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HALF YEAR 2026 HIKMA PHARMACEUTICALS PLC EARNINGS CALL

EVENT DATE/TIME: August 06, 2026 / 8:30AM UTC

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PRESENTATION

Guy Featherstone *Hikma Pharmaceuticals PLC - Investor Relations*

Good morning, everyone, and welcome to Hikma's 2026 interim results meeting with our CEO, Said Darwazah, and Acting Chief Financial Officer, Areb Kurdi.

We also have Susan Ringdal and myself, Guy Featherstone, Investor Relations. Before we start, I would like to remind you that any forward looking statements or projections made by Hikma during this call are made in good faith based on information currently available and are subject to risks and uncertainties that may cause actual results to differ materially from those projected. For further information, please see the Principal Risks and Uncertainties section in Hikma's latest annual report.

With that, I'll hand over to Said for opening remarks before we head to Q&A.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

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Thank you so much. Just quickly, a few things to say. Obviously, you saw the results. Sales are up. I think what's very exciting is that EBIT and EBITDA are up by almost 8%. EPS is up by 5%. When we met last time, we said we had four targets this year. One is to stabilize the business.

Actually, we're talking about the injectable business. The other two business were doing well. I think this has been achieved. We talked about making the company more agile, quicker decision making, and we have taken tons of decisions. Now, the way the company is structured, I think very much supports this quick decision making and supports the senior management of the team to take quick decisions and to take quick actions and reactions where they are needed. We said we will invest for the future. We have done a lot of investment in people, I think is most important, in talent and people. We have done investment in equipment. Of course, R&D spend, as you can see, is up. We are really setting up the company for the future.

We hope that, again, we feel extremely comfortable to reiterate full year guidance. As we have seen, MENA has done extremely well, exemplary good. I've always told you this company has three engines to drive it, and I always said that even when one of the divisions or one of the engines is facing some headwinds, the others can make it up and move it faster. MENA is doing extremely well, and obviously, we have big ambitions for the MENA to continue. Injectables, as you see, as we said, we have stabilized the business.

Rx is delivering very good margins compared to where it was just a few years ago. These are the background. Again, I think we should always remember this is a company that's been driven, that has three businesses, and if you look at historically, we've always had one of the businesses push the company forward if the others were lagging behind. If you look at the CAGR over the last 10 years and of course, the first six half of this year, we'll see that every year there has been growth both in sales and in profitability. I think CAGR for the last 10 years was 8% for sales and 6% or 5% for profitability. We hope to start driving the injectable business next year to start growing the profitability top line and bottom line there as we continue to move the other divisions forward.

With that, Areb is here with me also, and we are ready to take your questions. Go on.

QUESTIONS AND ANSWERS

Guy Featherstone *Hikma Pharmaceuticals PLC - Investor Relations*

If you could just wait for a microphone and then please introduce yourself.

James Gordon *Barclays Services Corp - Equity Analyst*

Thank you. James Gordon from Barclays, thanks for taking the two questions. The first question was on the branded business. In terms of phasing, you had a strong H1, both on the top line and the margin. I think for the full year, you've said you'll be at the better end on the top line.

How much of the H1 strength was this one off factor or the phasing factor, and also how much of the costs? What would H1 look like on a clean basis? How much more cautious do we need to be about H2? That'd be the first question, please. The second question was generics. I think although you've reiterated the guidance overall, I think the margin before was around 20% and it's now approaching 20%. What, if anything, has changed there, is that a big difference or just a minor difference, please?

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

You want to take the MENA?

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

Yeah.

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Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

Yes, go ahead.

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

In terms of sales, James, this is the normal trend that we see every year. There is a trend in tender business, there was many tender businesses delivered in the first half in terms of sales. Also, we've seen some good demand, especially at the beginning of the war. Some governments started to stock up, although we see this has normalized at the end of H1. Importantly, we had many sales and marketing events and expenses that were either intentionally postponed due to the situation, or we had to postpone them because there was limitations on the travel, et cetera. We will see those events happening in the second half.

James Gordon *Barclays Services Corp - Equity Analyst*

Are you able to quantify those at all to help us model? Are you able to say broadly how significant those are if we're trying to do a clean model for H2?

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

So I would say H1 would be 55% weighted in terms of sales, and more weighted towards EBIT in the second half.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

Obviously, we're also taking consideration that things haven't settled down yet and there's a lot of uncertainty in the region, which historically has been helpful to Hikma, it's wise to be careful about the plan for the second half. The Rx division, we said that we would push the margins to where they are now. Sodium oxybate has done very well. We have seen a little more competition for generic Advair. We also, as we've said before, we do have big plans for CMO. We see CMO business picking up there. Any kind of headwinds that, let's say, sodium oxybate will face, will be picked up by the CMO business.

Zain Ebrahim *JPMorgan Chase & Co - Analyst*

Hello, Zain Ebrahim of JP Morgan. Thanks for taking the questions. First question is on Tyzavan. If you could provide us maybe a bit more colour on how that's performing relative to your expectations. I think you said that 80% of bank ready customers have now switched or partially switched onto Tyzavan.

How does that compare versus your expectations at the start of this year? What underpins your confidence in an acceleration in the second half of this year for Tyzavan and into 2027? That's the first question.

Second question is on RX launches. I think you've had quite a strong launch so far with tapentadol. More broadly, are there any other launches that we should be excited about in the next 12 to 18 months? What's the latest on epinephrine nasal spray filing?

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

Okay. For Tyzavan, it takes a long time for the formularies of the different buying groups to take it on. Even after they say, we will, it takes some time for the different hospitals to start stocking and using it.

We have been seeing a pickup month by month, and we feel very comfortable that for the second half of this year, that we will continue seeing this increase month by month.

I think the last three months of this year should be very indicative to give us a full idea of how it will be doing next year. Many of the hospital groups that we were trying to get them to take the product have taken it. We will be seeing the benefit of that. The second question was?

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Guy Featherstone *Hikma Pharmaceuticals PLC - Investor Relations*

Rx. Tapentadol and Rx. Tapentadol is going very well. We're authorized generic on that, and it's just been a good launch. I think more broadly, the question was around launches, the launch environment, and obviously that probably goes into epi nasal.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

Yeah. For the epi, the submission has been done. We're waiting obviously for the FDA to accept the submission, and that would give us a clearer idea when we get the approval. In the meantime, we have approved the plan for the product. Obviously, it needs major investment in promotion and hiring people and so on. We'll begin this as soon as the FDA accepts the submission.

Guy Featherstone *Hikma Pharmaceuticals PLC - Investor Relations*

Giang and then Beatrice.

Giang Nguyen *Citibank Cameroon SA (Douala Branch) - Analyst*

Hi, good morning. Giang Nguyen from Citi. I have two questions, please. The first one is, in terms of the US Injectables business, outside Tyzavan, could you give some comments on how the rest of the business has been trending, and especially what are you seeing in terms of momentum carrying into the second half of the year?

My second question is, looking at your full year guidance, which you have reiterated, clearly first half performance has been very good, not only Branded, but also the margins that you have got in Injectables and Rx despite all the increased investment, et cetera. What would you want to see to be able to increase the guidance for the year? Thank you.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

As we said, a lot of work has been put into stabilizing the business in hiring people across all levels. Actually, it's not just senior people, but across all levels, including operators for the plants, bringing in the equipment, making sure the bottlenecks are taken care of. We've invested heavily in supply chain, both internally and we brought in external consultants to help us.

We are seeing that we have now, as we say, safety stocks. We haven't had safety stocks for a long time. These are very important because they give us the ability to react to the market when there's a need, when there's a shortage, and obviously it's much more profitable selling those. We have started building up the safety stock.

I believe that all these measures that we are taking, increasing the number of units that we are manufacturing, we've always had an issue of supplying the market. This hasn't been the issue of demand. Now I think we have much better supply for the market.

In terms of R&D expenditure for the Injectable business, there is a huge increase there. We have a big team in Croatia, and we have been giving that team everything they need in terms of personnel, in terms of equipment, or whatever they need, trying to expedite things, move them as fast as possible for the submissions. I don't know how many submissions or if we've given out any numbers.

Guy Featherstone *Hikma Pharmaceuticals PLC - Investor Relations*

Yeah.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

But, we will be seeing an acceleration of submissions there. Clearly, those submissions will be driving business 2028 and further. We're very optimistic about the future of the Injectable business.

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Beatrice Fairbairn *Joh Berenberg Gossler & Co KG - Equity Analyst*

Hi, Beatrice Fairbairn from Berenberg. Thank you for taking my questions. Firstly, I had a couple on the kind of CMO business. You noted that you expect CMO revenues to pick up in H2 for Injectables. Could you just clarify what level of visibility you have on this?

Then on the Hikma Rx segment, the CMO side, you've obviously got your target out there for 20% CMO revenue contribution by 2030 for the segment. Could you give an update on where you're tracking relative to that and what level of visibility you have? Then just a quick one on cost inflation. You noted you absorbed the impact of the cost impact in H1. What cost impact do you expect from inflation in H2, and worth looking further out? Thank you.

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

In terms of inflation, we've been able to absorb all the inflation that we faced so far. The team has been doing really great in navigating all the cost increases, this is evident by the margins that we have. We believe we will be able to continue to absorbing the inflation in the second half. In terms of the CMO Rx, we're trending well. We're doing good in terms of the plan. We will start commercializing next year for the CMO.

Susan Ringdal *Hikma Pharmaceuticals PLC - Executive Vice President - Strategic Planning and Global Affairs*

In terms of the target that we set, we still feel comfortable that we can achieve 20% of the Rx revenue from CMO by 2030. We have one, as we've talked about some of the contracts that we've won, we continue to talk to new partners, sign new agreements. We are gradually building that business.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

There's a lot of demand. We're talking to many companies about that, there has been some serious investment in the Columbus plant and serious expansion that is coming on board. As that comes, we will be able to take care of more of that business. We still are very optimistic.

That's actually the only thing that we still haven't done from all what we said is hire a top CMO commercial guy. We still very much are looking for that, and we hope to have that filled before the end of the year.

Susan Ringdal *Hikma Pharmaceuticals PLC - Executive Vice President - Strategic Planning and Global Affairs*

In terms of the confidence in Injectable CMO in the second half, it will be similar to last year. Last year, we had indicated that the CMO would come largely in the second half.

That's really down to the timing of when we decide to fulfill those orders. We will see that come in the second half. We have good visibility. As we said at the beginning of the year, the CMO will be slightly lower this year than it was last year. Nothing has changed there.

Guy Featherstone *Hikma Pharmaceuticals PLC - Investor Relations*

We're going to go to Victor and then Christian.

Victor Floch *Exane Bnp Paribas - Analyst*

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Great. Thank you very much for taking my question. Victor Floch, BNP Paribas . Maybe two question on my end. One on potential US tariffs and one on midterm targets. On potential US tariffs, so you were quite keen to highlight your continued ambition to invest into your US capacity a few weeks ago.

I was just wondering whether you've spoken with the US administration since then? One of your competitors, Sandoz, has been arguing yesterday that this tariff represented actually an opportunity for them, even though they don't have local capacity in the US.

Just interesting to get your take on that. Does it change anything in your strategy? If you have any feedback from the US administration would be nice. The second one on midterm targets. Looks like the business is doing well, it looks pretty much in track to deliver the guidance for this year, but we still like midterm targets. I was just wondering, what do you still need to see before being able to set up new midterm targets? Is it about capacity, business trends? Just help us understand the key moving parts there. Thank you very much.

Susan Ringdal *Hikma Pharmaceuticals PLC - Executive Vice President - Strategic Planning and Global Affairs*

Maybe I'll take the tariffs, Areb, you can take the midterm guidance. On tariffs, we are one of the largest domestic manufacturers for generics in the US. We feel that we are in a very strong position. We have invested a lot over the years in our US manufacturing, we continue to invest in US manufacturing.

We feel that we have a strong position. We have very good relationships with legislators in the US. We are in Washington very often. We believe very strongly in building strong domestic manufacturing in the US. We do think that we are well positioned there. The majority of the products that we sell in the US are made in the US

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

I mean, Rx is almost 100% made, 90% in the US. For Injectables, obviously we are increasing capacity in Cherry Hill. We said in 2028, the Bedford plant will come out, which is purely injectable also, increase the percentage.

When we think about it seriously, I don't think there is any country in the world that taxes imported pharmaceuticals. Tariffs, it's something that we've heard a lot, we haven't seen. I really doubt that we will see it. This is my personal view.

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

As Said and Susan said, we have the foundation in the US. We invested in the US, we're committed to invest in the US. There is really no change to our strategy.

We are already committed. Plus, maybe, Said, you can mention a few words about our commitment to Ohio, we got some incentives from the state.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

Yes, we have met with the development agencies in Ohio. I was there a few months ago, and I met with the Governor of Ohio. They are very pleased with the amount of investment that we are making, both in manufacturing and R&D, and we have committed that we will continue the expansion there. We received $50 million of incentives from the state of Ohio. That will be something like $5 million over 10 years. $5 million every year to up to $50 million. This is the first time we do this kind of PR and working with the States.

I believe that Hikma, because it has such a big ‘made in the USA’ footprint, we have been invited actually to Washington. We have been invited to the White House. I think we work with the committees there regarding pharmaceuticals made in the USA. Our profile has really been significantly, let's say, more emphasis on that.

Actually, I joke I was the first Jordanian to be allowed to have the Global Entry, was given the Global Entry visa to the US. The ex secretary of, what was her name? The one that of security, Homeland Security. She actually came to Jordan personally to give me

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the big thing in Jordan.

It's a way to show that Hikma's profile has been really much more now important than before. Obviously, also the very important news we had was the case, the Amarin case, where rarely have you seen all the Supreme Court vote in the same way.

That was also a big win for us and a big win also was good for our reputation, was a big win obviously for the whole generic industry.

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

In terms of the midterm guidance, we want to focus on current year, we want to deliver on the current year, and we want to keep investing in the R&D and fixing the foundation in terms of our commercial capabilities. No changes.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

Again, the drivers for growth, it's very simple. We always say it's not rocket science. Having the manufacturing machine, being well established and having well balanced lines, we have worked very hard on that. We have given, you know, the supply chain - we said last year we had GBP90 million of products, slow moving inventory, which we don't want to repeat at all. If we just do the normal, GBP40 million of those would have been profits. We want to make sure we don't have a repetition of that.

Supply chain, as I said, we have been working internally and externally on improving that, we see big improvement, and that will be very helpful. Having the safety stocks will be very helpful.

R&D, we are putting a lot of emphasis, a lot of effort there, both in terms of bringing in the right number of scientists and the right qualified scientists, which we have done. I believe we are very well there. We will be seeing how fast the submissions will be accepted. All these things will be indicators of when and how fast the business will start growing fast again. Finally is acquisitions. I think we have to be a bit more aggressive in acquisitions. In Europe, I think there are a lot of opportunities for company acquisitions. The US is still very difficult, but in Europe, there is a lot of opportunity for company acquisitions. In the USA, we should be more focused on product acquisitions to, especially for the specialty part of the business, the promotion. We have invested significantly in the promotion team.

Tyzavan is just the first of those products that are ready to use. We want to also enhance that with other products. These three things together will be the engines of growth. That's for the US and the injectable. The MENA, we always underestimate the MENA. The team is doing simply superb there. I keep meeting people everywhere and wherever I go in the MENA, they say, Oh, we're using this product of Hikma, it's amazing. We're using that product. They have been launching products in almost every category.

In oncology, we have become the number one oncology in the MENA, both in terms of the products we manufacture and the products that we're licensing. The profile of the company there is really fantastic, the MENA itself is growing very fast. Do we have any information how fast the MENA is growing?

The MENA is growing very fast. Saudi Arabia is growing very fast. Algeria is growing very fast. Egypt is growing very fast. We are very well positioned to capitalize on that and to continue to grow the MENA.

The Rx, as we said before, we believe the engine for growth obviously will be R&D, like epinephrine and products like that. Also the CMO, as we said, will be a major part of that business.

Guy Featherstone *Hikma Pharmaceuticals PLC - Investor Relations*

Chris. Then we're going to go to the line before we take the second questions.

Christian Glennie *Stifel Europe AG - Equity Analyst*

Thanks. Yeah, Christian Glennie with Stifel. The first one would be actually come back to an earlier question around guidance. To understand the weighting here, you talked about on the revenue side, 2% to 4% full year. You're already at 4% for this half. You talked about it being slightly second half weighted.

Similarly on operating profit, you did GBP405 million in the first half. You talk about it being broadly equal weighted across the year.

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Yeah, you've maintained your guidance at the 2% to 4% on the top line, and you maintained your GBP 720 million to GBP 770 million.

What is it that kind of implies that you're well ahead of those, you're tracking well ahead of that. Is it a question of being prudent at this point, maybe in the context of what happened previously? Or is there something, other things to be aware of, particularly in the second half of the year?

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

I think we've been very clear that investment will continue. A lot of investment will continue. R&D investment in the second half will be higher. Promotion investment in the MENA will be higher. We still have, as I said, a few more high profile people that we need to add to the business.

We feel that we need to do this, and they will sort of weigh down. I think, again, the business is doing well. Things are moving in the right direction.

That's why we feel very strong to reiterate the guidance. As I said before, we also feel very strong that the Injectable engine will start to grow starting next year, we hope, significantly.

Christian Glennie *Stifel Europe AG - Equity Analyst*

Okay. The follow up would be, sort of touch on capital allocation, particularly 503B, you talked about divesting that, and last time we spoke, I think, sound like there was quite a bit of interest. There was some sort of tangible thing. Any update on that process? As it relates to what you just said around opportunities that may be in Europe, what sort of things might be incremental to your business in Europe, just so we have an idea of what sort of things you're looking at in Europe?

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

In the past, we were only looking at increasing. Let me, again, talk a little bit about more Europe. We have manufacturing in Portugal, and that's where we have been really investing the most, right, expanding continuously.

We have manufacturing in Italy and Germany, which somehow we haven't been really investing in because we were always thinking that eventually we will be closing those down and moving things over.

The reality is we are finding out that both those sites are extremely important for Hikma. We had the full European team come visit us a little while ago. We sat with them for about a week, and they're extremely excited. They feel that there's a lot more that we can do just by expanding manufacturing capacity, by expanding our footprint.

We have taken decisions to go ahead and expand as fast as we can in Germany and Italy, update the equipment. Some of the equipment is a bit older, so updating the equipment, expanding there. We feel that that by itself will help us grow significantly.

We've also now said for the BD team and M&A team, don't just look for Injectables, let's look for could be ophthalmics, could be ointment, could be some other things that we can add to expand. We feel Europe would be easier. You will not have the US in Europe. It's less there, and because we don't have other products, so it's easier to do these things. That's why we feel. As I said, in the US, it will be probably more of product acquisitions.

Also there are opportunities for doing things like animal health or ophthalmics or whatever. Europe expansion will be a big driver of that. The demand is there. The profitability has been much, much better than we expected before.

We see a lot of countries there adopt that it's not just prices that we want to look at. We look at prices, we look at quality, we look at history of delivery.

All these things are coming into play. As I said, we are now the fourth largest company in injectables, and that's why we feel emboldened that maybe we should be not just in injectables in Europe, but to go into other opportunities there.

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

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To add to Said also point, we're also expanding into different markets as well. We're expanding in France and Spain. Those are still new opportunities, they have really good growth.

Christian Glennie *Stifel Europe AG - Equity Analyst*

503B?

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

503B, when we started, we believed this was a good strategic fit, we realized that this was a distraction for the rest of the team, it was really a small contributor.

Actually, it was loss making so far. We thought we want really the Injectables team to focus. This was part of the priorities that Said had to review at the beginning of the year and look into what improvements we can make to the Injectables process as a whole.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

The compounding in the US, you really have two providers. You have the smaller pharmacies, we have seen actually the FDA has given them more authority to compound the peptides now and so on.

You have the bigger companies. When we first started, the regulations were much less, or at least the FDA had not been very involved in regulating that market.

Since we started, it just happened, the timing, they have become much more active, the FDA is still trying to figure out how they're regulating. You have seen a lot of warning letters go out. You have seen a lot of companies had to shut down or are not doing well.

Really, the overall, let's say, big market of compounding hasn't really materialized. We figured that we would need to invest a lot of money. It would be very distracting.

We thought we'd be better off concentrating on the businesses that we have, especially since we know that by investing more in our manufacturing capacities and bringing in obviously the Bedford plant will be very important. That's why we sort of said, let's give it up.

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

In terms of execution, it's according to the plan. We're unwinding the business, and it's up for sale, and we see good interest as well. In terms of selling the business to other parties.

Guy Featherstone *Hikma Pharmaceuticals PLC - Investor Relations*

We're just going to go to the line now. I think we have at least one question there, so I'll hand over to the operator, and then we can come back to the room.

Operator

(Operator Instructions) Kane Slutzkin, Deutsche.

Kane Slutzkin *Deutsche Bank AG - Analyst*

Morning, guys. To be honest, most has been answered. Just a quick follow up on the Injectables second half ramp.

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I'm just wondering how much of that is dependent on Tyzavan conversion vs improvement in the broader underlying Injectables business. Just on the CMO side, how's that pipeline of potential opportunities changed over the last maybe six months, particularly given growing interest in US manufacturing capacity? Thanks.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

Again, as we said for Tyzavan, there's been a lot of hospital buying groups adopting the product, taking it on instead of the older product. There was still a significant amount of supply of the ready-to-use vancomycin that obviously the hospitals had to use.

That's why, first of all, we see the ramp up is going up now month by month, but we are much more optimistic that towards the last quarter of this year, we will be seeing some big strides as the new hospitals, the new buying groups that have been converted will start using the Tyzavan.

Again, I think by October, November, we will have a much clearer idea of how fast and how big the product will be, but we obviously are extremely optimistic. We have invested significantly in the marketing and sales team there. I think a year ago, we were talking about three or four people. Now we're probably talking about over a dozen people working there. We have brought in a new head of marketing and promotion, head of commercial for that team. We've done a lot to make things go in the right direction. Obviously, we feel very comfortable that we will achieve that. In terms of CMO, again, we have CMO for the two businesses, for the sterile and for the Rx.

The Rx, we said that there are a lot of demand. Actually, for both businesses, there's a lot of demand. It's really a question of our capacity and how fast we can be able to take in those. But we do have, I think, significant CMO for the Injectables scheduled for the second half of this year.

Operator

Miles Dixon, Peel Hunt.

Miles Dixon *Peel Hunt LLP - Equity Analyst*

Good morning. Thank you. Sorry to labor the point and return to the guidance and the second half weighting, there is a clear statement that says revenue and operating profit are weighted to the second half in the release.

Certainly, I thought I heard Said about the second half additional cost in R&D. What is it that I'm missing about not even moving to the upper end of guidance on core operating profit for the full year? Thank you.

Susan Ringdal *Hikma Pharmaceuticals PLC - Executive Vice President - Strategic Planning and Global Affairs*

I think it's best to take it segment by segment, to be honest. For the Rx segment, we feel very comfortable that we should see a broadly similar performance in H2 vs H1.

The Branded is what we've said, even if you go to the top end of the range for Branded, that does mean that it is much lower in terms of revenue and operating profit in the second half of the year. Then that's offset by the increase in revenue and operating profit in the Injectables.

On balance, it's going to be for the group, I guess, a slightly lower second half, primarily because of the Branded business and the very strong weighting of operating profit for branded in H1 vs H2.

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

Also, let's bear in mind on MENA and Branded, the situation in MENA is unstable, and there's a war going on there. We prefer to be cautious as well on our projections throughout the H2.

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Miles Dixon ***Peel Hunt LLP - Equity Analyst***

Understood. Thank you.

Operator

(Operator Instructions) There are no further questions on the conference line. I want to hand back over to the Hikma team.

Guy Featherstone ***Hikma Pharmaceuticals PLC - Investor Relations***

James?

James Gordon ***Barclays Services Corp - Equity Analyst***

Thanks. James from Barclays. Maybe just to follow on to your comment there, which would be, I noted the comment about being cautious on H2 because of the situation in the MENA region, it sounds like, at least for Hikma's business, it hasn't actually been a bad thing, because actually there's been some extra sales and less spending. What is it that could be bad for Hikma's business as a result of this situation in the second half?

Said Darwazah ***Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director***

We said that usually when there is uncertainty, there's a lot of stockpiling. Stockpiling means that it will take time for it to be used. The stockpiling has been made, clearly that kind of sales will not happen in the second half, you need to reduce the stockpiles. There's always the issue of currency stability. There's always the issue of supply chain disruption.

Areb Kurdi ***Hikma Pharmaceuticals PLC - Acting Chief Financial Officer***

Uncertainty.

Said Darwazah ***Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director***

Yeah. The uncertainty. It's tough to plan for that.

Areb Kurdi ***Hikma Pharmaceuticals PLC - Acting Chief Financial Officer***

We've been in this region for decades, and I think we're really well positioned compared to all our competitors to capture any opportunities. We've seen this in H1.

Said Darwazah ***Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director***

Yeah. I really think that the big issue is the stockpiling, at first. Governments were buying a lot of products.

Areb Kurdi ***Hikma Pharmaceuticals PLC - Acting Chief Financial Officer***

Bear in mind that we're going to also spend more in H2 for the future growth as well. That's the balance between H1.

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James Gordon *Barclays Services Corp - Equity Analyst*

Can you quantify the stockpiling a bit so that we can try and model that properly?

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

As I said in the beginning, we saw a stockpiling at the beginning of the war in Q1, but we saw this normalized towards the end of H1. I wouldn't really put so much weight on the stockpiling. Our tender business is always H1 weighted, and the historical trend of our sales are always H1 weighted.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

It could do better, of course. Obviously, we would like it to do better.

Giang Nguyen *Citibank Cameroon SA (Douala Branch) - Analyst*

Thank you. Giang from Citi. I have maybe two follow up questions. One is a small follow up point on the compounding business. Is there a timeline that you could communicate to us as to when this process you're looking to wrap up? In relation to that, I think previously the guidance for Others was to break even. Now with the compounding business being unwound, are we looking at better than break even for the year? That's the first question.

The second question is, in terms of buyback, you've made significant progress. Would you rule out further buyback this year, or do you need any further board authorization if you want to continue for a new program? Thank you.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

The buyback, it's almost finished. I think there's very little, probably $20 million or something like that left. $230 million have been. The buyback is almost done. I think so far we've acquired about 11 million shares in the buyback.

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

Close, yeah. Close to 12.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

Close to 12. It's almost done. I think for this year, that's that. Obviously, the issue of the buyback every two years, there is a revision. We take a look at that and see, we'll take that when it comes. The compounding, we are in discussions for somebody to take it over. It should be fairly soon.

Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

It should be soon. We've classified this as held for sale in the financials, which means we expect it to be sold within 12 months, we expect this to be much sooner.

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

Keep in mind, it was always put along the Others when it came to sales. It wasn't put under anything else.

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Areb Kurdi *Hikma Pharmaceuticals PLC - Acting Chief Financial Officer*

Yeah. On the Others, you're right. I think we'll make, I wouldn't allocate so much profit, we'll make profit on the Other segment.

Chris Richardson *Jefferies - Analyst*

Thank you. Chris Richardson from Jefferies. Just a quick one again on the Branded margin. As you mentioned, there is quite a material fall off in the second half, and even though there was a similar H1 weighting at the top line in 2025, the margin stayed relatively even.

How should we think about mid teens as an exit rate into 2027 if financials, S&M or sales and marketing expenses are staying relatively consistent in H2 vs H1? How is that fall off happening, and how should we think about it progressing into the midterm?

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

Yeah. Margins for the Branded, as we continue to adopt more advanced products, the margins are better, but keep in mind that most of those products are under license. The margins we've achieved this year, we are at what? Almost 30%. They're quite high.

Clearly, we would like them to stay there. Do I think there's a scope for improving? I don't think so, because as I said, the more products that you license, the margins will be around that. The business is growing, and it's growing very nicely. I believe that for the next few years, it will continue to outperform and will continue to do extremely well.

Susan Ringdal *Hikma Pharmaceuticals PLC - Executive Vice President - Strategic Planning and Global Affairs*

A mid to high single digit top line growth rate with mid 20s margin for that business is sustainable.

Zain Ebrahim *JPMorgan Chase & Co - Analyst*

Zain Ebrahim of JP Morgan. Thanks for taking the follow ups. First follow up is just on price erosion. Just if you could comment on what level of price erosion you saw in the Injectables business and in the Rx business in the first half, and how we should expect that to develop going forward?

Said Darwazah *Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director*

For the Injectables, I think the FDA is being a lot tougher. They are really ramping up their inspections. They are enforcing new regulations and new requirements that is forcing everybody to be level headed when it comes to pricing. We haven't seen significant price erosion. I think for us it's a question of ramping up our production capabilities.

As I said, the demand is there. For the last few months we really missed out on the opportunities, the shortage and so on, because we didn't have. By doing that, the safety stocks will help us tremendously because they open opportunity.

It will open up the opportunity for us to do more CMO. Again, there is a lot of demand to do CMO in the US, obviously, but also in Portugal there's demand. By increasing capacity, it will help us. For the Rx, the oral part of the Rx, I think everybody's suffering. There is still erosion.

Susan Ringdal *Hikma Pharmaceuticals PLC - Executive Vice President - Strategic Planning and Global Affairs*

It's probably mid single digits, which is what we mostly expected.

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Said Darwazah ***Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director***

Our sales are becoming more and more inhalation, nasals, and so on, which are suffering much less than the solid dosage orals.

Zain Ebrahim ***JPMorgan Chase & Co - Analyst***

Makes sense. The other question was a follow up on CMO. You said the CMO Rx, I think there's going to be quite a significant contribution next year from the contract that you have, which sounds like is ramping up well.

How should we think about Injectables CMO next year, given that you had the headwind from losing one of the big contracts at the end of last year, and now you have that capacity available, and you mentioned the strong demand. Could we see you potentially backfill some of that capacity as early as next year, or it might take a bit longer depending on tech transfer times?

Said Darwazah ***Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director***

I think we'll be seeing some increase in CMO next year, obviously the major increase will come when we have the Bedford plant operation, which will be in 2028.

Zain Ebrahim ***JPMorgan Chase & Co - Analyst***

Thank you.

Guy Featherstone ***Hikma Pharmaceuticals PLC - Investor Relations***

One last question.

Christian Glennie ***Stifel Europe AG - Equity Analyst***

Hey, Christian with Stifel. Thanks for the follow up. Maybe just check in on that large Rx CMO contract in terms of the status of that product, if you can say, and also a bit more sense for the 2027 potential tailwind or benefit from it. If you can articulate that a little bit more, that'd be helpful?

Susan Ringdal ***Hikma Pharmaceuticals PLC - Executive Vice President - Strategic Planning and Global Affairs***

The things are on track. We have done a lot of work in terms of the preparation in 2026, and as a result, we've generated good service revenues for that contract and that meant that we, as expected, were seeing a step up from 2025 in terms of the contribution from that contract. We do expect that in 2027 we'll have a full year of commercial production from that contract. Yeah, I would say it's going well.

Areb Kurdi ***Hikma Pharmaceuticals PLC - Acting Chief Financial Officer***

I'd like to come to the Others again. To your question , we guided towards a break even and we still expect it to break even. The 503B was really a small contributor to it.

Christian Glennie ***Stifel Europe AG - Equity Analyst***

Thank you very much.

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Said Darwazah ***Hikma Pharmaceuticals PLC - Chief Executive Officer, Executive Director***

Thank you everybody. Thank you.

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