

SPIMACO to Acquire Osmopharm, a Swiss Pharmaceutical Drug Delivery Innovator

- Saudi Pharmaceutical Industries & Medical Appliances Corporation ("SPIMACO") is set to acquire a 68.0% stake in the Swiss-based pharmaceutical innovator, Osmopharm S.A. ("Osmopharm"), while divesting a shareholding of 76.4% in SPIMACO Misr for Pharmaceutical Industries S.A.E. ("SPIMACO Misr").
- The Transaction, with a total value of SAR 16.1 million, involves a share swap supplemented with a cash consideration, and is expected to be completed in the first half of 2024, contingent on regulatory approvals.
- Leveraging Osmopharm's advanced modified release technology, SPIMACO aims to diversify and elevate its product portfolio to better serve patient needs in line with its strategic focus on innovation.
- The acquisition paves the way for SPIMACO's entry into European markets and the potential manufacturing of its products at Osmopharm's EU GMP certified facility in Switzerland.
- The Transaction strengthens SPIMACO's financial position and aligns with the Company's FY 2023 financial outlook.

Riyadh, 14 November 2023 – SPIMACO, a National Champion in the Saudi Pharma industry, is pleased to announce the signing of sale and purchase agreements (SPAs) with the principal shareholders of Osmopharm - SIGMA Pharmaceuticals Industries ("SIGMA"), Bruno Scapinelli, and Ahmed Abd El Monem Aly Habib. Osmopharm is a Swiss-based innovation-driven pharmaceutical company specialized in the development and production of modified release (MR) solid oral form drugs (pellets, tablets and resinate).

The Transaction involves SPIMACO acquiring a 68.0% stake in Osmopharm while divesting a 76.4% shareholding in SPIMACO Misr, the company's Egyptian subsidiary, in a share swap agreement supplemented with a cash consideration of CHF 800,000 (equivalent to SAR 3.3 million) (collectively referred to as "The Transaction"). The Transaction has a total value of SAR 16.1 million.

The boards of directors of both companies have approved the share swap. Subject to receipt of regulatory clearances in the respective jurisdictions, the swap is expected to close in 1H 2024.

Jerome Cabannes, Chief Executive Officer of SPIMACO, said: "We are excited to welcome Osmopharm to the SPIMACO family. This acquisition is a strategic step that will allow us to realize substantial synergies, gain access to innovative modified release drug delivery technologies, and accelerate our expansion into the European market. We look forward to working with the Osmopharm team to achieve our shared goals".

Transaction Fits Long-Term Strategic Goals

The Transaction presents SPIMACO with a compelling opportunity to strengthen its product portfolio, enhance its position in Saudi Arabia, and broaden its international footprint.

Osmopharm is active in the growing extended release ('XR') drugs market (part of modified release, 'MR', concept), which enjoys a growth rate of approximately 11% annually in the Western oral XR sector (valued around USD 9 billion). The oral XR market in Saudi Arabia, and MENA overall, although smaller at approximately USD 500 million, is more fragmented, indicating significant potential for market consolidation¹.

Strategically, SPIMACO plans to diversify its product portfolio by integrating Osmopharm's advanced modified release technology into its facilities in KSA through technology transfer. SPIMACO's pipeline includes multiple products that can benefit from innovative MR technology. This integration is expected to enhance the Company's portfolio, positioning it towards higher-value medication.

The advanced MR drug delivery method promises improved efficiency, fewer side effects, and greater convenience, leading to better patient compliance. Such advantages should enable SPIMACO to secure a larger market share in KSA.

Furthermore, the acquisition of Osmopharm streamlines SPIMACO's access to its Common Technical Document (CTD) capabilities, facilitating product registrations for entry into European and other international markets. This also presents the opportunity to manufacture SPIMACO's products at Osmopharm's EU Good Manufacturing Practice (GMP) certified unit in Switzerland.

This comprehensive approach seeks to create multiple synergies for the combined entity. Presently, Osmopharm caters to over 70 customers across 30 markets spanning Europe, North Africa, Asia, and South America. Building on this geographical footprint, SPIMACO targets to support Osmopharm in creating a European portfolio by funding Bioequivalence (BE) studies and crafting in-house dossiers. This would assist Osmopharm in transitioning from a Contract Manufacturing Operations (CMO) company to a fully-fledged European pharma entity. SPIMACO intends to further support these efforts by expanding and refining Osmopharm's commercial team. Additionally, SPIMACO aims to undertake initiatives to optimize the product mix and cost structure, aiming to elevate Osmopharm's margins to match those of their CMO counterparts.

The realization of the aforementioned synergies will necessitate a transitional period.

Financial Highlights and Impact on SPIMACO's Financials

The Transaction is expected to strengthen SPIMACO's financials by consolidating Osmopharm's financial results and reducing SPIMACO's ownership in SPIMACO Misr to a minority shareholding. Osmopharm reported sales of SAR 63.1 million (CHF 15.2m) in 2022 and has shown healthy profit margins over the past three full financial years.

¹ Source: IQVIA

This Transaction stands to benefit both patients and shareholders. By effectively harnessing resources and combining expertise, SPIMACO is set to realize further growth potential. This translates into a broader range of healthcare solutions for patients and a reinforced commitment to quality care.

Transaction Details

Pursuant to the SPAs, SPIMACO has agreed to acquire a total of 68 shares in Osmopharm (representing 68.0% of the share capital of Osmopharm) with a total value of SAR 16.1million.

SPIMACO will be acquiring those shares by a combination of transferring 171,973 shares in SPIMACO Misr (representing 76.4% of the issued share capital of SPIMACO Misr) and for a cash consideration of CHF 800,000 (equivalent to SAR 3.3 million).

Following completion of the Transaction, SPIMACO will own 68.0% in Osmopharm, and SIGMA, together with Ahmed Abd El Monem Aly Habib, will own 76.4% of the issued share capital of SPIMACO Misr.

SPIMACO will have a put option to sell its remaining 14.2% shareholding in SPIMACO Misr (and Sigma will have a call option). The Transaction's completion is contingent upon meeting several preconditions outlined in the SPA. This includes receiving necessary approvals from pertinent government entities in KSA and Egypt. The SPA holds a clause that permits SPIMACO or SIGMA to annul the agreement if conditions remain unmet within a 12-month frame from the SPA's date. The Transaction is set to be finalized in the first half of 2024.

SPIMACO Institutional Investor Contact

Ghida Obeid

Head of Investor Relations

ghida.obeid@spimaco.sa

About SPIMACO

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO) is Saudi Arabia's premier pharmaceutical manufacturer, extending its reach across 16 countries. Specializing in high-quality generics, SPIMACO serves the Kingdom and the region across 60+ therapeutic categories and stands as a preferred strategic partner for global and regional pharma manufacturers.

About Osmopharm

Osmopharm S.A., headquartered in Switzerland and founded in 1994, is a distinguished European CMO. Specializing in the development and production of MR solid oral dosage forms, including pellets, tablets, and resinate, the company has built an extensive client base. The company currently collaborates with around 70 clients across 30 countries, reaching regions in Europe, MENA, Asia, and South America.

Disclaimer

All information included in this document is for general use only and has not been independently verified, nor does it constitute or form part of any invitation or inducement to engage in any investment activity, nor does it constitute an offer or invitation or recommendation to buy or subscribe for any securities in the Kingdom of Saudi Arabia, or an offer or invitation or recommendation in respect of buying, holding or selling any securities of SPIMACO.

SPIMACO does not warranty, express or implied, is made, and no reliance should be placed by any person or any legal entity for any purpose on the information and opinions contained in this document, or its fairness, accuracy, completeness or correctness.

This document may include statements that are, or may be deemed to be, "forward-looking statements" with respect to the Company's financial position, results of operations and business. Information on the Company's plans, intentions, expectations, assumptions, goals and beliefs are for general update only and do not constitute or form part of any invitation or inducement to engage in any investment activity, nor does it constitute an offer or invitation or recommendation to buy or subscribe for any securities in any jurisdiction, or an offer or invitation or recommendation in respect of buying, holding or selling any securities of SPIMACO.