

## Almarai Company Announces Its Condensed Consolidated Interim Financial Results for The Period Ended 30<sup>th</sup> June 2022 (Six Months)

Almarai Company (“the Company”) is pleased to announce its Condensed Consolidated Interim Financial Results for The Period Ended 30<sup>th</sup> June 2022 as below:

### Second Quarter of 2022 Highlights

1. The Revenue for the Second quarter 2022 amounted to SAR 4,610.4 million, an increase of 15.1% as compared to the corresponding quarter of the last year (SAR 4,005.6 million).
2. The Gross Profit for the Second quarter 2022 amounted to SAR 1,469.6 million, an increase of 8.4% as compared to the corresponding quarter of the last year (SAR 1,355.7).
3. The Operating Profit for the Second quarter 2022 amounted to SAR 646.3 million, an increase of 7.4% as compared to the corresponding quarter of the last year (SAR 601.6 million).
4. The Consolidated Profit Attributable to Shareholders of the Company for the Second quarter 2022 amounted to SAR 520.4 million, an increase of 8.0% as compared to the corresponding quarter of the last year (SAR 482.0 million) and an increase of 23.8% as compared to the previous quarter (SAR 420.5 million).
5. The Comprehensive Income Attributable to Shareholders of the Company for the Second quarter 2022 amounted to SAR 495.7 million, an increase of 8.1% as compared to the corresponding quarter of the last year (SAR 458.6 million) and an increase of 35.5 % as compared to the previous quarter (SAR 365.9 million).
6. Total Equity Attributable to Shareholders as of 30<sup>th</sup> June 2022 amounted to SAR 15,837.5 million as compared to the corresponding date of last year (SAR 15,462.4 million), an increase of 2.4%. The book value of one share, as of 30<sup>th</sup> June 2022, reached SAR 15.8.
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> June 2022 (Three Months) and the corresponding Period of last year, reached SAR 0.53 and SAR 0.49, respectively. Diluted EPS for the Period ended on 30<sup>th</sup> June 2022 (Three Months) and the corresponding Period of last year are SAR 0.52 and SAR 0.48, respectively.

### Six Months Period of 2022 Highlights

8. The Revenue for the six months period ended 30<sup>th</sup> June 2022 amounted to SAR 9,113.9 million, an increase of 19.1% as compared to the corresponding period of the last year (SAR 7,650.6 million).
9. The Gross Profit for the six months period ended 30<sup>th</sup> June 2022 amounted to SAR 2,801.5 million, an increase of 8.1% as compared to the corresponding period of the last year (SAR 2,590.8 million).
10. The Operating Profit for the six months period ended 30<sup>th</sup> June 2022 amounted to SAR 1,193.4 million, an increase of 8.1% as compared to the corresponding period of the last year (SAR 1,104.0 million).
11. The Consolidated Profit Attributable to Shareholders of the Company for the six months period ended 30<sup>th</sup> June 2022 amounted to SAR 940.8 million, an increase of 8.4% as compared to the corresponding period of the last year (SAR 867.9 million).
12. The Comprehensive Income Attributable to Shareholders of the Company for the six months period ended 30<sup>th</sup> June 2022 amounted to SAR 861.6 million, an increase of 2.8% as compared to the corresponding period of the last year (SAR 838.2 million).
13. Total Equity Attributable to Shareholders as of 30<sup>th</sup> June 2022 amounted to SAR 15,837.5 million as compared to the corresponding date of last year (SAR 15,462.4 million), an increase of 2.4%. As of 30<sup>th</sup> June 2022, the book value per share reached SAR 15.8.
14. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the six months period ended 30<sup>th</sup> June 2022 and the corresponding Period of last year, reached SAR 0.96 and SAR 0.88, respectively. Diluted EPS for the six months period ended 30<sup>th</sup> June 2022 and the corresponding Period of last year were SAR 0.94 and SAR 0.87, respectively.

Reasons of increase / (decrease) for Second quarter 2022 compared with corresponding quarter of the last year

15. The increase of 8.0% 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 of 15.1% was driven mainly by bakery, poultry and fresh dairy category. Positive revenue growth was evident in all categories due to improved trading conditions post covid-19 movement restrictions, opening of educational institutions and higher number of visitors in the region.
- **Gross Profit:** Increased by 8.4%, at a lower rate to revenue growth due to higher input costs driven by higher corn, soya and dairy commodities, mainly butter and alfalfa. In addition, higher global transportation charges further amplified the cost inflation.
- **Selling and Distribution Expenses (S&D):** Increased by SAR 31.5 million, 5.0% which is in line with volume growth rate due to higher sales activity.
- **General and Administration Expenses (G&A):** Increased by SAR 5.8 million, in line with back office function activities to support the sales growth.
- **Other Expenses:** Increased by SAR 13.8 million, mainly due to higher losses (mainly timing in nature) from sale of dairy herd.
- **Impairment Reversal / (Loss) on Financial Assets:** increased by SAR 18.2 million in line with general increase in trade debtors, mainly in Food services channel.
- **Finance Cost:** Funding costs are in line with last year as the benefit of a lower weighted average debt balance is off set with higher interest rate driven by higher SIBOR.

Contribution of various Business Categories towards the increase in the Consolidated Profit Attributable to Shareholders of 8.0 % is as follows:

- **Dairy & Juice Category:** The category Profit declined by 7.1% due to higher cost inflation, mainly in dairy and feed commodities, and adverse mix due to phasing of Ramadan.

- **Bakery Category:** The Category Profit Increased by 124.6% primarily due to higher sales, driven by single serve product mix due to opening of schools and leveraging economies of scale for bakery manufacturing.
- **Poultry Category:** The category Profit increased by 15.3% driven mainly by revenue growth of 30.1%. The top line growth was supported by volume growth in Food Service segment, however profitability growth was lower than revenue growth due to continual increase in cost of corn and soya.
- **Other Category:** The Category reported profit of SAR 2.6 million for the current quarter which is mainly of a timing nature due to crop cycle in USA and Argentina.

#### Reasons of increase / (decrease) for Second quarter 2022 compared with previous quarter

16. The increase of 23.8% in the Consolidated Profit Attributable to Shareholders of the Company for the second quarter 2022 (SAR 520.4 million) as compared to the previous quarter (SAR 420.5 million) is due to seasonal adjustment in consumption patterns and phasing of Ramadan.

#### Reasons of increase / (decrease) for the six months period ended 30<sup>th</sup> June 2022 (the period) compared with corresponding period of the last year

17. The increase of 8.4% 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 revenues growth of 19.1% was driven mainly by bakery and poultry category. Positive revenue growth was evident in all categories due to improved trading conditions post covid-19 movement restrictions, opening of educational institutions and higher number of visitors in the region.
- **Gross Profit:** Increased by 8.1%, at a lower rate to revenue growth due to higher input costs driven by higher corn, soya and dairy commodities.
- **Selling and Distribution Expenses (S&D):** Increased by 6.0% which is in line with volume growth rate.
- **General and Administration Expenses (G&A):** Increased by 6.6%, in line with back office function activities to support the sales growth.
- **Other Expenses:** Increased by SAR 5.0 million, mainly due to slightly higher losses (mainly timing in nature) from sale of dairy herd.
- **Impairment Reversal / (Loss) on Financial Assets:** Increased by SAR 28.2 million in line with general increase in trade debtors.
- **Finance Cost:** Funding costs are in line with last year as the benefit of a lower weighted average debt balance is off set with higher interest rate driven by higher SIBOR.

**Contribution of various Business Categories towards the increase in the Consolidated Profit Attributable to Shareholders of 8.4% is as follows:**

- **Dairy & Juice Category:** The category Profit was virtually flat on a yoy basis due to stronger sales mix across the board, getting offset by higher cost inflation driven by feed and dairy commodities. In addition, EGP devaluation resulted in further additional charges however tighter cost controls across the board assisted in maintaining the bottom line at nearly the same level as last year
- **Bakery Category:** The Category Profit Increased by 101.0% primarily due to higher sales, driven by single serve product mix due to opening of schools, product innovation and leveraging economies of scale for bakery manufacturing.
- **Poultry Category:** The category Profit increased by 12.5% driven mainly by revenue growth of 24.8%. The top line growth was supported by volume growth in Food Service segment, however profitability growth was lower than revenue growth due to continual increase in cost of corn and soya.
- **Other Category:** The Category reported a loss of SAR 12.7 million which is mainly of a timing nature due to crop cycle in USA and Argentina

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

19. Items, elements and notes of the comparatives Condenses Consolidation 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 30<sup>th</sup> June 2022.

20. **Other Notes:**

- **Revenue by Region:** For Second quarter of 2022 as compared to the corresponding quarter of last year, the Revenue growth in Saudi Arabia, in other GCC and Other Countries by 15.8%, 13.4% and 14.2% respectively. For the six months period ended 30<sup>th</sup> June 2022 as compared to the corresponding period of last year, the Revenue growth in Saudi Arabia, other GCC and other countries by 19.1%, 18.4% and 20.1% respectively.
- **EBITDA:** For Second quarter 2022 Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 993.7 million, an increase of 6.9% as compared to the corresponding quarter of last year (SAR 929.9 million). For the six months period ended 30<sup>th</sup> June. 2022 Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 1,942.4 million, an increase of 6.3% as compared to the corresponding period of last year (SAR 1,827.7 million).

- **Profit Margins:** For Second quarter of 2022, The Gross Profit, Operating Profit and Consolidated Profit Attributable to Shareholders of the Company are representing 31.9%, 14.0%, and 11.3% of Revenue as compared to the corresponding quarter of last year of 33.8%, 15.0%, and 12.0%, respectively. For the six months period ended 30<sup>th</sup> June 2022, it represents 30.7%, 13.1%, and 10.3% of Revenue as compared to the corresponding period of last year of 33.9%, 14.4%, and 11.3%, respectively.
- A summary of the Statement of Cash Flows for the Six Months ended 30<sup>th</sup> June 2022 is as follows:
  - The Cash Generated from Operating Activities (OCF) reached SAR 1,364.1 million, a decrease of 41.2%, as compared to last year (SAR 2,321.8 million). The OCF represents 15.0% of Revenue as compared to 30.3% for the last year.
  - The Cash used in Investing Activities reached SAR 1,008.7 million as compared to the same period last year (SAR 721.3 million), an increase of 39.9%. Investing Activities represent 11.1% of revenue as compared to 9.4% for the last year.
  - The free cash flow (FCF) reached SAR 355.4 million as compared to the last year (SAR 1,600.5 million), a decrease of 77.8%. The FCF represent 3.9% of revenue as compared to 20.9% for the last year.
  - FCF reduction is mainly driven by expansion of working capital mainly due to higher inventory valuation. The higher inventory valuation is driven by global cost inflation where the company has maintained stock cover in number of days but inventory valuation has risen in line with higher prices.



## 21. General Comments:

Improved Trading conditions has resulted in another strong quarterly performance for Q2 2022. We expect the positive momentum to continue, albeit at a lower rate in coming quarters as we will enter normalized trading patterns in 2<sup>nd</sup> half of the year, from a comparison perspective.

The key risk remains surging cost inflation for dairy and feed commodities, although the current trend is normalizing and even reversing for some commodities. Almarai will continue to manage this risk by better hedging activities and by leveraging its stock cover, where relevant.

22. The Condensed Consolidated Interim Financial Statements for the Six Months ended 30<sup>th</sup> June 2022 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 **19<sup>th</sup> July 2022 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/>