



# Earnings

P r e s e n t a t i o n

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## Business Environment

- ▶ In spite of the challenging environment, SADAFECO has been able to consolidate its position in a shrinking market, while continuing to deliver healthy returns
- ▶ The total Plain Milk market as well as UHT market continues to decline in value and volume terms (value declining at a higher pace than volume), yet SADAFECO market share in value terms has been resilient. However, market share of SADAFECO in volume terms has decreased vis-a-vis last year due to aggressive pricing and promotions from competitors
- ▶ For the first time in many years, Plain UHT milk volumes have surpassed those of fresh milk, with 50.8% market share (as of May'18)\*
- ▶ The Tomato Product market also continues to decline and SADAFECO's market share has also slightly declined vis-à-vis last year. However, in recent months SADAFECO's decline has slowed
- ▶ Ice Cream market is witnessing continued slowdown but SADAFECO is outperforming the category and is improving on both value and volume terms

## New Product Launches

### Crispy Salt & Vinegar



New flavor variant to bring excitement to the category in the flagship format (letters)

### Flavored Milk Chocolate 1Ltr



Introducing a different format targeting home consumption

### Organic Tomato Paste



To upgrade consumers to a more premium offering and to satisfy growing consumer interest in organic products

### Tomato Paste Sachet



Drive affordability with added benefits of more convenience and less wastage

## Recent Developments

### Acquisition of Mlekoma sp Z.o.o (POLAND)



SADAFECO acquires 76% in Mlekoma sp Z.o.o, a Poland based dairy company at an enterprise value of PLN 120mn through SADAFECO Poland, a newly formed 100% owned subsidiary of SADAFECO

# Business Highlights

## Financial Highlights

### Sales

**9.4%**

YoY

Q1'2018/19 :  
**SAR410mn**

Q1'2017/18 :  
**SAR453mn<sup>1</sup>**

### Net Profit

**35.2%**

YoY

Q1'2018/19 :  
**SAR50mn**

Q1'2017/18 :  
**SAR77mn<sup>1</sup>**

### Operating Cash Flow

**13.9%**

YoY

Q1'2018/19 :  
**SAR100mn**

Q1'2017/18 :  
**SAR117mn<sup>1</sup>**

## SADAFCO's Market Share<sup>2</sup>



**UHT Milk**  
**61.2%**



**Tomato Paste**  
**45.9%**



**Ice Cream**  
**25.0%**

**SADAFCO maintains its No. 1 position in UHT Milk, Tomato Paste and Ice Cream**

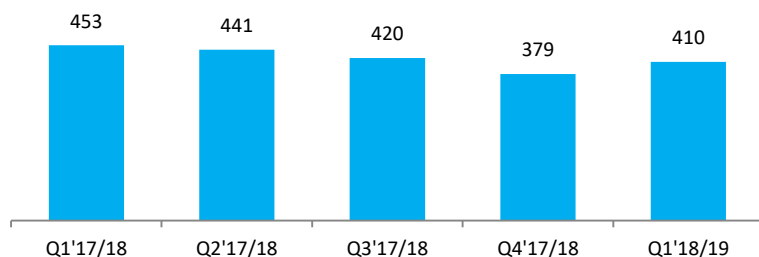
Source: Neilson Retail Audit May'18

Note:

1. Income Statement from FY'16/17 has been stated as per IFRS
2. MAT as of May'18

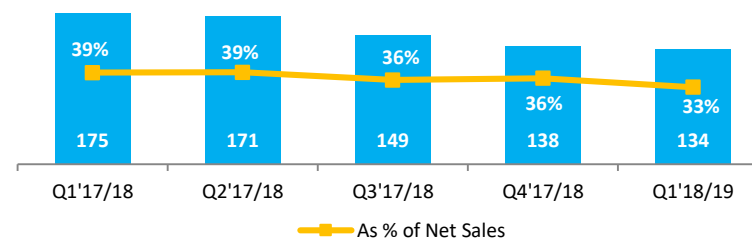
## Sales

SAR mn



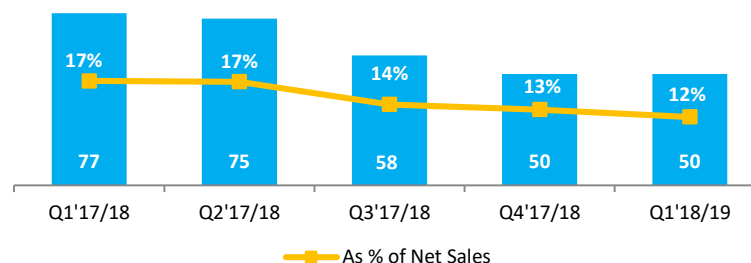
## Gross Profit

SAR mn



## Net Profit

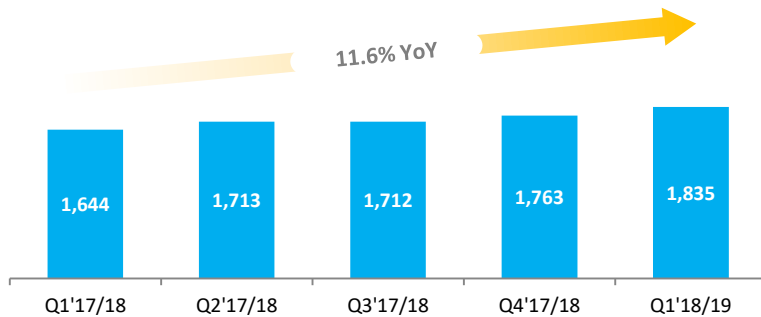
SAR mn



\* Income Statement from FY'16/17 has been stated as per IFRS

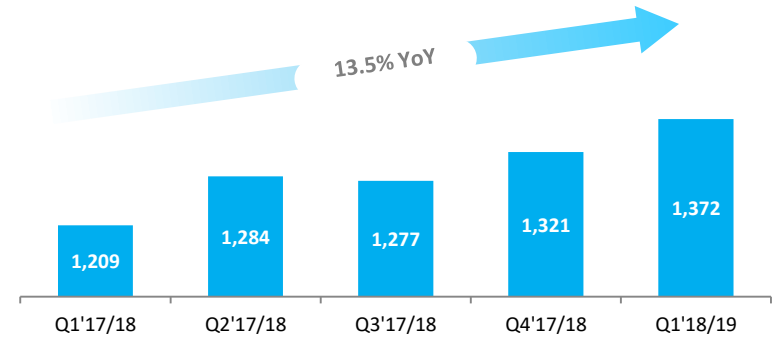
## Steady Asset Base...

SAR mn



## ...build by Internally generated funds

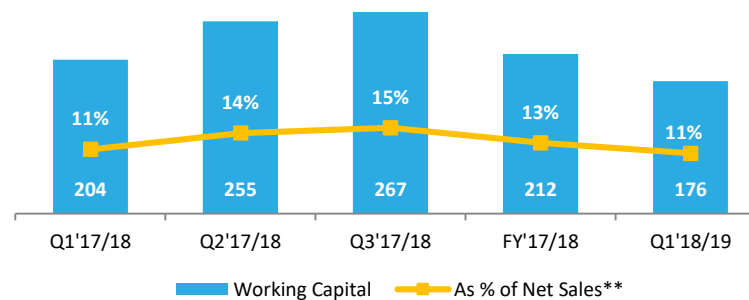
SAR mn



■ Shareholders' Equity

## Working Capital\*

SAR mn



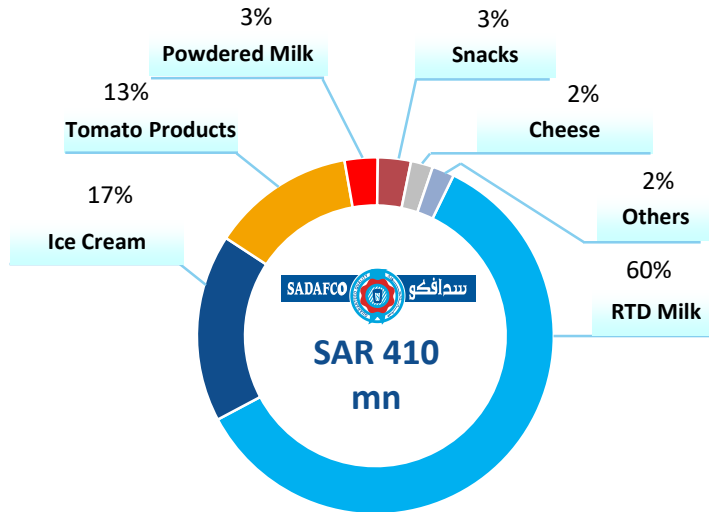
Note: \*Working Capital calculated as Current Assets net of Current Liabilities.

Current Assets: Accounts receivable + Inventories + Deposits, prepayments & other current assets




Current Liabilities: Accounts payable + Due to related parties + Accrued zakat + Dividend payable + Accruals & other current liabilities

\*\*Rolling 12-months net sales

## Revenue By Category

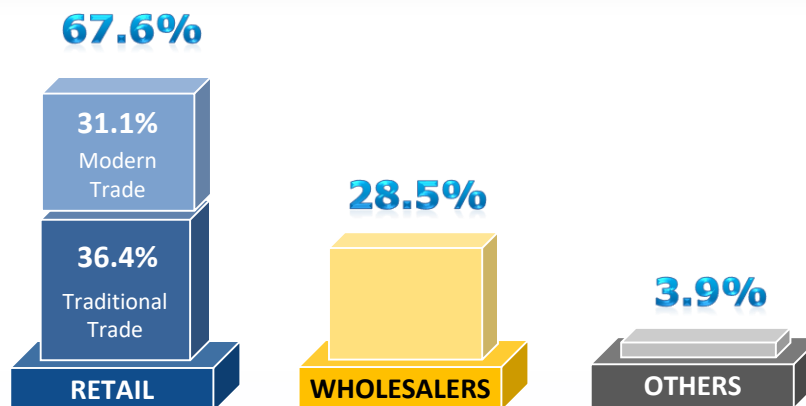


## Key Category - Sales

Categories	Net Sales – Q1'18/19 (SAR mn)	% y-o-y growth
 RTD Milk	246.6	-12.9%
 Tomato Products	53.2	-15.9%
 Ice Cream	69.1	5.8%

## Distribution Format

% of Net Sales Q1'18/19

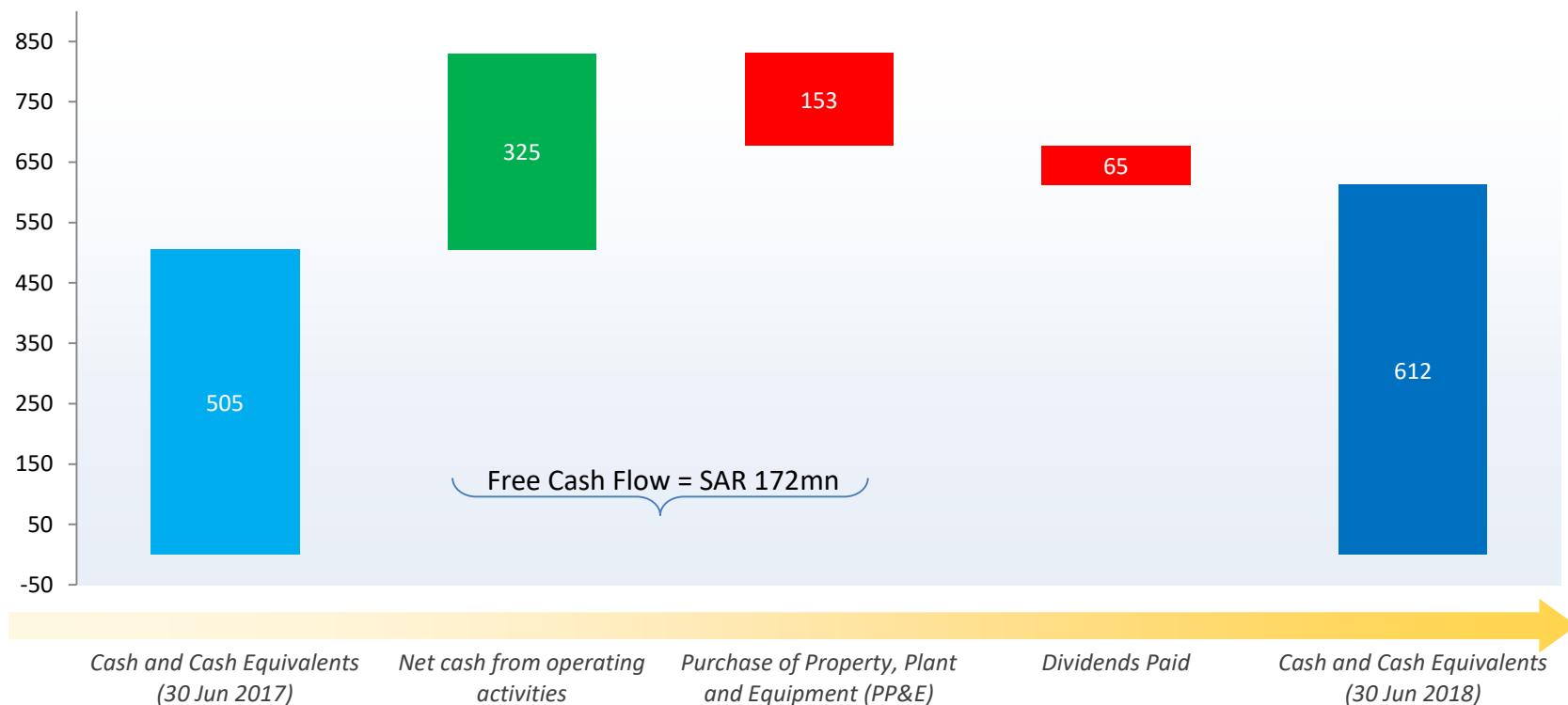


Traditional Trade & Wholesalers  
continue to dominate ...  
...with organised formats gaining  
importance

# Cash Flow Summary

## Cash Flow Bridge for rolling 12-months as of 30 Jun, 2018

SAR mn



**Annual General Meeting approved SAR 2 as final dividend to be paid in July'18**

Note: Does not depict other cash outflow of ~SAR1mn which includes non-controlling interest and effect of exchange rate fluctuations





*SADAFCO acquires 76% in Mlekoma sp Z.o.o, a Poland based dairy company at an enterprise value of PLN 120mn through SADAFCO Poland, a newly formed 100% owned subsidiary of SADAFCO. Mlekoma Group is engaged in production and trade of powdered, condensed and fluid products such as whole milk, cream, butter milk and owns 2 manufacturing plants in Poland*

## KEY HIGHLIGHTS:

- The purchase price has been agreed at an enterprise value of PLN 120Mln (Polish Zloty), equivalent to approximately SAR 120Mln to be settled by cash
- The results of Melkoma Sp z.o.o will be consolidated in SADAFCO's results from Quarter ending 30 September 2018

## Jeddah Central Warehouse

**Estimated Capex: SAR 145 mn**

Jeddah Central Warehouse provides an opportunity to manage the production growth efficiently through effective warehouse management. It would enable:

- Seamless flow of raw materials and finished goods
- Enhanced efficiency with improved rotation of stock
- Cost Savings and reduction in dependency on rented warehouses

**Construction in progress and completion expected during the year**





## UHT Milk

- UHT Milk– Whole, Low Fat, Skimmed, Gold Milk
- Flavored Milk
- Date Milk



## Frozen

- Ice cream
- French Fries



- Butter

## Cheese Products

- Feta Cheese
- Processed Cheese – Triangles



## Milk Powder

- Milk Powder – Instant



## Tomato Products

- Tomato Paste
- Ketchup
- Organic Tomato paste
- Fiery Ketchup
- Tomato Paste Sachet

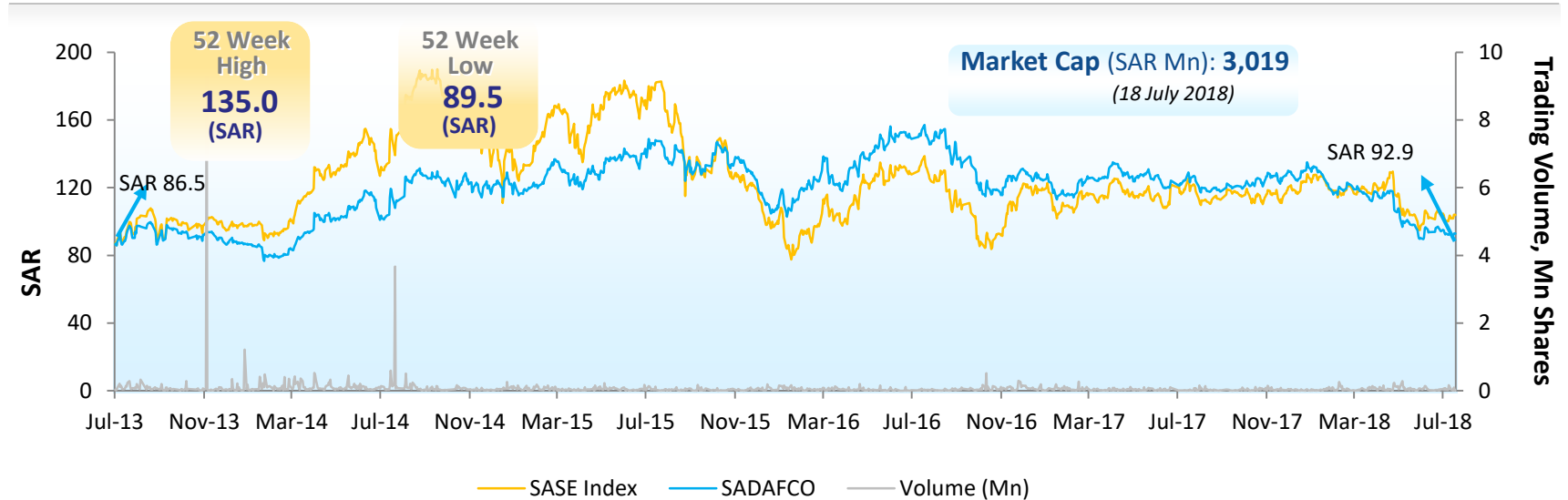


## Others

- Arabic Coffee
- Cream
- Majestique
- Laban
- Juices– Growing-up
- Soy Drink
- Jump
- EVAP
- Still Water
- Crispy

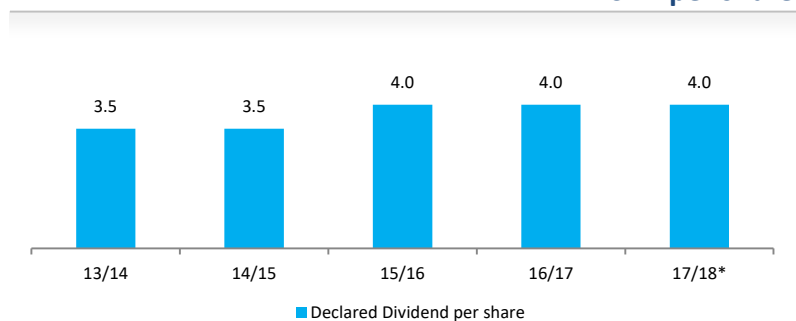


## Share Price Performance



Source: Bloomberg; SAR Saudi Riyal; SASE Index (Rebased to SAR 86.5 on 01 July 2013)

## Consistent Dividends



**Compounded Annual  
Return<sup>#</sup> of**

**5.7%**

over the last 5 years

Note: <sup>#</sup>Annualized Return calculated as sum of share price appreciation/depreciation and dividends paid during the period ending 30 June 2018, assuming no reinvestment of dividends

\* Interim dividend of SAR 2/ share had been declared in Dec'17. The Board also declared an additional dividend of SAR2/ share resulting into a total of SAR 4/ share for the full financial year.



*The previously flagged headwinds which have impacted across most FMCG categories, in addition to those mainly driven by the **glut of fresh milk** in Saudi Arabia, continue to frustrate efforts to return to sales growth.*

*We remain committed to striving to **deliver profitable sales**, ensuring our **market share metrics remain strong** and **investing behind our Saudia brand**, so it continues to retain its position in a very competitive environment.*

*We continue to deliver **industry leading returns**, albeit lower than those that we previously signalled were unsustainable.*

*Looking forward, as the domestic fresh milk glut is consumed, we believe that the actions we have taken, will ensure both our brand and our organization are well positioned to deliver growth of both top and bottom lines.*

*The company maintains a **healthy cash position of SAR 612 million** with zero leveraging. As ever, we remain active in **scouring through various M&A opportunities**, to utilize some or all of this cash, in order to drive **enhanced future shareholder returns**, on top of those delivered organically.*