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<<James Vane-Tempest, Analyst, Jefferies>>

Right. Good afternoon, everybody. Welcome to this afternoon session. I'm James Vane-Tempest, the Jefferies European Specialty Pharma Analyst. I'm delighted to have Hikma Pharmaceuticals this afternoon. I'm joined by the CEO, Mr. Said Darwazah; and Susan Ringdal, Director of Investor Relations. Thank you both very much for joining us. And perhaps for anyone in the room who is not as familiar, you know, with the story, perhaps we could have a brief overview of how 2026 is closing out and, you know, what we should think about for the building blocks for growth as we move forward from here. Thank you.

<<Said Darwazah, Chief Executive Officer>>

Sure. Good afternoon, everybody, and thank you for having us here, James. A few weeks ago, we came out with our IMS, and we basically reiterated for 2026 as a group that we will deliver what we promised on in the beginning. We are a company with three engines of growth. We have a Rx business, we have an Injectable business, and we have a MENA branded business. So the MENA branded business has been doing exceptionally well. We're very happy to say that Hikma is currently the largest number – it's the number one company in the MENA, overtaking everybody else, which was, you know, 10 years ago was a dream for us. Now it's a reality. And the Rx business is doing also extremely well. If you remember a few years ago, it was a sort of a problem child. Now it's doing quite well. For the Injectables, beginning of the year, we started by saying we will have a slow, like, 1% or 2%, low-single-digit growth, but we came back and said that it's flat over last year, but with margins that are 27%, 28%.

We have actually had some issues, supply issues in the MENA through one of our suppliers, and that has caused some penalty that we had to pay. So if you strip out the MENA injectable sales, the European and the U.S. injectable sales, the margins would be close to 30%, so they're still extremely doing very well, extremely healthy. Overall, it's been quite a journey coming back to be CEO after all these years, but it sort of forced me to go back into the details of the business, have a chance to travel all over and meet everybody. So it's been, you know, relatively very beneficial and very informative.

So, overall, we are very happy with how we've done this year. We said it's a sort of a transitional year, setting up the company for the future. So we see this year as, you know, we've achieved those targets. We've been doing a lot of work since I took over this year. We've hired a lot of people, both for the plants and for senior management. We've added some significant new appointees. We have been investing significantly in CapEx and in upgrading our facilities and improving the manufacturing capabilities. And we have also – we are also very happy that we have been delivering, you know, what we set out to say we are delivering.

And, let's see, what else can we say? I think we are seeing – you can tell me to stop when you want me to. So we are seeing for the Injectables, we are actually seeing the regulatory environment being moved upscale. The FDA has been asking at least us, and I know some other companies that they want to see some serious upgrade in the sterility. We see this as a complex operation, but for Hikma, I think it is something that we look forward to because it does differentiate us from the rest of the crowd. So we're working on that quite well.

<<James Vane-Tempest, Analyst, Jefferies>>

Thank you. So maybe just to ask upfront, you mentioned sort of becoming sort of CEO again. You mentioned you'd come down for a period of two years.

<<Said Darwazah, Chief Executive Officer>>

Yeah.

<<James Vane-Tempest, Analyst, Jefferies>>

And I was just kind of curious, obviously, you'll update the market when there's a kind of conclusion, but how's that, you know, progressing in terms of the search underway?

<<Said Darwazah, Chief Executive Officer>>

I see a bit – I see, you know, my role over the next period is to prepare the company for the future, and it's just not, you know, the CEO, but really empowering a lot of the sort of younger generation, moving, you know, giving them more authority. So we have a very fixed program that I was doing that. And so I think we will not rush this. I'm willing to stay, let's say, a little bit more than two years if we need to. And the main purpose, as I said, is to prepare the organization, to prepare the new leadership. We are working with internally, preparing people internally.

We are also hiring, as I said, I have some senior [hirees] [0:05:16]. We've announced the hiring of a new CFO that will be joining us soon. Very soon, I hope we'll be announcing also the hiring of a very senior CDMO person that will be joining the company, as well as working to elevate some of our youngsters, which I see some of them here. They're not that young anymore, but still we're trying to give them more authority and more sort of power to take over. So I said I'll be back for about two years. I think we'll try to stick with that, but if it goes six months or something like over that, we're fine. The main thing is to prepare the whole organization for a new generational change.

<<James Vane-Tempest, Analyst, Jefferies>>

Yeah. Makes sense. And I'd love to pick your brains on some of the, you know, strategic kind of direction of the company as well. So when we think about Injectables sort of exiting the 503B business to simplify it, you know, what capabilities, I guess, overall do you feel that business might need? So when we think about potential business development or M&A down the line, you know, where we can look to strengthen your core capabilities?

<<Said Darwazah, Chief Executive Officer>>

You want to speak about a little bit, Susan?

<<Susan Ringdal, EVP, Strategic Planning and Global Affairs>>

Yeah. Sure. So we see a number of areas for growth in the Injectables business. In the U.S., we are developing our specialty capabilities, so we have a ready-to-use vancomycin specialty branded product, Tyzavan, that we are building commercial capabilities for, and we've had good success with that product this year. But we see that momentum is building, and we expect an even stronger performance next year. And we have a strong pipeline of RTU products that are being developed out of the Zagreb R&D facility that we acquired from Xellia about two years ago.

So we have an excellent pipeline of more differentiated Injectables that will come into the U.S. and primarily be sold through that specialty channel. But we are also in the Zagreb facility working on long-acting injectables and peptides, so increasingly that pipeline is getting more and more complex. But Europe is another big area of focus for us. Should I carry on? Yeah. So, in Europe, we historically mostly were operating in Germany and Portugal and Italy, where we have strong manufacturing base, but in the past couple of years, we've built out our capabilities in Spain, France, the U.K. We are looking into the Nordics, Poland. So, little by little, we're trying to expand the hospital business, but also potentially move more into the retail injectables business as well. And this is an area where we could accelerate growth potentially through M&A.

<<Said Darwazah, Chief Executive Officer>>

So we entered, I mean, last year, we had to take about $90 million for slow-moving items. And I think one of the major things we wanted to do this year is to fix that. So we came in looking to improve the supply chain management, and we have worked very hard on doing that. We have a new supply management team in place, and we are improving, working very well to improve that. And we're also trying to build what we call safety stock. We see opportunities. I think we'll be seeing opportunities where there will be disruptions in the market, there will be shortages, so we are working very hard to be, you know, in a position to react immediately to those sort of supply issues. I think it's very important. In the past, this was a big, you know, driver of growth for us, so we're getting ready.

As I said, we have worked very hard on, you know, investing in our facilities. We have – you know, when we came in, we tried to see we needed, for instance, inspection machines. We upgraded that. We had to upgrade the filling lines. We are working on that. We're looking also to move more and more into ready-to-use pens, into the cartridges, and we are also trying to, you know, work on that. And very importantly, I think CMO is going to be a big part of our injectable business moving forward. So we have now, in Portugal, we are getting ready to launch what we call Hikma 7, which is the seventh plant that we have there. And in the USA, we talked about Bedford, which is a facility we acquired two years ago. So we are in the process of upgrading and developing that facility.

We also have two small manufacturing facilities, Injectable, one in Germany and one in Italy. Historically, we were thinking of sort of shutting down these facilities and moving the production to Portugal. But actually, we are now, because we see that the small production cycles is very beneficial, so we're actually upgrading those facilities. So, in Europe, as Susan was saying, we actually have supply issues, not demand issues. So by doing that, we feel that we will be able to supply more to Europe. We see Europe as a major potential growth for us.

In the MENA, we have built facilities in Morocco, in Algeria, and we are building now another facility in Saudi Arabia, also a sterile facility in Egypt. And as those come along, and we move products from Europe and USA there, it will free up capacity for us in Europe to continually supply the European market further.

<<James Vane-Tempest, Analyst, Jefferies>>

Thank you. I would love to ask a question on Europe, actually, because the European business has continually been gaining share. You've talked about various investments you've made. But, you know, some investors, I get questions from, you know, wonder how big you can actually be in Europe. So are you ultimately the best long-term owner of that business in Europe, you know, if it's in perhaps a larger player, given your strength in MENA and the U.S.?

<<Said Darwazah, Chief Executive Officer>>

Yeah. Historically, in Europe, it was extremely price-sensitive. It was like sort of an open bidding, and I think the prices became very, very low. Since COVID, we have seen in Europe and in the USA, a desire to move the supply chain back, okay? So governments are changing the formula from purely price-based. They're looking at now local manufacturing is becoming much more important. Obviously, price is very important, but they're also looking at quality record, track record, all these things. So that's changing, and that's why we see European market, where historically we've really not done a lot there. We have manufacturing in Europe, but we haven't done a lot in supplying the market, we see now great opportunities, and the margins actually are becoming very good. That's why we are focusing more and more on that.

And by having local manufacturing in Portugal, and in Germany, and in Italy, that's being very, very helpful also. So we see that as a major growth factor for us. And, again, as I said, as we move more and more of production into the MENA for the MENA, it will free up more capacity for us to continue increasing supply to the European markets.

<<James Vane-Tempest, Analyst, Jefferies>>

And more broadly, how do you see Hikma participating in the broader GLP-1 opportunity?

<<Said Darwazah, Chief Executive Officer>>

I think, I mean, we were the first to launch, let's say, in the USA, we're first to launch GLP-1, the daily, what was it called?

<<Susan Ringdal, EVP, Strategic Planning and Global Affairs>>

Liraglutide.

<<Said Darwazah, Chief Executive Officer>>

We launched that. In the MENA, we have now launched our first semaglutide also. It's an important market, but I don't see for us that it is going to be that big of a market for us. So, you know, we will have enough, but it's not like a big focus for us.

<<James Vane-Tempest, Analyst, Jefferies>>

Yeah. And I've had the privilege of seeing the Columbus facility twice, I think, over the years. And it is an impressive facility. I think when you had the CMD and there was the talk of more sort of CMO, you know, wins, we haven't seen, I guess, as many as perhaps some investors thought. How should we think about the timing of some of those and where you see that?

<<Said Darwazah, Chief Executive Officer>>

Yeah. The facility is really one of, you know, a state-of-the-art facility and, you know, it has such high quality that the FDA actually uses that facility as a training ground for the inspectors. They bring their young or fresh inspectors there to train them. And in an effort to try to stay competitive sort of price-wise, we said the best thing is to use that facility for CMO. So we started very actively looking for CMO deals, and we signed, you know, quite a few, but smaller ones. And then recently, as we said, we had a major deal with one of the big pharma companies to produce a product for them. They actually helped participate in funding the facility, so we built a tailor-made facility for them on our facilities, but using our quality and our engineers and our people. That is a product that, you know, we believe will be a significant contributor to growth in, let's say, 2027 and further.

And we have been in discussions with several other companies regarding that. We're trying to move away from CMO for, let's say, opportunistic CMO, as we used to say, into more structural CMO, working with more big pharma on a long-term basis, so you can ramp up this business. And Columbus is a great facility for that, as well as Bedford also is a great facility for that. And actually, we are doing so much in Ohio, in the state of Ohio, that the state of Ohio has agreed to give us, over a period of 10 years, about $50 million in incentives by lowering taxes, helping to pay for R&D, helping to train people. So, you know, we can see that Hikma has become such an important player in Ohio that the government of Ohio is paying so much attention to us.

<<James Vane-Tempest, Analyst, Jefferies>>

We've also seen the company make a number of investments on the development side in terms of R&D, but as of yet, you know, we haven't seen, I guess, the number of new launches pick up in the Rx business. So what…

<<Said Darwazah, Chief Executive Officer>>

Again, as Susan Ringdal said before, last year or the year before, we acquired a significant research organization in Zagreb. Right now, we have over 90 scientists working, and their main focus point for the near-term will be the ready-to-use, the RTUs. The first one we launched, obviously, was Tyzavan, and it's different from the regular generics that we used to have. So for this, you needed more of a commercial team. So it's a semi-promotional. It's not fully promotional, semi-promotional. So we have been investing significantly in a promotion team for this product in the USA and I think the team now is comfortable. They know what is required, what is needed. And we see the new RTUs coming in 2028 and further. So by then, we will have a solid sort of commercial team in place.

Tyzavan hopefully would have been more – you know, selling more of what we thought it would be selling before, more mature. And then, these will be add-ons, so you would not have to spend a lot of money on commercial, but you will have all these products come in. And we're working on a significant number of products. So I see – we see an uptick '28, '29 for the RTUs going forward. And as I said, having a strong commercial team in place by that time.

<<James Vane-Tempest, Analyst, Jefferies>>

And what about biosimilars? I guess, you know, a lot of investors are focused on the wave of new launches where you can participate.

<<Said Darwazah, Chief Executive Officer>>

You know, in the USA, the regulations have changed significantly for the biosimilars. In the beginning, I mean, we have, I think, a couple of them we worked on, but we saw that as being too expensive for them. But with the new changes, with the new regulation changes, we see more opportunity. Historically, when we used to talk, going back a little bit, in the MENA, we are the largest biosimilar company, okay? We are the partner of choice for many biosimilar companies. They use the Hikma commercial platform and the promotional team. So we are the largest biosimilar player.

And historically, when we were meeting with the partners, we discussed MENA only. But now we are discussing more and more licensing globally from them, so MENA, Europe, and the USA. And we see significant opportunity for us, and they see us as a good partner, especially in the USA. If you can do fill and finish in the USA and sell products as locally made, it becomes very viable. So that's something that we are working on. So it will be – there will be more focus on it, but, you know, not as much as, let's say, some of the other companies that are very focused, but it will be a good driver for us.

<<James Vane-Tempest, Analyst, Jefferies>>

So should we see like mid-2030s is where we could potentially see more contribution?

<<Said Darwazah, Chief Executive Officer>>

No, I think earlier than that we should be able to launch some products. Yeah.

<<James Vane-Tempest, Analyst, Jefferies>>

Okay. And with the ongoing crisis in the Middle East, the MENA business has clearly been very resilient, you know, how you kind of raise guidance. So how do you describe the situation locally, and I guess, what's enabled you to kind of outperform?

<<Said Darwazah, Chief Executive Officer>>

It's, you know, very unfortunate, obviously, what's happening in terms of the geopolitical issues there. But what actually is happening on the ground is that local companies, and especially Hikma, is becoming much stronger there. Governments are working, the health authorities are working much closer with us, making sure we have enough supply of API, making sure we are ready to react to their market needs. So, it's been in a way positive from the sense of building much stronger relationships with the health authorities.

And as Hikma becomes bigger and as we become more localized, now we have, you know, local manufacturing in most of the companies in the region, in the countries, that really helps the business grow. So we've seen some disruptions, we've seen some maybe shipping costs go up and so on, but overall, the business has been doing, is very resilient and has been doing extremely well, and we think that we will continue to build up on that.

<<James Vane-Tempest, Analyst, Jefferies>>

The last few minutes remaining, I would love to talk a little bit about some of the near-term trading and performance that you have had. So I guess, you know, the nine-month, you raised the lower end of the EBIT guidance, whilst retaining top-line. So, you know, what gave you the confidence to do that?

<<Said Darwazah, Chief Executive Officer>>

Again, the business has been performing very, very well. As we said, the Rx is doing quite well. MENA is overperforming, as we said before. Injectables is also doing well. Tyzavan, we're seeing ramp up. It's very slowly for that, but very surely. So, overall, we feel very confident, you know, that we have tightened, as we say, the outlook for the year. So we're very comfortable that we'll achieve what we set out to do at the beginning of the year.

<<James Vane-Tempest, Analyst, Jefferies>>

And when we think about how that brand of business has evolved, I think the last time the margins were 27% were probably 15-plus-years ago.

<<Said Darwazah, Chief Executive Officer>>

Yes, the good old days.

<<James Vane-Tempest, Analyst, Jefferies>>

Exactly. And I remember covering the company then. But I guess, you know, when we look at that kind of level of profitability, is that sustainable? What do you think from here? Is it a mix thing? Is it a currency thing? Is it a portfolio thing? Help us understand.

<<Said Darwazah, Chief Executive Officer>>

It's actually a combination of a lot of things. First of all, I think, you know, we are moving away, as we said before, from the infectious diseases towards more chronic diseases, and that has been very helpful. We have – the product mix we have is much more sophisticated now. We have launched – we either launched a first generic or a differentiated product or an under-licensed patented product. So we no longer have your, let's say, common generic products. Currencies, as you said, in the past, let's say four or five years ago, currencies, especially – not especially, in North Africa, were very volatile, a lot of depreciation, so that sort of brought the margins down. On a constant basis, we're always doing very well, constant currency. The last few years, things have been fine, so that has also helped. Local manufacturing helps. And basically, the product portfolio is a very good one.

And one of the major changes that we are very happy with in the MENA is we have probably become the largest supplier of oncology products. So, historically, there was this sort of psychological barriers where oncologists were wary to use locally manufactured. They were more used to the originator. They were dealing with a very serious disease here. Now, we've broken that. We've broken that down. They work very, very closely with us. We're working very close with the health authorities, with the providers of healthcare for cancer and so on. And we're producing locally. And as we ramp up our local production of these products, I think, we have in volume numbers, we have become the largest provider of oncology.

And this is a great story for us because the health providers with the same budgets are now able to take care of about twice the number of patients. So that's been – you know, that's very nice and it's very, you know, close to the mission. Our mission is saying, you know, "We want to provide high-quality products at reasonable prices." So we're doing that. And for us, it's still a very profitable business, and that's why it's helping the margins recover.

<<James Vane-Tempest, Analyst, Jefferies>>

You mentioned you've made a lot of hires, investments, et cetera. So what do you think we'd need to see for you to be able to give another midterm outlook to the market?

<<Said Darwazah, Chief Executive Officer>>

First of all, we're waiting for our new CFO to join, so we're going to give her the courtesy of waiting, you know, until she's in there for some time. I would say end of next year, we might come up with something now…

<<Susan Ringdal, EVP, Strategic Planning and Global Affairs>>

Yeah, I will take…

<<Said Darwazah, Chief Executive Officer>>

Yes.

<<Susan Ringdal, EVP, Strategic Planning and Global Affairs>>

Yeah. We know that it's something that the market is looking for, but I think, as Said said, we need to give Becky, who's joining in March, a bit of time to take a view on that. But, in the meantime, we have a number of events planned for investors to try to help the market get a bit more comfortable about the drivers of growth for '28 and '29.

<<James Vane-Tempest, Analyst, Jefferies>>

Yes. It's the R&D Spotlight Series between now and kind of…

<<Susan Ringdal, EVP, Strategic Planning and Global Affairs>>

Exactly. Yeah, we have one next. Next week, we have our solid oral team will be doing a bit of a teach-in, and then in December, we've got our Injectables R&D team.

<<James Vane-Tempest, Analyst, Jefferies>>

Brilliant. With that we're out of time. Said and Susan, thank you very much for Hikma.

<<Said Darwazah, Chief Executive Officer>>

Thank you.