SPIMACO
Healthcare: Pharmaceuticals
SPIMACO AB: Saudi Arabia
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Research Department
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US$0.83bn	79.44%	US$2.10mn
Market Cap.	Free Float	Avg. Daily Value traded

SPIMACO

H1 numbers encouraging, remain Overweight

- ***1H25 results indicate restructuring efforts are bearing fruits***
- ***The appointment of a new MD should ease investor concern over executive team***
- ***We expect trading & distribution (T&D) business to achieve breakeven in 1H26, this to drive notable improvement in net income in 2026 and 2027***
- ***We value the stock at 20x on average EPS of 2026/2027 as improved results should reflect by 2027***
- ***We remain Overweight with a target price of SAR 33/share***

Overweight

Price Target (SAR): 33.0

Current (31st August 2025): 26.00
Upside/Downside: 26.9% above current

Valuation Multiples	24A	25E	26E
P/E (x)*	NM	21.4	17.7
P/B (x)	2.3	2.1	1.8
ROE (%)	1.8	10.1	11.0

Note: Number is above 100*

Major Shareholders	% Ownership
Arab Co. Drug Ind & Med App.	20.5

Price Performance	1M	3M	YTD
Absolute	7.8%	4.2%	-18.6%
Relative to TASI	9.8%	6.8%	-7.5%

Earnings

(SAR mn)	2024	2025E	2026E	2027E
Revenue	1,682	1,799	1,949	2,113
y-o-y %	*1.6%*	*7.0%*	*8.4%*	*8.4%*
Gross Profit	837	873	965	1,056
GM Margin %	*49.8%*	*48.5%*	*49.5%*	*50.0%*
y-o-y %	*19.0%*	*4.2%*	*10.6%*	*9.5%*
EBITDA	245	356	387	425
EBITDA Margin	*14.6%*	*19.8%*	*19.8%*	*20.1%*
Net Income	25	146	176	216
Net Income Margin %	*1.5%*	*8.1%*	*9.0%*	*10.2%*
EPS	0.2	1.2	1.5	1.8
ROE	1.8%	10.1%	11.0%	12.0%

Source: Company data, Al Rajhi Capital

Investment thesis: SPIMACO is 2nd largest generic pharma manufacturers in the KSA with a market share of 6.4% in the private space, second only to Tabuk (6.5% market share). The company has a diverse product portfolio that covers over 44% of the therapeutic areas (TA) in the private market and it has a leading position in Urology, anti-infectives, musculoskeletal and respiratory. The company currently is in the phase of restructuring its business, primarily its trading & distribution business which is a loss-making segment. In the core pharma business, the company is focused on optimizing facility utilization, improving client mix with profitability being the key driver than market share. Moreover, in the medium term, the focus is on boosting its market share in specialized TAs and capture the bio similar market. The company recently inaugurated its new plant for the production of oncology and high-potency medications, with a total investment of SAR 272mn and the first commercial batch is expected in August 2025.

The key investor concerns are the frequent change in the management, especially at executive level, and the volatile earnings marred with several one-offs. Recently, the company made Mr. Ahmed Aljedai, the Managing Director (MD) and who also will be leading the executive team. Given that Mr. Ahmed was the chairman of the board till April 2025 and is also now the vice-chairman of the current board, there is improved visibility over the executive team. This along with the recent Q2 numbers, which showed benefits of restructuring efforts taken last year should boost investor sentiment, that had taken severe beating last year.

1H25: Overall, 1H25 operating performance has been a lot better than our expectations, especially the improvement in the EBITDA margin has been encouraging. Adjusted EBITDA margin (ex-one offs and JV income) rose by over 300bps y-o-y to 19.4% (company reported 24.1% includes JV income and one-offs). The key positive has been the sharp reduction in losses in the trading & distribution business. Although, T&D revenues declined by 33% y-o-y, net losses reduced by 42% to just SAR 28mn from SAR 49mn losses in 1H24. The focus on restructuring this business appears to be on track. Moreover, the core pharma manufacturing's performance was also solid, with topline growth of 8% y-o-y, while net income grew by 29% y-o-y, though partly aided by one-offs.

2025 and beyond: SPIMACO is guiding for a topline growth of 7%-10% (1H25: +4%) for FY25 and EBITDA margin of 20%-21% (includes JV income, 1H25: 24.1%) vs. 14.6% in 2024. The company targets margin improvement mainly led by profitable contracts, restructuring of the cost base in the T&D business (headcount reduction), lower selling & marketing costs and strict control over G&A). Over the last one year or so, SPIMACO's focus has been to make trading & distribution arm independent on its own, reduce its high-cost base and restrict any transaction between SPIMACO's pharma business and T&D to be solely on arm's length basis.

The 1H25 performance indicates that the restructuring of the trading & distribution business is on track. If the company is successful in turning around this business and achieve breakeven, that should alone result in increase in net profit by SAR 90-100mn (FY24 net losses of SAR 96mn). For 2H25, we are expecting T&D to make further progress, but remain shy of breakeven, which we expect to happen in 1H26. On group revenues, we estimate lower end of the guidance (7% growth) and EBITDA margin to reach 19.8% versus the guidance of 20%-21%. Our adjusted EBITDA margin (ex-JV income and one-offs) is expected to reach 16.7% versus 12.1%. Overall, we estimate net income of SAR 146mn in FY25.

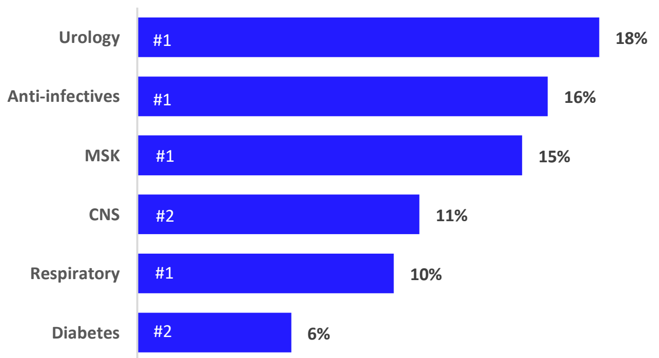
For 2026 and 2027, we estimate topline to grow by over 8% led by high single digit growth in the pharma manufacturing business and 5% growth each in the trading & distribution as well as in the healthcare service business. As we expect T&D to reach breakeven, we estimate sharp improvement in net income, growth of 21% and 23% in 2026 and 2027, respectively.

Figure 1 **Key 1H25 Developments**

R&D and Operations	**R&D Spending** As % of 1H25 Revenue **3.2%**	**Production Volume** -18% vs. 1H24 **850mn units**	**Productivity** Optimized facility utilization improved manufacturing efficiency ↑
Market and Commercial	**Private market share*** Leading player in KSA **6.4%**	**Sales** Improved client mix capitalizing on market opportunities ↑	**Cash Conversion Cycle**** -8% vs. 1H24 **299 days**
Financials	**Revenue** +4% vs. 1H24 **SAR 886mn**	**Gross profit margin** -2.5ppts vs. 1H24 **47.8%**	**EBITDA Margin** +7.6ppts vs. 1H24 **24.1%**

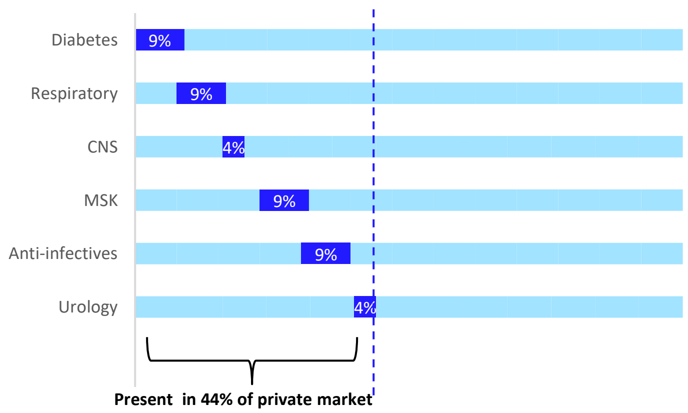
Source: IQVIA KSA Private Market Reflection Summary Data, June 2025, Company financials, Management calculations, Al Rajhi Capital
Note: *Moving Annual Total (MAT) for July 2024 – June 2025. **Annualized based on half-yearly data. Cash Conversion Cycle = Days Inventory + Days Receivables - Days Payables.

Figure 2 **SPIMACO's private market share and rank***



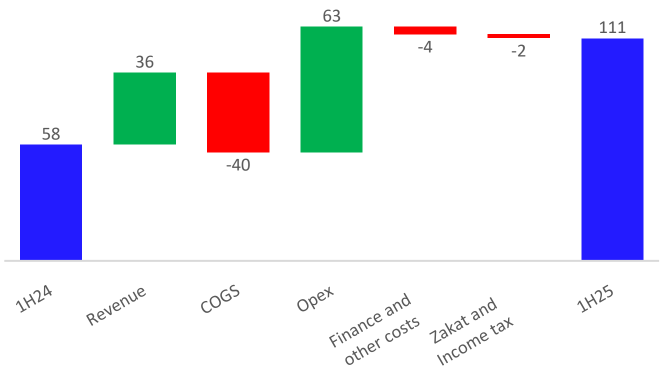
Source: IQVIA SCIM Molecule Quarterly Data June 2025, Company Data, Al Rajhi Capital, Note: Moving Annual Total, July 2024 to June 2025. MSK: Musculoskeletal, CNS: Central nervous system

Figure 3 **SPIMACO's presence is in 44% of the private market**



Source: IQVIA SCIM Molecule Quarterly Data June 2025, Company Data, Al Rajhi Capital, Note: Moving Annual Total, July 2024 to June 2025. MSK: Musculoskeletal, CNS: Central nervous system

Figure 4 **Net profit bridge 1H25**



Source: Company Data, Al Rajhi Capital

Figure 5 **FY25 Guidance**

	FY24 Actual	1H25 Actual Results	FY25 Guidance
Revenue growth	SAR 1,682mn	SAR 886mn (+4% y-o-y)	Increase by 7%-10%
Gross Margin	49.8%	47.8%	Stable enabled by further focus on efficiency & profitability
Selling & Marketing cost ratio*	19.8%	16.0%	Decrease driven by cost optimization
G&A cost ratio*	16.1%	13.9%	Stable driven by cost control
R&D cost ratio*	3.6%**	3.2%	Decrease to 3.4% driven by cost control
EBITDA Margin	14.6%	24.1%	Improvement to 20%-21%

Source: Company Data, Al Rajhi Capital, Note: &: as % of revenue. **Excluding SAR 16mn write-off related to a biosimilar project that was discontinued after an internal review

View and Valuations: We believe the H1 numbers indicate that the restructuring efforts are bearing fruits. Despite, the company reporting net income of SAR 111mn in 1H25 itself, for the year as a whole we estimate net income of SAR 146mn, as we prefer to be conservative on H2 given its volatile historical track record of reporting one-offs and Q4 being seasonally weak for the pharma manufacturing business. As the company is in the phase of restructuring and full benefits should reflect by 2027, we take the average of 2026E and 2027E EPS, which is 1.63/share. However, we apply a relatively lower target multiple of 20x, 15% discount to its competitors, to account for the weak historical track record. Based on this, our fair value is SAR 33/share (previous target price: SAR 37/share), which implies upside of ~27%. Thus, we remain Overweight on the stock.

Figure 6 **Valuations**

Valuation	Values/ Mutliples
2026/27E EPS (in SAR)	1.63
Target multiple	*20.0x*
Target Value	**33.0**
Current Price	26.00
Upside	*26.9%*

Source: Company data, Al Rajhi Capital.

Figure 7 **Income Statement**

SAR mn	2024	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	1,682	1,799	1,949	2,113	2,272	2,420	2,578
y-o-y growth	*1.6%*	*7.0%*	*8.4%*	*8.4%*	*7.5%*	*6.5%*	*6.5%*
Cost of Sales	(845)	(927)	(984)	(1,056)	(1,136)	(1,210)	(1,289)
Gross Profit	**837**	**873**	**965**	**1,056**	**1,136**	**1,210**	**1,289**
y-o-y growth	*19.0%*	*4.2%*	*10.6%*	*9.5%*	*7.5%*	*6.5%*	*6.5%*
margins	*49.8%*	*48.5%*	*49.5%*	*50.0%*	*50.0%*	*50.0%*	*50.0%*
Selling and marketing expense	(333)	(282)	(300)	(325)	(350)	(373)	(397)
General & administrative expense	(271)	(273)	(292)	(315)	(339)	(361)	(384)
R&D expense	(76)	(61)	(66)	(72)	(77)	(82)	(87)
Impairment loss on receivables & other income	(19)	3	(19)	(21)	(23)	(24)	(26)
Operating Profit	**137**	**259**	**287**	**323**	**348**	**370**	**395**
y-o-y growth	*163.6%*	*88.4%*	*10.7%*	*12.8%*	*7.5%*	*6.5%*	*6.5%*
margins	*8.2%*	*14.4%*	*14.7%*	*15.3%*	*15.3%*	*15.3%*	*15.3%*
EBITDA	**245**	**356**	**387**	**425**	**451**	**476**	**502**
margins	*14.6%*	*19.8%*	*19.8%*	*20.1%*	*19.9%*	*19.6%*	*19.5%*
Finance cost	(96)	(102)	(98)	(91)	(91)	(91)	(91)
Share of profit from Equity & JV & Others	30	30	30	30	30	30	30
Pre-Tax Income	**72**	**187**	**218**	**263**	**287**	**310**	**334**
Zakat	(40)	(34)	(35)	(39)	(40)	(43)	(47)
Non-controlling Interests & Discontinued Op.	(7)	(7)	(7)	(7)	(7)	(7)	(7)
Net Income/Net Profit (Losses)	**25**	**146**	**176**	**216**	**240**	**259**	**280**
margins	*1.5%*	*8.1%*	*9.0%*	*10.2%*	*10.5%*	*10.7%*	*10.9%*
EPS	0.2	1.2	1.5	1.8	2.0	2.2	2.3

Source: Company Data, Al Rajhi Capital estimates

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