

Q2 and H1 2023 Earnings Conference Call



1 August 2023



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🌾 **Key Highlights**

🌾 **Market Overview**

🌾 **Financial Performance**

🌾 **Way Forward**

🌾 **Q&A**

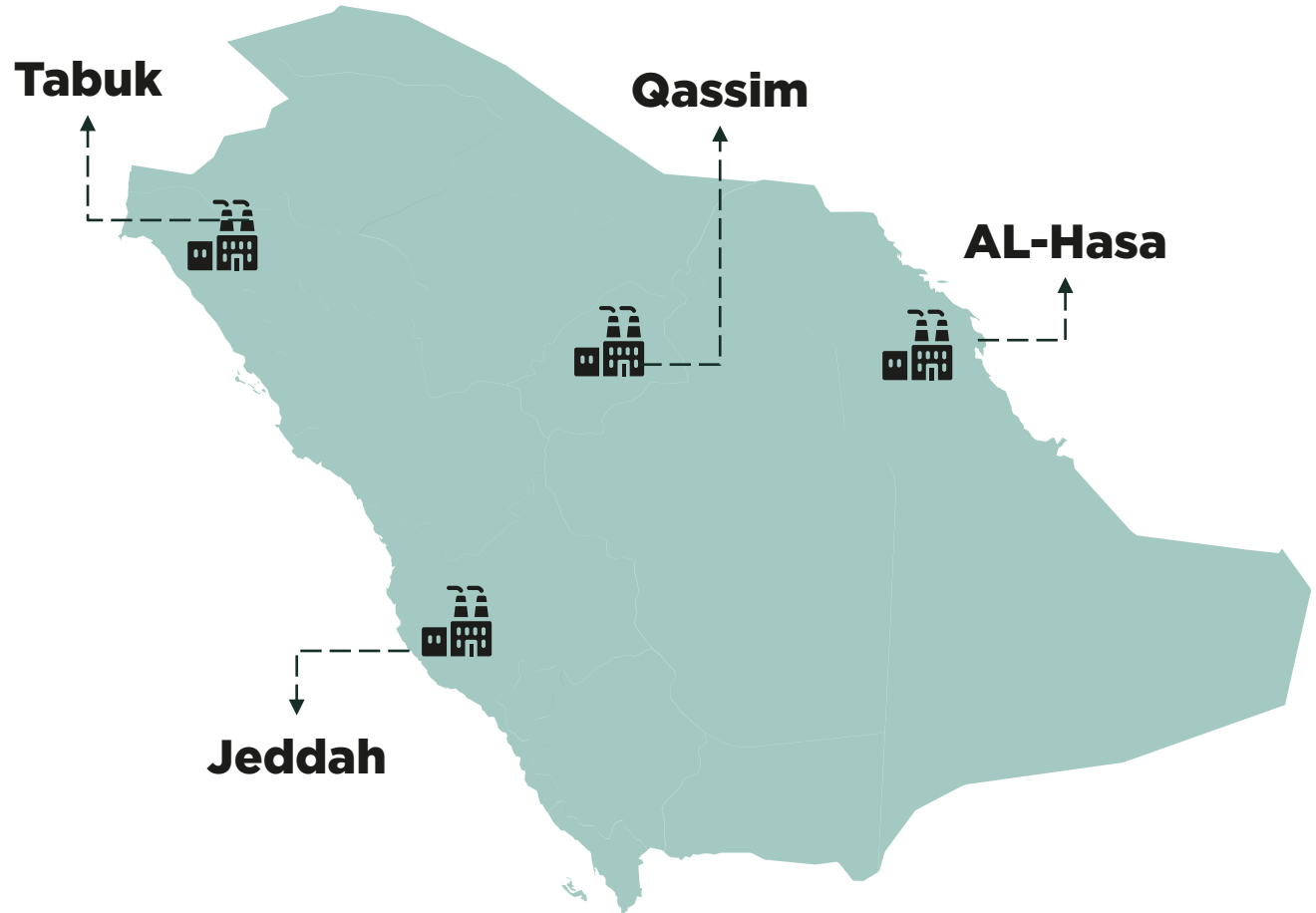


Key Highlights



We are the
market leading Saudi
milling company engaged
in the production of high-
quality flour, feed, bran,
and diverse flour
derivatives

We operate
four large capacity mills
strategically located to
cover all major regions of
the Kingdom



H1 2023 Key Highlights

Financial

- **H1 EBITDA** stood at SAR 165.9 mln and is in line with last year's SAR 166.1 mln.
- **H1 Net Profit at SAR 108.7 mln**, lower than LY SAR 133.7 mln due to interest costs post merger.
- **Robust Q2 Free Cash Flow** standing at SAR 120 mln and conversion rate at 73%.

Commercial

- **H1 sales grew** by **4.5%**, vs last year.
- **Flour sales** increased by 7% in H1 year on year
- **Feed sales** declined by 14% YOY in H1 due seasonality.
- **Bran** recorded a growth of 31.9% in H1 last year.

Operations

- H1 **capacity utilization at 99%** increased **+4%** vs last year.
- Successfully commissioned a **Premix Line** and **Pesa Mill** with **(150 tons wheat milling capacity per day)**

Strategy

- Enhancing market leadership and **winning in B2B channel** and **Small packs**.
- **We are on track** with our key **projects** that enables us to create an outstanding products and services.
- We are improving our **efficiency** (e.g., capacity) and creating a distinguished operational framework





Market Overview

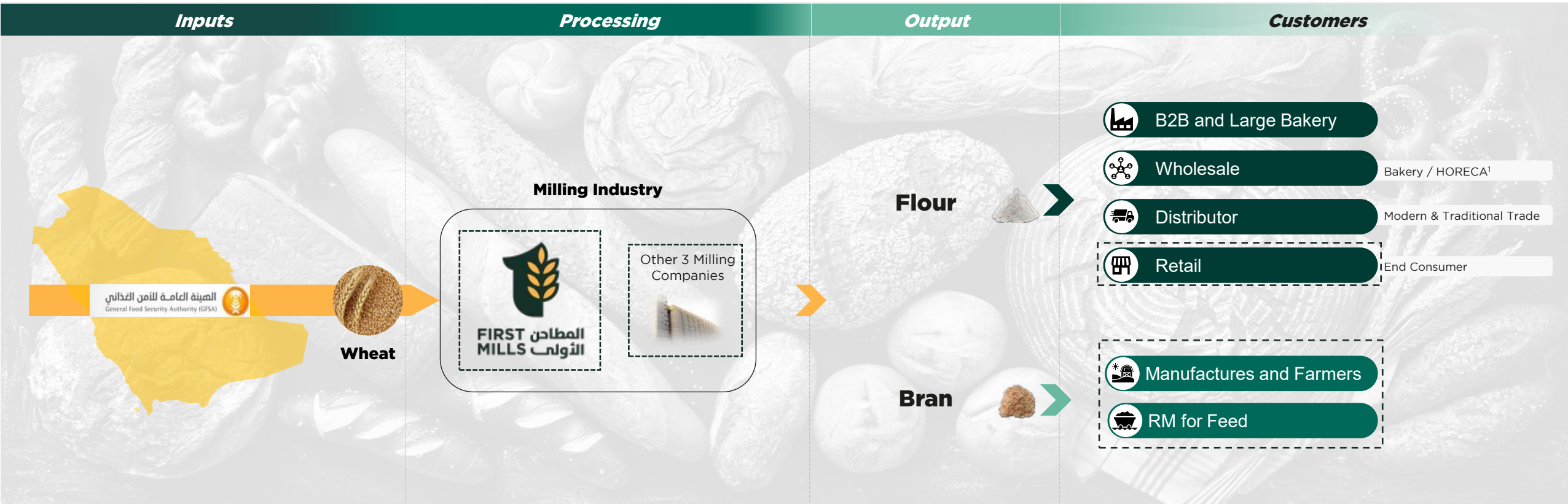


Value Chain in the Flour & Bran Markets

2

Wheat & Flour Market in Saudi Arabia

A well-regulated and subsidized flour industry with limited market players and fragmented customer base



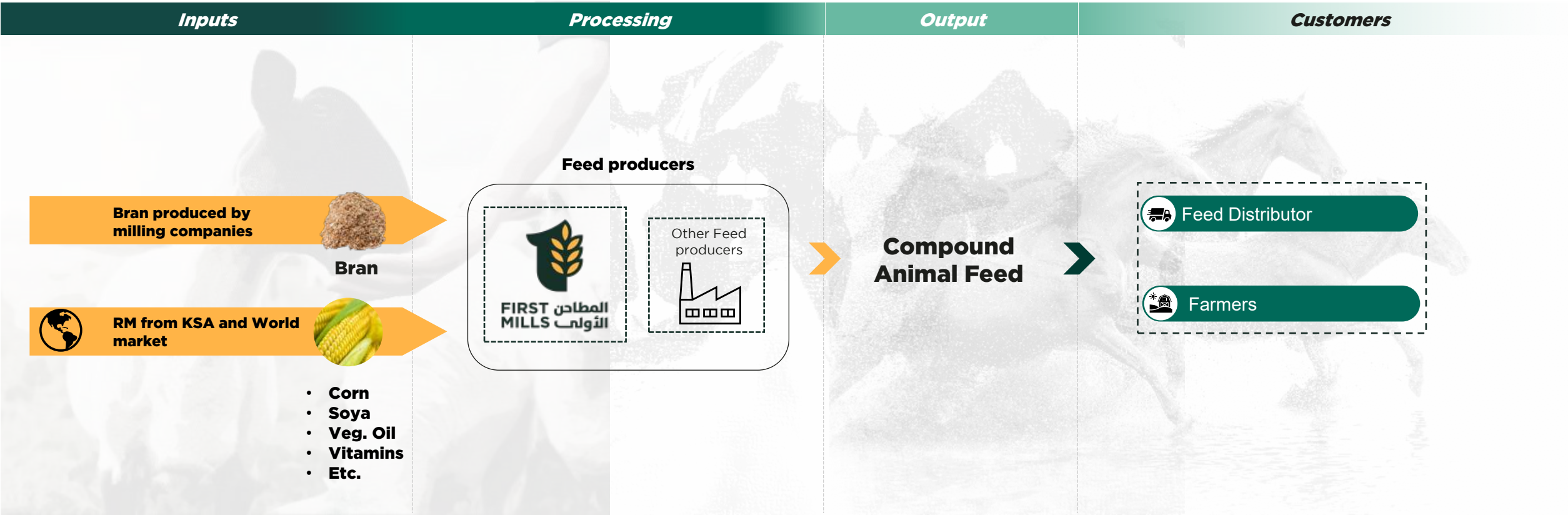
Free Market

(1) HORECA: Hotels, restaurants and cafes
Source: Euromonitor International Economies Consumers database, 2022 edition



Value Chain in the Compound Animal Feed Markets

An open market in the feed industry, with limited players and fragmented customer base



Free Market



Strengthening Aloula Brand Equity



Launch of Aloula campaign

“Yours is Better” driving the baking culture in KSA



Shelf
Branding



In-store
Sampling



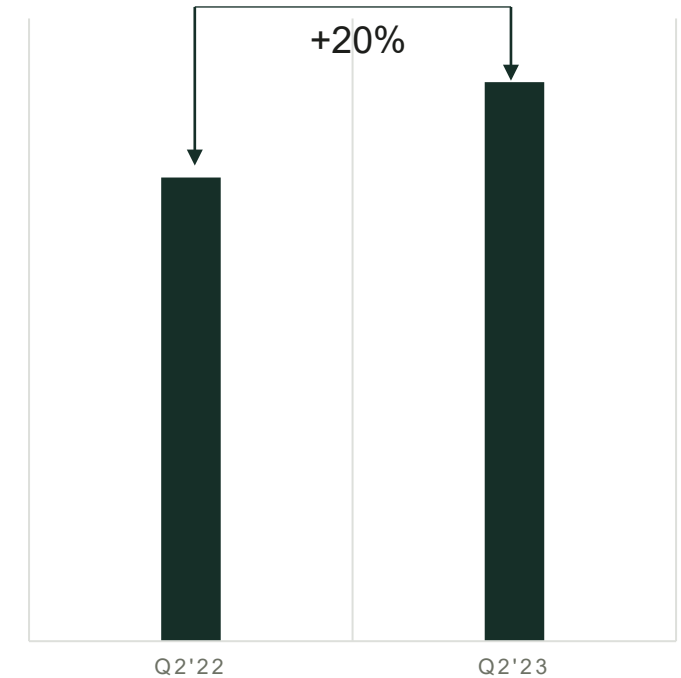
In-mall
Activation

Activation of Aloula ambassador

A strategic collaboration with one of the top chefs in the region



Retail segment posting double digit growth driven by the flagship Aloula brand



Upgrade our Feed as premium product & Invest in customer service

Launched Nafaa Feed Brand



Launched customer care centre



Continued Efforts To Enhance Our Corporate Identity

Saudi Bakery Jeddah Kick-off



The Saudi Food Show Exhibition



First Mills Introductory Film "Quality is First"



Impressions – 14M
Views – 2.4 M
Engagement - 72,144



Continuing our journey of making a meaningful impact on talented aspiring individuals, with Saudi Bakery program now in Jeddah city



Amplifying First Mills leadership position in the largest Food exhibition in KSA



Strengthening First Mills Corporate Awareness

Saudi Bakery program contribute back to society

The Saudi job market is currently expanding and is need for future skilled individuals to contribute and keep up with 2030 vision.

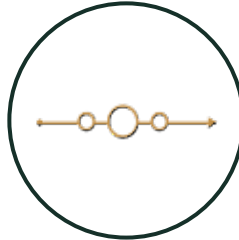
Saudi Bakery Program aims to train and qualify passionate Saudi dreamers who are either looking for jobs or have a limited income, to eventually open their own Bakery.

End results will help turn social security beneficiaries into contributors to the Saudi economy, and builds a healthy cycle of opening business & providing jobs for others in the bakery field.

Outcome



- Opening a business.
- Accredited certification.
- Hiring.



- 1 Year.
- One city each quarter (100-150 candidate).
- One month for each patch.



- Riyadh.
- Jeddah.
- Dammam.



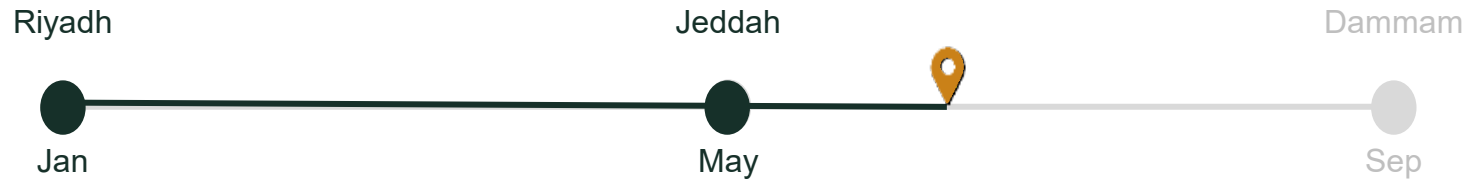
- **400** Candidate:
- Social security beneficiaries.
- Job hunters.



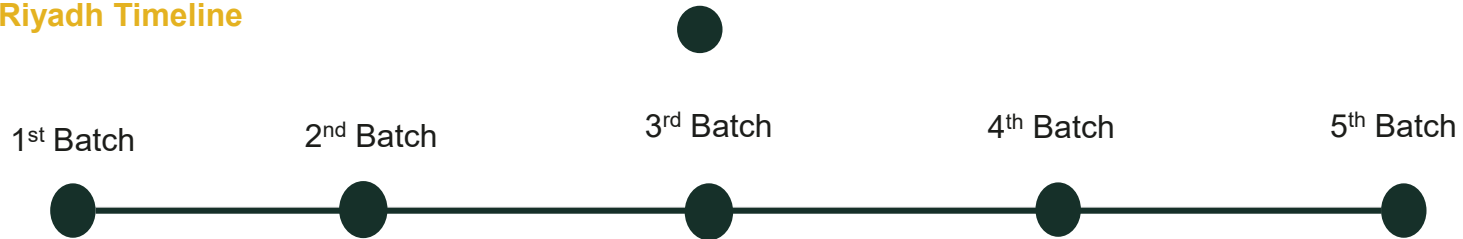
Phase #1 has been completed in Riyadh
Phase #2 has been started in Jeddah

Riyadh Results

Full Program Timeline



Riyadh Timeline



Financial Performance

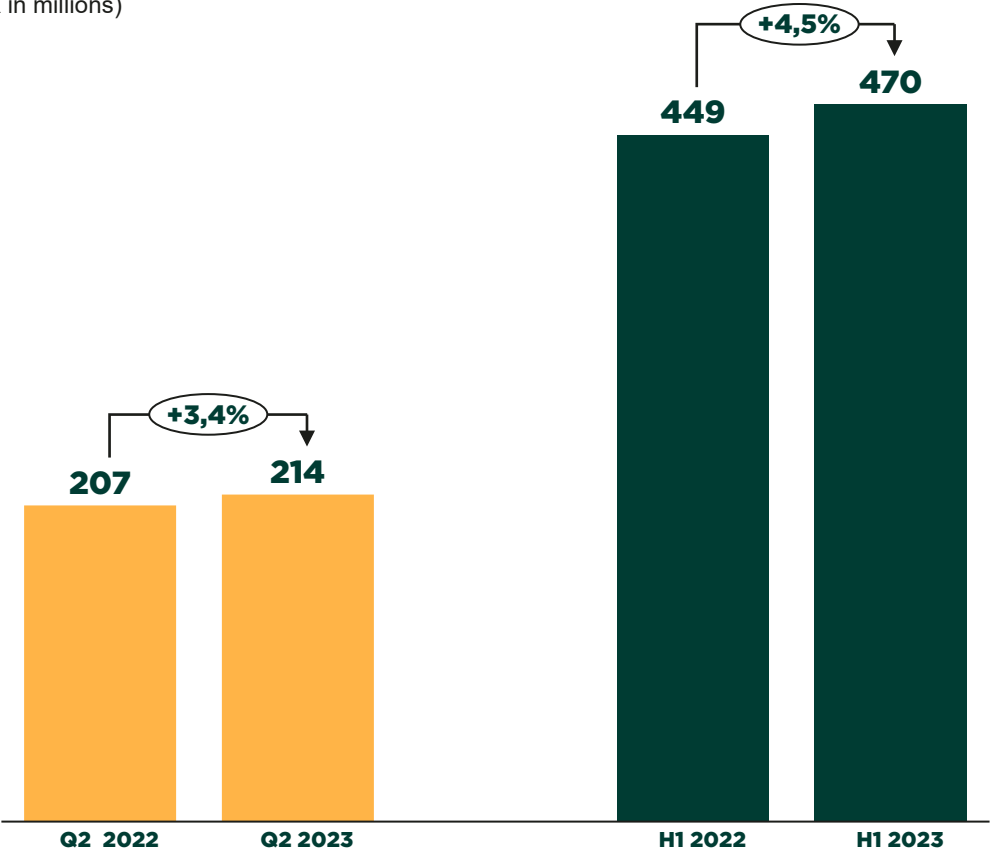


Sustained Financial Performance that is Outperforming the Market

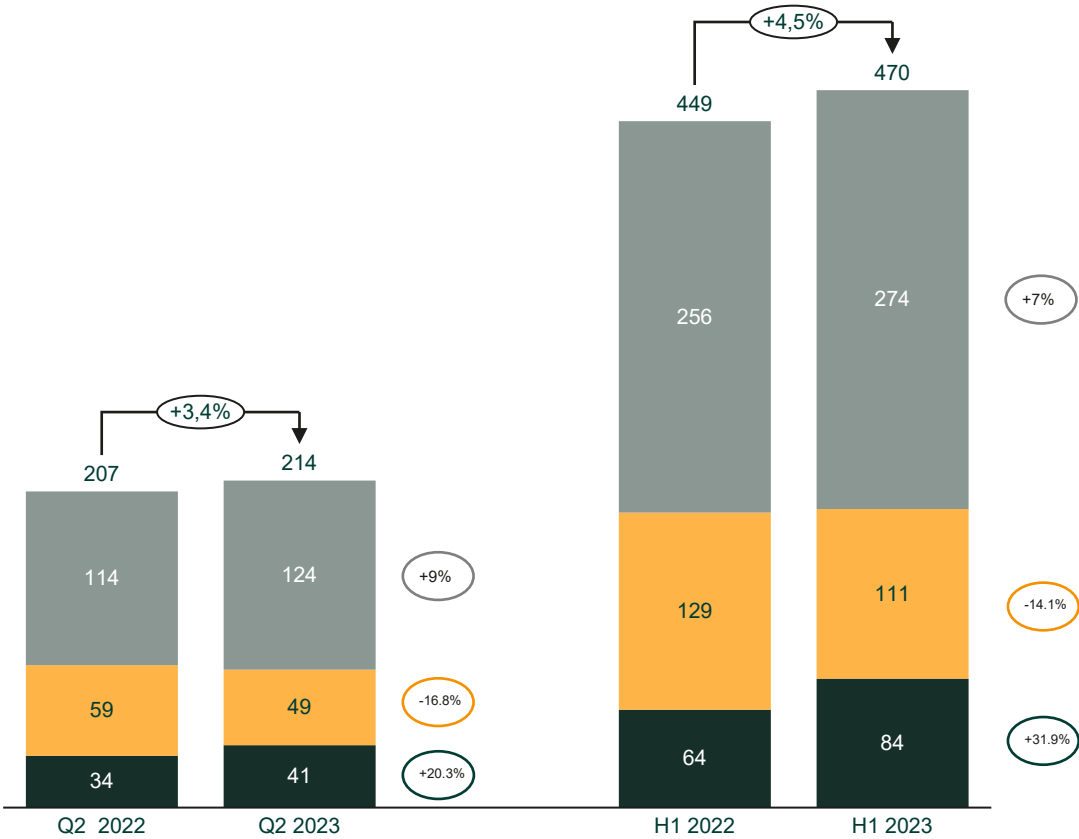


Revenue

(SAR in millions)



Revenue by Category



Flour Feed Bran

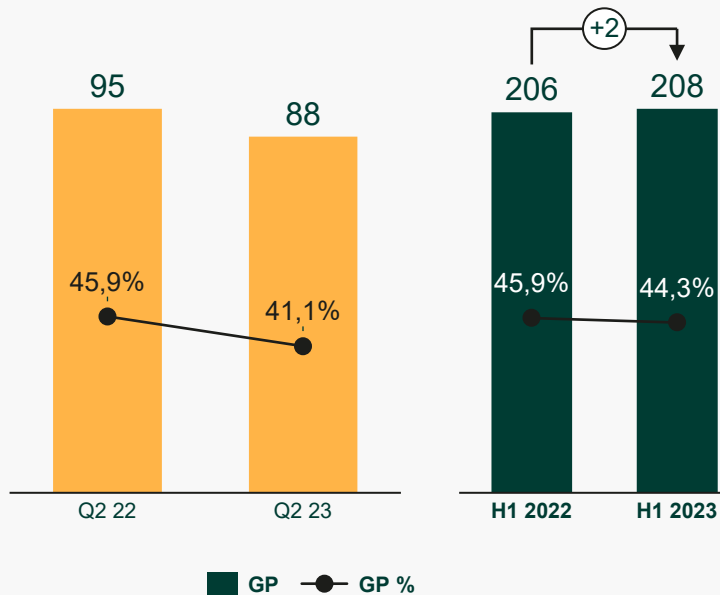
Q2/H1 2023 Solid Double Digits Margins Reflecting Healthy Financial Performance



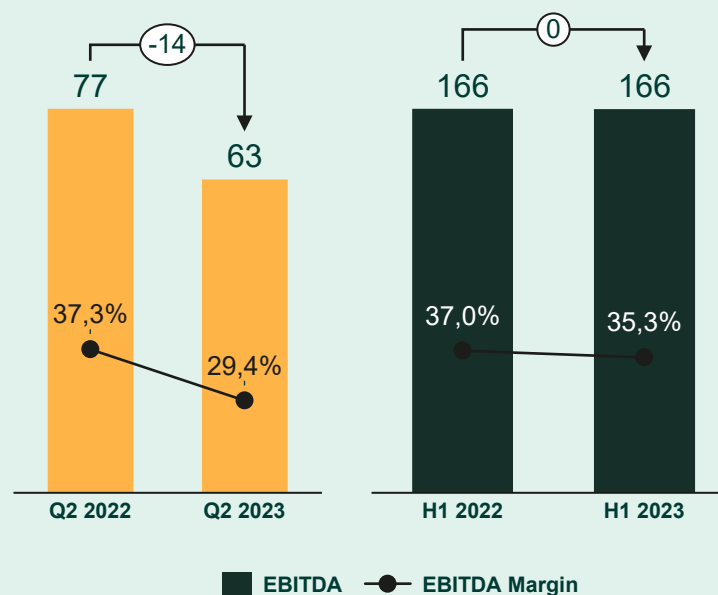
(SAR in millions)

Profit & Loss

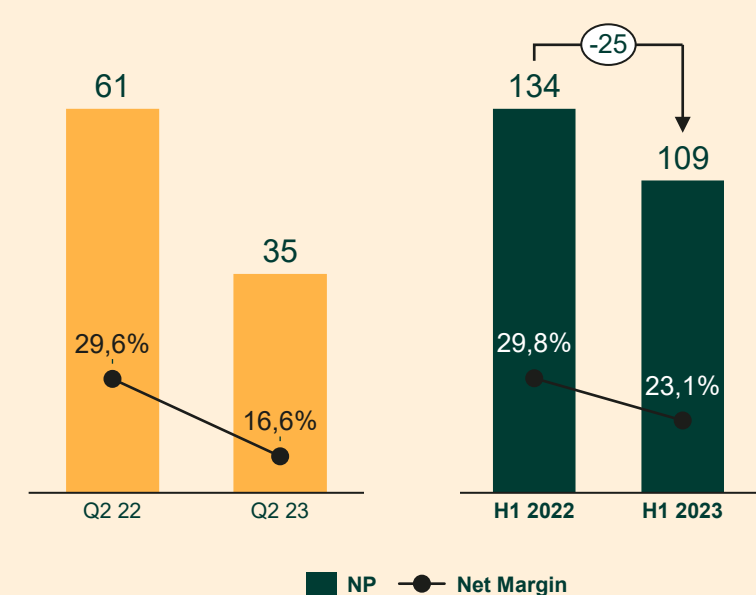
Gross profit



EBITDA



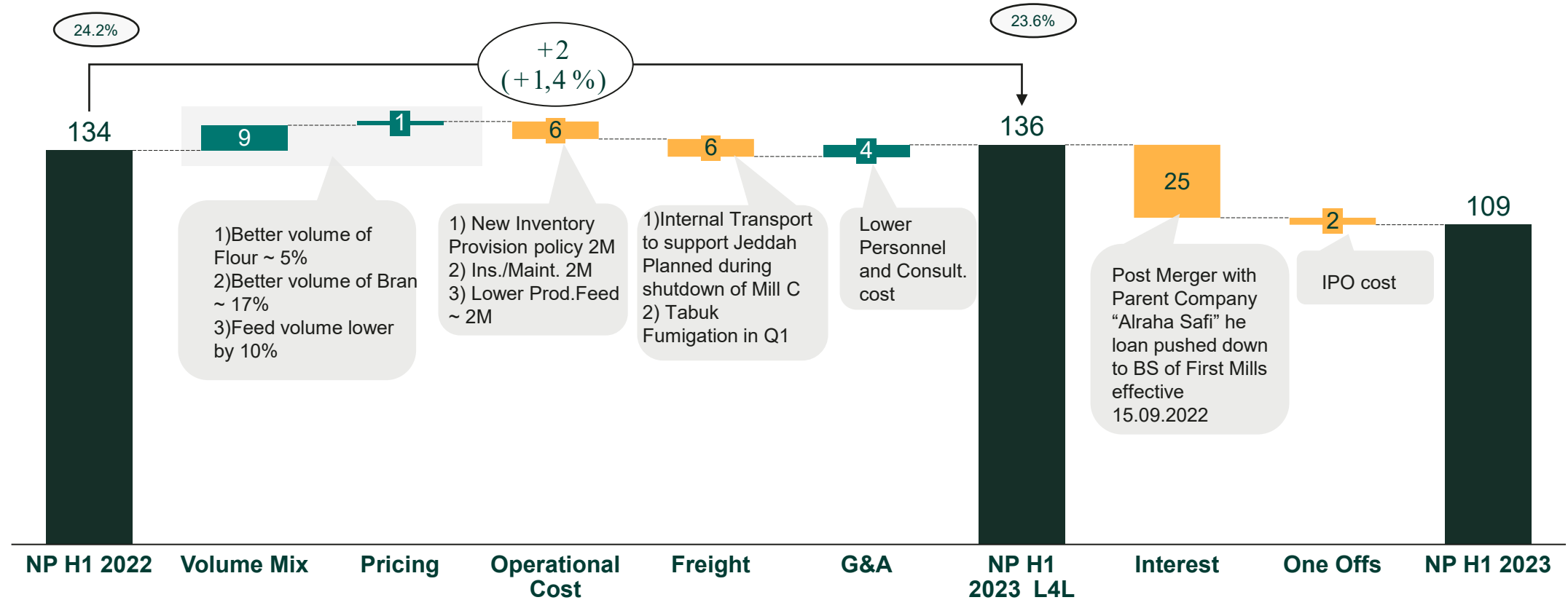
Net Profit



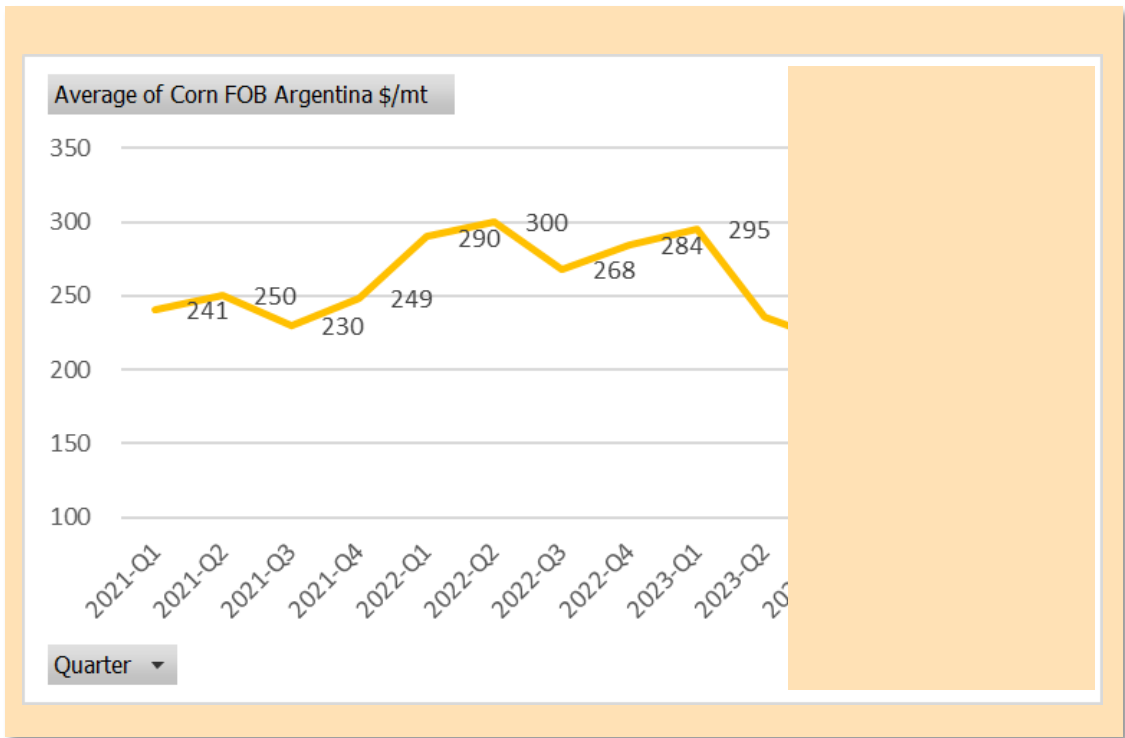
Key profitability driver

H1 2023 vs H1 2022

(SAR in millions)



Grain price update



Comments

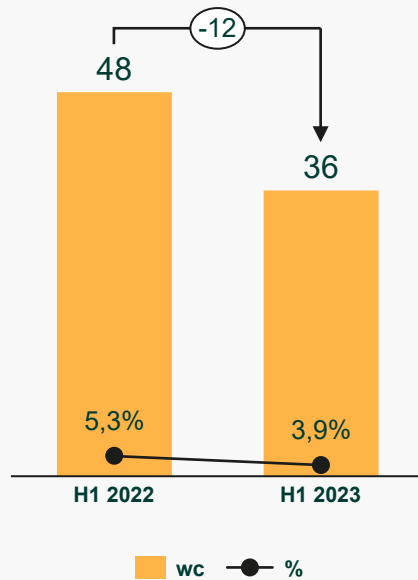
The key risk remains global cost inflation for commodities, although most have come off their peak levels in last year. We will continue to manage this risk by better leveraging our stock cover where relevant.

Solid cash position supporting capex and dividend distribution

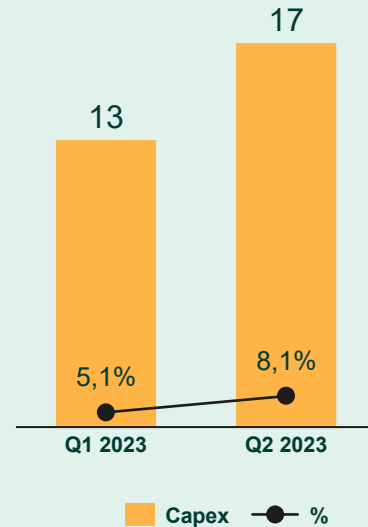
(SAR in millions)

Balance Sheet

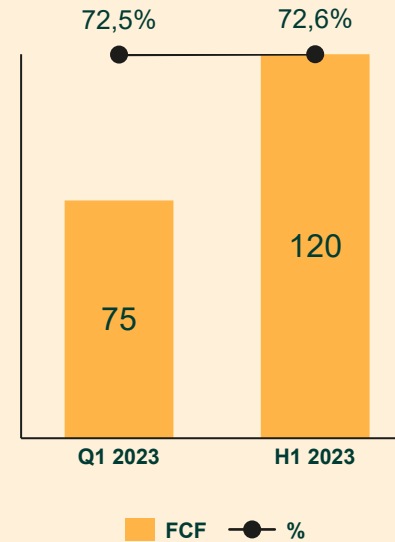
Working Capital



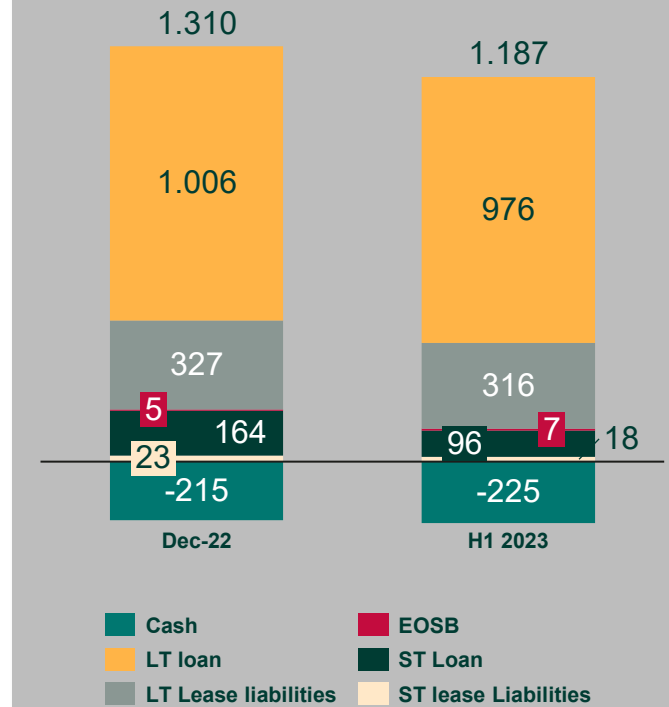
Capex



FCF



Net Debt

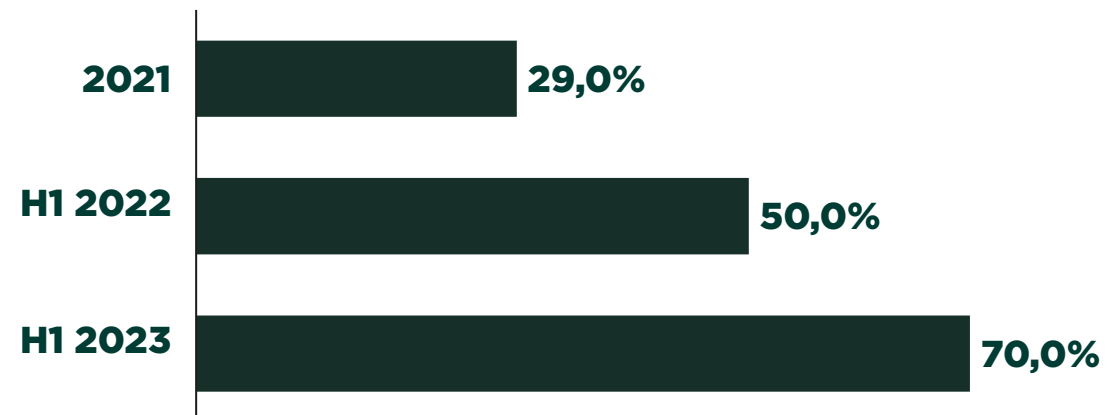


Dividend Declared

SAR mln



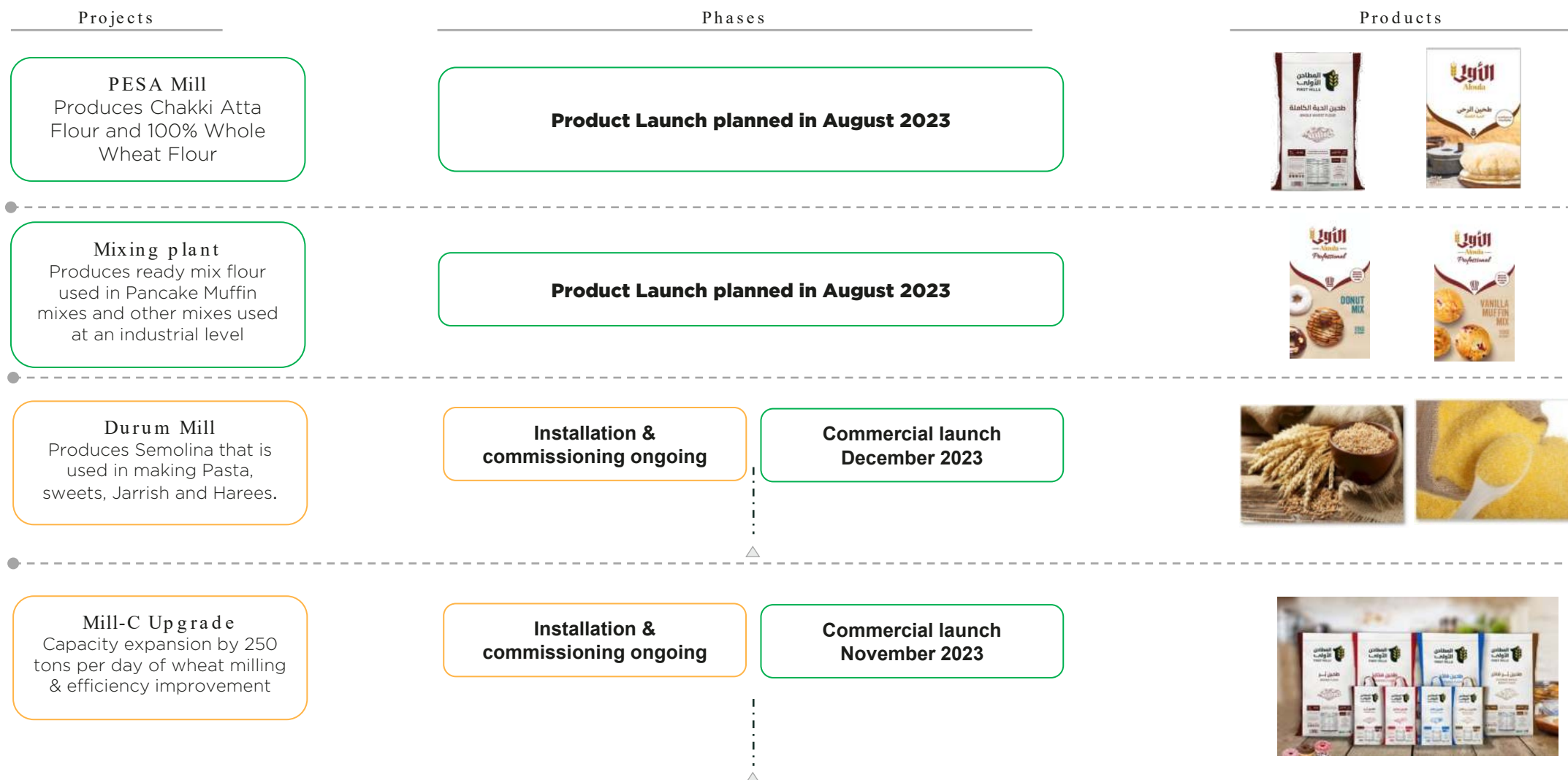
Payout Ratio



Way Forward

Expansion into High Value Downstream Sectors on Track for Delivery

New Products



Financial Guidance*

Disclaimer These forward-looking statements are subject to risks, uncertainties and assumptions about the Company and its investments, including, among other things, the development of its business, financial condition, prospects, growth, strategies, as well as the trends in the industry and macroeconomic developments in Saudi Arabia. Many of these risks and uncertainties relate to factors that are beyond the Company's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the actions of regulators and any changes in applicable laws or regulations or government policies.

Net Revenue (SAR)

- **Total Revenue** expected to grow at a CAGR of 6%-7% between 2022 to 2027
 - **Core Flour category** – expected to grow at market rate of c. 3.5% from 2022 onwards
 - **New Flour Category:**
 - **Mixes⁽¹⁾** – expected to contribute c.1%-2% and 2%-3% of total revenue in 2023 and 2024 respectively; growing in high single digit starting 2025 to 2027
 - **Pesa⁽¹⁾** – expected to contribute c.1%-2% and 2%-3% of total revenue in 2023 and 2024 respectively with largely constant SAR sales onwards
 - **Feed** – expected to grow at market rate at c. 2.7%
 - **Bran** – expected to grow at market rate at c. 2.2%
 - **Durum** – expected to contribute c.0.5%-1.0% and 8%-11% of total revenue in 2023 and 2024 respectively; growing in high teens starting 2025 to 2027

EBITDA and Net Margins

- EBITDA margin broadly inline with recent historical average
- Net income margin to be in low twenties, taking into consideration finance charges impact

Capex

- Maintenance Capex between SAR 8mn – SAR 9mn from 2022 onwards
- Total Additional growth Capex³ of between c. SAR 210mn – SAR 230mn expected where approximately half of the capex would be deployed in 2023 and the remaining expected to be deployed between 2024 and 2025 respectively. Capex will be funded from internal sources

Working Capital

- Working Capital is expected to remain consistent with recent historical averages

Dividend Guidance²

- The company is targeting to distribute semi-annually c. 70% pay-out of net income for 2023, noting that the company paid partial dividend for 2022.
- The company is targeting to distribute semi-annually between 60-70% pay-out of net income from 2024 to 2027.

Capital Structure

- Long-term leverage (Net Debt to EBITDA) target levels to go down to below 2.0x by 2025

*The forward looking guidance does not factor impact of subsidy removal

(1) Mixes and Pesa revenues will be reported as part of Flour revenue (2) Dividend policy will be subject to maintaining leverage thresholds (3) this includes the projects being executed by the company as highlighted in the presentation and other small project such as Bulk Outload, and bulk truck deliver.

Q & A

Email address: IR@firstmills.com

Appendix



Profit & Loss Statement

	<u>Notes</u>	For the three-month period ended 30 June		For the six-month period ended 30 June	
		<u>2023</u> (Unaudited)	<u>2022</u> (Unaudited)	<u>2023</u> (Unaudited)	<u>2022</u> (Unaudited)
Revenue	15	213,957,053	206,846,634	469,504,250	449,214,213
Cost of revenue	16	(125,963,442)	(111,962,481)	(261,367,183)	(242,969,104)
Gross profit		87,993,611	94,884,153	208,137,067	206,245,109
Selling and distribution expenses		(14,277,756)	(7,373,701)	(24,714,469)	(18,593,937)
General and administrative expenses		(22,525,601)	(20,643,475)	(41,122,414)	(43,046,138)
Expected credit loss on trade receivables		143,185	(707,000)	(34)	(918,752)
Operating profit		51,333,439	66,159,977	142,300,150	143,686,282
Finance costs	17	(23,347,260)	(2,936,566)	(45,566,603)	(5,814,947)
Finance income	18	7,730,894	--	14,685,420	--
Other income/(expense)		38,363	(69,338)	447,742	58,548
Profit before zakat		35,755,436	63,154,073	111,866,709	137,929,883
Zakat expense	19.1	(847,321)	(1,900,650)	(3,200,967)	(4,224,462)
Profit for the period		34,908,115	61,253,423	108,665,742	133,705,421
Other comprehensive income for the period					
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurements of defined benefit liability		108,955	--	108,955	--
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Effective portion of changes in fair value of cash flow hedge	8	5,812,846	--	1,133,236	--
Total comprehensive income for the period		40,829,916	61,253,423	109,907,933	133,705,421
Earnings per share for the period attributable to shareholders of the Company (SR):					
Basic	21.1	0.63	122.51	1.96	267.41
Diluted	21.1	0.63	122.51	1.96	267.41

Balance Sheet

	<u>Notes</u>	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Assets			
Property, plant and equipment	7.1	552,721,954	537,778,519
Right-of-use assets		311,855,722	319,617,116
Intangible assets		4,696,083	5,018,059
Derivative financial instruments	8	58,574,449	58,158,366
			1,090,669,302
Goodwill		1,090,669,302	
Non-current assets		2,018,517,510	2,011,241,362
Inventories	9.1	129,213,015	119,100,330
Trade receivables	10	13,503,757	6,182,342
Prepayments and other current assets		40,293,644	66,587,729
Due from related parties	22	--	7,912,120
Cash and cash equivalents		225,145,931	215,326,438
Current assets		408,156,347	415,108,959
Total assets		2,426,673,857	2,426,350,321

Balance Sheet

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Equity and liabilities			
Equity			
Share capital	11	555,000,000	555,000,000
Shareholders' contributions	12	6,751,214	4,278,483
Merger reserve		(37,554,503)	(37,554,503)
Statutory reserve		60,802,576	60,802,576
Cash flow hedge reserve	8	47,882,589	46,749,353
Retained earnings		230,459,810	121,685,113
Total equity		863,341,686	750,961,022
Liabilities			
Long-term loans	14	975,831,821	1,006,401,558
Lease liabilities		315,863,378	326,656,872
Employees' defined benefit obligations		7,045,000	4,892,000
Non-current liabilities		1,298,740,199	1,337,950,430
Trade payables		43,563,014	44,137,592
Accrued expenses and other liabilities		82,287,901	81,846,360
Current portion of long-term loans	14	96,068,430	164,272,151
Current portion of lease liabilities		17,542,419	23,084,338
Advances from customers		21,271,168	17,669,986
Due to related parties	22	--	261,449
Zakat payable	19.1	3,859,040	6,166,993
Current liabilities		264,591,972	337,438,869
Total liabilities		1,563,332,171	1,675,389,299
Total equity and liabilities		2,426,673,857	2,426,350,321

Cash Flow

	Notes	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Cash flows from operating activities			
Profit before zakat		111,866,709	137,929,88
Adjustments:			
Depreciation on property, plant and equipment	7.2	15,486,376	14,026,36
Depreciation of right-of-use assets		7,761,394	8,154,33
Amortisation of intangible assets		321,976	233,10
Finance cost on lease liabilities	17	5,650,178	5,814,94
Finance cost on long-term loans	17	38,541,883	-
Finance income	18	(14,685,420)	-
Amortisation of loan transaction cost	17	1,226,542	-
Provision for slow moving inventories	16	5,476,958	3,173,80
Finance cost on employees' defined benefit obligations	17	148,000	-
Provision for employees' defined benefit obligations		2,198,500	1,506,35
Expected credit loss on trade receivables		34	918,75
		<u>173,993,130</u>	<u>171,757,55</u>
Changes in working capital:			
Inventories		(15,589,643)	(17,328,158
Trade receivables		(7,321,449)	(7,238,808
Prepayments and other current assets		26,861,736	(17,354,900
Due from related parties		10,384,851	-
Trade payables		(574,578)	(5,523,720
Accrued expenses and other liabilities		(18,418,960)	20,378,83
Advances from customers		3,601,182	1,505,57
Due to related parties		(261,449)	-
		<u>172,674,820</u>	<u>146,196,37</u>
Paid employees' defined benefit obligations		(84,545)	(37,289
Finance cost paid		(30,436,974)	(10,119,635
Finance income received		14,117,769	-
Zakat paid		(5,508,920)	(4,801,462
Net cash from operating activities		<u>150,762,150</u>	<u>131,237,99</u>
Cash flows from investing activities			
Additions to property, plant and equipment	7.2	(30,429,811)	(17,480,816
Additions to intangible assets		--	(60,939
Net cash used in investing activities		<u>(30,429,811)</u>	<u>(17,541,755</u>
Cash flows from financing activities			
Dividends paid	13	--	(84,472,046
Loan repaid	14	(100,000,000)	-
Payment of lease liabilities		(10,512,846)	(11,753,944
Net cash used in financing activities		<u>(110,512,846)</u>	<u>(96,225,990</u>
Net (decrease) increase in cash and cash equivalents during the period		9,819,493	17,470,24
Cash and cash equivalents at 1 January		215,326,438	157,484,51
Cash and cash equivalents at 30 June		<u>225,145,931</u>	<u>174,954,76</u>

Thank You
