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## PRESS RELEASE

21 August 2024G



## ARABIAN MILLS ANNOUNCES ITS INTENTION TO FLOAT ON THE MAIN MARKET OF THE SAUDI EXCHANGE

Arabian Mills for Food Products Company ("**Arabian Mills**" or the "**Company**"), one of the market-leading flour milling companies in the Kingdom of Saudi Arabia ("**KSA**" or the "**Kingdom**"), announces its intention to proceed with an initial public offering ("**IPO**" or "**Offering**") and the listing of its ordinary shares ("**Shares**") on the Main Market of the Saudi Exchange ("**Tadawul**").

On 24 June 2024G, the Capital Market Authority (the "**CMA**") approved the Company's application for registering its shares and the Offering of fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) Shares ("**Offer Shares**"), representing 30% of the Company's issued share capital, by way of a sale of existing shares by Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company – Ajlan & Bros ("**Ajlan & Bros**"), Sulaiman Abdulaziz Al-Rajhi International Company, and The National Agricultural Development Company ("**NADEC**") (collectively, the "**Selling Shareholders**"). The final offer price of the Offer shares will be determined at the end of the book-building period.

### Company Overview

- Arabian Mills operates in KSA's consumer staples market. It produces, distributes and sells wheat flour and derivative products, animal feed and bran to customers across the Kingdom.

- It is one of the market-leading milling companies in the Gulf Cooperation Council (the “GCC”), with the largest daily flour production capacity in KSA.
- The Company is strategically located in Riyadh and has two other plants located in Hail and Jazan, close to livestock farming and tourism hubs serving other key regions.
- Arabian Mills has built trusted partnerships with its broad and growing network of customers including bakeries, farmers, wholesalers, food service companies, retailers (supermarkets, convenience stores) and end consumers.
- The Company has some of the most high-quality wheat flour, feed and bran products in the market; with a diversified portfolio of future products driven by its cutting-edge R&D lab.
- Arabian Mills has fully automated, world-class facilities, led and empowered by a team of highly skilled millers and management.
- Since its privatization in 2021, the Company has consistently delivered strong financial performance with industry-leading profitability margins and robust cash flow generation.
- Arabian Mills is deeply committed to prioritizing sustainability, ethics, and customer satisfaction to enhance the quality of life and standard of health and contribute to KSA’s food security agenda.
- The Company is executing its strategy to accelerate growth and drive outperformance.

**Ajlan Alajlan, Chairman, Arabian Mills, said:**

“Today we are one of the leading wheat and feed milling companies in Saudi Arabia. Our commitment to quality and excellence is resolute, enabling us to serve the Saudi community’s daily nutrition needs while contributing to the Kingdom’s food security agenda.

The decision to go public is a natural next step for Arabian Mills. It will provide us with the platform to invest and expand our production capacities and capabilities, and expand our product portfolio to meet the growing demand from KSA’s growing F&B and agribusiness while furthering our ambitions to embed sustainable practices at every step of the milling and distribution process.

With the support of new shareholders, we aim to take Arabian Mills to new heights, driving growth and creating long-term value for all stakeholders in line with Saudi Vision 2030. We look forward to this exciting new chapter and the opportunities it brings.”

**Rohit Chugh, Chief Executive Officer, Arabian Mills, added:**

“The decision to go public is a decisive one toward accelerating our growth trajectory. Since our privatization in 2021, we have significantly scaled the business, increased profitability margins, and strengthened our market share. This was only made possible thanks to the efforts of our teams and the backing of our shareholders.

Looking ahead, the growing market for flour, feed, and bran in the Kingdom presents compelling opportunities, and we are well-positioned to capitalize on robust demand through continuous innovation and quality enhancements. Our focused strategy will deliver value and further our growth ambitions. We have a robust product pipeline, which includes the launch of new SKUs and variations tailored to meet diverse consumer needs and preferences, supported by an effective marketing and sales strategy. We are also expanding our presence in the Kingdom by opening distribution centers in strategic locations to ensure we reach more customers more efficiently. To support our expansion plans, we are constantly enhancing our operations to optimize utilization, minimize downtime and enhance our margins.

By going public, we are also committing to higher standards of transparency and corporate governance, which we believe will ultimately benefit our shareholders and other stakeholders alike. This IPO is a catalyst for Arabian Mills to achieve sustainable, long-term growth and to continue our purpose of driving milling excellence and delivering nutrition.”

## Arabian Mills – *Milling Excellence, Delivering Nutrition to KSA's Vibrant Society*

### Investment Highlights

1. **Operating in a Saudi staple consumer industry set for sustained growth.**
  - KSA's economy is poised for substantial expansion, propelled by Vision 2030 and multiple pro-growth socio-economic reforms. The sustained economic expansion is also powered by a growing population, rising incomes, and stable inflation. This will support strong and sustained demand for Arabian Mill's products.
  - According to market reports, the flour market in KSA is set to witness strong growth at a CAGR of approximately c.4.2% for the 2023G – 2030G period, with newer categories such as wholewheat, and value-added flour products outperforming the market. This is driven predominantly by growth in food services, rising demand for wheat-based staples, and a consumer preference and consistent appetite for baked goods. This will support demand for the Company's products, especially for its higher profit margin categories namely unsubsidized products including 10KG or less flour and other B2C products.
  - Saudi wheat flour production is expected to remain local over the medium term with the bulk wheat being subsidized by the government. This is driven predominantly by the government's efforts to enhance local production. This enables the Company to further grow its market share within the Kingdom's flourishing economy.
  - The government's efforts to support the localization of poultry production are expected to play a fundamental role in the growth of poultry feed. According to market report, poultry feeds are expected to surpass livestock feed reaching a cumulative market share of 58% in terms of volume and 64% in terms of value by 2030G. These efforts may also contribute to enhancing Arabian Mill's market share in this promising sub-category.
  
2. **One of the market-leading milling companies in the GCC, with the largest wheat milling capacities in the KSA.**
  - Since its privatization in 2021G, Arabian Mills has accelerated its growth and today is among the market leaders in the GCC and the largest in terms of wheat milling capacity in KSA.
  - The Company has consistently grown its market share in both volume and value across both its flour and feed products.
    - Daily flour production capacity of approximately 4,920 tons, and daily feed milling capacity of 600 tons.
    - Second largest in terms of market share in the KSA flour market, with 28.4% and 25.3% in terms of volume and value respectively in 2023G.
    - Top 10 largest players in the Saudi animal feed market
    - A leader in the bran segment, with a market share of 32.6% in 2023G.
  
3. **Strategically located in Riyadh with two other plants located in Hail and Jazan, close to livestock farming and tourism hubs serving other key regions.**
  - Riyadh provides Arabian Mills with unique and well-established market access to the capital of the GCC's largest country and economy.
  - The Company's two other locations, Hail and Jazan, serve as production, distribution, and storage hubs for the north and south regions.
    - Advantages of operating and being headquartered in Riyadh include being linked to the city's population growth, rising tourism, and other favorable demographic factors as well as evolving food consumption trends.

- Riyadh facility enables Arabian Mills to serve its customers at lower distribution costs compared to other milling companies in different locations.

**4. Built trusted partnerships with its broad and growing network of customers.**

- With over four decades of experience, Arabian Mills has become a trusted partner for a growing number of customers across KSA, known for reliability and high-quality products.
- Its products reach every region of KSA, serving a diverse range of customers from households and small bakeries to HORECA and livestock and poultry farmers.
- The Company has built a robust distribution network that ensures timely delivery and availability of its products, no matter where its customers are located. In 2023G:
  - B2B products were distributed to 375 distributors, 6,400 beneficiaries and 281 direct customers.
  - B2C products were distributed to 485 retailers and wholesalers, 9 modern trade retailers with over 550 branches.
- Its extensive customer base is a testament to its strength in the flour and bran market and growing presence in the animal feed market.

**5. Produces some of the most high-quality wheat flour-based and feed products in the market with a diversified portfolio of future products driven by its cutting-edge R&D lab.**

- Arabian Mills markets its flour and edible bran products under the "Finah" brand and its feed products under the "Kamil" brand.
- The flour, bran and feed products are crafted with the highest standards of quality and safety, ensuring that its customers receive only the best.
- The Company can meet specific customer needs by producing different types of wheat flour with varying protein contents.
- Arabian Mills is at the forefront of product development, continuously introducing new and improved flour and feed products to meet the changing demands of consumers and the industry.
- Its dedicated R&D team is constantly exploring new formulations and technologies to enhance the quality and performance of its products.
  - The Company has recently launched poultry feed and is expected to launch new wheat flour products by year end including chakki fresh atta flour, semolina, gluten-free snacks, and pasta.
  - In 2023G, Arabian Mills established a dedicated whole wheat flour mill with a daily capacity of approximately 150 tons in its Riyadh plant, enhancing its capabilities in health and wellness-focused products.
  - The Company has proudly received various ISO accreditations because of its strong adherence to food safety standards, demonstrating the high quality of its products and operational processes.

**6. Fully automated, world-class facilities, led and empowered by a team of highly skilled millers and management.**

- Arabian Mill's facilities are fully fitted out with world-class machinery and equipment.
- The Company utilizes the latest milling and processing technology to maintain quality, consistency, and excellence while streamlining operations, enabling it to reduce downtime and increase daily output.
- It employs an automated grain receiving and storage monitoring system that provides real-time data on intakes, inventories, and outbound materials, enabling improved traceability, quality control, efficiency, and flexibility of operations.
- Arabian Mills benefits from having one of the most experienced, and knowledgeable milling teams in KSA with at least 10 certified millers with an average experience of more than 15 years.

- The Company recently invested in a strong network of IT infrastructure and has successfully implemented the SAP system in its operations to support the automation of the supply chain.
- The Company's digital enhancements play a key role in maintaining operational efficiency and lowers downtime of its production facilities, as demonstrated by an 81.1% reduction in aggregate downtime across its production facilities in 2022G compared to 2021G.

**7. Consistently delivered strong financial performance with industry-leading profit margins and robust cash flow generation.**

- Arabian Mills has demonstrated its ability to deliver strong revenue growth driven by management efforts to gain greater market share. It is also owed to enhanced utilization levels and robust average selling prices.
- Since its privatization in 2021G, Arabian Mills has been consistently investing in CapEx to enhance and develop its facilities.
- Arabian Mills has demonstrated its ability to translate earnings to cash thanks to efficient working capital management, effective cost control measures, operational enhancements, and prudent debt management.
  - Strong growth from 2021G to 2023G achieving a CAGR of 16.0%, 46.7% and 28.5% in revenue, EBITDA and profit, respectively.
  - Profitability margins continued to improve in 2023G, while gaining market share, achieving margins of 48.2%, 44.0% and 23.2% in gross profit margin, EBITDA, and profit margin for the year, respectively.
  - Enhanced cash generation ability over the past 3 years reaching SAR 238 million in Free Cash Flow (FCF) translating into a cash conversion of c. 62.0% in 2023G.
  - Arabian Mills is a high cash flow generative business, allowing future dividend payments.

**8. Deeply committed to prioritizing sustainability, ethics, and customer satisfaction to enhance Saudi society's quality of life and standard of health and contribute to KSA's food security agenda.**

- Health and safety are top priorities at Arabian Mills, and it has a dedicated health, safety, security and environment department with a robust health & safety policy. The Company's health and safety management system is certified to ISO 45001 across all its operations.
- Arabian Mills is dedicated to implementing sustainable practices in its operations and minimizing environmental impact.
- The Company has a strong focus on talent development and retention of staff. Arabian Mills is also deeply committed to developing Saudi milling talent, in line with the Saudization strategy.
- To ensure it is delivering a positive social impact on KSA's community, Arabian Mills is focused on high-quality, nutritious products and is committed to producing and marketing products that cater to the health-conscious consumer.
- Arabian Mills is proud to be a key contributor to KSA's food security agenda including achieving food security, preventing food waste, and expanding domestic production for poultry.

**Growth Ambitions**

Arabian Mills is executing a strategy to accelerate growth and drive outperformance, built around 5 key pillars:

**1. Meeting KSA population and demand growth**

- *Aligning with national growth:* As KSA's population continues to grow, Arabian Mills is committed to scaling its operations to meet the rising demand for high-quality flour and animal feed.
- *Capacity expansion:* Arabian Mills is investing in expanding its production capacity in both flour and feed to ensure a steady supply of its products, supporting the food security and nutritional needs of the nation.

## 2. Consolidating and enhancing market leadership

- *Broadening product portfolio:* To support its ambitions of further expanding its market share, Arabian Mills is focused on expanding in key categories primed for robust growth, including flour and its derivatives such as pasta and gluten-free options as well as in animal feed including poultry feed.
- *Expanding customer base:* Arabian Mills is diversifying its customer base by expanding in both the B2B channel, where it already enjoys a well-established presence and in the promising B2C channel.
- *Effective marketing, sales and pricing strategies:* The Company is also making dedicated efforts to enhance the positioning of its Finah and Kamil brands by implementing a go-to-market strategy. Several key initiatives include redesigning the packaging with a modern look and feel, developing a marketing and promotional plan and establishing post-sales support. Arabian Mills is also leveraging an optimal pricing model to ensure it is competitively priced, based on prevailing market dynamics, seasonality and competition.

## 3. Maintaining and building on current operational efficiency and excellence

- *Implementing automation:* The Company is focused on using best-in-class technology and increasing automation across its functions, including procurement, silos monitoring, milling, warehousing, and overall supply chain management. The successful implementation of these technologies will help reduce costs, improve traceability, quality control and operational flexibility.
- *Enhancing technical capabilities:* The Company is also focusing on enhancing its technical capabilities in the milling process to increase efficiency and utilization, ultimately generating higher output.

## 4. Strong focus on new product development and innovation

- *Innovative growth:* Arabian Mills is committed to driving locally relevant innovation that meets the evolving needs of its customers.
- *Robust pipeline of new products:* With a strong focus on developing new and improved products, the Company has a robust pipeline of new products for its Finah brand including gluten-free snacks, semolina, ready mixes, chakki fresh atta flour and pasta, which it expects to launch by year-end. It is also expanding its animal feed range, Kamil, to tap into growing market opportunities; Arabian Mills has recently launched multiple poultry feed SKUs to capitalize on the recent government policies aimed at enhancing local poultry production.
- *R&D investment:* The Company is investing significantly in research and development to introduce cutting-edge products that set new industry standards for quality and performance.

## 5. Expanding presence across the Kingdom and strengthening its distribution channels

- *Establishing new warehouses and distribution centers:* Arabian Mills is strategically establishing new warehouses and distribution centers in Jeddah, Makkah, Dammam, and Tabuk. Establishing strong local operations in these key regions will ensure efficient distribution and customer service, contributing to regional economic development.
- *Multi-channel distribution:* To better serve its growing customer base Kingdom-wide, the Company is strengthening its presence across multiple distribution channels, including retail, online platforms, and direct-to-customer sales. Arabian Mills is also forging partnerships with distributors, retailers, and wholesalers to expand its B2C reach.

## HIGHLIGHTS OF THE OFFERING

- The Offer Shares will be listed and traded on the Saudi Exchange's Main Market following the completion of the IPO and fulfillment of all relevant requirements by the CMA and the Saudi Exchange.
- The Offering will consist of a primary offering of 15,394,502 ordinary shares (the "Offer Shares"), representing 30% of the Company's issued share capital.
- The Offer Shares will be offered for subscription to Participating Parties and Individual Investors (as defined below), in accordance with the CMA Instructions on Book-Building and Allocation of Shares in Initial Public

Offerings, including non-resident qualified foreign financial institutions in accordance with the Rules for Foreign Investment in Securities.

- Following the completion of the Offering, the current shareholders ("**Current Shareholders**") shall collectively own 70% of the Company's share capital. The current shareholdings are Abdulaziz Al-Ajlan Sons for Trading and Real Estate Investment Company (Ajlan & Bros) with 50.13% Sulaiman Abdulaziz Al-Rajhi International Company with 35%, and The National Agricultural Development Company (NADEC) with 14.87%.
- The Current Shareholders are subject to a lock up period of 6 months whereby they may not dispose of any of their Shares during that period, and the Company may not list additional Shares on the Saudi Exchange for a period of 6 months, in each case from the date on which trading of the Company's Shares commences on the Saudi Exchange. Furthermore, the Current Shareholders may not dispose of their Shares after the end of the lock-up period, without obtaining the approval of the General Food Security Authority ("**GFSA**"), the CMA and any required approvals in accordance with the relevant provisions.
- With respect to the Offering, the Company has appointed HSBC Saudi Arabia as Financial Advisor, Global Coordinator, Bookrunner, Underwriter, and Lead Manager (the "**Financial Advisor**" or "**Lead Manager**").
- Alrajhi Bank, Saudi Awwal Bank (SAB) and Banque Saudi Fransi have been appointed as receiving agents (collectively, the "**Receiving Agents**") for retail investors.
- Please refer to the Prospectus for details on the expected timetable of the Offering.
- The Offering is restricted to the following two groups of investors:
  - **Tranche (A): Participating Parties** - This tranche comprises investors eligible to participate in the book-building process in accordance with the Instructions for Book Building Process and Allocation Method in Initial Public Offerings, as issued by the CMA (the Instructions shall hereinafter be referred to as the "Book-Building Instructions"), (said investors shall be collectively referred to as the "Participating Parties" and each as a "Participating Party"). The number of Offer Shares to be allocated to Participating Parties effectively participating in the book-building process is fifteen million three hundred and ninety-four thousand five hundred and two (15,394,502) ordinary shares, representing 100% of the total Offer Shares. In the event there is sufficient demand by Individual Investors (as defined under Tranche (B) below), the Lead Manager shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of thirteen million eight hundred and fifty-five thousand and fifty-two (13,855,052) ordinary shares, representing 90% of the total Offer Shares. The Financial Advisor, in coordination with the Company, shall determine the number and percentage of Offer Shares to be allocated to Participating Parties.
  - **Tranche (B): Individual Investors** - This tranche includes Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe in her own name or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children; and any non-Saudi Arabian natural person who is residing in KSA and any national of countries in the GCC, in each case who has a bank account with a Receiving Agent and has the right to open an investment account with a capital market institution (collectively, the "**Individual Investors**", and each an "**Individual Investor**"). Subscription by a person in the name of his divorcee shall be deemed invalid. If a transaction of this nature is proved to have occurred, the applicable regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be deemed void, and only the first subscription will be accepted. A maximum of one million five hundred and thirty-nine thousand four hundred and fifty (1,539,450) ordinary shares, representing ten percent (10%) of the Offer Shares, shall be allocated to Individual Investors. In the event that the Individual Investors do not subscribe in full for the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for thereby.



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For more information on the IPO please visit the IPO website: [www.arabianmills.com/ipo](http://www.arabianmills.com/ipo)

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This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "aim," "anticipate," "believe," "can," "consider," "could," "estimate," "expect," "forecast," "intend," "may," "ought to," "potential," "plan," "projection," "seek," "should," "will," "would," or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Any forward-looking statements reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's business, results of operations, financial position, liquidity, prospects, growth or strategies. Many factors could cause the actual results to differ materially from those expressed or implied by any such forward-looking statements or contained in projections, including, among other things, risks specifically related to the Company and its operations, the development of global economic and

industry conditions, and the impact of economic, political and social developments in KSA. Forward-looking statements speak only as of the date they are made. Each of the Company and the Financial Advisor and their respective affiliates expressly disclaims any obligation or undertaking to update, review or revise any forward-looking statements contained in this announcement whether as a result of new information, future developments or otherwise.

There is no guarantee that the Offering will occur, and you should not base your investment decisions on the Company's intentions in relation to the Offering. This announcement does not constitute a recommendation concerning the Offering nor any declaration or undertaking by any means. Acquiring Offer Shares to which this announcement relates may expose an investor to a significant risk of losing the entire amount invested.

Persons considering investment should consult an investment advisor or an authorized person specializing in advising on such investments.

The Financial Advisor is acting exclusively for the Company and no-one else in connection with the Offering the Financial Advisor will not regard any other person as their respective client, nor for providing advice in relation to the Offering, the contents of this announcement or any transaction, in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, arrangement or other matter referred to herein.

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In connection with the Offering, the Financial Advisor and its affiliates, may take up a portion of the Offer Shares in connection with the Offering as a principal position and in that capacity may retain, purchase, sell, offer to sell for their own accounts such Offer Shares and other securities of the Company or related investments in connection with the Offering or otherwise.

References in the Local Prospectus or the International Offering Circular, once published, to the Company's shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Financial Advisor and any of its affiliates acting in such capacity. In addition, the Financial Advisor and any of its affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which the Financial Advisor and any of its affiliates may from time to time, acquire, hold or dispose of securities. The Financial Advisor do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.