

# Savola Group

Earnings Presentation | Q4 2021

[www.savola.com](http://www.savola.com)



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# KEY MANAGEMENT HIGHLIGHTS FOR 2021

## Business Highlights

- The group delivered strong performance across most segments despite the increase in global food commodity prices and challenging grocery retail landscape in Saudi Arabia

## Financial Performance

- Savola Group reported 13.6% topline growth during 2021; driven by the improvement in our foods business
- Net Income reached to SAR 222mn in 2021 compared to SAR 911mn last year due to decline in the retail business profitability and one-off asset impairment provisions

## Strategic Initiatives

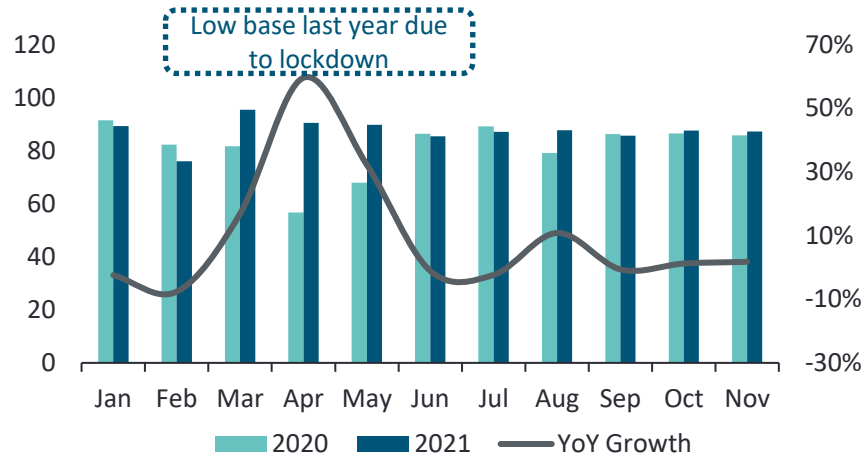
- Acquired 100% stake in Bayara (a leading regional player in nuts, spices and pulses) to accelerate Savola's strategy to enter value-added food categories associated with health, convenience and youth driven trends
- Successful activation of our Corporate Venture Capital Program by investing in food, retail and consumer space disruptors in US, UAE and Egypt

## Dividends

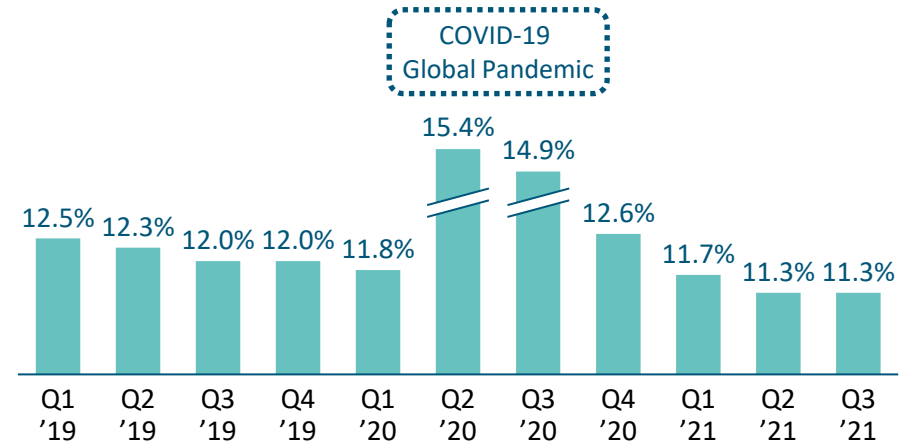
- Savola Group Board has recommended a dividend distribution of SAR 106.8 mn to the shareholders for the period ending 31 Dec 2021; this translates into a payout ratio of 48% and DPS of SAR 0.2/share

# KSA - MACROECONOMIC HIGHLIGHTS

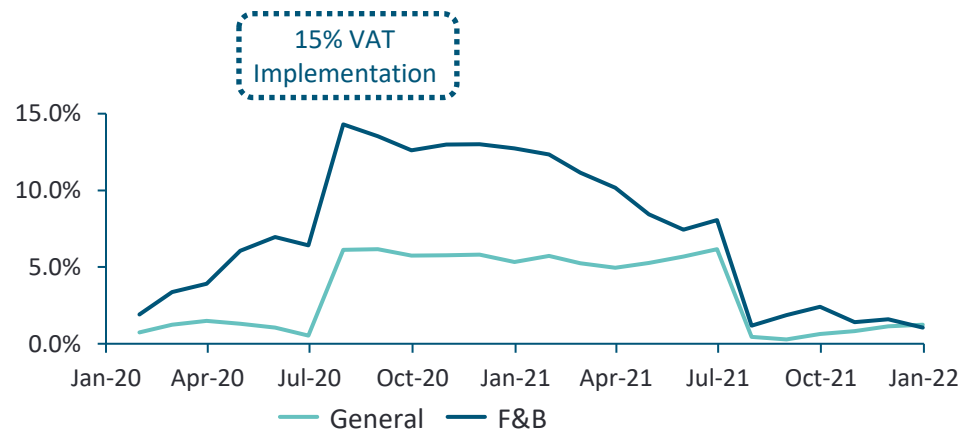
### Combined POS and Cash Withdrawals, SAR bn



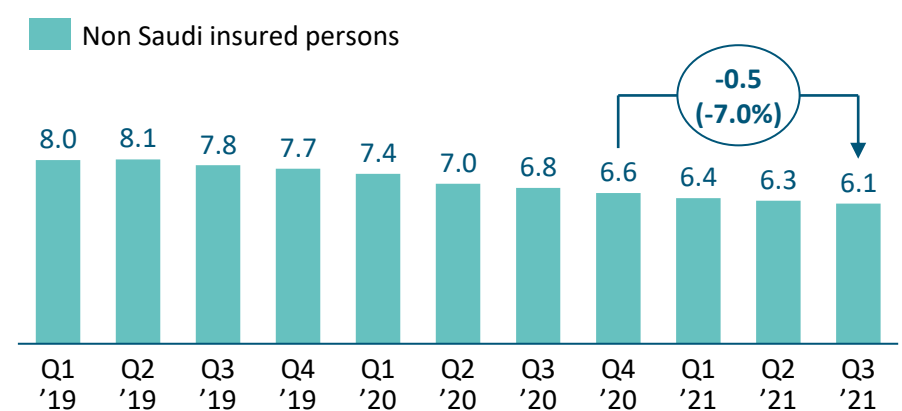
### Saudi Unemployment Rate



### Average Inflation Rate, %

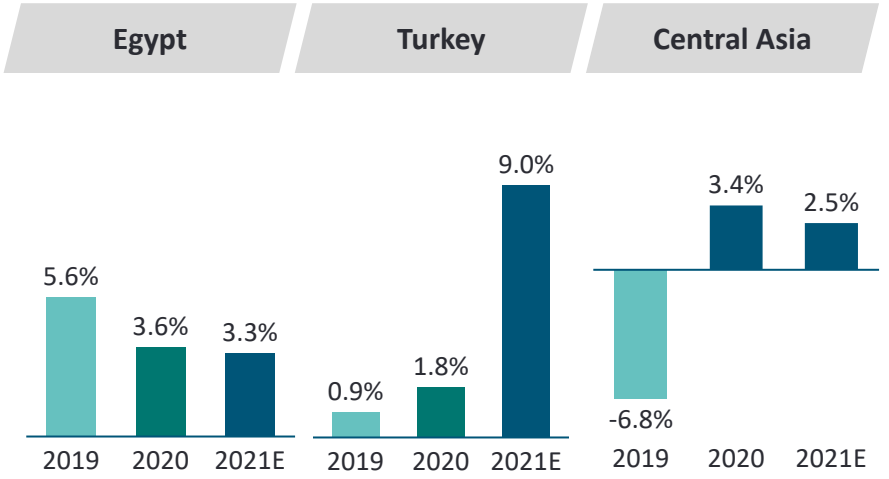


### Expat Population Proxy, millions

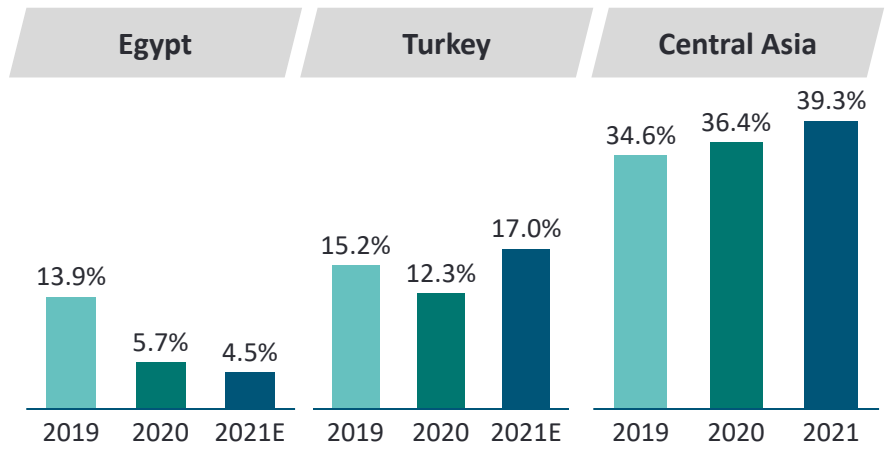


# SELECTED MENA AND COMMODITIES OVERVIEW

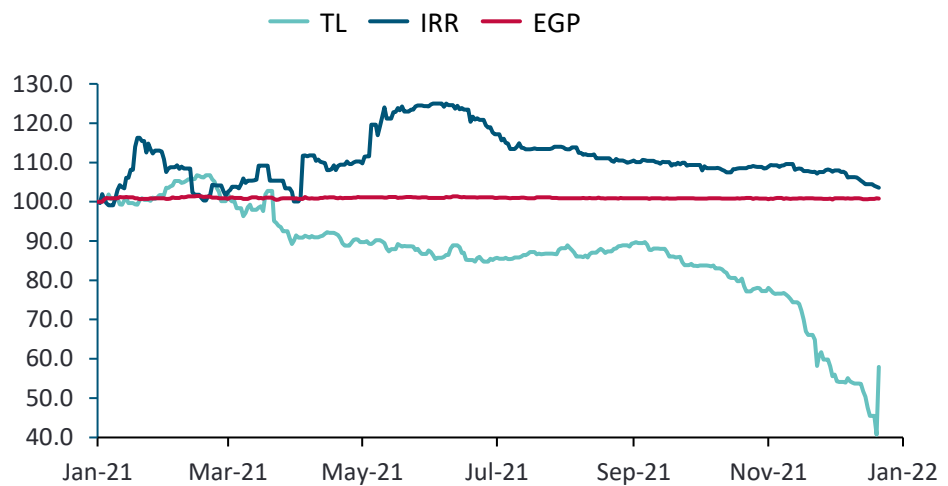
## Real GDP, % change



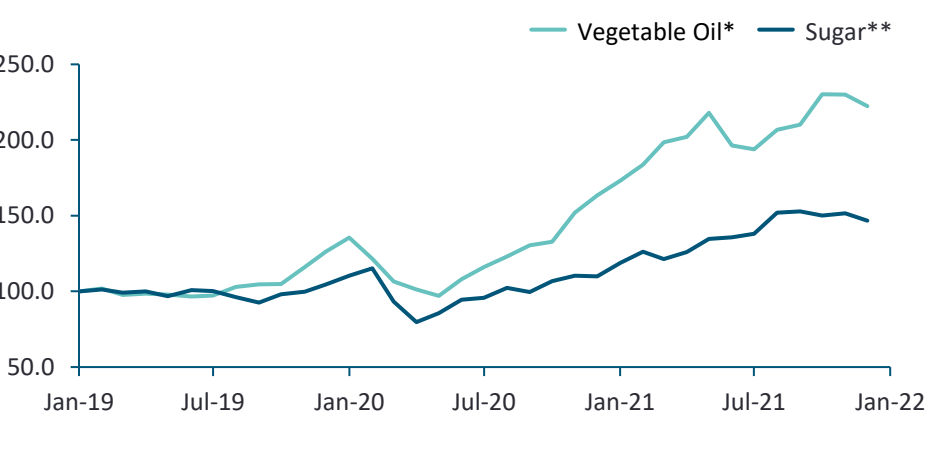
## Average Inflation Rate, %



## Selected Currency Highlights (rebased)



## FAO Vegetable Oils and Sugar Indices (rebased)

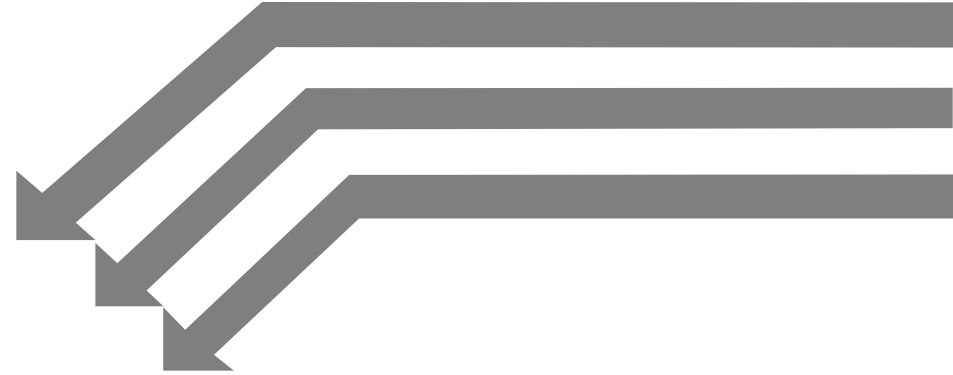


Source: IMF World Economic Outlook Database October 2020, S&P Capital IQ, Food and Agriculture Organization (FAO)

\*Vegetable Oil Price Index consists of an average of 10 different oils weighted with average export trade shares of each oil product  
 \*\*Sugar Price Index is an index form of the International Sugar Agreement prices

## 1. Group Key Financial Highlights

## 2. Performance by Segment



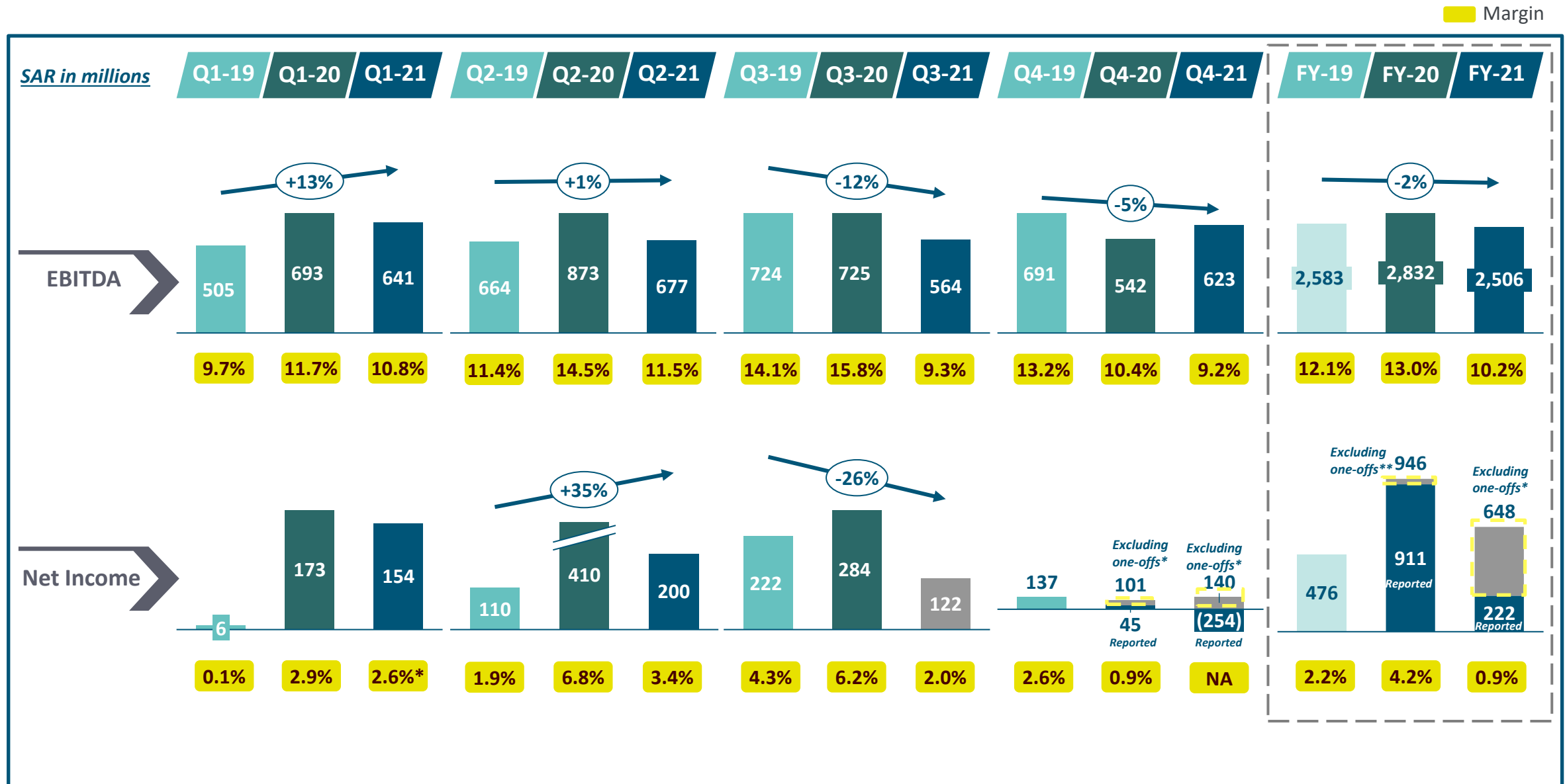
# GROUP – CONSOLIDATED FINANCIAL HIGHLIGHTS

Margin



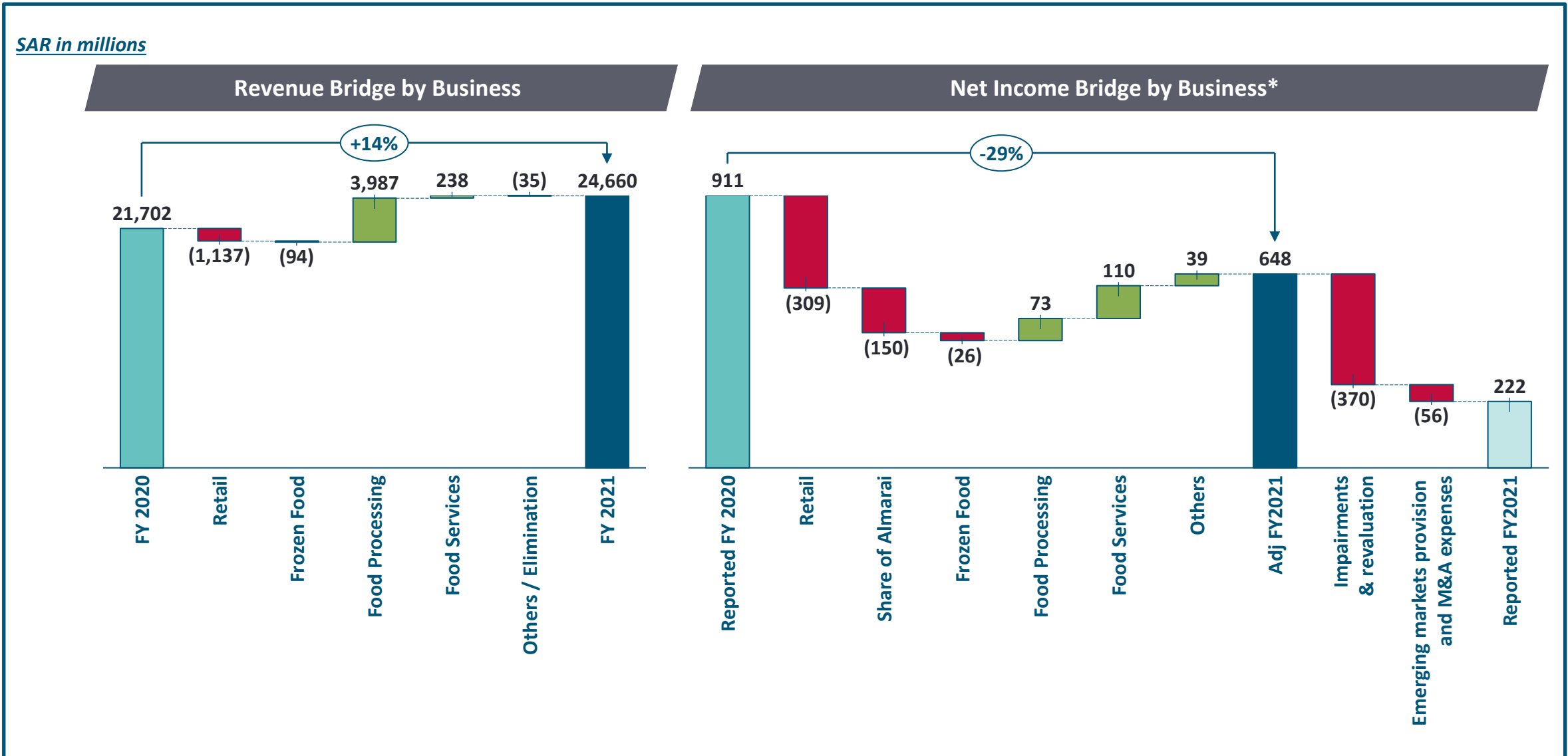
Note: numbers are rounded

# GROUP – CONSOLIDATED FINANCIAL HIGHLIGHTS





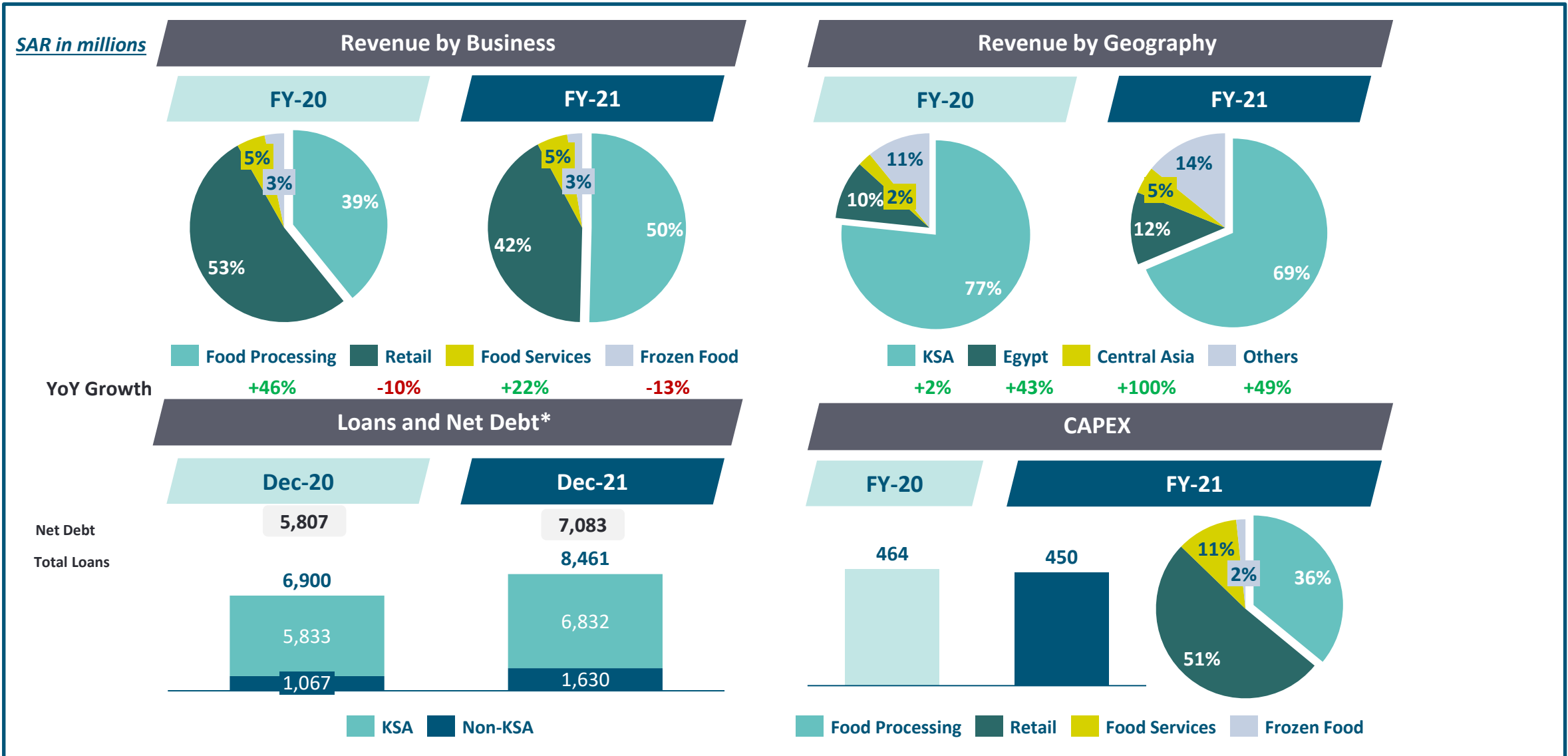
# GROUP – Revenue & Net Income Bridge by Business



\* Excluding impairments and one offs of each businesses segment which are shown separately

Note: numbers are rounded

# GROUP – REVENUE MIX, NET DEBT & CAPEX

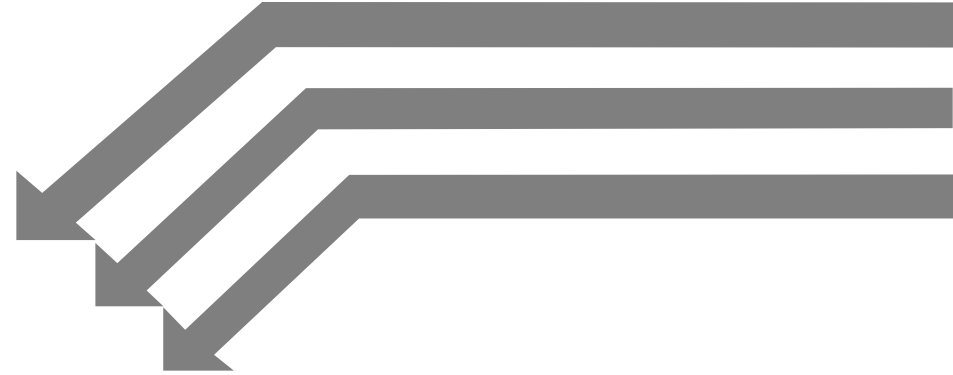


\*Net debt excludes lease liabilities

Note: numbers are rounded

1. Group Key Financial Highlights

**2. Performance by Segment**



# Panda Retail Company



# RETAIL - HIGHLIGHTS

## Key Highlights

- Panda continued focusing on its turnaround initiatives against the backdrop of a weaker consumer market while maintaining market leadership position
- FMCG market in Saudi Arabia for Jan-Nov 2021 period declined by 4.5% YoY (VAT adjusted) wherein Modern Trade channel led the decline and witnessed YoY shrinkage of 8.0% (VAT adjusted)

## Store Count

- Panda is very well represented across all the cities in the Kingdom
- Given the recent market developments, Panda updated its footprint strategy with the intent to rejuvenate its entire customer experience
- Certain stores have been identified for format conversion, closure, replacement and opening new stores in key growth territories

## Revenues

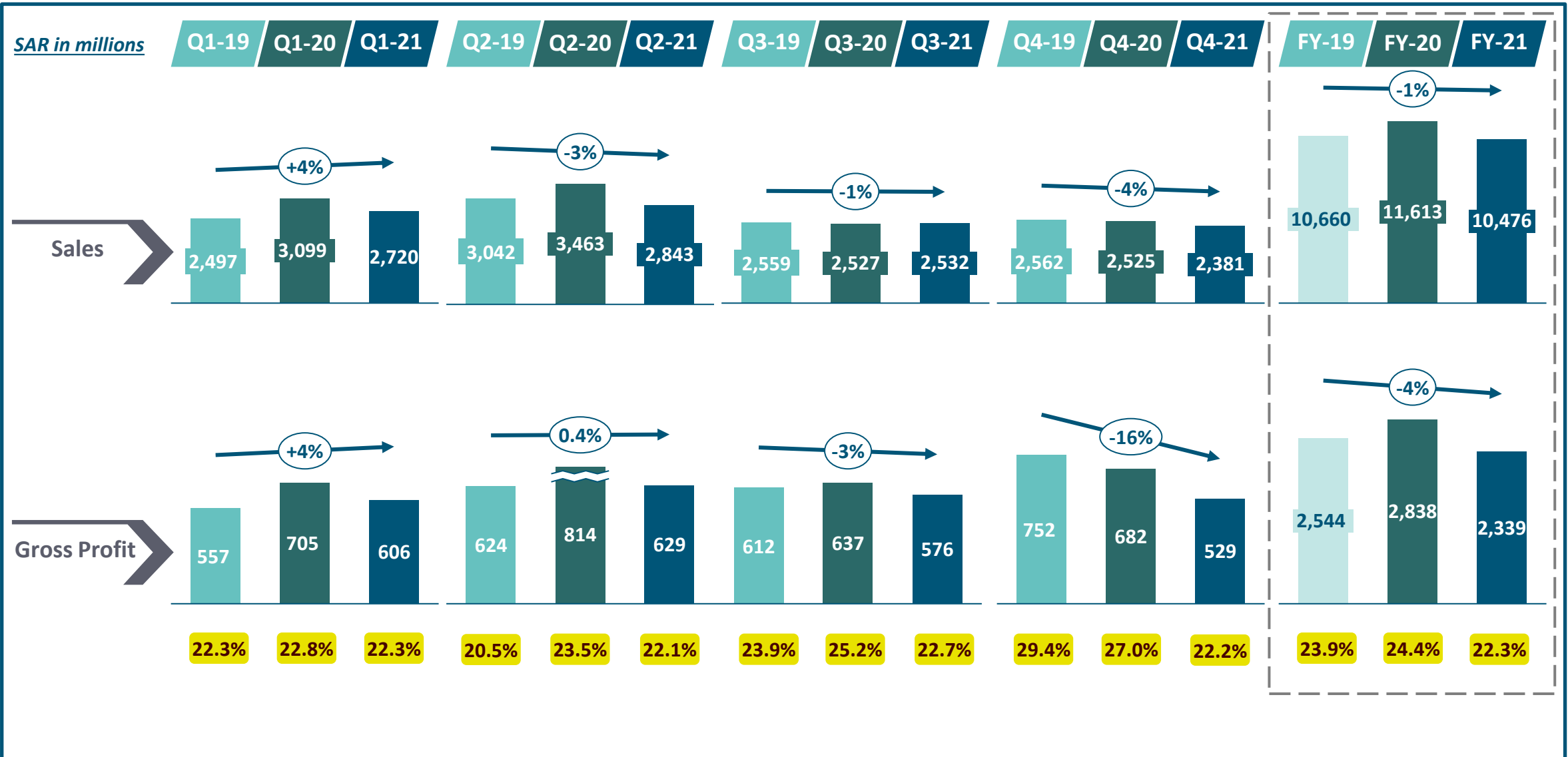
- Recorded revenue of SAR 10.5 billion in 2021, 9.8% lower than last year
- The decline was primarily driven by lower basket size compared to last year as we witnessed some trade down activity across different categories and higher base effect of last year

## Profitability

- Reported gross profit of SAR 2.4 billion with gross margin of around 22%; YoY decline of ~210 bps
- 2021 EBITDA recorded at SAR 610 million, compared to SAR 1.0 billion last year; decline is largely driven by lower revenues and lower gross margin despite lower overhead costs

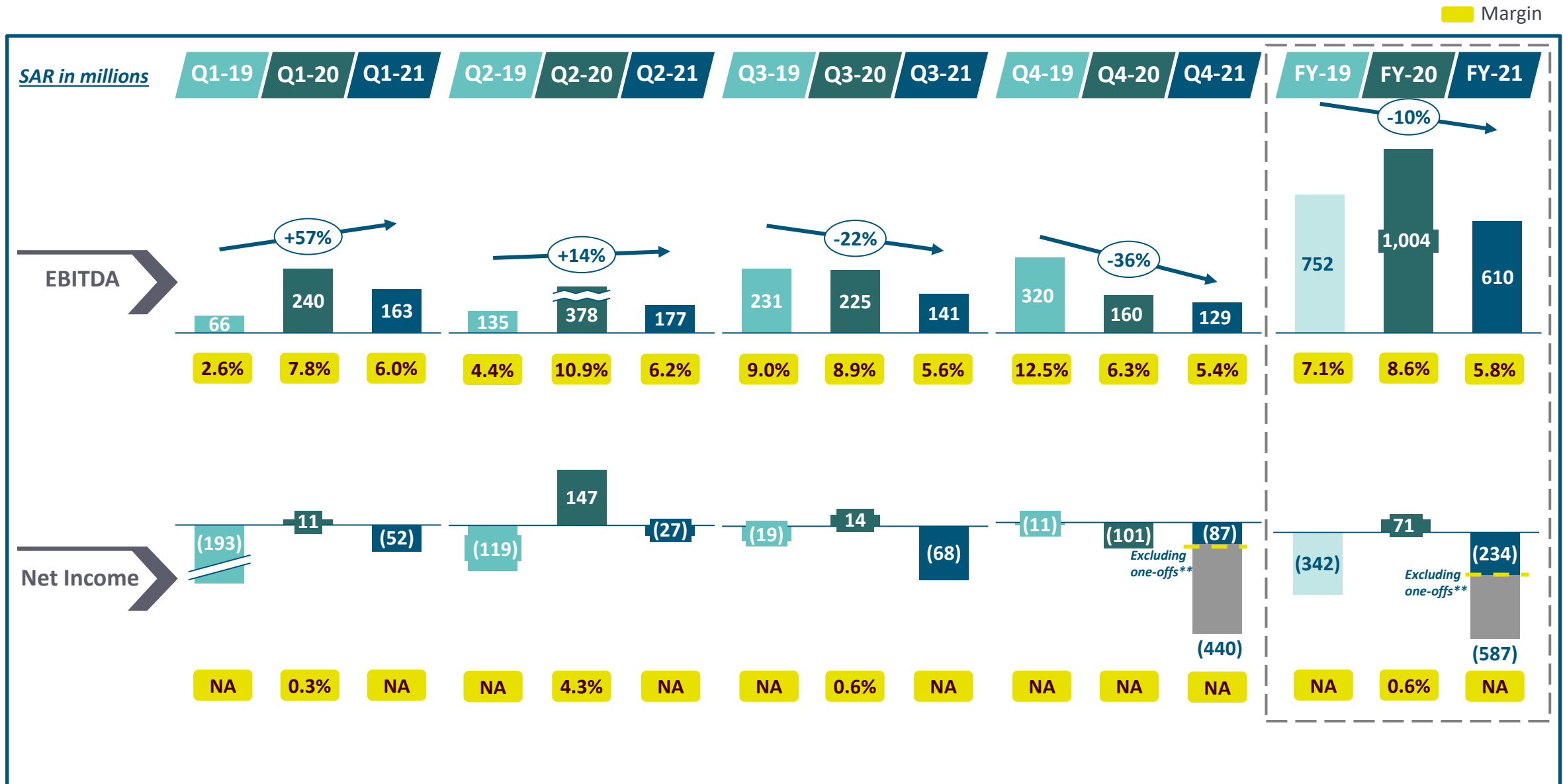
# RETAIL – FINANCIAL HIGHLIGHTS

Margin



Note: numbers are rounded

# RETAIL – FINANCIAL HIGHLIGHTS



\*2019 include a one-off store closure costs of SAR 35 million for Q1 and SAR 30 million for Q2

\*\* Q4 2021 includes one-off expenses related to impairment & revaluation, accrual reversal and store closure

# RETAIL – NUMBER OF STORES





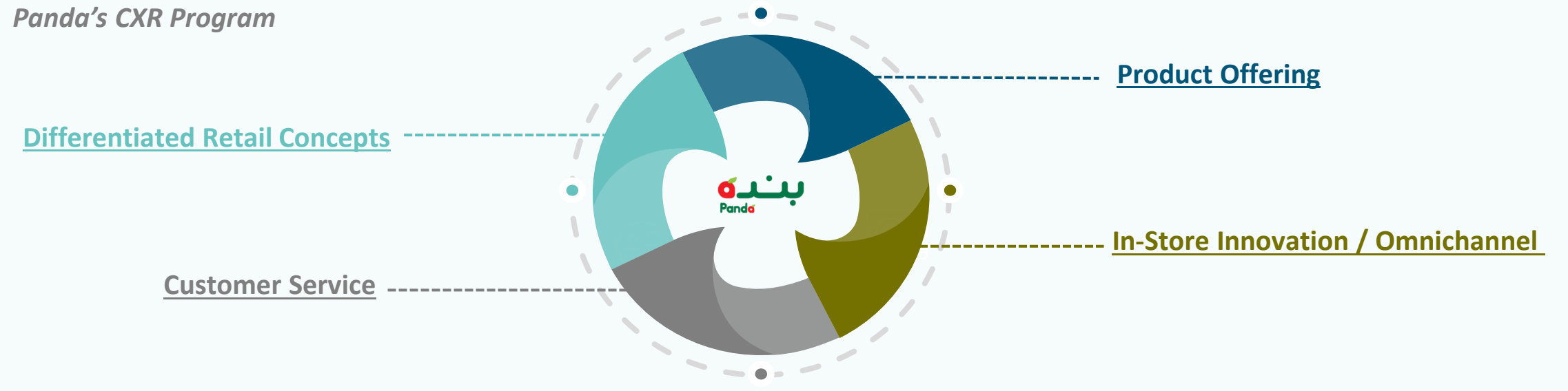
# RECAP OF KEY FOCUS AREAS IN 2021

Building Blocks		Objectives
1 Customer Count and Basket Size Maximization	Fresh Model Reinvention	<ul style="list-style-type: none"><li>• <b>Re-invent the fresh model</b> to be the undisputed leader in the category</li><li>• Implement <b>data enabled, customer centric category management</b> core capabilities</li><li>• Ensure robust <b>core capabilities</b> to secure consistent, best-in-class shelf availability</li><li>• Relevant and vibrant <b>footprint network with national coverage</b> to fulfill purpose, positioning, and be a conduit to sustainably secure market share leadership</li><li>• Development of a <b>cross-channel ecosystem</b> to allow shoppers to buy the groceries they want, when they want it and how they want it through a cohesive and innovative <b>omnichannel strategy</b></li></ul>
	Category Management	
	Shelf Availability	
2 Market Share and Share of Wallet Maximization	Brick and Mortar Footprint	
	Omnichannel	
3 Direct and Indirect Costs Optimization	In-Store Human Capital Model	
	Management Culture	

# PANDA'S CUSTOMER EXPERIENCE PROGRAM (CXR)

- |            |   |
|------------|---|
| Background | <ul style="list-style-type: none"> <li>- The detailed CXR program with customer centricity is established on the building blocks that Panda has been implementing and refining over the past year. The program entails:               <ul style="list-style-type: none"> <li>- Adopting differentiated concepts across all areas of the business by incorporating key emerging consumer trends</li> <li>- Ensuring the best customer experience in the store, that is, a carefully designed customer journey with all the right touchpoints, in-store communications, and customer service amenities</li> </ul> </li> </ul> |
| Pilot      | <ul style="list-style-type: none"> <li>- Panda successfully prototyped a store in Riyadh under the new operating model with positive results</li> </ul>   |
| Rollout    | <ul style="list-style-type: none"> <li>- Panda activated the program on January 2022</li> </ul>   |

## Panda's CXR Program



# Savola Foods Company

## Key Highlights

- Savola Foods delivered strong results despite the higher commodity prices and challenging market conditions across various geographies
- Savola Foods continued its focus on future growth initiatives

## Volume

- Volumes increased by around 13% in 2021 compared to last year – primarily attributable to growth in oil B2B channel and Sugar volume in Egypt
- Edible oils volumes increased by 15% driven by Saudi Arabia, Egypt and Central Asia; while Pasta volumes declined by 8% compared to last year

## Revenues

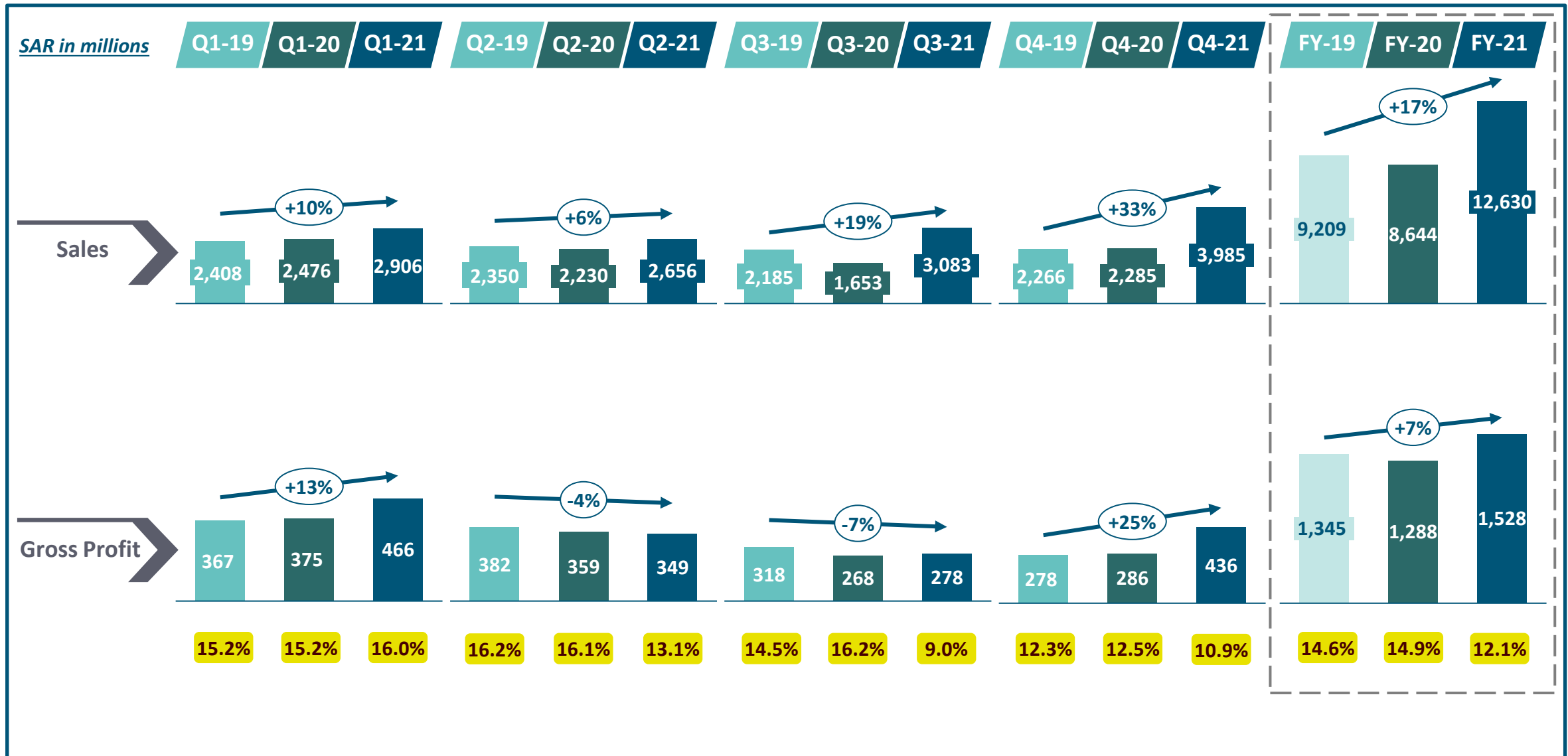
- Revenues increased by 46% in 2021 compared to last year, driven by higher volumes and better pricing in the edible oils and sugar categories

## Profitability

- Gross profit reached SAR 1,528 million in 2021; YoY growth of ~19% despite decline in % margins
- 2021 EBITDA improved to SAR 910 million, around 15% higher than last year
- Reported net income of SAR 316 million in 2021, higher than last year (~24% higher on an adjusted basis)

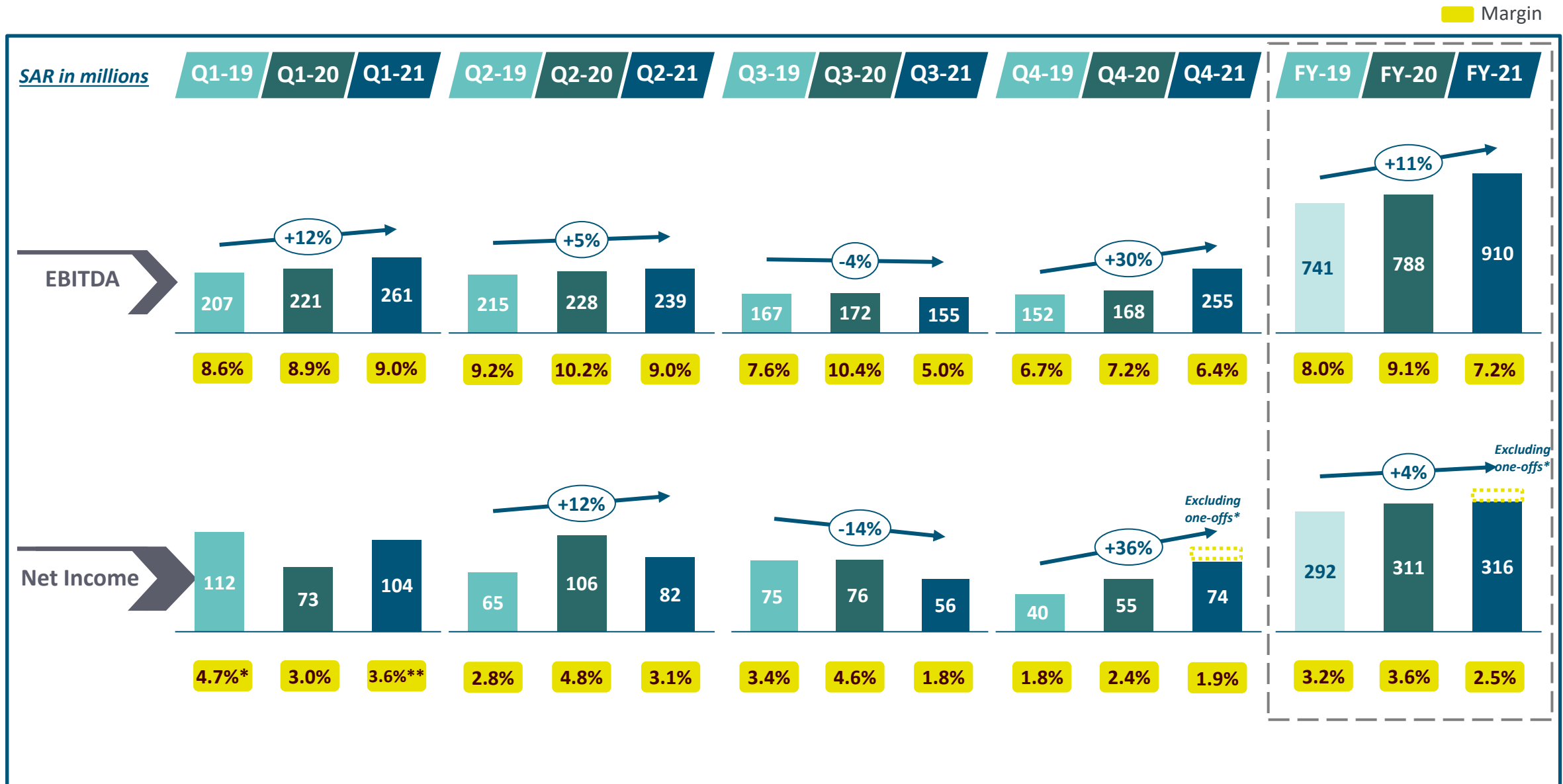
# FOODS – FINANCIAL HIGHLIGHTS

Margin



Note: numbers are rounded

# FOODS – CONSOLIDATED FINANCIAL HIGHLIGHTS

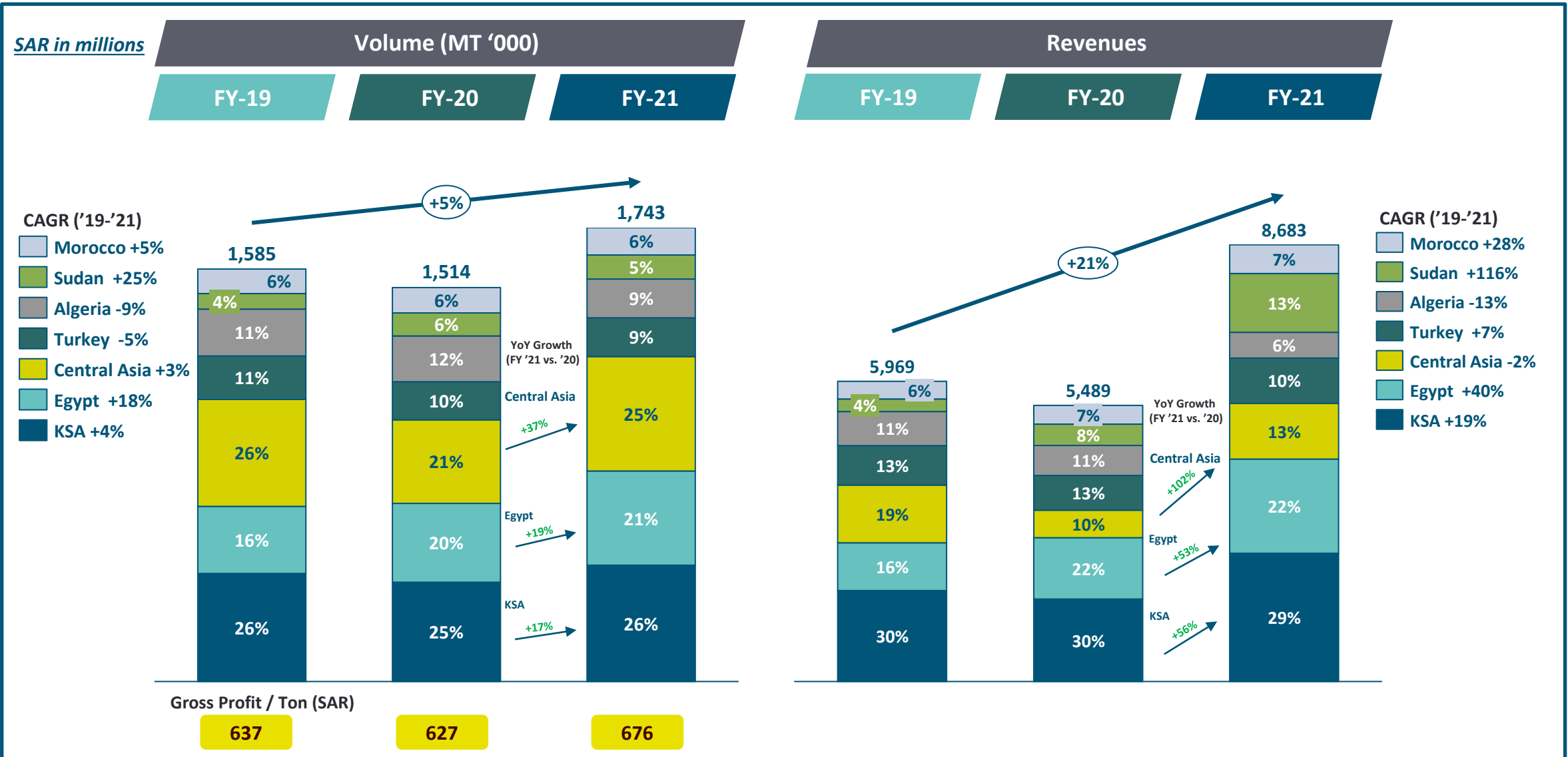


\*In FY 2021, Savola Foods provisioned recorded one-off expenses related to impairments, emerging markets provision, M&A and other transaction expenses

\*\*In FY 2019, Savola Foods recorded non-operational income of about SAR 86 million due to reversal of accruals

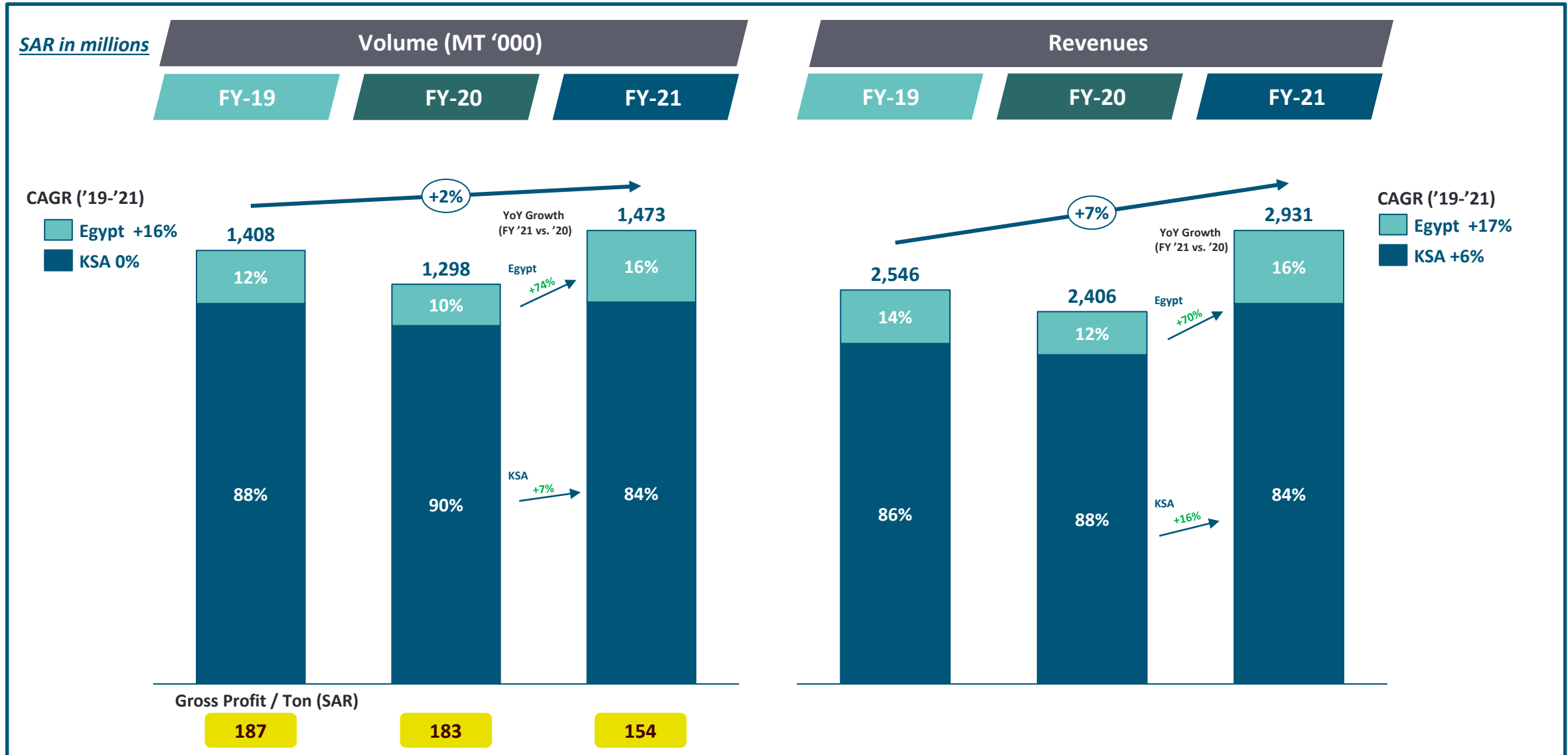
Note: numbers are rounded

# FOODS – OIL SEGMENT ANALYSIS



Note: numbers might not add up to 100% due to rounding

# FOODS – SUGAR SEGMENT ANALYSIS



Note: Sugar volumes and revenues include only the contribution from our consolidated sugar operations (USC and ASC), and include the net volume and revenue from our KSA sugar distribution operations

Note: numbers might not add up to 100% due to rounding




# RECAP OF SAVOLA FOODS STRATEGY


- Health, convenience, and youth driven trends are the fastest-growing and future focus segments in our markets
- Savola Foods has activated its strategy to enter large and established categories with attractive prospects via M&A

## 1) Anchor

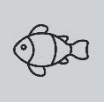
- Growing today's businesses via focused line extensions



**Edible oils**  
*focusing on olive oil*



**Pasta & couscous**  
*youth's main source of carbs*




**Seafood**  
*ambient | ready-to-eat*


- ✓ **Expand existing brands**, expand into new formats and occasions
- ✓ **Develop line extensions**, health and wellness focus, functional benefits, sustainable packaging

## 2) Disrupt


- Capitalize mainly on increasing Foodservice spend due to secular trends driving shift to convenience



**Product Line Expansion**








**Geographical Expansion**





**Digital presence e-commerce**

## 3) Conquer


- Entering large, established categories in the region and disrupt them by targeting health, convenience and youth via new product lines and innovative / targeted branding

Prioritized categories	Indicative Criteria
 <b>Chocolate confectionery</b> (healthy & artisanal)	Size
 <b>Packaged cakes/pastries</b> (nutritional and on-the-go)	Growth Potential
 <b>Sweet biscuits</b> (replace breakfast)	EBIT margin
 <b>Savory snacks</b> (fourth meal opportunity)	Presence
 <b>Herbs &amp; spices</b> (youth love for flavors)	✓ Alignment w/ trends ✓ Competitive position





## 4) Bet


- Placing VC investment on nascent, high-growth youth-focused categories



**Snack Bars**  
(multiple snacks a day trend)



**Alternative protein**  
(reduced meat consumption)



**munchbox™**  
MUNCH BETTER

# Al Kabeer Group of Companies



# FROZEN FOOD - HIGHLIGHTS



## Key Highlights

- The frozen food continued to demonstrate robust performance compared to 2019
- During 2021, coming off a higher base of 2020, the frozen food segment faced supply chain challenges and changing regulatory environment leading to higher input cost for the segment

## Revenues

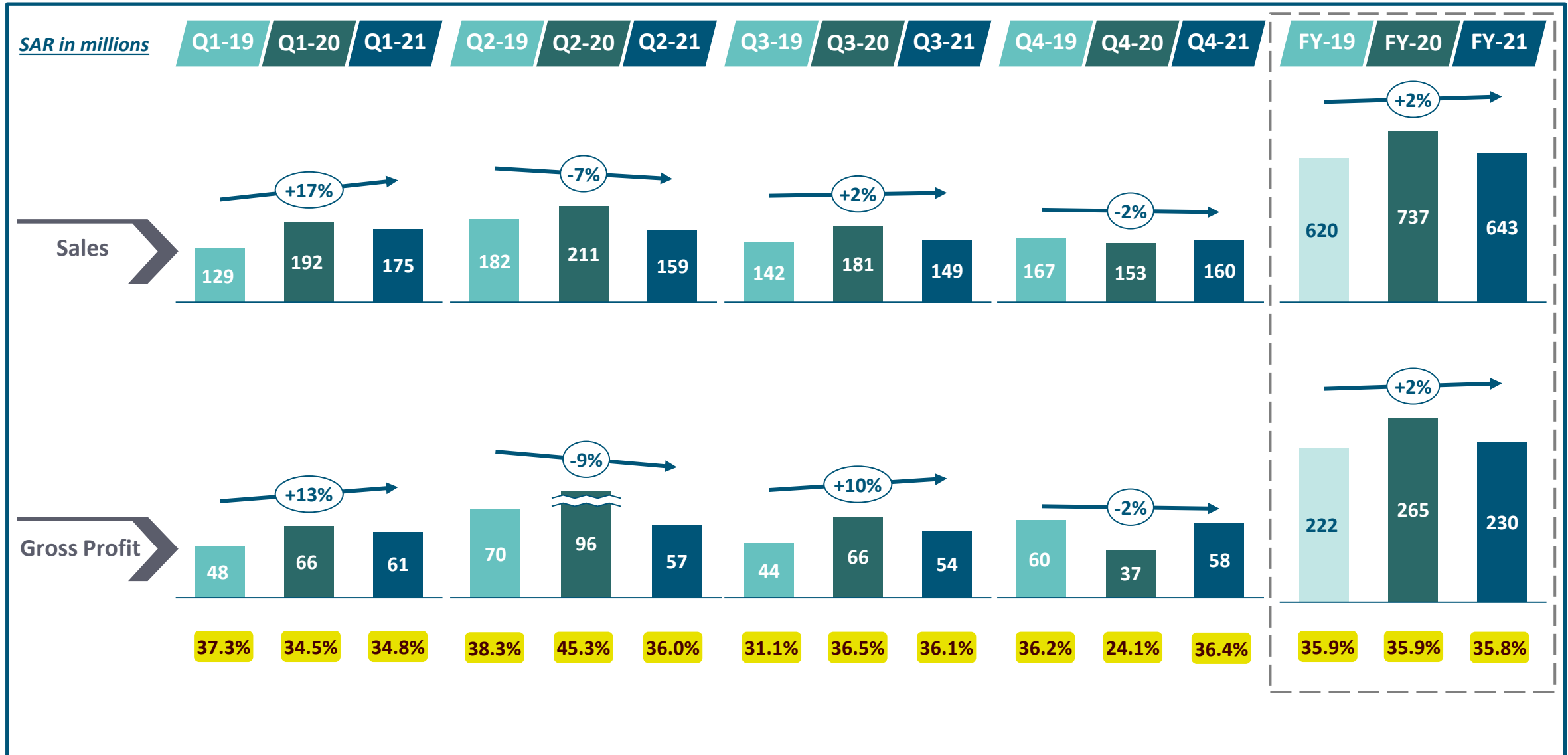
- Revenues declined 13% YoY in 2021 but increased by 4% from 2019 levels
- The decline in revenue in 2021 was due to lower sales in Saudi Arabia on account of supply disruptions

## Profitability

- Gross profit reached SAR 230 million in 2021, YoY decline of 13%; however, gross margin remains in-line with historical levels
- 2021 reported EBITDA reached SAR 115 million with ~18% margins; while net income reached SAR 81 million with a 12.5% net margin

# FROZEN FOODS – CONSOLIDATED FINANCIAL HIGHLIGHTS

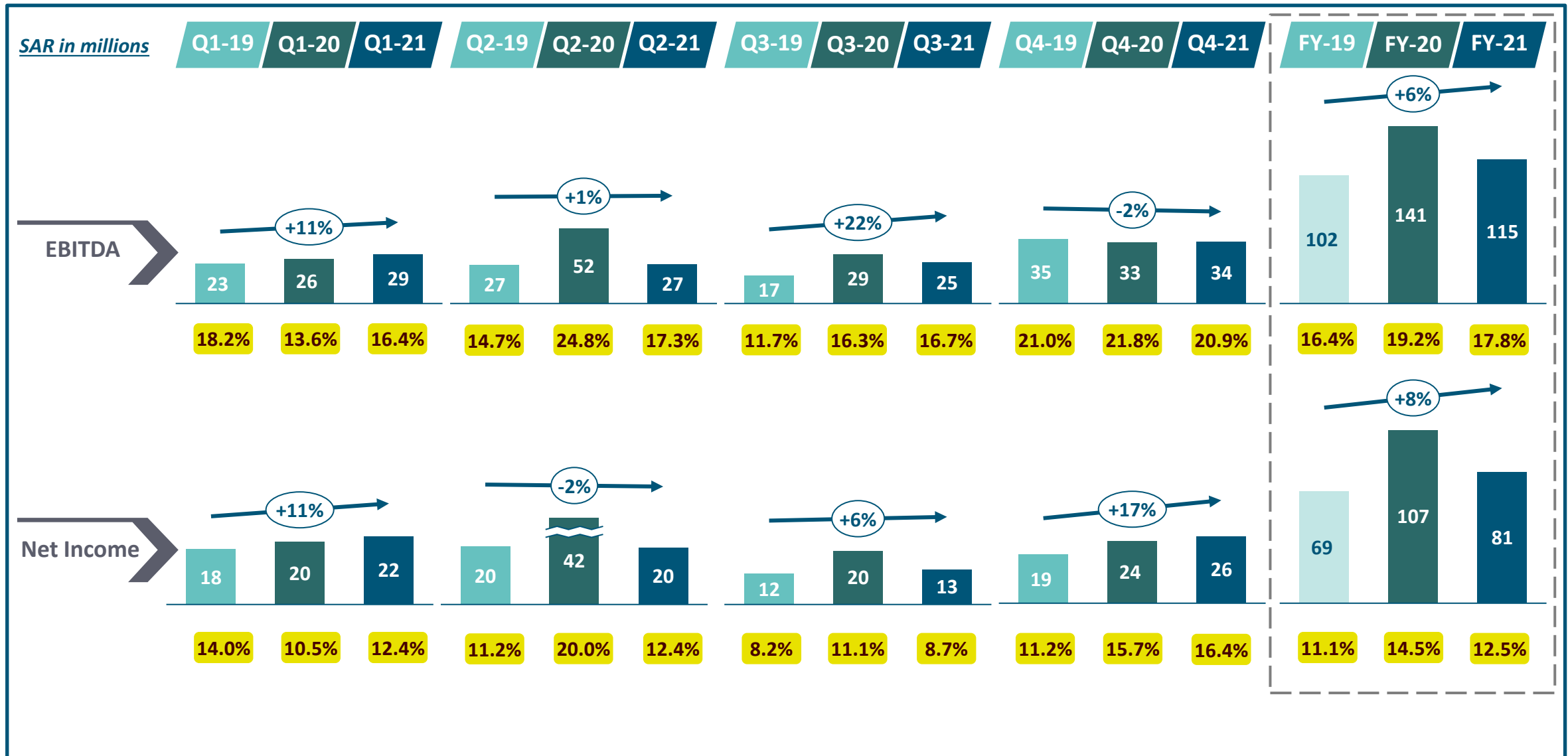
Margin



Note: numbers are rounded

# FROZEN FOODS – CONSOLIDATED FINANCIAL HIGHLIGHTS

Margin



Note: numbers are rounded

# Financial Summary

(all figures are in SAR millions)

Segment Wise Financials

	FY 2021					FY 2020				
	Revenue	Gross Profit	EBIT	Net Income	EBITDA	Revenue	Gross Profit	EBIT	Net Income	EBITDA
<b>Food*</b>										
Oil-Mature Markets	6,432	1,029	458	230	570	4,097	794	382	235	473
Oil-Other Markets**	2,251	150	48	20	65	1,392	156	74	33	88
<b>Total Oil</b>	<b>8,683</b>	<b>1,179</b>	<b>506</b>	<b>250</b>	<b>635</b>	<b>5,489</b>	<b>950</b>	<b>456</b>	<b>268</b>	<b>561</b>
Sugar	2,931	227	140	66	219	2,406	237	111	56	196
Pasta	588	84	34	24	49	537	90	24	12	34
Emerging Categories***	429	37	(13)	(24)	8	211	10	(19)	(25)	(3)
<b>Total Foods</b>	<b>12,630</b>	<b>1,528</b>	<b>667</b>	<b>316</b>	<b>910</b>	<b>8,644</b>	<b>1,288</b>	<b>573</b>	<b>311</b>	<b>788</b>
<b>Retail</b>										
KSA	10,336	2,309	(3)	(587)	597	11,500	2,815	349	92	1,006
Egypt	140	30	2	0	13	114	23	(17)	(21)	(2)
<b>Total Retail</b>	<b>10,476</b>	<b>2,339</b>	<b>(1)</b>	<b>(587)</b>	<b>610</b>	<b>11,613</b>	<b>2,838</b>	<b>333</b>	<b>71</b>	<b>1,004</b>
Herfy	1,314	385	191	161	352	1,076	252	91	51	264
Frozen Food	643	230	95	81	115	737	265	115	107	141
Real Estate	-	-	53	53	53	-	-	0	0	0
Al Marai-Savola Share	-	-	535	535	535	-	-	685	685	685
HQ/Elimination/Impairments	(403)	(4)	(105)	(337)	(69)	(368)	(1)	(87)	(315)	(51)
<b>Total</b>	<b>24,660</b>	<b>4,478</b>	<b>1,436</b>	<b>222</b>	<b>2,506</b>	<b>21,702</b>	<b>4,640</b>	<b>1,710</b>	<b>911</b>	<b>2,832</b>
<b>Adjustments</b>										
Impairments & revaluation				370					49	
Emerging markets provision and M&A expenses				56						
Reversal of accruals									(21)	
Store closure and proejct write-off									7	
<b>Adjusted Profit</b>				<b>648</b>					<b>946</b>	

\* All the numbers are rounded for the purpose of presentation and have been represented under different categories

\*\* Other markets include Algeria, Morocco and Sudan

\*\*\* Includes snacking, specialty fats, seafood, croissant...etc.

# INVESTOR RELATIONS APPLICATION



**Views Savola Group share price, charts and performance on the go**



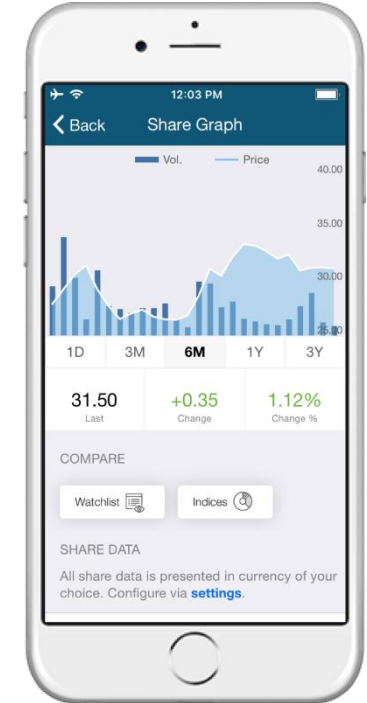
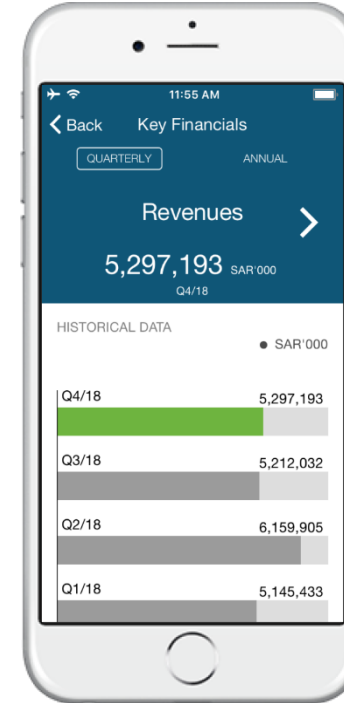
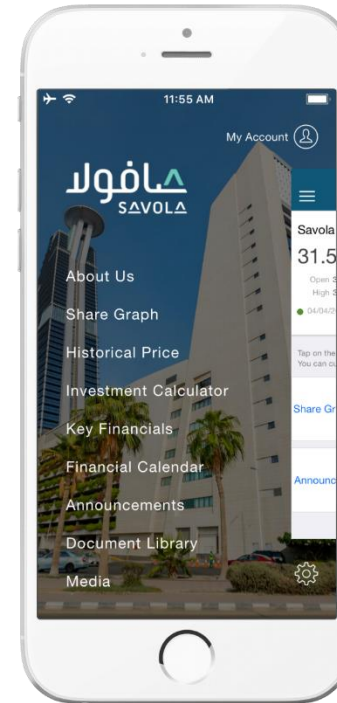
**Savola Group Annual & Quarterly figures**



**Savola Group News releases from Tadawul**



**Annual/Quarterly Reports accessible offline**



<http://www.myirapp.com/savola>





Thank you