MACRO PHARMACEUTICALS

Macro Group Pharmaceuticals Accelerates its Recovery Leading to Top-Line Growth QoQ and a Positive EBITDA for the Quarter

Cairo, 4 September 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 for the period ended 30 June 2024.

The Group continues to demonstrate resilience and strategic foresight in a challenging market environment. In the first half of 2024, Macro generated EGP 155 million in revenue, driven by its strategic efforts to stabilize stock levels and effectively manage distributor relationships. The revenue decline reflects the implementation of stock coverage restrictions on key pharmaceutical distributors and the execution of a one-time return of obsolete products, both measures taken to preserve product quality and protect market reputation. Additionally, the adoption of IFRS-15, including a 5% provision for rights of return, was a calculated decision to align with international financial reporting standards and enhance transparency. Despite these challenges, second quarter revenues reached EGP 96 million, marking a 61% quarter-on-quarter growth, signalling the beginning of a recovery as stock levels stabilize and the Company shifts focus to top-line growth.

Despite external pressures such as inflation, currency devaluation, and intermittent import difficulties, Macro achieved an adjusted gross profit of EGP 97 million, with a robust margin of 62.4%. This outcome underscores the Group's ability to maintain profitability through effective cost management and operational efficiency. Adjusted EBITDA for the period was EGP (19) million, reflecting the impact of market conditions on fixed operating expenses. However, in the second quarter, Adjusted EBITDA improved to EGP 4.4 million, demonstrating Macro's effective resource management and commitment to optimizing operations and enhancing liquidity amid the current economic climate.

Macro reported a net loss of EGP (89) million for the first half of 2024. When adjusted for one-time ESOP expenses and impairment losses on financial assets, the normalized net loss was EGP (51) million, highlighting the Group's proactive financial management and ongoing commitment to long-term value creation. On a sequential basis, the Company's normalized net loss improved from EGP (41) million in the first quarter, to EGP (11) million in the second quarter.

Looking ahead, Macro Group Pharmaceuticals remains committed to its strategic vision, focusing on innovation, market expansion, and enhancing operational efficiencies. Bolstered by the support of its key shareholders, as evidenced by the shareholder loans totalling EGP 150 million that have been injected, 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

1H24 Revenue	EGP **155**	▼ 54% YoY
1H24 gross Profit	EGP **97** mn	▼ 60% YoY / 62.4% Margin
1H24 Adjusted EBITDA[1]	EGP **-19** mn	▼ 122% YoY / -12.1% Margin
1H24 Net loss	EGP **89** mn	▼ 403% YoY / -57.2% Margin
1H24 Normalized Net Loss[1]	EGP **51** mn	▼ 241% YoY / -33.1% Margin
1H24 EPS/Normalized EPS[2]	EGP **-0.16/-0.09**	▼ 401% YoY / ▼ 265% YoY
1H24 Volume Sold	**3.3** mn units	▼ 53% YoY

[1] Adjusted for impairment losses on financial assets and ESOP expenses
[2] Based on the weighted average number of shares outstanding

Message from our Chairman

I am proud to present Macro's financial and operational results for the period ending June 30, 2024. Despite facing ongoing challenges in the last 12 months, such as inflation, currency devaluation and import difficulties, Macro remains resilient with unwavering dedication to growth and innovation.

The second quarter of the year marked the completion of our comprehensive revenue cycle management and supply chain controls review. We are pleased to see positive QoQ results in 2Q24 achieved through the effort and dedication of our newly appointed management team. During the quarter we saw stock levels start to normalize, and we began to shift our strategic focus towards the next phase of growth.

Our 1H24 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 in 2Q24 as top line increased by 61% QoQ, as we focused our sales and marketing efforts towards higher-priced products. As the proactive measures taken during 1Q24 to reduce stock coverage and implement supply chain controls come to an end, we can clearly see strong demand for our products at the pharmacy level, leaving us optimistic about the outlook for sales going forward.

Direct pharmacy sales contributed 5% of overall revenue in 1H24, while key accounts and wholesalers contributed the lion's share of 57% and 34%, respectively. This diverse distribution strategy is set to enhance our collection processes and create the optimal blend of profitability and working capital structure in addition to laying the groundwork for future growth. Prioritizing exports remains a key strategy to mitigate local challenges, expand our market presence, and protect against currency devaluation. During the period, export revenue was EGP 6.3 million, down 52% YoY, but growing significantly from EGP 170 thousand in 1Q24 as management successfully revived shipments from Yemen and Sudan.

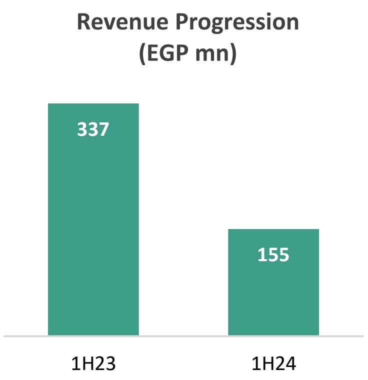
Despite the decrease in overall revenue, Macro maintained its gross profit margins in 1H24. Our gross profit was EGP 97 million, reflecting a margin of 62.4%, impacted by inflation, currency shifts, and rising material costs. While EBITDA adjusted for one-off ESOP and impairment loss on financial assets was EGP -18.8 million, with an adjusted EBITDA margin of -12.1%. This decline was primarily due to reduced operating profitability and increased selling, marketing, and administrative expenses as a percentage of sales. However, adjusted EBITDA was EGP 4.4 million in 2Q24, up from EGP -23.1 in 1Q24 as we achieved higher sales volumes QoQ and enhanced efficiencies through our cost reduction efforts. Additionally, finance expenses declined by 21% YoY in 1H24 as we were able to secure a low-cost shareholder loan.

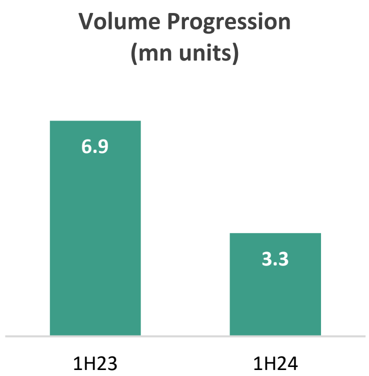
Looking forward, our focus remains on boosting product volumes, revenue, and profitability. We are dedicated to leveraging our market leadership and continuing our commitment to innovation with advanced products and a relentless pursuit of excellence. Our strong marketing and distribution networks are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

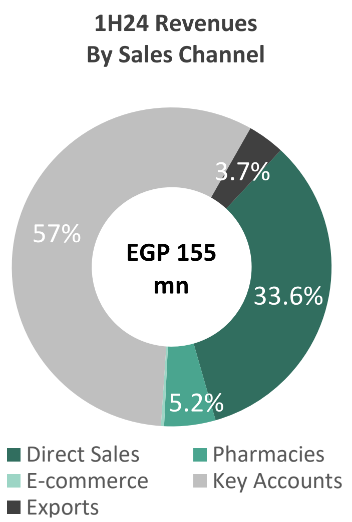
We remain optimistic about Macro's future and are confident in our strategic direction as we navigate the current economic landscape and position ourselves for sustained growth. This confidence is shared by our shareholders, who have extended an EGP 150 million shareholder loan to the Company (of which 125 million was received in May 2024 with the balance in July 2024) to fund our restructuring and related working capital needs.

Dr. Ahmed Elnayeb, Chairman of Macro Group

Consolidated Financial Review







Revenues

Macro recorded consolidated revenues of EGP 155 million in 1H24, down by 54% YoY, primarily due to 53% lower volumes Y-o-Y and in-year adjustments of EGP 13.3 million in right of return provisions. This was only slightly offset by 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, and the one-off returns of obsolete Macro products held by distributors during the period. On the other hand, there was a significant QoQ sales recovery with 2Q24 revenue at EGP 95.7 million, up 61% from 1Q24. This highlights the start of Macro's recovery phase as stock levels normalize and management shift their focus towards growing its top line.

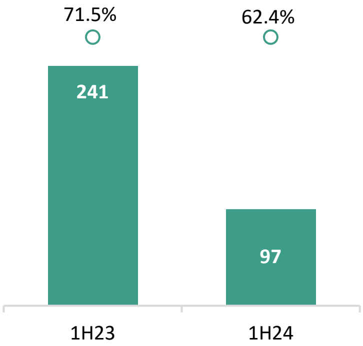
Revenues by Sales Channel

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.

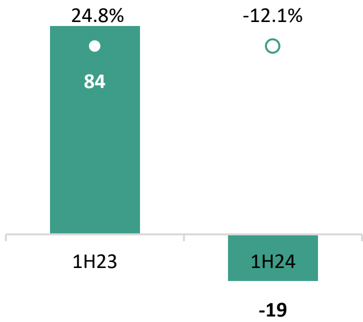
Direct Distribution Channels. Revenues from direct sales channels came in at EGP 66.3 million in 1H24, down by 77% YoY and contributing 39% to total revenues. Wholesale revenues declined by 79% YoY but was up from a net returns value in 1Q24 to record EGP 57 million in 1H24. Direct pharmacy sales recorded EGP 8.8 million in 1H24 with a contribution of 5% to total revenue from zero last year. As management increased their focus on e-commerce its revenue began to recovery gradually, with a 2Q24 revenue of EGP 1.0 million up from EGP -0.5 million in 1Q24. Despite that, total e-commerce revenue for 1H24 came in at EGP 541 thousand down by 94% YoY.

Indirect Distribution Channels. Indirect sales channel revenue contribution recorded 61% in 1H24 with total revenue recording EGP 103 million, up 101% YoY. This was primarily driven by a notable 154% YoY growth in key accounts sales to EGP 96.9 million during the period, as management have chosen to begin distributing sales more evenly across channels to avoid concentration risk and achieve a balance of profitability and collection management. That said, export revenue came in at EGP 6.3 million, down 52% YoY, but growing significantly from EGP 170 thousand recoded during 1Q24 as management successfully revived shipments from Yemen and Sudan.

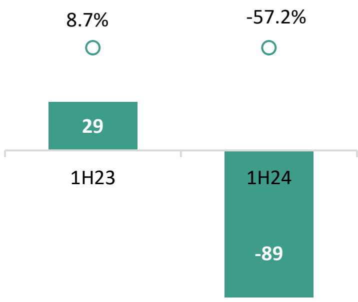
Gross Profit and Margin Progression
(EGP mn | %)



EBITDA and Margin Progression
(EGP mn | %)



Net Profit and Margin Progression
(EGP mn | %)



Gross Profit

Gross profit stood at EGP 96.9 million during 1H24, marking a 60% YoY decline, with margins falling by 9.1 pps to 62.4% 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 the period.

SG&A Expense

During 1H24, selling and marketing expenses amounted to EGP 71.0 million, marking a 31.4% YoY decline. Macro is committed to improving optimization and efficiency by implementing various cost-saving measures, such as restructuring its marketing budget to ensure a reasonable return on investment

Additionally, general and administrative expenses totaled EGP 56.4 million, down by 10.0% 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 54 million, a larger decline of 11.7% Y-o-Y further highlighting the effectiveness of management's cost-cutting measures during the period.

Adjusted EBITDA

Adjusted EBITDA in 1H24 came in at EGP -18.8 million, down from EGP 83.6 million last year, which led to an adjusted EBITDA margin of -12.1%, compared to 24.8% in 1H23. The decline in the Company's EBITDA margin stemmed from lower operating margins and higher S&M and G&A expenses to sales. In 2Q24 adjusted EBITDA was EGP 4.4 million up from EGP -23 million in 1Q24 yeilding a margin of 4.6% during the quarter. This resulted from lower S&M and G&A to sales which were down 23 pps and 20 pps, respectively.

Net Profit

During 1H24, Macro reported a net loss of EGP 88.8 million, from a net profit of EGP 29.3 million during 1H23 and yielding a net margin of -57.2%, down from 8.7% last year. The decline was primarily driven by the exceptionally low operating profitability and a hike in one-off impairment losses on financial assets, amounting to EGP 35 million. This was slightly offset by a 21% lower net finance cost amounting to EGP 25 million for the period. Normalized net loss, adjusted for one-time ESOP expenses and impairment losses on financial assets, amounted to EGP 51.4 million, down from a net profit of EGP 36.4 million in 1H23.

Cash Conversion Cycle

MACRO's CCC recorded 125 days in 1H24, reflecting a decline of 159 days YoY, driven primarily by a 232-day increase in payables DPO, which was partially offset by a 61-day incline in Inventories DIO coupled with an 11-day growth in receivables DSO. 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 received EGP 125 million from its shareholder loan during 2Q24 which will be utilized in settling outstanding commitments with suppliers and effectively 'reset' our 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 shareholder loan (44% of total), bank overdrafts (41% of total) and short & long-term lease liabilities (14% of total), recorded EGP 284.8 million in 1H24, up 47% from 31 December 2023. This was mainly due to receiving the first tranche of the shareholder loan amounting to EGP 125 million in May 2024. A 25% Y-o-Y decline in cash and bank balances saw net debt at EGP 228.3 million as of 30 June 2024 vs. a net debt balance of EGP 118.4 million recorded as of 31 December 2023.

Fixed Assets

Net fixed assets came in at EGP 38.8 million as of 30 June 2024, unchanged from Ytd. Meanwhile, CAPEX stood at EGP 1.9 million in 1H24 against EGP 5.1 million booked last year, down by 64% Y-o-Y. Additions during the year were for the purpose of maintenance with CAPEX to sales recording 1.2% in 1H24, 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[1], 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.

[1] 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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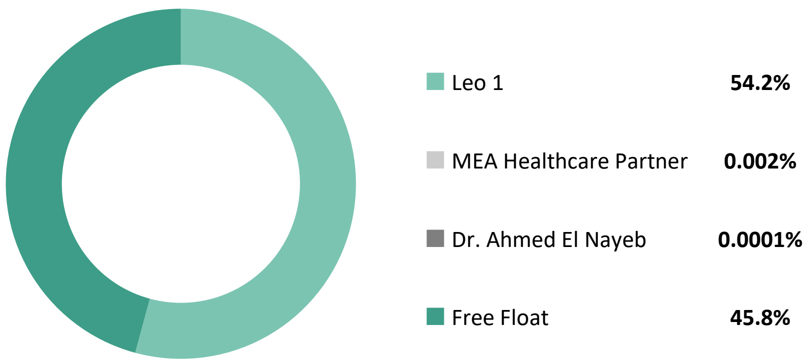
Shareholding Structure



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 30 June 2024

Consolidated Income Statement (EGP)	1H-2023	1H-2024	% CHG Y-o-Y
Sales Revenue[1]	337,235,024	155,252,205	*-54.0%*
COGS	(96,196,046)	(58,402,003)	*-39.3%*
Gross Profit	**241,038,978**	**96,850,202**	***-59.8%***
Gross profit margin	*71.5%*	*62.4%*	***-9.1 pps***
G&A Expenses	(61,067,192)	(53,927,220)	*-11.7%*
S&M Expenses	(103,472,107)	(70,995,791)	*-31.4%*
Other Income – Net	182,500	1,397,337	*665.7%*
Net Operating Profit	**76,682,179**	**-26,675,472**	***-134.8%***
Net operating profit margin	*22.7%*	*-17.2%*	***-39.9 pps***
Add back: Depreciation Expense	6,921,218	7,915,775	*14.4%*
EBITDA	**83,603,397**	**-18,759,697**	***-122.4%***
EBITDA margin	*24.8%*	*-12.1%*	***-36.9 pps***
Impairment Losses on Financial Assets	(5,416,283)	(34,941,466)	*545.1%*
Provisions	0	0	*n/a*
Finance income/(cost)	(31,221,611)	(24,671,401)	*-21.0%*
Employee Stock Ownership Plan (ESOP)	(1,639,830)	(2,488,706)	*51.8%*
EBT	**38,404,455**	**-88,777,045**	***-331.2%***
Income Tax	(9,062,202)	(18,666)	*-99.8%*
Net Profit	**29,342,253**	**-88,795,711**	***-402.6%***
Net Profit margin	*8.7%*	*-57.2%*	***-65.9 pps***

[1] Figure presented in 1H24 is after deduction of EGP 13.3 million in right of return provisions

Consolidated Balance Sheet

Macro Group Pharmaceuticals (Macro Capital) S.A.E - Consolidated statement of financial position as of 30 June 2024

Consolidated Balance Sheet (EGP)	Dec-23	Jun-24	% CHG Y-o-Y
Inventories	141,563,256	125,869,905	-11.1%
Trade and notes receivables	164,959,004	138,176,764	-16.2%
Prepayments & other debit balances	41,908,894	44,003,410	5.0%
Financial asset through profit or loss	0	50,814,938	n/a
Cash & cash equivalents	75,309,682	56,469,300	-25.0%
Total Current Assets	**423,740,836**	**415,334,317**	**-2.0%**
PP&E	39,044,387	38,890,103	-0.4%
Right of use assets	23,699,990	36,289,495	53.1%
Intangible assets	1,926,451	1,692,586	-12.1%
Goodwill	25,280,108	25,280,108	0.0%
Total Non-Current Assets	**89,950,936**	**102,152,292**	**13.6%**
Total Assets	**513,691,772**	**517,486,609**	**0.7%**
Trade and notes payable	86,213,009	58,613,602	-32.0%
Accrued expenses & credit balances	83,178,912	95,162,048	14.4%
Short-term loans	165,832,406	243,819,417	47.0%
Provisions	48,401,009	48,401,009	0.0%
Dividends payable	5,136,250	431,645	-91.6%
Current income tax liability	293,767	354,278	20.6%
Short-term lease liability	4,987,677	17,642,950	253.7%
Total Current Liabilities	**394,043,030**	**464,424,949**	**17.9%**
Deferred tax liability	2,415,576	2,373,731	-1.7%
Long-term lease liabilities	22,902,608	23,337,595	1.9%
Total Non-Current Liabilities	**25,318,184**	**25,711,326**	**1.6%**
Total Liabilities	**419,361,214**	**490,136,275**	**16.9%**
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)	(123,939,404)	359.3%
Total Equity Attributable to Equity Holders	**94,211,437**	**27,228,035**	**-71.1%**
Non-controlling interest	119,121	122,299	2.7%
Total Equity	**94,330,558**	**27,350,334**	**-71.0%**
Total Liabilities & Equity	**513,691,772**	**517,486,609**	**0.7%**