

## Almarai Company Announces Its Condensed Consolidated Interim Financial Results for The Period Ended in 31<sup>st</sup> March 2020 (Three Months)

Almarai Company ("the Company") is pleased to announce its Condensed Consolidated Interim Financial Results for The Period Ended in 31<sup>st</sup> March 2020 as below:

### First Quarter of 2020 Highlights

1. The Revenue for the First quarter 2020 amounted to SAR 3,592.4 million, an increase of 8.6% as compared to the corresponding quarter of the last year (SAR 3,308.9 million).
2. The Gross Profit for the First quarter 2020 amounted to SAR 1,253.2 million, an increase of 7.7% as compared to the corresponding quarter of the last year (SAR 1,163.9 million).
3. The Operating Profit for the First quarter 2020 amounted to SAR 512.8 million, an increase of 5.4 % as compared to the corresponding quarter of the last year (SAR 486.3 million).
4. The Consolidated Profit Attributable to Shareholders of the Company for the First quarter 2020 amounted to SAR 383.0 million, an increase of 14.0 % as compared to the corresponding quarter of the last year (SAR 336.0 million) and an increase of 22.8% as compared to the previous quarter (SAR 311.9 million).
5. The Comprehensive Income Attributable to Shareholders of the Company for the First quarter 2020 amounted to SAR 289.8 million, a decrease of 22.6% as compared to the corresponding quarter of the last year (SAR 374.5million) and an increase of 4.5% as compared to the previous quarter (SAR 277.4 million).
6. Total Equity Attributable to Shareholders as of 31<sup>st</sup> March 2020 amounted to SAR 14,724.3 million as compared to the corresponding date of last year (SAR 14,235.9 million), an increase of 3.3%. The book value of one share, as of 31<sup>st</sup> March 2020, reached SAR 14.7.
7. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the Period ended on 31<sup>st</sup> March 2020 (Three Months) and the corresponding Period of last year, reached SAR 0.39 and SAR 0.34, respectively. Diluted EPS for the Period ended on 31<sup>st</sup> March 2020 (Three Months) and the corresponding Period of last year are SAR 0.38 and SAR 0.34, respectively.<sup>1</sup>

<sup>1</sup> Diluted EPS is calculated by dividing the Profit for the period attributable to Shareholders of the Company for the period by the number of issued Shares (1,000 million issued Shares as of 31<sup>st</sup> of March 2020).

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

8. The increase of 14.0% 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 yoy. Further, growth was fueled in Modern Trade channel and Food services channel, both with double digit growth. All trading countries reported positive growth except Oman where heavy dairy competition resulted in lower sales on a yoy basis.
- **Gross Profit:** Gross profit increased by 7.7%, at a lower rate than revenue growth due to higher input costs for Juice category, Alfalfa cost and labor cost.
- **Selling and Distribution Expenses (S&D):** increased by SAR 47.0 million, 8.3% due to higher labor costs, higher promotions and trade support cost to support the sales development in various channels, and in particular modern trade.
- **General and Administration Expenses (G&A):** increased by SAR 5.4% increase mainly due to head office restructuring costs due to the on-going support functions optimization program and infrastructure restructuring
- **Other Expenses:** decreased by SAR 15.9 million, mainly due to lower losses from sale of dairy herd.
- **Impairment of Financial Assets:** increased by 26.7 million due to higher expected credit losses across the board and in particularly food services channel, post the impact of corona virus in late March 2020.
- **Finance Cost:** Funding costs is similar to last year as lower rates and lower debt benefits are offset by lower capex capitilisation, specially 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 14.0% is as follows:**
  - **Dairy & Juice Category:** Despite higher bad debt provision given the expected credit losses in the food service channel, higher imported alfalfa cost and higher labour costs, efficiency gains across the supply chain and higher food sales resulted in category profit growth of 1.0%. Further significantly lower juice category volumes and higher COGS for Juices resulted in lower profit contribution by the Juice category.

- **Bakery Category:** The Category Profit Increased by 20.9% primarily due to higher sales and leveraging economies of scale.
- **Poultry Category:** The category Profit increased by 72.4% driven by revenue growth of 11.8%. The top line growth was supported by higher retails sales and higher pricing yield in the Food Service segment since the beginning of the quarter. This significant profit growth was further aided by consistent lower mortality and improved cost control and operating efficiencies resulting in significantly higher category profit of 72.4%
- **Other Category:** The Category reported a loss of SAR 21 million for the current quarter compared to a loss of SAR 25 million for the corresponding quarter. Continually stabilized overseas arable operations resulted in better profit performance for the quarter yoy.

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

9. The increase of 22.8 % in the Consolidated Profit Attributable to Shareholders of the Company for the First quarter 2020 (SAR 383.0 million) as compared to the previous quarter (SAR 311.9 million) is mainly due to one charges booked in Q4 2019.

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

11. Items, elements and notes of the comparatives Condensed 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 notes 2 in the condensed consolidated interim financial statements for the three months period ended in 31 March 2020.

### 12. **Other Notes:**

- **Revenue by Region:** For First quarter of 2020 as compared to the corresponding quarter of last year, the Revenue increased in Saudi Arabia, in other GCC and Other Countries by 7.9%, 6.5% and 19.0% respectively.
- **EBITDA:** For First quarter 2020 Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 886.4 million, an increase of 4.7% as compared to the corresponding quarter of last year (SAR 846.4 million).
- **Profit Margins:** For First quarter of 2020, The Gross Profit, Operating Profit and Consolidated Profit Attributable to Shareholders of the Company are representing 34.9%, 14.3%, and 10.7% of Revenue as compared to the corresponding quarter of last year of 35.2%, 14.7%, and 10.2%, respectively.

- A summary of the Statement of Cash Flows for the Three Months ended 31<sup>st</sup> March 2020 is as follows:
  - The Cash Generated from Operating Activities (OCF) reached SAR 384.1 million an decrease of 50.9%, as compared to last year (SAR 782.1 million). This was mainly driven by lower working capital movement due to higher trade receivables from expansion in modern trade and food services. The OCF represents 10.7% of Revenue as compared to 23.6 % for the last year.
  - The Cash used in Investing Activities reached SAR 240.1 million as compared to the same last year (SAR 605.8 million), a decrease of 34.0. %. Investing Activities represent 9.6% of revenue as compared to 18.3% 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 39.2 million as compared to the last year (SAR 176.0 million), a decrease of 77.7%. The FCF represent 1.1% of revenue as compared to 5.3% for the last year. The FCF has reduced compared to last year due to timing differences in OCF for the first quarter.

### 13. General Comments:

In response to the spread of the Covid-19 in GCC and other territories where Group operates and its resulting disruptions to the social and economic activities in those markets, Almarai's management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets . Notwithstanding these challenges, Almarai's business operations currently remain largely unaffected as the food industry in general is exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. Based on these factors, Almarai's management believes that the Covid-19 pandemic has had no material effects on Almarai's reported financial results for the period ended 31 March 2020. Almarai's management continues to monitor the situation closely.

For Q1 2020 Almarai's core segments have demonstrated top line growth driven mainly by Food, Long Life Dairy and Poultry. However, weakness in GCC Juice markets post sugar tax implementation continue to be a challenge. The cost pressures of higher feeds costs, reformulated juice recipe costs, higher payroll cost due to both higher staff and expatriate levy cost and expected credit losses arising from the Covid19 pandemic continue to impact profit growth. However realized economies of scale via positive sales growth, lower depreciation as a result of lower capital expansion plan in recent years and lower funding cost due to both lower debt and lower rate is driving a positive net income contribution.

Almarai's believes that the crisis management processes and tools in place will help the company face the uncertainty ahead, the focus will remain on the safety and health of its employees, the continuous supply of quality products to the consumers and a particular focus on operating simplifications and cash preservation.

14. The Consolidated Financial statements for the Twelve Months ended 31<sup>st</sup> March 2019 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/>

15. Conference call for analysts and investors will be on **7<sup>th</sup> April 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/>