

Target Price: SAR127/share
 IPO price: SAR82/share
 Upside: ~55% (+Div. Yield: ~2.5%)
Rating: Overweight

Middle East Pharmaceutical Industries Co.

KSA pharma pure-play with a significant growth potential

- Leading position in the Dermatology and Respiratory segments with a robust market growth potential (7.1-7.3% CAGR over 2022-27e) and the regulatory push.
- Strong top-line (2022-27e CAGR: ~15%) and earnings growth (~19% CAGR), fueled by capacity expansion (+112%), new product launches, strengthening its footprints across the target markets, and healthy margins.
- Initiate Avalon Pharma with a target price of SAR127/sh. and Overweight rating based on an avg. of DCF and P/E (30x P/E on 2024e EPS) methods.

Leader in Dermatology – one of the fastest growing therapeutic areas: Middle East Pharmaceutical Industries Co. (Avalon Pharma) has a leadership position in Dermatology (2022 market share: 8.9%, 1st by rank) followed by Respiratory (9.1%, 4th by rank) category in KSA, with both the categories contributing ~74% of total revenue in 2022. Avalon's Dermatology and respiratory revenues grew at a CAGR of 15% and 11%, respectively, over 2018-22, outpacing the KSA markets (Derma.: ~9% CAGR; Respiratory: 5% CAGR). According to Euromonitor, these categories are forecasted to grow at a healthy CAGR of 7.1% and 7.3%, respectively during 2022-27e (well above the KSA pharma industry growth of 5%), driven by factors such as harsh climate conditions, rising disposable income, population growth, a rise in smoking among young, enhanced medication accessibility and improved healthcare systems. etc.

Capacity addition to fuel the volume-driven growth: Avalon is on track to double the annual production capacity from 58.4mn to 123.7mn units in 2024e to cater the rising demand for generic medicines driven by favorable market dynamics and government emphasis for local production (target to boost local production's share from 27% to 40%). Additionally, Avalon presently boasts a portfolio of 19 products under SFDA registration, complemented by plans to introduce 3-5 new molecules annually in KSA from the global market. Accordingly, we expect Avalon's top line to grow at a CAGR of ~15% over 2022-27e, with a stable gross margin hovering at an average of ~61%, translating to a net income CAGR of ~19% during the same period.

Risks: Key downside risks are delay in commencing the new production facility, major product repricing from regulatory bodies, increased competition, supply chain issues, lower sales volume, delay in receivable collection, and a change in distributor's commission rates.

Figure 1: Key financial metrics

SARmn	2022a	2023e	2024e	2025e
Revenue	303	335	381	448
Revenue growth	5.4%	10.6%	13.8%	17.7%
Gross Profit	184	204	232	273
Gross Profit margin	60.9%	60.9%	60.9%	61.0%
Op. income	71	82	95	113
Net profit	59	68	81	98
Net profit growth	-10.3%	14.7%	18.6%	20.9%
Net profit margin	19.6%	20.4%	21.2%	21.8%
EPS (SAR)	3.0	3.4	4.0	4.9
DPS (SAR)	1.8	1.8	2.0	2.4
P/E	27.6x	24.0x	20.3x	16.8x

Source: Company data, GIB Capital

Stock data

Listing M.Cap. (SARmn)	1,640
Offer shares (mn)	6.0
IPO Size (SARmn)	492
Offering	30%
TASI Ticker	4016

Source: Company data, Tadawul

1Y Fwd Valuation (SAR/share)

DCF (50% weight)	120
P/E (50% weight)	135
Target Price (rounded)	127

Source: GIB Capital

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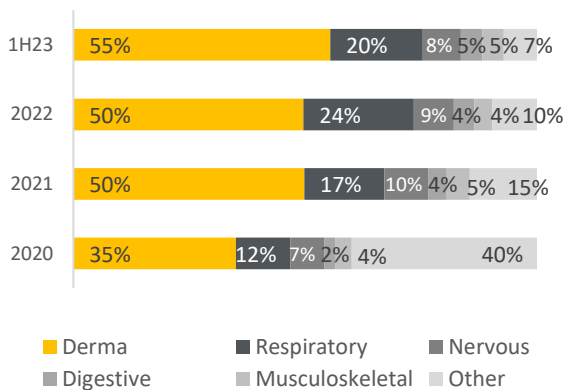
Investment Case

Leadership position in therapies with high growth potential

With over 25 years of experience, Avalon stands as a leading manufacturer of branded generic medicines in the KSA, boasting a leading position in the Dermatology segment with an 8.9% market share, followed closely by the Respiratory segment (4th position by rank) with a 9.1% market share in 2022. Notably, Avalon’s revenue from the Dermatology category (1H23; 55% of total revenue) grew at a remarkable CAGR of 15% during 2018-22, surpassing the industry’s growth (~9% CAGR). Similarly, the revenue from the respiratory category (1H23; 20% of total revenue) experienced a robust CAGR of 11% (vs. industry; ~5%) during the same period.

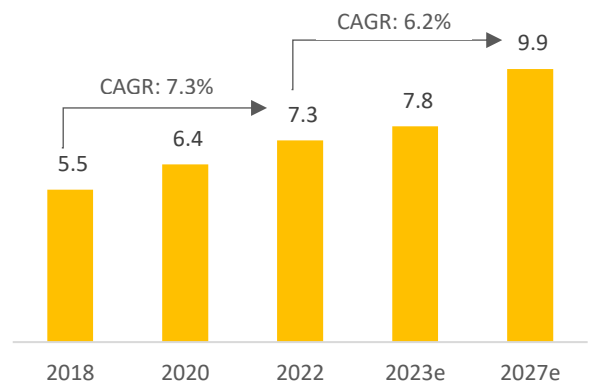
While the overall size of the KSA medicine and medical market is projected to grow at a CAGR of 5% between 2022-27e (Figure 55), Avalon’s focused therapies including Dermatology, Respiratory, Dermacosmetics, Hygiene products, and oral care (accounting for 21% of the overall market as of 2022), are anticipated to grow at higher pace (CAGR of ~6%). The growth of Avalon's main focused categories (Derma & Respir.) is expected to be driven by population growth, favorable demographic structure (67% aged between 19-64 years), and a surge in skin diseases due to harsh and changing climatic conditions. Additionally, increasing disposable income, higher participation of women in the workforce, early detection, improved healthcare systems, and enhanced medication accessibility are expected to further drive the demand.

Figure 2: Revenue mix by therapies over the years



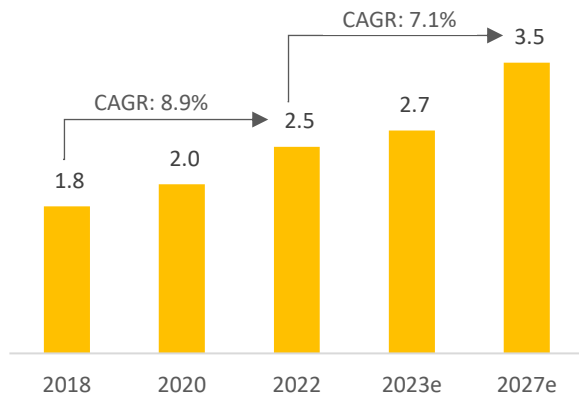
Source: Company data, GIB Capital

Figure 3: Market size of Avalon-focused therapies* (SAR bn)



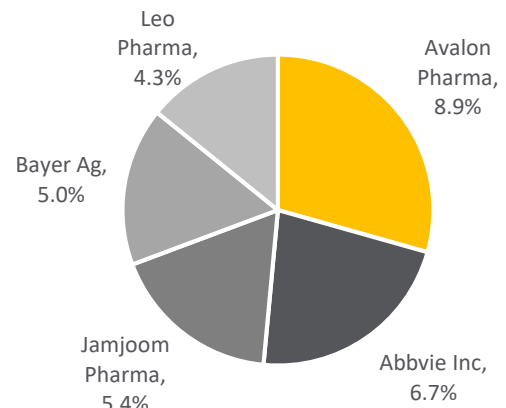
Source: Euromonitor, GIB Capital. *Dermatology, Respiratory, Hygiene products (hand sanitizers), Dermacosmetics, and Oral care

Figure 4: KSA Dermatology market size (SAR bn)



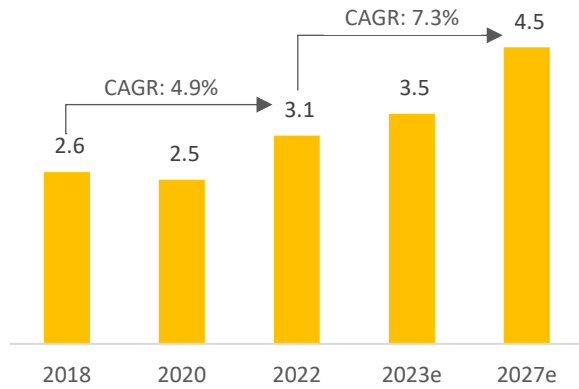
Source: Euromonitor, GIB Capital

Figure 5: Market share of top 5 players in dermatology (2022)



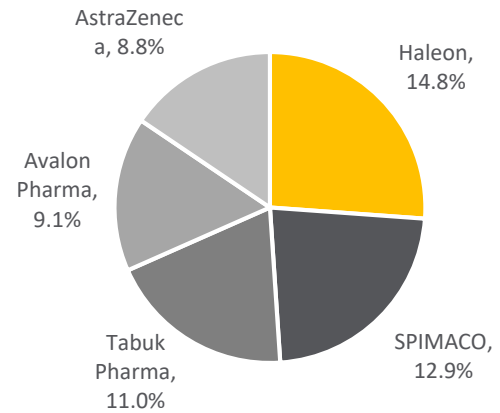
Source: Euromonitor, GIB Capital

Figure 6: KSA Respiratory market size (SAR bn)



Source: Euromonitor, GIB Capital

Figure 7: Market share of top 5 players in respiratory (2022)

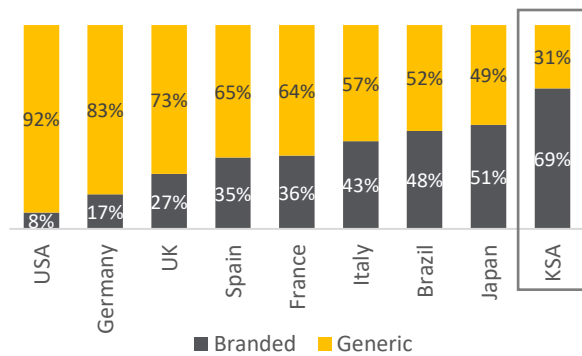


Source: Euromonitor, GIB Capital

Low prevalence of generic medicines and the government's push for local production to offer growth opportunities

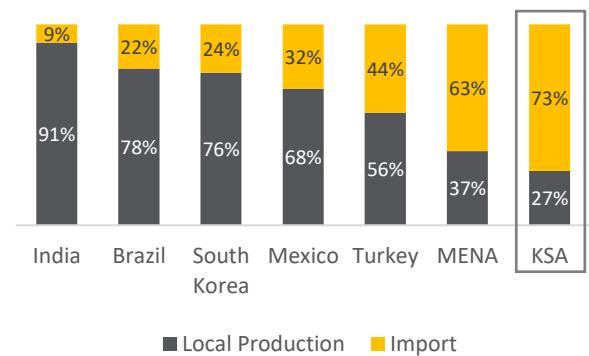
The pharmaceutical market in the KSA relies significantly on imports, with local manufacturers contributing only 27% of the total pharmaceutical demand. The government has set an ambitious target to boost local production's share to 40%. Furthermore, the adoption of generic medicines is relatively low compared to other markets, accounting for 31%, in contrast to higher percentages in the US (92%), Germany (83%), the UK (73%), and Brazil (52%), giving a massive upside potential for all local players including Avalon.

Figure 8: Pharma market – Branded vs generic (2022)



Source: Company data, IQVIA, GIB Capital

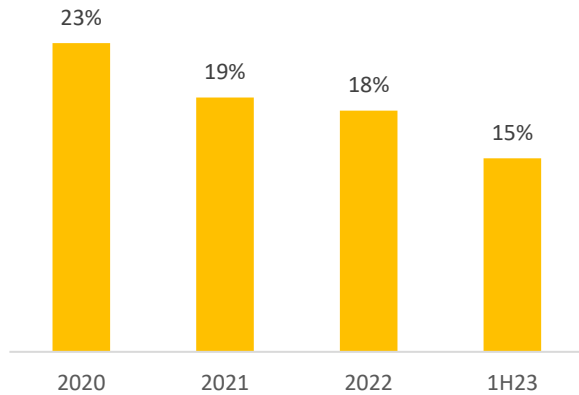
Figure 9: Pharma market – Local production vs import (2022)



Source: Company data, IQVIA, GIB Capital

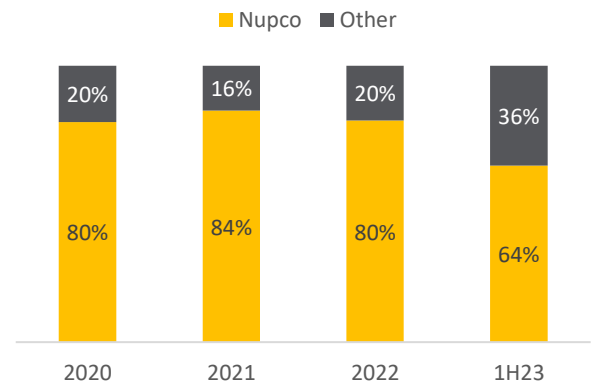
Further, since 2019, Avalon has participated in around 140 government tenders worth SAR223mn, achieving a winning rate of 56%. The growing competence of local manufacturers, combined with the government's emphasis on enhancing local content, is expected to significantly increase the awarding of NUPCO/Government contracts to these domestic players, thereby benefiting Avalon and others.

Figure 10: Revenue contribution from NUPCO



Source: Company data, GIB Capital

Figure 11: Government revenue breakup



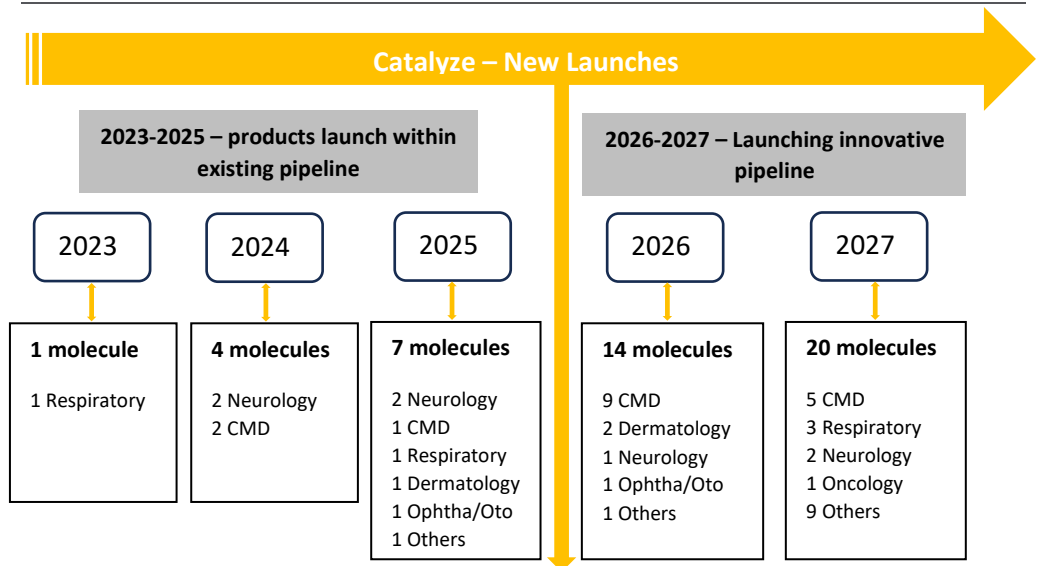
Source: Company data, GIB Capital

A healthy product pipeline along with its visible brand equity

Avalon is well-positioned to capture growth in target markets and across key therapeutic areas, aided by its specialized product portfolio of over 70 brands across nine therapeutic areas with 250-plus SKUs. Additionally, Avalon currently has 19 new products under SFDA registration (Figure 13), with 4 each in Dermatology and Respiratory, and 11 in other categories (the registration period generally ranges between 12-18 months).

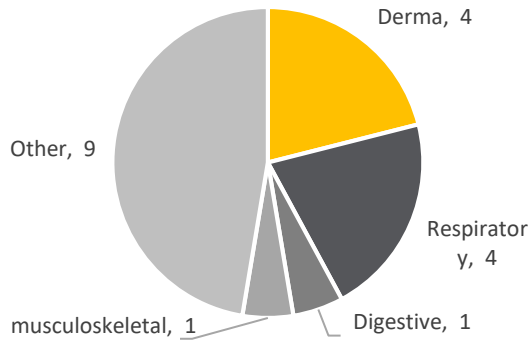
Furthermore, under its ACE strategy (detailed in the company profile), Avalon aims to diversify its portfolio and launch brands in attractive, fast-growing molecules with limited competition, focusing on primary care and retail-driven therapeutic areas such as cardiometabolic, neurology, oncology, and ophthalmology. Moreover, the company plans to launch around 46 new molecules during 2023-27e (Figure 12) and also targets to launch 3 to 5 new pharmaceutical molecules annually from global markets not yet introduced in KSA (first generic), reinforcing its product pipeline and unlocking future growth.

Figure 12: Growth plans as part of ACE strategy



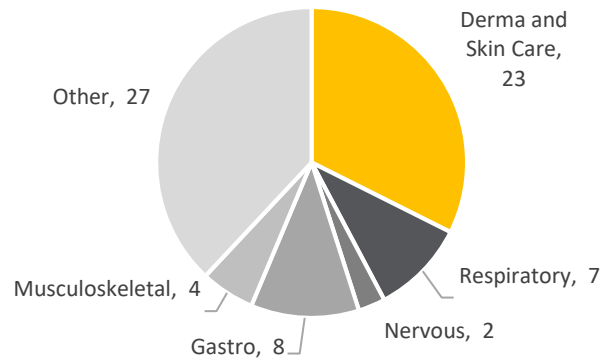
Source: Company data, GIB Capital. Note: The new innovative pipeline will require 24-30 months from development to launch

Figure 13: New products under SFDA registration



Source: Company data, GIB Capital

Figure 14: No. of trademarks/brands by categories



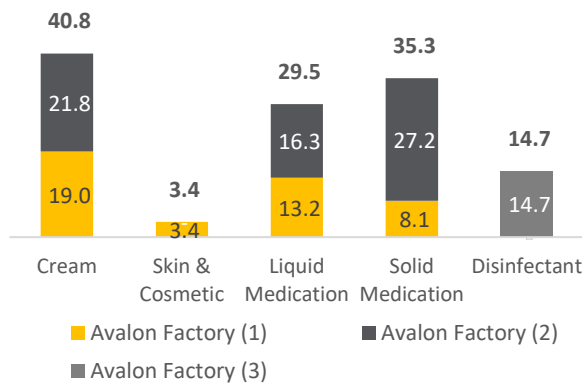
Source: Company data, GIB Capital

Expanding capacity to aid revenue growth over the coming years

Avalon Pharma has a total of three manufacturing facilities in Riyadh: Avalon 1, Avalon 2, and Avalon 3. Currently, Avalon 1 and 3 facilities are in operation with a total production capacity of ~58mn units annually. The company has recently completed the construction of a new production facility, Avalon 2, which is set to more than double the company's total production capacity from ~58mn to ~124mn units annually. The facility is scheduled to commence commercial operations in 2Q24. We note that Avalon 1-2 manufacture a comprehensive range of medications, including skin and cosmetic products, solid, liquid, and cream formulations, while Avalon 3 is exclusively dedicated to the production of disinfectants (Figure 15).

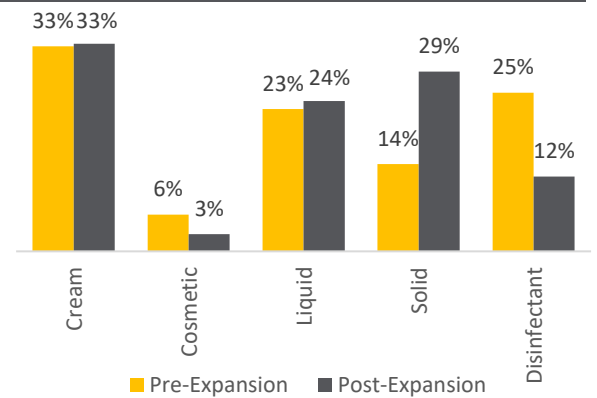
Post-completion of this expansion, Avalon will shift its focus more toward the production of liquids, creams, and solid medications. This will result in a change in the production mix, with these three lines accounting for 85% of total capacity (from 69% pre-expansion) with most of the shift going towards solids (14% to 29% share). Moreover, this expansion is expected to assist the company not only in meeting the growing demand in its core markets but also in expanding into its targeted markets. Further, on a conservative basis, we expect the weighted average product prices to slightly decline (although not much), mainly due to changes in the production mix. Overall, we anticipate the top line to grow by ~15% CAGR over 2022-27e (+9.3% over 2019-22), driven by higher sales volumes, new product launches, and the strengthening of its market position in both core and targeted markets.

Figure 15: Production capacity by line and factory (2024e)



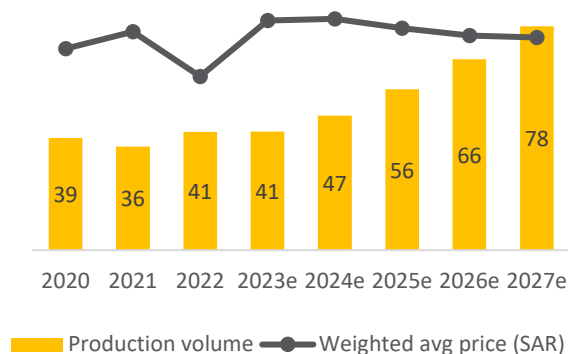
Source: Company data, GIB Capital. * Capacity in mn/units and is based on 30 working days per month and 20 working hours per day

Figure 16: Production capacity Post/Pre-expansion



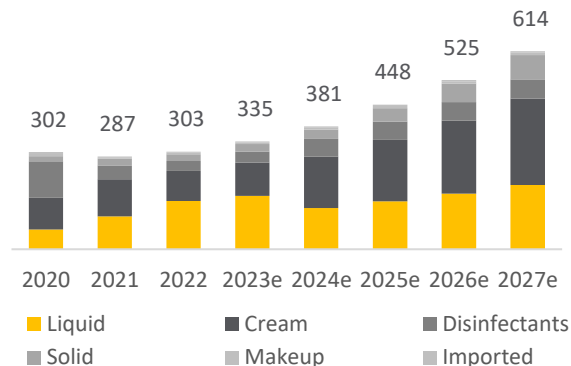
Source: Company data, GIB Capital

Figure 17: Production volumes* and prices



Source: Company data, GIB Capital * Volumes in mn/units

Figure 18: Revenue by production line (SAR mn)

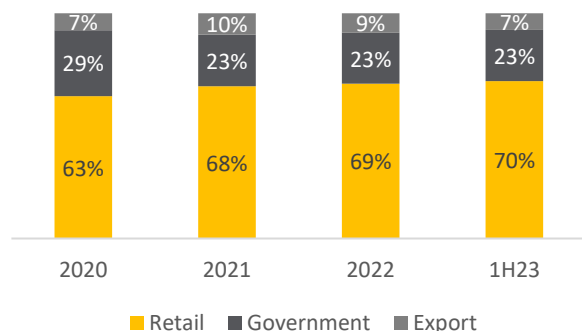


Source: Company data, GIB Capital

Minimal FX risk with a substantial export share to countries with stable currency

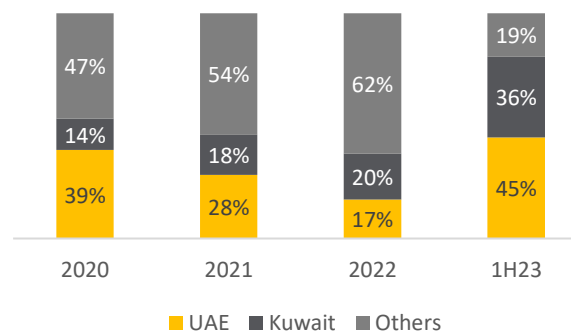
Contribution of exports to Avalon’s total revenue hovered at ~7-10% during 2020-1H23, with a major portion of export revenue coming from countries such as UAE and Kuwait, whose currencies are largely stable against the US dollar, limiting the risk associated with fluctuation in foreign currencies. Out of the total export revenue, as of 1H23, UAE contributed 45% of total export revenue, followed by Kuwait (36%) and others (19%). Moreover, historically, the company has demonstrated minimal FX risk, with profits or losses recorded at less than SAR1mn over the years, limiting the earnings volatility.

Figure 19: Revenue mix by client/geography



Source: Company data, GIB Capital

Figure 20: Export revenue mix by countries

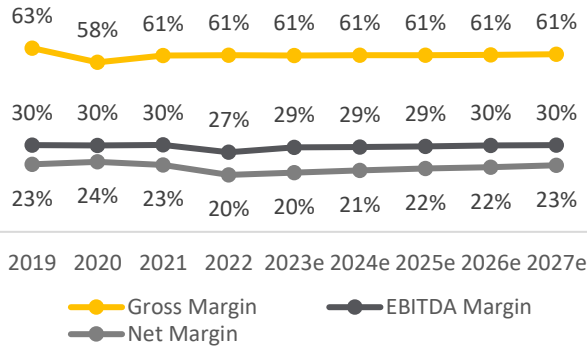


Source: Company data, GIB Capital

Healthy and stable margins on disciplined operating expenses...

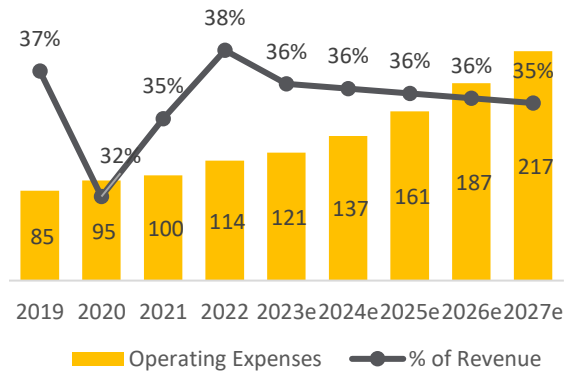
The company has been consistently generating steady margins, with gross and EBITDA margins ranging from 58-61% and 27-30%, respectively, over the past three years. Going forward, we expect the margins to remain mostly stable with a slight improvement aided by better operational optimization and a stable contribution of government business. This, along lower interest rate (likely a 50-75bps cut in interest rate), may result in a gradual expansion in net margin in the long run.

Figure 21: Margins



Source: Company data, GIB Capital

Figure 22: Operating expenses

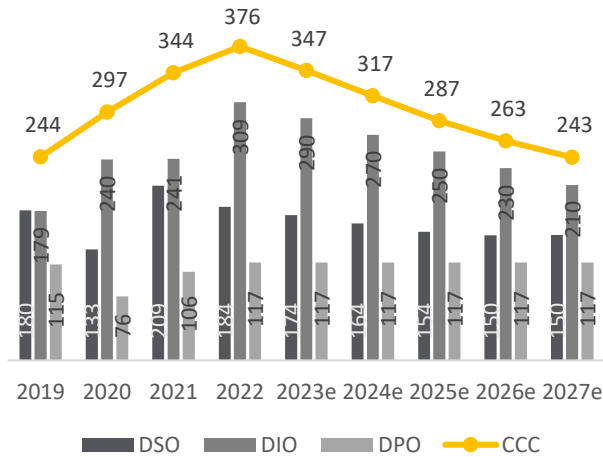


Source: Company data, GIB Capital

Working capital management may act as a headwind but is expected to improve

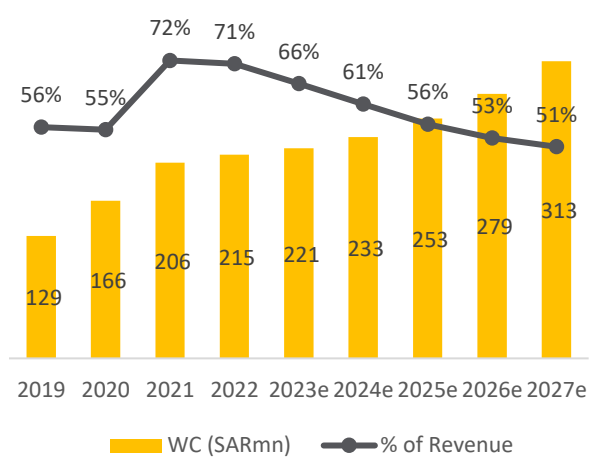
Historically, Avalon’s working capital was under pressure with the cash conversion cycle rising significantly over the last four years from 244 to 376 days primarily due to 1) Purchasing additional reserves as logistic challenges resulted from the Covid pandemic in 2021 and the Russia-Ukraine conflict, 2) SFDA requirement to maintain stock enough for at least 6 months, and 3) Delay in collection mainly from government business. Going forward, we expect to see improvement, heading back to pre-pandemic levels, mostly aided by improvement in the collection from government business (340 days in 1H23 vs 509 in 2021; likely to improve it further), easing SFDA’s regulation of maintaining the inventory, among others. Accordingly, we expect working capital as a % of revenue to improve from 71% in 2022 to 51% by 2027e.

Figure 23: Cash conversion cycle (Days)



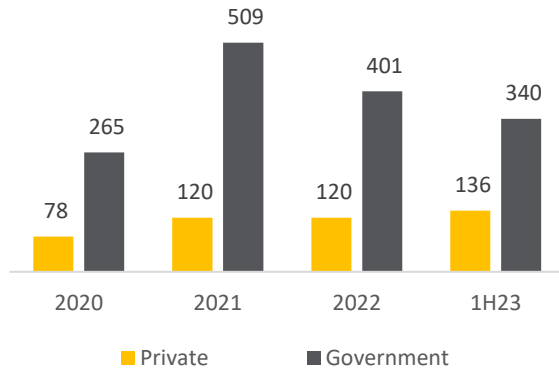
Source: Company data, GIB Capital

Figure 24: WC and % of revenues



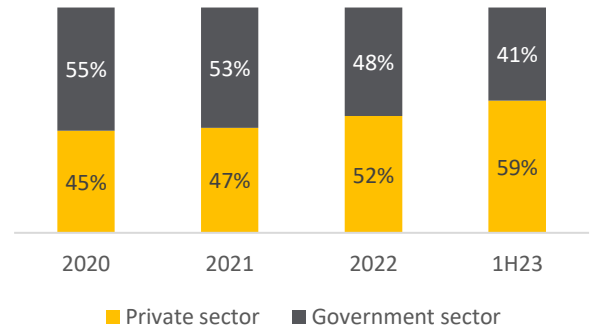
Source: Company data, GIB Capital

Figure 25: Receivables days by customers



Source: Company data, GIB Capital *1H23 annualized

Figure 26: Gross receivables breakup by customers

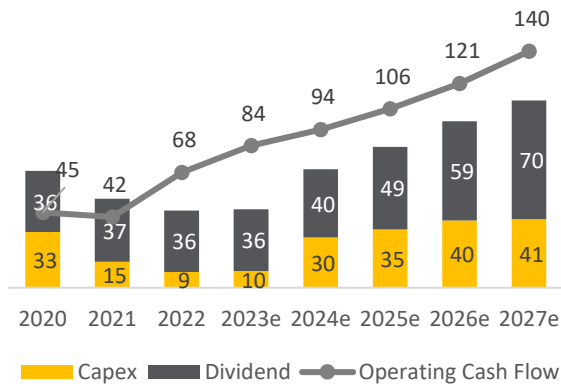


Source: Company data, GIB Capital

Robust financial position to ensure healthy dividend payouts

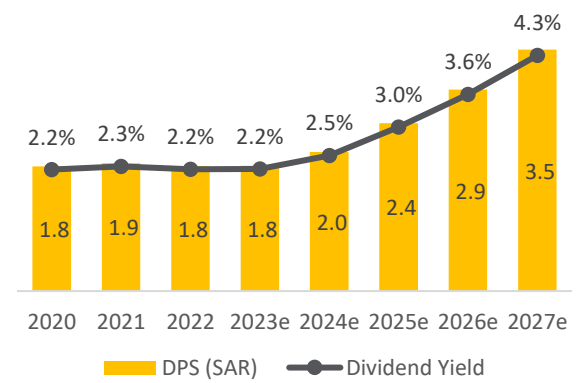
Historically, the company, on average, paid ~55% of net profit as dividends (SAR1.8 average DPS) over 2020-22. With healthy cash flows generation, and a strong leverage position with net debt to EBITDA improving from 0.7x in 2022 to 0.2x by 2027e, we expect the company to distribute ~50% of earnings as dividends (mostly semi-annually), subject to market conditions, implying a DPS of SAR2.0 (2.5% yield) and SAR2.4 (3.0% yield) for 2024e and 2025e, respectively.

Figure 27: Capex, dividend, and operating cash flows (SAR mn)



Source: Company data, GIB Capital

Figure 28: DPS and dividend yield



Source: Company data, GIB Capital

Valuation and risks

We use an equal mix of DCF and P/E multiple valuation approaches for valuing the company. For relative valuations, we use a 30x multiple on 2024e EPS to arrive at a P/E-based target price (1 year forward) of SAR135/share. As for DCF, based on a WACC of 9.0%, we derive SAR120/share as the DCF-based target price. We arrive at an equal weightage average target price of SAR127/share (rounded off), implying a significant upside of 55% from the IPO price. We initiate on Avalon Pharma with an Overweight rating.

Figure 29: DCF Valuation

SAR mn	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
EBIT	82	95	113	134	159	176	191	205
Taxes	(6)	(7)	(9)	(10)	(12)	(14)	(15)	(16)
EBIT minus taxes	76	88	104	123	146	163	176	189
(+) Depreciation & amortization	14	17	19	23	26	30	33	37
(+/-) Change in working capital	(5)	(11)	(18)	(25)	(33)	(17)	(24)	(21)
(-) Capex & R&D	(22)	(41)	(48)	(56)	(57)	(61)	(62)	(64)
(-) Lease payment	0	0	0	0	0	0	0	0
Free Cash Flow to Firm	63	53	58	66	83	115	123	140
Terminal value								3,270
PV of FCF (explicit period)	431							
PV terminal	1,791							
EV	2,222							
(-) Debt, incl. lease liabilities	(73)							
(+) Cash	32							
(-) Minority	0							
(-) Pension/other liabilities	(20)							
(+) Investments	1							
Equity value	2,163							
Number of Shares	20							
Equity value per share	108							
Target price (one year forward)*	120							
Cost of Equity	9.4%							
Cost of debt	6.6%							
Target D/A	15.0%							
WACC	9.0%							

Source: GIB Capital *Target price is rounded, and time value adjusted 1 year forward ** using 4.5% Terminal growth rate

DCF sensitivity analysis (Per share value in SAR)

Figure 30: Sensitivity of terminal growth rate and WACC

	WACC	Terminal growth				
		4.0%	4.3%	4.5%	4.8%	5.0%
8.0%	140	149	158	169	182	
8.5%	123	129	137	145	154	
9.0%	110	114	120	126	133	
9.5%	98	102	107	111	117	
10.0%	89	92	96	100	104	

Source: GIB Capital

P/E based valuation: The global peers (ex-KSA) are trading at a median of ~13x P/E. However, we believe that the stock deserves a premium to its international peers, given i) its strong top-line growth (15% CAGR over 2022-27e), and ii) leading margin profile vs its global peers (~61% gross margin vs. ~48% peers), and iii) a significant growth potential in the KSA pharma sector, aided by favorable government regulations. Moreover, in the local market, Jamjoom (currently trading at ~32x; avg. since listing: 28x) is the closest peer, as both focus on generic products and operate in a similar market dynamic. Based on the 30x target multiple and 2024e EPS, we derive the 1Y Forward TP of SAR135 per share.

Figure 31: Peer valuations – Pharma companies

	Country	Mkt Cap (USDmn)	P/E Ratio (TTM)	Est P/E Current Yr	P/E - FY2	EV/T12M EBITDA	Est. EV/ EBITDA - 1FY	Est. EV/ EBITDA - 2FY	Dividend Yield - FY1
Jamjoom	KSA	2,759	N.A.	35.8x	32.0x	N.A.	29.7x	26.8x	1.6%
Spimaco	KSA	1,246	N.A.	155.8x	55.6x	72.7x	30.3x	23.5x	1.5%
Astra	KSA	3,259	28.6x	28.8x	25.0x	19.3x	20.8x	18.8x	1.8%
Perrigo Co PLC	Ireland	4,357	59.3x	12.6x	10.9x	10.8x	10.8x	9.8x	3.4%
Hikma Pharma	Jordan	5,723	30.1x	12.3x	11.6x	7.0x	8.4x	7.9x	2.4%
Sanofi India Ltd	India	2,513	34.5x	N.A.	N.A.	26.6x	N.A.	N.A.	2.3%
Aspen Pharma	South Africa	4,487	13.8x	12.4x	10.2x	8.6x	9.1x	7.8x	1.9%
GlaxoSmithKline	India	4,440	60.5x	54.1x	47.9x	42.3x	40.6x	35.9x	1.4%
Novartis AG	Switzerland	237,950	24.8x	14.9x	13.5x	12.0x	13.2x	12.4x	3.6%
Ajanta Pharma	India	3,254	46.7x	33.8x	28.8x	30.1x	23.3x	20.4x	1.0%
Ningbo Menovo	China	411	16.3x	11.0x	7.5x	N.A.	11.6x	8.2x	N.A.
Sinopep-Allsino	China	1,403	60.1x	68.4x	49.6x	N.A.	40.2x	32.3x	N.A.
FDC Ltd/India	India	948	41.4x	N.A.	N.A.	25.3x	N.A.	N.A.	N.A.
Average			37.8x	40.0x	26.6x	25.5x	21.6x	18.5x	2.1%
Median			34.5x	28.8x	25.0x	22.3x	20.8x	18.8x	1.8%
Avalon Pharma	KSA	437	27.6x	24.0x	20.3x	20.5x	17.2x	15.1x	2.2%

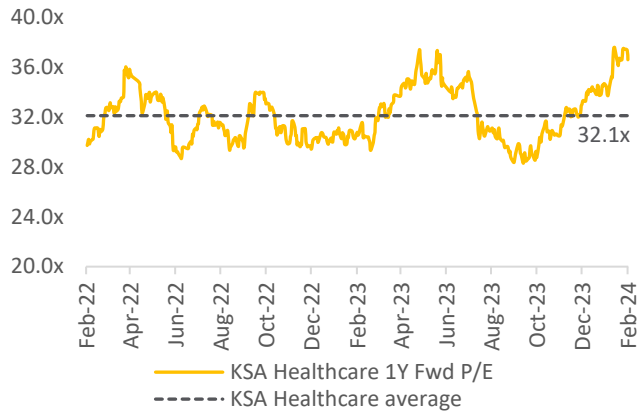
Source: Bloomberg, GIB Capital. As of 26th Feb 2024

Figure 32: Peer valuations – KSA Healthcare/Pharmacies

	Country	Mkt Cap (USDmn)	P/E Ratio (TTM)	Est P/E Current Yr	P/E - FY2	EV/T12M EBITDA	Est. EV/ EBITDA - 1FY	Est. EV/ EBITDA - 2FY	Dividend Yield - FY1
Healthcare									
Alhammad Ab	Saudi Arabia	2,760	33.2x	31.8x	29.9x	23.2x	23.0x	21.4x	2.3%
Dallah Healthcare	Saudi Arabia	4,896	55.2x	53.8x	45.0x	34.0x	31.9x	28.4x	1.1%
Ayyan Investment	Saudi Arabia	585	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mouwasat Medical	Saudi Arabia	6,527	37.1x	36.4x	32.0x	25.9x	24.9x	22.1x	1.7%
Saudi German Hea	Saudi Arabia	2,847	60.5x	54.5x	36.6x	26.5x	24.4x	20.6x	0.2%
National Medical	Saudi Arabia	2,451	39.5x	39.1x	32.5x	27.4x	27.9x	22.0x	0.6%
Dr Sulaiman Al H	Saudi Arabia	30,964	56.7x	50.7x	44.0x	49.3x	42.5x	37.4x	1.3%
Average			47.1x	44.4x	36.7x	31.0x	29.1x	25.3x	1.2%
Median			47.4x	44.9x	34.6x	27.0x	26.4x	22.0x	1.2%
Pharmacies									
Nahdi Medical Co	Saudi Arabia	4,853	21.4x	20.6x	19.4x	11.9x	11.9x	11.7x	3.9%
Al-Dawaa Medical	Saudi Arabia	2,602	29.9x	27.9x	23.8x	14.7x	14.3x	12.9x	1.9%
Average			25.6x	24.2x	21.6x	13.3x	13.1x	12.3x	2.9%
Median			25.6x	24.2x	21.6x	13.3x	13.1x	12.3x	2.9%

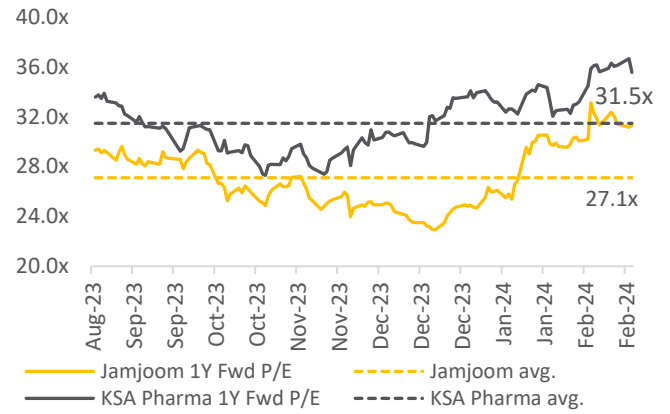
Source: Bloomberg, GIB Capital. As of 26th Feb 2024

Figure 33: KSA healthcare 1Y fwd P/E multiple trend



Source: Bloomberg, GIB Capital. As of 26th Feb 2024

Figure 34: KSA Pharma 1Y fwd P/E multiple trend



Source: Bloomberg, GIB Capital. As of 26th Feb 2024

Figure 35: Avalon vs Jamjoom comparison

Company	Avalon					Jamjoom					
	Year	2021a	2022a	2023e	2024e	5Y CAGR (2022-27e)	2021a	2022a	2023e	2024e	5Y CAGR (2022-27e)
No. facilities	2	2	2	3			1	1	3	3	
Production capacity (units in mn)	58	58	58	124			113	113	190	190	
Utilization**	62%	71%	71%	38%			87%	92%	66%	78%	
I/S											
Revenue	287	303	335	381	15%		736	917	1,091	1,260	14%
Gross Profit	175	184	204	232	15%		475	594	711	816	14%
Gross Profit margin %	61%	61%	61%	61%			65%	65%	65%	65%	
EBITDA	86	83	97	111	17%		214	260	344	382	15%
EBITDA margin %	30%	27%	29%	29%			29%	28%	32%	30%	
Net income*	66	59	68	81	19%		171	219	291	320	16%
Net margin %	23%	20%	20%	21%			23%	24%	27%	25%	
EPS (in SAR)*	3.3	3.0	3.4	4.0	19%		2.4	3.1	4.1	4.6	16%
DPS (in SAR)	1.9	1.8	1.8	2.0	14%		1.6	2.1	2.0	2.5	13%
Payout %	56%	61%	54%	50%			66%	68%	49%	55%	
Key ratios											
ROE	25%	21%	22%	23%			14%	18%	21%	21%	
ROA	16%	13%	15%	16%			12%	16%	18%	18%	
CA/CL	2.3	2.2	2.5	2.5			5.1	5.4	5.4	5.6	
Receivable days	209	184	174	164			182	140	130	130	
Inventory days	241	309	290	270			189	149	140	140	
Payable days	106	117	117	117			166	123	125	125	
Cash conversion cycle	344	376	347	317			206	166	145	145	
Net Debt/EBITDA	0.8	0.7	0.4	0.3			-0.5	-0.5	-0.6	-0.7	
Net Debt/Equity	0.3	0.2	0.1	0.1			-0.1	-0.1	-0.1	-0.2	
Debt/Assets	0.2	0.2	0.2	0.1			0.1	0.0	0.0	0.0	
P/E*	24.7	27.6	24.0	20.3			60.7	47.2	35.9	32.3	
P/B	6.1	5.9	5.3	4.7			8.4	8.5	7.6	6.9	
EV/EBITDA	19.5	20.2	17.2	15.1			47.3	38.9	29.4	26.5	
Div. Yield	2.3%	2.2%	2.2%	2.5%			1.1%	1.4%	1.4%	1.7%	

Source: Company data, GIB Capital. Note: All in SARmn unless mentioned * Jamjoom net profit/ EPS exclude foreign currency losses

Figure 36: Sensitivity of 2024 EPS and P/E

		2024 EPS (SAR)				
		3.6	3.8	4.0	4.2	4.4
P/E (x)	26x	105	111	117	122	128
	28x	113	119	126	132	138
	30x	121	128	135	141	148
	32x	129	136	143	151	158
	34x	137	145	152	160	168

Source: GIB Capital

Figure 37: Relative valuations and Average valuations

P/E based valuation		Valuation (SAR)	
P/E	30x	P/E (50%)	135
EPS 2024 (SAR)	4.0	DCF (50%)	120
1Y Fwd P/E-based price (SAR)	135	Average 1Y Fwd TP	127

Source: GIB Capital

Key investment risks

- **Customer concentration:** The company primarily engages with a select group of clients within the Kingdom, focusing on companies, health institutions, pharmacies, and both government and private-sector hospitals. The top three main clients/buyers represented 37.7% and 33.6% of total revenues in 2022 and 1H23, respectively. The termination of contracts with major buyers has the potential to impact on the company's revenues and earnings negatively.
- **Reliance on major suppliers for key raw materials:** A considerable share of Avalon's raw materials is sourced from a limited number of suppliers (top 5 suppliers represent ~31% of purchase value as of 1H23). Any termination or unfavorable renewal terms of supply agreements with these suppliers could adversely affect the company's operations and financial position.
- **Relying on distributors:** The Company relies on distributors for international business, as it has agreements with several companies and pharmacies in the Gulf states, the Middle East, and Africa, giving these companies the right to sell, distribute, and market its products. Any termination or unfavorable renewal terms of those agreements could adversely affect the company's operations and financial position.
- **Receivables risk:** ~23% of the gross receivables (2022) are more than one year overdue and are 16% provisioned for. Further, 86% of this can be attributed to the government sector (the average repayment period ranges between 180-365 days as per the prospectus) and 14% to the private sector (90-120 days). Any unexpected provisions or write-offs could potentially affect our forecasts and target price (TP).
- **Inventory risk:** The Company's inventory mainly consists of raw materials and finished products. As of 2022, the gross inventory value was SAR102mn, with SAR39mn (38% of gross inventory) aged over 360 days, and 6% of that is provisioned. High inventory ageing over 360 days may pose a risk, as any notable decline or change in demand mix could lead to increased inventory provisioning and could potentially affect our forecasts/TP.
- **Regulatory risks:** Pharmaceutical products are generally regulated and are subject to price controls and other restrictions by government bodies. In the case of any repricing in product prices due to the government's intervention, it may impact the company's top-line and margins, thereby by valuation. In addition, any unfavorable change in import/export laws (custom duties, anti-dumping duties, among others) in the target markets may significantly impact the company's business.
- **Delay in expansion and launch of new products:** The company has recently increased its production capacity with the construction of a new facility, which is expected to start commercial operation in 2Q24. Additionally, Avalon has approximately 19 products in its pipeline, so any delay in obtaining approval for those products or in commencing the facility may have a negative impact on our forecasts, potentially leading to a downward revision in our TP.
- **Currency fluctuation:** Avalon imports specific products and raw materials from international suppliers, mainly in EUR and USD, and exports finished goods from its Saudi Arabian manufacturing facilities to global markets. Any depreciation of the Saudi Riyal against non-pegged foreign currencies would affect the company's revenues and costs. However, historically, the company has demonstrated minimal FX risk, with profits or losses recorded at less than SAR1mn over the years.

IPO Details

Figure 38: IPO details

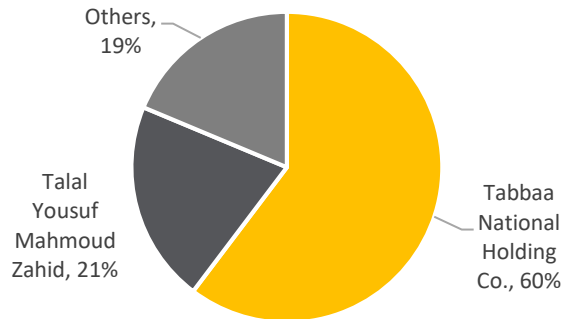
IPO Overview	
Offering	6mn shares
Float (%)	30%
Institutional Offering & Book-Building	Jan 14-Jan 18
Retail Offering	Jan 30-Feb 1
Final Allocation	Feb 8
Listing Date	Feb 27
Retail offering coverage	54.3x
Institutional offering coverage	138.7x
Listing market	Tadawul (The main market of Saudi exchange)
Shareholder Lock-up period	Six months
Selling shareholders	Tabbaa Holding Co, Tala Yusuf, and others
IPO proceeds	Net offering proceeds will be distributed to the selling shareholders

Source: Company data, GIB Capital

Ownership structure

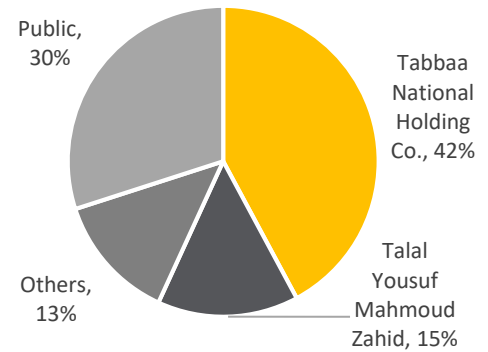
All the shareholders are expected to offload a combined 30% proportionately. As a result, the public shareholding will stand at 30% of the total shares after the offering.

Figure 39: Ownership structure – pre-offering



Source: Company data, GIB Capital

Figure 40: Ownership structure – post-offering



Source: Company data, GIB Capital

Company Profile

Established in 1998, Avalon Pharma, also referred to as Middle East Pharmaceutical Industries Company, has emerged as a leading pharmaceutical manufacturer in Saudi Arabia. The company has gained a strong foothold in the dermatology and respiratory product categories, showcasing its leadership position within the KSA pharmaceutical industry. Avalon is actively involved in developing, manufacturing, marketing, and distributing a wide range of generic medicines and pharmaceutical products, both within the KSA and beyond its borders.

Avalon Pharma has built a diversified product portfolio encompassing various therapeutic categories, including treatments for skin diseases, skin creams, skin care preparations, respiratory system medications, and the nervous system. With an extensive array of products, the company serves a broad spectrum of medical needs both domestically and internationally.

The company operates three cutting-edge manufacturing facilities in Saudi Arabia, showcasing an impressive annual production capacity of ~124mn units (as of 2024e). While catering to the local market, Avalon has successfully expanded its presence internationally, exporting its products to 10 countries (mainly Gulf countries, the Middle East, and Africa).

Figure 41: Avalon evolution over the years

Year	Key milestones
1998	Established as Middle East Chemical Products Factory Co.
2000	Launch of Avalon Pharma in the KSA retail market
2002	Establishment of Middle East Distribution Co.
2003	Receipt of MoH license for healthcare products and initiation of R&D operations
2004	Commencement of exports to GCC countries
2006	Company's name changed to Middle East Pharmaceutical Industries Co.
2007	Received MoH license for pharma products & capacity increase for Avalon 1 factory
2010	Capacity Increase for Avalon 1 and expansion into other Middle East countries
2013	SFDA license obtained for new Solids manufacturing lines at Avalon 1 facility
2015	Established an R&D facility in Avalon 2, and inauguration of the new manufacturing facility named Avalon 3, equipped with disinfectant production lines.
2020	Skin and cosmetics production lines added at Avalon 1 and capacity increase for Avalon 3
2022	Expansion of Avalon 2 completed (manufacturing to start in 2Q24), Avalon 4 - a new centralized warehouse started

Source: Company data, GiB Capital

Ownership structure

Figure 42: Direct ownership pre and post-offering

Shareholders	Pre-Offering	Post-Offering
Tabbaa National Holding Co.	60.3%	42.2%
Talal Yousuf Mahmoud Zahid	21.0%	14.7%
Ali Shaher Ahmad Al-Tabbaa	6.6%	4.6%
Faisal Shaher Ahmad Al-Tabbaa	6.4%	4.5%
Durrat Al-Wadaa Investment Co.	2.5%	1.8%
Yousuf Talal Yousuf Zahid	2.0%	1.4%
Durrat Al-Faisal Investment Co.	1.3%	0.9%
Public	-	30.0%
Total	100.0%	100.0%

Source: Company data, GiB Capital *Percentages have been rounded off

Subsidiaries & Investments

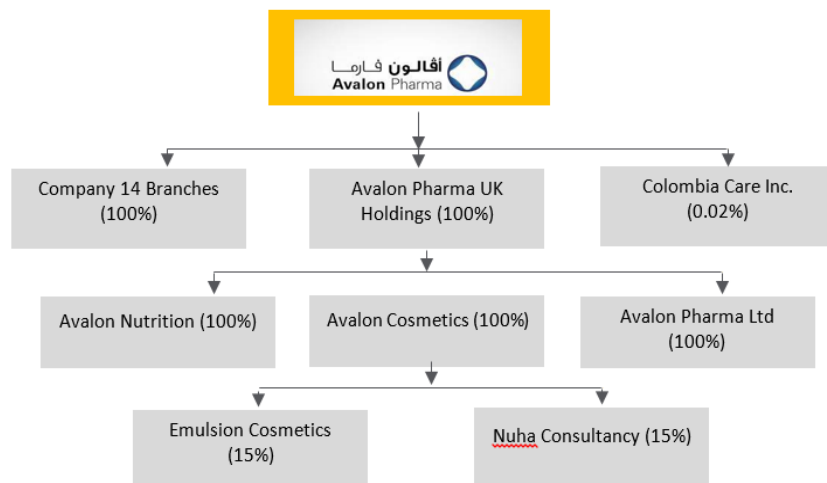
Avalon Pharma UK Holdings Limited, a wholly-owned subsidiary of Avalon, currently has no operational activities or business contracts. The subsidiary encompasses three entities: Avalon Pharma Company Ltd., focusing on pharmaceuticals, Avalon Cosmetics Limited, specializing in cosmetics, and Avalon Nutrition Limited, specializing in health products and nutritional supplements.

- 1- **Avalon Pharma Limited** – Established with the aim of investing in new emerging companies specializing in pharmaceutical products and currently does not have any existing businesses or activities therefore, it does not have any revenues.
- 2- **Avalon Cosmetics Limited** – Founded with the objective of investing in emerging cosmetic companies. Currently, without active business operations, its value is derived mainly from investments in Nuha Consultancy and Emulsion Cosmetics, which are currently under liquidation.
- 3- **Avalon Nutrition** – Established with the aim of investing in new emerging companies specializing in health products and nutritional supplements and does not have any business activities.

Investment in Columbia Care Inc.: In July 2020, Avalon acquired a 5.0% stake in Columbia Care International Holdco, a wholly owned subsidiary of Columbia Care Inc. USA, with a value of SAR21.5mn. Subsequently, in 2021, Avalon disposed of this investment through a swap agreement. As part of the swap, Avalon Pharma exchanged its 5% stake for a ~0.02% stake in the parent company, Columbia Care Inc.

Columbia Care Inc. is a publicly traded company (listed on the NEO Stock Market in Canada) headquartered in the US state of Delaware and its activities include developing new treatments to be regulated and launched globally, especially in the US, Canada, and Europe. Through this investment, Avalon aims to expand the global reach of these treatments and ultimately introduce them to the Kingdom and the broader Middle East region

Figure 43: Branches, subsidiaries, and investments



Source: Company data, GIB Capital

Products overview

Avalon Pharma is a generic medicine manufacturer that offers a diverse range of over 250 products under more than 70 trademarks. Avalon's product lines span several therapeutic categories, with two main categories 1) Dermatological and skin care products representing the largest share of total revenues (50% as of 2022), followed by 2) Respiratory medicines (24% as of 2022).

The company is currently in the process of registering 19 new products with the Saudi Food and Drug Authority (SFDA). These include four skin medicines, four respiratory medicines, one digestive system medicine, one musculoskeletal medicine, and nine diverse medicines falling under other therapeutic categories. Typically, the registration period for these products spans from 12 to 18 months. The following table summarizes the company portfolio:

Figure 44: Product category

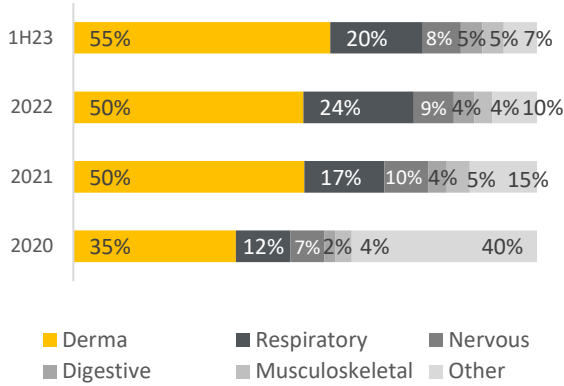
Therapeutic categories	No. of trademarks	Key trademarks
Dermatological and skin care	23	Avogain, Alpha Plus, Avocom-M, EZ Care, Avomeb Extra, and Avoban
Respiratory system	7	Salinose, Avocom NS, Rhinaze NS, Cortrief NS, Broncast, and Rolenium
Nervous System	2	Prila, and Avocaine
Gastrointestinal	8	Avohex, Avodyl, Avalon povidone Iodine MW, and Rotavex
Musculoskeletal	4	AvalonActiv, Avotrene, Xibax, and Exxara
Other therapies	27	Amaglime, Lyrgaba, Avocin, Avialis, Candan, Amodip, Tavflox, EZ Clean etc.

Source: Company data, GIB Capital

- **Dermatology and skin care:** According to Euromonitor, Avalon is the leader in the dermatology category in KSA, securing a market share of 8.9% in 2022. It played a significant role in the company's financial performance, contributing ~50% and 55% of total revenues in 2022 and 1H23, respectively. The company has 23 brands in this category. Avogain and Alpha Plus stand out as the top-performing brands in the dermatology category. Avogain is a topical solution designed to stimulate hair growth and prevent hair loss, while Alpha Plus is a cream formulated to lighten pigmentation and even out skin tone.
- **Respiratory system:** As of 2022, Avalon holds a market share of 9%, securing the 4th position. Leading brands in this category include Salinose, a solution to moisturize and clean the nose, and Avocom NS, a water nasal spray for seasonal allergic rhinitis and perennial rhinitis. This segment contributes around 20-25% of the company's top line and includes 7 brands.
- **Nervous system:** This therapeutic area primarily encompasses medications utilized for nerve anesthesia and local anesthesia and contributed ~8% of the overall top-line as of 1H23. Within this category, Prila and Avocaine stand out as two key brands. Prila distinguishes itself as the sole topical anesthetic in the market that combines lidocaine and prilocaine, constituting its distinctive selling proposition and controlling 61% market share within the category in terms of value.
- **Gastrointestinal:** The category related to the digestive system comprises versatile medications designed to address digestive and internal ailments, as well as nutritional issues. These products are available in the form of capsules and tablets. The company boasts around eight trademarks within this category, including notable names such as Avohex, Avodyl, and Rotavex.
- **Musculoskeletal:** The category encompasses versatile medications designed to alleviate musculoskeletal pain. These products are available in various forms such as creams, sprays, rolls, and tablets. Avalon holds approximately four registered trademarks within this category, including AvalonActiv, Avotrene, Xibax, and Exxara.

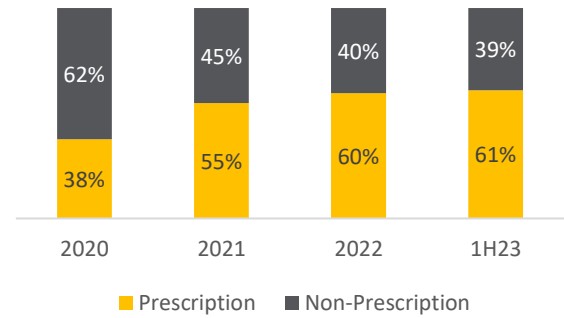
- **Other:** This includes all other therapeutic areas such as sexual health, diabetes, cardiovascular conditions, anti-infective and anti-parasitic issues, pain relief, antiseptics, as well as women's and men's health. The company boasts approximately 27 brands within these diverse therapeutic areas.

Figure 45: Revenue mix by therapeutic areas



Source: Company data, GIB Capital *Percentages have been rounded

Figure 46: Revenue by prescription and non-prescription (OTC)

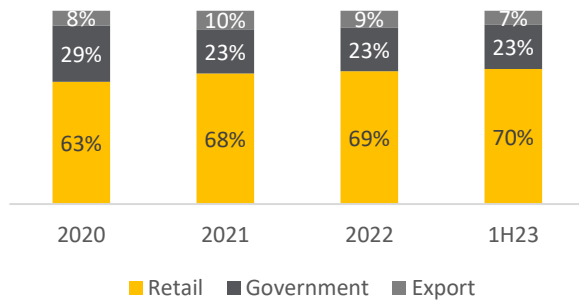


Source: Company data, GIB Capital

Revenue mix by geography, client, and company suppliers

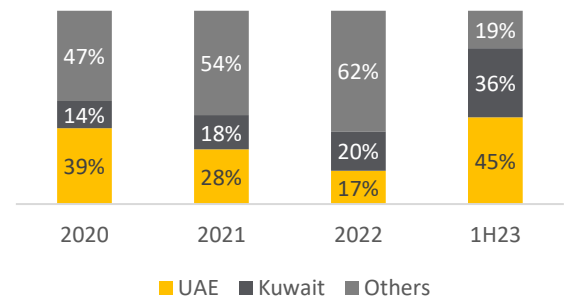
Avalon clients include public and private hospitals, polyclinics, pharmacies, hypermarkets, and others. For suppliers, Avalon sources its raw materials from various local and international companies outside the Kingdom of Saudi Arabia, which typically comprise pharmaceutical chemicals, basic active ingredients, and packaging materials.

Figure 47: Revenue mix by geography/client



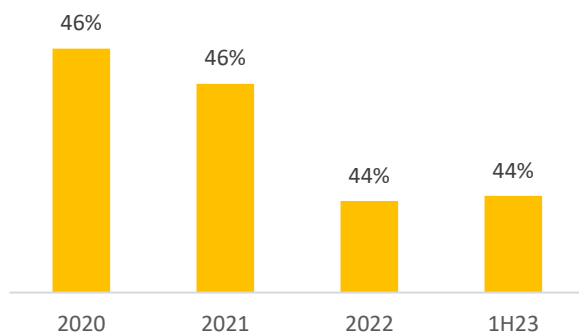
Source: Company data, GIB Capital *Percentages have been rounded

Figure 48: Export sales breakup



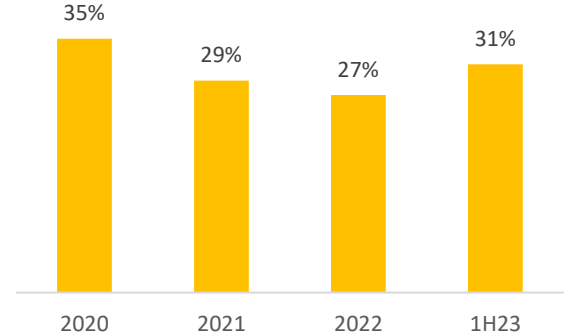
Source: Company data, GIB Capital *Percentages have been rounded

Figure 49: Revenue contribution by top 5 clients



Source: Company data, GIB Capital

Figure 50: Raw material by top 5 suppliers



Source: Company data, GIB Capital

Facilities & Expansions

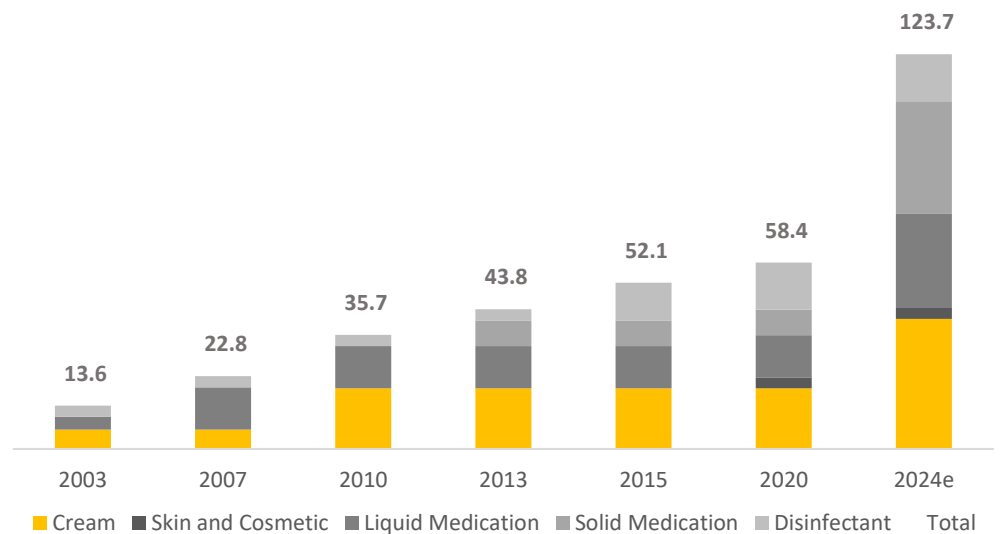
Avalon has three factories in the city of Riyadh, Avalon Factory (1), Avalon Factory (2), and Avalon (3), which are equipped with machines, devices, and production lines for manufacturing creams, skin and cosmetic products, liquid and solid medicines, and disinfectants. Since its establishment, the company has prioritized raising its factory production capacity to meet the growing demand for its products, as it increased production capacity several times during the years as follows:

Avalon Factory (1), Established in 2003 in Riyadh’s Second Industrial City, spans over an area of 1,292 sqm on company-owned land measuring 2,290 sqm with an initial production capacity of 13.6mn units annually. Avalon Factory 1 saw the addition of production lines multiple times over the last few years with current capacity standing at ~44mn units per annum.

Avalon Factory (3): In 2015, the Company introduced Avalon 3, spread over an area of 836 sqm, equipped for a disinfectant production line, with an initial production capacity of 11.75mn boxes/units of disinfectants, the production capacity was increased by 2.94mn boxes in 2020, taking the total capacity to ~14.7mn boxes of disinfectants.

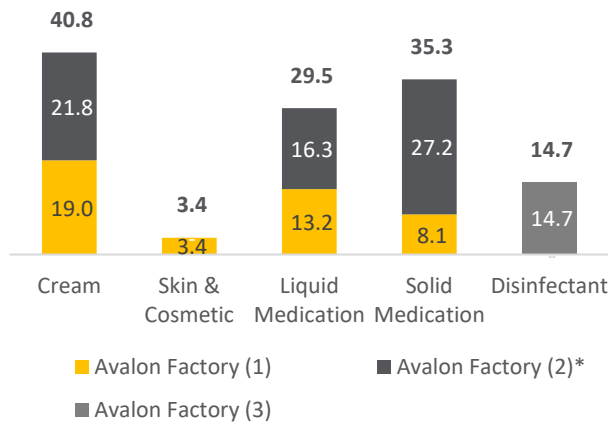
Avalon Factory (2): This is a newly constructed production facility and the largest one, having a production capacity of 65mn units annually. The construction was completed in 2022, incorporating new production lines for creams, liquid medicines, and solid medicines supplied by Italian, German, and Asian companies. Commercial production at Avalon Factory (2) is anticipated to commence in 2Q24.

Figure 51: Addition in production capacity over the years (Mn units)



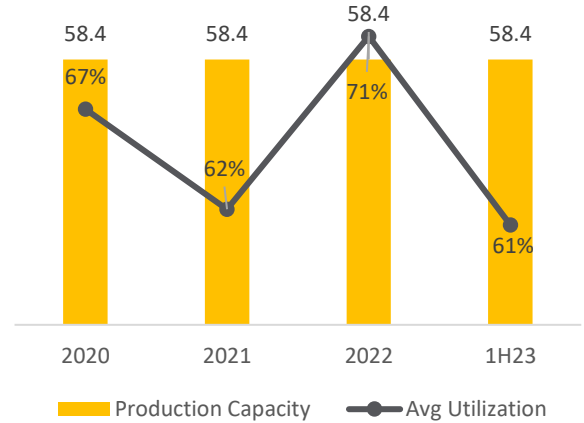
Source: Company data, GIB Capital. Note: The production capacity of factories is based on 30 working days per month and 20 working hours per day.

Figure 52: Production capacity by line and factory (2024e)



Source: Company data, GIB Capital. * Capacity in mn/units

Figure 53: Capacity and utilization



Source: Company data, GIB Capital. *1H23 annualized **Capacity in mn/units

Avalon Growth Strategy

Avalon Pharma has developed a comprehensive long-term growth strategy known as ACE, standing for Accelerate, Catalyze, and Expand. Within this strategic framework, the company aims to enhance its existing product portfolio and introduce innovative offerings in high-growth therapeutic areas with limited competition. The company's ambitious goal is to achieve SAR1bn revenues by 2030 through the ACE strategy, outlined as follows:

1) Accelerate

- Anchor Brand: Cultivate flagship brands, leverage existing brand equity, and improve inventory & and supply chain efficiency.
- Line Extension: Introduce extension for existing brands.
- Channel Optimization: Increase promotions for high-potential retail accounts (~50 accounts).

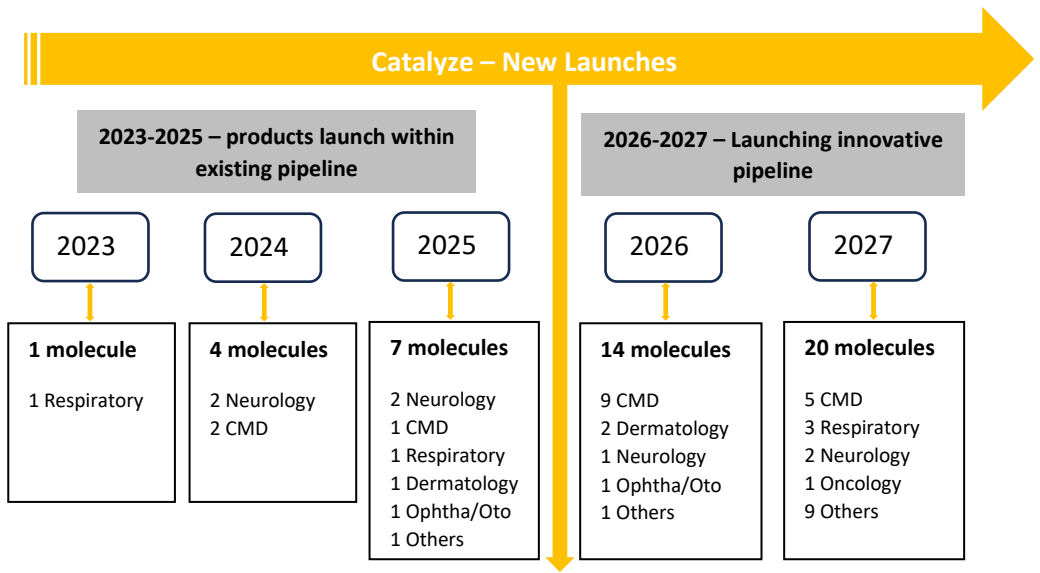
2) Catalyze

- Capitalize OTC Experience: Launch OTC products in rapidly growing therapeutic areas.
- Maximize Retail Opportunity: Expand into chronic, fast-growing primary care products (cardiometabolic, ophthalmology, and neurology). Launch first generic in the market in 3-5 attractive molecules.
- Pivot Towards Specialty Portfolio: Introduce solid oncologics and injectables in alignment with KSA drug security policies. Collaborate with MNCs to commercialize innovative products in KSA.

3) Expand

- Activate Core Export Markets: Tailor go-to-market strategies and strengthen business presence in five export markets: Egypt, UAE, Morocco, Malaysia, and Indonesia.
- Seize opportunities through acquisitions and joint ventures.
- Explore additional export markets.

Figure 54: Growth plans as part of ACE strategy



Source: Company data, GIB Capital. Note: new innovative pipeline will require 24-30 months from development to launch

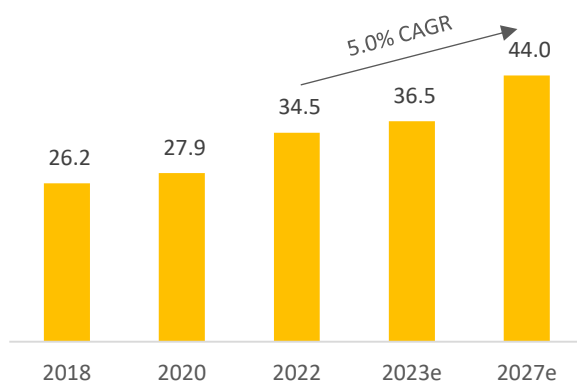
KSA medicine and medicinal supplements industry

In 2022, the total medicine and medical supplements industry was worth SAR34.5bn, growing at a CAGR of 7.1% since 2018, and is expected to grow at a CAGR of 5.0% between 2022-27 to reach SAR44.0bn. This includes Avalon pharma products categories; Dermatology, Respiratory, Derma cosmetics and Hygiene products (hand sanitizers), and oral care, which grew by 7.3% during 2018-22 to reach SAR7.3bn (accounting for 21% of the overall market as of 2022) and is expected to grow at a CAGR of 6.2% between 2022-27 to reach SAR9.9bn. The growth is supported by favorable industry dynamics and changes in the demographic mix, such as population growth, an ageing population, an increase in noncommunicable diseases, expansion of the healthcare sector, mandatory health insurance coverage, and healthy government spending. The population aged 65 years and above is expected to grow at a CAGR of 10.5% between 2022-27 compared to total population growth of 1.9% over the same period.

Since 2018, prescription products have dominated the industry, with more than 60% of medicines (originator drugs) imported by multinational corporations and protected by patent regulations. Meanwhile, key local players focus primarily on manufacturing Over the Counter (OTC) drugs, with imported drugs addressing more specialized health conditions. Currently (2022), local manufacturers account for 27% of the total pharmaceutical demand, and one of the initiatives of Vision 2030 is to increase the contribution of locally produced pharma end-products to 40%.

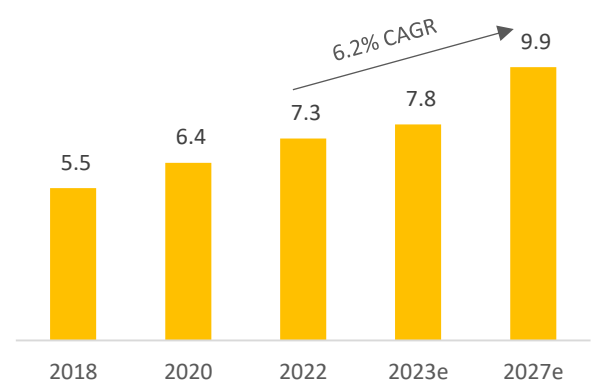
In order to enhance self-sufficiency and sustainability through local production, the government actively supports domestically manufactured drugs with price protection programs. Incentives are provided to doctors and pharmacists for recommending local brands, aligning with Vision 2030 initiatives promoting alliances between international and local players, and establishing local production sites.

Figure 55: Medicine and medical supplements size (SAR bn)



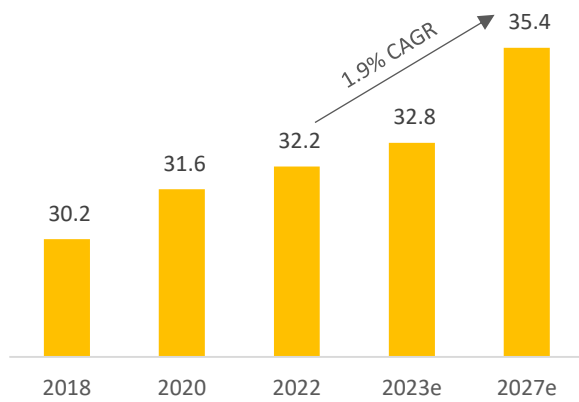
Source: Euromonitor, GIB Capital

Figure 56: Market size of Avalon focused therapies* (SAR bn)



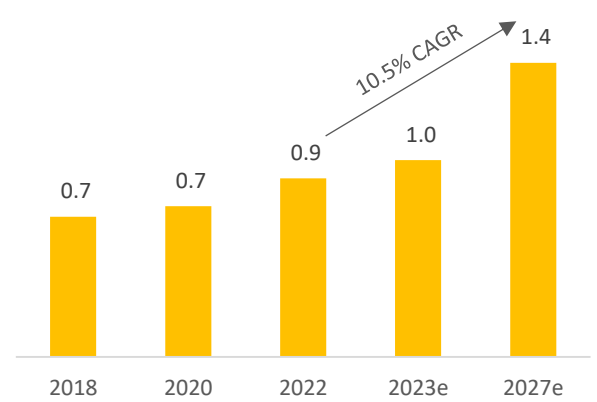
Source: Euromonitor, GIB Capital. *Dermatology, Respiratory, Derma cosmetics, Hygiene products (hand sanitizers) and Oral care

Figure 57: KSA total population (mn)



Source: Euromonitor, GIB Capital

Figure 58: KSA ageing (65 & above) population (mn)



Source: Euromonitor, GIB Capital

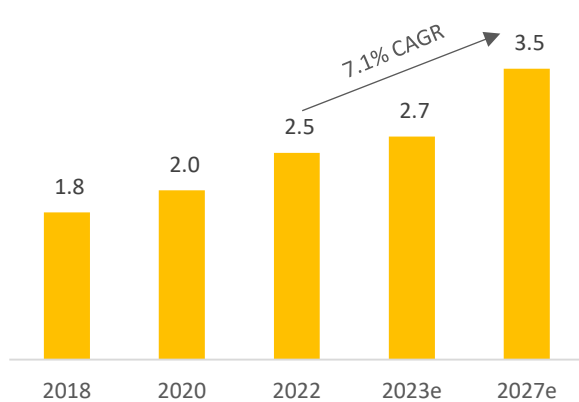
Key categories:

1) Dermatological market overview and competitive landscape:

The Dermatology market demonstrated robust growth, achieving a CAGR of 8.9% between 2018-22, reaching SAR2.5bn. Anticipated to continue its upward trajectory, the market is projected to expand at a CAGR of 7.1% during 2022-27, reaching SAR3.5bn by 2027. This growth can be attributed to factors such as the rise in disposable income, enabling increased expenditure on pharmaceutical and skincare products, as well as a heightened awareness of general skin health and early detection of skin diseases, including skin cancer.

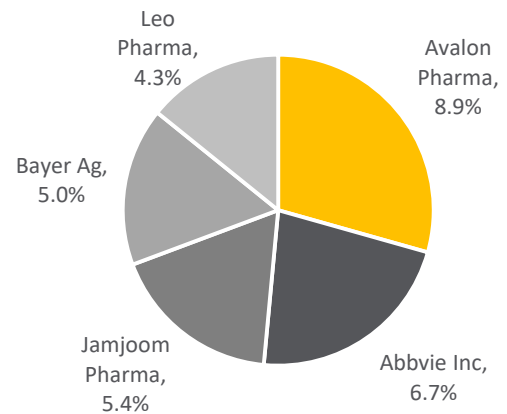
Furthermore, the demand for specialized dermatological products designed to address specific conditions like hair loss, eczema, and skin irritations is expected to fuel industry growth. In Saudi Arabia, the Dermatology market is characterized by a high level of fragmentation, with the top five players contributing 30.4% to the total sales value in 2022. Avalon Pharma emerged as the market leader, holding an 8.9% market share in 2022.

Figure 59: Dermatology market size (SAR bn)



Source: Euromonitor, GIB Capital

Figure 60: Market share of top 5 players in dermatology (2022)



Source: Euromonitor, GIB Capital

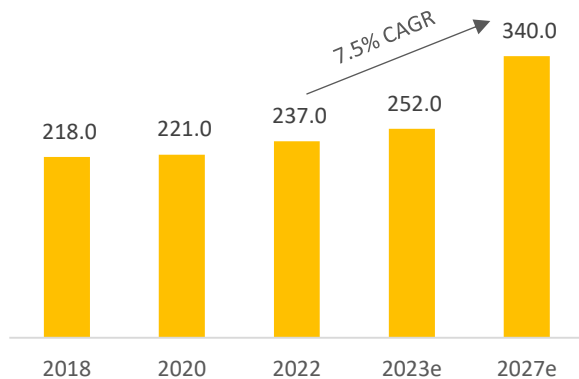
Dermo cosmetics market: The total market experienced a CAGR of 2.2% between 2018-22, reaching a market value of SAR237mn in 2022. Notably, facial care represents the largest market segment. Consumer awareness and demand for dermo cosmetics are predominantly influenced by the recommendations of dermatologists and retail pharmacists. Additionally, the increasing participation of women in the labor force helps drive the growth leads by the improved income levels. The category is anticipated to reach SAR340mn by 2027, growing at a

CAGR of 7.5% between 2022-27, capitalizing on increasing income levels, expanding retail landscape, and the expected rise in skin irritations or sensitivity due to harsh climatic conditions in the country, such as acne, pigmentation, and dryness.

Hygiene products (hand sanitizers) and oral care market: The total market for this category grew at an impressive 11.4% CAGR during 2018-22, hitting SAR1.4bn in 2022, primarily driven by the Covid-19 impact and government-led hygiene awareness programs. The category is expected to grow at a modest CAGR of 1.8% during 2022-27.

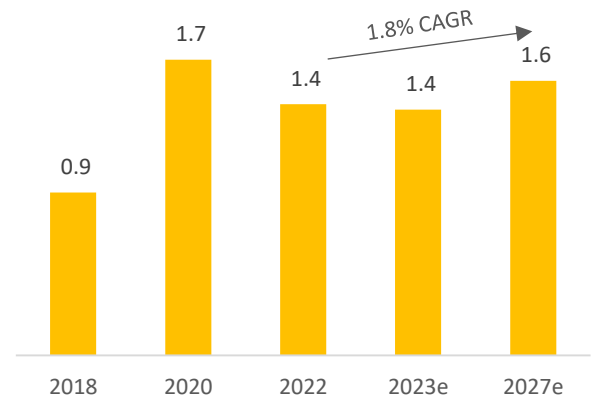
Within the hygiene sector, the hand sanitizer market (estimated at SAR1.3bn in 2022) experienced significant growth during the COVID-19 period. However, this upward trend is anticipated to stabilize, rising at a CAGR of 1% during 2023-27. However, the oral care segment is projected to grow at a 7% CAGR, reaching SAR215mn between 2023-27.

Figure 61: Dermo cosmetic market size (SAR mn)



Source: Euromonitor, GIB Capital

Figure 62: Hygiene products and oral care market size (SAR bn)



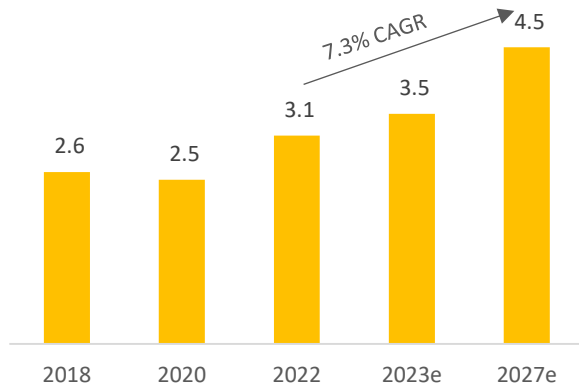
Source: Euromonitor, GIB Capital

2) Respiratory market overview and competitive landscape:

The market size for this category grew at a CAGR of 4.9% between 2018-22 in KSA, reaching SAR3.1bn in 2022. This growth was driven by factors like increasing air pollution, dusty weather, high smoking rates among the youth, and an aging population. The market size is expected to reach SAR4.5bn by 2027, growing at a CAGR of 7.3% between 2022-27. The segment's contribution to the overall market is expected to rise from 9.1% in 2022 to 10.2% by 2027, driven by factors such as early diagnosis, improved healthcare systems, and enhanced medication accessibility. Also, the prevalence of smoking among the adult population is projected to rise from 7.1mn in 2022 to 7.4mn in 2026, implying an additional 331k new smokers, contributing to the growth of COPD and asthma patients.

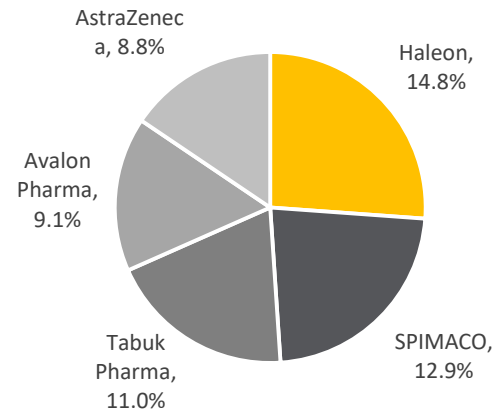
Within the respiratory market in KSA, the top five players collectively hold a significant 56.6% share of total value sales in 2022. Avalon Pharma occupies the fourth position, commanding a noteworthy market share of 9.1% in this category.

Figure 63: Respiratory market size (SAR bn)



Source: Euromonitor, GIB Capital

Figure 64: Market share of top 5 players in respiratory (2022)



Source: Euromonitor, GIB Capital

Other Categories:

- 1) Central nervous system (topical anesthetics):** The market for CNS topical anesthetics products in the Kingdom experienced a 6.7% CAGR between 2018-22, reaching SAR85mn. This growth is primarily fueled by an increased interest in cosmetic dermatology and dental procedures aimed at enhancing beauty. Additionally, the sustained occurrence of minor injuries requiring stitches has contributed to market expansion. The topical anesthetics products market is forecasted to grow at a CAGR of 6.3% between 2022-27. The topical anesthetics market is characterized by high concentration, with Avalon Pharma's Prila and Avocaine, along with Stada Arzeneim's Versatis, holding a dominant position. In 2022, these products collectively accounted for over 90% of the market share.
- 2) Market overview of Gastro and muscular skeletal categories:** The market size for the gastro-intestinal category grew at a CAGR of 12% between 2018-22, reaching SAR2.1bn. Common gastro-intestinal diseases like gastroesophageal reflux disease, inflammatory bowel disease, and irritable bowel syndrome are on the rise in Saudi Arabia, fueled by the high prevalence of obesity and unhealthy eating habits. The market is expected to grow at a CAGR of 6.3% between 2022-27.
 The musculoskeletal market in the KSA experienced robust growth, rising at a CAGR of 6% between 2018-22, reaching SAR2.9bn. It is projected to continue its growth trajectory with a forecasted CAGR of 6.5% over the period 2022-27. In Saudi Arabia, prevalent musculoskeletal issues, such as back pain, neck pain, and osteoarthritis, are primarily associated with sedentary lifestyles, serving as the leading causes of diseases and disorders in this category.

Summary of Financials

Figure 65: Summarized basic financial statements (SARmn)

Income statement	2022a	2023e	2024e	2025e	2026e	2027e
Revenue	303	335	381	448	525	614
revenue y/y	5%	11%	14%	18%	17%	17%
COGS	(118)	(131)	(149)	(175)	(205)	(238)
Gross Profit	184	204	232	273	321	376
Gross Profit margin	61%	61%	61%	61%	61%	61%
SG&A	(114)	(121)	(137)	(161)	(187)	(217)
Other expenses	0	(1)	0	0	0	0
Operating profit	71	82	95	113	134	159
Operating margin	23%	24%	25%	25%	25%	26%
Finance costs	(5)	(8)	(7)	(6)	(6)	(6)
PBT	65	74	88	106	128	153
Zakat/tax	(6)	(6)	(7)	(9)	(10)	(12)
Net income	59	68	81	98	117	141
EPS (In SAR)	3.0	3.4	4.0	4.9	5.9	7.0
DPS (In SAR)	1.8	1.8	2.0	2.4	2.9	3.5
Payout	61%	54%	50%	50%	50%	50%
EBITDA	83	97	111	132	156	185
Net debt	61	41	35	33	32	25

Balance Sheet	2022a	2023e	2024e	2025e	2026e	2027e
Cash and cash equivalents	24	32	38	40	41	48
Inventories	100	104	110	120	129	137
Trade receivables	152	159	171	189	215	252
Prepayments and other receivables	16	16	17	18	20	22
Total Current Assets	293	312	335	367	405	459
Property, plant and equipment	106	106	125	146	171	194
Intangible assets	41	49	55	62	70	78
Total Non-Current Assets	151	156	180	209	242	273
Total Assets	443	468	516	576	647	732
Current Liabilities	132	127	135	146	159	174
Non-current Liabilities	31	28	28	28	28	28
Equity	280	312	352	401	460	530
Total Equity and Liabilities	443	468	516	576	647	732
BVPS (In SAR)	14.0	15.6	17.6	20.1	23.0	26.5

Cashflow	2022a	2023e	2024e	2025e	2026e	2027e
Cashflow from Operations	68	84	94	106	121	140
Cashflow from Investing	(20)	(20)	(41)	(48)	(56)	(57)
Cashflow from Financing	(43)	(56)	(47)	(55)	(65)	(76)
Total Cashflows	5	8	5	3	1	7

Source: Company data, GIB Capital

Figure 66: Key ratios

Key ratios	2022a	2023e	2024e	2025e	2026e	2027e
Profitability ratios						
RoA	13%	15%	16%	17%	18%	19%
RoE	21%	22%	23%	24%	26%	27%
Sales/Assets	68%	72%	74%	78%	81%	84%
Net margin	20%	20%	21%	22%	22%	23%
EBITDA margin	27%	29%	29%	29%	30%	30%
Liquidity ratios						
Current Assets/ Current Liabilities	2.2	2.5	2.5	2.5	2.5	2.6
Debt to Total Equity	0.3	0.2	0.2	0.2	0.2	0.1
Receivable days	184	174	164	154	150	150
Inventory days	309	290	270	250	230	210
Payable days	117	117	117	117	117	117
Cash conversion cycle	376	347	317	287	263	243
Debt ratios						
Net Debt/EBITDA	0.7	0.4	0.3	0.2	0.2	0.1
Net Debt/Equity	0.2	0.1	0.1	0.1	0.1	0.0
Debt/Assets	0.2	0.2	0.1	0.1	0.1	0.1
Valuation ratios						
P/E	27.6	24.0	20.3	16.8	14.0	11.7
P/B	5.9	5.3	4.7	4.1	3.6	3.1
EV/EBITDA	20.2	17.2	15.1	12.7	10.7	9.1
Div. yield	2.2%	2.2%	2.5%	3.0%	3.6%	4.3%
FCF Yield	2.8%	3.8%	3.2%	3.5%	4.0%	5.0%

Source: Company data, GIB Capital

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