Rating Summary Report

Pharma Medical Company

(Limited Liability Company)

December 2025

1.1 TASSNIEF Opinion

Pharma Medical Company – Entity & Sukuk Rating	
Domicile	*Saudi Arabia*
Long-Term Entity & Sukuk Rating	*BBB-*
Outlook	*Stable*
Short-Term Rating	*T-4*
Rating Watch	*No*
Action Type	*Maintained*
Rating Type	*Solicited*
Initial Rating	*November 2024*
Methodology Deviations	*None*

*Tassnief has maintained the long-term entity and sukuk rating of **'BBB-' (Triple B Minus)** and short-term entity rating of **'T-4'** for **Pharma Medical Company**. The outlook on the rating is **'Stable'.***

About the Company: Pharma Medical Company, referred to as 'PMC' or 'The Company', is a Limited Liability Company registered in the Kingdom of Saudi Arabia (KSA) under the Commercial Registration Number (CR No.) 1010160412, dated August 2000. PMC specializes in wholesale distribution, pharmacy retail, and the supply of pharmaceutical, medical, and personal care products. It has served a diverse clientele including hospitals, government entities, and private pharmacies, supported by a warehouse network and a newly launched e-commerce platform. Headquartered in Riyadh, PMC holds key certifications from Saudi Authority for Intellectual Property, alongside valid Commercial Activity and Pharmaceutical Warehouse licenses.

1.2 Rating Rationale

Rating continues to be underpinned by a 25-year track record and moderate-scale model spanning pharmaceutical distribution, retail pharmacy operations, and a newly launched e-commerce platform. Pan-KSA network provides access to a broad institutional clientele and drives recurring revenue peaks tied to Hajj, Umrah, Ramadan, and other seasonal cycles. Business risk profile is anchored by a strategic logistics network across Riyadh, Jeddah, and Dubai Free Zone, leveraging a hybrid internal and third-party logistics fleet for nationwide reach. Market penetration is reinforced by a 23-pharmacy retail footprint and a specialized medical team engaging 400+ healthcare professionals. Key rating strength is the portfolio of 25 exclusive international distribution agreements, which establishes a significant competitive edge and ensures a stable supply of pharmaceutical and cosmetic products. However, the risk profile remains constrained by elevated concentration risks among key suppliers and customers.

The governance framework is characterized by a high degree of sponsor-led oversight, which lacks the checks and balances of a formal, independent board. While the absence of independent directors constrains the overall governance profile, operational stability is underpinned by an experienced leadership team and a structured reporting framework. Additionally, the strategic migration to a unified ERP system is expected to enhance data integrity and operational transparency. However, the transition to a formal board of directors and the institutionalization of an internal audit function remain critical prerequisites for strengthening the governance framework.

Financial risk profile is marked by decelerating revenue growth alongside healthy, albeit volatile, profit margins that rely heavily on volume-based discounts and performance targets. Conversion of profitability to CFO is weak, as liquidity is absorbed by high working capital requirements—specifically inventory and receivables—in line with industry benchmarks. Cash conversion cycle, exceeding eight months, significantly strains liquidity, while rising debt levels on a limited equity base have pressured leverage metrics. To strengthen the liquidity profile, management is prioritizing working capital optimization by extending supplier terms and tightening customer credit.

In October 2025, a SAR 230mn five-year Murabaha Sukuk was issued. The facility features semi-annual profit payments and a bullet principal repayment at maturity, with no grace period. Secured by promissory notes and featuring an early settlement option, the instrument repayment buffer depends heavily on the timely execution of growth initiatives to secure necessary cash flows.

Future growth is supported by stable pharmaceutical demand and a dual-track strategy: inorganic and organic. The inorganic track centers on acquiring a new subsidiary and adding 10–15 pharmacies to the retail network. Simultaneously, organic growth will be driven by market share gains and portfolio diversification, specifically through expanded over the counter offerings and specialized products tailored for Hajj and Umrah seasons.

1.3 Rating Trigger

Future ratings depend on projected revenue growth and operational cash flows, as significant cash flow is currently diverted to interest repayments. Any sustained pressure on interest and debt coverage may trigger a rating downgrade.

RELATED CRITERIA AND METHODOLOGY

Rating Methodology for Corporate (v.2. 2024) can be found on the website: *www.tassnief.com*

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- This credit rating herein was determined was determined using the above-mentioned methodology which is available on our website at www.tassnief.com. This methodology, including any significant adjustments or deviations from standard procedures, was applied to arrive at the rating.
- The rating scale, meaning of each rating category, default or recovery definitions, and relevant risk warnings – including a sensitivity analysis of key assumptions – are also available on our website.
- TASSNIEF confirms that all rating activities related to this credit rating were not outsourced to any third party.

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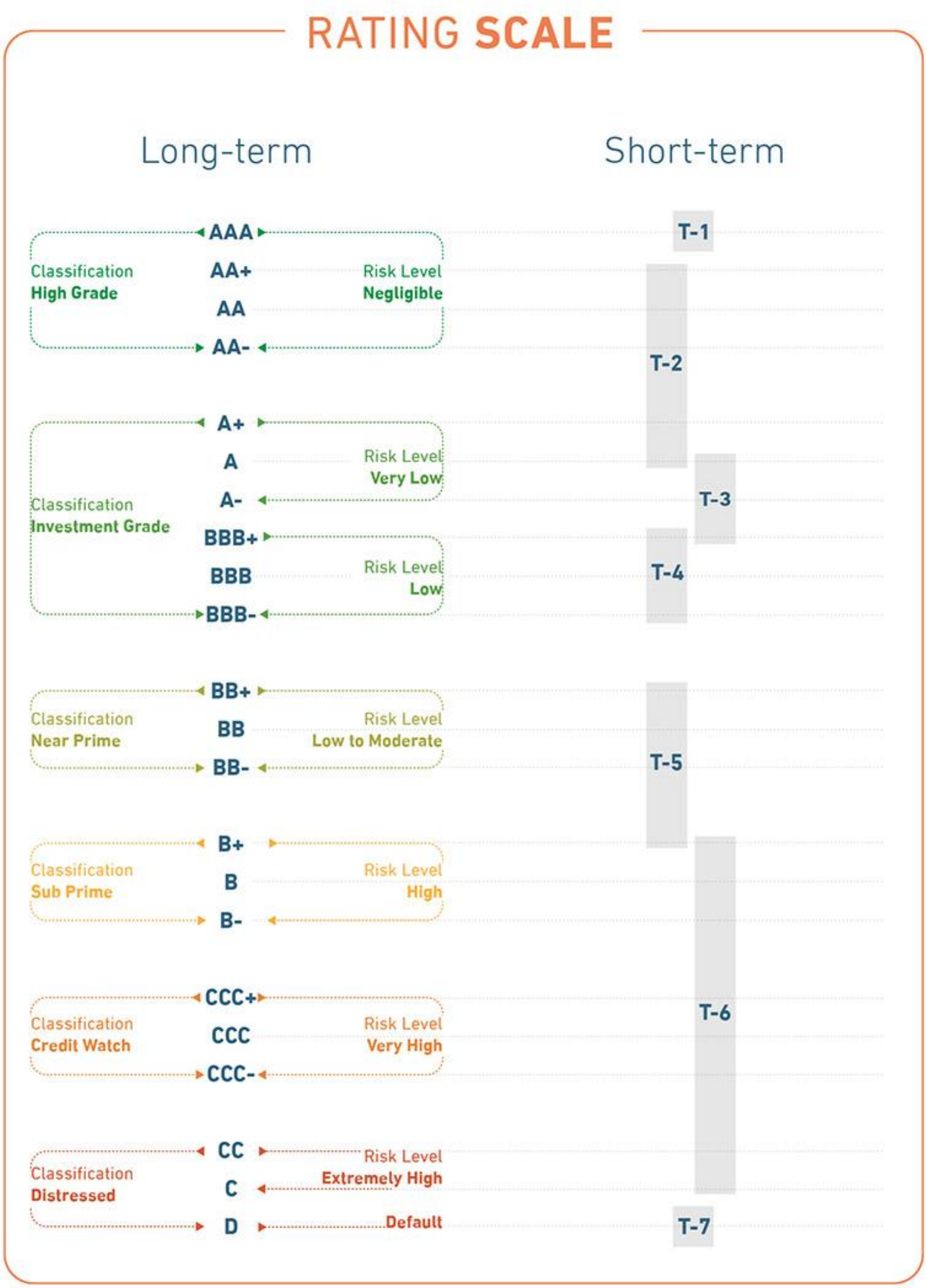
Classification: Restricted

TASSNIEF's Long-term & Short-term Rating Scale



Long-Term Rating Scale	Definitions
AAA	**Extremely Robust**; Tassnief considers the rated issuer or issuance hold the **highest creditworthiness**, thus **negligible credit risk**
AA+ AA AA-	**Very Robust**; Tassnief considers the rated issuer or issuance hold **very high creditworthiness**, thus **minimal credit risk**. Risk profile may vary slightly with changes in economic / sector conditions
A+ A A-	**Robust**; Tassnief considers the rated issuer or issuance hold **high creditworthiness**, thus **very low credit risk**. Risk profile may vary with changes in economic / sector conditions
BBB+ BBB BBB-	**Moderate**; Tassnief considers the rated issuer or issuance hold **adequate creditworthiness**, thus **low credit risk**. Risk profile may exhibit moderately high variation with changes in economic / sector conditions
BB+ BB BB-	Tassnief considers the rated issuer or issuance hold **low to moderate credit risk**. Risk profile may exhibit wide variation with changes in economic / sector conditions.
B+ B B-	Tassnief considers the rated issuer or issuance hold **very low creditworthiness**, thus **high credit risk**
CCC+ CCC CCC-	Tassnief considers the rated issuer or issuance hold **extremely low creditworthiness**, thus **very high credit risk**
CC C	**Highly speculative credit profile**, and the default is imminent
D	Tassnief considers the rated issuer or issuance have **defaulted or may default soon.**

****End of Report****