



## Macro Group Pharmaceuticals (Macro Capital) S.A.E. concludes board-led management and supply chain review

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Macro Group Pharmaceuticals (Macro Capital) S.A.E (“Macro” or the “Group”), a leading cosmeceuticals company in Egypt, announces today its financial and operational performance review for the full year period ended 31 December 2023 and completion of the board and founder led management and supply chain review, with a revenue decline of 28% YoY to EGP 526 million as a result of the reclassification of pharmacy chain discounts and rebate liabilities along with slower volumes during the period. The Group faced a challenging operating environment, due to inflation and currency devaluation in the Egyptian market, compounded by import difficulties stemming from foreign exchange shortages. Our sales experienced a downturn due to reduced volumes, exacerbated by liquidity constraints within Egypt's pharmaceutical distribution network. As a result of the slower volumes, Macro's adjusted gross profit declined by 36% YoY to EGP 358 million in FY23, with a margin of 68.0%. Adjusted EBITDA for the twelve-month period came in at EGP 25.6 million, down by 91% YoY, resulting in a margin of 4.9%. Macro reported a net loss of EGP 273 million in FY23; normalized net loss – adjusted for one-time ESOP expenses, impairment losses on financial & non-financial assets, and income tax and slow-moving inventory provisions formed – amounted to EGP 57.4 million.

### Financial & Operational Highlights

<b>EGP 526</b> FY23 Revenue	<b>EGP 358 mn</b> FY23 gross Profit	<b>EGP 25.6 mn</b> FY23 Adjusted EBITDA <sup>1</sup>	<b>EGP 273 mn</b> FY23 Net loss
▼ 28% YoY	▼ 36% YoY / 68.0% Margin	▼ 91.0% YoY / 4.9% Margin	▼ 257% YoY / -51.8% Margin
<b>EGP -57.4 mn</b> FY23 Normalized Net Profit <sup>1</sup>	<b>EGP -0.48/-0.10</b> FY23 EPS/Normalized EPS <sup>2</sup>	<b>13 mn units</b> FY23 Volume Sold	
▼ 128% YoY / -10.9% Margin	▼ 259% YoY / ▼ 130% YoY	▼ 29% YoY	

### Key Developments

- Conclusion of management and supply chain review.** The board of directors of the Company led a management restructuring in Q4 2023. The restructuring resulted in changes to a number of key positions including CEO, CFO, Chief Supply Chain Officer among others and a thorough review of the Company's revenue cycle management and supply chain controls.
- Premium products.** During FY23, premium product revenues came in at EGP 69 million, up by 59% YoY supported by a significant expansion of Atrakta and Solodex, which grew 92% and 19% YoY, respectively. Moreover, the recently introduced Lucente brand made a substantial contribution, with its 17 products collectively achieving EGP 11 million in sales.
- Revenue growth in key segments.** Skincare took the lead in revenue contribution, accounting for a substantial 39% share of consolidated revenues in FY23. This was followed by hair care which contributed 18% of total consolidated revenues for the period recording a growth of 13% Y-o-Y.
- New launches.** A total of 22 products were launched in the twelve months of 2023. An additional 16 SKUs are in the pipeline to be launched in the near-to-medium term across high-growth therapeutic areas.

<sup>1</sup>Adjusted for IPO fees, impairment losses on financial & non-financial assets, ESOP expenses and provisions formed

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



## Message from our Chairman

I am delighted to share Macro's financial and operational achievements for the year ending December 31, 2023. The final quarter posed considerable challenges, both internally and externally, due to inflation and currency devaluation in the Egyptian market, compounded by import difficulties stemming from foreign exchange shortages. Under my leadership as chairman, we undertook a significant restructuring of senior management roles, including the CEO, CFO, and Chief Supply Chain Officer positions, and conducted a comprehensive review of our revenue cycle management and supply chain controls. This review prompted critical one-time decisions regarding impairments and provisions, setting the stage for a more prosperous future for Macro.

Over the year, our sales experienced a downturn due to reduced volumes, exacerbated by liquidity constraints within Egypt's pharmaceutical distribution network and substantial discounts offered in the fourth quarter under challenging market conditions and previous revenue cycle management issues. Although we made strides with improved pricing and a focus on higher-priced products, these measures only partially offset the decline. Nonetheless, there are positive indicators that the market-wide destocking phase is concluding, and we remain optimistic about sustained demand for our products.

Recently, we resumed sales to major pharmacies, enhancing our collection processes and laying the groundwork for future growth, despite the need for exceptional discounts which we anticipate will normalize. Macro continues to prioritize exports as a key strategy to mitigate local challenges, aiming to expand its market presence and protect against currency devaluation. Despite a 22% drop in exports year-on-year, totalling EGP 23.7 million, due to political instability in key markets like Syria, Yemen, and Sudan, we are actively exploring opportunities in new markets, including Saudi Arabia and Korea.

Despite a decrease in overall revenue, Macro maintained its gross profit margins in FY23. Our adjusted gross profit fell by 36% to EGP 358 million, reflecting a margin of 68.0%, impacted by inflation, currency shifts, and rising material costs, along with high discounts to pharmacy chains. Adjusted EBITDA for FY23 was EGP 25.6 million, down 91% year-on-year, with an adjusted EBITDA margin of 4.9%, a decrease of 34 percentage points from the previous year. This decline was primarily due to reduced operating profitability and increased sales and marketing expenses, including EGP 14 million in marketing discounts for new pharmacy chain agreements. We anticipate these figures will stabilize as we implement discount caps, enhance efficiencies, and continue cost reduction efforts. Additionally, we faced increased finance expenses due to cash discounts offered for early payments, addressing tight liquidity in the distribution network.

Macro's commitment to innovation and market expansion is evident in our introduction of 22 new products this year, including 15 skincare and 2 hair care products from our premium lines. This also allowed us to continue our significant market presence and maintain our number 1 ranking in the Egyptian cosmeceuticals market, according to IQVIA October 2023 report. Looking forward, our main focus is 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.

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



## Consolidated Financial Review



### Revenues

Macro recorded consolidated revenues of EGP 526 million in FY23, down by 28% YoY, primarily due to 29% lower volumes Y-o-Y and in-year adjustments of EGP 135 million in pharmacy chain discounts and rebate liabilities. This was only slightly offset by a 25% increase in average pricing and better sales mix dynamics, with a significant concentration of sales in premium-priced products. Revenue from premium products reached EGP 69 million a growth of 59% Y-o-Y. 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.

### 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.** Revenues from direct sales channels came in at EGP 346.1 million in FY23, down by 15% YoY and contributing 66% to total revenues. Wholesale revenues recorded EGP 297.7 million, down 13% YoY and accounting for 57% of the total revenues for the period. Revenues generated from pharmacies booked EGP 24.9 million in FY23, where Macro strategically reinstated sales to Mega pharmacies in 3Q23.

**Indirect Distribution Channels.** Indirect sales channel revenues stood at EGP 180 million, down 44% YoY and contributing to 35% of total revenues in FY23 vs. 44% in the same period last year. The decline in revenue was due to financial challenges experienced by significant Key Accounts within Egypt's pharmaceutical distribution sector. Additionally, export revenues saw a Y-o-Y decline to EGP 23.7 million in FY23 contributing 5% to overall revenues from 3% during 9M23. Despite the global challenges we are keen on expanding into new markets and growing our export sales to hedge against foreign currency risk.



#### Gross Profit and Margin

**Progression**  
(EGP mn | %)

77.0%

562  
●

68.0%  
○

358

FY22

FY23

#### EBITDA and Margin

**Progression**  
(EGP mn | %)

38.8%

283  
●

4.9%  
○

26

FY22

FY23

#### Net Profit and Margin

**Progression**  
(EGP mn | %)

23.8%

●  
174

-51.8%  
○

-273

FY22

FY23

#### Adjusted Gross Profit

Gross profit adjusted for provisions formed for obsolete and slow-moving inventories stood at EGP 357.6 million in FY23, marking a 36% YoY decline, with margins falling by 9 pps to 68.0% during the period. The decline was primarily a result of inflationary and currency pressures affecting the costs of raw materials in addition to exceptionally high discounts booked during the fourth quarter of the year.

#### SG&A Expense

During FY23, selling and marketing expenses amounted to EGP 247.7 million, marking a 27.7% YoY increase. In addition to Macro's ongoing engagement in customized and focused marketing campaigns to enhance the sales of existing products and promote new launches, it has booked EGP 14 million in promotional expenses related to reinstating mega pharmacy chains. It is worth noting that despite the continuous nature of this expense it will be booked in smaller increments going forward.

Meanwhile, general and administrative expenses totaled EGP 106.2 million, up by 11.7% YoY primarily due to the impact of inflationary pressures in Egypt and their effect on the company's overheads. It is worth noting that when adjusted for ESOP expenses G&A amounts to EGP 103 million, a slight incline of 1.9% Y-o-Y highlighting the effectiveness of management's cost-cutting measures during the period.

#### Adjusted EBITDA

Adjusted EBITDA in FY23 came in at EGP 25.6 million, reflecting a 91% YoY decrease, which led to an adjusted EBITDA margin of 4.9%, down by 34 pps YoY compared to the same period in the previous year. The decline in the Company's EBITDA margin stemmed from lower operating margins in addition to exceptionally higher S&M expenses related to the reinstatement of pharmacy chains, which should normalize going forward.

#### Net Profit

During FY23, Macro reported a net loss of EGP 273 million, marking a decline of 257% YoY and yielding a net margin of -51.8%, a 76 pps drop YoY. The decline was primarily driven by the exceptionally low operating profitability, a hike in one-off impairment losses on financial and non-financial assets, amounting to EGP 123 million, EGP 89 million in income tax, receivable and obsolete inventory provisions. Additionally net finance cost increased significantly to EGP 63.2 million for the period. This rise was largely attributed to a discount offered to distributors, amounting to EGP 36.6 million, a deliberate strategy aimed at improving the Company's available capital. This amount, along with the pharmacy chain discounts are not tax deductible and therefore income tax for the period amounted to EGP 2.6 million. Normalized net loss, adjusted for one-time IPO expenses, ESOP expenses, provisions formed, and impairment losses amounted to EGP 57.4 million, reflecting 128% YoY decline.

#### Cash Conversion Cycle

Macro's CCC recorded 98 days in FY23, marking a 87-day decrease from FY22. This change is primarily attributed to a 76-day decline in inventory DIO and a 59-day decrease in receivables DSO from FY22. This was slightly offset by the 48-day decline in payables DPO over the same period. The decline in CCC was related to the impairment of slow moving and expired inventories along with the write-off of overdue receivables.



## **Total Debt**

Total debt, which consists of short-term loans (86% of total) and short & long-term lease liabilities (14% of total), recorded EGP 193.7 mn in FY23, up by 21% Y-o-Y. Net debt came in at EGP 118.4 mn in FY23 vs. a net cash balance of EGP 26.2 mn recorded in FY22.

## **Fixed Assets**

Net fixed assets came in at EGP 39.0 million as of FY23, up a marginal 1.8% Y-o-Y. Meanwhile, CAPEX stood at EGP 6.4 million in FY23 against EGP 5.8 million booked last year, up by 10% Y-o-Y. Additions during the year were for the purpose of maintenance with CAPEX to sales remaining at 1.1% in FY23, 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 twelve-month period ended 31 December 2023

Consolidated Income Statement (EGP)	FY-2022	FY-2023	% CHG Y-o-Y
<b>Sales Revenue</b>	729,611,988	526,006,332	-27.9%
COGS	(167,969,291)	(168,358,941)	0.2%
<b>Gross Profit</b>	<b>561,642,697</b>	<b>357,647,391</b>	<b>-36.3%</b>
<i>Gross profit margin</i>	77.0%	68.0%	<b>-9 pps</b>
G&A Expenses	(101,015,060)	(102,892,833)	1.9%
S&M Expenses	(194,001,137)	(246,861,073)	27.2%
Other Income – Net	2,200,472	465,418	-78.8%
<b>Net Operating Profit</b>	<b>268,826,972</b>	<b>8,358,903</b>	<b>-96.9%</b>
<i>Net operating profit margin</i>	36.8%	1.6%	<b>-35.3 pps</b>
Add back: Depreciation Expense	14,302,340	17,233,648	20.5%
<b>EBITDA</b>	<b>283,129,312</b>	<b>25,592,551</b>	<b>-91.0%</b>
<i>EBITDA margin</i>	38.8%	4.9%	<b>-33.9 pps</b>
Impairment Losses on Financial Assets	(3,151,646)	(122,850,368)	3798.0%
Provisions	(12,155,913)	(89,038,569)	632.5%
Finance income/(cost)	(6,998,102)	(63,225,669)	803.5%
Employee Stock Ownership Plan (ESOP)	(15,618,788)	(3,279,000)	-79.0%
IPO Cost	(3,548,102)	0	-100.0%
<b>EBT</b>	<b>227,354,421</b>	<b>-270,034,703</b>	<b>-218.8%</b>
Income Tax	(53,475,420)	(2,604,788)	-95.1%
<b>Net Profit</b>	<b>173,879,001</b>	<b>-272,639,491</b>	<b>-256.8%</b>
<i>Net Profit margin</i>	23.8%	-51.8%	<b>-75.7 pps</b>



## Consolidated Balance Sheet

**Macro Group Pharmaceuticals (Macro Capital) S.A.E** - Consolidated statement of financial position as of 31 December 2023

Consolidated Balance Sheet (EGP)	Dec-22	Dec-23	% CHG Y-o-Y
Inventories	138,732,545	141,563,256	2.0%
Trade and notes receivables	368,327,924	164,959,004	-55.2%
Prepayments & other debit balances	38,694,998	41,908,894	8.3%
Cash & cash equivalents	186,751,962	75,309,682	-59.7%
<b>Total Current Assets</b>	<b>732,507,429</b>	<b>423,740,836</b>	<b>-42.2%</b>
PP&E	39,780,295	39,044,387	-1.8%
Right of use assets	25,126,285	23,699,990	-5.7%
Intangible assets	5,522,310	1,926,451	-65.1%
Goodwill	46,698,420	25,280,108	-45.9%
<b>Total Non-Current Assets</b>	<b>117,127,310</b>	<b>89,950,936</b>	<b>-23.2%</b>
<b>Total Assets</b>	<b>849,634,739</b>	<b>513,691,772</b>	<b>-39.5%</b>
Trade and notes payable	65,958,116	86,213,009	30.7%
Accrued expenses & credit balances	79,981,357	83,178,912	4.0%
Short-term loans	132,635,100	165,832,406	25.0%
Provisions	24,362,440	48,401,009	98.7%
Dividends payable	4,000,000	5,136,250	28.4%
Current income tax liability	51,882,680	293,767	-99.4%
Short-term lease liability	7,244,222	4,987,677	-31.1%
<b>Total Current Liabilities</b>	<b>366,063,915</b>	<b>394,043,030</b>	<b>7.6%</b>
Deferred tax liability	0	2,415,576	n/a
Long-term lease liabilities	20,630,775	22,902,608	11.0%
<b>Total Non-Current Liabilities</b>	<b>20,630,775</b>	<b>25,318,184</b>	<b>22.7%</b>
<b>Total Liabilities</b>	<b>386,694,690</b>	<b>419,361,214</b>	<b>8.4%</b>
Paid-in capital	115,471,700	114,041,291	-1.2%
Legal reserve	37,126,148	37,126,148	0.0%
Treasury shares	(24,866,586)	(29,970,000)	20.5%
Retained earnings	335,101,245	(26,986,002)	-108.1%
<b>Total Equity Attributable to Equity Holders</b>	<b>462,832,507</b>	<b>94,211,437</b>	<b>-79.6%</b>
Non-controlling interest	107,542	119,121	10.8%
<b>Total Equity</b>	<b>462,940,049</b>	<b>94,330,558</b>	<b>-79.6%</b>
<b>Total Liabilities &amp; Equity</b>	<b>849,634,739</b>	<b>513,691,772</b>	<b>-39.5%</b>