Hikma H1 2025 results presentation transcript

Riad Mishlawi – CEO

- Thank you everyone for joining our 2025 half year results presentation
- I'm Riad Mishlawi, CEO of Hikma, and I am joined here by Khalid Nabilsi, our CFO

Our renewed focus on strategy execution is delivering tangible results

- Let me start by saying how pleased I am with the progress we've made in the first half of the year
- We've delivered strong revenue growth and built solid momentum across the business. While operating profit was down against a strong comparator, demand remains robust across our portfolio, and we've successfully launched new products that are already contributing to our growth
- We also made significant strides in strengthening our pipeline and enhancing our manufacturing capabilities. This is not just about today's performance, but about building for the future
- We've signed new strategic partnerships that will further expand our reach and capabilities.
- And we've done all of this while maintaining healthy profitability, demonstrating the resilience and agility of our business model
- We are executing against our strategic priorities and this is clearly paying off. We're well-positioned for an excellent second half and we remain firmly on track to meet our full-year guidance.
- I'll go into more detail by business segment later in the presentation. But first, I'll hand over to Khalid, who will walk you through the financials.

Khalid Nabilsi – CFO

Group financial highlights

- Thank you Riad and hello everyone
- Reflecting on Hikma's 2025 performance so far, we delivered results in-line with expectations for the first half.
- We grew revenue 6%, driven by robust volumes across all business segments and regions, with recent launches and the benefit of the now fully integrated Xellia acquisition all contributing to growth.
- Group core operating profit declined by 7% in the first half of 2025 to $373 million due to a combination of regional and product mix, FX headwinds, and the unusually strong H1 weighting of the Branded and Rx businesses in 2024. We maintain our expectation of overall growth in core operating profit for the full year.
- These impacts are reflected in our 5% year on year decline in core EBITDA and 5% year on year decline in core basic earnings per share for the first half of 2025.
- H1 2025 operating cash flow came at $161 million vs $198 million in the 2024 comparable period partly due to the decline in operating profit but primarily driven by the timing of tax payments.

Three high quality businesses

Injectables

- Now, taking a closer look at the segmental performance in the first half, starting with Injectables.
- We continue to see consistent and strong momentum on the top-line with 12% core revenue growth year on year, benefitting from recent launches and the Xellia acquisition, which closed in September 2024.
- We are delivering strong growth in our European and MENA businesses, with revenue growing at +26% and +16%, respectively. In Europe we benefitted from an expanding portfolio and market shortage dynamics, while MENA benefited from increasing demand in our existing portfolio.
- Core operating profit was down 7% and core operating margin was 30%, compared with 36.3% in H1 2024. The decline was due to change in product and geographic mix, as well as an increase in costs related to the appreciation of the Euro.
- It is important to remember that even at 30%, these are industry leading margins, supported by the breadth of our portfolio, frequency of launches and our focus on efficiency, cost and quality.
- We are pleased to see the products acquired in the Xellia acquisition contributing to revenues, albeit at a lower margin in the short term while we complete our Bedford upgrades to bring the manufacturing of these products in-house.
- We remain excited for the full year Injectables performance as we expect new launches to provide a tailwind in the second half in addition to the natural H2 weighting of our higher margin CMO operations.

Branded

- Turning to Branded
- The business continues to deliver throughout our markets in MENA with 4% growth on the top line and 3% operating profit growth, with H1 operating margin of around 30%.
- We saw a slight contraction in gross margin from 55% to 53% reflecting the significant H1 weighting of higher margin oncology tenders in H1 2024.
- Our strategy of focusing on high value chronic medications continues to deliver nicely, aligning with the regional trends for increasing demand for these treatments.
- Overall, we remain the second largest pharmaceutical company in MENA by sales, up from 4th in 2021.
- We continue to pursue portfolio expansion within Branded, with 14 product launches and 36 regulatory filings in the first half of 2025.

Hikma Rx

- Now, looking at our Hikma Rx business, formerly known as Generics.
- Our strategy in this business is to operate more within the differentiated and complex prescription medication space, enabling us to achieve greater returns.
- We have seen a solid performance across the Hikma Rx portfolio in H1, with good growth from inhalation products and encouraging volumes across the business.
- Due to the usual competitive dynamics in this business, we saw expected levels of price erosion in the mid to high single digits, which, combined with 2024's H1 weighting, resulted

in an 11% year on year contraction in gross profit, flowing through to our core operating profit.

- We were successful in offsetting a meaningful increase in our R&D spend through cost reductions in other areas such as sales and marketing spend.
- We are excited by the continued development of the Hikma Rx portfolio, launching 3 new products and submitting 3 new regulatory filings in H1 2025.
- So, overall, a solid segmental result across our various businesses in the first half of 2025 and encouraging momentum into the second half of the year.

Cash flow, capex, and balance sheet

- We maintain a robust balance sheet with leverage below 2x at 1.7x net debt/core EBITDA. This was up slightly vs 1.4x in December 2024 reflecting our lower EBITDA in H1 2025 and higher debt utilisation to fund recent acquisitions. Our low net debt also reflects the healthy level of cash within the business.
- We continue to invest in upgrades and new capacity to increase our local production capabilities, reflected in our $68 million in capex in the first half of 2025.
- As mentioned at the start, our operating cash flow came in at $161 million for the first half of 2025 vs $198 million in the first half of 2024. The delta is primarily due to the timing of tax payments which represented a $60 million cash outflow in H1 2025 vs $36 million in H1 2024.

2025 full year guidance

- Finally, we are pleased to be reiterating our group level full year 2025 guidance with 4% to 6% of revenue growth and core operating profit in the range of $730 million to $770 million as we continue to execute on our strategy in a year defined by unpredictability.
- While we maintain our group level guidance, the segmental contributions change slightly.
  - For Injectables, we continue to expect strong delivery on the top line, but we now expect a core operating margin between 32% to 33%, adjusted from ‘mid-30s’. This is primarily due to the strengthening of the Euro against the US Dollar, as well as some inflationary pressure on shipping and other expenses.
  - In contrast, we expect FX to be a modest tailwind to our Branded business and now expect 6% to 7% revenue growth on both a constant currency and reported basis. Our core operating margin expectations for this segment remain ‘close to 25%’.
  - Our Rx guidance is unchanged at flat on the topline year on year and around 16% core operating margin.

Thank you, I will now hand back over to Riad to provide a closer look at our business strategy execution.

Riad Mishlawi – CEO

Injectables – driving growth with strategic investment

- Thank you, Khalid. As you’ve just heard, we delivered a solid first half with a good momentum heading into the second half
- This performance reflects our continued investment across commercial, operational, and R&D – the foundations of our long-term growth

- If we look at some of our achievements by business segment, starting with Injectables, which is our largest business. This business is at an exciting time of its development, with a range of new initiatives underway across geographies focused on expanding market share, enhancing local manufacturing capabilities and strengthening the pipeline
- We've made strong progress in the first half, delivering on these priorities
- In Europe, we are gaining market share, supported by the successful launch of new products and our ability to respond swiftly to the market shortages
- In MENA, where we are the leading supplier of injectable medicines, we are seeing strong demand across our oncology, biotechnology and anti-infective portfolios. We also launched our first diagnostic product through our partnership with Guardant Health.
- In the US, we're laying the groundwork for future growth by building an integrated commercial team to support our upcoming specialty launches—ensuring we're ready to compete in high-value segments.
- We are also making strong headway in advancing our pipeline across our markets.
- We received US FDA approvals for Tyzavan and Ustekinumab, important additions to our portfolio that reflect our ability to bring high-value products to market. These products will be supported by our specialty commercial team and are expected to launch later this year
- Our Zagreb pipeline has expanded significantly, growing from 9 to 22 active projects. These span innovative and generic products, as well as opportunities for EU expansion
- While Injectables operating profit was down in the first half, looking ahead to the second half we expect to return to strong profit growth, supported by a pickup in CMO activity for Injectables and new product launches
- Beyond 2025, the investments we are making today are set to drive strong revenue growth and profit growth over the medium term, while maintaining our industry leading margins

Branded – reinforcing our leadership position in MENA

- Turning to Branded, this business continues to build impressive momentum. We're delivering strong, profitable growth, underpinned by our strategic investments in high-value treatments for chronic conditions.
- In the first half, we've broadened our portfolios in oncology, diabetes, and multiple sclerosis, driven by meaningful engagement with key opinion leaders. This is enabling us to deliver greater value to both patients and healthcare providers across the region.
- We've reinforced our position in the epilepsy market through successful new launches, and we're proud to have introduced the first generic version of a key breast cancer therapy in Algeria.
- We also initiated our first value-added medicine project, which is the equivalent to a 505(b)(2) filing in the US —another important step in tailoring our portfolio to regional needs
- Our commitment to manufacturing excellence remains a priority. We're investing in expanding our capacity and capabilities, strengthening our role as a trusted local manufacturer of high-quality medicines, backed by global expertise. Notably, we've initiated expansion plans for a new oncology facility in KSA.

- We're also progressing well with the in-house transfer of the Takeda portfolio, which will enhance our operational control and efficiency.
- I'm excited by the potential of this business. It's a stable, steadily growing operation with an excellent margin profile, and we're confident in its continued success.

Hikma Rx – building resilience while investing for the future

- Finally, our Rx division, formerly known as Generics
- We continue to defend and grow our key value drivers, particularly in inhalation and nasals, where we have strong market positions
- A key priority for this business has been to strengthen our pipeline, ensuring we have the capabilities and partnerships in place to deliver consistent, high-quality launches over the long term
- I'm pleased to say that we are making excellent progress
- We are increasingly leveraging synergies with our MENA R&D teams, including for the co-development of solid oral formulations. We've also established new R&D capabilities in Zagreb, further broadening our pipeline
- And there's more to come. In the second half we plan to file Epinephrine nasal spray, an important addition to our nasal portfolio. We'll also kick off key projects to support our inhalation pipeline
- Operationally, we are pushing forward with key initiatives. We've delivered on key milestones for our CMO business, reinforcing our reputation as a trusted partner. We also expanded our inhalation capacity, which is already translating into increased market share.
- Looking ahead, our broad and differentiated pipeline will drive future growth. This business is on a much stronger footing now. It is stable and steadily growing, with an excellent margin profile

Our strategic plans, underpinned by significant investment, will enable us to achieve our Group medium-term targets

- Before we close, I want to take a step back and reflect on the bigger picture and remind you of our strategic journey
- From inception through 2024, our focus has been clear: strengthening the fundamentals of our business. We've made significant progress during this phase—streamlining operations, reinforcing our core capabilities, and building a strong foundation that positions us well for the future.
- Now, in 2025 and 2026, we are entering a pivotal phase. We are significantly investing in our business – sowing the seeds for long-term success. These investments are deliberate and forward-looking, ensuring we are structurally set up to scale and lead in the years ahead.
- From 2027 onwards, we expect to see the returns on these investments materialise. This is when growth will accelerate, powered by the groundwork we're laying today.
- The progress we've made in the first half, across R&D, commercial, and operations, shows that we're delivering on what we said we would
- We know there's more work to do, but we're confident in our strategy, in our execution, and our ability to create long-term value
- Thank you