

**Target Price: SAR178/share**  
Current Price: SAR165.8 /share  
Upside: 7% (+Div. Yield: 2.1%)  
**Rating: Neutral**

## Jamjoom Pharmaceuticals Factory Co.

### Remain positive despite a slight earnings miss

- 3Q earnings grew by 23% y/y driven by higher top-line and better operating efficiencies, despite gross margin pressure due to supply chain issues.
- Remain positive for medium term growth prospects with healthy earnings CAGR of 20% though 2023-26e.
- Post rolling forward our valuation, we raise our TP to SAR178/sh. (from SAR164 earlier) using both DCF and P/E valuations but revise our rating to Neutral on the stock.

**3Q24 results:** Jamjoom reported 3Q revenues at SAR328mn (up 12% y/y), slightly missing our estimates by 5.6%, likely due to lower-than-expected sales volume. Gross margin came at 59.3% compared to our estimated 63%, impacted by i) a change in product and geographic mix, ii) higher raw material costs, and iii) higher costs related to new facilities production and iv) likely higher contribution from the tender business. On the other hand, OPEX/sales ratio of 30% was the lowest in the company's history, resulting from operational efficiencies and the absence of the pre-operating costs associated to the Egypt facility. Meanwhile, the JV in Algeria continued to ramp up the production, contributing SAR7.1mn during the quarter. As a result, net income came in at SAR95mn (up 23% y/y), although slightly missing our and consensus estimates.

### Ramping up of production facilities ensure the double-digit volume growth in 2024-25e:

Jamjoom total output grew 22.7% y/y for 9M24 to 129.7mn units from the three facilities with the Jeddah Main Facility contributing ~84% of total production (operating almost at the nameplate capacity). The Egypt facility continued to ramp up its production, producing 9mn units in 3Q (compared to 5mn units in 2Q). However, production in Jeddah Sterile Facility is still curbed because of the pending licensing process, with a total output of 2.6mn units (implying 14% of capacity). Management expects to obtain the required licenses by 1Q/2Q25, with more accelerated utilization rates compared to Egypt facility. It's worth noting that the company has the flexibility to increase the designed production capacity in Egypt facility from 52mn to 60mn units when needed.

Figure 1: Key financial metrics

| SARmn                   | 2023a        | 2024e        | 2025e        | 2026e        |
|-------------------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>          | <b>1,101</b> | <b>1,307</b> | <b>1,513</b> | <b>1,716</b> |
| Revenue growth          | 20%          | 19%          | 16%          | 13%          |
| <b>Gross Profit</b>     | <b>704</b>   | <b>810</b>   | <b>941</b>   | <b>1,070</b> |
| Gross Profit margin     | 64%          | 62%          | 62%          | 62%          |
| EBITDA                  | 344          | 427          | 481          | 549          |
| Op. income              | 313          | 379          | 444          | 511          |
| <b>Net profit</b>       | <b>292</b>   | <b>363</b>   | <b>444</b>   | <b>507</b>   |
| Net profit margin       | 27%          | 28%          | 29%          | 30%          |
| <b>Adj. Net profit*</b> | <b>294</b>   | <b>383</b>   | <b>444</b>   | <b>507</b>   |
| EPS (SAR)               | 4.2          | 5.2          | 6.3          | 7.2          |
| DPS (SAR)               | 2.5          | 3.1          | 3.5          | 4.0          |
| P/E                     | 39.7x        | 32.1x        | 26.3x        | 23.0x        |

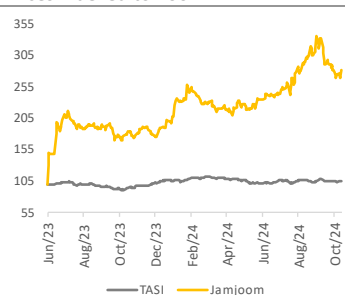
Source: Company data, GIB Capital \*Adjusted for foreign currency losses

#### Stock data

|                       |        |
|-----------------------|--------|
| TASI ticker           | 4015   |
| Mcap (SARmn)          | 11,606 |
| Trd. Val (3m) (SARmn) | 44.2   |
| Free float            | 39.1%  |
| QFI holding           | 6.8%   |
| TASI FF weight        | 0.20%  |

Source: Bloomberg

#### Prices indexed to 100



Source: Bloomberg

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However, on a conservative basis, we expect total production to reach 173mn units (+19% y/y) by 2024e, which is further expected to rise to 197mn (+14% y/y) units by 2025e, driven by ramping up its production facilities, mainly the Egypt facility and the Jeddah Sterile Facility amid healthy demand, ensuing ~16% top-line CAGR over 2023-26e.

**Margins to show sustainability in the coming periods:** Jamjoom has been witnessing pressure on its gross margin this year, mainly due to increased raw materials (accounting for more than 60% of total cost of sales) that were caused by higher shipping costs amid supply chain disruptions in the Red Sea and higher cost recognition post the commercialization of its new facilities. Accordingly, we expect gross margin to decline to ~62% by 2024e (~64% historically). Nonetheless, with the shipping costs normalizing (36% decline in Oct compared to 3Q24; Figure 11) and the expected ramping up of its new facilities in the coming periods, we expect gross margin to gradually improve thereafter aided by economy of scale. This, coupled with the improvement in operating efficiencies and higher income from its JV in Algeria (started the production in 2Q24 with the full-year benefit to be realized in 2025), should result in ~20% CAGR in earnings over 2023-26e.

**Revision in estimates and management guidance:** Post 3Q24 results, we largely maintained our 2024-25 revenue estimates but cut our EBITDA and earnings estimates by 3-5% and 1-3%, respectively to factor in the change in the mix and margins. However, our forecasts remain largely in line with the guidance.

Figure 2: Management guidance vs GIBC estimate

|                 | 2024e    |                | 2025-26e   |                |
|-----------------|----------|----------------|------------|----------------|
|                 | Guidance | GIBC estimates | Guidance   | GIBC estimates |
| Revenue growth  | 15-18%   | 18.8%          | 12-15%     | 14.6%          |
| EBITDA Margin % | 31-32.5% | 32.6%          | 30.0-31.5% | 31.8-32.0%     |
| Capex/revenue % | 4-6%     | 4.6%           | 4-6%       | 4.6%           |
| Payout ratio    | 50-60%   | 60%            | 50-60%     | 55%            |

Source: Company data, GIB Capital

**Valuation and risks:** revision in our estimates and rolling forward our valuation to 2025, we revise our target price to **SAR178/share** based on an equal mix of DCF (9.2% WACC; unchanged) and P/E (30x on 2025e Adj. EPS) methods. We also revise our rating into **“Neutral”**, as most of the positives are priced in, following a 25% run-up in stock price after our latest recommendation in May 2024. The stock currently trades at a P/E of 26.3x based on our estimated 2025e EPS. Post Key downside risks are lower-than-expected utilization rates of new facilities, major product repricing from regulatory bodies, increased competition, cost inflation of raw materials, supply chain issues, lower sales volume, currency fluctuations, geopolitical risks, and a change in distributor’s commission rates.

Figure 3: 3Q24 results summary

| SARmn                  | 3Q24       | 3Q23       | y/y %        | 2Q24       | q/q %        | GIBC est.  | Variance %   |
|------------------------|------------|------------|--------------|------------|--------------|------------|--------------|
| <b>Revenues</b>        | <b>328</b> | <b>293</b> | <b>12.0%</b> | <b>346</b> | <b>-5.3%</b> | <b>347</b> | <b>-5.6%</b> |
| Cost of sales          | -133       | -105       | 26.4%        | -128       | 4.4%         | -128       | 3.7%         |
| Gross profit           | 194        | 187        | 3.8%         | 218        | -10.9%       | 219        | -11.1%       |
| Opex                   | -99        | -103       | -3.7%        | -114       | -13.3%       | -113       | -12.8%       |
| Operating profit       | 96         | 85         | 13.0%        | 104        | -8.2%        | 105        | -9.3%        |
| Net income             | 95         | 77         | 23.0%        | 107        | -11.2%       | 102        | -6.9%        |
| FX loss                | 2          | 1          | -            | -2         | -            | 0          | -            |
| <b>Adj. Net Income</b> | <b>97</b>  | <b>78</b>  | <b>24.8%</b> | <b>105</b> | <b>-8.0%</b> | <b>102</b> | <b>-6.9%</b> |
| Gross margin           | 59.3%      | 64.0%      |              | 57.2%      |              | 63.0%      |              |
| Operating margin       | 29.2%      | 28.9%      |              | 20.3%      |              | 30.4%      |              |
| Net margin             | 29.0%      | 26.4%      |              | 21.4%      |              | 29.4%      |              |
| Adj. Net margin        | 29.6%      | 26.6%      |              | 20.8%      |              | 29.4%      |              |

Source: Company data, GIB Capital

Figure 4: Revenue Mix by Therapeutic Areas

| SARmn               | 3Q24a      | 3Q23a      | y/y %      |
|---------------------|------------|------------|------------|
| Ophthalmology       | 79         | 74         | 7%         |
| Dermatology         | 66         | 64         | 3%         |
| General Medicine    | 54         | 44         | 23%        |
| Consumer Health     | 45         | 41         | 10%        |
| GIT                 | 41         | 31         | 32%        |
| CVD                 | 18         | 10         | 80%        |
| CNS                 | 4          | 7          | -43%       |
| Anti-Diabetic       | 4.4        | 2.7        | 63%        |
| Pain & Inflammation | 16.4       | 19         | -14%       |
| <b>Total</b>        | <b>328</b> | <b>293</b> | <b>12%</b> |

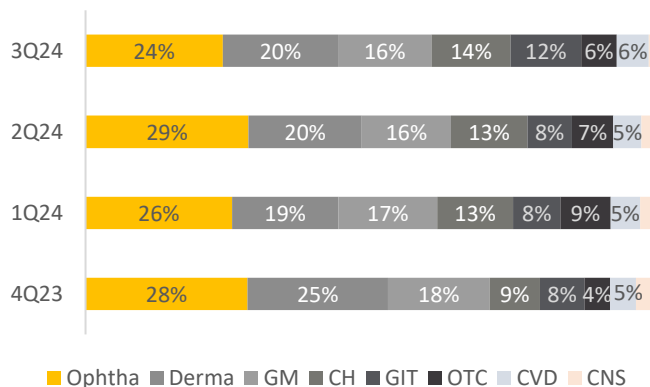
Source: Company data, GIB Capital

Figure 5: Revenue Mix by Geographies

| SARmn                                 | 1Q24a      | 1Q23a      | y/y %      |
|---------------------------------------|------------|------------|------------|
| KSA                                   | 220        | 186        | 18%        |
| Gulf                                  | 44         | 38         | 16%        |
| Iraq                                  | 25         | 31         | -20%       |
| North Africa & other export countries | 20         | 16         | 23%        |
| Egypt                                 | 19         | 21         | -11%       |
| <b>Total</b>                          | <b>328</b> | <b>293</b> | <b>12%</b> |

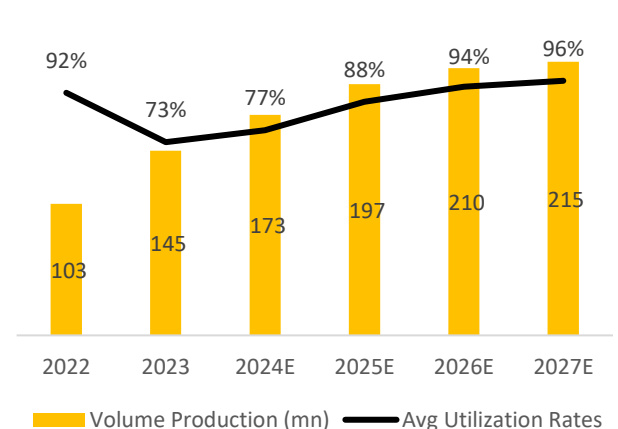
Source: Company data, GIB Capital

Figure 6: Revenue segmentation by product



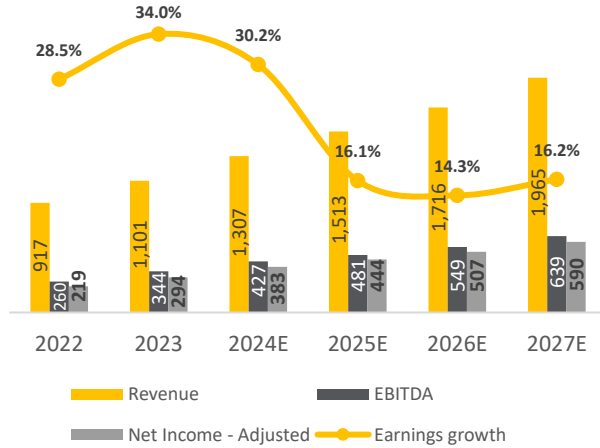
Source: Company data, GIB Capital

Figure 7: Production and utilization rates outlook



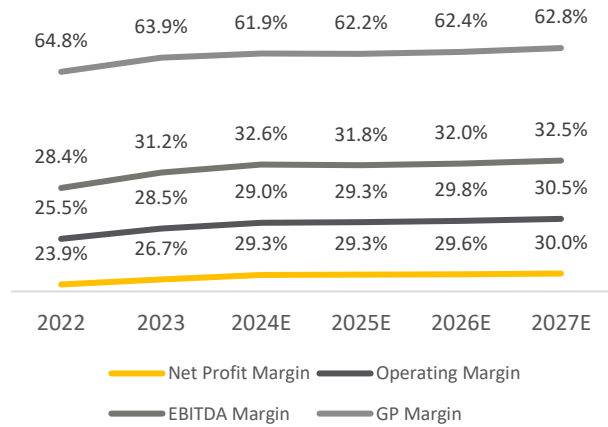
Source: Company Data, GIB Capital

Figure 8: Financial Outlook (in SAR mn)



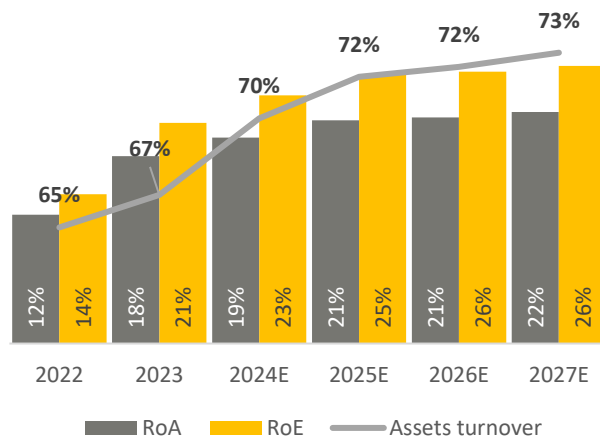
Source: Company Data, GIB Capital

Figure 9: Margins trend



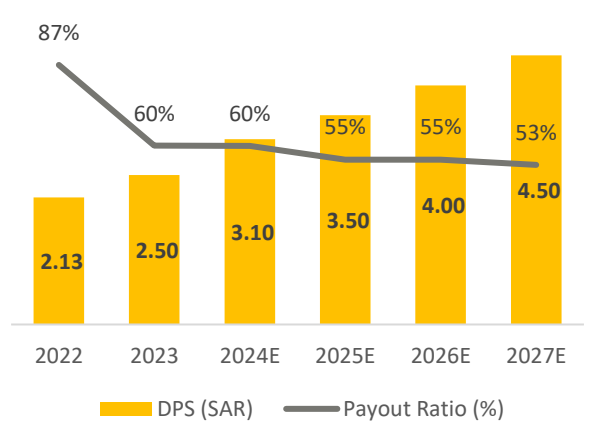
Source: Company Data, GIB Capital

Figure 10: Profitability trend



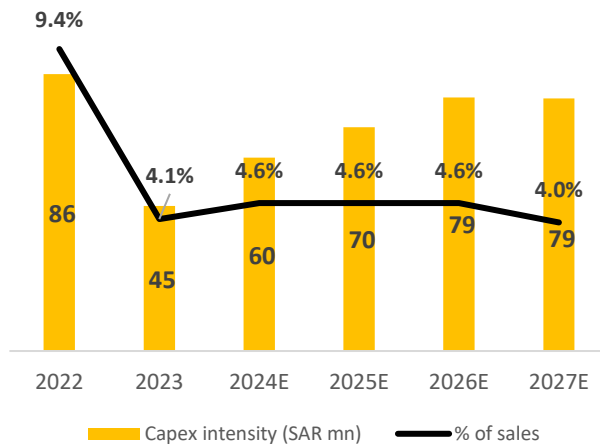
Source: Company Data, GIB Capital

Figure 11: Payouts



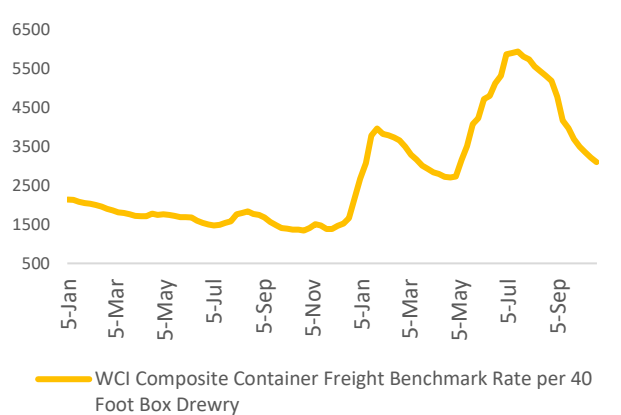
Source: Company Data, GIB Capital

Figure 12: Capex intensity



Source: Company Data, GIB Capital

Figure 13: Shipping prices (USD)



Source: Bloomberg, GIB Capital

## Financials

Figure 14: Summarized basic financial statements (SARmn)

| Income statement                    | 2023a        | 2024e        | 2025e        | 2026e        |
|-------------------------------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>                      | <b>1,101</b> | <b>1,307</b> | <b>1,513</b> | <b>1,716</b> |
| Revenue y/y                         | 20%          | 19%          | 16%          | 13%          |
| COGS                                | (397)        | (498)        | (572)        | (646)        |
| <b>Gross Profit</b>                 | <b>704</b>   | <b>810</b>   | <b>941</b>   | <b>1,070</b> |
| Gross Profit margin                 | 64%          | 62%          | 62%          | 62%          |
| S&D                                 | (286)        | (323)        | (374)        | (423)        |
| G&A                                 | (66)         | (62)         | (71)         | (80)         |
| R&D                                 | (33)         | (30)         | (36)         | (39)         |
| Impairment loss on financial assets | (5)          | (15)         | (16)         | (17)         |
| <b>Operating profit</b>             | <b>313</b>   | <b>379</b>   | <b>444</b>   | <b>511</b>   |
| Operating margin                    | 28%          | 29%          | 29%          | 30%          |
| Finance cost                        | (2)          | (11)         | 4            | 4            |
| Other income                        | 4            | 21           | 32           | 33           |
| <b>PBT</b>                          | <b>316</b>   | <b>387</b>   | <b>480</b>   | <b>549</b>   |
| Zakat/tax                           | (23)         | (24)         | (36)         | (41)         |
| <b>Net income</b>                   | <b>292</b>   | <b>363</b>   | <b>444</b>   | <b>507</b>   |
| <b>EPS (In SAR)</b>                 | <b>4.2</b>   | <b>5.2</b>   | <b>6.3</b>   | <b>7.2</b>   |
| DPS (In SAR)                        | 2.5          | 3.1          | 3.5          | 4.0          |
| Payout                              | 60%          | 60%          | 55%          | 55%          |
| <b>EBITDA</b>                       | <b>344</b>   | <b>427</b>   | <b>481</b>   | <b>549</b>   |
| Net debt (w/ lease liabilities)     | (282)        | (289)        | (415)        | (527)        |

| Balance Sheet                       | 2023a        | 2024e        | 2025e        | 2026e        |
|-------------------------------------|--------------|--------------|--------------|--------------|
| Cash and cash equivalents           | 284          | 291          | 417          | 528          |
| Inventories                         | 234          | 232          | 263          | 295          |
| Trade receivables                   | 332          | 519          | 560          | 635          |
| Prepayments and other receivables   | 51           | 52           | 61           | 69           |
| <b>Total Current Assets</b>         | <b>907</b>   | <b>1,099</b> | <b>1,306</b> | <b>1,532</b> |
| Property, plant and equipment       | 696          | 721          | 755          | 798          |
| Right-of-use assets                 | 2            | 2            | 2            | 2            |
| <b>Total Non-Current Assets</b>     | <b>747</b>   | <b>771</b>   | <b>804</b>   | <b>845</b>   |
| <b>Total Assets</b>                 | <b>1,654</b> | <b>1,870</b> | <b>2,109</b> | <b>2,377</b> |
| Current Liabilities                 | 180          | 244          | 278          | 312          |
| Non-current Liabilities             | 70           | 76           | 82           | 88           |
| Equity                              | 1,404        | 1,550        | 1,749        | 1,977        |
| <b>Total Equity and Liabilities</b> | <b>1,654</b> | <b>1,870</b> | <b>2,109</b> | <b>2,377</b> |
| BVPS (In SAR)                       | 20.1         | 22.1         | 25.0         | 28.2         |

| Cashflow                 | 2023a      | 2024e    | 2025e      | 2026e      |
|--------------------------|------------|----------|------------|------------|
| Cashflow from Operations | 296        | 284      | 441        | 471        |
| Cashflow from Investing  | (77)       | (60)     | (70)       | (79)       |
| Cashflow from Financing  | (70)       | (217)    | (245)      | (280)      |
| <b>Total Cashflows</b>   | <b>148</b> | <b>6</b> | <b>126</b> | <b>112</b> |

Source: Company, GIB Capital

Figure 13: Key ratios

| Key ratios                          | 2023a | 2024e | 2025e | 2026e |
|-------------------------------------|-------|-------|-------|-------|
| <b>Profitability ratios</b>         |       |       |       |       |
| RoA                                 | 18%   | 19%   | 21%   | 21%   |
| RoE                                 | 21%   | 23%   | 25%   | 26%   |
| Sales/Assets                        | 67%   | 70%   | 72%   | 72%   |
| Net margin                          | 27%   | 28%   | 29%   | 30%   |
| EBITDA margin                       | 31%   | 33%   | 32%   | 32%   |
| <b>Liquidity ratios</b>             |       |       |       |       |
| Current Assets/ Current Liabilities | 5.0   | 4.5   | 4.7   | 4.9   |
| Debt to Total Equity                | 0.0   | 0.0   | 0.0   | 0.0   |
| Receivable Days                     | 110   | 145   | 135   | 135   |
| Inventory Days                      | 215   | 170   | 168   | 167   |
| Payable days                        | 142   | 160   | 161   | 162   |
| Cash conversion cycle               | 183   | 155   | 142   | 140   |
| <b>Debt ratios</b>                  |       |       |       |       |
| Net Debt/EBITDA                     | -0.8  | -0.7  | -0.9  | -1.0  |
| Net Debt/Equity                     | -0.2  | -0.2  | -0.2  | -0.2  |
| Debt/Assets                         | 0.0   | 0.0   | 0.0   | 0.0   |
| <b>Valuation ratios</b>             |       |       |       |       |
| P/E                                 | 39.7  | 32.1  | 26.3  | 23.0  |
| P/B                                 | 8.3   | 7.5   | 6.7   | 5.9   |
| EV/EBITDA                           | 33.2  | 26.7  | 23.6  | 20.7  |
| Div. yield                          | 1.5%  | 1.9%  | 2.1%  | 2.4%  |
| FCF Yield                           | 1.9%  | 1.9%  | 3.0%  | 3.2%  |

Source: Company, GIB Capital

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