

Almarai Company Announces Its Annual Consolidated Financial Results for The Year Ended 31st December 2020 (Twelve Months)

Almarai Company (“the Company”) is pleased to announce its Annual Consolidated Financial Results for the year ended 31st December 2020 as below:

Fourth Quarter of 2020: Highlights

1. The Revenue for the Fourth quarter 2020 amounted to SAR 3,819.6 million, an increase of 3.1% as compared to the corresponding quarter of the last year (SAR 3,703.9 million).
2. The Gross Profit for the Fourth quarter 2020 amounted to SAR 1,232.4 million, a decrease of 4.7% as compared to the corresponding quarter of the last year (SAR 1,293.5 million).
3. The Operating Profit for the Fourth quarter 2020 amounted to SAR 500.2 million, an increase of 0.4% as compared to the corresponding quarter of the last year (SAR 498.3 million).
4. The Consolidated Profit Attributable to Shareholders of the Company for the Fourth quarter 2020 amounted to SAR 335.9 million, an increase of 7.7% as compared to the corresponding quarter of the last year (SAR 311.9 million) and a decrease of 46.0% as compared to the previous quarter (SAR 621.5 million).
5. The Comprehensive Income Attributable to Shareholders of the Company for the Fourth quarter 2020 amounted to SAR 315.1 million, an increase of 13.6% as compared to the corresponding quarter of the last year (SAR 277.4 million) and a decrease of 54.2% as compared to the previous quarter (SAR 687.8 million).

Year ended 31st December 2020 (the Year): Highlights

6. The Revenue for the year ended 31st December 2020 amounted to SAR 15,356.9 million, an increase of 7.0% as compared to the last year (SAR 14,351.3 million).
7. The Gross Profit for the year ended 31st December 2020 amounted to SAR 5,535.5 million, an increase of 3.1% as compared to the last year (SAR 5,366.7 million).
8. The Operating Profit for the year ended 31st December 2020 amounted to SAR 2,522.3 million, an increase of 2.0% as compared to the last year (SAR 2,473.2 million).
9. The Consolidated Profit Attributable to Shareholders of the Company for the year ended 31st December 2020 amounted to SAR 1,984.4 million, an increase of 9.5% as compared to the last year (SAR 1,811.8 million).

10. The Comprehensive Income Attributable to Shareholders of the Company for the year ended 31st December 2020 amounted to SAR 1,980.6 million, an increase of 7.8% as compared to the last year (SAR 1,836.8 million).
11. Total Equity Attributable to Shareholders of the Company as of 31st December 2020 amounted to SAR 15,686.9 million as compared to the last year (SAR 14,653.3 million), an increase of 7.1%. As of 31st December 2020, the book value per share amounted to SAR 15.7.
12. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the year ended 31st December 2020 and the last year, reached SAR 2.02 and SAR 1.83, respectively. Diluted EPS for the year ended 31st December 2020 and the last year were SAR 1.98 and SAR 1.81, respectively.

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

13. The increase of 7.7% 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 revenues growth of 3.1% was driven mainly by both Fresh and Long Life Dairy along with alfalfa sales. The growth was driven mainly in Egypt, Jordan and export countries.
 - **Gross Profit:** Decreased by 4.7%, due to Higher feed cost yoy, driven by imported alfalfa and lower subsidy from non-alfalfa feed inputs.
 - **Selling and Distribution Expenses (S&D):** Decreased by SAR 30.1 million, 4.7%, due to sales optimization efforts and due to one-off marketing expenses in Q4 2019.
 - **General and Administration Expenses (G&A):** Increased by SAR 4.7 million, 3.7%, in line with general cost increase trends.
 - **Impairment of Financial Assets:** Recorded a gain of SAR 9.8 million compared to last year loss of SAR 27.9 million after detailed review of existing financial debt. Last year losses were mainly related to providing for higher debt exposure in food service channel and infant nutrition category which were not required in 2020.
 - **Finance Cost:** Funding costs are lower by SAR 20.9 million largely due to lower debt and lower funding rate, offset by lower interest cost capitalization, mainly from overseas subsidiaries.
 - **Zakat and Tax:** Decreased by SAR 22.4 million mainly due to a one-off deferred tax liability recognized in Egypt in 2019.

Contribution of various Business Categories towards the Consolidated Profit Attributable to Shareholders of 7.7% is as follows:

- **Dairy & Juice Category:** The category Profit decreased by 2.0% mainly driven by lower subsidy, higher alfalfa and higher juice ingredient costs.
- **Bakery Category:** The Category Profit decreased by 22.4% due to the volume decline driven by single serve as school closure continued.
- **Poultry Category:** The category Profit decreased by 8.1% mainly due to adverse channel mix resulting in revenue decline.
- **Other Category:** The Category reported a loss of SAR 21.1 million for the current quarter compared to a loss of SAR 74.7 million for the corresponding quarter. Mainly driven by higher top line growth due to Premier Food rebound post COVID-19 restrictions and higher sales of alfalfa. Losses reduced by half for the year as 2019 included a one-off provision for infant nutrition business closure.

Reasons of decrease in the Consolidated Profit Attributable to Shareholders of the Company for Fourth quarter 2020 compared with previous quarter

14. The decrease of 46.0% in the Consolidated Profit Attributable to Shareholders of the Company for the Fourth quarter 2020 (SAR 335.9 million) as compared to the previous quarter (SAR 621.5 million) was due to lower sales driven by seasonality.

Reasons of increase / (decrease) for the year ended 31st December 2020 compared with last year

15. The increase of 9.5% in the Consolidated Profit Attributable to Shareholders of the year ended 31st December 2020 as compared to last year is due to:
- **Revenues:** The revenues growth of 7.0% were driven mainly by Foods, Long-life Dairy and Poultry. The only category recording negative growth was bakery due to lower single serve sales in the 2nd half due to school closure. 55% of the growth was driven by KSA followed by Egypt along with significant contribution from other sales due to external alfalfa sales.
 - **Gross Profit:** increased at a lower rate of 3.1% relative to revenue growth due to higher input costs, mainly Alfalfa, labor costs, COVID-19 related preventive cost increase and adverse channel and country mix.
 - **Selling and Distribution Expenses (S&D):** Increased by SAR 114.2 million, 4.8%, which is lower than the sales growth of 7.0%. The increase was mainly due to higher labor costs, general marketing expenses and higher trade support, mostly linked to expansion in food service and export businesses.

- **General and Administration Expenses (G&A):** Increased by SAR 19.5 million, 4.9%, as the general labor and insurance cost increases were partly offset by administration and cost savings programs.
- **Other Expenses:** decreased by SAR 10.2 million, as higher losses from sale of dairy herd were offset with one-off gains for sale of Zain shares.
- **Impairment of Financial Assets:** Decreased by SAR 3.7 million due to better quality and management of financial assets.
- **Finance Cost:** Funding costs are lower by SAR 54.9 million due to lower debt and lower interest rate, partly offset by lower capitalization of interest cost driven by lower capital expenditure in general.
- **Zakat and Tax:** Decreased by SAR 28.6 million mainly due to a one-off deferred tax liability recognized in Egypt in 2019.

Contribution of various Business Categories towards the increase of Consolidated Profit Attributable to Shareholders of 9.5% is as follows:

- **Dairy & Juice Category:** The Category Profit increased by 3.2% mainly due to higher sales of 7.0% driving positive contribution but it was partly offset by higher Alfalfa costs, loss of market share in Oman, and higher losses in Egypt due to one-off restructuring costs.
- **Bakery Category:** The Category Profit decreased by 4.0% driven by lower volume growth in the 2nd half due to lower single serve sales driven by school closure.
- **Poultry Category:** The Category Profit increased by 30.0% driven mainly by revenue growth of 7.9%. The profit growth mainly came from two events. First was the positive channel mix in Q2 due to COVID-19 related restriction and secondly the release of feed-based subsidy for the first three quarters.
- **Other Category:** The Category Reported loss of SAR 58.2 million due to operational performance of overseas alfalfa producers and losses for Almarai Food Services acquisition, Premier Food, due to COVID-19 related restrictions.

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

17. Items, elements and notes of the comparatives Consolidated Financial Statements have been redisplayed, regrouped, and reclassified to meet with the applied accounting policies for the current year 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 2.2 in the consolidated financial statements for the year ended 31st December 2020.

18. **Other Notes:**

- **Revenue by Region:** For Fourth quarter of 2020 as compared to the corresponding quarter of last year, the Revenue decreased in Saudi Arabia and GCC countries by 1.0% and 3.1% respectively, and the revenue increased in Other Countries by 41.5%. However, for the year ended 31st December 2020 as compared to the last year, Revenue increased in Saudi Arabia, in other GCC and Other Countries by 5.6%, 1.1% and 29.2% respectively.
- **EBITDA:** For Fourth quarter 2020 Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 1,654.0 million, an increase of 3.0% as compared to the corresponding quarter of last year (SAR 1,605.7 million). For the year ended 31st December 2020 Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 4,013.4 million, a decrease of 0.1% as compared to the last year (SAR 4,017.9 million).
- **Profit Margins:** For Fourth quarter of 2020, The Gross Profit, Operating Profit and Consolidated Profit Attributable to Shareholders of the Company represent 32.3%, 13.1%, and 8.8% of Revenue as compared to the corresponding quarter of last year of 34.9%, 13.5%, and 8.4%, respectively. For the year ended 31st December 2020, it represents 36.0%, 16.4%, and 12.9% of Revenue as compared to last year of 37.4%, 17.2%, and 12.6% respectively.
- A summary of the Statement of Cash Flows for the year ended 31st December 2020 is as follows:
 - The Cash Generated from Operating Activities (OCF) reached SAR 4,203.1 million a decrease of 11.2%, as compared to last year (SAR 4,732.1 million). This reduction of nearly SAR 529 million was driven by higher inventory from SAR 4.2 billion to SAR 4.7 billion, mainly due to strategic purchases of raw material inventory in view of COVID-19 and timing difference of receipt of farming related non-alfalfa material. The OCF represents 27.4% of Revenue as compared to 33.0% for the last year.
 - The Cash used in Investing Activities reached SAR 787.6 million as compared to the last year (SAR 2,944.1 million), a decrease of 73.2%. Investing Activities represent 5.1% of revenue as compared to 20.5% for the last year. This reduction was driven solely by reduction in capital expenditure going forward due to available capacity.
 - The free cash flow (FCF) reached SAR 2,830.4 million as compared to the last year (SAR 2,373.0 million), an increase of 19.3%. The FCF represent 18.4% of revenue as compared to 16.5% for the last year. This was driven by lower capital expenditure partly offset by working capital expansion, mainly in inventory.

19. General Comments:

The current market conditions in Q4 are pointing towards a consolidation phase. Almarai continues with a focused business strategy on top line growth driven by channel expansion, new product development, pricing rationalization and new geographies while also focusing on tight cost control. The positive free cash flow in 2020 is expected to continue its momentum in the year ahead and we expect to further strengthen our balance sheet with renewed focus on profitability and working capital management.

20. The Consolidated Interim Financial statements for the year ended 31st December 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/>

21. Conference call for analysts and investors will be held on **26th January 2021** 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/>