

Pharmaceuticals

BUY: 12M TP @ 31.50

Upside +18.6%

Valuation Summary (TTM)

Price (SAR)	26.56
PER TTM (x)	49.7
P/Book (x)	2.1
P/Sales (x)	1.8
EV/Sales (x)	2.6
EV/EBITDA (x)	11.4
Dividend Yield (%)	NM
Free Float (%)	77%
Shares O/S (mn)	120
YTD Return (%)	-17%
Beta	1.4

(mn)	SAR		USD
Market Cap	3,187		849
Enterprise value	4,165		1,125
Price performance (%)	1M	3M	12M
SPIMACO	9%	1%	-17%
Tadawul All Share Index	-1%	-3%	-11%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	11,026	7,632	11,653
Avg Daily Volume (,000)	341	301	451
52 week	High	Low	CTL*
Price (SAR)	35.80	20.94	26.8

* CTL is % change in CMP to 52wk low

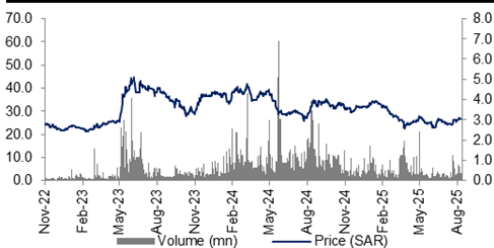
Major shareholders

ARAB CO DRUG IND & M	20.5%
Vanguard Group Inc/T	1.9%
Blackrock Inc	0.9%
Others	76.8%

Other details

Exchange	Saudi Arabia
Sector	Pharmaceuticals
Index weight (%)	0.2%

Key ratios	2022	2023	2024
EPS (SAR)	-1.43	-0.08	0.27
BVPS (SAR)	14.11	13.90	12.76
DPS (SAR)	0.60	0.00	0.00
Payout ratio (%)	-42%	0%	0%



SPIMACO – steady quarter, in-line results

SPIMACO reported 2Q25 revenue of SAR 401mn, up 7.3% YoY and broadly in line with our expectations. Growth was driven by stronger private sector performance, which now accounts for 65.1% of total sales versus 59.3% in 1H24. The company also benefited from an improved sales mix that delivered better realizations during the quarter. Pharma revenue, which contributed 84% of the topline, rose sharply by 13.6% YoY in 2Q25, while healthcare revenue increased by 9.3%. However, distribution sales contracted by 44.2% YoY, partially offsetting the otherwise solid topline growth. Saudi Arabia remains the company's core market, representing 93.6% of total sales and growing 11.8% YoY, while international markets delivered mixed results.

Gross margins have remained stable in the 47–50% range in recent quarters. In 2Q25, gross margin stood at 48.4%, up 9bps YoY. Disciplined cost management helped limit direct cost increases, supporting the gross margin. Operating expenses were in line with expectations, showing minimal variance from prior quarters. Operating profit reached SAR 61mn (+70.9% YoY), the higher growth attributed to reversal of impairment provisions during the quarter compared to an impairment loss in 2Q24. EBITDA increased 17.6% YoY in 2Q25. R&D expenditure was maintained at 3.8% of revenue despite ongoing product launches. Finance costs were consistent with previous quarters, as the company avoided adding leverage to its balance sheet. Other income fell to SAR 4mn, while profit contribution from associates stood at SAR 8mn. Tax and Zakat provisions were higher at 25% of pre-tax profit. Net profit for 2Q25 came in at SAR 36mn, up 17.3% YoY but 10.9% below our expectations, primarily due to higher-than-anticipated tax provisions. For 1H25, the company reported a net profit of SAR 111mn (+58.7% YoY). Overall, we see stability in topline performance and margins. Management has guided for revenue growth of 7–10% in 2025e, while we forecast 6%, translating into total revenue of SAR 1.78bn. We concur with the guidance for an EBITDA margin of 20–21% for 2025e. Based on our estimates, we project net profit of SAR 199mn and fair value of SAR 31.50 per share, broadly in line with our previous forecast. Given the target price and implied upside, we maintain our **BUY** rating on the stock.

Valuation and outlook: SPIMACO operates one of the largest manufacturing facilities in Saudi Arabia and holds leadership positions in several therapeutic areas. The company is phasing out lower-margin legacy products and shifting its focus towards chronic lifestyle diseases and biosimilars. Management is also working to enhance differentiation, improve margins, and expand further into the government sector. We see strong growth potential but remain watchful over the coming quarters for signs of a sustained turnaround. The stock currently trades at a discount to peers at 16x 2025e P/E.

Income Statement (In SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	1,460	1,426	1,653	1,682	1,780	2,047	2,354	2,601
Direct Costs	-840	-860	-945	-845	-919	-1,034	-1,189	-1,313
Gross profit	620	566	708	837	861	1,013	1,165	1,287
Selling and marketing expenses	-332	-373	-349	-333	-285	-307	-353	-390
General and administrative expenses	-239	-265	-255	-271	-248	-287	-330	-364
Research and development expenses	-8	-43	-41	-76	-50	-61	-71	-78
Other expenses	15	-12	27	-19	2	-31	-35	-39
Operating Profit	56	-126	89	137	280	328	377	416
EBITDA	144	-37	115	211	366	415	466	507
Finance cost	-39	-43	-70	-88	-98	-81	-81	-81
Other income (Net)	18	24	17	23	30	30	30	30
Profit before Zakat (PBT)	34	-145	36	72	212	277	326	365
Zakat and income tax	-12	-25	-45	-40	-13	-14	-16	-18
Net Profit/ loss bf disc operations	21	-170	-9	32	199	263	310	347
Loss from discounted operations	-3	-1	-	-	-	-	-	-
Net Profit	18	-171	-9	32	199	263	310	347
Balance Sheet (in SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property, plant and equipment	1,098	1,040	1,272	1,574	1,520	1,468	1,418	1,371
Assets under construction	719	790	583	172	211	264	331	411
Intangible assets	39	15	17	102	121	139	155	171
Right of use assets	34	35	32	26	28	30	32	34
Other non current assets	82	70	86	89	76	76	76	76
Non-current assets	1,972	1,951	2,049	1,963	1,956	1,976	2,013	2,062
Inventories	419	495	589	646	459	517	594	657
Trade and other receivables	1,017	834	924	1,175	1,282	1,474	1,695	1,872
Cash and cash equivalents	328	335	160	122	184	315	383	492
Other current assets	694	216	279	398	353	380	410	435
Current assets	2,458	1,880	1,975	2,356	2,278	2,686	3,083	3,456
ASSETS	4,429	3,830	4,024	4,319	4,233	4,662	5,096	5,518
Share capital	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Reserves	533	519	319	317	326	326	326	326
Retained earnings	104	-179	-4	-120	79	342	573	827
Equity before NCI	1,838	1,540	1,507	1,378	1,585	1,848	2,079	2,333
Non-controlling interest	156	154	161	153	157	183	206	231
EQUITY	1,993	1,693	1,668	1,531	1,742	2,031	2,285	2,564
Loans and borrowings	417	380	575	462	595	495	395	295
Lease liability	18	19	11	8	5	6	4	1
Employees' end of service benefits	296	313	283	222	248	287	330	364
Deferred income	36	35	38	40	40	40	40	40
Contract liabilities	34	43	44	45	55	55	55	55
Non-current liabilities	801	790	951	778	943	883	823	755
Loans and borrowings	851	676	525	1,039	559	659	759	859
Trade payable and other liabilities	461	403	507	568	551	620	713	788
Contract liabilities	84	45	125	170	184	207	238	263
Other current liabilities	239	223	242	234	254	262	278	290
Current liabilities	1,635	1,348	1,405	2,010	1,548	1,748	1,988	2,200
LIABILITIES	2,436	2,138	2,356	2,788	2,491	2,631	2,811	2,954
EQUITY AND LIABILITIES	4,429	3,831	4,024	4,319	4,233	4,662	5,096	5,518
Cash Flow (In SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	87	-124	48	-331	413	143	163	249
Investing cash flow	144	480	-172	-93	-107	-123	-141	-156
Financing cash flow	-241	-311	-32	381	-243	111	47	16
Change in cash	-3	7	-174	-40	62	131	68	109
Beginning cash	331	328	335	161	122	184	315	383
Ending cash	328	335	161	122	184	315	383	492

Ratio Analysis	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share								
EPS (SAR)	0.2	-1.4	-0.1	0.3	1.7	2.2	2.6	2.9
BVPS (SAR)	16.6	14.1	13.9	12.8	14.5	16.9	19.0	21.4
DPS (SAR)	1.0	0.6	-	-	-	0.7	0.8	0.9
FCF per share (SAR)	1.9	3.0	-1.0	-3.5	2.5	0.2	0.2	0.8
Valuation								
Market Cap (SAR mn)	4,722	2,616	4,536	3,834	3,187	3,187	3,187	3,187
EV (SAR mn)	5,686	3,361	5,495	5,224	4,165	4,034	3,963	3,851
EBITDA	144	-37	115	211	366	415	466	507
P/E (x)	260.9	-15.3	-499.8	120.4	16.0	12.1	10.3	9.2
EV/EBITDA (x)	39.6	-90.0	47.9	24.8	11.4	9.7	8.5	7.6
Price/Book (x)	2.4	1.5	2.7	2.5	1.8	1.6	1.4	1.2
Dividend Yield (%)	2.5%	2.8%	0.0%	0.0%	0.0%	2.5%	2.9%	3.3%
Price to sales (x)	3.2	1.8	2.7	2.3	1.8	1.6	1.4	1.2
EV to sales (x)	3.9	2.4	3.3	3.1	2.3	2.0	1.7	1.5
Liquidity								
Cash Ratio (x)	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Current Ratio (x)	1.5	1.4	1.4	1.2	1.5	1.5	1.6	1.6
Quick Ratio (x)	1.2	1.0	1.0	0.9	1.2	1.2	1.3	1.3
Returns Ratio								
ROA (%)	0.4%	-4.5%	-0.2%	0.7%	4.7%	5.6%	6.1%	6.3%
ROE (%)	0.9%	-10.1%	-0.5%	2.1%	11.4%	12.9%	13.6%	13.5%
ROCE (%)	0.6%	-6.9%	-0.3%	1.4%	7.4%	9.0%	10.0%	10.5%
Cash Cycle								
Inventory turnover (x)	2.0	1.7	1.6	1.3	2.0	2.0	2.0	2.0
Accounts Payable turnover (x)	1.8	2.1	1.9	1.5	1.7	1.7	1.7	1.7
Receivables turnover (x)	1.3	1.4	1.5	1.2	1.2	1.2	1.2	1.2
Inventory days	182	210	228	279	183	183	183	183
Payable Days	200	171	196	245	219	219	219	219
Receivables days	286	257	240	308	299	299	299	299
Cash Cycle	267	296	272	341	263	263	263	263
Profitability Ratio								
Net Margins (%)	1.2%	-12.0%	-0.5%	1.9%	11.2%	12.8%	13.2%	13.3%
EBITDA Margins (%)	9.8%	-2.6%	6.9%	12.5%	20.5%	20.3%	19.8%	19.5%
PBT Margins (%)	2.3%	-10.2%	2.2%	4.3%	11.9%	13.5%	13.8%	14.0%
EBIT Margins (%)	3.8%	-8.8%	5.4%	8.2%	15.7%	16.0%	16.0%	16.0%
Effective Tax Rate (%)	36.6%	17.2%	-125.1%	55.8%	5.9%	5.0%	5.0%	5.0%
Leverage								
Total Debt (SAR mn)	1,293	1,081	1,119	1,513	1,162	1,162	1,159	1,155
Net Debt (SAR mn)	964	745	959	1,390	978	847	776	663
Debt/Total Assets (x)	0.3	0.3	0.3	0.4	0.3	0.2	0.2	0.2
Debt/Equity (x)	0.6	0.6	0.7	1.0	0.7	0.6	0.5	0.5
Net Debt/Equity (x)	0.5	0.4	0.6	0.9	0.6	0.4	0.3	0.3

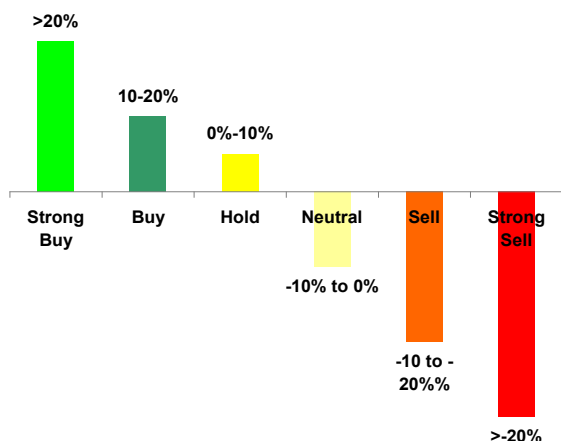
Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joyce@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

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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