Ibnsina Pharma Releases Audited 1Q18 Results

Ibnsina Pharma starts 2018 off strong with year-on-year revenue and EBITDA growth of 51% and 69% respectively in 1Q2018, ensuring a sustained growth momentum and once again outperforming the market, which grew by 31%.

1Q18 Highlights

Net Revenues
EGP 2.9 BN
▲ 51.1% y-o-y

Gross Profit
EGP 216 MN
▲44.9% y-o-y

EBITDA
EGP 92 MN
▲ 69.4% y-o-y

Net Profit
EGP 28 MN
▲ 46.3% y-o-y

Normalized NP
EGP 36 MN
▲ 88.4% y-o-y

Cairo, 14 May 2018

Ibnsina Pharma (ISPH.CA on the Egyptian Stock Exchange), Egypt's fastest-growing and second-largest pharmaceutical distributor, announced today its audited results for the quarter ending 31 March 2018, posting net revenues of EGP 2.9 billion, up 51.1% year-on-year.

EBITDA recorded an impressive 69.4% year-on-year increase to EGP 92.3 million in 1Q18 with a slight expansion in its margin of 0.3 percentage points. Net profit came in at EGP 28.0 million in 1Q18, representing a year-on-year growth of 46.3%.

While Ibnsina pharma's net profit margin remained relatively stable, at 1.0% in 1Q17 and 1Q18, its normalized net profit, which factors out one-time capital increase expenses of EGP 7.5 million and a general provision of EGP 3.5 million, recorded EGP 36.0 million after tax in 1Q18, up 88.4% year-on-year.

Ibnsina Pharma served 41,210 customers across Egypt and made 1.2 million deliveries in Q1 18, up 6.6% year-on-year.

Summary Income Statement

EGP mn	1Q2017	1Q2018	Change
Net Revenue	1,906.7	2,881.1	*51%*
Gross Profit	148.9	215.7	*45%*
GP Margin	*7.8%*	*7.5%*	
EBITDA	54.5	92.3	*69%*
EBITDA Margin	*2.9%*	*3.2%*	
Net Profit	19.1	28.0	*46%*
NP Margin	*1.0%*	*1.0%*	

Comments for our Co-CEOs

“We are pleased to report yet another strong quarter for Ibnsina Pharma, with revenues of EGP 2.9 billion or over 50% higher than the same period last year,” said Omar Abdel Gawad, Co-CEO of Ibnsina Pharma. “Our growth momentum in the first quarter of the year, which significantly exceeded our 5-year revenue CAGR of 31% and surpassed market growth by a record spread of 19%, leaves us optimistic that the year ahead will hold new records for Ibnsina Pharma. Our solid performance underscores Ibnsina Pharma’s ability to consistently outperform against a challenging and often unpredictable economic environment. At a time when global pharmaceutical industry trends are moving toward market consolidation, particularly in the distribution and retail space, Ibnsina Pharma has delivered organic growth across all existing business lines by optimizing its distribution network and expanding its product offering through accretive agreements with global pharma manufacturers,” said Omar.

“Spreading our fixed operational and administrative expenses across a wider revenue base with the significant growth in sales over recent years has allowed Ibnsina Pharma to benefit from greater economies of scale, demonstrated by its margin growth at the EBITDA and normalized net profit levels. The quarter just ended saw us record EBITDA growth by an exceptional 69% year-on-year, with growth accelerating down the income statement leaving normalized net profit up a sharper 88.4% year-on-year,” he added.

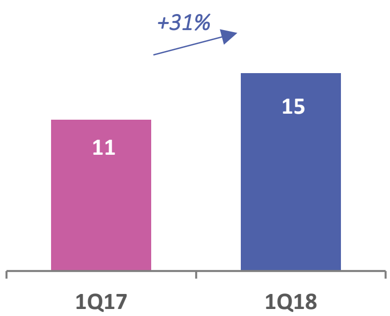
“Following successive hikes implemented by the Central Bank of Egypt (CBE) throughout 2017, some of our suppliers were unable to extend cash discounts in excess of the prevailing interest rates and thus cash purchases were slightly lower in 1Q18 versus 1Q17. Converting those suppliers to credit terms affected our gross profit margins in comparison with 1Q17, however, with the start of the CBE’s monetary easing strategy for 2018, which already included two 1% interest rate cuts during the first quarter of the year, we expect to increasingly utilize more accretive cash discounts using bank financing, which is set to reflect positively on our gross margins for the remainder of the year.”

“Ibnsina Pharma has developed one of the largest product portfolios in Egypt with over 9,500 SKUs and is the preferred wholesaler to numerous globally established and branded pharma products,” said Mahmoud Abdel Gawad, Co-CEO of Ibnsina Pharma. "Our distribution capabilities are supported by a network of 56 sites and a fleet of 625 vehicles, ensuring timely delivery to our clients across the country. Our clients count on us to provide the highest quality service and support that extends beyond the delivery of products, while our suppliers view us as partners in driving sales and meeting their targets,” he added.

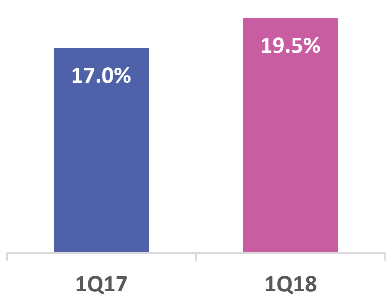
“To this end, we are pleased to announce the recent signing of two contracts with Novo Nordisk, a leading manufacturer of insulin and haemophilia treatment worldwide. The insulin market in Egypt in 2017 was worth approximately EGP 1.6 billion of which Novo Nordisk currently holds over 60%. Distribution is expected to begin in June 2018 and contribute approximately EGP 300 million to our top-line during their first year of implementation. We have invested EGP 2 million in additional warehousing facilities and allocated 28 specialized trucks for the distribution of over 20 of Novo Nordisk’s SKUs across Egypt. The investment is just the beginning of our wider plan to invest EGP 700 million in the expansion of Ibnsina Pharma’s distribution and storage network over the next five years, made possible by our successful IPO in 4Q17.”

“Ibnsina has consistently delivered on its strategic objectives, resulting in the continued growth trajectory in both top-line and bottom results. We will continue to drive organic growth of our core business while maintaining tight cost controls to drive up margins and remain committed to strengthening the relationships with our existing partners and fostering new ones,” Mahmoud concluded.

Total Market Growth (EGP bn)



ISP Market Share



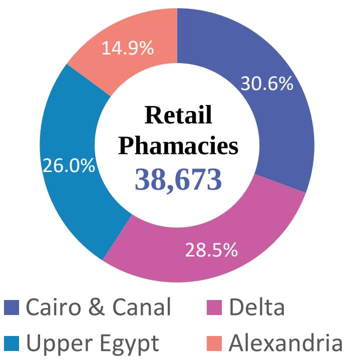
Market Overview

Following a record year in the pharmaceutical market with EGP 49.6 billion in end-user sales in 2017, 1Q18 showed sustained growth momentum despite a backdrop of significant economic challenges and uncertainty faced in Egypt, underlining the defensive nature of the healthcare and pharma industry. End-user sales grew by 30.8% year-on-year, from EGP 11.1 billion in 1Q17 to EGP 14.6 billion in 1Q18. Normalized for overstocking which occurred during 1Q17 in anticipation of price increases, volumes grew by 10% year-on-year in 1Q18, with growth not expected to slow down for the rest of the year. 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.

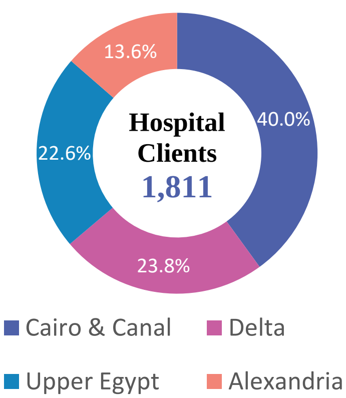
Egypt's underserved healthcare market is a significant upside opportunity for growth within the distribution sector. Foreign investment into Egypt grew during 2017, with its trajectory expected to continue over the medium-term and foreign investors demonstrating significant interest in the healthcare 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 41 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.

As the fastest growing pharmaceutical distributor in Egypt with the second-largest market share, Ibnsina Pharma successfully established a solid footprint in its market through the optimal expansion of its distribution network, the diversification of its product portfolio and the enhancement of its operational efficiency, driven by best-in-class supply chain processes. While its growth has surpassed the total market in terms of sales by a spread of at least 12% over the last 3 years, 1Q18 marked the largest spread, with growth exceeding that of the market by 19.0% thanks to its value-based differentiated strategy.

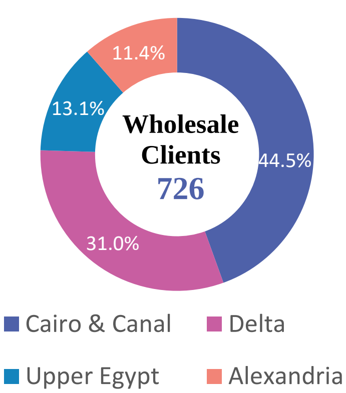
Retail Pharmacies by Geography (1Q2018)



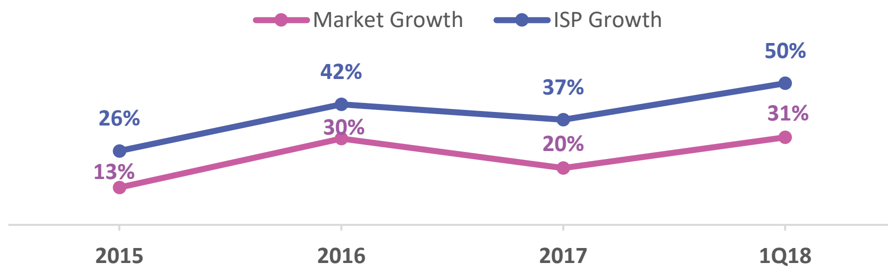
Hospital Clients by Geography (1Q2018)



Wholesale Clients by Geography (1Q2018)



Market Growth vs. Ibnsina Pharma Growth (IMS Criteria)



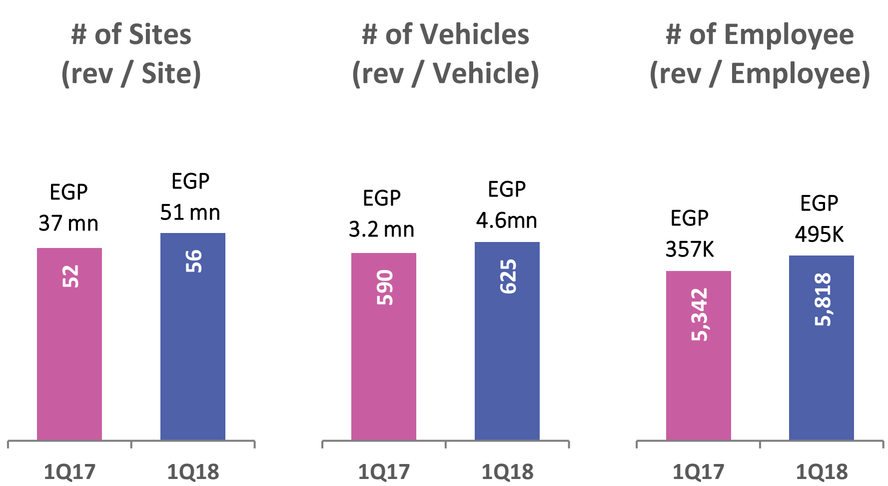
Operational Review

The first quarter of 2018 saw Ibnsina pharma grow its client base significantly, with 1,304 new clients added to its roster bringing total clients served to 41,210 clients in 1Q18. Ibnsina pharma's client base remains distributed throughout Egypt in-line with population distribution, with 30.6 % of total clients served in 1Q18 in Cairo & Canal, followed by Delta and Upper Egypt at 28.5% and 26.0%, respectively and finally Alexandria with 14.9% of total clients served in 1Q18.

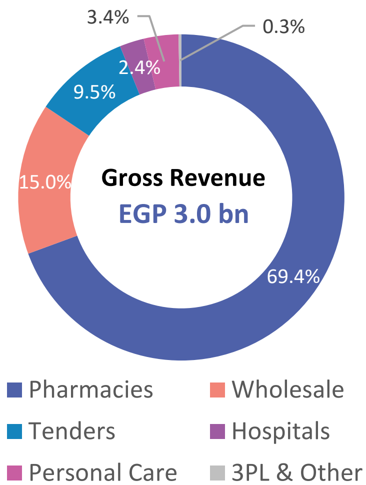
Both retail clients and hospitals segments continued to demonstrate sustainable growth. Management believes that Ibnsina pharma is poised to materially benefit from the roll-out of Egypt's Universal Healthcare Act this year due to its diverse client profile and optimal geographical distribution.

Ibnsina Pharma served its clients from 56 sites in 1Q18, compared to 52 sites in 1Q17. Total revenue per site grew by an impressive 40% year-on-year, from EGP 36.7 million in 1Q17 to EGP 51.4 million in 1Q18.

Our fleet grew to 625 vehicles in 1Q18 from 590 in 1Q17. Despite the modest expansion of our fleet, total revenue per vehicle exhibited substantial growth, recording EGP 4.6 million in 1Q18 from EGP 3.2 million in 1Q17 and representing a year-on-year growth of 45.3%.



Revenue* by Business Line (1Q2018)



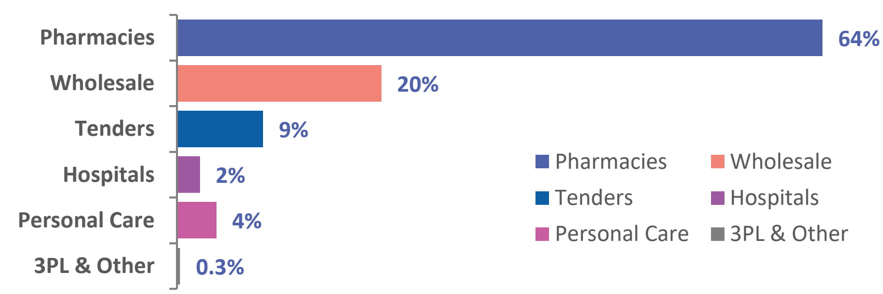
*** Revenues refer to gross sales prior to discounts***

Financial Performance

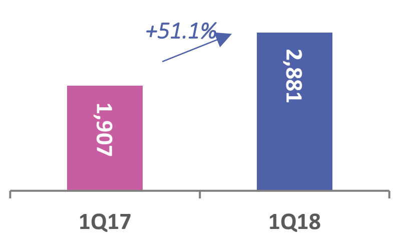
Revenues

Revenues increased by 51.1% year-on-year to EGP 2.9 billion in 1Q18, with revenue growth being delivered by all business lines during the period. The company's client pharmacies network was the primary growth driver at 64% of consolidated revenue growth in absolute terms, while wholesalers contributed 20% to total revenue growth. Wholesalers were also the fastest growing segment in 1Q18, (86.1% revenue growth year-on-year), followed by 3PL & other (67.4% revenue growth year-on-year) and Personal care (63.6% revenue growth year-on-year)

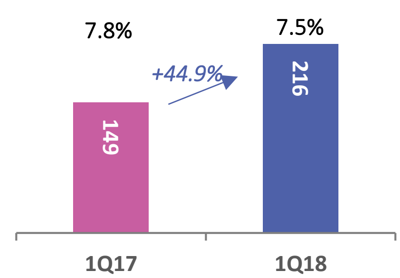
Business Line Contribution to Revenue Growth (1Q2018)



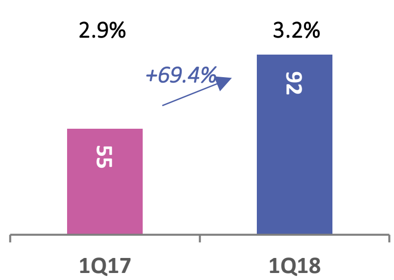
Revenue Progression (EGP mn)



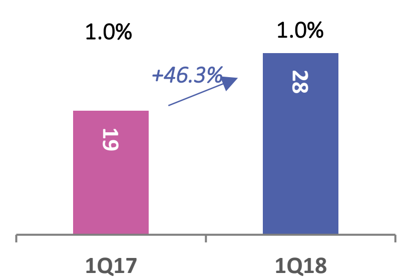
Gross Profit Progression (EGP mn, % margin)



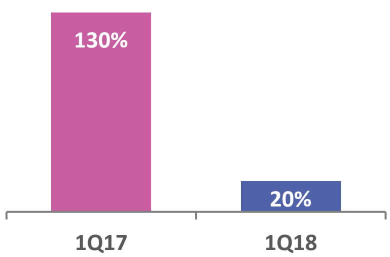
EBITDA Progression (EGP mn, % margin)



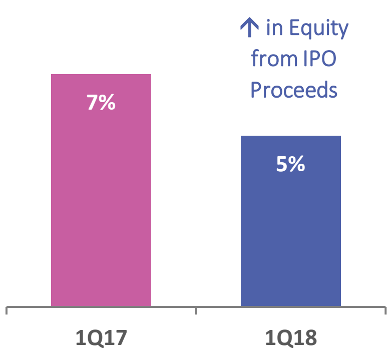
Net Profit Progression (EGP mn, % margin)



Net Debt / Equity



Return on Equity



Gross Profit

Ibsina Pharma's gross profit posted EGP 215.7 million in 1Q18, up 44.9% year-on-year, and yielding a gross profit margin of 7.5% during the period. The slight contraction in GPM of 0.3 percentage points between 1Q17 and 1Q18 was due to the management's decision to reduce cash purchases during the quarter to minimize financial expenses following successive hikes implemented by the Central Bank of Egypt (CBE) throughout 2017. Conversely, with the start of the CBE's monetary easing strategy for 2018 – which already included two 1% interest rate cuts during the first quarter of the year – Ibnsina pharma is expected to increasingly utilize the more accretive cash discounts and thus positively affect GPM for the remainder of the year. Additionally, the company is expected to benefit from attractive year-end bonuses from its suppliers, which typically results in higher margins during the latter part of the year.

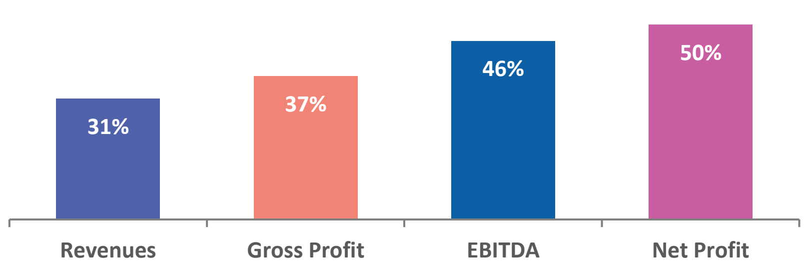
EBITDA

EBITDA increased by 69.4% year-on-year to EGP 92.3 million in 1Q18 from EGP 54.5 million in 1Q17. Despite the slight reduction in margins on the gross profit level, the EBITDA margin grew to 3.2% in 1Q18 from 2.9% in 1Q17 on the back of Ibnsina Pharma's ability to extract economies of scale by spreading its fixed operational and administrative expenses across a wider revenue base as it grows its client book, distribution network and product portfolio.

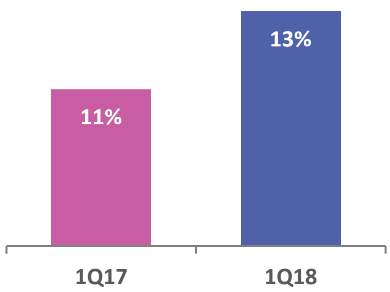
Net Profit

Ibnsina Pharma recorded a net profit of EGP 28.0 million in 1Q18, up 46.3% year-on-year from EGP 19.1 million in 1Q17, representing a net profit margin of 1.0% for both periods. Normalized net profit, which excludes a one-time capital increase expenses of EGP 7.5 million and a general provision of EGP 3.5 million, recorded EGP 36.0 million after tax in 1Q18, up 88.4% year-on-year and, partly supported by lower financial expenses which offset forgone cash discounts at the gross profit level.

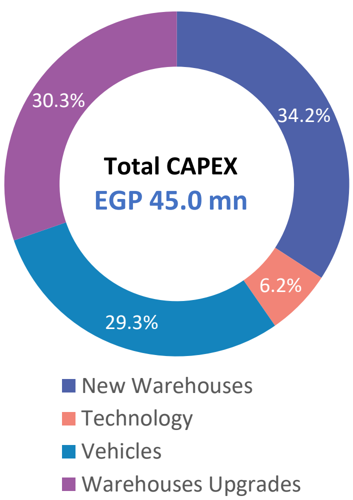
Ibnsina Pharma 5-Year CAGRs



Return on Fixed Assets



CAPEX Breakdown (1Q2018)



Key Balance Sheet Items

CAPEX

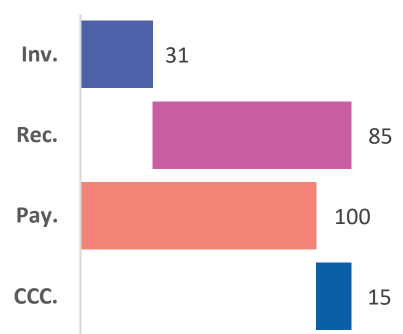
Total CAPEX amounted to EGP 45.0 million in 1Q18, directed at investments in new distribution sites as well as upgrades to existing ones. This in line with management's budgeted CAPEX of EGP 170 million for 2018 to expand its distribution reach across Egypt through the investment in 6 new warehouses and distribution centers and 33 vehicles.

The expansion of our distribution reach in 2018 will see one site launch in 2Q18, two site launches in 3Q18 and three sites launches in 4Q18, bringing the total number of warehouse and distribution centers to 62 by year-end.

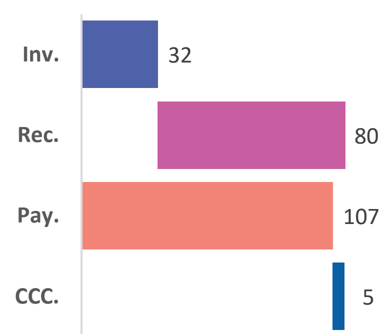
Working Capital

The cash conversion cycle remained low for Ibsina Pharma in 1Q17 and 1Q18, falling from 15 to 5 days over the period and reflecting the company's increased use of payment terms with purchasers during the quarter as opposed to cash payments in addition to management's strong working capital controls and the successful balance of its terms of payments to suppliers and clients.

Cash Conversion Cycle 1Q2017



Cash Conversion Cycle 1Q2018



Inventory DOH remained relatively flat, growing from 31 days to 32 days between 1Q17 and 1Q18. Meanwhile, payment terms with suppliers were slightly looser in 1Q18 than in 1Q17, with payables DOH growing from 100 days to 107 days between both periods. Supplier discount terms for cash payments were not accretive to Ibnsina Pharma due to the prevailing high interest rate environment during the period, resulting in purchases which utilized contractual payment terms with suppliers as opposed to cash payments.

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

RECENT CORPORATE DEVELOPMENTS

Ibnsina Pharma Signs Drug Distribution Contracts with Novo Nordisk

In 20 March 2018, Ibnsina Pharma announced the signing of two contracts with Novo Nordisk, a leading manufacturer of insulin and haemophilia treatment, to distribute over 20 stock-keeping units of its diabetes care, haemophilia and growth disorders products in Egypt.

For over 90 years Novo Nordisk has been developing and producing increasingly innovative medical products specialized in treating diabetes and other chronic illnesses. Previously reliant on one public-sector distribution company and one private distribution company, Novo Nordisk currently holds over 60% of the insulin market share in Egypt.

The insulin market in Egypt in 2017 was worth approximately EGP 1.6 billion of which Novo Nordisk currently holds over 60%. The new contracts are expected to add approximately EGP 300 million to Ibnsina Pharma's top-line in their first year of implementation, which is expected to begin on June 2018.

In preparation for distributing this new array of medical products, Ibnsina Pharma invested EGP 2 million in additional warehousing facilities and allocated 28 specialized trucks to deliver Novo Nordisk's cold-chain products. As part of the conditions to attain these new contracts Ibnsina Pharma also passed Novo Nordisk's due diligence and operational audit to meet international standards.

Our primary objective is leveraging our distribution network to provide much-needed access to medication, and diabetes care products which are essential drugs in Egypt. Globally, Egypt is one of the ten largest countries in terms of population in which diabetes affects more than 7.8 million patients, with obesity and an aging population expected to contribute to an increase in cases by 2035 of almost 50%.

Ibnsina Pharma Marks its Capital Increase in Commercial Register

In 26 March 2018, Ibnsina Pharma concluded the procedures to mark its capital increase in the commercial register. The capital increase proceeds of EGP 290 million were transferred from the capital increase account to the company accounts, ready to be injected to implement the company's EGP 700 million CAPEX plan to establish 20 new distribution centers and warehouses and adding 240 vehicles over the coming 5 years. In 2018, EGP 170 million is expected to be spent on 6 new warehouses and distribution centers in addition to 33 vehicles.

The capital increase was approved by the extraordinary general meeting held on November 2017 which approved increasing the company's capital following its IPO through the issuance of 50 million shares to be exclusively allocated to old shareholders who sold their shares during the IPO, and per the board of directors meeting held on January 2018, which approved increasing the company's capital from EGP 168 million to EGP 180.5 million with an increase of EGP 12.5 million by issuing 50 million shares at the IPO price (L.E 5.80) to reach EGP 180.5 million distributed over 722 million shares, taking into consideration that the difference between the subscription price and the nominal value is a premium equal to EGP 277.5 million. The new shares will be locked (non-traded) for 18 months from the company's first day of trading.

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 350 Egyptian and multinational pharmaceutical companies to more than 41,000 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 56 sites in 23 cities nationwide, Ibnsina pharma'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.

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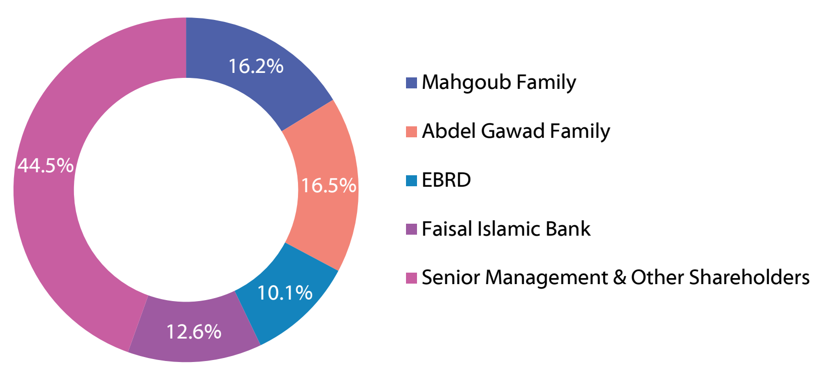
Shareholding Structure
(Post IPO and Capital Increase)



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.