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## **MODERN MILLS COMPANY ANNOUNCES ITS INTENTION TO LIST ON THE MAIN MARKET OF THE SAUDI EXCHANGE**

**Jeddah, Saudi Arabia – 07 February 2024G – Modern Mills Company** (the “**Company**”, or “**Modern Mills**”, or “**MMC**”), a national leading milling and nutrition company and a key player in the Kingdom of Saudi Arabia’s food security landscape (the “**Kingdom**” or “**Saudi Arabia**”), announces its intention to proceed with an initial public offering (the “**IPO**” or the “**Offering**”) and listing of its ordinary shares (“**Shares**”) on the Main Market of the Saudi Exchange (“**Tadawul**”).

The Saudi Exchange approved the Company’s listing application and the Capital Market Authority (“**CMA**”) approved the Company’s application for the registration and the initial public offering of 24,549,600 ordinary shares (“**Offer Shares**”), representing 30% of the Company’s issued share capital, on the 28<sup>th</sup> and 31<sup>st</sup> of December 2023G, respectively. The final price at which all subscribers in the Offering will purchase Shares will be determined following the book-building period.

The Offer Shares will be offered for subscription to institutional investors (“**Participating Parties**”) and individual investors (“**Individual Investors**”), including Participating Parties outside the United States in accordance with Regulation S under the US Securities Act of 1933, as amended (the “**Securities Act**”) per the tranches defined below.

### **Company Overview and Business Highlights**

- MMC is a leading milling and nutrition company and a key player in KSA’s human and animal food security ecosystem with an established market position and sustained track record of success, profitability and cash generation for shareholders.
- MMC’s product portfolio includes three (3) categories; flour, animal feed and animal bran supplied to a diverse portfolio of customers. The company supplies flour to bakeries, food industries, food services and retail, while animal feed and animal bran are supplied to a range of customers in the animal rearing sector.
- MMC has recorded the highest gain in market share in the flour market among other milling companies – capturing, in 2022G, 24% in volume, up from 20% in 2021G, and 22% in value terms - up from 18% in 2021G.
- With a capacity of 1,400 metric tons per day, MMC is the leader in the animal feed market among the four milling companies - from a production capacity and market share perspective, and is the 4<sup>th</sup> among other market players; in terms of market value share of total compound animal feed.
- Through its facilities in Al-Jumum, Khamis Mushait, and Al-Jawf, MMC is strategically positioned to capture internal demand across the Western, Southern and Northern regions of Saudi Arabia, and would benefit from a competitive cost advantage when exporting to nearby markets.
- In Al-Jumum, which sits between the two religious destinations in Saudi Arabia, MMC captures the growing demand from Hajj and Umrah through a state-of-the-art facility that is the newest across all mills in KSA. In Q1 2025G, upon the completion of the ongoing capacity expansion project in Al-Jumum, MMC will have the largest milling line in KSA with a daily production capacity of 1,250 MT.
- MMC is profitable and has a robust financial profile. In 2022G, the company generated a revenue of SAR 978 million and an EBITDA margin of 33%. The company sustained revenue

in 2023G generating SAR 452 million in the first half of the year – almost on par with H1 2022G performance.

- MMC has a lean balance sheet with no goodwill and a healthy current leverage level with a 2.3x net debt to EBITDA ratio and benefits from a highly cash generative business model, ensuring availability of minimal working capital requirement for future cash flows, and in turn consistency and growth in dividends.
- MMC is committed to promoting sustainable practices in the food industry. It is currently the first within the milling sector to partner with the General Food Security Authority to raise awareness around food loss and waste through the National Program for Reducing Food Loss & Waste (Le Tadwom).
- MMC is led by an experienced management team with over 200 years of cumulative FMCG experience backed by an experienced Board of Directors and strategic shareholders with extensive experience in the milling industry. The company has superseded the Platinum Tier for Saudization set by the Ministry of Labor and Social Development.

**Dr. Ibrahim Suliman Al Rajhi, Chairman of MMC, said:** *"Today, we embark on a new chapter of MMC's journey. Established in 2016G, MMC draws on an inherited legacy of five decades, contributing to KSA's food security through resilient, growth-oriented operations and an unwavering commitment to excellence.*

*Our sector is backed by strong fundamentals and through our best-in-class operational model, and highly experienced management team, we are well poised to unlock and capture additional growth. This IPO is a reaffirmation of our commitment to Saudi Arabia's vision of a self-sufficient, secure future in food production and testament to the success of the Kingdom's Privatization Program for the sector. We are proud to be playing an active role in enhancing the efficiency and competitiveness of the sector and in turn providing the best quality of goods and services to consumers.*

*Today marks a unique opportunity for investors to be part of a company with a clear vision, defined growth pillars, robust governance, and a commitment to nurturing the Kingdom's prosperity and food self-reliance for generations to come."*

**Osama Ashi, CEO of MMC, added:** *"Since its restructuring in late 2020G, MMC has been on a transformative journey focused on optimizing operations, protecting and strengthening our market share, generating top-line growth and implementing best-in-class governance. Today, I am proud to report that we have made tremendous progress across all fronts – by the end of 2022G, MMC's flour market share in volume grew to 24% - the highest market share gain in the industry, we recorded c.50% revenue CAGR between 2020G and 2022G, and as of the first half of 2023G, have achieved 92% capacity utilization. With the backing of our Board and shareholders, we have implemented SAP ERP and instituted policies and processes to support and sustain our operations and growth ambitions.*

*Looking ahead, we remain focused on unlocking further growth through a clear strategy set on strengthening our market share across our three product categories, continued investment in people and technology, expanding our product portfolio, accessing new geographies, and profitably expanding into adjacent categories which offer downstream synergy opportunities, all the while charting a clear course towards greater sustainability. This IPO is an opportunity for us to further grow our shareholder base welcoming investors seeking a meaningful and rewarding investment proposition."*

## Investment Highlights

- **MMC operates in a resilient, non-cyclical sector supported by solid macroeconomic drivers**
  - MMC benefits from strong and growing local demand of its core product categories of flour, animal feed and animal bran<sup>1</sup> with each of the categories expected to grow at a CAGR of 3.2%, 4.6%, and 2.9%, respectively, between 2022G and 2030G.
  - On a stand-alone basis, the value of the KSA flour market is expected to grow at a 4.4% CAGR between 2022G and 2030G and from a volume perspective, is expected to reach approximately 4.4m tons by 2030G, with growth channels diversified across bakeries, food services, food manufacturers and retailers.
  - This growing demand is underpinned by a favourable macroeconomic outlook in the KSA more broadly, driven by population growth; government policies and investment; and rising disposable consumer incomes:
    - *Vision 2030 is driving increased investment in food security and tourism growth in MMC's key regions in the West and South with plans to invest USD 810 billion in culture, leisure and entertainment projects over the coming decade.*<sup>2</sup>
    - *The KSA population is expected to increase at a c.2.5% CAGR between 2022G to 2030G, reaching c.40 million.*<sup>3</sup>
    - *Disposable consumer income in the KSA is forecast to increase by a 4.7% CAGR between 2022G and 2030G.*<sup>4</sup>
  
- **MMC has a leading, protected and fast-growing position and operates in a sector with high barriers to entry**
  - MMC held 24% volume share of the KSA flour market in FY 2022G with 46% volume growth in flour year-on-year and the largest market share gain among the milling companies.<sup>5</sup>
    - *Regulatory and operational requirements associated with operating in the flour market - currently captured by the four milling companies - limits the challenge from new entrants. MMC's position is secured and protected by way of exclusive long-term ten-year regional flour milling contracts granted by GFSA.*<sup>6</sup>
  - MMC has the leading market position in animal feed among milling companies, with the biggest feed milling capacity among the four milling companies in the KSA, producing compound animal feed for both livestock and poultry.
    - *7% share of national animal feed market in 2022G.*<sup>7</sup>
    - *Compared to the other milling companies, MMC is leading on higher feed margins in the animal feed sector and has a leading market position in the poultry feed market.*
    - *Vision 2030 seeks to increase food self-sufficiency in the Kingdom to 80% by 2025G – from 68% in 2022G - through the continued expansion of poultry and livestock production, and consequently, animal feed production.*<sup>8</sup>

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<sup>1</sup> Company Prospectus

<sup>2</sup> Company Prospectus

<sup>3</sup> Euromonitor estimates based on World Bank and secondary research

<sup>4</sup> Independent Market Consultant Study – Euromonitor International

<sup>5</sup> Company Prospectus

<sup>6</sup> Company Prospectus

<sup>7</sup> Company Prospectus

<sup>8</sup> Company Prospectus

- *The Ministry of Environment, Water and Agriculture in the KSA has set a target of 100% of domestic poultry consumption to be covered by local poultry production by 2030G.<sup>9</sup>*
  - In 2021G, MMC took the lead in the animal bran market by adjusting prices to align with market prices. This move resulted in increased margins for the category, giving MMC advantage in this category.
    - *Animal bran revenue increased by over 127% from SAR 77.5 million in 2021G to SAR 176.1 million in 2022G, while volume increased by c.63% in the same period.*
    - *Animal feed revenue increased by c.102% from SAR 198.4 million in 2021G, to c. SAR 400 million in 2022G.*
  - MMC's scale advantages maintain and extend the company's market leadership position in these key sectors.
    - *MMC has a comprehensive product offering across price points serving different needs for industrial, bakeries and household consumption.*
    - *MMC is further strengthening this product portfolio with increased focus on R&D to enhance customer value, drive higher margins and expand the product range.*
- **MMC has well-established operations in the Western, Southern, and Northern regions of Saudi Arabia, optimally positioning the company to capture growing local demand and access export markets**
  - MMC has a strong production footprint with three fully equipped, long-standing plants with significant operational experience.
    - *Plant locations in Al-Jumum (West), Khamis Mushait (South) and Al-Jawf (North).*
    - *Al-Jumum is considered 'gold standard', equipped with the latest technology and closest in proximity to serving the rapidly increasing demand in the Western region, driven by Hajj and Umrah.*
    - *MMC has achieved optimum capacity utilization for flour and is investing to further expand flour output, while MMC's feed production footprint has significant capacity utilization potential.<sup>10</sup>*
  - Significant investment in capex between 2021G and 2022G focused on uplifting MMC's infrastructure has delivered cost reductions, greater efficiencies, digital transformation and increased production capacities and plant utilization in recent years, with further investment in expansionary projects under way in key areas:<sup>11</sup>
    - *MMC has improved its wheat capacity utilization and enhanced operational efficiency to increase production days from 300 to 320 per year.*
    - *Significant capex already committed to further increase production capacity at the Al-Jumum plant, with production capacity set to double by Q1 2025G, making it the largest production line in Saudi Arabia.<sup>12</sup>*
    - *Al-Jumum is well positioned to serve increased food demand in the Western region of the KSA, enabling supply to fast growing numbers of Hajj and Umrah tourists.*

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<sup>9</sup> *Independent Market Consultant Study – Euromonitor International*

<sup>10</sup> *Company Prospectus*

<sup>11</sup> *Company Prospectus*

<sup>12</sup> *Company Prospectus*



- **MMC has a robust financial profile characterized by compounding cash generation and an attractive growth outlook**
  - MMC has achieved outsized growth in recent years<sup>15</sup> with revenue growing at c.50% CAGR from 2020G – 2022G, recording SAR 452m in revenue in 6M 2023G.
    - *MMC’s EBITDA margins are consistently evolving, reaching 33% in 2022G, demonstrating the company’s ability to grow rapidly without sacrificing profitability in past periods.*
  - Despite this strong growth, MMC has maintained a consistent focus on strong cash generation.
    - *MMC operates a highly cash generative business model, ensuring availability of minimal working capital requirement for future cash flows, in turn ensuring both consistency and growth in dividends.*
  - This has resulted in MMC having a superior top line growth rate, improving profitability and a lower leverage position than its close peers.
    - *Low existing leverage at 2.3x Net Debt/EBITDA ratio in as of 30 June 2023G relative to peers whilst delivering attractive returns.*
    - *Improved utilization and operating efficiencies with net income margin over 23% in the first six months of 2023G – up from slightly over 14% in FY 2021G.*
  - MMC achieved a significant jump in topline growth and margins in 2022G and remains focused on continuing this sustainable growth trajectory going forward – as evident in 2023G.
    - *2022G outperformance driven by formalized management of current customers and distributor network; attracting new customers; unlocking feed business potential through R&D and catering to customers’ needs; expanding its poultry segment footprint; increase in animal bran pricing to international levels and investment in management expertise.*
    - *MMC’s sustainable top-line growth and margin expansion is supported by growing market share; new customer wins; expansion into adjacent product areas and R&D investment in new and existing product lines.*
  
- **Led by a highly experienced management team with diverse backgrounds and a demonstrated track record in growth and transformation**
  - MMC’s management team has over 200 years of extensive experience of managing and transforming listed, international and local businesses in the FMCG sector.
  - The team has a proven track record of commercial success and value creation, including:
    - *A significant revamp of business and ERP systems and other operational improvements implemented and overseen at MMC since 2021G (data on KPI tracking e.g., utilization improvements).*
  - The IPO is fully supported by MMC’s leading investment consortium of MADA International Holding Company (wholly owned by Al Rajhi Holding Group) and Al Ghurair

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<sup>15</sup> Company Prospectus

Foods Company and Masafi (both ultimately owned by the Al Ghurair family) who have deep expertise and experience in MMC's key operating markets.

- *MMC has three independent board members with a wealth of multinational experience: an established audit committee and a nomination and remuneration committee.*
- This strong financial backing will enable continued investment in innovation and expansion into promising areas for MMC.
- The MMC team has a strong understanding of local consumer trends, complemented by a highly flexible business model.
  - *MMC's market expertise allows the company to effectively adapt to changing consumer needs while keeping pace with market changes in demand across different product areas.*
- MMC prioritizes training and efficiency within the workforce to drive further cost optimizations and improve product quality across the company's infrastructure:<sup>16</sup>
  - *MMC has a strategic focus on employee training through programs such as the Managerial Leadership Program, among others.*<sup>17</sup>
  - *The company is focused on improving gender diversity with female employees representing 2.5% of the total workforce as of 30 June 2023G, up from 0% in 2021G.*
  - *MMC awarded and maintaining a Platinum rating under the Nitaqat program for Saudization and plans to have 51% Saudi nationals planned as part of staff base by 2027G.*
  - *MMC's social priorities include active recruitment and training initiatives for local workers near its milling plant sites, contributing to the communities where the company operates.*
- **MMC has a clear strategy for growth supported by solid drivers and clearly mapped opportunities**
  - MMC's strategy for growth is anchored on 4 pillars;
    1. Elevating current infrastructure capabilities to expand the company's share in the flour and flour derivatives sectors through continued investment in the development of existing facilities in Al-Jumum, Khamis Mushait and Al-Jouf.
      - *Planned expansion of Al-Jumum facility in Q1 2025G will see installation of additional milling line with a daily production capacity of 1,250 MT per day, i.e., double current capacity.*
      - *Upgrade of one of the three production lines in Khamis Mushait to raise its production capacity from 1,650 to 1,800 MT per day, in addition to increasing feed capacity utilization through improved plant efficiency.*
    2. Investing in people and technology and strengthening the Company's ESG practices.

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<sup>16</sup> Company Prospectus

<sup>17</sup> Company Prospectus

- *Continued investment in hiring and training workforce, enabling Saudi youth and growing female participation in the workforce, in alignment with Vision 2030 objectives.*
  - *Maximize ESG agenda for continued adoption of HSE practices that encourage use of more environmentally-friendly materials, waste treatment and compliance with ISO standards, continue raising awareness around food waste in partnership with GFSA, and adoption of best-in-class corporate governance practices.*
  - *Continued investment in technology and digital transformation to drive further operational improvements.*
3. Expanding into new products and adjacent categories.
- *Continued development of research and development capabilities, for example through the purchase of large industrial mixer, to introduce new value-added products such as ready-mixes, drive higher margins across current categories and expand into new channels and categories.*
4. Accessing new geographic regions through obtaining a flour export license - leveraging proximity of current facilities on the Southern and Northern national borders to nearby markets, in addition to, expanding animal feed product exports beyond the GCC to international markets.

### Highlights of the Offering

- Listing on the Main Market of the Saudi Exchange.
- The IPO comprises an offer of 24,549,600 ordinary shares (the “**Offer shares**”), representing 30% of the Company’s issued share capital sold by current shareholders (“**Selling Shareholders**”).
- Together, the selling shareholders own 100% of the company prior to the Offering. Their combined ownership, post-listing, will be 69% of the company’s share capital. The selling shareholders are Mada International Holding Company (50% share pre-offering), Al Ghurair Foods Company (45% share pre-offering), and Masafi Company (5% share pre-offering).
- The Company will hold 818,320 treasury shares (equivalent to 1% of Company’s capital) after the Offering through buying 687,389 shares (representing 84% of treasury shares) based on the final Offer Price and the award of 130,931 shares (representing 16% of treasury shares) by the Selling Shareholders, in conjunction with completing the Offering process to use them within the Company’s employee stock program.
- The Offer Shares will be offered for subscription to individual investors (“**Individual Investors**”) and institutional investors (“**Participating Parties**”), including Participating Parties outside the United States in accordance with Regulation S under the US Securities Act of 1933, as amended (the “**Securities Act**”) per the tranches defined below.
- With respect to the Offering, the Company appointed HSBC Saudi Arabia as Sole Financial Advisor, Global Coordinator, Joint Bookrunner, Underwriter, and Lead Manager, in addition to Emirates NBD Capital KSA as Joint Bookrunner and Underwriter. Moelis & Company Saudi Limited has been appointed as the Advisor to the Selling Shareholders.
- AlRajhi Bank and Saudi National Bank have been appointed as Receiving Agents (collectively, the “**Receiving Agents**”) for the Individual Investors tranche.
- Please review the Company Prospectus for details on the expected offering timeline.



- The Offering is restricted to the following two groups of investors:
  - **Tranche (A): Participating Parties:**
    - This tranche comprises investors eligible to participate in the book-building process in accordance with the Instructions for Book Building Process and Allocation Method in Initial Public Offerings, as issued by the Capital Market Authority (hereinafter referred to as the "CMA") (the Instructions shall hereinafter be referred to as the "Book-Building Instructions"), (said investors shall be collectively referred to as the "Participating Parties" and each as a "Participating Party"). The number of Offer Shares to be allocated to Participating Parties effectively participating in the book-building process is twenty-four million five hundred forty-nine thousand six hundred (24,549,600) ordinary shares, representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors (as defined under Tranche (B) below), the Lead Manager shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of twenty-two million and ninety-four thousand six hundred and forty (22,094,640) ordinary shares, representing 90% of the total Offer Shares. The Financial Advisor, in coordination with the Company, shall determine the number and percentage of Offer Shares to be allocated to Participating Parties.
  - **Tranche (B): Individual Investors:**
    - This tranche includes Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe in her own name or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children; and any non-Saudi Arabian national who is residing in Saudi Arabia and any national of countries in the Gulf Cooperation Council (the "GCC"), in each case who has a bank account with a Receiving Agent and has the right to open an investment account with a capital market institution (collectively, the "Individual Investors", and each an "Individual Investor"). Subscription by a person in the name of his divorcee shall be deemed invalid. If a transaction of this nature is proved to have occurred, the applicable regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be deemed void, and only the first subscription will be accepted. A maximum of two million four hundred and fifty-four thousand nine hundred and sixty (2,454,960) ordinary shares, representing ten percent (10%) of the Offer Shares, shall be allocated to Individual Investors. In the event that the Individual Investors do not subscribe in full for the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for thereby.

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<b>Sole Financial Advisor, Global Coordinator, Joint Bookrunner, Underwriter, and Lead Manager</b>	
<b>HSBC Saudi Arabia</b>	<b>Mohammed Fannouch</b> Managing Director, Co-Head of Investment Banking <a href="mailto:mmcipo@hsbcsa.com">mmcipo@hsbcsa.com</a>

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The international offering circular prepared in connection with the Offering (the “International Offering Circular”) is the sole legally binding document containing information about the Company and the Offering outside of Saudi Arabia. In the event of any discrepancy between this announcement and the Local Prospectus and/or the International Offering Circular, as the case may be, the Local Prospectus and/or the International Offering Circular will prevail.

This announcement may include statements that are, or may be deemed to be, “forward-looking statements”. Any forward-looking statements reflect the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company’s business, results of operations, financial position, liquidity, prospects, growth or strategies. Many factors could cause the actual results to differ materially from those expressed or implied by any such forward-looking statements, including, among other things, risks specifically related to the Company and its operations, the development of global economic and industry conditions, and the impact of economic, political and social developments in Saudi Arabia. Forward-looking statements speak only as of the date they are made and the Company does not assume any obligations to update any forward-looking statements.

There is no guarantee that the Offering will occur and you should not base your financial decisions on the Company’s intentions in relation to the Offering at this stage. Acquiring Offer Shares to which this announcement relates may expose an investor to a significant risk of losing the entire amount invested.

Persons considering investment should consult an investment advisor or an authorized person specializing in advising on such investments.

The Underwriters are acting exclusively for the Company and no-one else in connection with the Offering. They will not regard any other person as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for providing advice in relation to the Offering, the contents of this announcement or any transaction, arrangement or other matter referred to herein. Moelis & Company Saudi Limited (“**Moelis**”) is acting exclusively for the Selling Shareholders and no-one else in connection with the Offering. It will not regard any other person as their respective client, nor for providing advice in relation to the Offering, the contents of this announcement or any transaction, in relation to the Offering and will not be responsible to anyone other than the Selling Shareholders for providing the protections afforded to its clients, arrangement or other matter referred to herein.

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