and It's a very healthy position to be add. So, in full honesty, if I want to answer it in, in, in one word, the majority of this is on off.

294

Ibrahim Atiyah 01:07:21.480 --> 01:07:28.520

So, what, what's- what sort of criteria that you need to present to SFDA to get a price increase?

295

Tarek 01:07:28.880 --> 01:07:49.000

Yeah, many actually multiple and it differs from one product to another as well as capitalizing on the healthy environment that started to be there driven by the crown Prince vision to support and help the contribution of the national industry and domestic pharmaceutical industry out of the total cake. So sometimes we'll present the clear cases that, for example, we came as the second generic in the market and based on the formula communicated by Saudi FDSA we should be higher than X or Y product that are third or fourth came next to us and the reality in the market is, that's not the case we are lower. So that's a straightforward case in some of the cases we'll present the case that in full transparency, some of these products we operate at, in, in a red margin or a red zone and we cannot continue to do this because It's a, it's a high volume. It's not like we are selling low volumes or that amplifies our, our loss and then they listened, especially when this product doesn't have a lot of me too in the marketplace, so they listen in a healthy manner and they, they enable to drive a better margin so that we can sustain the

product in the market and many other things. It's a, it's a little bit more art and science together and we have to present a very compelling case. Remember Abdullah, we are going against the flow in the marketplace and not many other players are getting price increased, not many other players are getting even in, in, in ten percent of their products, what we enjoy, but as I said in, in our last earning call quite, honestly, most of this is us catching up rather than trying to do something different than the market because many of our products were really not enjoying its right place in terms of pricing and in term of being fair to in the past and we presented cases based on this, and I'm glad that we met with very tentative and partnering years from the regulators in Saudi FD.

304

Ibrahim Atiyah 01:09:57.640 --> 01:10:01.480

Excellent And very helpful if I may have one more question, may, I.

305

Tarek 01:10:01.640 --> 01:10:02.760

Please.

306

Ibrahim Atiyah 01:10:04.040 --> 01:10:13.000

you mentioned the tender business represent twenty percent and correct me if I'm wrong. I remember that. Nupco used to represent only two percent of your top line as of the IPO or the prospectus.

So, when you, when you say twenty percent of the tender is this, all of it comes from Nupco or you have other tender clients that you're referring to.

308

Tarek 01:10:23.520 --> 01:10:24.520

No, good question.

309

Ibrahim Atiyah 01:10:25.160 --> 01:10:27.080

If so, how much Nupco now represents of your topline.

310

Tarek 01:10:27.680 --> 01:10:47.560

Yeah, yeah, good question. So, I didn't say Nupco, I said there are two areas where you get, let's call it for the, for the ease of, or for the lack of other definition in my mind, let's call it non-private business. It's two sectors basically, it's institution and in the institution, you get something called LPO local purchase orders and by that, I mean, big entities like National Guards, like King Faisal Specialist Hospital, like the military hospital and the likes of this. so you get direct ordered from this hospitals and In many of the cases, it's a, it's a sizable order because basically they are big entities and then you have the Nupco front on the Nupco front what we are driving at the moment is almost like fourteen percent of the total business in Saudi is coming from and the other five to six percent or more is coming from the institution business.

314

Ibrahim Atiyah 01:11:34.640 --> 01:11:37.200

And Nupco used to represents two percent of Saudi sales or of total topline.

315

Tarek 01:11:38.000 --> 01:11:50.640

I don't remember the two percent quite honestly, you're saying it was in the prospectus, but it was always more than the two percent, so I don't know where did you see the two percent? Maybe it was mentioned that it was two percent out of the total business, not only the Saudi business. I'm focusing now only on the Saudi business.

317

Ibrahim Atiyah 01:11:58.320 --> 01:11:58.960

So.

318

Anwer Mohiuddin 01:12:00.360 --> 01:12:02.960

It increased Significantly last year.

319

Ibrahim Atiyah 01:12:03.480 --> 01:12:08.560

Nupco specifically how much was it last Nine months twenty- twenty- two.

320

Muhammad Khan 01:12:09.200 --> 01:12:13.600

We're not giving disclosures to that level. Sorry Ibrahim.

321

Ibrahim Atiyah 01:12:15.160 --> 01:12:16.880

Fair enough, thank you so much.

322

Tarek 01:12:17.520 --> 01:12:19.120

Not at all.

323

Al Rajhi Capital 01:12:21.360 --> 01:12:26.440

Thank you, Ibrahim. We have a question from Abdulla Abdullah your line is open.

324

Abdulla 01:12:32.880 --> 01:12:38.640

I have a question about the capacity of the Algeria factory. Do you have plans to increase the capacity.

326

Tarek 01:12:43.120 --> 01:13:01.680

Yeah, absolutely, thank you, Abdulla for the question. Yes, because quite honestly, it's my bad, I should have alluded more when I presented the ten million capacity because that's only on the currently major lead driven by the oral dosage from, which is the current ability of the plant, but what we are planning to bring up dollar to the table very soon and we are actually seriously discussing now the expansion plans is an ophthalmic unit quite obvious for our jewel on the Crown eye drops and ophthalmic products, the sterile products and dermatology units and we are in active discussions at the moment with our partners on supplying Machinery and engineering and other stuff. So we really would like to, to

get this up and running in the coming two years at Max, In the meantime, we're all, we are also having some active discussions with the regulators to give us some ability to bring to the market, some of the key Jamjoom Pharma products on last stage production basis, like final packaging or secondary packaging, or whatever, until we get these plant up and running and are really met with some good ATTENTIVE years as well, but they told us present your plans for expansion presenter and once we approve it, we'll enable you to do. So, we have good plans to do this in the near future. Thank you for the question, it is very important.

332

Abdulla 01:14:23.320 --> 01:14:27.440

I have another question about the new factory, the new Jeddah factory.

Okay, after the opening of this factory in the fourth quarter, how do you expect the impact will be on the revenue?

334

Tarek 01:14:37.680 --> 01:14:47.920

So, this, as I said Abdullah, this is already factored in, in our numbers that I'm going to communicate to you. Hopefully in few months, time about twenty- twenty- four and twenty- twenty- five, definitely we expect that once we get some unconstrained supply ability on a very lucrative therapy area like the ophthalmology, definitely this will aid not only our top line, but as well in a very positive manner. Our bottom line, so we look forward to this, but you will find that once I come and present you the number for twenty- twenty- four and the guidance in few months, time that this is already factored in our, in our numbers.

337

Abdulla 01:15:27.000 --> 01:15:27.600

Ok, Thank you.

338

Tarek 01:15:27.600 --> 01:15:28.720

Sure.

339

Al Rajhi Capital 01:15:31.440 --> 01:15:33.920

Thank you, Abdullah, now we have a follow- up question from Ibrahim. Ibrahim your line is on.

340

Muhammad Khan 01:15:47.440 --> 01:15:50.280

Ibrahim, I think you're on mute.

341

Al Rajhi Capital 01:15:53.200 --> 01:15:58.960

We will take some questions from the chatbox? There is a follow- up question from Adnan.

342

Al Rajhi Capital 01:16:00.320 --> 01:16:03.440

Have you been able to assist the impact of insurance drug Formularity on your sales?

344

Tarek 01:16:11.120 --> 01:16:31.600

Yeah, definitely, I mean it's an involving matter quite honestly, and yes, I mean, some of the growth that you have seen we enjoyed so far this year is coming from and definitely contributed to in a healthy manner from both Insurance as well as wasfaty, We keep on positioning ourselves favorably and with the, with the insurance and we keep on having the healthy dialogue with insurance companies and wasfaty as well. We keep on having a good partner and dialogue with Nupco that we are Included in all the key products that we can contribute to on wasfaty. So, yes, definitely we are able, but mind you, it's an evolving matter, Quite honestly they had their forecast, we had our forecast, but it keep on in evolving because the devil is in the details when you come to the implementation, but yeah, I think we're getting it close to right in twenty- twenty- three and will continue to evolve our forecast for this in twenty- four and beyond.

348

Al Rajhi Capital 01:17:21.120 --> 01:17:21.520

We have one question from Anoud.



What sort of losses should we expect upon the commercial operations of the Jeddah plant in fourth quarter twenty- twenty- three and how long will the ramp-up period be for newly relaunched facilities?

350

Tarek 01:17:37.520 --> 01:17:41.360

So, sorry, did you say losses Why does Anoud expect losses?

351

Al Rajhi Capital 01:17:41.720 --> 01:17:44.000

I don't know why to be honest.

352

Anwer Mohiuddin 01:17:44.560 --> 01:17:46.360

Meaning depreciation?

353

Tarek 01:17:46.520 --> 01:18:06.960

Yeah, no, I mean, yeah, I mean, listen guys, I mean, I think, I briefed you if this question is about depreciation, it's not only the plant, but also, you know, I mean, we will have definitely once every plant of these three new plans are up and running, we will have the depreciation hitting our P&L

But I think I shared those you earlier that we have done something that I'm very pleased with my CFO and myself in twenty- twenty- one in anticipation of this whereby we reviewed our depreciation plants and the factors that we are depreciating our plants and machinery only on ten years while everyone else in the industry is doing it on fifteen twenty and we managed to speak to our auditors and consultants and everyone, and we'll manage to revise this to bring it into the industry average of twenty years instead of ten, which is really enabling us to operate at the, the healthiest depreciation going forward and you will see this, it's not a surprise for us Anoud if that was your actual question.

If you see our guidance that are just shared with you, the four to six percent capex, the gross on the top line, the gross on the bottom line and our EBITDA expectation is all factoring in the depreciation that is going to hit us going forward, so all these numbers are already in the numbers that we, we communicate, and we'll continue to communicate.

359

Al Rajhi Capital 01:19:24.400 --> 01:19:30.520

Thank you, Mr. Tarik. I don't think we have any more questions, we may end the call here.

360

Tarek 01:19:32.120 --> 01:19:52.560

So, I thank you all for your real active participation. I thought that the quality of our numbers and the business drivers will be the highlights of the call, but actually the quality of your questions as well were equally good, if not better. So, I thank you for this and I thank you for your active listening not only this time, but, but in every call that we do, and I look forward to sharing with you our conclusion of twenty-twenty-three and our guidance for twenty- twenty- four, all the best.

362

Al Rajhi Capital 01:20:04.720 --> 01:20:06.640

Thank you, Dr. Tarik.