rameda
Quality For All

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E
EARNINGS RELEASE FY20

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E. records a revenue increase of 7% y-o-y to EGP 960.2 mn in FY20; Net profit after minority interest expanded by 36% y-o-y to EGP 112.2 million.

FY20 Financial & Operational Highlights

Consolidated Revenue	Gross Profit	Adjusted EBITDA[1]	Net Income After Minority
EGP 960.2 million ▲ 7% y-o-y	**EGP 446.6 million** (47% margin) ▲ 10% y-o-y	**EGP 263.8 million** (27% margin) ▲ 1% y-o-y	**EGP 112.2 million** (12% margin) ▲ 36% y-o-y
EPS[1]	**Net Debt**	**Average Unit Price (Retail Market)**	**Units Sold**
EGP 0.146 ▲ 36% y-o-y	**EGP 410.4** ▲ 340% y-o-y	**EGP 33.04** (IQVIA Health) ▲ 10% y-o-y	**60.8 million** (excludes toll volume) ▼ 14% y-o-y

March 2nd, 2021 | Cairo, Egypt

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E. (the "Company", and, together with its consolidated subsidiaries, "Rameda" or the "Group"), RMDA.CA on the EGX, a leading Egyptian pharmaceutical company, announces today its consolidated full-year and fourth quarter results for 2020.

Financial & Operational Highlights

- **Revenues** increased by 7.4% y-o-y to EGP 960.2 million in FY20, despite a 14% y-o-y decrease in volumes sold (excluding toll sale volumes, which grew by 2.9% y-o-y), driven by Rameda's optimized portfolio towards higher priced products. It is worth noting that the Group's top-line grew by 22.1% q-o-q in 4Q20 due to exceptional volume growth of 82.1% q-o-q on the back of recovering market conditions towards the end of the year.
- **COGS** increased by 5.2% y-o-y to EGP 513.6 million and declined to 53.5% as a percentage of revenue in FY20, down from 54.6% in FY19. The decline was driven by a 15.8% y-o-y decrease in raw materials costs, the Group's largest cost component.
- **Gross profit** grew by 10.1% y-o-y to EGP 446.6 million and recorded a gross profit margin of 46.5%, an increase of 1.1 percentage points year-on-year in FY20. The increase came on the back of Rameda's optimized product mix and a significant reduction in raw materials costs due to portfolio optimization towards higher-margin products.
- **Adjusted EBITDA[2]** increased by 1.5% y-o-y to EGP 263.8 million, however, EBITDA margin declined by 1.6 percentage points year-on-year to 27.5% due to an increase in SG&A expenses in FY20.
- **Net Income after minority interest** grew by 36.2% y-o-y to EGP 112.2 million, yielding an NPM increase of 2.5 percentage points to 11.7% on the back of improved operational performance and treasury operations in FY20.
- **Core Attributable Net Income**, which excludes provisions, one-offs, and FX gains, recorded an increase of 49.1% y-o-y to EGP 121.8 million in FY20, compared to EGP 81.7 million in the previous year.
- **EPS** increased 36.2% y-o-y to record EGP 0.146 in FY20.

[1] *EPS before dividend distribution*
[2] *Adjusted for impairments, provisions, and universal healthcare tax*

Notes from the Management Team

Dr. Amr Morsy, Chief Executive Officer

Despite a turbulent year due to the onset of COVID-19, Rameda was able to deliver steady growth in 2020 on the back of our continuously expanding portfolio of products across an array of high-growth therapeutic areas and an ongoing portfolio optimization strategy skewed towards higher priced products. Growth was especially pronounced during the last quarter of the year due to recovering market conditions and rising demand, with the easing of social distancing restrictions resulting in a marked growth in over-the-counter (OTC) sales and physician visits. We are pleased to report that Rameda outgrew Egypt's overall market in terms of sales in 2020, recording a market evolution index of 120 during the year[3], and successfully cemented our position as one of the leading and fastest-growing pharmaceutical players in the region.

We acquired three molecules and launched nine products in 2020, successfully expanding the Group's product offering into two new therapeutic areas with the acquisition of anti-inflammatory (NSAIDs), Recoxibright, and the launch of three food supplements, HOMO, Robesta and Vensia. As a large Egyptian pharmaceutical player, we stood ready to devote our capabilities and resources to do our part, both locally and regionally, in the global fight against COVID-19. To this end, we began the commercial production of two new antiviral medicines, Remdesivir and Anviziram, which are currently being used in hospitals across Egypt for the treatment of patients suffering from COVID-19 as per the Ministry of Health's (MOH) official treatment protocol, and have remained steadfast in our commitment to ensuring high quality and affordable medicines are available to patients throughout the pandemic.

Developments in the final quarter of the year, including the rollout of vaccines which began in December 2020, have signaled a promising outlook for 2021. We plan to launch 8-10 new products at high price points in the new year, comprising of new molecules and line extensions of pharmaceutical products, and food supplements, with an eye to maximizing both the Group's top line and margins. On the exports front, with the continued easing of global trading restrictions, we are looking to tap into new markets across the Middle East and Asia, including, Kuwait, Bahrain, United Arab Emirates and Moldova. Furthermore, we have already started to export our new antiviral medications to Libya and Lebanon, and have received orders from Jordan as well as other countries. At our toll manufacturing facilities, Rameda's lyophilized production lines were operating at a capacity utilization rate of c. 80% at year-end 2020, and we are anticipating solid utilization growth in 2021 on the back of recovering demand levels with the reduction in API procurement disruptions faced by our toll clients during the beginning of the pandemic. Moreover, the successful integration of the Unified Medical Procurement Authority's (UMPA) digital platform resulted in a significant increase in Rameda's tender volumes in 4Q20, and we are optimistic about the expected growth and contribution of this vertical in 2021.

With the easing of COVID-19 related restrictions and strong recovering market conditions, Rameda is perfectly poised to unlock value in the growing pharmaceutical space going into the new year. The Group stands ready to fully-realize its growth strategy, centered around launching new products covering key high-growth therapeutic areas, optimizing our portfolio towards higher-priced products, monetizing our excess capacity to enhance toll revenue generation and expanding our footprint into new, high-growth markets across the region.

[3] *Source: IQVIA Health*

Mahmoud Fayek, Chief Financial Officer

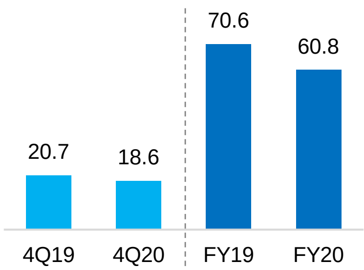
The challenges brought on by COVID-19 such as decreased traffic across outpatient clinics, and limitations to the marketing and promotion of our products, hindered the Group's ability to properly market Rameda's products and utilize its expanded salesforce in 1H20, subsequently leading to a 14% y-o-y decline in total volumes (excluding toll manufacturing) in FY20, with only toll manufacturing witnessing a modest 3% y-o-y growth during the period. Despite the slow-down on a full year basis, recovering market conditions on the back of loosened social distancing restrictions in the final quarter of the year saw volumes (excluding toll manufacturing) surge by 82% q-o-q in 4Q20, with tenders driving growth for the period. Meanwhile, toll manufacturing volumes grew by 40% q-o-q during the same period.

Despite declining volumes on a full-year basis, total revenues grew by 7% y-o-y to EGP 960.2 million in FY20 on the back of the optimization of Rameda's portfolio towards higher priced products. Additionally, the Group's revenues increased by 22% q-o-q in 4Q20, driven by solid volume growth across our verticals, with a marked growth in our tenders segment on the back of the successful integration of the UPMA's digital platform for conducting tenders in the final quarter of the year. Moreover, our gross profit grew by 10% y-o-y, yielding a GPM expansion of 1.1 percentage points to 46.5%, on the back of a reduction in raw material costs on account of Rameda's strategy of focusing on higher-margin products, as well as a favorable US Dollar rate during FY20. Despite increasing SG&A expenses as a percentage of revenue, the growth in gross profit trickled down to the EBTIDA level, which grew by 1% y-o-y to EGP 263.8 million in FY20. Our bottom line grew by 36% y-o-y to EGP 112.2 million in FY20, with the corresponding net profit margin up by 2.5 percentage points to record 11.7% during the period.

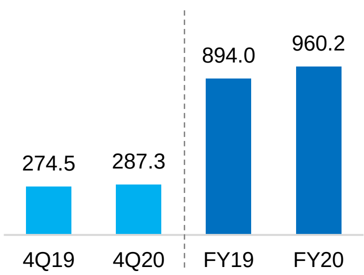
With quarter-on-quarter results across all of the Group's lines of business reflecting the positive impacts of the market recovery in 4Q20, we are optimistic about our outlook going forward in 2021. Barring any further material impacts from COVID-19, we look forward to increased demand across all verticals in the new year. On the investments front, we are primarily focused on upgrades in order to remain aligned with environmental guidelines and to meet new export market standards, as well as increase efficiency at Rameda's labs and water treatment station. These upgrades are expected to result in a CAPEX of EGP 50-60 million in 2021. Additionally, targeted cost reduction efforts with an eye to improving its operating margins, coupled with a recovery in sales, should see Rameda's SG&A expenses as a percentage of revenue return to a desirable level.

Financial & Operational Performance

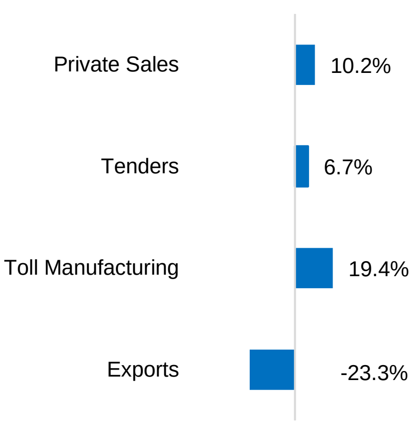
Volume Progression
(excludes toll sales)
(mn units)



Revenue Progression
(EGP mn)



FY20 Revenue Growth Rates
by Business Line



Volumes

Total volume sold (excluding toll sale volumes, which grew by 2.9% y-o-y) declined by 13.9% y-o-y to 60.8 million units in FY20. The decline was driven by harsh market conditions due to the onset of COVID-19 that prevailed much of the year, coupled with lower demand for antibiotics that are high in volumes, causing a decline of 17.6% y-o-y and 14.5% y-o-y in the Group's private and export volume sales in FY20, respectively. Additionally, the slow transition to the Unified Medical Procurement Authority's (UPMA) digital tender platform hindered purchasing during the year, with domestic tender volume down by 10.5% y-o-y in FY20. In 4Q20, total volumes (excluding toll sales) fell by 10.6% y-o-y to 18.6 million units.

Toll manufacturing volumes grew by 2.9% y-o-y to 26.0 million units in FY20, with growth driven primarily by an increase in capacity utilization at Rameda's lyophilized production facility as toll clients no longer faced the API procurement issues which faced early in the pandemic due to trade restrictions. In 4Q20, volume grew by 55.5% year-on-year to 8.6 million units.

Despite year-on-year volume contractions across its verticals (excluding toll sales), it is important to note that recovering marketing conditions reflected positively quarter-on-quarter in 4Q20, with total volume sold (excluding toll sales, whose volume grew by 40.2% q-o-q) growing by 82.1% q-o-q in 4Q20. The increase in volumes sold q-o-q was seen across all verticals, and lead by domestic tenders, whose volume grew by 216.7% q-o-q in 4Q20 on the back of the completion of the transition to the UPMA's digital platform in 4Q20 and resumption of tender orders.

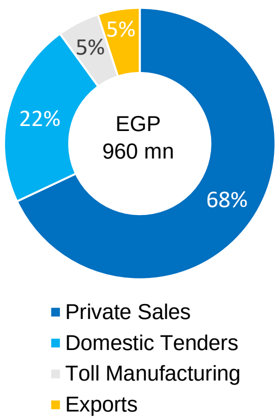
Revenues

Consolidated revenues increased by 7.4% y-o-y to EGP 960.2 million, driven by the Group's optimized product portfolio towards higher-priced products. Moreover, recovering market conditions saw 4Q20 revenues come in at EGP 287.3 million, up 4.7% y-o-y and up 22.1% q-o-q, supporting top line growth for the year.

Revenues by Business Line

Revenue Analysis	FY19	FY20	*% YoY*
Private Sales			
Volumes Sold ('000)	31,681	26,117	-17.6%
Sales (EGP mn)	590.3	650.3	10.2%
Tenders			
Volumes Sold ('000)	34,888	31,228	-10.5%
Sales (EGP mn)	195.9	209.1	6.7%
Exports			
Volumes Sold ('000)	4,010	3,429	-14.5%
Sales (EGP mn)	65.1	49.9	-23.3%
Volume (excluding toll) ('000)	**70,579**	**60,774**	**-13.9%**
Revenue (excluding toll) (EGP mn)	**851.4**	**909.3**	**6.8%**
Toll Manufacturing			
Volumes Sold ('000)	25,242	25,963	2.9%
Sales (EGP mn)	**42.6**	**50.8**	**19.4%**
Total Revenue (EGP mn)	**894.0**	**960.2**	**7.4%**

FY20 Sales Contribution by Vertical



Private Sales

Rameda sells its products to domestic distributors who then distribute the products to pharmacies throughout Egypt. Products sold by the private sales segment include pharmaceuticals, nutraceuticals, and food supplements. The primary sales strategy in this field is largely prescription-based, whereby marketing representatives engage with physicians to create demand for the Group's products.

Volumes sold at Rameda's private sales segment declined by 17.6% y-o-y to 26.1 million units in FY20. The decline came on the back of harsh market conditions due to the onset of COVID-19, which saw volume declines in the antibiotic market. However, a recovery in OTC sales and inpatient visits has led to a recovery in private sales volume during the last quarter of the year, with volumes recording 8.7 million in 4Q20, up by 34.1% q-o-q.

Despite declining volume sales in year-on-year terms, revenues from private sales grew by 10.2% y-o-y to reach EGP 650.3 million in FY20 and contributed the lion's share of the Group's revenues at 67.7% for the year. The segment's improved performance was driven by the Rameda's portfolio optimization strategy. Moreover, private sales contributed the largest segmental contribution to absolute revenue growth, at 73.7% in FY20.

Tenders

Rameda also engages in institutional sales by selling its products through tender processes to government-owned institutions such as the Ministry of Health and public hospitals. Rameda focuses on participating in selective tender contracts that ensure certain profitability levels in line with its strategy.

The Group's tenders segment saw a 10.5% y-o-y decline in volumes to 31.2 million units on the back of the slow transition to the Unified Medical Procurement Authority's (UMPA) new digital tender platform. However, an optimized pricing strategy drove a 6.7% y-o-y increase in the segment's revenues to EGP 209.1 million. The segment came in second in terms of its contribution to total revenues and absolute revenue growth, at 21.8% and 16.2% respectively in FY20.

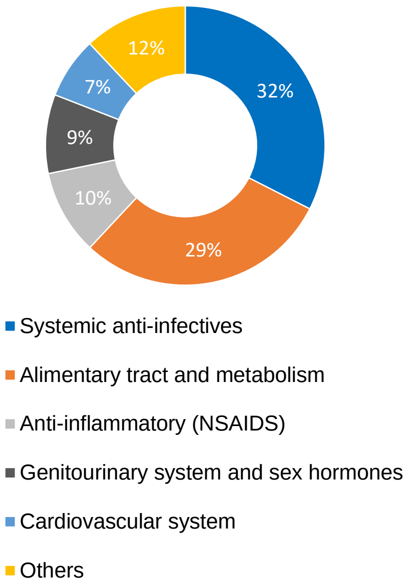
It is worthy to note that the transition to the UPMA's digital platform is fully complete and reflected positively on the segment's quarterly performance during the last quarter of the year. Subsequently, the tenders segment saw a volume surge of 216.5% q-o-q to 8.4 million units in 4Q20.

Exports

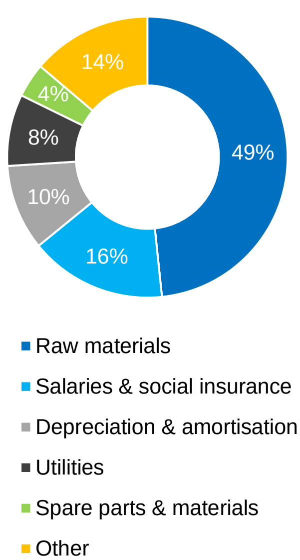
Rameda sells its products to export agents, responsible for distributing its products across different regional markets; 72.9% of total export sales were sold in Iraq during FY20, with 14.5% sold in Yemen and 8.1% in Jordan. The remainder of exports sold in other markets include Libya, Palestine, Nigeria, South Sudan, Somalia and the United Arab Emirates.

The impact of COVID-19 on global trade, which saw a country-wide lockdown in Iraq from March to July, drove a 14.5% y-o-y decline in export volumes, reaching 3.4 million units in FY20. The decrease in volumes resulted in a 23.3% y-o-y decline in export revenues to EGP 49.9 million in FY20. However, recovering market conditions on the back of easing global

FY20 Sales Contribution by Therapeutic Area



FY20 Cost of Revenues Breakdown



trade restrictions towards the end of the year saw export volumes grow by 40.3% q-o-q to 1.5 million units and its corresponding revenues increase by 30.6% q-o-q to EGP 21.3 million in 4Q20.

With export conditions beginning to normalize in 4Q20, Rameda is looking to tap new markets in 2021, including Kuwait, Bahrain, United Arab Emirates and Moldova.

Toll Manufacturing

To monetise its excess production capacity and dilute the Group's existing fixed overheads, Rameda selectively engages in toll manufacturing arrangements. Over the years, the Group has developed a solid and diverse client base, including well-known regional and international pharmaceutical companies, which has in turn has enabled Rameda to benefit from enhanced brand equity and acts as a testament to the quality and the standards of Rameda' s production facilities.

Despite the challenging external environment, Rameda's toll manufacturing volumes increased by 2.9% y-o-y to 26.0 million units in FY20. The growth was driven by an increase in capacity utilization at Rameda's lyophilized production facility, with the subsiding of API procurement issues faced by its toll clients at the onset of the pandemic, resulting in strong volume recovery during the second half of the year. Subsequently, revenues increased by 19.4% y-o-y to EGP 50.8 million in FY20. Toll manufacturing's contribution to total revenues increased to 5.3% in FY20 compared to 4.8% in the previous year.

As global procurement patterns stabilize, Rameda will leverage its recent upgrades to capitalise on excess capacities and expand on this promising income stream.

Revenue by Therapeutic Area[4]

Systemic anti-infectives led the pack in terms contribution to the Group's top line, which stood at 32% in FY20, followed by alimentary tract & metabolism at 29% at year end. Non-steroidal anti-inflammatories (NSAIDS) generated 10% of Rameda's revenues, with genitourinary system & sex hormones and cardiovascular system following closely behind at 9% and 7% respectively in FY20.

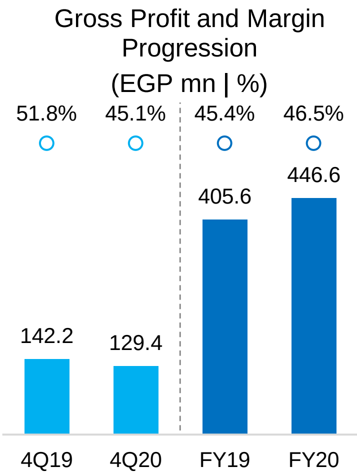
Cost of Revenues

Cost of revenues comprises raw materials, employee benefits expense, depreciation and amortisation, utilities charges, spare parts & materials, maintenance, government fees & medical stamps, short-term leases, and other operating expenses.

Cost of revenues increased by 5.2% y-o-y to EGP 513.6 million, driven primarily by increases in salaries in FY20. However, cost of revenues constituted 53.5% of the Group's revenues, representing a decline of 1.1 percentage points year-on-year in FY20. The decline came on the back of a

[4] *Contributions here are calculated on revenues before toll manufacturing revenue, discounts & incentives and sales returns*

Quality For All



15.8% y-o-y decline in raw materials, Rameda's largest contributor to cost of revenues in FY20. Declining raw material costs over the course of the year were driven by the Group's portfolio optimization strategy, coupled with a favorable EGP/USD rate.

Meanwhile, salaries & social insurance, depreciation & amortization and energy expenses saw their contribution to COGS grow by c.2-3 percentage points in FY20.

Gross Profit

Gross Profit increased by 10.1% y-o-y to EGP 446.6 million in FY20, yielding a gross profit margin of 46.5%, and representing an increase of 1.1 percentage points year-on-year. This increase was driven by the Group's portfolio optimization towards higher-priced products, as well as a decline in raw material costs due in part to the depreciation of the USD.

In 4Q20, gross profit declined by 9.0% y-o-y to EGP 129.4 million, yielding a gross profit margin of 45.1%, representing a decline of 6.8 percentage points year-on-year for the period.

Selling and Marketing Expenses

Selling and marketing expenses principally comprise salaries, social insurance & other fringe benefits associated with the Group's sales and marketing function, advertising & marketing expenses, rent, and depreciation.

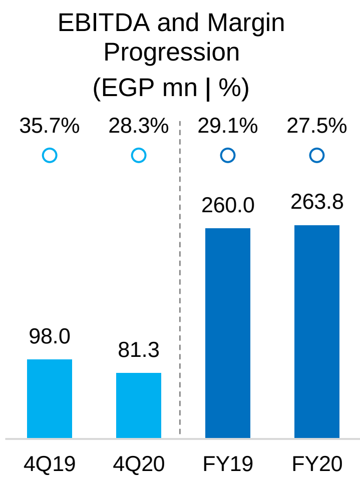
Selling and marketing expenses increased by 40.3% y-o-y to EGP 214.2 million and represented 22.3% of the Group's total revenues in FY20. The increase came on the back of a significant rise in salaries, social insurance and other fringe benefits, as well as advertising and marketing, increasing by 36.7% y-o-y and 46.4% y-o-y, respectively in FY20. The rapid growth of these cost items comes on the back of Rameda's comprehensive enhancement of its sales and marketing functions since 2019 for anticipated molecule launches. However, Rameda has since started to reduce the number of its field force in response to the reduced activities brought on by the COVID-19 pandemic.

General and Administrative Expenses

General and administrative expenses mainly comprise salaries, social insurance & other fringe benefits not directly attributable to the production, sales or marketing of the Group's products.

Rameda recorded an increase of 25.5% y-o-y in general and administrative expenses, reaching EGP 44.7 million and comprising 4.7% of total revenues, representing an increase of 0.7 percentage points year-on-year in FY20. The increase was driven by a 31.1% y-o-y increase in salaries and social insurance, the Group's largest cost component of G&A expenses in FY20.

Quality For All



Adjusted EBITDA

Adjusted EBITDA is defined as earnings before finance expenses (including bank charges), income taxes, depreciation and amortisation, impairment of trade and notes receivable, write-down/reversal of write down of inventories, provisions for expected claims and universal healthcare tax.

Rameda's adjusted EBITDA increased by 1.5% y-o-y to EGP 263.8 million, however, EBITDA margin declined by 1.6 percentage points year-on-year to record 27.5% in FY20. The decline was due to a significant increase in SG&A expenses, driven by an increase in salary expenses.

In 4Q20, adjusted EBITDA declined by 17.1% y-o-y, recording EGP 81.3 million and yielding an EBITDA margin of 28.3%, representing a decline of 7.4 percentage points year-on-year for the period.

Net Finance Expenses

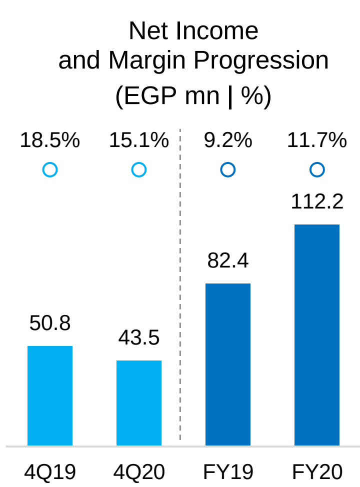
Net finance expenses, which includes the Group's interest expense and interest income from treasury operations, decreased by 65.9% y-o-y to EGP 35.9 million. The fall in net finance expenses in FY20 came on the back of a slight decrease in finance costs of 9.3% y-o-y from EGP 109.9 in 2018 to EGP 100.1 in 2020 and a significant increase in finance income, which grew from EGP 4.6 million to EGP 64.2 million during the same period.

Net Income

Net profit after minority interest recorded an increase of 36.2% y-o-y to EGP 112.2 million, yielding a net profit margin of 11.7%, representing an increase of 2.5 percentage points year-on-year in FY20. The increase was driven by the EGP 64.2 million in credit income recorded in FY20, as well as an improvement in treasury operations.

In 4Q20, net income declined by 14.3% y-o-y to EGP 43.5 million, yielding a net profit margin of 15.1%, representing a decline of 3.4 percentage points year-on-year for the period.

Core attributable net profit, which does not take into account provisions, one-offs, and FX gains, increased by 49.1% y-o-y to EGP 121.8 million in FY20.



Operating Cash Flow, Capital Expenditure and Debt

Operating cash flow recorded a net outflow of EGP 38.9 million in FY20 against a net inflow of EGP 200.0 million in FY19 primarily due to increased net working capital outflows associated with stockpiling sufficient APIs to accommodate 90% of its production needs to the end of 2020. Operating cash flow was further impacted by longer-than-usual repayment terms granted to debtors and pre-payments related to CAPEX additions during the year.

With all of the major facility expansions and upgrades fully realized by the end of 2019, net fixed assets came in at EGP 495.3 million as at 31 December 2020, increasing by 18.7% since year-end 2019.

Net debt stood at EGP 410.4 million as at 31 December 2020, representing a year-on-year increase of 339.6%, driven by a 45.9% y-o-y increase in total debt on the back of the increased use of short-term credit facilities to fund working capital requirements and molecule acquistions.

Investor Relations Contact:

Yasmine Negm
Rameda's Head of Investor Relations &
Strategic Communications
Email: yasmine.negm@rameda.com
Mobile: +20(0)1228505050

About Rameda

Established in 1986, Rameda (RMDA.CA on EGX) is a leading Egyptian pharmaceutical company led by a team of professionals with extensive multinational experience. The company develops and produces a wide range of branded generic pharmaceuticals, nutraceuticals, food supplements and veterinary products. Rameda combines global standards with local insights and a customer-centric approach. It has developed a broad portfolio of products across multiple therapeutic areas, by successfully leveraging its strong product portfolio with its accretive product acquisitions to become one of the fastest-growing pharmaceutical players in Egypt The company produces its wide range of dosage forms at its three manufacturing facilities located at the industrial complex in Cairo's Sixth of October Industrial Zone.

Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "anticipates", "assumes", "believes", "could", "estimates", "expects", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would", or, in each case, their negatives, or other similar expressions that are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management's ("Management") current views of future events, are based on Management's assumptions, and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate, or prediction to become inaccurate. These risks include fluctuations in the prices of raw materials or employee costs required by our operations, its ability to retain the services of certain key employees, its ability to compete successfully, changes in political, social, legal, or economic conditions in Egypt, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations, and Management's ability to timely and accurately identify future risks to our business and manage the risks mentioned above.

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.