Almarai Company

2013 Q1 Earnings Presentation

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Business Highlights

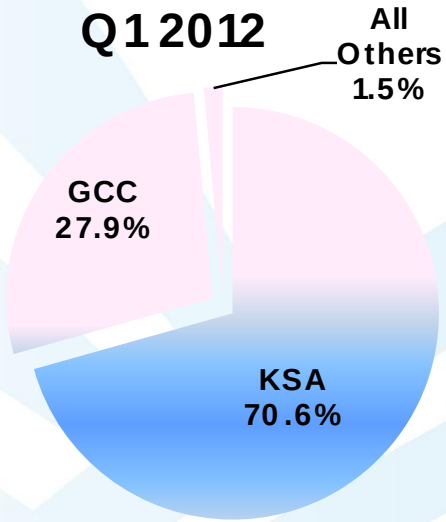
Highlights – Q1 2013

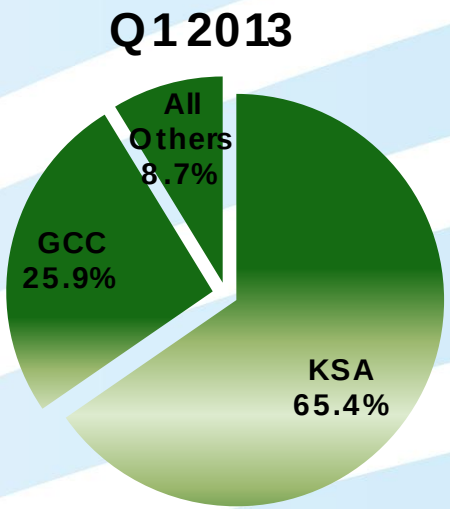
- Revenue of 2.4B SAR, growth of 18.2% driven by poultry 70%, juice 39% and inclusion of IDJ results.
- Revenue growth of 9.4% in KSA, 9.6% in all other GCC states and 609.8% in rest of the world including Jordan and Egypt, driven by first time consolidation of IDJ. Note that this is the last quarter where consolidation effect of IDJ will impact the growth rate.
- EBITDA of 509.7 million SAR grew by 13.9%, EBITDA Margin now stands at 21.1% of revenue.
- EBIT of 300.8 million SAR grew by 2.9% over Q1, 2012. Whilst margin over material are now growing at a higher growth rate than revenue growth, higher labour overheads, higher depreciation and inclusion of IDJ overheads have resulted in lower EBIT growth.
- Net operating cash flow of 54 million SAR is down by 85.9% over Q1, 2012, mainly driven by working capital expansion, partially due to inventory investment for poultry segment expansion plan.
- Capital expenditure for the quarter was 0.7B SAR, which is in line with our earlier forecast of 3.1B capex spend for the full year 2013.
- The second tranche of Sukuk program amounting to 1.3B SAR was successfully completed just prior to Q1, 2013.
- The Board of Directors proposal for a dividend of SAR 0.5B (SAR 1.25 per share) was approved on 2nd April 2013 and the dividend will be paid on 10th April 2013.
- Staff strength stood at more than 30K at the end of Q1, 2013. Growth in headcount accounted for part of the increase of overhead growth, including higher statutory charges, which is running in line with capacity expansion but is growing faster than volume and revenue growth. Within KSA, Almarai ranking still stands at the high end of green band in Nitaqat.
- Lead the innovation efforts in our selected markets by launching 15 new products during the first quarter of 2013.

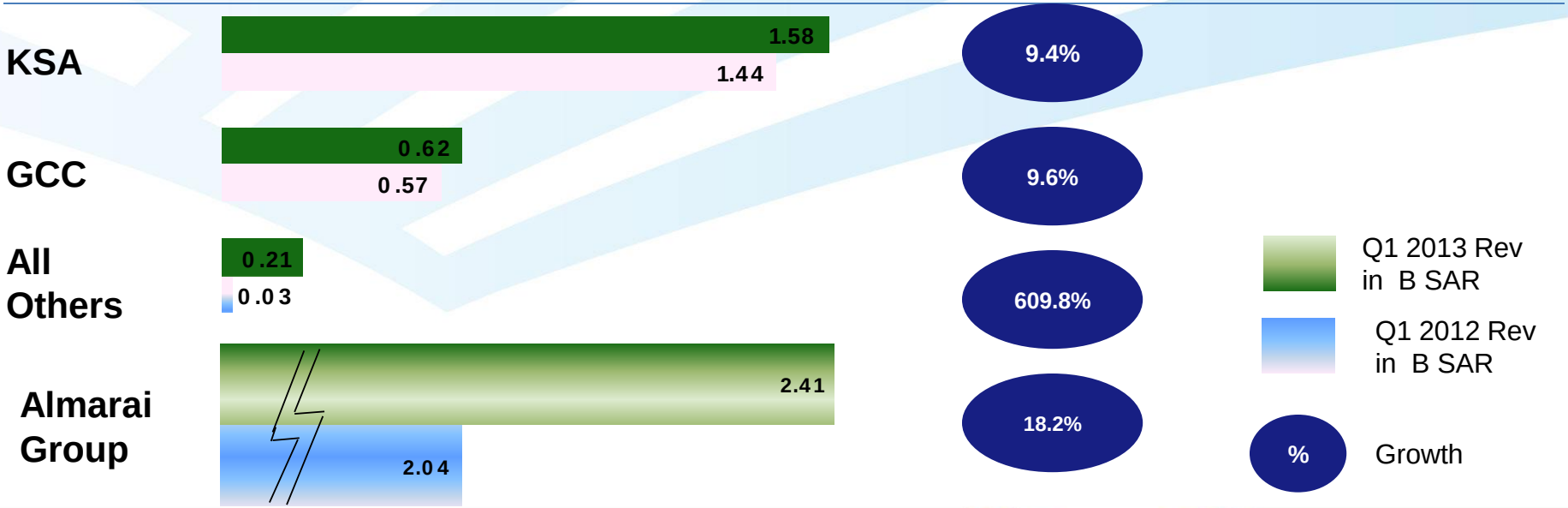
Strong pipeline of innovation continues in 2013

Sales Highlights

Sales Growth – Geography mix





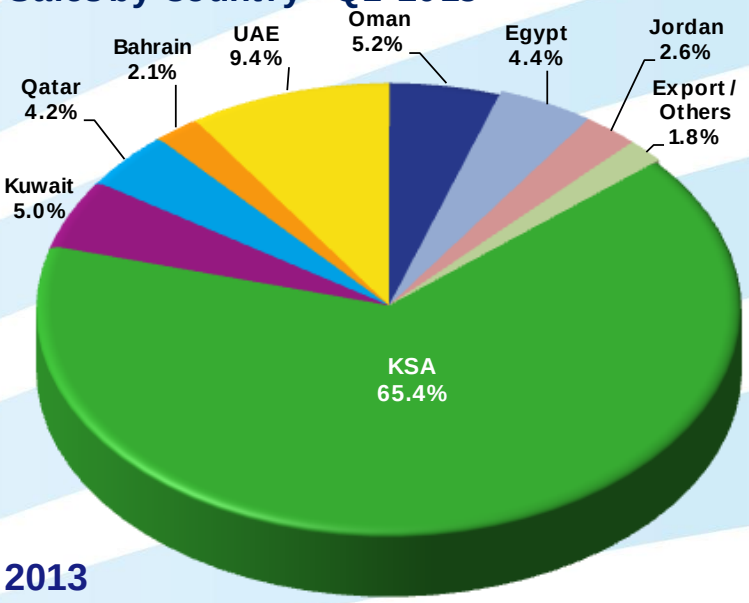


Sales Analysis by Product & Region

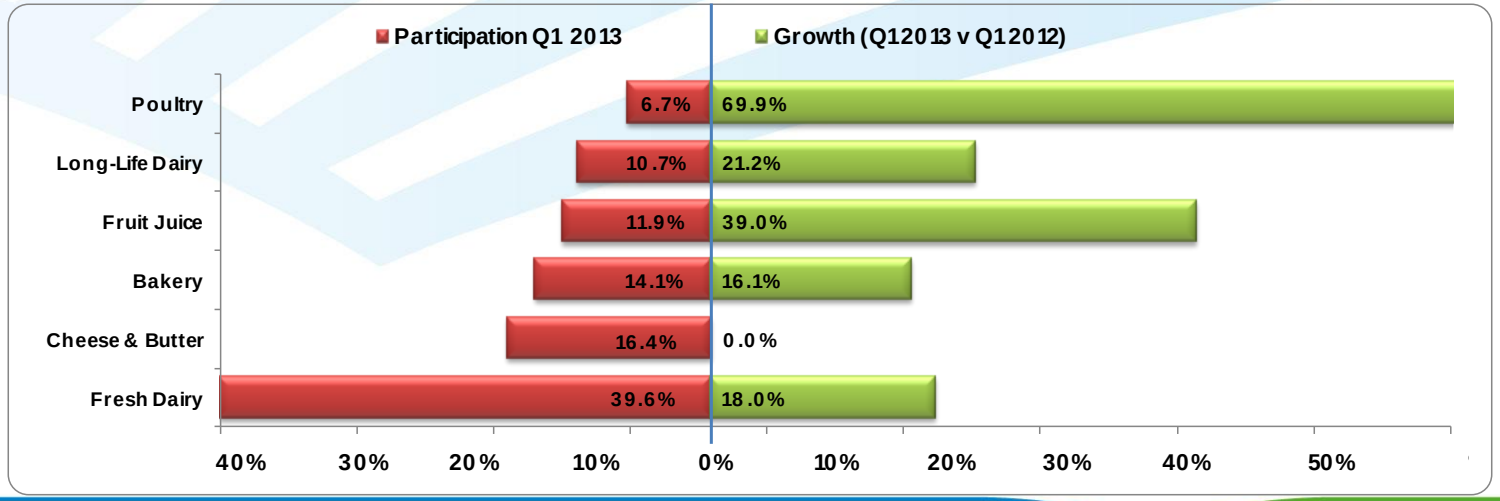
Sales by Product

Sales by Product Group SAR Million	Q1 2013	Q1 2012	% change
Fresh Dairy	953.7	808.2	18.0%
Long-Life Dairy	258.7	213.5	21.2%
Fruit Juice	288.0	207.3	39.0%
Cheese & Butter	394.8	394.9	(0.0%)
Bakery	340.9	293.5	16.1%
Poultry	162.1	95.4	69.9%
Arable and Horticulture	6.9	15.7	(56.5%)
Other Sales	5.9	11.8	(50.4%)
Total Sales	**2,411.0**	**2,040.3**	**18.2%**

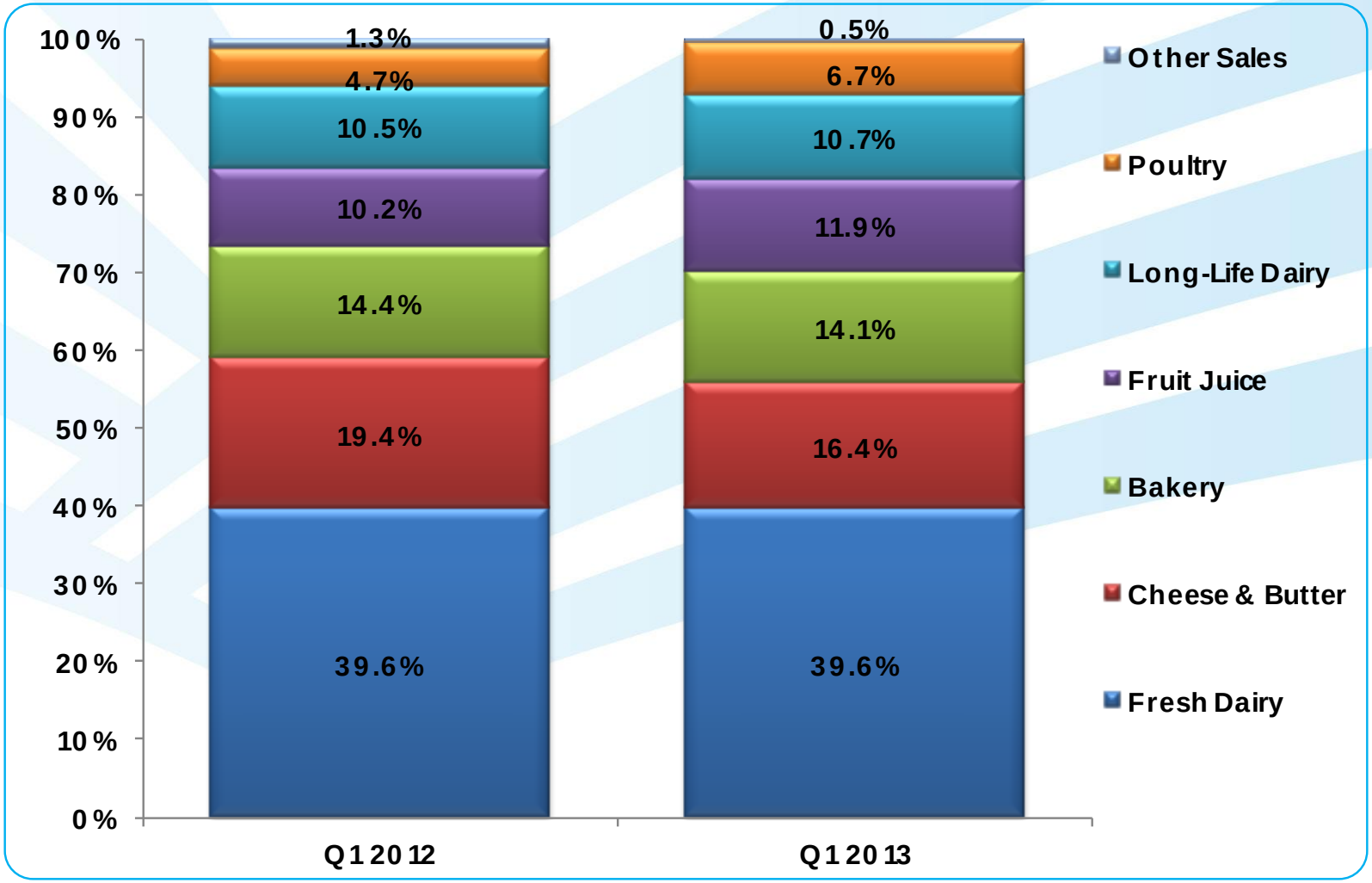
Sales by Country - Q1 2013



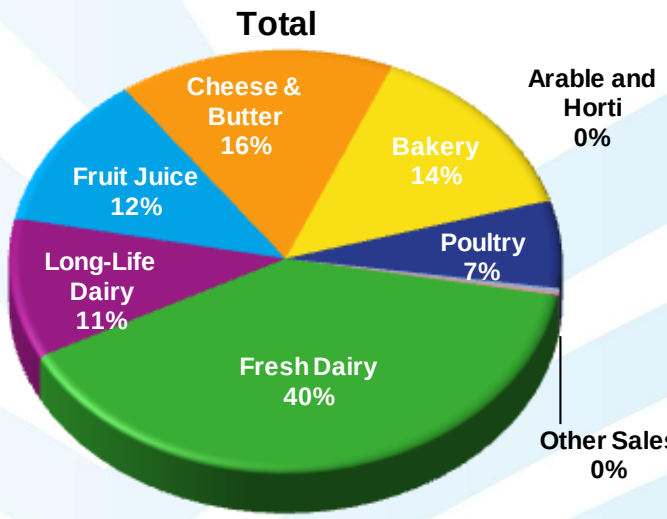
Participation vs Growth – Q1 2013

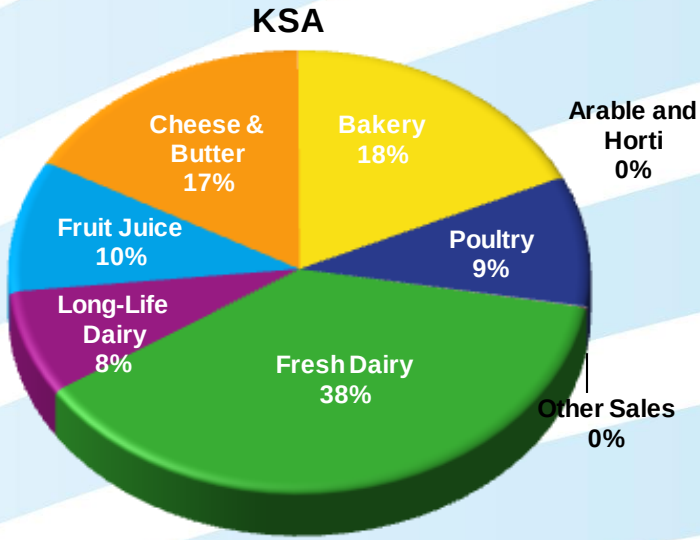


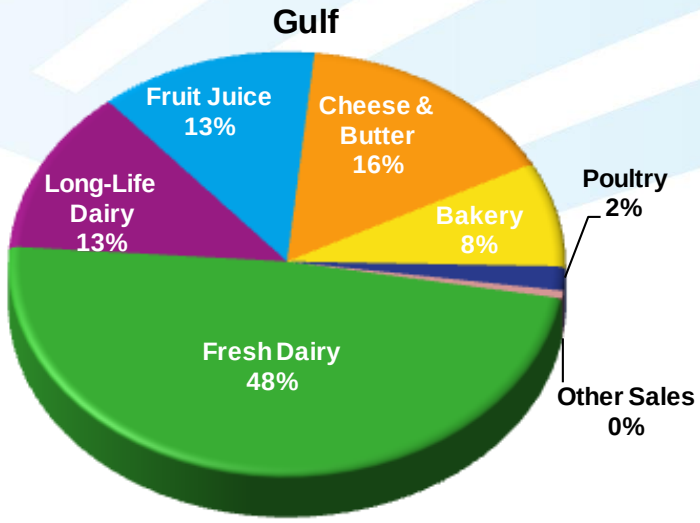
Change in growth rates and IDJ consolidation results in higher share of poultry , Juice and Long life dairy

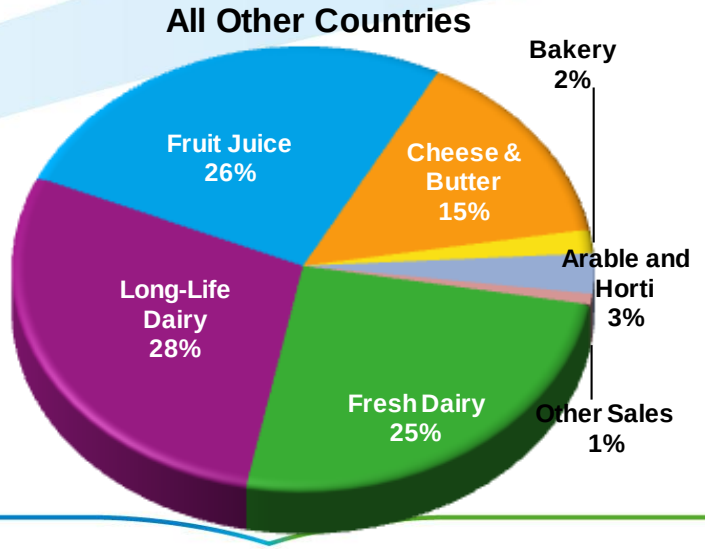


Product mix in different geographical regions highlights revenues growth potential….

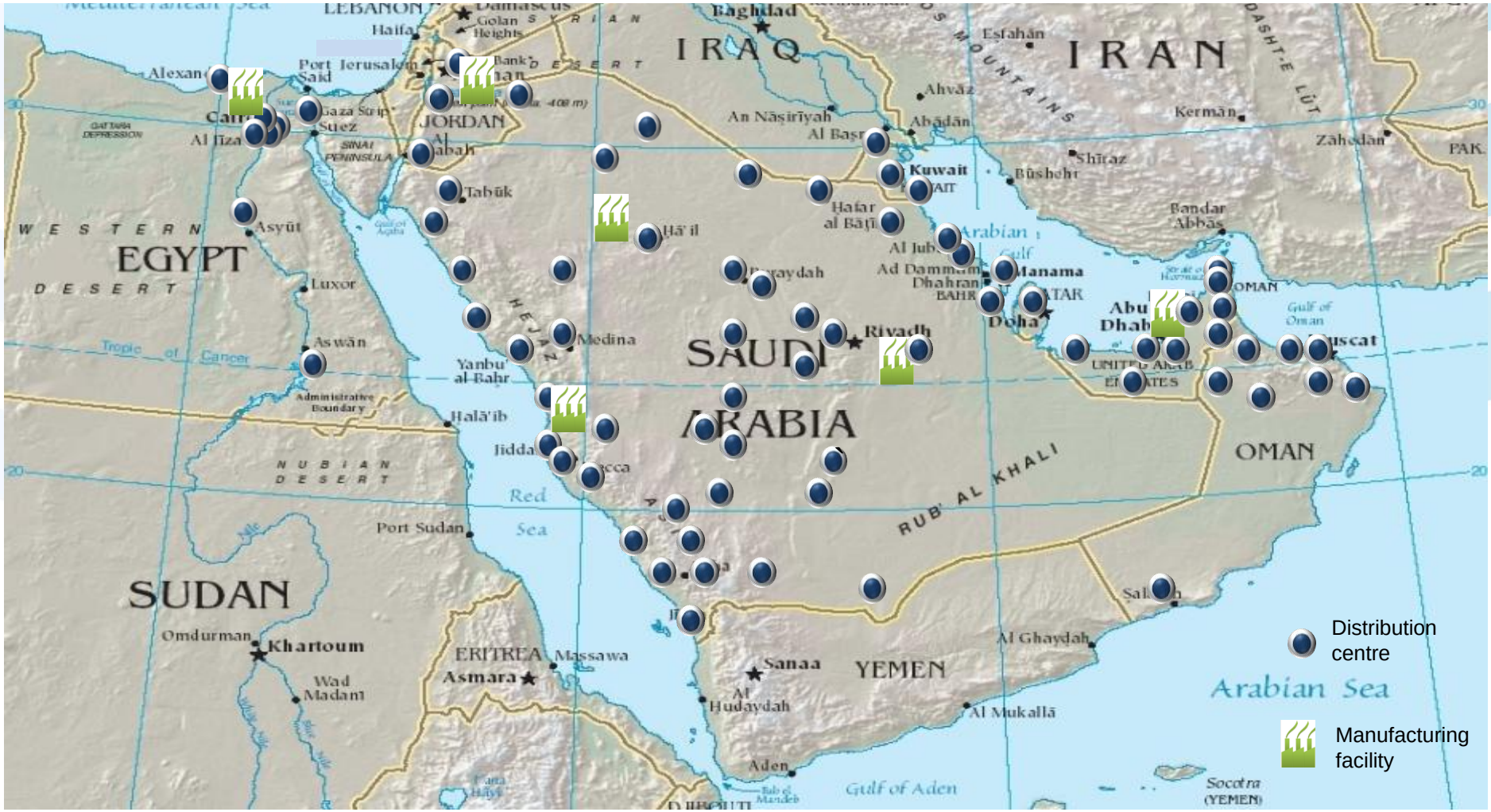








..which can be achieved via expanding presence of Almarai Operations throughout the region(excl Farms in Argentina)



Statement of Income

Statement of Income

SAR million	1st quarter 2013	2012	Change
Net Sales	**2,411.0**	**2,040.3**	**18.2%**
Cost of sales	(1,583.2)	(1,333.0)	**18.8%**
Gross Profit	**827.8**	**707.3**	**17.0%**
Selling and Distribution Expenses	(450.1)	(344.7)	30.6%
General and Administration Expenses	(76.8)	(70.1)	9.5%
EBIT	**300.8**	**292.5**	**2.9%**
Share of Results of Associates	(6.0)	(12.3)	(51.4%)
Bank Charges	(38.8)	(27.4)	41.6%
Income from Main and Continuing Operations	**256.1**	**252.8**	**1.3%**
Zakat and Income Tax	(7.6)	(7.9)	(3.8%)
Net income before Minority Interest	**248.5**	**244.9**	**1.5%**
Minority Interest	6.6	(2.8)	(339.4%)
Net Income	**255.1**	**242.1**	**5.4%**
Earnings Per Share	***0.64***	***0.61***	**5.4%**
Net Income %	***10.6%***	***11.9%***	

- GCC Margin over material has continued to show higher growth than revenue in Q1 2013, similar to previous quarter. However, higher depreciation, IDJ consolidation effect and overhead growth resulted in lower gross profit growth compared to revenue growth.
- Similarly, growth in overheads is driven by head count increase and IDJ consolidation, resulting in lower net profit growth relative to revenue growth

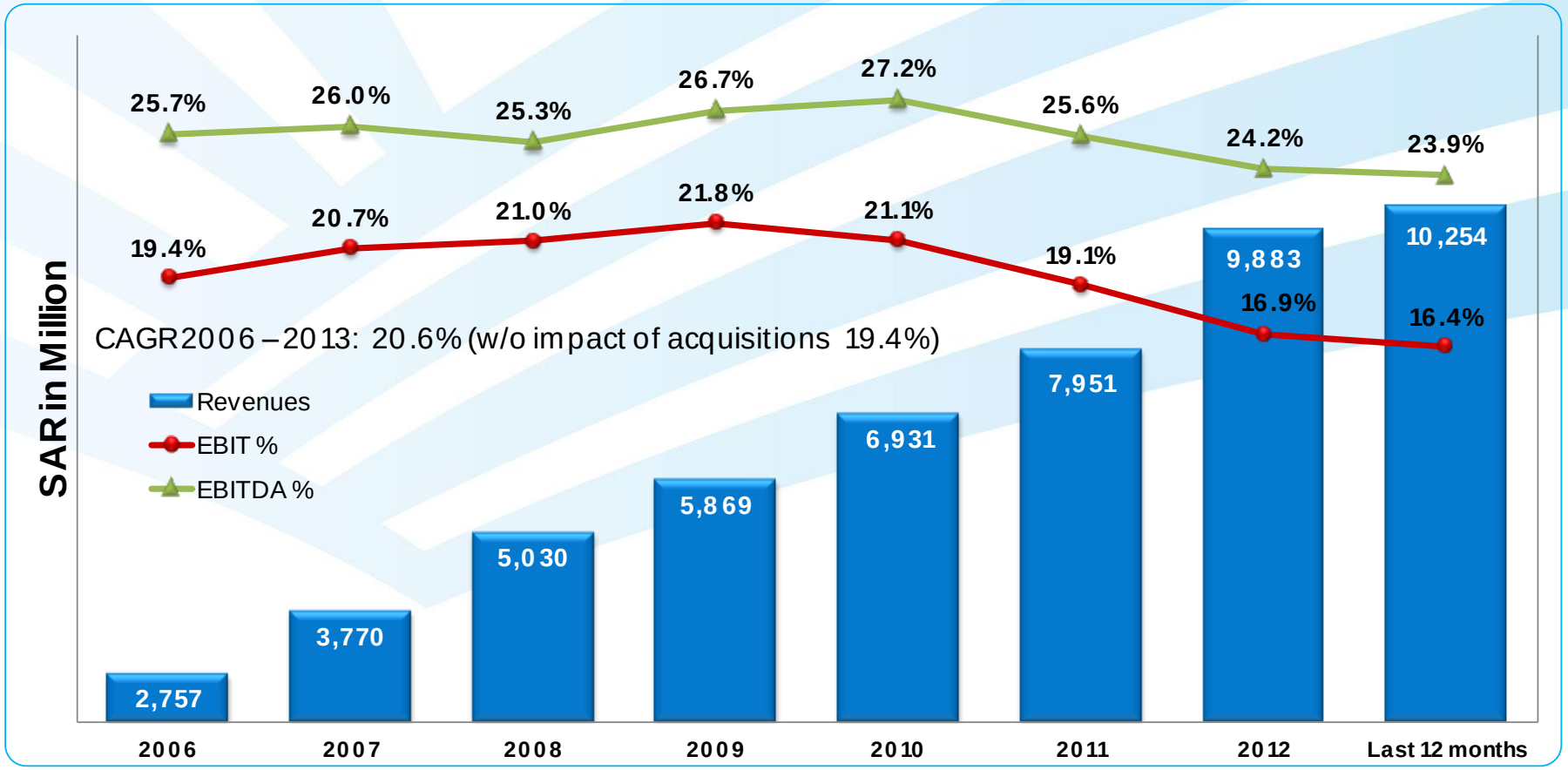
Segment Reporting

SAR Million	Dairy & Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Almarai Consolidated
Q1 2013						
Sales	1,903.6	340.9	162.1	24.4	0.0	2,431.1
Third Party Sales	1,901.2	340.9	162.1	6.9	0.0	2,411.0
Net Depreciation	(140.1)	(31.7)	(15.9)	(17.6)	(3.6)	(208.9)
Income/(loss) before Minority Interest	250.4	34.3	(46.1)	26.7	(16.9)	248.5
Total Assets	12,833.2	2,023.2	4,127.7	1,683.6	1,004.8	21,672.6
Total Liabilities	(11,873.0)	(337.1)	(317.4)	(238.4)	(535.3)	(13,301.2)
Return on Sales	*13.2%*	*10.1%*	*(28.4%)*	*390.2%*	*n.a.*	*10.3%*
Growth versus Q1 2012						
- Third Party Sales	*16.2%*	*16.1%*	*69.9%*	*(56.5%)*	*n.a.*	*18.2%*
- Income before Minority Interest	*(7.5%)*	*(2.5%)*	*44.0%*	*n.a.*	*84.9%*	*1.5%*

Trend charts

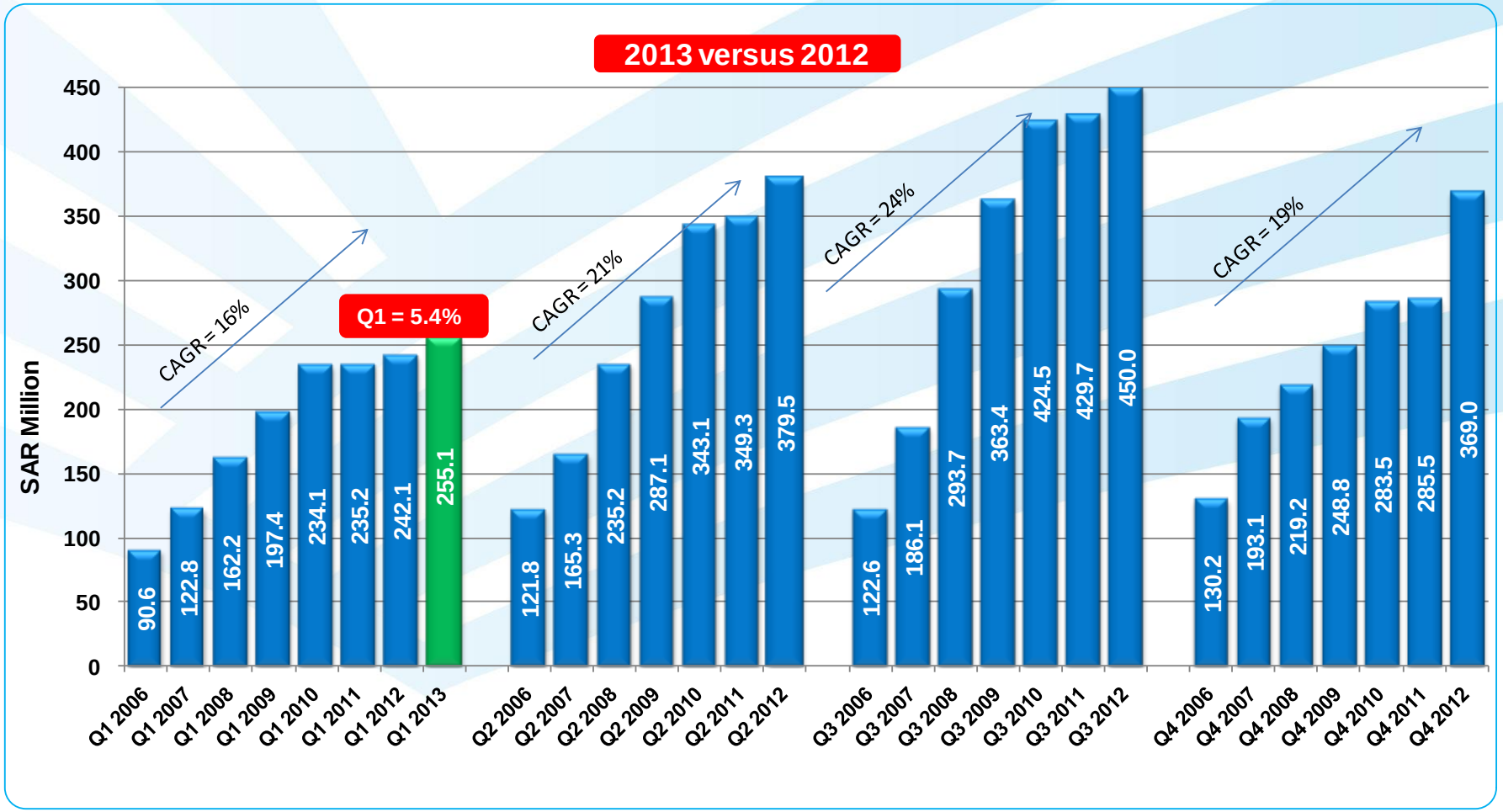
Robust revenue growth with challenging – but anticipated – EBITDA & EBIT trend

Revenue, EBITDA and EBIT Evolution



• After excluding the impact of IDJ consolidation in full, Net Operating income % for the last 12 months is revised to 17.6%.

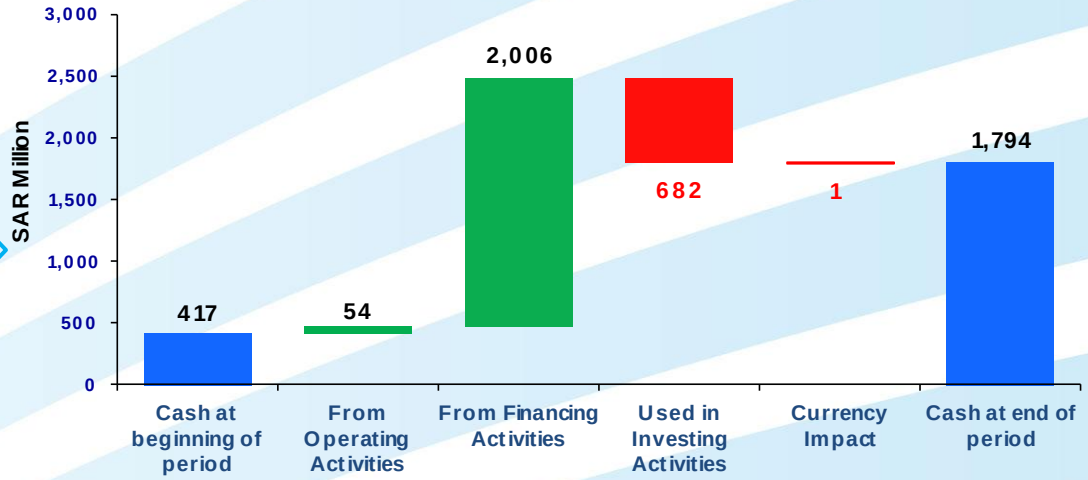
Quarterly Performance – Net Income



Cash Flows

Cash Flow Statement (Q1 2013)

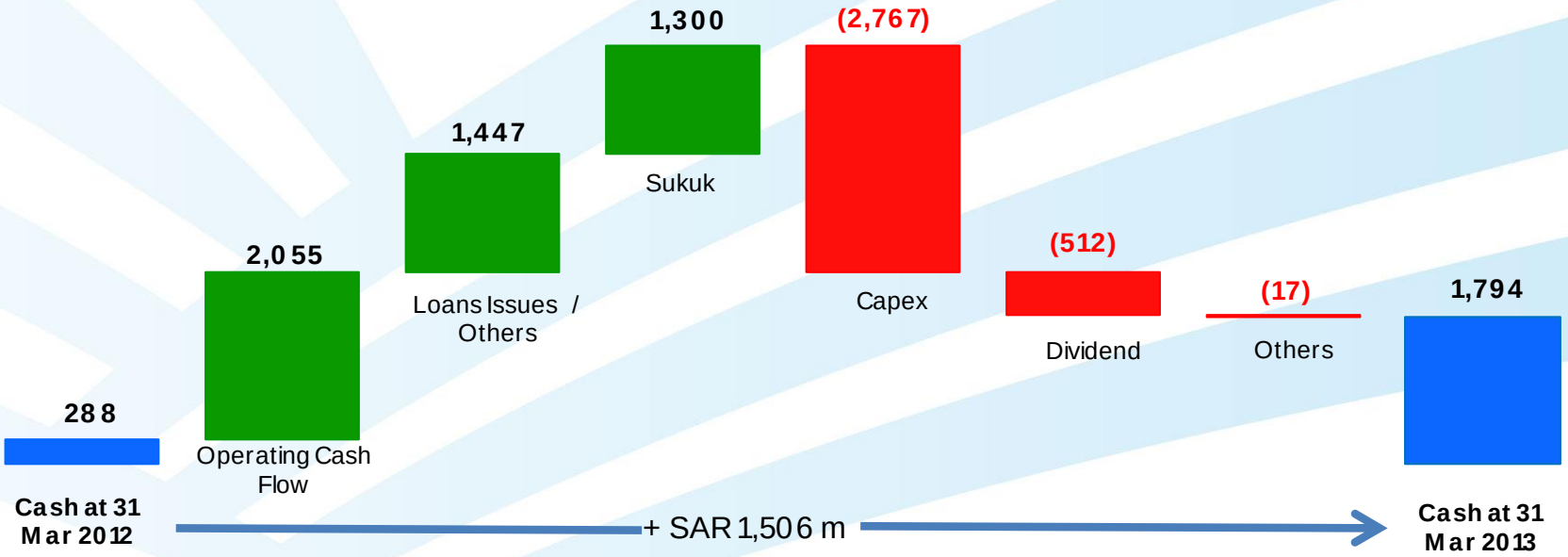
Higher revenue growth resulted in positive operating cash flow, which was partially subdued by working capital expansion,….



	Q1	
SAR Million	**2013**	**2012**
From Operating Activities	54	383
Used in Investing Activities	(682)	(832)
Cashflow Av'ble for Dist'n	(629)	(449)
From Financing Activities	2,006	465
Increase/(Decrease) in Cash	1,377	16
Currency Impact on Cash & Cash Equivalent	(1)	
Cash at beginning of period	417	272
Cash at end of period	**1,794**	**288**

….but additional capex investment, especially for poultry (0.2B) resulted in negative free cash flow of 0.6B

Cash Flow Bridge – rolling 12 months

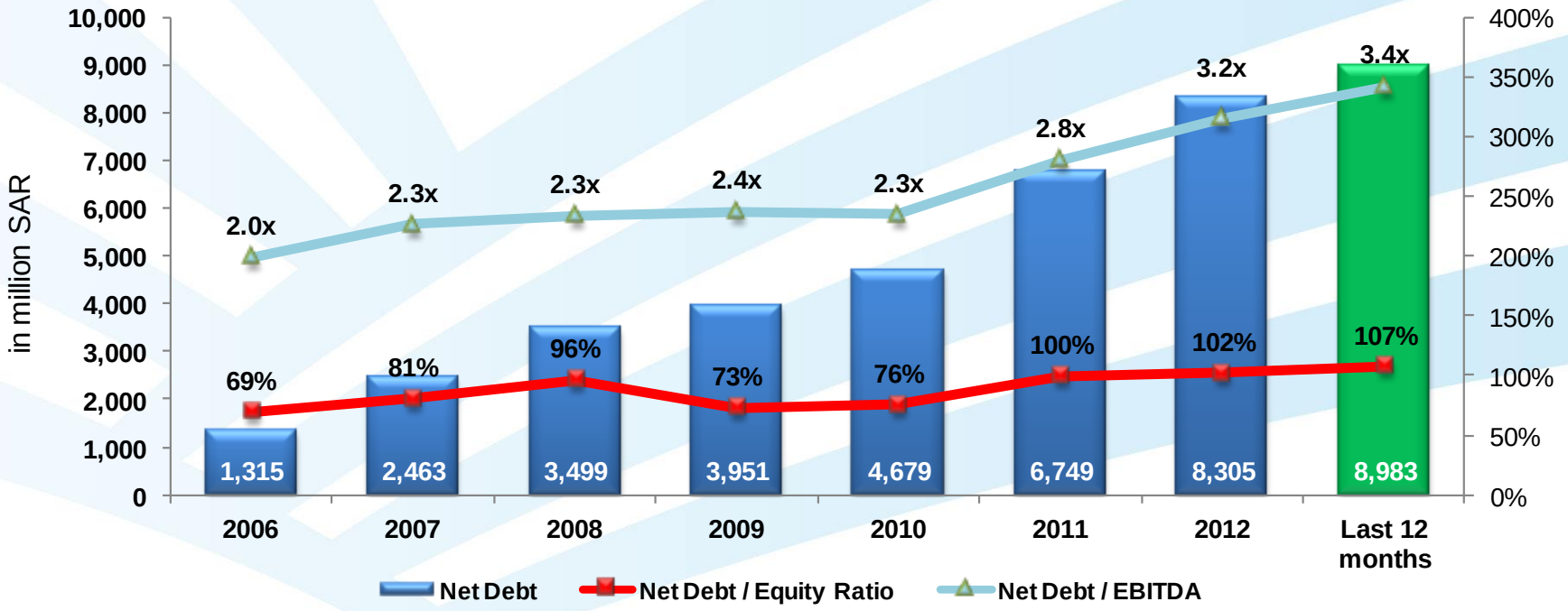


Balance Sheet

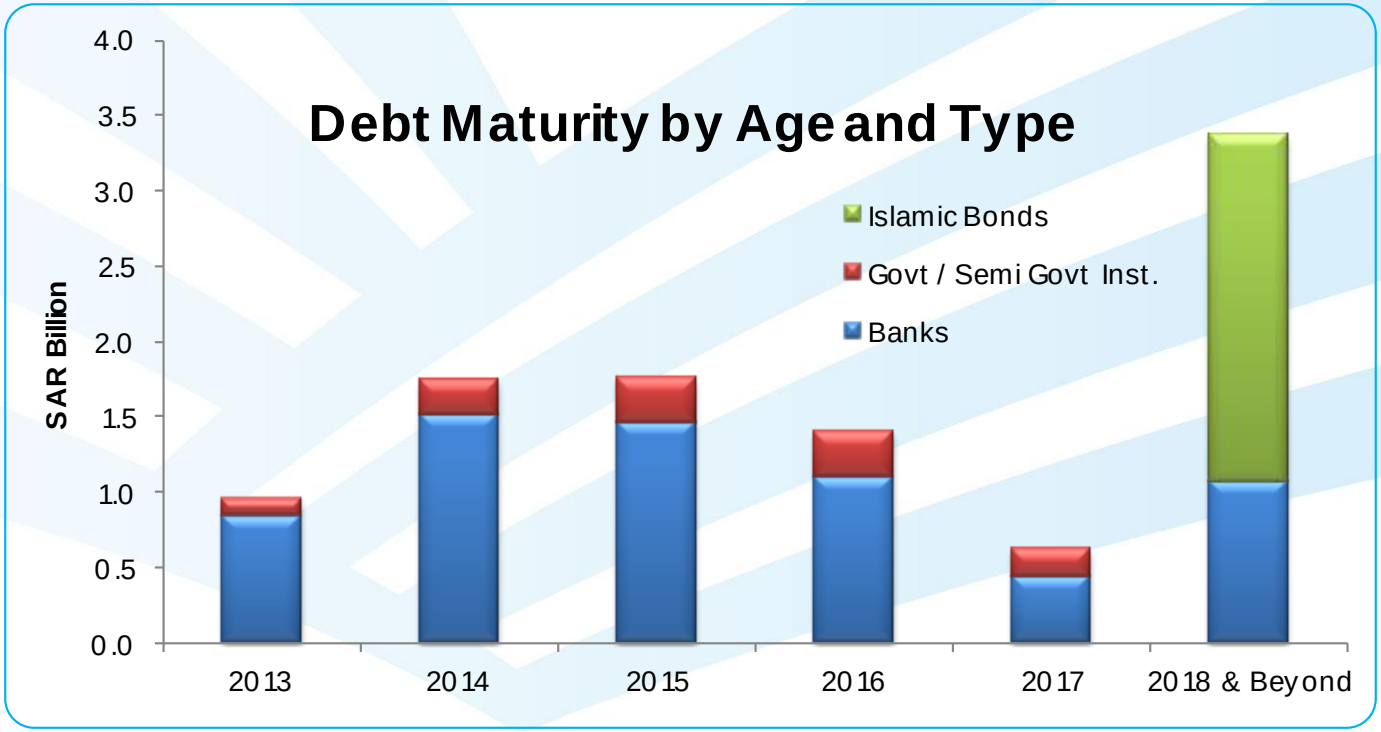
Balance Sheet

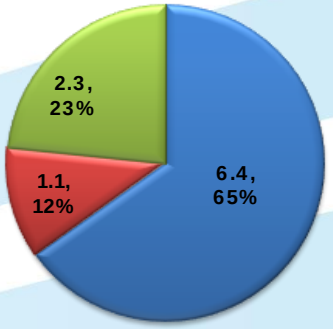
SAR Million	31/03/13	31/03/12
Net Operating Working Capital	1,373	1,037
Biological Assets	919	855
Property, Plant and Equipment	13,845	11,854
Net Operating Assets	16,137	13,746
Intangible Assets - Goodwill	1,335	1,383
Investment and Financial Assets & Deferred Charges	298	596
	17,770	15,725
Net Debt	8,983	7,450
Employee Termination Benefits	302	254
Deferred Tax (Net)	114	130
Total Equity	8,371	7,891
Net Capital Employed	17,770	15,725
Net Debt to Equity Ratio	*107.3%*	*94.4%*

Net Debt


in million SAR
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
400%
350%
300%
250%
200%
150%
100%
50%
0%
2.0x
2.3x
2.3x
2.4x
2.3x
2.8x
3.2x
3.4x
69%
81%
96%
73%
76%
100%
102%
107%
1,315
2,463
3,499
3,951
4,679
6,749
8,305
8,983
2006
2007
2008
2009
2010
2011
2012
Last 12 months
Net Debt
Net Debt / Equity Ratio
Net Debt / EBITDA

Debt Profile highlights balanced approach for funding….





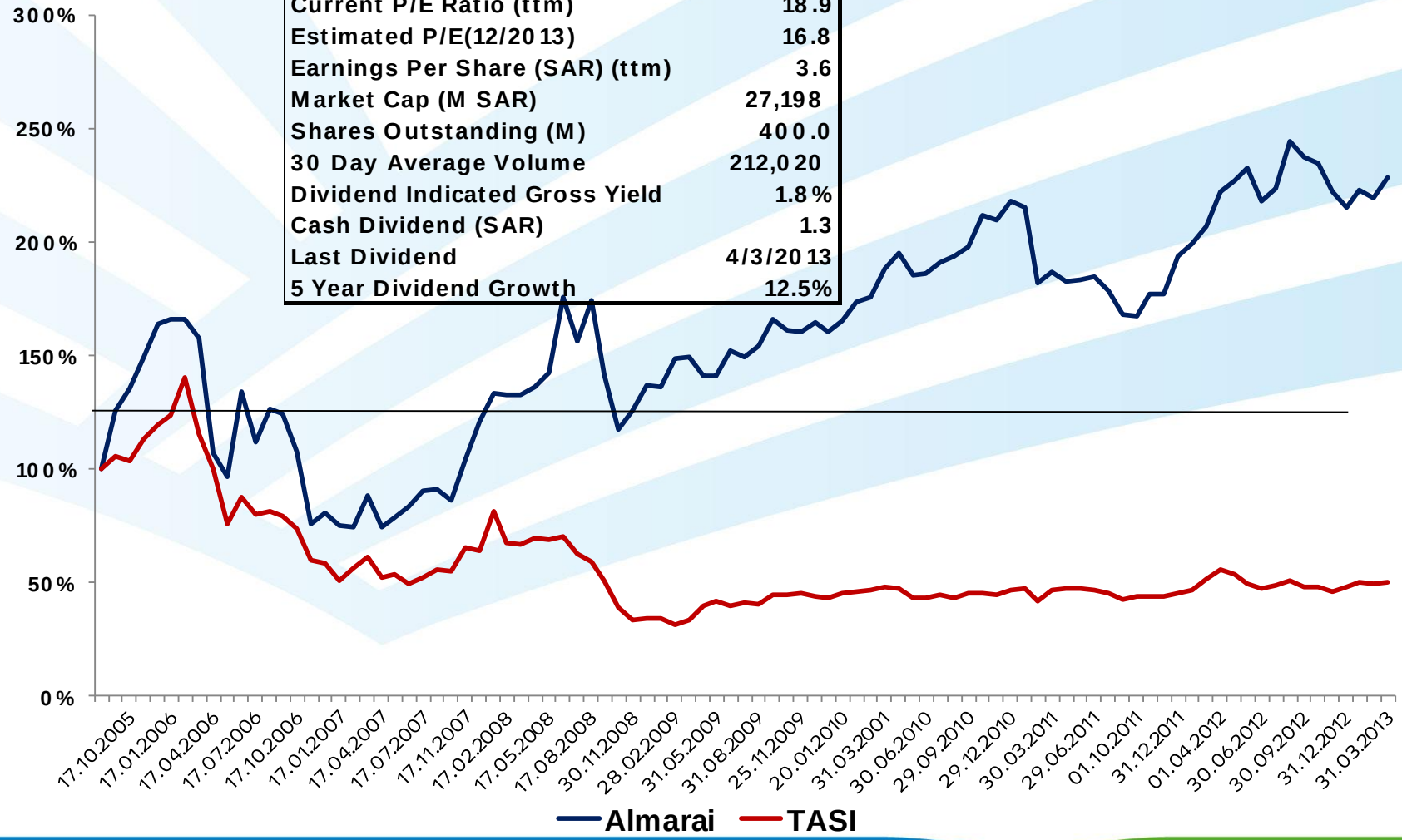
Capital Expenditure

Capex spend in line with Guidance…

- Capex spend of 0.7B SAR, which is in line for with our earlier forecast of 3.1B SAR for the year 2013.
- Poultry capex spend for the quarter amounted to slightly more than 0.2B SAR. The key highlight for Q1 was the commercial production start of the first of the three lines.
- Each of the three main functions of Sales, Manufacturing and Farming consumed capex of ~0.1B SAR.
- Replacement and other capex including IDJ, accounted for another 0.1B SAR.

Key Share Data

Key Statistics for Almarai (1 April 2013)	
Current P/E Ratio (ttm)	18.9
Estimated P/E(12/2013)	16.8
Earnings Per Share (SAR) (ttm)	3.6
Market Cap (M SAR)	27,198
Shares Outstanding (M)	400.0
30 Day Average Volume	212,020
Dividend Indicated Gross Yield	1.8%
Cash Dividend (SAR)	1.3
Last Dividend	4/3/2013
5 Year Dividend Growth	12.5%



Q & A

Thank you

middle east investor relations society

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