



Investor Presentation

1H 2019 Results

Egypt's Fastest Growing Pharmaceutical Distributor

- *2nd largest pharmaceutical distributor with a market share of 19.4%*
- *c.42k clients served annually through a network of 62 operational sites and a fleet of 683 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	<i>Experience in pharmaceutical distribution</i>
#1	<i>Growing pharmaceutical distributor in Egypt</i>
2nd	<i>Largest pharmaceutical distributor with 19.4% market share in 2019</i>
c.43k	<i>Retail pharmacies, hospitals & wholesalers served in 1H19</i>
Over 350	<i>Multinational & local pharmaceutical suppliers, covering over 98% of the market value</i>
6,000+	<i>Employees</i>
62	<i>Operational sites in 1Q19, including distribution hubs and warehouses</i>
683	<i>Distribution vehicles in 1Q19</i>
EGP 7.6 bn	<i>1H19 Gross Revenues</i>
EGP 299.1 mn	<i>1H19 EBITDA</i>
32%	<i>Gross Revenue CAGR from 2013-2018</i>
51%	<i>Net Profit CAGR from 2013-2018</i>

Source: IMS Health, Company Management

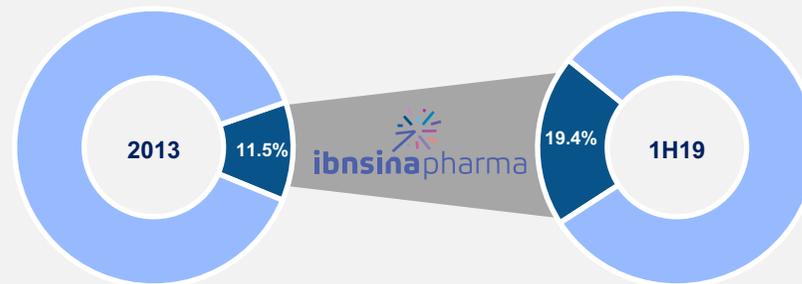


Ibsina Pharma, Egypt's fastest growing pharmaceutical distributor...

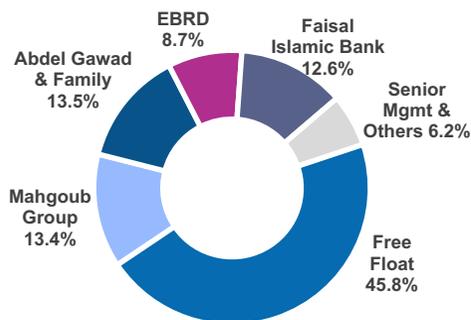
Company Overview

- Established in 2001, Ibsina Pharma "ISP" is the fastest growing, and 2nd largest, pharmaceutical distributor in Egypt with a market share of 19.4%
- Nationwide distribution network with 62 operational sites including distribution hubs and central warehouses, supported by a fleet of c.683 vehicles serving c.43k 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 Share¹



Shareholding Structure¹

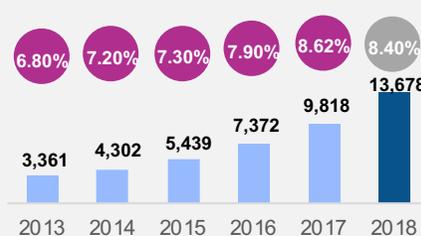


Key Suppliers

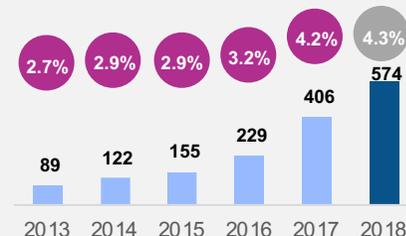


Key Financial Highlights

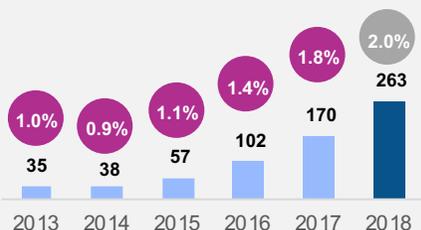
Gross Revenue² & GPM | EGP mn, %



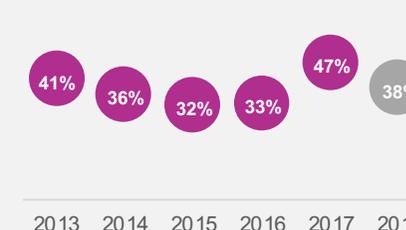
EBITDA & Margin | EGP mn, %



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**

7	Operational Sites	2005 7.0%
12k	Clients	
EGP 665mn	Revenue	

Expansion Strategy: 2009-2012

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

27	Operational Sites	2012 10.5%
30k	Clients	
EGP 2.5bn	Revenue	

Growth Strategy I . 2013-2018

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

59	Operational Sites	FY18 19.7%
c.42k	Clients	
EGP 13.3bn	Revenue	

Turnaround Strategy: 2006-2008

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

7	Operational Sites	2008 8.8%
16k	Clients	
EGP 1.0bn	Revenue	



In partnership with



Market Share

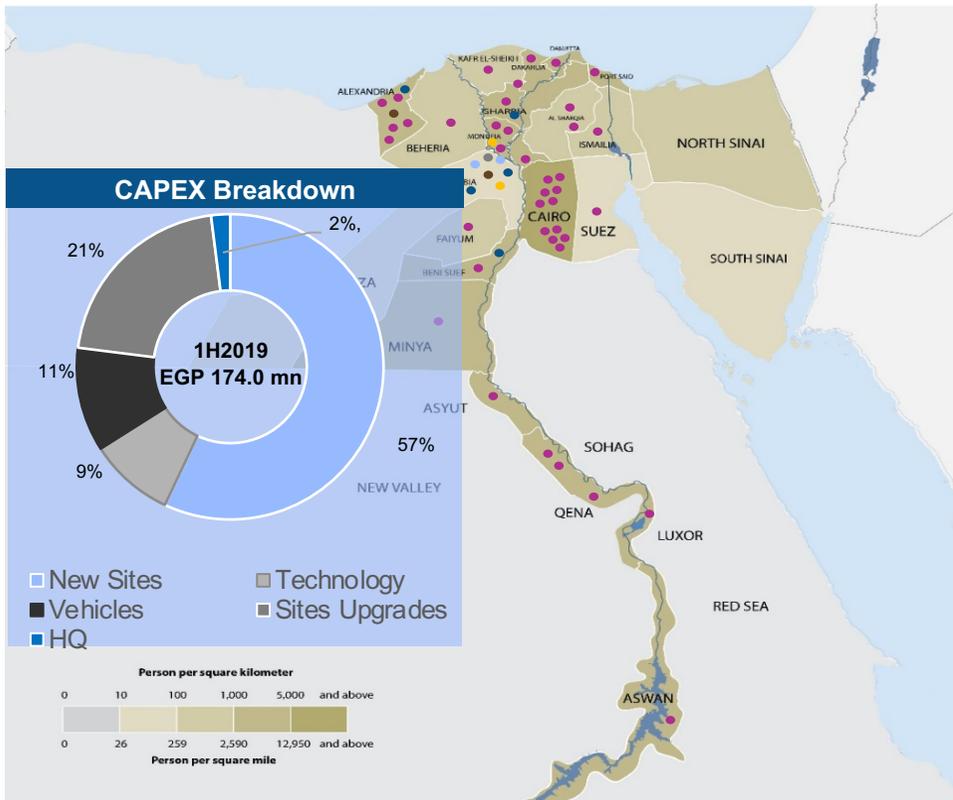
Source: IMS Health; Company Management



...optimally expanding our distribution network to unlock value....

Distribution Network

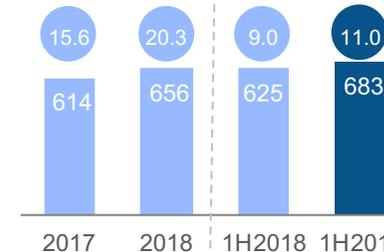
- 7** Platforms and main warehouse
- 1** Tender DC
- 4** 3PL¹ Warehouses
- 47** Distribution Centers (DC)
- 2** Reverse Logistics Warehouses
- 1** Personal Care DC



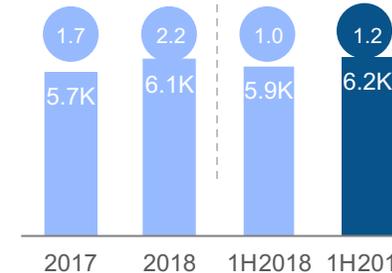
No. of Sites (Rev/Site – EGP mn)



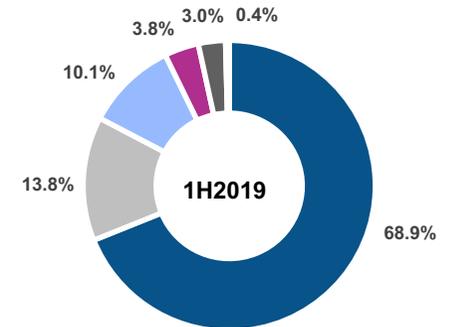
No. of Vehicles (Rev/Vehicle – EGP mn)



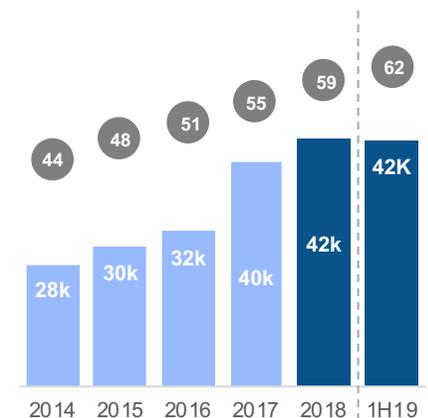
No. of Employees (Rev/Emp – EGP mn)



Revenue by Business Line



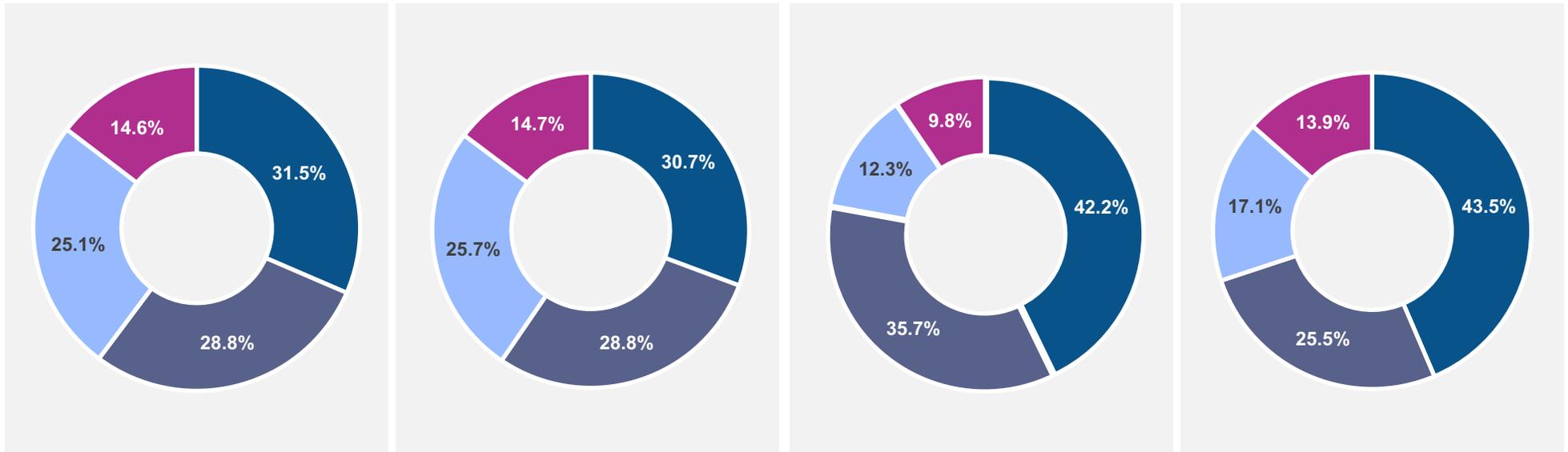
Number of Clients & Sites





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

Clients by Geography (1H2019)



42,087
Total Customers

39,366
Retail Pharmacies

824
Wholesale Clients

1,897
Hospital Clients

■ Cairo & Canal ■ Delta ■ Upper Egypt ■ Alexandria



Key Investment Highlights



Key Investment Highlights

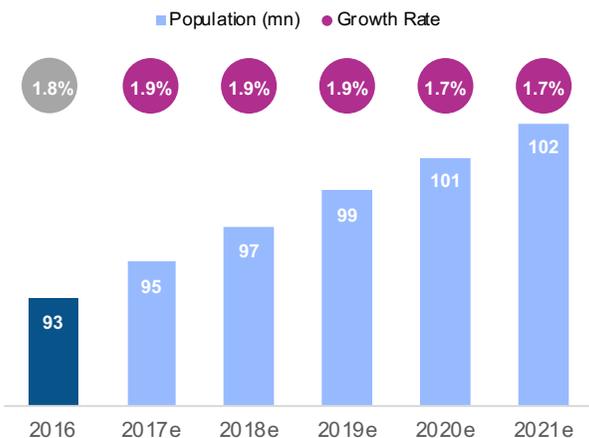
<p>1 Solid Demographic Profile</p>	<p>A rapidly growing population coupled with a growing middle class and increasing healthcare awareness, positions Egypt as one of the most attractive consumer markets in the region</p>
<p>2 Attractive Industry Dynamics</p>	<p>A highly defensive sector with significant room for continued growth driven by recent regulatory reforms, increasing incidence of chronic disease, and a surge in generic uptake</p>
<p>3 Strong Market Share</p>	<p>Fastest growing & 2nd largest player in the market with nationwide geographical coverage and access to over 42k retail pharmacies, hospitals & wholesalers</p>
<p>4 Efficient Business Model</p>	<p>Operational efficiency driven by best in class supply chain processes</p>
<p>5 Resilient Supply Chain</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 Robust Financial Performance</p>	<p>Significant top and bottom line growth on the back of recent regulatory reforms and enhanced operational efficiency</p>
<p>7 New Revenue Streams</p>	<p>Expansion into higher margin diversified revenue streams to further enhance profitability</p>
<p>8 Experienced Management Team</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>



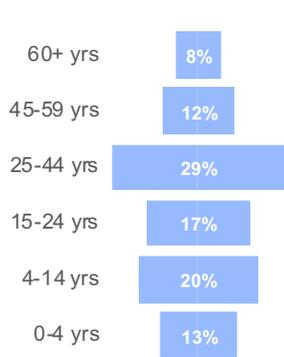
1 Solid Demographic Profile

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

Population | mn

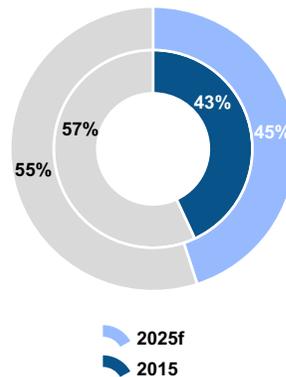


Age Pyramid

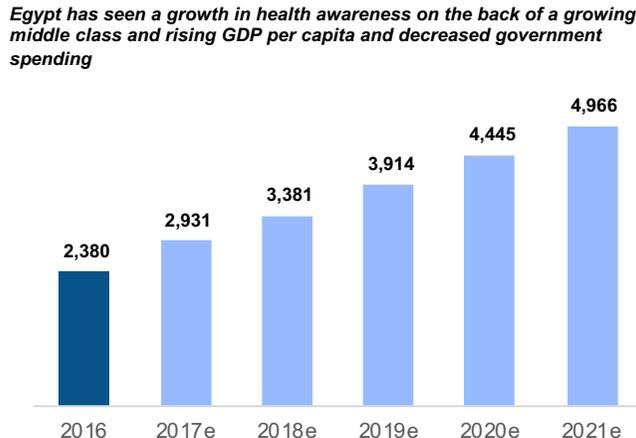


An increasingly aging, more urbanized demographic profile drives an increase in health awareness

Urban Population

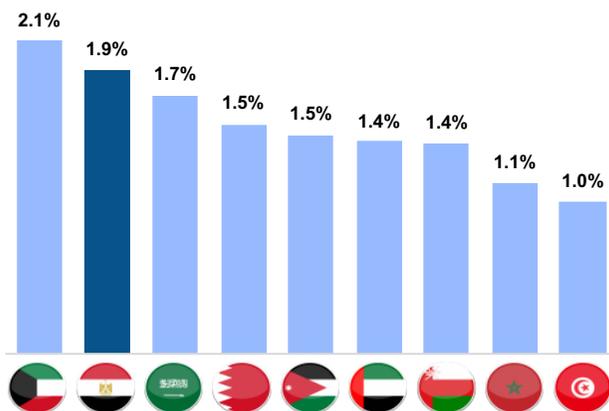


Disposable Income | EGP bn

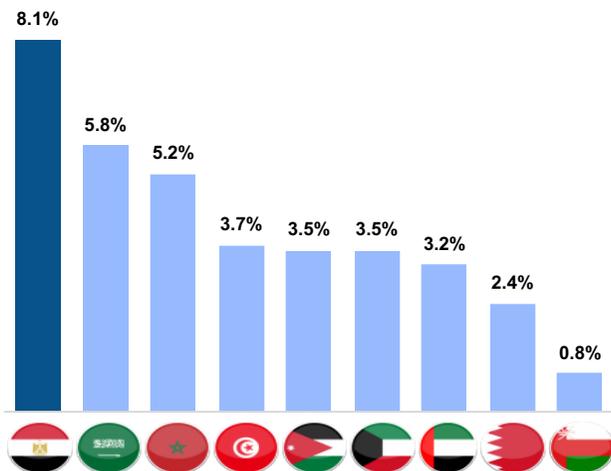


Egypt has seen a growth in health awareness on the back of a growing middle class and rising GDP per capita and decreased government spending

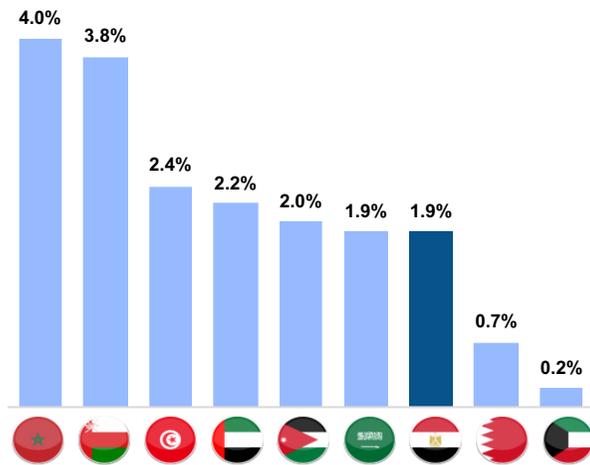
Population CAGR | 2015-2020



Population Age 65+ as % of Total Population | 2020



Urbanization CAGR | 2015-2020



Source: BMI, WHO

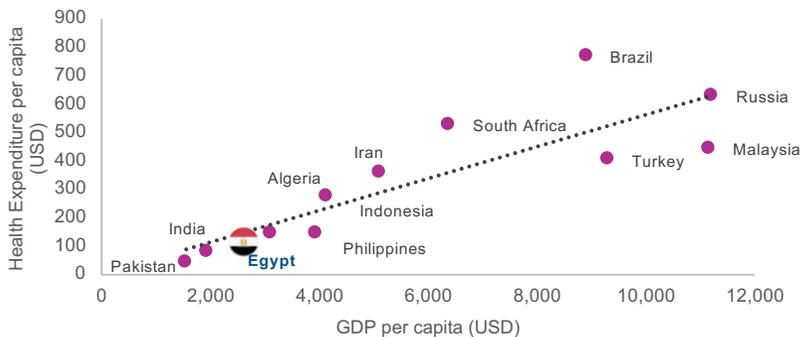


2 Attractive Industry Dynamics (I/III)

Low healthcare and pharmaceutical expenditure with unparalleled growth potential

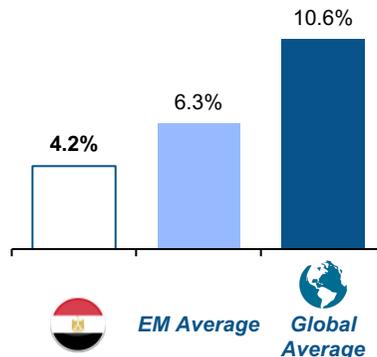
Healthcare Sector Overview

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

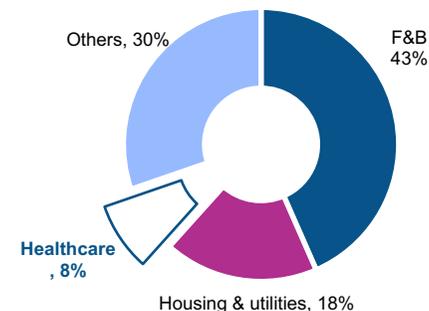


Egypt's Health Expenditure per capita unjustifiably lags emerging markets standards

Healthcare Expenditure % of GDP (2018)



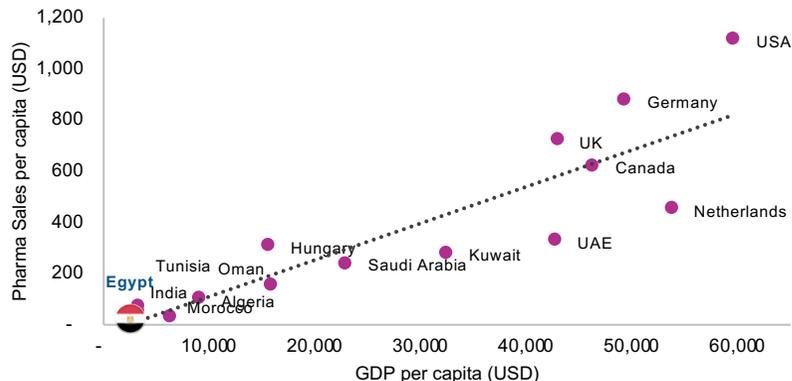
Egyptian Household Expenditure Breakdown (2018)



Healthcare Expenditure constitutes low contribution to the Egyptian Household Expenditure

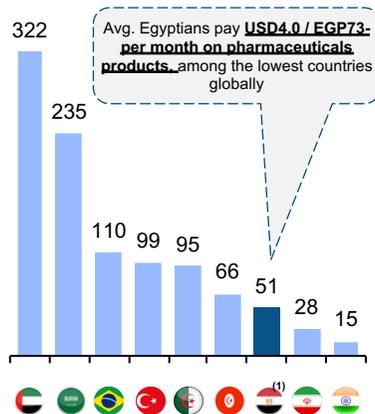
Pharmaceutical Sector Overview

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

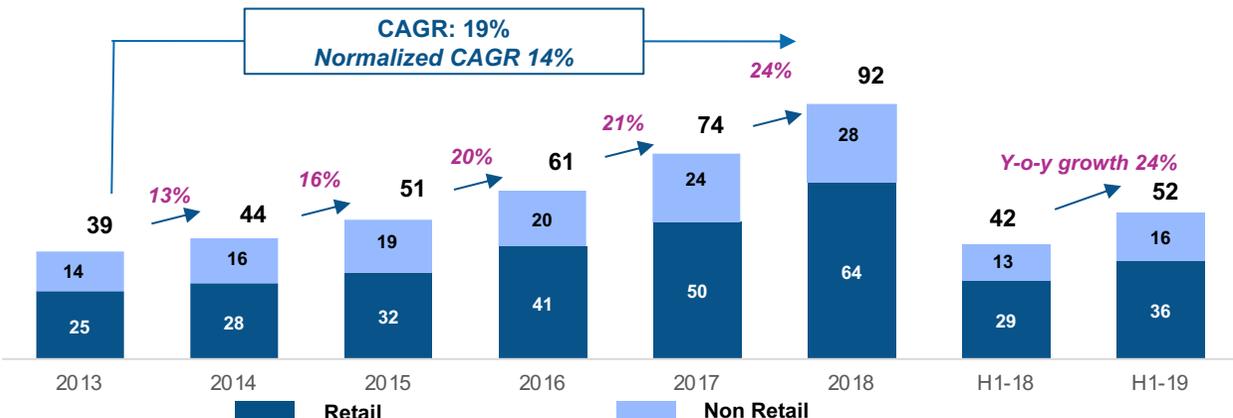


2 Attractive Industry Dynamics (II/III)

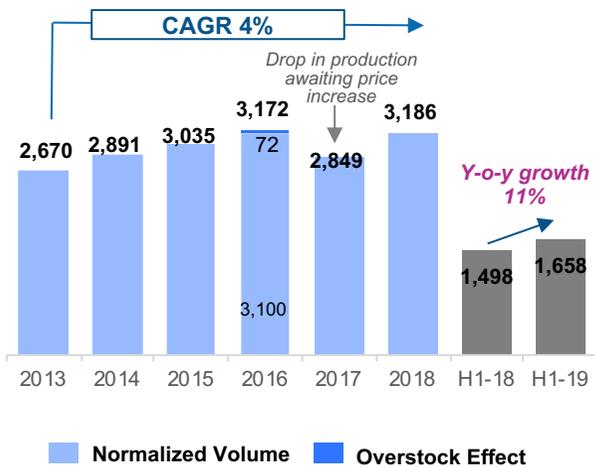
A highly defensive sector with significant room for continued growth

Total Market Size | EGP bn

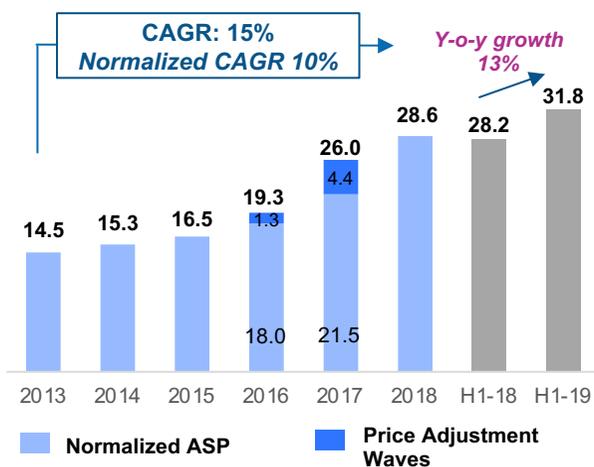
Egypt's healthcare market is the fastest growing in the region driven by significant growth in the pharmaceuticals market



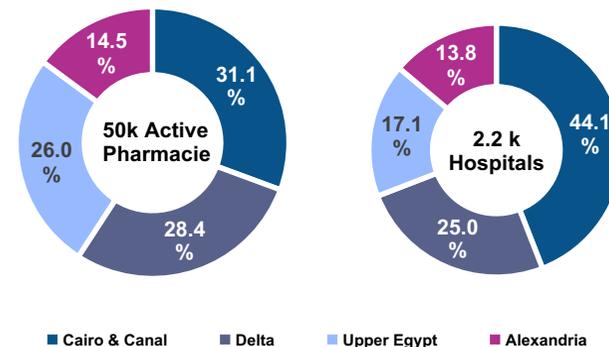
Market Volume Evolution | in Millions



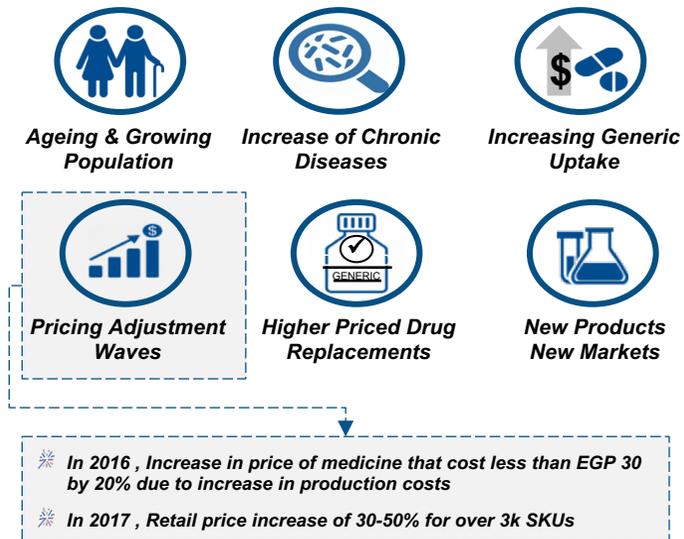
Average Selling Price (ASP) Evolution



Market Segmentation



Key Growth Drivers



☼ In 2016, Increase in price of medicine that cost less than EGP 30 by 20% due to increase in production costs

☼ In 2017, Retail price increase of 30-50% for over 3k SKUs

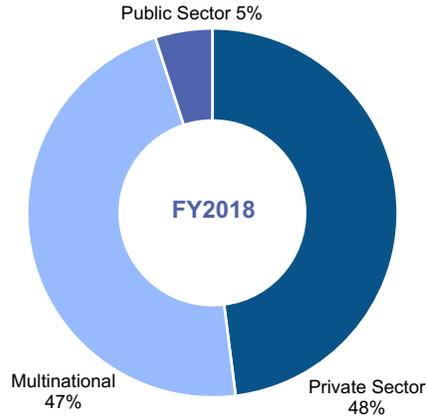
Source: IMS Health, BMI, WHO, Company Management



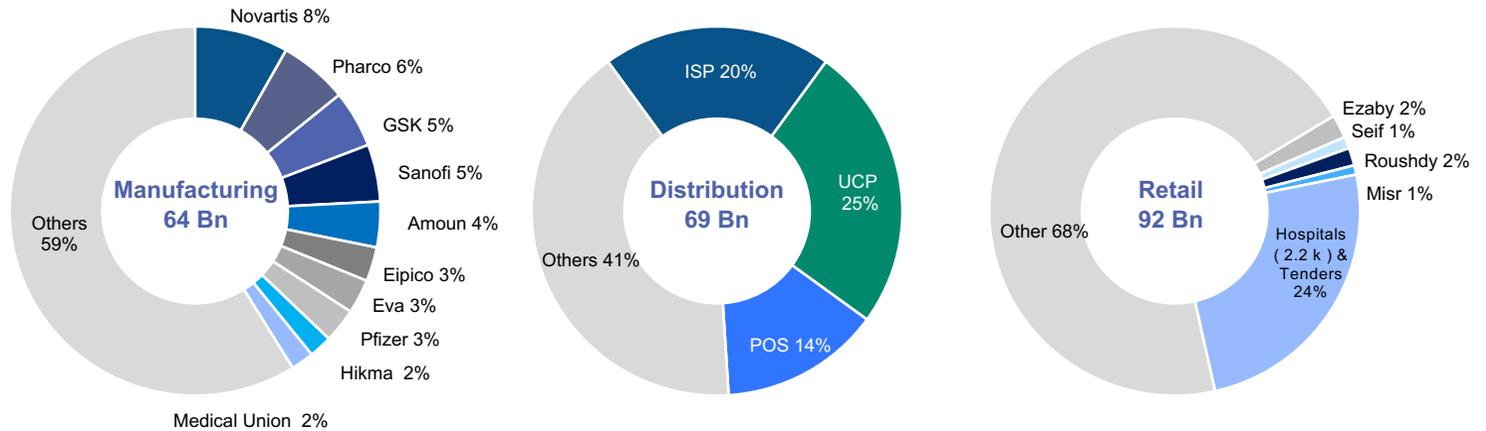
2 Attractive Industry Dynamics (III/III)

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 1st time since the 50's from 7% to 8% on locally manufactured products . Also , the retailers margin increased from 20% to 25%

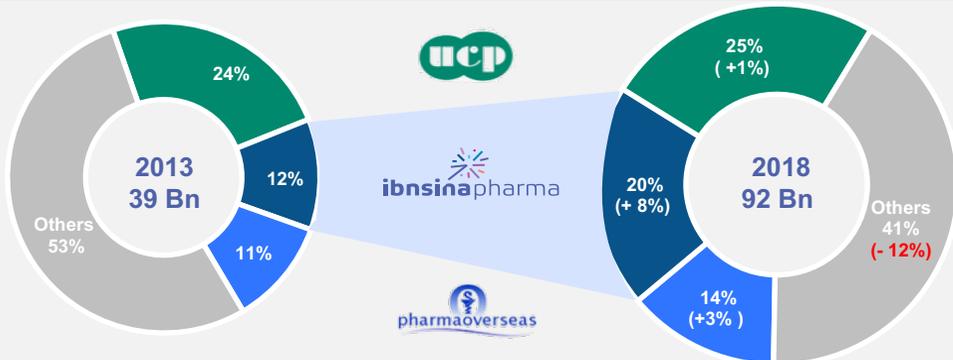
✦ Distribution Margin worldwide is between 7 – 12% , Egypt is on the lower side .



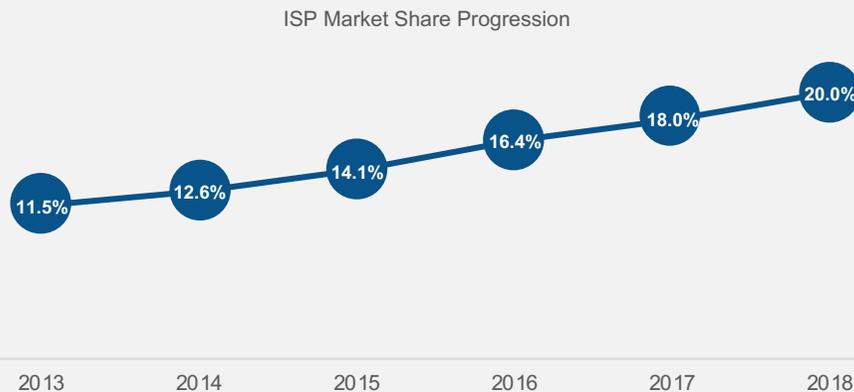
3 Strong Market Share

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

ISP is the fastest growing distributor in the Egyptian market

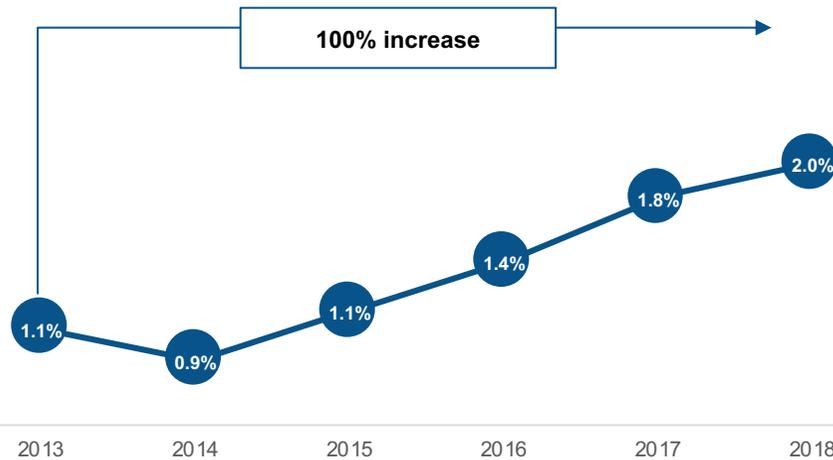
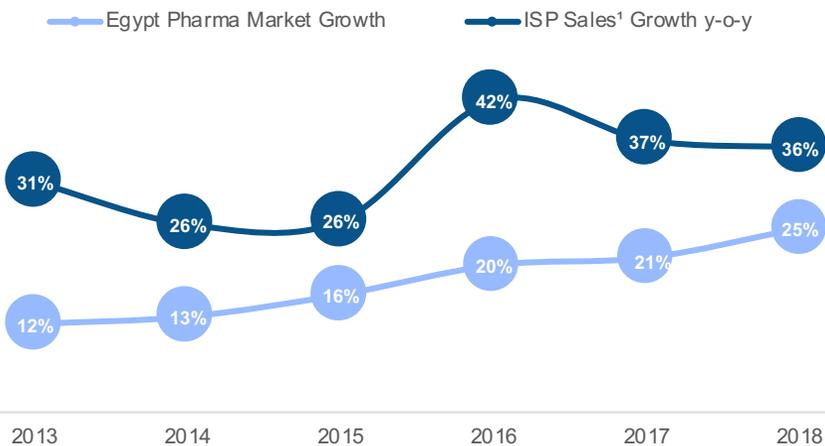


The distribution market has been experiencing a trend of consolidation towards larger market players, as both manufacturers and pharmacies prefer to deal with fewer number of distributors with larger capabilities and more value-add



ISP has been constantly outperforming the market...

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



(1) Based on ISP's pharmacies sales value as per IMS Health data which is based on retail selling price
Source: IMS Health, Company Management



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

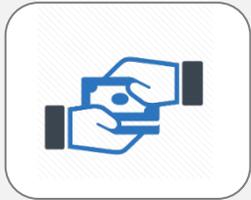
Transportation Management System Enhances inbound shipments, collects data for route optimization, facilitates sales, collections and returns	Field Force Mobility Solutions Ability to manage schedule, track visits, create orders, process returns, and receive customer feedback	Enterprise Asset Management 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



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



ERPSM
Financial & Operational
Excellence



CRMSM
Marketing ,Sales ,&
Service Excellence



**Business
Intelligence &
AnalysisSM**
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 ManagementSM
IT solutions for pharmacies



Mobile App[®]
Personalized tool to
enhance brand
loyalty and build life-
long customers



Online OrderingSM
24/7 sales channel with
differentiated approach



6 Robust Financial Performance

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



1H19
Net Revenues

EGP **7.6** BN

▲ 26.8% y-o-y

1H19
Gross Profit

EGP **608.3** MN

▲ 31.0% y-o-y

1H19
EBITDA

EGP **299.1** MN

▲ 41.5% y-o-y

1H19
Net Profit

EGP **103.2** MN

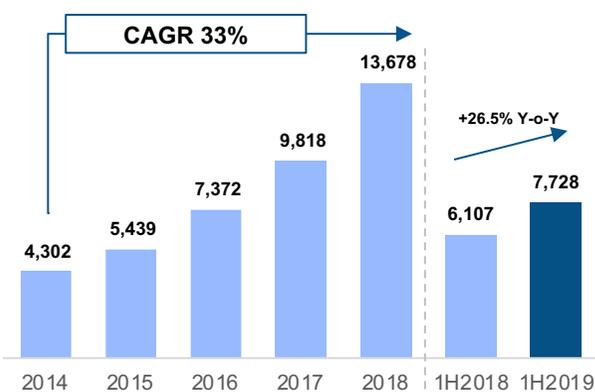
▲ 34.8% y-o-y



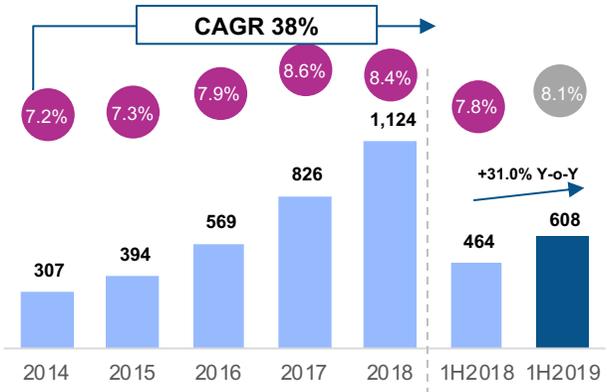
6 Robust Financial Performance

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

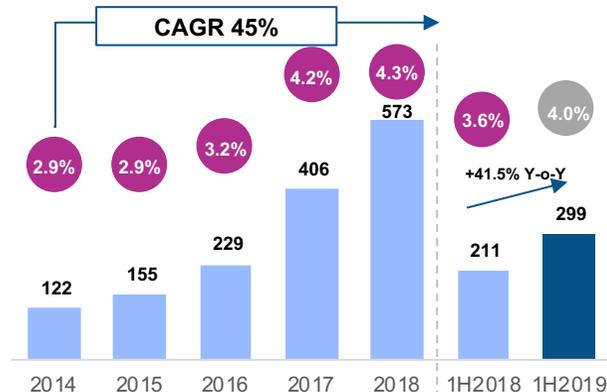
Gross Revenue¹ | EGP mn



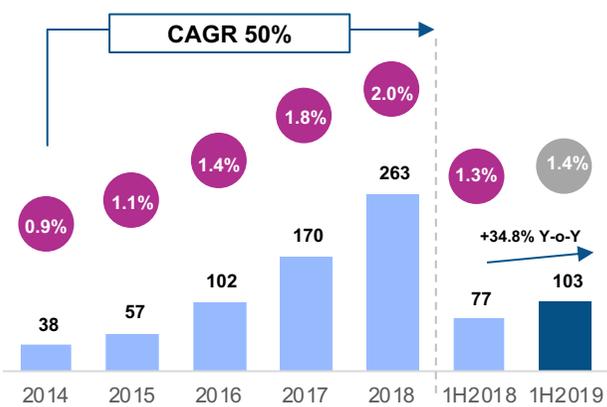
Gross Profit | EGP mn, %



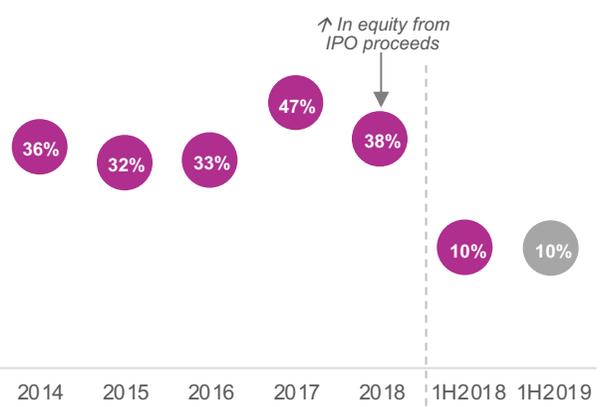
EBITDA & Margin | EGP mn, %



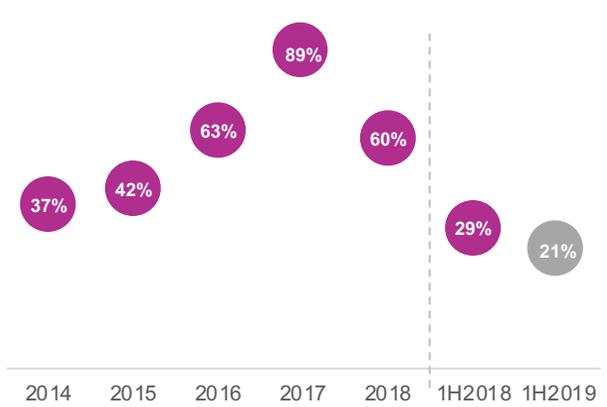
Net Profit & Margin | EGP mn, %



ROE | %



Return on Fixed Assets² | %





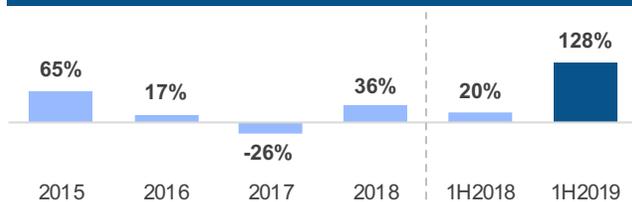
6 Robust Financial Performance

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

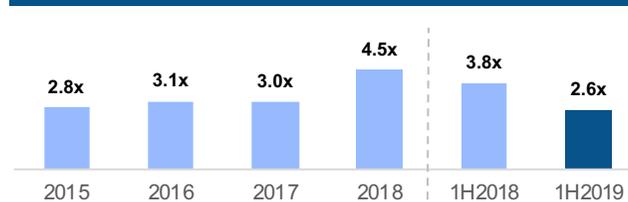


Supplier contracts have the option of credit terms ranging from 120-150days or a cash discount of 5-6%

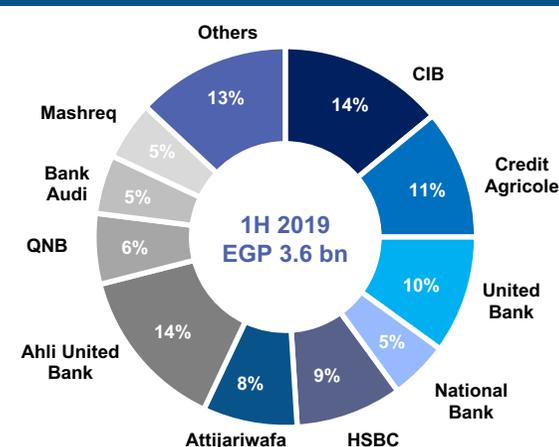
Net Debt to Equity Ratio



Interest Coverage Ratio¹



Facilities Breakdown | % of Authorized Limit



Net Debt | EGP mn



Current Ratio



(1) Calculated as EBITDA over interest expense
Source: Company Management



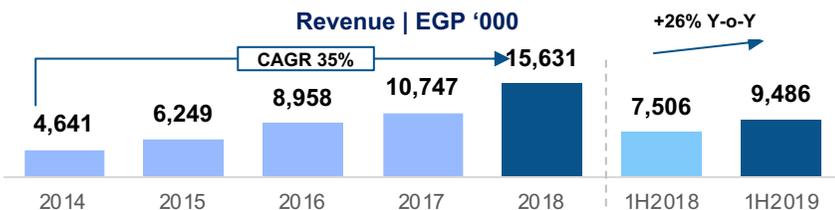
7 New Revenue Streams

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.

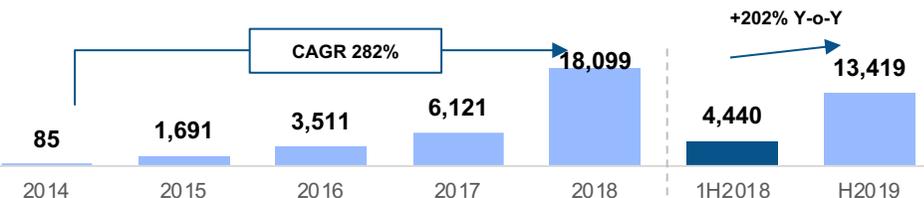


Transportation



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.

Revenue | EGP '000



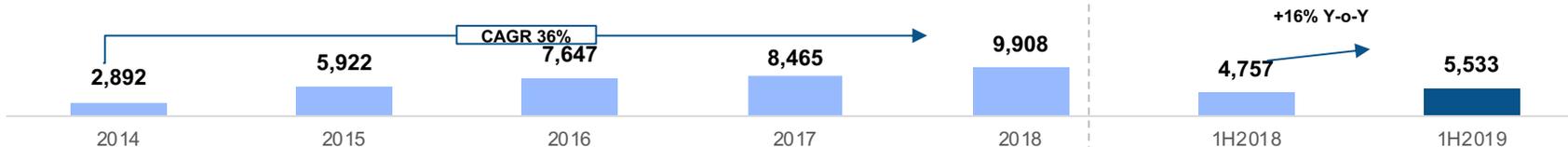
Other



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.

Revenue | EGP '000



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.

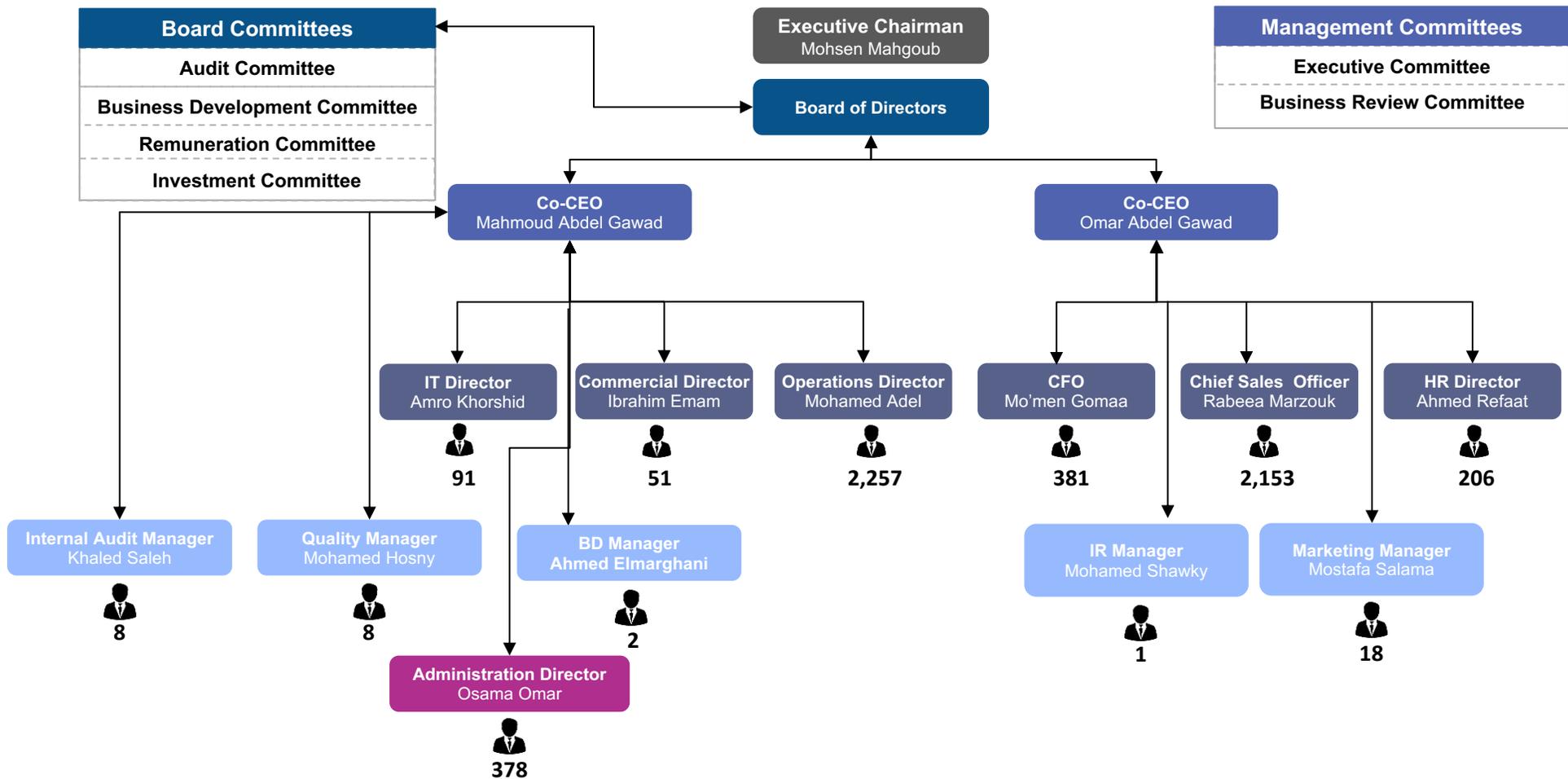
Ahmed Abdel Gawad
Non-Executive Director

- ✦ 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.



8 Experienced Management Team

Organizational Structure



Source: Company Management

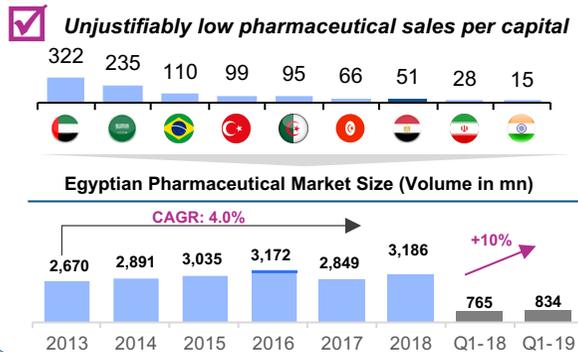
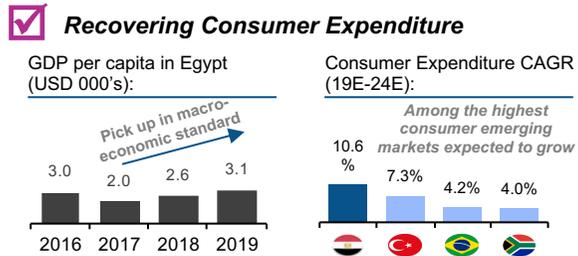
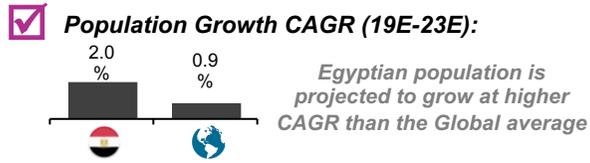


Sustainability of Growth and Margin Profile



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)

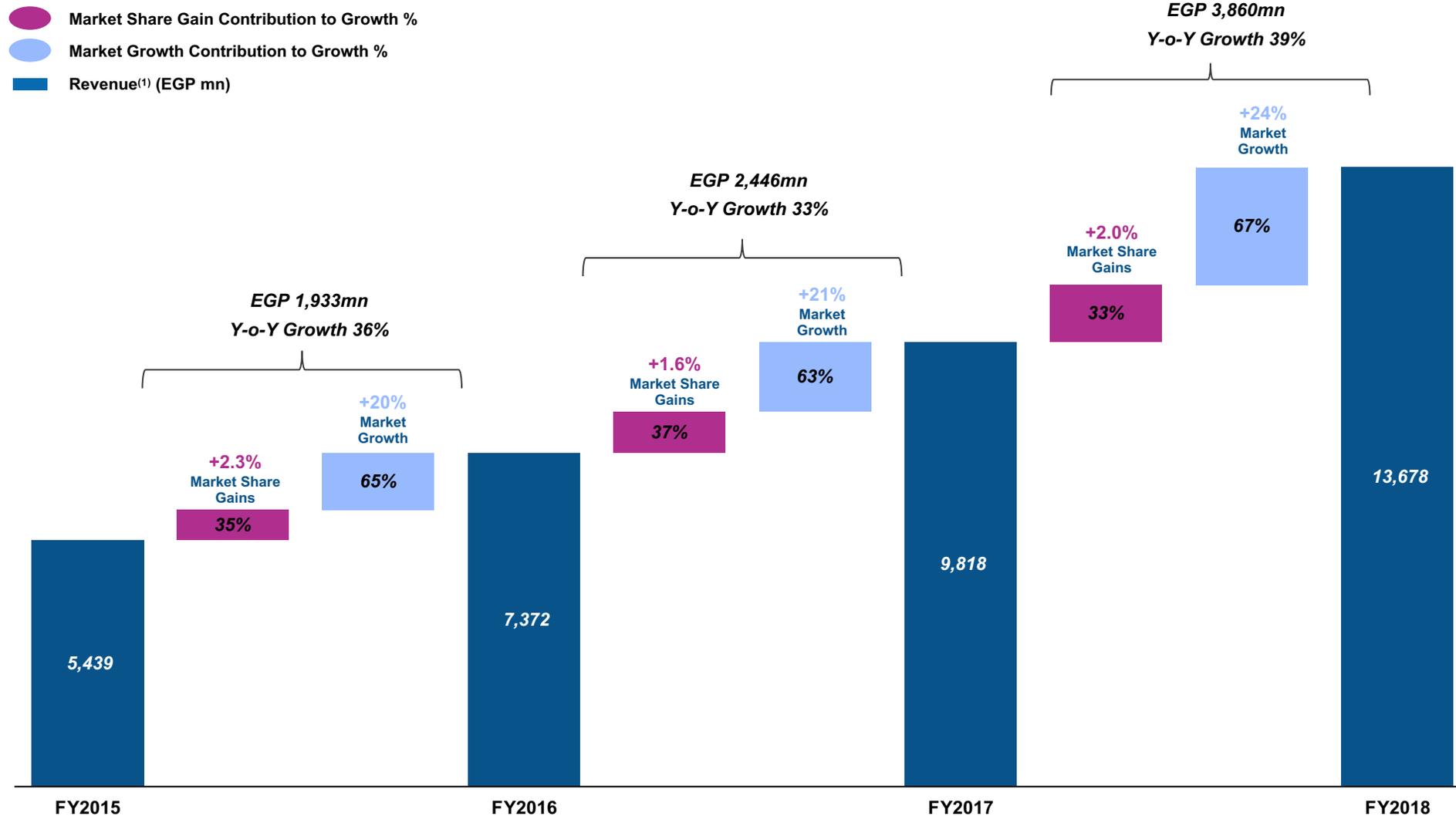


Constant double digit growth for the upcoming 5 years is achievable in light of the current market and company dynamics

Source: EIU, Company Management



Annual Revenue Drivers and Contribution to Top Line Growth





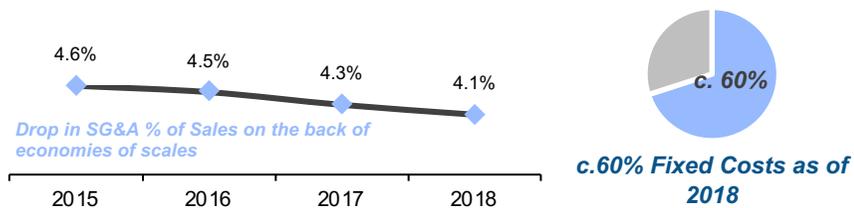
Enhancing Profitability

A

Economies of Scale

Favorable Cost Structure

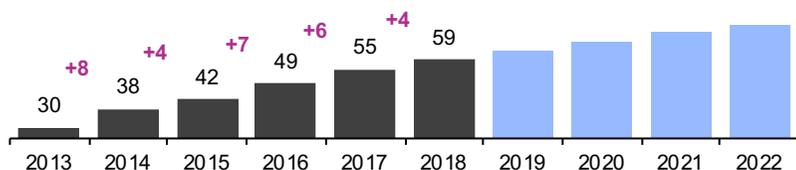
ISP's CoGs is mainly the cost of medicine bought, all other operational costs are allocated to SG&A, with c.60% being fixed costs



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

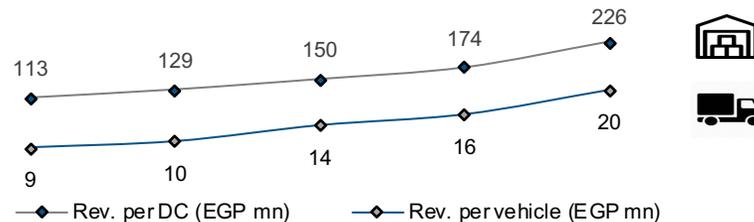
Efficient Business Model

Fully Automated Supply Chain



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				
Operational Complexity				
<p>Inventory Management</p> <p>Highly complex inventory management to maintain healthy levels without over stocking or running short in a large number of branches</p>	<p>A Variety of SKUs</p> <p>9k unique drug therapies with a variety of handling requirements including fragile containers, liquids, and refrigerated products</p>	<p>High Variability of Demand</p> <p>Short-notice, short-turn deliveries occur frequently and require rapid response from distributors</p>	<p>Labor Intensive Business</p> <p>To become a nationwide distributor, new entrants need to recruit, train, and manage a workforce of over 5,000 personnel</p>	<p>Geographically Dispersed Client Base</p> <p>Over 60k outlets and locations are geographically disbursed across the Country</p>
<p>Working Capital Management</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>Time to Build Scalable Operations</p> <p>8+ Years</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>Low Margin Business</p> <p>1.6%</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>Ease of Operations</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>Economies of Scale</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>Difficulty Contracting with Suppliers</p> <p>350+ suppliers with rigorous contracting requirements, including quality audits, disables new entrants from obtaining credit lines</p>	<p>Investment</p> <p>EGP1.5bn+</p> <p>The business requires a significant amount of infrastructure to be able to cater to geographically dispersed clientele.</p>	<p>A Crowded Market Space</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 (million)</i>	2Q2018	2Q2019	YoY ▲	1H2018	1H2019	YoY ▲
Gross Revenue	3,149,036	3,916,623	24%	6,107,378	7,728,104	26.5%
Net Revenue	3,069,762	3,819,772		5,950,861	7,546,121	
Cost Of Revenue	(2,821,193)	(3,504,269)		(5,486,558)	(6,937,852)	
Gross Profit	248,568	315,504	27%	464,303	608,268	31.0%
Gross Profit Margin	8.10%	8.26%		7.80%	8.06%	
Selling, General & Administrative	(130,578)	(169,665)		(260,114)	(325,169)	
Penalties on Returned Checks	4,629	9,261		7,149	15,993	
EBITDA	122,619	155,100	26%	211,339	299,093	41.5%
EBITDA Margin	3.99%	4.06%		3.55%	3.96%	
Depreciation & Amortization	(12,866)	(19,100)		(25,118)	(36,454)	
EBIT	109,753	136,001	24%	186,221	262,638	41.0%
EBIT Margin	3.58%	3.56%		3.13%	3.48%	
Financial Expenses	(21,267)	(59,256)		(54,956)	(113,166)	
Other Expenses	(22,696)	(590)		(26,007)	(15,535)	
Other Income	373	1,110		637	1,087	
EBT	66,163	77,264	17%	105,894	135,024	27.5%
EBT Margin	2.16%	2.02%		1.78%	1.79%	
Deferred Tax	715	2,682		826	3,233	
Income Tax	(18,902)	(19,489)		(30,151)	(35,060)	
Net Profit	47,976	60,457	26%	76,569	103,197	34.8%
Net Profit Margin	1.56%	1.58%		1.29%	1.37%	
EPS	0.06	0.07		0.09	0.12	



Balance Sheet

<i>In EGP (million)</i>	1H2019	FY2018
Property & Equipment, net	457,929	431,409
Other Assets	8,137	7,641
Projects Under Construction	429,687	336,288
Leased Assets	54,586	37,475
Deferred Income Taxes	12,145	8,912
Total Long-term Assets	980,484	821,726
Inventories	1,585,053	1,407,363
Trade & Notes receivable, net	4,177,861	3,648,233
Supplier Advances	215,875	213,862
Debtors & Other Debit Balance, net	335,141	296,569
Due from Related Parties	372	372
Cash & Cash Equivalent	283,269	96,618
Total Current Assets	6,597,571	5,663,017
Total Assets	7,578,055	6,484,742
Paid-In Capital	180,500	180,500
Share Premium	277,500	277,500
General Reserve	3,079	3,079
Legal Reserve	33,633	20,507
Retained Earnings	399,758	218,271
Net Profit for The Year	103,197	265,723
Total Shareholders' Equity	997,667	965,581
Non-Current Portion of Medium-Term Loan	453,106	348,179
Non-Current Obligation Under Finance Lease	30,438	16,884
Non-Current Notes Payable	2,584	4,779
Other Non-Current Liabilities	17,496	30,360
Total Long-term Liabilities	503,624	400,201
Credit Facilities	1,040,771	65,087
Contingency Provision	81,067	70,400
Customers Advance Payments	9,029	5,277
Trade and Notes Payable	4,704,774	4,753,051
Current Portion of Medium-Term Loan	70,595	38,850
Current Obligation Under Finance Lease	15,251	13,739
Creditors & Other Credit Balances	155,278	172,557
Total Current Liabilities	6,076,764	5,118,960
Total Liabilities & Shareholders' Equity	7,578,055	6,484,742

Source: Company Management




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