

# Almarai<sup>®</sup> Company

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Q1 2020 Earnings Presentation

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# Contents

Market Dynamics

Business Performance

Financial Performance

Capex, Capital Management & Share Performance

Q & A

Appendix

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# Market Dynamics

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# Almarai Response to COVID-19 Pandemic

## Strategy

- Almarai to deliver “Quality you can trust” commitment to its consumers whilst being an integral part of the Nation’s food security and understanding that “Our responsibility is bigger”.
- Proactively implementing all government guidance.
- Protect our consumers and employees from any possible harm.

## Key actions taken to support strategy

- Noncritical human resources have been sent to work from home since March 16.
- Operations running with a flexible approach to be able to ensure continuous supply.
- Connectivity and IT tools well set up and supporting the new way of working.
- Volume shift from Food Services to Retail.
- Communication plan being closely reviewed and managed.

## Current Priorities

- Secure safety and health of employees.
- Bio secure all operational units, in particular, farms and factories.
- Secure the supply chain and increase security stocks.
- Maximize Production including SKU rationalization and Frozen poultry stock.
- Assist customers with credit terms where possible.

# Emerging trends in response to COVID-19 Pandemic

Trend	Probability	Impact on Almarai
Spending on non-basic / discretionary categories to decline	High	Juice category to be heavily impacted. Category decline to accelerate
Food services category impacted by tourism and social distance practices	High	Food services category impacted by tourism and social distance practices
GCC Border closure	Low	Severe impact of loss of nearly 30% revenue
Spending affected by increase in unemployment	Medium	General decline in revenue growth model
Ability of Food service business to bounce back	Medium	Medium term challenges in key growth channel strategy. Not all business will make this crisis

# COVID-19 Impact

- We are aware and analysing seriously the consequences.
- We are taking all necessary actions under our control to protect our customers and our employees.
- We remain confident in the growth opportunities in our markets.
- We will continue to invest behind our brands, ensuring we are strongly positioned for the expected recovery in consumer demand.
- We have a resilient business with a strong balance sheet and substantial cash generation and liquidity to withstand the current weakness.
- We have a management team experienced in similar situations and have demonstrated that we can respond quickly to changing market conditions.
- Given the ongoing uncertainty on the potential impact and duration of Covid-19, it is not possible to give an accurate profit impact for FY 2020 at this stage.

...Whilst  
Almarai  
maintaining  
Market Share  
Leadership

Category	Dec-19	Feb-20	Feb-20
	Almarai Value Share %	Almarai Value Share %	Almarai Rank
Laban	65	65	1
Fresh Milk	67	67	1
UHT Milk	21	19	2
Food	39	39	1
Juice	43	43	1
Bakery	54	52	1
Poultry (Fresh Chicken)	37	34	1



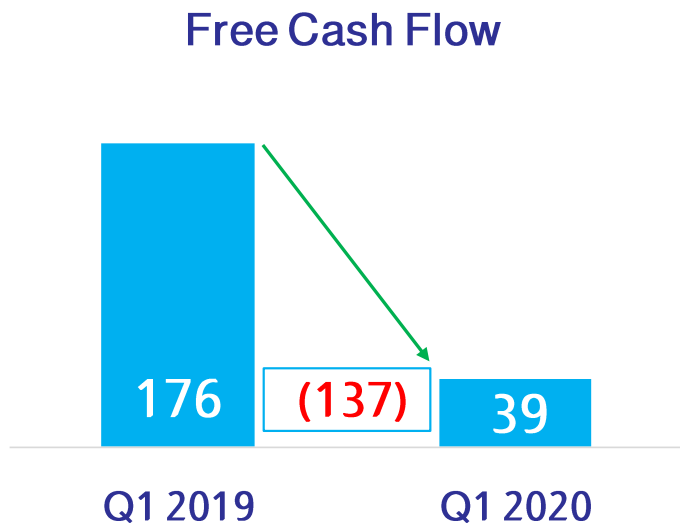
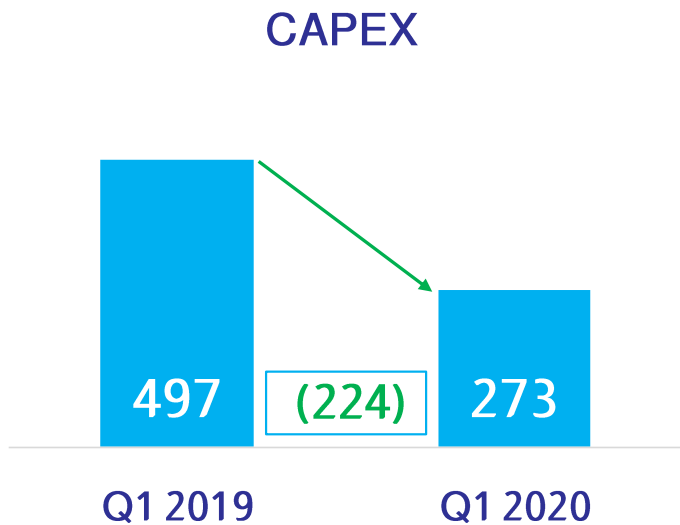
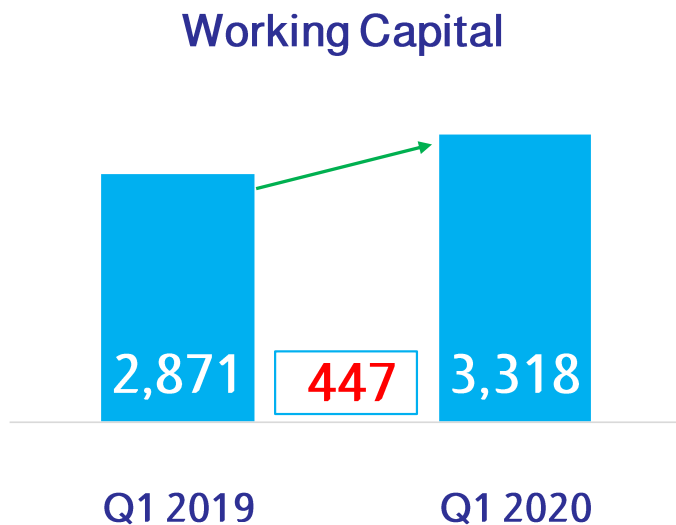
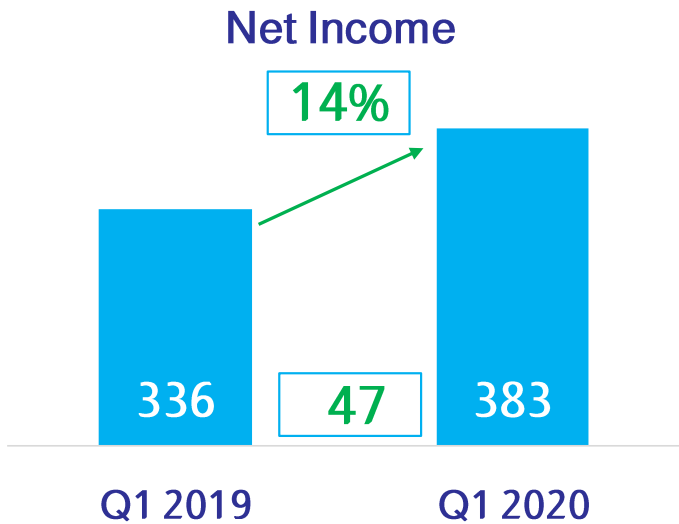
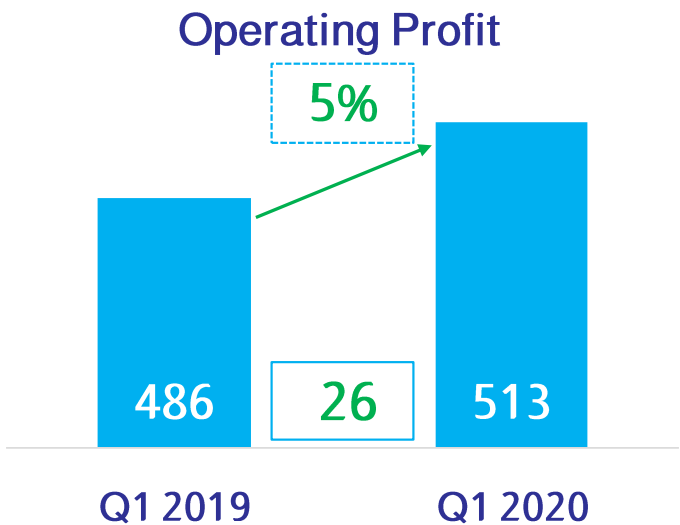
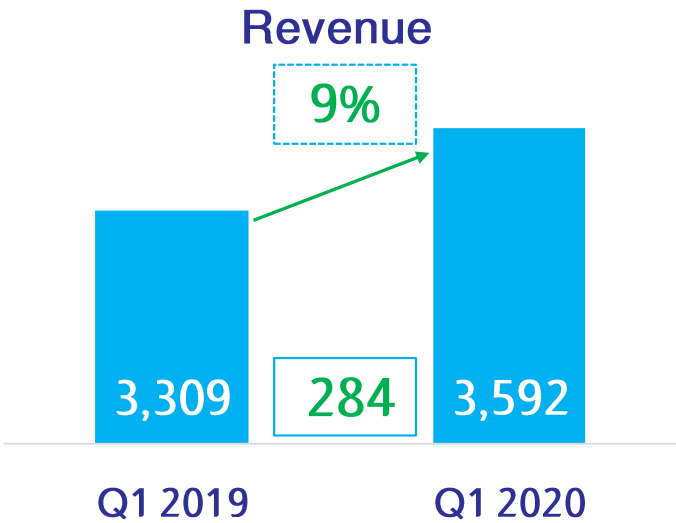
# Business Performance

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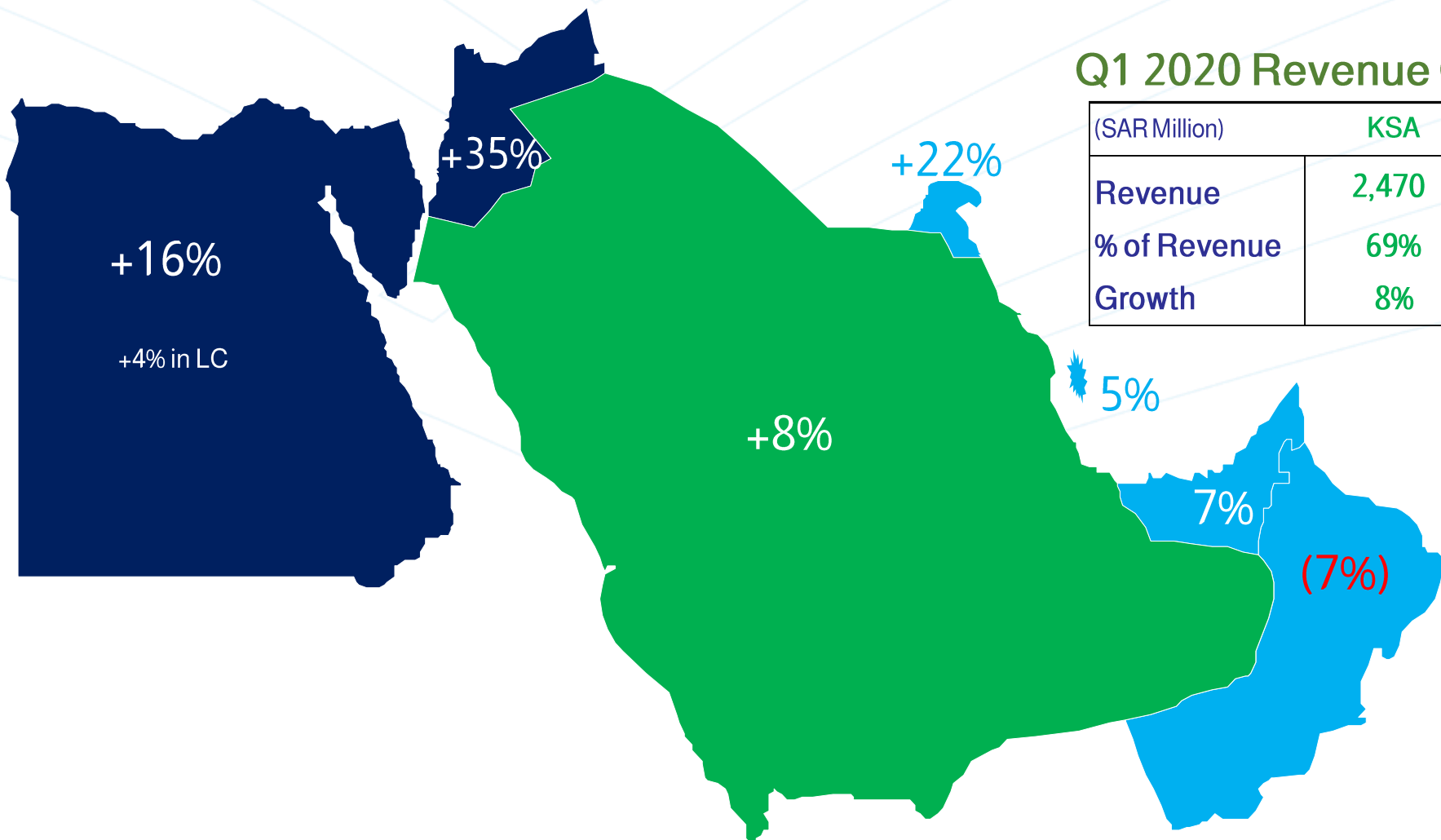
# Financial Highlights for the Quarter

(SAR Million)



YoY % / (YoY %)

# Almarai top line grew in all countries except Oman.....



## Q1 2020 Revenue Growth

(SAR Million)	KSA	Other GCC	Others	Total
Revenue	2,470	782	341	3,592
% of Revenue	69%	22%	9%	100%
Growth	8%	6%	19%	9%

**+SAR 55M**

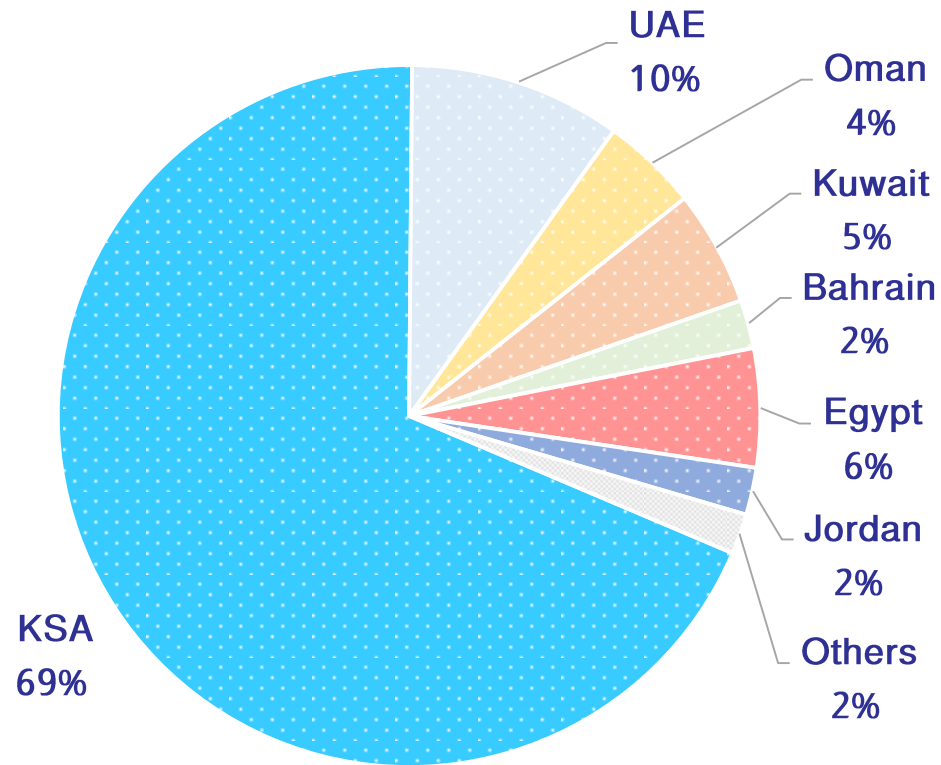
**+SAR 182M**

**+SAR 47M**

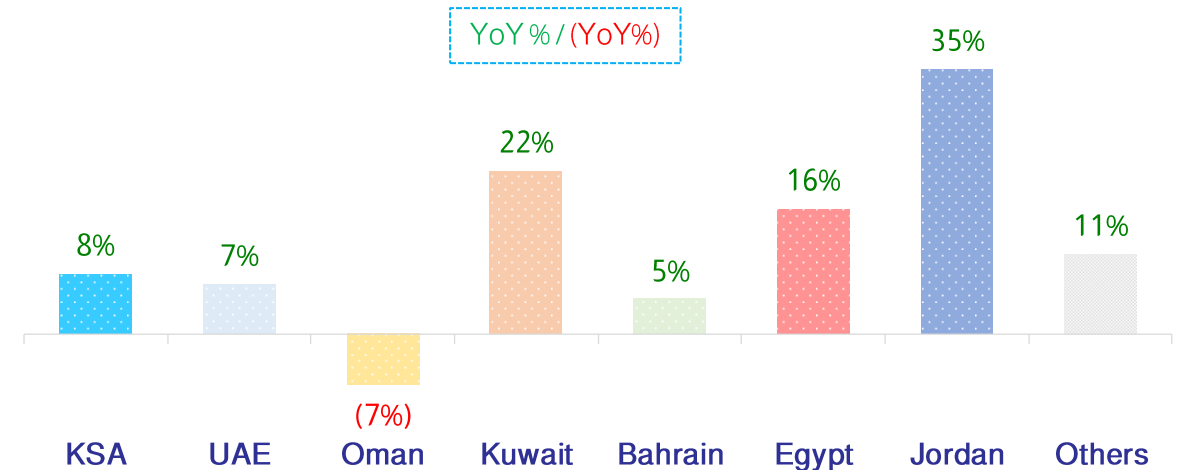
**+SAR 284M (9%)**

# ...However KSA growth of 8% contributed the most to topline

Total Revenue – SAR 3,592 Million

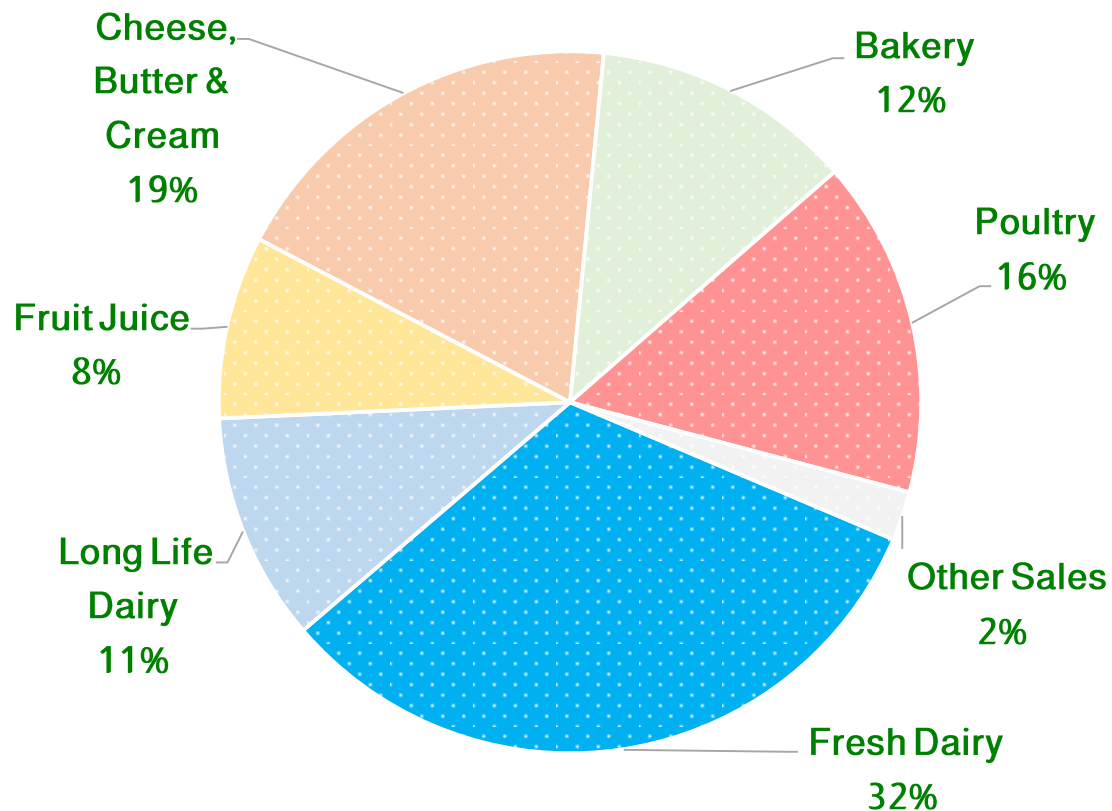


Total Growth – SAR 284M (9%)

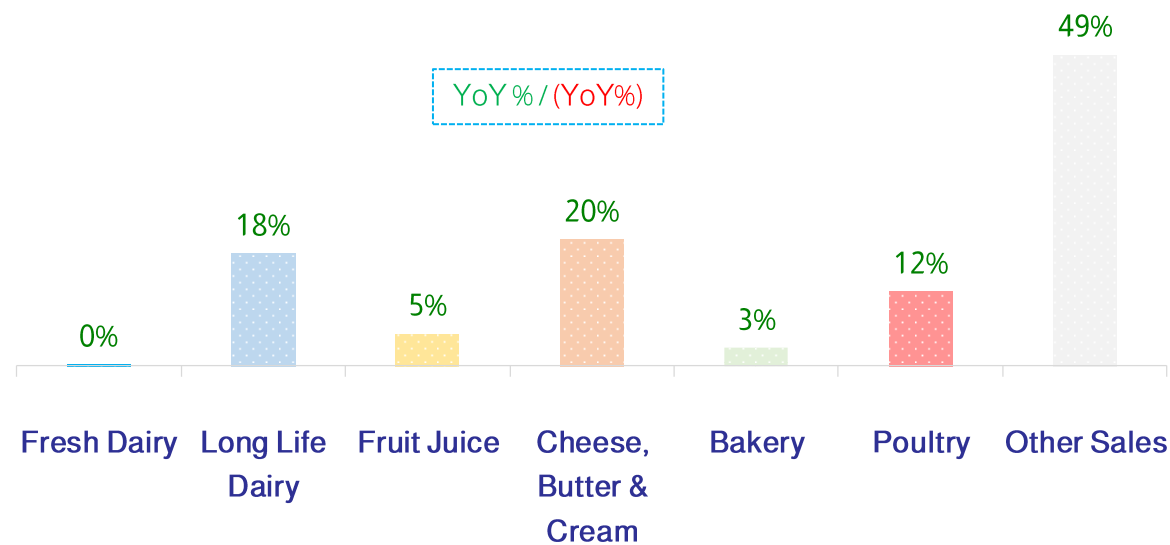


# Foods, Poultry & LL Dairy contributed the most to top line growth

Total Revenue – SAR 3,592 Million



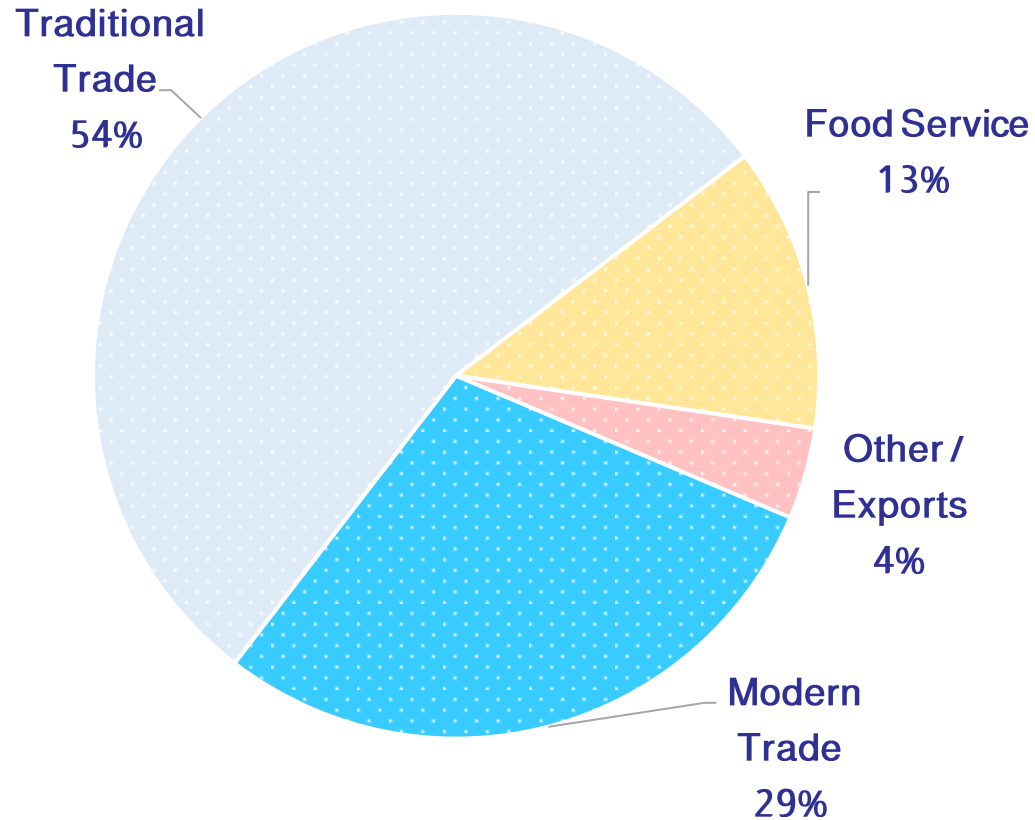
Total Growth – SAR 284M (9%)



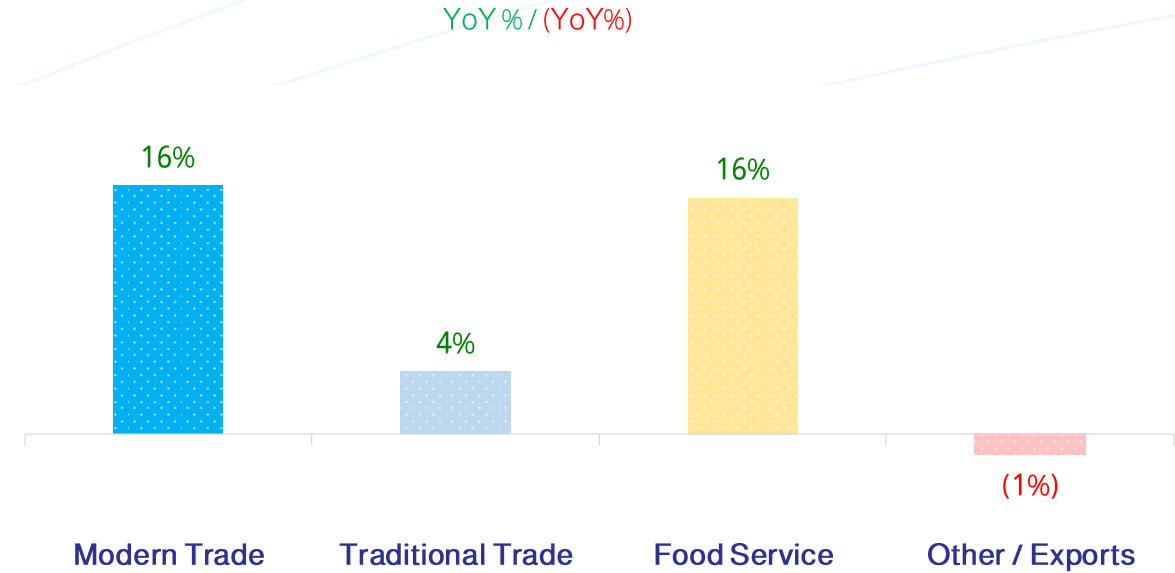


# Modern Trade channel growth was a key highlight for the quarter

Total Revenue – SAR 3,592 Million



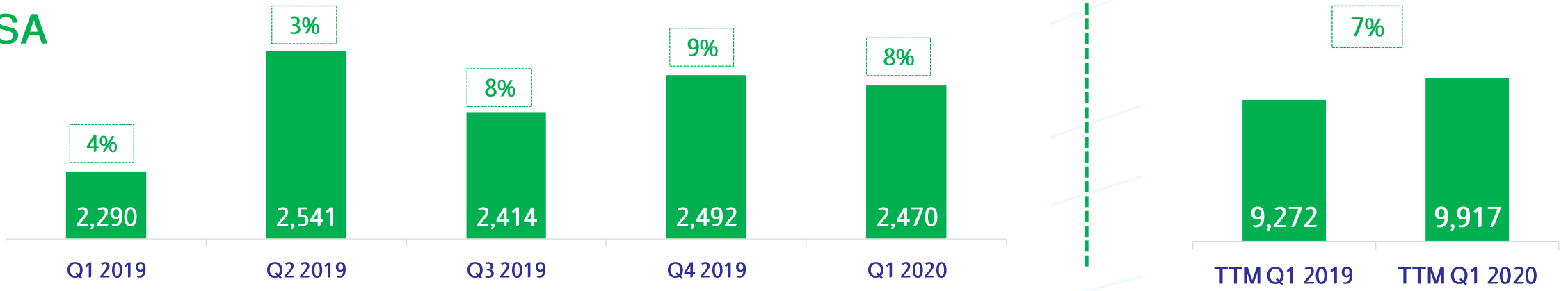
Total Growth – SAR 284M (9%)



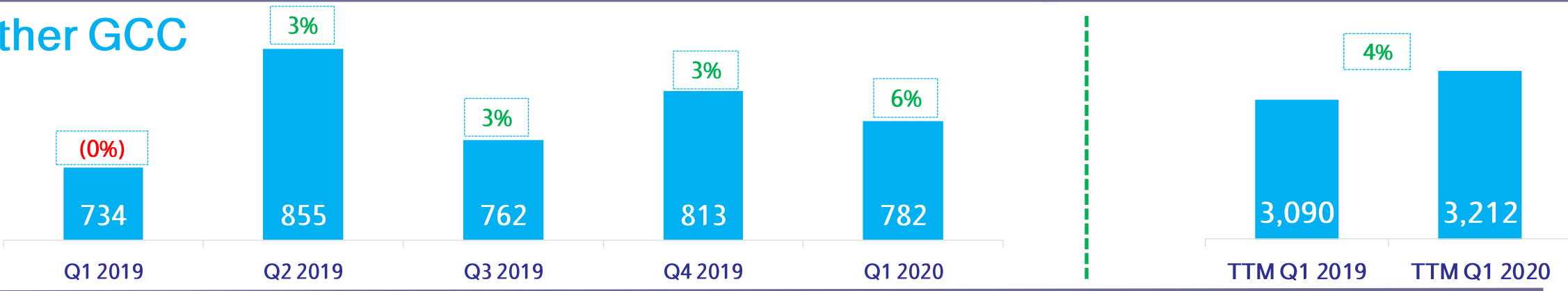
# Revenue growth trend highlights continuous growth

(SAR Million)

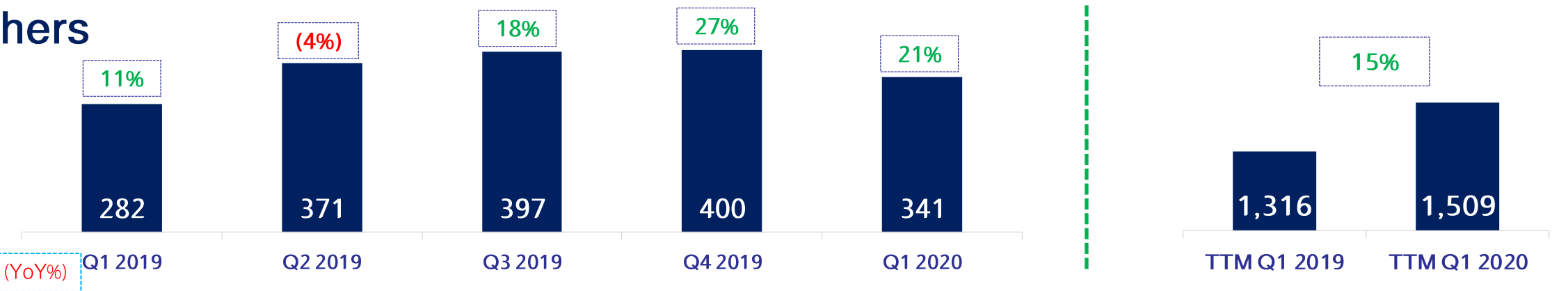
## KSA



## Other GCC

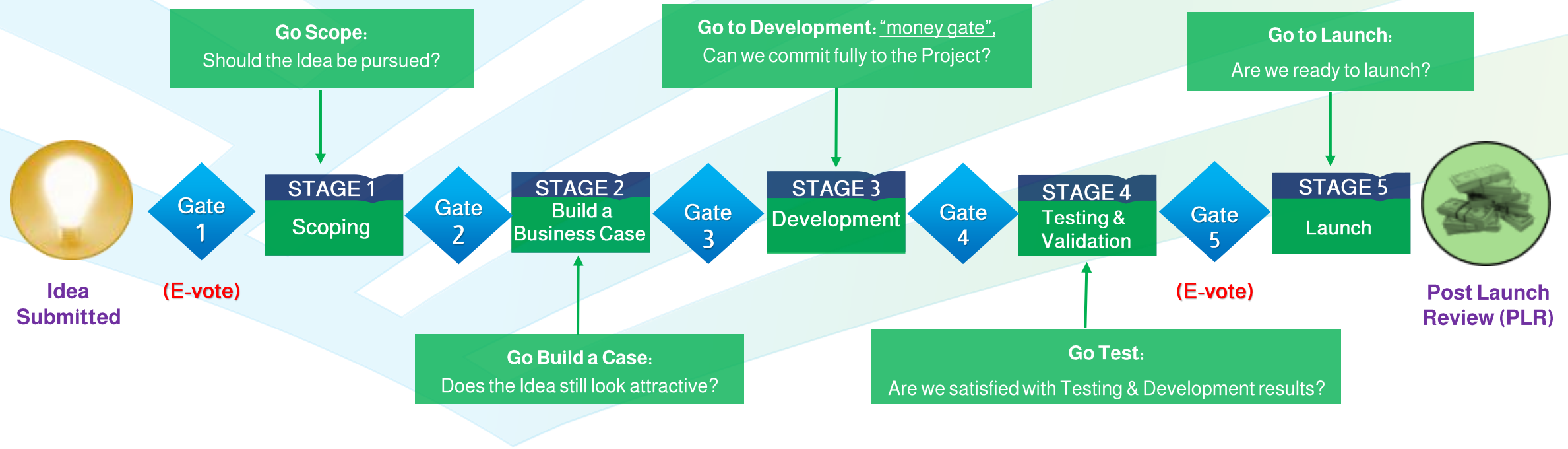


## Others



YoY % / (YoY%)

# Innovation focus continues to produce exciting products



## New Products Launched in Q1 2020





# Financial Performance

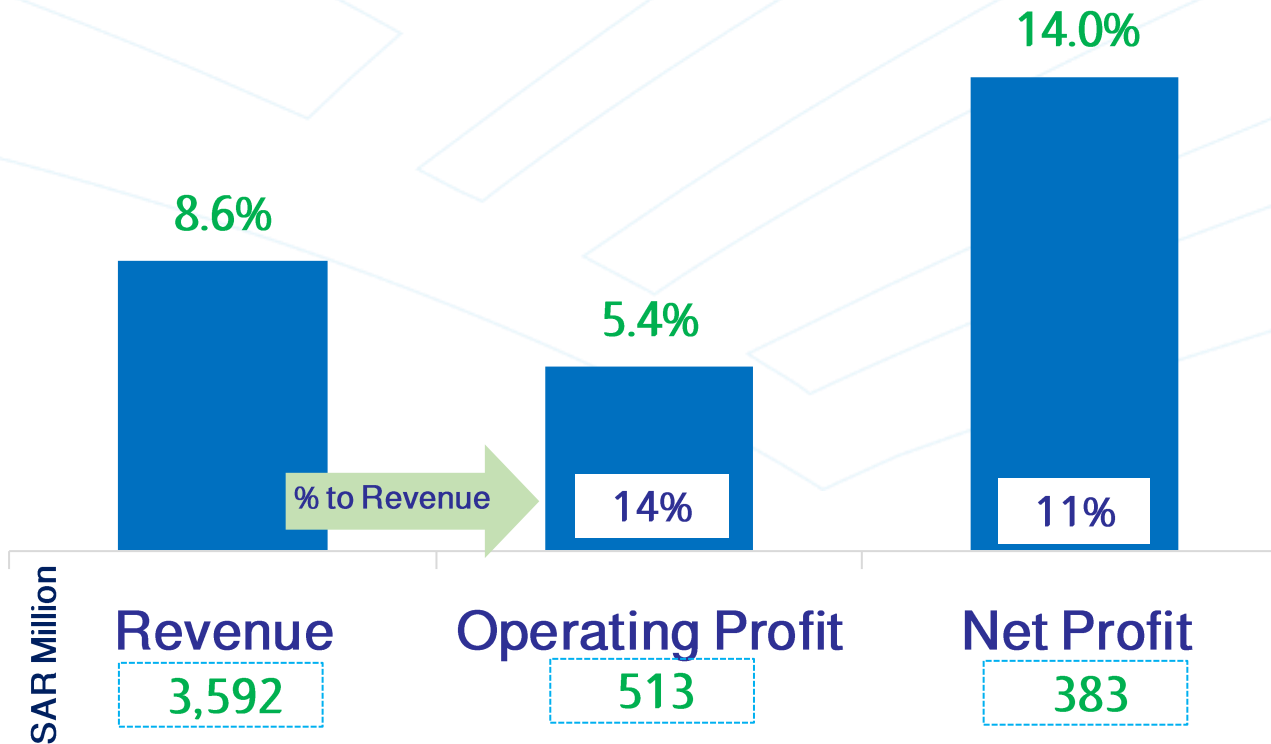
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# Q1 Financial Performance

Q1 2020 vs. Q1 2019

YoY % / (YoY%)



## Revenue

- Stable Market growth for Fresh products however long life product market, including poultry experiencing high growth due to COVID-19 impact
- Maintain market leadership in all key categories
- Food, Long life Dairy & Poultry recorded significant growth in 1<sup>st</sup> quarter.

## EBIT

- Higher feed cost yoy, driven by imported alfalfa
- Higher bad debt provision driven by existing market conditions and future expected credit losses

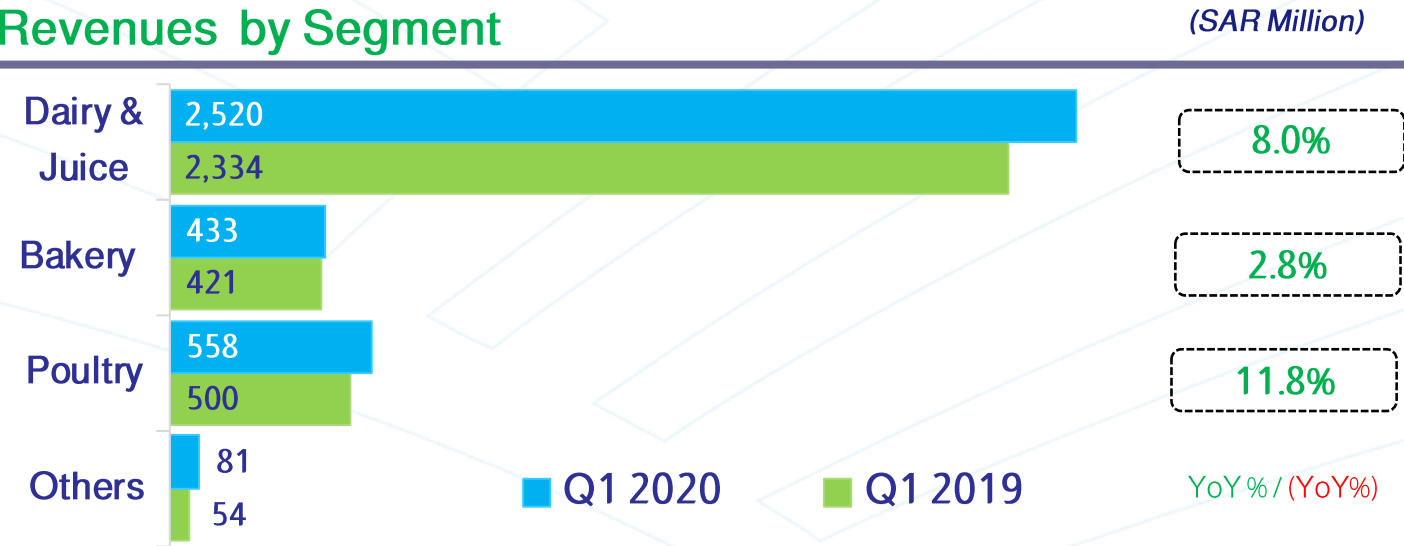
## Net Income

- Lower funding cost driven by lower base and rate but lower interest cost capitalization, mainly from overseas subsidiaries
- Positive NCI driven by losses in IDJ mainly from higher depreciation



# Results by Segment – Q1 2020

## Revenues by Segment



## Dairy & Juice

- Higher Long life Dairy & Food sales
- Higher juice ingredient, feed & labour costs
- Higher depreciation and losses from IDJ

## Bakery

- Volume led improved performance
- Fixed cost leverage driving profit growth

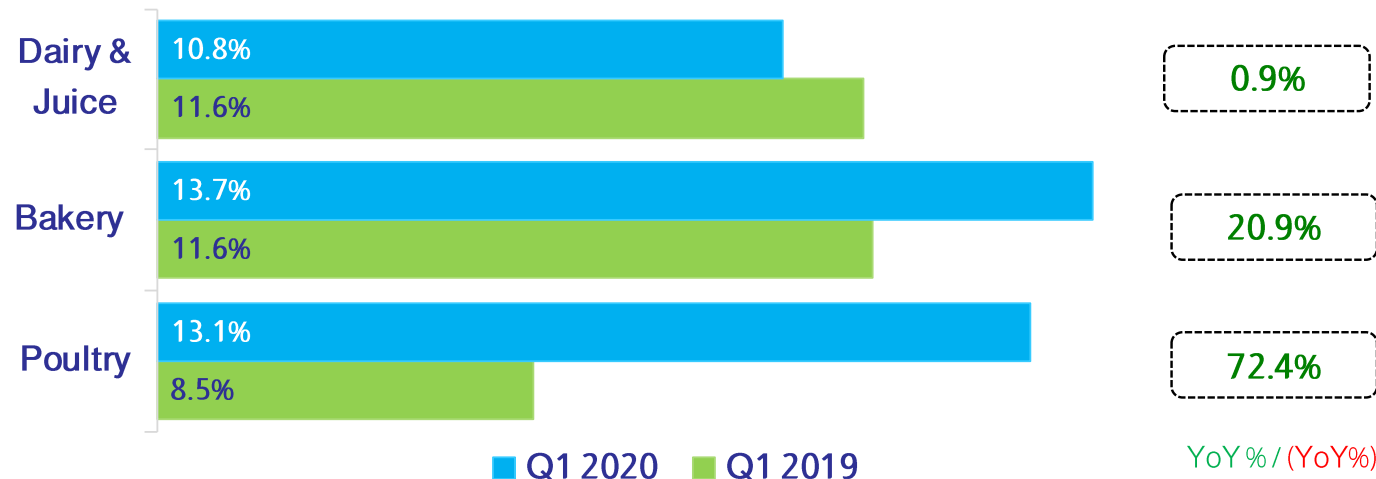
## Poultry

- Volume led strong performance through Retail channel, driving further profit growth
- Food services channel expansion impacted by COVID-19

## Others

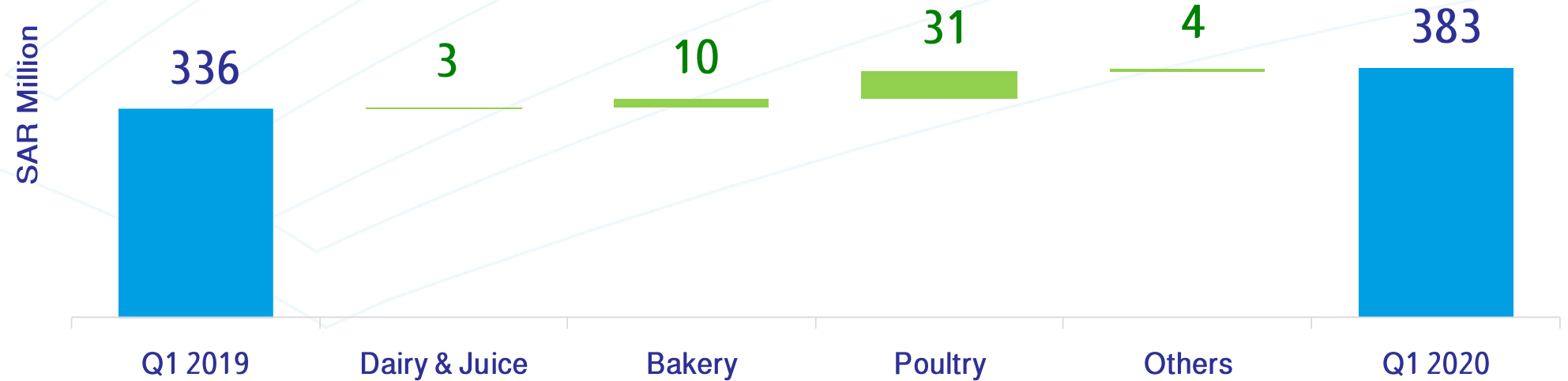
- Inclusion of Premier Food driving other sales

## Profit Margin By Segments



# Net Income by Segment

Basic EPS* (SAR)	0.34					0.39
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Net Sales Growth	8%	3%	12%	49%	9%
Net Income Growth	1%	21%	72%	14%	14%
Net Income % to Net Sales	11%	14%	13%	n.a	11%

\* EPS – Earnings Per Share

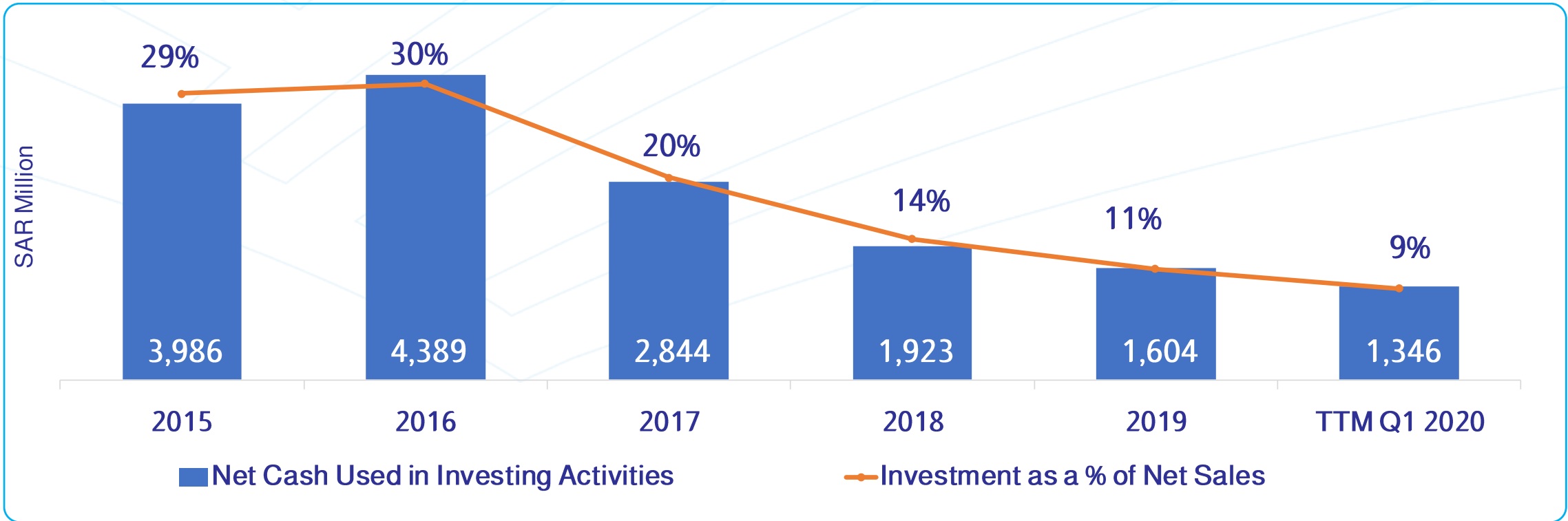
# Capex, Capital Management & Share Performance

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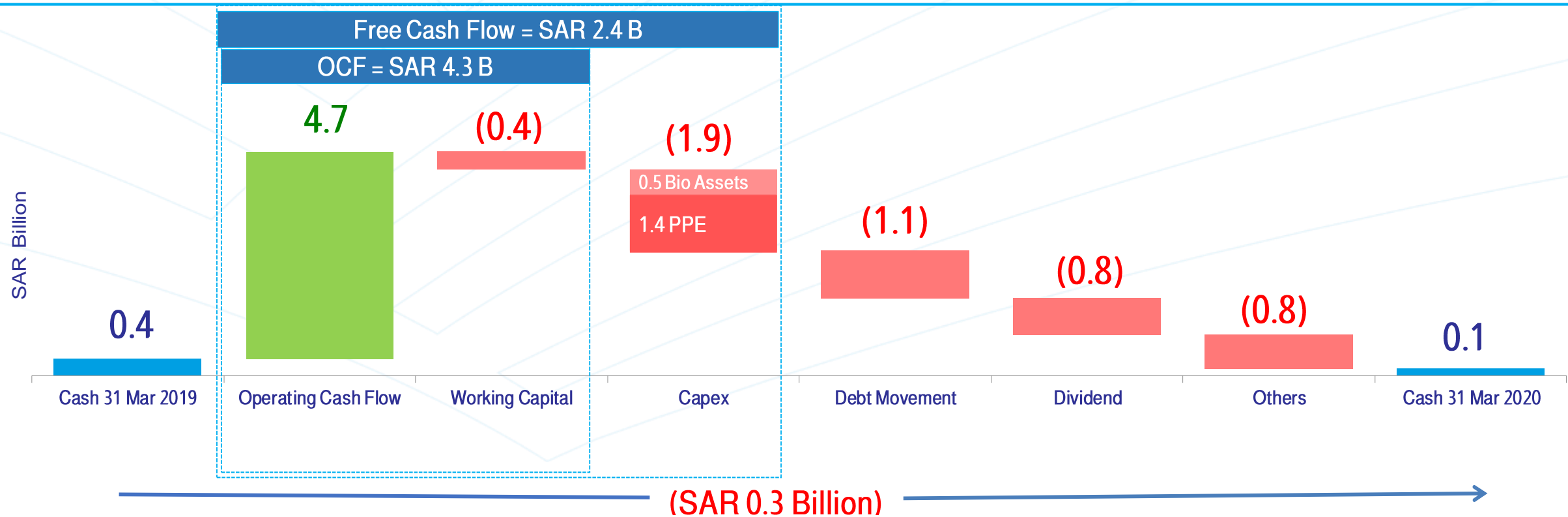
# CAPEX continues to trend lower

## Capital Investment 2015 to 2020 (TTM)



- Capex cash spend continues to decline in line with current available capacity
- New Capex approved comprised of mostly maintenance Capex centered on utilities, production lines and vehicles.
- Approved capex pipeline from previous years still impacting current cash spend. However the work-in-progress pipelines at end of 2019 stands at SAR 0.8 Billion compared with SAR 1.0 Billion at end of 2019.

# Free Cash Flow remains strong



## Q1 2020 TTM Free Cash Flow = SAR 2.4 B

- OCF: SAR +4.3 Billion .....Business performance continues to perform strongly however higher working capital driven by higher credit sales impacting OCF. Inventory levels are stabilizing and are expected to continue to trend lower
- ICF: SAR -1.9 Billion and is in line with our reduced capex spend.
- FCF: continue to improve based on higher EBITDA and lower capex.

After dividend and funding cost repayment, excess cash of SAR 1.1 Billion was used to lower gross debt.....a key step towards our journey of Net Debt to EBITDA target of 2.5X – SAR 2.7X in the short term.

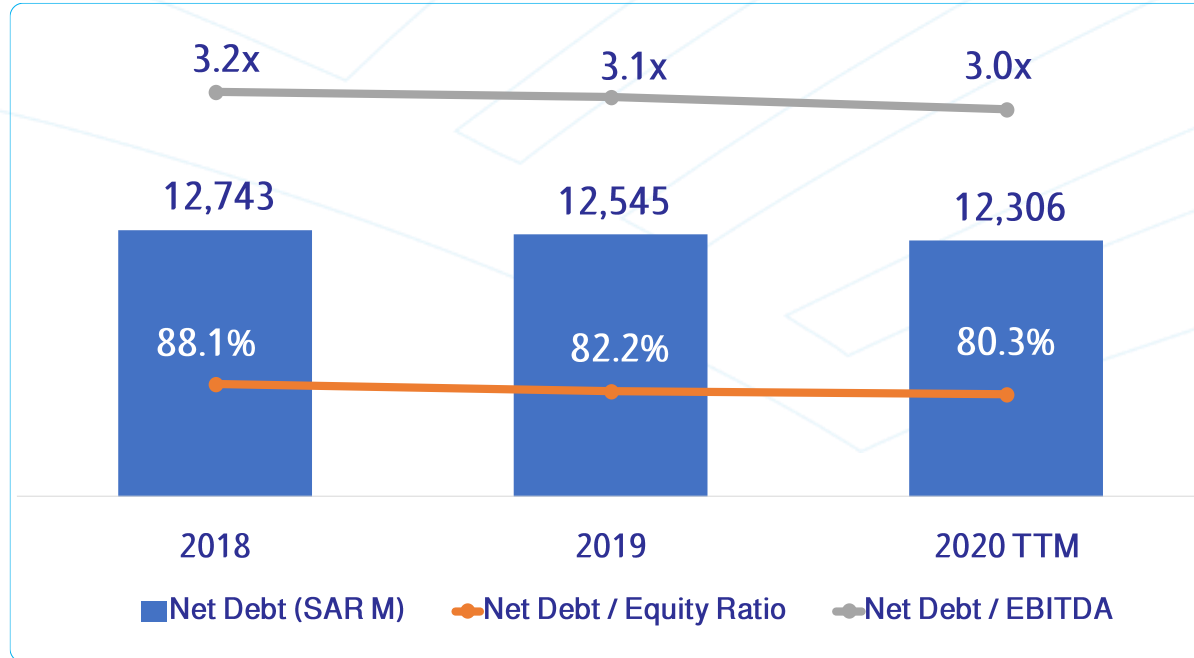
OCF – Operating Cash Flow  
 ICF – Investing Cash Flow  
 FCF – Free Cash Flow



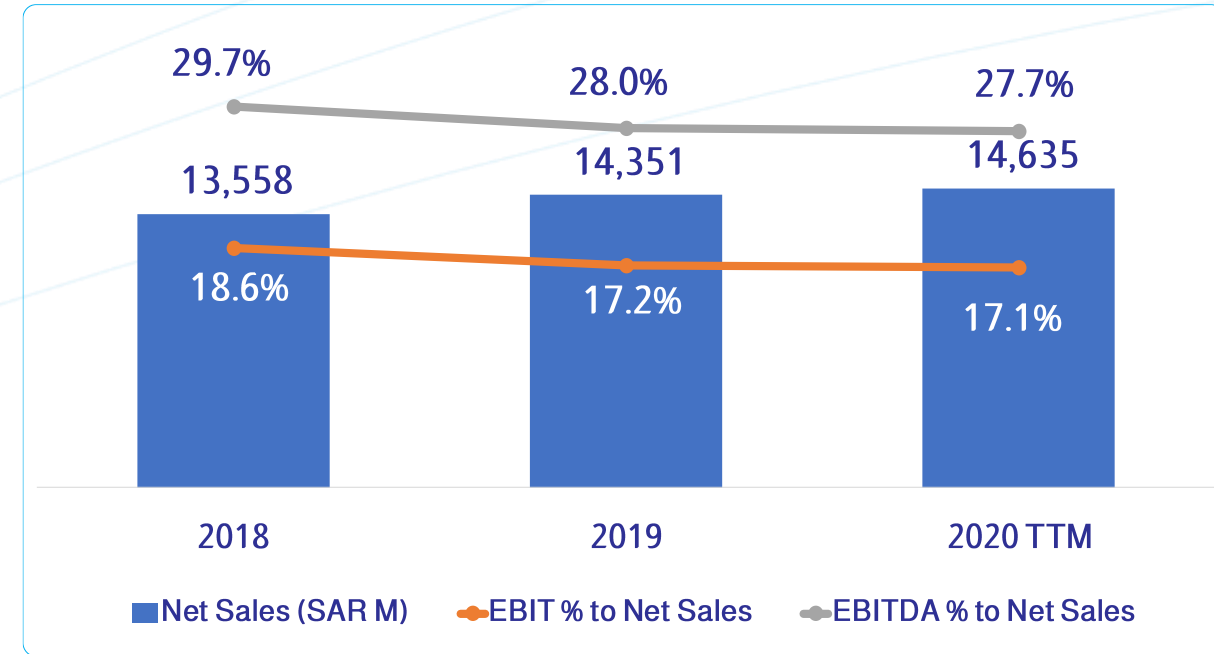
# Net Debt and EBIT/EBITDA Margins trend

Almarai leverage target is to reach 2.5x-2.7x Net Debt to EBITDA in the next 2-3 years

## Net Debt Trend

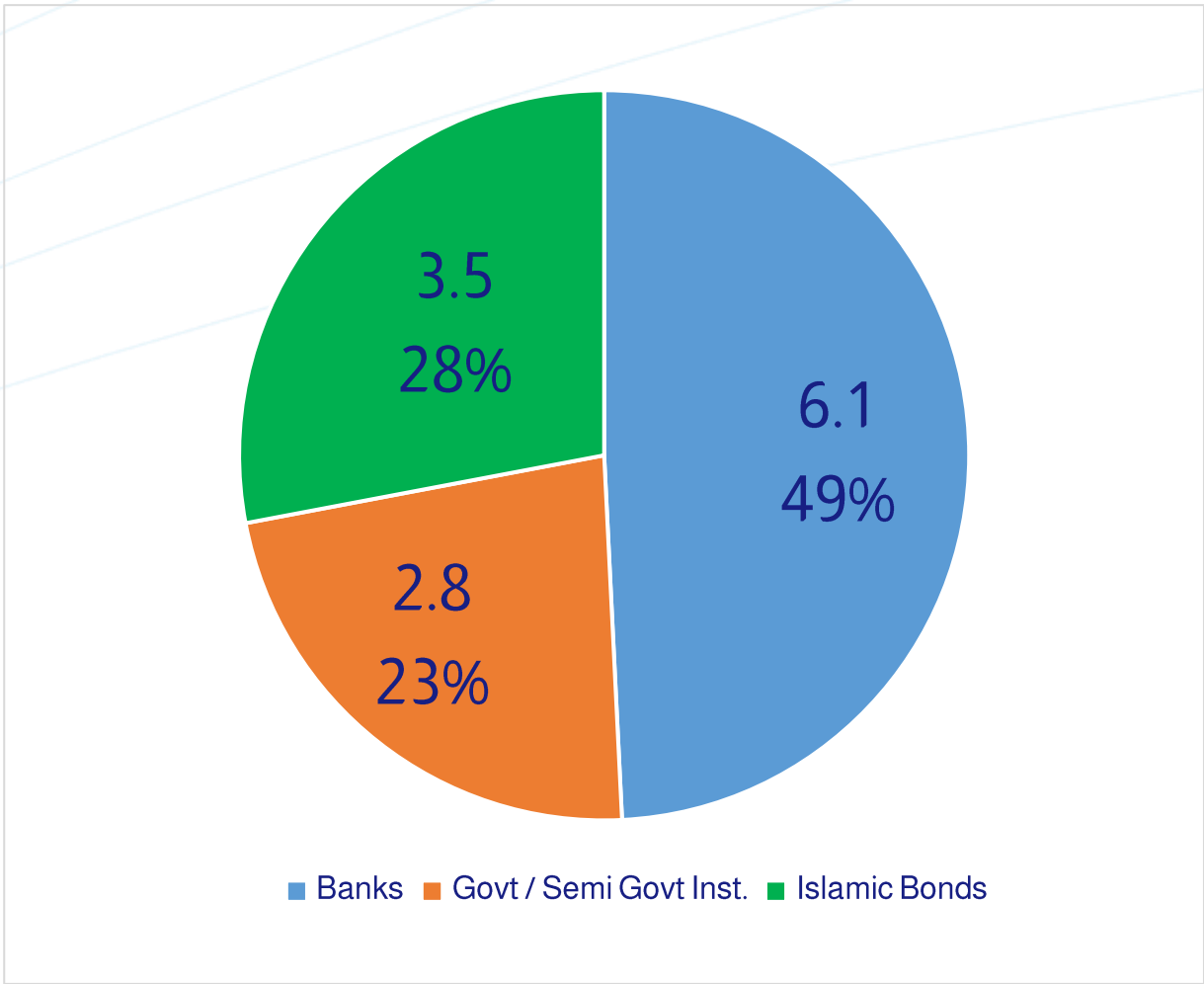
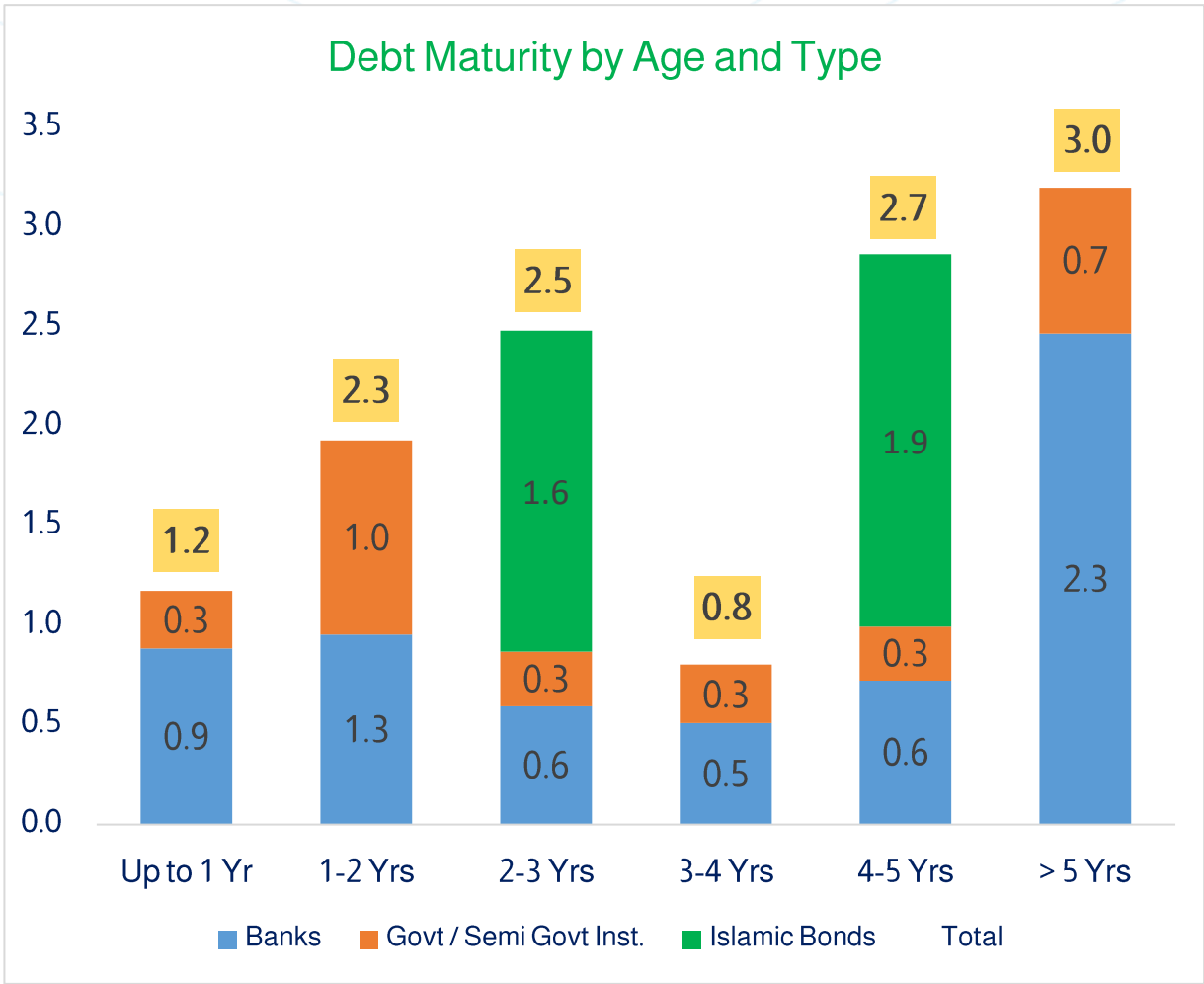


## EBIT and EBITDA Margins



# Debt Maturity Profile highlights average debt tenure at 4.27 Years...

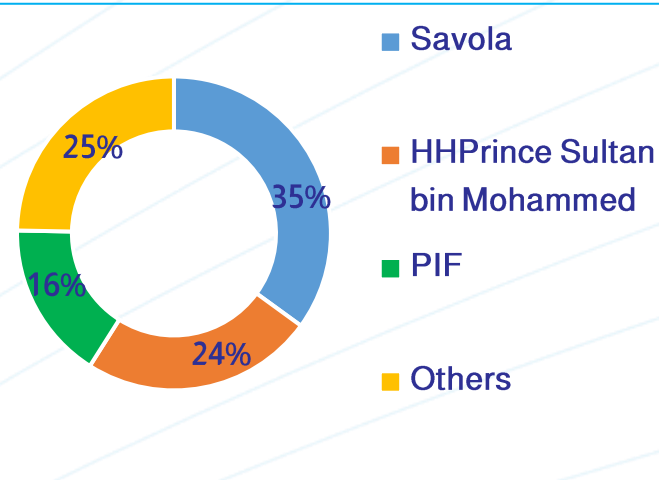
(SAR Billion)



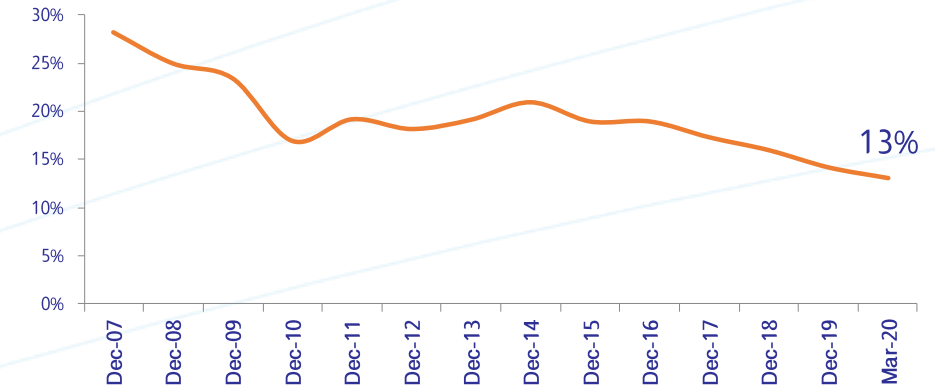
# Key Share Data

Key Statistics for Almarai (31 MAR 2020)

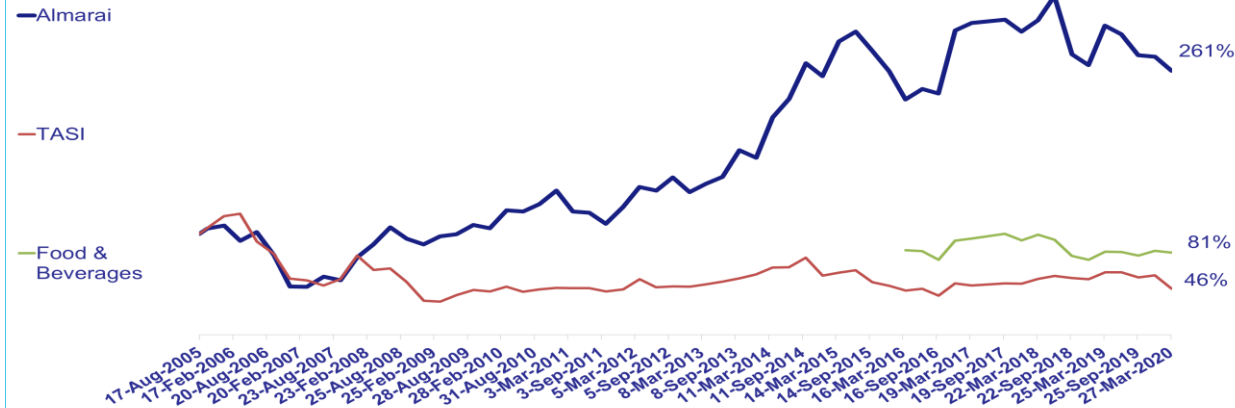
Share Price (SAR)	47.00
Current P/E Ratio (ttm)	25.00
Earnings Per Share (SAR) (ttm)	1.88
Market Cap (SAR Million)	47,000
Shares Outstanding (Million)	1,000
Dividend Yield	1.81%



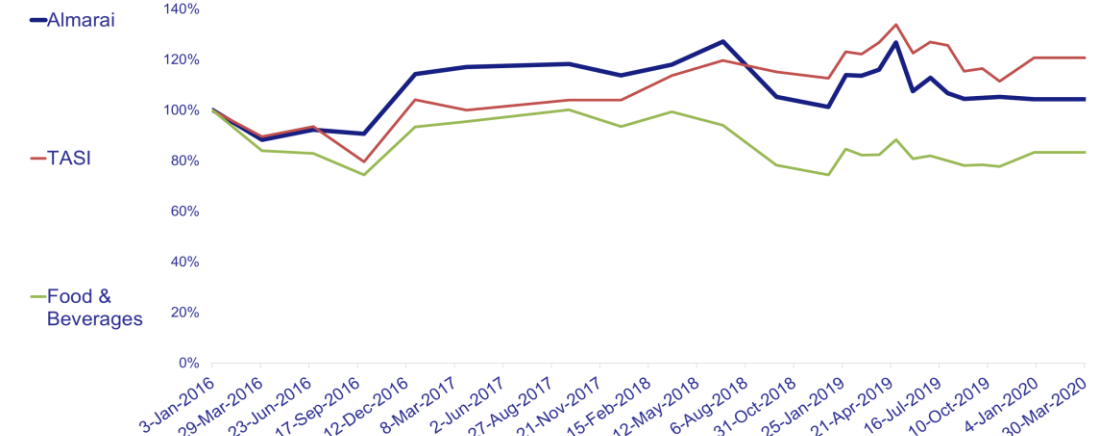
Year to date total shareholder's return since listing



Share Price Trend  
(Listing Date of Almarai Company)



Share Price Trend  
(Listing Date of Food & Beverages Index)



# Cash Dividends Since Listing (SAR Million)



# Key Takeaways

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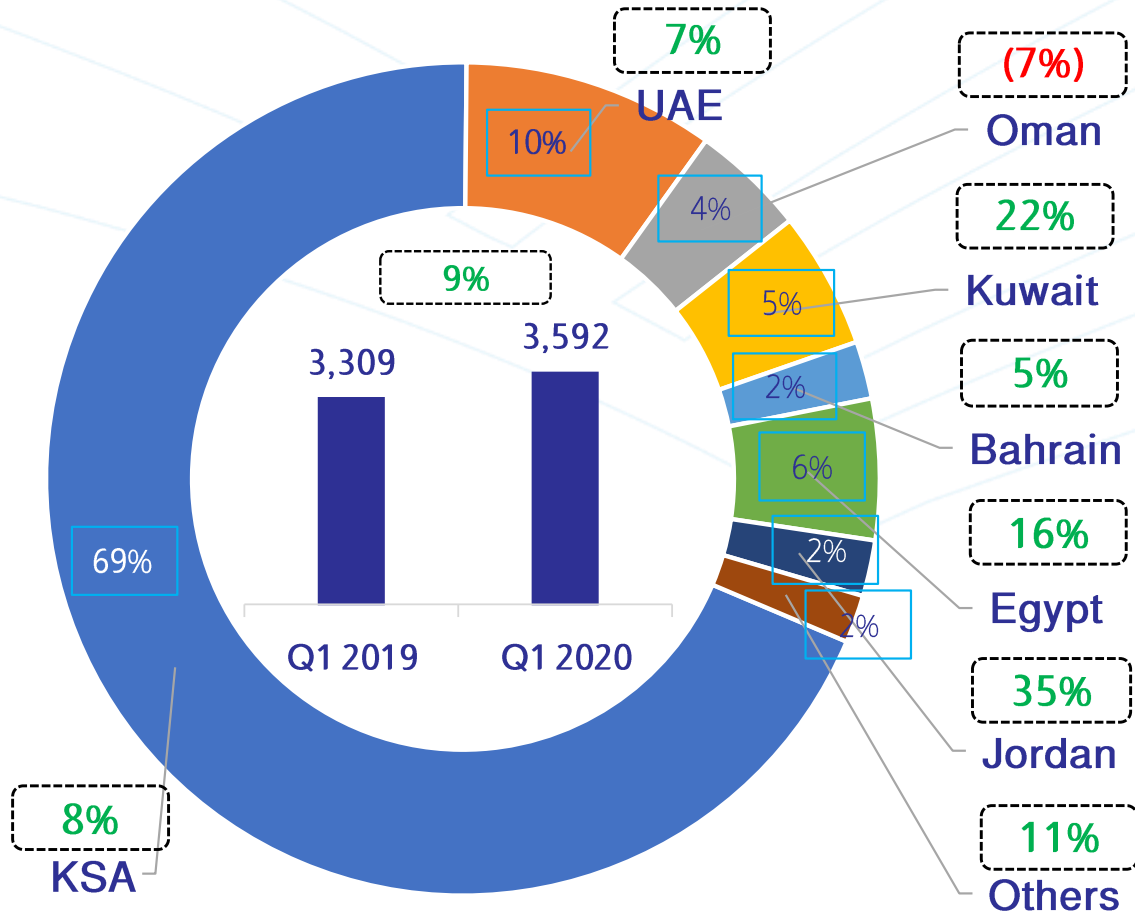
# Key takeaways

- Safety of our customers and employees remain our number 1 priority and we are working round the clock to ensure that.
- Almarai is developing multiple scenarios for future operations, depending on recovery speed of Corona Virus containment and expected changes in economic output.
- Q1 net income grew by 14% and was not significantly impacted by Corona virus.
- Poultry segment contribution to profit growth remains high and we expect same trend to continue.
- Food service channel showing signs of stress however retail channel is rebounding.
- Cashflow generation remains strong and liquidity & funding plans are firmly in place to manage current environment, however Almarai is developing additional options to strengthen its balance sheet further.

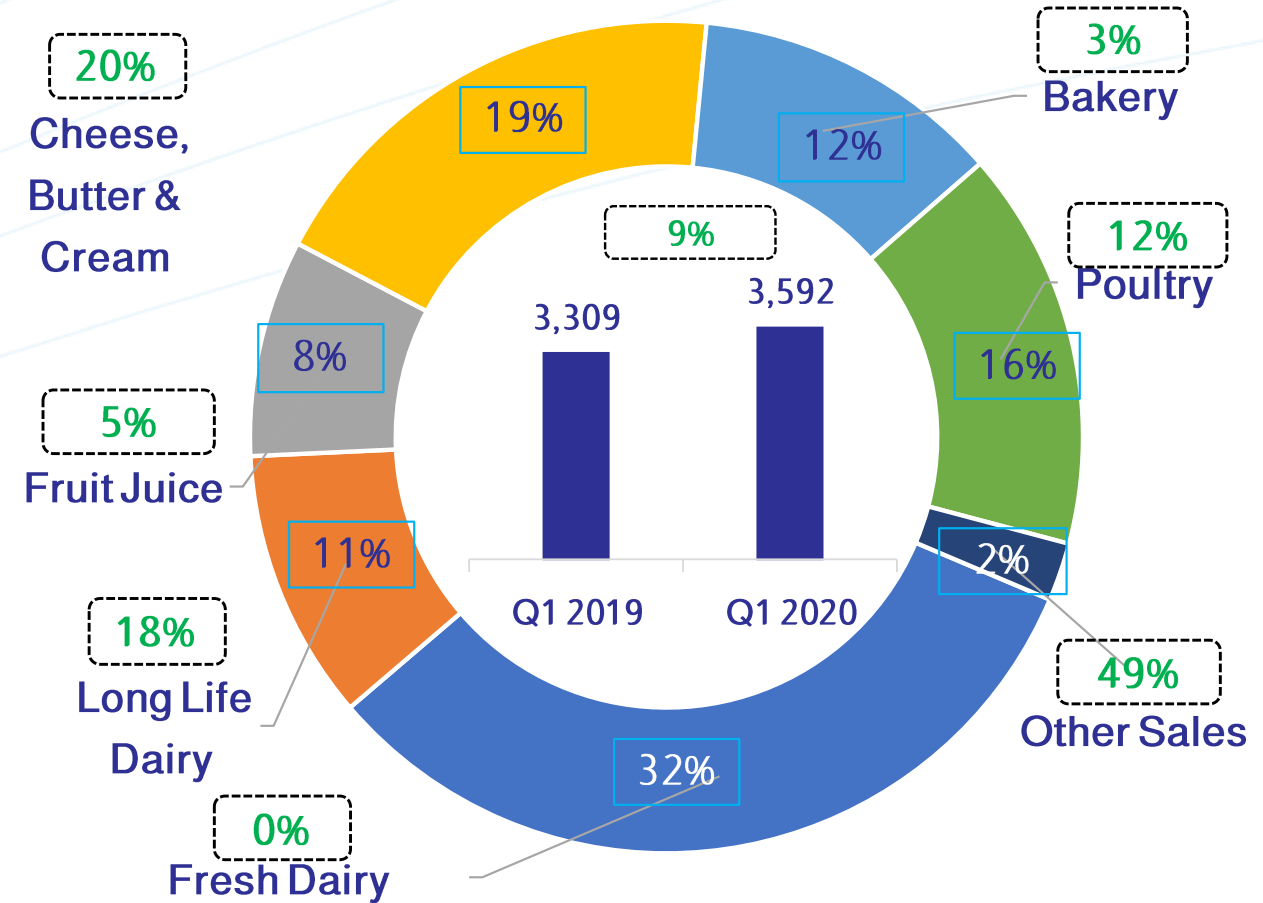
## Appendix

# All categories recorded positive results

## Revenue By Geography - SAR Million



## Revenue By Category - SAR Million

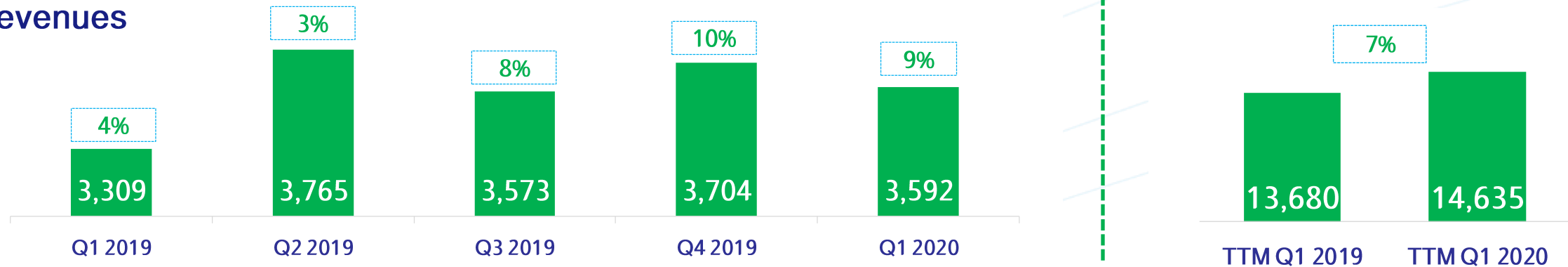


YoY % / (YoY%)

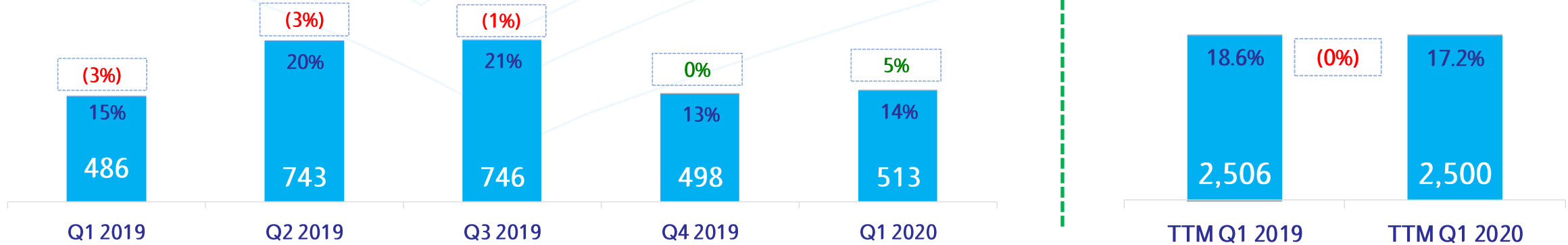
# Financial Performance – Quarterly trend

(SAR in Million)

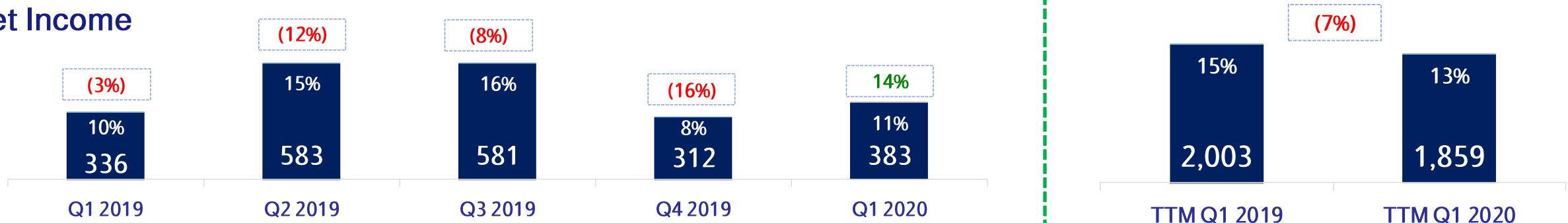
## Revenues



## Operating Profit



## Net Income



YoY % / (YoY%)

# Profit & Loss Statement – Q1 2020

SAR Million	1st Quarter				
	2019		2020		Change
Revenue	3,309	100.0%	3,592	100.0%	8.6%
Cost of sales	(2,145)	(64.8%)	(2,339)	(65.1%)	(9.1%)
Gross Profit	1,164	35.2%	1,253	34.9%	7.7%
Selling and Distribution Expenses	(565)	(17.1%)	(612)	(17.0%)	(8.3%)
General and Administration Expenses	(95)	(2.9%)	(100)	(2.8%)	(5.4%)
Other Expense, net	(16)	(0.5%)	(0)	(0.0%)	97.0%
Impairment (Reversal) / Loss on Financial Assets	(2)	(0.1%)	(29)	(0.8%)	(1,416.5%)
Operating Income	486	14.7%	513	14.3%	5.4%
Finance Costs - net	(126)	(3.8%)	(125)	(3.5%)	1.2%
Share of Results of Associates and Joint Ventures	0	0.0%	(2)	(0.0%)	0.0%
Profit Before Zakat and Income Tax	360	10.9%	386	10.8%	7.3%
Zakat and Foreign Income Tax	(23)	(0.7%)	(19)	(0.5%)	17.6%
Profit for the Period	337	10.2%	367	10.2%	9.0%
Profit Attributable to Non Controlling Interest	(1)	(0.0%)	16	0.4%	n.a.
Profit Attributable to Shareholders	336	10.2%	383	10.7%	14.0%
Earnings Per Share (Basic)	0.34		0.39		14.7%
Profit Attributable to Shareholders %	10.2%		10.7%		



# Balance Sheet – Q1 2020

SAR Million	Q1 2019	Q1 2020	Year on Year	
			Amount	%
Net Operating Working Capital	2,871	3,318	447	16%
Property, Plant and Equipment	23,271	23,087	(184)	(1%)
Biological Assets	1,369	1,386	17	1%
<b>Net Operating Assets</b>	<b>27,511</b>	<b>27,791</b>	<b>280</b>	<b>1%</b>
Goodwill and Other Assets	1,061	1,142	80	8%
<b>Net Capital Employed</b>	<b>28,572</b>	<b>28,933</b>	<b>360</b>	<b>1%</b>
Net Debt	12,618	12,306	(312)	(2%)
Others Liabilities	1,078	1,305	227	21%
Shareholders' Equity	14,240	14,724	485	3%
Non Controlling Interest	637	597	(40)	(6%)
<b>Net Capital Employed</b>	<b>28,572</b>	<b>28,933</b>	<b>360</b>	<b>1%</b>
Working Capital % of Net Sales	21%	23%		
Net Debt to Equity Ratio	85%	80%		
Net Debt to EBITDA	3.1	3.0		

# Cash Flow Statement – Q1 2020

SAR Million	Q1 2019	Q1 2020	Year on Year	
			Amount	%
Net Income before NCI	337	367	30	9%
Zakat & Income Tax	21	(36)	(57)	na
Depreciation/Amortization	513	517	4	1%
Working Capital	(283)	(600)	(317)	(112%)
Other Income & Share of Associate	3	6	3	121%
Employee benefits & Deferred tax	47	4	(44)	(92%)
Profit and Loss on Disposal	23	4	(19)	(84%)
Bank Charges & Currency Cost	120	122	2	1%
<b>Operating Cash Flow</b>	<b>782</b>	<b>384</b>	<b>(398)</b>	<b>(51%)</b>
Capex	(453)	(203)	250	55%
Appreciation	(153)	(142)	11	7%
<b>Investing Cash Flow</b>	<b>(606)</b>	<b>(345)</b>	<b>261</b>	<b>43%</b>
<b>Free Cash Flow</b>	<b>176</b>	<b>39</b>	<b>(137)</b>	<b>(78%)</b>
Treasury Shares	(5)	(245)	(240)	na
Bank Charges	(131)	(107)	25	19%
Operating Lease Payments	(30)	(28)	2	7%
Proceeds from Redemption of Time Deposit	-	585	585	na
<b>Financing Cash Flow</b>	<b>(130)</b>	<b>205</b>	<b>335</b>	<b>257%</b>
Currency Translation Adjustment	(5)	(5)	0	2%
<b>Net Cash Flow</b>	<b>40</b>	<b>239</b>	<b>199</b>	<b>492%</b>

# Results by Segment – Q1 2020

SAR Million	Dairy & Juice	Bakery	Poultry	Others	Almarai Consolidated
Q1 2020					
Revenue	2,520	433	558	81	3,592
Depreciation and Amortisation	(328)	(58)	(95)	(37)	(517)
Profit Attributable to Shareholders	272	59	73	(22)	383
Percent to Revenue of Profit Attributable to Shareholders	10.8%	13.7%	13.1%	n.a	10.7%
Growth versus Q1 2019					
- Revenue - 2019	2,334	421	500	54	3,309
- Revenue Growth % Over 2019	8.0%	2.8%	11.8%	49.3%	8.6%
- Profit Attributable to Shareholders - 2019	270	49	42	(25)	336
- Profit Attributable to Shareholders Growth % Over 2019	0.9%	20.9%	72.4%	14.0%	14.0%

# Thank you

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