Target Price: SAR164/share
Current Price: SAR132.6/share
Upside: 24% (+Div. Yield: 2.4%)
Rating: Overweight

Jamjoom Pharmaceuticals Factory Co.

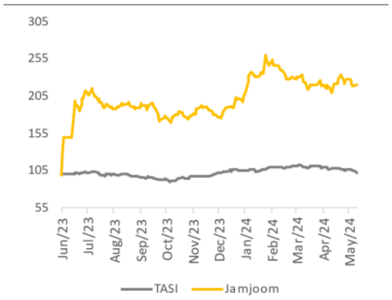
Robust 1Q24 results; TP revise to SAR164/sh.

- 1Q24 adj. net income increased by 41% y/y, aided by higher volumes (~+25%), price revision (~+3%) and better operating leverage.
- Poised to continue its growth trajectory aided by a) sustained demand environment, b) ramp-up/launch of new facilities (Jeddah sterile estimated to launch in 2H24) c) further strengthening its footprints across the target markets.
- We raise our TP to SAR164/sh. (from SAR122 earlier) using both DCF and P/E valuations and revise our rating to Overweight on the stock.

Stock data	
TASI ticker	4015
Mcap (SARmn)	9,282
Trd. Val (3m) (SARmn)	45.2
Free float	39.0%
QFI holding	3.7%
TASI FF weight	0.17%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

Strong start of the year: Jamjoom posted a solid set of results that showed continued rapid growth in major Therapeutic areas and geographies (Figure 3-4) combined with cost optimization. Revenue rose 28% y/y, mainly driven by robust volume growth (~+25%) from existing and new products launch, and higher prices implemented during last year (~+3%), thereby exceeding our estimate by 12% and the KSA retail market growth (19%; ~14% growth ex-diabetes drugs used for weight loss). Moreover, during the quarter, the company has launched additional four new brands including two brands in consumer health and one brand each in Ophthalmology and Anti-Diabetic, collectively contributing SAR1.9mn revenue in 1Q24. We note that the company launched Anti-Diabetic brands at the beginning of 2023, which generated ~SAR6.5mn in 1Q compared to only SAR7.7mn in the entire 2023. Further, despite inflation of production cost and the commercialization of the Egyptian facility, the company successfully fully offset the impact by continued efficiency gains in non-operating and R&D expenses with EBITDA margin expanding by 2.2ppts to 35.4%. This has resulted in normalized net profit (adj. for FX loss) growth of 41% y/y (exceeding our estimate by 20%).

Revision in estimates: Post robust 1Q performance, we revise our 2024e top-line estimate upwards by +5% to reflect the higher-than-expected sales volumes and now estimate the 3-year top-line growth at the higher-range of guidance (+15% CAGR vs. 13% earlier). This, along with better operating leverage (economy of scale, improving efficiencies and other cost measures), should result in a margin expansion going forward with the management likely to revise its earlier margin guidance of 30-31.5%, in our view. Accordingly, we have revised our 3Y adj. earnings growth to 20% (+13% CAGR earlier).

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Figure 1: Key financial metrics

SARmn	2023a	2024e	2025e	2026e
Revenue	1,101	1,326	1,518	1,686
Revenue growth	*20%*	*20%*	*14%*	*11%*
Gross Profit	704	845	969	1,078
Gross Profit margin	*64%*	*64%*	*64%*	*64%*
EBITDA	344	441	506	566
Op. income	313	407	471	529
Net profit	292	374	451	505
Net profit margin	*27%*	*28%*	*30%*	*30%*
Adj. Net profit*	294	393	451	505
EPS (SAR)	4.2	5.3	6.4	7.2
DPS (SAR)	2.5	3.2	3.9	4.3
P/E	31.7x	24.8x	20.6x	18.4x

*Source: Company data, GIB Capital *Adjusted for foreign currency losses*

Figure 2: 1Q24 results summary

SARmn	1Q24	1Q23	y/y %	4Q23	q/q %	GIBC est.	Variance %
Revenues	385	301	28%	208	85%	346	12%
Cost of sales	-136	-101	34%	-89	53%	-121	12%
Gross profit	**249**	**200**	**25%**	**119**	**110%**	**225**	**11%**
Opex	-123	-106	16%	-77	60%	-117	5%
Operating profit	**127**	**94**	**35%**	**42**	**200%**	**107**	**18%**
Net income	**103**	**84**	**22%**	**44**	**131%**	**102**	**1%**
FX loss	19	2	824%	-1	-1699%	0	0%
Adj. Net Income	**122**	**86**	**41%**	**43**	**181%**	**102**	**20%**
Gross margin	64.7%	66.3%		57.2%		65.0%	
Operating margin	32.8%	31.2%		20.3%		31.0%	
Net margin	26.7%	28.1%		21.4%		29.4%	
Adj. Net margin	31.6%	28.7%		20.8%		29.4%	

Source: Company data, GIB Capital

Figure 2: Revenue Mix by Therapeutic Areas

SARmn	1Q24a	1Q23a	y/y %
Ophthalmology	99	79	25%
Dermatology	72	58	23%
General Medicine	67	50	35%
Consumer Health	51	42	21%
GIT	32	23	41%
CVD	20	14	38%
CNS	11	12	-7%
Anti-Diabetic	6	1	396%
Pain & Inflammation	27	21	31%
Total	**385**	**301**	**28%**

Source: Company data, GIB Capital

Figure 3: Revenue Mix by Geographies

SARmn	1Q24a	1Q23a	y/y %
KSA	254	203	25%
Gulf	46	37	23%
Iraq	34	21	59%
North Africa & other export countries	27	27	-3%
Egypt	25	12	116%
Total	**385**	**301**	**28%**

Source: Company data, GIB Capital

Valuation and risks: Post robust 1Q24 results and revising our estimate, we raise our target price to SAR164/share based on an equal mix of DCF (SAR161 TP; 9.2% WACC) and P/E (30x on 2024e Adj. EPS; SAR168 TP) methods. Key downside risks are delays in new capacity adds, major product repricing from regulatory bodies, increased competition, cost inflation of raw materials, supply chain issues, lower sales volume, currency fluctuations, geopolitical issues and a change in distributor’s commission rates.

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