



## Investor Presentation

9M 2019 Results

**Egypt's Fastest Growing Pharmaceutical Distributor**

- *2<sup>nd</sup> largest pharmaceutical distributor with a market share of 20.8%*
- *c.42k clients served annually through a network of 62 operational sites and a fleet of 752 vehicles*
- *5-year revenue CAGR of 32% compared to normalized market CAGR of 14%*



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# Agenda

- I Introduction to the Company
- II Key Investment Highlights
- III Appendix
- IV Contact Information



## The Company in numbers

**17+ years**

*Experience in pharmaceutical distribution*

**#1**

*Growing pharmaceutical distributor in Egypt*

**2<sup>nd</sup>**

*Largest pharmaceutical distributor with 20.8% market share in 9M19*

**c.42k**

*Retail pharmacies, hospitals & wholesalers served in 9M19*

**Over 350**

*Multinational & local pharmaceutical suppliers, covering over 98% of the market value*

**6,000+**

*Employees*

**62**

*Operational sites in 9M19, including distribution hubs and warehouses*

**752**

*Distribution vehicles 9M19*

**EGP 12.2 bn**

*9M19 Gross Revenues*

**EGP 556.7 mn**

*9M19 EBITDA*

**32%**

*Gross Revenue CAGR from 2013-2018*

**51%**

*Net Profit CAGR from 2013-2018*

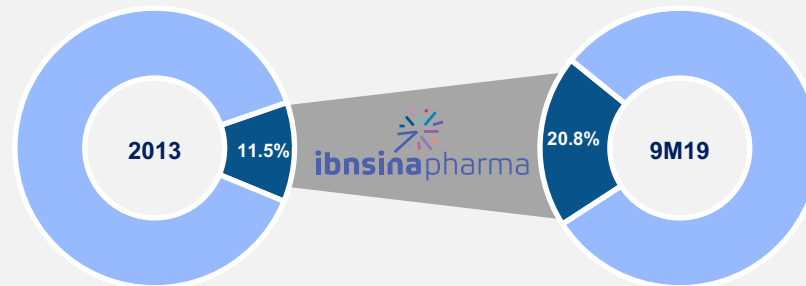


# Ibsina Pharma, Egypt's fastest growing pharmaceutical distributor...

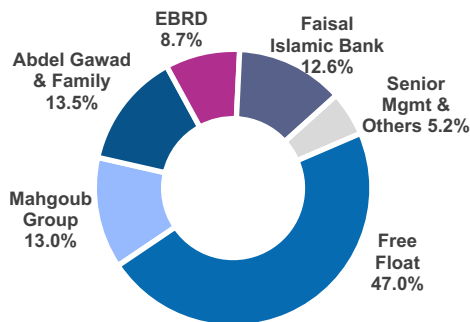
## Company Overview

- Established in 2001, Ibsina Pharma "ISP" is the fastest growing, and 2<sup>nd</sup> largest, pharmaceutical distributor in Egypt with a market share of 20.8%
- Nationwide distribution network with 62 operational sites including distribution hubs and central warehouses, supported by a fleet of c.752 vehicles serving c.42k retail pharmacies, hospitals & wholesalers across Egypt
- Pioneer in introducing value added services for its customers including telesales, same-day-delivery and creative commercial activities, in addition to third party logistics services for its suppliers including; warehousing, transportation, data analytics, packaging and relabeling, and quarantine inspections

## Market Share<sup>1</sup>



## Shareholding Structure<sup>1</sup>

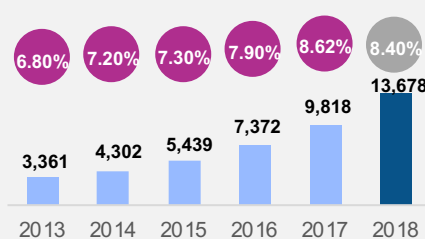


## Key Suppliers

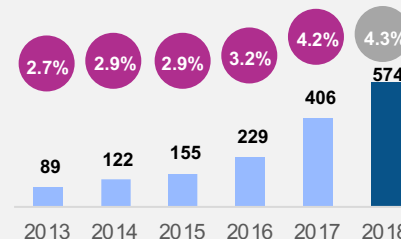


## Key Financial Highlights

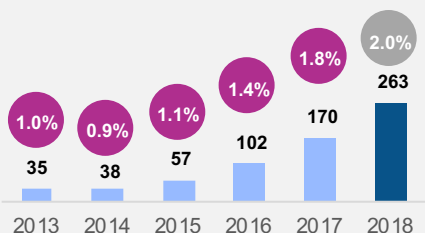
### Gross Revenue<sup>2</sup> & GPM | EGP mn, %



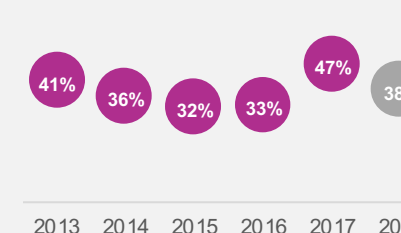
### EBITDA & Margin | EGP mn, %



### Net Profit & Margin | EGP mn, %



### RoE | %



## Certifications

### Quality



### Environmental



### Road Safety



### Health & Safety



(1) Post IPO & Capital Increase; (2) Pro forma gross revenue includes part of 3PL revenue that was stated as other income until 2016  
Source: IMS Health, Company Management

# Strategies Timeline ...

### Launch: 2001-2005

Established in 2001 under the name "Ibnsina Laborex" in partnership with **Pinault Printemps Redoute ("PPR")** through its subsidiary **Eurapharma**

<b>7</b>	<b>Operational Sites</b>	<b>2005</b> 7.0%
<b>12k</b>	<b>Clients</b>	
<b>EGP 665mn</b>	<b>Revenue</b>	

### Expansion Strategy: 2009-2012

Investment to add 15 distribution centers & 5 offices, and enhance efficiency through standardizing operational processes

<b>27</b>	<b>Operational Sites</b>	<b>2012</b> 10.5%
<b>30k</b>	<b>Clients</b>	
<b>EGP 2.5bn</b>	<b>Revenue</b>	

### Growth Strategy I . 2013-2018

Capture market share through implementing value-base differentiation strategy & launch of new revenue streams focusing on enhancing margins

<b>59</b>	<b>Operational Sites</b>	<b>FY18</b> 19.7%
<b>c.42k</b>	<b>Clients</b>	
<b>EGP 13.3bn</b>	<b>Revenue</b>	

### Turnaround Strategy: 2006-2008

Management buy-out of PPR shares, name changed to "Ibnsina Pharma"; optimized cost structure & turned the Company profitable

<b>7</b>	<b>Operational Sites</b>	<b>2008</b> 8.8%
<b>16k</b>	<b>Clients</b>	
<b>EGP 1.0bn</b>	<b>Revenue</b>	



In partnership with



Market Share

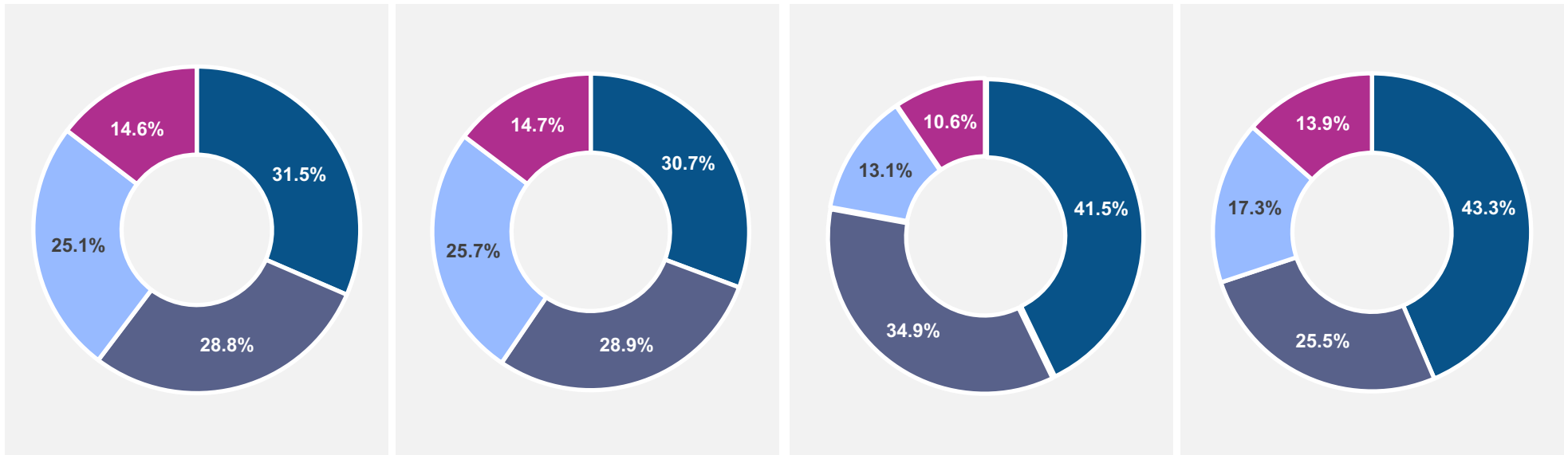
Source: IMS Health; Company Management





# ...and leveraging our network to serve our c.42k customers nationwide

Clients by Geography (9M2019)



**42,179**  
Total Customers

**39,466**  
Retail Pharmacies

**832**  
Wholesale Clients

**1,881**  
Hospital Clients

■ Cairo & Canal    ■ Delta    ■ Upper Egypt    ■ Alexandria





# Key Investment Highlights



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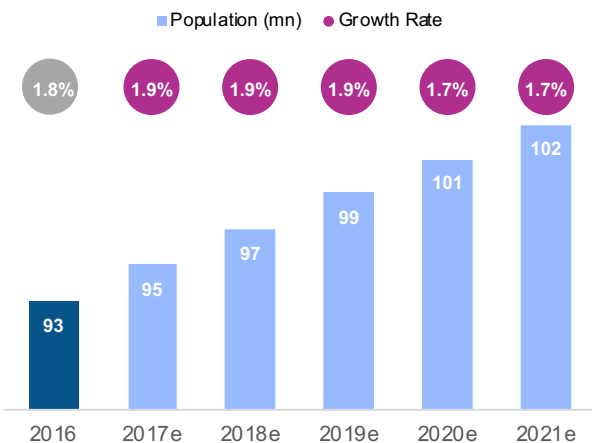
<p>1 <b>Solid Demographic Profile</b></p>	<p>A rapidly growing population coupled with a growing middle class and increasing healthcare awareness, positions Egypt as one of the most attractive consumer markets in the region</p>
<p>2 <b>Attractive Industry Dynamics</b></p>	<p>A highly defensive sector with significant room for continued growth driven by recent regulatory reforms, increasing incidence of chronic disease, and a surge in generic uptake</p>
<p>3 <b>Strong Market Share</b></p>	<p>Fastest growing &amp; 2<sup>nd</sup> largest player in the market with nationwide geographical coverage and access to over 42k retail pharmacies, hospitals &amp; wholesalers</p>
<p>4 <b>Efficient Business Model</b></p>	<p>Operational efficiency driven by best in class supply chain processes</p>
<p>5 <b>Resilient Supply Chain</b></p>	<p>Multi-site operations with highly diversified supplier/client base, covering over 80% of the market SKUs, mitigating any supply chain disruptions and ensuring business continuity</p>
<p>6 <b>Robust Financial Performance</b></p>	<p>Significant top and bottom line growth on the back of recent regulatory reforms and enhanced operational efficiency</p>
<p>7 <b>New Revenue Streams</b></p>	<p>Expansion into higher margin diversified revenue streams to further enhance profitability</p>
<p>8 <b>Experienced Management Team</b></p>	<p>Highly experienced management team that has delivered strong results during challenging times, coupled with strong corporate governance practices backed by notable institutional shareholders</p>



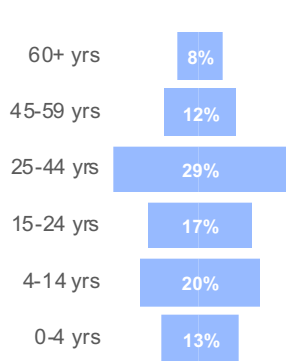
# 1 Solid Demographic Profile

Egypt's demographic profile makes it the region's largest consumer market

## Population | mn

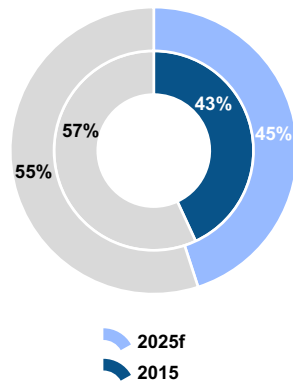


## Age Pyramid



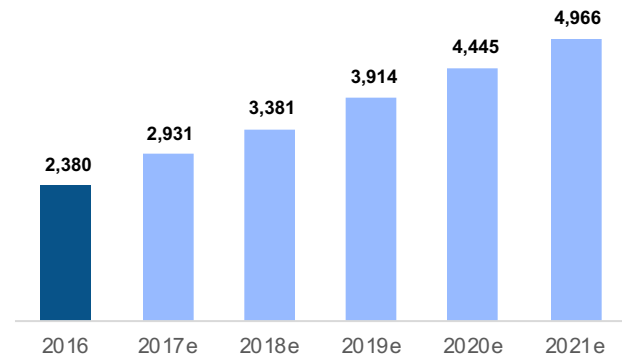
An increasingly aging, more urbanized demographic profile drives an increase in health awareness

## Urban Population

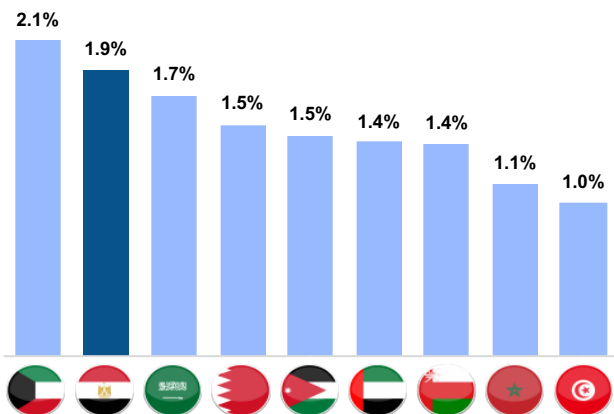


## Disposable Income | EGP bn

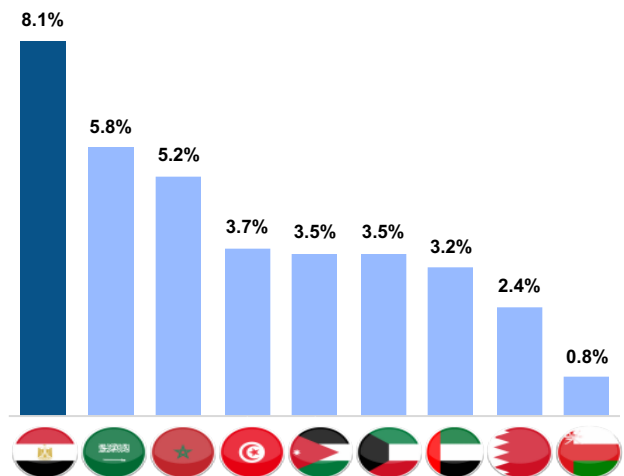
Egypt has seen a growth in health awareness on the back of a growing middle class and rising GDP per capita and decreased government spending



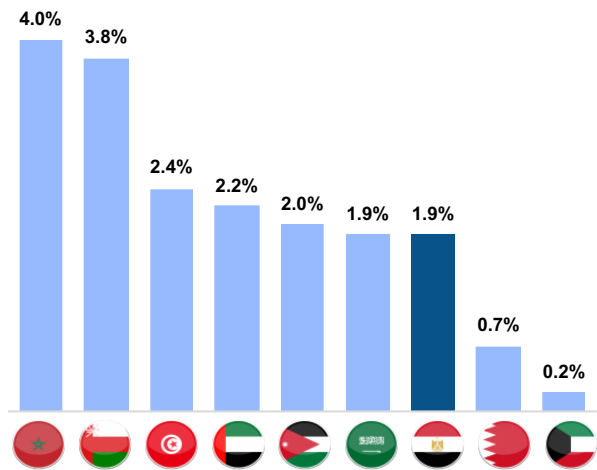
## Population CAGR | 2015-2020



## Population Age 65+ as % of Total Population | 2020



## Urbanization CAGR | 2015-2020



Source: BMI, WHO

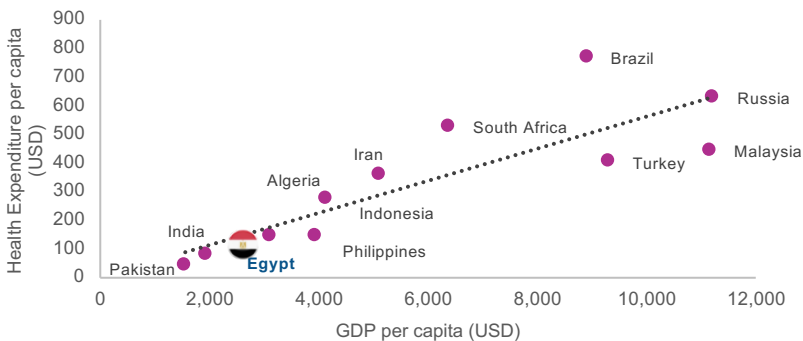


## 2 Attractive Industry Dynamics (I/III)

Low healthcare and pharmaceutical expenditure with unparalleled growth potential

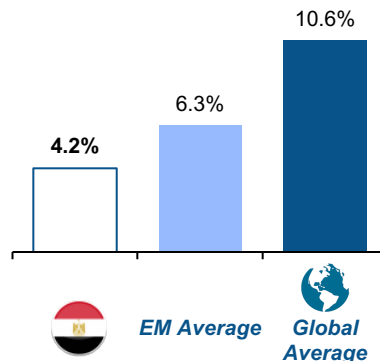
### Healthcare Sector Overview

Health Expenditure per capita vs GDP per capita (USD) - 2018

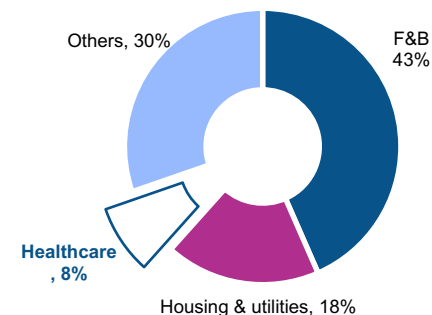


*Egypt's Health Expenditure per capita unjustifiably lags emerging markets standards*

Healthcare Expenditure % of GDP (2018)



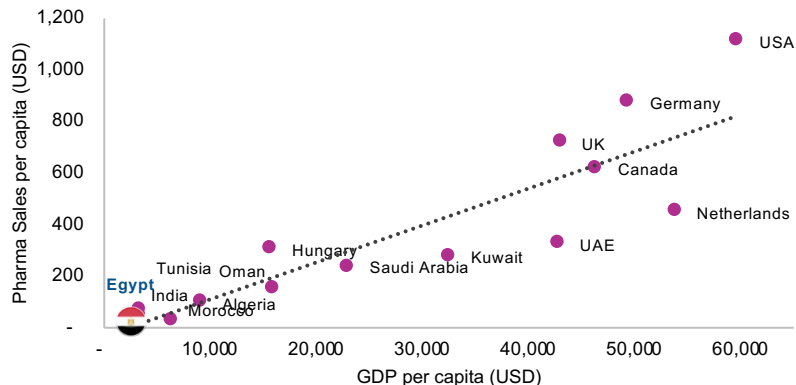
Egyptian Household Expenditure Breakdown (2018)



*Healthcare Expenditure constitutes low contribution to the Egyptian Household Expenditure*

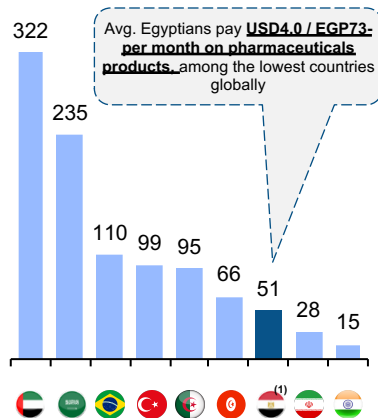
### Pharmaceutical Sector Overview

Pharmaceutical Sales per Capita Vs GDP per Capita 2018



*Pharmaceutical Sales per Capita is low with potential growth on the back of projected increase in GDP per Capita*

Pharmaceutical Sales per Capita (USD) 2018



### Pharmaceutical Egyptian Market Key Themes

- Among the lowest healthcare and pharmaceutical expenditure across MENA and Emerging markets
- Among the cheapest countries in terms of medicine cost to end user
- Among the lowest medicine pocket share contribution to the household expenditure

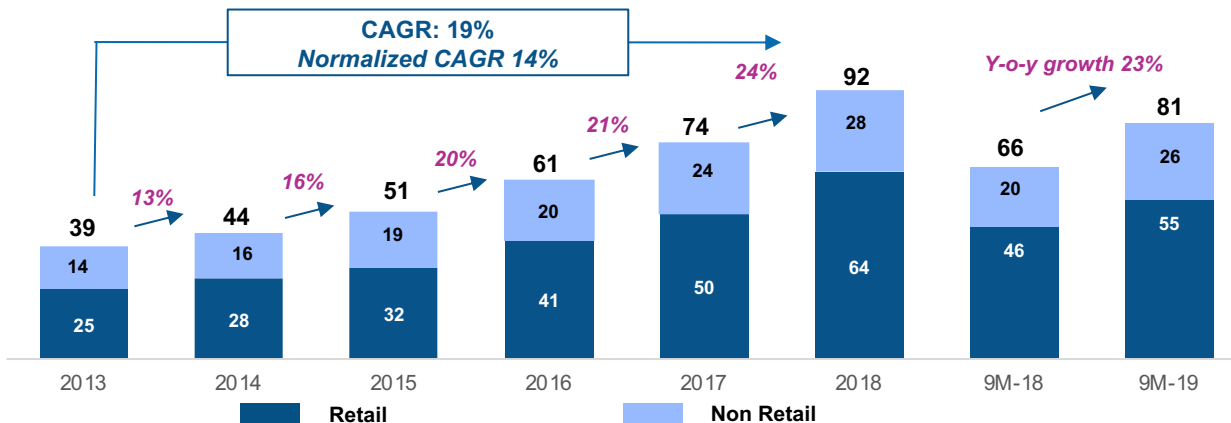


## 2 Attractive Industry Dynamics (II/III)

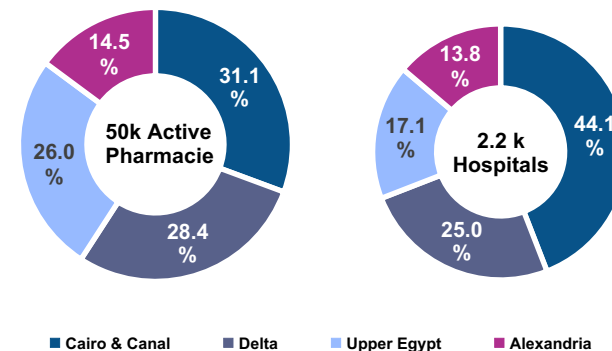
A highly defensive sector with significant room for continued growth

### Total Market Size<sup>1</sup> | EGP bn

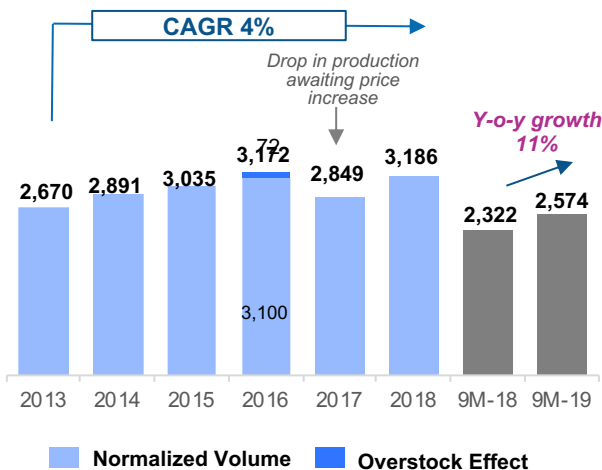
Egypt's healthcare market is the fastest growing in the region driven by significant growth in the pharmaceuticals market



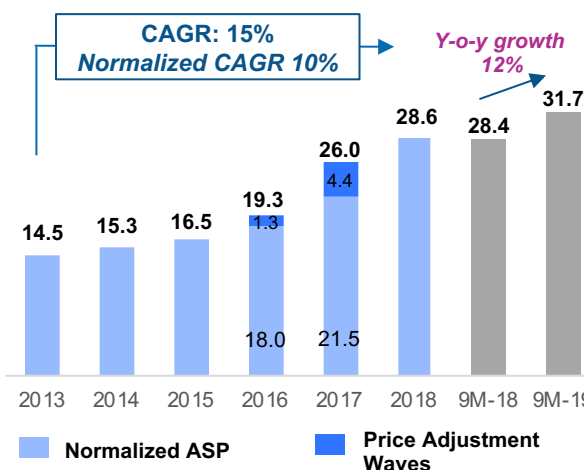
### Market Segmentation



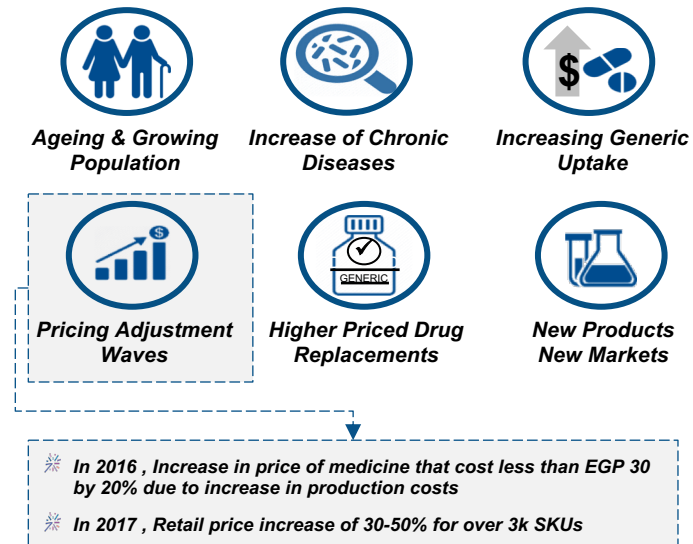
### Market Volume Evolution | in Millions



### Average Selling Price (ASP) Evolution



### Key Growth Drivers

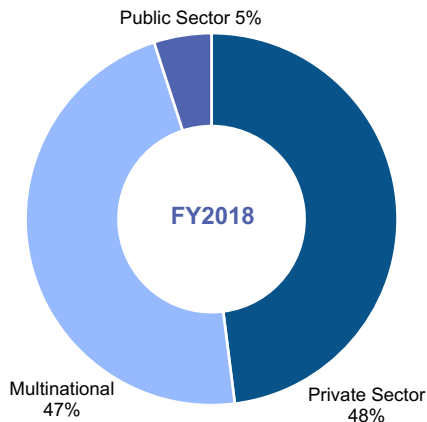




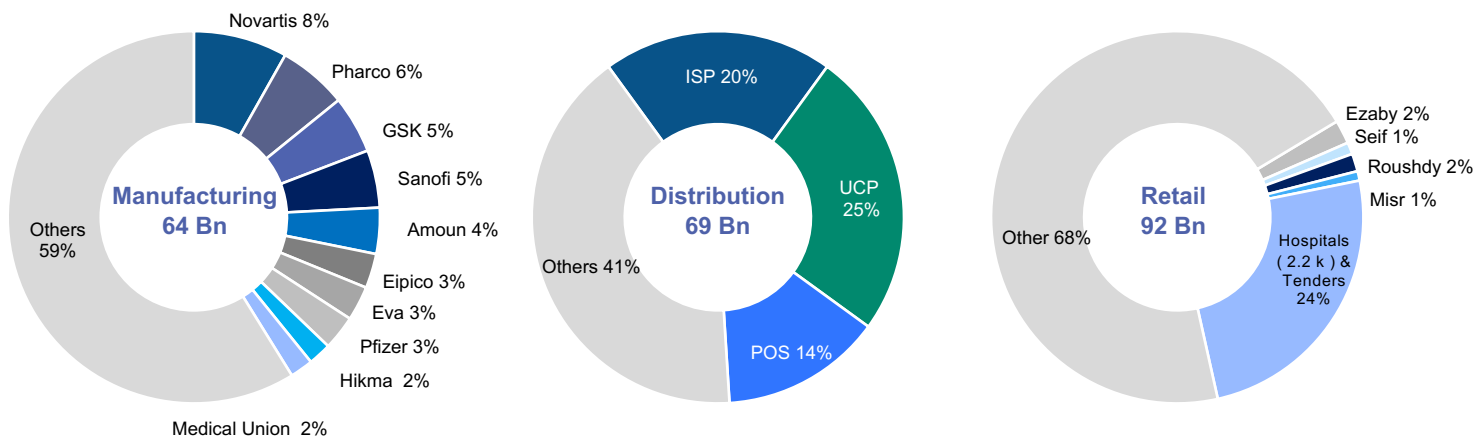
## 2 Attractive Industry Dynamics (III/III)

A highly defensive sector with significant room for continued growth

Pharma Total Market Share



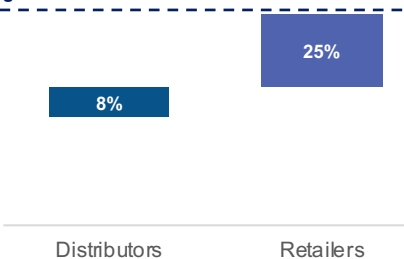
Market Segmentation | Market Share FY2018



*The distribution space is the most consolidated segment, with the 3 largest players processing 68% of the market sales*

Industry Regulated Margins

Regulated Price



✦ Distributors operate on a fixed margin set out by the Ministry of Health (MoH), and is marked down from the regulated price of the SKU

✦ In 2016 the distribution margin increased for the 1<sup>st</sup> time since the 50's from 7% to 8% on locally manufactured products . Also , the retailers margin increased from 20% to 25%

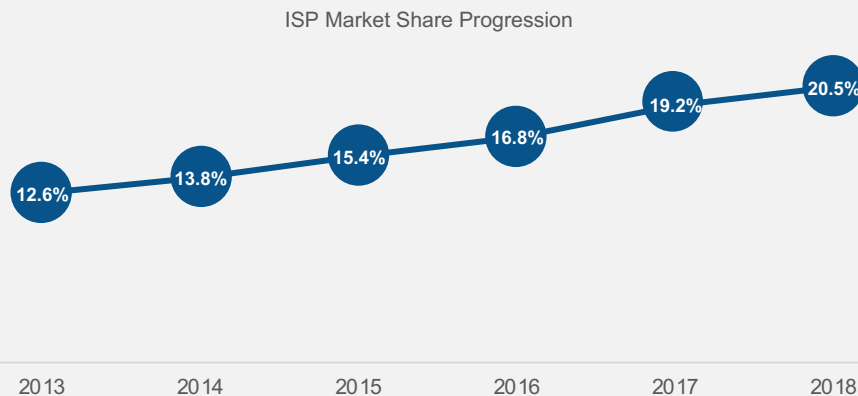
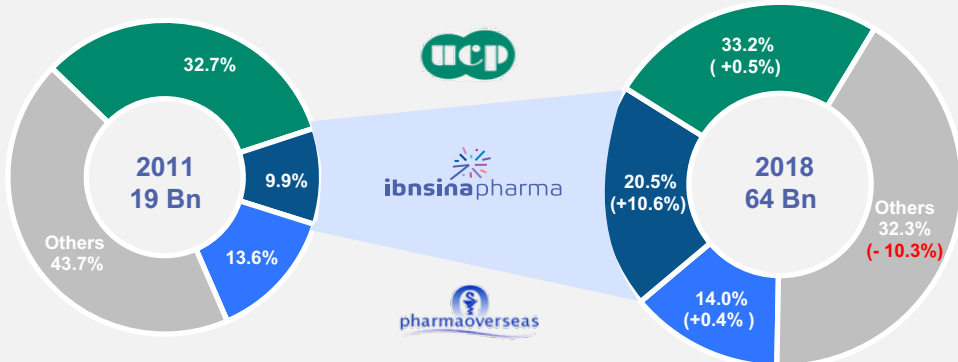
✦ Distribution Margin worldwide is between 7 – 12% , Egypt is on the lower side .



### 3 Strong Market Share

Exceptional profitable growth on the back of a solid value-based differentiation strategy

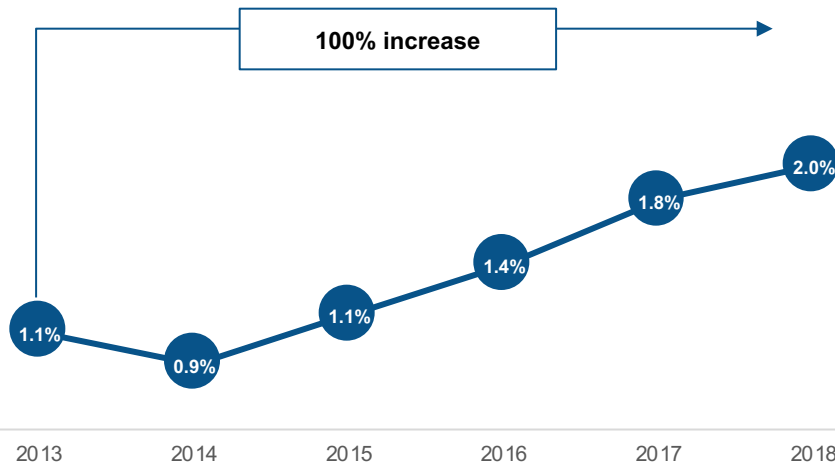
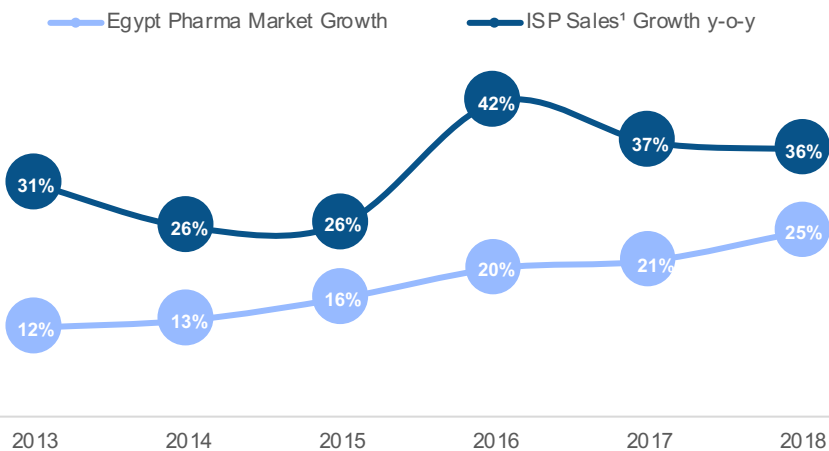
ISP is the fastest growing distributor in the Egyptian market <sup>1</sup>



The distribution market has been experiencing a trend of consolidation towards larger market players, as both manufacturers and pharmacies prefer to deal with fewer number of distributors with larger capabilities and more value-add

ISP has been constantly outperforming the market...

...while increasing its profitability | Net Profit Margin %



(1) Ibsina will report only its market share in the retail segment. as the non-retail market data published by IMS Health tends to overstate market size due to the use of the end-user price in calculating the value of the tenders market. Tenders typically see significantly lower prices than those prevailing in the retail segment, while prices vary from one tender to another.



## 4 Efficient Business Model (I/II)

Operational efficiency driven by best-in-class supply chain processes

### Distribution Value Chain Overview

#### Sourcing

- Commercial team sources orders from 350+ suppliers while focusing on maintaining market competitiveness and managing inventory levels
- Monthly demand forecasting for over 9.5k SKUs
- Expired inventory risk fully borne by suppliers

#### Processing

- Over 200 platform operations employees handle and dispatch inbound deliveries to distribution centers
- c.860 telesales agents communicate daily with c.42k clients, processing over 450k orders monthly
- 1.5k warehouse staff perform order picking & packaging

#### Distribution

- Dynamic route optimization to enhance delivery performance
- A fleet of 669 vehicles handles order delivery from distribution centers to c.42k clients nationwide
- Over 5.5mn drops completed per annum



### Efficient supply chain utilizing advanced technology



#### Mobile Racks

Enhances capacity management and increases shelf space by approximately 2.5x



#### Order Picking

Error proofing tool, decreases order fix time and speeds up shelf replenishment process



#### Fleet Tracking

Sets geo-fence to support route optimization and ensure efficient product delivery

#### In-progress Enhancements

#### Transportation Management System

Enhances inbound shipments, collects data for route optimization, facilitates sales, collections and returns

#### Field Force Mobility Solutions

Ability to manage schedule, track visits, create orders, process returns, and receive customer feedback

#### Enterprise Asset Management

Ability to manage procurement & warehousing processes, in addition to tracking maintenance for equipment & vehicles

#### Call Center Management

Manages call scheduling and handling, utilizing a newly improved sales interface

#### B2B Module

Customer order management tool includes features such as placing & tracking orders with further integration into an online sales platform

#### Work Flow Module

Enhances internal communication and optimizes internal approval cycles

Source: Company Management





## 4 Efficient Business Model (II/II)

### Innovative Technology Solutions Map

Innovative B2B Loyalty Program enhance business relationship with all the customers and applies to all digital solutions



**ERP<sup>SM</sup>**  
Financial & Operational  
Excellence



**CRM<sup>SM</sup>**  
Marketing ,Sales ,&  
Service Excellence



**Business  
Intelligence &  
Analysis<sup>SM</sup>**  
Support all business  
partners with real  
time data analysis  
for more business  
engagement

All Digital systems and services are fully integrated to assure accuracy , excellence and real-time decisions



**Pharmacy Management<sup>SM</sup>**  
IT solutions for pharmacies



**Mobile App<sup>®</sup>**  
Personalized tool to  
enhance brand  
loyalty and build life-  
long customers



**Online Ordering<sup>SM</sup>**  
24/7 sales channel with  
differentiated approach





## 6 Robust Financial Performance

Robust financial performance with double digit top line and bottom line growth



9M19  
Net Revenues

EGP **11.9** BN

▲ 26.5% y-o-y

9M19  
Gross Profit

EGP **1.0** BN

▲ 29.4% y-o-y

9M19  
EBITDA

EGP **556.7** MN

▲ 34.8% y-o-y

9M19  
Net Profit

EGP **245.6** MN

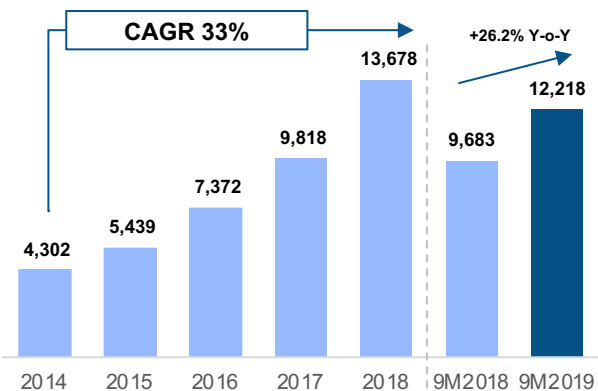
▲ 28.9% y-o-y



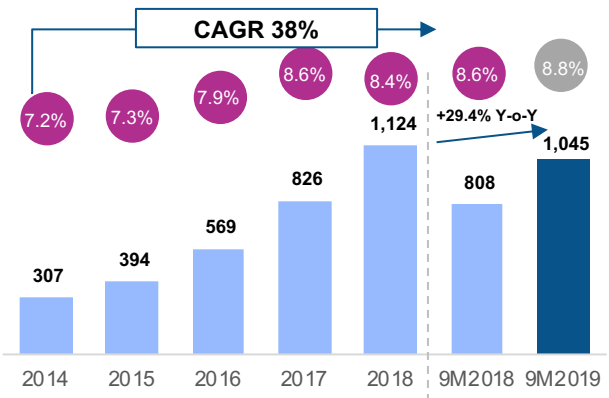
# 6 Robust Financial Performance

Robust financial performance with double digit top line and bottom line growth

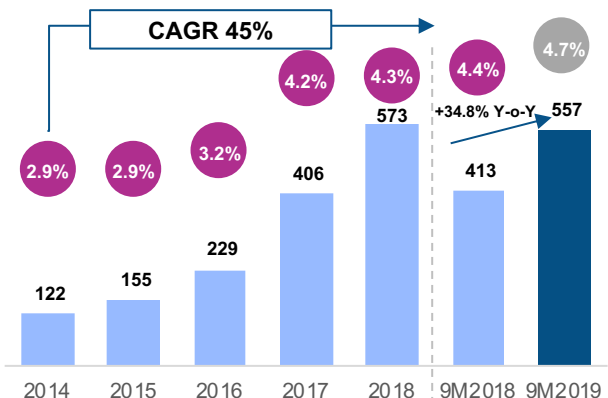
Gross Revenue<sup>1</sup> | EGP mn



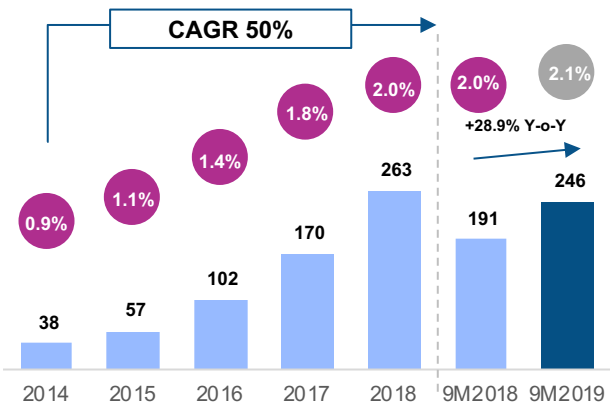
Gross Profit | EGP mn, %



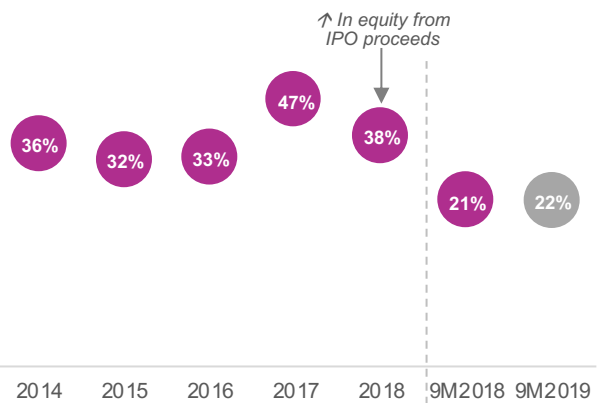
EBITDA & Margin | EGP mn, %



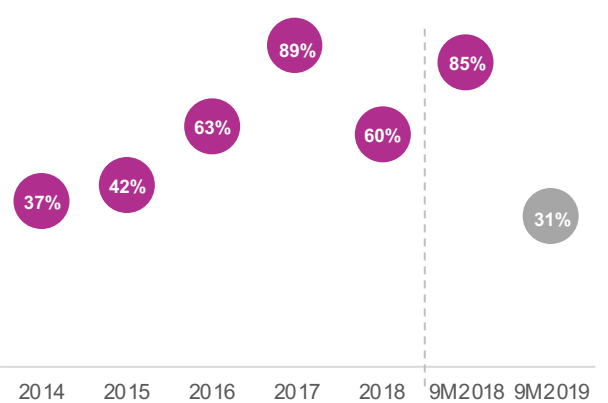
Net Profit & Margin | EGP mn, %



ROE | %



Return on Fixed Assets<sup>2</sup> | %



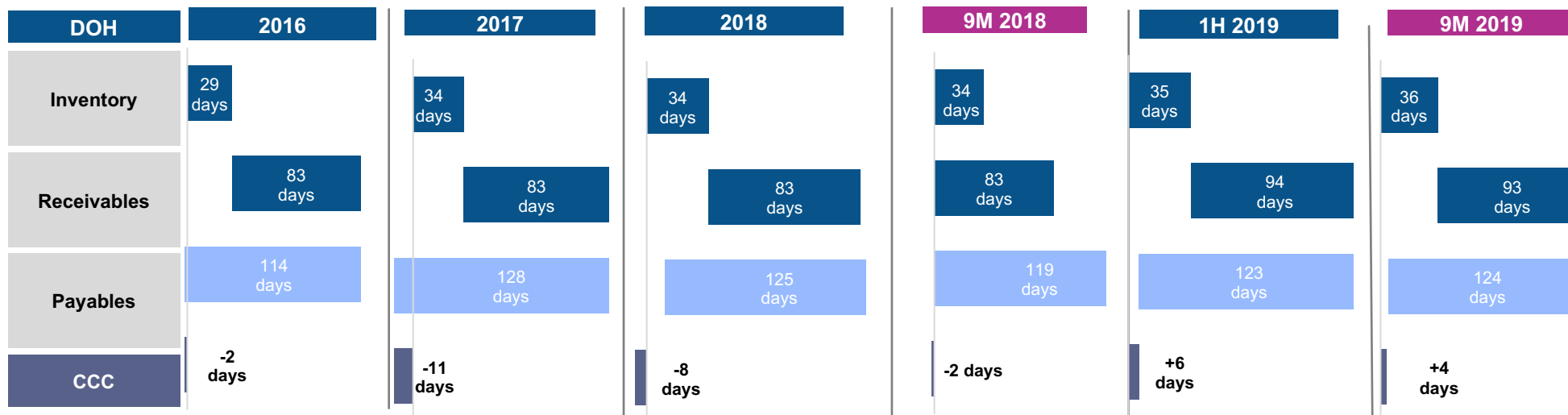
(1): Pro forma gross revenue includes part of 3PL revenue that was stated as other income until 2016

(2): As of 2Q2019, Ibnsina Pharma has adopted the new Egyptian Accounting Standards EAS 49, implementing new accounting rules and standards in the treatment of financial leasing



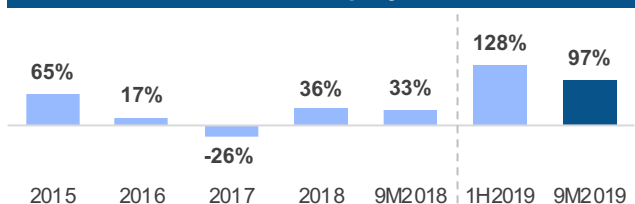
## 6 Robust Financial Performance

Effective working capital management has been a key success factor to ISP's performance

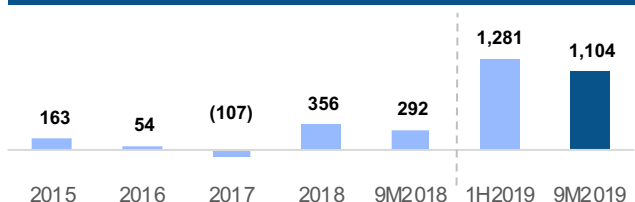


Supplier contracts have the option of credit terms ranging from 120-150days or a cash discount of 5-6%

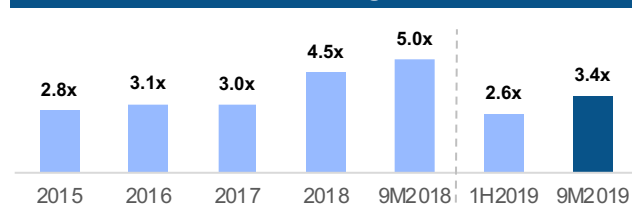
### Net Debt to Equity Ratio



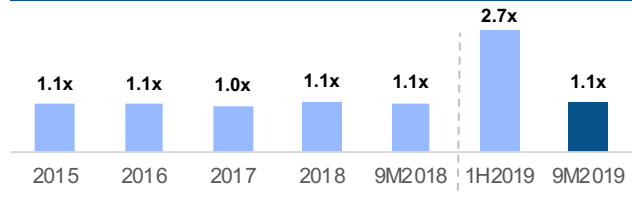
### Net Debt | EGP mn



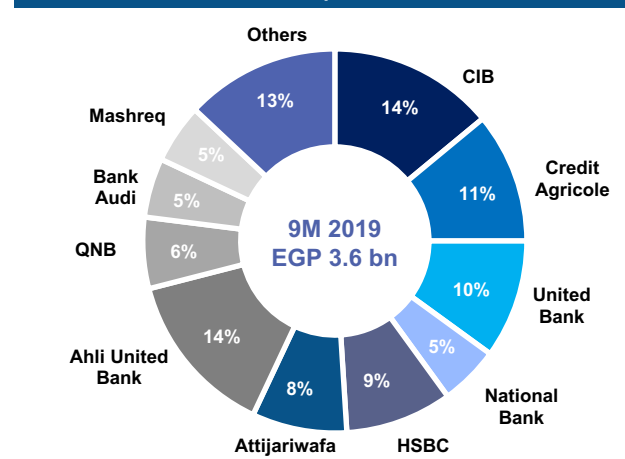
### Interest Coverage Ratio<sup>1</sup>



### Current Ratio



### Facilities Breakdown | % of Authorized Limit





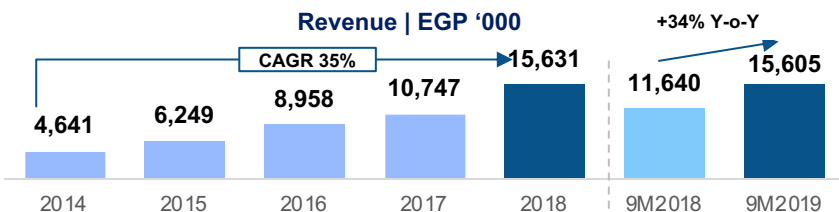
# 7 New Revenue Streams

Expansion into high-margin diversified revenue streams to further enhance profitability

## Warehousing



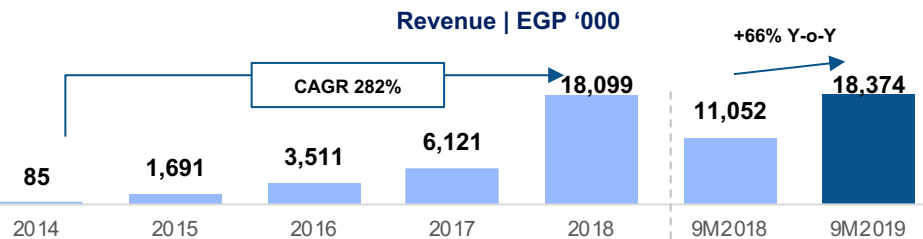
Warehousing services for suppliers which allows them to save significant CAPEX. ISP invested in 4 warehouses including a mega-warehouse, adding a capacity of 11k pallets to reach a total capacity of 19.7k pallets. The warehousing business is a key area for growth going forward.



## Transportation



Capitalizing on a growing need for specialized transportation services, ISP invested in providing high quality services to pharma manufacturers and notable FMCG brands such as Unilever. This business complements the warehousing activity.



## Other



ISP offers overprinting and re-packaging of pharmaceutical products to comply with national regulations and to support manufacturers for promotional needs. This business complements the warehousing activity.

Other revenue also includes exports, fleet advertising, market micro-research for manufacturers, bulk SMS, and various service-oriented business lines.



Source: Company Management



## 8 Experienced Management Team

Highly experienced management team with strong track record

**Mahmoud Abdel Gawad**  
*Co- Founder & Co-CEO*

- ✦ 28 years of pharmaceutical industry experience with focus on commercial operations, IT, quality assurance and administration.
- ✦ Prior to Ibsina, Mahmoud held several senior-executive positions at various pharmaceutical companies in Egypt and abroad.
- ✦ B.S in Pharmacy from Cairo University and MBA from the Arab Academy for Science and Technology.

**Omar Abdel Gawad**  
*Co- Founder & Co-CEO*

- ✦ 17 years of pharmaceutical industry experience with focus on finance, sales, marketing and human resources.
- ✦ Prior to becoming Co-CEO, Omar has held various positions including marketing manager, sales manager and general manager.
- ✦ B.A in Economics from the American University in Cairo and MBA from the Arab Academy for Science and Technology.

**Momen Gomaa**  
*CFO*

- ✦ 19 years of corporate finance and treasury experience with focus on financial management, treasury, accounting, budgeting and credit.
- ✦ Prior to Ibsina, Momen spent 4 years as an accountant at the Egyptian Pharmacists Company (EPC), a local pharma distributor.
- ✦ B.A in Commerce from Ain Shams University.

**Rabeea Marzouk**  
*Sales Director*

- ✦ 23 years of pharmaceutical industry experience with focus on pharmaceutical sales.
- ✦ Rabeea has played a key role in increasing Ibsina's market share and surpassing market growth rates over the past 6 years.
- ✦ B.S in Veterinary Medicine from Alexandria University and MBA from the Arab Academy for Science and Technology.

**Mohamed Adel**  
*Operations Director*

- ✦ 17 years of pharmaceutical industry experience with focus on operations management.
- ✦ Mohamed is responsible for management of all warehouses, purchasing, technical development and third-party logistics activities.
- ✦ B.A in Commerce from Ain Shams University and MBA from the Arab Academy for Science and Technology.

**Ibrahim Emam**  
*Commercial Director*

- ✦ 17 years of pharmaceutical industry experience with focus on commercial operations and business development.
- ✦ Ibrahim leads the development of strategic supplier partnerships as well as import and export activities.
- ✦ B.A in Commerce from Ain Shams University and MBA from the Arab Academy for Science and Technology.

**Mohamed Shawky**  
*IR Manager*

- ✦ 14 years of experience in investor relations and corporate and family governance.
- ✦ Prior to joining Ibsina Pharma, he served as Head of IR at Mezzan Holding, Kuwait and Senior Manager of IR at Egyptian Resorts Co. (ERC).
- ✦ B.A. in Economics and MBA from Arab Academy for Science and Technology , Certified Investor Relations from UK IR Society



## 8 Experienced Management Team

Seasoned board of directors with diverse experience across various industries

**Mohsen Mahgoub**  
*Executive Chairman*

- ✦ Over 40 years of experience across various industries including healthcare, FMCG, and financial services with focus on all investment activities pursued by the Company
- ✦ Mohsen was the co-founder of several successful businesses in Egypt including; Chipsy (later acquired by PepsiCo), Al Shorouk Hospital (later acquired by Abraaj Group), Al-Masreyin Dairy (later acquired by Citadel Capital), and Incolease – Egypt’s largest leasing company.
- ✦ Moshen is the Chairman of the Arab International Investment Group, currently serves on the boards of Faisal Islamic Bank of Egypt and Dar El Eyoum Hospital, and has served on the boards of SAIB Bank and Incolease.

**Mahmoud Abdel Gawad**  
*Executive Director*

- ✦ 28 years of pharmaceutical industry experience with focus on commercial operations, IT, quality assurance and administration.
- ✦ Prior to Ibsina, Mahmoud has held several senior-executive positions at various pharmaceutical companies in Egypt and abroad.
- ✦ B.S in Pharmacy from Cairo University and a MBA from the Arab Academy for Science and Technology.

**Omar Abdel Gawad**  
*Executive Director*

- ✦ 17 years of pharmaceutical industry experience with focus on finance, sales, marketing and human resources.
- ✦ Prior to becoming Co-CEO, Omar has held various positions including marketing manager, sales manager and general manager.
- ✦ B.A in Economics from the American University in Cairo and a MBA from the Arab Academy for Science and Technology.

**Lindsay Forbes**  
*Non-Executive Director*

- ✦ 41 years of experience in finance and banking across several countries.
- ✦ Lindsey has held several positions with EBRD, until 2017, where he managed multiple equity investments in excess of EUR 2.5bn.
- ✦ Prior joining EBRD in 1994, he spent 13 years with the British Linen Bank.
- ✦ B.A in Jurisprudence from Oxford University and a MBA from INSEAD.

**Amr Abdallah**  
*Independent Director*

- ✦ Extensive experience in technology and entrepreneurial investment.
- ✦ Mr Abdallah is on the board of several companies and is one of the founding members of Raya Holding, holding the posts of Managing Director, CFO, and finally CEO of the company. Prior to that, he served as Chief Business Officer for Vodafone Egypt.
- ✦ MBA from Aston Business School in Birmingham, UK.

**Ahmed Elnawawi**  
*Independent Director*

- ✦ Decades-long track record of success in brand building and strategy development.
- ✦ Mr. Elnawawi held prominent posts at Procter & Gamble (PG) Company and Reckitt Benckiser (RB), leveraging superior consumer insight and strategic thinking at both posts. He currently serves as Director, Consumer & Market Insight, Developing Markets at RB
- ✦ Global Executive MBA from Tsinghua – INSEAD, China-Singapore, Post Graduate Degree in Feasibility Studies and Project Appraisal from Cairo University and a BA in Economics from Cairo University.





## 8 Experienced Management Team

Seasoned board of directors with diverse experience across various industries

**Hany Badr**  
*Independent Director*

- ✧ 42 years of experience in finance and banking.
- ✧ His experience included serving as Head of Treasury at Faisal Islamic Bank, until 2016, and Assistant General Manager at Delta Bank.
- ✧ B.A in Economics from Cairo University.

**Abdel Aziz Ali**  
*Non-Executive Director*

- ✧ 38 years of experience across various industries including healthcare, agriculture, FMCG, and financial services, where he co-founded various successful businesses including Chipsy, Al Shorouk Hospital, and Al-Masreyin Dairy.
- ✧ Currently serves as the Chairman of the Egyptian Agricultural Production Company.
- ✧ B.A in Commerce from Cairo University.

**Abdel Rehim Omar**  
*Non-Executive Director*

- ✧ Over 35 years of experience in finance and banking.
- ✧ Abdel Rehim has spent his entire finance career at Faisal Islamic Bank where he currently serves as General Manager. He also heads the bank's internal audit function.
- ✧ B.A in Finance and Commerce from Ain Shams University.

**Mohamed Zaki**  
*Non-Executive Director*

- ✧ Over 10 years of experience in consulting and social services.
- ✧ Mohamed is currently a research analyst at the United Nations Migration Agency in Egypt. Prior to that, he was a consultant at PricewaterhouseCoopers.
- ✧ B.A in Business Administration from the American University in Cairo, M.S and PhD in Social Anthropology from London School of Economics (LSE).

**Mohamed Mahgoub**  
*Non-Executive Director*

- ✧ 11 years of experience across multiple industries including financial services, consulting and consumer products.
- ✧ Mohamed is the founder of Sky Supplies; serves on the boards of Dar El Khebrah Consultancy and Mediterranean Securities Brokerage.
- ✧ B.A in Marketing and International Business from Middlesex University.

**Ahmed Abdel Gawad**  
*Non-Executive Director*

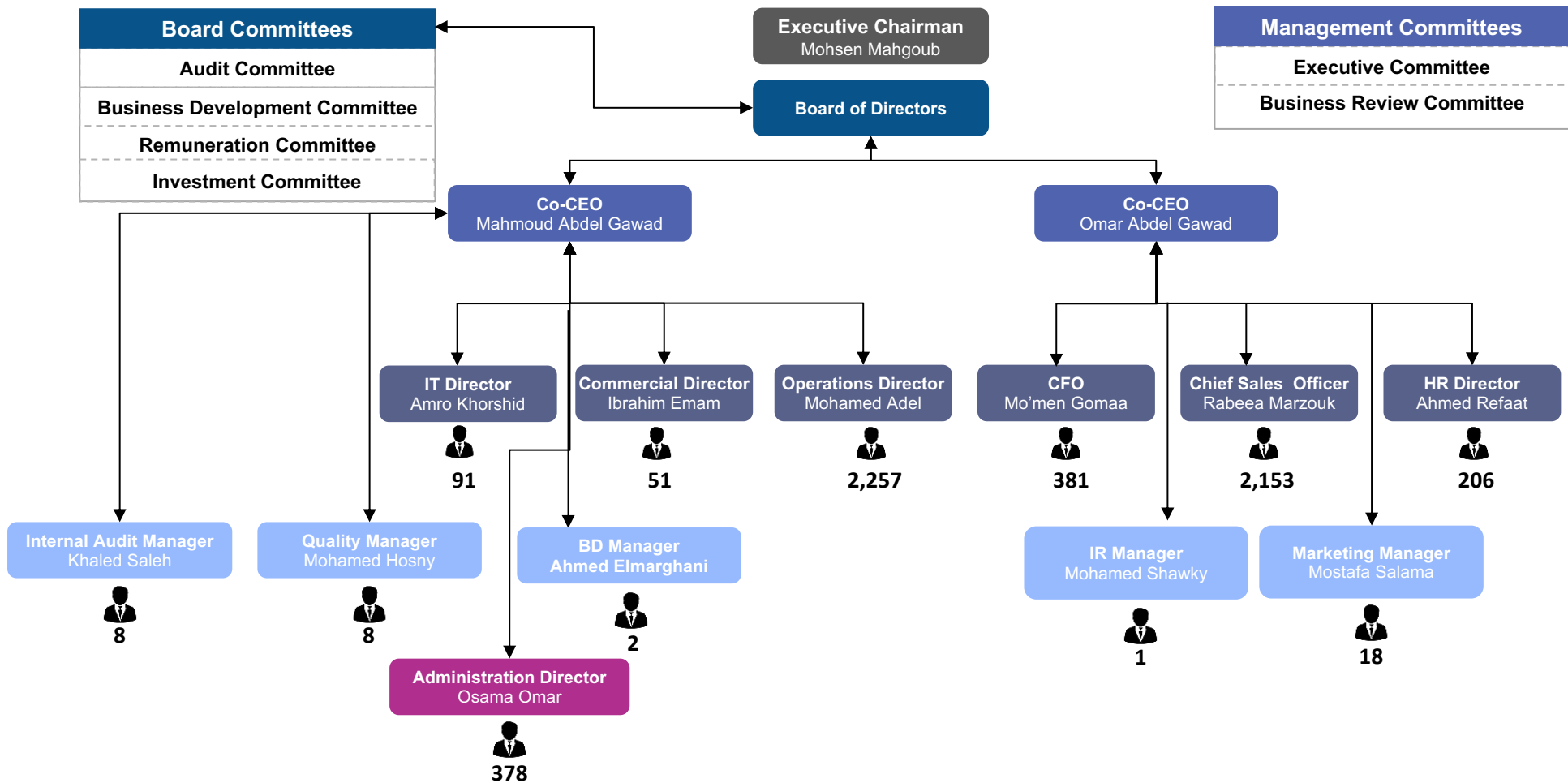
- ✧ 28 years of pharmaceutical industry experience with focus on pharmaceutical sales.
- ✧ Ahmed has held various sales positions at multinational companies including Glaxo Smith Kline and Bristol Myers Squibb.
- ✧ B.A in Business Administration from Ain Shams University.

Source: Company Management



# 8 Experienced Management Team

## Organizational Structure



Source: Company Management

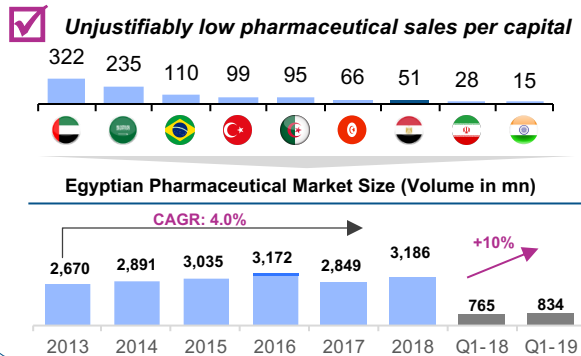
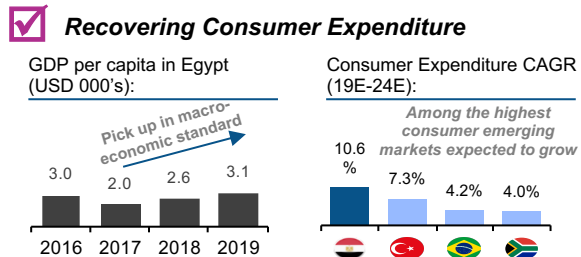
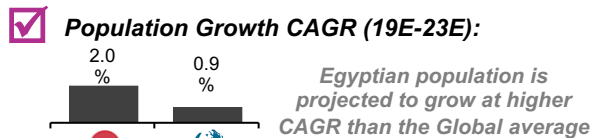


# Sustainability of Growth and Margin Profile



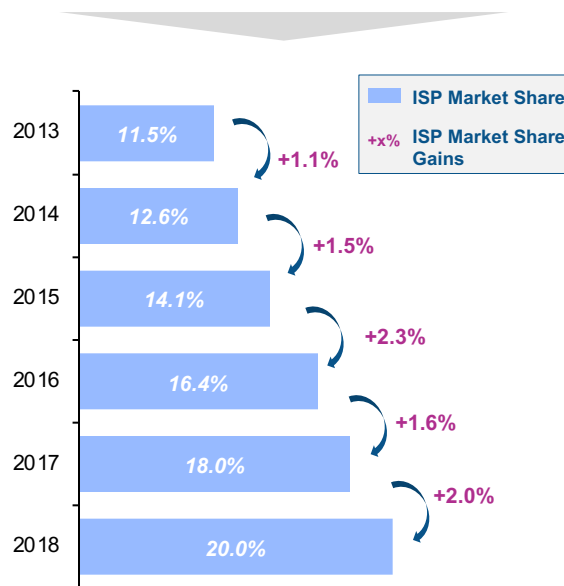
# Sustainability of Revenue Growth

## A Market Volume Drives



## B Company Specific Volume Drivers

Continuously enhancing market share in both retail and non-retail market segment



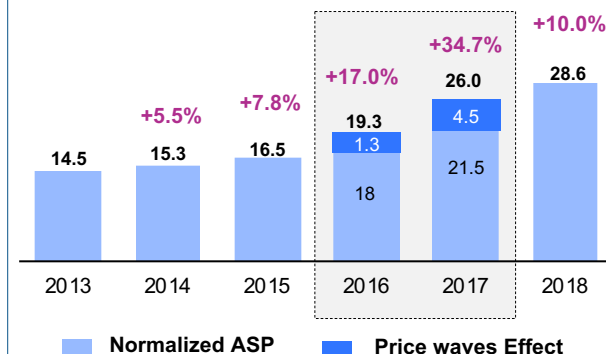
Average increase of **1.7%** per year in market share during the last 5 years

## C Average Selling Price Drivers

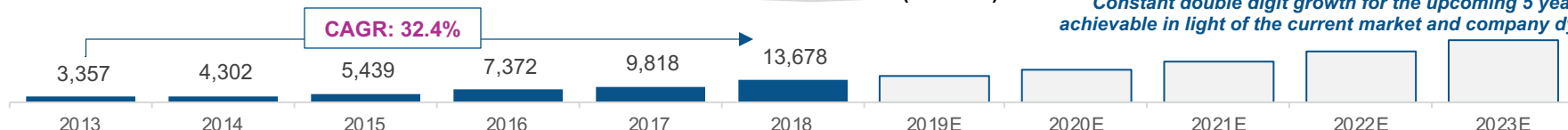
Constant improvement in average selling prices

- I Supply side mechanism for price adjustment through migrating to higher price points
- II Prices remain extremely low with further adjustments expected to take place

### Average Selling Price (ASP) Evolution



### Ibnsina Pharma Revenue (EGP mn)



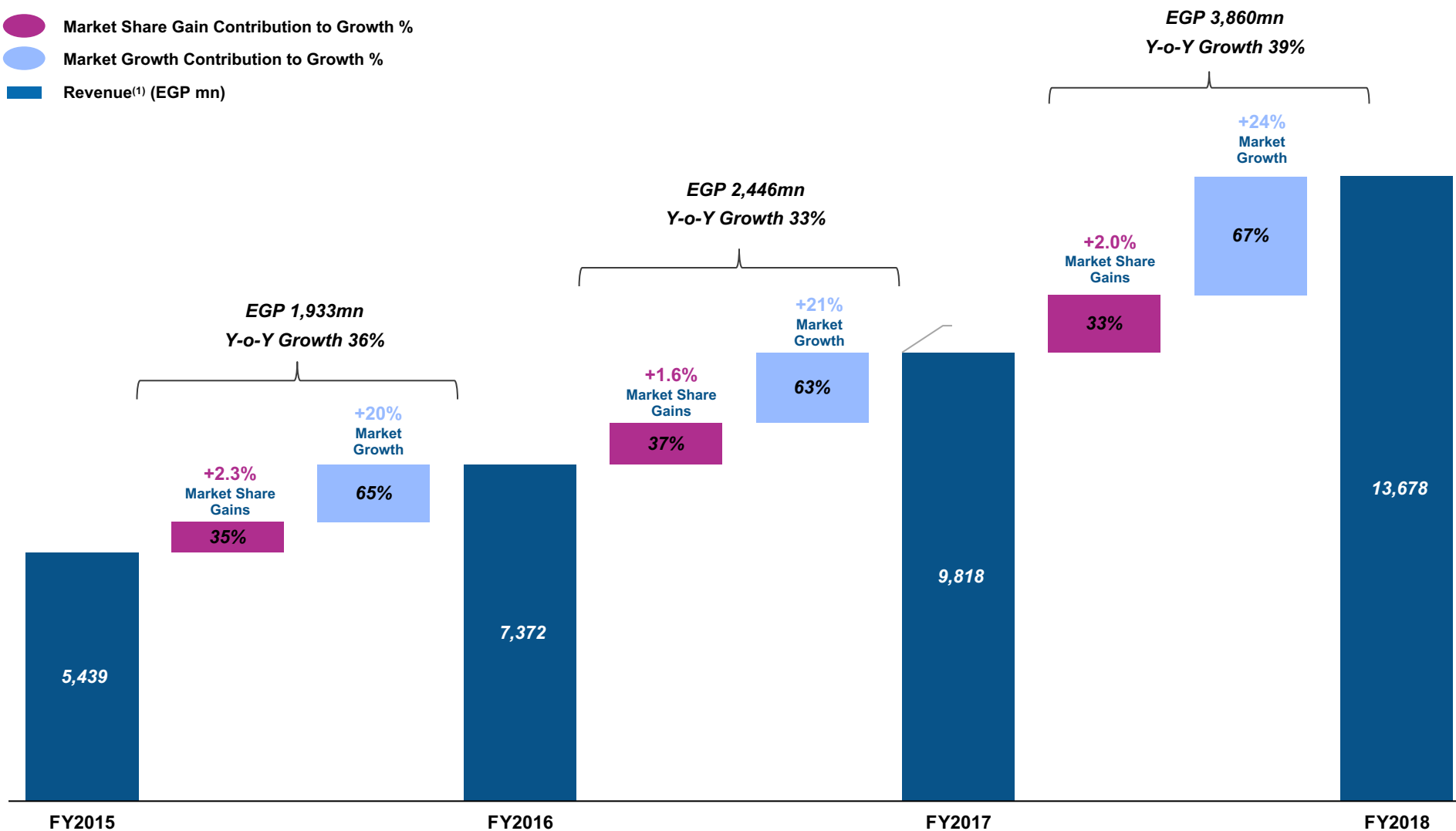
Constant double digit growth for the upcoming 5 years is achievable in light of the current market and company dynamics

Source: EIU, Company Management



# Annual Revenue Drivers and Contribution to Top Line Growth

- Market Share Gain Contribution to Growth %
- Market Growth Contribution to Growth %
- Revenue<sup>(1)</sup> (EGP mn)





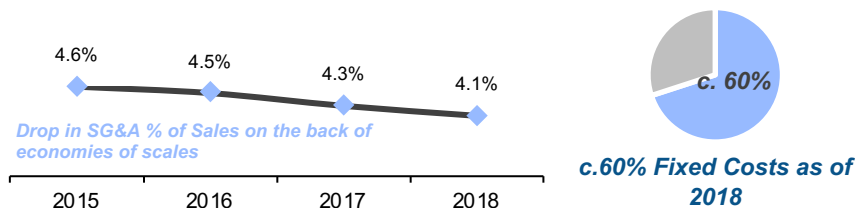
# Enhancing Profitability

A

## Economies of Scale

### Favorable Cost Structure

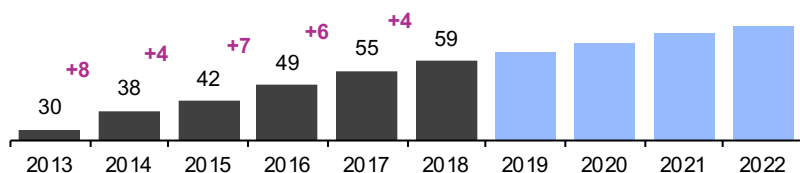
ISP's CoGs is mainly the cost of medicine bought, all other operational costs are allocated to SG&A, with c.60% being fixed costs



### Well Defined Expansion Plan

ISP's fixed costs shall be diluted as a result of the anticipated expansion plans through widening the distribution centers reach, thus minimizing number of drops and aggregating delivery volumes

Distribution Centers Evolution



B

## Efficient Business Model

### Fully Automated Supply Chain



Mobile Racks



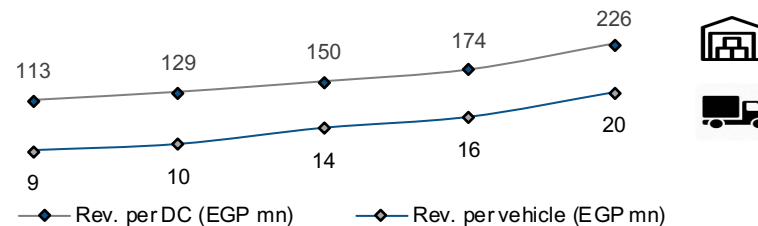
Order Picking



Fleet Tracking

Well invested technology in supply chain enhance the operational efficiency of the business hence reflecting on the profitability margins

### Increased Productivity and Efficiency



Seasoned management and track record of operational excellence, reflect on the productivity of ISP's employees, vehicles and sites

Revenue CAGR (13-18)  
**+32.4%**

GPM (13 / 18)  
**6.7% / 8.4%**

GPM CAGR (13 - 18)  
**+38.1%**

EBITDA Margin (13 / 18)  
**2.5% / 4.3%**


EBITDA CAGR (13 - 18)  
**+47.2%**



# Appendix



# A significantly complex industry with high barriers to entry

Barriers to Entry				
<b>Operational Complexity</b>				
<p><b>Inventory Management</b></p> <p>Highly complex inventory management to maintain healthy levels without over stocking or running short in a large number of branches</p>	<p><b>A Variety of SKUs</b></p> <p>9k unique drug therapies with a variety of handling requirements including fragile containers, liquids, and refrigerated products</p>	<p><b>High Variability of Demand</b></p> <p>Short-notice, short-turn deliveries occur frequently and require rapid response from distributors</p>	<p><b>Labor Intensive Business</b></p> <p>To become a nationwide distributor, new entrants need to recruit, train, and manage a workforce of over 5,000 personnel</p>	<p><b>Geographically Dispersed Client Base</b></p> <p>Over 60k outlets and locations are geographically disbursed across the Country</p>
<p><b>Working Capital Management</b></p> <p>Dealing with a large client base, with significant geographic disbursement, emphasizes the complexity of credit control management. Pharmaceutical distributors must aggregate client credit history to be able to minimize bad debts, which requires significant on the ground experience</p>			<p><b>Time to Build Scalable Operations</b></p> <p><b>8+ Years</b></p> <p>Nationwide distributors require a minimum of 50 sites and over 500 vehicles. New entrants will not be able to manage opening more than 6 branches a year</p>	<p><b>Low Margin Business</b></p> <p><b>1.6%</b></p> <p>Both developed and emerging market peers have an average net profit margin of 1.6%; reducing the attractiveness of venturing into this market space</p>
<p><b>Ease of Operations</b></p> <p>Both manufacturers and pharmacies prefer to deal with few distributors which in return significantly reduces order processing and management costs; large distributors then redistribute to the smaller players</p>	<p><b>Economies of Scale</b></p> <p>A human resource based business accustomed with a large workforce leads to significant fixed costs. Additionally, the aggregation of delivery volume reduces delivery costs therefore the total cost per shop does not increase significantly with volume.</p>	<p><b>Difficulty Contracting with Suppliers</b></p> <p>350+ suppliers with rigorous contracting requirements, including quality audits, disables new entrants from obtaining credit lines</p>	<p><b>Investment</b></p> <p><b>EGP1.5bn+</b></p> <p>The business requires a significant amount of infrastructure to be able to cater to geographically dispersed clientele.</p>	<p><b>A Crowded Market Space</b></p> <p>A large number of players targeting different segments of the market (in terms of client quality and demand size) with the three largest players controlling 68% of the market</p>

Source: IMS, Bloomberg, Company Management





# Income Statement

<i>In EGP</i>	FY2017	FY2018	YoY ▲	9M2018	9M2019	YoY ▲
<b>Gross Revenue</b>	<b>9,818,405</b>	<b>13,677,881</b>	<b>39%</b>	<b>9,682,528</b>	<b>12,217,669</b>	<b>26.2%</b>
Net Revenue	9,586,344	13,323,674		9,433,386	11,929,356	
Cost of Revenue	(8,759,914)	(12,199,359)		(8,625,580)	(10,884,248)	
<b>Gross Profit</b>	<b>826,430</b>	<b>1,124,315</b>	<b>36%</b>	<b>807,806</b>	<b>1,045,108</b>	<b>29.4%</b>
<b>Gross Profit Margin</b>	<b>8.62%</b>	<b>8.44%</b>		<b>8.56%</b>	<b>8.76%</b>	
Selling, General & Administrative	(431,815)	(567,877)		(403,210)	(500,239)	
Penalties on Returned Checks	11,241	17,453		10,967	26,388	
Impairment of AR	-	-		(2,602)	(14,515)	
<b>EBITDA</b>	<b>405,856</b>	<b>573,890</b>	<b>50%</b>	<b>412,961</b>	<b>556,742</b>	<b>34.8%</b>
<b>EBITDA Margin</b>	<b>4.23%</b>	<b>4.31%</b>		<b>4.38%</b>	<b>4.67%</b>	
Depreciation & Amortization	(31,097)	(41,421)		(38,106)	(58,434)	
<b>EBIT</b>	<b>374,760</b>	<b>532,470</b>	<b>51%</b>	<b>374,855</b>	<b>498,308</b>	<b>33.0%</b>
<b>EBIT Margin</b>	<b>3.91%</b>	<b>4.00%</b>		<b>3.97%</b>	<b>4.18%</b>	
Financial Expenses	-	-		(92,476)	(164,242)	
Other Expenses	(37,432)	(59,701)		(3,368)	(6,046)	
Contingency Provisions				(30,793)	(10,667)	
Other Income	6,326	4,092		8,438	2,489	
<b>EBT</b>	<b>227,824</b>	<b>357,129</b>	<b>57%</b>	<b>256,655</b>	<b>319,842</b>	<b>25.0%</b>
<b>EBT Margin</b>	<b>2.38%</b>	<b>2.68%</b>		<b>2.72%</b>	<b>2.68%</b>	
Deferred Tax	(600)	(650)		1,021	5,511	
Income Tax	(56,960)	(93,957)		(67,084)	(79,730)	
<b>Net Profit</b>	<b>170,264</b>	<b>262,522</b>	<b>54%</b>	<b>190,592</b>	<b>245,623</b>	<b>28.9%</b>
<b>Net Profit Margin</b>	<b>1.78%</b>	<b>1.97%</b>		<b>2.02%</b>	<b>2.06%</b>	
<b>EPS</b>	<b>0.24</b>	<b>0.36</b>	<b>46%</b>	<b>0.22</b>	<b>0.27</b>	



# Balance Sheet

<i>In EGP</i>	9M2019	FY2018	FY2017
Property & Equipment, net	795,261,503	438,419,837	210,264,340
Long-Term Receivables	54,435,079	39,571,081	-
Projects Under Construction	171,402,544	336,288,113	161,266,505
Right of Used Assets	49,158,314	10,998,195	-
Deferred Income Taxes	14,421,945	8,911,650	11,103,923
Other Assets	5,940,343	5,545,369	8,803,598
<b>Total Long-term Assets</b>	<b>1,090,619,728</b>	<b>839,734,245</b>	<b>391,438,366</b>
Inventories	1,679,146,200	1,400,352,259	1,050,821,516
Trade & Notes receivable, net	4,463,241,844	3,556,675,266	2,459,296,312
Supplier Advances	173,509,411	213,861,597	101,359,555
Debtors & Other Debit Balance, net	404,353,754	203,885,339	165,717,705
Due from Related Parties	371,635	371,635	371,635
Cash & Cash Equivalent	333,307,680	177,177,636	164,790,862
<b>Total Current Assets</b>	<b>7,053,930,524</b>	<b>5,552,323,732</b>	<b>3,942,357,585</b>
<b>Total Assets</b>	<b>8,144,550,252</b>	<b>6,392,057,977</b>	<b>4,333,795,951</b>
Paid-In Capital	205,000,000	180,500,000	168,000,000
Share Premium	277,500,000	277,500,000	-
General Reserve	3,079,334	3,079,334	3,079,334
Legal Reserve	33,632,966	20,506,852	12,000,000
Retained Earnings	375,257,694	218,271,411	62,979,961
Net Profit for The Year	245,622,643	265,723,237	170,137,041
<b>Total Shareholders' Equity</b>	<b>1,140,092,637</b>	<b>965,580,834</b>	<b>416,196,336</b>
Non-Current Portion of Medium-Term Loan	533,826,010	348,178,901	25,083,272
Non-Current Notes Payable	95,714	4,778,896	7,660,274
Other Non-Current Liabilities	10,275,913	30,359,715	20,815,429
Non-Current Portion of Obligation Under Finance Lease	27,783,874	16,883,585	-
<b>Total Long-term Liabilities</b>	<b>571,981,511</b>	<b>400,201,091</b>	<b>53,558,975</b>
Credit Facilities	745,337,170	65,086,924	6,951,866
Contingency Provision	80,161,571	70,400,142	24,066,773
Customers Advance Payments	9,264,077	5,276,517	6,453,218
Trade and Notes Payable	5,243,233,502	4,753,050,593	3,700,785,721
Current Portion of Medium-Term Loan	158,341,353	38,849,572	25,793,688
Current Portion of Long-Term Lease	14,419,600	13,739,044	-
Due Taxes	67,347,284	-	-
Creditors & Other Credit Balances	114,371,547	79,873,254	99,918,509
<b>Total Current Liabilities</b>	<b>6,432,476,104</b>	<b>5,026,276,047</b>	<b>3,864,040,640</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>8,144,550,252</b>	<b>6,392,057,977</b>	<b>4,333,795,951</b>

Source: Company Management



  
**ibnsina**pharma

2

Hotline 16017

[www.ibnsina-pharma.com](http://www.ibnsina-pharma.com)

  
**ibnsina**pharma

3

Hotline 16017

[www.ibnsina-pharma.com](http://www.ibnsina-pharma.com)



# Contact Information



# Contact Information



**Mohamed Mahmoud Shawky**  
Investor Relations Manager

Tel.: +2010 00852771

Email: [mohamed.shawky@ibnsina-pharma.com](mailto:mohamed.shawky@ibnsina-pharma.com)

