Ibnsina Pharma Releases Unaudited FY2017 Results

Ibnsina Pharma continues to outperform the market reporting revenue growth of 33.0% year-on-year in FY2017 to EGP 9.6 billion in its first post IPO results; EBITDA surpasses IFA report projections by EGP 16 million closing the full-year at EGP 406 million

FY2017 Highlights

Net Revenues
EGP 9.6 BN
▲ 33% y-o-y

Gross Profit
EGP 826 MN
▲45.2% y-o-y

EBITDA
EGP 406 MN
▲ 77.5% y-o-y

Net Profit
EGP 192 MN
▲ 88.8% y-o-y

Cairo, 4 March 2018

Ibnsina Pharma (ISPH.CA on the Egyptian Stock Exchange), Egypt's fastest-growing and second-largest pharmaceutical distributor, announced today its unaudited results for the year ending 31 December 2017, reporting net revenues of EGP 9.6 billion, up 33.0% year-on-year.

Top-line growth accelerated down the income statement, with EBITDA posting year-on-year increase of 77.5% to EGP 405.9 million in 2017 and an EBITDA margin of 4.2% versus 3.2% in 2016. Net profit came in at EGP 192.1 million in 2017, up almost twofold (+88.8%) versus 2016.

On a quarterly basis, Ibsina Pharma net revenues posted EGP 2.9 billion in 4Q2017, up 30.4% year-on-year, while EBITDA recorded a 140.9% year-on-year increase to EGP 110.9 million with an almost two-point expansion in margin to 3.9%. Net profit recorded EGP 49.1 million during the same period, up 144.4% year-on-year.

Ibnsina Pharma served 39,906 customers across Egypt and made 5.6 million deliveries in 2017, up 33.8% year-on-year.

Summary Income Statement

EGP mn	4Q16	4Q17	Change	FY16	FY17	Change
Net Revenue	2,201	2,871	*30%*	7,206	9,586	*33%*
Gross Profit	149.3	228.6	*53%*	569.1	826.4	*45%*
GP Margin	*6.8%*	*8.0%*		*7.9%*	*8.6%*	
EBITDA	46.1	110.9	*141%*	228.6	405.9	*78%*
EBITDA Margin	*2.1%*	*3.9%*		*3.2%*	*4.2%*	
Net Profit	20.1	49.1	*144%*	101.7	192.1	*89%*
NP Margin	*0.9%*	*1.7%*		*1.4%*	*2.0%*	

Comments for our Chairman

“It is with great pleasure to report to you here a stellar set of results in our first post-IPO earnings release,” said Ibnsina Pharma Chairman Mr. Mohsen Mahgoub. “Our performance during 2017 is a continuation of our success over the years, one that has now culminated in our joining the ranks of publicly-listed companies. Our successful IPO which was c.18 times oversubscribed, with 85% allocated to institutions, stands testament to the attractiveness of our business and our prudent timing for choosing to go to market. We look forward to delivering on our post-IPO growth strategy to continue creating value for our shareholders, whose global standing such as the European Bank for Reconstruction and Development is a vote of confidence in our business and its prospects. We aim to uphold best-in-class corporate governance standards and maintain an efficient level of disclosure for the benefit of all our stakeholders,” Mahgoub concluded.

Comments for our Co-CEOs

"Ibnsina Pharma is essentially a growth story. From humble beginnings in 2001 with only seven sites, we have since grown to operate over 55 sites across the nation and distribute over nine thousand SKUs,” said Omar Abdel Gawad, Co-CEO of Ibnsina Pharma. “Today, Ibnsina Pharma is Egypt’s fastest-growing and second-largest pharmaceuticals distributor, recording revenue CAGR of 31% over the past five years, significantly higher than our market’s overall average of 17%. We have consistently grown our market share and consolidated our position in a highly concentrated space, commanding 19.2% of Egypt’s c.EGP 50 billion pharmaceuticals market, up from 16.9% in 2016 and 9.9% in 2009,” said Omar.

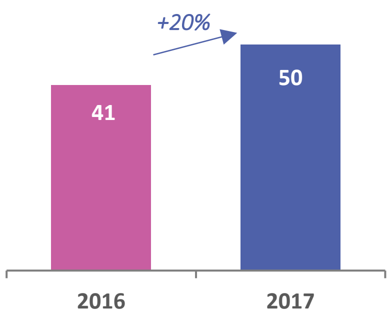
“Our success and ability to grow faster than our peers and consistently outperform the market came through the careful execution of our value-based differentiation strategy. A strategy that is built on information and the continued investment in market intelligence, research and an understanding of our clients’ needs see us deploy resources to the highest growth areas of our business. Our aim is to efficiently allocate time, energy and manpower to our highest-value clients and present them with an ever-growing portfolio of comprehensive services,” he added.

“With over 300 suppliers, thousands of clients and a handful of distributors, Ibnsina Pharma offers its services from a position of strength and through a resilient supply chain. Our client and supplier profiles leave us with virtually zero concentration risk, while our robust business model, deployment of technology and ability to handle complexity bring operational risk to a minimum,” said Omar.

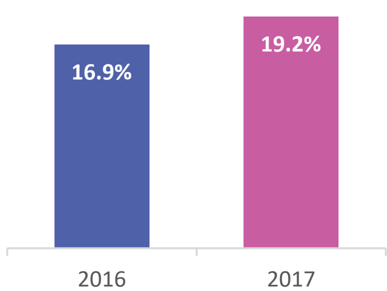
“As a volume-driven business, growth and scale are the underlying factors for sustainable shareholder value creation,” said Mahmoud Abdel Gawad, Co-CEO of Ibnsina Pharma. “With a predetermined distribution margin for our industry, our endgame is operational efficiency, operational leverage and economies of scale, all of which Ibnsina Pharma has delivered. As we work towards increased efficiency and larger scale, we continue to see our top-line growth and our profitability margins expand down the income statement. In 2017, revenue growth of 33% year-on-year registered a 77.5% at the EBITDA level and c.89% at out bottom-line. Over the past five years we have delivered revenue CAGR of 31% and an EBITDA and net profit CAGRS of 39% and 47%, respectively,” Mahmoud explained.

“This is why our forward-looking strategy and our decision to tap capital markets for liquidity will see us gear-up for expansion and execute a CAPEX plan in the tune of EGP 700 million over the next five years,” Mahmoud added. “Our investment drive will add a further 20 sites to our network and afford us the capacity to fully leverage our business model and lend additional momentum to our growth trajectory,” Mahmoud concluded.

Total Market Growth (EGP bn)



ISP Market Share



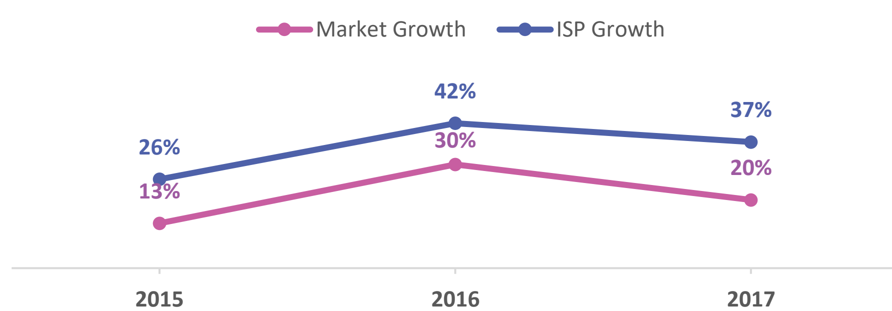
Market Overview

The pharmaceutical market hit a record high of EGP 49.6 billion in end-user sales during 2017, as per the latest available data from IMS, up 20.0% year-on-year despite a backdrop of significant economic challenges and uncertainty faced in Egypt throughout the year, underlining the defensive nature of the healthcare and pharma industry. Strong demographics trends, an evolving diseases profile and growing middle class prevailed against the effects of major economic reforms including the devaluation in the Egyptian pound, tax and interest rate hikes as well as energy subsidy cuts. Additionally, pharma manufacturers' product substitution mechanism helped support overall market levels by regularly introducing higher-priced variants.

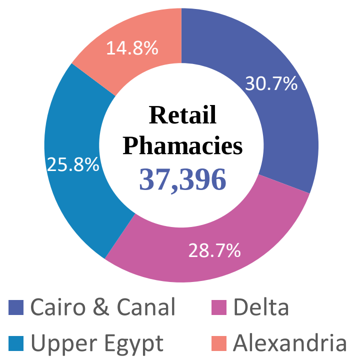
Egypt's underserved healthcare market is a significant upside opportunity for growth within the distribution sector. Foreign investment into Egypt grew during 2017, with its trajectory expected to continue over the medium-term and foreign investors demonstrating significant interest in the healthcare sector. Moreover, government support through the Universal Healthcare Act, which will include wider insurance coverage and increased investment in healthcare facilities, will help extend access to medication to a broader segment of Egyptians. Ibnsina Pharma is in a position to capitalize on these developments given the geographic diversification of its 39 thousand clients – spread across retail pharmacies, hospitals and wholesalers with zero concentration risk – and the fact that it's the second-largest player in the institutional sales including the Ministry of Health, Egyptian Army and Police Department.

Ibnsina Pharma has achieved considerable growth over the last few years, surpassing total market growth in terms of sales by a spread of more than 12% over the last 3 years, with a difference of 16.9% in 2017 supported by its value-based differentiation strategy. Ibnsina Pharma has been able to consolidate its market position since its inception in 2001 and gain tremendous market share throughout Egypt standing at 19.2%, becoming the second-largest distributor in the country in terms of sales, a position it has maintained in 2017.

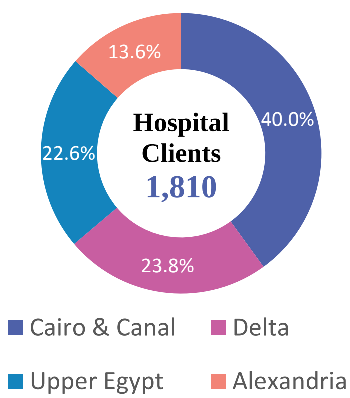
Market Growth vs. Ibnsina Pharma Growth (IMS Criteria)



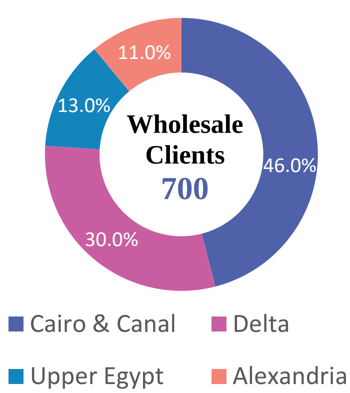
Retail Pharmacies by Geography (FY2017)



Hospital Clients by Geography (FY2017)



Wholesale by Geography (FY2017)



Operational Review

The company served a total of 39 thousand clients in 2017, up 25% y-o-y compared to the previous year. Clients served were evenly spread throughout Egypt in 2017, with the largest concentration (31.1%) focused in Cairo & Canal area, followed by Delta (28.5%), Upper Egypt (25.6%) and Alexandria (11.0%), in-line with the geographic distribution of Egypt's population centers.

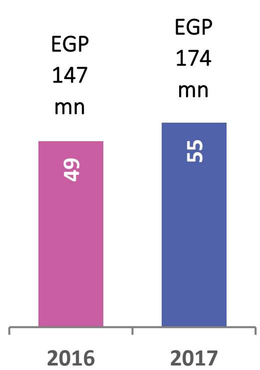
Both the hospitals and retail (pharmacies) healthcare segments have continued to demonstrate tremendous growth over the past few years, and the company's diverse revenue profile will allow it to materially benefit from the increased coverage of Egypt's Universal Healthcare Plan when implemented.

Ibnsina Pharma served its clients from 55 sites in 2017, with six additional sites inaugurated during the past two years as part of the company's plan to expand its reach. Total revenue per site recorded EGP 174 million, up 18% year-on-year versus the EGP 147 million in 2016.

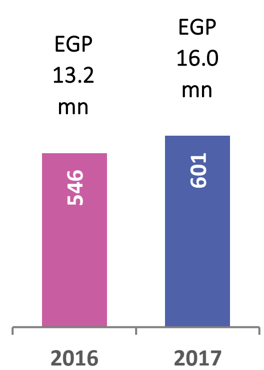
Ibnsina Pharma's total number of drops (or deliveries) reached 5.6 million in 2017, up 33.8% year-on-year from 4.2 million drops in 2016 and representing an average of 468 thousand drops per month.

Meanwhile, despite the modest expansion of our fleet by 55 vehicles in 2017, total revenue grew by EGP 2.4 billion, representing a substantial growth in the company's revenue/vehicle of 20.9% year-on-year from EGP 13.2 million to EGP 16.0 million.

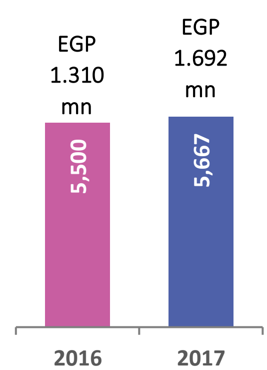
of Sites (rev / Site)



of Vehicles (rev / vehicle)



of Employee (rev / Employee)

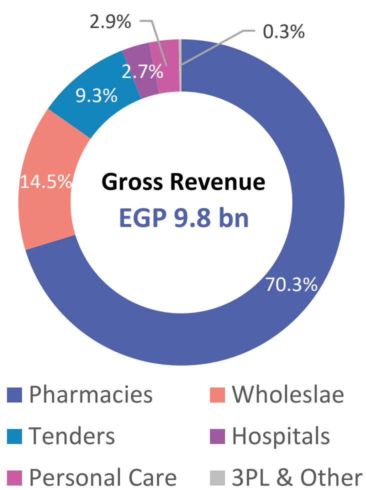


Financial Performance

Revenues

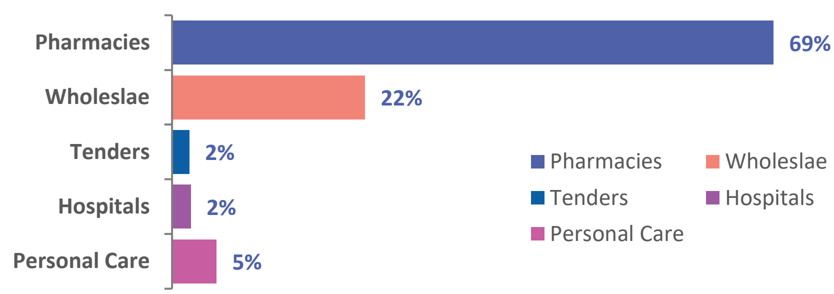
Revenues grew by 33.0% year-on-year in 2017 to EGP 9.6 billion on the back of growth from pharmacies (contributing 69% to total revenue growth) and wholesalers (contributing 22% to total revenue growth). While these two business lines are the highest contributors to revenue, at 70.3% and 14.5% respectively in 2017, they were also two of the fastest growing segments in 2017, growing at 32% and 61% respectively.

Revenue* by Business Line (FY2017)

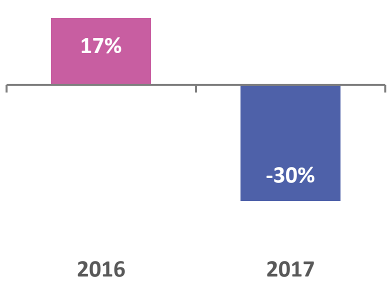


*** Revenues refer to gross sales prior to discounts***

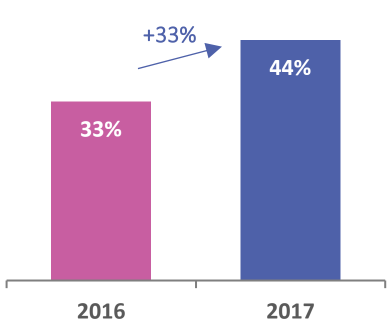
Business Line Contribution to Revenue Growth(FY2017)



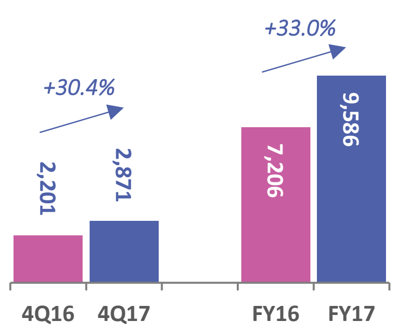
Net Debt / Equity



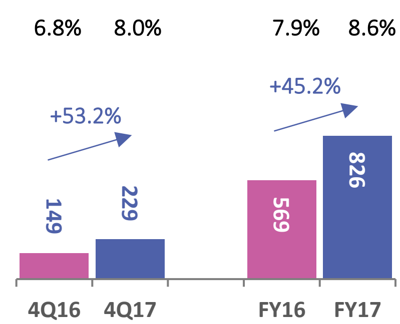
Return on Equity



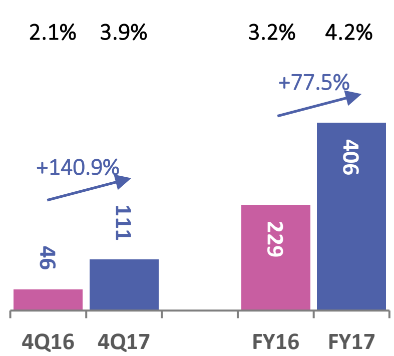
Revenue Progression (EGP mn)



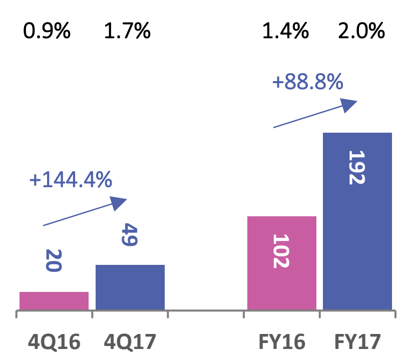
Gross Profit Progression (EGP mn, % margin)



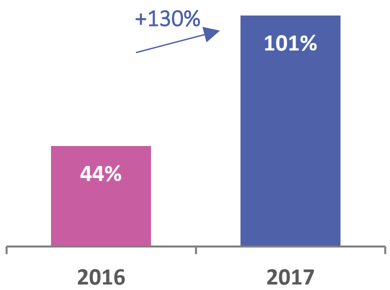
EBITDA Progression (EGP mn, % margin)



Net Profit Progression (EGP mn, % margin)



Return on Fixed Assets



Gross Profit

Gross profit grew from EGP 569.1 million in 2016 to EGP 826.4 million in 2017, representing a year-on-year growth of 45.2%, and with an expansion in gross profit margin from 7.9% in 2016 to 8.6% in 2017. GPM growth was driven by an increase in government-set margins for pharmaceutical distributors to 8% as well as the company's ability to benefit for cash discounts owing to its efficient working capital management.

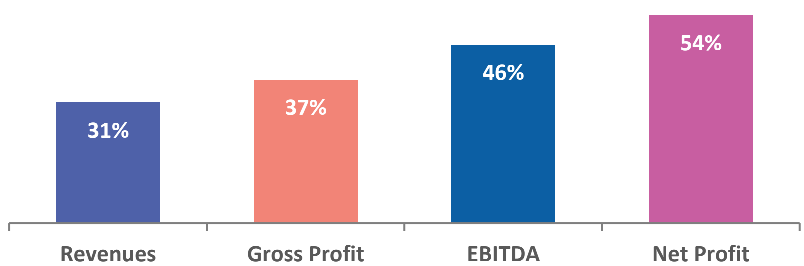
EBITDA

Ibnsina Pharma's EBITDA posted EGP 405.9 million in 2017, up an impressive 77.5% year-on-year and with a one-point expansion in EBITDA margin to 4.2%. EBITDA growth in excess of both revenue and gross profit growth is owing to the company's ability to extract economies of scale and the effect increasing volumes have on Ibsina's operating leverage. With higher volumes the business is able to yield marked gains on its operating margins.

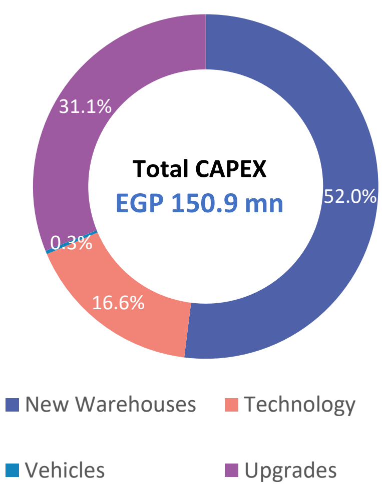
Net Profit

Ibnsina Pharma recorded a net profit of EGP 192.1 million in 2017, up 88.8% year-on-year from EGP 101.7 million in 2016, representing a net profit margin of 2.0% for the year versus 1.4% in 2016. Net profit growth came despite rising interest rates, subsidy removal and higher wages and again supported by the company's operating leverage and economies of scale.

Ibnsina Pharma 5-Year CAGRs



CAPEX Breakdown (FY2017)



Key Balance Sheet Items

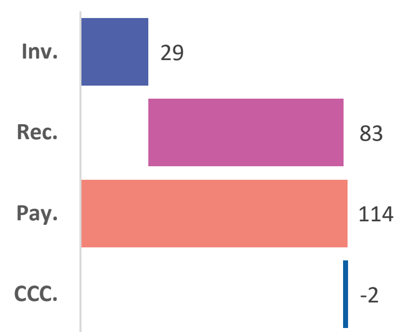
CAPEX

CAPEX grew by 35.6% year-on-year from EGP 111.3 million in 2016 to EGP 150.9 million in 2017, driven by investments in new distribution sites (EGP 78.4 million in 2017) and upgrades to existing ones (EGP 46.9 million in 2017), as Ibnsina Pharma continues to expand its distribution reach across Egypt.

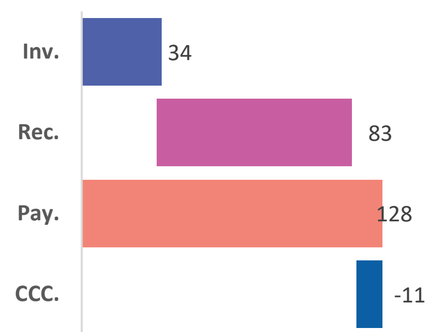
Working Capital

Ibnsina's cash conversion cycle remained net negative between 2016 and 2017, falling from -2 to -11 days over the period and reflecting management's strong working capital controls due to the successful maintenance of a beneficial balance with the company's terms of payments to suppliers and clients.

Cash Conversion Cycle FY2016



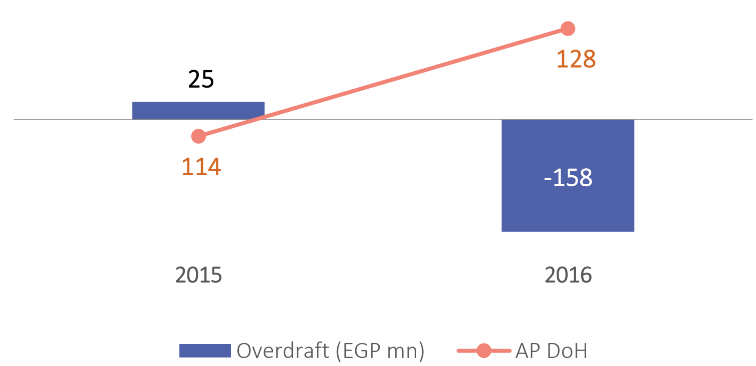
Cash Conversion Cycle FY2017



While collection period with the company's clients averaged 83 days, payment terms with suppliers were more loose, growing from 114 days in 2016 to 128 days in 2017. Ibnsina Pharma opted to utilize its contractual payment terms with suppliers during 2017 as zero-cost financing since discount terms were not attractive given the prevailing high interest rate environment. Inventory DOH remained low, growing from 29 days to 34 days in 2017, within the average of 32 days. However, it must be noted that lower DOH in 2016 was driven by the anticipated price increases during 4Q 2016, leading to higher demand from pharmacies with manufacturers falling short.

It is also worth noting that Ibnsina Pharma utilizes to its advantage a favorable spread between interest paid on overdraft facilities and supplier discounts for early payment. Thus, the company maintains an inverse correlation between accounts payable DOH and outstanding short-term debt as illustrated below.

Yearly Progression of AP DoH versus Utilized Overdraft



RECENT CORPORATE DEVELOPMENTS

Ibnsina Pharma Welcomes New Independent Board Members

Ibnsina Pharma is pleased to welcome two new independent members to its Board of Directors, both with significant expertise in the technology and fast-moving consumer good segments, which will help propel our growth plans even further.

Mr. Amr Abdallah is a board member of several companies and has years of experience in technology and entrepreneurial investment. He was one of the founding members of Raya Holding, growing the company from a few employees to 3,000 and holding the posts of Managing Director, CFO, and finally CEO of the company. His most recent post is Chief Business Officer for Vodafone Egypt, a position he took after having been the company's Chief Strategy Officer, where he realigned the firm's strategy, shifting it from a voice-only provider to a total solutions company. He holds an MBA from Aston Business School in Birmingham, UK.

Mr. Ahmed Elnawawi has a decades-long track record of success in brand building and strategy development. He held prominent posts at Procter & Gamble (PG) Company and Reckitt Benckiser (RB), leveraging superior consumer insight, strategic thinking, business and market understanding at both companies. He currently holds the role of Director, Consumer & Market Insight, Developing Markets at RB after having held the post of Regional Business Unit Associate Director at P&G since 2010 and being with the company since 1997 in several capacities. He holds a Global Executive MBA from Tsinghua – INSEAD, China-Singapore, a Post Graduate Degree in Feasibility Studies and Project Appraisal from Cairo University, and a BA in Economics from Cairo University.

Board Approves Capital Increase

Ibnsina Pharma's Board of Directors approved a capital increase from EGP 168 million to EGP 180.5 million through the issuance of 50 million shares. As disclosed in the company's prospectus and as per resolutions from the Extraordinary General Meeting held on 1 November 2017, the capital increase is exclusive to selling shareholders who sold their shares as part of the company's IPO on the Egyptian Exchange.

About Ibnsina Pharma

Originally established in 2001, today Ibnsina Pharma is Egypt's fastest-growing and second largest pharmaceutical distribution company. The Company distributes a competitive portfolio of pharmaceutical products from over 300 Egyptian and multinational pharmaceutical companies to more than 39,000 customers including pharmacies, hospitals, retail outlets and wholesalers. Its fleet of around 600 vehicles completes an average of over 375,000 deliveries each month.

Ibnsina Pharma's core services for suppliers include management of warehousing and logistics for pharmaceutical products as well as the development and execution of tailored marketing solutions targeting a nationwide database of customers. The Company also provides efficient and reliable order-taking and delivery services to customers and was the first in its industry to pioneer a telesales model. Operating across 55 sites in 23 cities nationwide, Ibnsina's team of more than 5,500 employees is dedicated to improving people's quality of life by ensuring their access to safe and high quality pharmaceutical products.

For more information about Ibnsina Pharma, please visit: www.ibnsina-pharma.com.

For further information,
please contact:

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Investor Relations Manager
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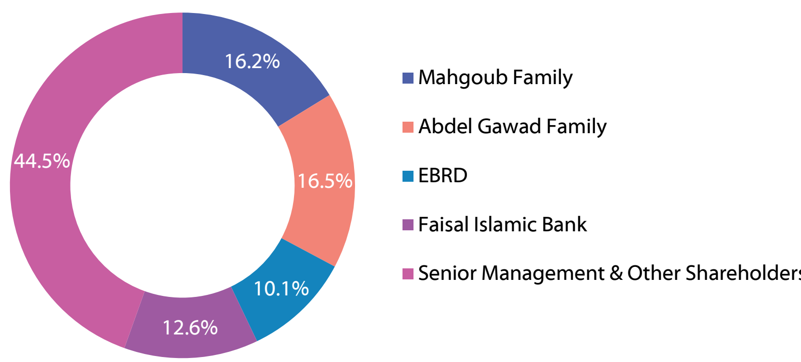
Shareholding Structure
(Post IPO and Capital Increase)



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, which 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 prices, costs, ability to retain the services of certain key employees, 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.