

Jamjoom Pharma's Earnings call for Q2 2024

Al Rajhi Capital: Good afternoon, everyone. I'm Madhu from Al Rajhi Capital and I welcome you all to Jamjoom Pharma's Q2 twenty twenty-four earnings conference call. On the management we have Doctor Tarik, the CEO, Mr. Anwar the CFO, and Mr. Muhammed, head of investor relations. As usual, we'll be having a presentation followed by a Q and A session at the end. Without any further delay, I'll hand over the mic to Mr. Mohammed to start the proceedings. Mr. Mohammed, the floor is yours, please go ahead.

Muhammad Khan: Salam Alaikom and good afternoon to everyone joining us today. I'm Mohammed Bin Khaled. This session will be a one-hour call with about twenty to twenty-five minutes of presentation after which we will open the floor for a Q and A session. I will now hand it over to Doctor Tarik, the CEO, for the presentation.

Tarek: Thank you, Mohammed, and thank you all for attending the call as always, let me start by a brief statement that I'm pleased that our results year to date for the first six months of twenty twenty-four is basically as phenomenal and as positive as what we presented to you almost over the last twelve quarters or so. So, I'm pleased with the progress of the company and the quarter and quarter, months on months delivering on the results and let me share with you the highlights of this. So, if we can move into the first slide Mohammed.

Tarek: Okay, so basically this is the, a quick snapshot on our key financials. Starting with revenue, the revenue for the first six months of twenty twenty-four landed at seven three one. Let me draw your kind attention to our full year's revenue delivering on twenty twenty-one. So, you can see that in the first six months of twenty twenty-four, we are almost delivering the full year results of twenty twenty one, which was exact number was seven three six. So I am very pleased with this and the development in the business and the progress that the team keep on driving months after months quarter after quarter and year on year. Basically, twenty twenty-four first six months reflected the from a revenue generation point of view, twenty two percent growth and from an EBITDA perspective, we delivered twenty seven percent year on year was a margin of thirty-five, percent, which is again phenomenal results in my humble view. Net margin or net profit for the first six months along with earning per share, very strong twenty three percent growth matching the growth on revenue and basically really Jamjoom Pharma continued to track the same way that big pharma and multinationals operate not only similar to how the generic or the branded generics operate from a margin perspective. Our free cash convert or free cash flow continue to impress at eighty six percent conversion rate. Our capex remain under our guidance of, we always promise four to six percent of top line and its soft landing at five percent in the first six months, the free cash convert has grown at twenty one percent year on year. The unit, produced out of our fully functional four facilities at the moment, is basically twenty-four percent growth year on year, which matches the more or less or exceeds a little bit the gross on revenue. And we managed to in the first six months of the year launch seven eight products between consumer health and the pharma. Remember I always told you that since we re-engineered our strategic direction, we said that we are going to launch six to ten maximum twelve quality launches every year and we're tracking well in the first six months. Next slide please.

Tarek: Yeah, so that's a quick snapshot again on the slide that I shared with you quarter by quarter, discussing our strategic levels for twenty twenty-four. So basically, when it comes to our inception market Saudi Arabia, we continue to track well expanding and in tenders and I'm going to give you a quick snapshot on this in a slide or two. The private market growth continue to Match slash exceed the overall market growth despite certain, amazing dynamics that is happening in the, in the market

that again I'm going to draw some light on in a, in a second. Then we continue to really use our market access abilities into driving Wasfaty and other insurance business for Jamjoom to become really a key beneficiary or the perhaps, the best beneficiary out of this evolving market segments that are driving the growth of the market at the moment. When it comes to our other export markets outside Saudi, Arabia, we continue to solidify our presence in places like Gulf and Iraq and I'm going to share with you in a second the amazing growth that we are driving in in such markets.

Tarek: Our consumer health continue to impress as well was very strong. Participation in the inception market in Saudi and good early signs and taking it beyond the Saudi Arabia into Iraq and the Gulf as well. And then we continue really to look at other opportunities within export markets. What are the key active markets that we need to add to our existing active ones at?

At the moment. From a portfolio diversification point of view, definitely the focus on consumer health, which is a key differentiating factor at the moment, so because we're a Pharma plus company, we're not just a branded generic pharma organization, leading the Saudi market. But we have the consumer health which really adds a plus on the diversification of our portfolio and perform very well almost in every category our number one or in number two and remember this is a very young business in term of us driving this business over the last three years from a very modest business contributor into one of the key business contributors for Jamjoom pharma in Saudi and hopefully outside Saudi in in the coming few years. We continue to utilize our newest trial facility in in Saudi Arabia now that we got fully operational, and we started to get product approvals to go commercial as well out of this very pleased with such involvement because it will really a key gap in the demand created on the ophthalmic products and our ability from a capacity constraint perspective to deliver on this. So, I look forward to this facility to really add into our growth going forward. We continue as well to ramp up our Egyptian facility and today as we speak almost sixty percent of the local needs and what I mean by local the Egyptian market is satisfied through the local facility and toward the end of the year perhaps this number will meet or exceed the seventy percent targets that we set for this facility in the first full operational year. We continue to really drive strongly our business development initiatives, trying to tap into other key products lines that we believe will complement the growth drivers for Jamjoom Pharma we move forward. Coming slide.

Tarek: Yeah, so some quick snapshots on highlights from how these markets are evolving, Saudi, for example, I told you last quarter and then actually happening even stronger this quarter and for the first six months we are seeing the lifestyle products at the likes of the injectable type two diabetic products from Elilia and others are really driving the market and taking this market by surprise. Imagine that this product, today constitute almost ninety percent of Elilia sales and that it's driving them into some months becoming number one player in the retail market in Saudi Arabia. So, this Lifestyle product is really taking the market by surprise and contributing heavily.

So, as you can see in the first bullet point on this slide, while the overall market has grown by seventeen percent almost so far, eight percent out of this gross is coming, or nine percent is coming out of the this lifestyle products. So, the actual market gross excluding this antidiabetic products is eight percent. So, it's almost doubling the market gross from a couple of products that are taking the market by surprise. Our own business when it comes to refills is growing very well as you can see if we take the market growth at eight percent, our growth in the retail is sixteen and even Solid growth when it comes to the tender business at eighteen percent. You know I always told you that we'll try to drive the tender business growth at a higher pace than the retail so that we can catch up with the lost opportunities that we have in this fast-growing segment, the institution and the governmental sector. Wasfaty on the other hand, again, is still driving a very strong growth. So, the overall Wasfaty business has grown in the first six months by almost thirty-seven percent, we grow almost double at sixty four percent, our share of, business that's coming out of Wasfaty and that's up to end of June. Within our export markets basically we for the first time get the eighths rank in Iraq and I'm very pleased with the growth that we are driving in this market this year. We continue to gain share in the Gulf as well with twenty per one percent growth for the first six months. Egypt, we

managed to get after a very heavy round of negotiations with the government officials, we got few products to be repriced, and we got some good price increases that can partially offset the impact of the devaluation not fully obviously but something definitely better than where we were before. In terms of the portfolio, we continue to drive our cardio metabolic, we continue to launch other antidiabetic products into the marketplace, and it continued to outperform the market. We'll speak about manufacturing again in a minute, and I told you about, the fact is that in Algeria when it comes to our future initiatives, we would like now that we bought a plant for oral solids, we would like to get into ophthalmic and dermatology and so our initiatives to build an optha line facility is up and running there and we got certain advancements in this. We continue to drive negotiations for toll manufacturing of some big pharma products through our facility in Saudi and Egypt. I'll tell you more about this once we finalize the deals and we have really advanced discussions with certain parties for strategic partnership on some of the key products that can complement our portfolio. Next slide.

Yeah, so when it comes to the facilities, as I told you, I'm pleased that's why you don't see timelines on the bottom half of the slide because all the plants are now fully operational, so we don't have unexpected time for them to become operational. Different pace obviously Egypt two are almost at ten million unit produced so far Algeria four point five and the newly joined one, which is a new sterile facility almost at two million unit produced so far under one product approved to go commercial. While we expect another two or three approvals before the end of this year. Next slide.

Tarek: Yeah, so that's a slide which is close to my heart and I'm very pleased to share with you our progress, not only on a category by category. Business perspective driving the growth but as well market by market. Remember we always said that we'll continue to grow Ophthalmology and dermatology, but certain other categories perhaps will grow at a higher pace so that we diversify the business in the right manner. And when it comes to markets, Saudi will continue to grow and we will solidify its leadership in the marketplace, but we would like to grow other markets at the higher pace even so that would really diversify our business and decrease a little bit the reliance on Saudi as a key market. And this slide in real practical way really show firsthand that we are delivering on our commitments when it comes to strategy execution. So, from a category perspective, you see ophthalmology and dermatology on the left-hand side growing very strongly at twenty seven, twenty eight percent respectively, Derma and Optha while you have other categories like the Antidiabetic, like the Pain and inflammation and others are really growing at a stronger pace. When it comes to market by market, you see Saudi growing at a very solid seventeen percent growth in the first half while Gulf, twenty one percent Iraq, forty four percent North Africa, twenty one percent and Egypt seventy nine percent.

So, real delivering on our strategic directions and excellence and executions from every team member I'm very pleased with how they are driving the market and really translating the strategy into actions in the marketplace. Next slide.

Yeah, that's another slide that show you in, in perhaps a more complimenting manner focusing on the inception market, which is Saudi Arabia. How we perform against key peers. And this is a slide that I started to show you in the last earning call, and we'll continue to give you the progress. So last earning call, I showed you perhaps, twenty-four months business progression on the top five players in the Saudi market or retail market. And obviously, Jamjoom Pharma is the only name I share here, but the others I, we call it Peers so that we don't disclose any data that we are not in a position to disclose about any, but you can obviously predict who are the other four top contenders in the in the marketplace over the last few years. So basically, what this slide to refresh your memory try to reflect to you is month on month. So, every small bit of every graph of this Like in Job Pharma, for example, you have twenty-nine months reflected here. And we

show you in green If the growth of the particular months, is higher than the same months of the previous year, in red, if the growth of the particular month is lower than the same months in the

previous year. And simply you can see that over twenty nine months, Jamjoom Pharma has shown only one negative months and twenty eight positive ones. And you can see the same tracking on the other peers between six to almost thirteen negative months on every one month.

Why am I sharing this slide with you? And why do I feel very proud of what our team in Saudi is driving here? Because quite honestly, you can, you can get results that is like one year on one year off. Some companies will show you, ok, they are doing, one year off and then they come the following year, and they do a good year, and the other year is not. Here you see almost three years sustainable performance. Three, but also what, what does that show is the excellence and execution of the Jamjoom Pharma team compared to other peers. It's difficult enough that you to deliver gross quarter Existing quarter versus the equivalent quarter of the previous year. But to continue to drive months on months for twenty-nine months and you continue to grow the business, and you show healthy growth like this, really the excellence in this execution. And this is this is the name of the game for business sustainability of any Pharma company because even if you don't have and which is not the case with Jamjoom even if you don't have a hundred percent compelling strategy, you complement this with hundred percent excellence and execution and then you win in the marketplace. What we have as your Jamjoom Pharma is that we have a very strong compelling strategy, and we are complementing it with better execution and excellence in execution than our other peers. That's why I'm very pleased with this slide. Next slide, please.

Sorry Mohammed, if we go back to the previous slide. So, what I wanted to show, to share with the audience as well is if you look at the bottom right-hand side of the, of the slide, you can see that year on year twenty twenty to onwards up to the May twenty twenty-four, this is external market data IQVA data. Market growth and then our Jamjoom pharma growth and Jamjoom pharma share. And you can see that year-on-year Jamjoom Pharma has exceeded market growth continuously and the share has continued to grow tremendously as well. So, this as well really is a, is a is a very strong reflection on how we are driving consistent growth in the marketplace. Next slide.

Yeah. Again, we, we continue to show your progress on this again, this is executing on our strategy where I was said of ophthalmology and dermatology we will continue to grow at a very strong pace to solidify and reinforce the leadership that we have in this two categories, but perhaps other categories will grow at a higher pace so that the contribution of optha and derma and learner will decrease out of our total portfolio. And here you see it in action between twenty twenty-one and the first half of twenty twenty-four ophthalmology and dermatology while still growing at twenty-seven and twenty eight percent year on year respectively. You can see that their share of the pie has decreased from fifty-five percent to forty-six percent. Others that are starting to contribute heavily and more significantly is like consumer health. It used to constitute only ten percent of the business in twenty twenty-one. Today in the first half, it's thirteen percent of our total business. Our general medicine used to be thirteen percent and its today's sixteen percent. So, the diversification that's happening there in addition of two percent of antidiabetic that is added this year into our, business contribution. So I'm very pleased with this diversification and the ability to continue to grow tremendously in every category and diversify the business so that we can guarantee the healthy growth sustainability of the business. Next slide.

Yeah, with this I will perhaps pass the floor to Anwer Mohiuddin, the CFO of Jamjoom Pharma to take you through some financial highlights.

Anwer Mohiuddin: Thank you, Doctor Tarik Alsalam Alaikom and good afternoon, everyone. Thank you for joining us today for our earning call. We appreciate your time as we review our financial highlights for the second quarter, twenty twenty-four. I am pleased to report that we have achieved positive results during the first half of twenty twenty-four. Looking closely at the second quarter, our revenue was three hundred Forty-six million representing our sixteen percent growth year on year compared to quarter two twenty twenty-three. This growth reflect our strong

sales volume in our core therapeutic area of ophthalmology and dermatology, complemented by excellent performance in the cardiovascular, pain and inflammation and antidiabetics area. Geographically I'm pleased to report good growth across all our key markets such as Gulf, Iraq, Egypt, and Morocco in particular, delivering outstanding above market growth. Economies of scale from our revenue growth along with operational efficiencies and cost control measures grew EBITDA by eighteen percent year on year Translating into EBITDA margin of nearly thirty four percent this quarter. Free cash flow grew by eleven percent year on year while free cash flow conversion reached eighty seven percent in quarter two twenty twenty four, comparable with quarter two twenty twenty three. So, this shows our strong financial health. Our net profit also grew by twenty Percent year on year with the net profit margin of thirty one percent, which is the highest quarterly margin since two thousand nineteen and underscores our strategic efforts to enhance profitability across the organization.

On the next slide, you will discuss our production costs and operating expenses and how we address cost inflation to preserve our margin. We remain committed to cost control and operating excellence to maintain superior profitability and returns as we continue to scale our business and expand our market share. Cost of revenue increased by thirty one percent year on year in first half twenty twenty-four, mainly driven by a thirty four percent increase in raw material expenses due to product and Market mix and increase in the freight expenses. Salaries and employee related costs give you twenty two percent a year on year due to hiring additional stuff for our new facilities in Jeddah and Egypt. Depreciation expenses also increased by fifteen percent year on year due to an impact of two new facilities in Jeddah and Egypt. Other costs give eighteen percent year on year due to routine operating costs associated with production activities. Production costs were offset by continued efficiency gaining in operating expenses that grew only eleven percent year on year in the first half of twenty twenty four. Selling and distribution expenses Increased by eighteen percent year on year to reach one hundred eight to two million in first half twenty twenty four. Thereby reducing a percentage of revenue, the improvement was driven by cost optimization and distribution processes, more effective sale efforts and economies of scale that offset increased in other expenses and promotional activities. General and admin expenses declined by eleven percent year on year reaching thirty one million reflecting reclassification of Egypt facilities pre-operating expenses that were part of G&A before, and now it shift to cost of revenue upon commencement of full production in addition to cost saving in various expenses. Research and development expenses also decreased by nine percent year on year to sixteen million in the first of twenty twenty four. Due to a strategic focus on the highest quality launches. All in all non-production operating and R&D expenses grew only eleven percent in the first half of twenty twenty four. Looking at the Direct production cost per unit, it stood at Saudi Riyal three point two per unit this quarter and reflect a stable trend with compared to similar quarters in twenty twenty two and twenty twenty three. This stability is a testament to our efficient cost management practices, a stringent cost control over expenses, and optimization of production process. Moving to the next slide where we focus on our margin. Next slide.

So Jamjoom Pharma continued to generate industry leading margins and returns in the first half of twenty twenty four EBITDA margin expanded by one and a half percent year on year to thirty four point seven percent in first half twenty twenty four. Which is well above our mid term guidance range of thirty to thirty one point five percent. Our I beta grew twenty seven percent year on year in first half twenty twenty four, well ahead of revenue growth and despite an increase in cost moving to a ramp up of production, this was achieved due to operational efficiency, effective cost control management in G&A expenditure, the strengthen sales and marketing effort driving higher revenue and better margins. On the right hand side of the slide, you will see an evolution of both EBITDA and net profit margins during the last five quarters, which demonstrate the effort trajectory of our margins. We will move to cash conversion cycle on the next slide.

We are pleased to report that our cash conversion cycle remains stable despite business expansion while we continue to build inventory reserves to meet future demand and effectively navigate potential supply chain disruption. We balance increased inventory days with lower receivable days and higher payable days. This is made possible through stringent credit management and a strong

relationship with our suppliers. Our working capital is up by seventeen-point five percent year on year to six hundred sixty three million, staying below our twenty two percent growth in revenue. In terms of cash balance, I'm pleased to say that post recent dividend payout, our cash balance remains stable at one hundred fifty-six million at the end of June and we have also announced a dividend payout on the cost of twenty hundred twelve million for the first half of twenty twenty-four, which is due to be repaid in this month. Overall, we maintain a balanced approach to working capital management to keep track of stable cash conversion cycle and ongoing business expansion. With this I would like to hand over to doctor Tarik for future of outlook and guidance. Next.

Tarek: Thank you, Anwar. So, moving to the next slide. So that we can share with you the update on us guidance. So, if you remember we shared with you earlier in the year that our revenue growth will stand not only for twenty twenty-four, but up to the end of twenty twenty-six at a rate of twelve, to fifteen percent year on year. Given the very solid positive six months of twenty twenty-four, we are updating and upgrading our revenue growth expectation to fifteen to eighteen percent instead of to twelve to fifteen, so that's, the update on the revenue on the EBITDA margin. We always mention that we'll have between Twenty twenty four and twenty twenty six and EBITDA margin of the thirty percent with the possibility of hundred to hundred and fifty percentage point. On the top, now we are updating the EBITDA of margin to be thirty-one to thirty two point five percent given where we track, year to date almost at thirty five percent. Capex will remain at a four to six percent out of the top line. And our dividends basically will we are committed for the fifty to sixty percent payout ratio on a semiannual basis twice a year and as mentioned, we have already announced that within this month we'll pay the first portion of it, which is coming close to a hundred and twelve million out of the profit we have for the first six months.

With this I will pause and will invite any comments or questions from your side.

Al Rajhi Capital: Thank you, Doctor Tarik and Mr. Anwar for the insights. We opened the floor for the Q&A session, just a general instruction, please limit yourself to two questions and to ask a question, you can click on the hand raise button or use the chat box to post your question. First question is from the line of Tarik.

Al Rajhi Capital: Tarek, please go ahead.

Tarek Sleiman: So, can you hear me?

Al Rajhi Capital: Yes

Tarek Sleiman: Okay perfect. So, thank you so much for the time to ask questions and congrats on a very solid set of results. So, we're getting used to those now. So, my first question I guess is we've seen that you're gaining market share given that you're outpacing the market significantly and you've shown a very helpful side which shows that even some competitors have seen The growth Q on Q So it looks like the local players are gaining market share and you are one of the leading in gaining market share. Do you see momentum into the medium term continuing at the same pace or you're accelerating the growth currently and taking from the growth into the medium term? What I mean by that is are there such unrepented significant therapeutic areas where you still can't take market share from whoever you're taking? So my question summarizes who are you taking market share from and how long can you keep on benefiting from this momentum? Second question is on, the reason behind the drop in CNS, we've seen it in Q one and in Q two and GTI please, is it because of any tender where the prices are lower or something like that? I'll come back in the queue because I have more questions.

Tarek: Thank you for the question. I'm happy for you to get used to it, but I alert you against taking us for granted for this result because you know this result doesn't come that easy, I hope you and everyone else realize it takes a lot of sweat and a lot of planning behind. But pleased to continue to

deliver and announce you one good set of results after the other. Basically, yes, you're not spot on, the whole market is actually Positively trending especially in Saudi, but actually in, in other markets like Gulf and Iraq as well. We're trending better, but don't forget it's not only the local players start that are doing this. And I just gave you a quick brief during my presentation that one company in particular is taking everyone by surprise and jumping into number one in certain months.

So far in the year just because of one products of type two diabetic basically that can help with weight loss to be more specific. So, this is, this is contributing to almost half of the market growth that we have we are witnessing in Saudi year to date. So, this is a key dynamic actually more than the fact that local players are trending positively, and we take this to the heart of mind that obviously that lifestyle products are there to stay and they are going to contribute from now on heavily into driving the market growth. Basically, our competition, which is the main part of your question, we view the whole market as our competitors. We don't really look at just generics or branded generics as our competitors, otherwise we're really narrowing our spectrum, and we will not grow as tremendously as we do. But every single player in the marketplace is our competition. Don't forget on the consumer health aside as well, these are not typically tracked as branded generic products or whatever, as a matter of fact, you don't classify consumer health as such. So we are leading in this in this trend and this business is starting to really contribute heavily as I told you I've shown you that in the first six months it's almost thirteen percent of our business, total business delivering. So out of these seven thirty-one million that were delivered thirteen percent out of this contributes only to consumer health and ninety six percent out of this is in Saudi Arabia market alone. So, the total market basically is our Greenfield in terms of competition. We compete with everyone who has a similar product focusing on definitely the leading ones. And we try to take share out of this. We try to catch up with the tender and the institution business as I shared with you as well, because it's a tremendous opportunity for us. I shared with you how we are tracking on Wasfaty. We are doing well and others are doing well as well, and we try to lead in this place CCHI or insurance, we try as well to Further strengthen our dialogue with the Regulators on this front so that we can gain whenever there is an opportunity to gain on the, on this front and Put Jamjoom Pharma at the front line of choice when it comes to branded generic products in this field. So basically, that is where we are driving our growth today from. Is it going to be more difficult as we move on? Definitely it will, but I don't think we are out of track when it comes to how can we drive further growth in the marketplace over the quarters and in the years to come. Be it sectors that we are still Not represented as well as we would like, at new products the likes of antidiabetics that we have just launched two or three and we have others to launch in this, in this field. Increased capacity as I shared with you, the new sterile facility that will really enable us.

Don't forget I told you that my easy assumption is that almost one third of what we generated in terms of demands over the last couple of years, on the ophthalmic side, we lost it because of our constrained the capacity. Hopefully the new sterile facility which is going to be fully operational up and running with many Products commercially approved by the beginning of twenty twenty-five or later on this year. This will contribute heavily into driving our business momentum and growth as well. So, we are not only optimistic and happy with where we track today, but I'm still equally optimistic about the future, especially when I see that not only Saudi is pitching in as it always used to be for us, but every other single market is really starting to contribute more heavily to our portfolio with a tremendous growth. So, this gives me trust in the near and midterm future in shaa Allah.

Thank you for the question.

Al Rajhi Capital: Thank you for the detailed explanation. Next question is from the line of Ibrahim. Please unmute yourself.

Ibrahim Atiyah: Congrats Dr. Tarek and Jamjoom management for these great results. A couple of questions from my side. The first one is on the public market. Can you shed some light on the public market? As we heard from you that there was a slowdown during Q one, is this also applicable to Q

two because you were showing an eighteen percent growth in the tender business overall. The Second question and this is a follow up question actually is Wasfaty part of the tender business in your calculation of the tender business or not? Thank you.

Tarek: No, I mean so the answer for the second question is the simple no. It used to be when it was first launched for ease of Classifying it was added into the institution and tender business, but now it's more part of the retail business or the basically because you dispense all the medications out of retail pharmacists. So, this is the more sensible way of calculating Its sales. Although it is still moderated and picked to a big part managed by NUPCO, which is more on the institution and tender side, but most of the dispensing is coming from retail pharmacists, hence it's part of the retail. Public sector still track well for us and others We are doing but don't forget there will be always a periodic time because the delivery months on months of the awarded tender vary between one company into another and between and sometimes even if

We have, certain deliveries on a given month, but our supply is not giving us enough products to be able to satisfy both tender and retail and we have to make some choices. We defer some of the deliveries into the months after and the months after. So, these variation that you see are not actual variation in term of dispensing or in term of the actual demand but sometimes it's based on the awarded tender Agreed time of delivering and as well our ability to supply on time. But so far, we are still very positive about the tender and the institution business its impacting the overall marketplace in terms of growth and its impact expected impact on our business in specific.

Ibrahim Atiyah: So, the new tender has not kicked in yet.

Tarek: Not yet yes, you're right. Yeah, the previous one was supposed to be for two years. It was extended for the third year the new one we just got the full for a month or two ago, and we expected the kickoff by September October this year.

Ibrahim Atiyah: Excellent. Thank you so much. I'll go back in the queue.

Al Rajhi Capital: Our next question is from the line of Sarah. Sarah, please go ahead.

Sarah Alotaibi: I thank you management, if you could you please shed light on the below EBITDA number we've seen similar numbers in 1Q24, and this was mainly attributed to the Egyptian currency devaluation. So, I just really wanted to understand is it, is it the same issue or is there anything new.

Tarek: On what? Sorry, I didn't get your question exactly.

Sarah Alotaibi: Below EBITDA figure.

Anwer Mohiuddin: On the devaluation.

Sarah Alotaibi: yes

Anwer Mohiuddin: For the time being it is stable that ok we are expecting or we have not seen any devaluation, so far it is stable for the moment.

Sarah Alotaibi: So yes, I understand but we could see that there is a twenty million loss in other expenses so if you could please shed light on this number.

Anwer Mohiuddin: It was the same carried forward from seventeen. I mean year to date is there, right, so seventeen million is related to the exchange devaluation coming from the first quarter.

Tarek: So simply the impact of the devaluation is not limited in in Egypt because it gets a little bit complicated. It's not limited only to the direct impact of the price per product or the dollar exchange

into Egyptian pound straightforward once we sell a pack. But another impact that we face this year is the fact You know, simple fact, we were Sitting on, for example, not the accurate number, but I'm giving you for the sake of, better explanation. Let's say we were setting on fifty million Egyptian pounds last year in Egypt. Now, the ideal thing is we would have left only a percentage or a portion of this for our operating Expenses and other working capital and other money we will repatriate to Saudi based on the dollar equivalent by that time. We couldn't simply because there was not enough hard currency, so we were not, we were not able to repatriate this money. Okay, come this year further the devaluation so this money became of less value than how it used to be for us last year. So that's why we accumulated the impact in the first quarter, and it gets less quarter by quarter as you, as you see. So that's basically another impact that we were hit with as an indirect impact of the devaluation that took place last year and earlier this year.

What I want to remind you and remind everyone is that despite this and this is where I need to give some credit to my leadership team and the team behind the results, I shared with you, despite all these Impacts that some of it takes us by surprise, and it's to a great extent out of your control. This team continue to deliver some of our best results in term of the margins and in terms of EBITDA and the net profit and whatever but not be not only because of the Limiting the impact of this kind of things, but as well Increasing the efficiency on other fronts and reducing costs on other certain fronts so that net will deliver the results that you, you are seeing. So, and it helps, of course, and I remind everyone so that we don't really get in the mood again under questions on Egypt, Egypt Is still five percent of our business. So, in the big picture, in the big scale of it, we don't have a huge magnitude of whatever impact we get out of, of there. And it's always manageable for us.

Al Rajhi Capital: Thank you, Doctor Tarik. Next question is from the line of Sultan. Sultan, please unmute yourself and ask your question.

Sultan: First of all, congratulations on your strong set of results. I have just two questions. The first question is, when we look at Saudi growth and the second quarter, the growth dropped to around nine percent, which is in line with the market. And if we look at the first quarter, you were growing at double digits, early twenties why did your growth decline in the Saudi market in the second quarter.

Tarek: Thank you for the question. So, you cannot look at this as a separate piece of data. You need to compare this with our second quarter because the way we forecast our business, and we split our target, or budget is that we do it month by month and quarter by quarter. So, every quarter we have a quarterly budget that we measure ourselves against. So, the first, the first thing that we measure ourselves against is how did we face The, the year for us. So, when you look at the second quarter, yeah, everything you said is right, but the key thing for us is that we met or exceeded the quarter target that was set for us. And rightly so because when we set the target in the earlier in the year, so we take into account many things, how we are starting the years, for example, because remember I always explained to you guys if you were one of the of the, our, business partners that attend every earning call. I always exhausted the explanation of the two things that go in parallel for us. The in market, which is our sales, into the marketplace and the to market, which is our sales from the plants into our distributors that can set on the shelf of distributor forever. What we are discussing here is ourselves, our sales from our plants into our distributors, which we basically understand how we are going to close twenty twenty-three, how the first quarter will evolve in term of ramping up the stocking on the distributor side so that they can meet or exceed whatever is needed for the future months. And then we phase our budget accordingly. So, quarter one was high because of the Starting at a low Stock level at some distributors. That contributes majorly to our business. And then once we do this ramping up, then the growth will go back, as you said correctly into meeting the market or whatever. But that's not the real one that we, we always track ourselves against in isolation. We look at our in-market Sales as well and we track this and we see how we are performing based on our set budgets. So, we look at the

two hand in hand, we don't look at one in isolation, that's the first thing, and the second thing, we do the phasing quarter by quarter and we measure ourselves not only against the market growth, but against our delivering on the quarter results. And in this case, we delivered on the quarter results above hundred.

And the second question is related to the toll manufacturing, you mentioned that it is going to be across all your facilities, Saudi and Egypt if I'm not mistaken, right?

Tarek: What's that, sorry?

Sultan: You are going to produce these products in the facilities in Saudi Arabia and Egypt, right?

Tarek: Which Products?

Sultan: The toll Manufacturing.

Tarek: Yes, that negotiation that we are having with some multi nationals to have some toll manufacturing.

Sultan: So my question here is why are you going, why are you taking this direction? Are you seeing Slower growth in tier, or you're shifting to toll manufacturing?

Tarek: No, I explained I think last lost the earning call as well so in Saudi for example, remember until few months ago, we were relying on the Saudi main facility and the only facility we had by then to supply all our markets, end of this year beginning of twenty twenty five, we will have another three facilities up and running, helping this facility, so this will reduce Some of the pressure on this facility and will release some of the existing capacity which we can utilize for things like toll manufacturing agreement because don't forget when you do this kind of things with big pharma, big multinationals and whatever, it's not only for the sake of margin or capacity utilization but as well, you learn from different manufacturing ways, you add to the credibility of your organization and what you are delivering in the marketplace. So, it has a more strategic factor rather than just getting a few pennies out of the margin here and there. So, in

Saudi Arabia, the capacity we are freeing, don't get I always reminded the audience that while Egypt represents only five, six percent of our value numbers, it represents almost fifteen percent one five of the unit Sales. So if you relieve this fifteen percent or big part of it out of the existing facility, that's a lot, fifteen percent out of the hundred and fifty million, you are talking about more than twenty two million you are you are releasing. So, you are going to utilize this in combination of satisfying all the other expansion in key markets out of your own products and as well if you have the capacity on certain lines and that certain products to get into this partnership deals, that's beneficial for our team and for our business as well. In Egypt it is the same. Today you are producing almost ten million, which is satisfying sixty percent, six zero of the local organization's needs. And the plant capacity is about fifty-two million Until you

run this capacity fully, you can utilize some of the free capacity and you can maximize the learning of your team as well by getting into other lines and manufacturing for others. So that's for us, this is more strategic than just doing it for an extra margin here and there. It's good to get into such a partnership to maximize your team learning and to advance yourself with certain things that perhaps you will not do if you don't get into such partners.

Sultan: Great, thank you Mr. Tarek. Just a very small last question if I may, which is related to the operating expenses and the second quarter, if I compare it to the first quarter, we saw the operating expense roughly declined by around nine million. Why was that? What was the main reason for the decline? Q and Q?

Tarek: Answer, would you like to give a quick preview?

Answer Mohiuddin: Are you talking about from the previous year or you're talking about from previous quarter.

Sultan: No, Second quarter, yeah.

Tarek: Second with first, 9 million decline in our Opex.

Anwer Mohiuddin: So mainly that ok because of certain expenses which we are controlling, and some are related to the sales also if the sales, I mean there are varies about the sale, but mainly that we are controlling some of the expenses in major part admin, G&A also and then our selling and market expenses also.

Tarek: And again, we don't phase only our top line, we phase everything that is part of our P&L line by line throughout the year. So, one quarter will be, higher sales, one quarter will be delivering just on the quarter commitments so slightly lower sales, but as well lower sales will be matched by lower Opex because operating expense is a product is a key product of how much sales you do. If you are not selling as much, you don't need to spend as, as much. So we define every line of our day of our P&L based on the quarter phasing and the dynamics that we know in the market and where we are going to spend this, or where we are not going to be in need to spend this. Like for example when we build the own raw materials strategic raw material inventory, we do it in a month or a quarter, which might inflate a quarter opex but then come the next quarter And it will look like we spend less. Actually, if you normalize the two quarters together, it will be almost equivalent. It's the fact that we bought certain materials in advance So this is how we manage our P&L more or less.

Sultan: Okay, thank you Mr. Tarek and wish you all the best.

Tarek: Thank you.

Al Rajhi Capital: Before we take follow up questions, there are a few questions in the chat box. I'll read that out. First one is about volume and price. What was the contribution of volume and price and revenues and quarter two?

Tarek: In quarter two, it's mostly it's almost all volume. We don't have a price increase except in five percent of our business that just happened a few days ago that didn't even materialize, which is in Egypt as we mentioned in the presentation, but all the price increases has happened last year, the major part of it, forty million as we shared with you in full transparency was a positive outcome of price increase last year. It's built into our plan this year. So it's majorly volume up to the ninety eight ninety nine percent.

Al Rajhi Capital: About market share you have already covered. So third question is about Utilization level for new facilities. When do you expect the ramp up to be completed? For the new sterile and Egypt both?

Tarek: Okay, so the news sterile, as I told you not the full ramp up but our expectation what we have built it in our plans is that come December twenty twenty four, the local facility will contribute into seventy, seventy five percent of the sales of the local operation in Egypt, and that's roughly will contribute into, give or take something within the range of perhaps twenty five million, twenty six million, which is fifty percent of the theoretical capacity on paper today, because until we do it, it will remain to be Just on paper capacity, the fifty two million that you have seen. So end of this year, we will come into almost fifty fifty five percent of the full capacity utilization come, next year. We will perhaps add here to an almost eighty percent and perhaps on certain lines end of next year, it will come almost two hundred percent So we need to have some expansion plans for certain lines as early as end of twenty twenty five for Egypt. For the new sterile facility in Jeddah, this is, a smaller more specialized Unit as we always shared with you guys. It's going to focus on Ophthalmic and some injectables, perhaps the theoretical capacity is twenty five million. We expect equal seventy five to eighty percent capacity utilization or ramping up before the end of twenty twenty five. And this ramp up of the new sterile facility will take even a faster pace than the one in in Egypt because the demand is there and the products that are hardly in need of us producing more to satisfy certain market requests are already there. So it depends on the efficiency and the effectiveness of our team to ramp up this facility sooner than later. And I have full

confidence that we'll be able to meet the forecasted seventy five eighty percent ramping up of this new drive facility before the end of twenty twenty five.

Al Rajhi Capital: Sure, do you have time for one more question as I can see hands being raised which we haven't, you know, given them.

Tarek: Maybe we'll entertain some other people, and we'll come back to you if we still have time, if you don't mind.

Al Rajhi Capital: Yeah, so there is one question. So we have a couple of, you know, questions hands being raised.

Tarek: I'm good at this. I'm good.

Al Rajhi Capital: Okay, so next question we would take from the line of Athman capital.

Athman Capital: You've been a really impressive presence; I have one question. Do you have any strategic plans to neutralize the, the matter of phase mutually work at affects towards very small important of your recent seventy five percent as you mentioned, but it is still fifteen percent of your production.

Tarek: Yeah, I'm sorry I'll attempt to answer what I thought I heard because your voice came up very interrupted and not clear, but what I thought I heard is that your question is about, do we have any strategic levers or plans to offset the impact of the any further Forex Impact on the Egyptian pound, even though it's small part of our value generation but you're alluding to the facts that it's ten fifteen percent of the unit generation. Did I hear you properly?

Athman Capital: Exactly.

So basically, I shared with you openly during the presentation that we have we continue to have healthy dialogues with authority to get some price increases because it's, you know, it's a very skewed equation quite honestly when you see that for example if the Egyptian pound declined in front of dollar by twenty percent, on the same day, or the following morning, you will get into the supermarkets and find that every single essential Product has the inflated their price by twenty percent or more. When it comes to medicine, it's the other way around. Why we understand this is the nature of the basic because it's a very sensitive political commodity for the government. It's like bread and other stuff. Although lately they have moved on to the bread finally, which is a good sign because you cannot afford to continue to fund this. So we continue to have dialogues with the government to have price increases and unpleased with what we have achieved Or my team have achieved on the ground on the last few months because we managed to get some good price increase for some of our key products. And I thank the regulators as well for their understanding and response. That will partly offset the whole thing, another part, as we were explaining during some of the questions, is the availability of the hard currency. If the government continue to drive, because quite honestly, we don't mind whether the bound will land at forty seven or fifty or sixty or slightly above or slightly lower. What we mind because this is what adds a hell of insult to injury is the lack of hard to currency availability because that impacts our ability to get on primary basis, our needs from a raw material and whatever that we need to for manufacturing, but more importantly, it doesn't enable us to repatriate our money or to take our money out of, whatever is not needed in the market to bring it into, the inception market Saudi, and we try to offset the impact of sleeping on this money and further the valuation happen and decrease its value. As long as the hard the currency availability is going to be there, this will minimize any impact. And as I told you, we learned this year, the hard way from what happened last year. So we went last year with a budget assuming that Egyptian currency will be at a much higher rate than what it landed on into the dollar. So, we had a bigger impact.

This year we went to actually forty five Egyptian bound to the dollar in our forecast and the we were almost spot on because today we track at something between the forty six to forty nine. So we are

very, very close. So, if we continue to, to forecast this properly, I think this will enable us to really build our budget on realistic assumptions not Just the blue sky scenario assumption and if the government continue to avail the hard the currency, this will minimize any further impact that will happen on us. Out of this quite honestly, anything else will be out of control, not only us, but for every other company. But if history was a good predictor of the future, I think what happened in twenty seventeen and what's happening now things are going more on the poster front. Hard the currency is much more available now than a few months ago. The currency is stabilizing hopefully and even if it goes sideways, we expect that the availability of the hard currency will minimize the full impact on us. So that's our plan More or less.

Al Rajhi Capital: Thank you, we'll be taking a last question from the line of Taha. Taha please unmute yourself and go ahead.

Taha: Great results as always so just a small follow or understanding wise like obviously year on year growth is very good in Tokyo but can you spend what the seasonality is for revenue wise? Why Q2 is usually lower compared to first Q like which products Suffer on this front and a small, a bit of color if you can provide on the Iraq market like what kind of a market do you see is potential and what kind of a market share do you have in Iraq?

Tarek: Yeah, sure. So, yeah, seasonality is, as I said, we take this into the phasing and seasonality doesn't mean only the fact is that like for example in Saudi and the Gulf come July, August and you find a big portion of the population disappear and go for vacation for other areas because actually even this, to be honest with you, is a bit changing. So, in the Gulf with the marketing efforts that the United Arab Emirates government is doing and the spending the summer in Dubai and other areas and whatever the impact is becoming less. In Saudi as well, they started this year early, but we'll see as well. I expect that the momentum will slightly improve in terms of the people who will stay back in their home country and spend the summer in the more available areas in the country. Having said that Seasonality doesn't mean only for us that this, but sometimes certain products, for example, like an Infectives or the antibiotics, obviously, come September October up to January February. This is a big season. Of course, it become, or it lessons in other months. And the same for others, for other products. Now basically, as I told to you earlier, phase our quarter on quarter and months on months expectation in sales based on our understanding of this seasonality product by product, market by market, months by months, and so it's more, a little bit Complicated than I can explain in couple of the statements for you. And I just try to limit the seasonality to the summer months or the winter months or this and that. It takes much more than this when it comes to our business when we look at the seasonality. Iraq is a market that we are very bullish about or positive about it. Like every other market in the region, it basically has the particularities of the marketplace where the local regulators are looking more and more for companies that are going to localize its business Activities so that they continue to enable them to earn and to gain, share in the marketplace. So, we expect this to come over the coming few years because the governments have already started to push in this direction. And we have certain plans for how can we fulfill and continue to win in this very important marketplace.

At the moment, most of our sales in the in Iraq are ophthalmic units that contribute almost to seventy percent of our sales in Iraq, hence, my expectation for the growth in this market is really positive because once we complete the portfolio and we bring other products from other categories, then I think the sky is a limit to how far can we grow because the image you have built as an organization, thanks to the local team in Iraq is really one of the best images that the region. So, for physicians and patients, heart on mind Jamjoom Pharma come really as top of mind thinking when they think of high-quality affordable prices, and this is exactly where we would like to place ourselves in the in a market like this. So I continue to be very bullish about this market and how can how far we can grow in this market If we continue to satisfy basically the local needs and become attentive of What would it take to win in this marketplace. Like any other market.

Al Rajhi Capital: Thank you. So that is our last question back to you to Doctor Tarek for any closing remarks and after that we can end the call.

Tarek: Sure.

Al Rajhi Capital: Any closing remarks, you can share those or else we can end the call after the record.

Tarek: Okay, so yeah as always, I really thank you for the interactive session and I'm always pleased that we take thirty plus minutes in the presentation, but we take much more in the Q and A which show the understanding and the positive interactions that you guys contribute to the Call.

Pleased to, to continue to deliver positive news for you Hopefully we can continue to do this over the coming, few quarters and years and we rely on your support If you see anything that is screaming on you of from an improvement point of view in our business, just let us know through an email or by contacting the right people like the head of investor relation or other partners and then you'll find us very attentive to this. But I assure you that Jamjoom Pharma will continue to really meet and exceed expectations, and we are very bullish about the future of this business in all our active markets, and we thank you for your continuous support. Have a great day all.

Al Rajhi Capital: Thank you Jamjoom's management and the participants with this we end the call, have a good day ahead. Thank you everyone.