SPIMACO

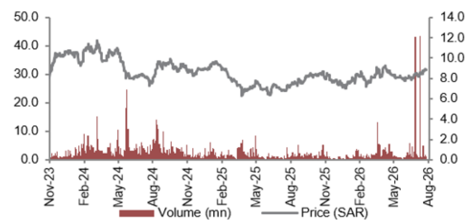
Sector : Healthcare

HOLD

9 August 2026

- **Recovery remains intact despite the macro slowdown. Revenue reached SAR 493mn in 2Q26, up 23.0% YoY and 19.2% above our estimate, supported by strong growth across core pharma (+25.3% YoY), distribution services (+9.6% YoY), and healthcare (+11.8% YoY).**
- **Margins remained resilient, supported by a higher contribution from value-added brands and improved procurement costs. Gross profit increased broadly in line with revenue, while operating profit rose 44.4% YoY, although the operating margin was slightly below our expectations. Net profit stood at SAR 70mn, up 93.8% YoY but 3.7% below our estimate.**
- **We broadly maintain our 2026e estimates following the 2Q26 results. We raise our target price slightly to SAR 32.64 per share. As there is limited upside from current levels, we maintain our Hold rating.**

Target price (SAR)	**32.64**
Current price (SAR)	**31.44**
Return	**3.80%**



Exchange	Saudi Arabia
Index weight (%)	0.2%

(mn)	SAR	USD
Market Cap	3,773	1,019
Enterprise value	4,913	1,327

Major shareholders	
ARAB CO DRUG IND & M	10.5%
Vanguard Group Inc/T	2.1%
Blackrock Inc	1.0%
Others	86.4%

Valuation Summary (TTM)	
PER TTM (x)	12.1
P/Book (x)	1.8
EV/EBITDA (x)	10.8
Dividend Yield (%)	0.0
Free Float (%)	86%
Shares O/S (mn)	120
YTD Return (%)	21%
Beta	1.1

Key ratios	2023	2024	2025
EPS (SAR)	-0.08	0.27	1.64
BVPS (SAR)	13.90	12.76	14.68
DPS (SAR)	0.00	0.00	0.00
Payout ratio (%)	0%	0%	0%

Price performance (%)	1M	3M	12M
SPIMACO	4%	6%	21%
Tadawul All Share Index	0%	-2%	-1%

52 week	High	Low	CTL*
Price (SAR)	33.12	24.96	26.0

* CTL is % change in CMP to 52wk low

SPIMACO reported consolidated revenue of SAR 493mn in 2Q26, its highest quarterly revenue in the past 12 quarters and representing a 23.0% YoY increase. We had moderated our topline expectations given the broader slowdown in the Saudi pharmaceutical market and trends observed across peers. However, SPIMACO significantly outperformed our forecast, with revenue exceeding our estimate by 19.2%, driven by a favorable product mix, greater focus on higher-value brands, and robust tender activity. As one of the largest pharmaceutical manufacturers in the region, SPIMACO is well positioned to benefit from the continued development of the domestic pharmaceutical industry, although the current market slowdown could moderate growth in the coming quarters. The company has also entered into multiple strategic partnerships with global pharmaceutical players, including Boston Scientific, AstraZeneca, and CanSinoBIO, which we expect to support volume growth and broaden its product portfolio over time. The core pharmaceutical manufacturing segment delivered strong growth of 25.3% YoY during the quarter. Distribution services, which contributed approximately 4.7% of consolidated revenue, increased 9.6% YoY, while the healthcare segment grew 11.8% YoY. The contribution of the Saudi market declined marginally to 87.7%, reflecting increasing contributions from international markets.

Gross margin expanded modestly by 30bps YoY, supported by a higher contribution from value-added products and improved raw material procurement costs. Management also continued to exercise cost discipline, including lower R&D expenditure, which supported profitability at the operating level. Operating margin expanded by 268bps YoY, although it remained below our expectation of a further improvement from the previous quarter's high of 20.7%. Operating profit increased 44.4% YoY, but was 4.6% below our forecast. Despite the significant topline outperformance, net profit was slightly below our expectations, reaching SAR 70mn, up 93.8% YoY. For the 1H26 the company reported a net profit of SAR 138.3mn (+24.4% YoY).

Valuation: SPIMACO has made significant progress in its recovery, with topline growth remaining sustainable over recent quarters. Management's efforts to improve profitability by phasing out legacy loss-making and low-margin products are increasingly evident in the company's margin profile. The continued focus on higher-value brands, cost optimization, and strategic partnerships should provide further support to earnings over the medium term. However, approximately 90% of revenue continues to be generated from the Saudi market, leaving the company exposed to the ongoing moderation in domestic pharmaceutical demand. We therefore expect near-term growth to remain relatively constrained. At the same time, increasing exposure to international markets, including Iraq, Syria, and selected African markets, provides an opportunity to diversify the revenue base and support longer-term growth. We also view the company's efforts to broaden its product portfolio through partnerships with leading global pharmaceutical players positively. These arrangements should improve product depth and potentially accelerate volume growth as new products and partnerships mature. Following the 2Q26 results, we broadly maintain our 2026e revenue and earnings estimates, and marginally raise our target price to SAR 32.64 per share. At current levels, we believe the stock is fairly valued, with the share price largely reflecting both the near-term domestic market slowdown and the company's longer-term recovery potential. Accordingly, we maintain our Hold rating on SPIMACO.

Income Statement (In SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Revenue	**1,653**	**1,682**	**1,707**	**1,783**	**1,943**	**2,119**	**2,221**	**2,328**
Direct Costs	-945	-845	-874	-878	-962	-1,049	-1,099	-1,152
Gross profit	**708**	**837**	**833**	**905**	**981**	**1,070**	**1,121**	**1,176**
Selling and marketing expenses	-349	-333	-289	-269	-291	-318	-333	-349
General and administrative expenses	-255	-271	-235	-232	-272	-297	-300	-314
Research and development expenses	-41	-76	-60	-46	-58	-64	-67	-70
Other expenses	27	-19	18	-19	-19	-21	-22	-23
Operating Profit	**89**	**137**	**266**	**340**	**340**	**371**	**400**	**419**
EBITDA	**115**	**211**	**364**	**416**	**436**	**471**	**503**	**526**
Finance cost	-70	-88	-98	-79	-75	-63	-57	-51
Other income (Net)	17	23	38	32	30	30	30	30
Profit before Zakat (PBT)	**36**	**72**	**206**	**294**	**295**	**338**	**373**	**398**
Zakat and income tax	-45	-40	-9	-31	-30	-34	-37	-40
Net Profit/ loss bf disc operations	**-9**	**32**	**197**	**263**	**266**	**304**	**336**	**358**
Loss from discounted operations	-	-	-	-	-	-	-	-
Net Profit	**-9**	**32**	**197**	**263**	**266**	**304**	**336**	**358**

Balance Sheet (in SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Property, plant and equipment	1,272	1,574	1,544	1,522	1,496	1,475	1,454	1,434
Assets under construction	583	172	234	273	320	376	437	503
Intangible assets	17	102	104	93	112	129	145	160
Right of use assets	32	26	7	11	15	18	21	24
Other non current assets	86	89	104	108	85	85	85	85
Non-current assets	**2,049**	**1,963**	**1,992**	**2,007**	**2,028**	**2,083**	**2,142**	**2,207**
Inventories	589	646	611	527	577	629	660	691
Trade and other receivables	924	1,175	1,176	1,337	1,457	1,377	1,443	1,513
Time deposits	116	155	180	151	151	151	151	151
Cash and cash equivalents	160	122	204	306	311	286	321	368
Other current assets	164	243	179	143	155	170	178	186
Current assets	**1,975**	**2,356**	**2,376**	**2,495**	**2,652**	**2,614**	**2,753**	**2,910**
ASSETS	**4,024**	**4,319**	**4,367**	**4,502**	**4,680**	**4,696**	**4,895**	**5,117**
Share capital	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Reserves	319	317	337	-23	-23	-23	-23	-23
Retained earnings	-4	-120	79	703	969	1,193	1,438	1,696
Equity before NCI	**1,507**	**1,378**	**1,597**	**1,860**	**2,126**	**2,350**	**2,595**	**2,852**
Non-controlling interest	161	153	166	184	210	232	257	282
EQUITY	**1,668**	**1,531**	**1,762**	**2,044**	**2,336**	**2,583**	**2,851**	**3,134**
Loans and borrowings	575	462	462	486	386	286	286	286
Lease liability	11	8	5	1	1	1	1	1
Employees' end of service benefits	283	222	187	155	181	198	200	209
Deferred income	38	40	40	39	39	39	39	39
Contract liabilities	44	45	52	55	55	55	55	55
Non-current liabilities	**951**	**778**	**746**	**735**	**662**	**578**	**580**	**590**
Loans and borrowings	525	1,039	965	960	860	760	660	560
Trade payable and other liabilities	507	568	496	351	385	315	330	346
Contract liabilities	125	170	176	219	240	262	275	288
Other current liabilities	242	234	223	192	197	199	199	199
Current liabilities	**1,405**	**2,010**	**1,860**	**1,723**	**1,682**	**1,536**	**1,463**	**1,393**
LIABILITIES	**2,356**	**2,788**	**2,606**	**2,458**	**2,344**	**2,114**	**2,044**	**1,983**
EQUITY AND LIABILITIES	**4,024**	**4,319**	**4,368**	**4,502**	**4,680**	**4,696**	**4,895**	**5,117**

Cash Flow (In SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Cash from operations	48	-331	273	165	213	348	350	371
Investing cash flow	-172	-93	-85	-143	-155	-170	-178	-186
Financing cash flow	-32	381	-105	78	-52	-203	-137	-137
Change in cash	**-175**	**-38**	**82**	**101**	**5**	**-25**	**35**	**47**
Beginning cash	336	160	123	204	306	311	286	321
Ending cash	**160**	**123**	**204**	**306**	**311**	**286**	**321**	**368**

Ratio Analysis	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Per Share								
EPS (SAR)	-0.1	0.3	1.6	2.2	2.2	2.5	2.8	3.0
BVPS (SAR)	13.9	12.8	14.7	17.0	19.5	21.5	23.8	26.1
DPS (SAR)	-	-	-	-	0.7	0.8	0.8	0.9
FCF per share (SAR)	-1.0	-3.5	1.6	0.2	0.5	1.5	1.4	1.5
Valuation								
Market Cap (SAR mn)	4,536	3,834	3,127	3,773	3,773	3,773	3,773	3,773
EV (SAR mn)	5,495	5,224	4,356	4,913	4,714	4,538	4,401	4,252
EBITDA	115	211	364	416	436	471	503	526
P/E (x)	-499.8	120.4	15.9	14.4	14.2	12.4	11.2	10.5
EV/EBITDA (x)	47.9	24.8	12.0	11.8	10.8	9.6	8.8	8.1
Price/Book (x)	2.7	2.5	1.8	1.8	1.6	1.5	1.3	1.2
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	2.1%	2.4%	2.7%	2.9%
Price to sales (x)	2.7	2.3	1.8	2.1	1.9	1.8	1.7	1.6
EV to sales (x)	3.3	3.1	2.6	2.8	2.4	2.1	2.0	1.8
Liqiudity								
Cash Ratio (x)	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3
Current Ratio (x)	1.4	1.2	1.3	1.4	1.6	1.7	1.9	2.1
Quick Ratio (x)	1.0	0.9	0.9	1.1	1.2	1.3	1.4	1.6
Returns Ratio								
ROA (%)	-0.2%	0.7%	4.5%	5.8%	5.7%	6.5%	6.9%	7.0%
ROE (%)	-0.5%	2.1%	11.2%	12.9%	11.4%	11.8%	11.8%	11.4%
ROCE (%)	-0.3%	1.4%	7.8%	9.5%	8.9%	9.6%	9.8%	9.6%
Cash Cycle								
Inventory turnover (x)	1.6	1.3	1.4	1.7	1.7	1.7	1.7	1.7
Accounts Payable turnover (x)	1.9	1.5	1.8	2.5	2.5	3.3	3.3	3.3
Receivables turnover (x)	1.5	1.2	1.3	1.2	1.2	1.4	1.4	1.4
Inventory days	228	279	255	219	219	219	219	219
Payable Days	196	245	207	146	146	110	110	110
Receivables days	240	308	290	303	303	266	266	266
Cash Cycle	272	341	338	376	376	376	376	376
Profitability Ratio								
Net Margins (%)	-0.5%	1.9%	11.5%	14.7%	13.7%	14.4%	15.1%	15.4%
EBITDA Margins (%)	6.9%	12.5%	21.3%	23.3%	22.5%	22.2%	22.6%	22.6%
PBT Margins (%)	2.2%	4.3%	12.0%	16.5%	15.2%	16.0%	16.8%	17.1%
EBIT Margins (%)	5.4%	8.2%	15.6%	19.1%	17.5%	17.5%	18.0%	18.0%
Effective Tax Rate (%)	-125.1%	55.8%	4.3%	10.6%	10.0%	10.0%	10.0%	10.0%
Leverage								
Total Debt (SAR mn)	1,119	1,513	1,433	1,446	1,252	1,051	949	848
Net Debt (SAR mn)	959	1,390	1,229	1,140	942	765	628	479
Debt/Total Assets (x)	0.3	0.4	0.3	0.3	0.3	0.2	0.2	0.2
Debt/Equity (x)	0.7	1.0	0.8	0.7	0.5	0.4	0.3	0.3
Net Debt/Equity (x)	0.6	0.9	0.7	0.6	0.4	0.3	0.2	0.2

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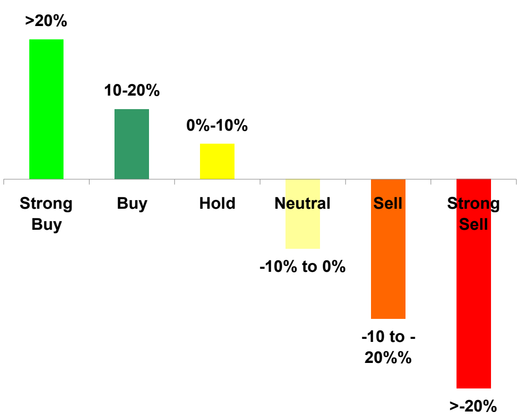
Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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