

# CEO's Message

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CEO



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*Despite the negative headwinds generated by the COVID-19 pandemic, Almarai has remained steadfast in delivering on its commitments to its many stakeholders in the Kingdom and beyond, maintaining our dependable product quality and achieving resilient growth throughout 2021.*

## Strength in resilience

The ongoing fallout from the COVID-19 pandemic continues to undermine supply chains and the food and beverage industry globally, resulting in inflationary pressure on commodity prices and high freight charges that create multiple challenges for the sector. Nevertheless, we once again demonstrated our agility and dynamism to mitigate business disruption and maintain our trusted position as the leading player in the region's food sector.

Throughout 2021, therefore, we continued to deliver the product quality and availability our customers know and expect. This reflects our deep understanding of our evolving market, which lies at the heart of our resilient strategy, allowing us to adapt to changing realities, backed by our strong brand value and extensive customer base.

## Continued strategic progress

As a key element in delivering long-term food security in the region, Almarai continues to support the execution of the post-crisis economic recovery whilst protecting the health and wellbeing of our consumer and stakeholders.

Our robust growth strategy remains in place, testifying to the resilience of its foundations, and Almarai continues to commit record levels of investment in poultry, committing to double our supply through some SAR 6.6 billion in targeted investments over five years.

Despite the negative impacts of the pandemic on single, impulse and grab-and-go sales, particularly in bakery, positive indicators emerged during the course of 2021 indicating a return to these channels among consumers, powered by an easing of protective measures.

Capitalizing on these signs of market recovery, we increased our investment stake in the 7DAYS brand, acquired Bakemart to bolster our baker operations and product range, and completed further strategic acquisitions in the UAE's juice segments.

The green chutes of recovery were also notable in the Kingdom's food service and HORECA channels, which witnessed a strong rebound in the second half of the year. We are also scaling up our international operations, securing double digit topline growth in markets in Egypt and Jordan, albeit at lower margins than our home markets in the GCC.

The focus on maximizing our full potential across our growing footprint is also guiding Almarai's evaluation of new, high-potential growth opportunities in adjacent categories and new geographies where our brand resonates with consumers.

## Financial performance in 2021

Almarai has continued to achieve solid performance and growth throughout 2021, delivering both continuity and profitability above competitors despite the challenging landscape.

The company maintained a steady value share position in the dairy and foods – Poultry and Bakery categories, leveraging our strong H1 2020 base and applying various successful mitigation measures to deliver growth in moving annual totals (MAT) in dairy and foods.

Challenging market conditions in the GCC were supported by sales in Egypt and Jordan and the rebound in food service channels, with total annual revenue climbing by 3% in 2021 to reach SAR 15.8 billion, while top line growth was seen in all Almarai's markets.

Net income attributable to shareholders of the Company stood at SAR 1.6 billion and operating profit totaled SAR 2.0 billion at year-end, representing a contraction of 21.2% and 20.1%, respectively, against 2020. With EBITDA reaching SAR 3.5 billion for 2021, Almarai closed the year with a net debt to EBITDA of 2.6x against the target of 2.5x.

## A diversified market leader

As a regional leader in the dairy segment, we continued to expand our market position in the Kingdom throughout 2021, achieving MAT growth for dairy and foods against the previous year and securing leadership in the Labneh market. Almarai remained the KSA market leader in value share for fresh milk and laban.

Our focus on improving our core product offering resulted in accelerated market share growth in labneh (+23%), milk powder (+4%), plain UHT milk (+1%) and cheese square portions (+3%) in 2021, complemented by robust expansion in new segments such as hummus and honey.

The food service segment also represents a key growth enabler for the company and a prime focus of our poultry unit, which delivered 28% growth in value and 24% growth in volume in 2021, generating annual revenues of SAR 2.3 billion.

As well as maintaining our prime position in our home market of Saudi Arabia, we consolidated our leadership in the main GCC poultry markets of UAE and Kuwait. At end-2021, we occupied the top positions in the Kingdom, UAE and Kuwait in terms of market share volume at 30%, 21% and 63%, respectively.

Almarai has remained steadfast in the face of growing price competition in the juice segment in 2021, maintaining our strong and stable market share of 45%, whilst also leading sector-wide expansion in the super premium segment, achieving total juice revenue of SAR 1.5 billion in 2021, representing a rise of 4% over 2020.

Meanwhile, with a MAT of 53%, our popular bakery brands vastly outperform our competitors in the segment, with bakery revenue growing to SAR 1,789 million in 2021 over SAR 1,712 million in the previous year, as on-the-go customers began to return in the wake of the pandemic.

### Investing in innovation and customer experience

Almarai maintains its solid reputation for product diversification and innovation, with a number of successful product launches completed in 2021.

While the COVID-19 pandemic continues to disrupt supply chains, prices and consumer behavior, affecting project timelines, Almarai continues to adapt to these volatile conditions to meet the new demands of consumers.

For example, our adding more premium product ranges continues to generate highly positive responses among customers. This is exemplified by the successful launch of our new Brioche range, blueberry muffins and premium Swiss Cheese jars, and the continued growth of our diversification into the hummus segment, initiated in 2020.

We continue to invest in innovative new systems and infrastructure to refine our internal processes, such as the launch of SAP S/4 Hana business suite, which has transformed the way we record, track and generate data. Innovation is also driving our investments in digital platforms, both to support our operations and serve our customers more effectively through intuitive digital touchpoints.

### Supporting and engaging our people

Almarai is known for providing a safe and supportive working environment for our people, anchored by a culture that reflects our strong commitments to supporting employee development and satisfaction.

Consequently, our employee retention rate reached 88% in 2021, spurred by our continuing efforts to keep Almarai as the employer-of-choice in the sector. At end-2021 we supported a workforce of 40,213 employees, with a Saudization rate of 28%.

Despite the inevitable disruption caused by the pandemic, our extensive training regime remained on task, with the Almarai Academy providing skills online for more than 800 managers over the course of a total of 81,319 learning hours.

Almarai also continues to enrich the employee experience through a range of digital engagement platforms, as well as via a broad programme of incentives and rewards that recognize and celebrate the success of our people in supporting our strategic business goals.

### Looking forward

The knock-on effects of the pandemic continue to hamper a full recovery of the sector, and the challenging macro environment looks set to endure in 2022.

Nevertheless, Almarai's strong balance sheet and stable cash flows, resilient strategy, and unparalleled market share in the sector will see the company emerge stronger and more focused than ever.

As we achieve encouraging progress in our path to realizing the aims of the Almarai 2025 strategy in the coming year, the company will remain true to its key differentiators in the market by maintaining our relentless focus on quality and product diversification.

Strategic priorities for 2022 will include the roll-out of further measures to maintain and expand our core business lines, whilst leveraging the expected uptick in post-pandemic tourism driven by the governments broad initiatives in this sector.

We will also continue to prioritize capital optimization and reduce costs to access greater efficiencies across our business.

### Acknowledgements

As I look back on a challenging yet successful year, I wish to express my gratitude to our employees for their resilience and hard work in realizing our objectives as a company, and to our customers for their continued trust and loyalty to our brand.



