

# Almarai Company

Interim results – 3<sup>rd</sup> Quarter 2017



Best Corporate for Investor Relations  
Saudi Arabia  
Almarai

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# Profitable growth continues amid challenging macro backdrop

- KSA food market transitioning from double to single digit growth
  - population growth rate continues to fall
  - ongoing squeeze on consumer incomes
- Almarai is responding to these challenges by seeking to optimise current capabilities and capitalise on its strong core in order to drive profitable and sustainable growth
- Almarai has managed its exposure to higher commodity prices and other macroeconomic changes through a robust cost rationalization program resulting in higher profits for the quarter and for the nine month period ended September 30, 2017.
- Almarai is currently on track to break even within the Poultry segment by end of year. The company has managed to increase profits as a result of better operational efficiency, higher sales and lower mortality rates.
- The company has improved its Free Cash Flows as a result of reprioritizing Capex spending.

# Delivered on Key Focus Areas



On track for positive revenue growth in poultry and key dairy segments of Laban and Zabadi



Delivered positive EBIT results for poultry segment for the second quarter in a row



Cost saving and rationalization program continue to deliver on expected benefits



CAPEX program reduction is in line with the revised 5 year plan vision



Key projects including alfalfa importation targets are running in line with expected delivery dates

# Solid Q3 YTD profit results underpinned by turnaround of Poultry

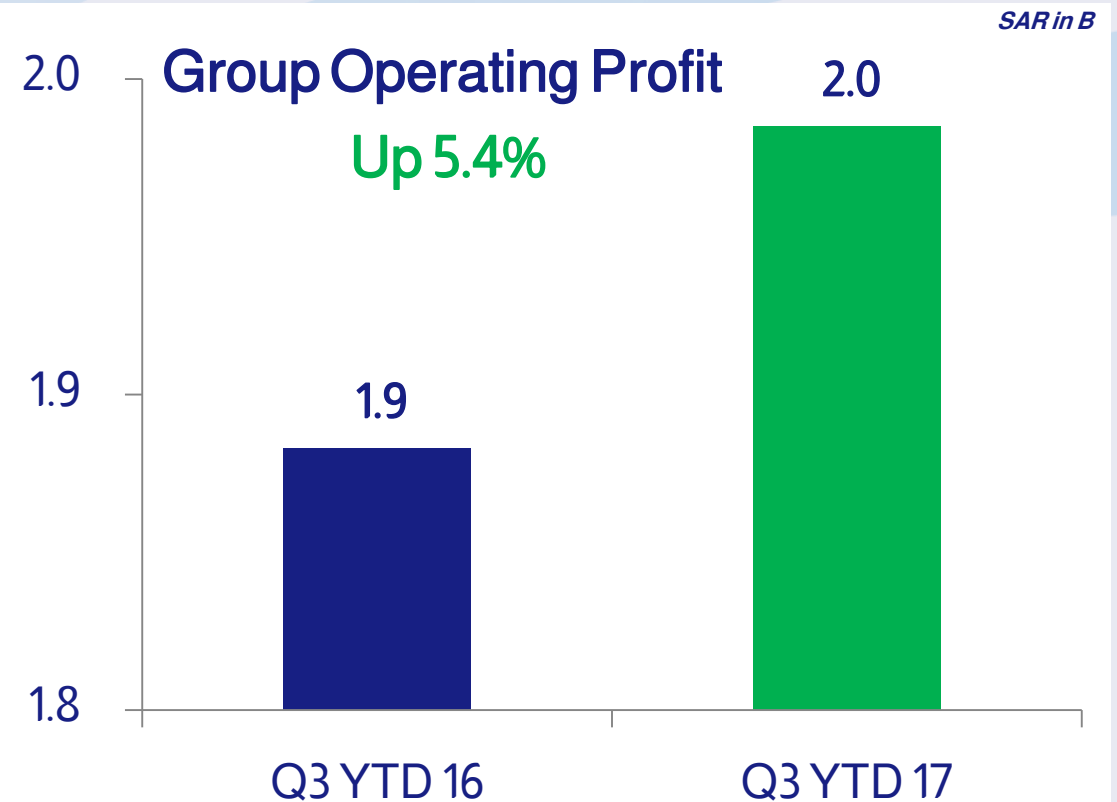
Group Turnover down 2.9% to SAR 10.5 billion

Group Operating Income up 5.4% to SAR 2.0 billion

Solid results in Dairy and GCC market

Weakness in Egypt, Export and GCC Juice market continue

Net Free Cash flow increased to SAR 0.6 billion



# Highlights for 2017 YTD

## Net Sales

2017  
SAR 10.5 Billion  
(2.9%) 

2016  
SAR 10.8 Billion

## Operating Income

2017  
SAR 2.0 Billion  
+5.4% 

2016  
SAR 1.9 Billion

## Profit Attributable to Shareholders

2017  
SAR 1.7 Billion  
+3.6% 

2016  
SAR 1.6 B

## Operating Cash Flow

2017  
SAR 3.1 Billion  
+3.4% 

2016  
SAR 3.0Billion

## Investing Cash Flow

2017  
SAR 2.5 Billion  
(31.6%) 

2016  
SAR 3.7 Billion

## Free Cash Flow

2017  
SAR 0.6 Billion  


2016  
SAR (0.7) Billion

## Employees

2017  
43.2K  
(2.3%) 

2016  
44.2 k

## Market Share

- Dairy - Higher
- Food - Stable
- Bakery - Higher
- Poultry - Stable

## New Products

14 New products launched ytd





# Sales Analysis by Product YTD

Total Net Sales	10,517
YTD 2017 vs 2016	(313)
%of Net Sales	(2.9%)



Net Sales By Segment	Dairy & Juice 7,985	Bakery 1,340	Poultry 1,072	Others 119
YTD 2017 vs 2016	(370)	(37)	108	(14)
%of Net Sales	(76%)	(13%)	10%	(1%)








(4.4%)

(2.7%)

+11.2%

(10.6%)











Net Sales By Product	 Fresh Dairy 4,361	 Long-Life Dairy 1,079	 Fruit Juice 1,212	 Cheese&Butter 1,334	 Bakery 1,340	 Poultry 1,072	 Other Sales 119
YTD 2017 vs 2016	(134)	(30)	(248)	42	(37)	108	(14)
%of Net Sales	(42%)	(10%)	(11%)	13%	(13%)	10%	(1%)

Growth In SARs (3.0%) (2.7%) (17.0%) +3.3% (2.7%) +11.2% (10.6%)

Note: All Amounts in Million Saudi Riyals



# Sales Analysis by Country YTD

Total Net Sales	10,517								
YTD 2016 vs 2017	(313)								
% of Net Sales	(2.9%)								
<div>↓</div>									
Net Sales By Region	<u>KSA</u> 6,987 ▮	<u>Other GCC Countries</u> 2,681 ▮					<u>Other Countries</u> 849 ▮		
YTD 2016 vs 2017	133	(114)					(332)		
% of Net Sales	66%	26%					8%		
<div><div>+1.9% ↓</div><div>(4.1%) ↓</div><div>(28.1%) ↓</div></div>									
Net Sales by Country	 <u>KSA</u> 6,987	 <u>UAE</u> 1,039 ▮	 <u>Oman</u> 554 ▮	 <u>Qatar</u> 326	 <u>Kuwait</u> 530 ▮	 <u>Bahrain</u> 233 ▮	 <u>Egypt</u> 467 ▮	 <u>Jordan</u> 218 ▮	<u>Others</u> 164 ▮
YTD 2016 vs 2017	133	16	12	(192)	36	14	(288)	4	(48)
% of Net Sales	66%	10%	5%	3%	5%	2%	4%	2%	2%
Growth in SARs	+1.9%	+1.6%	+2.2%	(37.1%)	+7.3%	+6.2%	(38.1%)	+1.8%	(22.8%)
Growth in Local Currency	+33.7%								

**Note: All Amounts in Million Saudi Riyals**



# Statement of Profit and Loss

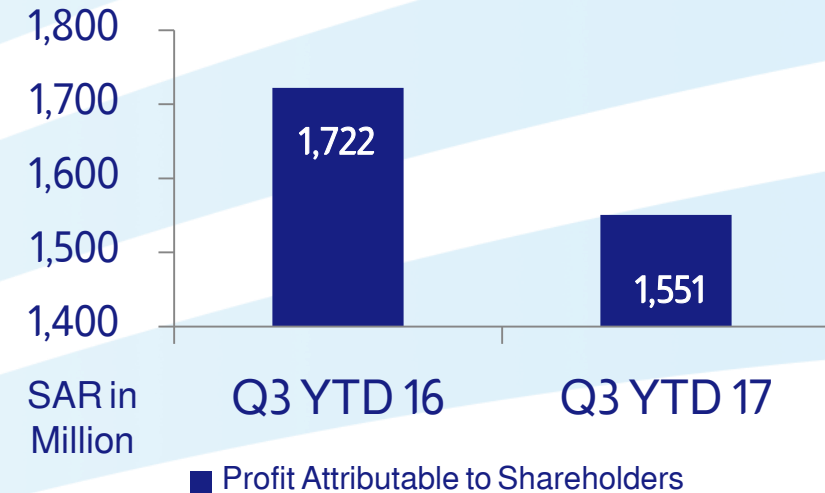
<i>SAR million</i>	<i>3rd Quarter</i>					<i>YTD 3rd Quarter</i>				
	<i>2016</i>		<i>2017</i>		<i>Change</i>	<i>2016</i>		<i>2017</i>		<i>Change</i>
Net Sales	3,530	100.0%	3,373	100.0%	(4.5%)	10,830	100.0%	10,517	100.0%	(2.9%)
Cost of sales	(2,045)	(57.9%)	(1,857)	(55.1%)	(9.2%)	(6,696)	(61.8%)	(6,268)	(59.6%)	(6.4%)
Gross Profit	1,485	42.1%	1,516	44.9%	2.1%	4,134	38.2%	4,248	40.4%	2.8%
Selling and Distribution Expenses	(654)	(18.5%)	(619)	(18.3%)	(5.5%)	(1,902)	(17.6%)	(1,836)	(17.5%)	(3.4%)
General and Administration Expenses	(86)	(2.4%)	(81)	(2.4%)	(4.7%)	(332)	(3.1%)	(304)	(2.9%)	(8.5%)
Other Expense, net	7	0.2%	(40)	(1.2%)	(705.2%)	(17)	(0.2%)	(123)	(1.2%)	626.2%
Operating Income	752	21.3%	776	23.0%	3.1%	1,883	17.4%	1,985	18.9%	5.4%
Exchange Gain / (Loss)	23	0.6%	(1)	(0.0%)	(103.6%)	35	0.3%	11	0.1%	(69.9%)
Finance Costs - net	(86)	(2.4%)	(97)	(2.9%)	12.7%	(254)	(2.3%)	(296)	(2.8%)	16.5%
Share of Results of Associates and Joint Ventures	3	0.1%	6	0.2%	85.3%	9	0.1%	4	0.0%	(60.8%)
Profit Before Zakat and Income Tax	691	19.6%	683	20.3%	(1.2%)	1,673	15.4%	1,703	16.2%	1.8%
Zakat and Foreign Income Tax	(17)	(0.5%)	(18)	(0.5%)	4.1%	(57)	(0.5%)	(51)	(0.5%)	(10.0%)
Profit for the Period	674	19.1%	665	19.7%	(1.3%)	1,616	14.9%	1,652	15.7%	2.2%
Profit Attributable to Non Controlling Interest	(10)	(0.3%)	2	0.1%	(119.5%)	(5)	(0.0%)	18	0.2%	(480.9%)
Profit Attributable to Shareholders	664	18.8%	667	19.8%	0.4%	1,611	14.9%	1,669	15.9%	3.6%
Earnings Per Share (Basic)	0.82		0.82			1.97		2.04		

# P&L By Segment

SAR Million	Dairy & Juice	Bakery	Poultry	Other Activities	Almarai Consolidated
Q3 YTD 2017					
Net Sales	7,985	1,340	1,072	119	10,517
Depreciation and Amortisation	(903)	(165)	(228)	(122)	(1,418)
Profit Attributable to Shareholders	1,551	221	(42)	(60)	1,669
Percent to Net Sales of Profit Attributable to Shareholders	19.4%	16.5%	(4.0%)	(50.1%)	15.9%
Total Assets	19,407	2,455	5,604	3,275	30,741
Growth versus YTD Q3, 2016					
- Net Sales	(4.4%)	(2.7%)	11.2%	(10.6%)	(2.9%)
- Profit Attributable to Shareholders	(10.0%)	(10.1%)	(83.2%)	(42.7%)	3.6%
Q3 2017					
Net Sales	2,570	437	328	38	3,373
Profit Attributable to Shareholders	613	68	(7)	(8)	667
Percent to Net Sales of Profit Attributable to Shareholders	23.9%	15.7%	(2.0%)	(21.1%)	19.8%
Growth versus Q3, 2016					
- Net Sales	(5.6%)	(6.5%)	18.2%	(39.8%)	(4.5%)
- Profit Attributable to Shareholders	(9.4%)	(27.5%)	(90.8%)	(77.3%)	0.4%

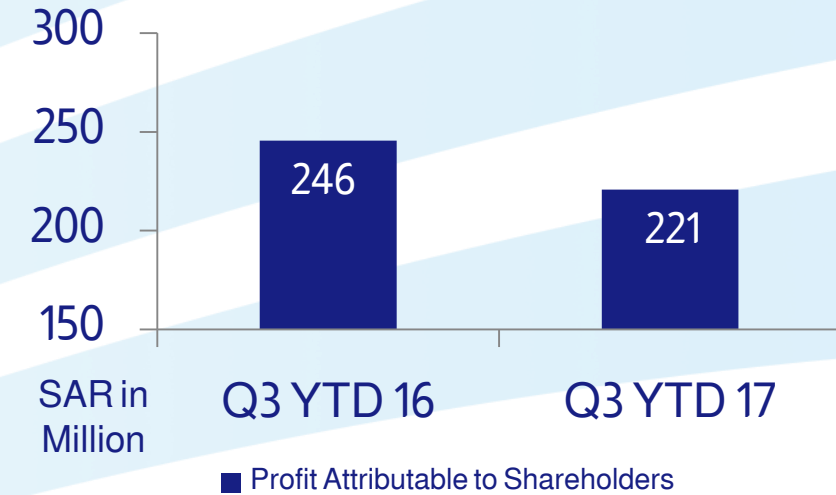
# Dairy & Juice

- Laban and Zabadi have continued to grow however fresh milk growth has stabilized
- Long life Dairy and Food has continued to performed strongly despite GCC economic condition
- Egypt devaluation impact accounts for nearly  $\frac{3}{4}$  of the revenue drop on a yoy basis
- Economic situation in the GCC since June had an adverse effect on the bottom line
- Higher cost of alfalfa is impacting profitability growth.



# Bakery

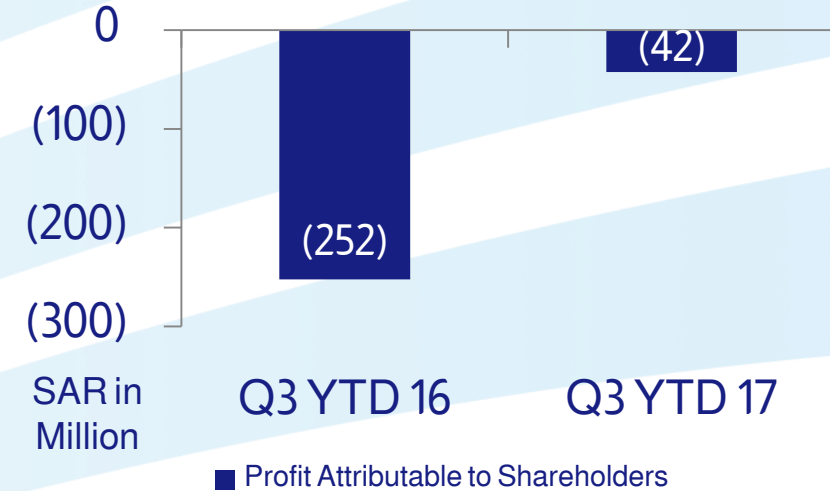
- Revenue growth has continued to declined due to GCC economic conditions
- Product revamp for key categories is underway
- Margin improvement supported by
  - Manufacturing efficiencies (mainly Hail plant)
  - Cost saving
  - Innovation



# Poultry

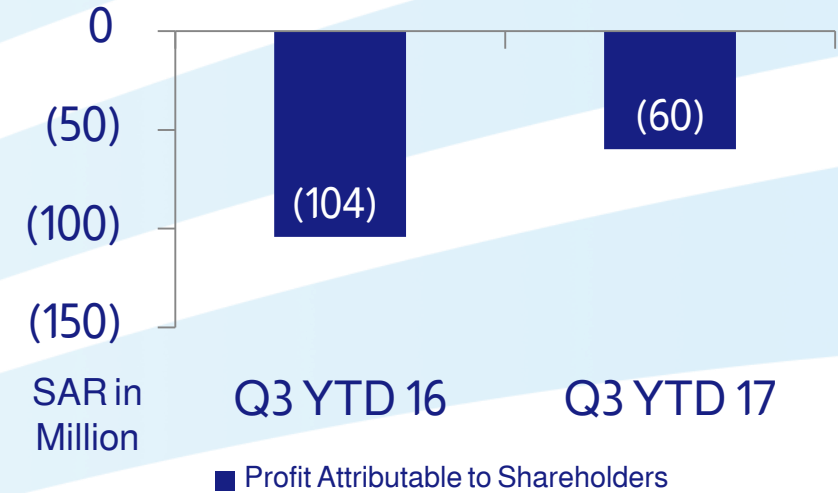
## Poultry segment was EBIT positive for the second quarter in a row

- Market situation remains stable, for both frozen and fresh poultry
- Revenue growth is driven by strong volume growth
- Poultry mortality continues to be within the target range for world best practice.



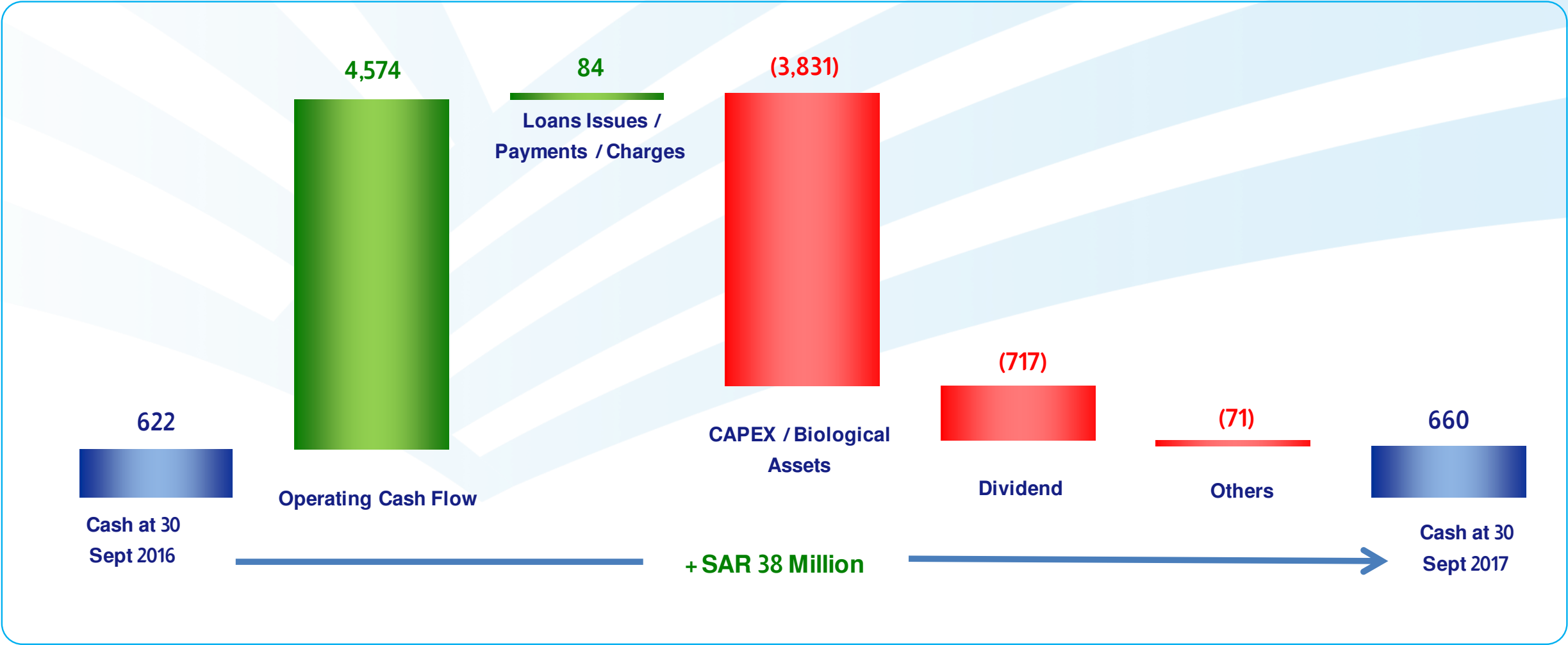
# Others

- Infant Nutrition losses are in line with existing business plan.
- Expansion of Alfalfa operations in both South and North America remains on track.
  - Arable operations remain on track to comply with 1<sup>st</sup> January 2019 deadline for 100% green fodder importation

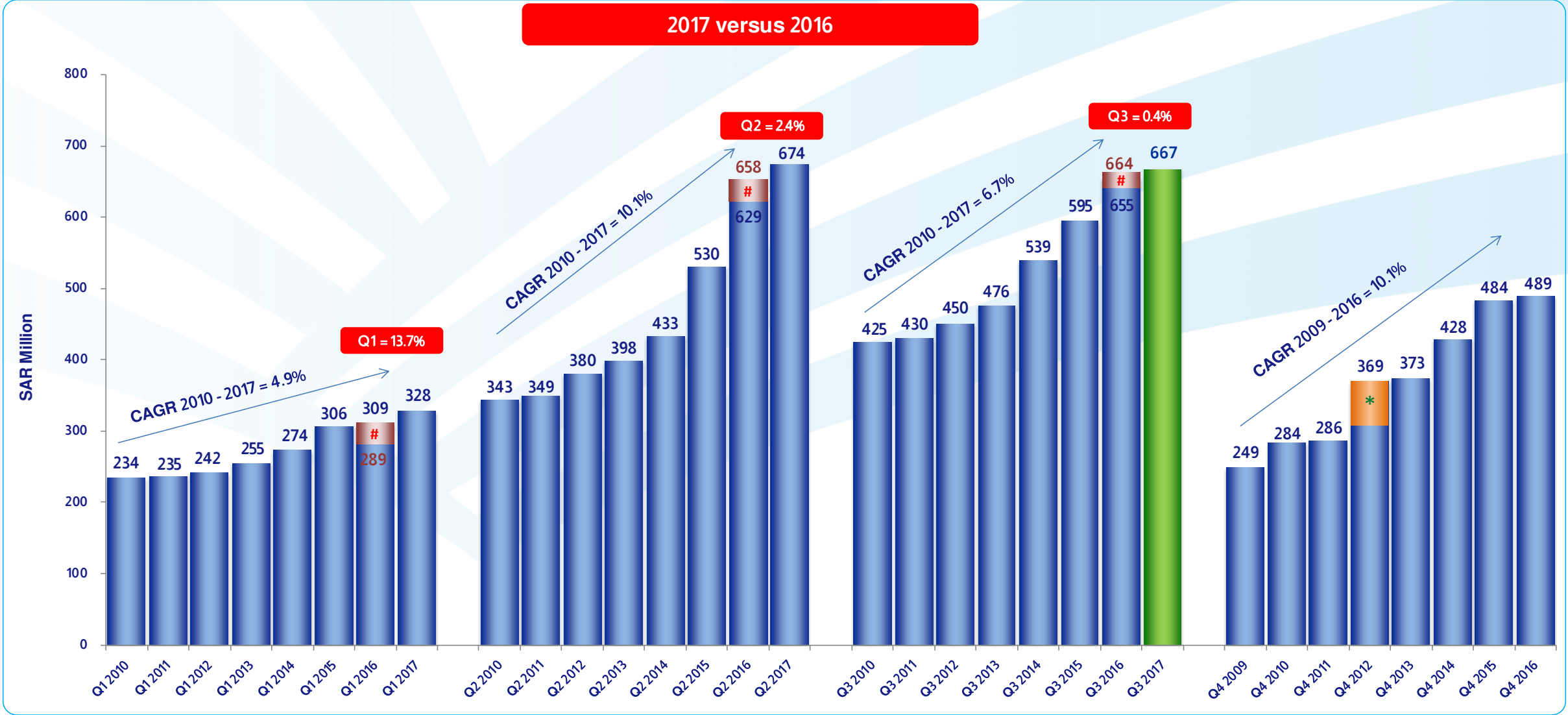




# Cash Flow Bridge – Rolling 12 Months

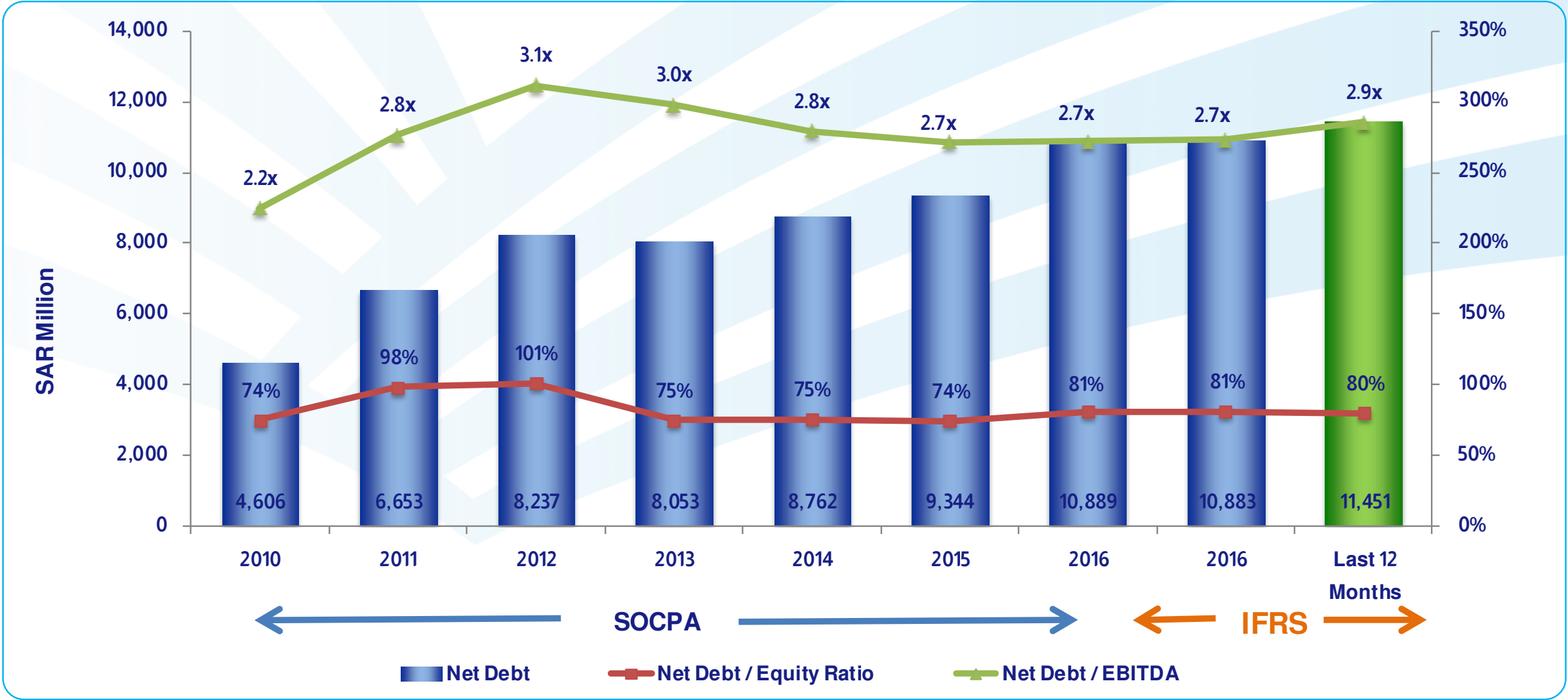


# Quarterly Performance – Net Income



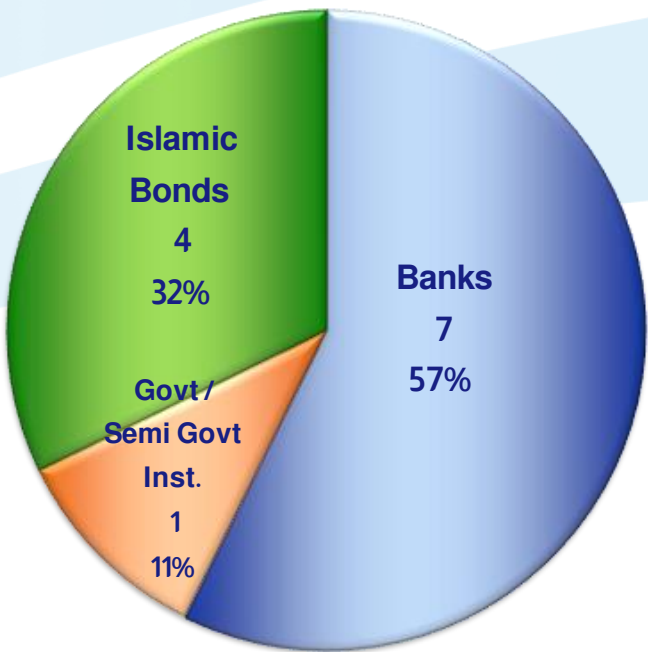
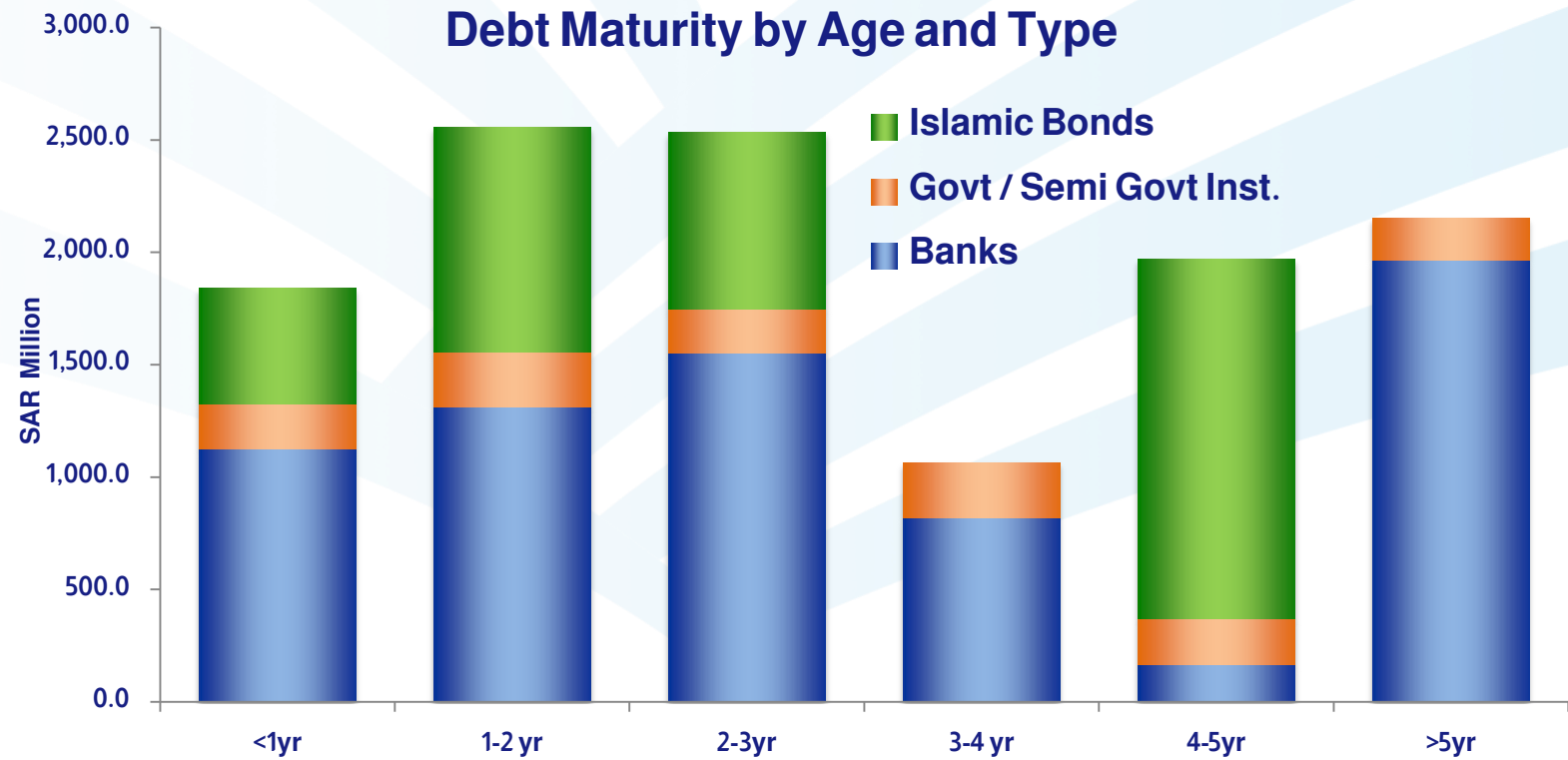
# IFRS revaluation adjustments  
\* Capital gain of SAR 47m in 2012

# Net Debt



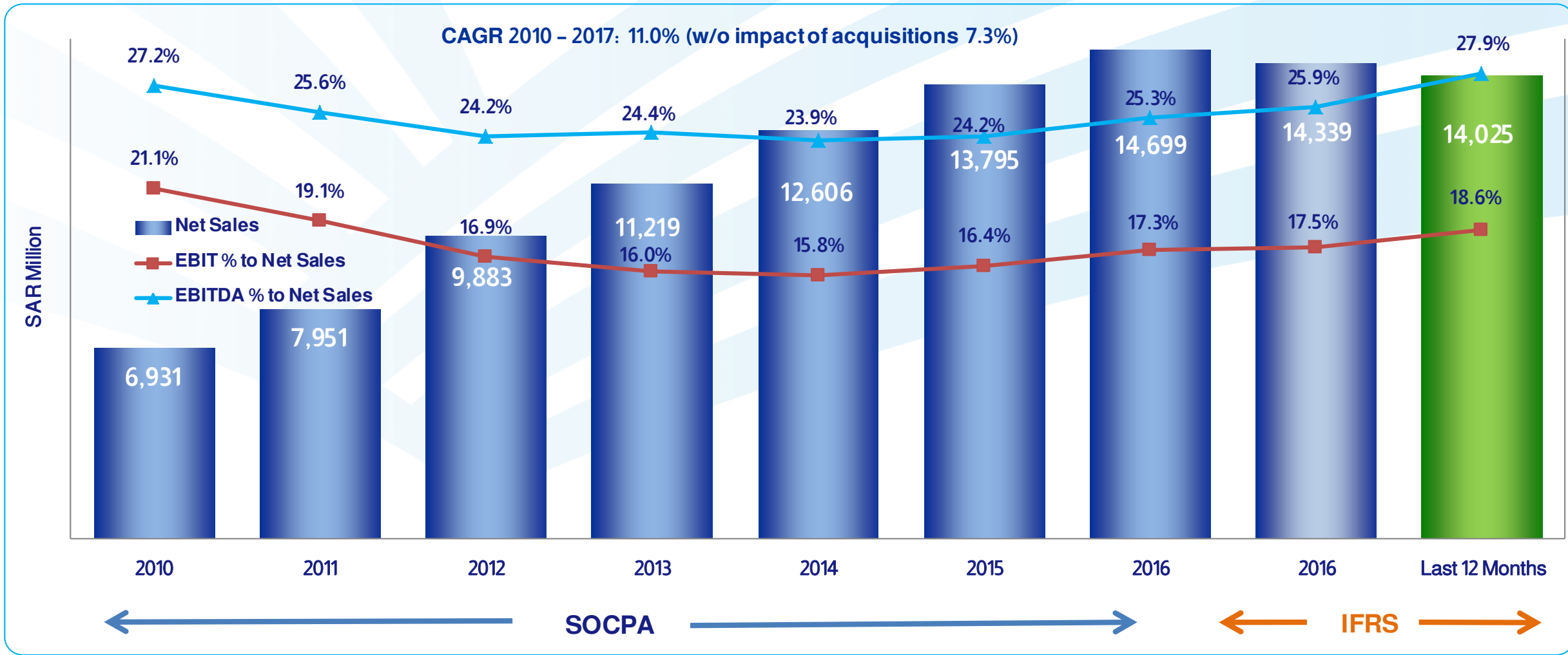
# Debt Profile

Debt Maturity by Age and Type



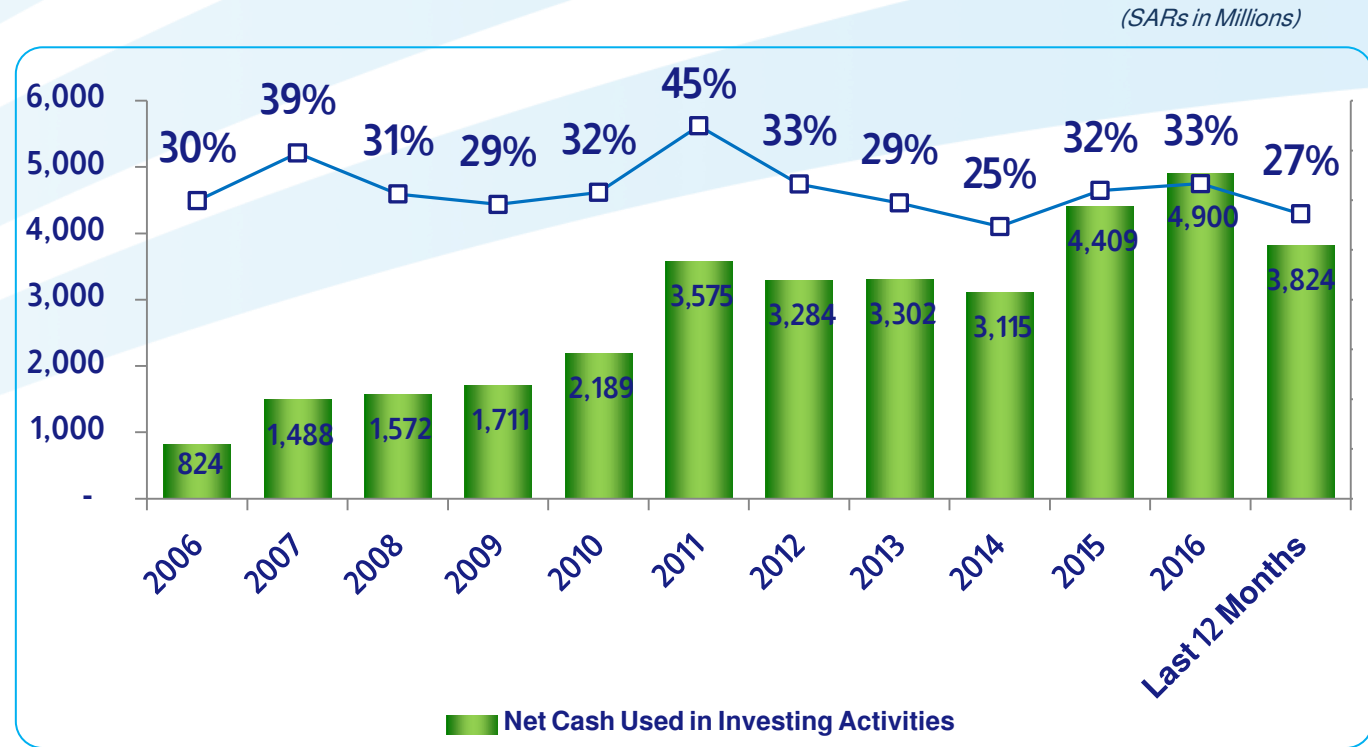
# EBIT and EBITDA margins continue their upward trend...

Net Sales, EBITDA and EBIT Evolution



# Investing Cash Flows continue the downward trend in line with revised 5year Business Plan

- CAPEX spend for the 3<sup>rd</sup> Quarter Year to Date 2017 was SAR 2.2 Billion.
  - Manufacturing and Farming spent CAPEX of SAR ~1.2 Billion for various capacity expansion projects.
  - Sales Depot, Poultry and Logistics expansion accounted for SAR ~0.6 Billion.
  - Replacement and other CAPEX including IDJ accounted for another SAR ~0.4 Billion.

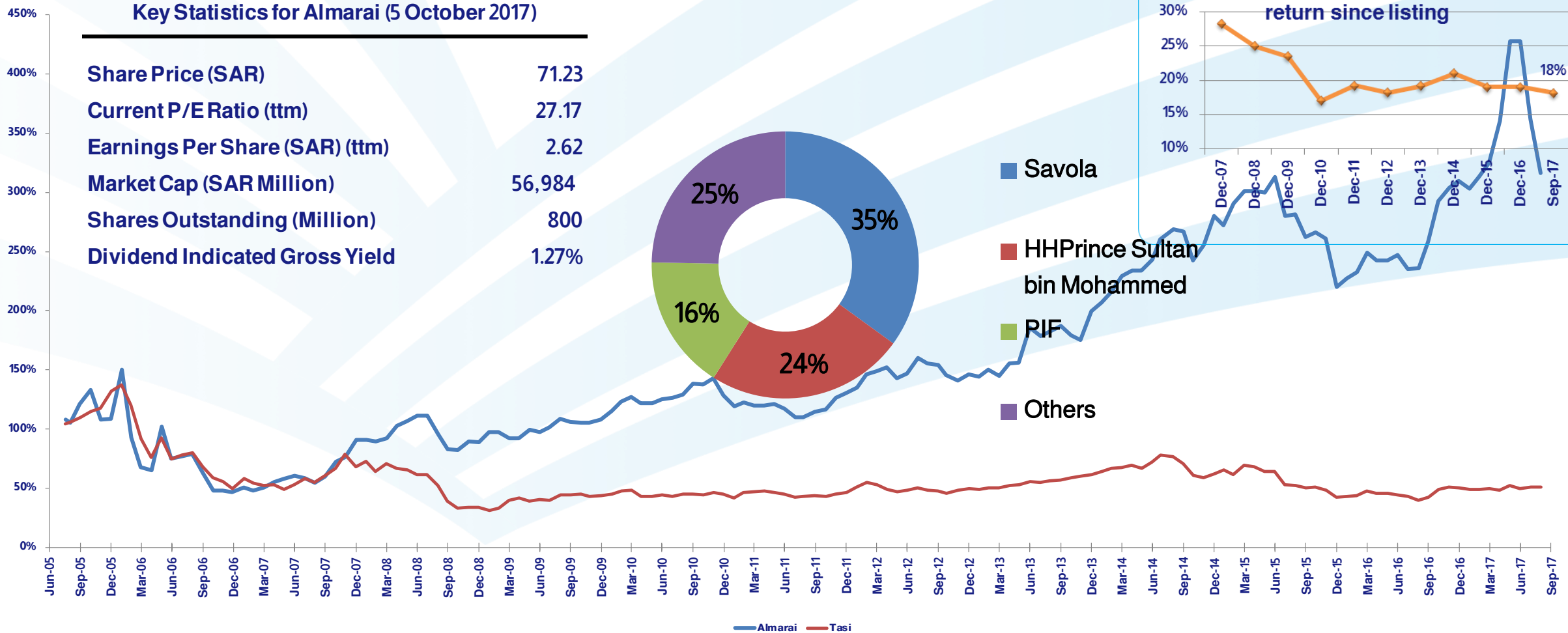




# Key Share Data

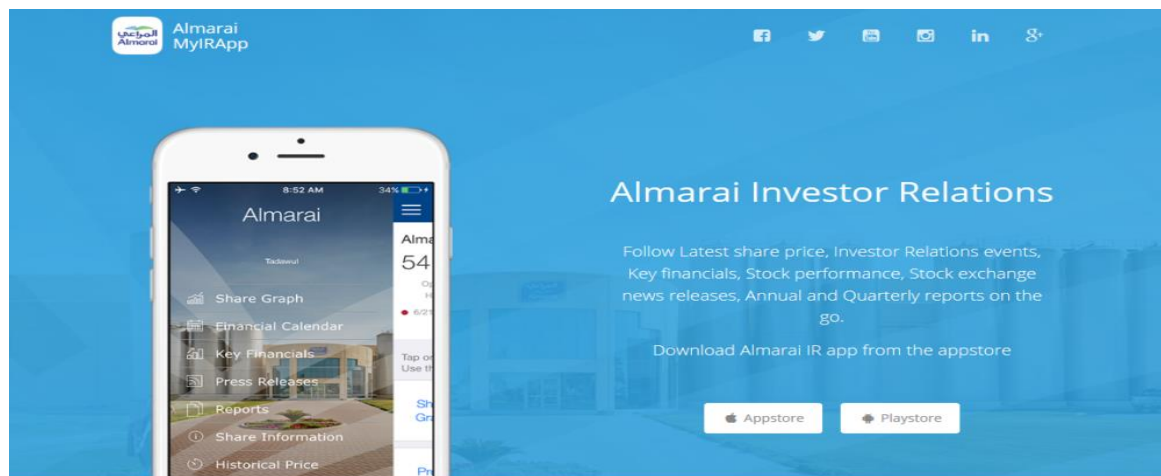
Key Statistics for Almarai (5 October 2017)

Share Price (SAR)	71.23
Current P/E Ratio (ttm)	27.17
Earnings Per Share (SAR) (ttm)	2.62
Market Cap (SAR Million)	56,984
Shares Outstanding (Million)	800
Dividend Indicated Gross Yield	1.27%



For Investor Relations matters please contact:

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QR Code for Almarai IR App.



**Thank you**