

## Macro Group Pharmaceuticals (Macro Capital) S.A.E. records top line growth of 14% YoY in 1Q22 to EGP 135 mn; Net income expansion of 182%

Cairo, 29 May 2022 | Cairo, Egypt

Macro Group Pharmaceuticals (Macro Capital) S.A.E (“Macro” or the “Group”), one of the largest and fastest-growing cosmeceutical companies in Egypt, releases today its financial and operational performance review for the 3-month period ending 31 March 2022, with revenues up by 14% YoY to record EGP 134.9 million, driven primarily by a 13% YoY increase in average pricing during the period, a result of the company’s ongoing strategy to bring up its pricing through a number of initiatives, and further helped by a 2% YoY increase in volumes. Net profit significantly grew by 182% YoY to come in at EGP 30.7 million in 1Q22. Adjusted for one-time IPO and ESOP expenses of EGP 6.1 million incurred in 1Q22, normalized net profit came in at EGP 36.8 mn, up 85% YoY and yielding a normalized net profit margin of 27.3%.

### Financial & Operational Highlights

EGP <b>135</b> mn 1Q22 Revenues ▲ 14% YoY	EGP <b>105</b> mn 1Q22 Gross Profit ▲ 11% YoY / 77.6% Margin	EGP <b>49</b> mn 1Q22 Adjusted EBITDA <sup>1</sup> ▲ 10% YoY / 36.1 % Margin	EGP <b>31</b> mn 1Q22 Net Profit ▲ 182% YoY / 22.7% Margin
EGP <b>37</b> mn 1Q22 Normalized Net Profit <sup>1</sup> ▲ 85% YoY / 27.3% Margin	<b>3.9</b> mn units 1Q22 Volume Sold ▲ 2% YoY	<b>123</b> SKUs No. Active SKUs +4 Launched in 1Q22	<b>24.3</b> % Market Share in FY21 (IQVIA) Ranked 1 <sup>st</sup> in Egypt

### Key Developments

- **New Launches.** A total of 4 new products were launched in 1Q22, bringing the total number of products under Macro’s portfolio to 123 by the end of the quarter. As of 31 March 2022, Macro has developed a pipeline of c.56 SKUs of selectively developed formulations across a range of attractive therapeutic areas.
- **Operating Margins.** Gross profit came in at EGP 104.7 mn in 1Q22, reflecting an increase of 11% y-o-y and translating to a gross profit margin of 77.6%, a decline of 2.1 ppts y-o-y. The decline in GPM was due to increasing raw materials prices as a result of current economic headwinds and global inflation trends. Further, adjusted EBITDA<sup>1</sup> increased by 10% y-o-y to record EGP 48.8 mn in 1Q22, with a corresponding EBITDA margin decline of 1.6 pps YoY during the same period to 36.1%, driven by a 22.4% YoY hike in selling & marketing expenses attributed to a ramp-up in marketing activities.
- **Inorganic Expansion.** As part of its inorganic expansion strategy, Macro is in the process of acquiring nutraceutical company, Zimmer, an operational company that holds registrations for 15 nutraceuticals which complement its current portfolio under existing segments, and facilitates Macro’s entry into newer ones.

<sup>1</sup> Adjusted for IPO fees & ESOP expenses

## Message from our Chairman

Macro has concluded the first quarter of 2022 on stable footing, with revenues up by a steady 14% YoY, trickling down to net profit growth of 182% YoY during the same period, successfully maintaining our position as the market leader in Egypt's cosmeceutical segment.

We launched 4 products during the first quarter of the year, including 2 skin care products, 1 hair care product, and 1 musculoskeletal product. 3 of these products were launched under our most recently introduced premium line, Solodex, including an exfoliating skin cleansing gel, an anti-dandruff shampoo and our very first anti-ageing product, a sub-segment that we look forward to expanding our portfolio under in due course. Our fourth launch, Frost Max Spray, was the most recent product introduced by our dedicated business unit to Frost and falls in line with our continued strategy to expand the brand's reach.

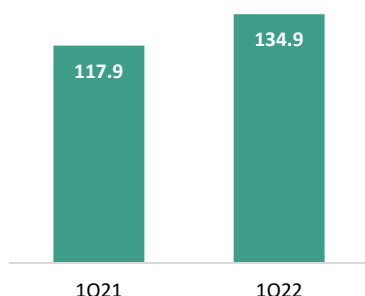
Recent market shocks, both external and internal, have touched business across all segments of the Egyptian market, and Macro is not exempt. The recent devaluation of the Egyptian Pound coupled with local inflation is expected to impact our operating profitability in the coming months. On the flipside, we believe that the currency devaluation will be uniquely beneficial to Macro in terms of demand, particularly among our continuously expanding premium lines, with Macro offering lower-priced substitutes to imported products which have since become increasingly expensive.

Going forward, we will continue to generate value through the launch of new, innovative products and the execution of complementary acquisitions. Coupled with maintaining a healthy balance sheet and the implementation of disciplined cost controls, we believe that Macro is uniquely positioned to achieve sustainable growth as it has time and time again in the face of local and global market challenges.

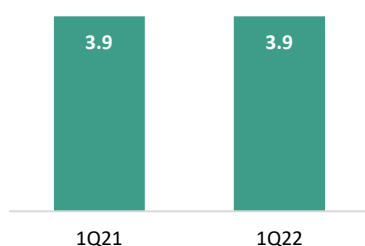
**Dr. Ahmed Elnayeb, Chairman of Macro Group**

## Consolidated Financial Review

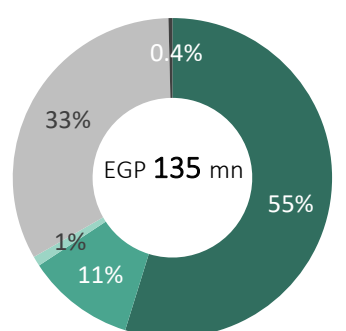
Revenue Progression  
(EGP mn)



Volume Progression  
(mn units)



1Q22 Revenues  
By Sales Channel



■ Direct Sales    ■ Pharmacies  
■ E-commerce    ■ Key Accounts  
■ Exports

## Revenues

Consolidated revenues grew by 14% YoY in 1Q22 to record EGP 134.9 mn, driven primarily by a 13% YoY increase in average pricing during the period, a result of the company's ongoing strategy to bring up its pricing through a number of initiatives, including direct price hikes, product face-lifts, rebranding, and the launch of innovative higher-priced products, particularly under Macro's premium brands. 97% of absolute revenue growth during the period was attributed to skin care, female care, and ant-scar products, with growth further helped by a 2% YoY increase in total volume sold during the same period to 3.9 million units.

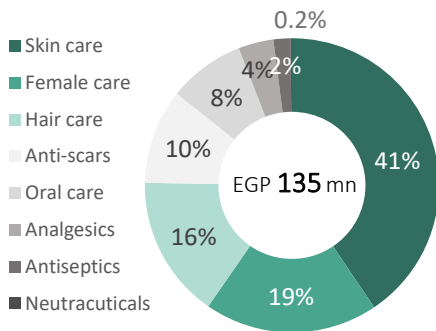
## Revenues by Sales Channel

Macro Group sells its products through its direct distribution channels, which consist of sales to pharmacies, wholesalers, and through e-commerce, in addition to its indirect distribution channels, which comprise of key accounts and exports.

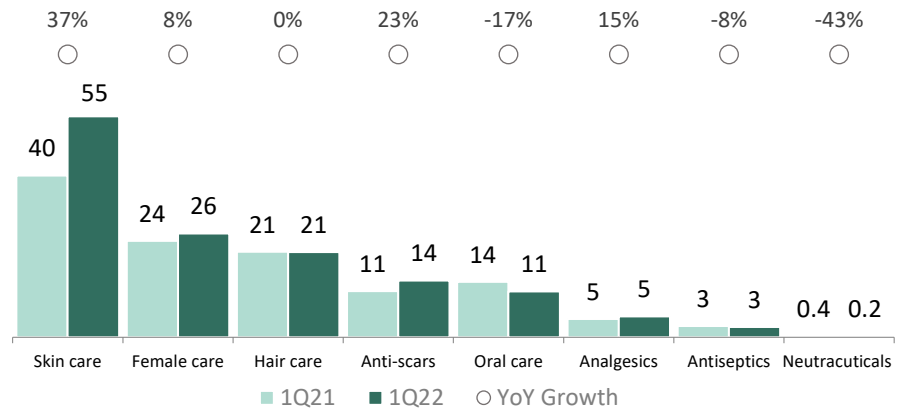
**Direct Distribution Channels.** The contribution of sales from Direct channels to total revenues came in at 67% in 1Q22, now accounting the Group's recently introduced e-commerce sales channel, which contributed 1% to overall revenues during the same period. Increasing wholesale revenues, which grew by 36% YoY to record EGP 73.9 mn attributed to the 3PL agreement with Ibsina, was offset by declining pharmacy revenues by 37% YoY to EGP 15.2 mn on the back of a shift in the Group's strategy away from pharmaceutical sales due to its low associated liquidity and collection delays. As a result, the contribution of direct sales to total sales remained unchanged between 1Q21 and 1Q22 at 67%. The Group aims to replicate its 3PL agreement with other distributors in order to further improve its cash conversion cycle.

**Indirect Distribution Channels.** Key accounts contributed 99% of revenues from indirect distribution channels in 1Q22, with the remaining 1% generated from exports. Revenues from key accounts grew by 15% YoY to record EGP 44.6 mn in 1Q22, maintaining the channel's position as the second-highest contributor to Macro's overall top line during the same period at 33%, Just 0.2 pps higher YoY. Meanwhile, declining export sales saw its contribution to total revenues fall by the same amount. As a result, the contribution of indirect distribution channels to overall revenues remained unchanged at 33% between 1Q21 and 1Q22.

**1Q22 Revenue Split By Therapeutic Area**



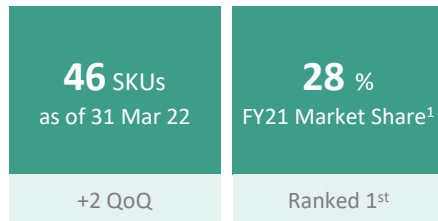
**Revenues by Therapeutic Area**



## Revenues by Therapeutic Area

### Skin care

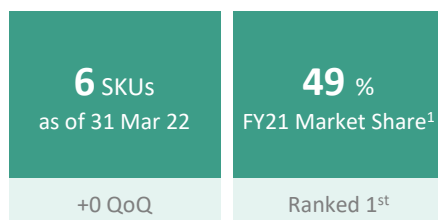
The skin care therapeutic area involves products related to skin care, including skin emollients, lightening and acne treatment, with different forms and methods of application, including creams, liquids, gels, soaps, sprays, cleansers and serums targeting the A, B and C demographic segments.



Skin care maintained its position as the top contributor to total revenues and its year-on-year growth in 1Q22, with revenues from the therapeutic area up by 37% YoY to record EGP 54.7 mn and contributing 74% to overall top line growth during the period. Growth within the therapeutic area was driven by increasing volumes and average pricing, which grew by 19% and 15% respectively, as a result of ongoing product launches under the Group's premium line, Solodex. The quarter saw Macro enter the anti-aging sub-segment with the launch of Solodex Anti-age Eye Contour Gel-cream.

### Female intimate care

The female intimate care therapeutic area comprises of cleansers, antifungals and others. Macro's female intimate care products enjoy high brand equity building from its flagship brand, Gold, the Group's top selling brand across all of its segments in 1Q22, which is expected to support the segment's forward-looking growth.

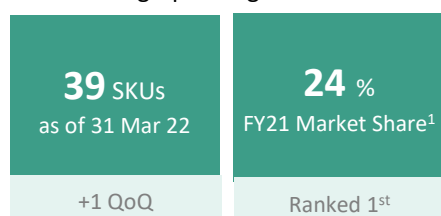


Revenues from female intimate care surpassed that of hair care to become the second highest contributor to total revenues, and third to overall top line growth in 1Q22, with revenues up by 8% YoY to EGP 25.7 mn, despite a volume contraction of 9% during the same period, underlining the net positive impact of recent price hikes on existing products, in addition to the face lift of key products under its flagship brand, Gold, to cater to the higher-income segment.

<sup>1</sup> Source: IQVIA

## Hair care

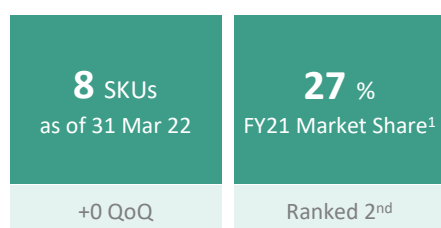
Macro Group offers a wide array of hair products including anti-hair loss treatments, hair strengthening and densifying products, anti-lice products and hair styling products in the form of shampoos, creams, oils, liquids, ampoules and sprays targeting the A, B and C demographic segments.



Hair care revenues remained relatively unchanged between 1Q21 and 1Q22 at EGP 21.1 mn, coming in 3<sup>rd</sup> in terms of contribution to total revenues during the latter period. Increasing volumes by 5% YoY was offset by declining average pricing by the same amount. Ongoing launches under Macro's premium lines, including an anti-dandruff shampoo launched under Solodex during the quarter, is expected to drive up average pricing within the therapeutic area within the coming months.

## Anti-scars

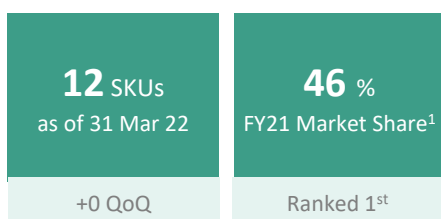
The anti-scar therapeutic area comprises of products related to scar management, burn treatment, post-acne scar prevention and wound healing, in the form of creams, gels, serums. Macro is reputed within the therapeutic area through its flagship brand, Scaro, which is considered the only locally produced anti-scar product.



Anti-Scars was the fourth-selling therapeutic area and the second-highest contributor to absolute top line growth during 1Q22 at 13% of absolute revenue growth, with revenues recording EGP 14.1 mn, up 23% YoY, driven by increased product pricing as the Group looks to penetrate new subsegments within the Gynecology field. Macro has also stood to benefit from increased price competitiveness of its top-performing product, Scaro gel, with the recent currency devaluation impacting the price of its only competitor, which is imported.

## Oral care

Macro's oral care segment provides a wide range of oral care hygiene products, including mouthwashes, and oral antiseptics, with different forms and methods of application, primarily through its flagship brand Orovex, which is the second-highest selling brand across Macro's full portfolio.



Oral Care revenues declined by 17% YoY in 1Q22 to EGP 11.4 mn, driven by a temporary decline in volumes of Orovex due to significant price hikes implemented across the brand in order to cater to a higher-income segment. The Group has implemented a multi-channel marketing campaign aimed at bringing up sales volume starting 2Q22 within its new target segment, including printing materials, conference participation, symposium sponsorships, Ramadan promotions, media coverage and on-the-ground activation. Further, the recent currency devaluation is expected to bode well for sales in the Group's substitutes to foreign imported products, such as Listerine.

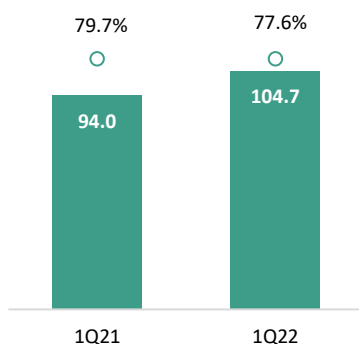
## Others

**Analgesics** recorded solid volume growth in 1Q22, up by 13% YoY during the period as a result of comprehensive measures taken to improve sales of its flagship brand, Frost, through a dedicated business unit, coupled with the development of new innovative products targeting the physiotherapy segment. Helped further by a 2% YoY increase in average pricing, total revenues from the therapeutic area grew by 15% YoY to EGP 5.2 mn in 1Q22. The launch of Frost Max Spray in 1Q22 falls in line with the company's strategy to expand the brand's reach. With its official marketing campaign launch set for May 2022, the product is currently sold solely to distributors.

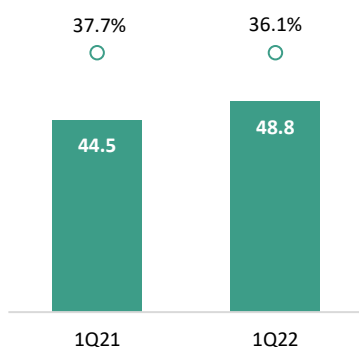
**Antiseptics** saw its revenue decline by 8.4% YoY in 1Q22 to EGP 2.5 mn, driven by a 4% YoY decrease in pricing and volume, after a strong hike in sales in 1Q21 of just over 2-fold YoY which was driven by the onset of COVID-19. This decline was in line with an overall market contraction of 43% YoY as sales of antiseptics returned to more normalized levels.

Revenues from **Nutraceuticals** fell by 43% YoY coming in at EGP 203 thousand on the back of a 44% YoY decline in volume sold during the period.

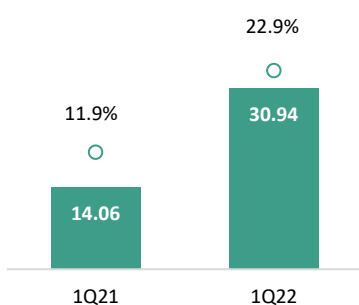
### Gross Profit and Margin Progression (EGP mn | %)



### EBITDA and Margin Progression (EGP mn | %)



### Net Profit and Margin Progression (EGP mn | %)



## Gross Profit

Gross profit increased by 11% YoY to EGP 104.7 mn in 1Q22, yielding a GPM of 77.6%, down 2.1 pps YoY on the back of increasing raw material prices as a result of global and local inflation. Gross profitability was also affected by the increasing share of wholesale revenues, associated with the highest relative discount rates, to the Group's overall top line. It is worth highlighting that MACRO uses the weighted average inventory pricing which in turn impacted raw materials costs as new materials were procured.

## SG&A Expense

Selling & marketing expenses came in at EGP 41.4 mn in 1Q22, climbing 22% YoY, attributed to a ramp-up in marketing & advertising activities to support the launch of new products, and repositioning of existing products to new income groups, which in turn saw selling and marketing expenses increase as a percentage of revenue by 2.0 pps YoY. Meanwhile, general and administrative expenses declined by 9% YoY to record EGP 23.8 mn driven by the decrease in IPO expenses by 65% YoY. Consequently, general and administrative expenses as a percentage of revenue also declined by 4.5 pps YoY to 17.6%.

## Adjusted EBITDA

EBITDA adjusted for one-off IPO fees and ESOP expenses of EGP 6.1 mn, grew by 10% YoY to EGP 48.8 mn in 1Q22, translating into an EBITDA margin of 36.1%, which declined by 1.6 pps YoY during the same period due to the hike in selling & marketing expenses, with the effect partially offset by declining G&A expenses as a percentage of revenues during the same period.

## Net Profit

Net profit recorded EGP 30.7 mn in 1Q22, reflecting an impressive triple-digit increase of 182% YoY and an NPM expansion of 13.5 pps YoY to 22.7%, with the majority of margin growth attributed to the absence of provisions formed during the period (vs EGP 13.9 mn in 1Q21). Excluding the effect of IPO and ESOP expenses, normalized net income came in at EGP 36.8 mn in 1Q22, up 85% YoY and representing an NPM increase of 10.4 pps YoY to 27.3%.

## Cash Conversion Cycle

Macro's Cash Conversion Cycle grew by 33 days year-to-date to 179 days in 1Q22, largely driven by an increase in inventories DIO by 65 days year-to-date, which offset a 35-day increase in payables DPO during the same period, as management continues to hold inventories to hedge the company against potential supply chain disruptions, in addition to the expansion of its premium lines, associated with higher-priced materials. Receivables DSO increased by 3 days year-to-date to record 211 days in 1Q22 despite the decline in notes and trade receivables by 10% year-to-date recording EGP 305.6 mn as of 31 March 2022, due to the 3PL agreement with Ibsina.

## Total Debt

Total debt, which consists of short-term loans (86% of total debt) and short & long-term lease liabilities (14% of total debt), grew by 42% year-to-date to book EGP 103.6 mn as of 31 March 2022, driven by a 53% year-to-date increase in short-term



borrowings to maintain a minimum cash balance as well as support annual dividends of EGP 40 mn, income tax expenses, and treasury buyback plan.

### Fixed Assets

Net fixed assets declined by 5% year-to-date to book EGP 38.7 mn as of 31 March 2022. Meanwhile, CAPEX came in at EGP 1.5 mn in 1Q22, up 167% YoY and represented maintenance additions during the period. As a percentage of revenues, CAPEX grew by 0.6 pps YoY in 1Q22 to 1.1%.



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**About Macro Group Pharmaceuticals (Macro Capital) S.A.E.**

Established in 2005 as a joint partnership by Dr. Ahmed El Nayeb and his partner, Macro Group is one of the leaders in Egypt’s fast-growing Cosmeceuticals space, with a market share of 24.3% recorded in 2021 according to IQVIA, based on the therapeutic areas in which it operates. The Company is principally engaged in the manufacture and sale of cosmeceutical and has recently ventured into nutraceutical products. While all of the Company’s products are available over-the-counter, Macro Group also utilizes a prescription-based sales strategy and generates demand through an incentivized medical salesforce of c. 538 employees that targets physicians and pharmacies nationwide. The majority of Macro Group’s diverse portfolio of 123 marketed SKUs as of 31 March 2022 is manufactured in-house at its production facility in Badr City. The Company’s local-brand portfolio includes household names such as Orovex, Gold, Scaro, Topi-Gent and Frost. By developing its own branded products which are both cosmetic and may help achieve a therapeutic effect, the Company offers an attractive value proposition and benefits from an advantageous regulatory framework for cosmetics as well as the defensive attributes and demand profile of prescription-based pharmaceuticals.

For more information about Macro Group, please visit: [www.macro-egy.com](http://www.macro-egy.com).

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**Shareholding Structure**



Leo 1	54.2%
MEA Healthcare Partner	0.002%
Dr. Ahmed El Nayeb	0.0001%
Free Float	45.8%

**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.

## Consolidated Income Statement

Macro Group Pharmaceuticals (Macro Capital) S.A.E - Consolidated statement of profit and loss for the 3-month period ended 31 March 2022

Consolidated Income Statement (EGP)	1Q21	1Q22	% CHG YoY
Sales Revenue	117,921,887	134,913,198	14.4%
COGS	(23,908,381)	(30,194,829)	26.3%
<b>Gross Profit</b>	<b>94,013,506</b>	<b>104,718,369</b>	<b>11.4%</b>
<i>Gross profit margin</i>	79.7%	77.6%	-2.1 pps
G&A Expenses	(17,179,194)	(17,661,894)	2.8%
S&M Expenses	(33,842,744)	(41,417,176)	22.4%
Other Income – Net	(29,575)	136,403	-561.2%
Impairment Losses on Financial Assets	0	965,152	n/a
<b>Net Operating Profit</b>	<b>42,961,993</b>	<b>46,740,854</b>	<b>8.8%</b>
<i>Net operating profit margin</i>	36.4%	34.6%	-1.8 pps
Add back: Depreciation Expense	1,488,339	2,013,911	35.3%
<b>EBITDA</b>	<b>44,450,332</b>	<b>48,754,765</b>	<b>9.7%</b>
<i>EBITDA margin</i>	37.7%	36.1%	-1.6 pps
Provisions	(13,857,180)	0	-100.0%
Finance income/(cost)	(1,684,318)	(904,712)	-46.3%
Employee Stock Ownership Plan (ESOP)	0	(3,000,000)	n/a
IPO Cost	(8,944,240)	(3,097,849)	-65.4%
<b>EBT</b>	<b>18,476,255</b>	<b>39,738,293</b>	<b>115.1%</b>
Income Tax	(7,590,732)	(9,063,353)	19.4%
<b>Net Profit</b>	<b>10,885,523</b>	<b>30,674,940</b>	<b>181.8%</b>
<i>Net Profit margin</i>	9.2%	22.7%	13.5 pps

## Consolidated Balance Sheet

Macro Group Pharmaceuticals (Macro Capital) S.A.E - Consolidated statement of financial position as at 31 March 2022

Consolidated Balance Sheet (EGP)	31-Dec-21	31-Mar-22	% CHG YTD
Inventories	65,616,582	87,480,329	33.3%
Trade and notes receivables	337,895,974	305,571,227	-9.6%
Prepayments & other debit balances	12,230,850	33,361,723	172.8%
Due from related parties	0	0	n/a
Cash & cash equivalents	60,322,683	114,037,309	89.0%
<b>Total Current Assets</b>	<b>476,066,089</b>	<b>540,450,588</b>	<b>13.5%</b>
PP&E	40,723,171	38,690,797	-5.0%
Right of use assets	13,607,968	12,532,098	-7.9%
Intangible assets	0	2,562,630	
Goodwill	46,698,420	46,698,420	0.0%
<b>Total Non-Current Assets</b>	<b>101,029,559</b>	<b>100,483,945</b>	<b>-0.5%</b>
<b>Total Assets</b>	<b>577,095,648</b>	<b>640,934,533</b>	<b>11.1%</b>
Trade and notes payable	38,216,608	40,955,363	7.2%
Accrued expenses & credit balances	48,075,144	97,352,518	102.5%
Short-term loans	58,384,170	89,559,732	53.4%
Provisions	15,549,180	12,159,376	-21.8%
Due to related parties	0	0	n/a
Current income tax liability	42,243,771	51,296,969	21.4%
Short-term lease liability	3,557,764	3,834,325	7.8%
<b>Total Current Liabilities</b>	<b>206,026,637</b>	<b>295,158,283</b>	<b>43.3%</b>
Deferred income tax liability	1,878,128	1,888,283	0.5%
Long-term lease liabilities	11,263,249	10,218,870	-9.3%
<b>Total Non-Current Liabilities</b>	<b>13,141,377</b>	<b>12,107,153</b>	<b>-7.9%</b>
<b>Total Liabilities</b>	<b>219,168,014</b>	<b>307,265,436</b>	<b>40.2%</b>
Paid-in capital	115,471,700	115,471,700	0.0%
Legal reserve	28,408,356	29,962,809	5.5%
Treasury shares	0	(10,933,477)	
Retained earnings	213,983,181	199,097,246	-7.0%
<b>Total Equity Attributable to Equity Holders</b>	<b>357,863,237</b>	<b>333,598,278</b>	<b>-6.8%</b>
Non-controlling interest	64,397	70,819	
<b>Total Equity</b>	<b>357,927,634</b>	<b>333,669,097</b>	<b>-6.8%</b>
<b>Total Liabilities &amp; Equity</b>	<b>577,095,648</b>	<b>640,934,533</b>	<b>11.1%</b>