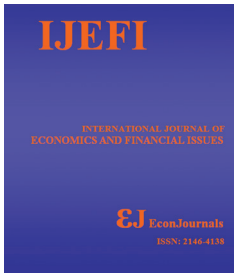

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Symbiotic Relationship between a Healthy Population and a Sustainable Economy: Financial Performance of Julphar Gulf Pharmaceutical Industries

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ABSTRACT

Redefining the variables of macroeconomics requires the evaluation of the vital role the healthcare industry plays as an economic agent. The pharmaceutical industry constitutes a vital part of the healthcare industry. In this study, the evaluation of the performance of Julphar examined viability of such an agent. A 5-year financial ratio analysis was conducted based on the company's 5-year annual reports. The analyzed ratios were assets utilization, net profit margin, debt utilization, and the profitability ratios ROA and ROE. The overall findings showed that Julphar assets were underutilized meaning that their productivity is not optimal. ROA and ROE dropped-down consecutively, which means that the company's profitability was in question given its high debt-financing and a continuous increase in total operating expenses. This performance can affect the national and regional economic stability. It is recommended that Julphar scales down financing, debt acquisitions, and reduces its operating expenses while increasing its productivity by way of optimal assets utilization and redefined market segmentation. Market-driven projects are seen as the solution to most of its problems. Due to its position, Julphar plays important role in the national and regional economy. Future research should include other microeconomic agents such as micro-foundations in order to determine the far-reaching effects of financial performance on the economy.

Keywords: Financial Performance, Healthcare, Economy, Pharmaceutical Industry, Macroeconomics
JEL Classifications: G32; G49; I15; O11

1. INTRODUCTION

The health industry could constitute one of the vital macroeconomic modelling variables. This premise rests on the recent unresolved myth built around previous and recent macroeconomic theories. Economic models such as those developed by Marshall, Keynes, and Friedman's macroeconomic theories have underestimated several economic factors that may influence real economy policies around the world. Financial crises such as the crisis experienced in the early 1930s and in 2008 have proven the inadequacy of the old theories relied upon in economic and monetary policy making. Contemporary macroeconomists agreed on the need to expand variables of measuring macroeconomic wellness at the national and global level. It was discovered that vital agents such as "finance" has been given no attention in previous macro-economic models attempting to avert or diffuse global financial crises. Recent famous theory developers such as David Vines and Samuel Wills have proposed agent-based macroeconomic modeling. Agent-based macroeconomic modelling involves viewing all aspects of real economy through the lens of macroeconomic policies known as

micro-foundations[1]. Nyberg et al. (2018) identifies other areas of micro-foundations. Here, the financial industry is viewed as an agent and incorporated into the macroeconomic model according to its specific operations and the risks involved. Similarly, the health industry can be viewed as serving as an agent in terms of specific operations and risks exposures.

The volatile crude oil markets ravel the economies of oil-producing economies that combine into the Organization of the Petroleum Exporting Countries (OPEC). Recent studies such as that of al-Bolushi et al. (2017) found that the health industry plays a major role in the economy as one of the alternative revenue sources for the UAE government. It was also found that the private healthcare industry contributes much than the public healthcare industry. Ailments and medications are considered as twin phenomena. Thus, the pharmaceutical industry plays a significant role in the global health industry since without the pharmacists, the physicians have less to offer the ailing public.

The continued success of the health industry rests mostly on research and development (R&D) programs (Sinha and Singhvi 2015; Sujit and Kumar, 2016), which are run by global leading pharmaceutical organizations such as GlaxoSmithKline (GSK), Merck, Pfizer, AstraZeneca, Novartis, BMS, and Sanofi. In the region governed by the Gulf Corporation Council (GCC) the Globalpharma Company and Julphar Gulf Pharmaceutical are listed among the most renowned companies. However, Julphar Gulf Pharmaceutical surpasses its regional rival in all standards and has become the leading pharmaceutical company that manufactures around 200 products and thus relegates Globalpharma Company into the second position. On the domestic market its main competitors are AL Baker; Biotech Pharma Services; Pharma Trade; Planet Pharmacies LLC; Afghanpharma; Pharmalink; Julphar Gulf Pharmaceutical Industries and QIAGEN. This indicates the indispensable role the pharmaceutical industry plays in global financial health considering factors such as employment opportunities and a healthy population, which is a proxy to measuring economic growth through the Gross Domestic Product (GDP). The pharmaceutical industry, and specifically the growth of the generic medicine industry, is experiencing a period of growth in the UAE. The UAE government also actively supports this rapidly expanding industry. The Health Ministry invests great efforts to construct sufficient manufacturing sectors by 2020 in order to produce more medicines (Arabianbusiness, 2016). It is expected that the pharma companies will grow at a 20% rate CAGR.

Thus, any plan to ensure the financial wellness of the UAE needs to take into account the role played by micro-foundations. Financial wellness impacts the health, state of mind, family dynamics, and work dynamics in both private and public organizations. Exploring the challenges the UAE is facing today has to include the country's major micro-foundations. The health industry in general and Julphar Gulf Pharmaceutical[2] in particular can be examined in the form of a case study to determine where the UAE stands in terms of financial health and fitness. One of the major concerns of every corporate entity is to maximize the owners' wealth. Thus, the wealth and the health of the owners are symbolic when incorporating finance into economics modelling. To determine whether the owners' wealth is maximized goes beyond isolating profitability and involves measuring all aspects of the organization in question. This includes analyzing important ratios such as profitability ratio, asset utilization ratio, debt-equity ratio, and the like. The goal of wealth maximization can be achieved by the efficient use of the available resources. Thus, as part of this case study a trend analysis is conducted based on the last 5 years of Julphar Pharmaceuticals' financial reports. It is posited that the results and findings will be sufficient to justify the overall performance of the pharmaceutical industry in the UAE as Julphar constitutes a regional leading pharmaceutical company based in the UAE. This section is followed by the other sections that present a literature review; methods, analysis of results, discussion, conclusion, and policy implication.

2. LITERATURE REVIEW

The relationship between finance and health cannot be overemphasized. Invariably, the healthcare industry's financial wellness has a direct impact on the economy of the UAE since the financial performance of corporate entities is an indicator of a nation's economy. It can be compared to the human body whose organs influence the actions and reactions of the host. If considering a nation as a whole body, the government and investors have different functions and interests. In this respect Alzarouni and Aljifri, (2014) and Myšková and Hájek (2017) state that a corporate entity's performance concerns mostly four groups of people, namely the government, investors, creditors and managers. While any deficiency in a physical organ is obvious, it is more difficult to ascertain financial performance by merely looking at its physical structures or individual functions. Mehta (2014) and Myšková and Hájek (2017) have shown that the proper evaluation of financial performance can be achieved through ratio analysis based on the entity's published annual financial reports. Financial ratios can be categorized into the indicators of productivity, profitability, cost, liquidity, solvency, capital structure, and capital market. Therefore, the empirical measurement of financial performance constitutes common practice among academics and researchers, particularly in the field of finance and economics. Ratio analysis is regarded as one of the most widely accepted methods across industries, regardless of production size or service. Nonetheless, it is imperative that such a corporate entity must be listed in an exchange market, which means that it is known as a public company or public traded company whose ownership is dispersed

1 The issues and unresolved problems related to economics as a profession and policy are discussed in Eshe Nelson (2018), *Micro Revival: The Reinvention of Economics after the Crash*. Quartz, December 18, 2018. Retrieved Dec. 18, 2018: https://qz.com/1486287/a-new-theory-of-economics-rises-from-the-ashes-of-the-global-financial-crisis/?utm_source=email&utm_medium=daily-brief.

2 Julphar Gulf Pharmaceutical Industries is the largest generic drug manufacturer in the Middle East and North Africa. The company sells its products around 40 countries. Established in 1980, it operated one manufacturing facility, which has grown into 16 global manufacturing facilities. Julphar has more than 3,000 employees, and its annual revenue has crossed AED 1.7 billion in 2017. Julphar is listed on the Abu Dhabi Stock Exchange. For more information see Julphar, retrieved 25/12/2018 http://www.julphar.net/en/about-us/our-story.

among the general public in various stocks and shares traded on a stock exchange.

Furthermore, Alzarouni and Aljifri (2014) pointed out that standards and reporting practices are there to provide financial information transparency. According to Yiu et al. (2019) listed companies seems enjoy sound corporate governance. Thus, financial ratios like profitability and liquidity assessments give a fair idea about the organization. Myšková and Hájek (2017) demonstrated the vital role of financial ratios in determining success and failure of 1,380 firms listed in various stock exchanges in the United States. Their findings established a positive relationship between a firm's stability and its profitability, in addition to the linguistic influence on presentation of annual performance. The researchers concluded that a clearer language in conveying the annual reports are notable among well-performing firms. On the other hand, poorly performing firms tend to present annual reports in a rather simple and vague manner.

Mehta (2014) explored the relationship between working capital and profitability of real estates and construction organizations listed on the Abu Dhabi exchange for at least four years. Using data extracted from financial annual reports 2007-2010, a regression analysis was performed using return on assets (ROA) as a dependent variable. The results showed that the cash conversion cycle and the working capital position along with the ROA data indicated that higher level of working capital leads to reduced profitability. In some cases, firms with lower working capital tended to have higher ROA compared to the higher liquidity and improved position. A negative effect was found in measuring the relationship between ROA and the cash conversion cycle. Vintilă (2016) conducted a similar research in Romania and produced results similar to Mehta (2014) in terms of the importance of liquidity management. Sinha and Singhvi (2015) as well as Sujit and Kumar (2016) studied working capital and management efficiency in the management of short-term and long-term liabilities among India's pharmaceutical companies. The results showed that the pharmaceutical companies focused more on long-term liabilities management than short-term liabilities management.

Finally, Zouaghi et al. (2016) studied the derivation of the profitability of 3,273 firms in the agri-food sector from 2006-2013. The results showed that the derivation of a firm's profitability is motivated by firm-specific variables such as size, growth, financial risks, and innovation rather than industry-specific variables. In other words, derivation of a firm's profitability is asymmetrical. This observed difference prompted the researchers to focus on Julpar as the leading pharmaceutical company as a proxy for UAE pharmaceutical industry.

3. METHODS

UAE is regarded as a regional hub for medical tourism. Its healthcare industry possesses the proven means of reliable revenue, particularly due to the volatility of the global crude oil market. Axiomatically, pharmaceutical companies serve as vital means of development in the healthcare market due to their acumen in research and development (R&D). The economic contributions made to the global and national healthcare industry demand the attention of researchers, academics, and policymakers. Excellent studies have already been produced in this area, particularly on the pharmaceutical industry of the UAE. However, case studies are still amiss, and studies based on financial ratio analysis. The initial study of UAE's domestic pharmaceutical industry sets the focus on the leading pharmaceutical companies including AL Baker; Biotech Pharma Services; Pharma Trade; Planet Pharmacies LLC; Afghanpharma; Pharmalink; Julphar Gulf Pharmaceutical Industries, and QIAGEN.

4. PROCEDURE

Among the leading pharmaceutical companies, Julphar stands at the top, locally and regionally. As stated in the previous section, Julphar is most suited as a study sample in order to draw a representative picture of the industry's performance in recent years. According to Robinson et al. (2015), using at least 3-10 years data constitutes the required standard in trend financial statement analysis. Thus, trend in financial performance ratio analysis was employed through the firm's published five annual reports 2014-2017. The data were extracted from income statements and balance sheets as posited in the literature such as Block et al. (2017) and employed to determine the yearly profitability ratio, specifically the ROA, the Asset Utilization Ratio (asset turnover, net profit margin, debt ratio) as well as the Return on Equity (ROE). These ratios are major indicators since they measure all vital aspects of the firm's activities. For example, profitability ratio is an indicator of the firm's ability to earn adequate profits on sales, total assets, and capital employed. Furthermore, asset utilization measures the rate at which the firm is turning over receivables, inventory and long-term assets. In other words, the asset utilization ratio shows how quickly a firm sells its inventory, collects receivables, and how productive the fixed assets are in term of generating sales. Likewise, the debt utilization ratio measures the overall position of the firm in light of its asset base and earning power.

According to the studies of Block et al. (2017) and Robinson et al. (2015), for potential investors and security analysts it is the profitability ratio that is of primary interest while liquidity and debt utilization is of secondary interest; for bankers and trade creditors, the firm's ability to meet short-term financial obligations. Moreover, the bondholders' primary interest is on debt to total asset ratio while eyeing the profitability of the firm in terms of ability to discharge its debt obligations.

5. DATA PRESENTATION AND RESULTS

Table 1 Income statement data were extracted and presented accordingly since there is no universally stated mode of data extraction and presentation. Its main purpose is that it enables the analyst to ascertain that the data are accurate in order to avoid misrepresentation of the firm and the industry. Thus, the researchers have chosen the reliable global investment firm *Morning Star* for data collection.

Table 1: Julphar pharmaceutical income statement for 2013-2017

Fiscal year ending in December, AED (Millions) except per share data	2013	2014	2015	2016	2017
Revenue	1,362,071	1,442,257	1,470,204	1,454,500	1,273,400
Cost of revenue	541,370	585,086	561,280	703,800	626,600
Gross profit	820,701	857,171	908,924	750,700	646,800
Operating expenses	584,862	618,831	663,489	566,200	561,100
Sales, General and administrative	596,782	638,615	680,038	574,300	325,700
Other operating expenses	−11,920	−19,784	−16,549	−8,100	235,400
Total operating expenses	584,862	618,831	663,489	566,200	561,100
Operating income	235,839	238,340	245,435	184,500	85,700
Interest expense			27,474	28,000	25,700
Other income (expense)	−7,754	−4,550	8,688	53,600	30,300
Income before taxes	228,085	233,790	226,649	210,100	90,300
Net income from continuing operations	228,085	233,790	226,649	210,100	90,300
Other	2,276	1,499	3,773	2	4,600
Net income	230,361	235,289	230,422	212,100	94,900
Net income available to common shareholders	230,000	235,000	230,000	212,000	95
Earnings per share					
Basic	0.02	0.02	0.02	0.17	0.08
Diluted	0.02	0.02	0.02	0.18	0.08
Weighted average shares outstanding					
Basic	10873	1,158,502,800	1,158,502,800	1205	1159
Diluted	10873	1159	1159	1205	1159
EBITDA	291,200	315,584	350,482	331,400	209,900

Data source: Julphar Pharmaceutical Annual Income Statement extracted from Morningstar.com

The preliminary study of Table 1 reveals the changes in obvious revenues over the period of 5 years. There is revenue increase in 2013-2015 and a decline in 2016-2017. The total operating expenses increase in 2014 and 2015 by 2.82% and 3.48% respectively. A similar trend can be noted in 2016 and 2017 where there is sharp drop in revenue. The consequences of these results are evident in the reported net income with 41.65% decline for the years under study. Likewise, the same sharp drop of 16.22% in earnings before interest, tax, depreciation and amortization.

Table 2 contains the Julphar Pharmaceutical balance sheet for the 5 consecutive years. Similar to the income statement, the data were extracted and presented in the most convenient manner for the researchers.

From Table 2 shown above, it can be learned that the firm increased spending on fixed assets and current asset over the 5-year period. This may be a bad sign for the management as it points to inefficiency in working capital management, one of the major problems of the pharmaceutical industry in emerging markets as suggested in Mehta (2014) and Sinha and Singhvi (2015) who reported the need for management proficiency in working capital management in Indian and UAE pharmaceutical markets.

Table 3 shows the key financial ratios such as net margin percentage, asset turnover average, return on asset, financial leverage average, return on equity percentage, and return on invested capital percentage.

Table 3 indicates that asset turnover and debt ratios were reported based on average, which is acceptable for an accurate and consistent analysis. Robinson et al. (2015) and Block et al. (2017) posit that asset turnover is a combination of items on both the income statement, which measures the events of the year, and the balance sheet, which reports the activities at the end of the year Thus, it is fair to average the two points of beginning and end. Another reason for average depends on the firm's reporting format. According to Robinson et al. (2015), on firm data that are reported semi-annually or quarterly, the average should be applied. Julphar reported semi-annually, particularly in 2016, as stated in its annual reports on its official website.

6. ANALYSIS AND DISCUSSION OF RESULTS

As a multi-national firm, Julphar Pharmaceutical's annual reports were prepared in accordance to the International Financial Reporting Standard as issued by the International Accounting Standard Board. Thus, the data and results to be analyzed meet all criteria of capable representation. Similarly, the conclusion is suitable for the stakeholders' consideration. Furthermore, our analysis is trend/time series as the company goals and strategies are of important consideration in this analysis. This is followed by the economic conditions that require constant change in the firm's policies.

Based on Table 3 above, the activities ratios such as assets turnover average measures how efficiently a firm manages its total assets and thus reflect its operational performance. Generally, a positive outlook is indicated by the continuous increase in this ratio in the previous years' reports. Julphar's assets turnover average ratio declines yearly with 0.49 in 2013 to 0.36 in 2017, which is an indication that the firm's assets were less utilized or that the assets optimization declined over the years. This can be a sign that the management is not efficient in managing the working capital and long-term assets of Julphar. From the income statement it can be observed that there is an increase of 6%/5.9% in 2015

Table 2: Julphar pharmaceutical balance sheet for the years 2013-2017

Fiscal year ending in December, AED (Millions) except per share data	2013	2014	2015	2016	2017
Assets	3,051,302	3,248,529	3,455,834	3,473,400	3,527,700
Current assets	1,636,931	1,792,807	1,905,226	1,949,800	2,044,400
Cash	248,500	158,862	173,872	183,000	168,800
Cash and cash equivalents	214,614	120,925	151,521	164,000	168,800
Short-term investments	33,886	35,937	22,351	19,000	300,000
Total cash	248,500	158,862	173,872	183,000	168,800
Receivables	–	–	–	1,379,600	1,055,700
Inventories	398,712	419,819	491,542	387,200	328,000
Prepaid expenses	–	–	–	–	45,900
Other current assets	989,719	1,216,126	1,239,812	–	446,000
Total current assets	1,636,931	1,792,807	1,905,226	1,949,800	2,044,400
Non-current assets	1,414,371	1,455,722	1,550,608	1,523,600	1,483,300
Property, plant and equipment	1,099,879	1,103,813	1,163,375	1,162,800	1,156,900
Gross property, plant and equipment	–	–	–	–	2,033
Accumulated Depreciation	–	–	–	–	-876
Net property, plant and equipment	1,099,879	1,103,813	1,163,375	1,162,800	1,156,900
Intangible assets	–	–	72,298	49,900	46,500
Other long-term assets	314,492	351,900	314,935	310,900	279,900
Total non-current assets	1,414,371	1,455,722	1,550,608	1,523,600	1,483,30
Total assets	3,051,302	3,248,529	3,455,834	3,473,400	3,527,700
Liabilities and stockholders' equity	3,455,834	3,473,400	3,527,700	3,455,834	3,473,400
Liabilities	1,180,538	1,072,284	1,254,251	1,305,800	1,462,000
Current liabilities	720,355	739,664	814,496	818,900	860,800
Short-term debt	–	–	–	487,800	499,500
Capital leases	384,372	440,234	503,314	–	–
Accounts payable	317,217	278,660	310,182	331,200	361,300
Other current liabilities	18,766	20,770	–	–	–
Total current liabilities	720,355	739,664	813,496	818,900	860,800
Non-current liabilities	460,183	332,620	440,755	486,900	601,200
Long-term debt	–	–	–	304,000	409,900
Minority interest	15,898	29,860	91,206	138,600	144,600
Other long-term liabilities	444,285	302,760	349,549	44,300	46,700
Total non-current liabilities	460,183	332,620	440,755	486,900	601,200
Total liabilities	1,180,538	1,072,284	1,254,251	1,305,800	1,462,000
Stockholders' equity	1,870,764	2,176,245	2,201,583	2,167,600	2,065,700
Common stock	863,156	1,000,000	1,050,000	1,092,000	1,124,800
Retained earnings	431,443	468,573	421,497	462,100	328,300
Accumulated other comprehensive income	576,165	707,672	730,086	613,500	612,600
Total stockholders' equity	1,870,764	2,176,245	2,201,583	2,167,600	2,065,700
Total liabilities and stockholders' equity	3,051,302	3,248,529	3,455,834	3,473,400	3,527,700

Data source: Julphar Pharmaceutical Balance Sheet extracted from Morningstar.com

Table 3: Key financial ratios of julphar pharmaceuticals

Key ratios	2013	2014	2015	2016	2017
Profitability ratio (Return on Assets) %	8.23	7.47	6.87	6.12	2.71
Net profit %	16.91	16.31	15.67	14.58	7.45
Asset turnover (Average)	0.49	0.46	0.44	0.42	0.36
Financial leverage (Average)	1.63	1.49	1.57	1.6	1.71
Return on equity %	12.88	11.63	10.53	9.71	4.48
Return on invested capital %	9.32	8.48	8.75	7.74	3.89

sales as compared to 2014. The net profit increased in 2015 by 12.2% compared to 2014. The firm seems to have had difficulties in generating additional income with a drop of 16.3% in other income. Conclusively, the firm's major income was from sales or revenue. According to the 2016 annual report, the revenue dropped by 1% compared to 2015. The 1% decline was reportedly caused by headwinds in tender channels in Egypt, Afghanistan and Libya. Of the total revenue, private market sales/revenues accounted for 82% whereas tender/government market sales generated 18%. The net profit in 2016 dropped by 7% compared to 2015, despite only a small reduction in total operating expenses. Thus, the management needed to focus more on the management of working capital, which would eventually affect the firm's liquidity position. These results badly affected the ROA, which decreased from 8.23% in 2013 to 2.71% in 2017, amounting to a 50.46% fall in ROA over the period.

The decline in the total turnover assets ratio and ROA can be a great indicator for how well other ratios such as liquidity would perform, as explained in Robinson et al. (2015). When assets are

underutilized, the result reflects on the net profit margin. Julphar's net profit margin dropped every year at an average of 38.83% from 2013-2017 while the total operating expenses increased. Furthermore, a huge part of the financing consists of debt finance. It can be observed that the firm indulged in increasing debt financing when the overall global economy was unstable. The higher the debt the higher the expenses that follow, as shown in its annual report with the rise of 0.35 in 2015 and the overall increase in debt in 2013, 2016, and 2017.

Julphar's operations are located in tax free countries such as in Saudi Arabia, which accounts for its major revenue up to 36%, and in the UAE, which accounts for about 20%, especially in 2016. This is rather surprising, and the reason for its declining performance requires an explanation. Moreover, the ROE had to drop in view of the firm's inability to demonstrate effective working capital management, underutilization of assets, and increased debt financing. Overall return on capital is unfavorable for the firm. For example, in 2015 the return on investment and others stood at -138.3% meaning that the internal and external performance of the firm is not encouraging.

At this point it suffices to state that Julphar's performance does not allow it to compete at the global pharmaceutical industry level. The deprecation in performance can be associated with different variables broadly classified as controllable and uncontrollable factors. These micro and macro issues are discussed below.

6.1. Micro/Controllable Variables

Micro or controllable variables refer to endogenous variables that are related to the internal affairs of the firm in terms of management. The management has to take opportunity of the working environment, which means the UAE as a favorable and investment-friendly country. The management needs find effective ways of managing the working capital and reduce operating expenses. Although the financial reports of 2015 and 2016 reflect the management's efforts in reducing the finance costs, nonetheless, it did not yield an impressive result given the continuous drop in the net profit margin over the period of study. In addition, there is an increase in assets purchased when the assets were under-utilized. Although the firm has introduced new and market driven non-generic medicines (diabetic medicines), it has yet to prove effective sources of revenue. Although the firm is involved in highly competitive markets and increased innovation, the management needs to optimize the usage of the existing assets to yield the required return on capital employed. Assets optimization includes both operating and financial sides. On the operational side, the management should make sure their reduction in wastage of raw materials, utilities, expertise, and perhaps moving from manual processes to robotic processes in an effort to reduce employees and administrative expenses. Previous studies have shown that the employees' salaries as part of the fixed costs make up the largest part of the firm's expenses. Thus, the reduction of employees without prejudice to the quality of personnel is required to achieve optimal asset utilization. It is important to point out that underutilization of assets may lead to high production cost that reduces the firm's competitive advantage in the consumer market. When asset optimization is achieved, the return leads to economies of scale where production cost is lesser and prices for the consumer market are attractive. This would accord Julphar a competitive advantage in the local, regional, and global pharmaceutical markets.

From the annual reports, it is evident that Julphar has a huge budget for educational programs, which is encouraging for R&D. However, increased spending in the phase of reduction in revenue or profit generated in not encouraging. Educational programs should match with production meaning that spending should be based on 95% of product applicability ready to serve a particular market. Any R&D that is not commercialized should be kept in view for future consideration. There is a need for immediate R&D with immediate product development to guarantee consumer satisfaction.

6.2. Macro/Uncontrollable Variables

The dilemma Julphar faces as a multinational corporation is that most of its branches are located outside the UAE such as in Africa (Ethiopia) and Asia Pacific (Bangladesh) whose economies are not as strong as that of the UAE. Alhough Ethiopia and Bangladesh are classified as emerging economies, their ability to adjust to the global foreign currency volatility is questionable, despite the fact that the government has implemented a fixed exchange rate against the U.S. Dollar. Beyond its territory, Julphar needs to develop effective measures to deal with exchange rate volatility, hyper-inflation, and the like, especially in those countries where a laborer earn less than $2 a day. Without a proper management mechanism, the consumers in those countries will not be able to afford Julphar products. There is no doubt that UAE's economy is recovering from a slow down due to factors that are beyond government control. Non-performing loans and other regional imbalances may constitute other contributory factors to the firm's unfavorable performance. Furthermore, the global pharmaceutical industry is a very aggressive industry. Julphar needs to strengthen its position and find effective means for competing and penetrating into the advanced markets. This would constitute an ambitious goal considering the presence of such strong multinational pharmaceutical companies as GlaxoSmithKline (GSK), Merck, Pfizer, AstraZeneca, Novartis, BMS, and Sanofi. It could at least secure its dominant position at the regional level in the GCC market.

Another challenge facing Julphar is the rapid growth in technological advancement. As new diseases are discovered, new medicines have to be developed at the same pace, which requires huge funding. Thus, pressure on increased spending on R&D may constitute another vital factor responsible for Julphar's reduced net profit as it means the increase in assets expenditure. Julphar has to keep up with the changes in technology and increase in R&D to discover more niche markets and products that are in pressing demand. U.S. based pharmaceutical companies are well funded in terms of R&D and technological advancement, followed closely by their European counterparts (Olorogun, 2011). Thus, it would be to the advantage of Julphar to focus on developing countries in GCC, MENA, and Africa. Julphar's R&D should focus on what is needed in these markets. It may also consider redirecting its demographic focus and product line. Although

other leading pharmaceutical companies will compete in the same markets, a reduction of production costs and economies of scale can only be of benefit. Julphar may also consider to partner with local pharmaceutical firms in those countries, which would reduce its expenses by sharing ownership. Currently, the global economy is not a healthy economy. It is pressured as a result of unfavorable policies, such as the ongoing trade war between the U.S. and China. The protectionist trade policies of these two leading global economies have affected all countries, most affected being the multinational organizations. Thus, Julphar may not be alone in terms of its performance failure. The issue of patenting may also pose as a hindrance for its R&D as most of the scientific development is patented to a specific company, thus preventing other firms from producing similar affordable drugs for local consumption such as HIV drugs and the like.

7. CONCLUSION AND POLICY IMPLICATIONS

It is evident from the above that Julphar requires certain rejuvenation procedures after 5-year falls in asset utilization, profit margin, and increased operating expenses. The management needs to reshape the firm's focus in markets that yield lesser results such as Libya, Oman, and Yemen. In terms of products, however, the firm needs to reduce its investment in products that are less market-driven. Focus should be on niche products and markets in order to be able to compete with the leading pharmaceutical companies such as GlaxoSmithKline (GSK), Merck, and Pfizer. Demographically, Julphar should venture into vital markets such as Sub-Saharan Africa. There is a major need to standardize the drugs produced. In these markets Julphar would readily be welcomed since the emerging markets are similar. However, the management should optimize production and achieve economies of scale. In other words, the product costs and prices should be put into consideration in those markets as they are classified as low GDP regions.

In the meantime, Julphar's management should reduce or scale down debt financing and instead fund other projects given that the global economy is in limbo. Julphar's declining success is not in isolated incident. According to Vega (2019), big multinational companies such as Apple also report losses of up to $50 billion in last accounting year due to sales plummets in China. Similarly, the increased volatility in the financial market indexes such as Dow Jones Industrial Average, blue-chip index and a little bit of hope in NASDAQ and S&P 500 since December 2018. Added to this is the potential favorability or unfavorability of the looming Brexit in 2019, which will affect the European markets. Thus, the global macroeconomic status shows a slowdown in 2019 to 3.5%, as compared to 3.8% expected this year, with an increase in essential variables such as interest rates.

Notwithstanding the above, Julphar's management should focus on increasing its productivity, which will drive growth, revenues, and subsequently profit. This recommendation is supported by Fahy (2018) who reported that the earnings of U.S. companies are expected to continue due to increased productivity and Earnings Per Share (EPS). Thus, the management is advised to devise a viable optimal assets utilization system wherein input yields higher output. According to the annual reports sampled in this study, EPS continue to grow, which is a vital managerial tool in retaining and attracting potential viable investors. Regionally, merger and acquisition would be a wise move in order to consolidate market shares and be able to compete effectively at the global level. Julphar plays a vital role in the UAE and the regional economies. As stated earlier, the falling crude oil prices necessitate the development of alternative sources of income for the OPEC countries. Julphar constitutes one of the marginal sources of revenue to the UAE's economy. A slit negative information might impair the UAE's medical tourism market. Thus, the management is advised to move faster than it has done before. The challenges to come in this year of 2019 will have inevitable consequences for individuals, corporate entities, and nations alike. The healthcare industry produces wealth for the UAE, and a wealthy nation means a healthy nation.

One of the shortcomings of this study is using one entity, namely Julphar as a micro-foundation to measure the whole pharmaceutical industry's effects on the economy. This is due to the fact that this study is based on a final undergraduate study project with limited scope and time. Thus, future research should consider the inclusion of other entities. Similarly, other macroeconomic variables were not included or considered in the analysis. Again, researchers should consider including other individual macroeconomic variables. Finally, the time-series trend financial analysis should be extended beyond 5 years.

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