

## Almarai Company Announces Its Condensed Consolidated Interim Financial Results for The Period Ended on 30<sup>th</sup> September 2021 (Nine Months)

Almarai Company (“the Company”) is pleased to announce its Condensed Consolidated Interim Financial Results for The Period Ended on 30<sup>th</sup> September 2021 as below:

### Third Quarter of 2021 Highlights

1. The Revenue for the Third quarter 2021 amounted to SAR 3,941.7 million, an increase of 2.0% as compared to the corresponding quarter of the last year (SAR 3,863.1 million).
2. The Gross Profit for the Third quarter 2021 amounted to SAR 1,275.7 million, a decrease of 15.8% as compared to the corresponding quarter of the last year (SAR 1,514.7).
3. The Operating Profit for the Third quarter 2021 amounted to SAR 518.6 million, a decrease of 30.9% as compared to the corresponding quarter of the last year (SAR 750.2 million).
4. The Consolidated Profit Attributable to Shareholders of the Company for the Third quarter 2021 amounted to SAR 409.1 million, a decrease of 34.2% as compared to the corresponding quarter of the last year (SAR 621.5 million) and a decrease of 15.1% as compared to the previous quarter (SAR 482.0 million).
5. The Comprehensive Income Attributable to Shareholders of the Company for the Third quarter 2021 amounted to SAR 389.2 million, a decrease of 43.4% as compared to the corresponding quarter of the last year (SAR 687.8 million) and a decrease of 15.1% as compared to the previous quarter (SAR 458.6 million).
6. Total Equity Attributable to Shareholders as of 30<sup>th</sup> September 2021 amounted to SAR 15,861.3 million as compared to the corresponding date of last year (SAR 15,334.4 million), an increase of 3.4%. The book value of one share, as of 30<sup>th</sup> September 2021, reached SAR 15.86.
7. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the Period ended on 30<sup>th</sup> September 2021 (Three Months) and the corresponding Period of last year, reached SAR 0.42 and SAR 0.63, respectively. Diluted EPS for the Period ended on 30<sup>th</sup> September 2021 (Three Months) and the corresponding Period of last year are SAR 0.41 and SAR 0.62, respectively.

### Nine Months Period of 2020 Highlights

8. The Revenue for the nine months period ended 30<sup>th</sup> September 2021 amounted to SAR 11,592.3 million, a slight increase by 0.5% as compared to the corresponding period of the last year (SAR 11,537.4 million).
9. The Gross Profit for the nine months period ended 30<sup>th</sup> September 2021 amounted to SAR 3,866.6 million, a decrease of 10.1% as compared to the corresponding period of the last year (SAR 4,303.1 million).
10. The Operating Profit for the nine months period ended 30<sup>th</sup> September 2021 amounted to SAR 1,622.6 million, a decrease of 19.8% as compared to the corresponding period of the last year (SAR 2,022.2 million).
11. The Consolidated Profit Attributable to Shareholders of the Company for the nine months period ended 30<sup>th</sup> September 2021 amounted to SAR 1,277.0 million, a decrease of 22.5% as compared to the corresponding period of the last year (SAR 1,648.5 million).
12. The Comprehensive Income Attributable to Shareholders of the Company for the nine months period ended 30<sup>th</sup> September 2021 amounted to SAR 1,227.4 million, a decrease of 26.3% as compared to the corresponding period of the last year (SAR 1,665.5 million).
13. Total Equity Attributable to Shareholders as of 30<sup>th</sup> September 2021 amounted to SAR 15,861.3 million as compared to the corresponding date of last year (SAR 15,334.4 million), an increase of 3.4%. As of 30<sup>th</sup> September 2021, the book value per share reached SAR 15.86.
14. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the nine months period ended 30<sup>th</sup> September 2021 and the corresponding Period of last year, reached SAR 1.30 and SAR 1.68, respectively. Diluted EPS for the nine months period ended 30<sup>th</sup> September 2021 and the corresponding Period of last year were SAR 1.28 and SAR 1.65, respectively.

Reasons of increase / (decrease) for Third quarter 2021 compared with corresponding quarter of the last year

15. The decrease of 34.2% in the Consolidated Profit Attributable to Shareholders of the Company as compared to the corresponding quarter of the last year is due to:

- **Revenues:** Almarai faced a challenging quarter due to the base year effect of COVID-19 and rising commodity costs. Despite continued commercial normalization post COVID19 restrictions, core product revenues dropped by 3% within GCC countries. The drop was higher for food sales due to one off purchase made in this category last year. The GCC revenue decline was partially offset by growth in bakery sales due to partial opening of educational institutions. However, the total group recorded top line growth of 2% due to strong performance in Egypt, Jordan and Export market across all product categories.
- **Gross Profit:** Decreased by 15.8%, at a lower margin rate due to structural adjustments related to subsidy reduction, driven by no subsidy in 2021 on corn and soyabean and without the benefit of subsidy overlap in poultry in 2020. This was further exacerbated by higher feed cost as now all alfalfa consumed is on 100% imported basis and higher commodity cost as hedge cover in first half of 2021 were not available in Q3 2021.
- **Selling and Distribution Expenses (S&D):** Increased by SAR 4.4 million, or 0.7% were in line with last year due to strong cost control.
- **General and Administration Expenses (G&A):** Increased by SAR 1.14 million, or 1.4% in line with strong cost control initiatives.
- **Other Expenses:** Decreased by SAR 20.3 million, mainly due to one off write-off recorded in arable sector last year.
- **Impairment of Financial Assets:** was SAR 6.3 million due to current expansion of debt in food services.
- **Finance Cost:** Funding costs are lower by SAR 33.1 million due to both lower funding rate and lower average net debt.

Contribution of various Business Categories towards the decrease in the Consolidated Profit Attributable to Shareholders of 34.2% is as follows:

- **Dairy & Juice Category:** The category profit decreased by 30.2%, due to higher feed expenses of Corn and Soya cost increase & lower subsidy year on year as subsidy ceased on non-green dairy feed. The price adjustment for fresh dairy was offset by volume substitution to long life dairy in KSA and lower margin sales in non-GCC countries
- **Bakery Category:** The category profit increased by 19.1% primarily due to partial resumption of education institutions in KSA and Gulf
- **Poultry Category:** The category profit decrease by 50.8%, Volume remaining steady however channel mix was more favorable towards retail last year due to COVID-19 related purchase behavior. The negative channel mix, coupled with cost increase for corn and soya, resulted in lower profit margins for the quarter.
- **Other Category:** The category reported a revenue of SAR 212.1 million for the current quarter compared to a profit of SAR 148.8 million for the corresponding quarter. The revenue growth was higher due to higher alfalfa sales to manage the current inventory levels and non-branded infant formula sales. The net impact on the PL for quarterly numbers was lower due to timing differences related to crop production.

#### Reasons of increase / (decrease) for Third quarter 2021 compared with previous quarter

16. The decrease of 15.1% in the Consolidated Profit Attributable to Shareholders of the Company for the Third quarter 2021 (SAR 409.1 million) as compared to the previous quarter (SAR 482.0 million) was due to seasonality of sales.

#### Reasons of increase / (decrease) for the nine months period ended 30<sup>th</sup> September 2021 (the period) compared with corresponding period of the last year

17. The decrease of 22.5% 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:** Almarai faced a challenging year due to the base year effect of COVID-19 and VAT rate change related purchases last year. As a result, revenues were at same level as last year. Growth in Egypt, Jordan and non-branded product is offsetting the decline in our core categories in GCC countries. Core GCC categories are lower year on year mainly due to Lower food sales driven by base effect of higher purchases of longer shelf-life products last year. In addition, channel mix was adverse

as drop in organized trade, due to base year effect of Covid, was offset by resumption of growth in food services (driven by opening of restaurants) and export markets.

- **Gross Profit:** Decreased by 10.1%, at a lower margin rate due to structural adjustments related to subsidy reduction driven by no subsidy in 2021 on Corn and Soyabean and without the benefit of subsidy overlap in poultry in 2020. Further higher feed cost eroded margin due to consumption of alfalfa at 100% level and higher price of Corn and Soyabean although it was partially offset by hedging in first half of 2021.
- **Selling and Distribution Expenses (S&D):** Decreased by SAR 1.2 million, 0.1% and in line with last year due to strong cost control
- **General and Administration Expenses (G&A):** Decreased by SAR 1.5 million, 0.5% and in line with last year due to strong cost control.
- **Finance Cost:** Funding costs are lower by SAR 96.2 million due to both lower funding rate and lower average net debt.

**Contribution of various Business Categories towards the decrease in the Consolidated Profit Attributable to Shareholders of 22.5% is as follows:**

- **Dairy & Juice Category:** The Category Profit decreased by 19.5% due to lower subsidy, higher feed cost driven by imported alfalfa and increase world commodity pricing of corn and soya.
- **Bakery Category:** The Category Profit decreased by 7.9% due to higher fixed cost base in bakery supply chain resulting in losses growing at a faster pace than top line and significant decline of volume in first half due to lower single serve as schools were closed in the first half of 2021
- **Poultry Category:** The category Profit decreased by 41.0% Volume remaining steady however, channel mix was more favorable towards retail last year due to COVID-19 related purchase behavior. The segment has been affected due to the overlap of feed subsidy and output subsidy resulted in higher subsidy received last year, relative to year 2021 & higher feed expenses due to corn and soya cost increase.
- **Other Category:** The Category reported a loss of SAR 40.4 million for the current period compared to a loss of SAR 37.1 million for the corresponding period, as continued improvement in overseas farming continue to lower the losses.

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

## 19. Other Notes:

- Revenue by Region:** For Third quarter of 2021 as compared to the corresponding quarter of last year, the Revenue decline in Saudi Arabia and in other GCC by 2.2%, 4.9% respectively. In Other Countries revenue growth by 32.1%. For the nine months period ended 30<sup>th</sup> September 2021 as compared to the corresponding period of last year, the Revenue decline in Saudi Arabia and in other GCC by 4.0%, 6.0% respectively. In Other Countries revenue growth by 39.3%.
- EBITDA:** For Third quarter 2021 Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 879.1 million, a decrease of 23.7% as compared to the corresponding quarter of last year (SAR 1,151.4 million). For the nine months period ended 30<sup>th</sup> September 2021 Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 2,706.8 million, a decrease of 14.8% as compared to the corresponding period of last year (SAR 3,176.0 million).
- Profit Margins:** For Third quarter of 2021, The Gross Profit, Operating Profit and Consolidated Profit Attributable to Shareholders of the Company are representing 32.4%, 13.2%, and 10.4% of Revenue as compared to the corresponding quarter of last year of 39.2%, 19.4%, and 16.1%, respectively. For the nine months period ended 30<sup>th</sup> September 2021, it represents 33.4%, 14.0%, and 11.0% of Revenue as compared to the corresponding period of last year of 37.3%, 17.5%, and 14.3%, respectively.

A summary of the Statement of Cash Flows for the Nine Months ended 30<sup>th</sup> September 2021 is as follows:

- The Cash Generated from Operating Activities (OCF) reached SAR 3,482.8 million, an increase of 18.7%, as compared to last year (SAR 2,934.2 million). This was mainly driven by better working capital management, mainly driven by lower inventory post the supply chain surge during the COVID-19 pandemic. The OCF represents 30.0% of Revenue as compared to 25.4% for the last year.
- The Cash used in Investing Activities reached SAR 1,200.5 million as compared to the same period last year (SAR 402.9 million), an increase of 198.0%. Investing Activities represent 10.4% of revenue as compared to 3.5% 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 2,282.3 million as compared to the last year (SAR 2,531.3 million), a decrease of 9.8%. The FCF represent 19.7% of revenue as compared to



21.9% for the last year. This was driven by expansion in our OCF and commitment to reduced capital expenditure.

## 20. General Comments:

The first 9 months of the year have proven quite challenging. Trading conditions have continued to be normalized during the year. However, the base year effect of COVID-19 has resulted in a benign growth in top line for the year. The top line growth was driven by mainly Egypt, Jordan and export markets whereas the normalization effect of covid resulted in lower sales in GCC countries relative to year 2020.

Despite these challenges in trading markets, Almarai has continued to exercise cost control on its entire supply chain to deliver value for its customers. Majority of the costs faced were structural in nature including abolition of subsidy and using 100% imported alfalfa ration. In addition, higher costs in commodity markets, especially corn and soya, are now impacting current cost run rates. These cost increases are partially offset by savings in funding cost and cost saving initiatives. In summary, the net profit. As a result, the operating profit has declined by 19.8% due to this structural adjustment.

Almarai is developing multiple scenarios to manage these impacts and will roll out additional plans during the next few quarters to ensure the supply of quality products to its customers, whilst maintaining a healthy return for its shareholders

21. The Consolidated Financial statements for the Nine Months ended 30<sup>th</sup> September 2021 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/>

22. Conference call for analysts and investors will be on 12<sup>th</sup> October 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/>