



Investor Presentation

9M 2020 Results

Egypt's Fastest Growing Pharmaceutical Distributor

- *2nd largest pharmaceutical distributor with a market share of 22.8%*
- *c.46k clients served annually through a network of 63 operational sites and a fleet of 752 vehicles*
- *5-year revenue CAGR of 31% 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

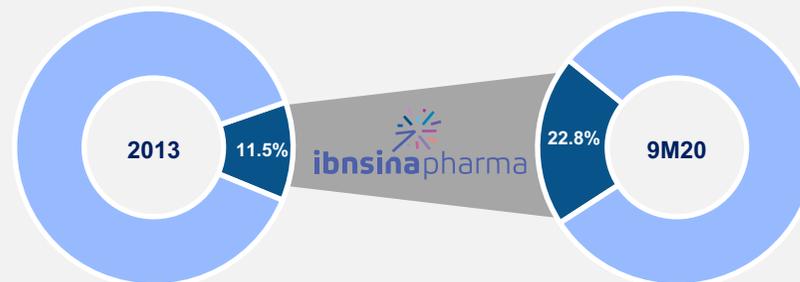
17+ years	<i>Experience in pharmaceutical distribution</i>
#1	<i>Growing pharmaceutical distributor in Egypt</i>
2nd	<i>Largest pharmaceutical distributor with 22.8% market share in 9M20</i>
c.46 k	<i>Retail pharmacies, hospitals & wholesalers served in 9M20</i>
Over 360	<i>Multinational & local pharmaceutical suppliers, covering over 98% of the market value</i>
6,800+	<i>Employees</i>
63	<i>Operational sites in 9M20, including distribution hubs and warehouses</i>
752	<i>Distribution vehicles 9M20</i>
EGP 14.1 bn	<i>9M20 Gross Revenues</i>
EGP 575.8 mn	<i>9M20 EBITDA</i>
31%	<i>Gross Revenue CAGR from 2014-2019</i>
56%	<i>Net Profit CAGR from 2014-2019</i>

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

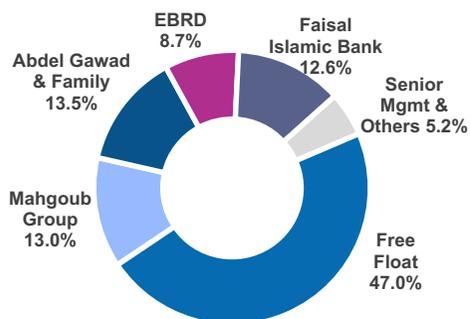
Company Overview

- Established in 2001, Ibsina Pharma "ISP" is the fastest growing, and 2nd largest, pharmaceutical distributor in Egypt with a market share of 22.8%
- Nationwide distribution network with 63 operational sites including distribution hubs and central warehouses, supported by a fleet of c.752 vehicles serving c.46k 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

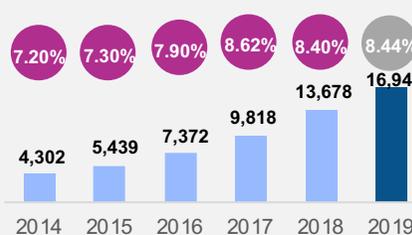


Key Suppliers

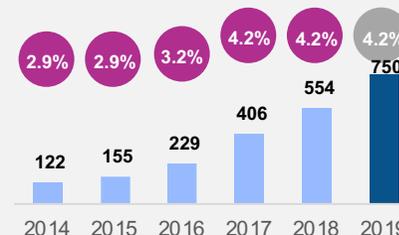


Key Financial Highlights

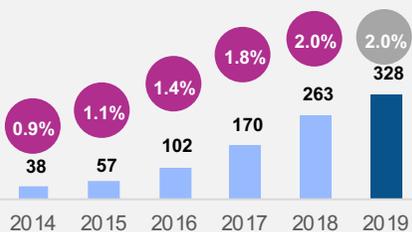
Gross Revenue² & GPM | EGP mn, %



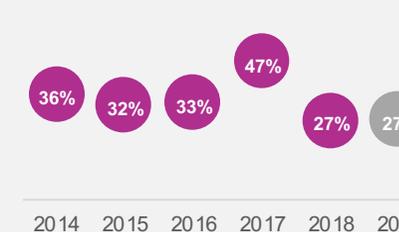
EBITDA & Margin | EGP mn, %



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	
12k	Clients	
EGP 665mn	Revenue	

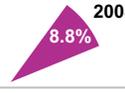
Expansion Strategy: 2009-2012

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

27	Operational Sites	
30k	Clients	
EGP 2.5bn	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	
16k	Clients	
EGP 1.0bn	Revenue	

Growth Strategy I . 2013-2019

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

62	Operational Sites	
c.42k	Clients	
EGP 16.9bn	Revenue	



 Market Share

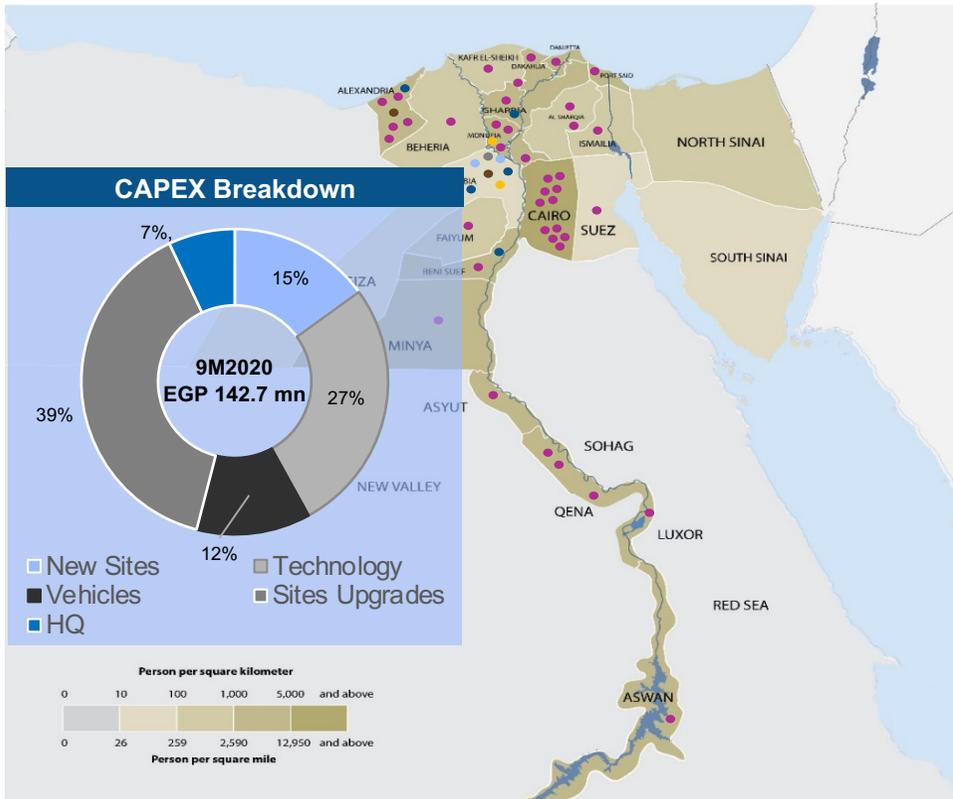
Source: IMS Health; Company Management



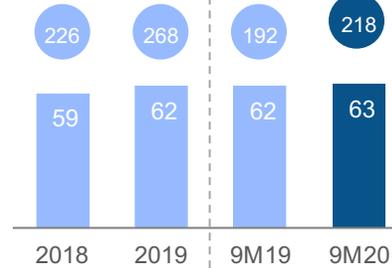
...optimally expanding our distribution network to unlock value....

Distribution Network

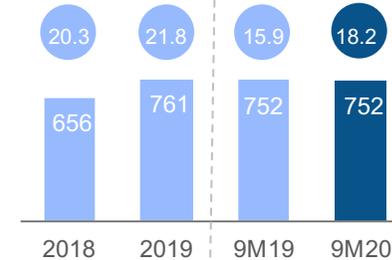
- 7** Platforms and main warehouse
- 1** Tender DC
- 4** 3PL¹ Warehouses
- 47** Distribution Centers (DC)
- 2** Reverse Logistics Warehouses
- 1** Personal Care DC



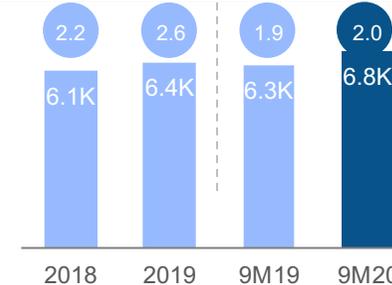
No. of Sites (Rev/Site – EGP mn)



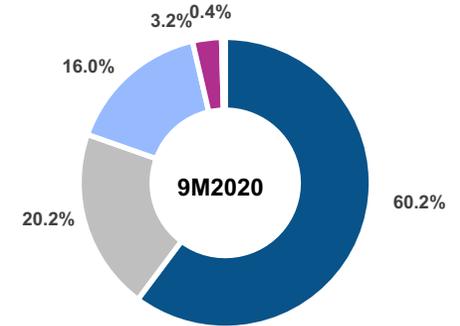
No. of Vehicles (Rev/Vehicle – EGP mn)



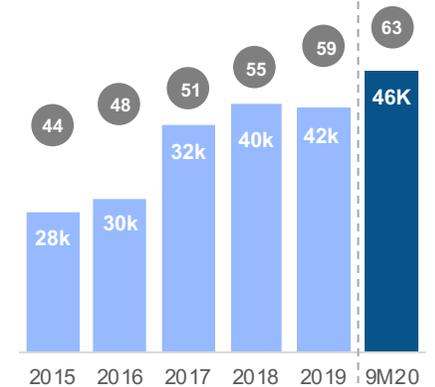
No. of Employees (Rev/Emp – EGP mn)



Revenue by Business Line



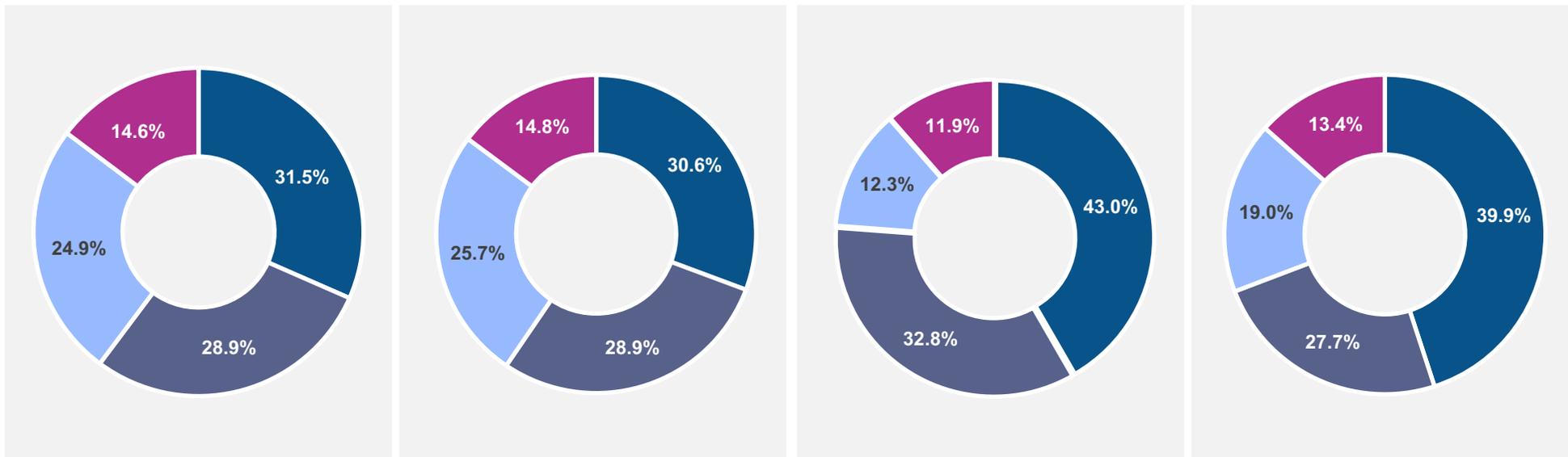
Number of Clients & Sites





...and leveraging our network to serve our c.46k customers nationwide

Clients by Geography (1Q2020)



46,256
Total Customers

41,884
Retail Pharmacies

863
Wholesale Clients

3,509
Hospital Clients

■ Cairo & Canal ■ Delta ■ Upper Egypt ■ Alexandria



Key Investment Highlights



Key Investment Highlights

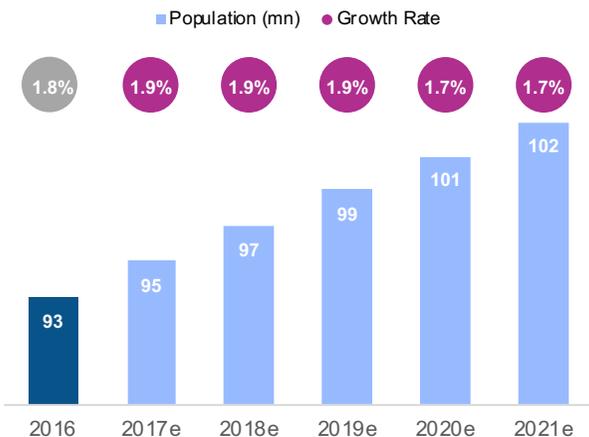
<p>1 Solid Demographic Profile</p>	<p>A rapidly growing population coupled with a growing middle class and increasing healthcare awareness, positions Egypt as one of the most attractive consumer markets in the region</p>
<p>2 Attractive Industry Dynamics</p>	<p>A highly defensive sector with significant 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 46k 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>



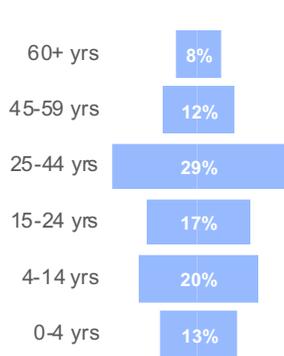
1 Solid Demographic Profile

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

Population | mn

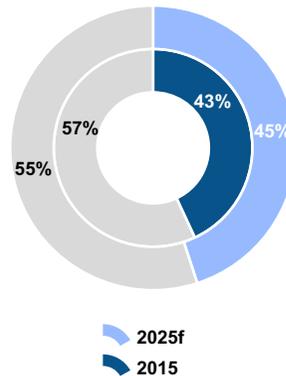


Age Pyramid

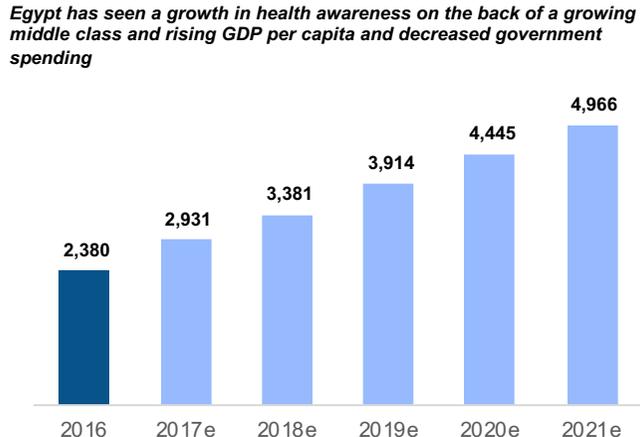


An increasingly aging, more urbanized demographic profile drives an increase in health awareness

Urban Population

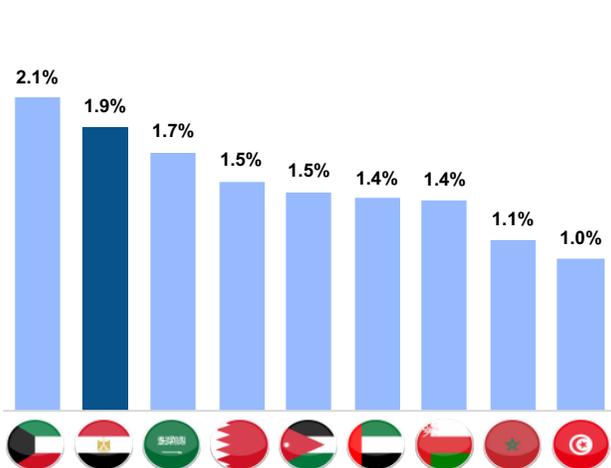


Disposable Income | EGP bn

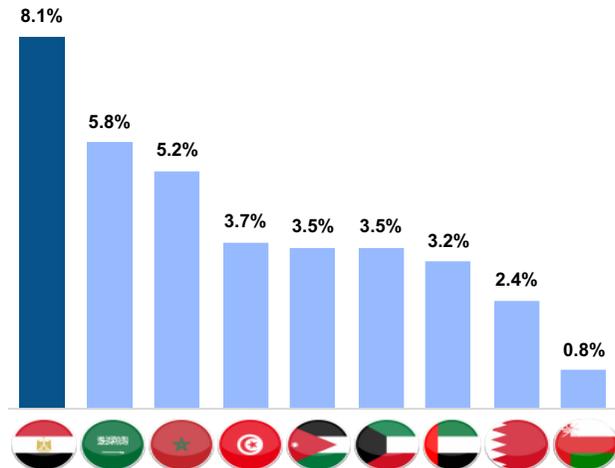


Egypt has seen a growth in health awareness on the back of a growing middle class and rising GDP per capita and decreased government spending

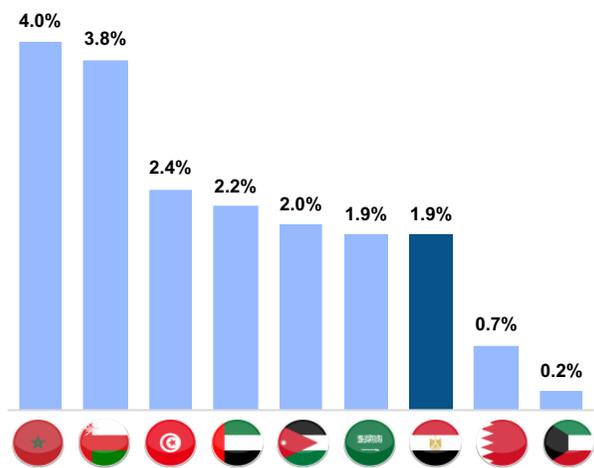
Population CAGR | 2015-2020



Population Age 65+ as % of Total Population | 2020



Urbanization CAGR | 2015-2020



Source: BMI, WHO

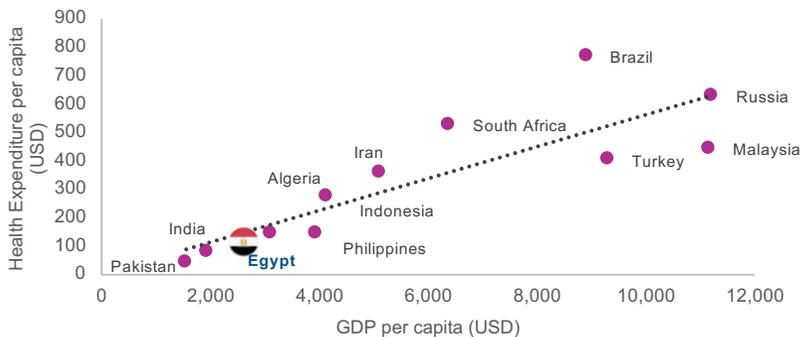


2 Attractive Industry Dynamics (I/III)

Low healthcare and pharmaceutical expenditure with unparalleled growth potential

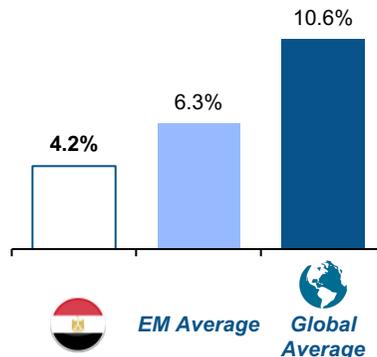
Healthcare Sector Overview

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

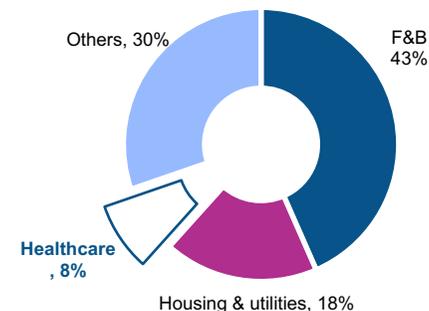


Egypt's Health Expenditure per capita unjustifiably lags emerging markets standards

Healthcare Expenditure % of GDP (2018)



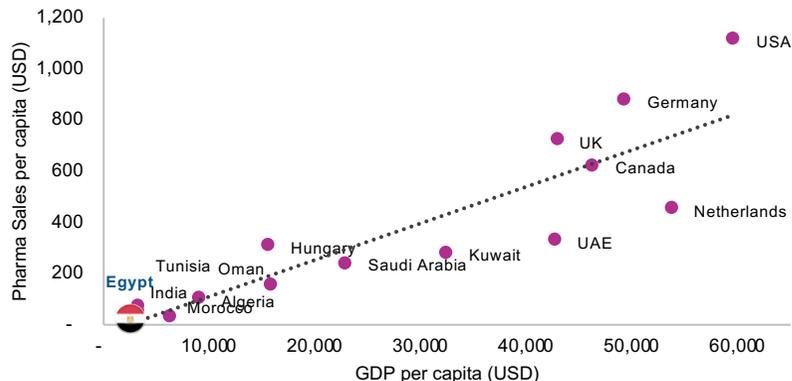
Egyptian Household Expenditure Breakdown (2018)



Healthcare Expenditure constitutes low contribution to the Egyptian Household Expenditure

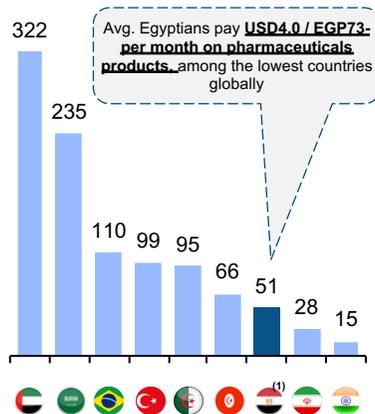
Pharmaceutical Sector Overview

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

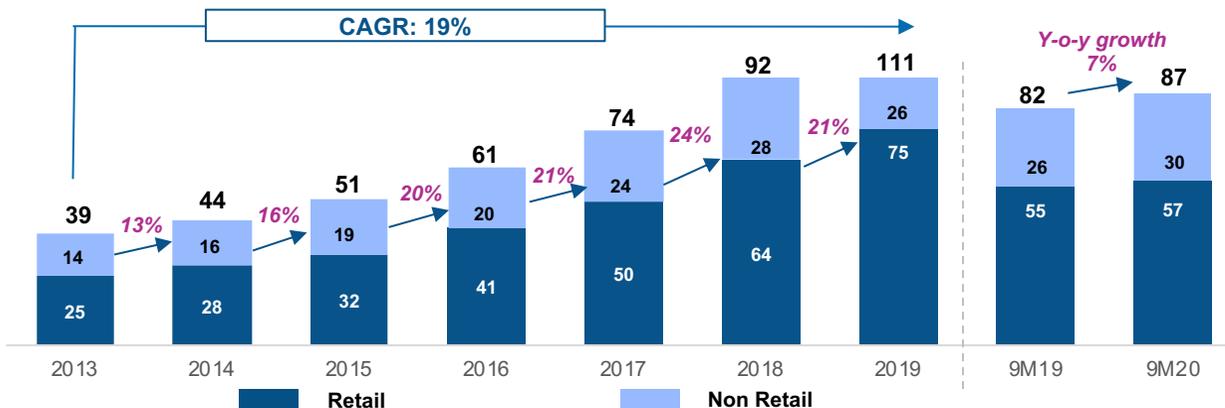


2 Attractive Industry Dynamics (II/III)

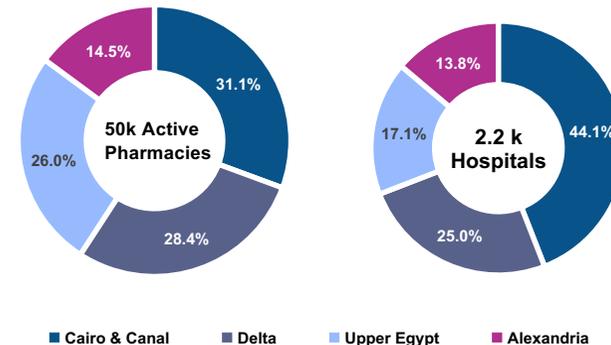
A highly defensive sector with significant room for continued growth

Total Market Size¹ | EGP bn

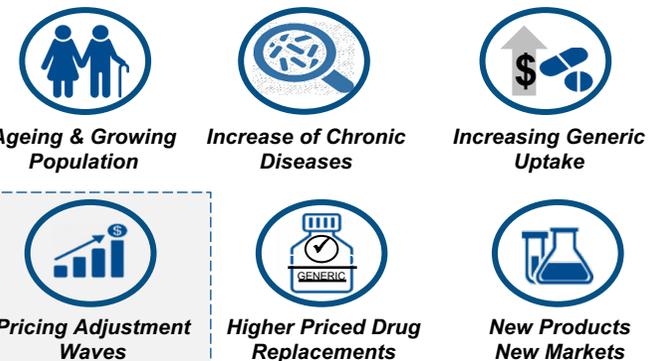
Egypt's healthcare market is the fastest growing in the region driven by significant growth in the pharmaceuticals market



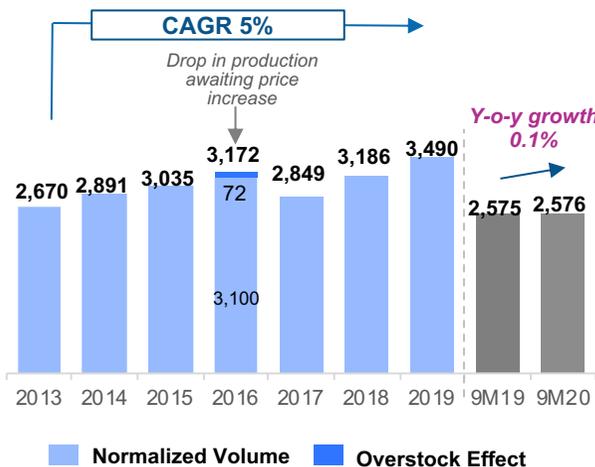
Market Segmentation



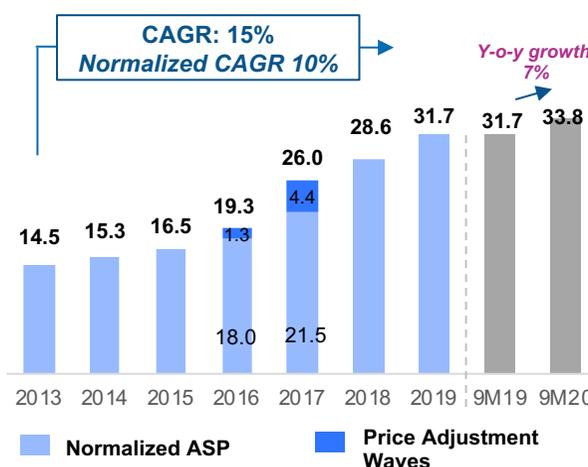
Key Growth Drivers



Market Volume Evolution | in Millions



Average Selling Price (ASP) Evolution



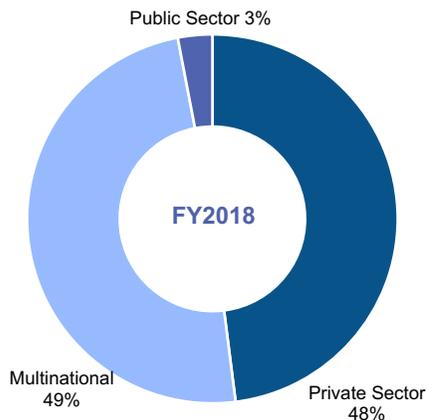
* In 2016, Increase in price of medicine that cost less than EGP 30 by 20% due to increase in production costs
 * In 2017, Retail price increase of 30-50% for over 3k SKUs



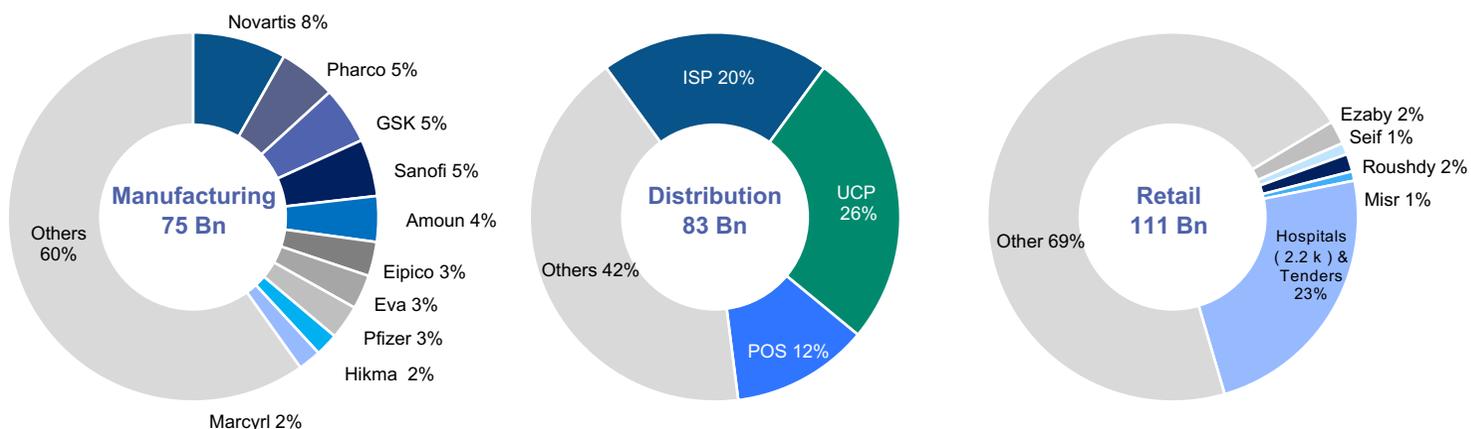
2 Attractive Industry Dynamics (III/III)

A highly defensive sector with significant room for continued growth

Pharma Total Market Share



Market Segmentation | Market Share FY2019



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%

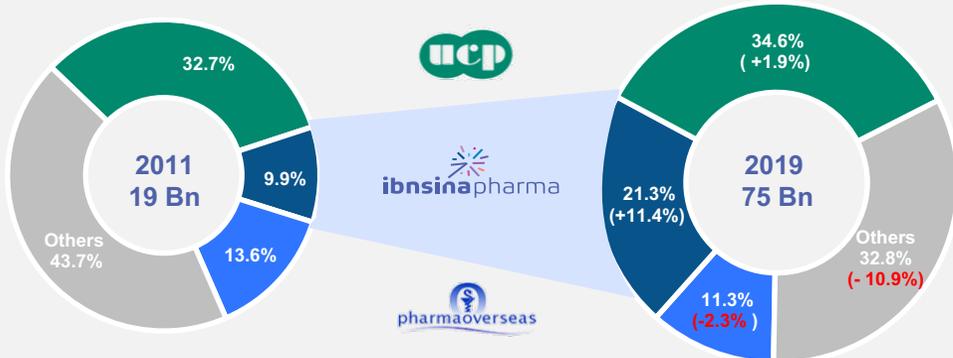
✦ Distribution Margin worldwide is between 7 – 12% , Egypt is on the lower side .



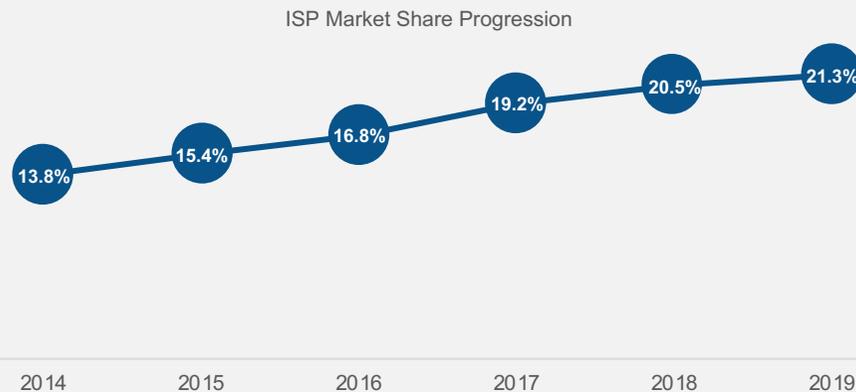
3 Strong Market Share

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

ISP is the fastest growing distributor in the Egyptian market ¹

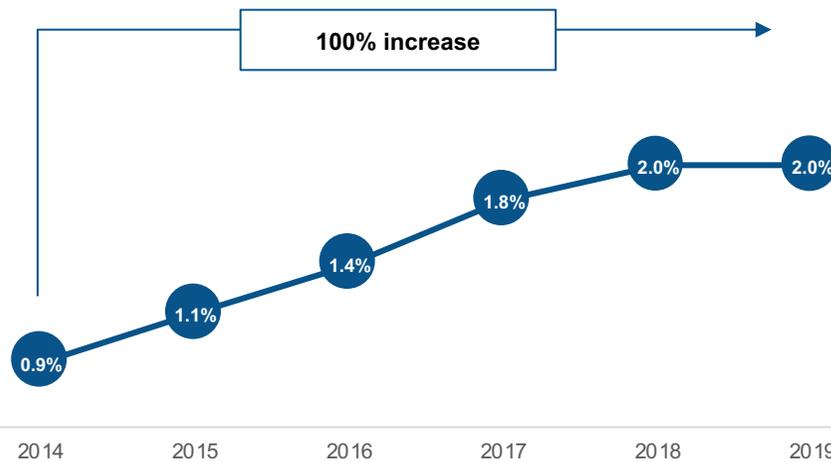
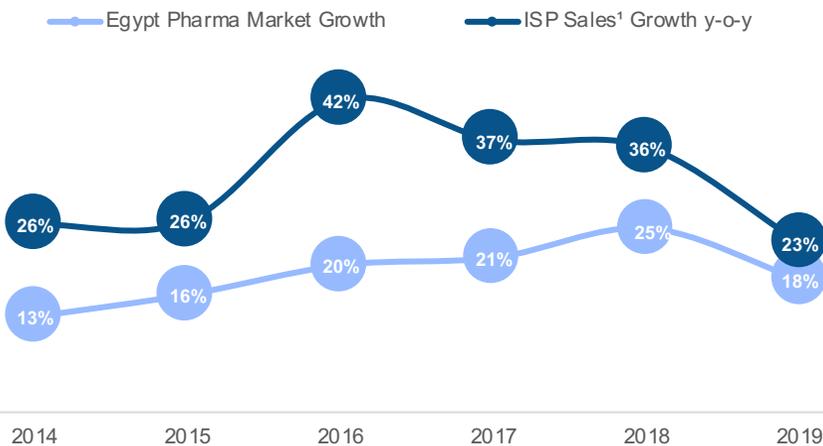


The distribution market has been experiencing a trend of consolidation towards larger market players, as both manufacturers and pharmacies prefer to deal with fewer number of distributors with larger capabilities and more value-add



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/III)

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/III)

Digital strategy leverages unique B2B/B2C platforms to fuel data-driven growth

B2B Stream

Ibnsina Pharma's digital strategy envisions the continuous introduction of products that serve each link in the pharmaceutical industry supply chain, digitizing everyday operations at suppliers, wholesalers, hospitals and government parties. The resulting digital ecosystem enhances Ibnsina's cost efficiency of running investments while aiding in value analysis.



Mobile Application & Web Portal



Pharmacy Management System



Financial Platform (5 Business Lines)



Supplier Self-Service Platform



Bulk Management System



Hospital & Clinic Management System



Governmental Information System



Pharmaceutical Marketplace



Customized ERP Package

B2C Stream

The B2C track of Ibnsina Pharma's comprehensive digital strategy integrates the latest digital technology into the daily routines of end-consumer pharmacy operators, allowing the Company to gain an ever-accurate picture of market supply and demand patterns in real time

Mobile Application & Web Portal

Online Ordering	Promotions/Bonuses
Statements & Invoices	Governmental Publications

To be added...

Online Payment Gateway	Expiry Requests	Credit Limit Increase Requests
Customer Support	Smart Magazine	Products Wishlist



Clinic Management System



Insurance Application





6 Robust Financial Performance

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



9M20
Net Revenues

EGP **13.7** BN

▲ 14.9% y-o-y

9M20
Gross Profit

EGP **1.1** BN

▲ 9.4% y-o-y

9M20
EBITDA

EGP **575.8** MN

▲ 3.4% y-o-y

9M20
Net Profit

EGP **200.6** MN

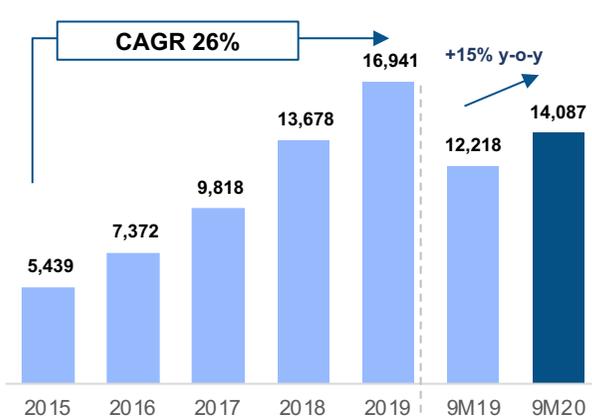
▼ 18.3% y-o-y



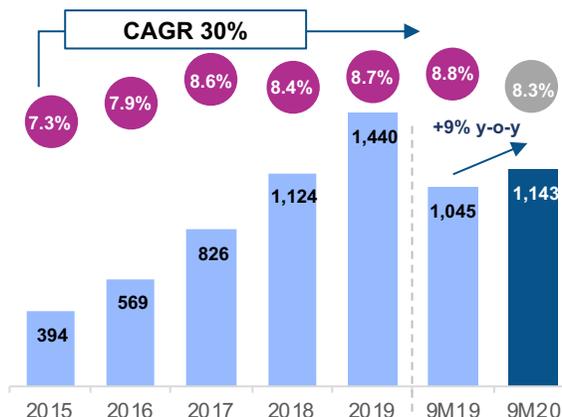
6 Robust Financial Performance

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

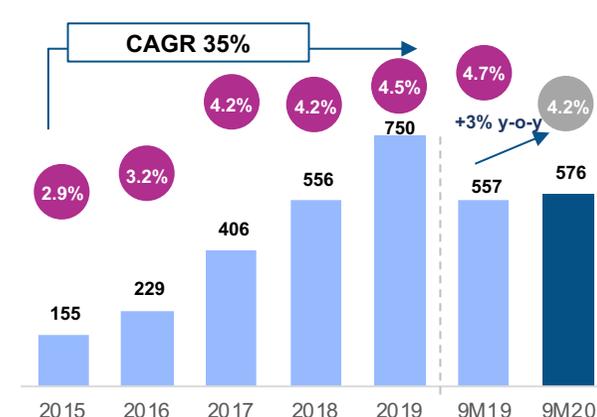
Gross Revenue¹ | EGP mn



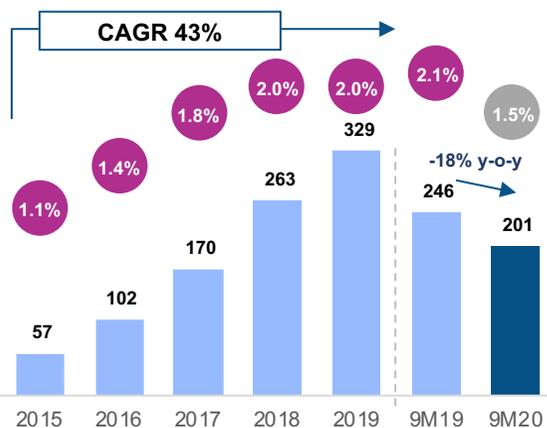
Gross Profit | EGP mn, %



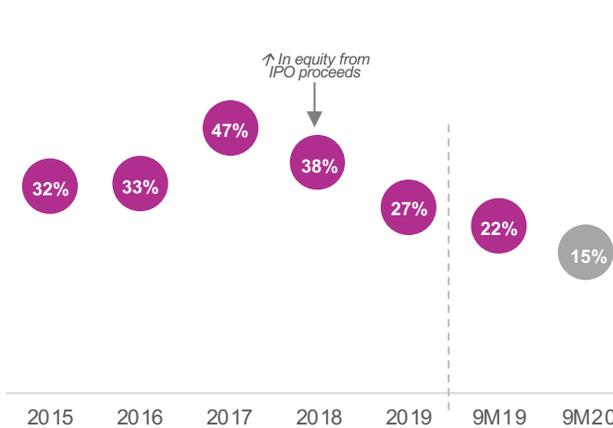
EBITDA & Margin | EGP mn, %



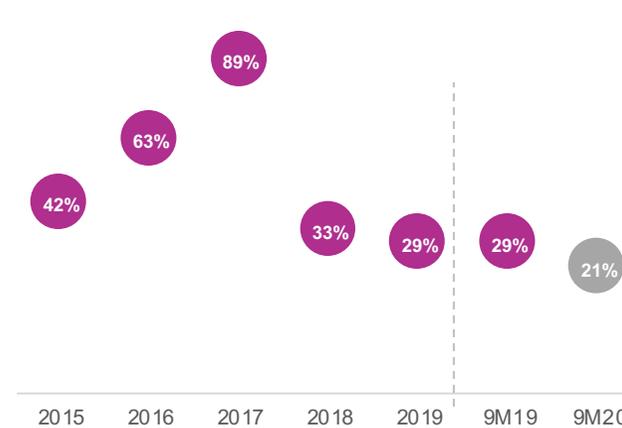
Net Profit & Margin | EGP mn, %



ROE | %



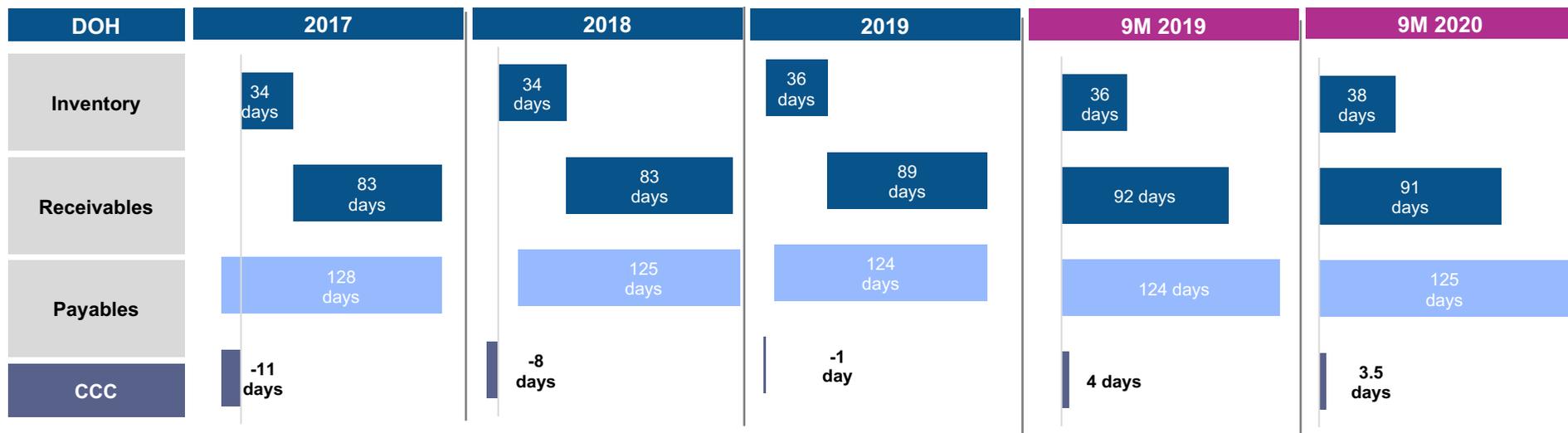
Return on Assets | %





6 Robust Financial Performance

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

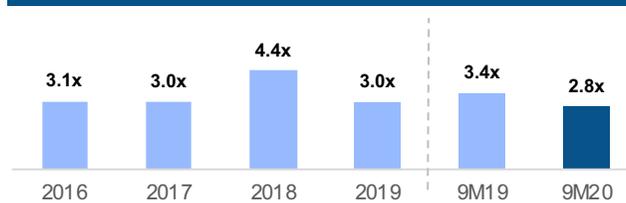


Supplier contracts have the option of credit terms ranging from 120-150days or a cash discount of 5-6%

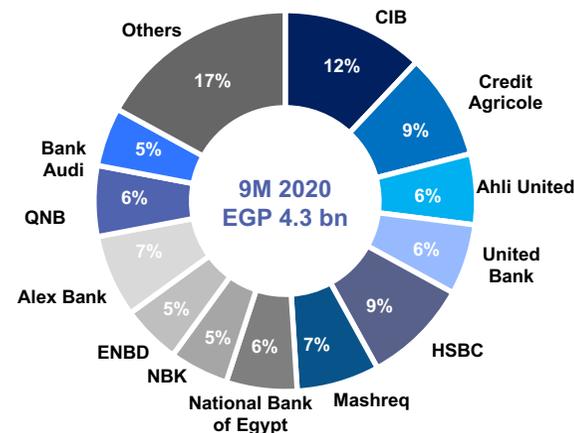
Net Debt to Equity Ratio



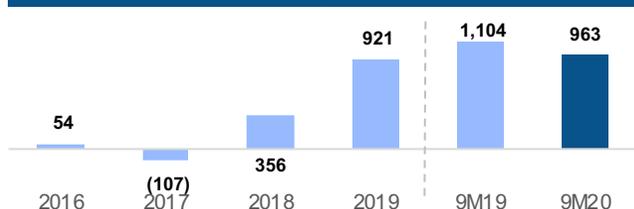
Interest Coverage Ratio¹



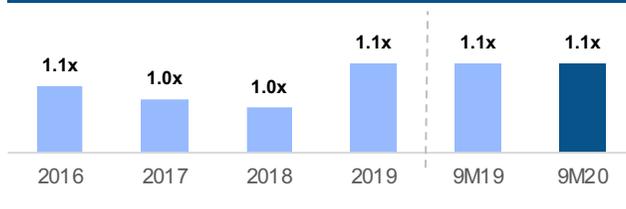
Facilities Breakdown | % of Authorized Limit



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.



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 & Corporate
Communication 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.

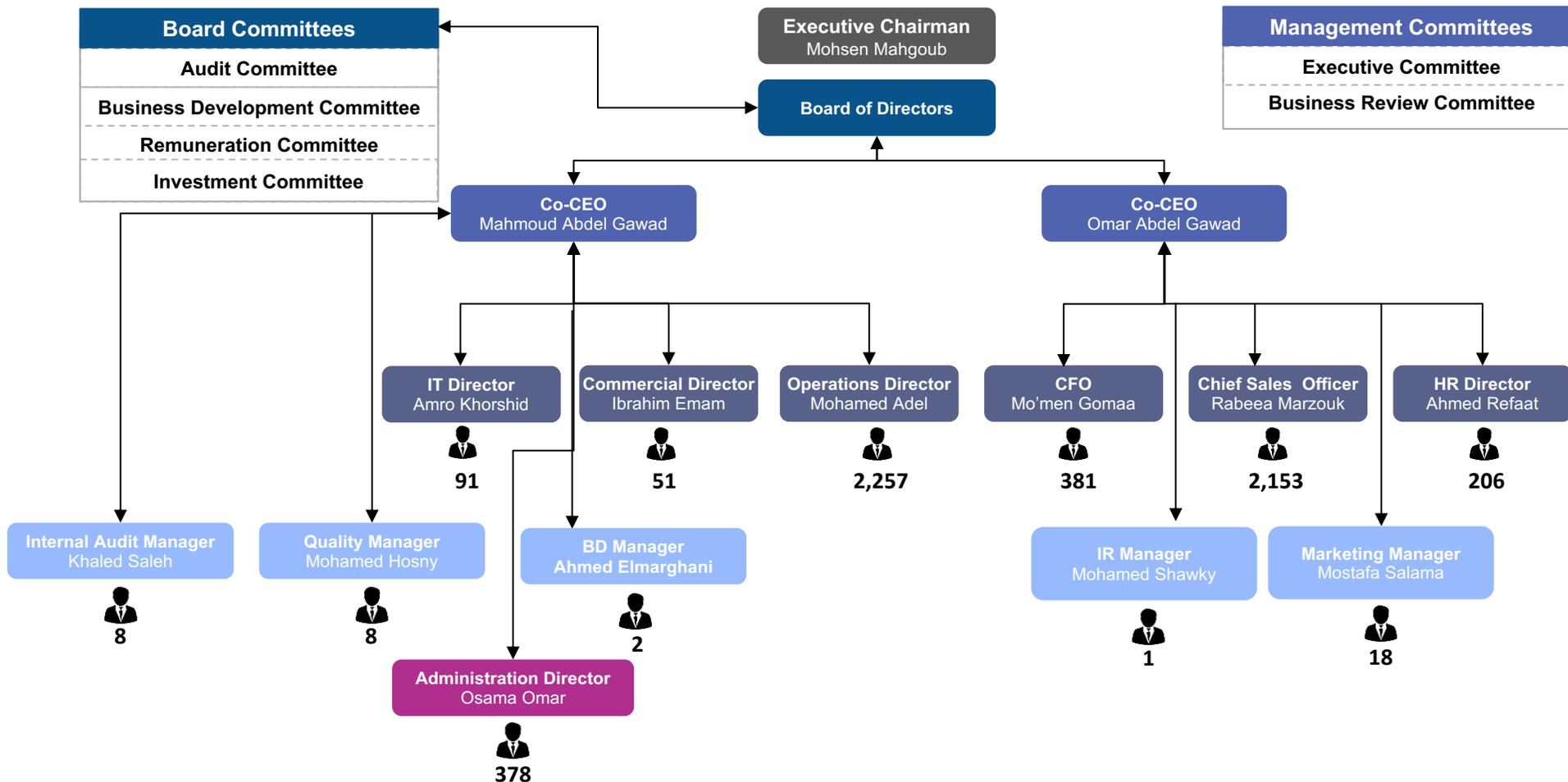
Ahmed Abdel Gawad
Non-Executive Director

- ✧ 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

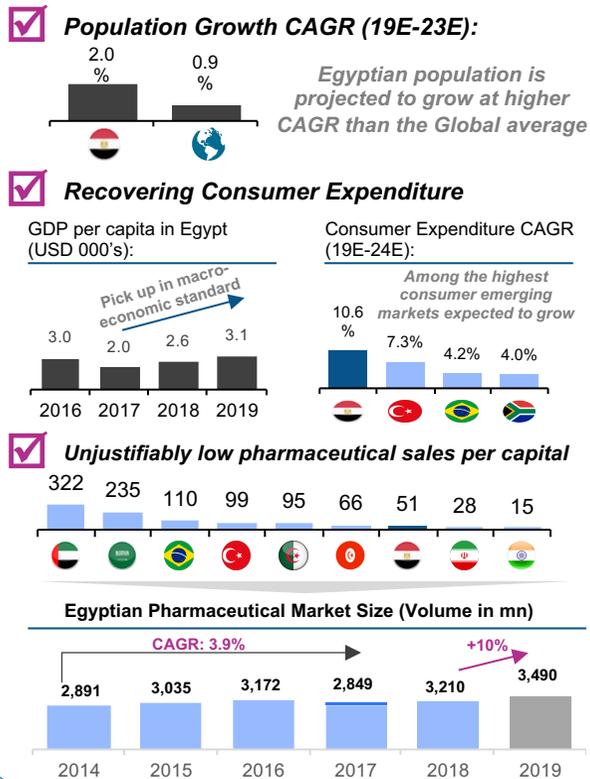


Sustainability of Growth and Margin Profile



Sustainability of Revenue Growth

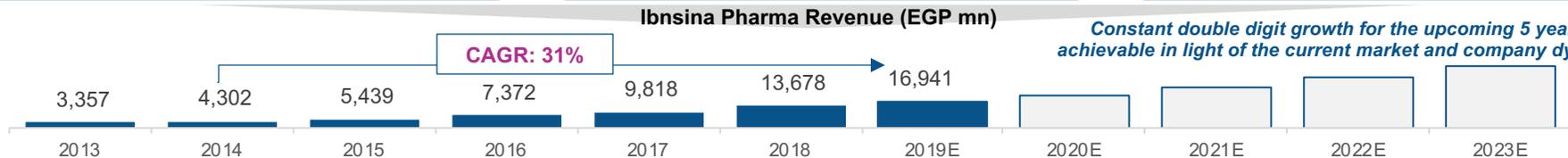
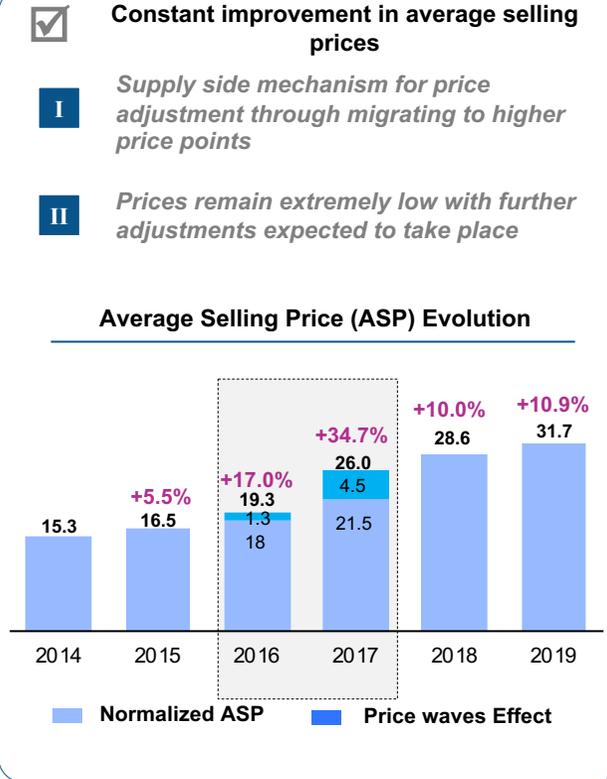
A Market Volume Drives



B Company Specific Volume Drivers



C Average Selling Price Drivers



Source: EIU, Company Management



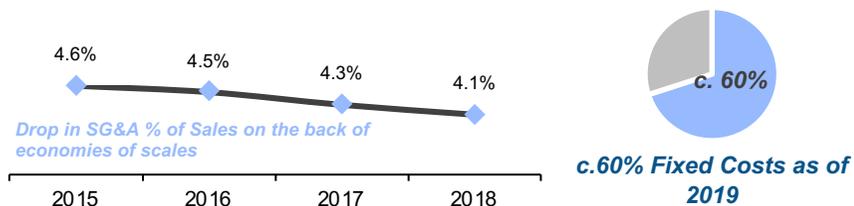
Enhancing Profitability

A

Economies of Scale

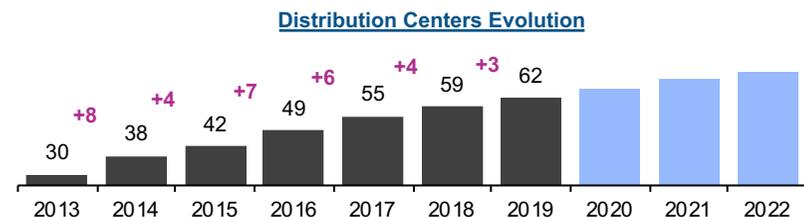
✓ Favorable Cost Structure

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



B

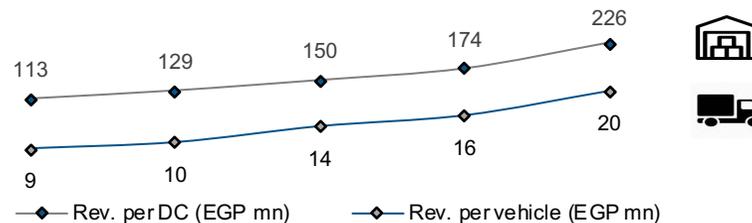
Efficient Business Model

✓ 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 (15-19)
+31%

GPM (15 / 19)
7.3% / 8.7%

GPM CAGR (15 - 19)
+38%

EBITDA Margin (15 / 19)
2.9% / 4.5%

EBITDA CAGR (15 - 19)
+52%

Source: EIU, Company Management



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</i>	FY2017	FY2018	FY2019	9M2019	9M2020	YoY ▲
Gross Revenue	9,818,405	13,677,881	16,941,029	12,217,669	14,086,944	15.3%
Net Revenue	9,586,344	13,323,674	16,600,460	11,929,356	13,701,762	
Cost Of Revenue	(8,759,914)	(12,199,359)	(15,161,005)	(10,884,248)	(12,558,640)	
Gross Profit	826,430	1,124,315	1,439,455	1,045,108	1,143,122	9.4%
Gross Profit Margin	8.62%	8.44%	8.67%	8.76%	8.34%	
Selling, General & Administrative	(431,815)	(569,491)	(689,229)	514,754	601,461	
Penalties on Returned Checks	11,241	-	-	26,388	34,150	
EBITDA	405,856	554,824	750,226	556,743	575,811	3.4%
EBITDA Margin	4.23%	4.16%	4.52%	4.67%	4.20%	
Depreciation & Amortization	(31,097)	(41,421)	(86,229)	58,435	97,142	
EBIT	374,760	513,403	663,996	498,308	478,669	-3.9%
EBIT Margin	3.91%	3.85%	4.00%	4.18%	3.49%	
Financial Expenses	(115,830)	(125,843)	(252,510)	164,241	203,597	
Other Expenses	(37,432)	(59,360)	(15,193)	16,713	17,834	
Other Income	6,326	27,657	24,590	2,489	3,779	
EBT	227,824	355,856	420,883	319,842	261,013	-18.4%
EBT Margin	2.38%	2.67%	2.54%	2.68%	1.90%	
Deferred Tax	(600)	(650)	344	5,511	3,494	
Income Tax	(56,960)	(92,684)	(92,456)	79,730	63,889	
Net Profit	170,264	262,522	328,771	245,623	200,618	-18.3%
Net Profit Margin	1.78%	1.97%	1.98%	2.06%	1.46%	
EPS	0.24	0.36	0.40	0.21	0.12	



Balance Sheet

In EGP	FY2017	FY2018	FY2019	9M2020
Property & Equipment, net	210,264	438,420	898,220	922,374
Projects Under Construction, net	161,267	336,288	160,910	218,189
Other Assets	8,804	7,641	8,494	7,366
Leased Assets, net	-	-	61,477	58,140
Long Term NR	-	10,998	101,035	128,227
Deferred Income Taxes	11,104	10,454	9,256	12,750
Total Long-term Assets	391,438	803,801	1,239,392	1,347,046
Inventories	1,050,549	1,400,352	1,690,645	2,119,725
Trade & Notes receivable, net	2,549,569	3,637,235	4,457,391	4,592,034
Income Tax	-	-	-	-
Supplier Advances	101,360	213,862	233,423	95,648
Debtors & Other Debit Balance, net	165,718	203,886	430,198	411,831
Due from Related Parties	372	372	372	372
Cash & Cash Equivalent	164,791	96,618	118,463	260,819
Total Current Assets	3,942,358	5,552,324	6,930,492	7,480,428
Total Assets	4,333,796	6,356,125	8,169,883	8,827,474
Paid-In Capital	168,000	180,500	205,000	240,000
Share Premium	-	277,500	277,500	277,500
General Reserve	3,079	3,079	3,079	3,079
Legal Reserve	12,000	20,507	33,633	50,072
Retained Earnings	62,980	216,161	375,258	569,590
Net Profit for The Year	170,137	262,522	328,771	200,618
Total Shareholders' Equity	416,196	960,270	1,223,241	1,340,859
Non-Current Portion of Medium-Term Loan	25,083	348,179	515,384	402,122
Non-Current Portion of Obligation Under Finance Lease	-	-	34,115	30,048
Non-Current Notes Payable	7,660	4,779	-	-
Other Non-Current Liabilities	20,815	30,360	26,949	17,686
Total Long-term Liabilities	53,559	383,318	576,449	449,856
Credit Facilities	6,952	65,087	276,910	542,548
Contingency Provision	24,067	70,400	80,162	80,162
Customers Advance Payments	6,453	5,277	5,874	5,870
Current Portion of Obligation Under Finance Lease	-	-	15,490	15,617
Current Portion of Land Creditors	71	-	-	-
Trade and Notes Payable	3,700,786	4,753,051	5,656,996	6,012,751
Current Portion of Medium-Term Loan	25,794	38,850	197,100	233,746
Income Tax	-	-	50,741	28,776
Creditors & Other Credit Balances	99,919	79,873	86,920	117,289
Total Current Liabilities	3,864,041	5,012,537	6,370,193	7,036,759
Total Liabilities & Shareholders' Equity	4,333,796	6,356,125	8,169,883	8,827,474

Source: Company Management



Cash Flow

In EGP '000	FY2017	FY2018	FY2019	9M2019	9M2020
Cash flow from operating activities:					
Net profit before tax	227,697	355,857	420,883	319,842	261,013
Adjustments for:					
Depreciation of fixed assets	28,526	41,421	86,230	58,435	97,142
Amortization of leased assets	2,570	-	-	-	-
Allowance for impairment of accounts and Notes receivables	2,066	2,602	14,515	14,515	17,917
Provisions	22,000	47,333	10,667	10,667	-
Capital gain (loss)	(4,752)	(2,562)	(1,063)	(377)	(811)
Credit/Debit interest	115,830	125,843	252,510	164,242	203,597
Operating profit before changes in working capital	393,937	570,494	783,742	567,324	578,858
Changes in working capital:					
Change in inventory	(436,471)	(349,531)	(290,293)	(278,794)	(429,079)
Change in trade receivables	(515,058)	(1,188,937)	(916,831)	(959,242)	(179,752)
Change in supplier advances	(41,408)	-	-	40,352	137,775
Change in debtors and other debt balances	(12,116)	(38,168)	(226,312)	(212,851)	18,517
Change in trade payables	1,180,801	1,049,385	899,166	485,500	355,756
Change in customer advance payments	129	(1,177)	598	3,988	(3,840)
Change in creditors and other credit balances	26,074	(29,776)	16,588	17,761	(4,625)
Change in other noncurrent liabilities	-	13,556	(12,952)	(20,084)	(13,763)
Cash flow from operating activities	595,888	(86,657)	234,144	(356,046)	463,683
Income taxes	(36,143)	(56,960)	-	(905)	(85,854)
Used provisions	-	(1,000)	(905)	-	-
Financing expense	(123,337)	(158,523)	(258,074)	(147,505)	(165,080)
Net cash flow from operating activities	436,409	(303,139)	(24,835)	(504,456)	212,748
Cash flow from investment activities:					
Payments for purchase of fixed and PUC	(196,620)	(443,542)	(396,452)	(239,200)	(165,700)
Proceeds from sale of fixed assets	4,909	2,742	1,769	393	2,361
Payments for purchase of other assets	(4,563)	-	-	(1,322)	(319)
Credit balance on purchase of land	(101)	(71)	-	-	-
Net cash flow from investment activities	(196,375)	(440,871)	(394,683)	(240,129)	(163,658)
Cash flow from financing activities:					
Dividends paid	(65,564)	(8,449)	(71,111)	(95,611)	(82,023)
Proceeds from capital increase	-	290,000	-	24,500	-
Proceeds from borrowings (netting off)	8,133	336,152	300,651	305,139	(76,618)
Payment of lease liabilities	-	-	-	(13,563)	(13,732)
Overdraft facilities	(61,692)	58,135	211,823	680,250	265,638
Net cash flow from financing activities	(119,123)	675,838	441,363	900,716	93,266
Net change in cash and cash equivalents during the period	120,911	(68,173)	21,845	156,130	142,356
Cash and cash equivalents at the beginning of the period	43,880	164,791	96,618	177,178	118,463
Cash and cash equivalents at the end of the period	164,791	96,618	118,463	333,308	260,819

Source: Company Management
(1) Gross revenue includes transportation revenue




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