

## Jamjoom Pharma

### 3Q 2024 Earnings Call Transcript

**Al Rajhi Capital:** Good afternoon, everyone. I'm Madhu Appissa from Al Rajhi Capital, and I welcome you all to Jamjoom Pharma's 3Q 2024 earnings conference call. Al Rajhi Capital is proud to host Jamjoom's 3Q Earnings call, as usual we will have a presentation followed by a Q&A session at the end. On the management team, we have Dr. Tarek, the CEO, Mr. Mohiuddin, the CFO, and Mr. Mohammed bin Khaled associate director finance and IR. Without any further delay, I'll hand over the mic to Mr. Mohammed to start the proceedings. Mohammed bin Khaled, the floor is yours, please go ahead.

**Muhammad Khan:** Alsalam Alaikom everyone and thank you for joining us for our third quarter earnings call, I'm pleased to have you here, and I'm joined by Mr. Anwar Mohiualdin the CFO and Dr. Tarek the CEO of the company. We will be having a 20-minute presentation in which we will discuss the financial and operational performance for this quarter as well as the 9 months of 2024 followed by a 40 min session for Q&A to answer all your questions. With that I will now hand over to Dr. Tarek, the CEO, for the presentation.

**Tarek:** Okay, Muhammad, and thank you all for attending the call I welcome you again yet to another strong earning quarter for Jamjoom Pharma, I am pleased to share with you the slides as usual we will focus on the business key deliverables and execution on strategy and then I will share with a comparison and financials as well then we will share with you a slide on the guidance and take questions later on. If we can move to the first slide, Muhammad.

**Tarek:** So as you can see here this is an update on year to date performance, as always the revenue for the first six months of 2024 we are at a very strong 1,059 that was almost like the budget for FY 2023 and we achieved this number in 9 months and we even did better in the net profit than the hoe year in 2023 we track at 1,102 million and net profit 292. Today we track at 1,059 as you can see on the top line and a better net profit that was achieved for the full year of last year on higher sales number 305, so very proud of the team performance at all levels between commercial, manufacturing, finance and everyone who contributed to date. Our EBITDA is tracking at a very strong 26% year on year at 365, free cash conversion is showing the same percentage growth YoY 26%, and we maintained our CAPEX as per our guidance at the lower end of the guidance of 4.4%. we always said that we will target to launch 6-9 products, we managed to launch on the pharma side almost 5 products and 4 on the consumer side, I'm pleased that out of the 5 we launched in the pharmaceutical side two of them comes in type two diabetic, which brings the total number which we launched so far between 2023 & 2024 of type two oral anti diabetic agents up to 4 products.

As I said our net profit is tracking at 305 million with 23% gross YoY, and earnings per share of 4.4, production did 23% YoY as well and we track at 130 million units produced year to date. Next slide, please.

**Tarek:** So, basically I will show you as always some key highlights from our key active markets and key functions as well what we are doing to execute our strategy, we always said that we will try to do better in Saudi Arabia in the tender and institution, because we are coming from a low base there so we can always grow at a high level without diluting our earnings, and that's exactly what we are doing here to date, as you can see we are growing at 41% YTD on our tender sales, while the total Saudi business are growing at 17% so far much higher place on the tender, and still we are delivering some of our best percentage financials on post EBITDA and EPS which shows that we are really excelling and executing on our strategy. The total market in Saudi has grown at 16% up to end of August out of the type 2 diabetic injectable products from Elilily the market has grown at 11.5% so you can argue that almost 1/3 of the total market growth is contributed by one product from one company, which is taken the market by surprise as we discussed before.

In our other export markets outside of Saudi Arabia we are growing significantly as I'm going to show you on the coming slide in our key markets, Egypt is tracking very well and continue to show very strong performance on the value side, growing at 37% on the unit side growing at double this figure almost at 63%-64%.

Portfolio point of view we are really progressing in our cardiometabolic, getting 16% growth YoY still coming from a low base mind you, so we are managing our expectations well, but it is a good start if I may say. Our new products are tracking very well based on YTD targets and tracking above targets of our new launches are really ticking the box on a green front when it comes how its tracking versus budget. Manufacturing our Jeddah main facility as I've always shared with you it is almost working hand to mouth operating at a 97% utilization rate, the new sterile facility produced YTD 2.6 million, and Egypt continues to track well, the manufacturing facility there is now contributing between 60%-70% of the month and month sales of the local operation in Egypt. And we aspire once we transfer all new products registration there the existing portfolio, we are going to have the Egypt facility contributing up to 90% of the local operation requirements in Egypt. Still we are working as I briefed you last time on some E-initiatives when it comes to business development for adjacent categories, we are looking at bio-tech biosimilars, we are looking at adjacent categories, how we can strengthen our cardiometabolic portfolio to make Jamjoom Pharma a leader at this front plus some other key therapy areas that we are taking, but definitely we will continue to update you once we sign deals and finalize such initiatives.

Next slide Mohammed.

That's a refreshed update on our every plant of our four facilities today, and how its tracking, so in the Saudi main Jeddah facility, we believe we will get the capacity up 250 and beyond and YTD we have managed to get 109 million out of this facility, the new sterile facility as I told you produced 2.6 million but still early days because we didn't get the full license for all the products that will come out of this facility register to commercialize, you know we need two licenses for this plant; one for the whole plant which we already got from SFDA so this plant is fully operational but still we have to have every product moving from this facility to this facility to have license to commercialize out of the new facility, and we are doing this gradually as we speak and we believe we will finish this product transfer by end of 1Q 2025 beginning of 2Q 2025. In Egypt we are tracking today at 60% of the requirement of the operations there satisfied by the local facility, we track at 18 million units produced YTD and we believe that we will close the year at something close to 25 million units which will be almost at 50% of the capacity utilization based on the theoretical capacity that we assume for this facility which is 52 million. In Algiers, in our JV we are tracking well we have produced YTD 8.2 million but all these products if I refresh your memory, they are us manufacturing for a third party which happen to be Novartis in this case, the formal owner of the plant we are manufacturing there established these product against a fee there and this contribute to the majority of our production in this plant.

Next slide please.

Yeah, so that's a good summary slide that can show you the performance split on the left hand side into every therapy area the growth, on the right hand side on the top every market how its contributing to the growth and then on the bottom right hand side the key areas that contributed to this growth. So, if I start on the left hand side, basically we have grown YoY in the first 9 months 19% or 18.7% to be accurate as you can see every therapy area contributed very positively, ophthalmology and dermatology at close to 20% and 21%, every other therapy area contributed very strong, anti-diabetic obviously doubling but it's coming from a low base and different timings as well because we didn't have a full year sales last year in Saudi. By country I'm very pleased with the contribution this year, because as we speak at the moment we close the 9m at every market above 100% achievement tracking to the target set and contributing very strongly to the growth, Saudi as our most close to mature market growing at a significant 17%, Gulf 19%, Iraq another 17%, North Africa and other export markets at 21%, Egypt as I told you earlier 37% in value growth 64% in unit growth. If I look at what contributed in term of optimized this area you can see that its almost 80% coming from growing the existing portfolio that we carried forward from 2023 into 2024, and the remainder of 20% are almost split coming from new brands and coming from price

increase, so almost 15% of the 19% growth are coming from the growing the existing portfolio and the other 4% are 2.5% from price increase and 1.5% from the new products.

**Tarek:** Moving forward, Mohammed, that's a slide that I keep on updating for you every month. I'm very proud and will continue updating it with you. Basically, to refresh your memory, this is a slide that shows you from January twenty twenty-two up to August twenty twenty-four. Every small line for each of the five competitors here includes Jamjoom Pharma. In the middle, represents a month, and every red reflects that these particular months have declined versus their equivalent months in the prior year, and every green reflects that these particular months have grown above their equivalent months over the previous year.

**Tarek:** So, as you can see, while Jamjoom Pharma in over thirty-two months has only one red dot in its thirty-two months, which means only one month showed a decline compared to the prior equivalent months in the previous year, all other companies are tracking between six to eleven negative months. This shows something I'm really proud of and have shared with you, which is not only the deliverables of the Pharma team quarter by quarter or year on year but also the consistency of our performance when we track it against our peers as well, or the top five players in the retail market in Saudi. On the bottom right-hand side, you can see that year on year, Jamjoom Pharma has outpaced market growth and really added market share year on year. Mind you, the share we are reflecting in twenty twenty-four here is without taking off the impact of the injectable type two antidiabetic product that is contributing one-third of the market growth. If we remove this out of the equation, then our market share will be above six percent; it will basically be six point one five percent share. Something we're really proud of, and we keep on tracking well against all the criteria we set for ourselves as performance indicators.

**Tarek:** Next slide, please. So, this is just a quick pipeline overview whereby it basically shows you that our pipeline across all the therapy areas on the left-hand side is split fifty-fifty between products that are already submitted to Saudi FDA waiting for approval or about to be submitted, and the other fifty percent is under development. So, a good inventory, and hopefully we can push the submitted products to get quick registration to achieve speed to market, and we can also accelerate the under-development ones to replace the ones ready for submission. At the same time, as I shared with you earlier, we're actively looking at adjacent categories to contribute, first complementing the existing therapy areas with other agents or to get us into adjacent categories that will be complementing and stronger drivers for our business growth going forward, like biotech products and some other areas in cardiometabolic and other fields.

**Tarek:** Next slide. So here is a slide I always share with you as well, quarter by quarter, which shows how we are transitioning the business from twenty-one into the first nine months of twenty-four. You can see that in twenty twenty-one, we had ophthalmology and dermatology, which are our key two areas contributing almost to fifty-five percent of the business. Today, while I shared with you earlier, and it's mentioned here at the bottom of the slide, both these therapy areas are growing at a very phenomenal twenty-one and nineteen percent respectively. Still, we are growing the majority of the other business at a higher pace, hence the contribution of ophthalmology and dermatology is getting less, and we are diversifying our business through better contributions from gastrometabolic, consumer health, and general medicine. So, I'm very pleased with this transition. While we are strengthening our leadership in ophthalmology and dermatology, we are also growing our business everywhere else at a higher pace, allowing us to diversify the portfolio in a healthy manner.

**Tarek:** Next slide. With this, I will hand over to Anwer, our CFO. He will take you through our key financial highlights, and then we'll go back to discuss the guidance and any questions you have.

**Anwer Mohiuddin:** Good afternoon, everyone, and thank you for joining us today for our earnings call. Mohammed, next slide. I am pleased to share that our performance in 3Q twenty twenty-four has demonstrated continued growth across all financial metrics. Our revenue increased by twelve percent year-on-year to Saudi 328 million, driven by strong demand across key therapeutic areas as well as new product launches. This reflects our broader trend for the first nine months of twenty twenty-four, where we have achieved an overall revenue growth of eighteen point seven percent, reaching over one billion

Saudi Riyal. EBITDA also saw significant growth by twenty-three percent year-on-year to Saudi 112 million in 3Q, underscoring our focus on cost control and efficiency improvements, which led to an EBITDA margin of thirty-four point five percent in line with our performance in the nine months of twenty twenty-four. Net profit increased by twenty-three percent year-on-year to SAR 95 million, showcasing a consistent net profit margin of twenty-nine percent, which remains above market expectations and reflects our continued profitability across all our key markets. Additionally, our free cash flow saw significant growth, increasing by thirty-eight percent year-on-year to Saudi Riyal 138 million, driven by disciplined cash management and a focus on generating liquidity to support growth. Moving to the next slide, we will discuss our production costs and operating expenses and how we address cost inflation to preserve our margins.

**Anwer Mohiuddin:** Turning to our cost management efforts, we have effectively navigated rising costs, particularly in our cost of revenue, which rose by twenty-nine percent year-on-year. This was mainly driven by increased raw material prices, changes in the product mix, and higher supply chain costs. However, we managed to contain operating expenses, which increased by only six percent year-on-year, highlighting our continued focus on efficiency. Our material expenses increased by thirty percent year-on-year due to production ramp-up across our facilities, while salaries and employee-related costs rose by twenty-eight percent year-on-year due to increased manpower for our new facilities. Despite this cost pressure, our effective cost control has helped mitigate their impact. Our direct production costs per unit increased slightly to three point one Saudi per unit year-on-year for nine months twenty twenty-four but remain significantly lower compared to the year twenty twenty-two.

**Anwer Mohiuddin:** Moving on to the next slide, we focus on our margins. Moving towards profitability, I'm pleased to report that our EBITDA margin expanded to thirty-four point five percent in nine months twenty twenty-four, representing a two percentage base point improvement from last year. This improvement was achieved despite rising costs, thanks to operational efficiencies and improved sales efforts. As shown on the right side of this slide, our EBITDA and net profit margins have remained strong throughout twenty twenty-four, positioning us as an industry leader in profitability. Notably, our EBITDA growth outpaced revenue growth, expanding by twenty-six percent year-on-year in nine months twenty twenty-four. This performance is supported by our strategic efforts in cost control, economies of scale, and portfolio optimization across all our key markets, in addition to meaningful contributions from our joint venture in Algeria.

**Anwer Mohiuddin:** We will now move on to the cash conversion cycle on the next slide. Lastly, our focus on cash flow efficiencies continues to support our growth strategy. Our cash conversion cycle increased slightly by five percent to two hundred eighty-two days, reflecting our strategy to build inventory reserves and manage our receivables and payables due to business expansion. Working capital grew by eleven percent year-on-year to six hundred eighty-three million in line with our revenue growth and we maintain a strong free cash conversion rate of eighty-seven percent. We have also increased our inventory levels of raw materials to meet future supply challenges. Despite this investment, we ended the period with a net cash position of one hundred nineteen million Saudi Riyal, reflecting the strong liquidity position of the company. This performance highlights our ability to balance growth with financial prudence, enabling us to continue supporting future expansion, particularly in high-potential markets outside Saudi, such as the Gulf, Iraq, and Egypt.

**Anwer Mohiuddin:** With this, I would like to hand over to Dr. Tarek for the future outlook and guidance.

**Tarek:** Thank you, Anwer. Moving into the next slide, we shared with you last quarter that we upgraded our guidance for the top line to fifteen to eighteen percent. Today, we track at eighteen point seven, so very close. Our EBITDA margin is also tracking positively compared to the target we shared with you, and on capex, as I said, we track at the lower end of the range we provided, which is four to six percent, and we are currently at four point four percent of the capex percentage from the top line. I want to take this opportunity to reassure you of our guidance for twenty-five and twenty-six. Since going public, I have shared a longer-term outlook that stretches beyond just one year. We committed to growing the business at twelve to fifteen percent on the top line until twenty twenty-six, we are re-assuring this, the EBITDA margin will track at thirty percent, with the possibility of a hundred to two hundred fifty basis points. We



will also maintain capex at four to six percent of the top line. Additionally, we are committed to strong dividend distributions on a biannual basis at a payout ratio of fifty to sixty percent. We did the first half dividends of one point six Saudi Riyals per share, and we will continue with the fifty to sixty percent payout ratio at the end of twenty twenty-four, God willing. So with that, I will stop here and will invite any questions from your side.

**Al Rajhi Capital:** Thank you, Dr. Tarek and Mr. Answer for the insights. We now open the floor for the Q&A session. Before we start, a few instructions: please limit yourself to two questions, and you can ask your question by clicking on the hand raise button or using the chat box. The first question is from the line of Ibrahim. Ibrahim, please mute yourself and go ahead.

**Ibrahim Atiyah:** I'm Ibrahim Atiyah from Ashmoor investment. Congrats, Jamjoom management for those great results. First question comes to KSA revenue, so if you can help me understand this: you achieved twenty-four percent sales growth in the private market KSA, and you've mentioned you've achieved as well forty-one percent growth in the tender market on the trailing twelve-month basis. This resulted in only seventeen percent growth in recognized sales from KSA. So, what caused this discrepancy? Is this in discounts?

**Tarek:** Where did you get the twenty-four percent in the retail market from?

**Ibrahim Atiyah:** This is what you are showing in the slides where you showed the monthly sales growth for Jamjoom and the peers.

**Tarek:** So, did we show, Mohammed, did we show that we are growing the retail market at twenty-four percent?

**Muhammad Bin Khalid:** So, this is the IQVIA number.

**Answer Mohiuddin:** This is IQVIA in market number; it's nothing to do with sales gross sales.

**Tarek:** Sorry, sorry, no. You're mixing between our actual reported data from Pharma and the IQVA; it's different. Here I'm showing you a year to date that, based on it's showing that we are growing at twenty-four point one percent. In total return market but that's, as I always said, that's seventy-eighty percent accurate normally because it has some discounts associated. It has some free goods associated, as you mentioned, it has some other things that skew the data. But that's applied on the total market and applied on us as well.

**Ibrahim Atiyah:** Yeah, so Dr. Tarek if we take the twelve trailing twelve months for KSA revenue, it grew by fifteen percent only, right? This is the net revenue.

Your gross revenue in the private market grew by twenty-four percent and tendered by forty-one percent. So, does this discrepancy or the variance imply higher discount you are providing?

**Tarek:** You are not comparing like with like; you're comparing different things. Forty-one percent is our actual growth, our actual internal data. This is the numbers we report to you. You cannot compare the IQVA data with our actual data. These are two different reporting and two different measures. You cannot compare this together. IQVIA data, the market statistics data is just a guideline for us, but its percentage accuracy, as I said, it's seventy sometimes eighty and more or less because it has some other elements. So, you cannot compare our internal data, the one I'm sharing with you, with IQVIA. These are different things. Okay.

**Ibrahim Atiyah:** Great, thank you.

**Tarek:** Take it there because that might be in your mind Ibrahim, why do we share IQVIA with you if it's not as accurate as hundred percent or close? That might be a question in your mind and other minds because this is the only benchmark that I can show you us against others because in our internal actual data, I can only conversion from Pharma and how we tracked this year versus last year and versus budgets, but I cannot compare against peers. The only comparison against peers is this one that I have to take from the market statistics agency, and then I will show you how they are tracking us and how they

are tracking the competition. That's why we're sharing this data with you.

**Muhammad Bin Khalid:** The actual reported number for Saudi private sales is fifteen percent or forty-one percent for tender, so that brings you to the seventy-eight percent growth.

**Tarek:** Exactly, yes. So go ahead.

**Ibrahim Atiyah:** We are thankful for sharing this information.

**Second Question from Ibrahim Atiyah:**

So, should I go to the second question? Okay, great. You've mentioned that research and development expenses declined by five percent year-on-year. This reduction is mainly driven by a strategic shift in our R&D focus. Driven by Identifying and capitalizing on growth opportunities in high-quality product launches. So, cost also relates to exhibit batches and supplies consumables. The question here is, have you started during this quarter to capitalize R&D expenses, or have you been doing this before? If so, where should we see it in your financials? Is it an addition to intangible assets or an addition to PPE?

**Tarek:** Anwar, would you like to take this question?

**Anwer Mohiuddin:** We are not capitalizing; we are charging it to the P&L, and it is part of G&A expenses.

**Ibrahim Atiyah:** So, the deduction is not due to capitalization?

**Anwer Mohiuddin:** No, not deduction.

**Tarek:** So, we are reporting actual figures, so it's a true reduction. As we are doing with everything else, we are focusing on a lesser number of projects but of higher quality, as you said strategically. We are also addressing how much the exhibit batches will cost and how much getting the material will cost us. We're giving saving targets to people, so we're doing more with less, basically, and we're focusing on a lesser number of products.

**Anwer Mohiuddin:** If you look at our financials, we have a separate line showing research and development expenses. This reduction you are seeing reflects operational efficiencies and focusing on strategic products, where we are reducing our overall R&D expenses.

**Ibrahim Atiyah:** Very clear. Thank you, gentlemen. I'll go back in the queue.

**Question from Usman Siddique:**

I just have two questions. One is in the third quarter revenue growth of your core therapeutic area, which is ophthalmology and dermatology. We saw strong growth in the first and second quarters around twenty-five and thirty percent for both of the therapeutic areas, but in the third quarter, both of these therapeutic areas witnessed slow growth, like six and four percent respectively. So, I just wanted to understand, has there been any reason for that? And the second question is about profitability in Algerian operations. So, with that, the company was contributing around two million per quarter in the first and second quarters, and then I think it reported seventy million this quarter, so is there any one-off, or is that a sustainable number that we can focus on? Thank you.

**Tarek:** Sure so, your first question is about ophthalmology and dermatology. You're saying that we grew earlier at twenty-nine and thirty, and now at twenty-one and nineteen. That's just a quarter-to-quarter move, and you need to take many factors into equation. How did the same quarter last year track? How In-market are tracking? You remember, shipments are just a final product of us shipping the goods from our plant into our distributor warehouses; this is where we record the sales, but the in-market sales can be tracking differently. You cannot really draw a conclusion to say that because they are growing today at twenty-one and nineteen percent, then we are slowing down the growth. No, on the contrary, because you have to take into account how much the equivalent quarter of last year's performance was. So, you have to take all this into account in order to make a fair comparison. Your second question is about the Algerian contribution. Answer, would you like to take this then I can add on?

**Anwer Mohiuddin:** Yes, actually, Algeria started their production very late, in May I believe. May and June, they started production, and then they started selling. So that is the reason that you don't find that revenue, but after that, you are seeing this revenue, and it will not be one off it will be continuous. It depends upon the revenue in each quarter. The reason that you don't find it in the first half is that production was late in Algeria.

**Tarek:** The only difference in Algeria compared to our other facilities is that the majority of our revenue here and margins are from products that we are producing for a third party, which makes us liable to them supplying us with raw materials. So, we are in a position to produce so it's not all in our control. As Anwer mentioned, it was early days in the first quarter specifically this year because we only concluded the deal in August-September last year, which had hiccups in receiving materials for production. We believe that today we've stabilized the organization, so that at least you will see such impact, and hopefully we can grow it a little bit as well. But, again, it's not all in our control compared to our other facilities. We try to make it as feasible as possible for us to sustain such a contribution.

**Conclusion from Usman Siddique:** Alright, thank you very much. Sure.

**Al Rajhi Capital:** Just a reminder to the participants if they have a question, they can use the hand raise button or use the chat box, ask the question.

Okay, before we have our next question, we can allow for a follow-up from Ibrahim as he had a few more questions. Ibrahim, you can go ahead.

**Ibrahim Atiyah:** Thank you. So, a follow-up question on the margin overall. First question comes to the guidance. Your EBITDA margin includes the share of profit from the JV. Is this correct?

**Tarek:** Yes.

**Ibrahim Atiyah:** How much are you penciling in terms of margin expansion coming from the JV versus the core business or the original business that you're having?

**Tarek:** In the grand scheme of things, small contribution to our total; that's what I can say, Ibrahim. In the grand scheme of things, we are hoping that it can grow at the same pace that we are growing everything else. But it will remain for the coming few years in the grand scheme of things, a very small portion to contribute to our total margin. Remember, we are only operating today with one manufacturing facility or one line of manufacturing facility, which is oral dosage form or oral solid form. We are in the process of investing into building an ophthalmic unit and a dermatological unit that will come in at least two to three years from now. Once we complete our lines of production, then you will see perhaps a different improvement in terms of the margin this organization contributes to our total margin. But today we are only having a subset of this total contribution, so it's still very small. Don't forget and remind everyone that Algeria and Egypt are there to contribute to the longevity of our growth, not to the short and medium term. So, we keep on fulling these two organizations so that they are ready to contribute in a few years' time in a more significant way into our growth, both in the case of top in Egypt and the bottom line in the case of both of them as well. But today it's still very small.

**Ibrahim Atiyah:** Second part of the question is the GP margin which has been on a contraction trend for the fourth quarter, and I understand there have been so many questions about this in the last earnings calls but have there been any recent developments.

In particular, what has caused the acceleration in GP margin contraction?

**Tarek:** Anwer, would you like to take this question, and then I will comment?

**Anwer Mohiuddin:** Yeah, it is, you know, product mix and geographic mix. Sometimes, you know, a little bit increase in Egypt sales with the margins being less—maybe in this quarter the tender deliveries are more. Tender sales are more as well, which can contribute to this contraction of the margin. So, it is nothing too special. Yes, as we explained, there is a little increase in our supply chain costs and material

costs due to these supply challenges, but we are managing it very efficiently, so nothing is particular.

**Tarek:** The way we look at our gross profit margin, it's evaluated on an annual basis rather than quarter-by-quarter because things can fluctuate. We set ourselves a target for the full year, and hopefully, we will stand at meeting or exceeding this target at the end of the year as part of our KPIs. In some quarters, to Anwer's point, when you see that the product mix this quarter was not the most preferred for us, or there are more tenders compared to retail sales, we manage other elements of the P&L so that we continue to track in a very lucrative manner compared to our final targets. Hence, you see where our EBITDA is tracking today and where our net margin is tracking. But gross margin is the final product of a quarter-by-quarter basis based on your mix of the markets and the products that you sell.

**Ibrahim Atiyah:** Thank you, congratulations again on the results.

**Tarek:** Thank you, thank you.

**Tarek:** Other questions.

**Al Rajhi Capital:** Yeah, next question is from the line of Maha. Maha please unmute yourself and go ahead.

**Maha AlMarwani:** Therapeutic drugs, so it grew by fifty percent. Is that related to any weight loss drug? My second question since most of the growth came from weight...

**Tarek:** I lost you on the first few seconds of your first quarter question. I only heard the growth but by fifty percent, but I don't know what you are referring to regarding that growth at fifty percent.

**Maha AlMarwani:** Ah, ok. Antidiabetic drugs, so weight loss drugs go under that area. So, did that growth come from a weight loss drug? My second question is, is there a possibility for you to enter that category since most of the market growth came from that?

**Tarek:** Okay, so what I showed you earlier on when we discussed the therapy area growth, I showed you that our antidiabetic has grown year on year by more than one hundred percent. So, it doubled its sales, but it's coming from a low base. The antidiabetic products that we have at the moment are all oral, and they don't address weight loss. Yeah, yeah, as you can see here, we mentioned that antidiabetic has grown by one hundred and ten percent but is coming from a low base because we're not comparing like with like here, as we didn't have them for the total periods, or for the products we launched last year; they were not there for the total period of the initial nine months. But, when I mentioned the weight loss product, that contributes out of the total markets, not only our business, but the total Saudi market in the retail front by almost one third. These are products that we don't have in our portfolio today, and regarding your later question, we don't expect to have it until the year twenty twenty-nine or twenty thirty when the patent expires. Unless we find another creative way to have it, which at the moment I cannot comment on because we don't have anything on our radar that can bring a product like this into our portfolio earlier. But we keep looking at ways to complement our antidiabetic portfolio with stronger products, either on the weight loss front or other fronts.

**Maha AlMarwani:** Thank you.

**Tarek:** Sure. Any other questions?

**Al Rajhi Capital:** The question is from the line. Ahmed can you unmute yourself?

Please check your mic.

We're still unable to hear you; you can use the chat box if there is any issue with your mic.

**Muhammad Bin Khalid:** We can take a couple of questions from the chat box Madhu.

**Al Rajhi Capital:** Sure. Yeah, there is one question related to Egypt.

Why was there a drop in revenues from Egypt? A drop of about nine percent in quarter three; that is question number one. Second is about the raw material cost increase; it grew by thirty percent, so what



was the major reason for such an increase in raw materials cost? These are the two questions, and there are more questions which I'll read out later.

**Tarek:** Okay, so the earlier part, I guess the drop is again quarter to quarter, and as I mentioned, we don't really track sales in key markets quarter to quarter, especially when it comes to shipments because it can have many elements. For example, let me focus on Egypt.

**Tarek:** We have a very key product that is Egypt-specific. We don't sell this product in other markets; it's called Momenta. It's a product in the dermatological line that we don't sell in other markets except in Egypt at the moment, and we were supposed to supply a significant amount or volume of this product by the end of or before the end of September, and for some issues related to getting approval for such a release, we were delayed in that release. So that impacted our sales in September and impacted the quarter. But what I need you to remember is that year to date we are tracking in Egypt at above one hundred percent budget achievements, at thirty-six or thirty-seven percent growth year-on-year in value. And more than sixty percent growth in volume or units sold. That's what we track, and we know that we are moving in the right direction. If we lose sales in a given month, we compensate in the following months, especially in cases like the one I mentioned, where we have the product ready but did not receive the necessary approval from authorities before the end of September. However, we expect the sales will take place in October and will compensate.

Regarding the question about the raw material cost increase of thirty percent, this is not specific to Egypt but relates to the total company as indicated in the slide that Anwer presented.

**Anwer Mohiuddin:** Yes, doctor. Yes.

**Tarek:** You go ahead and comment, and then I will provide additional insights as well.

**Anwer Mohiuddin:** Yes, actually it is not that, ok. It also depends upon product mix, as explained, as it took us some time to bring the products to market. In the quarter you are comparing, there were different products with varying supply levels. Yes, there is a slightly increase in raw material costs that are affecting the overall margin we faced some challenges with airlift or other supply disruptions in red sea, but we are also procuring strategic raw materials in advance, which is why you see we are building inventory. We are managing the cost efficiently, although we are quite aware of challenges so the GP margin will not be disturbed onward.

**Tarek:** It's everything that Anwer mentioned, plus I want you to keep in mind that this will be an ongoing discussion moving forward. Any time you see something like this, it indicates that we are successful in our strategy if the top line is growing healthily along with the bottom line. The raw material is a function of what products you are focusing on and you are selling. The antidiabetic products are relatively high in price of sales, relatively high in acquiring raw materials. Last year, we only had these products for part of the year, whereas this year we are tracking at a full nine months, including strategic purchases planned to support sales through the year. As we increase our focus on higher-priced higher cost products, we expect better contribution to margins, and we continue to explore complementing our antidiabetic portfolio with stronger products in adjacent markets you will always see this growth which is done by design as appose to happening to us accidentally because the more you enter this kind of product the more you will find you are growing your raw material at a higher rate. For me it's all positive as long as the total P&L is managed in a good way and EBITDA is increasing at its highest almost since we've started and the Net margin is tracking really well.

**Al Rajhi Capital:** There is one another question which is related to the raw material increase which is if you know the raw material cost has gone up so much, is there a case for you to apply for price hikes.

**Tarek:** So, we keep, I mean It's not, as I said, I think I'm glad I anticipated this because I hopefully answered this in part in my last answer because that's already, this increase is already included in some of the antidiabetic products that we got already from the Saudi FDA, and we got them for a relatively good and high price. And in one of the cases where we didn't have the right price, we went and appealed again, and we got a higher price. So, we track well. In this regard. And as I mentioned last year, and this year as

well earlier, the majority of the price increases that we had, we had it last year, and we were tracking at a catching up basis, so all the low hanging fruits have been reaped. Price increases will continue to happen to us hopefully, and it will offset any price reduction. Like I showed you, this year out of the nineteen percent year-to-date growth, two point five percent or so out of this nineteen percent is coming from price increases. Which is good, but it's not as high as the ten percent contribution last year of the price increase in our Saudi market and the total five percent for the total business that we got. So, as I said, we'll continue to witness, and we continue push the envelope and ask for price increases either in Saudi or significantly in Egypt where we are catching up those evaluations as well, but it will not happen in one time as I will always explain to you. But the government will manage it gradually there on cycle of price increases and other places as well. So, we'll continue to get this hopefully and in a manner that can offset any price reduction, as I mentioned, but the ten percent you saw last year will never happen again out of Saudi business because we already reaped all the low hanging fruits and whatever remains is one product here, one product there that will keep on pushing the envelope.

**Al Rajhi Capital:** We have one more question which is related to cost and margin; this is about the sales of diabetic drugs. Let's assume it continues to increase, will that create any pressure on your margins?

**Tarek:** As I just mentioned, these products come at a good, relatively speaking, high price that we sell as well, and relatively speaking, one of our best margins. So, on the contrary, the more we sell into antidiabetics there, the more we will, that's why we are aiming to be a significant leader in cardiometabolic over the coming three to five years, we will not have this strategic aim if these products will be margin dilutive. That will not be a good business for us to plan for this, quite honestly. I thought that the question might be about increasing our sales in tender and institution, which has already been addressed because, as we showed you, we grew our tender and institution business in Saudi, which constitutes more than fifty percent of our total business by forty-one percent year to date, and still, we are presenting this awesome percentages on post EBITDA and the net margin and gross margin still. So, we're managing this quite well as we speak.

**Al Rajhi Capital:** Now we'll move back to the hand raise option. I could see Ahmad's hand being released. Could you unmute yourself and try again, Ahmad?

**Muhammad Bin Khalid:** I think Ahmad shared a question with me privately on the chat in which you're mentioning that so I'll read it out; he's asking that despite a twelve percent increase in top line quarter over quarter of last year in revenue, the company has seen a four percent drop in OPEX in the third quarter of twenty-four. What does this trend continue for the future?

**Tarek:** Four percent on the decline in OPEX versus the twelve percent increase quarter on quarter.

Yeah, I mean, as I said, I assured you guys, we don't look at our business quarter by quarter. We don't track our business quarter by quarter. Because anything can happen, like for example, one quarter, I'll tell you some of the, so that you are with me in the same line of thinking. Our OPEX is a subject of many key areas that we track OPEX against. One of them is our sales and marketing expenses, that contributes significantly to our total OPEX. This can fluctuate from one quarter to another. For instance, part of what we do in sales and marketing sometimes involves sponsoring physicians into key international symposia that will maximize their learning and reflect positively on them, helping their patients by directly or indirectly prescribing the right products, and hopefully our products will be part of this therefore, some sponsorship expenses can occur in one quarter more than in another, or an expense may move from one quarter to another, or even take place in the quarter you mentioned, but we may not have received the bills yet. So we'll get those in the following quarter. This is how we track our business. We don't really look at it month by month or quarter by quarter.

Answer, would you like to add anything?

**Anwer Mohiuddin:** Yeah, you already explained that. So, we don't look into this as Dr. Tarek said. Sometimes we spend high expenses in sales and marketing, but going forward, it will be annualized by the end of the year. However, on the other hand, we are also putting all our efforts into managing our efficiencies. So, we are bringing efficiencies into different parts of our OPEX. So that is also something we

are continually working on.

**Al Rajhi Capital:** Next question. Asmar. Could you unmute yourself? We are unable to hear you.

Yeah, now we can please go ahead.

**Asmar Shams:** Yes, I'm asking, could you just reiterate your plans for the Egypt facility in terms of how do you expect its capacity utilization to ramp up over the next year or so? And also, what are your plans for exports to other markets from the Egypt facility? Thank you.

**Tarek:** Yesh sure. So, Egypt as I said, will close this year or we'll finish the year at something close to twenty-five million, give or take north or south of this, and this will constitute almost sixty-plus percentage of the local organization needs. Not because we cannot ramp the production at a higher pace, but because of how gradual we can move the one product after the other getting the certification from the local authority for this product being certified as important to now being certified to be locally produced. So, it takes time. As I said, next year I expect Egypt to contribute before the end of the year to almost ninety percent of our local needs of the Saudi organization needs, which will basically be, give or take, looking at capacity utilization into the seventy to eighty percent. Hopefully, we'll have as well some plans to get clarity about exports to neighboring markets, as I always shared with you, the likes of Sudan, the likes of Libya, the likes of Ethiopia, and the others which I cannot affirm today, because this is subject to us submitting for regulatory approvals from the local authorities approving that they get their supply from the Egyptian plant as opposed to the Saudi plant. But definitely, the plans are there and hopefully, we'll do this gradually as well; not all markets will give us approval at one given time or at the same time to send the products from the Egyptian facility to the markets, but it will happen gradually, one market after the other. So, we expect that in twenty twenty-six, we are going to get the Egyptian plant capacity utilization up to eighty-five or ninety percent. Satisfying both the local organization in addition to the export needs for certain adjacent markets. And we are working from today. Don't forget, I mean the theoretical capacity that we know today of the Egyptian plant is fifty-two million but this fifty-two million perhaps is based on, let me give you an example on one shift or one point five shifts. We can put this always to two shifts or more, which will yield us more unit capacity. Some upgrading of certain machinery, for example, can give us some boosting. As we did exactly in the existing main facility in Saudi. So, I expect that with very little tweaking here and there—addressing efficiency and effectiveness as well—this fifty-two that you see today on paper, we can take it up to the sixties and seventies or beyond. Which will hopefully satisfy both our requirements on a local basis in Egypt as well as the key export markets that we are going to export to out of Egypt. So, this will take us into year twenty twenty-seven, or twenty twenty-eight.

**Asmar Shams:** Thank you, can I ask a follow-up question?

**Tarek:** Yeah.

**Asmar Shams:** Yeah, so just want to ask, are you currently facing any challenges in terms of raw material imports into Egypt, and how is your Saudi business supporting any forex requirement of the Egypt facility?

**Tarek:** Right, so we stopped supporting Egypt from Saudi, and I hope this will continue to be the case because now there is far much better availability of hard currency on the local front so that we can get and we can use for purchases. I mean, the only challenge to put you in the picture was something I'm facing today with getting raw materials. It's not the scarcity of getting it or whatever, but it's the cost I'm getting it at because, don't forget, every product going into local production in Egypt, I have to spend at least a year up to eighteen months using the same raw material from the same source that I'm relying on for Saudi so that I don't have any tweaking or change. So, we can assure the quality in the first time. So, I'm getting materials to Egypt, in the majority of it, at the moment, at the same cost I'm getting it for Saudi, from the same supplier. I'm hoping that this period will elapse soon and then I can get really materials to Egypt at the real competitive cost for supplying Egypt as opposed to relying on the same Saudi cost that I'm getting material at today, which will hopefully give us some significant savings for producing in Egypt at a different cost. But this will happen eventually because product by product will have to move into

getting locally certified, and then we'll have to wait for twelve to eighteen months using the same supplier so that we don't impact negatively the quality, and then they will allow us to move into supplying this out of other suppliers as opposed to the same Saudi supply.

**Asmar Shams:** Thank you very much.

**Al Rajhi Capital:** Last question from the line of Abdullah.

**Abdullah:** Dr. Tarek I have a question regarding the share, you mentioned previously that Jamjoom occupies four point eight of the market share. Is this the Saudi share or the Gulf or the Middle East share?

**Tarek:** Five point eight you mean, is our share or market share in the retail market and just to refresh your memory, the retail market constitutes up to seventy percent of the total Saudi business. So that is only in Saudi?

**Abdullah:** Thank you.

**Al Rajhi Capital:** Do you have a minute for another question, which is in the chat?

**Tarek:** Yeah, yeah, I have all the time. Don't worry.

**Al Rajhi Capital:** Yeah, so there are a couple of questions in the chat box, and those will be the last ones. So, one is about the timing of the tender sales. Does it happen only in any particular quarter like it happened this year in 3Q or can it happen anytime during the year? This is question number one. Second is about the long-term guidance on gross profits. And EBITDA Are you willing to share guidance beyond twenty twenty-six?

**Tarek:** Right, ok. So, the first question, basically just to remind you and refresh your memory about how the tender process happens in Saudi Arabia, which is our key contributor to the institutional tender business. Everywhere else, we still have some tender and institution business in places like Iraq or the Gulf, but relatively small when you take it in the grand scheme of things compared to the one in Saudi. So, let's focus on the one in Saudi. The authorities, moderated by Nupco, issue a tender every two years, basically. In late twenty-three, beginning of twenty-four, they will issue a tender, whereby companies can quote, get their quotation, and then supply for the remainder of twenty-four, twenty-five. And then they will come again in twenty-six and issue the following tender. Now, the supplier happens regularly; it's not one month more than the other or there's a relatively very slight seasonality in this. But it's a subject as well of us and our ability to meet and stick to the requirements in terms of the timeline. Sometimes we find ourselves in a position where we receive the tender audition for certain products, and there is a significant increase in volume versus the previous standard, and they require more in the earlier parts of the tender supply than the latter parts. We didn't make our plans based on this, so sometimes we supply less in certain given months therefore, we catch up as we move on. It's not really carved in stone, and we don't have one hundred percent adherence to timing because tenders in Saudi only constituted about fifteen percent of our total business until the end of last year. This year, I believe we'll close somewhere south of that; perhaps it might increase slightly 17%-18% but still, we have more than eighty percent of the business in retail that we have to prioritize. Thus, this other business will always take precedence, especially since we often find out about tender or patient later in the year, which requires us to manage our operations accordingly to catch up on missed sales. This explanation summarizes how the tender business operates. But it's more about our ability to try to meet the timelines based on our initial forecast and based on the previous volume and sometimes we were spot on and sometimes we lack behind a little bit because they give us quantities beyond our expectations, and we struggle to get the materials on time. So, it takes us longer time to supply. So, this is how the, the process work in a nutshell.

**Muhammad Bin Khalid:** And for the second part of the question about the guidance...

**Tarek:** ...about the guidance, as you can see, I mean we share I don't think quite honestly and that's not a credit for us but on the contrary it's more of us showing respect to you guys. Many of you are aware since we went public, we never provided just an existing year guidance. We stated we'd provide a plan that will carry us from twenty-three up to twenty-six because we manage our business almost in cycles of three

years, give or take. Some may argue it's a shorter period or that others might give only annual guidance, but we decided to give for a three-year cycle. Thus, we have guidance up to twenty-six, and as we approach twenty-five, we may provide a longer-term plan that extends into twenty-seven or twenty-eight or twenty nine. At the moment, we have completed a year and a half of the initial plan, and we remain committed to this guidance for the top line, we anticipate growth of twelve to fifteen percent, and for the EBITDA front, we expect thirty to thirty-one percent margins. We have never given guidance on gross profits because gross profits alone won't help you forecast the company accurately. We can have higher gross profits, but lower EBITDA and net earnings. What matters more is how we track our EBITDA margin and our net profit margin; these are the more important metrics we share regularly.

**Al Rajhi Capital:** Very helpful. So, we have already exceeded our one-hour slot, but I see that...

**Tarek:** Yeah, I don't mind.

We do this once per quarter, so I can entertain pressing questions.

**Al Rajhi Capital:** Sure, so this will be the last one. Sultan, please go ahead.  
There is some issue with Sultan's mic. Sultan, could you try again?

Or you can post your question in the chat box.

Doctor Tarik, it seems there is some issue with Sultan's mic. So, either we wait for a minute or...

**Tarek:** So, we can wait for a minute, no worries.

**Al Rajhi Capital:** Okay, sure.

We are still unable to hear you; you can use the chat box to post your question.

So, I'm not sure whether he's able to hear us. Okay.

**Tarek:** So, he can always send it later to Mohammed bin Khalid, and then we can entertain it via email or through other chat methods.

**Al Rajhi Capital:** If you have any closing remarks, you can share that and with that, we'll end the call.

**Tarek:** Again, as always, I really appreciate the creative listening of all our investors who have become partners over time. I'm very pleased with our results so far, and we're committed to continuing to push for stronger results as we move on up to the end of twenty twenty-six.

Thank you for your quarterly attendance, and I look forward to sharing with you our full year results for twenty twenty-four sometime in January. Thank you very much, and God bless all.

**Al Rajhi Capital:** Thank you, Doctor Tarik and the team, and also the participants for joining the call. Have a good day ahead. Thank you.

-End-