

# Investors Presentation

March 2013



مجموعة صافولا  
*The Savola Group*



- 1. Overview**
  - 2. Strategy and Growth**
  - 3. Financial Highlights and Projections**
- Appendix – Financial Results**



Where we are now, and how we got here

# OVERVIEW



## Savola today

- Listed on the Saudi stock exchange
- One of the largest players in a fast growing region
- Leading brands
- Modern state of technology and design capabilities
- Well-positioned to explore strong growth in the future
- Operations covering foods, retail, plastics packaging, real estate, and strategic investments
- Sales of SAR 27 billion in 2012 and SAR 25 billion in 2011
- Net Profit of SAR 1,402 million in 2012 and SAR 1,202 million in 2011
- Workforce of around 20,000 employees
- Market Capitalization of around SAR 20 billion<sup>1</sup>



## Diversified shareholder base<sup>1</sup>

Mesk Holding Company	12.0%
GOSI	10.9%
Abdullah Alrabiea	8.7%
A.Q. Al Muhaidib & Sons	8.5%
Others	59.9%

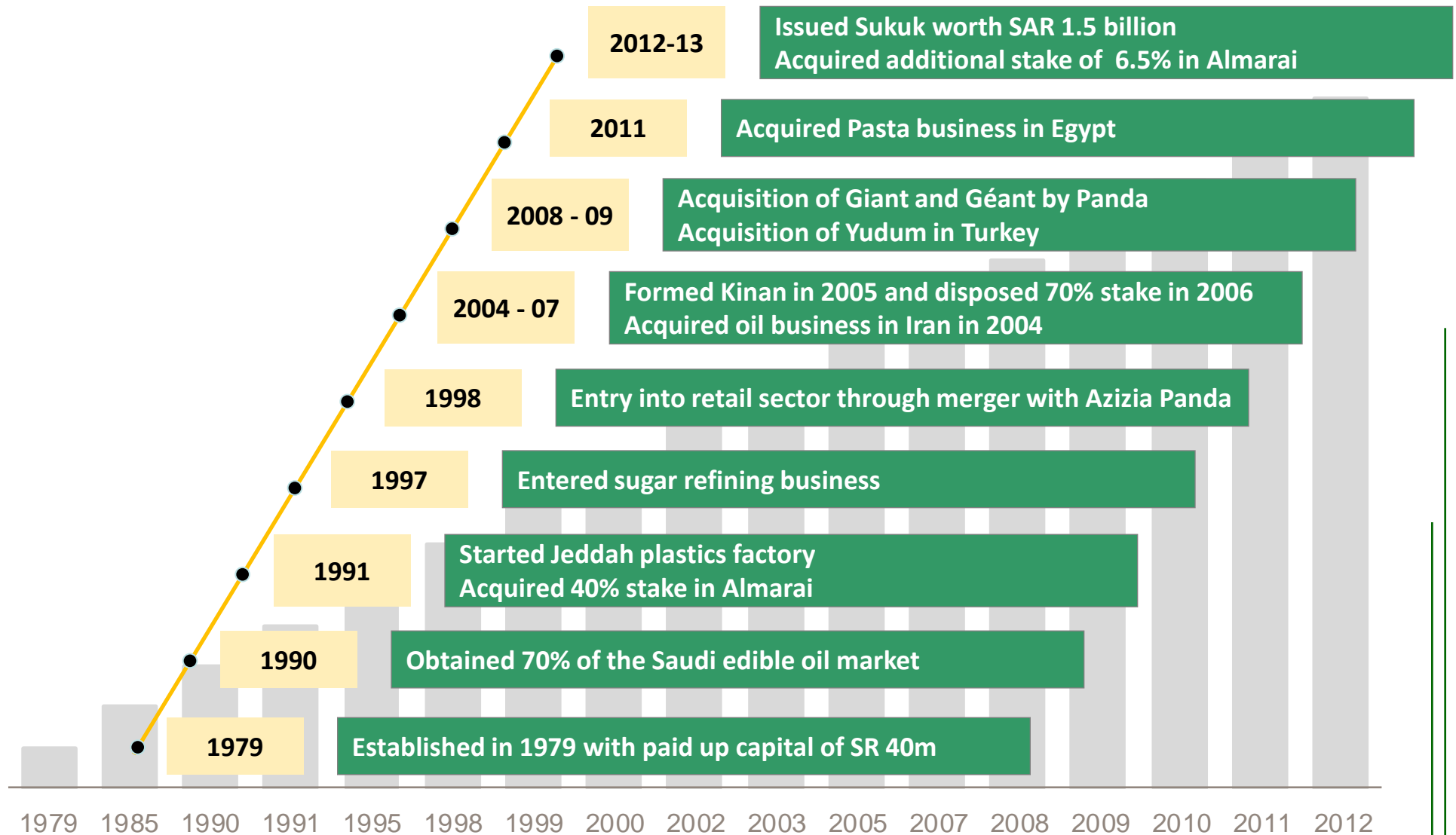
Note: 1. As at 13<sup>th</sup> March 2013

**Among the top diversified conglomerates in Saudi Arabia**

# History – Key stages of development



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# 2012 Key achievements



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- The Group has achieved SR 1.4 billion net income, despite:
  - Arab spring
  - Significant devaluation of currencies in Iran, Egypt and Sudan
- Continued divestment of non-core investments
- Acquisition of additional 6.5% stake in Almarai
- Debut Sukuk program of SR 5 billion was launched
- Trained and employed 160 special needs people in the Group companies
- Continued allocating 1% of net operating income for CSR activities
- New HQ tower project finalized by acquiring a tower in North Jeddah
- Exceeded Saudization and Nitaqat program targets

# 2012 Key achievements



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## Foods

- SFC achieved record profits of SAR 626 million, despite challenges in the region
- Increased net profit by 28% compared to 2011
- Achieved high volume growths
- Successfully launched Afia Olive Oil and liquid sugar in Arabia
- Newly acquired business of pasta delivered high growth

## Retail

- Achieved record profits of SAR 311 million with 3.1% net profit margin
- Net profit increased by 56% compared to 2011
- Total sales growth of SR 975m (+11%)
- Gross profit margin increased by 0.3%
- Signed 30 year lease agreement for a Distribution Center in KAEC
- Secured the “Best Working Environment” award from Al-Eqtasadia
- Awarded “Brand Excellence in Retail” by the Global Awards for Brand Excellence

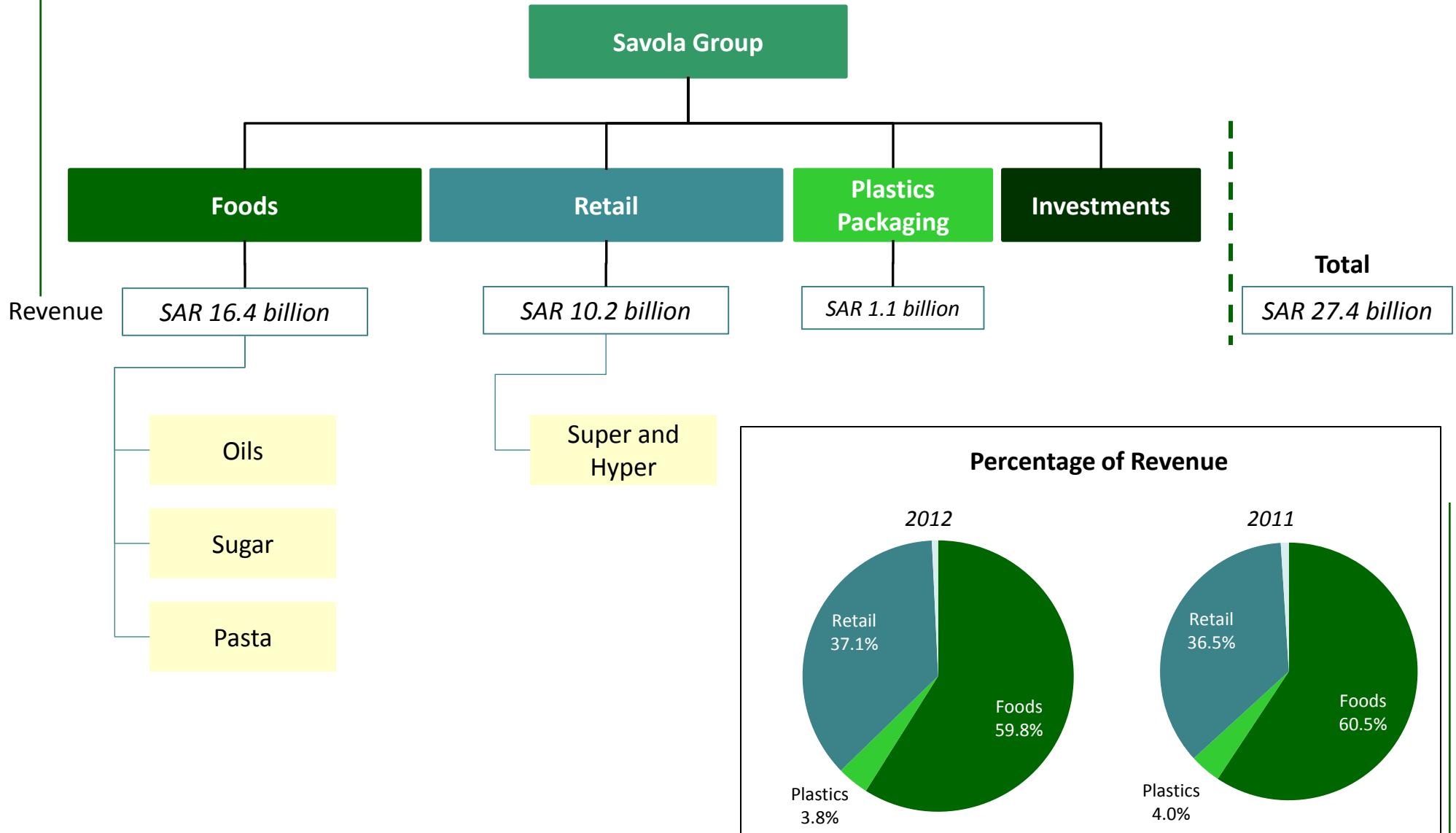
## Plastics packaging

- Achieved net profit of SAR 100 million with growth of c. 10 % as compared to 2011
- Named as one of the top 3 converters in the ME region (SABIC)
- Continued launching new products during 2012

# Group structure



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Where we want to go, and how we will get there

# STRATEGY AND GROWTH



## Focused Growth

Entering new businesses

Moving away from non-core investments

Profitability enhancement and cost rationalization

Mergers & Acquisitions

Organic expansion



## Autonomy and Accountability

OpCos to be managed independently

Governance system

Management structures

Human resources

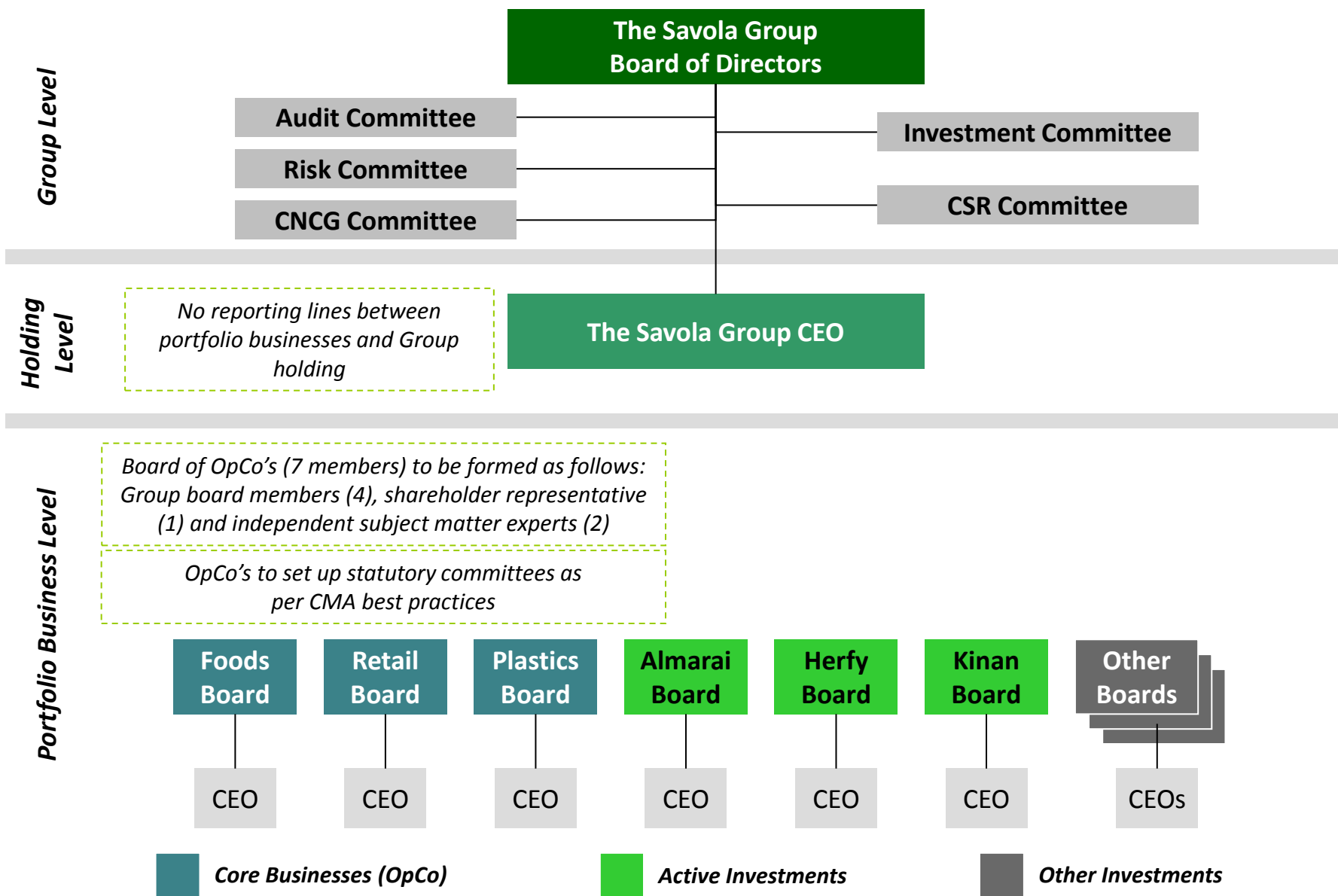


**Increase shareholders' value**

# Operating model



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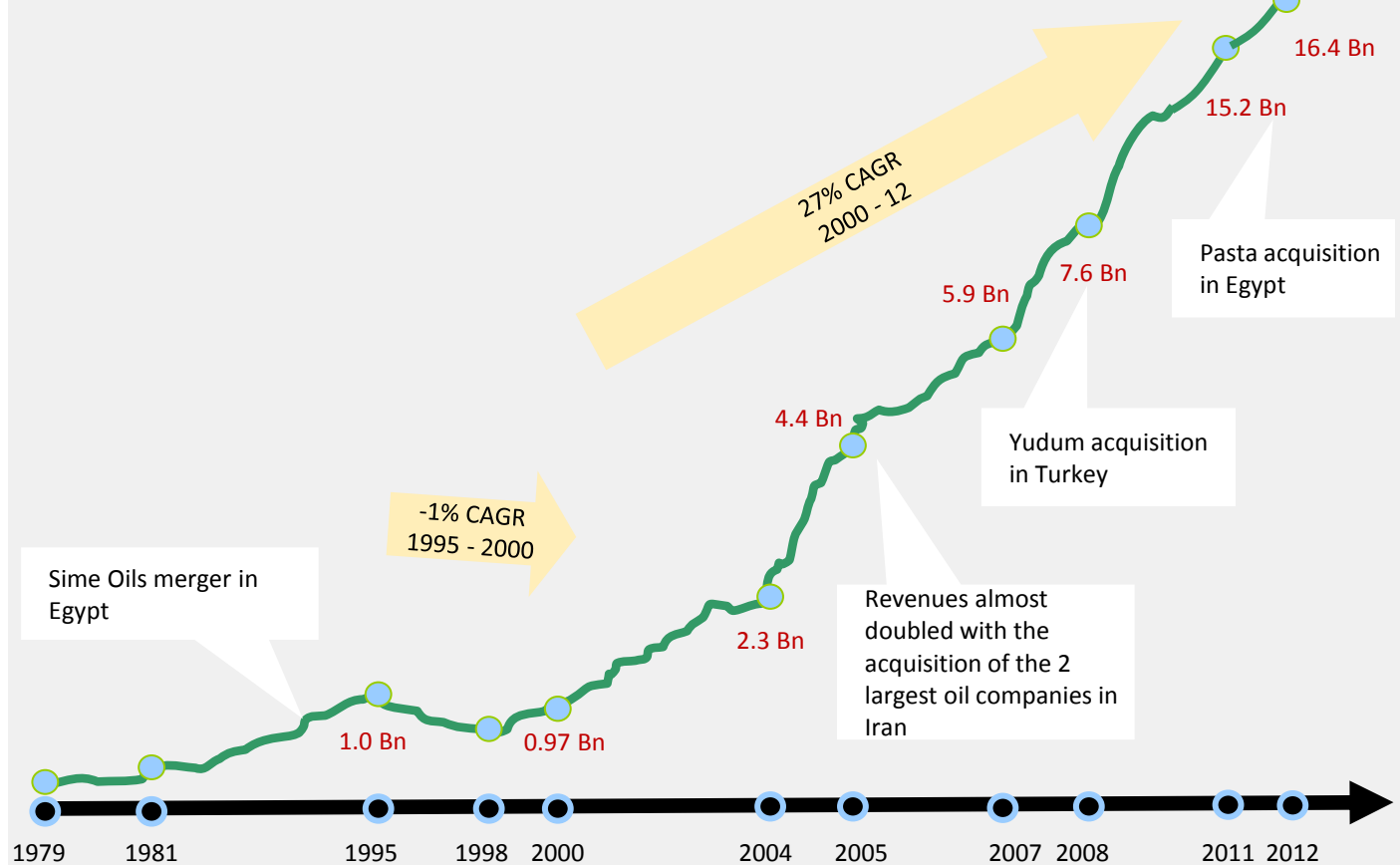


# Savola Foods – a regional leader



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SF History and Sales Evolution (SAR)



- Large player
- Business expertise – B2B, B2C, Exports, Value addition
- Distribution network
- Repeatable success formula
- Branding power
- Operations excellence
- Logistics infrastructure
- Scale of buying
- Market and consumer knowledge
- Inspiring culture

# Savola Foods – Strong presence in all markets



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## Oil

- Established in 1979
- Manufacturing facilities in 8 countries
- Exports to 30 countries with strong marketing and distribution capabilities primarily in the GCC, CIS and African regions
- Top brands such as Afia, Arabi, Rawaby, Ladan, Yudum
- Production capacity of over 1.5 million MT pa
- Internationally recognized production and quality awards including ISO 9002 and MRP2

## Sugar

- Established in 1997
- Strategic partnership with Tate and Lyle, England
- Raw Cane Refineries in Saudi and Egypt
- Exports to, East Africa, Levant, GCC, Sudan and Yemen
- Top brands such as Al Osra, Ziadah, Safa
- Current refining capacity of 2.0 million MT pa
- Under construction Egypt - 0.18 million MT pa (beet)



Afia nominated top brand of the Arab world by Forbes magazine



## Pasta

- Owns 2 factories with total capacity of around 124,000 MT pa
- The company is the largest pasta manufacturer in Egypt with 30% market share (out of audited branded market)
- Total of 6 brands including Al Maleka, which is the largest brand

**Total production capacity of around 3.7 million MT across different categories**



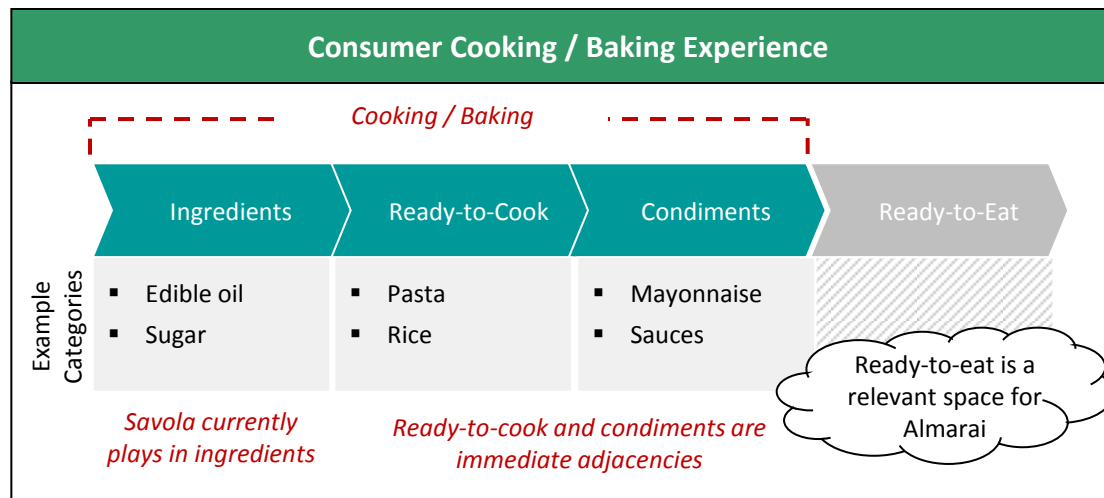
## Strategic Direction

### Description

- Achieve business sustainability through portfolio diversification instead of upstream integration
- Restrict geographies to manage complexity of broader portfolio

### Rationale

- Focus on markets that contribute the most to Savola's profits
- De-prioritize markets where Savola has formidable challenges and cannot easily build capabilities to overcome them
- Leverage strong market position in Arabia, Egypt and Iran for new categories



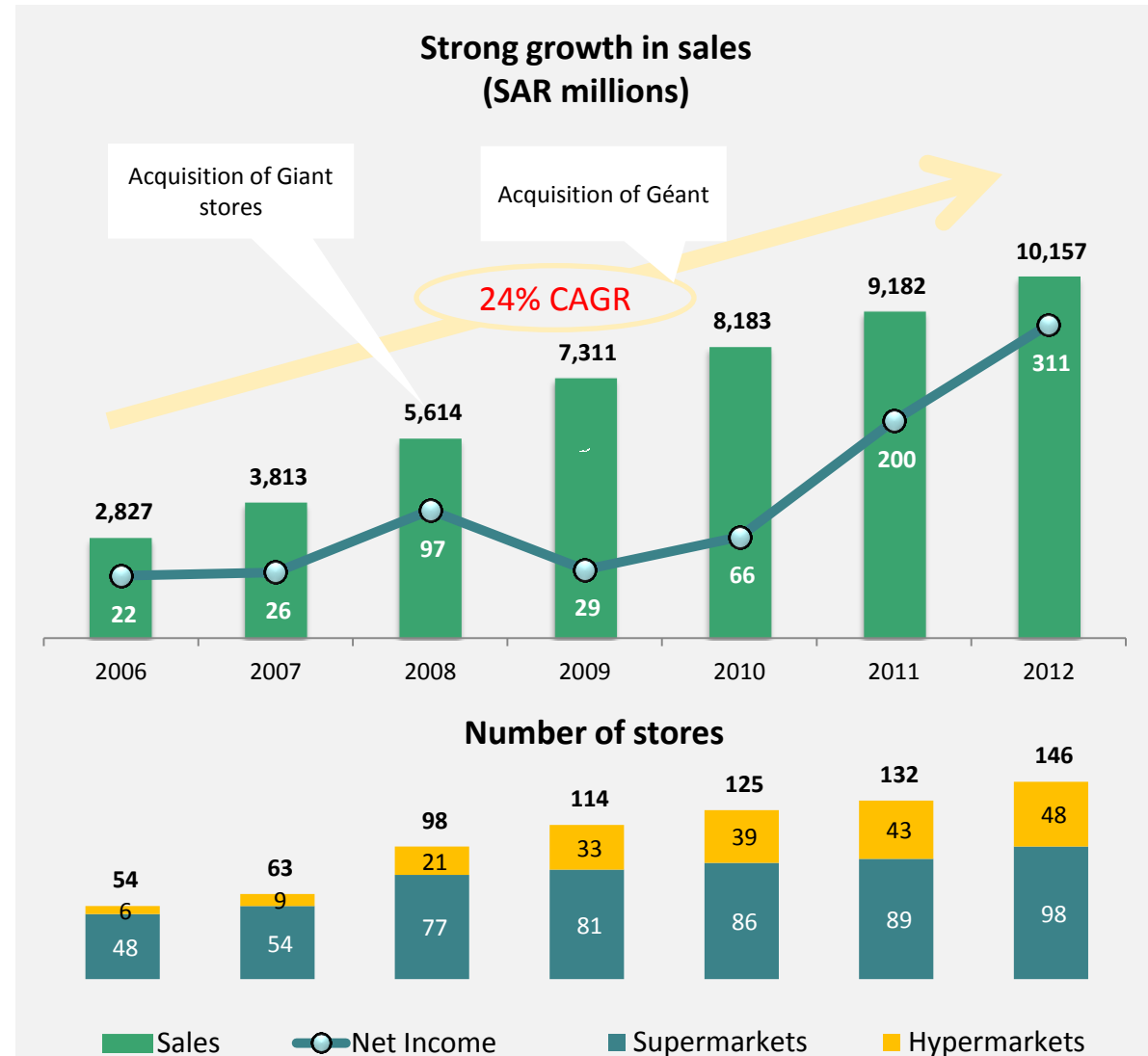
**Portfolio diversification play with focused geographic footprint**

# Panda – a regional giant



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- Largest and fastest growing retailer in the country
- Rapid expansion of hypermarkets
- Well established brand name with equity in produce, trust and value for money
- Indigenous brand, sensitive to local customs and culture
- World class supply chain infrastructure
- High geographical penetration; the only national player in KSA operating in multiple formats across 33 cities
- High level of localization; well above statutory requirements



Note: Number of stores excludes Lebanon

# Expanding retail market

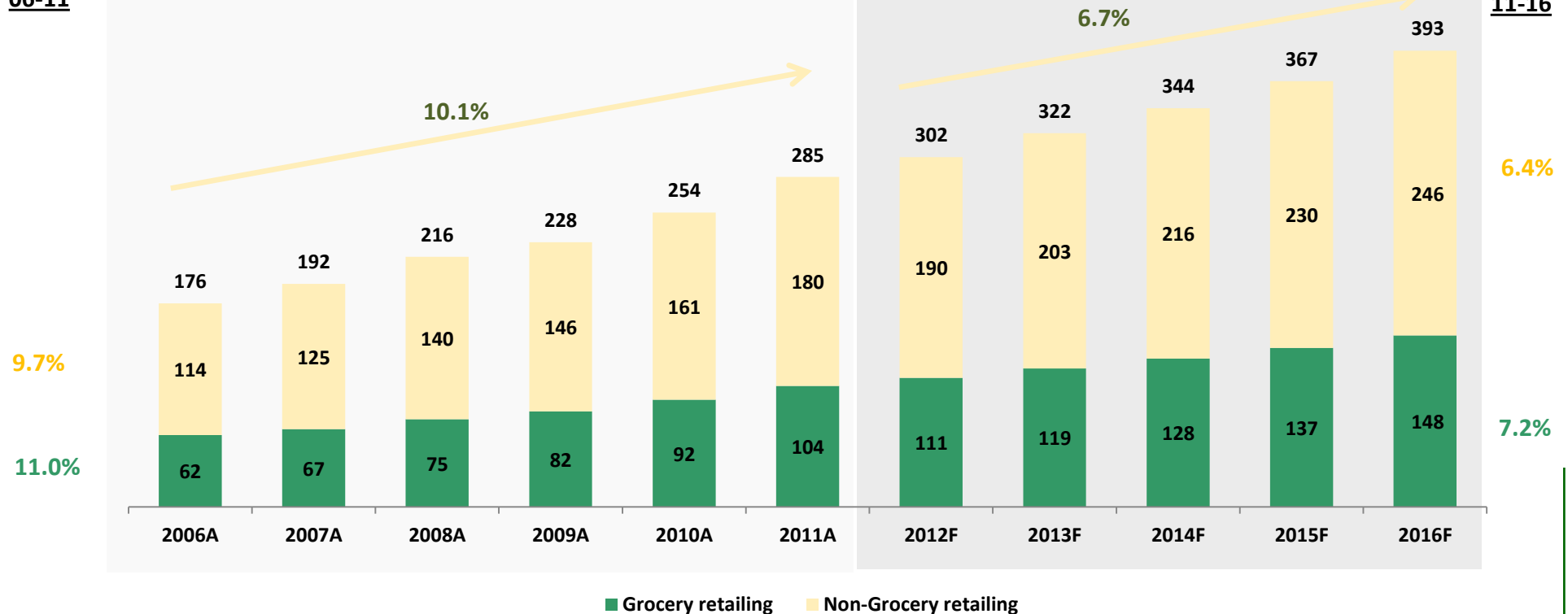


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CAGR  
06-11

Retail market estimations (SAR Bn)

CAGR  
11-16



**The robust economic performance coupled with favorable demographics and aggressive government spending will fuel the growth of retail market in the foreseeable future**

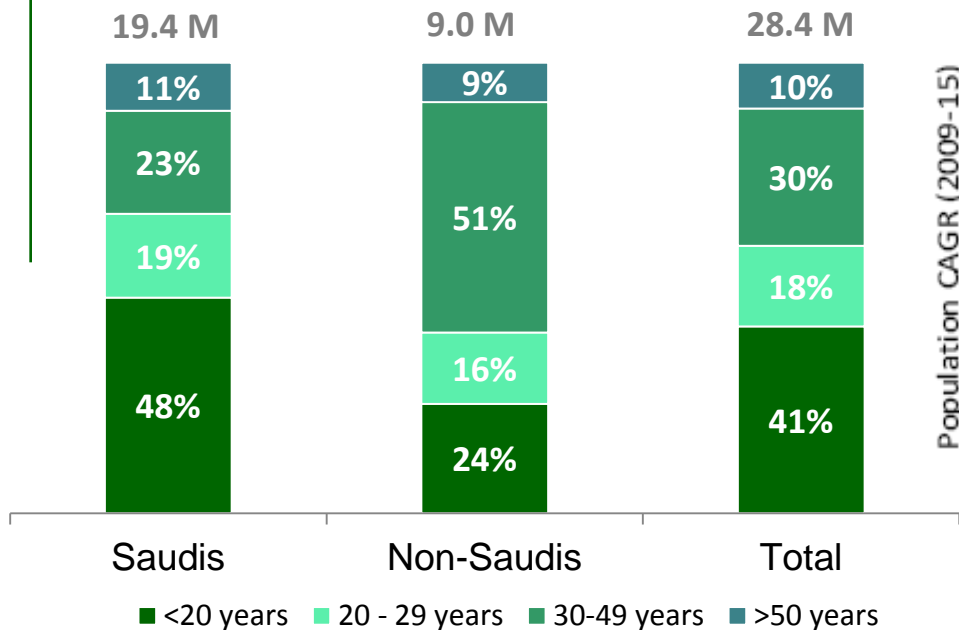


# Optimal demographics – large and young population expected to drive retail demand

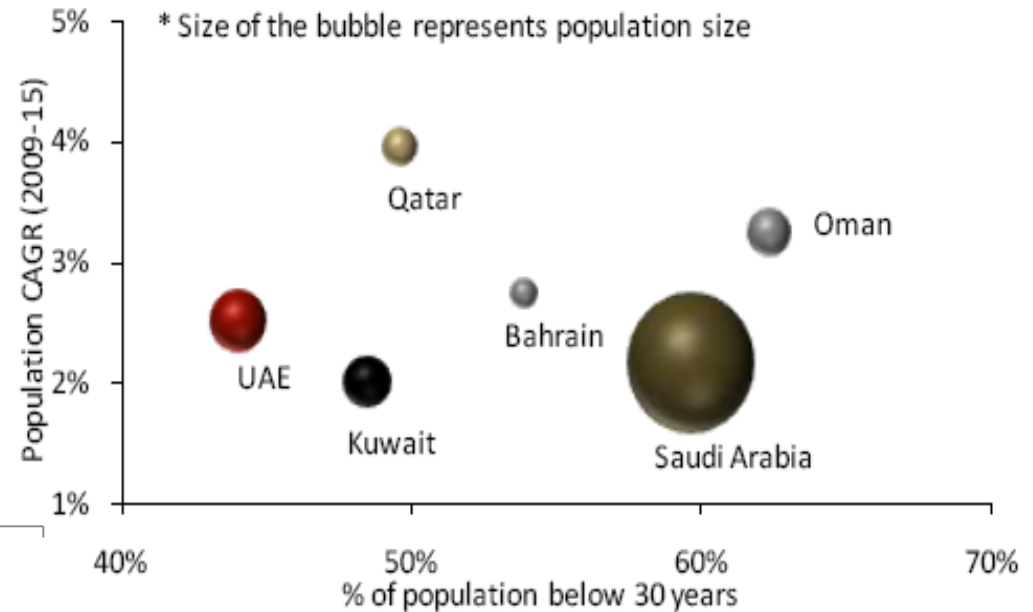


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## 2011 Population



## GCC Demographics



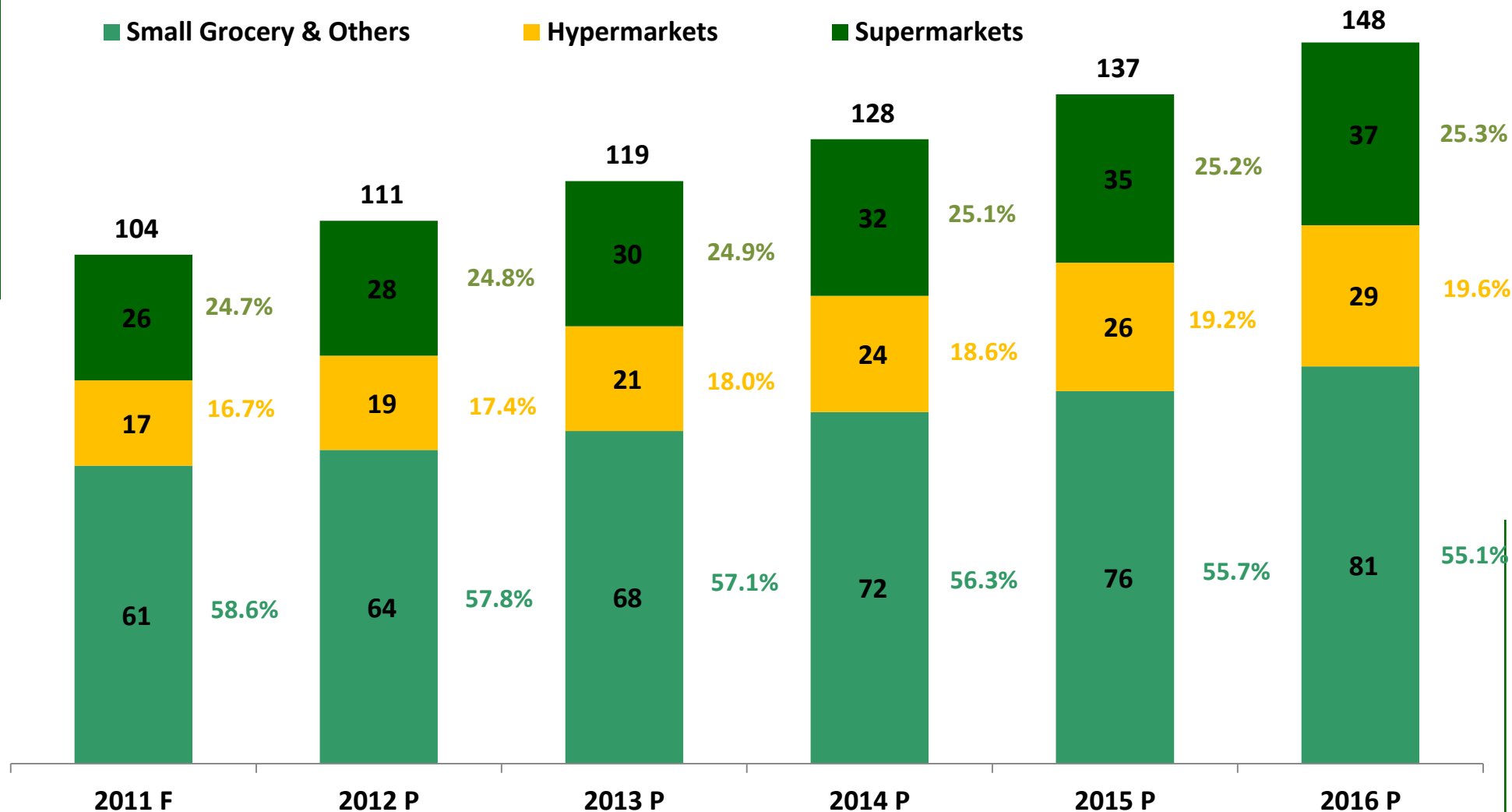
- **Total population-** is expected to reach 32.8M by 2016.
- **59% of total population is below 30** years of age, of which 50% are females

**For Saudis only, statistics become more favorable as they reveal that 67% of the population is under 30 years of age.**

# Modern retail share is expected to increase to 45%



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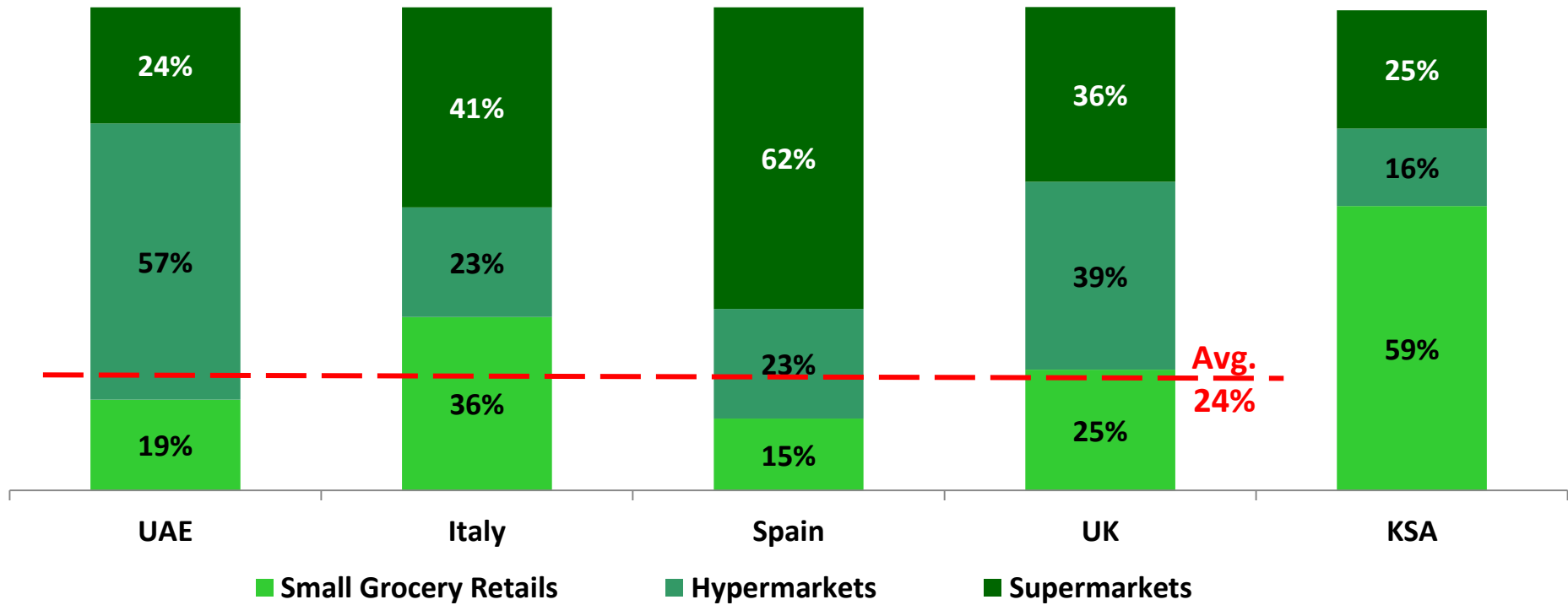


Source: Euro Monitor report, Al Rajhi Capital

# Strong potential due to high fragmentation



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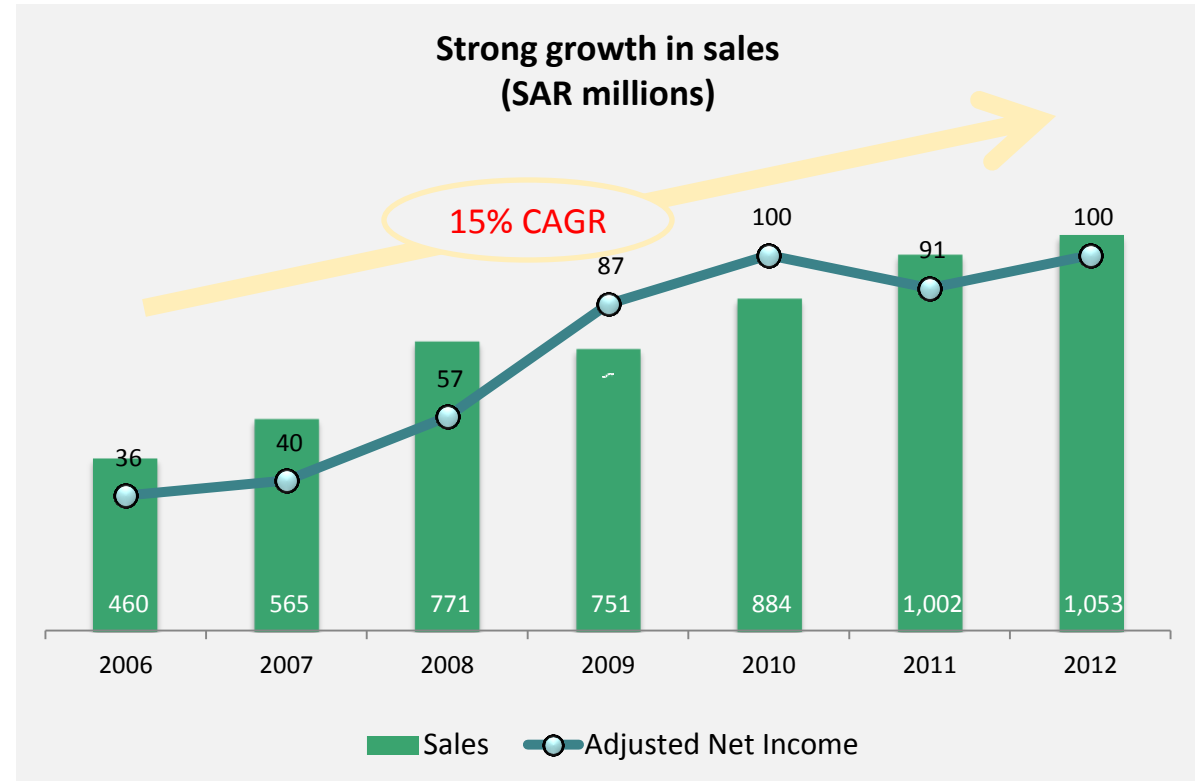
**Average share of small grocery retailers in other economies averages at 24% compared to 59% in KSA**

# Savola Plastics, a regional leader



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- **SPC is focused** on building a well-positioned rigid plastic packaging business and a high-volume export-driven flexible plastics packaging business
- **SPC operates** in Saudi Arabia and Egypt and have a growing presence in several export markets
- **SPC has** 6 plants, processing over 100,000 MT a year and employing 1,000 people





Investment	Executed strategy
Asfan	- In-kind contribution to Masharef project
Land	Yasmine Riyadh & Hanaki Jeddah - Sold to Kinan with realized capital gain of SAR 76 million and SAR 77 million in 2011
	Medina land - Agreement signed to sell to KEC with expected capital gain of SAR 231 million
Mutoun	- Sale and leaseback of freehold properties with few remaining properties
Private Equity Funds (Intaj, Jousour, Swicorp)	- Ensuring to exit at the right time by maximizing returns
KEC	- Currently under lock-up period
EEC	- Sold c. 90% of investment in Q3 2012 with capital gain of SAR 47 million
Herfy	- IPO'ed in 2010 at a P/E of around 12.5 times - Currently owning 49% of the company

**Total investments reduced from SAR 4.3 billion in 2009 to SAR 2.7 billion now**

# Other investments

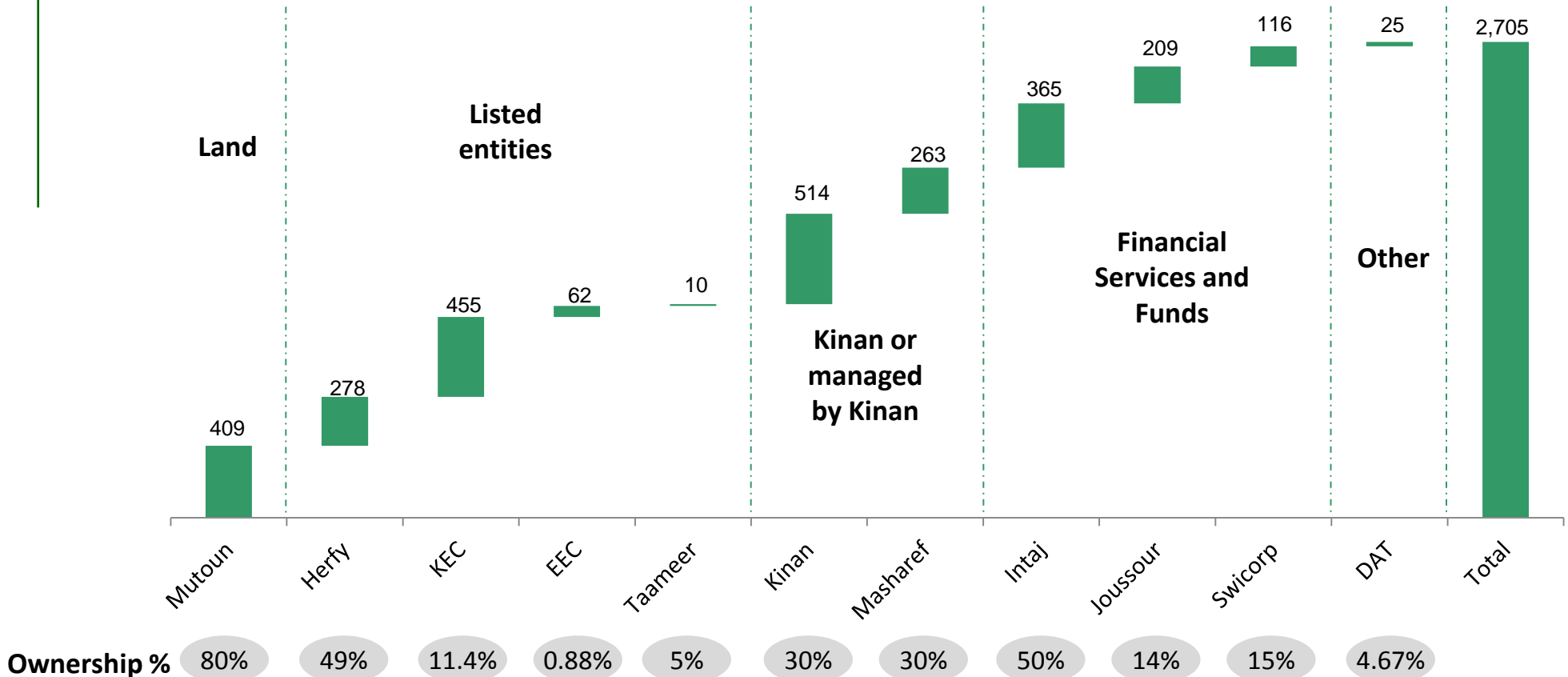


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All numbers are in SAR millions

## Book Value

December 2012



- Total investment portfolio reduced from SAR 4.3 billion in 2009 to SAR 2.7 billion now
- Around 40% of the total investments have already been disposed off during the past three years



What we got, and what we plan to get

# FINANCIAL HIGHLIGHTS AND PROJECTIONS

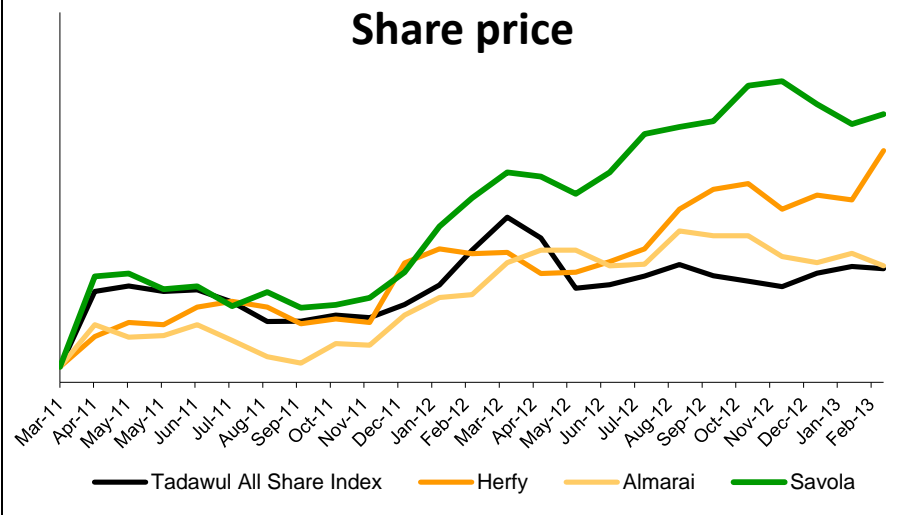
# Financial results - Snapshot



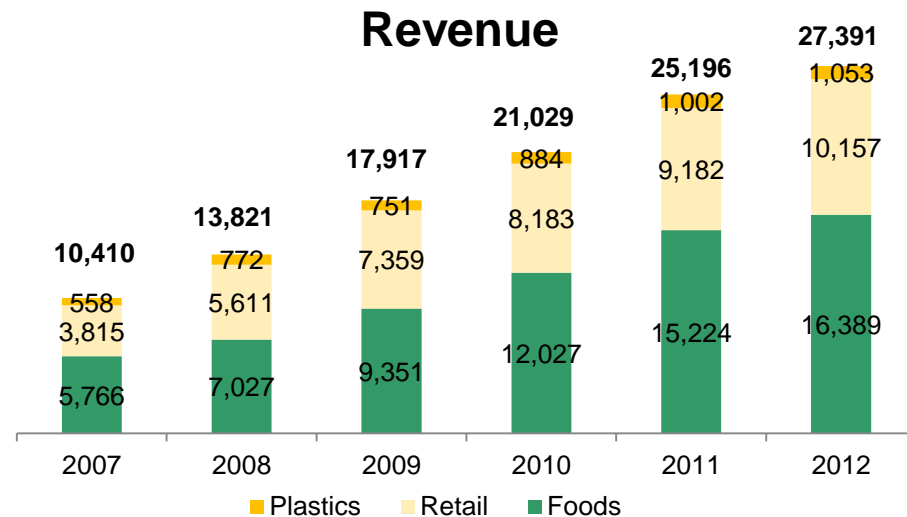
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All numbers are in SAR millions

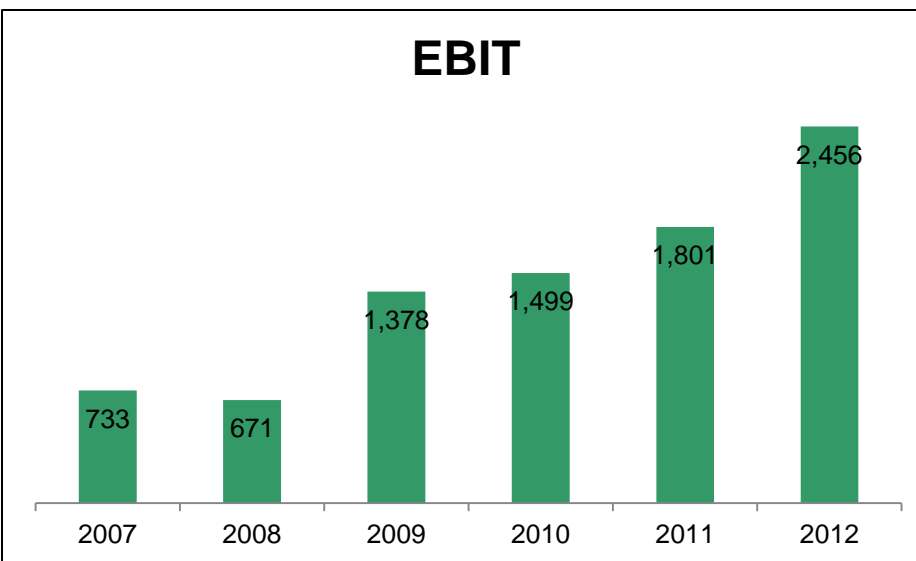
## Share price



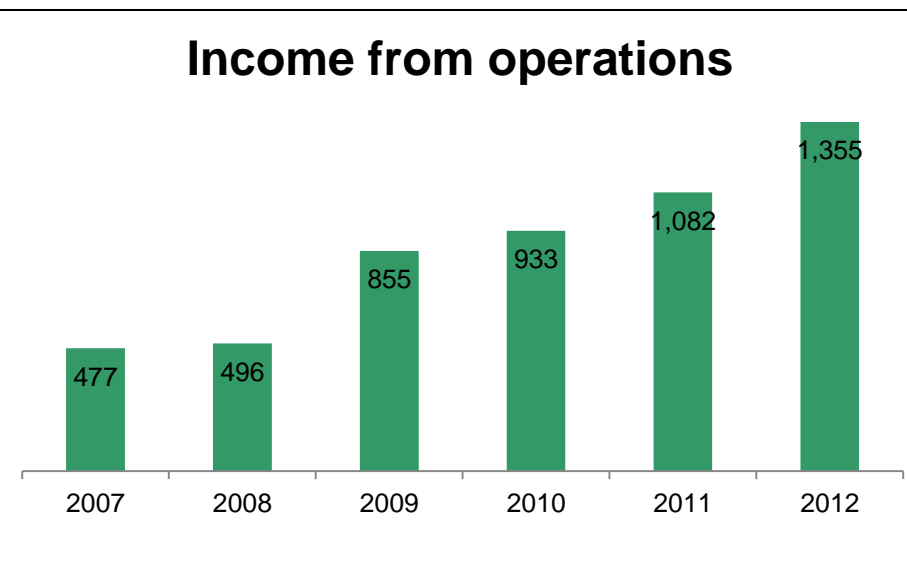
## Revenue



## EBIT



## Income from operations





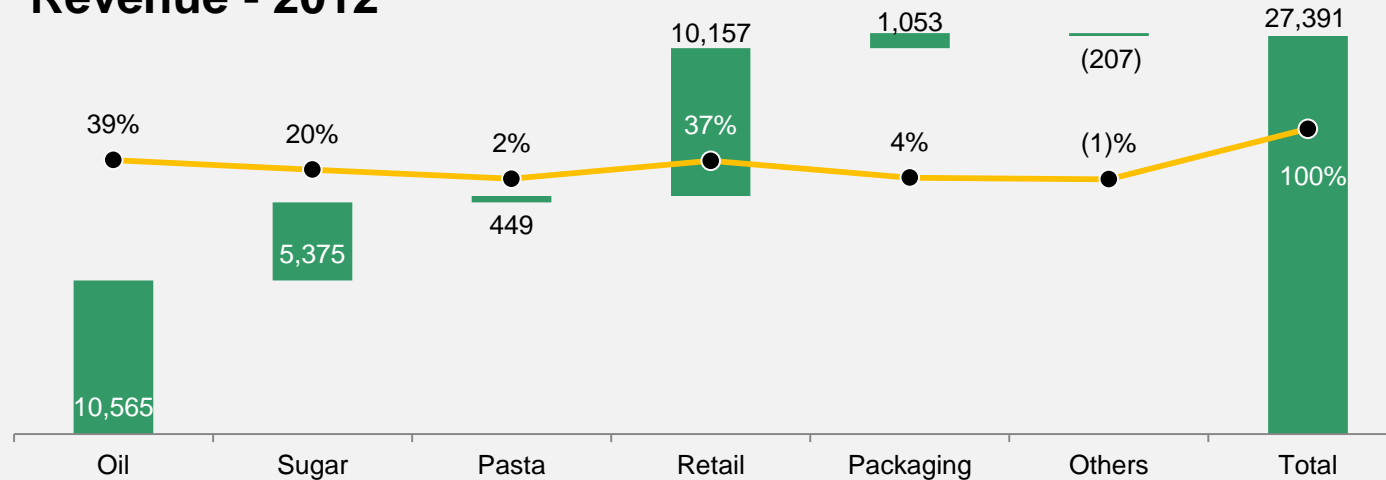
# Financial results - Revenue



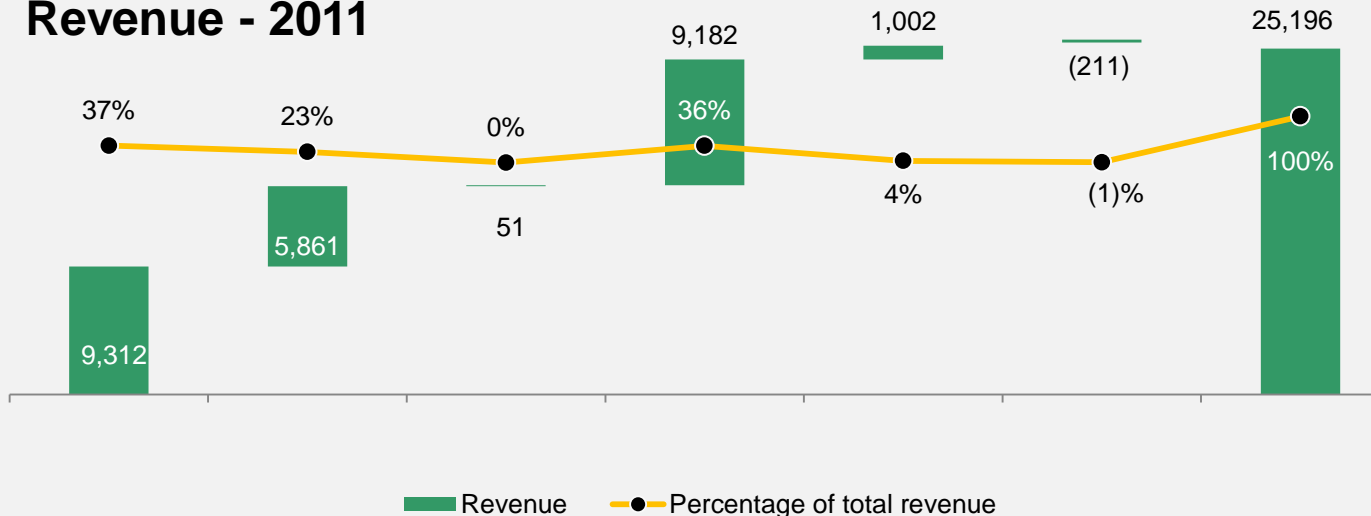
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All numbers are in SAR millions

## Revenue - 2012



## Revenue - 2011



Revenue growth of around 9% contributed by all core sectors

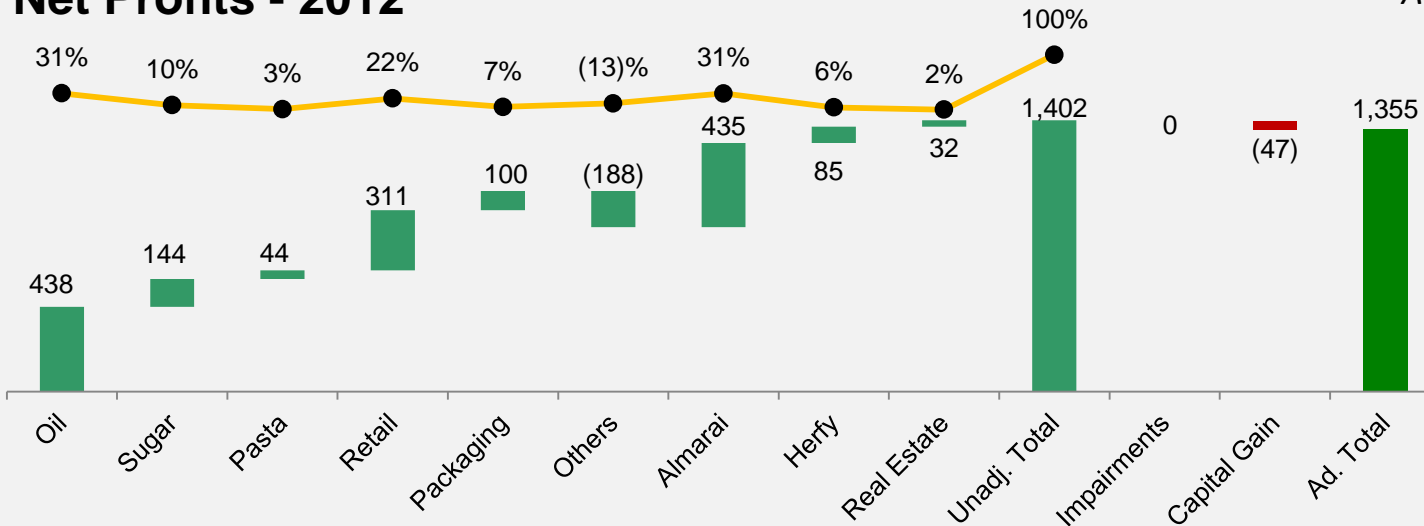
# Financial results - Profitability



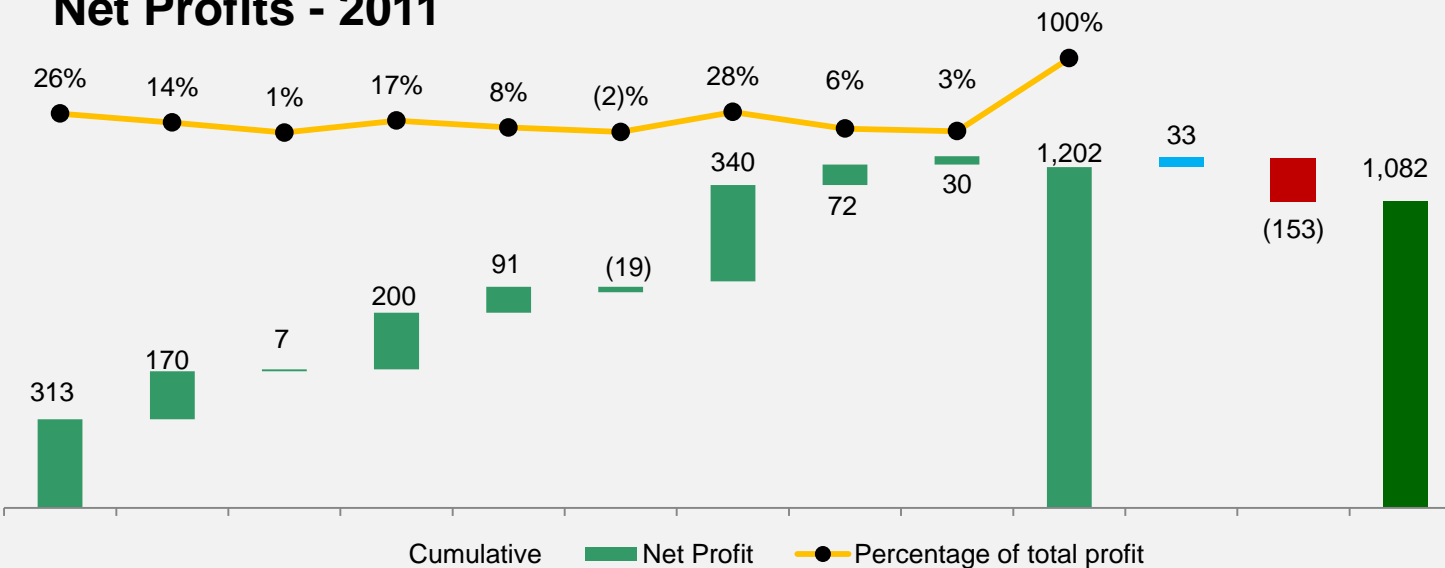
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All numbers are in SAR millions

## Net Profits - 2012



## Net Profits - 2011



Adjusted profit growth of around 25%

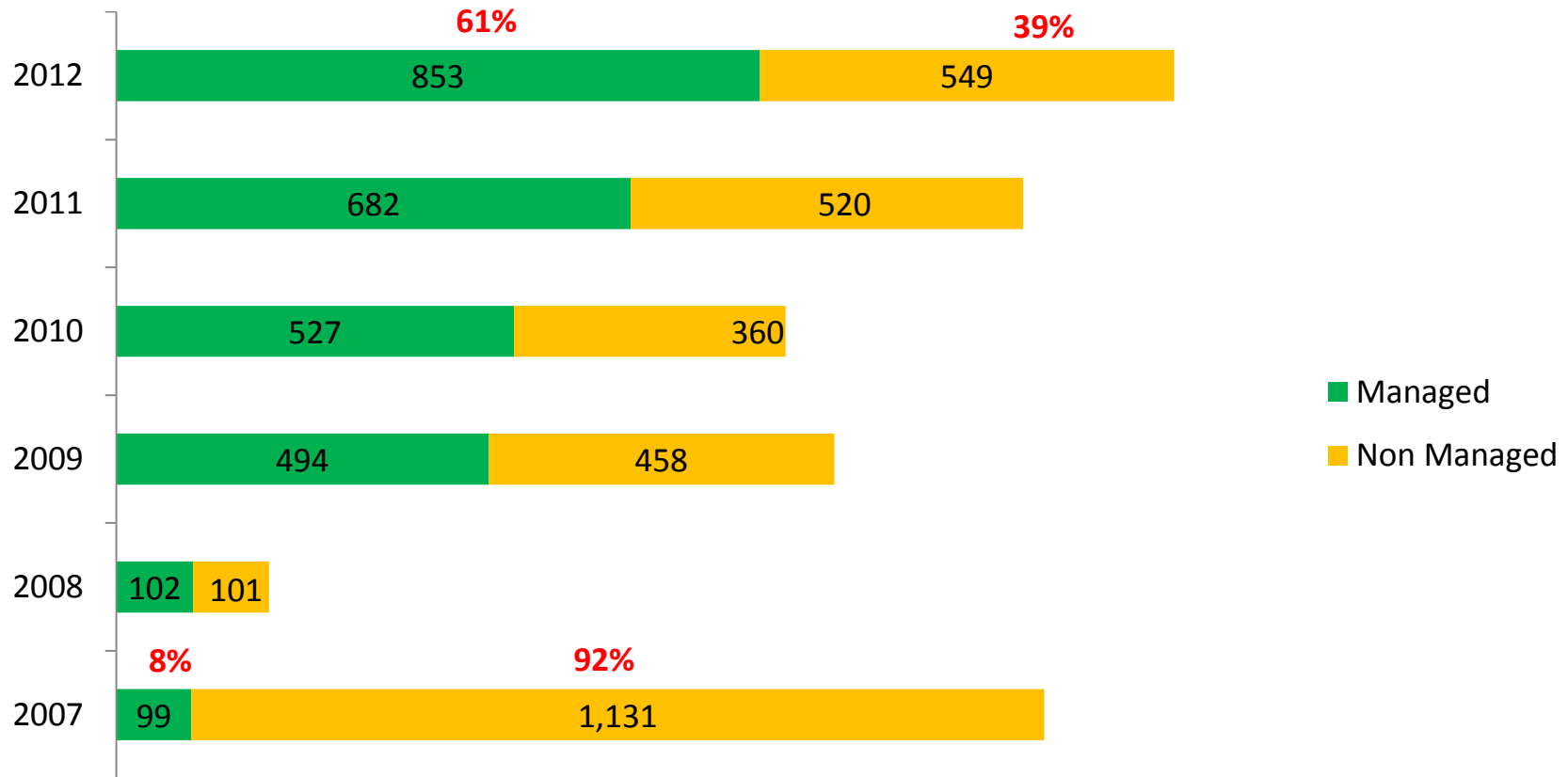
Note: Pasta acquisition completed in Q4 2011

# Less reliance on non-managed businesses



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All numbers are in SAR millions



Non Managed business include share of profits from Al Marai, Herfy, Kinan, capital gains, impairments and non-core investments

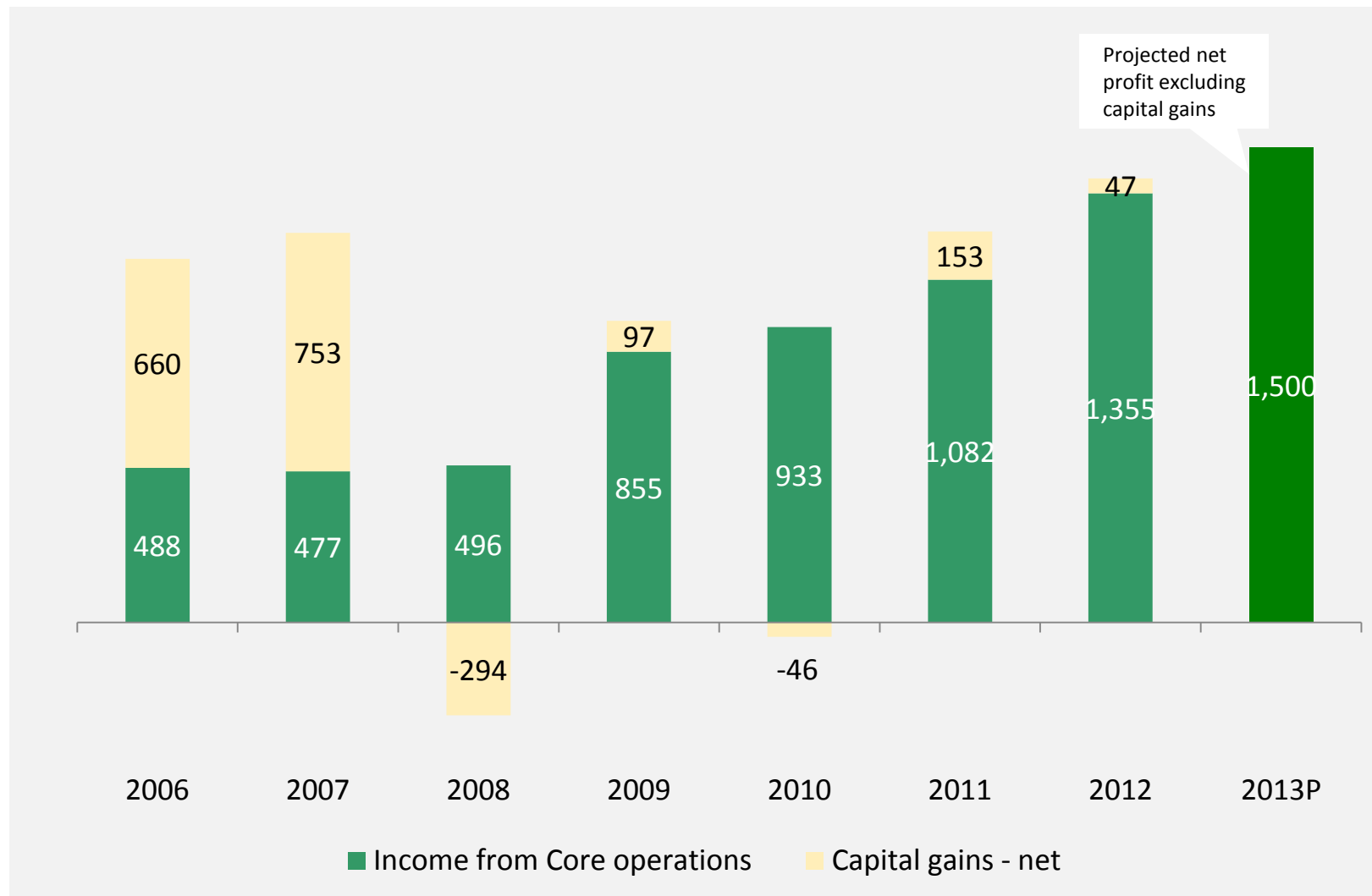
**The reliance on non-managed businesses has reduced over time**

# Diminished reliance on capital gains



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All numbers are in SAR millions





Appendix

# FINANCIAL RESULTS

# Income statement by segments



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## Full year

(all figures are in SAR millions)

Segment Wise Financials										
	December 2012					December 2011				
	Revenue	Gross Profit	EBIT	Net Income	EBITDA	Revenue	Gross Profit	EBIT	Net Income	EBITDA
<b>Food</b>										
Oil-Mature Markets	9,008	1,593	1,028	395	1,134	7,958	1,081	591	234	680
Oil-Start-up Markets*	1,557	226	103	44	121	1,354	234	109	78	136
<b>Total Oil</b>	<b>10,565</b>	<b>1,819</b>	<b>1,130</b>	<b>438</b>	<b>1,256</b>	<b>9,312</b>	<b>1,314</b>	<b>700</b>	<b>313</b>	<b>816</b>
Sugar	5,375	408	289	144	379	5,861	451	326	170	416
Pasta	449	82	47	44	67	51	12	8	7	8
<b>Total Foods</b>	<b>16,389</b>	<b>2,310</b>	<b>1,467</b>	<b>626</b>	<b>1,701</b>	<b>15,224</b>	<b>1,777</b>	<b>1,034</b>	<b>489</b>	<b>1,240</b>
<b>Retail</b>										
KSA	9,529	2,172	327	302	568	8,560	1,916	215	190	454
Gulf	627	114	13	9	19	622	125	13	10	18
<b>Total Retail</b>	<b>10,157</b>	<b>2,286</b>	<b>340</b>	<b>311</b>	<b>587</b>	<b>9,182</b>	<b>2,040</b>	<b>228</b>	<b>200</b>	<b>473</b>
Packaging	1,053	167	114	100	169	1,002	153	104	91	158
Real Estate	0	0	32	32	32	0	0	30	30	30
Franchising	0	0	0	0	0	47	30	7	6	9
Herfy	0	0	85	85	85	0	0	72	72	72
Al Marai-Savola Share	0	0	435	435	435	0	0	340	340	340
HQ/Elimination/Impairments	(207)	(0)	(17)	(188)	12	(258)	(30)	(14)	(25)	11
<b>Total</b>	<b>27,391</b>	<b>4,762</b>	<b>2,456</b>	<b>1,402</b>	<b>3,020</b>	<b>25,196</b>	<b>3,971</b>	<b>1,801</b>	<b>1,202</b>	<b>2,332</b>
<b>Adjustments</b>										
Impairments				0					33	
Capital gains				(47)					(153)	
<b>Adjusted Profit</b>				<b>1,355</b>					<b>1,082</b>	

\* Start-up markets include Algeria, Morocco and Sudan

Note: Pasta acquisition completed in Q4 2011



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**THANK YOU**



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