



ALAMAR FOODS EARNINGS RELEASE

SECOND QUARTER 2024





SECOND QUARTER 2024 FINANCIAL HIGHLIGHTS



Alamar Foods reports net profit of SAR 13 million in 2Q 2024 after a net loss in 1Q 2024

2Q 2024 Financial Highlights



Revenue amounted to **SAR 226.4 million**



Gross profit of **SAR 68.8 million** with gross margin of 30.4%



Adjusted pre-IFRS 16 EBITDA¹ of **SAR 26.9 million** with 11.9% margin



Net profit amounted to **SAR 12.9 million**



Operating cash flow of **SAR 13.8 million**



Free cash flow of **SAR 9.0 million**



Net cash position of **SAR 119.2 million** as at 30 June 2024

Alamar Foods 2Q 2024 financial results showed nascent signs of recovery as the impact of geopolitical tensions started to subside, while the management's business initiatives began to bear fruit. The company's revenue decline was contained to 10.4% YoY to SAR 226.4 million, up 9.5% QoQ. Gross profit margin recovered 5.9pp QoQ to 30.4% in 2Q 2024. Adjusted pre-IFRS 16 EBITDA amounted to SAR 26.9 million for 11.9% margin in 2Q 2024. The company booked net profit for the quarter of SAR 12.9 million after a net loss in 1Q 2024. Despite pressure on sales, Alamar Foods continued to show strong cash generation with positive operating cash flow of SAR 13.8 million and free cash flow of SAR 9.0 million in 2Q 2024.

¹ Adj. EBITDA is calculated on pre-IFRS 16 basis adjusted for employees share plan compensation expense and non-recurring items (if any)



CEO QUOTE



Filippo Sgattoni, CEO of Alamar Foods, commented on the 2Q 2024 performance and medium-term outlook:



We are confident that the continued execution of our strategy will enable us to deliver on our 2024 guidance and meet our 2025-2027 objectives, which we keep intact.



After a challenging start to the year, we began to observe some green shoots of recovery in the second quarter supported by the execution of our action plan tailored to address near-term challenges, while positioning ourselves to seize medium-term opportunities.

While top-line dynamics remained negative YoY in 2Q 2024, we saw a QoQ revenue recovery driven by the improved external environment in our key markets and the positive effect from our marketing initiatives. Current consumer trends towards convenience and promotions are well addressed by our omni-channel offering amplified by advanced marketing tools and further technology enhancements, which should help us attract new customers and drive sales in the coming quarters.

Coupled with our actions to create a more agile and lean cost structure with a better balance between variable and fixed costs, these efforts began to yield results in 2Q 2024. Our gross profit margin recovered quarter-over-quarter to over 30%, while we maintained and even enhanced our service level. We anticipate positive profitability momentum to continue in the coming quarters.

For the medium term, Alamar's focus remains on growth, margins, and technology innovation. We are implementing initiatives such as menu development, customer loyalty programs, and an optimized channel mix, supported by positive demographic and consumer trends. We will continue to open stores in territories with good returns on investment and attractive payback profiles.

We are confident that the continued execution of our strategy will enable us to deliver on our 2024 guidance and meet our 2025-2027 objectives, which we keep intact.

Regarding M&A activities, which are not included in the disclosed guidance, Alamar is currently evaluating several options that are aligned with our inorganic growth strategy.



SECOND QUARTER 2024 FINANCIAL RESULTS





Income Statement Summary

SAR mn	2Q 2023	2Q 2024	YoY % Change	1H 2023	1H 2024	YoY % Change
Revenues	252.7	226.4	-10.4%	502.4	433.3	-13.8%
Cost of revenues	(174.5)	(157.6)	-9.7%	(354.2)	(313.8)	-11.4%
Gross profit	78.2	68.8	-12.0%	148.2	119.5	-19.4%
Operating profit (EBIT)	23.5	18.9	-19.6%	42.8	6.7	-84.4%
Adj. EBITDA (pre IFRS 16)	33.5	26.9	-19.8%	66.7	36.8	-44.9%
Net profit	17.2	12.9	-25.1%	31.1	(4.8)	N/M
Adj. net profit	20.3	13.5	-33.3%	37.4	8.4	-77.6%

Margins summary

SAR mn	2Q 2023	2Q 2024	YoY % Change	1H 2023	1H 2024	YoY % Change
Gross Profit Margin	31.0%	30.4%	-0.6 ppt	29.5%	27.6%	-1.9 ppt
EBIT Margin	9.3%	8.3%	-1.0 ppt	8.5%	1.5%	-7.0 ppt
Adj. EBITDA Margin	13.3%	11.9%	-1.4 ppt	13.3%	8.5%	-4.8 ppt
Net Profit Margin	6.8%	5.7%	-1.1 ppt	6.2%	-1.1%	-7.3 ppt
Adj. Net Profit Margin	8.0%	6.0%	-2.1 ppt	7.5%	1.9%	-5.5 ppt

Revenue Mix by Brand

SAR mn	2Q 2023	2Q 2024	YoY % Change	1H 2023	1H 2024	YoY % Change
Domino's Pizza	230.2	212.3	-7.8%	460.9	405.8	-12.0%
Dunkin Donuts	17.3	10.7	-38.4%	32.8	21.2	-35.4%
Other	5.1	3.5	-32.2%	8.7	6.3	-27.0%
Total Revenue	252.7	226.4	-10.4%	502.4	433.3	-13.8%

Revenue Mix by Geography

SAR mn	2Q 2023	2Q 2024	YoY % Change	1H 2023	1H 2024	YoY % Change
KSA	166.3	148.9	-10.5%	337.0	290.8	-13.7%
Other GCC & Levant	56.5	58.0	+2.7%	108.4	101.6	-6.3%
North Africa	29.9	19.6	-34.5%	57.0	40.9	-28.3%
Total Revenue	252.7	226.4	-10.4%	502.4	433.3	-13.8%

Revenue Performance

Revenue declined by 10.4% YoY to SAR 226.4 million in 2Q 2024 as geopolitical tensions continued to weigh on the company's revenue dynamics along with a slower pace of expansion over the past several quarters.

At the same time, 2Q 2024 revenue increased by 9.5% QoQ driven by the improved market performance and the company's efficient marketing initiatives. Saudi Arabia and UAE led the recovery supported by stronger consumer spending and a favorable macro environment.

Domino's Pizza revenues fell 7.8% YoY to SAR 212.3 million in 2Q 2024. Dunkin' revenues dropped 38.4% YoY to SAR 10.7 million.

Revenue from Saudi Arabia declined 10.5% YoY to SAR 148.9 million. Other GCC countries and Levant showed a 2.7% revenue increase YoY to SAR 58.0 million in 2Q 2024. North Africa underperformed with revenue down 34.5% YoY to SAR 19.6 million.

During the second quarter the Group opened one corporate restaurant under Domino's brand on a net basis with its total store count increasing 3.3% YoY to 692 restaurants as of end of June 2024, of which 525 are corporate restaurants and 167 are franchise restaurants.

Cost and Profitability Trends

Cost of revenue decreased by 9.7% YoY to SAR 157.6 million in 2Q 2024. The pace of cost of revenue decline was somewhat less significant than for revenue as a more rapid drop in material costs was offset by deliberate investments in prices and marketing initiatives. As a result, gross profit fell 12.0% YoY to SAR 68.8 million with gross margin of 30.4% in 2Q 2024, down 0.6 ppt YoY.

At the same time, gross profit in 2Q 2024 grew by 35.9% QoQ with gross margin increasing by 5.9 ppt QoQ from 24.5% in 1Q 2024 to 30.4% in 2Q 2024.

Selling and distribution expenses grew 12.3% YoY to SAR 32.6 million in 2Q 2024 that continued to be driven by growth in advertising costs. Looking at quarterly dynamics, selling and distribution expenses fell 8.5% QoQ and accounted for 14.4% of 2Q 2024 revenue versus 17.2% in 1Q 2024.

General and administrative expenses declined by 18.1% YoY to SAR 21.7 million supported by cost management initiatives mainly related to the structure and overheads optimization. On a quarterly basis, general and administrative expenses fell by 9.4% QoQ and accounted for 9.6% of 2Q 2024 revenue versus 11.6% in 1Q 2024.

Employees share plan compensation expense decreased by 79.0% YoY to SAR 0.6 million in 2Q 2024. Other income grew 32.3% YoY to SAR 5.2 million driven by rebates received from suppliers.

Adjusted pre-IFRS 16 EBITDA decreased by 19.8% YoY and amounted to SAR 26.9 million with a margin of 11.9% in 2Q 2024 versus 13.3% a year ago. On a quarterly basis, adjusted pre-IFRS 16 EBITDA jumped 2.7x QoQ with a margin 7.1 ppt higher QoQ.

Finance costs decreased by 16.7% YoY to SAR 3.3 million in 2Q 2024 and Finance income grew 26.9% to SAR 1.4 million.

The company's net profit amounted to SAR 12.9 million in 2Q 2024, which marked a 25.1% YoY decline. This compares with net profit loss the company recognized in 1Q 2024. Net profit adjusted for one-off expenses amounted to SAR 13.5 million in 2Q 2024, down 33.3% YoY.

Overall, the financial results for 2Q 2024 reflect the continued execution of the company's strategy to invest in brand and marketing initiatives to drive sales growth and margin improvements. In addition, Alamar has reached a more flexible and efficient cost structure through the implementation of operational measures to recalibrate the balance between fixed and variable costs.



CAPEX AND CASH FLOW



Operating cash flow decreased by 70.5% YoY to SAR 13.8 million in 2Q 2024. Inventory balances were a result of optimizing the balance between stock levels and commodity prices, while an increase in trade receivables reflected higher payments due from sub-franchised markets.

Capital spending dropped 69.0% YoY to SAR 4.8 million in 2Q 2024 as the company temporarily slowed down expansion with just one net corporate restaurant opening during the quarter. Capital spending accounted for 2.1% of 2Q 2024 revenue versus 6.1% a year ago and mid-term guidance range of 5.0-6.0%.

Positive operating cash flow and reduced capital expenditures resulted in a SAR 9.0 million free cash flow generation in 2Q 2024. The Company's net cash position amounted to SAR 119.2 million as of end of 2Q 2024.





OUTLOOK AND GUIDANCE



Outlook

The management team believes that consistent execution of its action plan for 2024 will help the company address current challenges and improve its financial results in 2H 2024 following cost reduction and profitability recovery in 2Q 2024. As such, the company adheres to its FY 2024 guidance and medium-term outlook for 2025-2027.



2024 and Medium-Term Guidance

	FY 2024	2025-2027
Sales per store ³ , growth YoY	-4%	3-5% CAGR
Corporate store count, growth YoY	4%	11-13% CAGR
EBITDA margin ⁴	13%	19-21%
Capex, % of sales	4%	5-6%
Dividend payout ratio	94%	70-80%
Leverage ⁵	No expected debt raising	No expected debt raising

³ Only for corporate stores

⁴ On pre-IFRS 16 basis

⁵ Does not include inorganic growth

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