

Almarai Company Announces Its Condensed Consolidated Interim Financial Results for The Period Ended in 30th June 2020 (Six Months)

Almarai Company ("the Company") is pleased to announce its Condensed Consolidated Interim Financial Results for The Period Ended in 30th June 2020 as below:

Second Quarter of 2020 Highlights

1. The Revenue for the Second quarter 2020 amounted to SAR 4,081.8 million, an increase of 8.3% as compared to the corresponding quarter of the last year (SAR 3,767.4 million).
2. The Gross Profit for the Second quarter 2020 amounted to SAR 1,535.2 million, an increase of 4.7% as compared to the corresponding quarter of the last year (SAR 1,466.2).
3. The Operating Profit for the Second quarter 2020 amounted to SAR 759.2 million, an increase of 2.3% as compared to the corresponding quarter of the last year (SAR 742.5 million).
4. The Consolidated Profit Attributable to Shareholders of the Company for the Second quarter 2020 amounted to SAR 643.9 million, an increase of 10.5% as compared to the corresponding quarter of the last year (SAR 582.5 million) and an increase of 68.1% as compared to the previous quarter (SAR 383.0 million).
5. The Comprehensive Income Attributable to Shareholders of the Company for the Second quarter 2020 amounted to SAR 687.8 million, an increase of 11.7% as compared to the corresponding quarter of the last year (SAR 615.9 million) and an increase of 137.3 % as compared to the previous quarter (SAR 289.8 million).
6. Total Equity Attributable to Shareholders as of 30th June 2020 amounted to SAR 14,598.1 million as compared to the corresponding date of last year (SAR 13,996.5 million), an increase of 4.3%. The book value of one share, as of 30th June 2020, reached SAR 14.6.
7. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the Period ended on 30th June 2020 (Three Months) and the corresponding Period of last year, reached SAR 0.66 and SAR 0.59, respectively. Diluted EPS for the Period ended on 30th June 2020 (Three Months) and the corresponding Period of last year are SAR 0.64 and SAR 0.58, respectively.

Six Months Period of 2020 Highlights

8. The Revenue for the six months period ended 30th June 2020 amounted to SAR 7,674.3 million, an increase by 8.5% as compared to the corresponding period of the last year (SAR 7,074.1 million).
9. The Gross Profit for the six months period ended 30th June 2020 amounted to SAR 2,788.4 million, an increase of 6.1% as compared to the corresponding period of the last year (SAR 2,627.9 million).
10. The Operating Profit for the six months period ended 30th June 2020 amounted to SAR 1,272.0 million, an increase of 3.5% as compared to the corresponding period of the last year (SAR 1,228.8 million).
11. The Consolidated Profit Attributable to Shareholders of the Company for the six months period ended 30th June 2020 amounted to SAR 1,026.9 million, an increase of 11.8% as compared to the corresponding period of the last year (SAR 918.6 million).
12. The Comprehensive Income Attributable to Shareholders of the Company for the six months period ended 30th June 2020 amounted to SAR 977.7 million, a decrease of 1.3% as compared to the corresponding period of the last year (SAR 990.4 million).
13. Total Equity Attributable to Shareholders as of 30th June 2020 amounted to SAR 14,598.1 million as compared to the corresponding date of last year (SAR 13,996.5 million), an increase of 4.3%. As of 30th June 2020, the book value per share reached SAR 14.6.
14. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the six months period ended 30th June 2020 and the corresponding Period of last year, reached SAR 1.05 and SAR 0.93, respectively. Diluted EPS for the six months period ended 30th June 2020 and the corresponding Period of last year were SAR 1.03 and SAR 0.92, respectively.

Reasons of increase / (decrease) for Second quarter 2020 compared with corresponding quarter of the last year

15. The increase of 10.5% in the Consolidated Profit Attributable to Shareholders of the Company as compared to the corresponding quarter of the last year is due to:

- **Revenues:** The revenue growth was spearheaded by Foods, Long life dairy and Poultry where all 3 product categories recorded double digit growth year on year. Positive revenue growth was evident in all categories except Juice due to general decline in juice market and introduction of sugar tax in late 2019. In terms of sales channel, the growth was mainly driven in Retail channel with double digit growth, however, Food services channel declined mainly due to Covid19 pandemic impact. In terms of geographical growth, it was primarily led by KSA followed by growth in Egypt and Jordan.
- **Gross Profit:** Increased by 4.7%, at a lower margin rate due to higher input costs for juice category, alfalfa cost, labor cost and additional costs related to safety measures to manage Covid19 pandemic.
- **Selling and Distribution Expenses (S&D):** Increased by SAR 47.0 million, or 8.0% due to higher labor costs, double digit growth in retail channel & increased the distribution cost in line with revenue increase.
- **General and Administration Expenses (G&A):** increased by SAR 5.3 million, or 5.3% which continues to run at a lower run rate than revenue growth due to cost management initiatives.
- **Other Expenses:** decreased by SAR 9.0 million, mainly due to lower losses from sale of dairy herd, which are timing in nature.
- **Impairment of Financial Assets:** increased by 9.0 million due to higher expected credit losses due to debt expansion in line with growth in modern trade channel, post the impact of Covid19.
- **Finance Cost:** Funding costs are lower by SAR 19.0 million as benefits of lower interest rate and lower debt levels are partially offset by lower capitalization of funding cost on capex program.

Contribution of various Business Categories towards the increase in the Consolidated Profit Attributable to Shareholders of 10.5% is as follows:

- **Dairy & Juice Category:** Despite higher imported alfalfa cost and higher labor costs, efficiency gains across the supply chain, higher food and long-life dairy sales, and positive channel mix resulted in category profit growth of 4.5%.
- **Bakery Category:** The category profit increased by 46.4% primarily due to higher sales, leveraging economies of scale and lower marketing spent against Q2 2019.
- **Poultry Category:** The category profit increased by 50.9% driven by revenue growth of 16.6%. The top line growth was supported by higher retails sales throughout the quarter. This significant profit growth was further aided by consistent lower mortality, improved cost control and operating efficiencies resulting in significantly higher category profit.

- **Other Category:** The category reported a loss of SAR 25.2 million for the current quarter compared to a loss of SAR 10.2 million for the corresponding quarter, despite stabilized overseas arable operations, as decline in food service channel due to Covid19 impacted premier foods subsidiary resulted in higher losses.

Reasons of increase / (decrease) for Second quarter 2020 compared with previous quarter

16. The increase of 68.1% in the Consolidated Profit Attributable to Shareholders of the Company for the Second quarter 2020 (SAR 643.9 million) as compared to the previous quarter (SAR 383.0 million) was due to seasonality of sales.

Reasons of increase / (decrease) for the six months period ended 30th June 2020 (the period) compared with corresponding period of the last year

17. The increase of 11.8% in the period Consolidated Profit Attributable to Shareholders of the Company as compared to the corresponding quarter of the last year is due to:

- **Revenues:** The revenue growth of 8.5% was led by Foods, Poultry and Long life dairy where all 3 product categories recorded double digit growth year on year. Further, growth was fueled in Retail channel with double digit growth, however, Food services channel, declined due to Covid19 pandemic impact. In terms of geographical growth, it was primarily led by KSA followed by growth in Egypt and Kuwait.
- **Gross Profit:** Increased by 6.1%, at a lower margin rate due to higher input costs for Juice category, alfalfa cost, labor cost and additional costs related to safety measures to manage Covid19 pandemic.
- **Selling and Distribution Expenses (S&D):** Increased by SAR 96.3 million, 8.4% due to higher labor and related cost in line with revenue and volume growth.
- **General and Administration Expenses (G&A):** Increased by SAR 10.4 million, 5.3% which continues to run at a lower run rate than revenue growth due to cost management initiatives.
- **Other Expenses:** Decreased by SAR 24.9 million, mainly due to lower losses from sale of dairy herd and one-off gain due to sales of assets.
- **Impairment Reversal / (Loss) on Financial Assets:** Increased by 35.6 million due to higher expected credit losses for food services channel, post the impact of Covid19 and general increase in debtors.
- **Finance Cost:** Funding costs are lower by SAR 20.5 million as benefits of lower interest rate and lower debt levels are partially offset by lower capitalization of funding cost on capex program, especially in Egypt after major project capitalization in Q4 2019.

Contribution of various Business Categories towards the increase in the Consolidated Profit Attributable to Shareholders of 11.8% is as follows:

- **Dairy & Juice Category:** Despite higher bad debt provision given the expected credit losses in foodservice channel, higher imported alfalfa cost and higher labor costs, efficiency gains across the supply chain, higher food and long-life dairy sales, and positive channel mix resulted in category profit growth of 3.2%.
- **Bakery Category:** The Category Profit increased by 29.9% primarily due to higher sales, leveraging economies of scale.
- **Poultry Category:** The category Profit increased by 58.2% driven by revenue growth of 14.3%. The top line growth was supported by higher retails sales in Q2 and higher pricing in food services channel earlier in the year. This significant profit growth was further aided by consistent lower mortality, improved cost control and operating efficiencies resulting in significantly higher category profit.
- **Other Category:** The Category reported a loss of SAR 46.8 million for the current period compared to a loss of SAR 35.2 million for the corresponding period, despite stabilized overseas arable operations, as decline in food service channel due to Covid19 impacted premier foods subsidiary.

18. **Auditors' Opinion:** (Unmodified Opinion).

19. Items, elements and notes of the comparatives Consolidated Interim Financial Statements have been redisplayed, regrouped and reclassified to meet with the applied accounting policies for the current period which have been prepared according to the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia. For more information, please see the note 2.1 in the condensed consolidated interim financial statements for the Six Months period ended 30th June 2020.

20. **Other Notes:**

- **Revenue by Region:** For Second quarter of 2020 as compared to the corresponding quarter of last year, the Revenue growth in Saudi Arabia, in other GCC and Other Countries by 10.8%, -2.6% and 17.2% respectively. For the six months period ended 30th June 2020 as compared to the corresponding period of last year, the Revenue growth in Saudi Arabia, other GCC and other countries by 9.5%, 1.6% and 18.0% respectively.
- **EBITDA:** For Second quarter 2020 Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 1,136.7 million, an increase of 3.2% as compared to the corresponding quarter of last year (SAR 1,101.4 million). For the six months period ended 30th June 2020 Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 2,035.9 million, an increase of 3.9% as compared to the corresponding period of last year (SAR 1,959.0 million).
- **Profit Margins:** For Second quarter of 2020, The Gross Profit, Operating Profit and Consolidated Profit Attributable to Shareholders of the Company are representing 37.6%, 18.6%, and 15.8% of Revenue as compared to the corresponding quarter of last year of 38.9%, 19.7%, and 15.5%, respectively. For the six months period ended 30th June 2020, it represents 36.3%, 16.6%, and

13.4% of Revenue as compared to the corresponding period of last year of 37.1%, 17.4%, and 13.0%, respectively.

- A summary of the Statement of Cash Flows for the Six Months ended 30th June 2020 is as follows:
 - The Cash Generated from Operating Activities (OCF) reached SAR 1,857.4 million, a decrease of 5.1%, as compared to last year (SAR 1,956.9 million). This was mainly driven by higher working capital movement due to higher trade receivables from expansion in modern trade. The OCF represents 24.2% of Revenue as compared to 27.7% for the last year.
 - The Cash used in Investing Activities reached SAR 699.8 million as compared to the same period last year (SAR 1,181.8 million), a decrease of 40.7%. Investing Activities represent 9.1% of revenue as compared to 16.7% for the last year. Investing cashflow reduce significantly as capex program was limited to mainly replacement and existing capex pipeline
 - The free cash flow (FCF) reached SAR 1,138.7 million as compared to the last year (SAR 775.1million), an increase of 46.9%. The FCF represent 14.8% of revenue as compared to 11.0% for the last year. This was driven by expansion in our OCF and commitment to reduced capital expenditure.

21. General Comments:

The first half year revenue growth is driven by growth in all product segments except juice. Whilst volume growth in gulf region remains weaker due to lower tourism and competitive pressures, KSA, Jordan, Egypt and Kuwait demonstrated significant growth. The strong top line growth resulted in profit growth in double digits, despite additional costs incurred to manage COVID-19 impact. In addition, the continual reduction in debt balance continue to provide additional savings via lower funding costs.

Despite this resounding performance in first half 2020, the next half represents significant challenges for Almarai due to introduction of VAT, additional custom duties and expected general decline in population. Almarai is developing multiple scenarios to manage these impacts and will roll out additional plans during the year to ensure the supply of quality products to its customers, whilst maintaining a healthy return for its shareholders

22. The Consolidated Financial statements for the Six Months ended 30th June 2020 will be available through the following link on Almarai Website, and Almarai IR App.

<https://www.almarai.com/en/corporate/investors/annual-report-financial-statement/>

23. Conference call for analysts and investors will be on **7th July 2020 at 4:00 p.m.** KSA time.

The presentation accompanying the conference call will be available on Almarai website within the Investors section under Earning Presentations at:

<https://www.almarai.com/en/corporate/investors/earning-presentations/>

