



# Investor Presentation

July 2022





# Agenda



Evolution of SADAFCO

Key Milestones

Shareholding Structure

Management Team

Strategy

Product Portfolio

Manufacturing Facilities

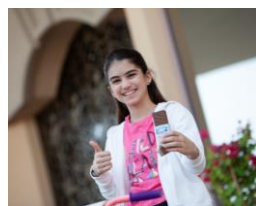
Distribution & Supply Chain Network

Financial Overview

Product Profile Analysis

Benchmarking: Regional Peers

Saudi Arabia F&B Market



# Evolution of SADAFCO

# Evolution of SADAFCO



**Established in 1976 with the formation of Saudi Danish Dairy Company, a joint venture between Saudi businessmen (48%), Kuwaiti businessmen (48%) and Danish Turnkey Dairies (4%)**

Commercial production of Ultra High Treatment (UHT) Milk at the Jeddah factory commenced in 1977

The Company acquired the Saudi Danish Dairy Company of Riyadh in 1987

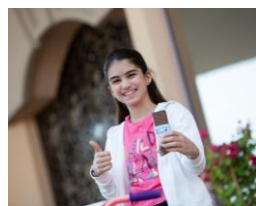
Merged with Gulf Danish Dairy Company and Medina Danish Dairy Company, and formed SADAFCO in 1991

Since the early 1990's, in addition to milk-related products including ice cream, the Company has expanded its product range with the introduction of tomato paste, cheese and snacks

Since its incorporation, the Company has expanded its product range to become a significant player in the Saudi food and dairy market

The Company currently holds the highest market share in UHT milk, tomato paste carton & is the market leader in ice cream in Saudi Arabia. It also has a growing presence in the snacks market



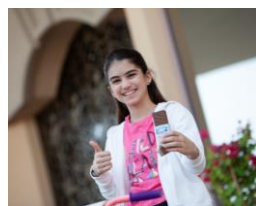


# Key Milestones

# Key Milestones



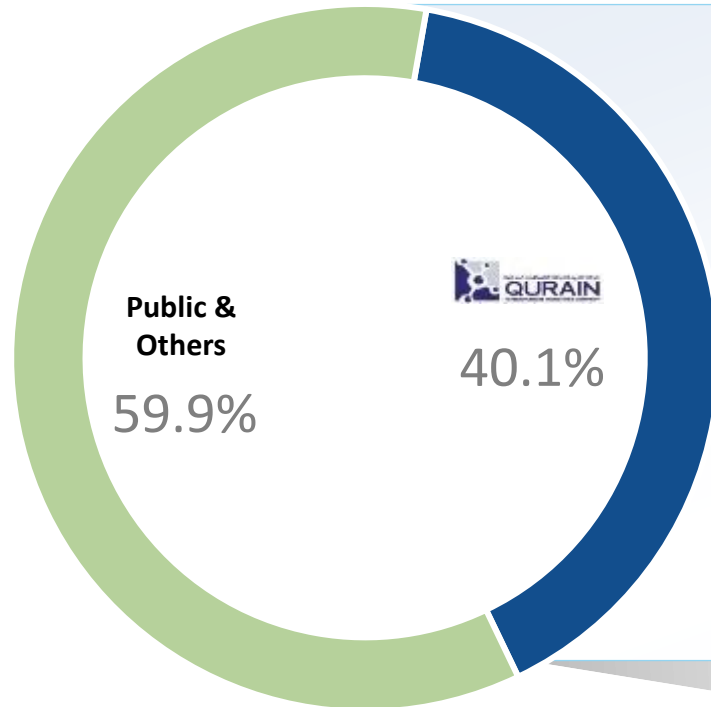
1. Saudi New Zealand Milk Products Limited – a JV with Milk Products Holdings (MPH), a subsidiary of New Zealand Dairy Board (NZDB)



# Shareholding Structure

# Shareholding Structure

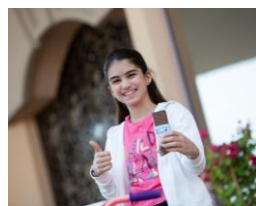
## Shareholding (as of 30<sup>th</sup> June 2022)



- Qurain Petrochemicals Industries (QPIC) is the largest shareholder of SADAFCO
- QPIC, incorporated in 2004, is a private sector holding company in the energy, petrochemical, food and related sectors
- QPIC is an associate of KIPCO group, which is one of the biggest diversified holding companies in the Middle East and North Africa. KIPCO Group has assets of around USD 38 billion under management or control
- KIPCO and QPIC both are listed on the Kuwait Stock Exchange

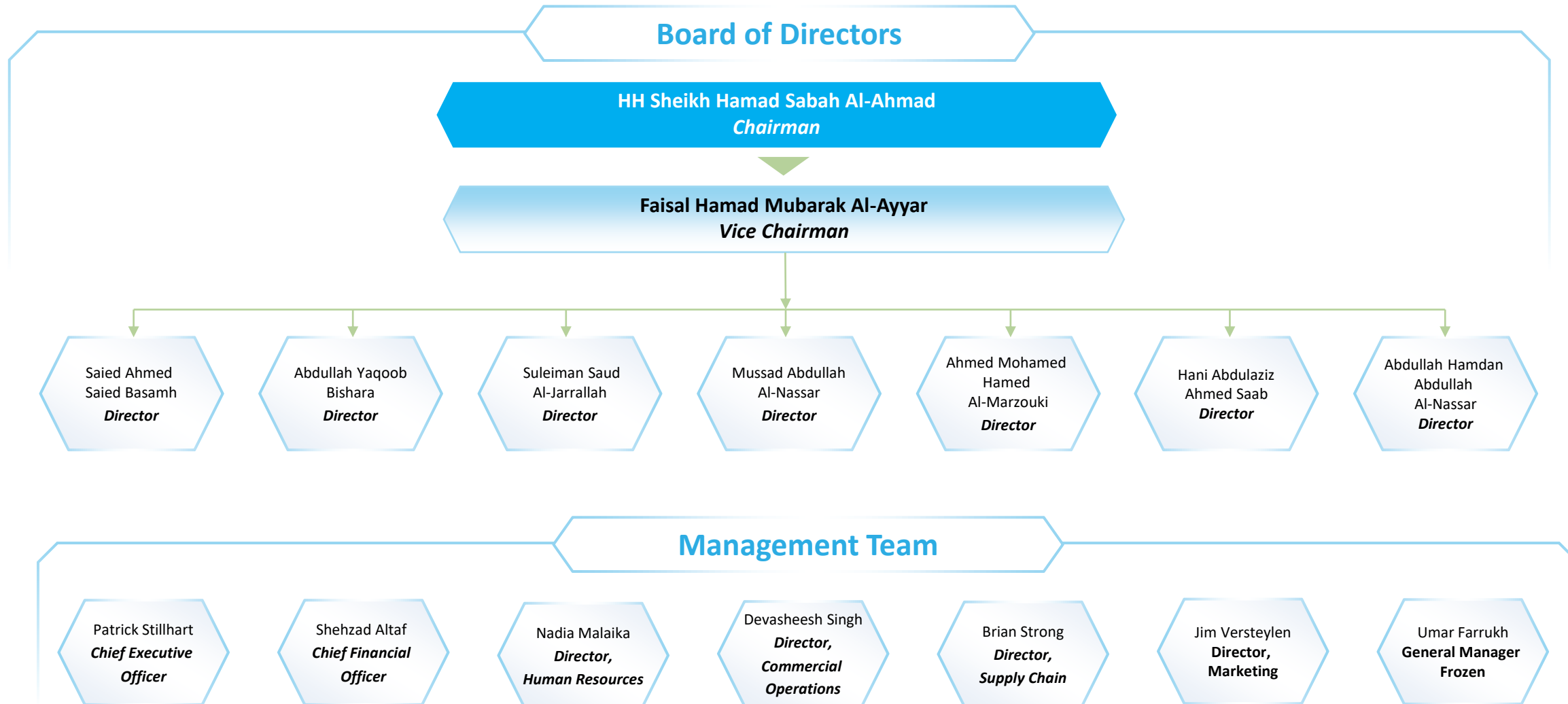
Source: Tadawul Stock Exchange

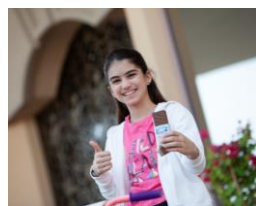




# Management Team


# Directors and Management Team






# Strategy

# Our Vision, Mission & Values



## Vision

Impossible is nothing



## Mission

Delighting consumers with nutritious, delicious and sustainable products; Accelerating profitable growth; Building Added Value to the community, environment and all stakeholders



# SADAFCO Strategy: Recent Growth Initiatives



## Completion of NICF

Production and packaging activities in the **New Ice Cream Factory (NICF)** have commenced

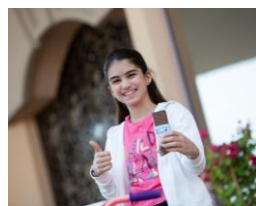


## Makkah Depot Project

Work on **Makkah Depot project** of SAR 27 Mln has been initiated and is expected to finish during the Financial Year 2022-23







# Product Portfolio

# Product Portfolio

## Product Category



Tomato  
Products



UHT Milk



Ice Creams



Cheese  
Products



Snacks



Non-Dairy  
Alternatives



Others

## SADAFECO Market Share\*



UHT Milk

58.1%



Tomato

52.1%



Ice Cream

28.3%

\*As per Nielsen, market share on MAT basis as of Mar-22.



Oat Milk#

30.1%

# Market Share (volume based) as of Apr-22, as per Nielsen Scan Track.

Since the product was launched in Dec 2021 latest volume-based market share is captured instead of MAT (12 months combined).

# Product Universe



## Ice Cream



## UHT Milk

- UHT Milk - Whole, Low Fat, Skimmed, Gold Milk, Functional Milk
- Flavored Milk
- Date Milk
- Milk Powder
- EVAP



## Tomato Products

- Tomato Paste
- Organic Tomato Paste
- Ketchup
- Fiery Ketchup



## Cheese Products

- Feta Cheese
- Processed Cheese – Triangles



## Snacks (Crispy)



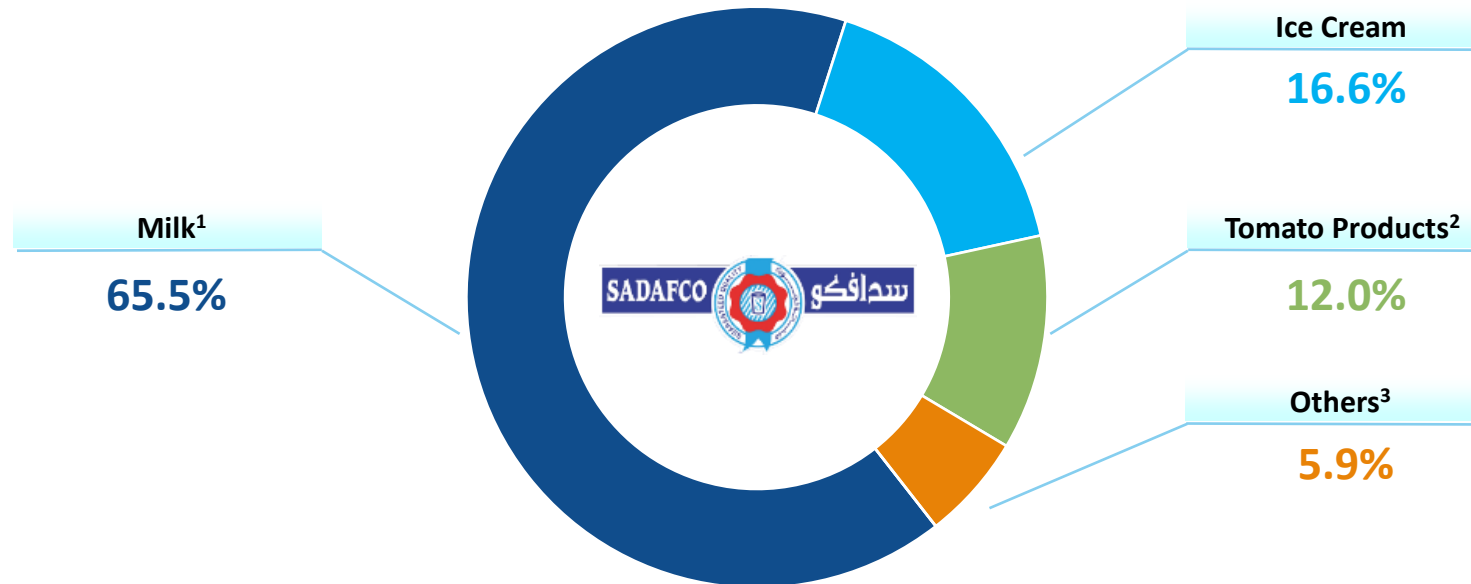
## Other Products

- Butter
- French Fries
- Laban Fruit Drink
- Cream (Thick, Sterilized & Analogue)
- Soy Drink
- Water (Still & Flavored)
- Treato (Drinkable Snacks)
- Mayonnaise
- Oat Milk



# Product Portfolio: Contribution in 2021/22

## Net Sales\* Contribution By Category



- Milk is the largest contributor to company's Net Sales (65.5% share)
- SADFACO has the highest market share in KSA's Plain UHT milk market of 58.1% as of March'22 (MAT)
- Ice Cream contributes 16.6% and Tomato products contribute 12.0% to Net Sales

Note: \* SADFACO (without Mlekoma) figures

<sup>1</sup> Milk includes Plain Milk, Flavored Milk, Junior, Milk Powder, EVAP, Cream and Laban Fruit Drink

<sup>2</sup> Tomato Products include Tomato Paste and Ketchup

<sup>3</sup> Others include Snacks, Cheese, French Fries, Butter, Drinks etc



# Key Products: SADAFCO Market Share

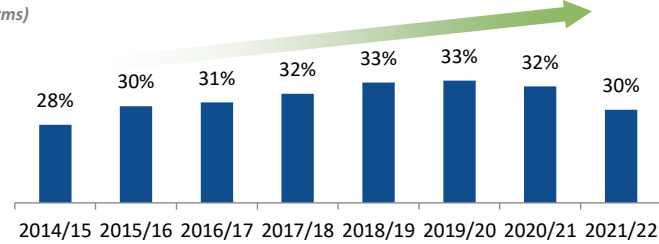
## Key Categories



#Includes Fresh and UHT Plain Milk

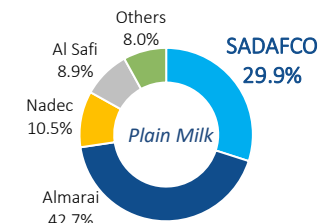
## Evolution of SADAFCO's Market Share

(in Value terms)



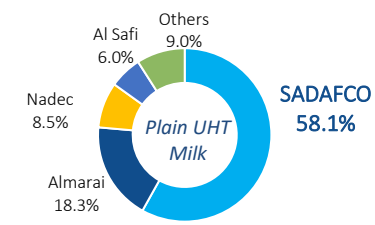
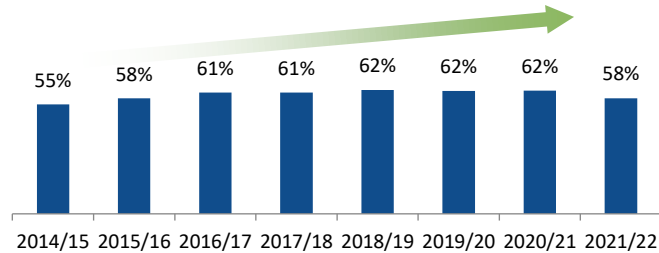
## Market Shares (March' 22\*)

(in Value terms)



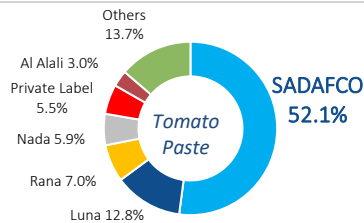
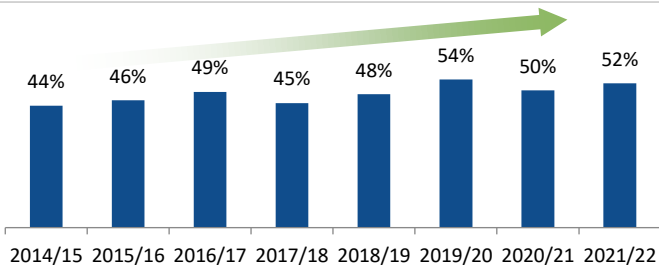
Current Market Share  
MAT\*

**29.9%**



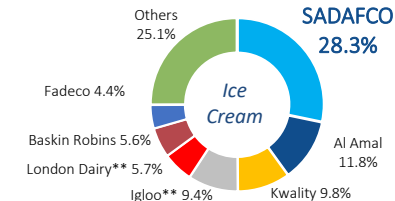
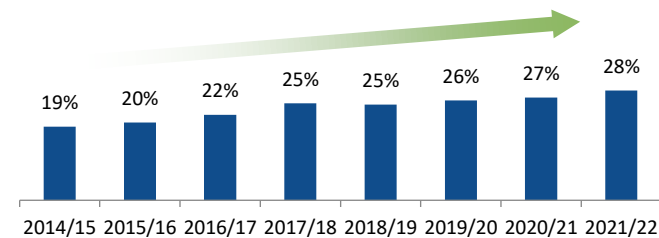
Current Market Share  
MAT\*

**58.1%**



Current Market Share  
MAT\*

**52.1%**



Current Market Share  
MAT\*

**28.3%**

Source: Nielsen Data

\*Market Share Nielsen Data March'22

\*\*part of IFFCO group

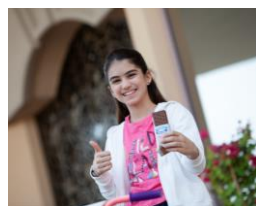


# Dairy Industry



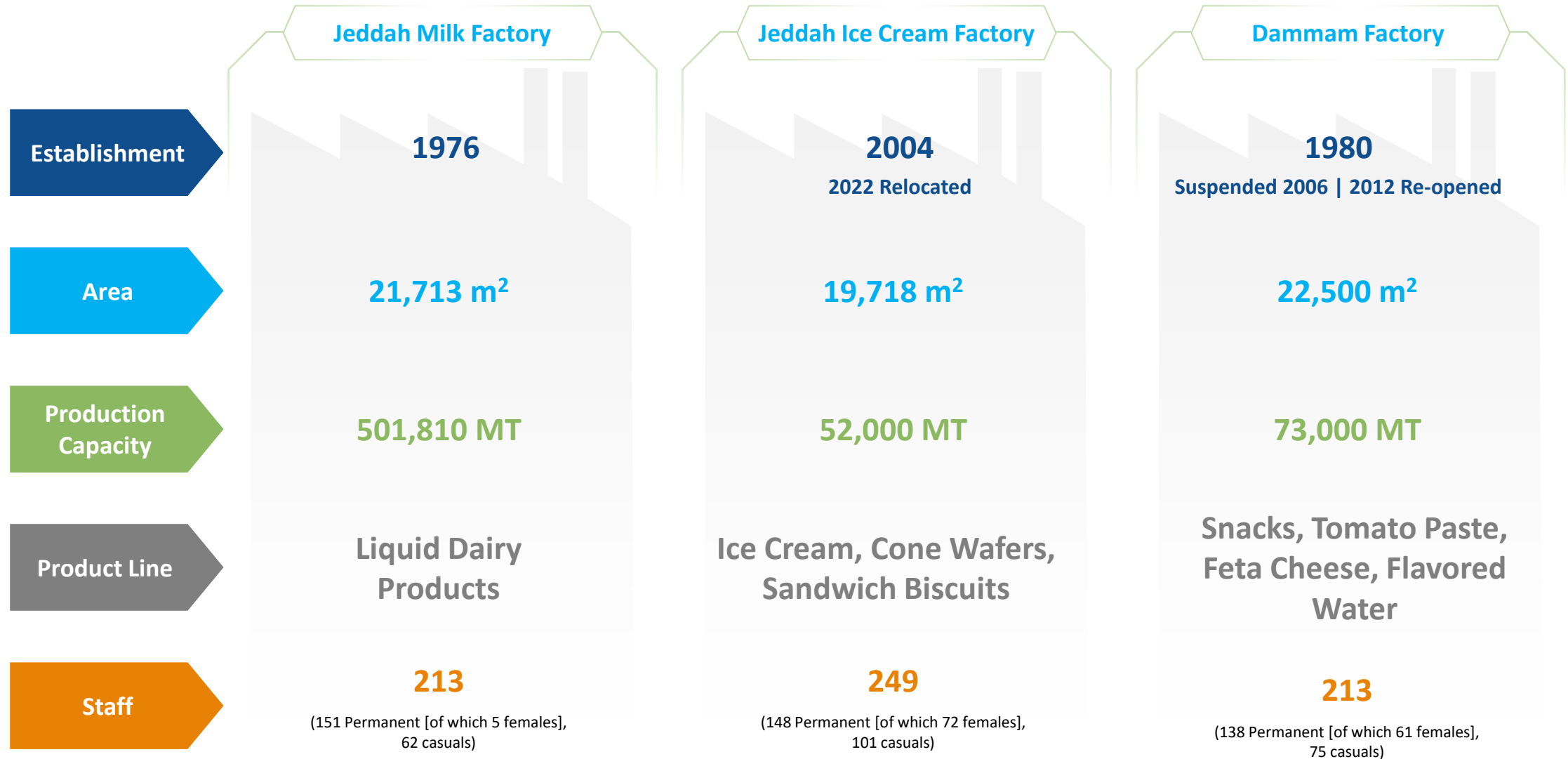
	SADAFCO	Almarai	NADEC
<b>Sales (Dairy)</b> (in SAR Mln)	<b>1,220</b>	<b>11,141</b>	<b>2,122</b>
<b>Share of Industry</b>	<b>8.4%</b>	<b>76.9%</b>	<b>14.6%</b>
<b>Net Income before Zakat – Dairy</b> (in SAR Mln)	<b>126</b>	<b>1,274</b>	<b>-91</b>
<b>Share of Industry Profit</b>	<b>9.6%</b>	<b>97.3%</b>	<b>-7.0%</b>
<b>Net Income before Zakat Margin – Dairy</b>	<b>10.3%</b>	<b>11.4%</b>	<b>-4.3%</b>

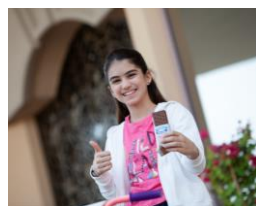
*Note: 1. SADAFCO's annual figures are for the period ending March'22, while Almarai and NADEC are for the annual period ending Dec'21; Source: Financial Statements.  
2. Net Income before Zakat for Almarai is calculated after adding back prorated Zakat.*



# Manufacturing Facilities

# Manufacturing Facilities





# Distribution & Supply Chain Network

# Supply Chain Facilities



JCW - Jeddah Central  
Warehouse

Establishment

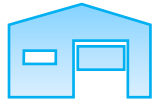
Fully operational in  
**Q1 - 2019**

Finished  
Goods

**16,500 pallets**

Raw Materials  
& Packaging

**25,900 pallets**



FJCW – Frozen Jeddah  
Central Warehouse

Establishment

Fully operational in  
**Q1 - 2021**

Finished  
Goods

**6,000 pallets**

Space

**3,400 sq. mt.**





# Distribution Network (Frozen & Ambient)

## SADAFCO Distribution Network – List of Distribution Depots

- From the factories in Jeddah and Dammam, finished products are dispatched to the Jeddah Central Warehouse (JCW) and (from where) the products are transported to 23 distribution warehouses in Saudi Arabia, Gulf and Jordan
- Distribution centres have ambient & frozen storage infrastructure along with requisite transportation and distribution facilities
- SADAFCO operates 600+ routes delivering to a regional retail network of 35K+ outlets across the Arabian peninsula, monitored via hand held technology



 Distribution Warehouses in Saudi Arabia and the Gulf

# Established Distribution Network - Fleet

## Distribution

More than 60 trailers are transporting finished goods and raw materials from factories to warehouses which are further supported by a fleet of 850+ sales trucks covering 600+ routes

Over the course of year 2021/22, SADAFCO has transported finished goods from the factories and the RDC's to the depots travelling in excess of 37 million kms using its primary and secondary fleet. These vehicles are tracked through advanced telematics that facilitate instant fleet location, product protection, temperature monitoring and route optimization

In order to enhance the distribution efficiency, SADAFCO has added 26 vehicles to its sales fleet in 2021/22. Further, SADAFCO has enhanced use of technology to optimize routes, ensuring that Mobile Sales automation assists in meeting coverage of all stores with the right level of replenishment

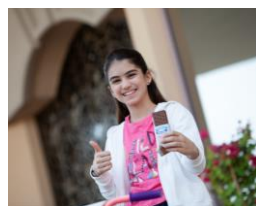


## Distribution Format

- ▶ Sales & Distribution team at SADAFCO ensured efficient distribution and right level of availability of the entire product portfolio across all trade channels resulting in strong growth
- ▶ Traditional trade & wholesalers continued to dominate with organised formats gaining greater importance. Modern trade also continues to grow due to store expansion. Further, SADAFCO's Out-of-Home (OOH) channel also grew during the year

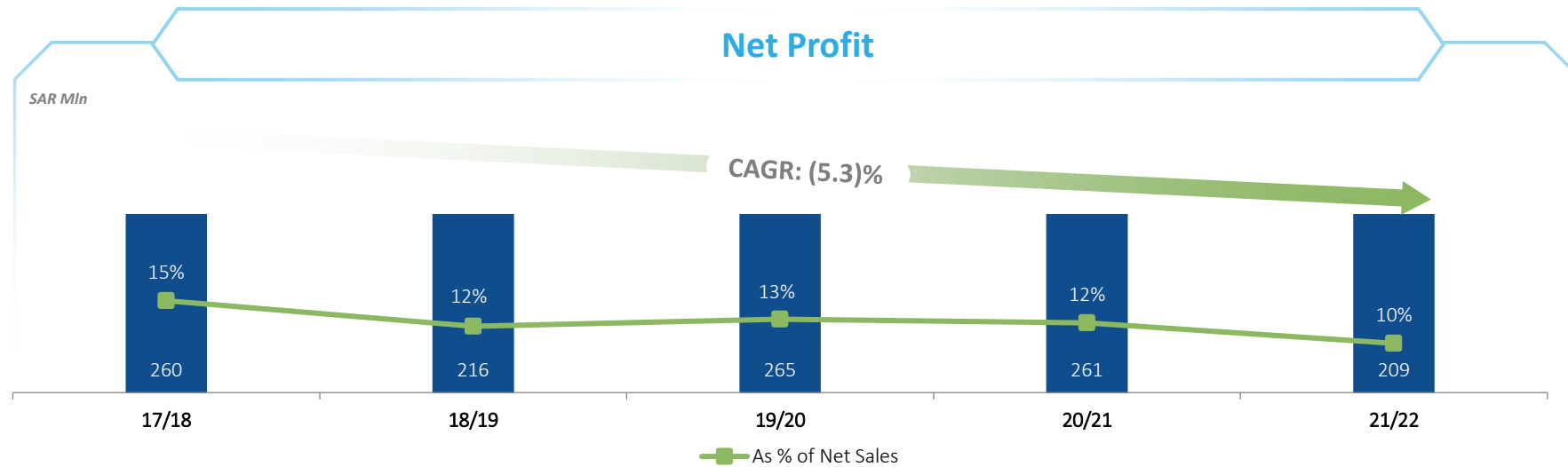
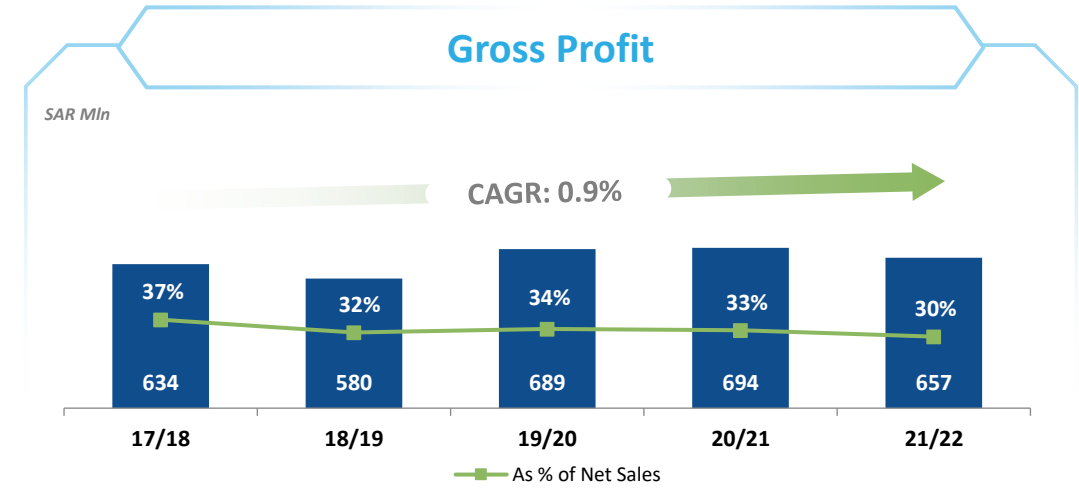
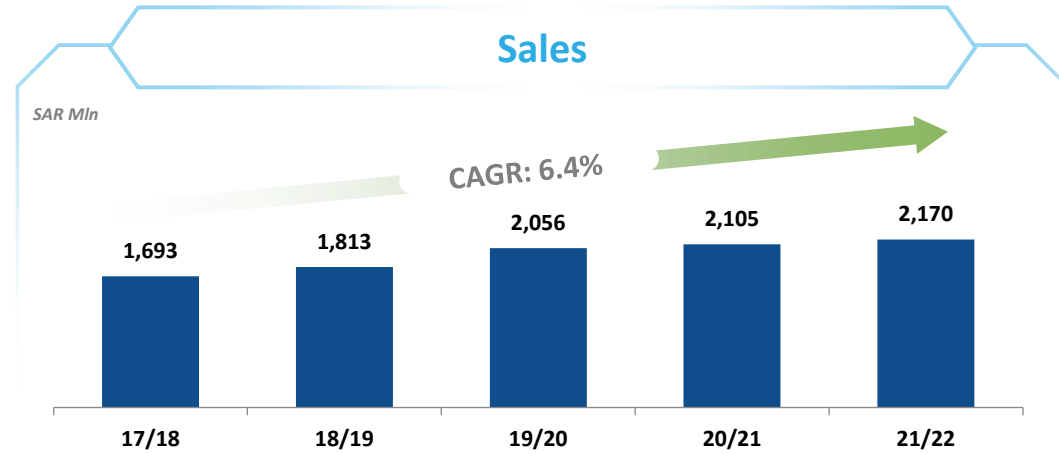


Strong regional retail network of over 35,000 outlets across Arabian peninsula has helped SADAFCO in improving visibility and shopper communication in stores



# Financial Overview

# Sales & Profitability



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

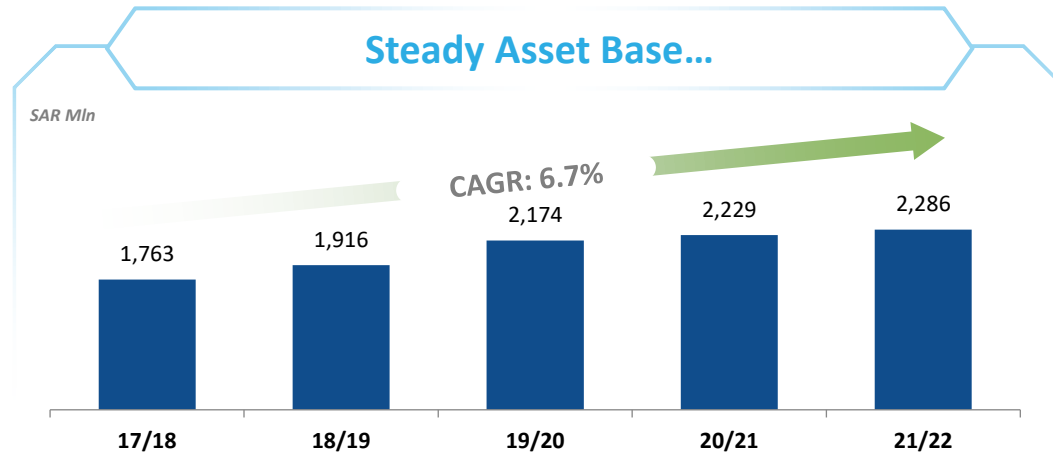
Current Assets: Accounts receivable + Inventories + Deposits, prepayments & other current assets

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

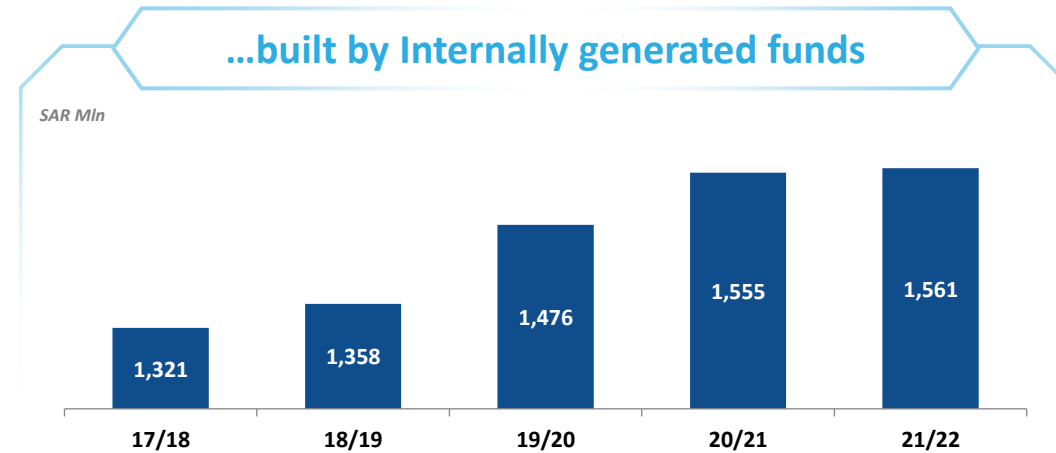


# Balance Sheet

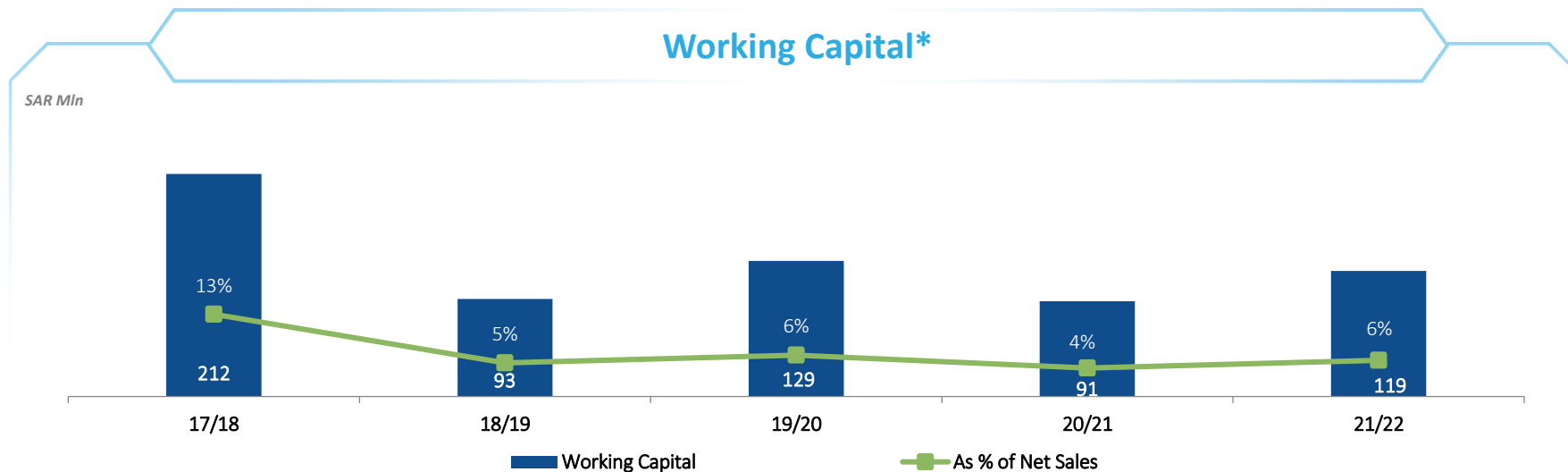
## Steady Asset Base...



## ...built by Internally generated funds



## Working Capital\*

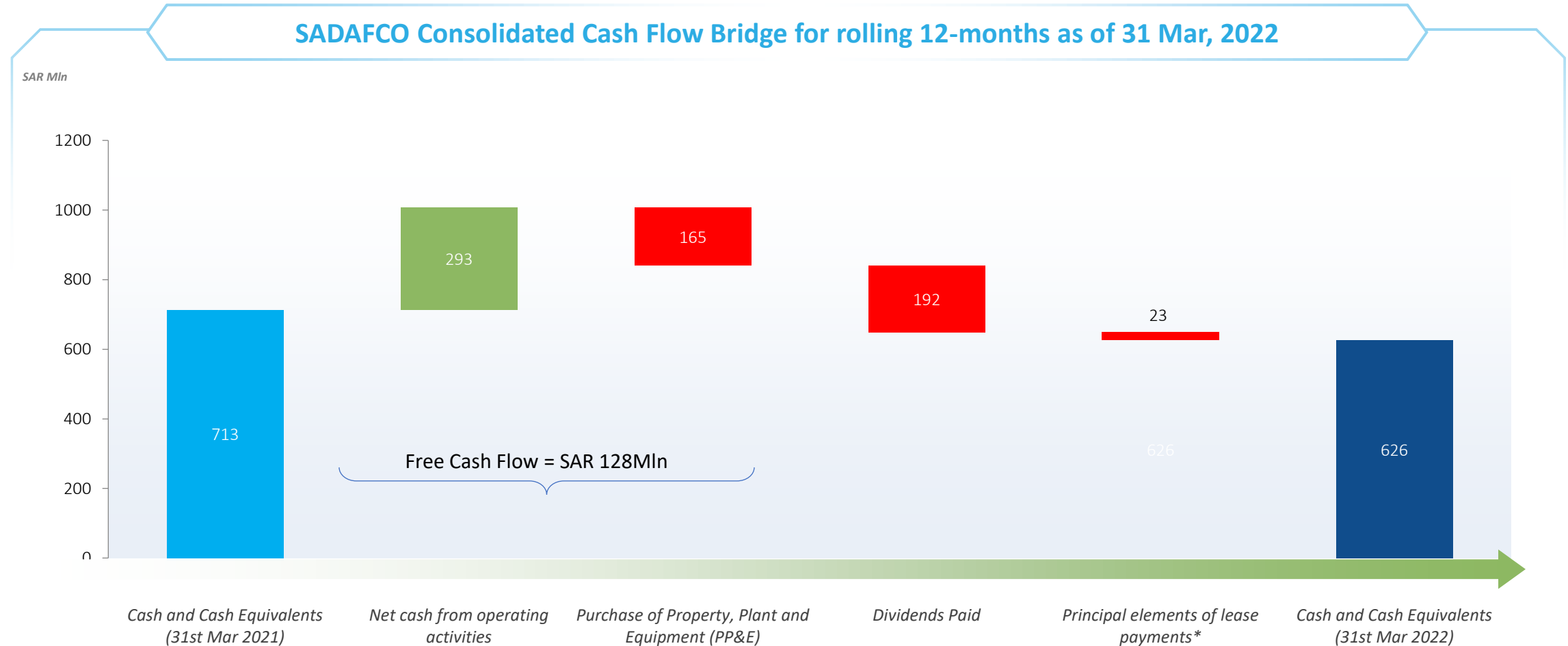


Note: \*Working Capital calculated as Current Assets net of Current Liabilities.

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

# Cash Flow Summary

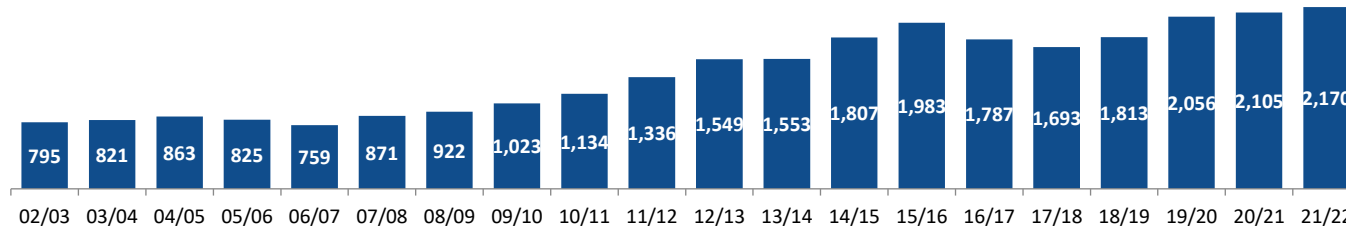


\*Note: Includes Effect of exchange rate fluctuations on cash and cash equivalents

# Historical Trends

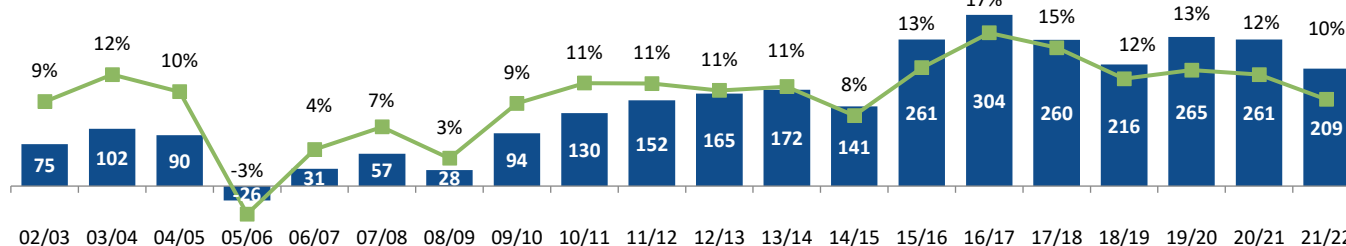
## Revenue

SAR Mln



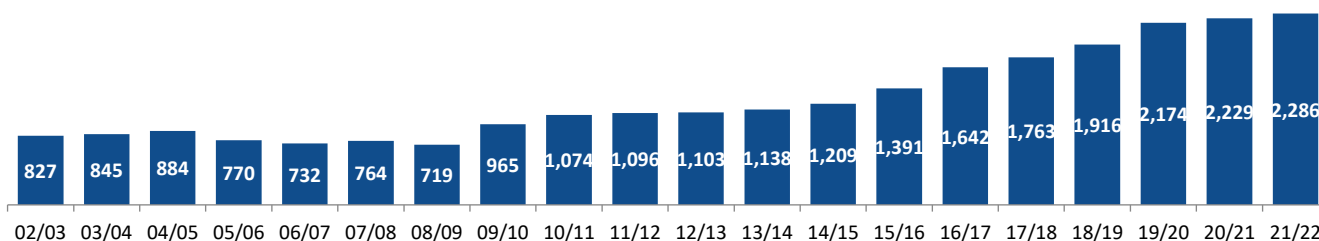
## Net Income & Margin

SAR Mln



## Total Assets

SAR Mln



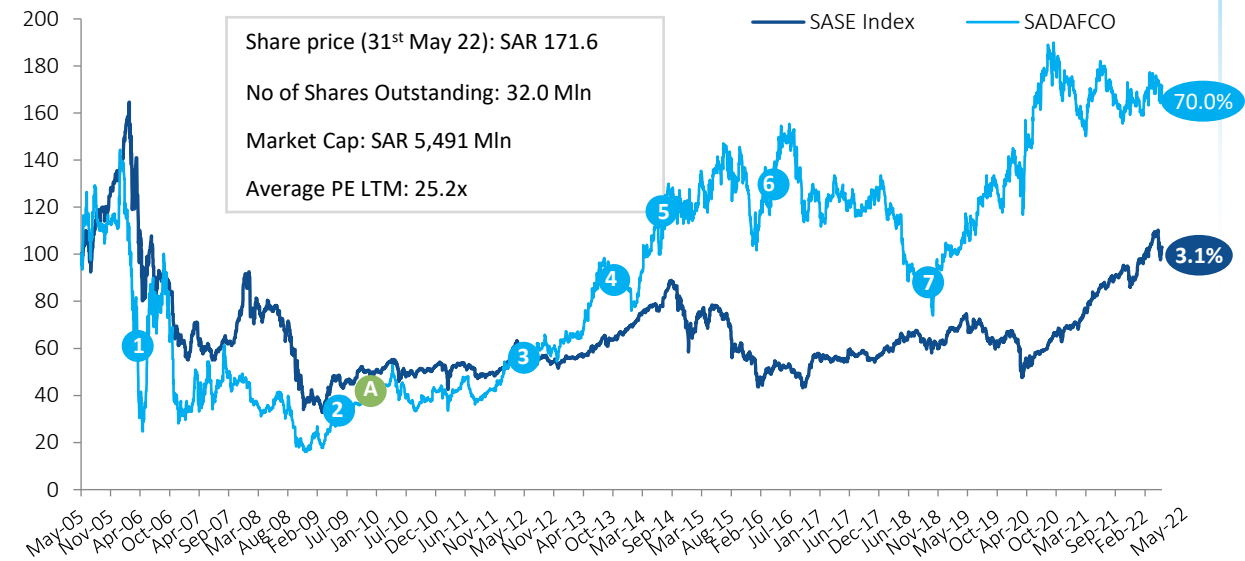
Source: 2002/03-2004/05: SADAFCO Prospectus; 2005/06-2019/20: SADAFCO Annual FS; Numbers from 2016/17 are adjusted for IFRS

**SADAFCO** has shown consistent growth in its revenues and margins. Continuous efforts have led to strengthening of our financial position

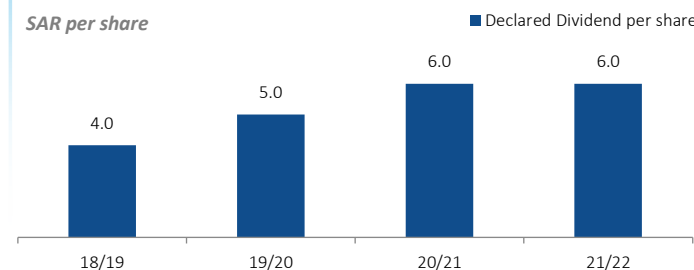
# Share Price Performance Since IPO

## Annotations

- April, 2006** 1 5 for 1 stock split for all companies was applied. Nominal value per share became SAR10 instead of SAR50
- June, 2009** 2 Management expected 200% increase in Q1'10 net profit as compared to Q4'09
- May, 2012** 3 Announced partial reopening of its Dammam factory
- Oct, 2013** 4 QPIC purchased 29% stake of SADAFCO from UIC
- Jul, 2014** 5 QPIC purchased another 11% stake in SADAFCO from UIC; increasing QPIC's total stake to 40%
- Apr, 2016** 6 Announced 84% increase in Y-o-Y net profit for FY2015/16
- Nov, 2018** 7 Announced buyback of up to 10% of its shares
- Dec, 2009** A Decided to sell 51% stake in Saudi New Zealand Dairy products. (Deal value: USD32.7Mln)



## Consistently Higher Dividends



**Compounded  
Annual Return<sup>#</sup>  
of 14.4%**  
over the last 10 years

Source: Tadawul, Bloomberg

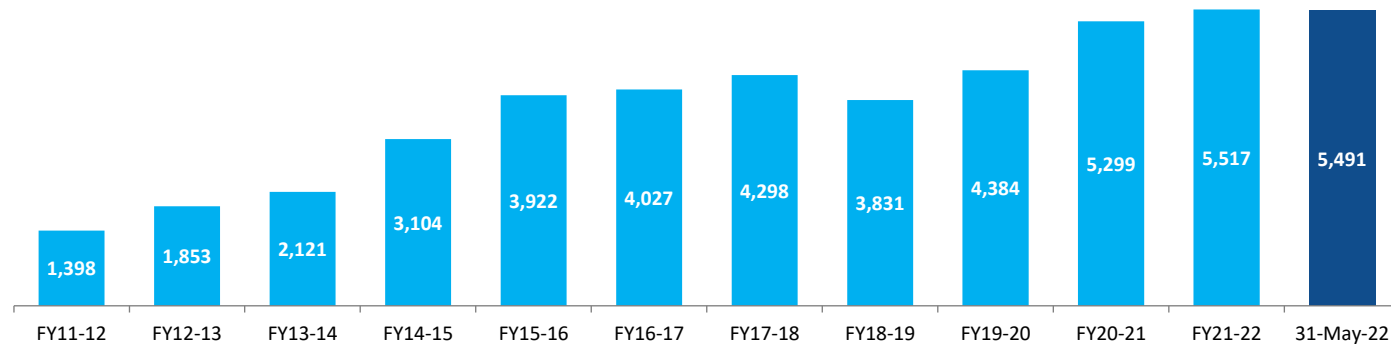
Note: Price rebased to 100 for SADAFCO and SASE Index on 23May'05

Note: <sup>#</sup>Annualized Return calculated as sum of share price appreciation/depreciation and dividends paid during the period ending 31<sup>st</sup> May 2022, assuming no reinvestment of dividends

# Market Performance

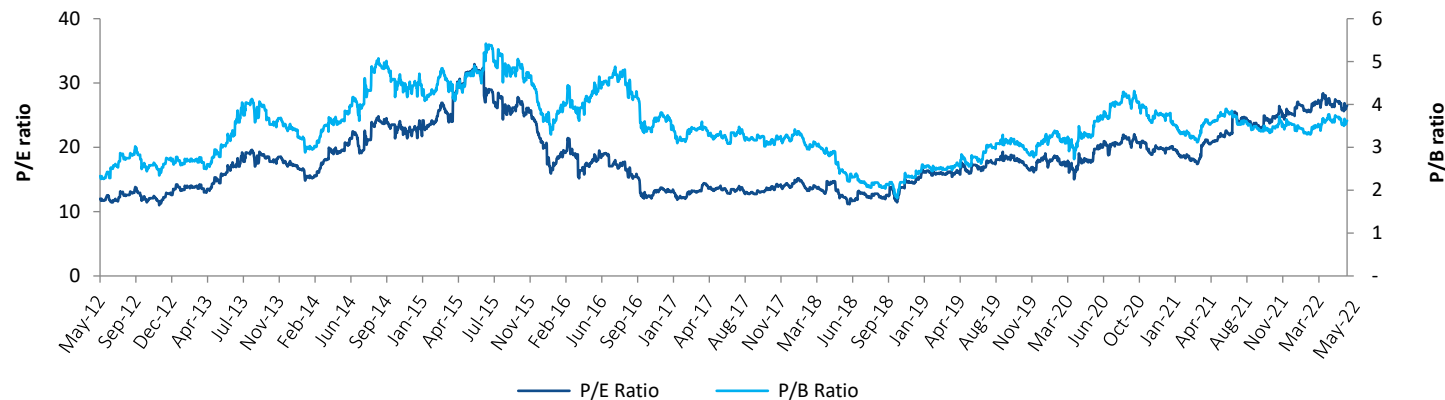
## Market Cap

SAR Mln



SADAFCO's market cap has grown at a CAGR of **14.4%\*** over the last 10 years

## Price to Earnings and Price to Book Ratio



SADAFCO's **P/E** and **P/B** ratio has been in the range of **15.0-28.0x** and **2.6-4.3x** respectively during the last three years

Source: Tadawul, Bloomberg

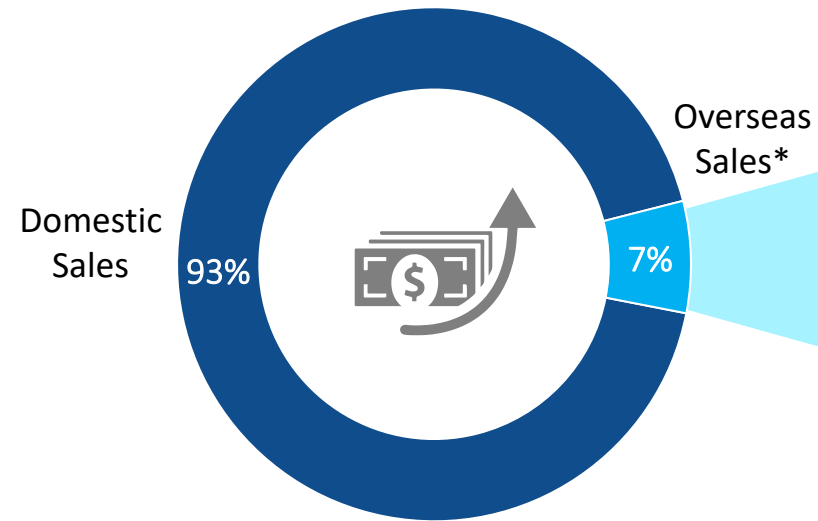
Note: \*Annualized Return calculated as sum of share price appreciation/depreciation and dividends paid during the period ending 31<sup>st</sup> May 2022, assuming no reinvestment of dividends



# Complemented by Exports

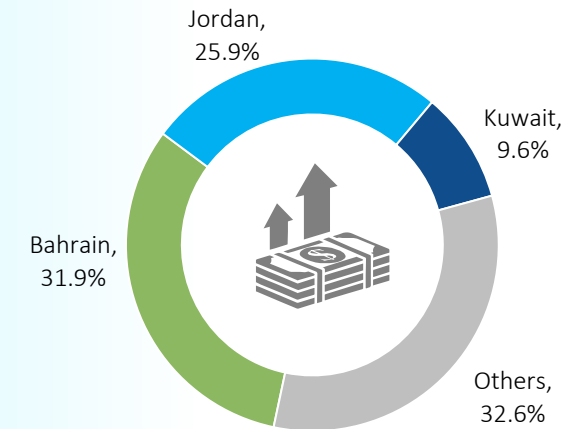
## SADAFCO's Revenue Breakdown

(2021/22)



## SADAFCO's Overseas Sales Breakdown

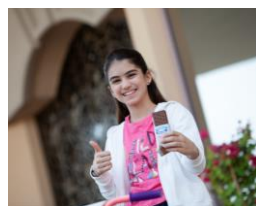
(2021/22)



■ SADAFCO continues to diversify geographically – currently 7%\* of SADAFCO's sales are outside KSA

■ The key markets outside KSA are Bahrain, Jordan and Kuwait

*\*Does not include revenue of SADAFCO Poland*



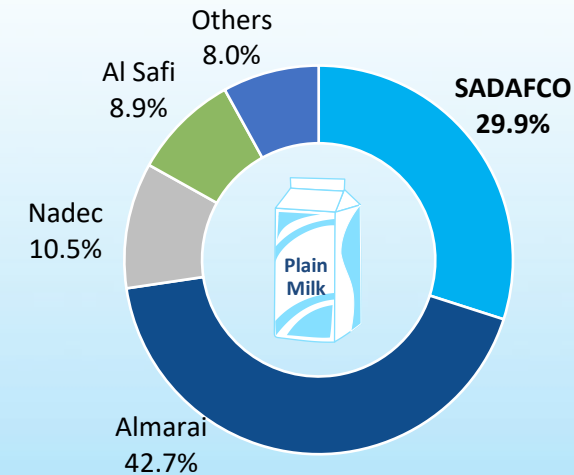
# Product Profile Analysis

# Plain Milk Overview

- SADAFCO's Plain milk product category comprises of items like whole milk, low-fat milk, skimmed milk, gold milk, junior milk and functional Milk
- SADAFCO commenced operations with the production of UHT (Ultra High Temperature pasteurized) Milk in 1977
- SADAFCO introduced two categories of low-fat Functional Milk: Calcium Enriched, and Cholesterol Reducing Plant Sterols
- These products are marketed under the flagship brand "SAUDIA"

## Market Position

(March'22\*)



\*Nielsen Retail Audit

### SKUs

200ml, 1-liter and 2-liter



### SKUs

125ml, 200ml,  
500ml, 1-liter and 2-liter



### SKUs

1-liter



### SKUs

200ml



### SKUs

200ml and 1-liter



### SKUs

1-liter

# Plain Milk Overview ...Cont'd

## Product Pricing

### Premium Pricing Advantage

Product	Package	Price (SAR)
		1x12 Ctn 62.09
		1x12 Ctn 53.10
		1x12 Ctn 50.67
		1x12 Ctn 68.85

Source: Company Sources, prices mentioned are average of the period Apr21-Mar22

- 1 The company's products command a significant premium vis-à-vis other players in the market
- 2 SADAFCO has a strong brand due to which it has been able to maintain premium pricing of products, despite increased competition from global and local players

## Product Innovation

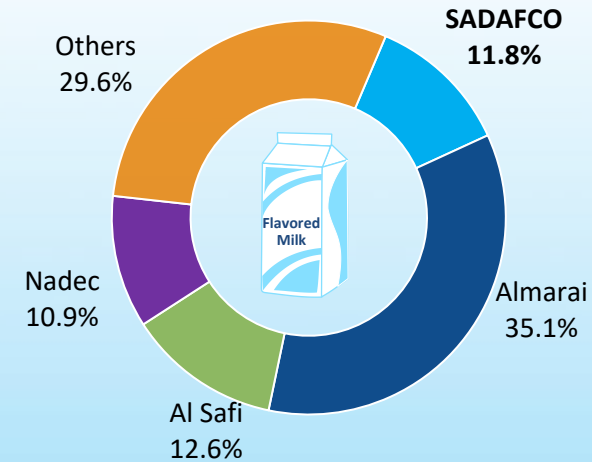
- Sales growth in milk through product innovation and increased focus on quality
- SADAFCO launched calcium enriched & cholesterol lowering functional milks, and non-dairy soy & oat milk to cater the health-conscious consumers who want to enjoy happy and healthy lifestyle.

# Flavored UHT Milk Overview

- SADAFECO expanded its product range of milk in 2004 with the launch of flavored UHT milk. Date milk was launched in 2016
- Flavored UHT milk is offered in 4 choices – Banana & Strawberry are available in 125ml & 200ml packs, Chocolate milk in 125ml, 200ml & 1-liter packs and Date milk is available in 200ml & 1-liter packs
- These products are marketed under the flagship "SAUDIA" brand

## Market Position

(March'22\*)



\*Nielsen Retail Audit

### SKUs

125ml, 200ml & 1-liter



### SKUs

125ml & 200ml



### SKUs

125ml & 200ml



### SKUs

200ml & 1-liter





# Milk Powder Overview

- SADAFCO launched instant milk powder in 2009
- IMP products are marketed under the "SAUDIA" brand
- SADAFCO's key competitor brands for milk powder products are Nido, Almarai and Anchor

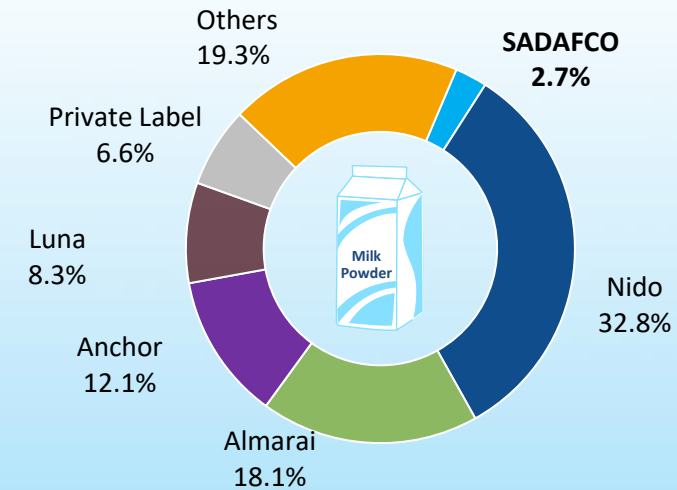
Pouch	Tin	Tin	Tin
800g	1.8Kg	900g	2.5Kg



Instant Milk Powder

## Market Position

(March'22\*)



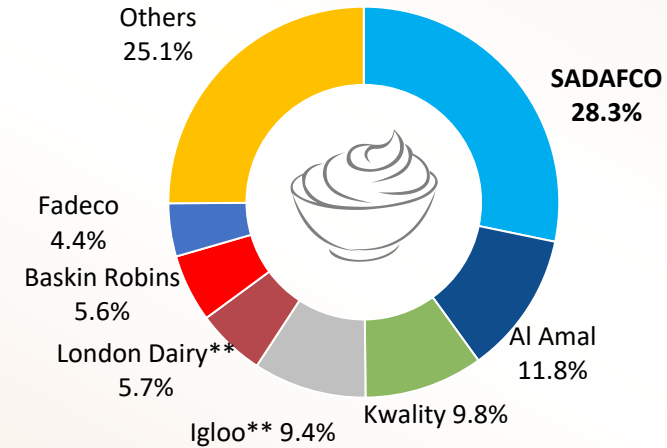
\*Nielsen Retail Audit

# Ice Cream Overview

- Ice cream product line was launched in 1979
- Over the years, SADAFCO has launched variety of new products to establish itself and increase sales in this segment
- Ice creams are available in tubs, cones, push-ups, sandwich, cups, bars and sticks
- These products are marketed under 'SAUDIA' and 'BABOO' brands

## Market Position

(March'22\*)



\*Nielsen Retail Audit;

\*\*part of IFFCO group

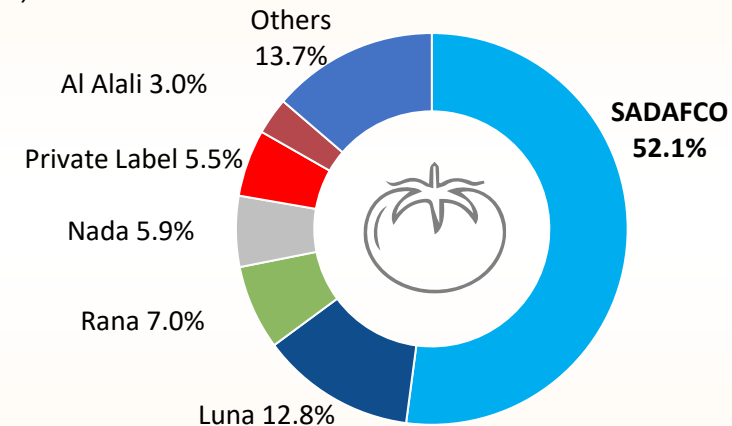


# Tomato Products Overview

- Tomato Products include Tomato Paste and Tomato Ketchup
- SADAFCO was the first company in Saudi Arabia to launch tomato paste in Tetra Pak in 1989
- The range was further expanded with the introduction of tomato ketchup in 2008
- These products are marketed under the "SAUDIA" brand

## Market Position

(March'22\*)



\*Nielsen Retail Audit



### SKUs

- 135g packs
- 70g Pouches

Tomato Paste



### SKUs

- Organic
- 135g packs
- 70g Pouches

Organic Tomato Paste



### SKUs

- 340g glass bottles
- 510g and 825g plastic & squeeze bottles

Tomato Ketchup



### SKUs

- 510g plastic & squeeze bottle

Fiery Ketchup



# Cheese Products Overview

- SADAFECO launched cheese product line in 1991
- Range of products include Feta cheese, Feta Tubs and Triangles
- The company is a leading domestic producer of bulk feta cheese sub-segment
- These products are marketed under the "SAUDIA" brand

120g and  
600g packs



Triangles

10kg and  
16kg tins  
200g and  
450g tubs



Feta Cheese

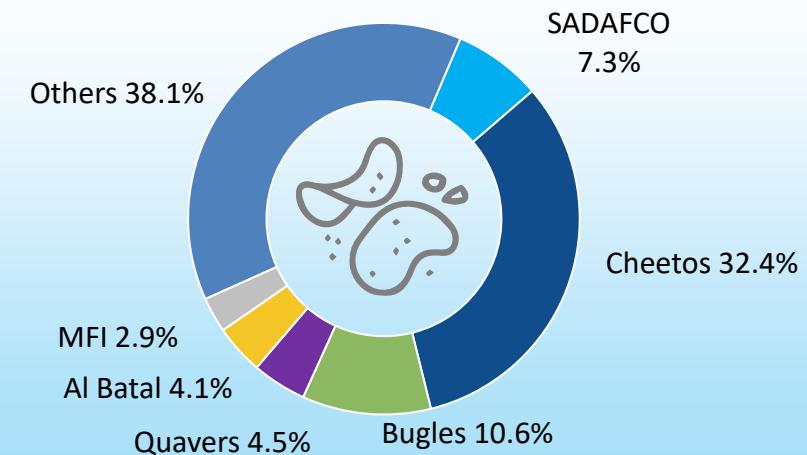


# Snacks Overview

- SADAFECO entered the snacks market in 1995, by acquiring Sara Snacks factory
- The Snacks range consist of two well known formats: Crispy Rings and Letters, each of these are offered in individual and family size
- Crispy's key competitors in the extruded snacks segment are Cheetos, Al Batal and Marami

## Market Position

(March'22\*)



\*Nielsen Retail Audit

80g size

11g, 23g  
and  
80g size

11g, 23g  
and 80g  
size

12g, 23g  
and  
90g size



Snacks (Crispy)



# Other Products



- SADAFCO also offers range of other products including butter, french fries, still & flavored water, EVAP, cream etc.
- Most of these products are sold under 'SAUDIA' brand
- New products included in this category are expected to contribute to the growth of the company with the company having plans to widen its product portfolio through constant product innovation



Cream

**Launch**

2007

**SKUs**

200 ml pack  
and 150g tins



French Fries

**Launch**

2010

**SKUs**

1kg and  
2.5kg packs



EVAP

**Launch**

2013

**SKUs**

200 ml and  
500 ml



Oat Milk

**Launch**

2022

**SKUs**

1-liter



Soy Drink

**Launch**

2016

**SKUs**

1-liter



Treato

**Launch**

2021

**SKUs**

200 ml



Butter

**Launch**

2010

**SKUs**

100g



Low Sodium Water

**Launch**

2020

**SKUs**

330 ml  
600 ml



Flavored Water

**Launch**

2018

**SKUs**

500 ml



Laban Fruit Drink

**Launch**

2017

**SKUs**

200 ml



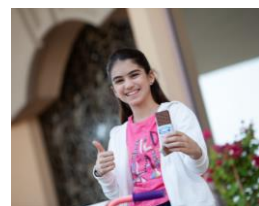
Mayonnaise

**Launch**

2022

**SKUs**

946g and  
430g

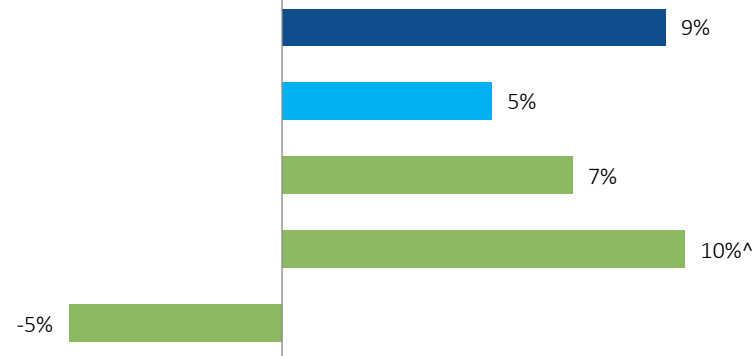


# Benchmarking: Regional Peers

# Return to Investors and Financial Strength

## ROA

(12-Mo ending 31st Mar, 2022)



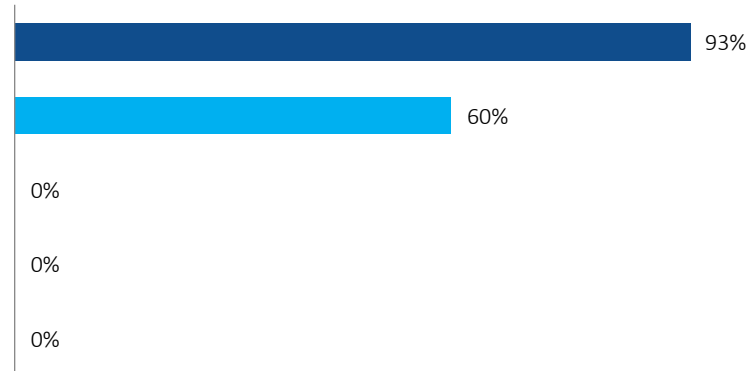
## ROE

(12-Mo ending 31st Mar, 2022)



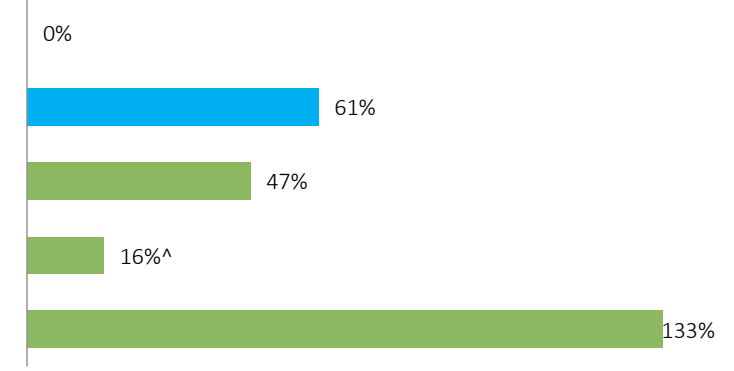
## Dividend Payout#

(12-Mo ending 31st Mar, 2022)



## Leverage

(12-Mo ending 31st Mar, 2022)



Note: #Dividend Payout is calculated by adding the gross dividends per share over the past 12 months and dividing it by EPS of the last twelve month as of 31<sup>st</sup> March, 2022

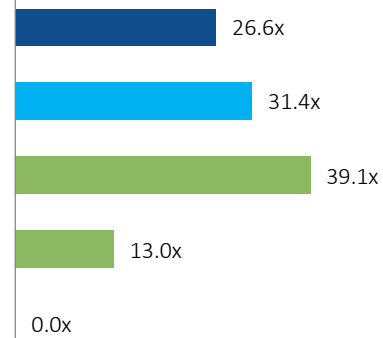
12-Mo refers to margins of last 4 quarters i.e. April'21 to March'22; ^Data for Juhayna has been accounted for January'21 to December'21 since Mar'22 numbers are not available

Source: Company Financials, Tadawul, Bloomberg;

# Trading Multiples

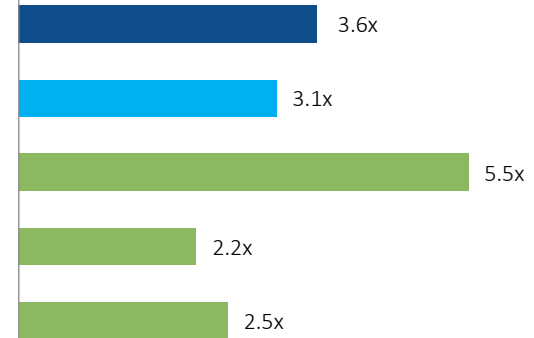
## P/E

(As of 31st March, 2022\*)



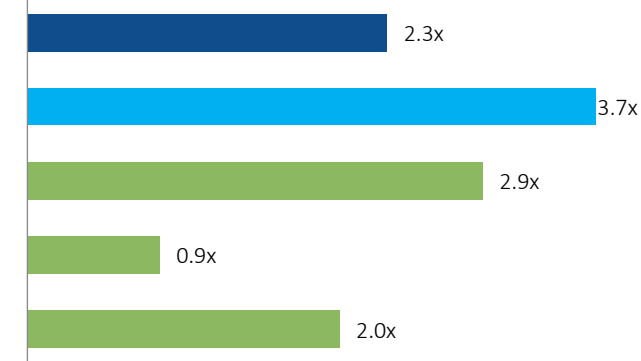
## P/B

(As of 31st March, 2022\*)



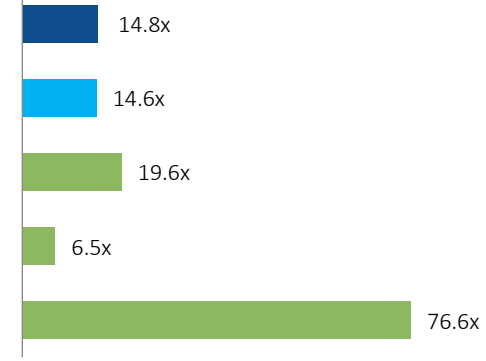
## EV/Sales

(As of 31st March, 2022\*)



## EV/EBITDA

(As of 31st March, 2022\*)

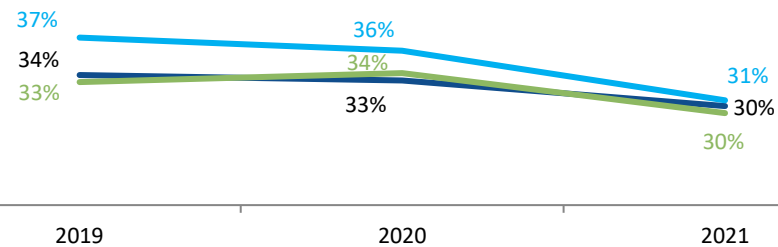


\*Financials as of March'22, Share price as of 31st March 2022; Data for Juhayna has been accounted for January'21 to December'21 since Mar'22 numbers are not available

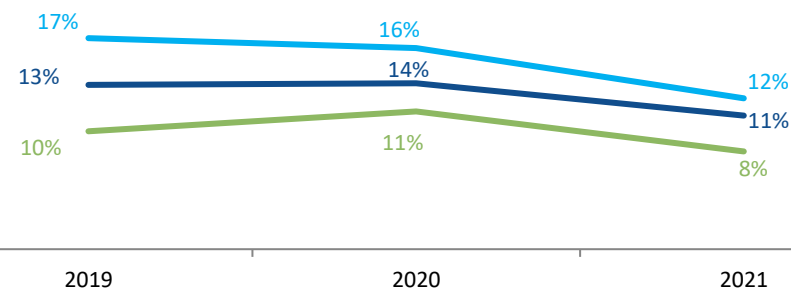
Source: Company Financials, Tadawul, Bloomberg

# Margins

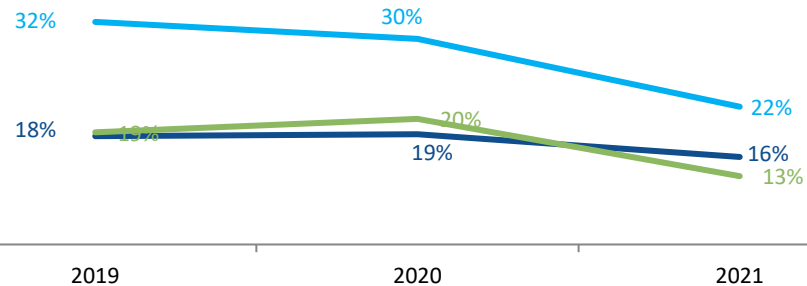
## Gross Profit Margin



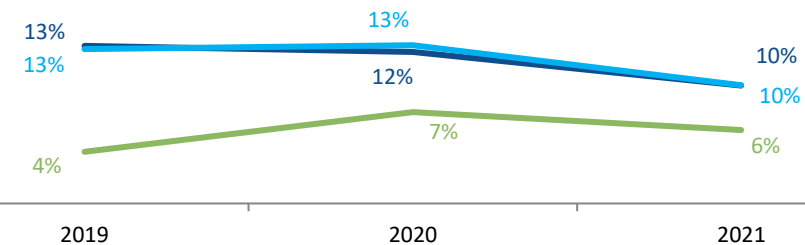
## Operating Profit Margin



## EBITDA Margin



## Net Income Margin



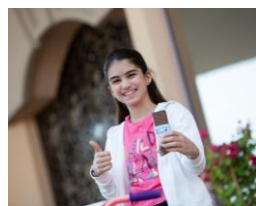
— SADAFCO — Almarai — Regional Peers Avg<sup>#</sup>

Note: SADAFCO has March ending financial years, hence 2021 means FY ending Mar'22

<sup>#</sup>Regional Peers Average includes the average of the margins of Almarai, Halwani Brothers, Juhayna and NADEC; <sup>^</sup>Data for Juhayna has been accounted for January'21 to December'21 since March'22 numbers are not available.

Source: Company Financials, Tadawul, Bloomberg





# Saudi Arabia F&B Market

# F&B Industry: Recent Market Trends

## Around the Globe

- March 2022 was marked by the war in Ukraine. Direct impact of war has impacted freight cost, stock up pressure and shortages of key food items
- Raw Material transportation which was already marred by imbalance of containers is further worsened by the ongoing war

## Proactive Government

- Governments in GCC have diversified import sources by increasing investments, introducing policy reforms and forging international collaborations to contain imports and ensure steady supply of food through home-grown produce
- Saudi Arabia has announced of lifting the precautionary and preventive measures to combating the COVID-19 pandemic and Umrah is now opened for all the countries in the world

## Economic Challenges

- While Saudi Arabia's fiscal structure has improved, oil revenue will still account for more than 60% of total budget revenue in 2022-2023 (down from 90% ten years ago) as per Fitch
- The unemployment rate for citizens declined to 11% in Q4 2021, compared to 11.3% in Q3 2021. Saudi Arabia's inflation rate stabilized to 2% in March 2022

## Changing Face of Foodservice sector

- Private labeled products have become a source of high revenue and margin owing to investments in private labels by large supermarkets and hypermarkets as consumer becomes more price sensitive
- Decline in the spread of COVID spread has re-enabled dining at quick service and fast-food restaurants or going to cafes/coffee shops

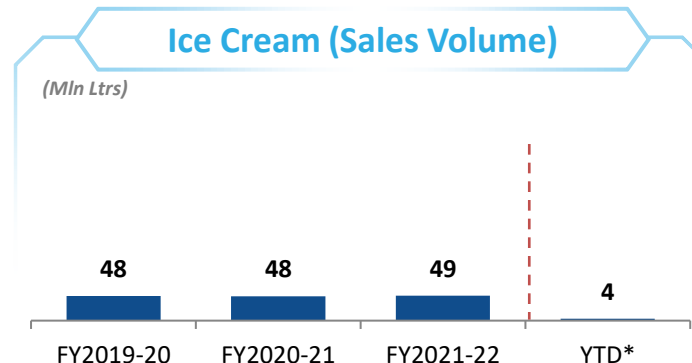
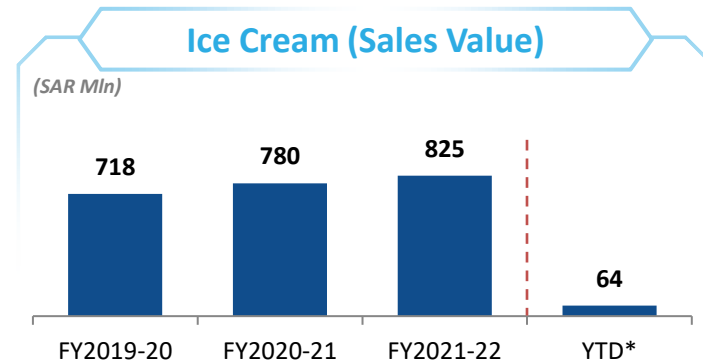
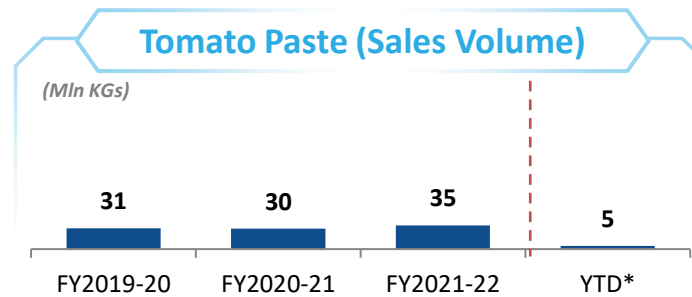
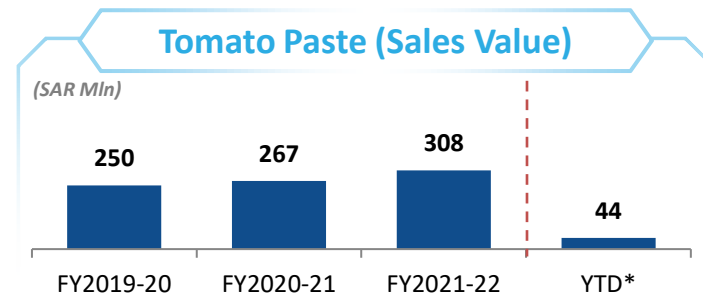
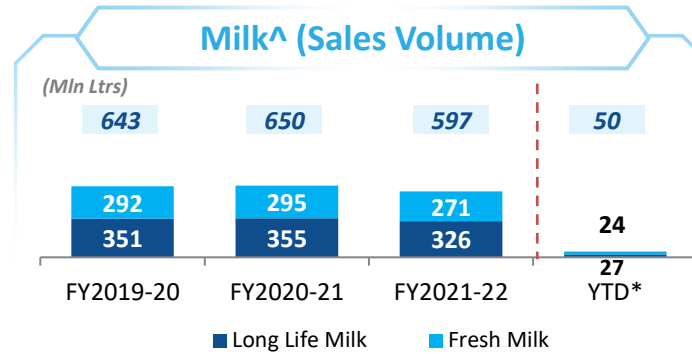
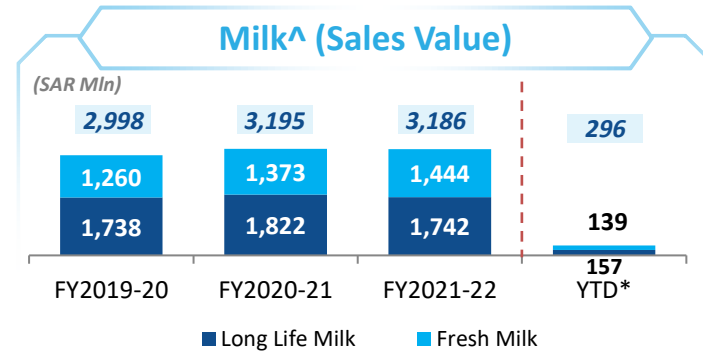
## Shift in Consumer Preference

- KSA consumers are becoming increasingly savvy when seeking out F&B bargains, and are also demanding new products with a stronger health focus. Additionally, there is a growing preference for locally manufactured products in the food category, especially for dairy and fresh foods
- Preferences are also driven by high proportion of young and working class professionals in rapidly growing population

## Market Dynamics

- Saudi Arabia's consumer price index rose 2.2% in May of 2022 from a year earlier. Food and beverages (F&B) rose 4.2% for the same period
- Fresh dairy producers are consequently increasing consumer prices due to growing feed and packaging cost

# Saudi Arabia Key Markets for SADAFCO



Source: Retail Market Estimates Nielsen - Data for each year relates to period of April-March;  
 \*YTD refers to period of Apr-22; ^Includes Plain and flavored milk

- The category registered a slight decrease in sales value and volume for 2021 on a YoY basis.
  - The overall Plain Milk market was on a declining trend in 2021 owing to deep discounting of prices and rationalization of consumer spending
  - However, with the easing of deep discounting in the last quarter of 2021, there are signs of recovery

- The category registered a healthy increase of 15% in Sales Value for 2021 on a YoY basis
- Consumption is continuously growing while many major tomato exporting nations are forecasting decrease in production

- Ice Cream showed a significant increase of 6% in Sales value for 2021 on a YoY basis
- Demand for Ice Cream is expected to surge with opening of the Umrah, reduced COVID-19 restrictions and increased consumer preferences for Ice Creams

Trusted by Generations

