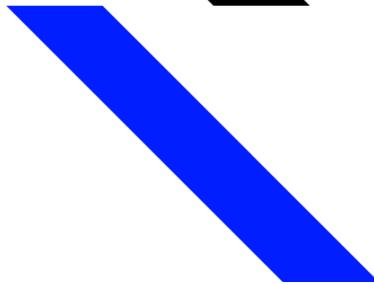
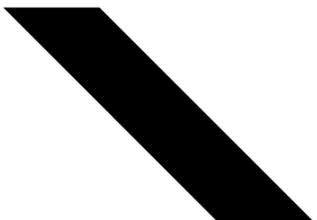
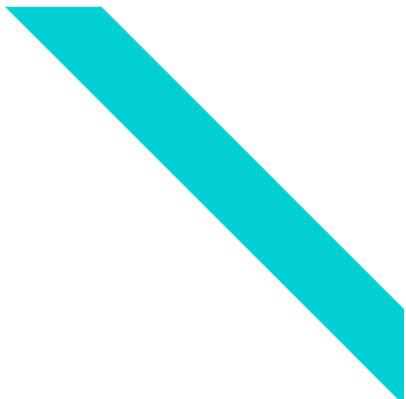


LSEG STREETEVENTS

EDITED TRANSCRIPT

FULL YEAR 2025 HIKMA PHARMACEUTICALS PLC EARNINGS CALL
AND LIVE Q&A

EVENT DATE/TIME: February 26, 2026 / 9:30AM UTC



An LSEG Business



CORPORATE PARTICIPANTS

- **Guy Featherstone** *Hikma Pharmaceuticals PLC - Investor Relations*
- **Said Darwazah** *Hikma Pharmaceuticals PLC - Chief Executive Officer*
- **Khalid Nabils** *Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe*
- **Susan Ringdal** *Hikma Pharmaceuticals PLC - Executive Vice President - Strategic Planning and Global Affairs*
- **Hafrun Fridriksdottir** *Hikma Pharmaceuticals PLC - President, US and Global Head of R&D*
- **Jon Kafer** *Hikma Pharmaceuticals PLC - Head, US Injectables Commercial Business*

CONFERENCE CALL PARTICIPANTS

- **James Gordon** *Barclays Services Corp - Equity Analyst*
- **Zain Ebrahim** *JPMorgan Chase & Co - Analyst*
- **Beatrice Fairbairn** *Joh Berenberg Gossler & Co KG - Equity Analyst*
- **Victor Floch** *Exane Bnp Paribas - Analyst*
- **Christian Glennie** *Stifel Nicolaus & Company Inc - Analyst*
- **Operator**
- **Kane Slutzkin** *Deutsche Bank AG - Analyst*
- **Julie Simmonds** *Panmure Liberum Capital Ltd - Analyst*
- **Charlie Haywood** *Bofa Merrill Lynch Asset Holdings Inc - Analyst*
- **Christopher Richardson** *Jefferies LLC - Equity Analyst*

PRESENTATION

Guy Featherstone Hikma Pharmaceuticals PLC - Investor Relations

Okay. Good morning, everyone. I'm Guy Featherstone, Investor Relations. Before we start, I'd 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 annual report.

Thank you for joining this Q&A meeting for Hikma's 2025 full year results. Our pre-recorded presentation is available on our website, and this will be a Q&A session. We're joined today by Said Darwazah, CEO; Mazen Darwazah, Executive Vice Chairman and Deputy CEO; Khalid Nabils, Deputy CEO, North America and Europe; Hafrun Fridriksdottir, President, US and Global Head of R&D. We're also joined by Jon Kafer, who heads up the US Injectables Commercial Business. And we have Areb Kurdi recently appointed acting CFO; and Susan Ringdal, Investor Relations, also in the room.

And with that, I will hand over to Said.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Thank you very much, and good morning, everybody, and to my old friends, hello again. The decision for me to take over as CEO again was not really a very easy decision, giving up the beach and the sun and the good life was difficult. But I really felt very strongly compelled to do this, okay? I remember before we IPO-ed, we were discussing the ideas of IPOing and not IPOing and my father saying my worry is that one day, the team we lose sight of the long term and start looking at short-term and short-term wins. This is the only thing that I'm worried about.

And frankly, in many ways, this is what happened. I think the company had sort of started looking at short-term wins and fixation on margins of the injectable and so on and really lost track. So that's why I felt very, very strongly about coming back again. And as you know also, I had to -- I decided to give up the Chair position to concentrate 100% for the next two years on the CEO role.

I want to also remind you that last time when I came in, we had a similar situation with the Rx business, the generic business was also doing not very well when I had to step in back again. And for a long -- for a period of a year or so, everybody was on us saying get rid of this division, it's weighing you down. Why are you keeping it?

But we said we will do what's required. We set reasonable targets of \$100 million to \$130 million in EBIT, and we said we will fix it. And here we are, a few years later, we're looking at that business, and it has margins of close to 20% and EBIT of \$200 million also.

So we've done this before. And we feel I feel, we feel that we know exactly what needs to be done. It really is not a complicated formula. It's a simple formula. You need to do the right investments. You need to get the right people, the right talent, and take quick decisions.

So as I've said this morning, my focus is very clear. So number one, you want stability. We want these two years where people can relax and focus on what is required for them rather than way who is going to come in and what's going to happen. So we're reassuring our people, our stakeholders, our investment investors. This is -- Hikma is a very, very strong company, and we have a slide that shows the CAGR of the last five-year growth. This company has consistently delivered growth and quite good growth. Also, I'd like to remind you all that we have EBITDA margins of 25% while many of our competitors are striving to get to 22%.

The second thing is agility. We want to implement a structure of quick decision-making and to allow people across the Board to take these decisions. We don't want the decision-making to be centralized with one or a few people or the executive committee. Rather, we need to empower people across the board to take decisions. I've always said companies that empower their youngsters, the under 40 crowd are the ones that will be here tomorrow, those that do not will disappear. So we'll be focusing on empowering everybody across the business so that we take these decisions.

And the investment, we have to accelerate the investment. We have to take the investments that we need to do. So one of the first things we've done is we've taken the R&D budget out of the segments. So the segment heads cannot play with R&D budget to achieve their targets. It's now a corporate decision. We have a budget for it, which is an aggressive budget. We have spent last year building the team.

As you remember, we acquired a great team in Croatia. Hafrun joined the company, what two years ago now? And Hafrun has a long, long track record in R&D, and she is directly in charge of the R&D team.

So the other things we need to do is hire the right people. Again, Jon took over as Commercial Head of North America or US injectables and immediately said we need to hire so many people. Well, what are you doing? We need to -- so we said, Jon, go ahead and do it, and he's already hired so many people and added to the team.

We also hired a supply chain. We have now a fantastic supply chain team in place that will be working to make sure that we don't have bottlenecks across the group. And we are still looking to hire some more people like a head of CMO. We are interviewing now. We want to hire somebody that has a lot of experience in CMO because we feel very strongly that Hikma is well primed to be a major CMO supplier.

And finally, what I started by saying the fear of my father when we went IPO, long-term growth, focus on the long term, and that's what we are doing now. We are focused on the long term. We are doing the right investments. We are adding, as we said, the R&D budget is much higher than it was before. I think we're targeting 5% to 6% now to spend on R&D. Hiring the right people. Giving the plant managers the decision to buy the right equipment when they need it not waiting for central engineering to come before they can buy that. So all these changes that we are taking, all these things we are implementing, I think, will be excellent for the future.

Then I think we have to look at the structure that we are saying, why this new structure? Some people have said it looks too complex. In my opinion, for me at least and for the team, it's a very simple structure. The MENA team is a fantastic team, a strong team that has been doing an excellent job for the last 40 years. Hikma this year was number one company in MENA among all companies, this is a big deal.

And it's the MENA team that has delivered this, Mazen and his team have been doing this. So it was a no-brainer that the injectables in the MENA report to them instead of being a distraction for the whole team.

And then Europe and, let's say, North America, USA, they share many plants, and they share the products. So although doing businesses in Europe is different, but it's the same products and the same manufacturing teams. Khalid has been with us for quite some time now, and he has shown to be doing a great job. He understands this business, and we believe that it was time for him to step up and take a strong P&L position. I am very comfortable that he will do a great job.

And Hafrun since she joined the company, has just wowed us all. She has done such an incredible job with Rx, such an incredible job with the R&D team and hiring the right people and getting the right things in place and at some point, we will be sharing a clear R&D strategy for everybody. We are more than comfortable that with the help of Jon and his team and the Rx team that has already proven to be an extremely effective team, we are very confident that this is the right way to go.

So we believe it's an extremely good company. We're in a very good position. We have a strong track record, a very strong record of growth. We will be investing heavily in the next three years. And we know that we will go back to the -- moving forward, we will go back to much stronger growth than what we have shown.

Although what we have done is still quite good. We believe that we will do much better than that.

QUESTIONS AND ANSWERS

James Gordon Barclays Services Corp - Equity Analyst

It's James Gordon from Barclays. Maybe first question just on the organizational structure you mentioned, and I do follow the logic about having people in each geography running the geography, but then at least your reporting, I believe, is still injectables, Rx, and branded. Might you actually just change the company and make it by the three geographies, rather than the three types of division? Ultimately, who is ultimately responsible for injectables now? It seems that lots of people have got responsibilities. Is the first question, maybe if I break them up.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

We said that for this year and maybe for the foreseeable future, we'll continue to report the injectable margin -- results because we didn't want to say, why are you running away from that? But reality from a management point of view, when you look at Europe and the USA, it's 90% of the injectable business. And as I said, it is very different from the MENA injectables. The MENA injectables, there's a lot of products that are in licensed and brought up from outside while the US is much more focused than Europe on manufacturing.

So Khalid -- Hafrun, obviously, but ultimately Khalid is in charge of the US and Europe and will be in charge. And of course, myself, I will be working very, very closely with them.

So I think this gives us the opportunity to really focus on the business rather than I think just forget the tail end, which is the MENA injectable as I said, I'm very comfortable that the MENA team will do a much better job than before. So the bulk of the business now, there is a clear focus on it. And we will be reporting geographically as well as segmentally for the first year of future.

James Gordon Barclays Services Corp - Equity Analyst

Maybe just the second question would be: what is the outlook now for injectables, as in what's going to make it grow faster? And is the idea that now you've reset the margin to the level of this year, but you'd have a similar growth rate on the top line as you were previously hoping for?

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

First of all, as we said, the amount -- the budget for the R&D is much bigger than it was the year before. So actually, if R&D growth was similar to the years before, then the results will be much better. But we said, no, we have to do this. We have to take this decision now. We have to invest.

So again, it's investing. There's really -- it's not -- you have to invest in the right people. And as I said, we have hired many, many people and there's still more to come. The R&D team, and we will be sharing more about R&D moving forward. And we believe that Hikma is extremely well positioned for CMO business.

And we are in the process of recruiting a Head of CMO in addition to the CMO team we have. So all these things will be working together to achieve, let me say, growth in the midterm to long term for the injectables.

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

So James, just on the outlook for the injectable business. We know that this is not something that we would like to be doing. It's we have challenges at '25, and this is something that we know that and '26. There are different reasons for this. It's -- as I said in my presentation, is reduced CMO.

One of our main customers want to do a domestic manufacturing in the US. So we have a reduced contribution from that. This is something that we cannot offer until we have Xellia up and running in 2028. We are less optimistic on, let's say, the biosimilar that we have, although it's a very small part of our business and liraglutide. And one of the product launches, main product launches has been pushed. So of course, going forward, we are going to go back to return to very good growth for the injectable on top line and in terms of the EBIT.

So any company, any business goes into challenges, '25, '26 was a challenging year. I think from here, from '27, we are going to see a different outlook for the injectable business, as we used to see in the past.

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

And just some examples. So of course, Tyzavan is an important product for us. that will drive some of the growth that we achieved this year, but we expect that to do even better in 2027. So that will be an important growth driver. Some of the products that we expected to launch this year push to next year.

So that will be, again, another growth driver for '27. We've got, of course, continued expansion in Europe. That's been an important growth driver for us. That will continue. MENA has been also a good business.

We signed six new biosimilars in MENA. So there is -- there are a lot of opportunities to grow, but I think as Khalid said, this is sort of a reset.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

So the challenge is, obviously, as you right point out with the injectables and what we're doing with it. But I'd also like to remind everybody, this is a much bigger company than just the injectables, right? We have three very strong divisions. Two of them that are doing extremely well. The MENA is growing at a very fast rate with very good margins.

And the Rx, as I said, has done much better than anybody anticipated two years ago, if I told you we'd be doing 20% margins in this kind of EBITDA, people would, why did we keep on pushing you to sell it? So we -- there will be a lot of focus.

There will be a lot of investment and we feel very, very strongly that in the medium to long term, this business will -- it is already, in my opinion, one of the best businesses. If you compare our margins to our competitors yesterday who upgraded from 18% to 19%. We are way ahead of them. Again, other competitors saying we want to be at 22% EBITDA, we are at 25% EBITDA.

So this is a very good business. It's driven by three engines. And as we said, the focus is on long-term growth and total profitability growth in earnings per share rather than just focus on keep on focusing. And I think this is what really hurt us the last three years.

The over focus on the margins of the injectables where people are saying, don't accept anything less than 32, don't accept anything. If I can get \$300 million worth of orders (multiple speakers) opportunity at 28%, I shouldn't take them. Of course, we need. So that's why the focus will be on top line growth and bottom line growth rather than margin.

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

If I may add a little bit about that, how we are going to grow the injectable business moving forward. I don't know if you had the opportunity to listen to our presentation this morning. But I mean we talked -- I at least talked a lot about the ready-to-use platform.

And even though, of course, the first product is Tyzavan, as Susan mentioned, but we have multiple others in the pipeline and -- but those products that will be launched probably in early '28. So do you not see short-term, I mean, growth because of those products, but we have multiple products in the pipeline and I talked about, I think, 15 ready-to-use product in our pipeline.

And so of course, moving forward, we will see the revenue, and we see the growth from this platform, which I'm very excited about. So I -- just to repeat Said, I think it's a really good business.

Zain Ebrahim JPMorgan Chase & Co - Analyst

Zain Ebrahim, JPMorgan. So the first question would just be a follow-up on the previous answer in terms of what you described on the CMO challenges from one of your customers wanting to switch the manufacturing from Europe to the US. So how do you see that risk going forward for the rest of the injectables CMO business? And just broadly, how do you see the outlook for CMO overall from here, I know you've got the -- there's the small molecule contract in Rx contributing this year, ramping next year. So just to remind us how you're seeing that outlook?

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Well, the first thing we did, we looked at our plants in the USA, for instance, we looked at the Cherry Hill plant. And see -- so what were the bottlenecks, what was needed. Many times, it's a small thing that you need to do to increase capacity. So working on increasing capacity significantly at Cherry Hill and that will help us with the CMO business as more and more companies want to manufacture in the USA. Of course, we'll talk about the Rx later CMO because they already have a lot of orders in business.

And then we acquired the Bedford site, specifically for this. And it's a big site has a lot of equipment in it. It needs to be reengineered in a more modern way. We're working on that diligently, sometimes new lines take a bit long to get -- you need to order them it takes 1.5 years to 2 years for the lines to begin. After they come in, you have to install, qualify, and get FDA approval. So it's a bit of a long process long-winded. That's why we're guiding to '28.

But with most of the CMO, the big business you get the order and the expectation is you deliver two to three years down the road. They don't expect to deliver tomorrow because it's a process of moving products and so on. So that's why we feel very strongly about hiring a head of CMO, somebody that has already strong experience, has well good knowledge of the industry and has good contacts with the companies that want to have CMO business.

So we're very confident like in 2018 and forward for the injectables we will have a very strong CMO business. For now, we will be showing that the Rx already has very strong CMO business. So overall, it will become a quite a significant part of our business, let's say, three years down the road.

Zain Ebrahim JPMorgan Chase & Co - Analyst

Very helpful. And second question is on R&D. So an increase of 5% to 6% of group sales. Are you now comfortable with that as a ratio in terms of thinking about that. level going forward? And I --

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

You ask me or you ask her? If you ask her, she says, no, we need more. If you ask me, it's enough.

Zain Ebrahim JPMorgan Chase & Co - Analyst

And when do we say pay off from those investments? Because I know you mentioned '28 for the ready-to-use but you started something the increase in R&D last year. So just to --

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

Yes, of course, we slightly increased the investment in R&D last year, but that was I mean, really a slight increase. But we also reorganized the R&D organization. So now we have a global R&D organization. And we also moved activity from US into Croatia.

So of course, that is clearly helping significantly on the injectable business, but we also have a very strong team focusing on inhalation, semisolid and liquids in Columbus in Ohio and then, of course, our team in Jordan is focusing on solid oral. So I strongly believe that we have the right team in place.

Would I always like more money for R&D? Yes, of course, I would. So Said is correct there, but I feel very confident with 5% to 6% of the revenue in spent of R&D. I think that's just in line with what our competitors are doing.

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

And we are going to see these returns coming into the coming years. Some of it will come in '27, some of it to come in '28 or '29 onwards.

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

Yes. Of course. R&D takes time, everyone knows that.

Beatrice Fairbairn Joh Berenberg Gossler & Co KG - Equity Analyst

Beatrice Fairbairn at Berenberg. You discussed the focus on long-term growth. I mean one of the targets out there is this kind of \$5 billion 2030 revenue target. My question really was does it still stand? And would you be able to give some color in terms of what is needed to get there and how that looks like over the coming years?

And then just on your delays to just the timing of some of the product launches and injectables, do you feel like the new timeline that you've got are realistic and kind of how confident you that you're going to be able to launch these products on time.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Why don't you take this first part about the \$5 billion?

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

Yes. So the \$5 billion, when we set the \$5 billion target, we said that this was -- it was an aspirational target, but we felt that it was very achievable with the business plan that we had and our business model, which has been to do bolt-on acquisitions as a matter, of course. So we still do feel comfortable that \$5 billion is within reach (multiple speakers), it is -- we have -- we definitely see an

acceleration of growth after 2026. And I think today, it would require a bit of inorganic growth, but yes, it is very much within the reach.

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

(multiple speakers) organic growth. It's not like we are talking about transformation, like more of a product acquisition. So we are very close to aspirational target of \$5 billion.

And if you look into the three businesses, like the branded is delivering very good growth, acceleration. If you look into the past, it was 5%, 6%. Today, we are doing more at 7% to 8%. This is driving growth, high-value products that we are getting into the MENA region. If you look into the number of licensing deals that we've been signing over the past five years has increased significantly. And now we are becoming more and more the partner of choice this is going to be a key driver.

RX has grown with the CMO business, we are going to see more contribution coming in '27, '28, '29. So this is as well going to drive the growth. And injectable, of course, with all these RTUs and the products that we are working on, it's going to accelerate the growth for the injectable business. Remember, the injectable business has a large portfolio. So there will be always opportunities. There will always be shortages.

In Europe, we are seeing a very good growth. Great potential, especially that the market is lacking products. So we are being the, I would say, most reliable hospital supplier in Europe now. All hospitals are coming to us and governments coming to us, say, we want this product. The agility that we have in Europe, providing the products on time is differentiating us versus others.

And this is why we've seen 23% growth this year in the injectable in Europe. Same for MENA, it's not just like the six biosimilar. We have many products that we have that we are going to launch in MENA for biosimilars. So this is going to be the growth driver, and we are very confident of our ability to continue growing the business. As said, '25, '26 might look challenging for the business, but this is a business cycle. But from here, we are going to continue growing.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

The short answer is yes, the \$5 billion is very achievable. We are extremely confident in our '26 guidance. And yes, the injectable launches that we'll be seeing in '28 and further will deliver the kind of growth that we need to be there.

Victor Floch Exane Bnp Paribas - Analyst

Victor Floch, BNP Paribas. Maybe just one question on Rx, that one seems to be -- to go pretty well. And it looks like you have like even some room in terms of margin. You've been investing even like more than what you're using actively investing for injectables. So can you discuss like the different moving parts this year?

I mean the base business, I mean, I think there might be some competition on certain products. On the other -- on the flip side, you have some service payment from your CMO partner. And are you expecting at some point to be able to update the market on was that CMO? What kind of -- what is the product? And what are the economics behind that? I mean, just have a bit more visibility on the CMO because it's a huge moving part for Rx for sure.

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

Yes. So this year, the revenue from the CMO business will probably be around 10% of our business, but our target in 2030 is up to 20%, at least my target. So we are not going to share the name of our customers, but we are working with not only one big customer, but actually multiple. And some of them, we're talking about contracts which have not been signed but are in negotiation phase and we will be signing within the next, let's say, next few months. So that's going very well. And you also asked about the base business.

For example, a product like Advair has been doing very well last year, and we expect the same this year. Fluticasone, we are the biggest volume driver in US for fluticasone, as an example or for nasals, so -- and that is a business which continues to do very well.

And all our base business has been doing really well last year, and we haven't really seen any change at least for the first two months of the year. So it's quite -- it's more stable than maybe most people believe it is.

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

And I can just remind people that we have Jon who's the Commercial Head of Injectables on the line; and Mazen, Deputy CEO for MENA. So don't hesitate to address questions to them as well.

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

It's early for Jon, you should really ask him questions now because he woke up very early for this.

Christian Glennie Stifel Nicolaus & Company Inc - Analyst

Christian Glennie, Stifel. Again, not to labor the point, but on injectables and the margin, just to be clear around it's been quite a dramatic shift, right, from mid-30s to high 20s now. That there isn't something sort of -- well, commercially, one is you talked about the extra investments needed implication potentially maybe the you were underinvested before to some extent. So the margin was sort of where it was at -- and/or is that fair?

And then the second part is, is there something more structural around the market from a sort of pricing and competition issue that means margin has the direction of travel has gone.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Okay. So first one, as I said, I mean, clearly, we said we're taking the R&D budgets out of the divisions and putting as a corporate. So clearly indicating that at some point, division heads were sort of reducing R&D expenditure to get higher margins. So by taking that out and having it as a corporate with a fixed number that we agree on, I think that will -- there will be lower margins a little bit to start with. But we are very confident that with the investments they are making in R&D, the new pipeline, the expansion in the manufacturing and the CMO that we will be achieving higher margins mid- to long term.

Okay. The second question was?

Christian Glennie Stifel Nicolaus & Company Inc - Analyst

Structural something in the market because you've got --

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

There's always competition. There's always people coming in. You lose a few products. We lost two or three products that -- not lost. We have competition coming in, two or three products that we're doing extremely well. And that's why when you have such a well-diversified portfolio and you have so many products, other products can pick up and the new launches can pick up.

So the market has always been competitive. It's always been competition is coming in. Do we feel that there's more competition in some areas, yes, in some areas, no. But we are confident that with all the changes we're making, we are fine.

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

It's not like structural change in the market. It's the pricing is around, let's say, if we exclude the two top products that we have, it's 4% or almost less. So low to mid-single digit price erosion that we've seen in this business. nothing is abnormal.

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

And maybe if I may add. So I think over the last few years, the supply from third-party has increased significantly. And third party, of course, is not as profitable as if you're making the product internally. So I think it has been going from 20% to 30% over the last few years. So that's, of course, affecting the profitability.

But also, I mean, there are different part of the business, which has higher profit than other parts. Of course, while you are building the business injectable business in MENA, which is less profitable than the business in US and in Europe, of course, that will affect the overall injectable profitability, and that business has clearly been growing as well. So those are at least two reasons in addition to --

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

If you exclude the MENA margins, both for the Europe and North America injectable business, the margin is north 30%.

Christian Glennie Stifel Nicolaus & Company Inc - Analyst

Maybe the natural follow up, I know you're probably reluctant to guide beyond kind of '26, but just to get a sense for that margin and is 27% to 28% the floor? And then maybe that's similar until you really get into Xellia and then margins to improve? Or is this --?

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

And again, we're saying we're very comfortable that '28 and further margins improve. I think once we assess everything and we have the plan, the right plan in place. Are we going to be giving --?

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

May I take this one. In a way we'll be guided to 27%, 28%. And I said in my presentation this morning, you can assume this is for the coming few years, but it's not like if we have an opportunity that is sub 30, we are going to say no to it. So we don't want to be strictly held on these margins because we are going to focus on growing the profits and the EPS rather than just focusing on the margin, as Said mentioned. So you can't consider like this 27% or 28% to the next three years.

But what has changed, just repeating to what I said earlier this morning. From November, when we said the floor is 30% is literally increased investments in R&D. We are increasing 15 million this year versus last year in injectable. You look into the investments that we are having, as Said mentioned, fitting in sales and marketing. So -- and the CMO. This is why we are going down like 2 to 3 percentage points. it's not something structural in the business, but it's more investing for the future.

Guy Featherstone Hikma Pharmaceuticals PLC - Investor Relations

Just going to jump to the line for question.

Operator

(Operator Instructions) Kane Slutzkin, Deutsche Bank -- Deutsche Numis, rather.

Kane Slutzkin Deutsche Bank AG - Analyst

Just -- sorry, could you just clarify, I missed the last point on the higher R&D in injectables. But could you just sort of clarify sort of lower guide as sort of those moving factors between higher R&D versus the lower CMO work like in terms of which has moved the needle more there? I assume it's the R&D, but if you could just clarify that.

And then just -- you're obviously spending some time doing the strategic review. I'm just wondering at what point do you think you will be able to sort of reinstate a midterm new midterm guide?

And then just finally, on the buyback, just I guess, why has it sort of taken so long to do it? And could we see a more permanent feature going forward if shares sort of remain where they are?

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

Kane, I think I can maybe take the R&D question. If I could hear him correctly. I think he was asking for the spending for R&D and the overall increase in spending for R&D this year compared to last year is around \$45 million year over year. I think that was your question, but I'm not really.

Guy Featherstone Hikma Pharmaceuticals PLC - Investor Relations

Kane, could you just repeat the first question? Thanks.

Kane Slutzkin Deutsche Bank AG - Analyst

Yes, I was just wondering sort of in that lower guide, how much of it is sort of the lower CMO work you referred to versus R&D in terms of what's impacting the guide down?

Guy Featherstone Hikma Pharmaceuticals PLC - Investor Relations

Injectables margin guide, how much is CMO gains versus --

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

I think, Kane, it's more evenly split across R&D, sales and marketing and CMO. I would say those are the three biggest factors there of more or less the same magnitude.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

And the buyback, I agree with you, it's taken too long, but we have taken the decision to do that \$250 million this year.

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

In terms of the medium-term guide, I think we'll get back to you on that. We know that it's important for the market. We want to get it right. And so yes, I think we'll come back to you.

Operator

Thank you. There are no further questions. I'd now like to hand the call back to the Hikma team.

Julie Simmonds Panmure Liberum Capital Ltd - Analyst

Julie Simmonds, Panmure Liberum. Just on a more product-specific basis. I'm wondering with Tyzavan. Clearly, you've just launched it. It feels like the sort of momentum is pushed out a little bit to '27. Are you noticing anything from the first sales in the market there?

Jon Kafer Hikma Pharmaceuticals PLC - Head, US Injectables Commercial Business

Good morning, this is Jon. Yeah, maybe I'll have to address that.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

You're on mute, Jon.

Jon Kafer Hikma Pharmaceuticals PLC - Head, US Injectables Commercial Business

No, I am not on mute. Okay, great. Good morning, everybody. So we are an active launch mode for Tyzavan. Let me just frame the market because this is important to understand because the RTU bag platform will follow a similar pattern.

Vancomycin is a widely used product within the US. There's about 41 million grams of the product used in multiple forms, from a vial or lyophilized powder to a frozen bag to obviously our ready-to-use bag. What we are selling is a system and a process change, which in large hospital systems, and large hospital groups, that by default, Tyzavan would become the vancomycin of choice. It is really more of a process change.

Now to put it in perspective, we have already converted 13% of the entire gram market with our existing vancomycin ready-to-use bag. So we have a platform. We will expand that. Within that network, there's about 22,000 sites of care that use vancomycin within the US, all forms, long-term care, hospitals, and such. Our existing customer base on the existing bag product represents about 15% of those sites.

So there is a very large universe of hospitals and health systems that have not used our historical bag. So there is a large opportunity there. So you have to think in terms of it as a process progression. So we're going to expand our existing base by expanding the usage of the product without restriction, and then we're also penetrating the customer bases that have been that have not used our bag in the past. So yes, this is going to be a progression into the back half of the year. But the momentum that we're seeing right now is very active and very encouraging.

Julie Simmonds Panmure Liberum Capital Ltd - Analyst

And following up on that from a sort of RTU perspective, longer term, do you think once a site is switched over to one RTU, it makes it easier to switching to another for a different product?

Jon Kafer Hikma Pharmaceuticals PLC - Head, US Injectables Commercial Business

Yes. And that's exactly why the way we're approaching this first one is extremely important. We want to make sure we have the processes in place. Hospitals and groups, they have to reprogram medical -- electronic medical record systems, infusion pumps, SOPs, ordering patterns, storage platforms because you're bringing in a new form. So as we work with Tyzavan as the foundational product, we want to make sure we fully integrate it properly. And I do believe that, that will help us going forward with the additional bags as they come to market.

Charlie Haywood Bofa Merrill Lynch Asset Holdings Inc - Analyst

Charlie Haywood, Bank of America. First one is just in our models, would it be reasonable to assume that a -- I guess, at this stage, mid 30% midterm injectable margin is off the table, given focus on profitable growth. And then I'll get to the second one in a sec.

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

Yes.

Charlie Haywood Bofa Merrill Lynch Asset Holdings Inc - Analyst

Okay. And then the second one is just on the midterm guide, which obviously since giving you, we've seen two cuts to. So first is, I guess, talk through the decision to issue the midterm guide if there were some underlying concerns on the spending, the short-term focus to give that?

And then secondly, sort of how can you reassure us and the market that this is sort of the last of the big cuts and we're back to something profitable. We can be returning some in growth from here.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Again, as I said before, it's not a complicated formula. You do -- you have the right people. You have the right equipment, you have the right facilities, you have the right R&D. All of these things, when you invest properly, you take timely decisions to take -- to move the business forward. This is a formula for success, and we've got this formula for 40 years.

So we sort of slowed down decision-making. It became too centralized. We were not investing properly in the right places, and now we're reversing that. So that's why we feel very confident that midterm, we will deliver what we're talking about.

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

And this is why, as well, '27 is going to be year where we -- '27 is going to be as well a year that we'll see a growth. So it's the bottom on the injectable. And from here, we are going to grow the top line and in bottom line. In addition to the other two businesses, they continue to grow, as I said earlier.

Charlie Haywood Bofa Merrill Lynch Asset Holdings Inc - Analyst

Just a third one. If I may. You talked to obviously heavy investment in the next two years. How confident are you that this is a two-year journey of heavy investment, and that won't spill into three or four as the investments start continuing?

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

The investment is -- it's not a short term. It will continue to be, but we will see that we'll start seeing the results of what we're doing now, three years down the road and will it further, but when we look at our five-year CapEx, our five-year R&D orders, the spend will continue to grow.

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

Maybe just to add to what Said just mentioned. In terms of the R&D, it takes time to see results, as Hafrun said, in terms of sales and marketing, these are quick wins. So you invest today, it's not like going to take so much time till you get the returns. And this is what Jon is focusing on. So you will have these investments and at the same time, give you an example on the supply chain, having somebody now focusing on the global supply chain would reduce our inventory levels will reduce the slow-moving items, which it was very big this year, failure to supply, so the immediate impact will be significant improvement to margins.

So this is why we are saying that we are moving in the right direction. And I think the results of this will come in the coming years, and we are confident about our medium-term outlook.

Christopher Richardson Jefferies LLC - Equity Analyst

Christopher Richardson from Jefferies. A couple if I may. You lowered CDMO or CMO expectations, sorry, for the year as some customers require domestic production, which you said you can't offer. I was just wondering if there are any reasons for that.

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

It's -- as we said, in Xellia, our Bedford acquisition is going to be up and running towards 2028. So it's the same machinery, the same lines. It's replicate to what we have in Portugal. Now we couldn't offer because we don't have that facility up and running. So once we have that facility up and running, towards the end of '27, early '28, we'll be able to offer.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

And as I said, again, the Cherry Hill plant and the other plants we looked at optimizing the capacity there looking at the bottlenecks, bringing in the lines that are required to up the manufacturing capacity.

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

And if I can add something about the Rx business because we are only talking about injectables and as I mentioned, I mean, we have this huge, I mean, of course, manufacturing site in Ohio, both for solid orals, for nasals, for inhalations. And that site has been getting a lot of attraction over the last year or so since all this discussion about domestic manufacturing started to happen in US. So there's a lot of interest in us in producing products for different clients. So I think this is going to be a big opportunity for us moving forward, both in the Rx and also in the injectable business.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Many times clients come in, let's say, for the solid oral, then they feel you're very comfortable with you and they open up and move injectables and other things to for you.

Christopher Richardson Jefferies LLC - Equity Analyst

Great. And just the guide cut in November was due to equipment delays. I was just wondering what the situation is now and what caused you to walk away from '27 and whether the timing for Bedford has changed at all?

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

There's no change to the guide that we had in late November. So all what we said that we are going to ramp up -- start ramping up towards the end of '27 and the commercialization will start '28. So no change to our plans.

Christopher Richardson Jefferies LLC - Equity Analyst

Great. And maybe just a quick follow-on. I was wondering if you could comment on the oral generics pipeline and the margins in US Rx excluding any Xyrem impact.

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

Excluding, sorry?

Christopher Richardson Jefferies LLC - Equity Analyst

The impact of Xyrem?

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

Sodium oxybate. Okay. So last year, sodium oxybate was dragging down our profitability so the rest of the business was actually compensating for the low profit of that product. We managed to negotiate a better deal, at least for this year and for next year. So we will have slightly better profit on that product.

But -- so it will not be dragging down the overall profit for the Rx business. Is it helping this year? It potentially will.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Zain, some more.

Zain Ebrahim JPMorgan Chase & Co - Analyst

Zain Ebrahim from JPMorgan. Thanks for the follow-up. So on CMO, you mentioned you're looking for a new head of CMO. So just the characteristics you're looking for in the Head of CMO in terms of the type of -- the kind of the profile that you're looking at and when we could expect the appointment? And does this mark a potential shift to making CMO like a fourth division that we source also about in the past in terms of strategically. So integrating the Rx and injectable team.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Historically, we used to the CMO as a fill-up. So we focus -- this is extra capacity, let's get products to fill it up. And then when we were approached or we found a client to come in and use the Rx site it was more of a long-term agreement. So long-term agreements require dedicated facilities, they require dedicated lines and sometimes dedicated teams, and it's a lot of investment to do that. And it takes time to come in and -- but it's a long term.

So this is the right -- this is what we want to do, not just bringing in short-term fixes. So to do that, you need somebody that has been doing that for a very long time that knows which companies require CMO business. And also, I think more importantly, when you do the contract, when you're looking at, let's say, 5 billion tablets or something, \$0.05 per tablet extra gives you \$50 million in profitability. So having the right negotiation skills, the right contract skills all these things. So this is what we're looking at.

Now we have this but we think that getting a very senior person that has done this successfully is the right way to go. And as I said, we are interviewing, there are several people out there that are available with this kind of talent. And yes, it could be a fourth division very much so.

Charlie Haywood Bofa Merrill Lynch Asset Holdings Inc - Analyst

Just a question on the CMO headwind for '26. Is that -- was that one customer you lost, that's gone from Europe to US. I guess how is that conversation and how are conversations with the remaining customers to ensure that won't happen with someone else before the '28?

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

It was one of our customers. It's not like they are shying away completely. They still have business with us, but they decided to -- some of their manufacturing for their own benefits. They wanted to have it in the US. So it's not like the business is going down.

It's -- to replace, it's going to take some time to get a new customer, but we are confident of our ability to continue growing the CMO business. So it's a matter of time. But when we have the Xellia, of course, up and running, and we will have much more clients, much more capacity to offer as well.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

There's a lot of demand for US manufacturing and I think the Bedford acquisition and what we're doing now although it's going to take a little time. But like I said, if you want to get a client that will work with you long term, anyway, it will take two years before you can move in the product.

So now is the right time to get the clients and get the orders so you can put the processes in and do the submissions and all these things, the tech transfers and so on and so by '28 and more, you'll be ready to launch. So it's the demand is there, and we are talking to a lot of companies.

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

So what they are saying is that if we would have that capacity in US to take on those products in US, we could probably potentially have kept that customer. So -- but we didn't have the capacity at that time. So I think that's -- but now we are building that. So moving forward, we are.

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

And if you remember as well, when we did this acquisition and we took the Bedford site on, it was because we were reasonably capacity constrained in our existing facilities. And so we weren't really very actively selling CMO business at the moment because we're pretty much and we don't have a lot of spare capacity for CMO without the Bedford site.

Christian Glennie Stifel Nicolaus & Company Inc - Analyst

Christian Glennie. Thanks for the follow-up. Just maybe on Rx and just a couple of ones there on the I think you've alluded to a couple of other things around the moving -- the margin to 20% just to clarify the step-up this year to 20%? And is the 20%, again, another kind of the base for the business going forward, do you think?

And then just finally on nasal epinephrine, what's the update there? And obviously, it's been delayed. So what's the expectation around that? I think it had been seen as potentially quite a significant product for you. So just an update there.

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

So maybe first on the margin. Is 20% the best we can do? No, I think probably you will probably see some improvement moving forward as, I mean, in '27, even '28 as well. I'm not going to give you any numbers, but I think -- I don't think that's necessarily the top of the pie. With regards to epinephrine as I think we -- I talked about last time when they had this conversation, we -- there were

some requirements from FDA to run some additional study.

That study is ongoing and we are planning to submit in US in, let's say, after a few months now. And we did file a product in UK last year, we will be filing in Europe as well. And we are actively discussing our licensing product in Europe.

So that's -- yes, so that's the update. But because we have been working so closely with FDA over the last year or so on the product, I strongly believe that the review time will potentially be shorter than and maybe we thought in the beginning. So it will be an exciting product for us.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Somebody asked Mazen a question about the MENA. He's bored.

James Gordon Barclays Services Corp - Equity Analyst

James Gordon from Barclays again. Just we're talking about margins, and we're talking about generic margin and an injectable margin?

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

Rx.

James Gordon Barclays Services Corp - Equity Analyst

Rx, apologies. But then I've also heard effectively, you're going to centralize R&D spend and that we could think of the divisions as being a bit ex R&D. You're going to think about at that ex R&D performance is. So if we're rebuilding our models after today, is that how we should be thinking about Hikma now? And are you going to start giving us then what the margins are for these three divisions without R&D and then the central R&D line? What do we do with our models?

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

Eventually, this year, we did not want to -- too much changes to you -- changing your model. But eventually, next year, you'll start seeing the margin without the R&D. With and without.

James Gordon Barclays Services Corp - Equity Analyst

Bridge this year and then we do a rebuild for our next year. Yes.

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

Mazen, I think it would be great. Maybe I think one of the strengths for the business in the MENA in the past year has been all of the partnerships that we've signed. We have excellent momentum in terms of signing new partnerships. Maybe you could just talk a bit about why Hikma seems to be the partner of choice and MENA.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

You are on mute. Mazen, mute.

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

No, he's not. the sound is just very low.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Looks like he's on mute.

Hafrun Fridriksdottir Hikma Pharmaceuticals PLC - President, US and Global Head of R&D

Luckily, you didn't ask him any questions.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Okay. Next question till he comes back.

Guy Featherstone Hikma Pharmaceuticals PLC - Investor Relations

I think in the absence of Mazen being able to join, I, over to you, Said, for closing remarks at this point.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Sorry?

Khalid Nabils Hikma Pharmaceuticals PLC - Deputy Chief Executive Officer, North America and Europe

Closing remarks.

Said Darwazah Hikma Pharmaceuticals PLC - Chief Executive Officer

Well, again, it's -- first of all, it's good for me. I'm very happy to be back as CEO, and I'm very happy to give up the Chair position to be able to do this. We have an extremely good team. We work very, very well together. We have, I think, a very, very strong business.

As we said, if you look at the last five-year CAGR and the years before, you've seen how this business continues to grow. We will continue to grow. We are taking quick decisions. We are implementing a culture of quick decision-making. I also talked about the younger people in the company.

So for instance, from now on, the executive committees and the leadership council and so on, we will have -- we will mix and match not only be on seniority, we will be having more younger people join. There is obviously something we didn't talk about, a lot of focus on AI and seeing how AI can be implemented to move the business forward.

So all in all, I feel very, very positive about this. This is a strong company that has been growing for a very long term, has very solid foundation has a strong leadership team and a lot of talent across the board. And I'm very confident that we will be delivering the kind of growth that we expect from ourselves and our shareholders expect from us.

Thank you. Thank you, everyone. Appreciate you joining us.

DISCLAIMER

THE LONDON STOCK EXCHANGE GROUP AND ITS AFFILIATES (COLLECTIVELY, "LSEG") RESERVES THE RIGHT TO MAKE CHANGES TO DOCUMENTS, CONTENT, OR OTHER INFORMATION ON THIS WEB SITE WITHOUT OBLIGATION TO NOTIFY ANY PERSON OF SUCH CHANGES. NO CONTENT MAY BE MODIFIED, REVERSE ENGINEERED, REPRODUCED, OR DISTRIBUTED IN ANY FORM BY ANY MEANS, OR STORED IN A DATABASE OR RETRIEVAL SYSTEM, WITHOUT THE PRIOR WRITTEN PERMISSION OF LSEG. THE CONTENT SHALL NOT BE USED FOR ANY UNLAWFUL OR UNAUTHORIZED PURPOSES. LSEG DOES NOT GUARANTEE THE ACCURACY, COMPLETENESS, TIMELINESS, OR AVAILABILITY OF THE CONTENT. LSEG IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS, REGARDLESS OF THE CAUSE, FOR THE RESULTS OBTAINED FROM THE USE OF THE CONTENT. IN NO EVENT SHALL LSEG BE LIABLE TO ANY PARTY FOR ANY DIRECT, INDIRECT, INCIDENTAL, EXEMPLARY, COMPENSATORY, PUNITIVE, SPECIAL, OR CONSEQUENTIAL DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING, WITHOUT LIMITATION, LOST INCOME OR LOST PROFITS AND OPPORTUNITY COSTS OR LOSSES CAUSED BY NEGLIGENCE) IN CONNECTION WITH ANY USE OF THE CONTENT EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

Copyright ©2026 LSEG. All Rights Reserved.