Pharma Sector – 3QCY26/ 1QFY27 Review

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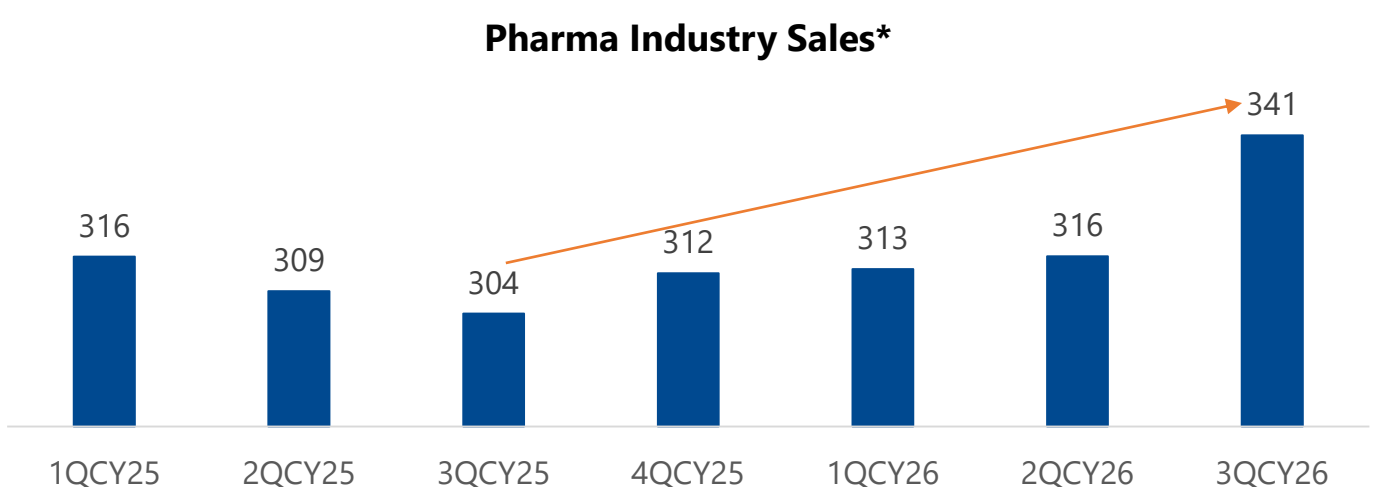
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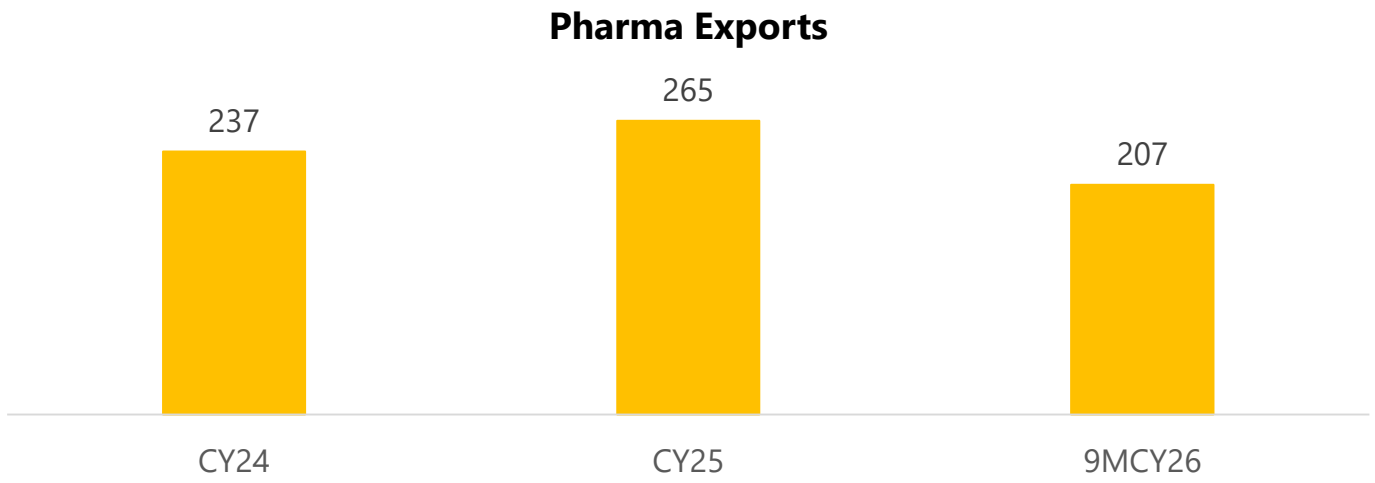
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Pharma Sector: Margin expansion supporting profitability

- Pharma sector sample of 9 companies posted 1% YoY revenue decline in 3QCY26 and 5% YoY growth in cumulative earnings.
- During 3QCY26, the sector reported +12% YoY/+8% QoQ growth in revenue as per the industry data; however, our sample of listed companies posted -1% YoY/6.3% QoQ growth in top-line revenue reflecting higher trade discounts amid no exports to Afghanistan.
- Exports to Afghanistan remained disrupted via the land route since Oct-2025 and via air since Apr-2026. Exporting companies have attempted to diversify their exports to other countries; however, the situation remains challenging amid the tense geopolitical scenario in the Middle East.
- The FY27 Federal Budget had positive policy measures for the sector, including tax relief for the salaried class, a 2-ppt reduction in super tax for corporates, and some relief on duties applicable to Active Pharmaceutical Ingredients (APIs), mainly for cancer and contraceptive drugs.
- Stronger volumes and pricing kept revenue nearly flat, down just 1%, despite a high prior-year base driven by exports to Afghanistan.
- However, the medium to long-term outlook for pharma sector demand, driven by Pakistan's demographics, and thus pricing power, remains intact, in our view.

Pharma sector posts 12% YoY local sales growth in 3QCY26; exports jump 11% YoY





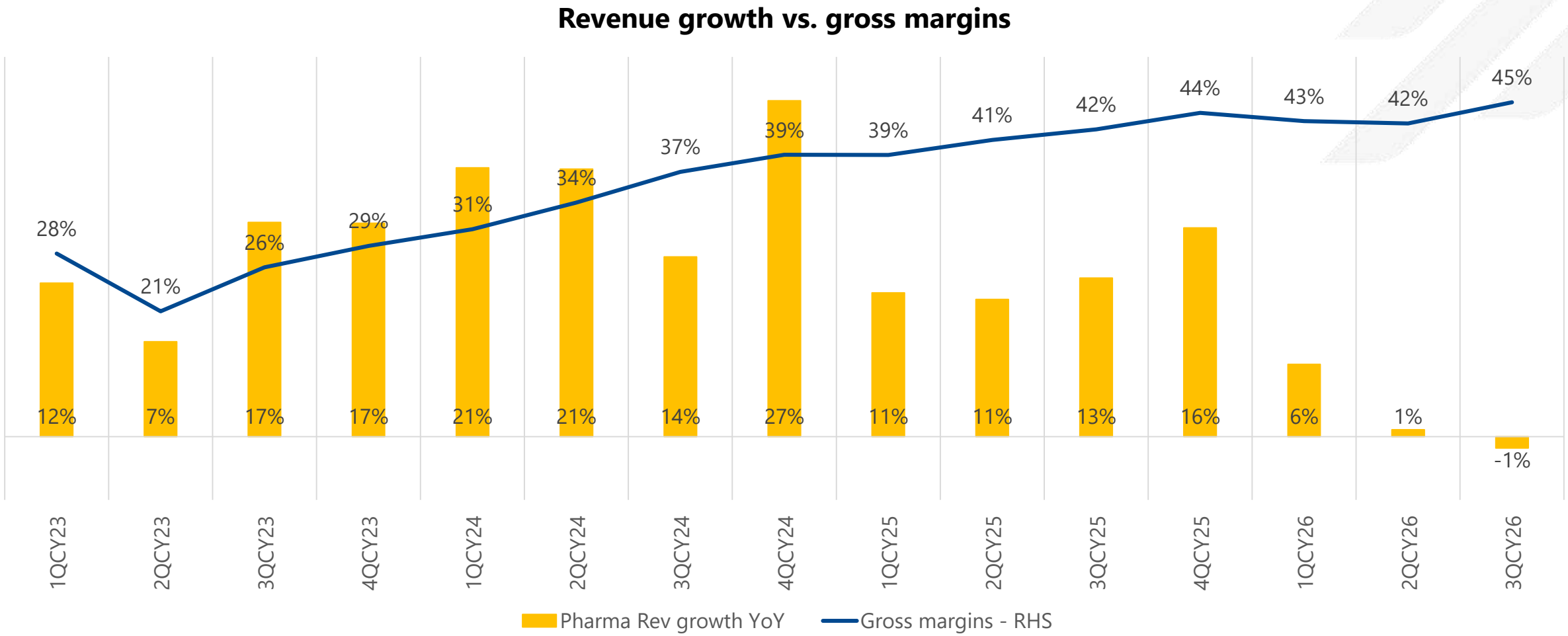
Companies	Code
Abbot Laboratories (Pakistan) Ltd	ABOT
AGP Ltd	AGP
Citi Pharma Ltd	CPHL
Ferozsons Laboratories Ltd	FEROZ
GlaxoSmithKline Pakistan Ltd	GLAXO
Haleon Pakistan Ltd	HALEON
Highnoon Laboratories	HINOON
Hoechst Pakistan Ltd	HPL
The Searle Company Ltd	SEARL

** Our sample size listed accounts for ~93% of the pharmaceutical sector market capitalization.*

Source: IQVIA data, SBP, JS Research

*I * Excluding impact of Tender/ Institutions sales, discounts and exports*

Our Sample reported 1% YoY sales decline alongside improving margins in 3QCY26

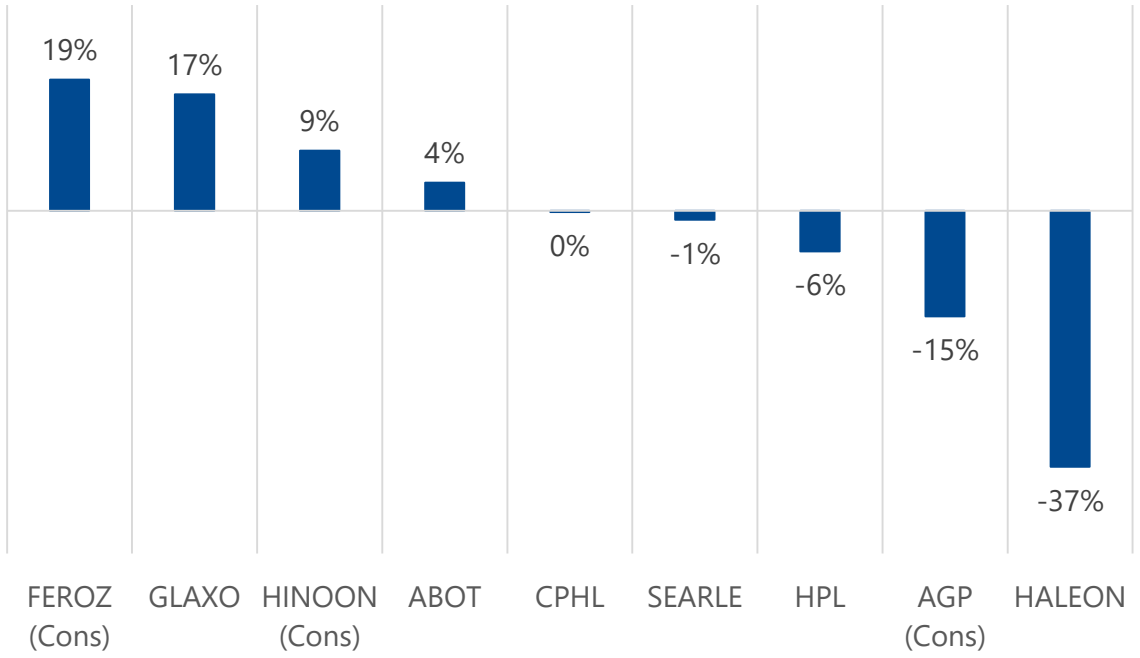


Source: Company accounts, JS Research

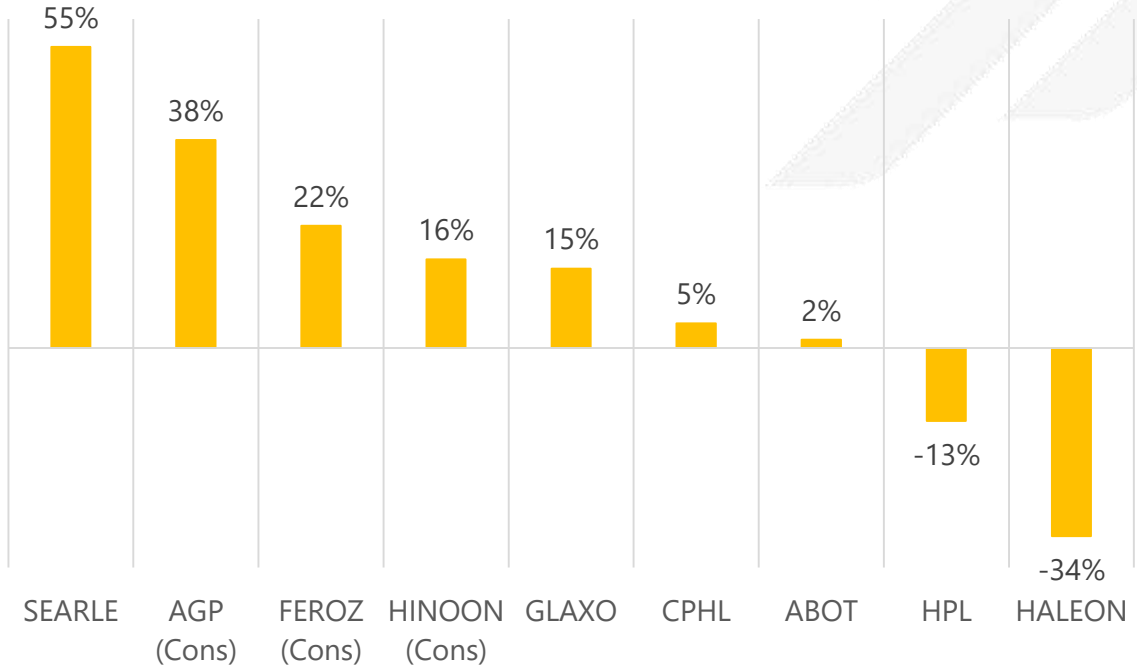
Sector profitability during 3QCY26/1QFY27

3QCY26/1QFY27: FEROZ leads with the highest YoY revenue growth

3QCY26/ 1QFY27: YoY Revenue growth



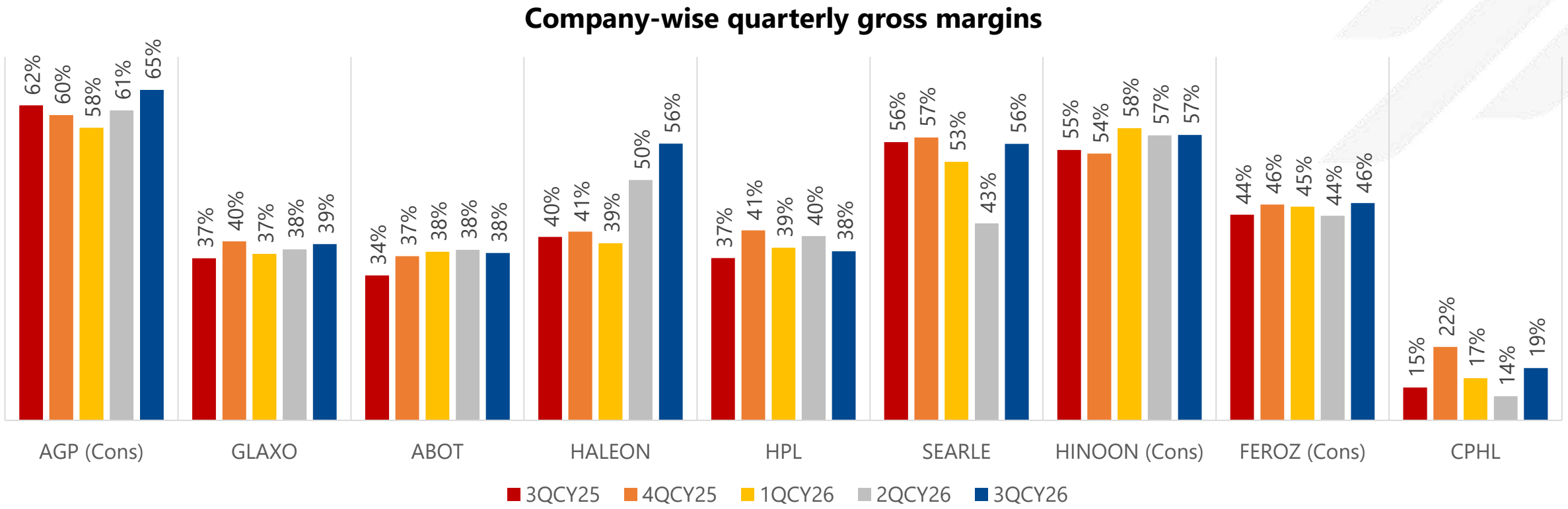
3QCY26/ 1QFY27: QoQ Revenue growth



- During 3QCY26/ 1QFY27, our sample posted 1% YoY decline in net sales while on QoQ basis the sample reported 6.3% YoY growth in net sales. This can be attributed to weaker domestic sales, suspension of trade with Afghanistan, higher trade offers and weaker pricing power. Among the sample, FEROZ outperformed among the peers with highest YoY growth of 19% YoY, led by strong volumetric growth.

Source: Company accounts, JS Research

Gross margins improved during the quarter

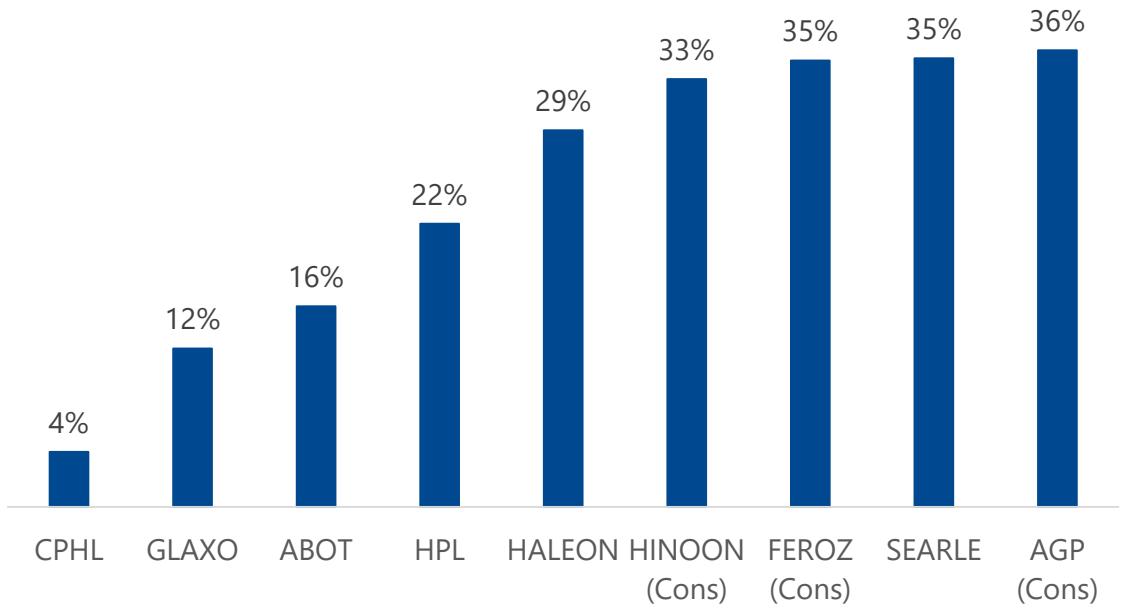


- Gross margins for the industry improved despite pressure on sales to 45% (+2.4ppts QoQ/ +3ppts YoY) during the outgoing quarter. A YoY jump in margins reflects increase in drug prices. However, the pricing power got affected recently owing to supply overhang in the industry. Company-wise, we saw major increase in gross margins for HALEON and ABOT in 3QCY26, while none in our sample posted YoY drop in gross margin.

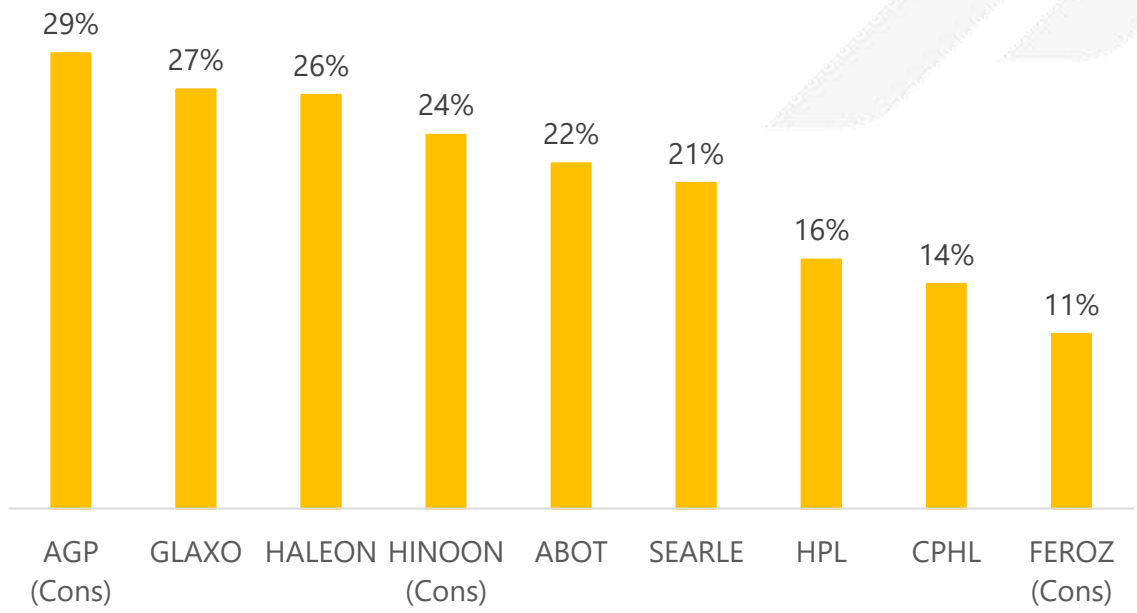
Source: Company accounts, JS Research

Operating level profitability during 3QCY26/1QFY27

Operating Exp as % of Sales



Operating margin



- During 3QCY26/1QFY27, AGP* posted highest operating margins, followed by GLAXO. On the other hand, AGP* and HPL reported YoY drop in operating margins in 3QCY26.

*Source: Company accounts, JS Research | *consolidated*

Company-wise Earnings Review

3QCY26/1QFY27: Earnings Review (1/2)

- **ABOT** reported 40% YoY growth in 3QCY26 EPS to Rs25.98 (9MCY26: Rs68.7), led by 4% YoY growth in net sales, 4ppts increase in gross margins driven by cost optimization as well as change in product mix. Pharmaceutical sales increased by 5% YoY whereas sales for nutrition decreased by 2% YoY in 3QCY26. Domestic sales were up 5.2% YoY whereas exports fell 20% due to no exports to Afghanistan (vs. Rs823mn or 4% sales contribution in 3QCY25).

- **AGP** (on consolidated basis) posted 15% YoY decline in sales however margins were up 3ppts YoY to 65% in 3QCY26, resulting in 18% YoY drop in EPS (attributable to owners) to Rs3.03. The sales performance was impacted by the suspension of sales to Afghanistan since Feb-2026, and softer consumer purchasing power. **AGP also is in the process of merger with its group company, OBS Pharma (Pvt) Ltd, which is expected to add 13%/ 11% value to our CY27E EPS/ TP once merger is completed.**

- **GLAXO** posted 17% YoY growth in net sales, and gross margin improvement of 2ppts, resulting in 28% YoY growth in EPS to Rs8.2 for 3QCY26. Gross margins improved due to price increases in the non-essential portfolio.

- **HALEON** reported 5% YoY decline in 3QCY26 EPS to Rs13.05. The decrease in earnings during 3QCY26 was mainly attributed to 37% YoY decline in net sales to Rs6.6bn (vs Rs10.5bn SPLY), led by weaker sales in OTC segment. However, the performance was partially cushioned by 15ppts improvement in gross margins to 55% in 3QCY26 (vs 40% SPLY) due to one-off custom duty adjustment.

3QCY26/1QFY27: Earnings Review (2/2)

- **HINOON** posted 27% YoY growth in earnings (consol) in 3QCY26 to Rs17.57 (9MCY26: Rs33.65, +10% YoY), led by 9% YoY growth in net sales due to favorable product mix, higher volumes and improved price realization; and 2ppt YoY improvement in gross margins.

- **FEROZ** is emerging as the strongest player in terms of revenue growth, given its product profile – tilted towards gastro, diabetic care and other life-saving drugs and injectables. The company reported 19% YoY growth in sales in 1QFY27 led by strong volumetric growth in generics and medical devices, while gross margins improved by 2ppts YoY to 46%.

Sector down 15% CYTD, taking 4Q trailing P/E to 11.4x

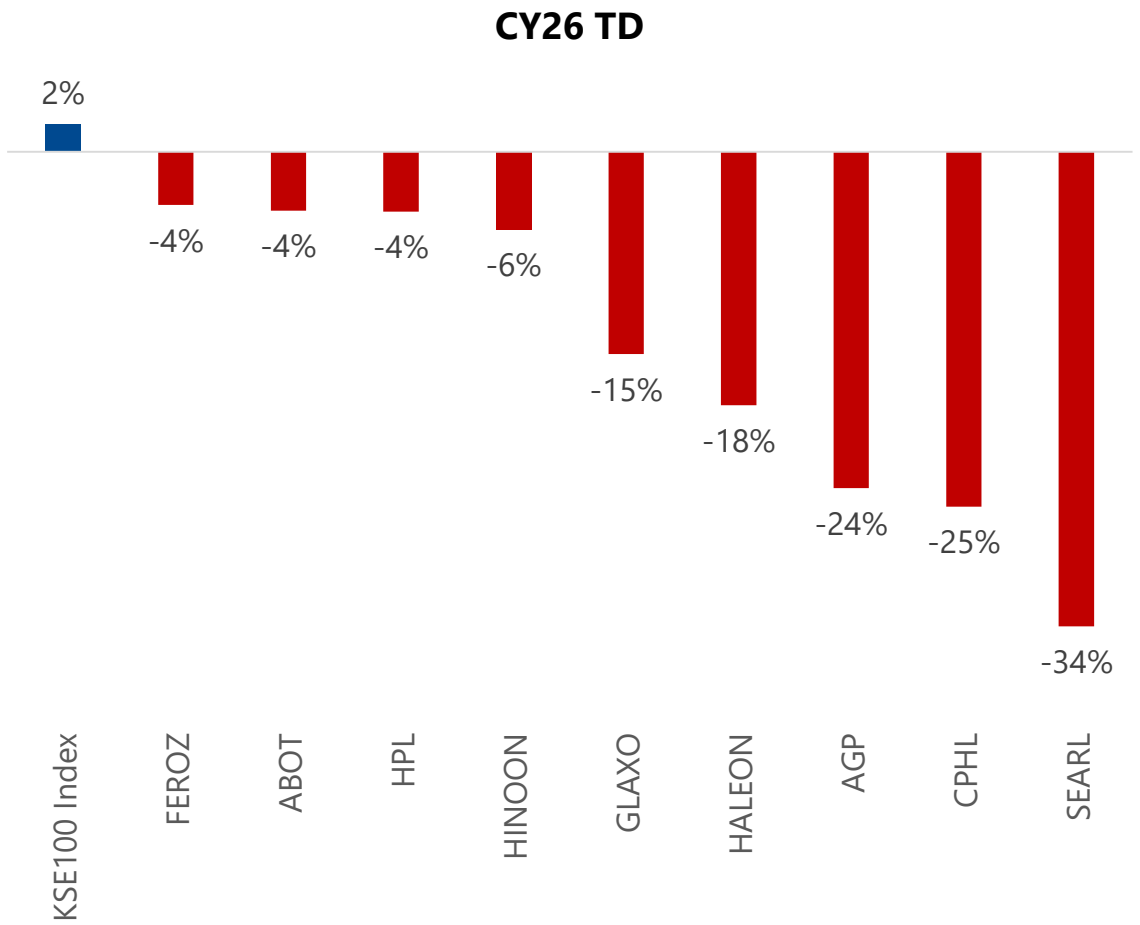
Pharma sector underperforming KSE100

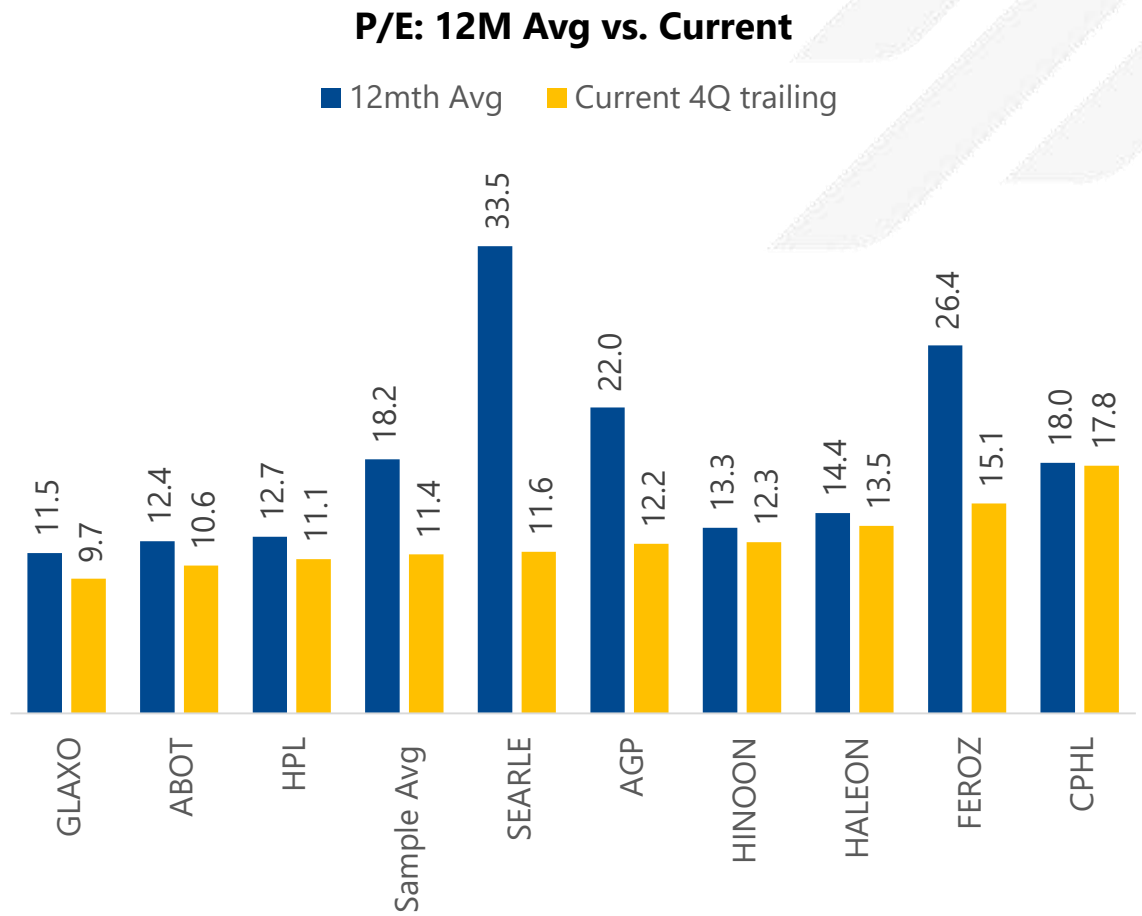
- CY26 TD, our sample Pharma cos (9 stocks representing 92% of the sector on PSX), reported 15% drop in its market capitalization (vs. KSE100: up 2%), resultantly, the sector trailing P/E came down to 11.4x compared to its 12-months average of 18.2x and Dec-2025 levels of 15x.

- **Key triggers:**

1. Recovery in demand as the winter season approaches with higher incidents of reported viral diseases and organic demand growth of essential drugs (we are already witnessing increasing trends of viral/infectious diseases across the country).
2. Any progress of re-opening of Afghan border (which in inevitable for Afghanistan due to emerging health crises, meanwhile, air transport from India and land transport via Iran, is becoming expensive) or allowance of medicines exports under humanitarian grounds with involvement of int'l donor agencies.
3. Eventual hike in drug prices as demand picks up.
4. Pick up in demand for new products / cheaper local substitutes of globally renowned brands.

Recent underperformance makes P/E attractive





Source: PSX, JS Research

Pharma sector – Valuations Comps & key financials

Company	Market Cap (Rs mn)	Trailing P/S (x)	Trailing P/E (x)	Trailing 4Qs ending Sep-2026			
				Sales Growth	Gross Margin	Operating Margin	Net Margin
AGP*	43,162	1.63	12.17	-4%	61%	28%	13%
GLAXO	106,107	1.53	9.66	12%	39%	27%	16%
ABOT	98,458	1.27	10.60	4%	38%	21%	12%
HALEON	79,804	2.15	13.45	-11%	46%	27%	16%
HPL	38,750	1.26	11.07	0%	39%	19%	11%
CPHL	14,409	1.03	17.77	5%	18%	14%	6%
SEARLE	46,552	1.48	11.59	18%	53%	15%	13%
HINOON*	51,143	1.77	12.29	9%	57%	26%	14%
FEROZ*	15,711	0.63	15.08	24%	45%	11%	4%
Sample	**494,096**	**1.45**	**11.42**	**5%**	**43%**	**22%**	**13%**

*Source: Company accounts, JS Research * Consolidated*
Based on sales and PAT of last 4-quarters ending Sep-2026

P/L snapshots

3QCY26/1QFY27: JS Pharma Universe result snapshot

(Rs mn)	AGP*	HINOON*	FEROZ*	GLAXO	ABOT	HALEON	HINOON	SEARL	HPL	AGP	CPHL	FEROZ
Net sales	6,449	7,508	7,074	16,594	20,630	9,994	6,617	8,453	7,790	4,235	3,363	4,773
Sales YoY growth	***-15%***	***9%***	***19%***	***17%***	***4%***	***-5%***	***1%***	***-1%***	***-6%***	***-24%***	***0%***	***23%***
Cost of sales	2,285	3,220	3,831	10,110	12,866	6,359	2,933	3,747	4,838	2,154	2,737	2,822
Gross profit	**4,164**	**4,288**	**3,244**	**6,484**	**7,764**	**3,635**	**3,684**	**4,705**	**2,952**	**2,082**	**626**	**1,950**
Selling/distribution expenses	2,064	2,028	2,123	1,524	2,897	896	1,519	2,353	1,413	1,199	90	1,250
Administrative expenses	226	469	333	522	323	183	419	595	303	150	55	248
Operating profit	**1,874**	**1,791**	**789**	**4,438**	**4,544**	**2,556**	**1,747**	**1,757**	**1,237**	**733**	**482**	**452**
Financial charges	403	26	111	60	16	25	26	296	53	231	100	82
Other income	8	118	26	82	152	155	139	55	116	6	16	27
Other charges	46	179	67	360	477	228	133	119	258	46	31	37
Profit before tax	**1,433**	**1,704**	**637**	**4,101**	**4,203**	**2,458**	**1,726**	**1,398**	**1,042**	**462**	**367**	**360**
Taxation	401	773	242	1,490	1,659	930	782	532	428	148	133	140
Profit after tax	**1,032**	**931**	**396**	**2,610**	**2,544**	**1,527**	**944**	**866**	**614**	**315**	**233**	**220**
PAT YoY growth	***-12%***	***28%***	***23%***	***28%***	***40%***	***-5%***	***-6%***	***1%***	***-30%***	***-53%***	***14%***	***21%***
Profit attributable to owners	**850**	**931**	**322**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
EPS (Rs)	**3.03**	**17.57**	**7.40**	**8.20**	**25.98**	**13.05**	**17.81**	**1.47**	**63.70**	**1.12**	**1.02**	**5.05**
DPS (Rs)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross Margins	*65%*	*57%*	*46%*	*39%*	*38%*	*36%*	*56%*	*56%*	*38%*	*49%*	*19%*	*41%*
Operating Margins	*29%*	*24%*	*11%*	*27%*	*22%*	*26%*	*26%*	*21%*	*16%*	*17%*	*14%*	*9%*
Net Margins	*16%*	*12%*	*6%*	*16%*	*12%*	*15%*	*14%*	*10%*	*8%*	*7%*	*7%*	*5%*
Effective tax rate	*28%*	*45%*	*38%*	*36%*	*39%*	*38%*	*45%*	*38%*	*41%*	*32%*	*36%*	*39%*

*Source: Company accounts, JS Research * Consolidated | Sorted as per PAT in descending order*

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