

## Macro Group Pharmaceuticals Focuses on Strategic Adjustments Amidst Challenging Market Conditions

Cairo, 30 July 2024 | Cairo, Egypt

Macro Group Pharmaceuticals (Macro Capital) S.A.E (“Macro” or the “Group”), a leading cosmeceuticals company in Egypt, reports its financial and operational performance review for the first quarter of the year ended 31 March 2024. The Group continues to demonstrate resilience and strategic foresight in navigating a complex market landscape.

During this period, Macro generated revenue of EGP 60 million, a result of deliberate efforts to normalize stock levels and manage distributor relationships effectively. This adjustment aligns with the Group's long-term strategy to enhance operational efficiency and ensure sustainable growth. The revenue figure reflects the implementation of stock coverage restrictions on key pharmaceutical distributors and the one-off return of obsolete Macro products, a proactive move to maintain product quality and market reputation. Additionally, the implementation of IFRS-15, which includes a 5% rights of return provision, was a strategic decision to align with international financial reporting standards and ensure transparent financial practices. The Group faced external challenges, including inflation and currency devaluation in the Egyptian market, coupled with raw material import difficulties due to foreign exchange shortages. Despite these hurdles, Macro's adjusted gross profit stood at EGP 36 million, maintaining a robust margin of 61.3%. This demonstrates the Group's ability to sustain profitability through efficient cost management and operational excellence.

Adjusted EBITDA for the quarter was EGP (23) million, reflecting inventory strategic decisions and the impact of market conditions. However, this figure underscores Macro's commitment to strengthening its market position and investing in future growth opportunities. The Group's management is focused on optimizing operations and enhancing liquidity to navigate the current economic environment effectively.

Macro reported a net loss of EGP (78) million for 1Q24. When adjusted for one-time ESOP expenses and impairment losses on financial assets, the normalized net loss was EGP (40.7) million. This adjustment highlights the Group's proactive financial management and dedication to maintaining a clear focus on long-term value creation.

Looking ahead, Macro Group Pharmaceuticals remains committed to its strategic vision, focusing on innovation, market expansion, and enhancing operational efficiencies. The Group is confident in its ability to overcome current challenges and continue delivering value to its stakeholders, leveraging its strong market presence and industry expertise.

### Financial & Operational Highlights

<p><b>EGP 60</b> 1Q24 Revenue</p> <p>▼ 62% YoY</p>	<p><b>EGP 36 mn</b> 1Q24 gross Profit</p> <p>▼ 68% YoY / 61.3% Margin</p>	<p><b>EGP -23 mn</b> 1Q24 Adjusted EBITDA<sup>1</sup></p> <p>▼ 163% YoY / -39% Margin</p>	<p><b>EGP 78 mn</b> 1Q24 Net loss</p> <p>▼ 927% YoY / -131% Margin</p>
<p><b>EGP 41 mn</b> 1Q24 Normalized Net Loss<sup>1</sup></p> <p>▼ 330% YoY / -68% Margin</p>	<p><b>EGP -0.14/-0.07</b> 1Q24 EPS/Normalized EPS<sup>2</sup></p> <p>▼ 938% YoY / ▼ 333% YoY</p>	<p><b>1.2 mn units</b> 1Q24 Volume Sold</p> <p>▼ 67% YoY</p>	

<sup>1</sup> Adjusted for impairment losses on financial assets and ESOP expenses

<sup>2</sup> Based on the weighted average number of shares outstanding



## Key Developments

- **Normalizing stock levels and eliminating liquidity risk.** Following the board led management restructuring in Q4 2023, the newly appointed team made critical decisions in light of the ongoing liquidity issues faced by key pharmaceutical distributors. This includes liquidating stocks held by distributors and working on gradually reducing wholesale discounts.
- **Pharmacy sales contribution.** During 1Q24, direct pharmacy sales channel contributed 5% of net sales after its reinstatement during the third quarter of 2023. Additionally, management is in the process of signing a new chain pharmacy deal for Macro's premium products to enhancing profitability and reduce concentration risk.
- **Revenue growth in key brands.** Skincare and hair care continued to lead in revenue contribution, accounting for a substantial 35% and 19%, respectively. Despite the overall decline in revenue for these segments, key brands like Lit up and Vividol continued to show resilience with sales generated from these brands in 1Q24 growing by a significant 44% and 52% Y-o-Y, respectively.

## Message from our Chairman

I am pleased to share Macro's financial and operational results for the quarter ending March 31, 2024. Despite continuing challenges from the previous year, including inflation and currency devaluation in the Egyptian markets and import difficulties due to foreign exchange shortages, Macro remains steadfast in its commitment to growth and innovation.

During the first quarter, we conducted a comprehensive review of our revenue cycle management and supply chain controls. We also appointed a highly qualified management team to guide Macro into its next phase of growth. As part of our strategic adjustments, we decided to normalize stock levels held by key distributors, reducing future collection risks. This decision also led to an additional one-time impairment for any remaining doubtful collections.

Our sales experienced a temporary downturn due to reduced volumes and liquidity constraints within Egypt's pharmaceutical distribution network. Factors such as the one-off return of obsolete products and a 5% right of return discount also contributed to this decline. However, we made significant strides with improved pricing and a focus on higher-priced products, which partially offset the impact. Our proactive measures to reduce stock coverage and implement supply chain controls, coupled with positive signs that the market-wide destocking phase may be coming to an end in response to pleasing end demand for our products at the pharmacy level, leave us optimistic about the outlook for sales going forward.

In 3Q23, we reinstated direct sales to major pharmacies, enhancing our collection processes and laying the groundwork for future growth. Direct pharmacy sales contributed 5% of overall revenue in 1Q24. Prioritizing exports remains a key strategy to mitigate local challenges, expand our market presence, and protect against currency devaluation. Despite a temporary drop in exports due to political instability in key markets like Syria, Yemen, and Sudan, we have recently hired a new export director to lead our expansion into new markets such as Saudi Arabia and UAE.

Despite the decrease in overall revenue, Macro maintained its gross profit margins in 1Q24. Our gross profit was EGP 36 million, reflecting a margin of 61.3%, impacted by inflation, currency shifts, and rising material costs. Adjusted EBITDA for 1Q24 was EGP -23.1 million, with an adjusted EBITDA margin of -39%. This decline was primarily due to reduced operating profitability and increased selling, marketing, and administrative expenses. We anticipate these figures will stabilize as we return to higher sales volumes, enhance efficiencies and continue our cost reduction efforts. Additionally, we faced increased finance expenses due to cash discounts offered for early payments, addressing tight liquidity in the distribution network.

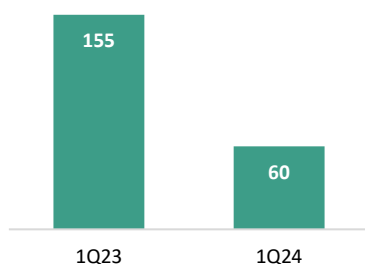
Looking forward, our focus remains on boosting product volumes, revenue, and profitability. We are dedicated to leveraging our market leadership and continuing our commitment to innovation with advanced products and a relentless pursuit of excellence. Our strong marketing and distribution networks are vital to our success and will play a crucial role in capitalizing on the promising opportunities that lie ahead.

We remain optimistic about Macro's future and are confident in our strategic direction as we navigate the current economic landscape and position ourselves for sustained growth. This confidence is shared by our shareholders, who approved the extension of an EGP 150 million shareholder loan to the Company in May 2024.

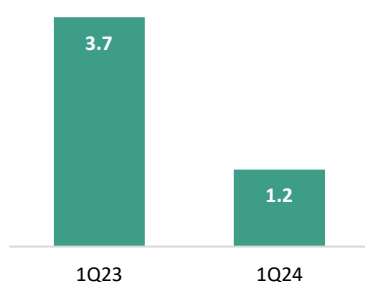
**Dr. Ahmed Elnayeb, Chairman of Macro Group**

## Consolidated Financial Review

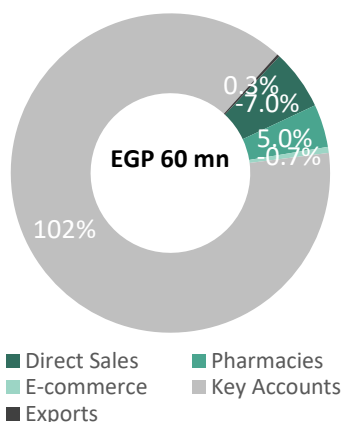
Revenue Progression  
(EGP mn)



Volume Progression  
(mn units)



1Q24 Revenues  
By Sales Channel



### Revenues

Macro recorded consolidated revenues of EGP 60 million in 1Q24, down by 62% YoY, primarily due to 67% lower volumes Y-o-Y and in-year adjustments of EGP6.96 million in right of return provisions. This was only slightly offset by a 15% increase in average pricing and better sales mix dynamics. The decrease in the quantity of products sold was primarily influenced by the destocking of products within the pharmaceutical distribution chain. This was done in response to the challenging liquidity conditions that were prevalent in the market which led to strategic decisions made by management to insure stable long-term collections. In addition to one-off returns of obsolete Macro products held by distributors during the period.

### Revenues by Sales Channel

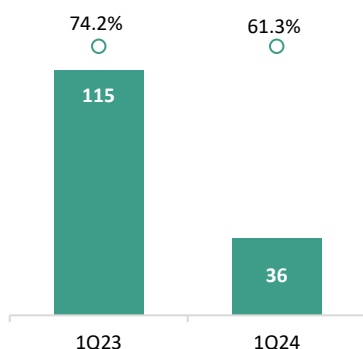
Macro Group sells its products through its direct distribution channels, consisting of sales to wholesalers, retailers and through e-commerce, in addition to its indirect distribution channels, comprising of key accounts and exports.

**Direct Distribution Channels.** Net revenue from direct sales channels came in at EGP -1.97 million in 1Q24, due to net returns in the Wholesale channel resulting from management's deliberate efforts to normalize stock levels at third parties in the distribution chain. On the other hand, revenues generated from pharmacies booked EGP 3.4 million in 1Q24, as direct sales to mega pharmacies began to pick up and market conditions started to improve. However, e-commerce fell short of expectations; Macro is currently implementing a new e-commerce commercial structure with a more focused approach and intensified marketing efforts.

**Indirect Distribution Channels.** Indirect sales channel revenues stood at EGP 68.4 million, up 11% YoY in 1Q24. The growth in revenue was due to the pick-up in sales to Key Accounts which grew by 17% Y-o-Y. Export revenues remain weak, due to political instability in key markets like Syria, Yemen, and Sudan. That said, we have recently hired a new export director to lead the way as we expand into new markets and continue our efforts to grow our export sales to hedge against foreign currency risk.

### Gross Profit and Margin

#### Progression (EGP mn | %)



### Gross Profit

Gross profit stood at EGP 36.5 million during 1Q24, marking a 68% YoY decline, with margins falling by 13 pps to 61.3% during the period. The decline was primarily a result of inflationary and currency pressures affecting the costs of raw materials. In addition to the one-off return of obsolete Macro products and a 5% right of return discount booked during 1Q24.

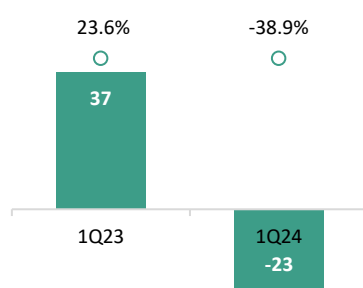
### SG&A Expense

During 1Q24, selling and marketing expenses amounted to EGP 35.5 million, marking a 28.7% YoY decline. Macro continues to strive for optimization and enhancing efficiencies through a range of cost-cutting activities, including the restructuring of its marketing budget to insure a reasonable return on investment.

Additionally, general and administrative expenses totaled EGP 30.5 million, down by 7.1% YoY as the company continues its efforts to eliminate any unnecessary expenses. It is worth noting that when adjusted for ESOP expenses G&A amounts to EGP 28 million, a larger decline of 12% Y-o-Y further highlighting the effectiveness of management's cost-cutting measures during the period.

### EBITDA and Margin

#### Progression (EGP mn | %)

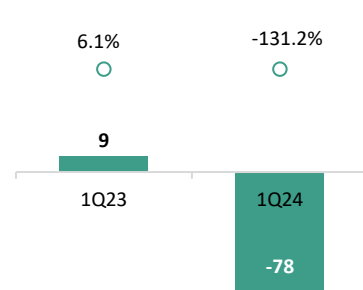


### Adjusted EBITDA

Adjusted EBITDA in 1Q24 came in at EGP -23.1 million, down from EGP 36.7 million last year, which led to an adjusted EBITDA margin of -38.9%, compared to 23.6% during the same period in the previous year. The decline in the Company's EBITDA margin stemmed from lower operating margins in addition to higher S&M & G&A expenses as a percentage of sales, despite the effective cost cutting measures that have taken place during the period.

### Net Profit and Margin

#### Progression (EGP mn | %)



### Net Profit

During 1Q24, Macro reported a net loss of EGP 78.1 million, from a net profit of EGP 9.4 million during 1Q23 and yielding a net margin of -131%, down from 6.1% last year. The decline was primarily driven by the exceptionally low operating profitability, a hike in one-off impairment losses on financial assets, amounting to EGP 35 million and higher net finance costs amounting to EGP 14 million for the period. This rise was largely attributed to a discount offered to distributors, amounting to EGP 4.7 million, a deliberate strategy aimed at improving the Company's available capital. Normalized net loss, adjusted for one-time ESOP expenses and impairment losses on financial assets, amounted to EGP 40.7 million, down from a net profit of EGP 17.7 million in 1Q23.

### Cash Conversion Cycle

Macro's CCC recorded 171 days in 1Q24, marking a 213-day decline from 1Q23. This change is primarily attributed to a 77-day decrease in receivables DSO from 1Q23 and a 303-day incline in payables DPO. This was slightly offset by the 166-day increase in inventories DIO over the same period. The decline in CCC was related to the one-time write-off of overdue receivables along with favorable credit terms. This is set to normalize going forward as the company utilized its shareholder loan to settle outstanding commitments with suppliers and effectively 'reset' its working capital cycle. Additionally, this was slightly offset by a larger inventory balance related to the one-off returns of obsolete Macro products during the period.



### Total Debt

Total debt, which consists of short-term loans (76% of total) and short & long-term lease liabilities (24% of total), recorded EGP 191.7 million in 1Q24, unchanged from FY23. A 33% Y-o-Y decline in cash and bank balances saw net debt come in at EGP 141.3 million in 1Q24 vs. a net debt balance of EGP 118.4 million recorded in FY23

### Fixed Assets

Net fixed assets came in at EGP 39.2 million as of 1Q24, unchanged from FY23. Meanwhile, CAPEX stood at EGP 1.0 million in 1Q24 against EGP 2.4 million booked last year, down by 56% Y-o-Y. Additions during the year were for the purpose of maintenance with CAPEX to sales recording 1.6% in 1Q24, reflecting management's commitment to meeting the year's targets.

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**About Macro Group Pharmaceuticals (Macro Capital) S.A.E.**

Established in 2005 as a joint partnership by Dr. Ahmed El Nayeb and his partner, Macro Group is one of the leaders in Egypt’s fast-growing Cosmeceuticals space, with a market share of 31.4% recorded in 2022 according to IQVIA<sup>1</sup>, based on the therapeutic areas in which it operates. The Company is principally engaged in the manufacture and sale of cosmeceutical and has recently ventured into nutraceutical products. While all of the Company’s products are available over-the-counter, Macro Group also utilizes a prescription-based sales strategy and generates demand through an incentivized medical salesforce of more than 490 employees who target physicians and pharmacies nationwide. The majority of Macro Group’s diverse portfolio of 171 marketed SKUs as of 31 December 2023 is manufactured in-house at its production facility in Badr City. The Company’s local-brand portfolio includes household names such as Orovex, Gold, Scaro, Topi-Gent and Frost. By developing its own branded products which are both cosmetic and may help achieve a therapeutic effect, the Company offers an attractive value proposition and benefits from an advantageous regulatory framework for cosmetics as well as the defensive attributes and demand profile of prescription-based pharmaceuticals.

For more information about Macro Group, please visit: [www.macro-egy.com](http://www.macro-egy.com).

<sup>1</sup> Source: IQVIA. While the total market reflects the cosmeceutical/nutraceutical space in which the company operates in, The IQVIA universe used for this data reflects Macro’s direct competitors, significantly increasing Macro’s market share from 2021.

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**Shareholding Structure**



Leo 1	54.2%
MEA Healthcare Partner	0.002%
Dr. Ahmed El Nayeb	0.0001%
Free Float	45.8%

**Forward-looking Statements**

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as “according to estimates”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “should”, “to the knowledge of”, “will”, “would”, or, in each case, their negatives, or other similar expressions that are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management's ("Management") current views of future events, are based on Management's assumptions, and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate, or prediction to become inaccurate. These risks include fluctuations in the prices of raw materials or employee costs required by our operations, its ability to retain the services of certain key employees, its ability to compete successfully, changes in political, social, legal, or economic conditions in Egypt, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations, and Management's ability to timely and accurately identify future risks to our business and manage the risks mentioned above.

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.

## Consolidated Income Statement

Macro Group Pharmaceuticals (Macro Capital) S.A.E - Consolidated statement of profit and loss for the three-month period ended 31 March 2024

Consolidated Income Statement (EGP)	1Q-2023	1Q-2024	% CHG Y-o-Y
Sales Revenue <sup>(1)</sup>	155,200,653	59,536,121	-61.6%
COGS	(40,070,623)	(23,054,632)	-42.5%
<b>Gross Profit</b>	<b>115,130,030</b>	<b>36,481,489</b>	<b>-68.3%</b>
<i>Gross profit margin</i>	74.2%	61.3%	<b>-12.9 pps</b>
G&A Expenses	(32,072,254)	(28,057,084)	-12.5%
S&M Expenses	(49,860,074)	(35,549,990)	-28.7%
Other Income – Net	186,235	302,236	62.3%
<b>Net Operating Profit</b>	<b>33,383,937</b>	<b>-26,823,349</b>	<b>-180.3%</b>
<i>Net operating profit margin</i>	21.5%	-45.1%	<b>-66.6 pps</b>
Add back: Depreciation Expense	3,311,421	3,684,325	11.3%
<b>EBITDA</b>	<b>36,695,358</b>	<b>-23,139,024</b>	<b>-163.1%</b>
<i>EBITDA margin</i>	23.6%	-38.9%	<b>-62.5 pps</b>
Impairment Losses on Financial Assets	0	(34,941,466)	n/a
Provisions	(7,416,283)	0	-100.0%
Finance income/(cost)	(10,279,143)	(13,805,346)	34.3%
Employee Stock Ownership Plan (ESOP)	(819,915)	(2,488,706)	203.5%
IPO Cost	0	0	n/a
<b>EBT</b>	<b>14,868,596</b>	<b>-78,058,867</b>	<b>-625.0%</b>
Income Tax	(5,426,472)	(47,081)	-99.1%
<b>Net Profit</b>	<b>9,442,124</b>	<b>-78,105,948</b>	<b>-927.2%</b>
<i>Net Profit margin</i>	6.1%	-131.2%	<b>-137.3 pps</b>

<sup>1</sup> Figure presented in 1Q24 is after deduction of EGP 6.96 million in right of return provisions

## Consolidated Balance Sheet

Macro Group Pharmaceuticals (Macro Capital) S.A.E - Consolidated statement of financial position as of 31 March 2024

Consolidated Balance Sheet (EGP)	Dec-23	Mar-24	% CHG Y-o-Y
Inventories	141,563,256	144,192,252	1.9%
Trade and notes receivables	164,959,004	86,773,800	-47.4%
Prepayments & other debit balances	41,908,894	43,778,324	4.5%
Cash & cash equivalents	75,309,682	50,428,367	-33.0%
<b>Total Current Assets</b>	<b>423,740,836</b>	<b>325,172,743</b>	<b>-23.3%</b>
PP&E	39,044,387	39,209,017	0.4%
Right of use assets	23,699,990	40,921,176	72.7%
Intangible assets	1,926,451	1,809,519	-6.1%
Goodwill	25,280,108	25,280,108	0.0%
<b>Total Non-Current Assets</b>	<b>89,950,936</b>	<b>107,219,820</b>	<b>19.2%</b>
<b>Total Assets</b>	<b>513,691,772</b>	<b>432,392,563</b>	<b>-15.8%</b>
Trade and notes payable	86,213,009	71,174,617	-17.4%
Accrued expenses & credit balances	83,178,912	79,866,168	-4.0%
Short-term loans	165,832,406	146,542,987	-11.6%
Provisions	48,401,009	48,401,009	0.0%
Dividends payable	5,136,250	431,645	-91.6%
Current income tax liability	293,767	382,693	30.3%
Short-term lease liability	4,987,677	11,023,480	121.0%
<b>Total Current Liabilities</b>	<b>394,043,030</b>	<b>357,822,599</b>	<b>-9.2%</b>
Deferred tax liability	2,415,576	2,373,731	-1.7%
Long-term lease liabilities	22,902,608	34,156,136	49.1%
<b>Total Non-Current Liabilities</b>	<b>25,318,184</b>	<b>36,529,867</b>	<b>44.3%</b>
<b>Total Liabilities</b>	<b>419,361,214</b>	<b>394,352,466</b>	<b>-6.0%</b>
Paid-in capital	114,041,291	114,041,291	0.0%
Legal reserve	37,126,148	37,126,148	0.0%
Treasury shares	(29,970,000)	0	-100.0%
Retained earnings	(26,986,002)	(113,252,114)	319.7%
<b>Total Equity Attributable to Equity Holders</b>	<b>94,211,437</b>	<b>37,915,325</b>	<b>-59.8%</b>
Non-controlling interest	119,121	124,772	319.7%
<b>Total Equity</b>	<b>94,330,558</b>	<b>38,040,097</b>	<b>-59.7%</b>
<b>Total Liabilities &amp; Equity</b>	<b>513,691,772</b>	<b>432,392,563</b>	<b>-15.8%</b>