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Jamjoom Pharma H1 2026 Earnings Call Transcript

Mr. Abdullah Umer 00:06

Good afternoon, everyone. Abdullah Umer here, and on behalf of Al Jazeera Capital, it is my pleasure to welcome you all to Jamjoom Pharma's Second Quarter 2026 Earnings Call. Before we begin, I would like to mention that today's call will start with a presentation by the management team, followed by a Q&A session. Without further delay, I will hand over the floor to Jamjoom Pharma's Associate Director of Finance and Head of Investor Relations, Mr. Mohammed bin Khalid, to begin the presentation. Muhammad, the floor is yours.

Mr. Muhammad Bin Khalid - Head of IR 00:37

Thank you, Abdullah. Good morning and good afternoon, everyone. Welcome to Jamjoom Pharma's second quarter earnings call. I am Muhammad bin Khalid, Head of Investor Relations, and I am joined today by our CEO, Dr. Tarek Hosni, and our CFO, Mr. Anwer Mohiuddin. The call duration will be one hour, split between 20 minutes of presentation and 40 minutes of Q&A. I will now hand over to Mr. Anwer for the financial highlights.

Mr. Anwer Mohiuddin - CFO 01:05

Thank you, Muhammad. Good afternoon, everyone. I will be taking you through the second quarter and first half financial results, as we regained momentum firmly in the second quarter, with revenue reaccelerating to more than double the pace of the first quarter despite a generally challenging market situation.

The second quarter showed two dynamics. First, strong top-line revenue growth of 12% to SAR 445 million, with gross profit increasing by 17% and gross margin expanding by around 260 basis points to 66%, reflecting our shift to higher-value therapeutic areas. Second, a deliberate step-up in commercial investment. EBITDA grew 7% to SAR 159 million, but the margin moved to 36% as we expanded our field force and increased commercial activities and R&D spending to defend market growth. Net profit rose 4% to SAR 138 million, with margin compressing slightly due to higher operating expenses, the absence of one-off income, and lower income from the JV compared to Q2 2025. The takeaway is that top-line momentum and gross margins are strong, while the movement below gross profit reflects investments we are choosing to make.

The next slide shows the two sides of our cost base. On the left-hand side, cost of revenue grew by just 4%, well below revenue growth, as flat raw material costs and production efficiencies offset both higher spending aimed at building a future-proof employee structure and depreciation on expansionary capex. That discipline is what drove our gross margin expansion. On the right-hand side, operating expenses rose by 14%, reflecting deliberate investment in growth through field force expansion, promotional activities, and pipeline R&D. Direct production cost per unit remained stable at SAR 3.1.

Moving to the EBITDA bridge year-on-year, EBITDA grew 8% to SAR 346 million at a 37% margin, essentially maintained compared to last year. The message is resilience. We absorbed a meaningful increase in commercial investment and still held our margin in the high thirties. Net profit rose 6% to SAR 306 million, with the modest margin movement reflecting adverse foreign exchange gains and slightly lower financing income. Earnings per share stood at SAR 4.4.

On working capital, the cash conversion cycle improved by 3% to 285 days, driven by strong inventory management, with inventory days declining to 149 days. This was partly offset by receivable days of 182 days, reflecting regional liquidity pressure and lengthening collection cycles. The balance sheet remains strong. We carry no debt, and our cash position at the end of the first half was SAR 266 million, up from SAR 206 million in the first quarter, with free cash flow of SAR 319 million. We have ample liquidity to fund our growth initiatives, including the acquisition of the KAEC plant. With that, I would like to hand over to Dr. Tarek to walk you through our business and strategic highlights.

Dr. Tarek Hosni - CEO 04:43

Good morning and good afternoon. Welcome to our first half 2026 earnings call. I am pleased to take you through our formidable business performance in the first six months of what has been a very interesting year, as you will all agree. “Challenging” would be an understatement, which is why I am using “interesting” for everyone’s imagination. The key highlight for Jamjoom Pharma is that despite the turmoil and many geopolitical and other issues around us, we continued to deliver on our commitments in a formidable way. This is a credit to my team and everyone involved in driving Jamjoom Pharma’s performance.

The snapshot of our numbers for the first half shows 9% year-on-year growth in revenue, approaching SAR 1 billion at SAR 927 million. EBITDA grew by 8% to SAR 346 million, while net profit increased by 6% to SAR 306 million. Free cash flow conversion also recorded the highest growth among the key indicators. Gross margin reached 65.2%, which is among the highest levels achieved over the past three to four years. EBITDA margin continued to track above 37% in the first half, giving us confidence for the remainder of the year, while net profit margin stood at a solid 33%.

As I always remind the audience, investors, and colleagues, this is not exactly the performance of a traditional branded generics organization; it is closer to the performance of a large pharmaceutical business that is able to drive net margin even more strongly than top-line growth. Earnings per share increased by 6% year-on-year, and we almost reached 100 million units produced in the first half of the year. I am very happy to see all these numbers in green, tracking positively against last year despite the challenging environment.

If I take you through the next slide, some of you may recall that on 20 June, just a few weeks ago, we completed our third year of listing. We listed the company on 20 June 2023, and since then our strong performance has not stopped or even slowed down, despite the challenges we have faced. Revenue moved from SAR 600 million to SAR 927 million in only three years, representing a 16% CAGR. Net profit recorded a 21% CAGR. Interestingly, full-year 2022 revenue was SAR 916 million, while the first half of 2026 has already exceeded that full-year level, which was only around three and a half years ago.

We are very proud of this performance. When you look at dividend per share, it recorded the highest CAGR among these indicators. You always hear me summarize my mission, and the mission of my leadership team, as maximizing shareholder value. I think this is a clear testament that the team has delivered strongly against our main purpose: driving the company in a way that creates value for shareholders. Earnings per share more than doubled, from SAR 1.0 to SAR 2.2 per share, representing a strong 30% CAGR.

Next slide, If I continue to deep dive into our performance compared to our key markets, this slide presents a mix of Jamjoom Pharma sales data and IQVIA market data from our key markets, including Saudi Arabia, selected Gulf markets, and Egypt. In Saudi Arabia, over the last two years, Jamjoom Pharma grew at a CAGR of 21.7% compared to market growth of 13.2%, almost double the market growth. In the UAE, the market grew by 14.5%, while Jamjoom Pharma grew by 19.4%, and the same pattern can be seen across the other markets on the slide.

This does not happen by coincidence. Jamjoom Pharma is the number one exporter of high-quality medicines from Saudi Arabia to many countries across the Middle East, Africa, and beyond. The diversity we enjoy today has been key to delivering this performance, especially despite the slowdown in Saudi Arabia. We are still growing strongly in Saudi Arabia, but we are also growing at an even faster pace in markets outside Saudi Arabia. This diversification has paid dividends in a year like this, when companies relying only on the Saudi market are facing much greater pressure.

Moving to the next slide, this is another deep dive into the performance recorded by IQVIA for the Saudi market. On the left-hand side, year-to-date figures cover the first five months, as June data was not yet available. From January to May, the Saudi market declined by 1% compared to the same period last year, while Jamjoom Pharma grew by 7.5%. We also solidified our position as the number two player in the market and achieved one of our highest market shares in recent years at 6.5% year-to-date.

Looking at moving annual total data, which covers the last 12 months, the market grew by 7.8%, while Jamjoom Pharma grew by 19.4%, more than two and a half times the market growth. This gave us a market share of 6.42% and maintained our number two position. This is happening in Saudi Arabia at a time when the market is performing far below our expectations. When I shared the 2026 outlook, we expected some slowdown, but we did not expect the market to move into negative growth on a year-to-date basis.

The market correction began before the geopolitical developments, with Saudi Arabia showing negative growth in January and February. We are seeing liquidity pressure and a decline in consumer spending, which is particularly relevant for our consumer health and primary care portfolios, as these are largely driven by out-of-pocket spending. Despite this, Jamjoom Pharma continues to outperform the market, with evolution indices of 108% year-to-date and 111% on a moving annual total basis.

Next slide, Looking at the UAE, which is our largest Gulf market, we are again significantly outperforming the market. On a year-to-date basis, the UAE market grew by 8.6%, while Jamjoom Pharma grew by 27.6%. On a moving annual total basis, the market grew by around 10%, while Jamjoom Pharma grew by 22.5%. This reflects a strong evolution index of 117.5% year-to-date and 111% on a moving annual total basis. I am very proud of the teams behind this performance and the excellence in execution, which has become a real flagship for Jamjoom Pharma in the marketplace.

Moving to therapy areas and markets, the left-hand side of the slide shows our growth by therapeutic area. Ophthalmology, cardiometabolic, and dermatology continued to grow in a very healthy manner, despite market challenges and geopolitical pressure. Consumer Health declined by 5%, impacted by both supply issues on our side and the slowdown in consumer spending. Primary Care recorded modest growth of 2%, reflecting similar pressure from the slowdown in out-of-pocket spending. Overall, the rest of the portfolio continued to deliver healthy growth.

When we translate this into country-level performance, the Gulf grew by 20%, North Africa and other export markets recorded a strong 35% growth from a lower base, and Egypt grew by 8%. Saudi Arabia, which has contributed significantly to our growth over the past few years, recorded lower growth this time due to the market slowdown. Iraq was affected by delays in booking shipments, Saudi FDA prioritization of domestic market supply before export approvals, and clearance delays on the Iraq side. However, in-market demand in Iraq remains healthy, and once the goods are received, they are mostly liquidated quickly. I remain optimistic about this market once conditions stabilize. Looking at revenue growth contributors, the increase was almost evenly split between strategic brands and established brands, with the remainder coming from new product launches.

Moving to our future growth engine, this slide shows the strength of our pipeline. On the left-hand side is our in-house R&D and new product development engine, while the right-hand side shows our business development engine, including products we bring in through licensing and supply agreements. In total, we have around 66 products expected over the coming three to four years, including 21 from business development and around 45 from internal development, submitted products, registered products, and products expected to be launched soon. This gives us strong visibility on future launches.

If you look at a company like ours, targeting six to ten high-quality new product launches every year, this launch pipeline is more than secured for the coming four to five years. If you look only at these 66 products and add the 28 products currently under in-house development, you can see how healthy the portfolio is. We continue to transition the portfolio further, and I am very pleased with where we stand today, supported by contributions from both our in-house development engine and our business development team.

In addition, we have initiatives such as the start of production for the Viatris portfolio in Saudi Arabia, which has been commissioned to us and is expected to begin in the third quarter of this year. We are also looking at similar initiatives in other markets.

With this in mind, you can now see how Jamjoom Pharma has continued to beat expectations, outperform the market, and deliver well during the first six months. Looking ahead, several priorities will keep me and my team busy over the coming six months, and more importantly, they are the areas that will define whether we have delivered what the business and the organization need.

First, we need to continue sustaining our market outperformance. We hope Saudi Arabia, which is a key market and has impacted us over the last few months, will return to healthier growth. Even if the market does not recover as quickly as we hope, we need to continue finding ways to outperform through execution, portfolio strength, and commercial focus. Outside Saudi Arabia, we need to continue strengthening our position and growth so that we can compensate for any possible pressure in individual markets.

Second, we are progressing with the manufacturing opportunity that we have discussed, and we have submitted all required certifications and approvals. We are targeting early August to finalize the transaction and integrate this manufacturing facility into Jamjoom Pharma's manufacturing footprint. I look forward to this because it will not only expand our capabilities and capacity, but also support important projects such as our work with Lifera on localizing vaccines, biosimilars, and biologicals.

In addition, we need to finalize and secure registration approvals for our first ever biosimilars, which have been submitted to the Saudi FDA. I am pleased to share that both have been granted fast-track approval. I look forward to receiving these approvals before the end of this year, so that we are ready to launch our first biosimilar from the beginning of 2027.

As Anwer mentioned, we are investing in the future. We cannot embark on these initiatives without revisiting the infrastructure that has carried us successfully over the last four years and identifying where we need to fill gaps and prepare ourselves for the future. This includes expanding our business unit approach in Saudi Arabia, increasing our reach and footprint in other markets, and adding sales and marketing resources to prepare for future launches. Most of this investment happened during the first three to four months of the year, and I expect to see a solid return on investment in the third and fourth quarters, Last but not least, we have started moving Jamjoom Pharma toward a more digitally enabled environment. We have taken several steps in this area that I am pleased with, and this year we also began introducing AI into selected functions and key departments where we believe it can best support the business. I look forward to capitalizing on this further as we move ahead.

From a guidance point of view, as some of you may have seen in the announcement we made prior to this call, we are pleased to inform you that we are maintaining the guidance shared earlier for revenue growth, EBITDA margin, capex, and dividends. On revenue, we still expect growth of 10% to 12% this year. If the market continues as it is, or deteriorates further, we may be targeting the lower end of that range, but we will keep you updated. On EBITDA margin, we continue to target the higher end of our guidance at 35%. On capex, despite the investments and initiatives we have discussed, we still expect to contain it within the upper end of the 6% to 9% range. On dividends, as you are used to with Jamjoom Pharma, we remain committed to a 50% to 60% payout on a semiannual basis, subject to business performance and requirements. With this, I will stop here and invite any questions from your side.

Mr. Abdullah Umer

Thank you, management, for the very detailed and insightful presentation. Ladies and gentlemen, we will now commence the Q&A session. You may raise your hand by pressing the hand icon on your screen to speak with the management team, or alternatively, you may submit your question through the Q&A chat box. Please limit your questions to two at a time so we can accommodate as many participants as possible. Before we receive questions from participants, there is a question posted in the chat box from Abdullah AlShehri, asking: "What is the main cause of the Saudi market slowdown?"

Dr. Tarek Hosni - CEO

Thank you, Abdullah. It would be unfair to single out one reason. We anticipated that the market might slow down, because in my more than 30 years in this business, I have rarely seen a market grow consistently for four or five years without interruption, as Saudi Arabia has done over the past few years. That growth was fueled by several factors, including weight-loss products, which at one stage contributed almost one-third of total market growth because of their value and impact. That has now normalized and is part of the ordinary business cycle.

Other factors include Wasfaty and insurance, which contributed strongly in their early years but have now normalized as well. We are also seeing a stricter approach in insurance dispensing. For example, if a doctor prescribes three packs of a product, the patient may now receive only one pack and be asked to return when it is finished. This changes the market dynamics. In addition, some market players built heavy stocks and offered high discounts or free goods, and with the current slowdown in consumer spending and liquidity pressure, customers are delaying orders until they are more confident they can liquidate what they already have.

What has surprised us is the magnitude of the correction. We anticipated 6% to 8% market growth this year, but so far the market is tracking at a negative 1%. The combination of liquidity pressure and a 20% decline in consumer spending is a concern. We hope it does not continue, although the broader geopolitical situation does not make the outlook easy. As I said, we are committed to finding ways to outperform the market, and we will keep you updated on how this develops.

Mr. Abdullah Umer

Thank you, management. Our next question comes from Raghad. Raghad, you may unmute yourself and ask your question.

Raghad

Management, thank you for your time. This is Raghad Al-Duhaiby from ANB Capital. I have a couple of questions. The first is a follow-up on what you mentioned, Dr. Tarek, regarding the market slowdown, especially the insurance part. To my understanding, the shift toward generic medicines instead of imported medicines should be positive for branded generics producers like Jamjoom Pharma. Could you please clarify whether my understanding is incorrect, or whether the impact is simply not strong enough to offset the other optimization measures you mentioned? My second question is on raw materials, which were successfully almost flat year-on-year, with only 1% growth. Could we see pressure there going forward if there is an increase in API costs or transportation costs?

Dr. Tarek Hosni - CEO

These are two good questions. On the first one, you are not wrong. In theory, high-quality branded generics players could benefit if insurance rules are further reinforced. However, there are two assumptions that we cannot ignore. First, this only applies if your product is the lowest priced, and Jamjoom Pharma products do not necessarily always compete on that basis. Second, even if the same Jamjoom Pharma product is dispensed, the patient may previously have received two or three packs based on the physician's recommendation for the treatment course, while now only one pack may be dispensed. In that case, the volume dispensed may be lower despite the product still being selected.

On the second point, you are right. What helped us in the first six months, and supported the modest 1% growth in raw material costs, was the fact that we plan ahead for our strategic and key products and build stock beyond the normal three- to four-month range. That helped us significantly in the first half. However, purchases made earlier in the year for the latter part of 2026 and early 2027 may reflect cost increases. We therefore expect to see some increase in material costs and freight costs later in the third quarter, in the fourth quarter, and into early 2027.

Raghad

Thank you so much, sir, and thank you again, management.

Mr. Abdullah Umer

Thank you, Dr. Tarek. We will now move to the next participant. Mr. Khaled, you may unmute yourself.

Khaled

Thank you, management, and thank you, Doctor, for the call. I have two short questions. First, you noted liquidity issues in the market. Could you elaborate on the root cause, and whether this is stemming from the government side or the private sector? Second, on OPEX levels, could you elaborate more on the expansion and what exactly happened this quarter compared with last year and the previous quarter?

Dr. Tarek Hosni - CEO

Sure. On the first question, Khaled, I would actually like you to enlighten me as well, because you are closer to the market and hear from other companies. Quite honestly, I do not have a full grasp of all the reasons behind the pressure on liquidity. Clearly, there are many investments and projects in the market, perhaps more than we have seen in Saudi Arabia over the last decade, and I am sure this is putting pressure on liquidity. There may also be other factors that I am not fully familiar with.

More importantly, while we can understand pressure from government spending or privatization, the decline in consumer spending by around 20% is the part that concerns me most. Over the past few years, we were proud to share that our flagship Consumer Health portfolio was driving and leading market growth, product by product. This portfolio is mostly out-of-pocket spending. If someone has sleepless nights and wants a trusted product, they may think of Jamjoom Pharma's melatonin. If they need a good multivitamin, they may think of Jamjoom Pharma's Omega-3 or Vitalife products. Today, that behavior is happening at a lower level than before. This may reflect overall liquidity pressure, the geopolitical situation, and consumers focusing on necessities rather than products they view as helpful but not urgent. What we know for a fact is that consumer spending has declined, and this has heavily impacted our Consumer Health and Primary Care products. We hope conditions stabilize, although the geopolitical environment remains uncertain.

Khaled

Great, thank you. And just following up on this before we go into OPEX levels, could you shed light on the receivables profile for this quarter? Also, Are daily payments mainly coming from the private sector or the public sector?

Dr. Tarek Hosni - CEO

Khaled, I did not yet answer your second question on OPEX, so let me address that first and then move to receivables. On OPEX, Anwer alluded to the fact that Jamjoom Pharma is a market leader, and we take that position with accountability and responsibility. We invest while others may step back and wait to see what happens. Because of our confidence in the market and in our ability to continue creating demand through our portfolio, we are investing in future initiatives.

For example, we cannot launch biosimilars or enter new product categories without building the right teams across medical, marketing, market access, and field force functions. We are also hiring for the localization of vaccines and biologicals, which is the project we are working on with our partner PIF, represented by Lifera. These investments increased sales and marketing costs during the first half. However, around 95% of this investment has already been made. We are left with only a few key hires, and the organization is now largely where I would like it to be in terms of key functions and positions. Therefore, I expect OPEX management to ease in the second half, while also seeing a return on investment from these hires, particularly toward the last quarter of the year.

On receivables, the impact is across the market. In full fairness, we are not yet seeing a slowdown from the government side, but we will know more when payments become due. The pressure is more visible in the private sector and retail accounts. Some customers who had committed to pay in a given month are asking for one or two additional months due to liquidity constraints. This can also delay new orders, because distributors may pause or reduce new deliveries until overdue balances are settled. Even where demand exists, the distributor may say, "First pay what is overdue, then I can release the new order," or may release only a portion of the order. This contributes to the slowdown in order execution and demand fulfillment, alongside lower consumer spending. So yes, receivables are being impacted across the market, but the pressure is more visible on the private and retail side.

Khaled

Thank you.

Mr. Abdullah Umer

Thank you, Dr. Tarek. Our next question comes from Maha. Maha, you may unmute yourself.

Maha

Hi, everyone. This is Maha Al-Marwani from Derayah Financial. I have a couple of questions, but I will start with KSA growth. You mentioned that part of the market decline came from changes in insurance and more restrictive prescription refills in the market, which I think may be a structural change that continues going forward. My question is: can you quantify the impact of that structural change on Jamjoom Pharma's top line? If the restrictions had not happened, what kind of growth would you have expected, and how did it affect the market as a whole?

Dr. Tarek Hosni - CEO

I should clarify that insurance restrictions are only one contributing factor. They are not the only reason for the slowdown. The stricter approach to prescriptions and dispensing, including the move from dispensing multiple packs to only one pack in some cases, is one factor, and it may continue until the market adjusts. However, it is part of a broader set of dynamics, including the normalization of Wasfaty, the normalization of weight-loss product growth, liquidity pressure, and lower consumer spending. These factors together are contributing to the Saudi market decline.

On the structural investment side, when we make changes and invest in the organization, we do not expect the full impact to show in the same year. These are investments for the future. The number of initiatives we have announced over the past few months requires us, as management, to ensure that the organization is prepared to execute properly. For example, when we launch biosimilars, we need to be ready with the right capabilities across medical, marketing, market access, and commercial teams. When we localize vaccines and biologicals, we also need the right expertise. These are investments we are pleased to have made while still delivering solid EBITDA and net margin performance.

Maha

Can you clarify one thing? Maybe I did not ask my question clearly. My question is about the restriction on prescription refills. We also spoke to hospitals, and they mentioned that it caused a drop in pharmaceutical revenue for them. Can you quantify how much of the overall market drop was due to that? Do you have a number or percentage?

Dr. Tarek Hosni - CEO

No, I cannot quantify it separately. But if you look at the numbers I shared, the Saudi market is declining by 1%, and all these factors are contributing to that decline. This is not something that is impacting Jamjoom Pharma alone; it is affecting the whole market. Insurance restrictions, Wasfaty normalization, and the normalization of weight-loss product growth are all contributors. It would not be accurate to single out one factor as the main contributor. If this is the way insurance companies want to rationalize spending, they are entitled to do so, and we need to adapt our business accordingly. The overall market decline of 1% reflects the combined impact of these factors.

Maha

Very clear. Thank you.

Mr. Abdullah Umer

Thank you. Our next question comes from Asmar. Asmar, you may unmute yourself and ask your question.

Asmar Shams - BSF Capital

Hello, Asmar Shams here from BSF Capital. Thank you for taking my question. With the slowdown in the local market, are you seeing increased pricing competition or discounting activity at the distributor level from other producers? Is that something Jamjoom Pharma would consider, or would you rather avoid discounting even if it means slower volume growth?

Dr. Tarek Hosni - CEO

Good question, Asmar. We are seeing all kinds of activity in the market, and this is part of being a market leader. We cannot enjoy market leadership and not expect headwinds or trends that do not necessarily move in our favor. We are seeing companies trying to enter areas where Jamjoom Pharma has been successful, such as Consumer Health and ophthalmology. That may distract some players, but it does not distract us. We continue to drive performance in a disciplined way.

On discounting, yes, we are seeing this behavior in the market. When the market is not growing as strongly and some companies become more desperate, heavy discounting and higher free goods start appearing. Key accounts and chains may also put pressure on suppliers. However, we do not move away from our approach, and we do not respond opportunistically. We are not desperate. We say clearly: these are our offers, and this is how we treat our products. We do not want to commoditize our products or treat them as purely price-driven items. If customers believe there is demand for our products, they can take them; if not, we wish them good luck with other alternatives.

At the same time, we are also seeing interest from other markets and companies that may think there is an opportunity to compete mainly through lower prices. We do not pay too much attention to that. We will continue to lead in the same way we have led over the last few years. We do not push our teams to rely on discounts or free goods, because we are in this business for the long term. We respect our business and the quality of our products, and we want to continue leading through value, execution, and quality rather than by offering the highest discounts.

Mr. Abdullah Umer

Thank you, Dr. Tarek. The next question comes from Harsh. Harsh, you may unmute yourself.

Harsh

Thank you for the call. I have two quick questions. First, your margins in Q2 stood at an 11-quarter high. What were the key factors driving these margins, and do you expect them to be sustained over the next two quarters and in the medium term? Second, regarding the KAEC facility, when do you expect revenue contribution to start, and what could be the incremental impact on total revenue in the first 12 months after operations commence?

Dr. Tarek Hosni - CEO

Would you like to take this, Anwer? It seems Anwer may be muted or we may have lost his connection. Your first question was about what is driving our margins. If I heard correctly, that was your first question?

Harsh

Yes. The margin stands at an 11-quarter high. What is the reason behind these resilient margins, and are they expected to be sustained over the next two quarters?

Dr. Tarek Hosni - CEO

For the rest of the year, if history is any predictor of the current and future performance, you can look at last year. At the same point in 2025, six months into the year, we were tracking at a similar or slightly higher EBITDA margin, and then we closed the year at 35.2%. We expect a similar trend this year because of the seasonality of our business. The first half normally contributes more to the full year because it is more driven by shipments into the market, while the second half is more driven by in-market sales. The fourth quarter is normally the lowest sales quarter, and we expect that pattern to continue this year. Therefore, we expect margins to close the year at a solid level, but not necessarily at the same absolute level as the first half. As per our guidance, we continue to target the higher end of our EBITDA margin guidance at around 35%.

Mr. Anwer Mohiuddin - CFO

Sorry, Dr. Tarek, I could not unmute earlier. I would only add that, as Dr. Tarek explained, we are currently managing pressure from higher freight costs and raw material costs. At the moment, we are maintaining gross margins, but going forward it will be more difficult to sustain the same level if material prices continue to increase.

Harsh

My second question was about the KAEC facility. When do you expect revenue contribution to start, and what could be the incremental revenue impact in the first 12 months after operations commence?

Dr. Tarek Hosni - CEO

I would not get into the exact revenue contribution at this stage. Once we conclude the transaction, we expect the facility to start contributing from Q1 2027. We may see a very minor contribution in the last quarter of this year, but it would be insignificant. It is important to remind everyone that this facility is expected to contribute strategically, not only by supporting our existing oral dosage form capacity and expanding our reach and scale, but also by supporting projects such as Lifera through its cold-chain capabilities.

We can capitalize on this facility in a meaningful way as we move forward, particularly once we start to be awarded new business. The size of the unutilized land compared with the utilized land included in the transaction is also significant. We have plans to expand into new areas and capabilities that we do not currently have, using this facility as a platform. Therefore, the rationale goes beyond short-term revenue contribution or margin impact. In the short term, it will support expansion of our oral dosage form capacity for products such as oral anti-diabetics and products we manufacture for others. More importantly, it gives us future strategic optionality.

Harsh

Thank you.

Mr. Abdullah Umer 1

Thank you, Dr. Tarek and Mr. Anwer. I believe this marks the final question of our session and concludes our call. On behalf of Al Jazeera Capital, we would like to extend our sincere thanks to Jamjoom Pharma's management for their time, presentation, and the additional time extension. With that, I will hand the floor back to Mr. Muhammad Bin Khalid for any closing remarks.

Mr. Muhammad Bin Khalid - Head of IR

Thank you, Abdullah. Thank you, everyone, for joining the call. We will see you next quarter.

Dr. Tarek Hosni - CEO

Thank you very much, and have a great day.

Mr. Anwer Mohiuddin - CFO

Thank you, everybody.

Mr. Abdullah Umer 1

Thank you, everyone. The meeting is now over, and you may exit the call.

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