



Quality For All

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E

EARNINGS RELEASE 1Q23

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E. records revenue growth of 14.3% y-o-y to EGP 392.0 million in 1Q23; profitability contained despite rising inflation coupled with a depreciating currency.

1Q23 Financial & Operational Highlights

Consolidated Revenue	Gross Profit	EBITDA	Net Income ¹
EGP 392.0 million ▲ 14% y-o-y	EGP 178.8 million (46% margin) ▲ 3% y-o-y	EGP 108.2 million (28% margin) ▼ 2% y-o-y	EGP 68.7 million (18% margin) ▼ 4% y-o-y
EPS ²	Net Debt	Average Unit Price	Units Sold
EGP 0.067 ▼ 6% y-o-y	EGP 441.6 ▼ 7% y-o-y	EGP 44.4 (IQVIA) ▲ 26% y-o-y	31.7 million (includes toll manufacturing) ▼ 3% y-o-y

May 15th, 2023 | Cairo, Egypt

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E. (the “Company”, and, together with its consolidated subsidiaries, “Rameda” or the “Group”), RMDA.CA on the EGX, a leading Egyptian pharmaceutical company, announced today its consolidated results for the three-month period ended 31 March 2023.

Financial & Operational Highlights

- **Revenues** increased by 14.3% y-o-y to EGP 392.0 million primarily on the back of a 19.4% y-o-y expansion in private sales as the Group reaped the rewards of its focus on generating increased value from higher priced products despite challenging market conditions in 1Q23.
- **COGS** grew by 25.5% y-o-y to EGP 213.2 million in 1Q23, reflecting an increase of 4.9 percentage points as a percentage of revenues to 54.4% primarily due to a 1.3 and 1.6 percentage point increase in raw materials cost and wages, respectively, as a percentage of revenue due to rising inflationary pressures.
- **Gross profit** rose by 3.2% y-o-y to EGP 178.8 million in 1Q23. GPM contracted by 4.9 percentage points year-on-year to 45.6% due to the impact of rising costs and a depreciating currency, as well as the delayed impact of recent product repricing, which has not yet been fully captured in revenues.
- **EBITDA** declined by 2.3% y-o-y to EGP 108.2 million in 1Q23 and booked a margin contraction of 4.7 percentage points year-on-year to 27.6% in 1Q23 as the fall in gross profitability trickled down to EBITDA.
- **Reported net income¹** decreased by 4.3% y-o-y to EGP 68.7 million in 1Q23 due to the pressures on Rameda’s cost base coupled with rising interest rates resulting in an increase in financing costs during the period. It is worthy to note that Rameda booked EGP 4.5 million in non-cash ESOP expenses during the quarter, which were not present in the comparable period.
- **Core Net Income**, calculated as net income before minority interest adjusted for FX gains/losses, non-cash ESOP expenses, recorded a decline of 15.9% y-o-y to EGP 55.4 million and yielded a year-on-year margin contraction of 5.1 percentage points to 14.1% in 1Q23.
- **EPS²** decreased by 6.1% y-o-y to EGP 0.067 in 1Q23.

¹ Reported net income figure takes into account EGP 4.5 million in ESOP expenses. Excluding ESOP expenses, reported net income would record EGP 72.1 million, reflecting an increase of 0.5% y-o-y in 1Q23.

² EPS before dividend distribution.



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Notes from the Management Team

Dr. Amr Morsy, Chief Executive Officer

I am pleased to share with you our first quarter results for 2023, which demonstrates the Group's resilience in a challenging market environment. As we kicked off the new year, we reaped the rewards of the Group's portfolio optimization strategy and its focus on generating increased value from higher priced products, which has reflected positively on Rameda's business verticals. We have continued to generate exceptional value from our portfolio, with a number of our top ten selling products delivering double and triple-digit growth during the period.

Rameda reported double-digit growth at its top line despite unfavorable market conditions, with major pharmaceutical distributors facing financial difficulties due to the current inflationary environment. The Group's revenue expansion during the period was spurred by strong growth across Rameda's business verticals as we sought to increase the value generated by our portfolio whilst navigating a challenging landscape across our local market of Egypt.

The Group's revenues for the period were further buoyed by strategic price hikes witnessed over the course of 2022 and have continued in the first quarter of 2023 as we maintain our path towards maximizing the value generated from Rameda's portfolio. The Group's successful repricing strategy resulted in 67 products reflecting c.77% of Group revenues in 1Q23 witnessing at least one wave of repricing at an average price increase of c.31% during the period. Moreover, 15 products representing c.23% of Group revenues in 1Q23 witnessed two waves of repricing, resulting in a cumulative average price increase of 55%. We look forward to receiving increased approvals for price hikes over the course of the year as we seek to maintain our growth trajectory and improve Rameda's profitability amidst challenging market conditions. We are confident that the upcoming quarters will witness stronger performance as we reap the benefits from product repricing as well as the recovery of the injectable antibiotics portfolio.

Over the course of the year, we will continue pivoting strategically and identifying avenues for growth as we navigate what's expected to be a challenging year ahead in our home market of Egypt. The Group is regularly exploring lucrative product launches and acquisition opportunities, particularly those under free-pricing frameworks, as well as other business ventures beyond our local borders to further diversify our revenue streams and strengthen the resilience of our business model. We remain committed to delivering on the Group's operational and financial targets and have our eyes set on further maximizing the value generated to our shareholders.



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Mahmoud Fayek, Chief Financial Officer

Rameda's revenues booked an increase of 14.3% year-on-year to EGP 392.0 million in 1Q23 thanks to solid performances from the Group's private sales, export sales, and toll manufacturing verticals witnessed over the quarter. At the private sales vertical, Rameda recorded a revenue increase of 19.4% year-on-year to EGP 264.3 million during the period on the back of its focus on ramping up sales of higher priced products, which has paid-off in spades in 1Q23. Of the Group's top ten selling products in 1Q23, Augram and Lacteol Fort recorded impressive triple-digit year-on-year growth, and Recoxibright booked strong double-digit growth during the period. Further on this front, I would like to especially highlight that the increase in private sales came despite the lack of sales recorded by the Group's injectable antibiotics portfolio, which normally represents around 30% of our revenues, as the local market for injectables witnessed a c.60% year-on-year volume decline in the Egyptian market during 1Q23. Despite this, our continued focus to maximize the value generated from Rameda's portfolio is expected to further offset its impact and it is expected that the recovery of this segment over the coming quarters will provide further upside to our numbers.

Parallel to this, Rameda's export vertical booked a revenue increase of 35.3% year-on-year to EGP 35.7 million in 1Q23, driven by a strong increase in sales to Libya, which contributed c.36% of the vertical's revenue during the period. At Rameda's toll manufacturing vertical, a c.25% rise in toll manufacturing prices coupled with an increase in the utilization of the Group's liquid and penicillin lines in addition to high utilization of its lyophilized production capabilities, supported the vertical's 59.1% year-on-year increase in revenue to EGP 40.0 million in 1Q23. Moreover, the first quarter of 2023 has seen the Group maintain its strategic decision to reduce its footprint in the tenders vertical due to its lower profitability, especially amidst challenging market conditions characterized by rising inflation and currency depreciation.

In terms of profitability, Rameda's gross profit increased by 3.2% year-on-year to EGP 178.8 million in 1Q23. However, the Group's GPM contracted by 4.9 percentage points year-on-year to 45.6% primarily due to an increase in the contribution of raw materials cost and wages as a percentage of revenue during the period, which was driven by the impact of a rapidly depreciating currency and rising inflationary pressures. This trickled down to the Group's EBITDA, where Rameda recorded an EBITDA margin decline of 4.7 percentage points year-on-year to 27.6% in 1Q23. At the reported net income level, Rameda booked a margin contraction of 3.4 percentage points year-on-year to 17.5% in 1Q23, which was due to increased financing costs during the period due to rising interest rates.

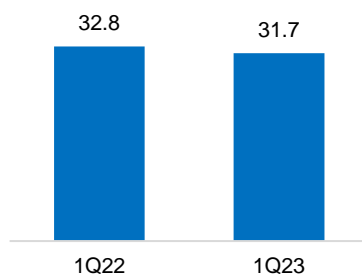
Looking ahead, management is focusing on maintaining the Group's revenue growth trajectory, improving profitability levels, and delivering on Rameda's communicated operational, strategic, and financial targets for the year. Moreover, we will remain steadfast in our efforts at navigating what is currently a challenging economic landscape and are confident that our strong track record and the proven resilience of our business model will allow us to deliver on our goals. With 67 products, and counting, receiving price hikes at an average increase of 31%, we believe Rameda will witness strong recovery in 2H23 as these products contribute to revenue growth at their new price points and create a positive impact on the Group's revenue growth and margins.



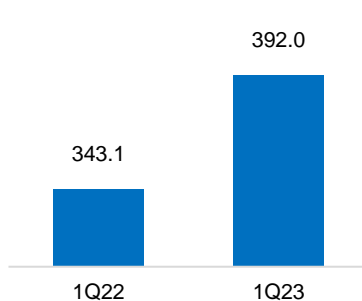
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Financial & Operational Performance

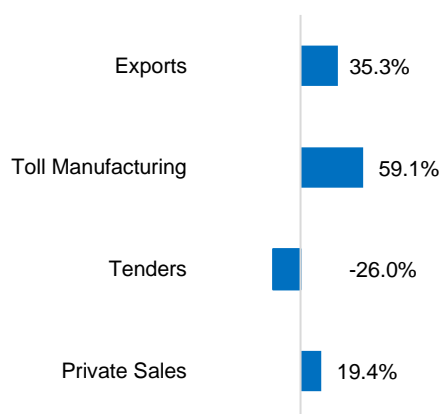
Volume Progression
(includes toll manufacturing)
(mn units)



Revenue Progression
(EGP mn)



1Q23 Revenue Growth Rates
by Business Line



Volumes

Total volumes (including toll manufacturing) declined by 3.4% y-o-y to 31.7 million units primarily due to the absence of sales from Rameda's injectable antibiotic portfolio as a result of unfavorable market conditions in 1Q23. Consequently, the Group's private sales vertical booked a 37.6% y-o-y decline in volumes sold during the period. It is worthy to note that excluding injectable antibiotic volumes, private sales recorded a strong volume increase of c.44% y-o-y in 1Q23.

Additionally, the decline in Rameda's volumes was also attributed to the Group's continued strategy of reducing the contribution of the tenders vertical to Rameda's performance, which booked a 47.8% y-o-y decline in volumes sold in 1Q23.

Revenues

Despite a challenging environment, Rameda booked revenue growth of 14.3% y-o-y to EGP 392.0 million in 1Q23 on the back of a solid performance from its product portfolio and as the Group maximized the value generated from its products through a successful repricing strategy. The Group's top performing products in terms of their contribution to absolute growth in 1Q23 were Augram, Lacteol Fort, and Recoxibright.

Revenues by Business Line

Revenue Analysis	1Q22	1Q23	% YoY
Private Sales			
Volumes Sold ('000)	9,353	5,837	-37.6%
Sales (EGP mn)	221	264	19.4%
Tenders			
Volumes Sold ('000)	7,308	3,816	-47.8%
Sales (EGP mn)	70	52	-26.0%
Exports			
Volumes Sold ('000)	1,684	1,236	-26.6%
Sales (EGP mn)	26	36	35.3%
Volume (excluding toll) ('000)	18,345	10,889	-40.6%
Revenue (excluding toll) (EGP mn)	318	352	10.7%
Toll Manufacturing			
Volumes Sold ('000)	14,488	20,820	43.7%
Sales (EGP mn)	25	40	59.1%
Total Revenue (EGP mn)	343	392	14.3%

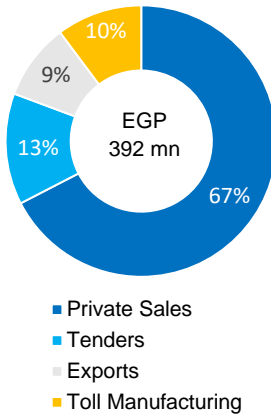


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1Q23 Sales Contribution by Vertical



Private Sales

Rameda sells its products to domestic distributors who in turn distribute the products to pharmacies throughout Egypt. Products sold by the private sales segment include pharmaceuticals, nutraceuticals, and food supplements. The primary sales strategy in this field is largely prescription-based, whereby marketing representatives engage with physicians to create demand for the Group's products.

Despite a 37.6% y-o-y decline in private sales volumes to 5.8 million units in 1Q23, the vertical's revenues grew by 19.4% y-o-y to EGP 264.3 million during the period on the back of Rameda's focus on ramping up sales of higher priced products. The increase in private sales revenue came despite an absence of sales from Rameda's injectable antibiotics portfolio during the period due to current market conditions, which normally represents 30% of Rameda's revenues.

It is worthy to note that excluding volume sales from injectable antibiotics, private sales volumes recorded an increase of c.44% y-o-y in 1Q23.

Tenders

Rameda also engages in institutional sales by selling its products through tender processes through the Egyptian Authority for Unified Medical Procurement (UMPA) to government-owned institutions such as the Ministry of Health and public hospitals. Rameda focuses on participating in selective tender contracts that ensure certain profitability levels in line with its strategy.

Volumes from tenders declined by 47.8% y-o-y to 3.8 million units in 1Q23. This performance is in line with management's strategy to reduce the contribution of tenders to Rameda's revenues due to its lower relative profitability, driven by strong price competition within the sales channel and rising costs. Consequently, revenues from tenders recorded a decline of 26.0% y-o-y to EGP 52.0 million in 1Q23.

Exports

Rameda sells its products to export agents, responsible for distributing its products across different regional markets; 40% of total export sales were sold in Iraq during 1Q23, with 36% sold in Libya, and 20% in Yemen. The remaining 3% of exports were sold in Palestine in 1Q23.

Export revenues booked a 35.3% y-o-y increase to EGP 35.7 million in 1Q23, which came despite a 26.6% y-o-y decline in export volumes sold, driven by strong export sales to Libya, which was the second highest contributor to the vertical's revenues at 36.4% in 1Q23 and the primary driver for the export vertical's overall revenue growth during the period.

Toll Manufacturing

To monetise its excess production capacity and dilute the Group's existing fixed overheads, Rameda selectively engages in toll manufacturing arrangements. Over the years, the Group has developed a solid and diverse client base, including well-known regional and international pharmaceutical companies, which has in turn enabled Rameda to benefit from enhanced

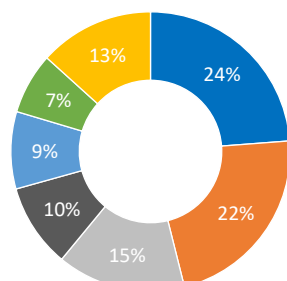


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1Q23 Sales Contribution by Therapeutic Area



- Alimentary tract and metabolism
- Systemic anti-infectives
- Musculo-Skeletal System
- Blood and blood-forming organs
- Cardiovascular system
- Nervous system
- Others

brand equity and acts as a testament to the quality and the standards of Rameda's production facilities.

Toll manufacturing volumes grew by 43.7% y-o-y to 20.8 million units in 1Q23, driven by the securing of accretive contracts, which saw increased utilization of the Group's liquid and penicillin lines in addition to high utilization of its lyophilized production capabilities. This performance drove a 59.1% y-o-y increase in revenue from toll manufacturing to EGP 40.0 million in 1Q23.

Revenue by Therapeutic Area³

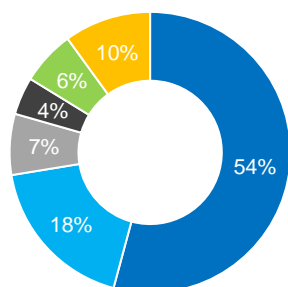
Alimentary tract & metabolism generated the lion's share of revenues in 1Q23, at 24%, followed by systemic anti-infectives (excluding antivirals), which contributed 22%, and musculoskeletal system, at 15% during the period. Blood and blood and blood forming organs, cardiovascular system, and nervous system followed, contributing 10%, 9%, and 7%, respectively, in 1Q23.

Cost of Revenues

Cost of revenues comprises raw materials, employee salaries and social insurance, depreciation and amortisation, utilities charges, spare parts & materials and other operating expenses (including inventory impairments).

Rameda's cost of revenues grew by 25.5% y-o-y to EGP 213.2 million in 1Q23, reflecting an increase of 4.9 percentage points as a percentage of revenues to 54.4% in 1Q23 primarily due to a 1.3 and 1.6 percentage point increase in raw materials costs and wages, respectively, as a percentage of revenue as the impacts of Egypt's depreciating currency coupled with rising inflation pressured Rameda's cost base during the period.

1Q23 Cost of Revenues Breakdown



- Raw materials
- Salaries & social insurance
- Depreciation & amortisation
- Utilities
- Spare parts & materials
- Other

Gross Profit

Rameda's gross profit increased by 3.2% y-o-y to EGP 178.8 million in 1Q23, yielding a GPM contraction of 4.9 percentage points year-on-year to 45.6% primarily due to the impact of a depreciating currency and inflationary pressures on COGS in 1Q23.

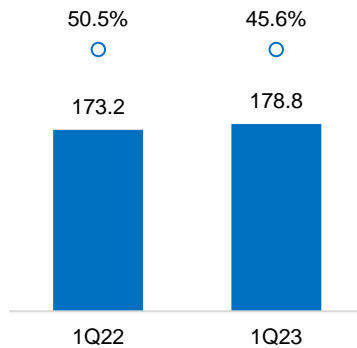
Selling and Marketing Expenses

Selling and marketing expenses principally comprise salaries, social insurance & other fringe benefits associated with the Group's sales and marketing function, advertising & marketing expenses, rent, and depreciation.

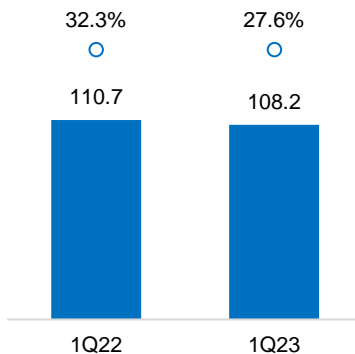
Selling and marketing expenses increased by 7.7% y-o-y to EGP 68.0 million due to a 9.7% y-o-y increase in salaries, social insurance, and fringe benefits, coupled with a 5.8% y-o-y rise in advertising and marketing expenses in 1Q23. As a percentage of revenue, selling and marketing expenses contracted by 1 percentage point year-on-year to 17.4% in 1Q23 due to economies of scale and cost optimization efforts.

³ Contributions here are calculated on revenues before toll manufacturing revenue, discounts & incentives and sales returns.

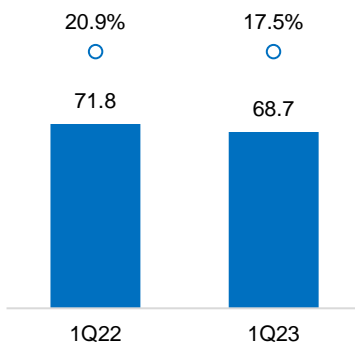
**Gross Profit and Margin
Progression**
(EGP mn | %)



**EBITDA and Margin
Progression**
(EGP mn | %)



**Net Income
and Margin Progression**
(EGP mn | %)



General and Administrative Expenses

General and administrative expenses mainly comprise salaries, social insurance & other fringe benefits not directly attributable to the production, sales or marketing of the Group's products.

General and administrative expenses grew by 31.6% y-o-y to EGP 19.2 million in 1Q23. The increase was primarily driven by the 27.8% y-o-y rise in salaries and social insurance, reflecting the impact of growing inflationary pressures during the period.

EBITDA

EBITDA is defined as earnings before finance expenses (including bank charges), income taxes, depreciation and amortisation, impairment of trade and notes receivable, provisions for expected claims and universal healthcare tax.

Despite declining S&M and G&A expenses as a percentage of revenues between 1Q22 and 1Q23, the decline in gross profitability trickled down to the EBITDA level. Consequently, Rameda booked a year-on-year EBITDA decline of 2.3% to EGP 108.2 million, which yielded a margin contraction of 4.7 percentage points year-on-year to 27.6% in 1Q23.

Net Income

Reported net income declined by 4.3% EGP 68.7 million and recorded a margin contraction of 3.4 percentage points year-on-year to 17.5% in 1Q23. The contraction was driven primarily by the impact of a depreciating currency on Rameda's cost base, coupled with a c.40% y-o-y increase in financing costs during the period due to rising interest rates. Additionally, one-time non-cash ESOP expenses amounting to EGP 4.5 million were booked in 1Q23 and were not present in the comparable period in 1Q22.

Core Net Income, calculated as net income before minority interest adjusted for FX gains/losses, and non-cash ESOP expenses, recorded a decline of 15.9% y-o-y to EGP 55.4 million and yielded a year-on-year margin contraction of 5.1 percentage points to 14.1% in 1Q23.

Operating Cash Flow, Capital Expenditure and Debt

Rameda's net operating cashflows declined by 75.8% y-o-y to EGP 22.8 million in 1Q23 on the back of disruptions in collections from distributors, reflecting the major financial difficulties faced by key distributors during the period. Additionally, the decline in operating cashflows was driven by an increase in inventory due to rising inflationary pressures.

Net debt stood at EGP 441.6 million as of 31 March 2023, representing a decline of 7.2% YTD, driven by a 5.2% YTD contraction in total debt, outpacing the 3.0% YTD decline in cash and bank balances during the period.



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About Rameda

Established in 1986, Rameda (RMDA.CA on EGX) is a leading Egyptian pharmaceutical company led by a team of professionals with extensive multinational experience. The company develops and produces a wide range of branded generic pharmaceuticals, nutraceuticals, food supplements and veterinary products. Rameda combines global standards with local insights and a customer-centric approach. It has developed a broad portfolio of products across multiple therapeutic areas, by successfully leveraging its strong product portfolio with its accretive product acquisitions to become one of the fastest-growing pharmaceutical players in Egypt. The company produces its wide range of dosage forms at its three manufacturing facilities located at the industrial complex in Cairo's Sixth of October Industrial Zone.

Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "anticipates", "assumes", "believes", "could", "estimates", "expects", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would", or, in each case, their negatives, or other similar expressions that are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management's ("Management") current views of future events, are based on Management's assumptions, and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate, or prediction to become inaccurate. These risks include fluctuations in the prices of raw materials or employee costs required by our operations, its ability to retain the services of certain key employees, its ability to compete successfully, changes in political, social, legal, or economic conditions in Egypt, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations, and Management's ability to timely and accurately identify future risks to our business and manage the risks mentioned above.

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.