



# Earnings Presentation

## Q4 & FY 2016



## DISCLAIMER

This presentation contains forward-looking statements which may be identified by the use of words like “plans,” “expects,” “will,” “anticipates,” “believes,” “intends,” “projects,” “estimates” or other words of similar meaning. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, market position, expenditures, and financial results, are forward looking statements.

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The Q4 and FY 2016 numbers are based on interim unaudited financials. The numbers will be updated based on audited financials, once available.

## GROUP – HIGHLIGHTS

- Challenging environment in all key markets in the region, characterized by:
  - Difficult economic conditions
  - Lower consumption patterns in KSA due to reduction in oil based GDP
  - FX fluctuation and restrictions mainly in Egypt
- Egyptian Pound (EGP) devalued from EGP/SAR 2.09 at the beginning of the year to EGP/SAR 4.9 at the end of the year (i.e. over 100% devaluation)
- Impairment charges of SAR 574 million. Savola Group net share is SAR 517 million
- Inventory reduction exercise cost of SAR 377 million. Savola Group net share is SAR 343 million
- Reinstatement of the classification of edible oil subsidiary of Savola Foods Company in Morocco from held for sale resulted in a positive impact of SAR 26 million
- Impact of currency losses at Group level totaling SAR 374 mn in FY 2016
- Adjusted net profit of SAR 810 million after adding back one-off costs, currency losses, extraordinary inventory impact and other exceptional items as compared to reported net loss of SAR 451 million

## RETAIL – HIGHLIGHTS

- Total retail selling space increased by 0.7% in FY 2016 as 18 new stores were added and 106 stores (102 Pandati, 3 Supers and 1 Hyper) were closed
- LFL sales decreased by 2.9% during FY 2016, which is due to a reduction in basket size across both supermarket and hypermarket formats
- Initiated the transformation exercise during the year
- Appointed Chief Transformation Officer (CTO) during Q4 2016
- Set up transformation office and hired consultants to help drive transformation exercise
- Inventory reduction campaign was conducted in Q4 2016 to return inventory to normal levels and achieve negative working capital. Total losses from this exercise were SAR 377 mn, part of which impacted the gross and EBITDA margins
- Closed 102 Pandati stores during FY 2016; cost of closure was SAR 37 mn
- Adjusted net loss for FY 2016 for Retail was SAR 359 mn as compared to the reported net loss of SAR 773 mn

## FOODS – HIGHLIGHTS

- FY 2016 total revenue of SAR 11.8 bn (FY 2015: SAR 11.8 bn)
- Total volume across all geographies in 2016 was 4.0 mn MT, same as last year
- FY 2016 net income was SAR 14 mn (FY 2015: SAR 688 mn)
- Assets and goodwill impairment recorded due to Egyptian related business of around SAR 216 mn in FY 2016, which is net of positive impact of SAR 26 million from reinstatement of the classification of edible oil subsidiary of Savola Foods Company in Morocco from held for sale
- Total foreign currency charges related to Egyptian business for Savola Foods of SAR 338 mn (FY 2015: SAR 80 mn)
- FY 2016 adjusted net income excluding impairment charges and before accounting for FX losses was SAR 568 mn (FY 2015: SAR 678 mn adjusted for insurance gain and FX)
- Investment in USCE from European Bank for Reconstruction and Development (EBRD) in the form of equity injection of USD 100 mn; Transaction expected to complete in Q1 2017

## Q4 2016 - SNAPSHOT

### GROUP

- » Q4 2016 revenue of SAR 6.2 bn (Q4 2015: SAR 6.3 bn)
- » Q4 2016 net loss of SAR 964 mn (Q4 2015: net income at SAR 515 mn)
- » Adjusted net income of SAR 74 mn after adding back one-off impairments, currency losses, extraordinary inventory impact and other exceptional items

### RETAIL

- » Q4 2016 revenue of SAR 3.2 bn (Q4 2015: SAR 3.5 bn)
- » Q4 2016 net loss of SAR 540 mn (Q4 2015 net income at SAR 29 mn)
- » Inventory reduction exercise cost SAR 377 Mn (Savola net share SAR 343 Mn)

### FOODS

- » Q4 2016 revenue of SAR 3.1 bn (Q4 2015: 2.8 bn)
- » Q4 2016 net loss of SAR 262 Mn (Q4 2015 net income of SAR 271 mn)
- » One-off impairment, net of Morocco reinstatement, of SAR 216 mn

### INVESTMENTS

- » Non-core investments impairment of SAR 272 mn

# FY 2016 - SNAPSHOT

## GROUP

- » FY 2016 revenue of SAR 25.0 bn (FY 2015: SAR 25.1 bn)
- » FY 2016 net loss of SAR 451 mn (FY 2015: net income at SAR 1,792 mn)
- » Adjusted net income of SAR 810 mn after adding back one-off impairments, currency losses, extraordinary inventory impact and other exceptional items (FY 2015: adjusted net income SAR 1,480 mn)

## RETAIL

- » FY 2016 revenue flat at SAR 13.5 bn (FY 2015: SAR 13.5 bn)
- » FY 2016 net loss of SAR 773 mn (FY 2015 net income at SAR 146 mn)
- » Adjusted loss FY 2016 of SAR 359 mn
- » Inventory reduction exercise cost SAR 377 mn (Savola share SAR 343 mn)

## FOODS

- » FY 2016 revenue flat at SAR 11.8 bn (FY 2015: SAR 11.8 bn)
- » Total FY 2016 volume of 4.0 mn MT (FY 2015: 4.0 mn MT)
- » FY 2016 net income of SAR 14 Mn (FY 2015: SAR 688 mn)
- » Adjusted net income excluding FX and impairment of SAR 568 mn
- » USD 100 mn received in equity from EBRD in USCE to improve operational efficiency

## INVESTMENTS

- » Almarai contribution to Savola of SAR 763 mn
- » Herfy contribution to Savola of SAR 107 mn
- » Non-core investments impairment of SAR 272 mn

## GROUP – CONSOLIDATED FINANCIAL SNAPSHOT

SAR Mn	Revenue	Gross Profit	EBIT	Net Income / (Loss)	Adjusted Net Income / (Loss)
Q4 2016	6,248 -0.2% vs LY	755 -40.7% vs LY	(176) Q4 2015: 378	(964) Q4 2015: 515	74
FY 2016	25,008 -0.5% vs FY 2015	4,425 -11.9% vs FY 2015	835 -53.2% vs FY 2015	(451) FY 2015: 1,792	810 -45.2% vs FY 2015

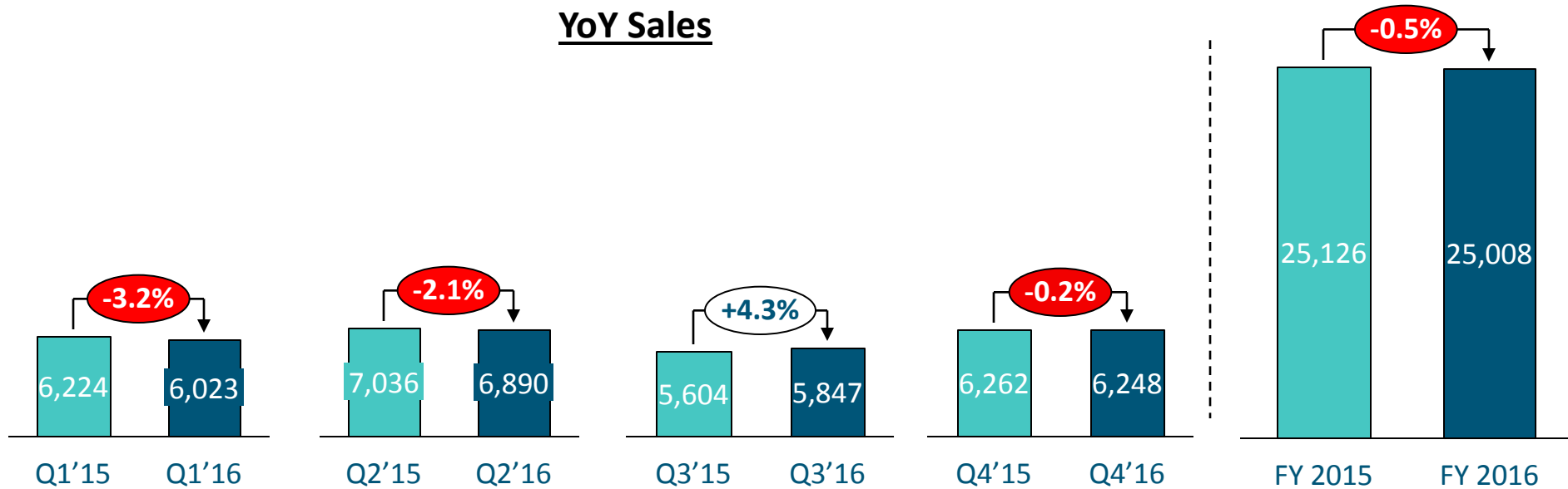


# GROUP – CONSOLIDATED FINANCIAL HIGHLIGHTS

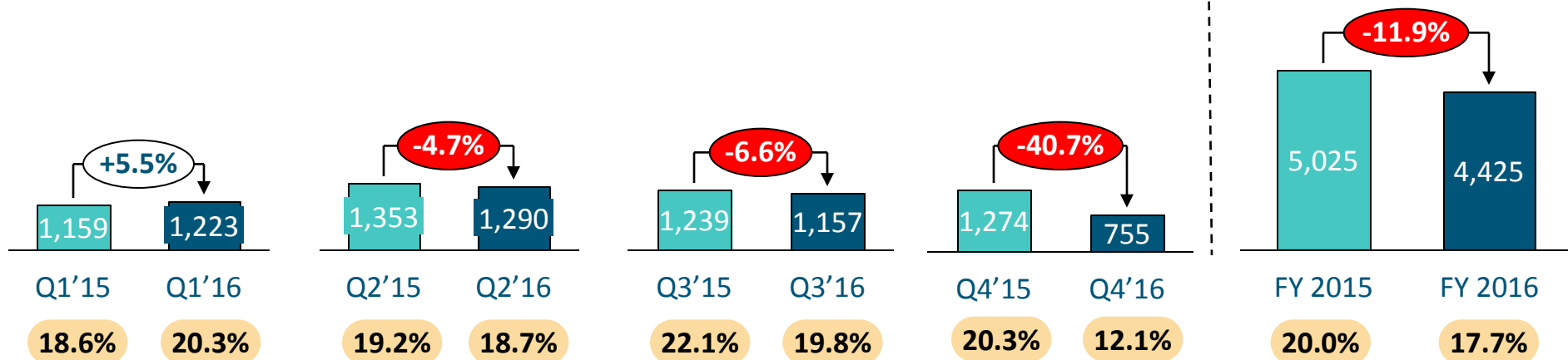
SAR Mn

○ Growth ● Margin

## YoY Sales



## YoY Gross Profit

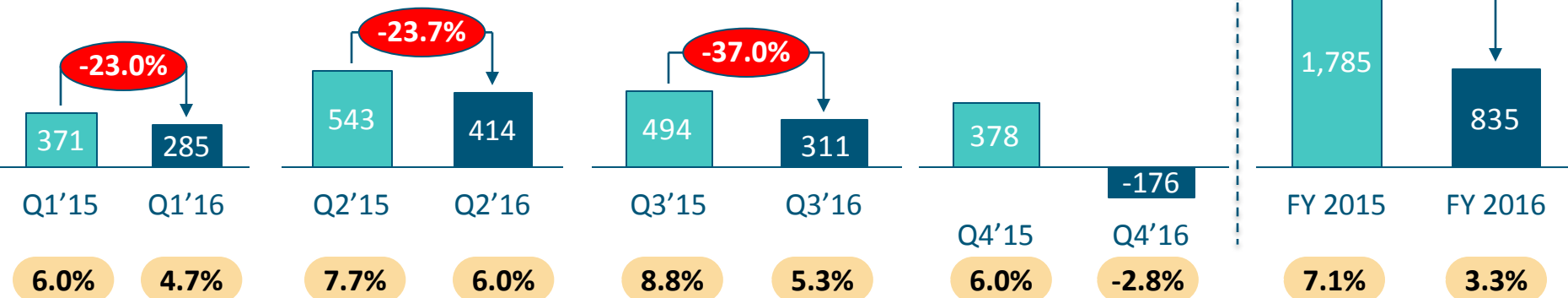


# GROUP – CONSOLIDATED FINANCIAL HIGHLIGHTS

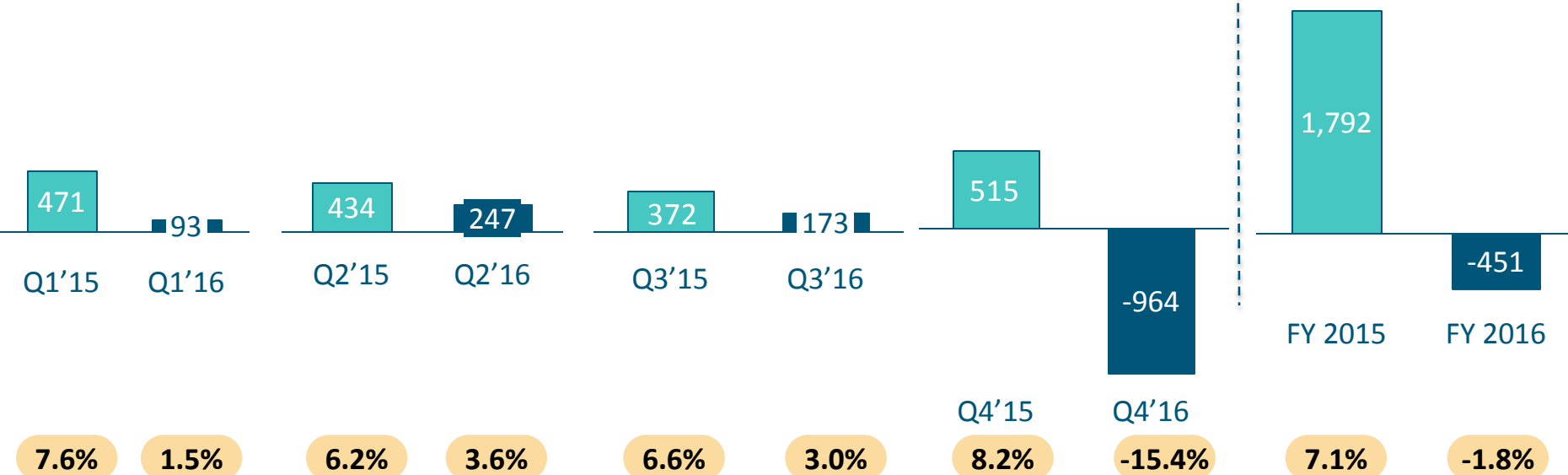
SAR Mn

## YoY EBIT

○ Growth ● Margin



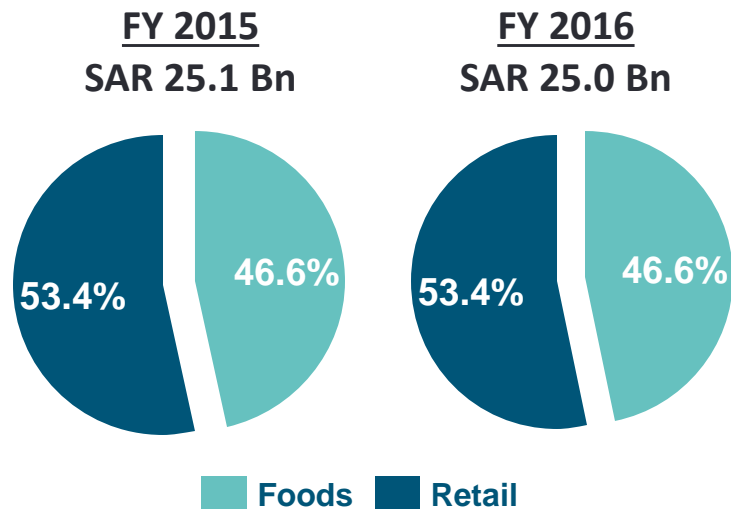
## YoY Net Profit



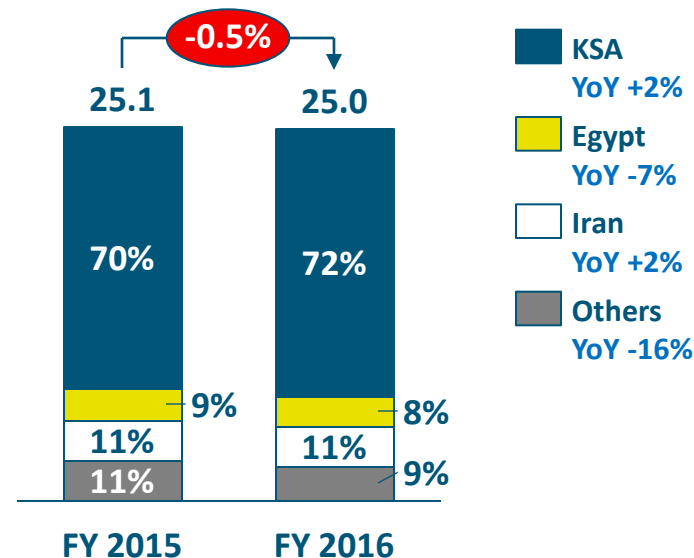
# GROUP – CONSOLIDATED REVENUE MIX & CAPEX

SAR Bn

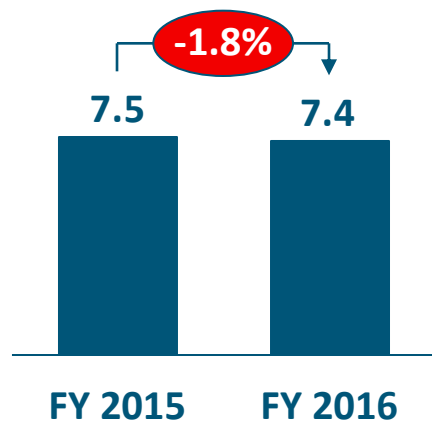
## Revenue by Business



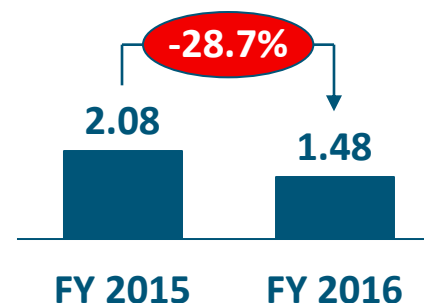
## Revenue by Geography



## Net Debt



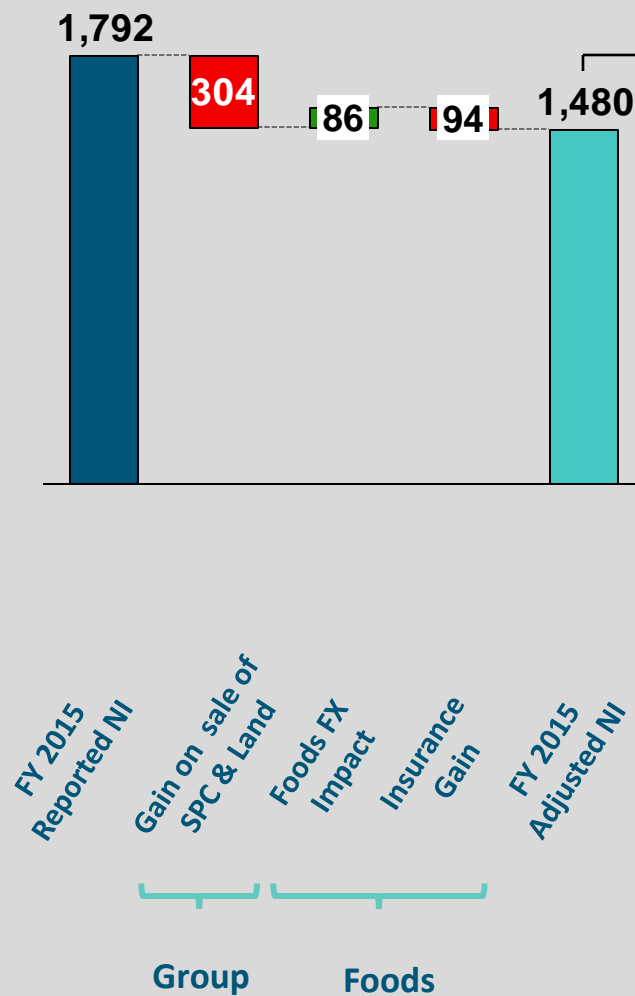
## CAPEX



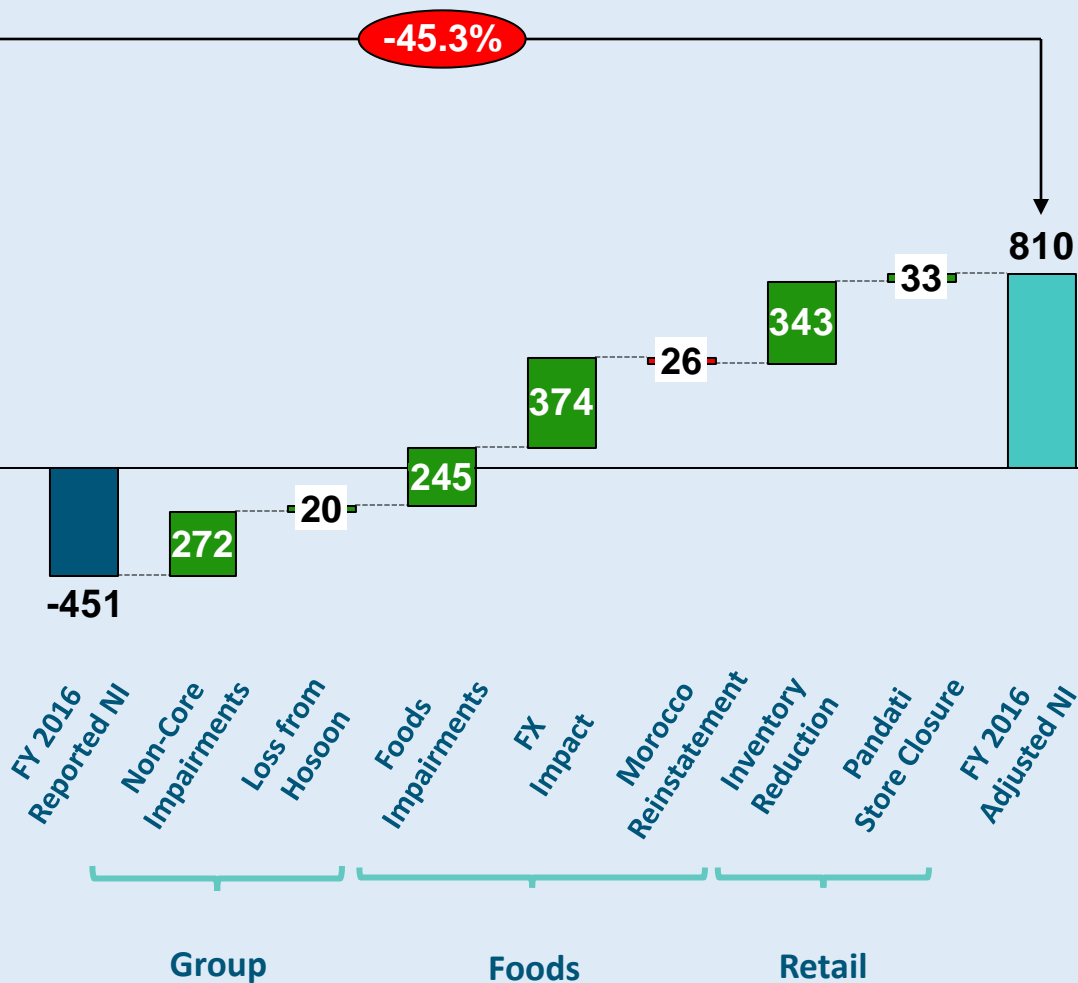
# IMPLICATIONS OF EXCEPTIONAL ITEMS

SAR Mn

## Adjusted FY 2015 Net Income



## Adjusted FY 2016 Net Income





PANDA RETAIL COMPANY

سافولا  
SAVOLA

## RETAIL - SNAPSHOT

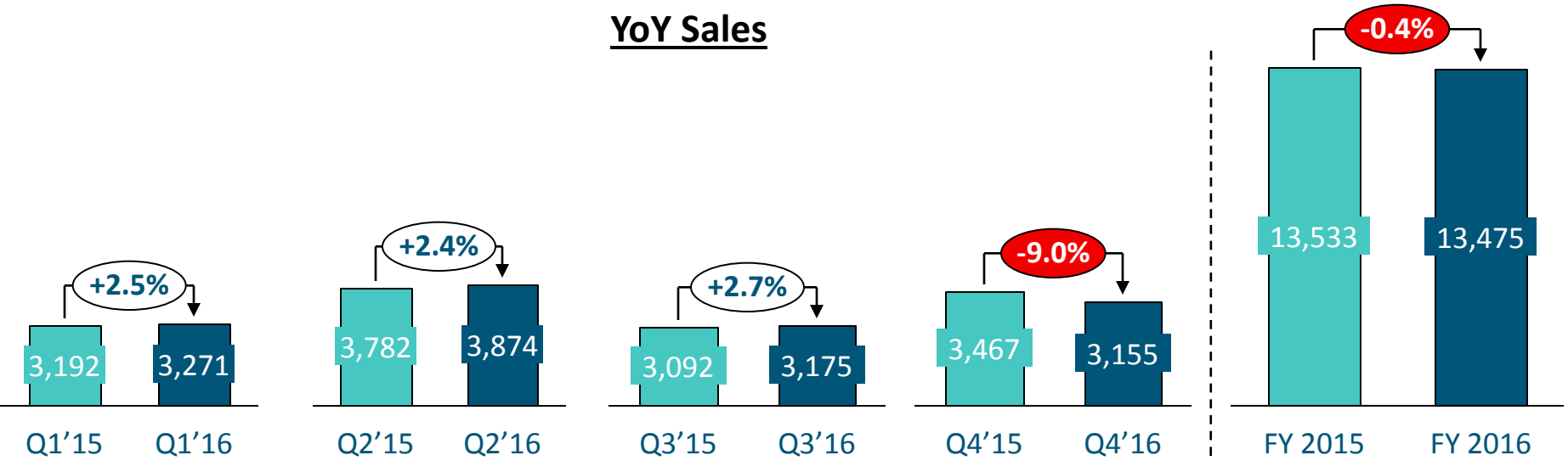
	Revenue	Gross Profit	Net Income / (Loss)	Adjusted Net Income / (Loss)	Selling Space
SAR m					
Q4 2016	3,155 -9.0% vs. LY	296 -66.4% vs. LY	(540) Q4 2015: 29	(152)	Added 4,447 m <sup>2</sup> -81.1% vs. LY
FY 2016	13,475 -0.4% vs. FY 2015	2,644 -18.5% vs. FY 2015	(773) FY 2015: 146	(359) FY 2015: 146	Total Space 752,784 m <sup>2</sup> 0.7% vs. FY 2015

# RETAIL - FINANCIALS

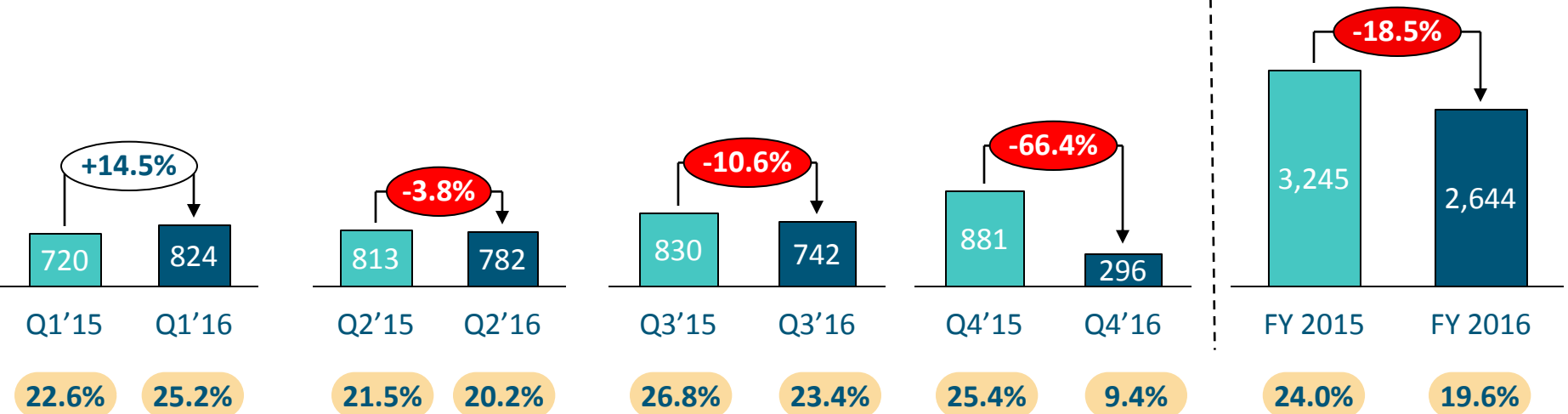
SAR Mn

○ Growth ○ Margin

## YoY Sales



## YoY Gross Profit

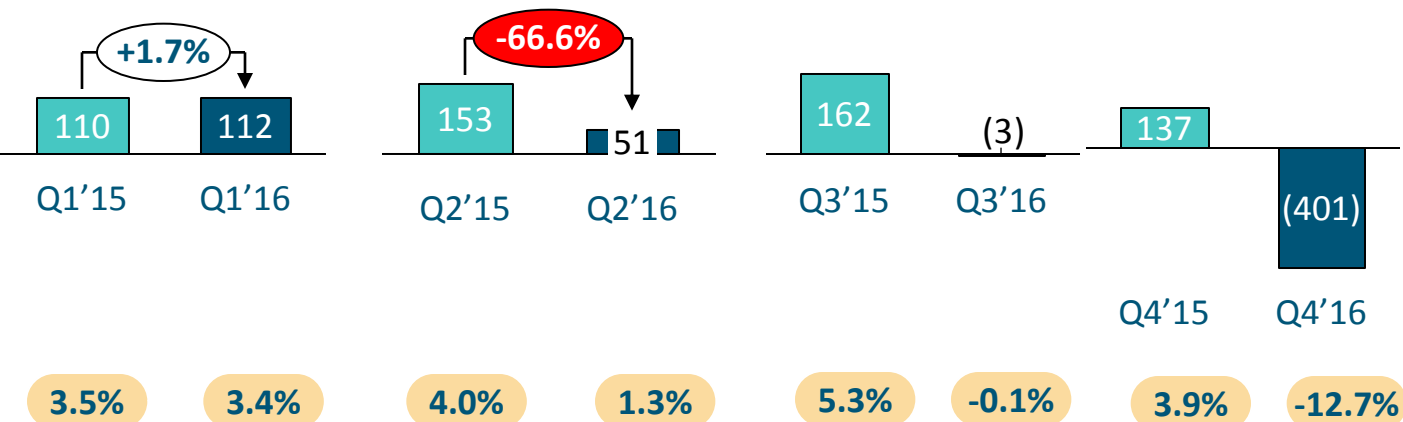


# RETAIL - FINANCIALS

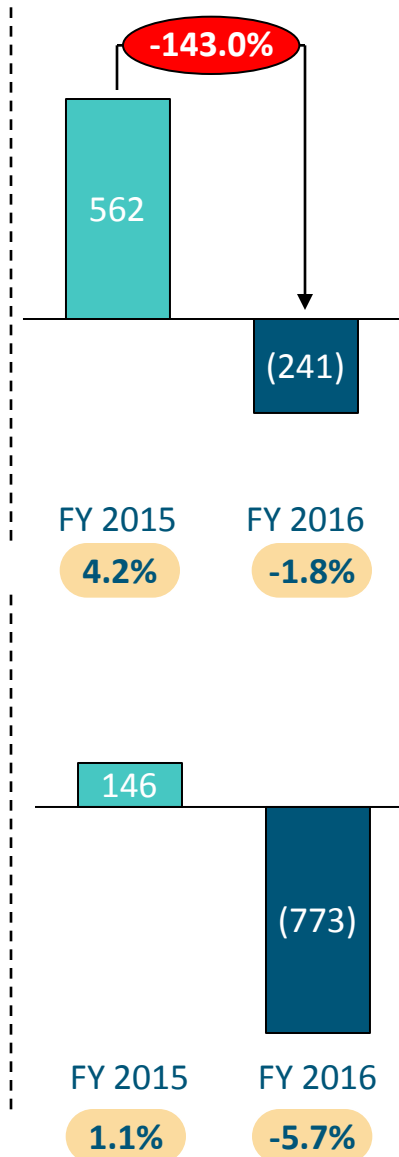
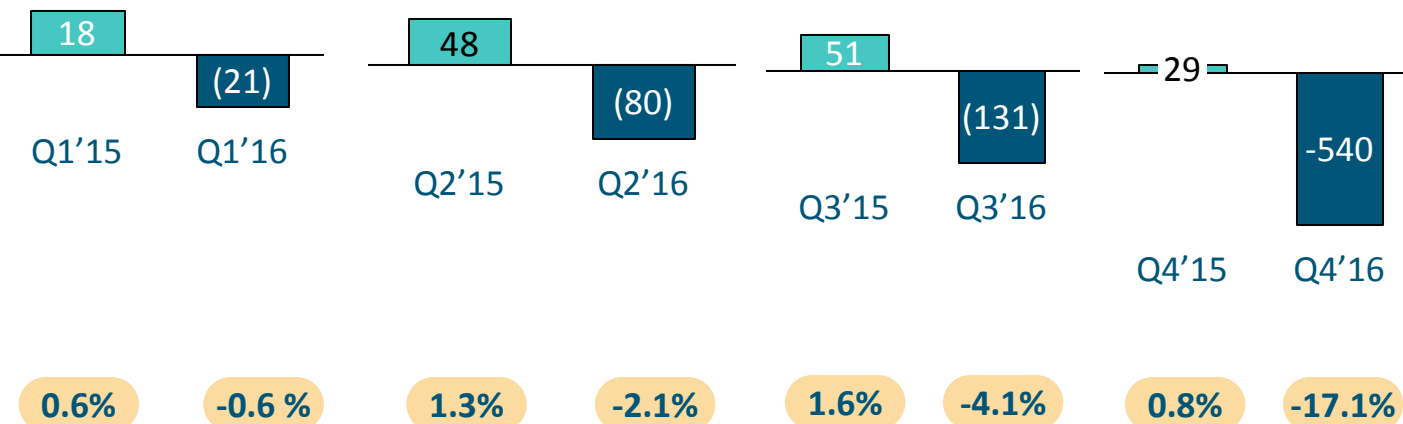
SAR Mn

○ Growth ○ Margin

## YoY EBITDA



## YoY NI

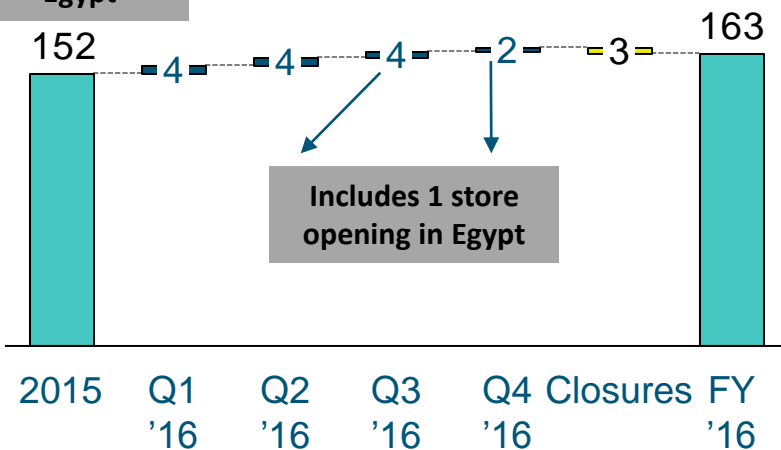




# RETAIL – NUMBER OF STORES BY QUARTER

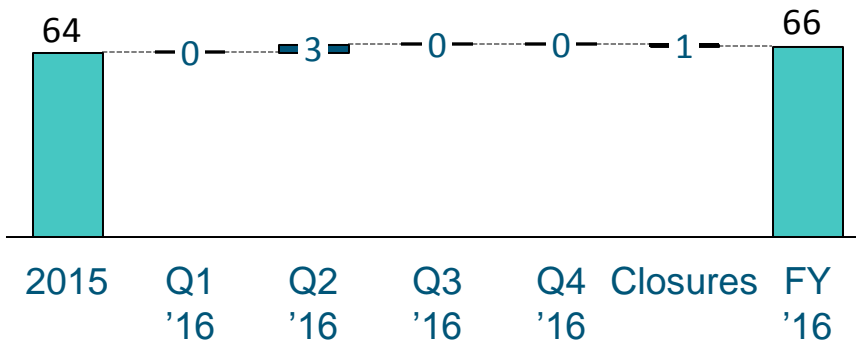
Includes 1 Super in Egypt

## Super

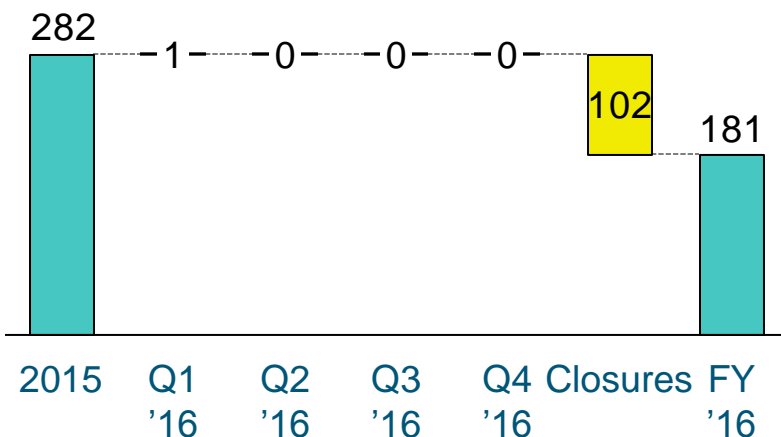


Includes 1 Hyper in UAE

## Hyper



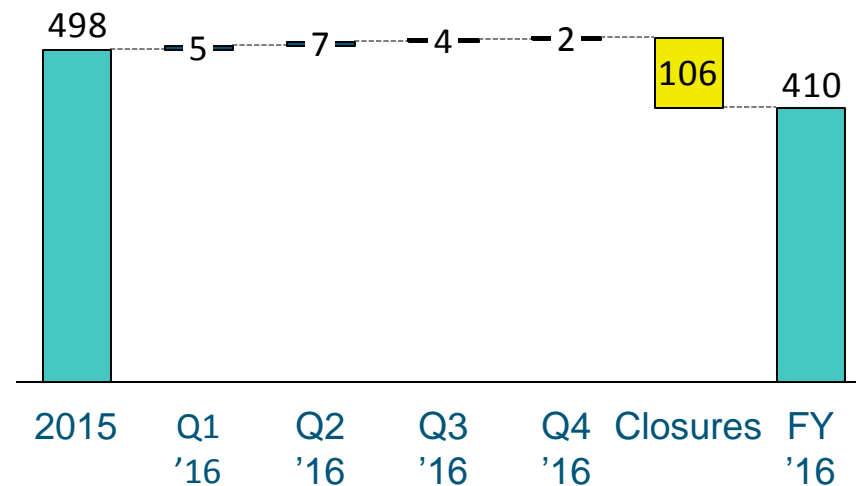
## Pandati



Selling Area  
747,544 m<sup>2</sup>

## Total

Selling Area  
752,784 m<sup>2</sup>



## Retail Transformation Update

# RETAIL TRANSFORMATION

## Key metrics

KSA Numbers Only	'12	'13	'14	'15	'16
LFL <sup>1</sup>	Same Store Sales Growth – Based at 100 in 2012				
	100 <sup>2</sup>	104	107	105	103
Total store sales	Total Store Sales – Based at 100 in 2012				
	100 <sup>2</sup>	110	123	137	138
Store yield	Rev/m <sup>2</sup> , 000 SAR				
	18.5	19.2	18.2	17.4	17.4
Margin	EBITDA/sales, %				
	5.9	6.4	6.8	4.2	-1.9

Decline in LFL starting 2015 resulted in contracting yields and partially wiped out the uplift provided by new stores

Adjusted EBITDA<sup>3</sup> margin is 1.0%

Margins contracted as existing costs continued while new store costs were added and yields compressed due to pressure on sales

*1 Includes stores already opened in 2012 and still operating in 2016*

*2 Sales figures based on 100 in 2012*

*3 Adjusted for inventory reduction exercise carried out in Q4 2016*

# RETAIL TRANSFORMATION

## Guiding principles of the future organization

**Customer driven** organization



Differentiated **value propositions** of formats



**Empowerment** of stores



**P&L ownership** aligned with accountability



**Clear lines of ownership**



Economies of **scale**



**Flexibility** and speed of action



# RETAIL TRANSFORMATION

## Transformation projects

Items	Details
<b>Category reset</b>	<ul style="list-style-type: none"> <li>• Focus on some categories as destination categories (both food and non-food) that have sales and spillover uptake</li> <li>• Increase in sales from improved assortment and range optimization</li> </ul>
<b>Store operations</b>	<ul style="list-style-type: none"> <li>• Improve stock loss and markdowns</li> <li>• Labor efficiencies and utilities' consumption</li> </ul>
<b>Indirect and overhead costs</b>	<ul style="list-style-type: none"> <li>• Cost efficiencies in functions like security, maintenance and buying</li> <li>• Improve procurement e.g. in leaflets, supplies and maintenance</li> </ul>
<b>Supply chain costs</b>	<ul style="list-style-type: none"> <li>• Potential cost reduction from improved operations, fleet utilization and planning initiatives</li> </ul>
<b>Worst-performing stores turnaround</b>	<ul style="list-style-type: none"> <li>• Stabilization of basket size through improving # of transactions and pricing</li> </ul>
<b>Pandati</b>	<ul style="list-style-type: none"> <li>• Increase traffic and sales by catering to catchment area, reconfigure stores</li> <li>• Improve supply chain</li> </ul>



SAVOLA FOODS

## FOODS - SNAPSHOT

SAR Mn

Revenue

Gross  
Profit

EBIT

Net  
Income /  
(Loss)

Adjusted  
Net  
Income/  
(Loss)

Q4  
2016

3,142

+12.1% vs LY

459

+17.1% vs LY

225

+48.3% vs LY

(262)

Q4 2015: 271

138

FY  
2016

11,782

-0.3% vs  
FY 2015

1,781

0% vs  
FY 2015

838

-1.2% vs  
FY 2015

14

-97.9% vs  
FY 2015

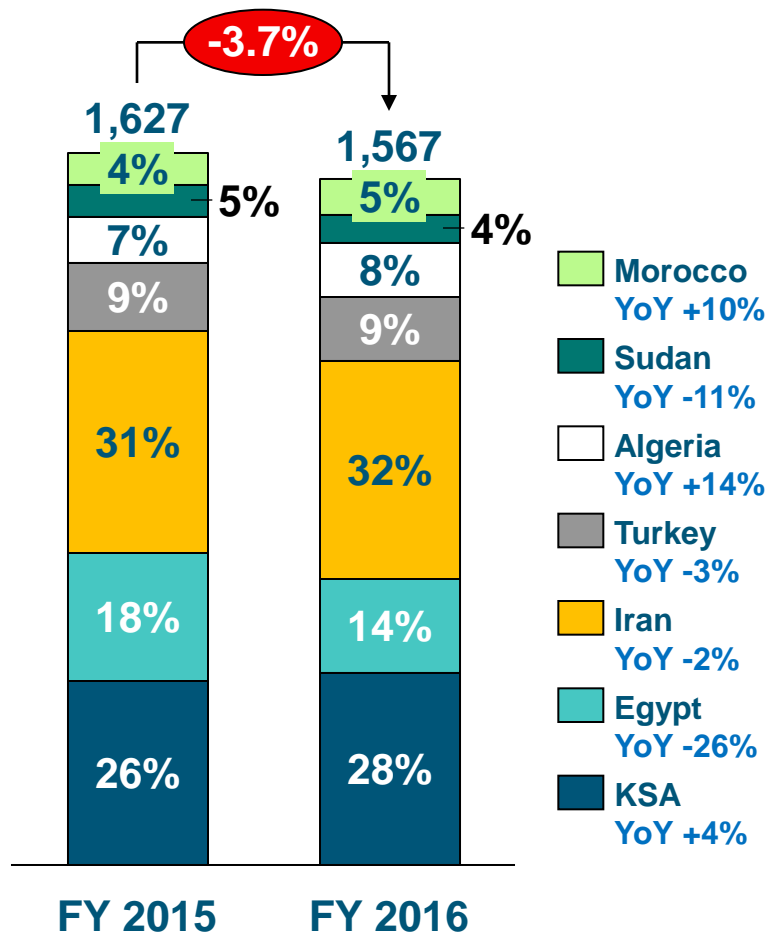
568

-16.2% vs  
FY 2015

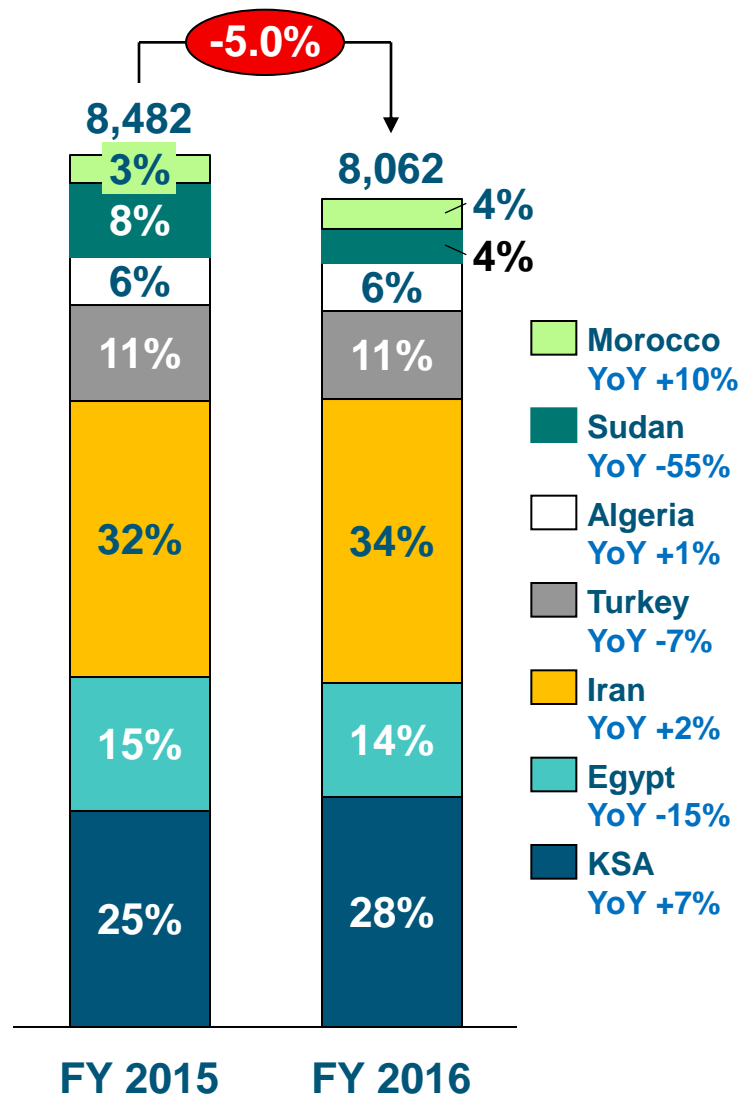
# FOODS – OIL SEGMENT ANALYSIS

SAR Mn

## Volume (MT 000)



## Revenues

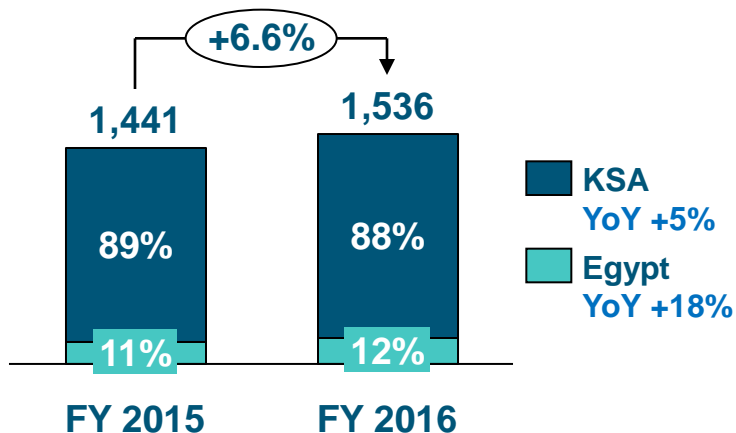




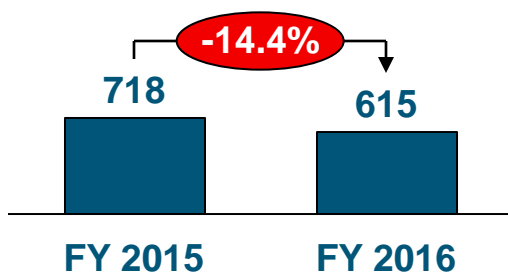
# FOODS – SUGAR SEGMENT ANALYSIS

SAR Mn

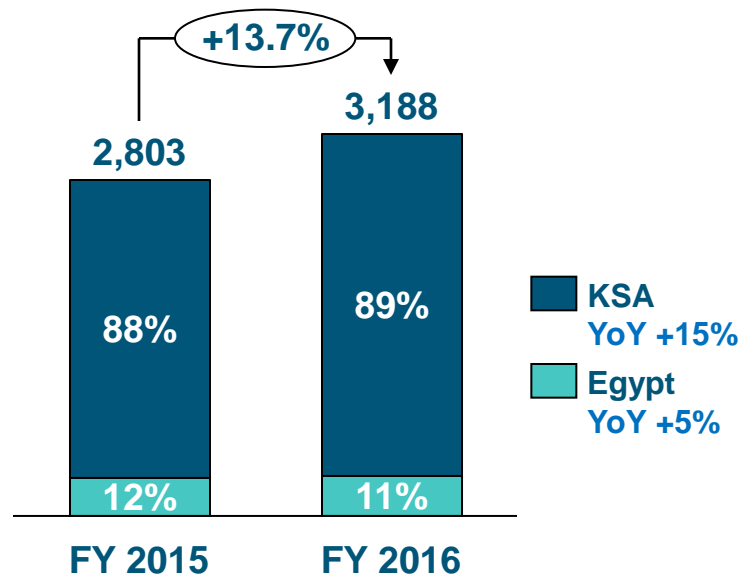
## Volume (MT 000)\*



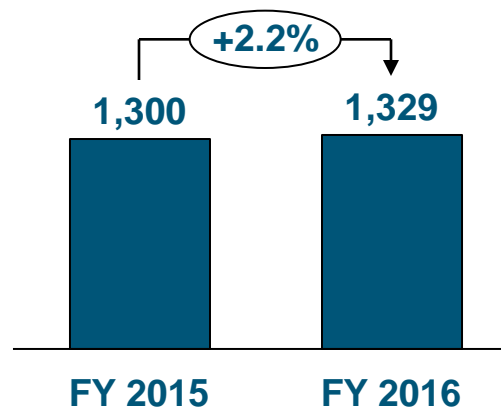
## USCE Volume (MT 000)



## Revenues\*



## USCE Revenues



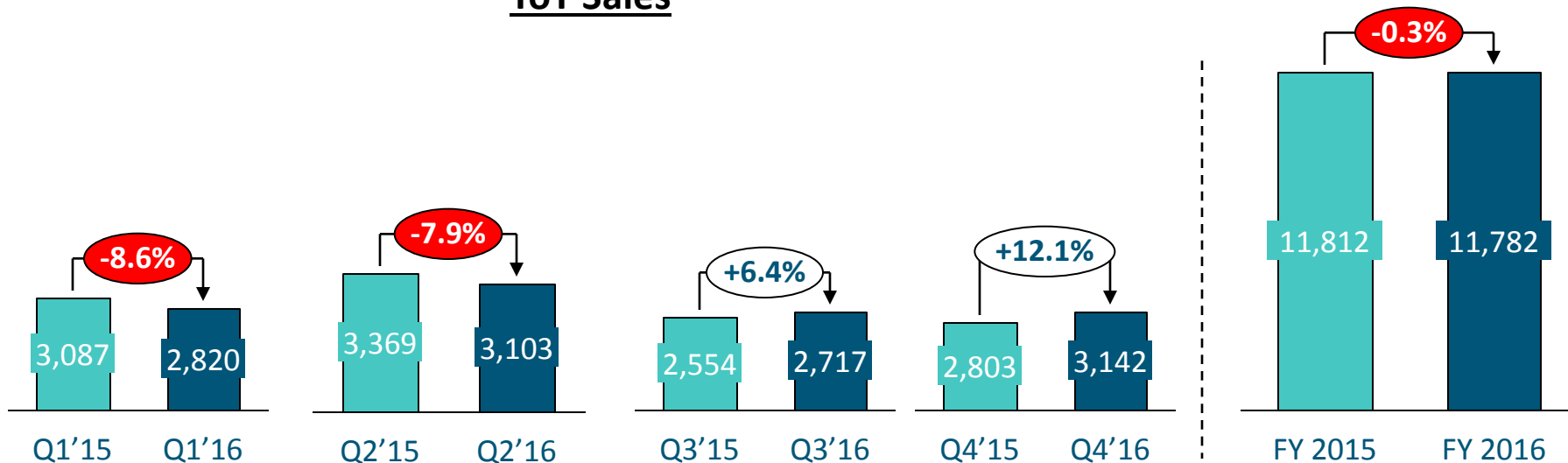
\* Excluding USCE which is categorized as AFS and shown separately

# FOODS – FINANCIALS HIGHLIGHTS

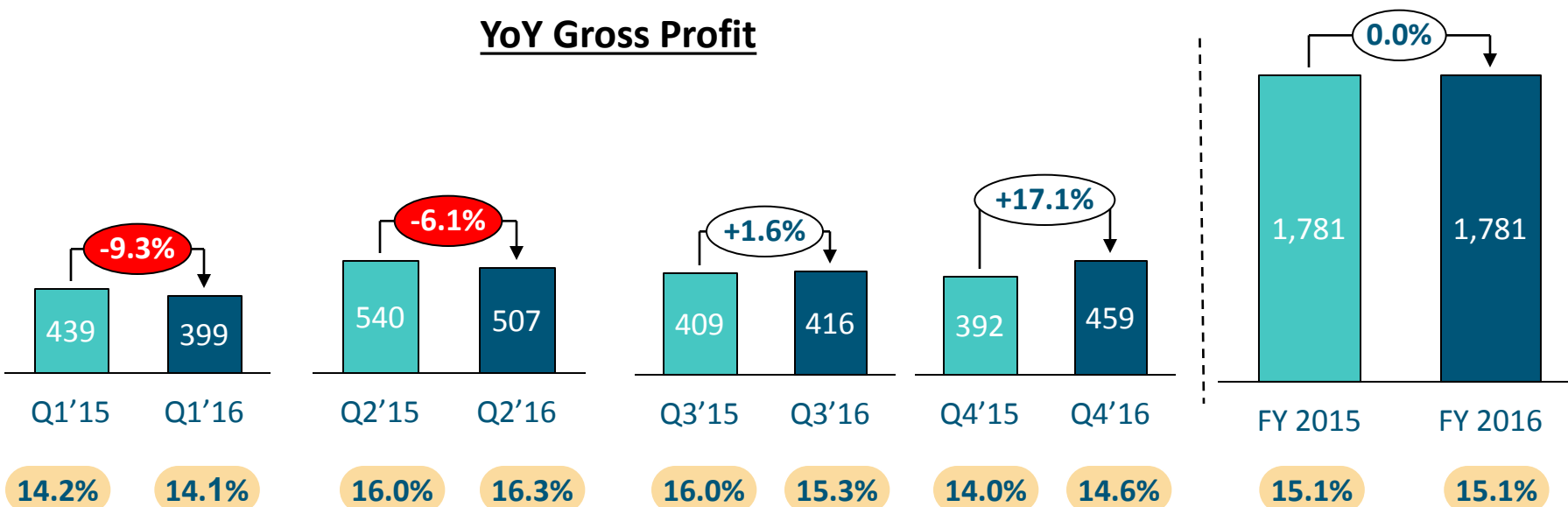
SAR Mn

○ Growth ● Margin

## YoY Sales



## YoY Gross Profit

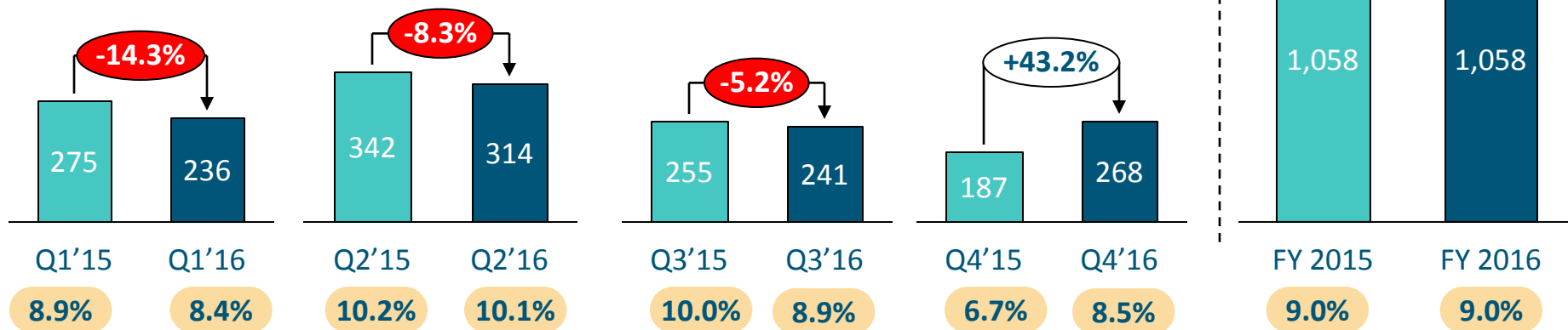


# FOODS - FINANCIALS

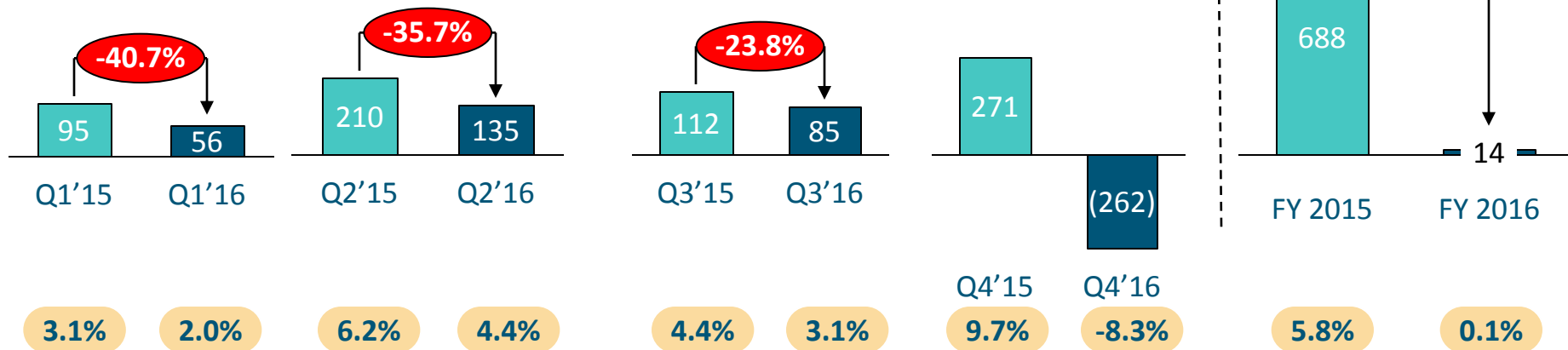
SAR Mn

○ Growth ○ Margin

## YoY EBITDA



## YoY Net Profit





# FINANCIAL SUMMARY



# FINANCIALS – FY 2016

(all figures are in SAR millions)

Segment Wise Financials										
	FY - 2016					FY - 2015				
	Revenue	Gross Profit	EBIT	Net Income	EBITDA	Revenue	Gross Profit	EBIT	Net Income	EBITDA
<b>Savola Foods</b>										
Oil-Mature Markets	6,965	1,316	687	380	764	7,021	1,335	737	544	806
Oil-Start-up Markets*	1,097	116	40	28	53	1,461	224	112	82	128
<b>Total Oil</b>	<b>8,062</b>	<b>1,432</b>	<b>727</b>	<b>408</b>	<b>818</b>	<b>8,482</b>	<b>1,559</b>	<b>849</b>	<b>626</b>	<b>934</b>
Sugar	3,188	231	48	(387)	160	2,803	106	(60)	21	47
Pasta	532	118	62	(7)	80	527	116	59	40	77
<b>Total Foods</b>	<b>11,782</b>	<b>1,781</b>	<b>838</b>	<b>14</b>	<b>1,058</b>	<b>11,812</b>	<b>1,781</b>	<b>848</b>	<b>688</b>	<b>1,058</b>
<b>Retail</b>										
KSA	13,134	2,579	(700)	(770)	(244)	13,210	3,183	191	145	556
Overseas	341	65	(2)	(2)	3	323	61	2	1	6
<b>Total Retail</b>	<b>13,475</b>	<b>2,644</b>	<b>(702)</b>	<b>(773)</b>	<b>(241)</b>	<b>13,533</b>	<b>3,245</b>	<b>193</b>	<b>146</b>	<b>562</b>
Real Estate	0	0	(55)	(55)	(55)	0	0	20	20	20
Herfy	0	0	105	105	105	0	0	101	101	101
Al Marai	0	0	762	762	762	0	0	698	698	698
HQ/Elimination/Impairments	(248)	(0)	(112)	(505)	(69)	(219)	0	(75)	139	(76)
<b>Total</b>	<b>25,008</b>	<b>4,425</b>	<b>835</b>	<b>(451)</b>	<b>1,560</b>	<b>25,126</b>	<b>5,025</b>	<b>1,785</b>	<b>1,792</b>	<b>2,363</b>
<b>Adjustments</b>										
Non-Core Impairments				272						
Foods Impairments				245						
Retail Inventory Reduction				343						
Capital gains									(304)	
Foods FX Losses				374					86	
Pandati Closures				33						
Others				(6)					(94)	
<b>Adjusted Profit</b>				<b>810</b>					<b>1,480</b>	

\* Start-up markets include Algeria, Morocco and Sudan