rameda
Quality For All

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E. records revenue growth of 16.4% y-o-y to EGP 456.2 million in 1Q24, Driven by Solid Performances from the Group's Private Sales and Exports Verticals

1Q24 Financial & Operational Highlights

Consolidated Revenue	Gross Profit	EBITDA	Net Income
EGP 456.2 million ▲ 16% y-o-y	**EGP 197.6 million** (43.3% margin) ▲ 11% y-o-y	**EGP 101.1 million** (22.2% margin) ▼ 7% y-o-y	**EGP 60.1 million** (13.2% margin) ▼ 12% y-o-y
EPS[1]	**Net Debt**	**Average Unit Price**	**Private Market Units Sold**
EGP 0.038 ▼ 15% y-o-y	**EGP 751.4** ▲ 1% y-o-y	**EGP 63.5** (IQVIA) ▲ 23% y-o-y	**6.8 million** ▲16% y-o-y

May 14th, 2024, | 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 2024.

Financial & Operational Highlights

- **Revenues** increased by 16.4% y-o-y to EGP 456.2 million primarily on the back of a 28.0% y-o-y expansion in private sales despite challenging market conditions in 1Q24 related to product shortages, as the Group benefitted from the recovery of the injectable antibiotic portfolio.
- **COGS** grew by 21.3% y-o-y to EGP 258.6 million in 1Q24, reflecting an increase of 2.3 percentage points as a percentage of revenues to 56.7% primarily due to increased manufacturing overhead allocations caused by a deliberate reduction in production in anticipation of price increase approvals, as well as increased maintenance expenses in preparation for external audits on the production facility.
- **Gross profit** rose by 10.6% y-o-y to EGP 197.6 million in 1Q24. GPM contracted by 2.3 percentage points year-on-year to 43.3% primarily due to increased manufacturing overhead allocations caused by the deliberate reduction in production in anticipation of price increase approvals.
- **EBITDA** declined by 6.6% y-o-y to EGP 101.1 million in 1Q24 and booked a margin contraction of 5.4 percentage points year-on-year to 22.2% in 1Q23 as the fall in gross profitability and increase in SG&A margin weighed down on EBITDA.
- **Reported net income** decreased by 12.4% y-o-y to EGP 60.1 million in 1Q24 with a 13.2% margin due to the pressures on Rameda's cost base coupled with rising interest rates resulting in a 99% increase in financing costs year-on-year.
- **EPS**[1] decreased by 15% y-o-y to EGP 0.038 in 1Q24.

[1] *EPS before dividend distribution.*

Notes from the Management Team

Dr. Amr Morsy, Chief Executive Officer

I am pleased to share with you our first quarter results for 2024, which demonstrate 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 value from our portfolio, with the majority of our top ten selling products delivering double-digit growth during the period.

Rameda reported double-digit growth at its top line despite unfavorable market conditions, with major pharmaceutical manufacturers facing difficulties in securing a steady FX supply to meet their raw material needs, as well as the current inflationary environment. We estimate that this shortage in raw materials has impacted our sales in the first quarter by around EGP 80-100 million which we believe will boost our sales in the upcoming quarters as raw materials for these products have been secured and sales will recommence once the repricing has been obtained. Additionally, in anticipation of the price increases, we have decided to reduce our sales to the market. This strategic move allows us to replenish our stock levels at distributors with the new prices, achieving higher margins faster. The Group's revenue expansion during the period was primarily driven by volume growth in the private segment driven by the recovery of our injectable antibiotic portfolio. This growth was supported by strategic price hikes witnessed over the course of 2023 and growth across select 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.

Moreover, Rameda was able to deliver on its strategy of expanding its export market with the penetration of the Sudanese market and signaling major success already, with more to come in the future. We look forward to receiving a large round of 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 a stronger performance as we reap the benefits from product repricing as well as continued strong demand for our products, particularly in the private market.

Over the course of the year, we will continue pivoting strategically and identifying avenues for growth as we navigate what is 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. 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.

Mahmoud Fayek, Chief Financial Officer

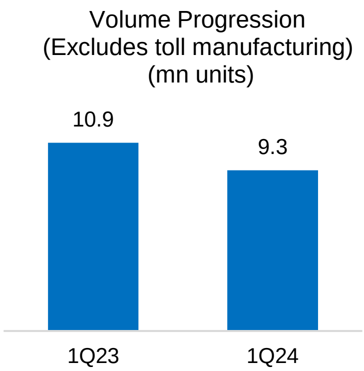
Rameda's revenues booked an increase of 16.4% year-on-year to EGP 456.2 million in 1Q24 thanks to solid performances from the Group's private sales and export sales verticals witnessed over the quarter. At the private sales vertical, Rameda recorded a volume increase of 15.9% with a revenue increase of 28.0% year-on-year to EGP 338.3 million during the period on the back of the recovery of injectable antibiotics portfolio as well as higher pricing received throughout 2023.Further on this front, I would like to especially highlight that the increase in private sales came despite FX shortages affecting raw material security, as well as decreasing distributor stock , in the absence of these two factors we estimate that revenues would have achieved an additional EGP 130-150 million in the private segment. Furthermore, our continued focus to maximize the value generated from Rameda's portfolio is expected to offset the impact of the period's slow production and it is expected that the recovery of the group's volumes will offset over the coming quarters as price increases are implemented, providing further upside to our numbers and production levels.

Parallel to this, Rameda's export vertical booked a revenue increase of 49.8% year-on-year to EGP 53.5 million in 1Q24, driven by a strong increase in sales to Libya, which contributed c.43% of the vertical's revenue, as well as new expansion into the Sudanese market, which netted EGP 15 million and represented 28% of total exports during the quarter. Moreover, the first quarter of 2024 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 10.6% year-on-year to EGP 197.6 million in 1Q24. However, the Group's GPM contracted by 2.3 percentage points year-on-year to 43.3% primarily due the lower production and utilization in anticipation of the repricing of our products which in turn resulted in increased overhead costs allocated to the units produced. This further weighs on the Group's EBITDA, where Rameda recorded an EBITDA decline of 7% year-on-year due to inflationary pressures, resulting in a margin of 22.2% in 1Q24. At the reported net income level, Rameda booked a margin contraction of 4.3 percentage points year-on-year to 13.2% in 1Q24, which was due to financing costs nearly doubling 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 optimizing our cash conversion cycle in order to reduce the impact of the high interest rate environment we are currently operating in. Moreover, we are optimistic that we will be able to accelerate our growth and improve our performance in the upcoming quarters as many of the headwinds we witnessed throughout 2023 regarding FX availability and product pricing have been resolved.

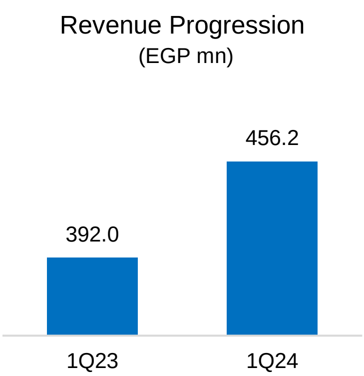
Financial & Operational Performance



Volumes

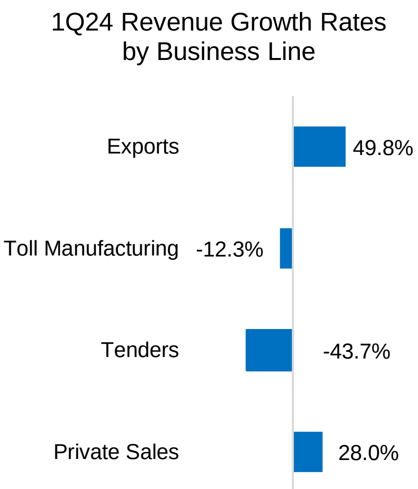
Total volumes (including toll manufacturing) declined by 23.6% y-o-y to 24.2 million units, while total volumes (excluding toll manufacturing) declined by 14.6% y-o-y to 9.3 million units, primarily due to the shortage of raw materials stemming from FX shortages and a deliberate reduction in production in anticipation of price increase approvals in 1Q24. Conversely, the Group's private sales vertical booked a 15.9% y-o-y increase in volumes sold during the period.

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 43.7% y-o-y decline in volumes sold in 1Q24.



Revenues

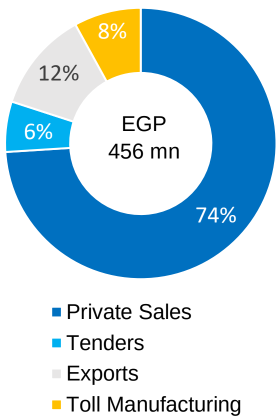
Despite a challenging environment, Rameda booked revenue growth of 16.4% y-o-y to EGP 456.2 million in 1Q24 on the back of a private sales and exports experiencing growth during the period despite FX shortages affecting raw material procurement and the deliberate reduction of stocks at distributors. The Group's top performing products in terms of their contribution to absolute growth in 1Q24 were Recoxibright, Vaxato, and Optaminess.



Revenues by Business Line

Revenue Analysis	1Q23	1Q24	% YoY
Private Sales			
Volumes Sold ('000)	**5,837**	**6,765**	***15.9%***
Sales (EGP mn)	**264**	**338**	***28.0%***
Tenders			
Volumes Sold ('000)	3,816	1,265	*-66.8%*
Sales (EGP mn)	52	29	*-43.7%*
Exports			
Volumes Sold ('000)	1,236	1,266	*2.4%*
Sales (EGP mn)	36	54	*49.8%*
Volume (excluding toll) ('000)	**10,889**	**9,296**	***-14.6%***
Revenue (excluding toll) (EGP mn)	**352**	**421**	***19.6%***
Toll Manufacturing			
Volumes Sold ('000)	20,820	14,943	*-28.2%*
Sales (EGP mn)	40	35	*-12.3%*
Total Volumes ('000)	**31,709.3**	**24,239**	***-23.6%***
Total Revenue (EGP mn)	**392**	**456**	***16.4%***

1Q24 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.

The group experienced a 15.9% y-o-y increase in private sales volumes to 6.8 million units in 1Q24, the vertical's revenues grew by 28.0% y-o-y to EGP 338.3 million during the period on the back of the strong recovery of Rameda's injectable antibiotic portfolio as well as strong performance for other key product such as Recoxibright, Vaxato and Optaminess.

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 66.8% y-o-y to 1.3 million units in 1Q24. 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 43.7% y-o-y to EGP 29 million in 1Q24.

Exports

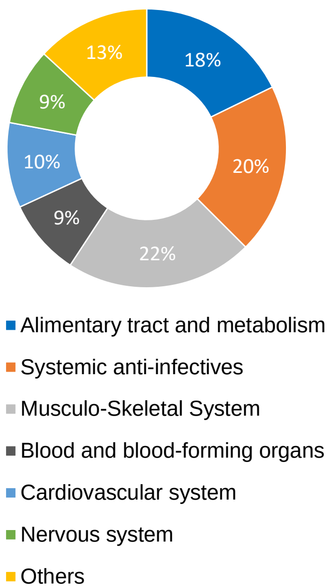
Rameda sells its products to export agents, responsible for distributing its products across different regional markets; 43% of total export sales were sold in Libya during 1Q24, with 20% sold in Yemen. The remaining 38% of exports were sold in Iraq, Palestine, Sudan, and several other countries in 1Q24.

Export revenues booked a 49.8% y-o-y increase to EGP 53.5 million in 1Q24, which came alongside a 2.4% y-o-y increase in export volumes sold, driven by strong export sales to Libya, which was the highest contributor to the vertical's revenues at 43% in 1Q24 and the primary driver for the export vertical's overall revenue growth during the period, alongside new entry into the Sudanese market which brought in EGP 15million sales and contributed 28% of total exports.

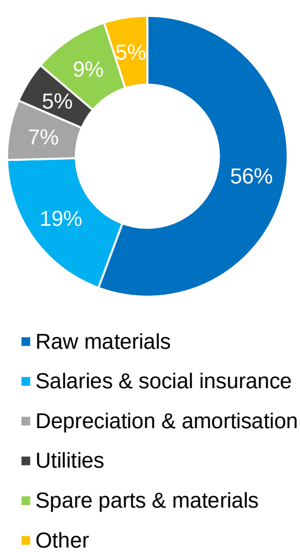
Toll Manufacturing

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

1Q24 Sales Contribution by Therapeutic Area



1Q24 Cost of Revenues Breakdown



Toll manufacturing volumes declined by 28.2% y-o-y to 14.9 million units in 1Q24, due to toll clients having difficulty securing USD for raw materials. This performance drove a 12.3% y-o-y decrease in revenue from toll manufacturing to EGP 35.1 million in 1Q24.

Revenue by Therapeutic Area[1]

Musculo-Skeletal System generated the lion's share of revenues in 1Q24, at 22%, followed by systemic anti-infectives, which contributed 20%, and Alimentary tract and metabolism, at 18% during the period. Cardiovascular system, Blood and blood and blood forming organs, and nervous system followed, contributing 10%, 9%, and 9%, respectively, in 1Q24.

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 21.3% y-o-y to EGP 258.6 million in 1Q24, reflecting an increase of 2.3 percentage points as a percentage of revenues to 56.7% in 1Q24 primarily due to a 24.6% and 70.8% increase in raw materials costs and maintenance, respectively, as the impacts of Egypt's depreciating currency coupled with rising inflation pressured Rameda's cost base during the period.

Gross Profit

Rameda's gross profit increased by 10.6% y-o-y to EGP 197.6 million in 1Q24, yielding a GPM contraction of 2.3 percentage points year-on-year to 43.3% primarily due to the impact of higher overhead costs allocation resulting from the deliberate reduction in production in anticipation of the price increases.

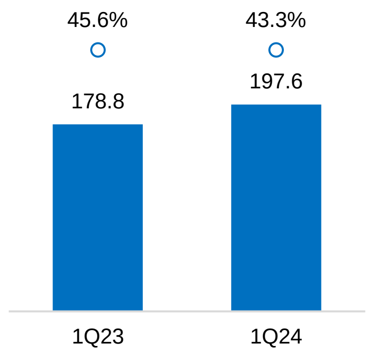
Selling and Marketing Expenses

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.

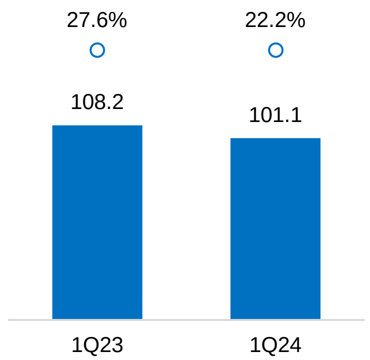
Selling and marketing expenses increased by 32.1% y-o-y to EGP 89.9 million due to a 28.9% y-o-y increase in salaries, social insurance, and fringe benefits, coupled with a 36.2% y-o-y rise in advertising and marketing expenses in 1Q24. As a percentage of revenue, selling and marketing expenses expanded by 2.3 percentage point year-on-year to 19.7% in 1Q24.

[1] *Contributions here are calculated on revenues before toll manufacturing revenue, discounts & incentives and sales returns.*

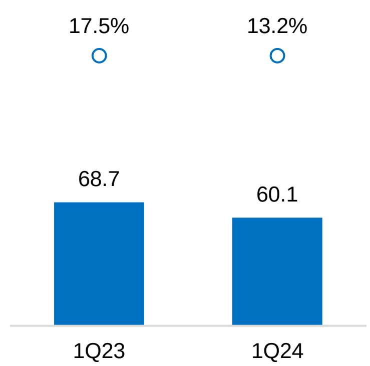
Gross Profit and Margin Progression
(EGP mn | %)



EBITDA and Margin Progression
(EGP mn | %)



Net Profit 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 37.4% y-o-y to EGP 26.4 million in 1Q24. The increase was primarily driven by the 41.8% 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.

Due to the increase in S&M and G&A expenses as a percentage of revenues between 1Q23 and 1Q24, the decline in gross profitability further weighed down on the EBITDA level. Consequently, Rameda booked a year-on-year EBITDA decline of 6.6% to EGP 101.1 million, which yielded a margin contraction of 5.4 percentage points year-on-year to 22.2% in 1Q24.

Net Income

Reported net income declined by 12.4% to EGP 60.1 million and recorded a margin contraction of 4.3 percentage points year-on-year to 13.2% in 1Q24. The contraction was driven primarily by lower utilization from the FX shortages and the impact of a depreciating currency on Rameda's cost base, coupled with a c.99% y-o-y increase in financing costs during the period due to rising interest rates.

Operating Cash Flow, Capital Expenditure and Debt

Rameda's net operating cashflows declined to EGP -65.7 million in 1Q24 on the back of an EGP 88.2 million increase in net inventory as raw materials stuck at the ports have been released towards the end of 1Q24, as well as a 99% increase in interest costs reaching EGP 61 million, coupled with an EGP 30.2 million increase in other receivables.

Net debt stood at EGP 751.4 million as of 31 March 2023, representing an increase of 0.6% YTD, driven by a 3.2% YTD increase in total debt, while the cash and bank balances increased by 9.4% YTD 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.