

MARMORE

MENA INTELLIGENCE

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Almarai Company Profile



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Almarai was founded in 1977 and is the world's largest vertically integrated dairy company as well as the largest food and beverage manufacturing and distribution company in the GCC region. Almarai Company, headquartered in Saudi Arabia, is the number one FMCG brand in the MENA area and the market leader in all its categories in the GCC. The corporation operates in Saudi Arabia, the United Arab Emirates, Oman, Kuwait, Bahrain, Jordan, and Egypt. Almarai Company has expanded their product offering beyond high-quality dairy products to include juices, bread, chicken, and infant formula under the brand names Almarai, L'usine, Nuralac, 7DAYS, and ALYOUM. Chipita and PepsiCo had collaborative ventures with Almarai Company.

Dairy products account for around 61% of Almarai's overall income, with juice products accounting for 10%, chicken for 14%, bakery for 10%, and nutrition and other products accounting for 5%.

Segment	Market Share in Saudi Arabia ¹
Milk products, cheese, butter and spreads, and yoghurt and sour milk products	65%
Juice	47%
Bakery	54%
Poultry	32%

Why We Like It

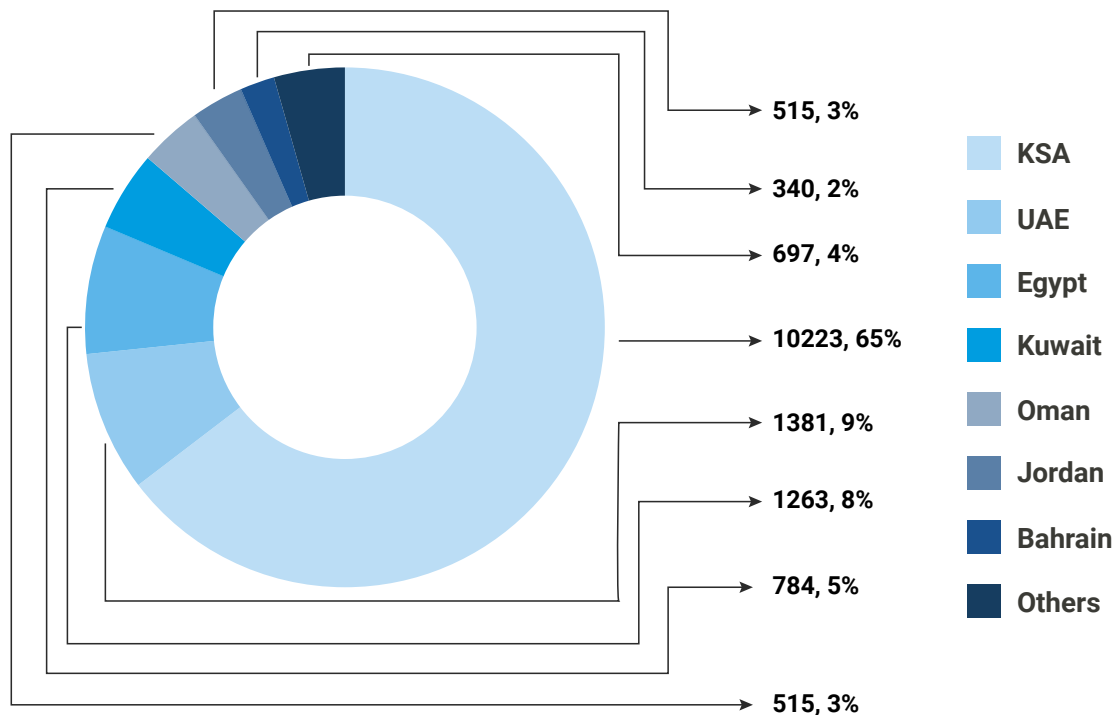
Dominance in the F&B sector of GCC

- » Almarai is the market leader in the Dairy Industry in Saudi Arabia with 65% market share
- » Ranked one in the juice segment in Saudi Arabia with a 45% value share.
- » Market leader in fresh poultry segment in Saudi Arabia, UAE, and Kuwait with market shares of 30%, 21% and 63% respectively.
- » Almarai remains the top manufacturer of bakery products for the Saudi market, with a value share of 53% outperforming their closest bakery competitor by 10 times.

Even when Covid-19 and other geopolitical events such as Russia-Ukraine War, Sri Lanka's Economic Crisis, Indonesia's Export ban disrupted the global supply chain and their operations increasing its operating costs and reducing its net profit, Almarai was able to capitalize on increased stability in the food service channel due to implementation of supply and production efficiencies, backed by robust distribution channels.

Strong Fundamentals

Despite the profitability problems, the Group performed well in terms of cash flow generation, with net cash generated from operational activities being SAR 4,915 million in 2021, up 17% from 2020. This was mostly due to enhanced working capital management, particularly for inventory and vendor management, as well as sustained business performance. The positive free cash flow of SAR 3,101 million in 2021 was the largest ever generated in Almarai history, an increase of SAR 271 million over 2020. The positive free cash flow accounted for 20% of net revenue, a new high. The Dairy and Juice category increased by 4% in 2021, owing to good success in the long-life dairy segment, which increased by 10% year on year. The Bakery industry expanded rapidly in the second half of the 2021, as schools reopened partially after the summer break. Volume growth in the second half was aided further by a favourable product mix of single serve, resulting in a 22% year on year growth in Q4 2021. The Poultry segment achieved slightly positive full-year revenue, as restaurants and delivery services ramped up their offerings in late 2021.



Revenue Growth YoY% by Geography

Year	KSA	UAE	Egypt	Kuwait	Oman	Jordan	Bahrain	Others	Total
2020	6%	2%	16%	12%	-12%	31%	4%	62%	7%
2021	-1%	-1%	29%	-3%	-6%	39%	0%	39%	3%
Q4 CAGR 2019-2021	4%	6%	16%	3%	-6%	31%	4%	69%	7%

Almarai delivered good sales across all product categories in Q1 2022, as demand strengthened because of the relaxing of COVID-19 restrictions in the kingdom, the reopening of schools, and an increase in tourists to the region. Revenue for Q1 2022 was SAR4.5 billion, a 23.6% increase over Q1 2021. Net profit climbed 8.9% to SAR420 million. This achievement was primarily supported by Almarai's baking business area (a profit rise of 79.2%), as well as the dairy and juice categories (a 5.9% increase in profit). Profit in the poultry segment climbed by 9% as well. Jordan's good performance helped to offset the quarter's EGP depreciation. The gradual recovery is expected to continue in the next years. Almarai hopes for better performance in 2022, with higher revenue backed by increased volumes led by a strong tourism revival. Due to the company's cost savings and the economy's recovery, FY 2022 margins are likely to stabilise.

Key risks

The MENA region's inflation rate is expected to rise to around 7.5% in 2022, up from 5.7% in 2021, reflecting the impact of international supply chain challenges and the rise in the prices of agricultural and industrial commodities. Almarai will face a challenge with respect to pricing its products to match consumers' budget restrictions. Another challenge for Almarai would be in handling the supply chain in order to ensure timely food supply. Almarai's manufacturing is heavily reliant on imports from all around the world. This not only raises operating costs but also increases the danger of supply chain interruptions.

Almarai's over-reliance on the Dairy and Juice segments poses a risk of loss if there are any disruptions and these segments fail to deliver to expectations. Almarai has begun to concentrate on diversifying its portfolio and focusing more on other industries.

The company is subject to short-term and long-term climate change related risks. Rising fuel costs and the greenhouse gas emissions have an impact on its profits. Climate change also creates risks for agricultural production that pose challenges for sustaining and increasing production levels. The group has developed a sustainability strategy, outlining how it will improve its energy

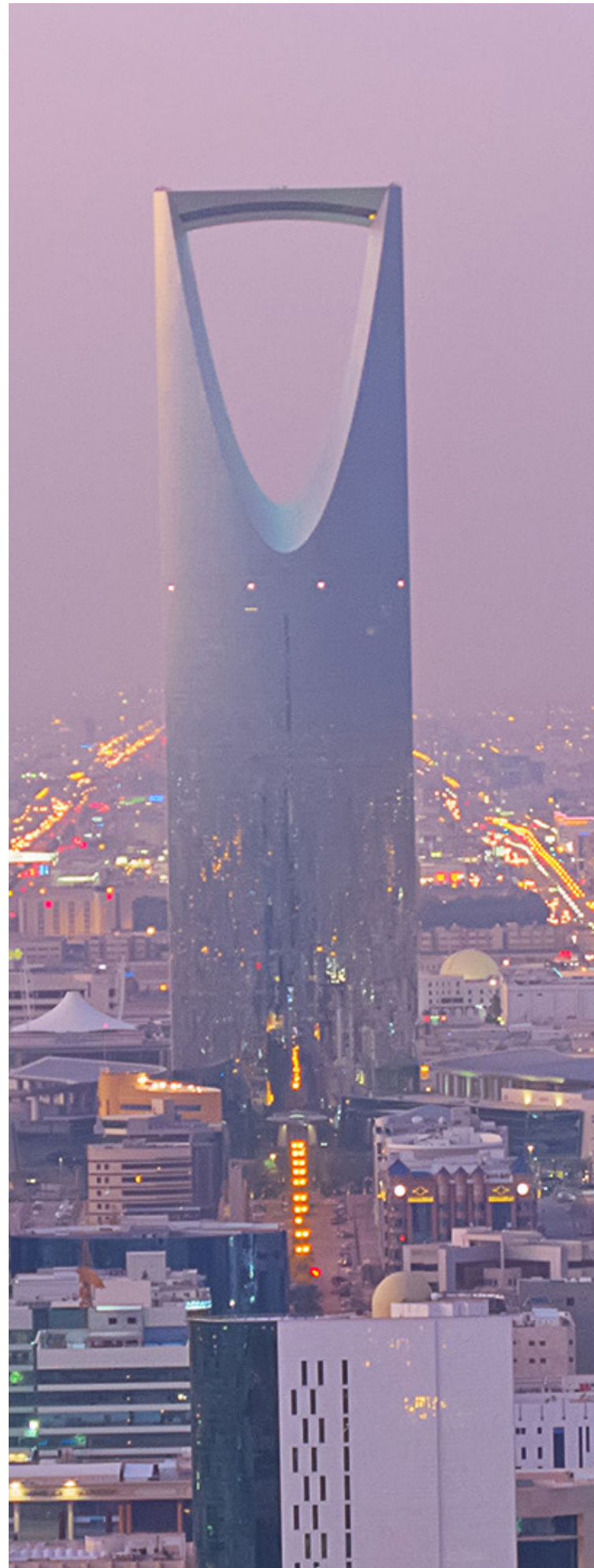


performance through efficient energy consumption and generation of energy from sustainable sources. The strategy focuses on solar power generation, water and energy efficiency, sustainable arable farming practices, landfill waste reduction, commitment to 100% CFC-free cold storage at its sales depot, and fuel efficiency measures including trailing alternative fuel vehicles.

Possible Future Scenarios:

The pandemic's aftereffects continue to impede the sector's full recovery, and the adverse macro climate appears poised to persist in 2022. Despite this, Almarai's solid balance sheet and predictable cash flows, resilient strategy, and unrivalled sector market position will see the company emerge stronger and more focused than ever. Strategic priorities for 2022 will include the implementation of additional measures to maintain and expand core business lines, such as poultry, food service, and dairy while capitalising on the expected increase in post-pandemic tourism driven by the government's broad initiatives in this sector. On 2nd May 2021, Almarai's Board of Directors approved a capital investment of SAR 6.6 billion to expand the Poultry segment, with the goal of tripling the Company's market share in this area. Almarai also intends to explore new growth options such as aquaculture, cattle production, and alternative proteins. These actions demonstrate their desire for continued growth and development.

Almarai's long-term strategy is to organically and by the acquisition of Technology upgrades expand into new growth areas, with a focus on digitization.



Almarai completed the acquisition of Binghatti Beverage's UAE production facility in November 2021. Almarai chose Bakemart, the market leader in the frozen bakery in the UAE and Bahrain, as their target and was able to agree on a price and close the purchase for 100% ownership in January 2022. Almarai intends to expand further in the future through critical M&A across the MENA area.

Almarai intends to expand into new markets where the Almarai brand resonates with regional consumers. The company has plans to expand its operations in the UAE by raising the capacity of its Dairy facility to 200 million liters, while also attempting to invest more in its businesses in Egypt and Jordan. Almarai will also continue to target capital optimization and cost reduction to gain better efficiency across their business, while boosting investment in innovation and marketing to strengthen their market position.

Almarai Key Financial & Ratios

Income Statement (SAR million)	2015	2016	2017	2018	2019	2020	2021
Revenue	13,795	14,339	13,936	13,558	14,351	15,357	15,850
Gross Profit	4,768	4,904	5,001	4,688	4,737	4,891	4,372
Operating Income	1,720	2,518	2,583	2,521	2,473	2,522	2,015
Net Income	1,916	2,148	2,182	2,012	1,812	1,984	1,564
Basic EPS Excluding Extraordinary Items	1.88	2.1	2.13	1.98	1.83	2.02	1.59
DPS - Common Stock Primary Issue	0.69	0.72	0.75	0.85	0.85	1.0	1.0

Balance Sheet (SAR million)	2015	2016	2017	2018	2019	2020	2021
Cash and Short-Term Investments	2,039	730	1,892	1,183	1,148	504	580
Total Receivables, Net	964	1,206	1,669	1,472	1,455	1,543	1,580
Total Current Assets	6,155	5,382	6,779	7,089	7,325	7,289	7,102
Property/Plant/ Equipment, Total - Gross	18,696	21,145	22,402	21,978	21,951	21,113	20,873
Total Assets	27,371	29,194	32,298	32,783	33,148	32,344	31,754
Total Current Liabilities	4,807	4,916	5,819	5,514	5,725	4,675	6,624
Total Long-Term Debt	9,343	10,128	10,951	12,062	11,233	10,420	7,433
Total Liabilities	15,313	16,137	17,866	18,906	18,495	16,657	15,635
Total Equity	12,058	13,057	14,432	13,877	14,653	15,687	16,119
Total Liabilities & Shareholders' Equity	27,371	29,194	32,298	32,783	33,148	32,344	31,754

Cash flow Statement (SAR million)	2015	2016	2017	2018	2019	2020	2021
Net Income/Starting Line	1,916	2,150	2,160	2,009	1,802	1,936	1,579
Depreciation/Depletion	1,588	1,784	1,870	2,093	2,125	2,058	2,072
Changes in Working Capital	966	(119)	(268)	(1,407)	(136)	(687)	514
Cash from Operating Activities	4,932	4,473	4,614	3,669	4,732	4,203	4,915
Capital Expenditures	(4,110)	(4,626)	(2,932)	(2,056)	(1,775)	(1,733)	(1,967)
Cash from Investing Activities	(4,409)	(4,981)	(3,311)	(2,350)	(2,944)	(788)	(1,814)
Cash from Financing Activities	732	(717)	(241)	(1,961)	(2,460)	(3,250)	(3,024)
Free Cash Flow	822	(153)	1,682	1,612	2,957	2,470	2,948

Key Ratios	2015	2016	2017	2018	2019	2020	2021
Gross Margin	34.6%	34.2%	35.9%	34.6%	33.0%	31.8%	27.6%
EBITDA Margin	24.2%	26.6%	29.4%	31.7%	28.6%	26.6%	22.4%
Net Margin	13.0%	15.0%	15.5%	14.8%	12.6%	12.6%	10.0%
Asset Turnover	0.54	0.51	0.45	0.42	0.44	0.47	0.49
Pretax ROA	7.3%	7.9%	7.2%	6.4%	5.8%	6.2%	5.2%
x Leverage (Assets/ Equity)	2.27	2.24	2.24	2.36	2.26	2.06	1.97
ROE	16.7%	17.1%	15.9%	14.2%	12.7%	13.1%	9.8%
Quick Ratio	0.69	0.46	0.63	0.57	0.53	0.53	0.40
Current Ratio	1.28	1.09	1.17	1.29	1.28	1.56	1.07
Cash Cycle (Days)	85.9	84.1	165.2	188.8	144.2	150.6	143.8
Assets/Equity	2.27	2.24	2.24	2.36	2.26	2.06	1.97
Debt/Equity	0.94	0.89	0.92	1.04	0.92	0.74	0.63
% LT Debt to Total Capital	38.9%	40.4%	39.0%	41.8%	39.0%	37.3%	27.7%
ROIC	8.7%	9.4%	8.7%	7.6%	6.7%	7.2%	6.1%

Source: Refinitiv

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OUR MISSION

Serving businesses and institutions with reliable information and intelligence about Middle East and North Africa needed to catalyze growth, understand the larger environment economies, businesses and financial markets and provide customized, actionable solutions



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A subsidiary of Markaz: Investment bank and asset management firm with 40+ years of history

Markaz commenced its research activities in 2006, which led to establishment of Marmore in 2010 as research focused firm

Marmore publishes research reports, provides customized research to suit clients unique requirements and consulting services Primarily focusses on the GCC region

Business Verticals



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Our customized research department caters to unique requirements of the clients



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