

# Q3 and 9M 2023

## Earnings Conference Call



6 November 2023



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🌾 Introduction

🌾 Market Update & Key Highlights

🌾 Financial Performance

🌾 Way Forward

🌾 Q&A

# About First Milling Company

## Vision



To be the first partner of choice in the food & feed sectors and a credible source of vital products for communities and markets across the region

## Mission



To be the first partner of choice in the food & feed sectors and a credible source of vital products for communities and markets across the region

## Values



- Transparency
- Teamwork
- Accountability
- Integrity
- Well-being
- Passion



**+50**  
Years in the market  
Since **1972**



**#1** Milling Co. in KSA  
with **c.30%** market  
share



**4** Large Capacity Milling  
Factories  
Supported by distribution  
centers to serve all kingdom



**+7,500**  
Number of clients or  
partners  
(Direct & indirect)



**4,200**  
Tons/Wheat  
Daily Milling Capacity



More than **96%**  
Cash Transactions &  
Collections



**95%** of  
Revenue from **B2B** and  
**Traditional Trade**  
Customers



Revenue  
**SAR 717 mn**

As of 30 September 2023



Net Profit  
**SAR 162 mn**  
(NP Margin is **22.7%**)

As of 30 September 2023



Earnings Per Share (EPS)  
**SAR 2.93**

As of 30 September 2023



Dividend Per Share (DPS)  
**SAR 1.37**

As of the first half of 2023

# The First Mills Investment Proposition

1



**Market leader** with sustainable position across strategic regions in Saudi Arabia

2



**Clear road map** with multiple avenues to drive long-term growth

3



**World class manufacturing** built on decades of milling experience and agility in technology adoption

4



**Differentiated business model** delivering an outstanding financial performance and outperforming industry standards

5



Exceptional **Cash Flow generation**, Supporting Attractive **Dividend Distribution** & future expansion plans

6



**Engaged and seasoned leadership team** that drives solution for environment, social & governance challenges



# Clear Road Map with Multiple Avenues to Drive Strong long-Term Growth

FMC Has Identified 4 Strategic Pillars to Drive its Growth

Medium-term Strategic Growth Plan

## Maintaining Market Leading Position

- Grow Revenue & Profit in a Sustainable Manner
- Expand into New Categories
- Improve Distribution & Sales Channels



## Introducing Distinctive Products & Services

- Grow Revenue Contribution from Flour New Product Development
- Strengthen FMC's Brand Equity
- Improve Customer Service Satisfaction & Loyalty
- Boost innovation practices



## Improving Operational Excellence

- Optimize Cost Across the Value Chain
- Improve Product Quality
- Increase Production Capacity & Efficiency
- Expand Strategic Sourcing
- Develop integrated Business Planning



## Creating a Winning Organization

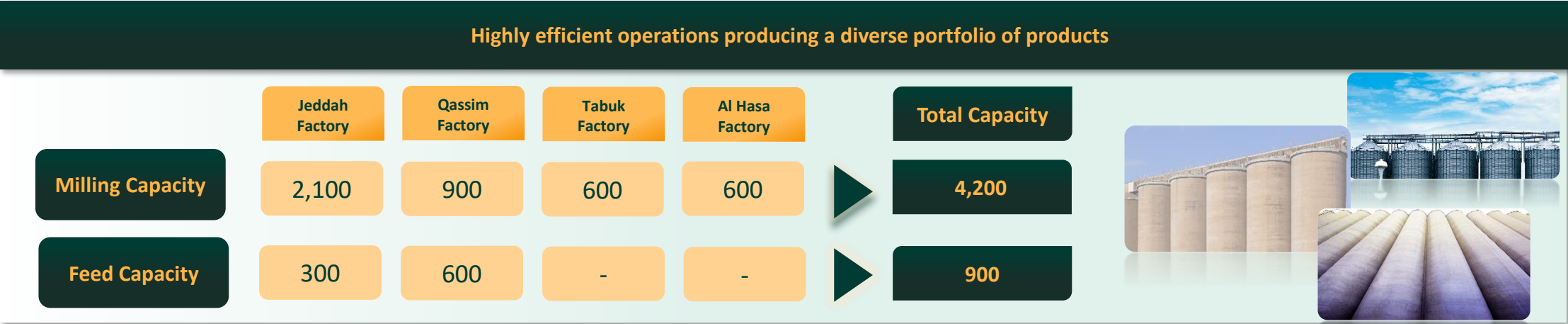
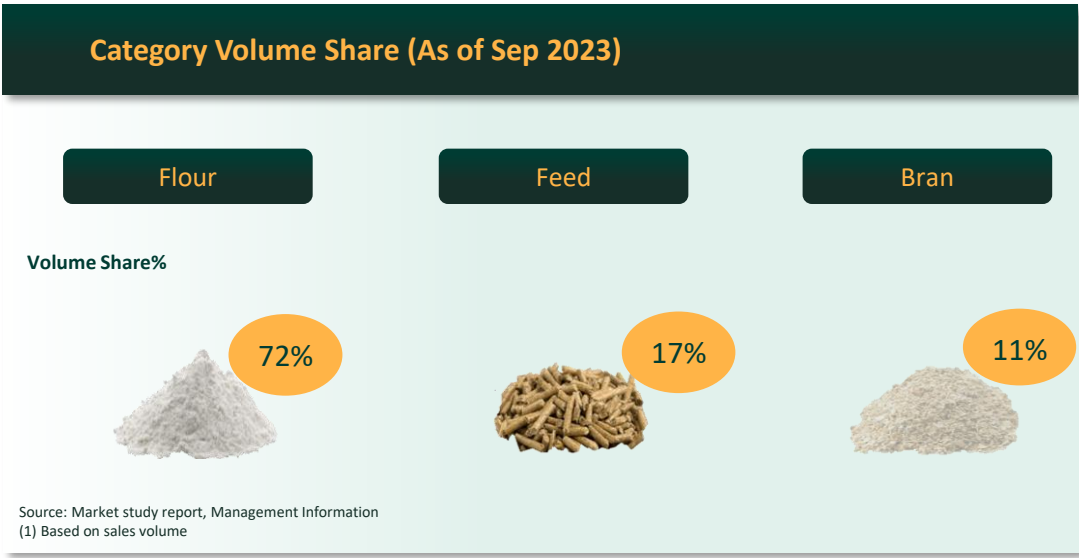
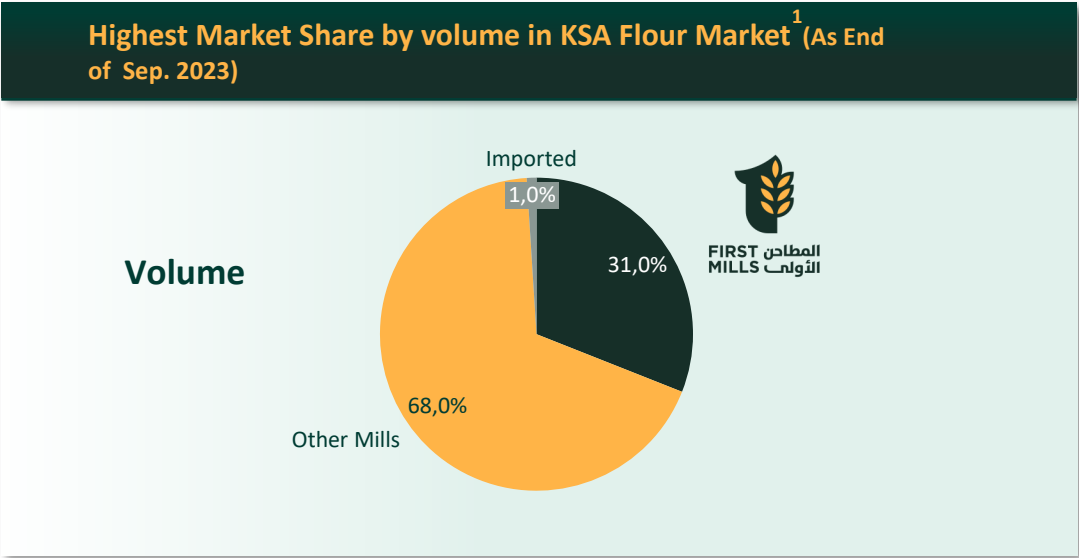
- Improve Health, Safety and Environment Practices
- Strengthen Organization Structure & Governance
- Improve Working Culture & Environment
- Attract and Retain Top Talents
- Enhance Digitalization & Automation



## Market Updates & Key Highlights

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# Market leader with Sustained Position Across Saudi Strategic Regions





# Wide Range of Products, Serving Different Needs in Food & Feed

KSA's Largest Wheat Miller Producing a High Quality and Diverse of Products



## Flour

- - Large Pack (45 KG)
- - Bulk
- - Small Pack (Retail)

## Bran

- - Animal Bran
- - Edible Bran

## Animal Feed

- - Livestock Feed
- - Poultry Feed

● Free Market Price based on fair competition

● Fixed Price by the Regulator

# Q3 2023 Key Highlights

## Financial

- Q3 EBITDA stood at SAR 248.9 mn vs SAR 252.4 mn driven by slightly lower GP in Bran and Feed.
- Q3 Net Profit at SAR 162.7 mn, lower than Last year SAR 197.2 mn mainly due to interest costs post merger.
- Robust Q3 Free Cash Flow standing at SAR 192 mn and conversion rate at 76%.

## Operations

- Q3 capacity utilization at 97.2% increased +7% vs the same period last year.
- Commissioned the Premix Line and launching functional mix Flour. Commissioned the Pesa Mill and launched chaki-atta flour in modern trade.

## Commercial

- Q3 sales grew by 4.3%, vs the same period last year.
- Flour sales increased by 10.4% in Q3 year on year (YOY).
- Feed sales increase by 16% YOY compensated the decline in Bran by 31.8% vs Last year due to prioritizing the increase of intake in the feed production driven by the feed growth.

## 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



# New Products Updates

First Mills Continues to Expand its Product Portfolio by Launching Three New Value-Added Products in the Market

## Chakki Atta Flour

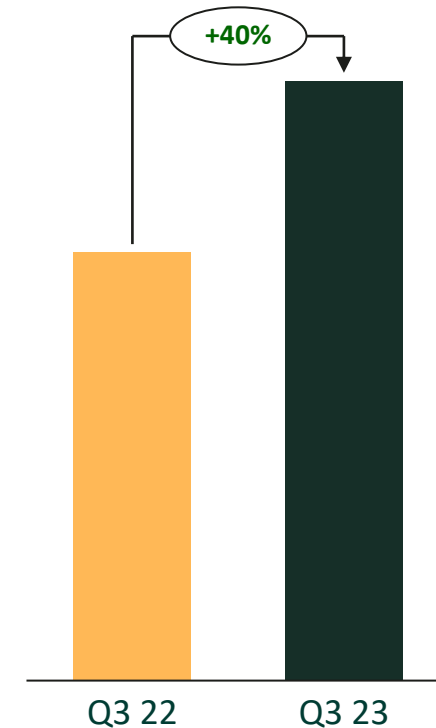


## Ready Mixes



## Continue Wining in Retail Segment Driven by Aloula Brand

+40% revenue growth supported by better pricing vs competition



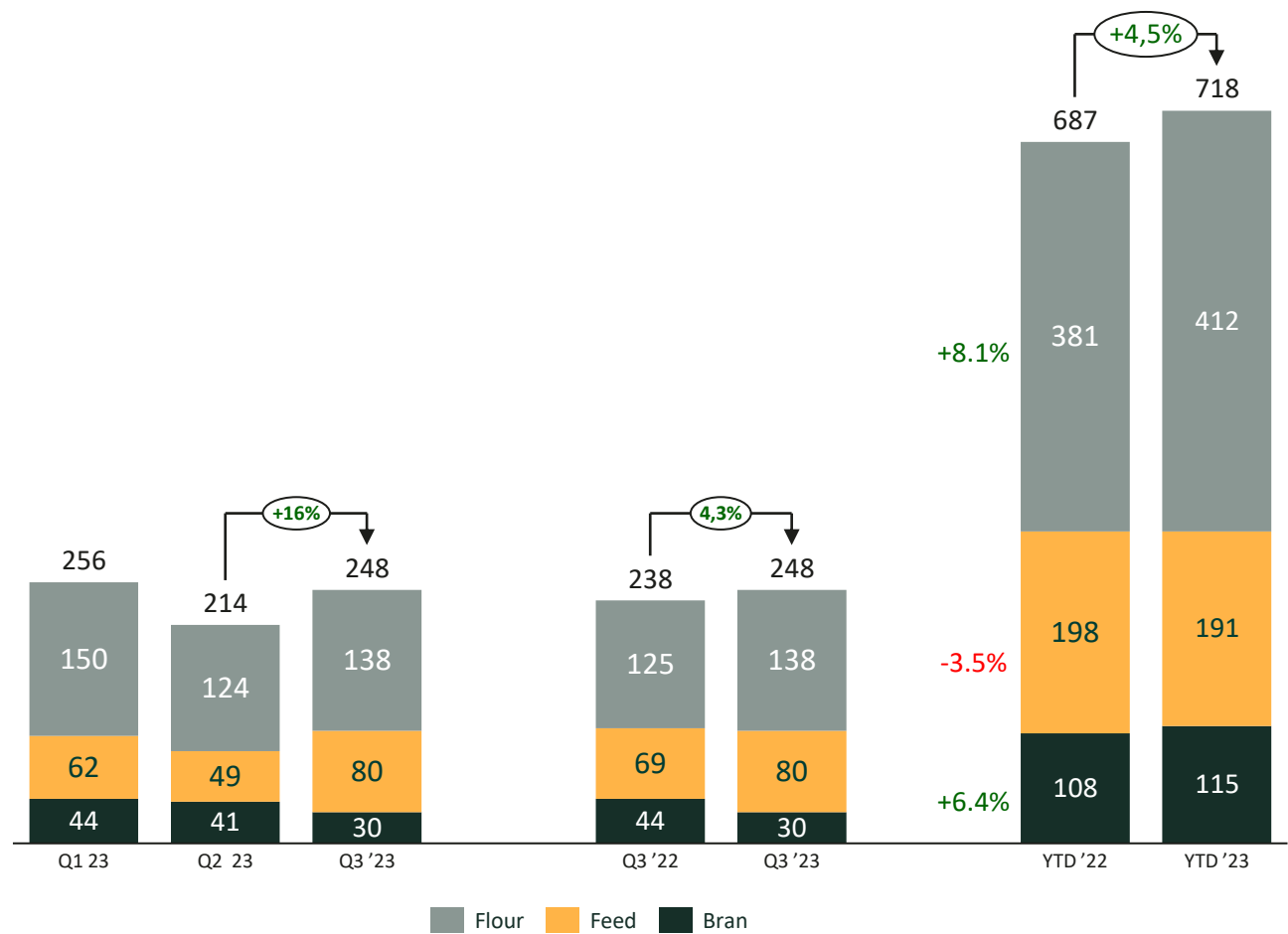


# Financial Performance

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# Solid Revenue Growth

## Revenue by Category



## Financial Highlights

- Revenue increased by net 4.5% YTD YoY driven by topline growth in Flour by 8% and Feed by 6%, and slightly offset by the decrease in Bran by 3.5%. The growth in Flour and Bran sales was driven by new customer acquisitions and increasing geographic coverage.
- The Q3 YoY Bran decrease is mainly due to prioritizing the increase of intake in the feed production to fulfill the growth demand.





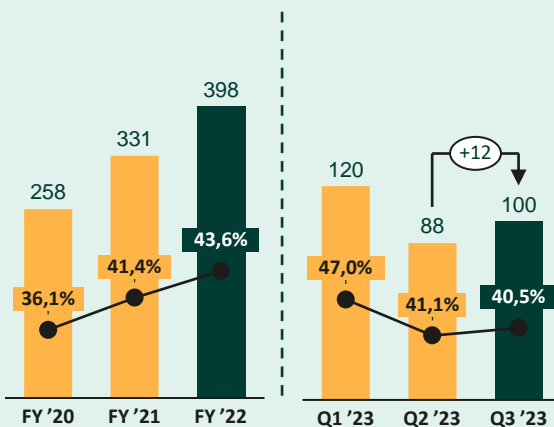
# Consistent Track Record of Value Creation

YTD '23

## Gross Profit

SAR **308.5** Million

Vs YTD'22 SAR 310 Million  
(-0.5%)

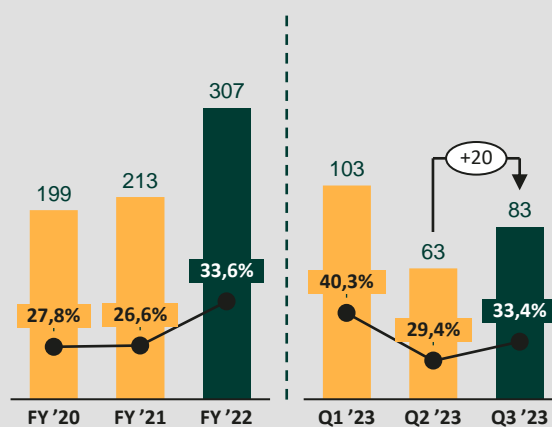


■ GP ■ GP% ■ GP Growth %

## EBITDA

SAR **248.9** Million

Vs YTD' 22 SAR 252.4 Million  
(-1.4%)

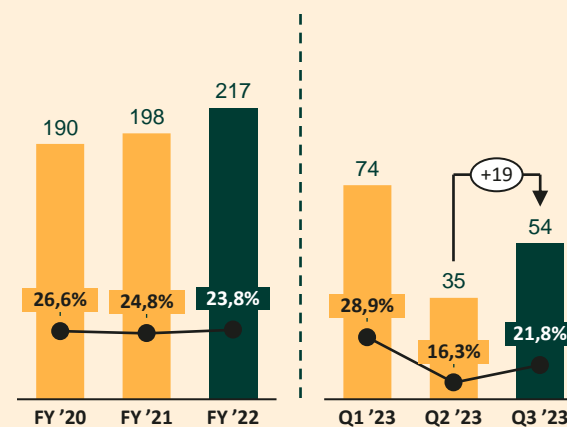


■ EBITDA ■ EBITDA% ■ EBITDA Growth %

## Net Profit

SAR **162.7** Million

Vs YTD'22 SAR 197 Million  
(-17.5%)



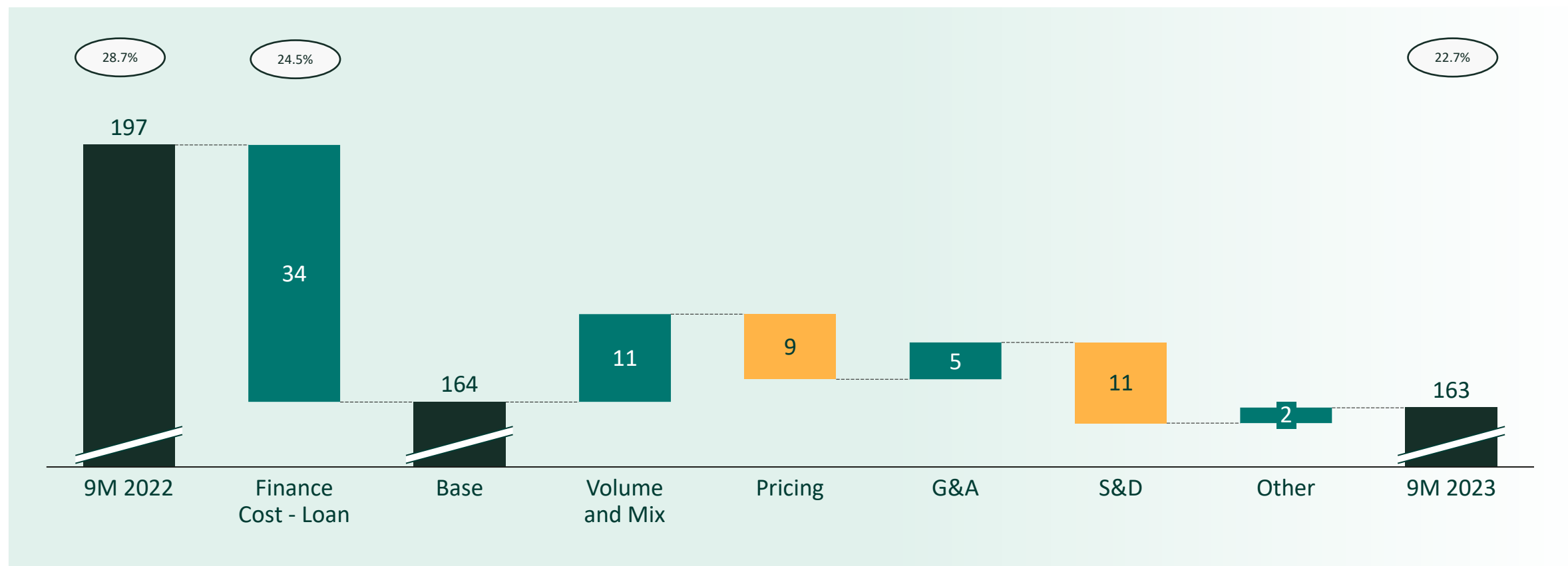
■ NP ■ NP% ■ NP Growth %

Q3 '23



# Key Profitability Drivers

## YTD 2022 vs YTD 2023

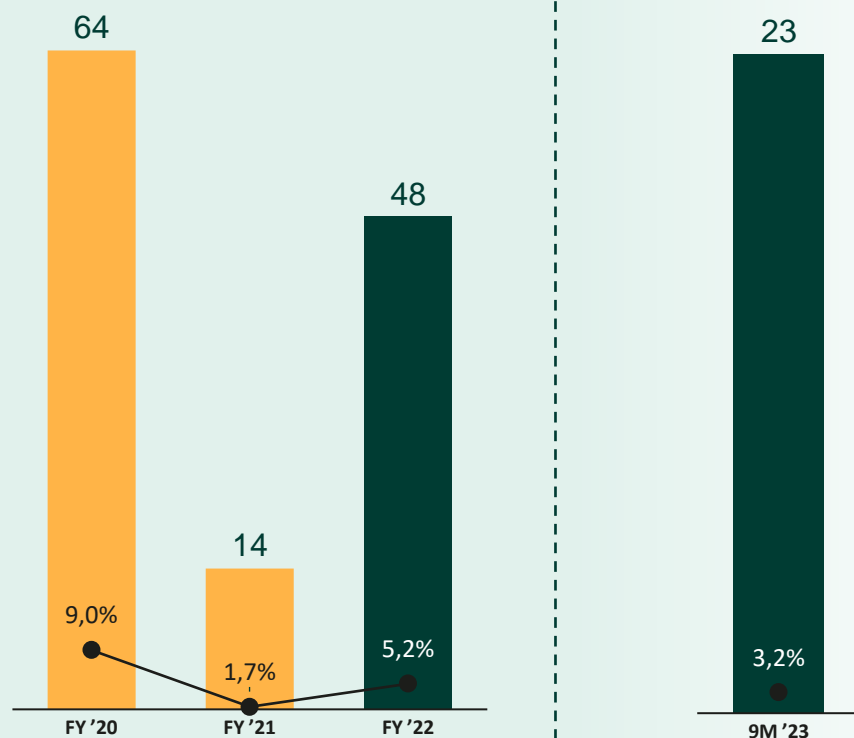


# Limited Working Capital Requirements with Managed CAPEX Plan

## Balance Sheet

### Working Capital

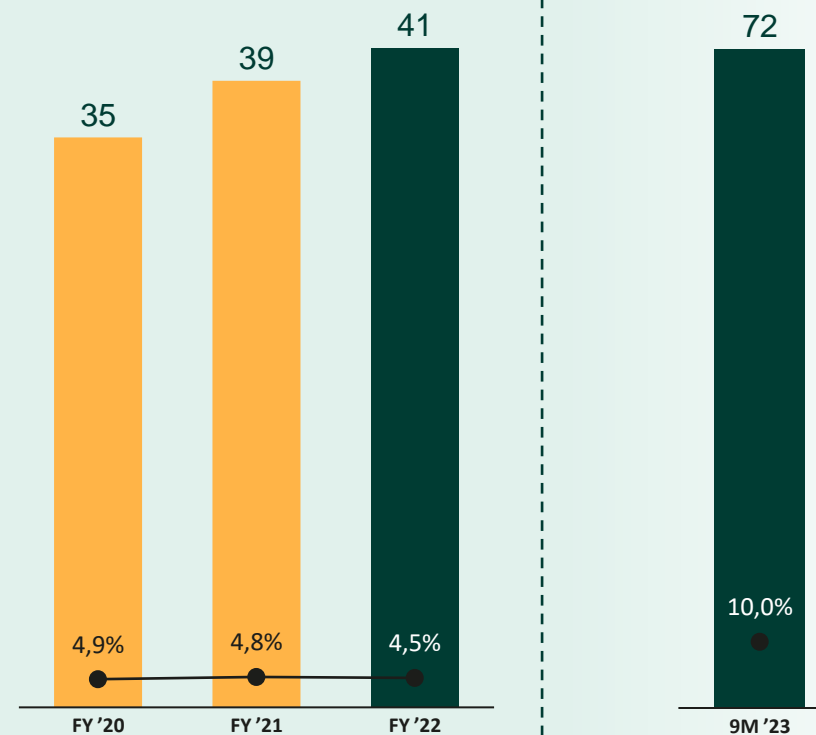
(SAR in millions)



\* WC % is based on Last Year Net Sale

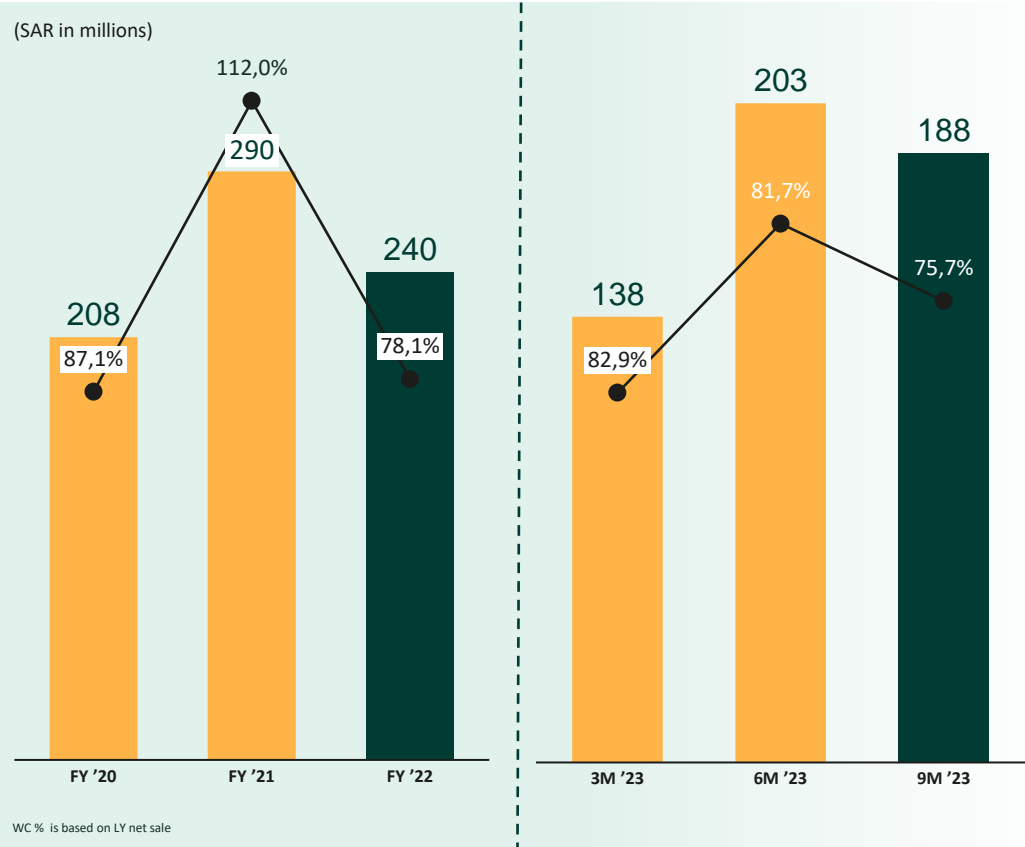
### CAPEX

(SAR in millions)



# Solid Cash Position Supporting Capex and Debt Management

Free Cash Flow



Net Debt

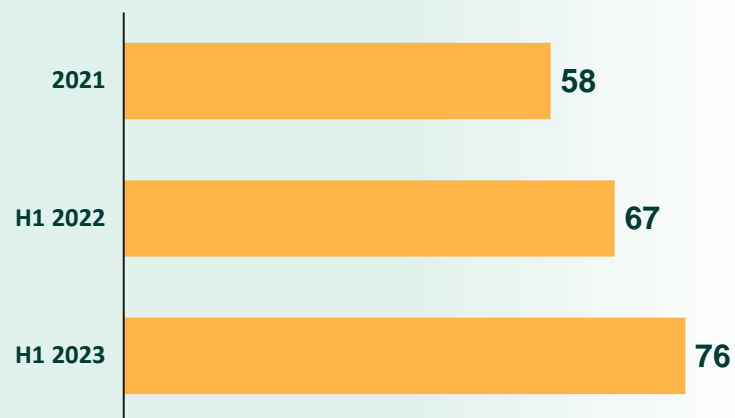




# Consistent Dividend Distribution

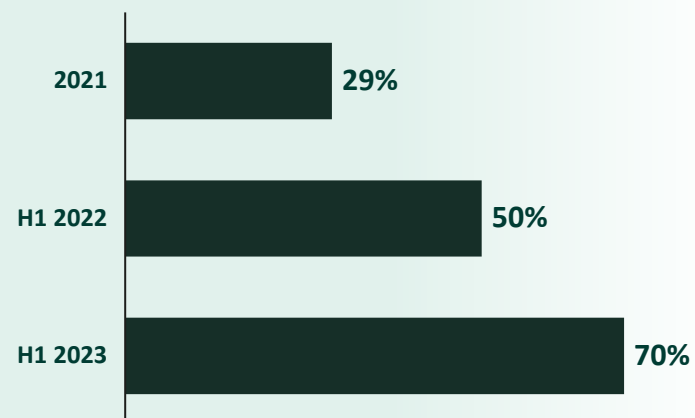
## Total Dividend Amount Distributed

(SAR/Million)



## Dividend Payout Ratio

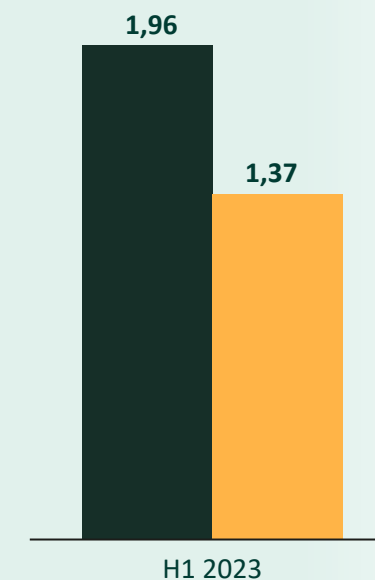
(% of Net Profit)



## EBS vs DPS

(SAR/Share)

■ EPS ■ DPS



## Way Forward

# Expansion into High Value Downstream Segments on Track

## Projects

## Phases

## Products

### New Products

#### PESA Mill

Produces Chakki Atta Flour and 100% Whole Wheat Flour

Product Launched in Q3 2023



#### Mixing Plant

Produces ready mix flour used in both B2B & B2C

B2B Functional Flour launched in Q3 2023, Ready Mixes pre-Ramadan 2024



#### Durum Mill

Produces Semolina that is used in making Pasta, sweets, Jarrish and Harees.

Installation & commissioning ongoing

Commissioning Q4 2023



#### Mill-C Upgrade

Capacity expansion by 250 tons per day of wheat milling & efficiency improvement

Installation & commissioning ongoing

Commissioning Q4 2023



Completed

On-going



# Guidance

## Total Revenue Growth

- **Total Revenue** expected to grow by a CAGR of mid-single digit

## EBITDA and Net Margins

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

## Capex

- Ongoing Capex ~ 210mln (2024-2026)

## Working Capital

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

## Dividend guidance

- Targeting **semi-annually c. 60% - 70%** pay-out of net income

## Capital Structure

- Growth to be funded organically

### 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. The forward-looking guidance does not factor impact of subsidy removal (if applicable).

# Appendix

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# Profit & Loss Statement

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		<u>2023</u> (Unaudited)	<u>2022</u> (Unaudited)	<u>2023</u> (Unaudited)	<u>2022</u> (Unaudited)
Revenue	16	248,139,910	237,837,195	717,644,160	687,051,408
Cost of revenue	17	(147,735,542)	(134,074,317)	(409,102,725)	(377,043,421)
Gross profit		100,404,368	103,762,878	308,541,435	310,007,987
Selling and distribution expenses		(11,796,676)	(7,281,487)	(36,511,145)	(25,875,424)
General and administrative expenses		(17,928,556)	(22,494,890)	(59,050,970)	(65,541,028)
Expected credit loss on trade receivables		51,500	779,507	51,466	(139,245)
Operating profit		70,730,636	74,766,008	213,030,786	218,452,290
Finance costs	18	(23,685,327)	(10,915,806)	(69,251,930)	(16,730,753)
Finance income	19	8,535,732	--	23,221,152	--
Other income/(expenses)		(274,397)	94,506	173,345	153,054
Profit before zakat		55,306,644	63,944,708	167,173,353	201,874,591
Zakat expense	20.1	(1,269,120)	(454,513)	(4,470,087)	(4,678,975)
Profit for the period		54,037,524	63,490,195	162,703,266	197,195,616
Other comprehensive income for the period					
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit liability		--	--	108,955	--
Items that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedge	8	(420,564)	10,536,255	712,672	10,536,255
Total comprehensive income for the period		53,616,960	74,026,450	163,524,893	207,731,871
Earnings per share for the period attributable to shareholders of the Company (SR):					
Basic	22.1	0.97	126.98	2.93	394.39
Diluted	22.1	0.97	126.98	2.93	394.39



# Balance Sheet

	Notes	30 September 2023 (Unaudited)	31 December 2022 (Audited)
<b>Assets</b>			
Property, plant and equipment	7.1	631,356,427	537,778,519
Right-of-use assets		307,910,704	319,617,116
Intangible assets		4,535,094	5,018,059
Derivative financial instruments	8	57,906,992	58,158,366
Goodwill		1,090,669,302	1,090,669,302
<b>Non-current assets</b>		<b>2,092,378,519</b>	<b>2,011,241,362</b>
<b>Inventories</b>	9.1	<b>103,410,446</b>	<b>119,100,330</b>
Trade receivables	10	7,709,828	6,182,342
Prepayments and other current assets		19,460,269	66,587,729
Due from related parties	23	--	7,912,120
Cash and cash equivalents		162,627,030	215,326,438
<b>Current assets</b>		<b>293,207,573</b>	<b>415,108,959</b>
<b>Total assets</b>		<b>2,385,586,092</b>	<b>2,426,350,321</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
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	47,462,025	46,749,353
Retained earnings		208,462,334	121,685,113
<b>Total equity</b>		<b>840,923,646</b>	<b>750,961,022</b>





# Balance Sheet

	Notes	30 September 2023 (Unaudited)	31 December 2022 (Audited)
<b>Liabilities</b>			
Long-term loan	14	976,380,950	1,006,401,558
Lease liabilities		315,354,847	326,656,872
Long-term payable	15	34,222,625	--
Employees' defined benefit obligations		7,697,229	4,892,000
Non-current liabilities		1,333,655,651	1,337,950,430
Trade payables		20,433,757	44,137,592
Accrued expenses and other liabilities		63,632,343	81,846,360
Current portion of long-term loan	14	67,122,272	164,272,151
Current portion of lease liabilities		19,968,358	23,084,338
Current portion of long-term payable	15	10,941,218	--
Advances from customers		23,780,687	17,669,986
Due to related parties	23	--	261,449
Zakat payable	20.1	5,128,160	6,166,993
Current liabilities		211,006,795	337,438,869
<b>Total liabilities</b>		<b>1,544,662,446</b>	<b>1,675,389,299</b>
<b>Total equity and liabilities</b>		<b>2,385,586,092</b>	<b>2,426,350,321</b>

# Cash Flow

	Notes	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Cash flows from operating activities			
Profit before zakat		167,173,353	201,874,591
Adjustments:			
Depreciation on property, plant and equipment	7.2	23,630,017	21,292,400
Depreciation of right-of-use assets		11,706,412	12,337,916
Amortisation of intangible assets		482,965	364,600
Finance cost on lease liabilities	18	8,548,626	8,763,773
Finance cost on long-term loan	18	58,741,054	4,742,040
Finance income	19	(23,221,152)	--
Amortisation of loan transaction cost	18	1,814,250	3,224,940
Provision for slow moving inventories	17	7,495,761	6,146,293
Finance cost on employees' defined benefit obligations	18	148,000	--
Provision for employees' defined benefit obligations		3,081,636	2,279,013
Expected credit loss on trade receivables		(51,466)	139,245
		259,549,456	261,164,811
Changes in working capital:			
Inventories		8,194,123	1,571,476
Trade receivables		(1,476,020)	(2,967,165)
Prepayments and other current assets		46,814,106	(16,071,879)
Due from related parties		10,384,851	(1,177,000)
Trade payables		(23,703,835)	(24,188,415)
Accrued expenses and other liabilities		(18,214,017)	18,301,592
Advances from customers		6,110,701	(225,499)
Due to related parties		(261,449)	50,000
		287,397,916	236,457,921
Paid employees' defined benefit obligations		(315,452)	(37,289)
Finance cost paid		(69,606,025)	(21,333,096)
Finance income received		23,534,506	--
Zakat paid		(5,508,920)	(4,801,462)
Net cash from operating activities		235,502,025	210,286,074

# Cash Flow

	Notes	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Cash flows from investing activities			
Additions to property, plant and equipment	7.2	(72,044,082)	(22,761,403)
Additions to intangible assets		--	(294,719)
Net cash used in investing activities		(72,044,082)	(23,056,122)
Cash flows from financing activities			
Dividends paid	13	(76,035,000)	(84,472,046)
Additional shareholders' contribution		--	550,000,000
Loan repaid	14	(128,984,737)	(550,000,000)
Payment of lease liabilities		(11,137,614)	(22,854,620)
Net cash used in financing activities		(216,157,351)	(107,326,666)
Net (decrease)/increase in cash and cash equivalents during the period		(52,699,408)	79,903,286
Cash transferred from the merger transaction		--	81,541,989
Cash and cash equivalents at 1 January		215,326,438	157,484,513
Cash and cash equivalents at 30 September		162,627,030	318,929,788
<u>Significant non-cash transactions:</u>			
Investing activities			
Additions to property, plant and equipment	7.2	(45,163,843)	--
Financing activities			
Long-term payable	15	45,163,843	--

# Our Leadership

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# Well-Governed Company with Multiple Committees to Assure an Efficient Operations

## Experienced Board of Directors Members



Tariq AlMutlaq  
Chairman



Abdullah AlKenany  
Vice Chairman



Rakan Abunayyan  
Board Member



Essa AlGhurair  
Board Member



Massimo Ambrosio  
Ind. Board Member



Murad AlKatib  
Ind. Board Member



Yazeed AlOthman  
Ind. Board Member

## Strong and Comprehensive Corporate Governance Standards In Place

Audit Committee

Nomination & Remuneration Committee

Optimization Committee

Executive Committee

## Led by an Industrial Experienced Management Team



Abdullah Ababatain  
Chief Executive Officer



Manwel Bou Hamdan  
Chief Financial Officer



Ahmed Kadous  
Chief Commercial Officer



Michael Albers  
Chief Operating Officer



Mohammed Kotah  
Chief Strategy Officer



Ismail Albadri  
Chief QA Assurance &  
Safety Officer



Thamir Al-Shaikh  
Chief Human Capital  
Officer

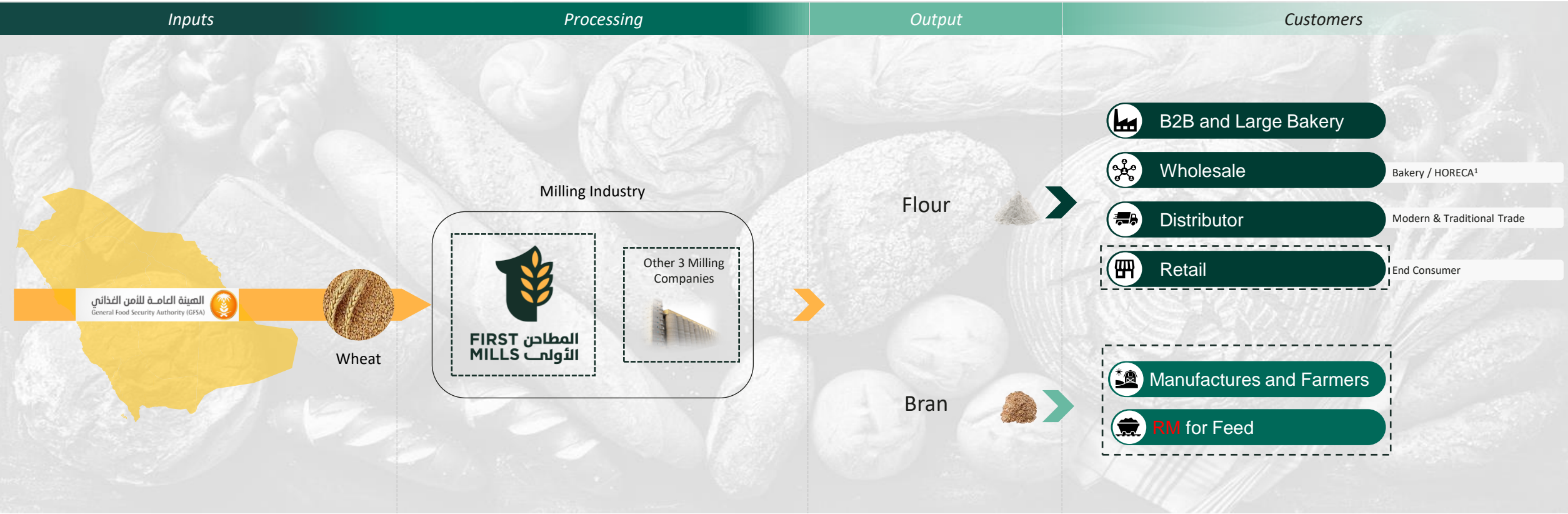
# Commercial

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# Value Chain in the Flour & Bran Markets

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



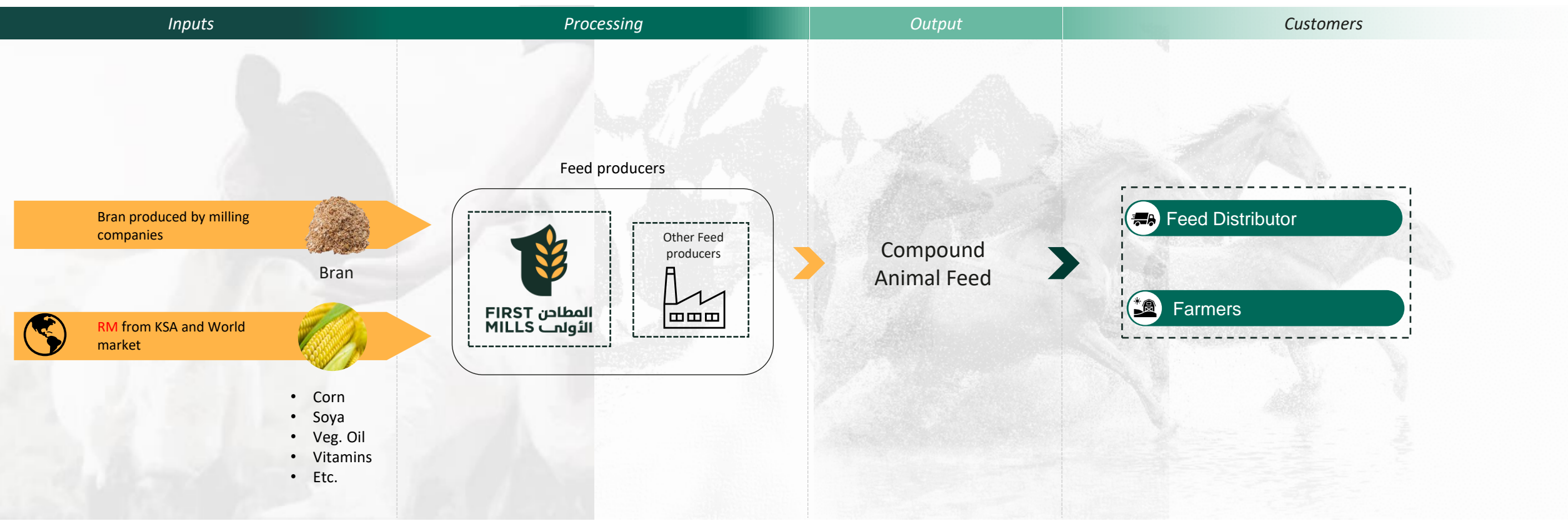
Free Market

(1) HORECA: Hotels, restaurants and cafes



# Value Chain in the Compound Animal Feed Markets

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



Free Market

# Corporate Social Responsibility

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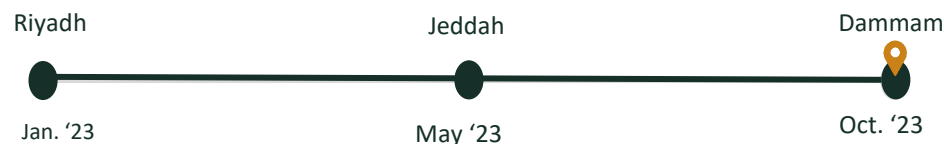


# Together To Make a Meaningful Impact

FMC is committed to its role of empowering the community and contributing to the abundance of economic and food resources

Total Batches	10
Business Plans	107
Trainees	302
Graduates	274
Hiring	41
Business Plan Investment Opportunity	4
Business Plan Funding Opportunity	9

## Full Program Timeline



المخبز السعودي  
Saudi Bakery



Continuing our Social Responsibility  
Program "Saudi Bakery"  
in Jeddah & Dammam



Enabling The Community With  
Our Trusted Partners



المركز الوطني  
للمسؤولية الاجتماعية  
National Center CSR





# Elevating First Mills Corporate Brand through Multiple Touchpoints

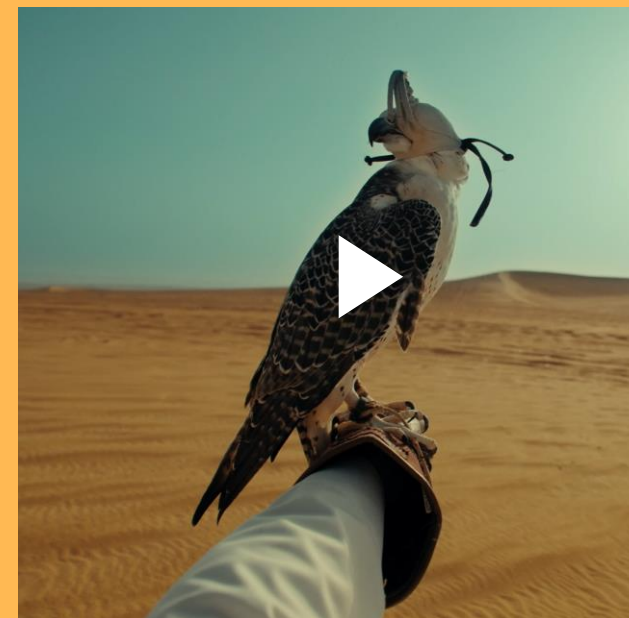
Launched FMC's  
Documentary Representing The Milling  
Industry in MENA



Sponsoring Top Food Events in the  
Kingdom  
"Foodex Saudi"



Unique Presence in the  
"Saudi National Day 93" with +10M  
views



# Human Resource

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# Attracting and Retaining the Best Talents

First Mills initiatives are generally based on Saudi Talent Acquisition, and Saudi Talent Development and Retention



**725**  
Overall FMC Headcount  
As of September 2023



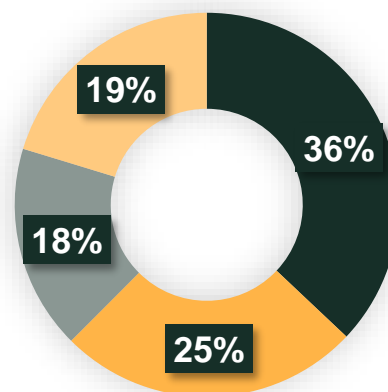
**National**  
31%



**Non- National**  
69%



**591**  
Production Facility Staff  
As of September 2023



- Jeddah Production Facility
- Al-Qassim Production Facility
- Tabuk Production Facility
- Al-Ahsa Production Facility

## FMC's Commitment to the Nationalization Regulation and Retention



**Delivered Training Hours**  
7826 Hours.



**Coop Training**  
37 Students



**Retention Rate**  
98.34 %

### COOP students' University/College

- UBT
- Yanbu College
- Zarqa/Colleges and Universities (Jordan)
- College of Technology (Jeddah)
- King Abdulaziz University
- Jeddah University



Sponsoring and empowering national cadres in line with the Saudi Vision 2030 and in the implementation of the Saudization Resolutions issued by the Ministry of Human Resources and Social Development.





# Thank you

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