Hikma November 2024 trading update – management Q&A transcript

Riad Mishlawi – Hikma – Chief Executive Officer

Yes. Good morning. Good afternoon, everyone. Glad to have you with us today. Just wanted to - we had released our statement this morning. We'll be happy to answer any questions that you'd have in general. Again, we have reiterated a lot of our - all of our guidelines actually, especially, the ones that we had upgraded in the mid-year, both the generics and the branded divisions, and we reiterated the injectables. Very happy that the Company is going the way it is. It's going strong. Our divisions are all doing well. Again, as we stated, we are reiterating all of our results, and happy to take any questions that you might have.

Operator

Thank you. If you would like to register a question, please press star, followed by one on your telephone keypad. Please ensure you are unmuted locally. If you'd like to withdraw your questions, you can do so at any time by pressing star, followed by two. Our first question comes from the line of James Gordon of JPMorgan. Your line is now open, please go ahead.

James Gordon – JPMorgan

Hello, it's James Gordon with JPMorgan. Thanks for taking a couple of questions. Two on injectables and one on generics, please. The first one would be, so injectables, so you've launched I think 10 products year to date. You're launching more at the end of the year. The year seems like it's doing nicely. So you grew – [implied] about 10% in the second half. But to what extent should we think that's a bit exceptional or is that a bit more like the new run rate, and then when we think about next year, we should add Xellia on top of that, so you could grow even faster or is it a bit exceptional and we need to bear that in mind?

The other question just on Xellia, can you remind me, are you still thinking that the business you've bought grows at least as fast as your existing injectables business or even a bit faster? Is the thinking still that it has OpEx that's about the same as revenues initially, so it doesn't actually contribute any earnings or could it actually be - contribute some earnings?

Then the third question was just in generics. So H2, is that a bit unusually light that if we're trying to extrapolate, should we be annualising the H2 number and thinking that's the new normal for generics or more like thinking about the full year 2024 number and why is it declining? Sorry, why has it had the second half performance it had? Is the second half performance what we should extrapolate or the full year?

Riad Mishlawi – Hikma – Chief Executive Officer

I'll start with the second one because the first one I heard half of it, and - but I'll start with the second one. I think what you're asking is the difference between the first half and the second half, and if you should consider the second half as our running rate for next year or not. I think that's probably what I took it.

James Gordon – JPMorgan

That's right, and then adding Xellia on top.

Riad Mishlawi – Hikma – Chief Executive Officer

Right. So for the generic business, I think it was just a matter of timing. One of the drivers that we have, and one of the important products that we have generic is Advair. Releasing Advair, it really takes a long time to do that. So you have to plan it ahead of time. It takes about 60 days sometimes to release this batch because there is a point where you have to make the product settle and it has to go through some kind of steps.

So there is a lot of the timing that has to take place in releasing products in this division. This is one of the elements why one half did much better than the second half. Not significantly better, but a little more better. So I wouldn't really take the second half as our trend going forward into the next year. I would think that you have to look at it from the entire year, and in this case, it just happened that some of the deliveries that we had in the first half were a little bit stronger than the second half. But we believe that the trend in this business continues the way it is.

We are very focused on it. We're focused also - I think one of the contributor of having lower second half is our commitment to spend more on R&D. So we had been - with Hafrun joining in, we've been doing a lot of R&D and spending some - increasing amount of money that we're spending on R&D. That will be continuous. I think our commitment and the reason why we had brought Hafrun in is to reinforce our commitment to having good, strong internal R&D. So that will continue.

But as a whole, I wouldn't really look into the trend of the second half and think that this is the norm for the next year. I think, when the time comes we will give you the guideline for the next year, and I think that would be as much as we can do. So as for your first question about the injectables, again, you wanted to talk about some of the products that we are introducing, I believe the first half of your question.

We have a plan - as you all know we're planning to introduce liraglutide to the market. As you all know, Teva is the authorised generic now, and they have the exclusivity of that product until the end of the year. That expires, I believe, on 24 December, and this is when we're allowed to sell ours. So we do have some inventory in the warehouse and we are ready to start launching that product at that date.

Today, I don't think that there has been any approvals besides Teva with the authorised generics. So I think hopefully that would be a great opportunity to continue to be like that. But yes, we're looking forward to launching this product at that time. We did have plan to launch other products, but unfortunately, some of the regulatory hurdles or some of the regulatory delays that we had is out of our control. We anticipate those really coming in 2025 rather than what we anticipated to be in 2024.

Other than that, I think division is going strong. There is a lot in that division that's happening right now, especially with the addition of Xellia. As you know, it requires a lot of integration. It requires that you will be integrating as you are basically - you have to continue eyes on the - on running this division and continue doing it as efficiently as we used to, as you are also integrating a new plant, significantly a large plant and also an R&D centre. So there is a lot happening in this division. People are busy and producing good products. Growth is healthy.

We anticipate this division will continue doing what they're doing today. Hopefully, in the future as the integration happens, it'll have opportunity to even produce more growth. As far as next year, I think we really can't give you guidelines for next year. We'll do that at the - in the February, I believe. But again, Xellia is going to add important products to the division. As we said in the past, also, it will be – it will take us some time before we integrate everything in. We're saying we're giving ourselves about 12 months.

So it will be really neutral to earnings for about 12 months until all is integrated and then we can see the bigger benefits after that. Things are going on time and everything is on plan. Again, a lot of activities, but things are progressing nicely.

Did I miss anything [apart of the plan], Layan? Is there anything that I missed? No. Okay. James, anything I missed, let me know, but I thought - it's muffled and the speaker is muffled, so I'm not understanding the - entirely the question, but I hope I answered all your questions.

James Gordon – JPMorgan

Yes, apologies for the line quality, and yes, thank you.

Riad Mishlawi – Hikma – Chief Executive Officer

You're welcome.

Operator

Thanks. Thank you. The next question comes from the line of Paul Cuddon of Deutsche Bank. Your line is now open, please go ahead.

Paul Cuddon – Deutsche Numis

Thank you very much. I have two questions, please. Firstly, retaining the $700 million to $730 million operating profit guidance range would imply some degree of uncertainty going into the last several weeks of the year. So if you're perhaps able to elaborate on some of the takes there, that would be appreciated. Following the US election results, I mean, to what extent may any changes in domestic manufacturing and or tariffs hamper or benefit the Hikma business? Thank you.

Riad Mishlawi – Hikma – Chief Executive Officer

Yes, I'll start with the last part first. Any effect? I don't think that we will see the effect as recent as - or in the next couple of months that we have left in the year. We don't know any change of policies or tariffs or anything like that, that would happen later on. But we uniquely from our competitors, we do have a lot of product that are made in the US. Our biggest facilities are in the US, in generics, entirely in the US, and services, also the market of the US market. The injectables, about half of it is in the US and even more now with the Cherry Hill being in the US, and the rest being in Europe.

So we don't depend much on countries that might be affected by tariffs or by transportation or by anything that might affect us. There is some deals here and there that are coming from these countries where maybe with some different - some changes in policies might be different, but I don't think the Company uniquely in our position that if this happens, I think we will be - it will be more of an advantage to us than not.

For your first part, how are we doing in the last two months left? I think like always, like any business, there is a forecasting mechanism to everything that you do. You try to look at the trends that you've had, look at where you are and look at what you anticipate is going to happen. We're confident that we will land in line to what we had promised.

We have - of course, there are two months remaining, and usually it's the challenging ones, but it's just business as normal, business as every day. We're focused. We will close the year as we need to be, and we are confident that we will get the numbers that we committed to.

Paul Cuddon – Deutsche Numis

Excellent. Thank you.

Operator

Thank you. The next question comes from the line of Dominic Lunn of Morgan Stanley. Your line is now open, please go ahead.

Dominic Lunn – Morgan Stanley

Thank you, two questions on contract manufacturing, please. So I was wondering if you could expand a bit on the nature of the announced CMO contract in generics that's due to start in 2027, i.e., is there any colour you can give on the size of the contract in terms of rough annual contribution or the duration or would you expect the contract to be back and loaded or even over the course of its life?

Then secondly, I think you've also highlighted that the CMO contract will help improve the utilisation of the Columbus facility. So is it therefore fair to assume that the deal is making use of previously unallocated capacity or is there an element of reprioritisation from in-house projects? Further to that, is there similar idle capacity in any of your other sites where you would look to increase utilisation via CMO contracts as well? Thank you.

Riad Mishlawi – Hikma – Chief Executive Officer

Yes, great question. Thank you very much. I think we wanted to insert that in announcement about the contract manufacturing, it’s for two things. One, is to show that we committed that contract manufacturing could be an arm or an avenue of growth in this division being - having a great facility, having a capacity that is available, and also with a fantastic track record that we have of quality. Facility is got a lot of technology in it. Team is fantastic. They know what they're doing.

So we felt that this can be easily translated or contract manufacturing can be easily inserted in as part of this business and can help in a lot of the growth that we are anticipating or we want to do in this business. So the other thing is the fact that, as you said, contract manufacturing does a lot to the business. One, it gives some predictability in some of the revenue because it's basically anticipated. It's a service that you do. Usually, it's a product that you can - somebody else take responsibility to market.

So it does really help a lot in the business, especially as you said, utilisation of an idle capacity, that would help in absorption of costs, and therefore, would help you in your own - in the cost of your own products. So we feel it's very, very positive. What we have is a great deal, a CMO deal. Unfortunately, I cannot name a lot of details. I cannot name the company or tell you a lot of details. All I can say it's meaningful, it's significant. It does depend on an innovative product that will be anticipated to be approved in the next two years.

We will have to get the facility ready and the capacity allocated and added if needed, and to make sure that we have the capacity that is required for us to - under that contract. We think this is very positive. I think maybe in the near future when things become a lot more clear, we can put more light on it and talk a lot more details. All I can say is, it’s an innovative company that we had a deal with. They were very excited and happy with what they had seen in our facility.

They liked the people that they had interacted with, and they gave us a very important product that they have and that shows the trust that they've had in the people and in the facility and the quality record that they had seen. So it's all positive, and I feel that the fruits of this will become more and more apparent in the very near future. Today, we are really limited to what we can say, just to respect of what our clients had asked us to do.

Dominic Lunn – Morgan Stanley

Great. Thank you.

Operator

Thank you. The next question comes from Victoria Lambert of Berenberg. Your line is now open, please go ahead.

Victoria Lambert – Berenberg

Thanks for taking my questions. I have two, please. So the first is just on the potential biosimilar launches you could have in the US next year. It looks like Bio-Thera has filed the Stelara biosimilar with the FDA and then Gedeon Richter has filed their denosumab in Europe. I don't know if you guys have filed in the US yet. Just wanting to get a sense of how you think this could impact next year and maybe potential timings. So that's the first one.

Then the second one is just on the generics business. Are we still seeing a similar pricing situation as the first half of the year? So single digit declines, and is this expected to continue into next year? I think Sandoz was saying they haven't really seen a change and don't really expect it to change in the next few months. I mean, sorry, just one more

squeezing in, have you seen any benefit from the supply shortages caused by the Baxter facility with regards to IV fluids? Thank you.

Riad Mishlawi – Hikma – Chief Executive Officer

Okay. Well, thank you very much for the question. I will start with the easiest one, the shortage on Baxter. As you know, it's really IV fluids. We don't really have per se IV fluid. This is our – usually, they're diluents that are like sodium chloride, WFI, all of the diluents that they use in preparing products. We don't really - we're not in that business. We do have IV bags, but mostly drugs, not the diluents. So we are not affected by the shortage, and we are not - it's not something that we could call opportunity for us.

As far as your first question about the biosimilars in the US, yes, we are excited about where we are. We've seen some positive indications about us maybe getting the approval late next year. We don't know yet. Of course, there's a regulatory part at the end where you really cannot predict. It could possibly be next year, it could be possibly be early the year after. Both of our products have been filed, both of which are - we are anticipating of getting it in 2026. That hasn't changed.

It could be - surprise us, and maybe we could get it earlier, but we don't know yet. We are tracking it. We're following up on our partners, and seeing if there's any questions that the FDA had presented to us that we need to answer. So we still don't know.

The effect of those biosimilars, again, it really, depending on the positions that you come - your approval comes in and how the market is. Today, we're at least one year away from that. So it's just very hard to predict. This is a very fluid market, it’s - we don't know who's in, who's out and who can supply and who can't. So I think as we get closer to this, we should be able to give you more light on it.

As far as the generic price erosion, I agree with Sandoz, we haven't seen any difference from last year. Still about a single digit erosion, maybe very similar to what we had last year, that continues. We don't know if the new policies - if there's any new policies that would make things different, but today, I think we're considering it to be very similar to what we had this year.

Victoria Lambert – Berenberg

Great. Thank you.

Riad Mishlawi – Hikma – Chief Executive Officer

You're welcome.

Operator

Thank you. The next question comes from James Vane-Tempest of Jefferies. Your line is now open. Please go ahead.

James Vane-Tempest – Jefferies

Hi, thanks for taking my questions. Firstly, just on the [unclear], we - I guess I didn't see any commentary just on the others and compounding, so just wondering how that's progressed through Q3? What we should expect for the second half? Second question is, I know you don't - typically you don't comment on individual products, but why are you still to launch generic Korlym? This seems to be one of the largest small molecule opportunities [and it] lost IP last year.

Then the third question is just coming back to the generic pricing. I guess, you just mentioned in the prior question, you're still seeing that single digit. I think from memory your guidance was around mid-single digits. So I'm just curious how much of a benefit that is compared to your prior expectation at the start of the year. Thank you.

Riad Mishlawi – Hikma – Chief Executive Officer

Yes, and I'll take the last one since it is the easiest. I don't think there's anything different. I think what we expected is what we have, so there was no surprises there. I think we are expecting that to continue exactly as [we had] last year. So I don't think that's going to change anything that we had assumed. We did not assume before.

As far as the compounding, I feel that we're finally getting the compounding in place right now. I feel that we are getting now some traction. We are - as I always said, the compounding is a very delicate, sensitive, it'll take time. We don't want to rush it. We don't want to make mistakes as we're doing it.

We are working to make sure that we have, what do our clients need. So there's a lot of interaction with the clients today. We had added to our compounding sales team, a very experienced sales lady that she knows this market well. She just started. Then we're hoping that also she would add - her knowledge would definitely benefit this business.

But we're seeing some very positive indicators that this business is going on the right track, and we keep supporting this business to get to the point where we need it to be. I think your question towards the generics, I think - I'm sorry, there was one part of the question that I did not get.

James Vane-Tempest – Jefferies

Yes, just a specific product, Korlym or Mifepristone, I think the patent went or the IP lost last year, just wondering why you haven't launched that. Seems to be one of the larger opportunities.

Riad Mishlawi – Hikma – Chief Executive Officer

I think this is all depending on the commercial team. The commercial team decides what to - I don't think there's – [Guy], do you know if there's any…

Guy Featherstone – Hikma – Director, Investor Relations

Yes, we have previously said that we are - we settled to launch on 1 October 2034 or earlier under certain circumstances. You'll actually see that while we have filed, we don't currently have FDA approval for the product. Our intent is to launch as soon as we are approved and are able to on the terms of the agreement.

James Vane-Tempest – Jefferies

Thank you. Sorry, that was 1 October 2034?

Riad Mishlawi – Hikma – Chief Executive Officer

So far.

Guy Featherstone – Hikma – Director, Investor Relations

Correct. Yes.

James Vane-Tempest – Jefferies

Yes. Thank you very much. One quick follow up if I may, just on the CMO business, you obviously mentioned the oral contract today, but just very high level, can you remind us how much across the business is CMO today? I'm not going to hold you to it, but just to give us a feel as to how much this could potentially be of the business in five years and how we should think about how that could expand both across the orals and the generics and the injectables business. Thank you.

Riad Mishlawi – Hikma – Chief Executive Officer

Today, I would say maybe around 10% of the injectable business is contract manufacturing, a little bit less in the generics. We are looking at expanding in the injectables of contract manufacturing, but as you know, today, we have a lot of demand to our own products. So we really don't see that we are going to contribute more to the contract manufacturing as we do today. Little bit, nothing significant.

We do have two major clients that we do products - we make products for or three, and we don't intend to take too many to complicate our business. I think we have the demand that we need today, and we have - the capacity is fully utilised. However, with the integration of Xellia, that will give us plenty of capacity. We have also are adding another facility here in Portugal, which also will be added to this capacity.

So I think in the next, I would say, two and a half to three years, we will have the right capacity or plenty of capacity that we can dedicate to contract manufacturing. Contract manufacturing is a commitment. We cannot just continue doing it. We did it on a small level as an opportunistic business, but in the last few years, we've had big clients, big innovative companies that want to work with us. With these type of companies, you can't just do it as an opportunity. It's a commitment.

They don't want you to be - they don't want to be an opportunistic clients. They want to be a long-termers, and we have to treat them accordingly. So until we have capacity that we are confident that we can give up for a longer time, we would rather not engage in any contract manufacturing. So today we have a good amount of contract manufacturing, good clients, very few ones, but they're good and they're significant and happy, and we would like them to continue like this.

Hopefully in the next two to three years, when we add more capacity, we should be able to take on a lot more. Actually, that was part of our plan, to enhance that contract manufacturing unit. We would have plenty of capacity with technologies that are desired today that we can definitely utilise for contract manufacturing. As far as the generic business - yes, go ahead.

James Vane-Tempest – Jefferies

No, that's fine. I thought you finished your answer, go for it. As far as the generics business.

Riad Mishlawi – Hikma – Chief Executive Officer

Yes, as far as the generic business, contract manufacturing wasn't really - it was there, but it wasn't a big focus until last year when we changed our strategy or when we basically redefined our strategy and put contract manufacturing as being a very important pillar to the strategy. Then we created a team. The team went out, started talking to a lot of different companies, and we got few of the innovative companies to be very much interested.

Few of them also had signed up with us contracts. One major one is the one that we had announced today, but this business also will have significant contract manufacturing as part of it. We will be expanding this, and we'll be adding more capacity. So later on, if we decide to add more, that's something that we'll have to visit. But for now, we're busy to what we have, and I think we have a lot, and I think it will be very good addition to the existing business.

James Vane-Tempest – Jefferies

Thank you. The quick follow up I was going to ask before is if today it's roughly, 10% and if two to three years you have the right capacity, completely understand, it's a very durable business and commitment if you can get it. But if you get the right capacity in two to three years, what does that look like? Is that going to be 20% of injectables, 30%, like 15%, just to give us a feel in terms of how much of the incremental growth of this business over time, you think you can commit to that CMO business outside of your core product portfolio that you have in terms of materiality?

Riad Mishlawi – Hikma – Chief Executive Officer

It's hard to give you a percentage because you don't know what we're growing at to. So I don't know. But I can tell you that if you take companies like Catalent, like some of the contract manufacturing companies, if you take the past Ben Venue, you can see that there is

a lot of money that you can earn as a contract manufacturer, especially if you have the technology and if you have the quality record.

On top of that, if you are manufacturing in the markets that those products are being sold at, which we will be, you will be - we will be in the US. We will be for the US market, we will be FDA approved, we'll be all of that. I think there's a lot of a potential business there, especially that the biosimilars and GLPs now are taking a lot of that capacity away from the normal products.

So there are capacity that are needed out there. There is a lot that a lot of companies that are contacting us to see if we have a capacity that we can sell to them. So we see that there's a potential there. We will have a huge facility with six lyophilisers there that will be dedicated to contract manufacturing. So I can't give you a number but you can pretty much anticipate that that would be a lot more than we have today and would be significant to the business. It's hard to give a number.

James Vane-Tempest – Jefferies

Thank you. No, I understand. Last one, if I may just as a follow up, ask you a different way. How many years do you think it could possibly take you to double the CMO business in injectables? Rather than think – on a relative basis, when you look at what you're doing today, you've got this capacity coming in two to three years, at what point do you think that could double if that plays out?

Riad Mishlawi – Hikma – Chief Executive Officer

Well, you're asking the same thing in different words, but let me tell you something. In three years, we should have doubled the capacity that we have today in lyophilisation. Today, with half of what we have is being dedicated to contract manufacturing. If we are going to have double of that, so probably in three years, we should be at least comfortably more than - significantly more than the double of what we're doing today. Is that a fair answer?

James Vane-Tempest – Jefferies

Yes, that's very helpful. Thank you. I really appreciate you taking the extra questions. Thank you.

Riad Mishlawi – Hikma – Chief Executive Officer

Absolutely.

Operator

Thank you. As a reminder, if you'd like to ask a question, please press star, followed by one on your telephone keypad. Our next question come from the line of Christian Glennie of Stifel. Your line is open. Please go ahead.

Christian Glennie – Stifel

Yes. Hi guys, yes, it's Christian Glennie, Stifel. Just on the generics and the CMO contract, I mean, maybe anything else you can say around here on whether you're expected to be the sole manufacturer of this product. Is this their first to market product for this Company? On the utilisation, may be any way to characterise the significance of that, you're just calling it a significant contract?

You're currently running, as I understand that facility around about say the 60% utilisation rate. When this product is in couple years into launch or peak launch, does that significantly move the needle on that utilisation, that facility? Then the final piece on this, just on - is this an expectation, you build out a BD team that we - over the coming couple of years, we should expect some similar announcements around some similar contracts to come from that BD initiative.

Riad Mishlawi – Hikma – Chief Executive Officer

Yes. Okay. I'll try to go over this again. So the contract that we have with the CMO is with innovative company for a product that will be approved. It is an innovative NDA product, and there is a lot of hope that this product will be big. That's all I can tell you. I don't know much about - I really don't know if somebody else will be manufacture it. I don't know if it's exclusive. I know that what we had been told and what we had been anticipated or what we can produce is significant to us. That's all we can say.

It will be utilising a lot of the capacity that we have, and we are working with this company to make sure that they have what they need and what they know today. But I know, I'm guessing now - this is not something that they told us - but I'm guessing as this product launches, then it will be more and more accurate on how they are anticipating. Is it going to grow bigger than they thought? Is it going to be a little bit less than they thought? We don't know.

But as any product, there is a forecast, there is a - you look at the market and you see what you're anticipating. You build a plan around that. Then when the actual situation takes place, you adjust. So I think this is where they are today. However, we do feel it is significant to us. We feel that they're excited about it. So this is why we call it significant. We call it significant because it's really measured to us, not to the innovator company. It might be less significant than that to us.

But the reason why it is significant to us, because, one, it really answers our strategic plan that we had put forward. We wanted to go after the CMO and we did get CMO and we did get the size of CMO that we want, that utilises capacity that we have that is idle. That gets our facility moving and utilise, and utilise the strength of this capacity in terms of its compliance, in terms of its location, and of course, in terms of the technology that we have.

So it answers a lot of the things that we were looking for, and we are excited about it. We hope that will be a great client to this Company. It opens other avenues and other opportunities that we can work together in helping them in manufacturing and being a bigger CMO than just one product. Maybe we can go for multiple products.

We had that with [remdesivir], if you remember, we did that with Gilead, and that had expanded to multiple products and we have great relationship with this company. We respect them and they respect us, and we feel that we can do that with a lot of those big, innovative

companies that - we don't compete, but we can definitely help each other. So this is where we are with it. This is why we're excited about it.

Whether we are going to add any more contracts, I don't think in the very near future we're going to add any significant contracts. I think maybe increasing what we have today with the existing customers, maybe adding something small. But this is going to take some time. I really think that we really want to be very, very successful with this because as I said, it's an important product for this customer. It's a big innovative company, and I think we would like to open the doors to do more for them. So it's very important for us to succeed with this.

So we'll dedicate a lot of our resources to making it happen, and hopefully, that will be launched on time and will be very successful and everybody will benefit from it. But does that answer all your question?

Christian Glennie – Stifel

Thanks for the extra - yes, thanks for the extra insight. Can I ask one on injectables, the guide, the revenue guide you've maintained the six to eight, just maybe characterise or put that in context in terms of how your comfort on the 6% line and could you still get to the 8%, and what are some of the things that need to go your way to get you to the top of range?

Riad Mishlawi – Hikma – Chief Executive Officer

Well, the very top range, again, we anticipated to introduce products in - we anticipated liraglutide, for example, to introduce it earlier than it was going to be introduced. We thought that the exclusivity with Teva will not - it didn't take on as long as it did. We thought that would help a lot to - would've helped us a lot to get there to the upper range.

We had a couple of products also that we were anticipating that we will be launching them in 2025 because of some regulatory delays. So could we be in the upper range? I would say we would be between the range. It's hard for us. We have a couple of big months. I would say maybe we will be - I don't know if I - Susan, help me with this.

Susan Ringdal – Hikma – Executive Vice President, Strategic Planning and Global Affairs

I think you're fine. I mean, I think we'll be between the range. We're comfortable with the range, and we've seen very good momentum since August. So we are on track to deliver the guidance. I mean, obviously it depends how strongly we get through to the end of the year, but we're confident that we'll come in within the range.

Christian Glennie – Stifel

Yes. Okay. Thank you.

Operator

Thank you. We now have a follow up question from Victoria Lambert of Berenberg. Your line is open, please go ahead.

Victoria Lambert – Berenberg

I just wanted to ask on the branded Middle East business because we haven't really had any questions on that, so just wanted to – can [unclear] your expectations in H2, are you still feeling like there's going to be maybe some tender act - I think you said it will be - the benefit will be weighted to each one. Any other general comments would be helpful. Thank you.

Riad Mishlawi – Hikma – Chief Executive Officer

Yes, you're right, Victoria. We haven't had much questions about the branded business. We would like to have more questions about it because it is a very well performing business now. It's the third year in a row. It's stable. Profitability is very decent. It's growing. Business is growing, our ranks in the Middle East has also been growing, and we've been climbing the ranks there, and we've been competing with all the big innovative and branded companies.

The most important market that we have today is Saudi Arabia, and we are ranked number 1 right now. We have a lot of plans to maintain that ranking. We're building a lot, investing a lot. We have plans to build a very impressive facilities there. Our engineers are working very hard in designing a state-of-the-art facility. So I think - and of course, and you all know I had talked about the injectable facilities that had been added in both Algeria and Morocco.

Morocco's facility is completely done now. We're waiting for approvals from the authorities to start shipping. We also had added oncology facilities in many of the countries. We're doing that in Saudi Arabia, also adding one there. We are - we did that in Algeria. We add also a cephalosporin facility in Morocco. So we are very active in investing this, in this area because we really believe that it has a great future, and it's delivering good sales, good profitability. I think by adding all those facilities, we can do even better.

We are also very active from the BD - on the BD side. We're seeing a lot of interested companies to work with us. I think in light of all the problems that has been happening in currencies and in wars and instabilities, I think they see us as a solution to that. They can contract one company that can take them - can service all that area, North Africa and the Middle East and stable, very reputable and growing company.

So we are benefiting in all sides in our own expansions in facilities and expansions in our product line, and seeing some good demands, and in getting a lot of interested in licensing partners that they would like to in-license products through us. So it's a good situation that we have. Hopefully, that momentum will continue. We see it that it is continuing, and hopefully those numbers are going to continue going up and up in the near future.

Victoria Lambert – Berenberg

Yes. Thank you.

Operator

As there are no additional questions waiting at this time, I'd like to hand the conference call back over to Riad Mishlawi for closing remarks.

Riad Mishlawi – Hikma – Chief Executive Officer

Yes. Well, thank you very much. Thanks for all your questions. I think the - just at closing, I would like to re-emphasise the strength of this Company. We had been delivering our numbers year-on-year. We have been growing year-on-year. All our divisions are doing well. We've struggled during the generic - all the generic business has struggled, and we had to make decisions on what to do with the generic business. We committed to do one thing, and now we're coming all to you and showing you how we're delivering.

We are delivering on our promise, we're delivering on our strategy. Our strong business injectables is still growing with impressive numbers, still maintaining very impressive profitability. With the addition of very good strategic acquisitions that we had last year, we think that we can maintain that. We did also say that one thing that we wanted to focus on is R&D. We are delivering also exactly that. We had put a management that is very much experienced in R&D.

We have expanded our R&D capabilities in adding Zagreb as a centre of R&D for today for the injectables, and we see that it could be also for more than the injectables, maybe we are looking at to see if we can add other divisions in that location, being - having a very competent people and at a lower costs. So we see that expanding and we can benefit in having more value for less cost. So we see our internal R&D just getting better and better.

Again, as I said in the branded is in a lane all alone, going fast and going well and growing. We are for confident that this thing is going to continue like that. So all in all, I'm very happy where we are. I'm happy with what we have progressed, and I'm looking forward for good years ahead. Thank you very much.