

Almarai Company Announces Its Consolidated Financial Results for The Year Ended on 31st December 2021 (Twelve Months)

Almarai Company (“the Company”) is pleased to announce its Consolidated Financial Results for The Year Ended on 31st December 2021 as below:

Fourth Quarter of 2021 Highlights

1. The Revenue for the Fourth quarter 2021 amounted to SAR 4,257.4 million, an increase of 11.5% as compared to the corresponding quarter of the last year (SAR 3,819.6 million).
2. The Gross Profit for the Fourth quarter 2021 amounted to SAR 1,192.7 million, a decrease of 3.2% as compared to the corresponding quarter of the last year (SAR 1,232.4).
3. The Operating Profit for the Fourth quarter 2021 amounted to SAR 392.2 million, a decrease of 21.6% as compared to the corresponding quarter of the last year (SAR 500.2 million).
4. The Consolidated Profit Attributable to Shareholders of the Company for the Fourth quarter 2021 amounted to SAR 286.5 million, a decrease of 14.7% as compared to the corresponding quarter of the last year (SAR 335.9 million) and a decrease of 30% as compared to the previous quarter (SAR 409.1 million).
5. The Comprehensive Income Attributable to Shareholders of the Company for the Fourth quarter 2021 amounted to SAR 243.6 million, a decrease of 22.7% as compared to the corresponding quarter of the last year (SAR 315.1 million) and a decrease of 37.4% as compared to the previous quarter (SAR 389.2 million).

Year Ended 31st December 2021 Highlights

6. The Revenue for the year ended 31st December 2021 amounted to SAR 15,849.7 million, an increase of 3.2% as compared to the corresponding period of the last year (SAR 15,356.9 million).
7. The Gross Profit for the year ended 31st December 2021 amounted to SAR 5,059.3 million, a decrease of 8.6% as compared to the corresponding period of the last year (SAR 5,535.5 million).
8. The Operating Profit for the year ended 31st December 2021 amounted to SAR 2,014.9 million, a decrease of 20.1% as compared to the corresponding period of the last year (SAR 2,522.3 million).
9. The Consolidated Profit Attributable to Shareholders of the Company for the year ended 31st December 2021 amounted to SAR 1,563.5 million, a decrease of 21.2% as compared to the corresponding period of the last year (SAR 1,984.4 million).

10. The Comprehensive Income Attributable to Shareholders of the Company for the year ended 31st December 2021 amounted to SAR 1,471.0 million, a decrease of 25.7% as compared to the corresponding period of the last year (SAR 1,980.6 million).
11. Total Equity Attributable to Shareholders as of 31st December 2021 amounted to SAR 16,119.5 million as compared to the corresponding date of last year (SAR 15,686.9 million), an increase of 2.8%. As of 31st December 2021, the book value per share reached SAR 16.1.
12. The Earnings per Share (EPS) based on the Consolidated Profit Attributable to Shareholders of the Company for the year ended 31st December 2021 and the last year, reached SAR 1.59 and SAR 2.02, respectively. Diluted EPS for the year ended 31st December 2021 and the last year were SAR 1.56 and SAR 1.98, respectively.

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

13. The decrease of 14.7% in the Consolidated Profit Attributable to Shareholders of the Company as compared to the corresponding quarter of the last year is due to:
 - **Revenues:** were strongly up 11.5% year on year(yoy) due to current resilient market conditions and base year effect of COVID-19 related restriction. The key contributor to the growth was Bakery segment which was up by 21.5% followed by dairy segment where both fresh and long life dairy were up by 12% on a yoy basis. The positive growth was witnessed across all channels and countries except Bahrain (which was flat given the VAT roll out earlier in the year). The other noticeable improvement was in Oman which returned to positive growth after 2 years of decline due to higher competitive intensity.
 - **Gross Profit:** Decreased by 3.2%, at a lower margin rate due to farming and dairy commodity cost increases. In addition, higher international freight and packaging costs contributed to lower gross profit.
 - **Selling and Distribution Expenses (S&D):** Increased by SAR 29.6 million, or 4.9%, in line with volume and revenue growth.
 - **General and Administration Expenses (G&A):** Increased by SAR 9.9 million, or 7.6% in line with general business growth.
 - **Other Expenses:** Increased by SAR 7.9 million, mainly due to base year effect. Last year net expenses included a one-off gain due to sale of share rights.

- **Impairment of Financial Assets:** Recorded a loss of SAR 11.0 million due to adjusted credit risk outlook, mainly driven by food services channel bounce back.
- **Finance Cost:** Funding costs are lower by SAR 53.6 million due to benefits of lower interest rate and lower debt levels.

Contribution of various Business Categories towards the decrease in the Consolidated Profit Attributable to Shareholders of 14.7% are as follows:

- **Dairy & Juice Category:** The category profit decreased by 6.2%, despite strong performance in dairy top line witnessed across all geographies. This was mainly due to higher commodity & feed expenses driven by Corn and Soya cost increase & related transportation costs.
- **Bakery Category:** The category profit increased by 6.8% primarily due to strong top line performance of 21.5% growth driven by partial school opening.
- **Poultry Category:** The category profit decreased by 23.6%, despite strong top line growth mainly due to two factors. Firstly, an unfavorable channel mix towards food services and secondly, the increase in feed cost, mainly corn and soya.
- **Other Category** The category reported a loss of SAR 44.1 million for the current quarter as compared to a loss of SAR 21.1 million for the corresponding quarter, mainly due to sale of share rights.

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

14. The decrease of 30.0 % in the Consolidated Profit Attributable to Shareholders of the Company for the Fourth quarter 2021 (SAR 286.5 million) as compared to the previous quarter (SAR 409.1 million) was due to seasonality of sales.

Reasons of increase / (decrease) for the year ended 31st December 2021 (the period) compared with last year

15. The decrease of 21.2% 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:** Increased by 3.2%, Almarai faced a challenging year in 2021 due to the base year effect of COVID-19 and VAT rate change related purchases last year. As a result, GCC revenues were at same level of last year, however, robust growth in Egypt, Jordan and non-branded products, mainly alfalfa sales driven by de-stocking program, helped record positive growth of 3.2% on a yoy basis.

- **Gross Profit:** Decreased by 8.6%, at a lower margin rate due to two main structural adjustments of lower subsidy and feed changes. The first adjustment relates to subsidy reduction driven by no subsidy in 2021 on Corn and Soya and without the benefit of subsidy overlap in poultry in 2020. The second adjustment related to change of alfalfa feed consumption to 100% imported basis. In addition, general cost inflation for farm and dairy commodities further impacted the gross margin, mainly during the second half.
- **Selling and Distribution Expenses (S&D):** Increased by SAR 28.4 million, or 1.1% and are below top line growth driven by strong cost control.
- **General and Administration Expenses (G&A):** Increased by SAR 8.4 million, or 2.0% and are in line with general business growth.
- **Other Expenses:** Increased by SAR 7.1 million, mainly due to one off gain pertaining to sale of share rights during last year.
- **Impairment Reversal / (Loss) on Financial Assets:** Recorded a loss 11.8 million due to adjusted credit risk outlook, mainly driven by food services channel bounce back.
- **Finance Cost:** Funding costs were lower by SAR 149.8 million due to benefits of lower interest rate and lower debt levels driven by strong free cashflow generated during the year.
- **Contribution of various Business Categories towards the decrease in the Consolidated Profit Attributable to Shareholders of 21.2% are as follows:**
 - **Dairy & Juice Category:** The Category Profit decreased by 17.5% due to 3 key factors. First was an adverse product mix driven by lower dairy food sales on yoy due to base effect of higher food purchases during COVID-19 in 2020. Second was the lower subsidy yoy basis as subsidy ceased on non-green dairy feed. The last, but not the least, impact was due to higher feed cost driven by both the ration change to 100% imported alfalfa and higher commodity cost increase driven by general inflation of dairy and farm commodities, mainly Corn and Soya.
 - **Bakery Category:** The Category Profit decreased by 3.6% due to strong investment in sales & marketing, particularly in the 2nd half, driven by partial school opening.
 - **Poultry Category:** The category Profit decreased by 37.3% Volume remaining steady, however profitability was impacted by unfavorable channel mix due to higher retail sales last year driven by covid-19 related purchase behavior. Further lower subsidy for poultry in the current year and higher feed cost driven by farming commodities cost inflation resulted in lower profit yoy.
 - **Other Category:** The Category reported a loss of SAR 84.4 million for the current period compared to a loss of SAR 58.2 million for the corresponding period, due to one off-gain on sale of share rights last year.

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

17. Items, elements and notes of the comparatives Consolidated 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 Year ended 31st December 2021.

18. **Other Notes:**

- **Revenue by Region:** For Fourth quarter of 2021 as compared to the corresponding quarter of last year, the Revenue growth in Saudi Arabia, other GCC and other countries were 10.2%, 8.5%, 21.0% respectively. For the year ended 31st December 2021 as compared to the last year, the Revenue declined in Saudi Arabia and in other GCC by 0.6% and 2.4% respectively. In Other Countries revenue grew by 33.8%.
- **EBITDA:** For Fourth quarter 2021 Earnings before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 785.7 million, a decrease of 6.2% as compared to the last year (SAR 837.4 million). For the year ended 31st December 2021 Earnings Before Interest, Taxes and Zakat, Depreciation and Amortization (EBITDA) reached SAR 3,492.5 million, a decrease of 13.0% as compared to the corresponding period of last year (SAR 4,013.4 million).
- **Profit Margins:** For Fourth quarter of 2021, The Gross Profit, Operating Profit and Consolidated Profit Attributable to Shareholders of the Company represents 28.0%, 9.2%, and 6.7% of Revenue as compared to the corresponding quarter of last year of 32.3 %, 13.1 %, and 8.8 %, respectively. For the year ended 31st December 2021, it represents 31.9%, 12.7%, and 9.9% of Revenue as compared to last year of 36.0%, 16.4%, and 12.9%, respectively.

19. General Comments:

2021 has proven to be another challenging year. The year did witness further relaxation in covid-19 related travel movement. however, the continual evolution of pandemic has caused disruption in global supply chain and consumer markets.

Almarai ended the year with 3.2% positive top line growth but it was based on strong volume growth in Egypt, Jordan and non-branded product sales. The core GCC markets experienced an erosion in sales revenue as sales pattern normalized post consumer led food purchases surge during covid-19 related measures in 2020.

Almarai gross profit for the year was significantly impacted due to structural reforms and surge in global commodities cost due to covid-19. The structural reforms of lower subsidy and move to 100% imported alfalfa resulted in lower gross profit than last year. These cost pressures were partly offset by strong cost control and lower funding cost, resulting in net profit reduction of 21.2% on a yoy basis.

We expect the next 12 months to be equally challenging for commodity costs however we believe that it will be partly offset by a rebound and resilience in consumer market. Within this context, we are working to continue to excite our customers with our quality products innovations, focus on process & cost efficiency, and therefore, looking forward to a positive year 2022.

20. The Consolidated Financial statements for the year ended 31st December 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/>

21. Conference call for analysts and investors will be on 25th January 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/>